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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of)) HAWAIIAN ELECTRIC COMPANY, INC.)) For Approval and/or Modification of) Demand-Side and Load Management,) Programs and Recovery of Program) Costs and DSM Utility Incentives.))	DOCKET NO. 05-0069

DECISION AND ORDER NO. 23792

Filed Oct. 30, 2007

At 2 o'clock P .M.

Karen Higashi
Chief Clerk of the Commission

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

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In the Matter of the Application of)) HAWAIIAN ELECTRIC COMPANY, INC.)) For Approval and/or Modification of) Demand-Side and Load Management,) Programs and Recovery of Program) Costs and DSM Utility Incentives.))	Docket No. 05-0069 Decision and Order No. 23792

DECISION AND ORDER

By this Decision and Order, the commission approves HAWAIIAN ELECTRIC COMPANY, INC.'s ("HECO")[1] request to increase the 2007 budget for the Energy Solutions for the Home ("ESH") Program, but limits said increase to $160,000 more than the amount that HECO has incurred through July 2007 for incentives and labor expenses. The $995,371 budget is, therefore, increased to $1,173,676.

I.

Background

The ESH Program encourages customers to reduce their electricity consumption through a variety of energy efficient end-uses in the home, including Energy Star® lighting, cooling, and other appliances.

[1]HECO is a Hawaii corporation and a public utility as defined by Hawaii Revised Statutes ("HRS") § 269-1. HECO was initially organized under the laws of the Kingdom of Hawaii on or about October 13, 1891. HECO is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Oahu in the State of Hawaii.

By Decision and Order No. 21698, filed on March 16, 2005, in Docket No. 04-0113 and this docket, the commission separated HECO's proposed Demand-Side Management ("DSM") programs, including the ESH Program, from Docket No. 04-0113 (its rate case docket), and opened this docket.

By Decision and Order No. 22420, filed on April 26, 2006, in this docket, the commission granted HECO, among other things, approval of an interim ESH Program. The interim program offered residential customers rebates on Compact Fluorescent Light bulbs ("CFL").

By Decision and Order No. 23258, filed on February 13, 2007, in this docket, the commission approved HECO's request for the ESH Program.[2] HECO claimed that the ESH Program would work in parallel with the Environmental Protection Agency's Energy Star® program to maximize the benefits of that national initiative.[3] The program is structured in a prescriptive format where customers may choose energy efficiency measures from a list.[4] All existing HECO residential customers, including those served on non-residential utility rates (i.e., master metered accounts) are eligible to participate.[5] Residential building owners, including those of apartment complexes and employee housing units, are also eligible to participate.[6] Each customer is

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[2]See Decision and Order No. 23258 at 80-83.

[3]See Decision and Order No. 23258 at 81.

[4]See Decision and Order No. 23258 at 81.

[5]See Decision and Order No. 23258 at 81.

[6]See Decision and Order No. 23258 at 81.

eligible to receive up to three CFLs.[7] HECO also proposed incentives to cover twenty-five percent of the cost difference between the standard air conditioning equipment and the high efficiency equipment which met or exceeded recommended efficiency levels.[8] HECO also offered incentives to encourage customers to purchase Energy Star® certified high efficiency appliances, including refrigerators, clothes washers, and dishwashers.[9] The incentives would cover twenty-five percent of the cost difference between a standard appliance and the Energy Star® equipment.[10] HECO also proposed incentives for the installation of ceiling fans and customers who elect to have their air conditioning equipment serviced.[11] HECO proposed a five-year evaluation period.[12]

By Decision and Order No. 23258, the commission approved HECO's requests for several DSM programs, including ESH. Collectively, the DSM programs are designed to achieve energy-efficiency goals, be implemented in a cost-effective manner, and provide HECO with additional megawatts of peak demand savings to help reduce its reserve capacity shortfall.[13] Significantly, in Decision and Order No. 23258, the commission did not approve any

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[7] See Decision and Order No. 23258 at 81.

[8] See Decision and Order No. 23258 at 81-82.

[9] See Decision and Order No. 23258 at 82.

[10] See Decision and Order No. 23258 at 82.

[11] See Decision and Order No. 23258 at 82-83.

[12] See Decision and Order No. 23258 at 83.

[13] See Decision and Order No. 23258 at 108-109.

particular program costs, but reserved such decisions for future proceedings.[14] The commission also denied HECO's flexibility requests with respect to its DSM programs, but permitted HECO to seek modifications to its DSM programs by letter request, pending the opening of a new docket.

By Decision and Order No. 23448, filed on May 21, 2007, in this docket, the commission granted, inter alia, HECO's request to include the administrative and marketing costs for the ESH rebates. The commission also estimated HECO's goals for ESH as 24,938 megawatt-hour ("MWh") of energy savings for the year 2007; 32,080 MWh for 2008 and 5.866 megawatts ("MW") of gross demand reduction for 2007 and 8.021 MW for 2008.[15]

On August 29, 2007, HECO filed a letter ("HECO's Letter") requesting commission approval to increase the 2007 budget for the ESH Program by $970,000, from $995,371 to $1,965,371 in response to higher than forecasted customer participation in the program.

On October 18, 2007, the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate")[16] submitted a letter to the commission stating that it does not object to the commission's approval of the budget increase.

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[14]See Decision and Order No. 23258 at 110.

[15]See Decision and Order No. 23448 at 13.

[16]The Consumer Advocate is an ex officio party to all dockets before the commission pursuant to HRS § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62.

II.

Discussion

HECO states that its requested budget increase "will provide funding for customer incentives for the remainder of 2007 to allow HECO to continue to encourage the installation of energy efficient [CFLs] and Energy Star™ appliances without disrupting the progress achieved in the program."[17] According to HECO, the load reduction will help mitigate HECO's reserve capacity shortfall situation.[18] HECO claims that "until sufficient generating capacity can be added to the HECO system, HECO will experience a higher risk of generation-related customer outages, in particular during the 2007-2009 timeframe."[19]

HECO explains that previously, it estimated approximately 80,000 CFLs and no Energy Star™ appliances for the ESH Program.[20] However, in the first seven months of 2007, 286,364 CFLs and 542 Energy Star™ appliances were purchased under the ESH Program.[21] HECO now forecasts 740,489 CFLs and 9,178 Energy Star™ appliances in 2007.[22] HECO, however, provides no support for the numbers contained in its revised forecast; specifically, HECO does not state the basis for assuming that

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[17] See HECO's letter at 1.

[18] See HECO's letter at 2.

[19] See HECO's Letter at 2.

[20] See HECO's letter at 1.

[21] See HECO's letter at 2.

[22] See HECO's letter at 2.

740,489 CFLs and 9,178 Energy Star™ appliances will be purchased in 2007. As such, the commission has no basis for determining whether the revised forecast is reasonable. Based on the data for the period from January to July 2007, 40,909 CFLs and 77 Energy Star™ appliances qualified per month. Thus, a reasonable annual forecast for 2007 is 490,908 CFLs and 924 Energy Star™ appliances.

HECO previously expected 1.09 MW of gross demand reduction and 5,887 MWh of energy savings. It now forecasts a substantial increase of 12 MW of reduction and 58,326 MWh of energy savings for 2007.[23] Again, HECO did not provide any evidence with which to adjust this figure.

Of the $995,371 total amount budgeted for 2007, only $323,616 was spent in the first seven months. Regarding incentives, $200,000 was budgeted; however, HECO has already exceeded that budget by dispensing $218,305 from January to July 2007.[24] Based on the information provided, the monthly average for incentives is $31,186. At this rate, HECO should expend approximately $155,930 for the five months remaining in 2007. Therefore, the commission approves a $160,000 increase in the incentives budget above the $218,305 expended. The total annual amount for incentives will be $378,305 ($791,695 less than HECO proposes). Regarding the budget for application processing costs, HECO has used only $10,059 of the total budgeted amount of

[23]See HECO's letter at 2.

[24]See HECO's Letter at Exhibit A.

$122,640 for 2007 in the period from January to July 2007.[25] To date, tracking and evaluation amounts are similarly well below budgeted levels. In addition, the commission notes that, of the $393,835 budgeted for advertising and marketing, HECO has only expended $65,280 from January to July 2007.[26] Moreover, of the $25,549 budgeted for materials, travel, and miscellaneous, $1,844 has been utilized during the period January to July 2007. The ESH Program's total annual budget will be $1,173,676.

HECO's estimated benefit-to-cost ratios for 2007, with the exception of the Rate Impact Measure ("RIM") test, are above one.[27]

Based upon a review of the record, the commission finds that HECO's request to increase the 2007 budget for the ESH Program is reasonable and in the public interest. The budget increase should help to mitigate HECO's reserve capacity shortfall situation and reduce the risk of generation-related customer outages. However, because HECO did not provide sufficient support for its request, the commission limits said increase to $160,000 more than the amount that HECO has incurred through July 2007 for incentives and labor expenses. The $995,371 budget is, therefore, increased to $1,173,676. Should HECO require additional monies for incentives and labor, HECO may file another budget increase request. Any additional request should include sufficient support to justify the request.

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[25]See HECO's Letter at Exhibit A.

[26]See HECO's Letter at Exhibit A.

[27]Significantly, the RIM increases from 0.82 to 1.15.

III.

Order

THE COMMISSION ORDERS:

HECO's request to increase the 2007 budget for the ESH Program is approved, but the increase is limited to $160,000 more than the amount that HECO has incurred through July 2007 for incentives and labor expenses. The $995,371 budget is increased to $1,173,676 for the year 2007.

DONE at Honolulu, Hawaii OCT 30 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:

Jodi L. K. Yi
Commission Counsel

05-0069.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 23792 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: OCT 30 2007