

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

-----In the Matter of-----)
)
PUBLIC UTILITIES COMMISSION)
)
Instituting a Proceeding to)
Investigate the Proposed Tariffs)
Filed by Kauai Island Utility)
Cooperative and Other Related)
Matters.)
_____)

DOCKET NO. 2006-0498

ORDER NO. 23780

Filed Oct. 29, 2007
At 11 o'clock A.M.

Karen Higashi.
Chief Clerk of the Commission

RECEIVED

2007 OCT 30 A 9:29

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

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Instituting a Proceeding to)	Order No. 23780
Investigate the Proposed Tariffs)	
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Cooperative and Other Related)	
Matters.)	
_____)	

ORDER

By this Order, the Parties will have the opportunity to respond to the written comments of the United States Environmental Protection Agency, dated October 17, 2007, and attached hereto as an exhibit to this Order.¹ Any responses shall be filed with the commission by November 30, 2007.

I.

Background

On August 29, 2007, KIUC, the County of Kauai, the BluePoint Energy Intervenors, Kauai Marriott, and the

¹The Parties in this proceeding are: (1) KAUAI ISLAND UTILITY COOPERATIVE ("KIUC"); (2) HAWAII RENEWABLE ENERGY ALLIANCE ("HREA"); (3) the COUNTY OF KAUAI; (4) CHAPEAU, INC., dba BLUEPOINT ENERGY, STARWOOD HOTELS AND RESORTS WORLDWIDE, INC., and the HAWAII HEALTH SYSTEMS CORPORATION (collectively, the "BluePoint Energy Intervenors"); (5) MARRIOTT HOTELS SERVICES, INC., on behalf of KAUAI MARRIOTT RESORT & BEACH CLUB ("Kauai Marriott"); and (6) 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 and Hawaii Administrative Rules § 6-61-62(a).

Consumer Advocate (collectively, the "Stipulating Parties") jointly filed their Stipulation Regarding Proposed Interconnection Tariff,² in lieu of a proposed procedural schedule. By their Stipulation, the Stipulating Parties submit for the commission's review and approval their agreed-upon proposed interconnection tariff. As explained by the Stipulating Parties:

In lieu of developing a stipulated procedural schedule for the Commission's review and approval, as set forth by Paragraph 5 of Order No. 23422, the Stipulating Parties are in agreement that Preliminary Issue No. 2 can be sufficiently addressed and resolved via this Stipulation and without (a) further modifying this issue, (b) performing any discovery on this issue, and (c) establishing additional procedural steps and/or schedule of proceedings including, without limitation, an evidentiary hearing[.]

Stipulation, at 6.³

HREA is the only party that did not sign or agree to the Stipulation.⁴ Instead, on September 6, 2007, HREA filed its

²Stipulation Regarding Proposed Interconnection Tariff; Exhibits A and B; and Certificate of Service, filed on August 29, 2007 (collectively, "Stipulation"). Exhibit A is a clean version of the proposed interconnection tariff, while Exhibit B is a black-lined version of the proposed interconnection tariff.

³As set forth in Order No. 23172, filed on December 28, 2006, the commission identified preliminary issue number 2 as follows:

Whether KIUC's proposed interconnection tariff is just and reasonable and consistent in principle with the guidelines and requirements set forth in Decision and Order No. 22248, filed in Docket No. 03-0371, as clarified in Order No. 22375, filed in the same docket.

Order No. 23172, at 9.

⁴See Stipulation, at 5 n.10, and 8.

Statement of Position on the Stipulation,⁵ and on September 27, 2007, KIUC filed its Response to HREA's Statement of Position.⁶

II.

Discussion

As noted by the commission in its order initiating this proceeding:

The United States Environmental Protection Agency ("EPA"), as part of the EPA-State Energy Efficiency and Renewable Energy Projects, of which Hawaii is one of the states selected for this program, will assist the commission in its review of the proposed tariffs.

Order No. 23172, filed on December 28, 2006, at 7 n.14.

Attached as an exhibit to this Order are the written comments of the EPA, dated October 17, 2007. The Parties will have the opportunity to respond to the EPA's written comments. Any responses shall be filed with the commission by November 30, 2007.

III.

Order


THE COMMISSION ORDERS that the Parties shall file their responses (if any) to the EPA's written comments, dated October 17, 2007, by November 30, 2007.

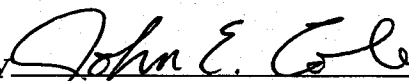
⁵Statement of Position on HREA on Stipulation Regarding Proposed Interconnection Tariff; and Certificate of Service, filed on September 6, 2007.

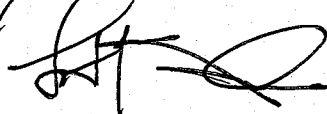
⁶KIUC's Statement in Response to HREA's Statement of Position on Stipulation; Exhibit A; and Certificate of Service, filed on September 27, 2007.

DONE at Honolulu, Hawaii OCT 29 2007.


PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
John E. Cole, Commissioner

By 
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:


Michael Azama
Commission Counsel

2006-0498. sl

MEMORANDUM

TO: Michael Azama, Commission Counsel. The Hawaii Public Utilities Commission

FROM: Katrina Pielli, Clean Energy Program Manager, U.S. Environmental Protection Agency

DATE: October 17, 2007

SUBJECT: Observations on proposed KIUC interconnection tariff, HREA statement of position and KIUC statement in response to HREA.

This memo provides observations addressing A) the proposed KIUC interconnection tariff, B) the HREA statement of position and C) KIUC statement in response to HREA.

A) Observations on the proposed KIUC interconnection tariff

I would like to provide a number of observations on the proposed KIUC tariff relative to the FERC Small Generator Interconnection Procedures (SGIP) rule. The FERC rule offers an interesting starting point for comparison as it has undergone extensive stakeholder review and the KIUC tariff is in many regards very similar to the FERC rule. However, there are also significant differences. The most significant departure from the FERC rule is the frequent elimination or expansion of deadlines for the interconnection process, including application review and delivery of an executable interconnection agreement. The end result is that the overall process could much longer and the end point being left uncertain. It is not clear what reasoning KIUC and the stipulating parties have for making this change. This has the potential to be problematic, as it does not provide certainty to the interconnection process which will likely affect the number of projects that would be installed in the state. Similarly, the KIUC tariff eliminates the Queue Position section altogether (FERC section 1.6), which is a shortcoming in the proposal. In the FERC rule, this section is key to assigning cost responsibilities for system upgrades or other facilities costs.

Two additional high level observations on elements that are missing from the proposal when compared to current best practice interconnection rules (Oregon proposed rule¹, Maryland proposed rule² and the Mid-Atlantic Distributed Resources Initiative [MADRI]

¹ <http://apps.puc.state.or.us/edockets/docket.asp?DocketID=14256> Informal process that led to the formal rulemaking to Adopt Rules Related to Small Generator Interconnection
http://www.puc.state.or.us/PUC/admin_rules/intercon.shtml

² http://webapp.psc.state.md.us/Intranet/CaseNum/NewIndex3_VOpenFile.cfm?filepath=%5C%5CColdfusion%5CEWorkingGroups%5CSGI%5CMarch%2028%20final%20documents%5CSmall%20Generator%20Interconnection%20Rule%20Edoc, For more information, go to www.psc.state.md.us/psc/ and search for Admin Docket Number RM31.

model³) is the Level 3 (Oregon) or 3A (MADRI) (non-exporting) fast track, and the Oregon rule addition of a field certification category (which Maryland also includes). These states have found that smaller systems place less of a burden on the system and hence the interconnection process can be expedited to completion. Again, it is unclear what reasoning KIUC and the stipulating parties have for making this change. The field certification category is an improvement that could be well-suited for an island utility configuration.

B) Observations on the HREA statement of position

I would also like to offer comments on the HREA statement of position. HREA states that there are collateral benefits from DG that the utility may enjoy but may not pay the DG owner for. Where these can be quantified, they could be accounted for and the Commission could recognize them as HREA has requested and adopt a policy of an explicit incentivization of renewables through the cost allocation provisions of the rule. Overall, HREA's position seems to rely on these policy calls for the Commission and is not a criticism of the KIUC proposed tariff itself.

C) Observations on the KIUC statement in response to HREA

The KIUC statement suggests that the HREA position is a policy call for the Commission, and that it is a Commission decision to incentivize renewable energy how the HREA position describes. However, they also state that it may violate general ratemaking principles which try to allocate costs to the cost-causer, and KIUC points out the prior Commission policy on this.

Based on prior Commission policy, KIUC describes that credits could be available for DG projects based on benefits to the system from the interconnection facilities (e.g., distribution upgrades, etc.). This is consistent with approaches taken in other states. However, without additional requirements from the Commission (e.g. information on transmission constraints/planned upgrades, etc), this seems very unlikely. Currently, there is no requirement that KIUC identify or compute the benefits to the electric system from an interconnected "caused" upgrade to facilities. It would be up to the customer to argue for this, and perhaps compute it as well, absent the Commission directing KIUC to complete the analysis. Commission policy may be to give the DG project credit if there are system benefits, however, language requiring KIUC to do the analysis in a transparent fashion and share the results with the customer would be helpful if this is the desired outcome. This has been pursued in parts of the country.

An additional observation building on A above, is that the FERC rule contains the queue position (section 1.6). It seems that where an interconnection customer pays for upgrades and subsequent interconnections benefit from the upgrades, the first customer (who originally paid for the upgrade) would get reimbursed and the "new" customer would pay for a portion of the costs. As noted in A above, KIUC seems to have removed the queue concept from the proposed tariff.

³ http://www.energetics.com/MADRI/pdfs/inter_models_smallgen.pdf For more information on MADRI, see <http://www.energetics.com/MADRI/index.html>

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 23780 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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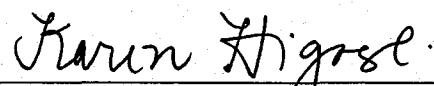
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Karen Higashi

DATED: **OCT 29 2007**