

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
MAUI ELECTRIC COMPANY, LIMITED)
For Approval of a Combined Heat and)
Power Agreement with Castle & Cooke)
Resorts, LLC, and Approval to)
Include the Combined Heat and Power)
System Fuel Costs in Maui Electric)
Company, Limited's Energy Cost)
Adjustment Clause.)
_____)

DOCKET NO. 2006-0186

ORDER NO. 22667

DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

2006 AUG -3 A 9:03

RECEIVED

Filed August 2, 2006
At 10 o'clock A .M.

Karen Higashi.
Chief Clerk of the Commission

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

K. Higashi.

I.

Background

MECO is the franchised provider of electric utility service on the islands of Lanai, Maui, and Molokai. Castle & Cooke Resorts, LLC ("C&C Resorts") is a Hawaii limited liability company that primarily does business on Lanai. C&C Resorts is the owner of the Four Seasons Resort Lanai at Manele Bay (the "Hotel"). MECO and C&C Resorts have entered into a Combined Heat and Power ("CHP") Agreement, dated June 16, 2006 ("CHP Agreement"), governing the installation of a CHP System at the Hotel ("CHP System").

On July 14, 2006, MECO filed an application requesting commission approval of the CHP Agreement.² MECO also seeks to include the CHP System fuel costs, ground transportation costs, and related taxes, in MECO's energy cost adjustment clause, to the extent that said costs are not included in MECO's base rates; and to include the reasonable costs incurred by MECO pursuant to the CHP Agreement, in its revenue requirement for ratemaking purposes and for the purpose of determining the reasonableness of MECO's rates using the direct financing lease method or the alternative method proposed by MECO. MECO makes its request pursuant to its Tariff Rule 4; HAR § 6-60-6; and In re Public Util. Comm'n, Docket No. 03-0371 ("Docket No. 03-0371"),³

²MECO's Application, Verification, Exhibits 1 - 3, and Certificate of Service, filed on July 14, 2006 (collectively, the "Application").

³Docket No. 03-0371 is the commission's investigation governing the implementation of distributed generation in the State of Hawaii.

Decision and Order No. 22248, filed on January 27, 2006, and Order No. 22375, filed on April 6, 2006.⁴

The CHP Agreement will take effect upon MECO's receipt of a final decision and order from the commission that approves MECO's requested relief (if any).⁵ If MECO does not receive the commission's approval within 120 days of the last signature to the CHP Agreement, i.e., by October 14, 2006, either party may terminate the agreement by providing written notice of termination to the other party prior to the effective date.⁶

Based on the foregoing, the commission will instruct the Parties to submit a stipulated procedural schedule for the commission's review and consideration.⁷

⁴MECO served copies of its Application upon the Consumer Advocate.

⁵CHP Agreement, Section 1.2, at 1. The initial-term of the CHP Agreement is twenty (20) years from the effective date, subject to automatic renewal for successive twelve (12)-month periods if not affirmatively terminated by either party. CHP Agreement, Section 5.3, at 7 - 8.

⁶CHP Agreement, Section 1.2, at 1. MECO filed its Application on July 14, 2006. The date of the last signature on the CHP Agreement is June 16, 2006. CHP Agreement, at 13. Thus, MECO and C&C Resorts expect the commission to issue its final decision and order by October 14, 2006. See MECO's Application, at 14.

⁷In the event intervenor or participant status is later granted to any interested person, the commission will amend the procedural schedule accordingly, if necessary.

II.

Orders

THE COMMISSION ORDERS:

1. Within twenty (20) days from the date of this Order, the Parties shall submit to the commission a stipulated procedural schedule, incorporating their agreed-upon schedule with respect to this proceeding.

2. If the Parties are unable to stipulate to such a schedule, each Party shall submit a proposed procedural schedule for the commission's consideration by the same date. Alternatively, in the absence of a formal procedural schedule, the Parties shall, at a minimum, identify their agreed-upon deadlines for the Consumer Advocate and MECO to file their position and rebuttal statements, respectively, and notify the commission accordingly.

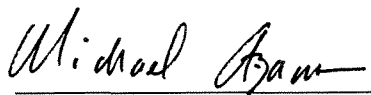
DONE at Honolulu, Hawaii AUG - 2 2006.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By: 
Carlito P. Caliboso, Chairman

By: 
John E. Cole, Commissioner

APPROVED AS TO FORM:


Michael Azama
Commission Counsel
2006-0186.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 22667 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

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Karen Higashi

DATED: AUG - 2 2006