

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

----- In the Matter of ----- )  
PUBLIC UTILITIES COMMISSION )  
Instituting Proceedings to )  
Investigate the Implementation )  
Of Intragovernmental Wheeling )  
Of Electricity. )  
\_\_\_\_\_ )

DOCKET NO. 2007-0176

ORDER NO. 23530

Filed June 29, 2007  
At 2 o'clock P.M.

Karen Higashi  
Chief Clerk of the Commission

RECEIVED

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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

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

----- In the Matter of ----- )	
PUBLIC UTILITIES COMMISSION )	Docket No. 2007-0176
Instituting Proceedings to )	Order No. 23530
Investigate the Implementation )	
Of Intragovernmental Wheeling )	
Of Electricity. )	
_____ )	

Order

By this Order, the commission initiates an investigation to examine the feasibility of implementing intra-governmental wheeling of electricity in the State of Hawaii ("State").

I.

Background

In October 2003, the commission instituted a proceeding to examine the potential benefits and impacts of distributed generation on Hawaii's electric distribution systems and market ("Distributed Generation Docket"). One of the issues raised in the Distributed Generation Docket was the concept of intra-governmental wheeling.<sup>1</sup> However, due to the nature of the

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<sup>1</sup>Some of the issues discussed in the Distributed Generation Docket included, for example, intra-governmental wheeling as a means of reducing electricity costs for the counties, the cost of intra-governmental wheeling to be borne by customers of a utility, and the entities eligible for intra-governmental wheeling, e.g., would intra-governmental wheeling be limited to municipal entities or government entities in general. While issues such as these were discussed briefly, as noted above, the

docket, the commission was unable to fully address all of the issues relevant to intra-governmental wheeling in the course of that docket.

On April 30, 2004, the Legislature adopted Senate Concurrent Resolution No. 180 ("S.C.R. No. 180"). Among other things, S.C.R. No. 180 recognized the State's dependence on imported oil to meet its energy needs and the necessity for the State to emphasize renewable energy production programs. The Legislature requested that the commission explore ways to implement intra-governmental wheeling to facilitate government wheeling of electricity, and other regulatory measures to support the development of renewable energy systems by federal, state, and county agencies.

Wheeling is defined as "the process of transmitting electric power from a seller's point of generation across a third-party-owned transmission and distribution system to the seller's retail customer."<sup>2</sup> The Legislature found that the production of renewable energy could be encouraged if government agencies, as sellers of renewable energy, are allowed to transmit electricity to other governmental facilities over existing transmission lines of an electric public utility, i.e., intra-governmental wheeling. According to S.C.R. No. 180, government agencies can include any federal, state, or county department, commission, board, bureau, office or other government

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issues were not developed to any extent. See In re Public Utilities Commission, Docket No. 03-0371, Transcript of Proceedings, December 8, 2004.

<sup>2</sup>S. Con. Res. 180, 22<sup>nd</sup> Leg., Reg. Sess. (Haw. 2004).

establishment, or any quasi-public institution that is supported in whole or in part by government funds.

In addition, by letter to the commission dated December 21, 2006, the State of Hawaii Department of Business, Economic Development and Tourism ("DBEDT") requested information from the commission on ways to facilitate the purchase of renewable energy by State agencies. According to DBEDT, as a major user of electricity, the State should "lead by example" in the use of electricity and by purchasing electricity from renewable sources. Specifically, the State and other government agencies such as the counties, could acquire renewable energy by purchasing it from a renewable energy project developer, which would then be transmitted across utility lines owned and maintained by an existing electric utility, to the government agency or another government agency. As such, DBEDT requested information from the commission as to how proceed with these types of projects, including whether there would be a cost associated with transmitting electricity and whether the State is exempt from utility regulation associated with these types of projects.

Based on that history, the commission finds it appropriate and necessary to institute a proceeding at this time to fully address the issues related to intra-governmental wheeling in Hawaii.

II.  
Discussion

A.

Investigative Authority

HRS § 269-7 states, in relevant part:

- (a) The public utilities commission and each commissioner shall have the power to examine the condition of each public utility, the manner in which it is operated with reference to the safety or accommodation of the public, the safety, working hours, and wages of its employees, the fares and rates charged by it, the value of its physical property, the issuance by it of stocks and bonds, and the disposition of the proceeds thereof, the amount and disposition of its income, and all its financial transactions, its business relations with other persons, companies, or corporations, its compliance with all applicable state and federal laws and with the provisions of its franchise, charter, and articles of association, if any, its classifications, rules, regulations, practices, and service, and all matters of every nature affecting the relations and transactions between it and the public or persons or corporations . . .

- . . . . .
- (c) Any investigation may be made by the commission on its own motion, and shall be made when requested by the public utility to be investigated, or by any person upon a sworn written complaint to the commission, setting forth any prima facie cause of complaint. A majority of the commission shall constitute a quorum.

HRS § 269-7(a) and (c) (emphasis added). Similarly, in HRS § 269-6, the commission is vested with "general supervision . . . over all public utilities."<sup>3</sup>

In addition to the commission's statutory authority to investigate wheeling described above, S.C.R. No. 180 supports the establishment of this docket. The commission, moreover, notes that the Legislature recently enacted Act 177, Session Laws Hawaii 2007, which authorizes the commission "to consider the need for increased renewable energy use in exercising its authority and duties."

B.

Named Parties

Since all regulated electric utilities in the State will likely be impacted by the outcome of this investigation, the commission, sua sponte, names as parties to this proceeding: HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO"), MAUI ELECTRIC COMPANY, LIMITED ("MECO"), KAUAI ISLAND UTILITY COOPERATIVE ("KIUC") and the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY (the "Consumer Advocate")<sup>4</sup> (collectively, the "Parties"). Their

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<sup>3</sup>Commission investigatory authority is also set forth in HRS § 269-15 and HAR § 6-61-71.

<sup>4</sup>The Consumer Advocate is statutorily mandated to represent, protect, and advance the interests of all consumers of utility service and is an ex officio party to any proceeding before the commission. See HRS § 269-51; HAR § 6-61-62.

involvement and participation in this proceeding will assist the commission in developing a sound record for its investigation into the feasibility of implementing intra-governmental wheeling.

In addition, the commission will provide a copy of this order to all individuals and entities that were involved in some manner in the Distributed Generation Docket, as the commission anticipates that some of those same entities or individuals may want to intervene or participate in the instant proceeding.

### C.

#### Preliminary Issues

Through this docket, the commission intends to address issues affecting the electric industry in Hawaii with the implementation of intra-governmental wheeling. These issues include, but are not limited to the following:

1. Identifying what impact, if any, intra-governmental wheeling will have on Hawaii's electric industry;
2. Addressing interconnection matters;
3. Identifying the costs to utilities of implementing intra-governmental wheeling;
4. Identifying any rate design and cost allocation issues associated with intra-governmental wheeling;

5. Considering the financial cost and impact of intra-governmental wheeling on non-wheeling customers of a utility, i.e., an uncompensated use of the utility system;

6. Identifying any power back-up issues; and

7. Addressing how rates for intra-governmental wheeling would be set.

These are preliminary issues for consideration. During the development of the prehearing (or procedural) order for this proceeding, the Parties (and intervenors and participants, if any) shall have the opportunity to restructure these preliminary issues, stipulate to eliminate them, or suggest other issues for resolution in this proceeding for the commission's review and consideration.

#### D.

##### Procedural Matters

Any interested individual, entity, agency, or community or business organization may file a motion to intervene or participate without intervention in this docket. Motions to intervene or participate without intervention must comply with all applicable rules of HAR Chapter 6-61, Subchapter 4 of the Rules of Practice and Procedure Before the Public Utilities Commission.

If a protective order to govern the treatment of certain documents is desired, the Parties (and intervenors and

participants, if any) shall file a stipulated protective order for the commission's review and approval within forty-five (45) days from the date of this Order. If the Parties (and intervenors and participants, if any) are unable to stipulate, each party or participant shall file proposed protective orders for the commission's review and consideration within the forty-five (45)-day filing deadline.

Within forty-five (45) days of the date of this Order, the Parties (and intervenors and participants, if any) shall file a stipulated prehearing (or procedural) order to govern the matters of this investigation for the commission's review and approval. If the Parties (and intervenors and participants, if any) are unable to stipulate, each of them shall file proposed orders for the commission's review and consideration within the forty-five (45)-day filing deadline.

The commission expects all Parties (and intervenors and participants, if any) to this proceeding to participate fully in the development of the necessary procedures and issues for the orderly conduct of this investigatory proceeding, consistent with all applicable State laws and commission rules and regulations. Moreover, if necessary or appropriate, the Parties to this proceeding will be expected to actively participate in an evidentiary hearing or other procedures authorized by State law.

### III.

#### Orders

##### THE COMMISSION ORDERS:

1. An investigative proceeding is initiated to examine the implementation of intra-governmental wheeling in the State of Hawaii.

2. The commission, sua sponte, designates HECO, HELCO, MECO, KIUC and the Consumer Advocate as parties to this investigative docket.

3. A motion to intervene or participate without intervention must be filed not later than twenty (20) days from the date of this Order, pursuant to HAR § 6-61-57(3)(B). Motions to intervene or participate without intervention must comply with all applicable rules of HAR Chapter 6-61, Rules of Practice and Procedure Before the Public Utilities Commission.

4. If a protective order to govern the treatment of certain documents is desired, the Parties (and intervenors and participants, if any) shall file a stipulated protective order for the commission's review and approval within forty-five-(45) days of the date of this Order. If they are unable to stipulate, each party, (intervenor or participant, if any) shall file a proposed protective order for the commission's review and consideration within the forty-five (45)-day filing deadline.

5. Within forty-five (45) days of the date of this Order, the Parties (and intervenors and participants, if any) shall file a stipulated prehearing (or procedural) order to govern the matters of this investigation for the commission's review and approval. If the Parties (and intervenors and participants, if any) are unable to stipulate, each of them shall file a proposed order for the commission's review and consideration within the forty-five (45)-day filing deadline.

DONE at Honolulu, Hawaii JUN 29 2007.

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By



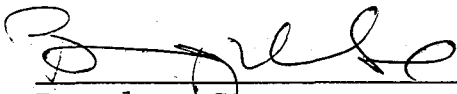
Carlito P. Caliboso, Chairman

By



John E. Cole, Commissioner

APPROVED AS TO FORM:



Benedyne Stone  
Commission Counsel

2007.wheeling.cp

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 23530 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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DATED: JUN 29 2007