

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of)

HAWAIIAN ELECTRIC COMPANY, INC.)

Regarding Integrated Resource)
Planning.)
_____)

DOCKET NO. 03-0253

ORDER NO. 23312

Filed March 21, 2007

At 11 o'clock A.M.

Karen Higashi

Chief Clerk of the Commission

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

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

Karen Higashi

In the Matter of the Application of)
HAWAIIAN ELECTRIC COMPANY, INC.)
Regarding Integrated Resource)
Planning.)

Order No. 23312

By this Order, the commission approves the agreed-upon terms to govern the disposition of this proceeding, and the agreed-upon terms to govern the development of HAWAIIAN ELECTRIC COMPANY, INC.'s ("HECO" or "Company") next Integrated Resource Plan ("IRP"), as set forth in the Stipulation Regarding Hearing and Commission Approval filed by the Parties¹ on March 7, 2007, as supplemented on March 9, 2007 (collectively, the "Stipulation"). HECO shall: (1) file its Evaluation Report for its IRP-3 by May 31, 2007; (2) initiate the development of its IRP-4, beginning with the first Advisory Group meeting in March 2007; and (3) file its IRP-4 by June 30, 2008, unless ordered otherwise by the commission.

¹The Parties are HECO, LIFE OF THE LAND ("LOL"), and the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate"), an ex officio party to this proceeding, pursuant to Hawaii Revised Statutes § 269-51 ("HRS") and Hawaii Administrative Rules ("HAR") § 6-61-62(a).

I.

Background

HECO is required to develop, prepare, and submit its IRP and program implementation schedule ("Action Plan") to the commission, pursuant to the Framework for Integrated Resource Planning (revised May 22, 1992) adopted by the commission in In re Public Util. Comm'n, Docket No. 6617 ("IRP Framework").²

A.

Procedural Background

On September 11, 2003, the commission opened this docket to commence the next cycle of integrated resource planning for HECO, and to examine and develop HECO's IRP-3 for submission to the commission by October 31, 2005.³ On October 28, 2005, HECO filed its IRP-3 and Supply-Side and Demand-Side Action Plans for the 20-year horizon of 2006 - 2025, and five-year Action Plan for 2006 - 2010. On June 15, 2006, the commission granted LOL's motion to intervene.⁴

On November 14, 2006, the commission, on its own motion, issued Prehearing Order No. 23022, setting forth the issues, procedures, and schedule to govern HECO's IRP-3.⁵ On

²Section III.B.2 of the IRP Framework provides in relevant part that "[e]ach utility shall conduct a major review of its integrated resource plan every three years. In such a review, a new 20-year time horizon shall be adopted, the planning process repeated, and the utility's resource programs re-analyzed fully."

³Order No. 20430, filed on September 11, 2003.

⁴Order No. 22533, filed on June 15, 2006.

⁵Prehearing Order No. 23022, filed on November 14, 2006.

January 29, 2007, HECO filed its Motion for Amendment to Procedural Schedule, seeking to amend the schedule of proceedings set forth in Prehearing Order No. 23022.⁶ On January 31, 2007, LOL filed its Response to HECO's Motion for Amendment to Procedural Schedule, requesting that the commission deny HECO's motion.

On February 26, 2007, the commission held a status conference with the Parties.⁷ At the status conference the Parties agreed to file a procedural stipulation with the commission by March 7, 2007, or separate motions by March 7, 2007 if they could not reach agreement, and any responses thereto by March 14, 2007.⁸

B.

Parties' Stipulation⁹

On March 7, 2007, the Parties filed their Stipulation, by which they agree to dispose of this proceeding in toto, without an evidentiary hearing, and instead, proceed with the

⁶On February 16, 2007, HECO filed an affidavit in support of its motion, consistent with HAR § 6-61-41(b) and the commission's directive. See Commission letter, dated February 13, 2007.

⁷Chairman Carlito P. Caliboso presided over the status conference; no other commissioner was in attendance.

⁸See Commission letter, dated February 28, 2007.

⁹A copy of the Parties' Stipulation is attached as Exhibit 1 to this Order. The Stipulation refers to the HECO Companies, which consist of HECO, Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited.

development of HECO's IRP-4.¹⁰ In general, the Parties' Stipulation consists of three components: (1) the preamble; (2) the Parties' contemplated procedures for the development of HECO's IRP-4; and (3) the Parties' agreed-upon terms, including their agreement to dispose of this proceeding in toto, without an evidentiary hearing, and instead, proceed with the development of HECO's IRP-4.

1.

Preamble

In the preamble to their Stipulation,¹¹ the Parties state:

1. The focus and purpose of an IRP proceeding is to review whether the utility's Final Preferred IRP: (A) represents a reasonable course for meeting the energy needs of the utility's customers; and (B) is in the public interest and consistent with the goals and objectives of integrated resource planning. IRP Framework, Section II.D.1.

2. The integrated resource planning process is intended to be forward looking by virtue of the IRP planning horizon being twenty years beginning January 1 following the completion of the IRP. IRP Framework, Section II.A.1.

¹⁰The Stipulation is intended to supersede: (1) HECO's Motion for Amendment to Procedural Schedule, filed on January 29, 2007; and (2) LOL's Response to HECO's Motion for Amendment to Procedural Schedule, filed on January 31, 2007.

¹¹Parties' Stipulation, at 1 - 6.

3. The Final Preferred Plan for HECO's IRP-3 identifies a need for 235 megawatts ("MW" or "MWs") in the five-year Action Plan period (i.e., 2006 - 2010), which will be addressed by 174 MWs of supply-side resources and 61 MWs of demand-side management ("DSM") resources. Approximately sixty-nine percent (69%) of the 235 MWs will be provided by the proposed installation of a 110 MW combustion turbine in the 2009 time period and the achievement of 61 MWs of savings due to the installation of DSM programs over the five-year Action Plan period.

4. The reasonableness of HECO's supply-side resource plan to add a 110 MW combustion turbine generating unit at Campbell Industrial Park in the 2009 time period is being addressed in In re Hawaiian Elec. Co., Inc., Docket No. 05-0145.

5. The reasonableness of HECO's plan to implement the proposed energy efficiency DSM programs intended to achieve the 61 MWs in energy savings is being addressed in In re Hawaiian Elec. Co., Inc., Docket No. 05-0069. The commission, by Decision and Order No. 23258, issued on February 13, 2007, in Docket No. 05-0069, stated that by January 2009, all of the HECO Companies' Energy Efficiency DSM Programs, with the exception of HECO Companies' Load Management DSM Programs, shall transition to the Non-Utility Market Structure.¹² "As a result, HECO's IRP-3

¹²The Parties state that, pursuant to Section III.B.2 of the IRP Framework, the new twenty-year horizon for HECO's IRP-4 spans the 2009 - 2028 time period, and that "the first year of the five[-]year action plan for IRP-4 will coincide with the first year under which [the HECO Companies'] DSM programs will become the responsibility of the Non-Utility Market Provider." Parties' Stipulation, at 4 n.8.

assumptions beyond the five-year action plan may be characterized as 'questionable' as there is no assurance that under the Non-Utility Market Structure the same programs will continue at the level proposed in IRP-3."¹³

6. Under this scenario, and given that the integrated resource planning process is continuous, it is more appropriate to begin a new IRP cycle in which forecasts and planning assumptions can be updated, and developments since the filing of HECO's IRP-3 can be appropriately considered.

7. In addition, the commission's Framework for Competitive Bidding, implemented on December 8, 2006,¹⁴ is intended to complement the IRP Framework.

2.

HECO's IRP-4

The Parties, in their Stipulation, describe the contemplated procedures for the development of HECO's IRP-4, including an expanded role for the Advisory Group process, and with the first Advisory Group meeting scheduled to commence in

¹³Parties' Stipulation, at 4 (citing Docket No. 05-0069, Decision and Order No. 23258, Ordering Paragraph No. 4, at 144).

¹⁴In re Public Util. Comm'n, Docket No. 03-0372, Decision and Order No. 23121, filed on December 8, 2006, and Exhibit A. In general, the competitive bidding process has been established by the commission as the required mechanism for acquiring a future generation resource or a block of generation resources, whether or not such resource has been identified in a utility's IRP. In addition, the competitive bidding process is integrated into the IRP process. Framework for Competitive Bidding (dated December 8, 2006), Part II.C.

March 2007.¹⁵ Moreover, HECO commits to initiating the Advisory Group process even though an order opening the HECO IRP-4 process has not yet been issued by the commission. In addition, HECO's IRP-4 process will address and incorporate the applicable requirements governing the commission's Framework for Competitive Bidding.

3.

Terms of the Stipulation

By their Stipulation, the Parties stipulate and agree to the following terms:¹⁶

Applicable to this proceeding for the purpose of simplifying and expediting this proceeding, and facilitating the development of integrated resource planning in the State of Hawaii:

1. HECO, the Consumer Advocate, and LOL do not request additional procedural steps or an evidentiary hearing in this proceeding;
2. HECO, the Consumer Advocate, and LOL agree that concerns raised by the parties with respect to supply-side resources not reflected in HECO's IRP-3 Supply-Side Action Plan can be more appropriately addressed in the development of HECO's IRP-4 Plan;
3. HECO, the Consumer Advocate, and LOL agree that concerns raised by the parties with respect to DSM resources and/or HECO's DSM Action Plan can more appropriately be addressed in the development of HECO's IRP-4 cycle;
4. As a result, HECO, the Consumer Advocate, and LOL agree that (a) the filing of HECO's IRP-3 Plan and Action Plans are sufficient to meet HECO's responsibility under Section II.C.1,2 of the IRP Framework, and (b) it is not

¹⁵See Parties' Stipulation, at 6 - 11.

¹⁶Parties' Stipulation, at 11 - 15.

necessary under the circumstances for the Commission to issue a final decision and order under Section II.D.2 of the IRP Framework approving the Company's IRP-3 Plan;

5. HECO, the Consumer Advocate, and LOL further agree that HECO's IRP-3 Plan and Action Plans will have the status of plans filed with, but not approved by, the Commission;
6. Pursuant to Section III.D.3 of the IRP Framework, HECO will submit an Evaluation Report of its IRP-3 Plan and Action Plans no later than May 31, 2007;
7. Pursuant to Section III.B.2 of the IRP Framework, HECO will submit a revised (i.e., 4th) IRP Plan and Action Plans no later than June 30, 2008, unless the Commission sets or approves a different date for such submission. In order to streamline the process to develop HECO's 4th IRP-4 Plan and Action Plans, HECO will use its current IRP-3 Plan and Action Plans as the base reference plans to commence the 4th IRP cycle and the information to be provided in the May 2007 Evaluation Report will also be considered in developing IRP-4;
8. HECO, the Consumer Advocate, and LOL hereby waive any disqualification of Commissioner John Cole in this subject proceeding, pursuant to Haw. Rev. Stat. Section 91-9(d) [;]
9. HECO and the [Consumer Advocate] do not object to the Commission granting intervenor status to LOL in the docket to be opened by the Commission regarding HECO's IRP-4, provided that LOL is not permitted to expand the scope of the proceeding or delay the proceeding, and LOL is required to comply with the Commission's Rules of Practice and Procedures. HECO and the Consumer Advocate further agree that this stipulated agreement may serve in lieu of LOL having to file a motion to intervene in the HECO IRP-4 proceeding;
10. HECO, the Consumer Advocate, and LOL agree that the issue of Climate Change requires attention throughout the IRP-4 process. In order to facilitate this, HECO will conduct (as part of its IRP-4 process) a technical

session with a panel discussion on climate change and global warming, and will perform a scenario analysis (or analyses) to analyze potential future requirements or utility costs arising out of measures that may be adopted to address climate changes/global warming. The intent of the panel discussion is for HECO and the Advisory Group members to get a better understanding of the issues relating to global warming and how it should be considered in the IRP process. The Advisory Group members will have the opportunity to provide experts for this panel discussion and will be allowed to participate in a question and answer forum. HECO will include a copy of this panel presentation and discussions with its IRP-4 Plan filing, so that the information will become part of the record in the IRP-4 Docket opened by the Commission. (In order to include a copy of the panel discussion with the IRP-4 Plan filing, a transcript of this panel discussion will be prepared.) The Advisory Group also will have the opportunity to provide input to HECO regarding the climate changes/global warming alternative scenario analysis (or analyses), and any climate change/global warming alternative resource plan considered in the IRP-4 process[;]

11. HECO and the Consumer Advocate agree that LOL should be a member of the HECO IRP-4 Advisory Group;
12. In order to support competitive bidding for new generation and pursuant to Section II.D.3 of the IRP Framework, HECO, the Consumer Advocate, and LOL agree to cooperate in expediting the Commission's review of HECO's IRP-4 Plan and Action Plans. To facilitate the Commission's review of HECO's IRP-4 Plan and Action Plans, to be filed by June 30, 2008 (unless the Commission sets or approves a different date from such submission), HECO, the Consumer Advocate and LOL propose that the procedural steps for the IRP-4 proceeding include the simultaneous filing by the parties of statements of position, one round of information requests, the simultaneous filing of reply statements of position, and an evidentiary hearing, with the specific dates to be determined following the filing of the IRP-4 Plan and Action Plans. HECO, the Consumer Advocate and LOL

acknowledge that the proposed procedural steps and schedule for the proceeding are subject to Commission approval. As contemplated by the IRP Framework, the parties to this stipulation request that the Commission conduct the evidentiary hearing within six month[s] of HECO's filing of its IRP-4 Plan and Action Plans, and render its decision shortly thereafter; and

13. The parties submit that this stipulation, subject to Commission approval, will allow for the disposition of this proceeding.

Parties' Stipulation, at 11 - 15.

II.

Discussion

The Parties state that integrated resource planning is a continual, evolving process, and given the developments and progress made in certain dockets, specifically Dockets No. 03-0372 (Competitive Bidding), No. 05-0069 (Energy Efficiency), and No. 05-0145 (Campbell Industrial Park Project), HECO's IRP-3 appears dated. Thus, in the Parties' view, it is more efficient for the Parties and other interested stakeholders to focus their resources and efforts on developing HECO's IRP-4. With HECO's acquiescence, the Parties commit to implementing the Advisory Group process for HECO's IRP-4 in March 2007. The Parties further envision an expanded role for the Advisory Group process, which will include discussion sessions that focus on various externality concerns advanced by LOL. Under this scenario, and with the goal of facilitating the development of integrated resource planning in the State of Hawaii, the Parties

agree to dispose of HECO's IRP-3 proceeding in toto, without an evidentiary hearing.¹⁷

Ultimately, HECO commits to filing its IRP-4 with the commission by June 30, 2008, unless a different date is set or approved by the commission. Furthermore, HECO and the Consumer Advocate agree to the commission's granting of intervenor status to LOL in HECO's IRP-4 docket, without the need for LOL to file a motion to intervene. Finally, pursuant to Section II.D.3 of the IRP Framework, the Parties "request that the Commission conduct the evidentiary hearing within six month[s] of HECO's filing of its IRP-4 Plan and Action Plans, and render its decision shortly thereafter[.]"¹⁸

Based on the foregoing, the commission approves: (1) the Parties' agreed-upon terms to govern the disposition of this proceeding, as reflected in pages 11 to 15 of the Stipulation; and (2) the Parties' agreed-upon procedures to govern the development of HECO's IRP-4, as reflected in pages 6 to 11 of the Stipulation.¹⁹ Accordingly, HECO shall file its Evaluation Report for its IRP-3 by May 31, 2007; and shall initiate the development of its IRP-4, beginning with the first Advisory Group meeting in March 2007. HECO shall file its IRP-4 with the commission by June 30, 2008. In addition to HECO and

¹⁷As part of the settlement, HECO commits to filing its Evaluation Report with the commission by May 31, 2007, in accordance with Section III.D.3 of the IRP Framework.

¹⁸Parties' Stipulation, at 14.

¹⁹The commission finds it unnecessary to affirmatively approve or act on the preamble portion of the Parties' Stipulation.

the Consumer Advocate, the commission will name LOL as an intervenor for HECO's IRP-4 proceeding, without the need for LOL to file a motion to intervene.²⁰

III.

Orders

THE COMMISSION ORDERS:

1. The Parties' agreed-upon terms to govern the disposition of this proceeding, as reflected in pages 11 to 15 of the Stipulation, filed on March 7, 2007, are approved.

2. The Parties' agreed-upon procedures to govern the development of HECO's IRP-4, as reflected in pages 6 to 11 of the Stipulation, filed on March 7, 2007, are approved.

3. HECO shall file its Evaluation Report for its IRP-3 by May 31, 2007.

4. HECO shall initiate the development of its IRP-4, beginning with the first Advisory Group meeting in March 2007.

5. HECO shall file its IRP-4 no later than June 30, 2008, with copies served upon the Consumer Advocate and LOL. HECO, the Consumer Advocate, and LOL will be named as parties to HECO's IRP-4 proceeding.

²⁰The commission will issue a separate order to formally commence HECO's IRP-4. The order will name HECO, the Consumer Advocate, and LOL as parties to HECO's IRP-4 proceeding. In addition, the commission will defer to HECO's IRP-4 proceeding the consideration of the fuel diversity and fossil fuel generation efficiency issues mandated by Sections 111(d)(12) and 111(d)(13) of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), as amended by the Energy Policy Act of 2005. See commission's letter, dated August 9, 2006; HECO's letter, dated January 31, 2007; and LOL's response, dated January 31, 2006.

6. The consideration of the fuel diversity and fossil fuel generation efficiency issues mandated by Sections 111(d)(12) and 111(d)(13) of PURPA, as amended by the Energy Policy Act of 2005, is deferred to HECO's IRP-4 proceeding.


7. The public hearing or hearings contemplated by the commission for HECO's IRP-3 and any other procedural requirements are cancelled as moot.

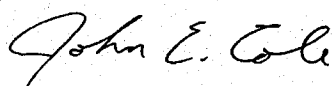
8. HECO's Motion for Amendment to Procedural Schedule, filed on January 29, 2007, is dismissed as moot.

9. Upon the filing of HECO's Evaluation Report for its IRP-3, this docket shall be closed unless ordered otherwise by the commission.

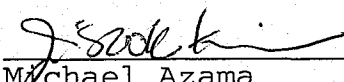
DONE at Honolulu, Hawaii MAR 21 2007.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By: 
Carlito P. Caliboso, Chairman

By: 
John E. Cole, Commissioner

APPROVED AS TO FORM:


for Michael Azama
Commission Counsel

03-0253.sl

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of
HAWAIIAN ELECTRIC COMPANY, INC.
Regarding Integrated Resource Planning

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Docket No. 03-0253

PUBLIC UTILITIES
COMMISSION

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STIPULATION REGARDING HEARING AND COMMISSION APPROVAL

and

CERTIFICATE OF SERVICE

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)	
)	
HAWAIIAN ELECTRIC COMPANY, INC.)	Docket No. 03-0253
)	
Regarding Integrated Resource Planning)	
_____)	

STIPULATION REGARDING HEARING AND COMMISSION APPROVAL

WHEREAS, Hawaiian Electric Company, Inc. ("HECO" or "Company") is required to develop, prepare, and submit its integrated resource plan ("IRP Plan") and program implementation schedule ("Action Plans") pursuant to a Framework for Integrated Resource Planning (revised May 22, 1992) (the "IRP Framework"), which the Commission adopted in Decision and Order No. 11630 (May 22, 1992) in Docket No. 6617, amending and reissuing the IRP Framework adopted in Decision and Order No. 11523 (March 12, 1992);¹

WHEREAS, by Order No. 20430, filed September 11, 2003, the Commission opened the subject docket to commence the next cycle of integrated resource planning ("IRP") for HECO, and to examine and develop HECO's IRP-3 Plan to be submitted by October 31, 2005.

WHEREAS, on October 1, 2004, Life of the Land, ("LOL") filed a Motion to Intervene in the subject proceeding.² On October 11, 2004, HECO filed a Memorandum in Response to LOL's Motion to Intervene, wherein HECO requested that the Commission dismiss without

¹ Section III.B. (The Planning Context) of the Commission's IRP Framework, provides that each utility shall conduct a major review of its IRP every three years and in such a review, a new 20-year time horizon shall be adopted, the planning process repeated, and the utility's resources programs re-analyzed fully.

prejudice LOL's Motion to Intervene and allow LOL to refile a Motion to Intervene in a timely manner following the filing of HECO's IRP-3 Plan.

WHEREAS, on October 28, 2005, HECO filed its IRP-3 Plan and Supply-Side and Demand-Side Action Plans for the 20-year planning horizon of 2006 – 2025 and five-year Action Plan for 2006 - 2010;

WHEREAS, on April 6, 2006, the Commission issued Order No. 22374, wherein the Commission ordered LOL to submit a supplement to its October 1, 2004 Motion to Intervene. On April 26, 2006, LOL filed its supplement as requested by the Commission. On May 3, 2006, HECO informed the Commission that it did not object to the Commission granting intervenor status to LOL, provided that LOL is not permitted to expand the scope of the proceeding or delay the proceeding, and LOL is required to comply with the Commission's Rules of Practice and Procedure.

WHEREAS, on June 15, 2006, the Commission issued Order No. 22533, granting LOL's Motion to Intervene, as supplemented, and ordered the parties (i.e., HECO, the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs (the "Consumer Advocate") and LOL) to determine the issues and procedural schedule to be set forth in a stipulated procedural schedule to be submitted for Commission approval.

WHEREAS, the focus and purpose of an IRP proceeding pursuant to Section II.D.1. of the Commission's IRP Framework is to review whether the utility's Final Preferred IRP plan (identified pursuant to Section IV.I.4 of the IRP Framework) represents a reasonable course for meeting the energy needs of the utility's customers, is in the public interest and consistent with the goals and objectives of IRP, and pursuant to Section III.A.1, is intended to be forward

² LOL's Motion to Intervene was dated September 30, 2004.

looking by virtue of the IRP planning horizon being 20 years beginning January 1 following the completion of the IRP plan;

WHEREAS, the Final Preferred Plan for HECO's IRP-3 identified a need for 235 MWs in the five-year Action Plan period (i.e., 2006 through 2010), which would be addressed by 174 MWs of supply side resources and 61 MWs of demand side management resources;³

WHEREAS, approximately 69% of the 235 MWs are to be provided by the proposed installation of a 110 MW combustion turbine in the 2009 time period and the achievement of 61 MWs of savings due to the installation of demand-side management programs over the five-year Action Plan period;⁴

WHEREAS, on September 29, 2006,⁵ the parties filed a stipulation that set forth the parties agreement that:

- The focus of this proceeding should be on the integrated resource planning process, rather than on whether HECO's proposed integrated resource plan and program implementation schedule comply with the Commission's IRP Framework since:
 - The reasonableness of HECO's supply-side resource plan to add a 110 MW combustion turbine generating unit at Campbell Industrial Park in the

³ See HECO IRP-3, Figure 13.3-1 Final Preferred Plan, at 13-9.

⁴ The demand-side management programs are the Residential Efficient Water Heating ("REWH"), the Residential New Construction ("RNC"), the Commercial & Industrial Energy Efficiency ("CIEE"), the Commercial & Industrial New Construction ("CINC"), the Commercial & Industrial Custom Rebate ("CICR"), the Interim Energy Solution for the Home ("ESH"), the Residential Direct Load Control ("RDLC"), and the Commercial & Industrial Direct Load Control ("CIDLC") program. See *Id.*

⁵ Order No. 22813, filed on September 1, 2006, approved the request for an extension of time from August 28, 2006 to September 29, 2006, for the parties to file their proposed Stipulated Procedural Order.

2009 time period is being addressed in Docket No. 05-0145;⁶ and

- The reasonableness of HECO's plan to implement the proposed energy efficiency demand-side management programs intended to achieve 61 MWs in energy savings are being addressed in Docket No. 05-0069.⁷ Furthermore, on February 13, 2007, the Commission filed Decision and Order No. 23258 in Docket No. 05-0069 stating that by January 2009,⁸ all of the HECO Companies' Energy Efficiency DSM programs, with the exception of the Company's Load Management programs, shall transition to the Non-Utility Market Structure. As a result, HECO's IRP-3 assumptions beyond the five-year action plan may be characterized as "questionable" as there is no assurance that under the Non-Utility Market Structure the same programs will continue at the level proposed in IRP-3.⁹

⁶ In Decision and Order No. 23121 filed on December 8, 2006 in Docket No. 03-0372, the Commission adopted a Framework for Competitive Bidding to govern competitive bidding as a mechanism for acquiring or building new energy generation in Hawaii. As a result, new supply resources beyond the 110 MW combustion turbine project will be subject to competitive bidding and there is no assurance that the results of the competitive bidding process will mirror the IRP-3 identified supply side resources.

⁷ At the Energy Efficiency Docket panel hearings, conducted on August 28, 2006 to September 1, 2006, in Docket No. 05-0069, HECO indicated that it planned to file by year-end proposed modifications to its two existing load management programs (i.e., the RDLC and CIDLC programs), which were approved in Decision and Order Nos. 21415 and 21421, filed in Docket Nos. 03-0166 and 03-0415, respectively. HECO filed proposed modifications to its RDLC and CIDLC programs on November 22 and December 29, 2006. On December 29, 2006, the Commission issued Decision and Order No. 23181 in Docket No. 03-0166 approving HECO's request to modify the RDLC program.

⁸ Pursuant to Section III.B.2 of the Commission's IRP Framework, revised on May 22, 1992, HECO is to conduct its next major review of the IRP plan set for in IRP-3 and establish a new 20-year time horizon for the period 2009 through 2028 as IRP-4. The first year of the five year action plan for IRP-4 will coincide with the first year under which the Company's DSM programs will become the responsibility of the Non-Utility Market Provider.

⁹ Decision and Order No. 23258, ordering paragraph 4 at 144.

- Instead of filing a Stipulated Prehearing Order, as required by Order No. 22813, the parties agreed to use good faith efforts to agree upon a stipulation that, subject to Commission approval, would allow for the disposition of the instant proceeding without a final decision and order approving HECO's third IRP and Action Plans.¹⁰

WHEREAS, HECO, the Consumer Advocate, and LOL agree that the integrated resource planning process¹¹ is continuous and that given the above, it would be more appropriate for HECO to begin a new IRP cycle¹² in which forecasts and planning assumptions can be updated and developments since the October 28, 2005 filing of HECO's IRP-3 Plan can be appropriately considered,¹³

WHEREAS, the Commission's proposed Framework for Competitive Bidding contemplates that:

- The IRP Framework shall continue to be used to set the strategic direction of resource planning by electric utilities.

¹⁰ Prehearing Order No. 23022

¹¹ Section III.A. (The Planning Context) of the Commission's IRP Framework describes the four major steps in the integrated resource planning process (i.e., planning, programming, implementation, and evaluation).

¹² Section III.D.4. (Submission to the Commission) indicates the utility at any time, as a result of its annual evaluation or change in conditions, circumstances or assumptions, may revise or amend its IRP, subject to appropriate requirements of Part D.

¹³ For example, the Commission concluded a proceeding on the appropriateness of installing distributed generation in Docket No. 03-0371 and recently opened Docket No. 2006-0084 to examine the issues regarding the size of generating units eligible for net metering arrangements. In addition, the Commission addressed the appropriateness of using a competitive bidding process as the preferred mechanism for acquiring new supply-side resources in Docket No. 03-0372 and recently issued a Framework setting forth the parameters and guidelines for the implementation of such a process.

- The Competitive Bidding Framework is intended to complement the IRP Framework and, in order for competitive bidding to be effectively and efficiently integrated with a utility's IRP process, stakeholders must work cooperatively to identify and adhere to appropriate timelines, which may need to be expedited.
- The preferred IRP Plan will identify specific future generation resources or blocks of generation resources, including (a) generic resources that may be used in the RFP evaluation process if no utility self-build project proposal is being advanced, and (b) "capacity, energy, timing, technologies, and other preferred attributes".
- Competitive bidding, unless the Commission finds it to be unsuitable, is established as the required mechanism for acquiring a future generation resource or a block of generation resources, whether or not such resource has been identified in a utility's IRP Plan.
- The IRP Plan will identify those resources for which the utility proposes to hold competitive bidding, and those resources for which the utility seeks a waiver from competitive bidding.
- An evaluation of bids in a competitive bidding process may reveal desirable projects that were not included in an approved IRP Plan.

WHEREAS, as a result of discussions between HECO, the Consumer Advocate and LOL, it is contemplated that the process for the 4th IRP cycle (IRP-4) will include the following:

- Approximately 15 months prior to the proposed June 2008 filing date of the Company's IRP-4 Plan (i.e., March of 2007), HECO will conduct Advisory Group meeting(s) to discuss the development of the Company's IRP-4 Plan, including modifications, if any that may be required to the IRP-3 Plan based on the

Commission's findings in Docket Nos. 03-0371, 03-0372, 05-0069, 05-0145 and 05-0146. In such meetings, HECO will commit to improving the manner in which the Company implements the IRP planning process as set forth in the IRP Framework.

- HECO will establish for the development of IRP-4 an overall IRP Advisory Group and hold meetings to provide opportunity for Advisory Group members, as well as the general public, to review and comment on subjects including, but not limited to: (a) sales, load and fuel forecasts, (b) the supply-side options (to the extent practicable given the competitive bidding framework), which include central station generation, distributed generation and combined heat and power resources, (c) demand-side options, (d) transmission and distribution system constraints; (e) externalities, including the issues of climate change and global warming; and (f) the integration analysis.
- At the first Advisory Group meeting to be held in March of 2007, HECO will:
 - Present initial information as to the Company's position regarding the quantitative and qualitative measures of each element constituting each stated objective set forth in Section 1.6 of HECO's IRP-3,¹⁴ to the extent that information on the measures is currently available. These objectives and measures for consideration in developing HECO's IRP-4 may be

¹⁴ For example, what are the current projected sales and peak forecasts (peak and off peak); the DSM impacts of each of the various programs; the available generation (company owned and independent power producer); the current air emissions; the current use of potable water; the current generation reliability indexes; the current amount of fuel used by types and the cost per unit for each type of fuel; the current fuel price forecast over the 20-year period to be covered by IRP-4; the current transmission system constraints; the current distribution system constraints; and the current rates authorized by the Commission.

established iteratively and may be subject to change depending on current and anticipated future conditions such as changes in priorities, regulation, legislation, the economy, the industry and technology.

- Present initial information as to where the Company would like to be in the 20-year period covered by IRP-4 and how the Company expects to achieve the objectives, stated in terms of the quantitative and qualitative measures for each objective. The Company will set forth the specific actions expected to be undertaken in the five-year action plan period (i.e., 2009-2013) to implement the resources in the 20-year period covered by IRP-4 and how each resource to be implemented, quantitatively or qualitatively moves toward the stated objective.
- Present initial information regarding the changes that may be necessary to the IRP-3 Plan and Action Plans based on the information presented on where the Company is today compared to where the Company thought it would be at this time (i.e., the information required to prepare the annual evaluation set forth in Section III.D.3. of the IRP Framework.)

All of the above will serve as the basis for discussing the development of IRP-4 with the Advisory Group members.

- During each of the subsequent technical sessions discuss, as necessary, how the various information being considered to develop IRP-4 impact the quantitative and qualitative measures pertaining to the achievement of the stated objectives to be accomplished by IRP-4. In this regard, the meetings should not be theoretical and should not focus only on the subject (e.g., sales and load forecasts, supply-

side or demand-side resources). Rather the meetings should also relate to the overall objectives to be accomplished such that any trade-offs that are ultimately reflected in the IRP-4 plan to be submitted for the Commission's review and approval will be presented to the Advisory Group members. Through these discussions, it is intended that the process by which HECO determines its IRP-4 preferred plan will truly be a public process as envisioned in Section III.E.1. of the IRP Framework.

- Schedule, on a regular basis, Advisory Group meetings such that there is always at least one meeting scheduled for each calendar quarter beginning with the first quarter of 2007. More frequent meetings can be scheduled as needed. The Company will commit to continuing the meetings even though a Commission Order to begin a new planning cycle has not been issued. Attached as Exhibit A is an illustrative quarterly Advisory Group meeting schedule with possible agenda topics. The agenda topics are representative of the major subject matter elements that are integral to the development of an IRP Plan. The scheduling of agenda topics will need to take into account events external to the Company beyond its control such that there will be the need for flexibility in the implementation of the IRP process and scheduling of Advisory Group meetings (e.g., (1) for its fuel price forecast, the Company utilizes the Energy Information Agency Annual Energy Outlook report, which is generally issued in mid-January, however, in 2006 the report was not issued until mid-February, and this delay impacted the development of the fuel price forecast; (2) the IRP process needs to be able to take into account the latest available information provided in regulatory filings and/or

Commission decisions in other proceedings (e.g., the Commission's decision in the Energy Efficiency Docket could have an impact on the Company's planned DSM programs, and the Adequacy of Supply report, generally filed at the end of January, provides updated information on the Company's near term reserve margin shortfall situation and contingency measures planned to address the situation). To help facilitate planning for the Advisory Group process, at the conclusion of an Advisory Group meeting the Company proposes to have a discussion with the members regarding the timeframe for the next meeting, and preliminary agenda topics. The final date of the next Advisory Group meeting or technical session and agenda topics will be provided by the Company to the Advisory Group members at least two weeks prior to the meeting.

Through the above process, the stated qualitative and quantitative goals and objectives for IRP-4 will evolve to reflect the goals and objectives supporting the plan that is ultimately submitted for Commission review and approval on or about June 2008.

In addition, the IRP-4 cycle will include the following:

- The IRP process will need to incorporate the Framework for Competitive Bidding for supply-side resources that was issued by the Commission. In previous IRP cycles, the utility identified specific supply-side resources planned for implementation during the IRP planning period time horizon, regardless of ownership of the facilities. To support competitive bidding for a future generation resource or block of generation resources, the IRP process will need to be more flexible in that the preferred IRP Plan will likely identify certain attributes such as capacity, timing and technologies, pending the issuance of a Request for Proposals

("RFP"). The RFP process would select the specific resource or resources to meet the requirements identified in the preferred IRP Plan. The interrelationship of the IRP process and the competitive bidding process will be discussed in the initial IRP Advisory Group meetings.

- In such Advisory Group meetings, HECO will present an analysis of the steady-state impacts on the Company's transmission system of various supply-side resource options (e.g., conventional supply-side resources, distributed generation resources, renewable resources and as-available resources).
- In such Advisory Group meetings, concerns with respect to the Externalities Workbook and the consideration of externalities in the IRP process also will be discussed so that they can be addressed in HECO's IRP-4 cycle.

NOW THEREFORE, it is hereby stipulated and agreed to by HECO, the Consumer Advocate, and LOL as follows:

Applicable to this proceeding for the purpose of simplifying and expediting this proceeding, and facilitating the development of integrated resource planning in the State of Hawaii:

1. HECO, the Consumer Advocate, and LOL do not request additional procedural steps or an evidentiary hearing in this proceeding;
2. HECO, the Consumer Advocate, and LOL agree that concerns raised by the parties with respect to supply-side resources not reflected in HECO's IRP-3 Supply-Side Action Plan can be more appropriately addressed in the development of HECO's IRP-4 Plan;
3. HECO, the Consumer Advocate, and LOL agree that concerns raised by the

- parties with respect to DSM resources and/or HECO's DSM Action Plan can more appropriately be addressed in the development of HECO's IRP-4 cycle;
4. As a result, HECO, the Consumer Advocate, and LOL agree that (a) the filing of HECO's IRP-3 Plan and Action Plans are sufficient to meet HECO's responsibility under Section II.C.1, 2 of the IRP Framework, and (b) it is not necessary under the circumstances for the Commission to issue a final decision and order under Section II.D.2 of the IRP Framework approving the Company's IRP-3 Plan;
 5. HECO, the Consumer Advocate, and LOL further agree that HECO's IRP-3 Plan and Action Plans will have the status of plans filed with, but not approved by, the Commission;
 6. Pursuant to Section III.D.3 of the IRP Framework, HECO will submit an Evaluation Report of its IRP-3 Plan and Action Plans no later than May 31, 2007;
 7. Pursuant to Section III.B.2 of the IRP Framework, HECO will submit a revised (i.e., 4th) IRP Plan and Action Plans no later than June 30, 2008, unless the Commission sets or approves a different date for such submission. In order to streamline the process to develop HECO's 4th IRP-4 Plan and Action Plans, HECO will use its current IRP-3 Plan and Action Plans as the base reference plans to commence the 4th IRP cycle and the information to be provided in the May 2007 Evaluation Report will also be considered in developing IRP-4;
 8. HECO, the Consumer Advocate, and LOL hereby waive any disqualification of Commissioner John Cole in this subject proceeding, pursuant to Haw. Rev. Stat. Section 91-9(d).

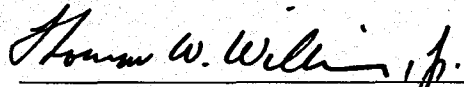
9. HECO and the CA do not object to the Commission granting intervenor status to LOL in the docket to be opened by the Commission regarding HECO's IRP-4, provided that LOL is not permitted to expand the scope of the proceeding or delay the proceeding, and LOL is required to comply with the Commission's Rules of Practice and Procedures. HECO and the Consumer Advocate further agree that this stipulated agreement may serve in lieu of LOL having to file a motion to intervene in the HECO IRP-4 proceeding;
10. HECO, the Consumer Advocate, and LOL agree that the issue of Climate Change requires attention throughout the IRP-4 process. In order to facilitate this, HECO will conduct (as part of its IRP-4 process) a technical session with a panel discussion on climate change and global warming, and will perform a scenario analysis (or analyses) to analyze potential future requirements or utility costs arising out of measures that may be adopted to address climate changes/global warming. The intent of the panel discussion is for HECO and the Advisory Group members to get a better understanding of the issues relating to global warming and how it should be considered in the IRP process. The Advisory Group members will have the opportunity to provide experts for this panel discussion and will be allowed to participate in a question and answer forum. HECO will include a copy of this panel presentation and discussions with its IRP-4 Plan filing, so that the information will become part of the record in the IRP-4 Docket opened by the Commission. (In order to include a copy of the panel discussion with the IRP-4 Plan filing, a transcript of this panel discussion will be prepared.) The Advisory Group also will have the opportunity to provide input to HECO regarding the

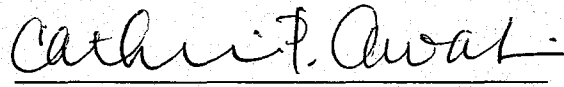
climate changes/global warming alternative scenario analysis (or analyses), and any climate change/global warming alternative resource plan considered in the IRP-4 process.

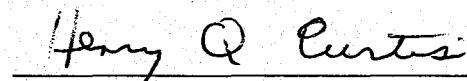
11. HECO and the Consumer Advocate agree that LOL should be a member of the HECO IRP-4 Advisory Group;
12. In order to support competitive bidding for new generation and pursuant to Section II.D.3 of the IRP Framework, HECO, the Consumer Advocate, and LOL agree to cooperate in expediting the Commission's review of HECO's IRP-4 Plan and Action Plans. To facilitate the Commission's review of HECO's IRP-4 Plan and Action Plans, to be filed by June 30, 2008 (unless the Commission sets or approves a different date for such submission), HECO, the Consumer Advocate and LOL propose that the procedural steps for the IRP-4 proceeding include the simultaneous filing by the parties of statements of position, one round of information requests, the simultaneous filing of reply statements of position, and an evidentiary hearing, with the specific dates to be determined following the filing of the IRP-4 Plan and Action Plans. HECO, the Consumer Advocate and LOL acknowledge that the proposed procedural steps and schedule for the proceeding are subject to Commission approval. As contemplated by the IRP Framework, the parties to this stipulation request that the Commission conduct the evidentiary hearing within six month's of HECO's filing of its IRP-4 Plan and Action Plans, and render its decision shortly thereafter; and

13. The parties submit that this stipulation, subject to Commission approval, will
allow for the disposition of this proceeding.

DATED: Honolulu, Hawaii, March 7, 2007.


THOMAS W. WILLIAMS, JR., ESQ.
PETER Y. KIKUTA, ESQ.
Attorneys for
Hawaiian Electric Company, Inc.


CATHERINE P. AWAKUNI
Executive Director
Division of Consumer Advocacy
Department of Commerce and Consumer Affairs


HENRY Q. CURTIS
Vice President
Life of the Land

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Stipulation Regarding Hearing and Commission Approval upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

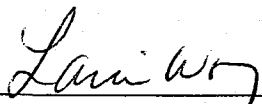
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DIVISION OF CONSUMER ADVOCACY
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LIFE OF THE LAND
76 North King Street, Suite 203
Honolulu, HI 96817



Lani Wong

DATED: _____

3/7/07



William A. Bonnet
Vice President
Government & Community Affairs

March 9, 2007

The Honorable Chairman and Members of
the Hawaii Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, Hawaii 96813

PUBLIC UTILITIES
COMMISSION

2007 MAR -9 P 3:17

FILED

Dear Commissioners:

Subject: Docket No. 03-0253
HECO Integrated Resource Planning (HECO IRP-3)

On March 7, 2007, HECO, the Consumer Advocate and Life of the Land filed a Stipulation Regarding Hearing and Commission Approval ("Stipulation") in the subject docket. The Stipulation inadvertently did not include Exhibit A, Illustrative Quarterly Advisory Group Meeting Schedule, which was referenced on page 9 of the Stipulation. Attached is Exhibit A.

If you have any questions on this matter, please contact Dean Matsuura at 543-4622.

Sincerely,

cc: Division of Consumer Advocacy
H. Q Curtis

ILLUSTRATIVE QUARTERLY ADVISORY GROUP MEETING SCHEDULE

1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
January – March	April – June	July – September	October - December
Sales Forecast – Input	DSM – A&S Report	DSM – Mid-Year Program Status Update	DSM – M&E Report
Fuel Forecast – EIA Report	Sales Forecast – Report Issuance	DSM MAP Report – DSM Programs	Sales Forecast – YTD Sales Update
Supply-Side – AOS Report Findings	Fuel Forecast – Report Issuance	Integration – Externalities	Integration – Preliminary Results, Tie to Competitive Bidding
Integration – Transmission Planning	IRP Evaluation Report Issuance	Supply-Side Status Discussion	
IRP Process – Objectives, Tie to Competitive Bidding	Supply Resources – e.g., DG, PV and PHS		
IRP Process – Latest IRP Plan Status Update	Integration – Externalities		
DSM – MAP Study	IRP – Objectives Continued		
ITEMS IN 2ND YEAR OF CYCLE			
IRP Report – Preliminary and Public Meetings	IRP Report Filing	IRP – PUC Regulatory Approval Process. Then Competitive Bidding RFP	

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 23312 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: MAR 21 2007