

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

-----In the Matter of-----)  
PUBLIC UTILITIES COMMISSION )  
Instituting a Proceeding to Review )  
Hawaiian Electric Company, Inc., )  
Hawaii Electric Light Company, Inc.)  
and Maui Electric Company, Ltd.'s )  
Demand-Side Management Reports and )  
Requests for Program Modifications )  
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DOCKET NO. 2007-0341

ORDER REGARDING HECO's ANNUAL PROGRAM  
MODIFICATION AND EVALUATION REPORT, FILED ON SEPTEMBER 30, 2008

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ORDER REGARDING HECO'S ANNUAL PROGRAM  
MODIFICATION AND EVALUATION REPORT, FILED ON SEPTEMBER 30, 2008

By this Order, the commission denies HAWAIIAN ELECTRIC COMPANY, INC.'s ("HECO")<sup>1</sup> request to continue the Residential Customer Energy Awareness ("RCEA") Program in 2009, as set forth in its Annual Program Modification and Evaluation Report, filed on September 30, 2008 ("M&E Report"). The commission also denies the proposed modification to the Commercial and Industrial Customized Rebate ("CICR") Program to permit \$50,000 annual incentive awards for certain technologies.

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<sup>1</sup>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.

The commission approves the proposed 2009 goals and budgets for the remaining Demand Side Management ("DSM") programs,<sup>2</sup> but notifies HECO, Hawaii Electric Light Company, Inc., and Maui Electric Company, Ltd. (collectively, the "HECO Companies") that in 2009, with the transition to the Public Benefits Fee ("PBF") Administrator, the HECO Companies' goals and budgets will be reduced in proportion to the percentage of the year in which the HECO Companies do not operate the programs. In addition, the HECO Companies' incentive awards will be prorated accordingly.

## I.

### Background

By Order No. 23717, filed on October 12, 2007, in this docket, the commission initiated a proceeding to review the HECO Companies' DSM reports, including the HECO Companies' respective M&E Reports.

The HECO Companies' M&E Reports are typically filed in or about November prior to the beginning of the next program year. The M&E Reports serve three purposes. First, the M&E Reports provide forecasts of the budgets and impact goals (i.e., energy demand reduction measured in megawatts ("MW") and energy savings in megawatt hours ("MWh")) for the upcoming

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<sup>2</sup>The subject DSM programs include: Commercial and Industrial Energy Efficiency ("CIEE") Program; Commercial and Industrial New Construction ("CINC") Program; Residential Efficient Water Heating ("REWH") Program; Residential New Construction ("RNC") Program; SolarSaver Program ("SSP"); Energy Solutions for the Home ("ESH") Program; and Residential Low Income ("RLI") Program.

calendar year. Second, the M&E Reports describe the modifications in program processes that are proposed for the upcoming calendar year. Third, the M&E Reports provide the results of both the program Impact Evaluation Reports and the program process evaluations, as available.

With regard to the RCEA Program, in its M&E Report, HECO states:

HECO maintains that it has a responsibility for communicating with its customers about energy efficiency and related issues regardless of whether or not the DSM energy efficiency programs are transferred to [the PBF Administrator]. . . . [Therefore,] HECO requests approval of the annual budget to conduct the RCEA Program throughout 2009, even if the DSM energy efficiency programs are transferred to [the PBF Administrator].

M&E Report, at 24. With regard to the CICR Program, HECO states the following:

HECO is proposing to set aside a maximum of \$50,000 annually to award incentives for technologies that may not meet the cost effectiveness criteria, but do provide measure[able] energy savings. No single technology will be awarded more than 50% of the incentive dollars set aside per year, and the same technology will not be awarded incentives for more than two years, unless in that time the economics for that technology improve to the point where it passes the cost effectiveness criteria. To be awarded incentives under this set-aside the emerging technology must be included in a customer's CICR Program rebate application.

M&E Report, at 9-10. With regard to the 2009 DSM goals and budgets, HECO states the following:

During the status conference for Docket No. 2007-0323 conducted on May 12, 2008, HECO offered to forecast the entire annual budget and impact goals for 2009 for the DSM energy efficiency programs slated for transition to the [PBF Administrator] on January 1, 2009. If the six month transition period, ordered by the

[c]ommission in its Order issued July 2, 2008, is successfully completed by June 30, 2009, then the expected expenses and achieved goals for the DSM energy efficiency programs by June 30, 2009 would be allocated accordingly.

HECO's M&E Report, at 30. With regard to HECO's 2009 incentive award, HECO states, "since the [c]ommission has expressed a clear preference for a smooth transition [to the PBF Administrator], and since the continuation of the aggressive pursuit of DSM options up through the date of transition to the [PBF Administrator] would facilitate the smooth transition, HECO requests [c]ommission approval to continue to earn DSM Utility Incentives in 2009."<sup>3</sup>

HECO has also proposed a method for calculating the incentive:

HECO proposes that the incremental energy and demand impacts for 2009 be the prorated annual energy and demand goals identified in Attachment A rounded to the nearest whole month that HECO operates the programs. If the program were transferred on the 15<sup>th</sup> of the month or earlier, the goals would reflect the number of months up to the previous month end. If the programs were transferred on the 16<sup>th</sup> of the month or later, the goals would reflect the entire month. The impacts claimed by the utility would include all applications approved by the utility at the time of the termination, except that for the ESH Program, the impacts would include those savings resulting from Energy Star appliance rebate applications in the possession by the utility or its third party vendor, plus all [Compact Fluorescent Lamp] coupon redemptions received during the following calendar month.

HECO's M&E Report, at 31-32.

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<sup>3</sup>HECO's M&E Report, at 31.

HECO's M&E Report states:

<b>HECO's Proposed 2009 Energy Efficiency Annual Program Budget<sup>4</sup></b>	
<b>Commercial and Industrial</b>	
CIEE	\$3,481,786
CINC	\$3,302,521
CICR	\$2,063,960
<b>Total Commercial and Industrial</b>	<b>\$8,848,267</b>
<b>Residential</b>	
REWH	\$3,122,159
RNC	\$2,531,343
SSP	\$1,686,413 <sup>5</sup>
ESH	\$3,276,507
RLI	\$639,970
RCEA	\$1,719,857
<b>Total Residential</b>	<b>\$12,976,249</b>
<b>Total Annual Program Budget</b>	<b>\$21,824,516</b>

<sup>4</sup>These amounts include the base costs, which are recovered through base rates, and incremental costs, which are recovered through the DSM adjustment factor. See M&E Report, dated and filed September 30, 2008, at 4 (CIEE Program), 7 (CINC Program), 9 (CICR Program), 10 (REWH Program), 12 (RNC Program), 16 (SSP Program), 19 (ESH Program), 21 (RLI Program), 24 (RCEA Program).

<sup>5</sup>The 2009 SSP Program budget of \$1,686,413 is for the July 1, 2008 to June 30, 2009 time period, which is year two of the SSP Program. See M&E Report, dated and filed September 30, 2008, at 15.

<b>HECO's 2009 Energy Efficiency Cumulative Megawatt-Hour Goal<sup>6</sup></b>	
<b>Commercial and Industrial</b>	
CIEE	92,646
CINC	47,390
CICR	60,583
<b>Total Commercial and Industrial</b>	<b>200,619</b>
<b>Residential</b>	
REWH	18,980
RNC	13,311
SSP	735 <sup>7</sup>
ESH	101,725
RLI	5,266
RCEA	0
<b>Total Residential</b>	<b>140,017</b>
<b>Total Gross Energy Savings (MWh)</b>	
	<b>340,636</b>

<sup>6</sup>These cumulative MWh goals are the sums of the goals from the Order issued July 7, 2008 in Docket No. 2007-0341 plus the 2009 incremental energy efficiency goals, which assumes that the utility implements the programs for all of 2009 (excepting the SSP Program). See M&E Report, dated and filed September 30, 2008, at 33.

<sup>7</sup>The cumulative demand savings of 735 MWh for the SSP Program is the demand savings that HECO expects will be realized for the time period between July 1, 2007, the effective date of the SSP Program, and June 30, 2009, the end date of the second year of the SSP Program. See M&E Report, dated and filed September 30, 2008, at 15.

<b>HECO's 2009 Energy Efficiency Cumulative Megawatt Goal<sup>8</sup></b>	
<b>Commercial and Industrial</b>	
CIEE	13.550
CINC	9.267
CICR	7.990
<b>Total Commercial and Industrial</b>	<b>30.807</b>
<b>Residential</b>	
REWH	4.339
RNC	3.879
SSP	.168 <sup>9</sup>
ESH	22.678
RLI	1.182
RCEA	0.000
<b>Total Residential</b>	<b>32.246</b>
<b>Total Gross Energy Savings (MW)</b>	<b>63.053</b>

<sup>8</sup>These cumulative MW goals are the sums of the goals from the Order issued July 7, 2008 in Docket No. 2007-0341 plus the 2009 incremental energy efficiency goals, which assume that the utility implements the programs for all of 2009 (excepting the SSP Program). See M&E Report, dated and filed September 30, 2008, at 33.

<sup>9</sup>The cumulative demand savings of .168 MW for the SSP Program are the demand savings that HECO expects will be realized for the time period between July 1, 2007, the effective date of the SSP Program, and June 30, 2009, the end date of the second year of the SSP Program. See M&E Report, dated and filed September 30, 2008, at 15.



## II.

### Discussion

#### A.

#### RCEA Program

As stated in the Energy Efficiency Docket, the "primary objective of the RCEA Program is to determine if an aggressive customer communications program can change levels of residential customer awareness of energy options, encourage customers to adopt energy efficient appliances and behavior, and result in significant energy savings and peak load reduction."<sup>10</sup> The RCEA Program has three tasks, (1) "additional market research and a survey to determine the current level of energy awareness by residential customers"; (2) "the implementation of a multi-faceted communications program"; and (3) "a final survey of residential customers to test their then current level of energy awareness."<sup>11</sup> Unlike the other DSM programs, with RCEA, "HECO [does] not claim[] energy and peak demand savings as a result of this program."<sup>12</sup>

In the Energy Efficiency Docket, the commission stated:

With respect to the RCEA Program, HECO states that: (1) it "is not claiming energy and peak demand reductions from the RCEA Program," and (2) "since there are no claimed savings for this program, there were only costs represented and thus no [benefit-to-cost] ratios are represented for this program." The commission also notes

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<sup>10</sup>Decision and Order No. 23258, filed on February 13, 2007, in the Energy Efficiency Docket ("Decision and Order No. 23258"), at 84.

<sup>11</sup>Decision and Order No. 23258, at 84.

<sup>12</sup>Decision and Order No. 23258, at 86.

HECO's statement that "[t]he RCEA Program costs are not included in [the] total DSM program costs because HECO requested the [c]ommission's approval in the rate case to include additional informational advertising costs in base rates as a replacement for the RCEA Program." Thus, the benefit-to-cost ratios for the RCEA Program, from any perspective, are not in the docket record.

Decision and Order No. 23258, at 87. The commission ordered:

HECO's RCEA Program is approved, subject to the following modifications and requirements: (a) HECO is not authorized to recover any expenses related to the RCEA Program that were incurred prior to the filed date of this Decision and Order; (b) HECO's expenditures for the RCEA Program shall be included for purposes of determining whether HECO met its Energy Efficiency goals for the residential sector, and in calculating net system benefits for the purposes of determining utility incentives, if any; and (c) HECO must evaluate the program on an annual basis and report to the commission, with a copy to the Consumer Advocate and any other applicable party, within thirty days of completing said evaluation.

Decision and Order No. 23258, at 147, Ordering Paragraph 14.

Upon review, the commission denies HECO's request to continue its RCEA Program after 2008. The RCEA is a pilot program in part due to the anticipated transition of the HECO Companies' DSM programs to the PBF Administrator. The PBF Administrator will be in place during much of 2009, and the commission therefore declines to continue HECO's RCEA Program.<sup>13</sup>

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<sup>13</sup>The commission notes that monies which would have gone to HECO for the RCEA Program for 2009 may be utilized by some similar program proposed by the third party administrator.

B.

CICR Program Modification

HECO has proposed a modification to its CICR Program to permit \$50,000 annual incentive awards for certain technologies.<sup>14</sup>

It states:

HECO is proposing to set aside a maximum of \$50,000 annually to award incentives for technologies that may not meet the cost effectiveness criteria, but do provide measurable energy savings. No single technology will be awarded more than 50% of the incentive dollars set aside per year, and the same technology will not be awarded incentives for more than two years, unless in that time the economics for that technology improve to the point where it passes the cost effectiveness criteria. To be awarded incentives under this set-aside the emerging technology must be included in a customer's CICR Program rebate application.

M&E Report, at 9-10.

The commission has concerns that allowing this modification circumvents an important aspect of the CICR Program; namely, the cost effectiveness criteria absent commission approval, which may trigger unreasonable costs, which do not serve the public interest. Accordingly, the commission denies this requested modification to the CICR Program.

C.

2009 Goals, Budgets and Incentive Awards

The commission approves the 2009 goals and budgets as set forth in HECO's M&E report, except for the inclusion of monies for the RCEA Program. However, with the transition to

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<sup>14</sup>M&E Report, at 9.

the PBF Administrator, the HECO Companies' goals and budgets will be reduced in proportion to the percentage of the year in which the HECO Companies do not operate the programs. The HECO Companies' incentive awards will also be prorated accordingly.

C.

Future Program Modification Requests

In the future, if the HECO Companies submit a request for a program modification, including any budget increases, said request must be accompanied by the Companies' projected energy and demand savings as a result of the modification; and proposed revised (increased) goals that incorporate those projected energy and demand savings.

III.

Orders

THE COMMISSION ORDERS:

1. HECO's request to continue the RCEA Program for 2009 is denied.


2. HECO's request to modify the CICR Program to permit \$50,000 annual incentive awards for certain technologies is denied.

3. HECO's 2009 DSM program goals and budgets are approved, as set forth herein; however, with the transition to the PBF Administrator, the HECO Companies' goals and budgets will

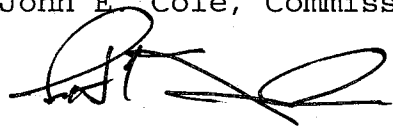
be reduced in proportion to the percentage of the year in which the HECO Companies do not operate the programs. The HECO Companies' incentive awards will also be prorated accordingly.

DONE at Honolulu, Hawaii NOV 14 2008.

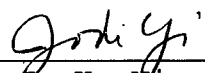
PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By:   
Carlito P. Caliboso, Chairman

By:   
John E. Cole, Commissioner

By:   
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:

  
Jodi S. K. Vi  
Commission Counsel

2008-0341.laa

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

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