

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
)
 HAWAIIAN ELECTRIC COMPANY, INC.)
)
 For Approval of Extension to the)
 Residential Direct Load Control)
 Program and Recovery of Program Costs.)
 _____)

DOCKET NO. 2009-0097

DECISION AND ORDER

FILED
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PUBLIC UTILITIES
COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
)
 HAWAIIAN ELECTRIC COMPANY, INC.) Docket No. 2009-0097
)
For Approval of Extension to the)
Residential Direct Load Control)
Program and Recovery of Program Costs.)

DECISION AND ORDER

By this Decision and Order, the commission approves HAWAIIAN ELECTRIC COMPANY, INC.'s ("HECO") request for a three year extension of its Residential Direct Load Control ("RDLC") Program, from January 1, 2010 through December 31, 2012, but denies HECO's request to expand the program at this time, as HECO has not completed an evaluation necessary to determine whether the program is designed and being implemented efficiently and effectively. Consistent with the parameters set forth in this order, HECO is directed to submit a revised 2010-2012 program budget for the commission's review and approval within thirty days of the filing of this Decision and Order.

I.

Background

A.

Description of the RDLC Program

HECO's RDLC Program offers eligible residential customers the opportunity to participate in an "interruptible"

program for electric water heaters and central air-conditioning ("a/c") systems.¹ A radio-controlled switch that is installed next to a customer's water heater or central a/c system turns off the appliance when signaled by HECO. The radio-controlled switch also includes an under-frequency relay ("UFR") that will automatically disconnect the appliance from HECO's system if the system frequency reaches a certain level in response to the loss of a major generating unit or other major system disturbance.² Customers receive a monthly electric bill credit of \$3.00 for electric water heaters and \$5.00 for central a/c systems as an incentive for participating in the program.³

In order to be eligible for the RDLIC Program, individual and master metered residential customers must have a water heater with a minimum storage capacity of thirty (30) gallons, or a ground level ducted central air conditioner with a minimum cooling capacity of 30,000 BTUH (2.5 tons).⁴ Residential customers with solar water heaters or heat pump water heaters are not eligible for the program because, according to HECO, the coincident load of these water heaters is insufficient to make their inclusion in the program economical.⁵ Customers with

¹See Application for Program Extension; and Certificate of Service, filed on April 30, 2009 ("Application"), at 3.

²Id.

³Id.

⁴Id. at 6-7.

⁵Id. at 7.

window, wall, rooftop, and split system a/c units are also not eligible to participate in the RDLC Program.⁶

HECO asserts that the RDLC Program serves as an integral part of its load curtailment operation in three primary ways:⁷

1. If the HECO system experiences a sudden loss of a major generating unit or transmission line, the UFR contained in the load control switch will remove the load from water heaters and central a/c systems at a frequency level set above the frequency setting of HECO's distribution relays. Following the interruption, the switches will be used to restore service to the water heaters and central a/c systems in a staged manner to avoid creating a new system spike;
2. If the HECO system resources appear unable to meet requirements, the System Operation Department will initiate a staged shedding of controlled loads. This is accomplished by radio signals transmitted to groups of distributed switches. Each switch is pre-programmed with an individual time delay to provide a ramping down of the load. The controlled loads will reconnect in a staged manner to prevent sudden spikes when service is restored. The spikes can occur if all the water heaters and central a/c systems which have been turned off are turned back on at the same time.
3. If a HECO system outage or regional outage occurs, the load control switches are designed to defer when power is restored and continue to keep the controlled loads off the system for a predetermined time period ("Cold Load Pickup" logic). This Cold Load Pickup feature can minimize the feeder in rush current and can reduce the duration of the outage. In addition, the time delay period

⁶Id. HECO, however, states that it is currently investigating the ability to control split system a/c units and if the technology is feasible, HECO may request a modification to the RDLC Program to add such equipment to its list of controlled technologies.

⁷Id. at 8-9.

is randomized throughout the participants. This allows for a staged reconnection and reduces the possibility of spikes during reconnection. This feature is also remotely programmable. Therefore, if necessary, the System Operation Department can signal controlled loads to override or extend the predetermined time delay period.

By reducing the electrical demand through reductions from participating customers rather than by increasing generation, load control programs help to meet system reserve capacity, increase electrical-grid stability and avert power outages during periods of emergency generation shortfalls.⁸ Load control also enables HECO to accommodate more renewable energy and manage the frequency fluctuations resulting from intermittent renewable resources connected to the electric system.⁹

B.

History of the RDLC Program

The RDLC program was initially approved by the commission in Decision and Order No. 21415, filed on October 14, 2004, in Docket No. 03-0166 ("Decision and Order No. 21415"). Specifically, the commission approved the RDLC Program as a five-year pilot program ending on December 31, 2009, pursuant to a settlement agreement between HECO and the Consumer Advocate. As part of the settlement agreement, HECO was allowed

⁸Id. at 5.

⁹Id. at 6. See also Letter from HECO to the commission, dated September 4, 2009 (hereinafter referred to as "HECO's September 4, 2009 letter"), at 5; and Letter from HECO to the commission, dated October 15, 2009 (hereinafter referred to as "HECO's October 15, 2009 letter"), at 2.

to recover its program costs for the first five years of the program using a combination of the IRP cost recovery surcharge and base rates.¹⁰

By Decision and Order No. 21725, filed on April 8, 2005, in Docket No. 03-0166, the commission approved HECO's request to modify the eligibility criteria for its RDLC Program to include residential customers who are master metered, as a pilot program, provided that HECO requires all master metered participating customers to provide notice to all persons who may potentially have their water heaters disconnected under the program (such as tenants residing in master metered properties).

By Decision and Order No. 22961, filed on October 19, 2006, in Docket No. 03-0166, the commission approved

¹⁰Recovery of RDLC Program operation and maintenance costs through the IRP surcharge currently include (1) Customer Incentives; (2) Equipment Purchases (which are comprised of Central equipment, Distributed equipment, and Communications Expenses/Upgrades); and (3) Outside Services (Equipment installation and Equipment maintenance/removals).

Base rate recovery of RDLC Program operation and maintenance costs currently include: (1) Direct Labor (comprised of Administration, Tracking and Evaluation, and Database and Technical Support); (2) Advertising/Marketing; (3) Training; and (4) Materials and Miscellaneous. See Decision and Order No. 21415, at 12.

The five-year RDLC Program costs were originally estimated by HECO to be approximately \$12,205,955 and associated revenue taxes, if applicable. Id. at 8. HECO subsequently lowered its estimated five-year program costs to \$10.8 million pursuant to a settlement agreement between HECO and the Consumer Advocate. Id. at 11.

HECO's request to increase the 2006 RDLC Program budget by \$404,550, from \$3,265,410 to \$3,669,960, to account for increased installation labor costs due to the Hawaii State Professional and Vocational Licensing Division's ("PVL") ruling that required journeymen electricians to install program devices, rather than apprentice electricians.

By Decision and Order No. 23181, filed on December 29, 2006, in Docket No. 03-0166, the commission approved HECO's request to modify the RDLC Program to (1) increase the 2007-2009 program budget by \$205,061 for each of the three remaining years of the program to account for higher installation labor costs related to the PVL decision, and (2) add residential central a/c systems as a new program element in order to help obtain an estimated additional 1.4 megawatt ("MW") of interruptible load.

By Decision and Order No. 23258, filed on February 13, 2007, as clarified by Order No. 23448, filed on May 21, 2007, both in Docket No. 05-0069, the commission denied HECO's flexibility requests with respect to its Demand Side Management ("DSM") programs, but stated that HECO may seek modifications to its DSM programs by letter request, pending the opening of a new docket. The commission subsequently opened Docket No. 2007-0341 to approve the HECO Companies'¹¹ periodic DSM reports, including Annual Program Accomplishments and Surcharge

¹¹The term "HECO Companies" refers collectively to HECO, Hawaii Electric Light Company, Inc., and Maui Electric Company, Ltd.

("A&S") Reports¹² and Monitoring and Evaluation ("M&E") Reports,¹³ as well as any requests for DSM program modifications.¹⁴

By Decision and Order No. 23574, filed on August 1, 2007, in Docket No. 03-0166, the commission approved HECO's request to increase the 2007 incremental budget to respond to higher than forecasted customer participation in the RDLC Program. As a result, the 2007 incremental budget was increased by \$1,269,804, from \$2,784,909 to \$4,054,713, for a total budget of \$4,734,326.

By Order No. 24232, filed on May 15, 2008 in Docket No. 2007-0341, the commission set the RDLC Program budget for

¹²A&S Reports are filed in or about March following the end of each program year. The A&S Report serves three purposes. First, the A&S Report documents the accomplishments of the programs during the previous calendar year. These accomplishments include an accounting of the energy and demand savings impacts, equipment installations, and expenditures based on full, calendar-year data. Second, the A&S Report reconciles the revenues collected from the IRP cost recovery surcharge adjustment and actual program costs incurred. Third, the A&S Report establishes and documents program cost-effectiveness based on recorded costs and measure adoptions.

¹³M&E Reports are 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 Report forecasts the budgets and impact goals (i.e., energy demand reduction measured in megawatts and energy savings measured in megawatt hours) for the upcoming calendar year. Second, the M&E Report describes the modifications in program processes that the HECO Companies propose to introduce in the upcoming calendar year. Third, the M&E Report provides results of both the program Impact Evaluation Reports and the program process evaluations, as they become available.

¹⁴See Docket No. 2007-0341, Order No. 23717, filed on October 12, 2007 (opening docket); and Order No. 23861, filed on November 30, 2007 (adopting procedures for reviewing DSM reports and requests for program modifications).

2008 according to the actual amount expended by HECO in 2007, or \$4,394,670.

By Order Regarding HECO's Annual Program Modification and Evaluation Report, filed on September 30, 2008, filed on November 14, 2008, in Docket No. 2007-0341, the commission approved HECO's 2009 RDLC program budget of \$3,899,859.¹⁵

C.

Application to Extend RDLC Program

On April 30, 2009, HECO filed an application for approval to: (1) extend its RDLC Program for an additional three years, from 2010 through 2012, and (2) recover its program costs, which are estimated to be approximately \$13.2 million and associated revenue taxes, if applicable, through a combination of base rates and HECO's IRP cost recovery provision.¹⁶ According to HECO, the RDLC Program has exceeded its original projection of 17 MW of interruptible load with the installation of over 36,000 load control switches on electric water heaters and 3,000 load control switches on central a/c units, contributing over 26 MW of

¹⁵Cf. HECO's M&E Report, filed on September 30, 2008, at Attachment A, page 4; with Letter from HECO to the commission, filed on January 20, 2009 in Docket 2007-0323, at Exhibit A, page 10 (modifying customer incentives and equipment costs). See also HECO's September 4, 2009 letter, at Attachment A, page 2 (reporting revised 2009 RDLC budget of \$3,899,864).

¹⁶See Application at 1. HECO served copies of its Application on the Division of Consumer Advocacy, Department Of Commerce and Consumer Affairs ("Consumer Advocate"), which is an ex officio party to all proceedings before the commission. See Hawaii Revised Statutes § 269-51 and Hawaii Administrative Rules § 6-61-62.

peak interruptible load.¹⁷ HECO is now seeking to extend the RDLC program for another three years, from 2010 through 2012, to continue annual incentive payments of approximately \$1.5 million to existing participants who are expected to continue in the RDLC Program beyond December 31, 2009. HECO also seeks to expand customer enrollment for an additional 13.1 MW of interruptible loads in the next three years of the RDLC Program, for a total program interruptible load of 40.5 MW by the end of 2012.¹⁸ The following table summarizes HECO's estimates of the yearly and cumulative impacts of the RDLC Program:¹⁹

Program Calendar Year	Incremental Controlled Peak Load Impacts (MW)	Cumulative Controlled Peak Load Impacts (MW)	Cumulative with Previously Acquired Controlled Peak Load Impacts (MW)
Year 6 - 2010	5.140	5.140	32.548
Year 7 - 2011	4.148	9.288	36.723
Year 8 - 2012	3.772	13.060	40.495

HECO's RDLC program budget is estimated to be approximately \$2,000,000 annually to maintain existing program participants and approximately \$2,104,000 annually to recruit new participants.²⁰

¹⁷See Application at 4. See also HECO's September 4, 2009 letter, at 3.

¹⁸See Application at 5.

²⁰Id. at 12.

²⁰Id. at 15-16; Application, at Exhibit A; and HECO's M&E Report, filed on November 30, 2009, at Attachment A, page 1 (revising HECO's estimated 2010 RDLC program budget to incorporate changes reflected in its 2009 test year rate case, Docket No. 2008-0083). Program costs include customer

In its Application, HECO states that extension of the RDLC Program for an additional three years will enable the company to:²¹ (1) evaluate the interaction between the RDLC program and HECO's proposed Dynamic Pricing Pilot ("DPP") Program,²² which has the potential for targeting the same pool of customers with air conditioning systems; (2) evaluate future smart grid technologies and other two-way communication technologies for demand response initiatives that may be implemented through HECO's proposed Advanced Meter Infrastructure ("AMI") Project;²³ and (3) better evaluate the role and design of HECO's load control programs as part of HECO's overall long-term resource plan, through the development of the Clean Energy Scenario Planning ("CESP") process.

In terms of cost-effectiveness, HECO estimates that the capacity savings generated through its RDLC Program are over \$74.8 million.²⁴ HECO claims that when modeled together, the RDLC and the Commercial and Industrial Direct Load Control ("CIDLC")

incentives, direct labor and administration, tracking and evaluation, equipment purchases, outside services, marketing and miscellaneous expenses.

²¹See Application at 6. See also HECO's September 4, 2009 letter, at 3.

²²See In re Hawaiian Electric Company, Inc., Docket No. 2008-0074, Application, filed on April 24, 2008. See also Order Directing HECO to Modify Its Dynamic Pricing Pilot Program, filed on June 5, 2009 in Docket No. 2008-0074.

²³See In re Hawaiian Electric Company, Inc., Docket No. 2008-0303, Application, filed on December 1, 2008.

²⁴See Application at 12. The estimated cost savings of the RDLC program is calculated based on the assumption that the RDLC program has a twenty-year life and on a net present value basis using a 7.862% present value factor. See Application, at Exhibit D.

Programs "have the effect of deferring the need date of the addition of a steam turbine to convert the first simple cycle combustion turbine to a single train combustion turbine at Campbell Industrial Park from 2019 to 2024."²⁵ HECO also contends that continuation of the load control programs will defer the need date of several customer sited distributed generators beginning in 2020.²⁶

HECO evaluated the costs and benefits of the RDLC Program using four cost-effectiveness tests, as defined in the California Standard Practice Manual, Economic Analysis of Demand Side Management Programs: the Utility Cost Test, Rate Impact Measure Test, Participant Test, and the Total Resource Cost Test.²⁷ Based on its calculations, HECO asserts that the cost-effectiveness ratios for the RDLC Program over twenty years are as follows:²⁸

²⁵See Application at 17.

²⁶Id. Although capacity cost savings are the primary benefits of the RDLC Program, HECO also notes that its load control programs may provide additional production cost savings by reducing labor and other operation and maintenance expenses associated with additional generation. It may also reduce spinning reserve requirements, which in turn could result in the deferral of the startup timing of its generating units and a reduction in related fuel, operation, and maintenance costs. These additional cost-saving benefits, however, were not calculated in HECO's Application. Id. at 13. See also HECO's October 15, 2009 letter, at 2-3.

²⁷See Application at 16-19.

²⁸HECO states that it is currently in the process of conducting an impact evaluation for its load control programs. HECO's consultant, KEMA, expects to complete its analysis by the end of December 2009 and issue a final report shortly thereafter. See HECO's October 15, 2009 letter, at 3. In conjunction with the issuance of KEMA's impact evaluation report, HECO plans to update its cost-effectiveness analysis for its load control

Test	Benefit/Cost Ratio
Utility Cost Test	1.63
Rate Impact Measure Test	1.63
Participant Test	Infinite
Total Resource Cost Test	3.56

In its Application, HECO also states that it plans to continue tracking and monitoring the RDLC Program to ensure prudent expenditures and to be able to quantify program benefits.²⁹ HECO also proposes to conduct a "process evaluation" within the first year of the program extension.³⁰ During the second year of the program extension, HECO will conduct an "impact evaluation" of the load reductions achieved when cycling central a/c systems.³¹ If HECO adds split system a/c units to its list of controlled technologies, then HECO states that it will also conduct an impact evaluation during the third year of the program extension to determine the hourly load reduction achieved

programs and seek modifications to the RDLC Program, if warranted. Id.

²⁹HECO's current tracking system records information on participating customers, responses from direct marketing efforts, installation and/or removal of the load control switch, interruption occurrences, installation performance of outside contractors, equipment costs, maintenance costs, and customer satisfaction. See Application at 13.

³⁰Id.

³¹Id. at 14.

for typical customers with split system a/c units and load reductions achieved when cycling central a/c systems.³²

D.

Cost Recovery

HECO seeks approval to recover its expenditures for direct labor and administration, tracking and evaluation, marketing, and miscellaneous program costs through base rates.³³ Second, HECO requests that it be allowed to continue using the DSM Adjustment component of the IRP cost recovery provision to recover its incremental program costs for customer incentives, equipment purchases, and outside services expenditures.³⁴ Third, HECO requests that it be allowed to continue contemporaneous expense recovery.

³²Id. HECO states that these process and impact evaluation reports will be included in its annual M&E Reports.

³³Id. at 20, and at Exhibit A. HECO originally estimated its expenses for direct labor, tracking and evaluation, marketing, and miscellaneous program costs to be \$2,052,000 (or \$684,000 per year for the next three years). HECO subsequently revised its 2010 estimated RDLC program budget to incorporate changes reflected in the 2009 test year rate case in Docket No. 2008-0083. See HECO's M&E Report, filed on November 30, 2009, at Attachment A, page 1. Therefore, base expenses, at least for 2010, are estimated to be \$324,500.

³⁴See Application at 20, and at Exhibit A. HECO estimates its total program costs for incentives, equipment purchases, and outside services expenditures to be approximately \$11,158,116.

HECO estimates the annual impact of the recovery of costs for the RDLC program on its rates are:³⁵

Program - Calendar Year	Rate Impact Schedule R \$/kWh	Rate Impact Schedule P ³⁶ \$/kWh
Year 6 - 2010	0.0016	0.0003
Year 7 - 2011	0.0016	0.0003
Year 8 - 2012	0.0015	0.0003

E.

Consumer Advocate's Position

On May 20, 2009, the Consumer Advocate filed its Preliminary Statement of Position stating that that it would not be participating in this particular proceeding due to limited resources. The Consumer Advocate, however, reserves the right to review and address the actual costs that may be recovered by HECO's ratepayers in connection with the requested extension of the RDLC Program at the time cost recovery is sought by HECO.

II.

Discussion

A.

HECO's Request to Extend and Expand the RDLC Program

Section V.A.1 of the commission's Framework for Integrated Resource Planning dated May 22, 1992 ("Framework")³⁷

³⁵Id. at 21.

³⁶Schedule P pertains to master metered accounts. See Application at 21.

states, in relevant part: "A purpose of piloting demand-side management programs is to ascertain whether a given program, not yet proven in Hawaii, is cost-effective - whether it will have the penetration and will achieve accomplishment of the utility's objectives as originally believed." As set forth in Section V.A.2 of the Framework: "A second purpose of piloting demand-side management programs is to determine whether the program design and configuration (including how it is managed and promoted) are such as to permit implementation of the program as efficiently and effectively as desired.

As noted above, the RDLC Program was approved as a pilot program for a five-year period ending December 31, 2009, pursuant to an agreement between HECO and the Consumer Advocate. As part of that agreement, the Consumer Advocate "noted that it continues to have the same concerns with the RDLC Program as it did with a similar program proposed in 1997, Docket No. 97-0338" but that it was "willing to support the implementation of the instant program as a pilot program, to allow the [p]arties [] an opportunity to gather information that would be useful in assessing the impacts of such a program and determining whether

³⁷By Decision and Order No. 11523, filed on March 12, 1992, as amended by Decision and Order No. 11630, filed on May 22, 1992, in Docket No. 6617, the commission established the IRP Framework and required electric and gas utilities in the State to develop IRP plans in accordance with the IRP Framework. According to the IRP Framework, the "goal of integrated resource planning is the identification of the resources or the mix of resources for meeting near and long term consumer energy needs in an efficient and reliable manner at the lowest reasonable cost." See IRP Framework, Section II.A., at 3.

such programs are cost-effective and should be continued in the long-term."³⁸

Here, HECO seeks to expand the RDLC program to allow for additional customer enrollment (estimated at an additional 13.1 MW of interruptible load in the next three years). The commission, however, is concerned that there has not been sufficient effort by HECO to gather information to determine whether the program, as designed, is cost-effective and should be continued in the long term. Specifically, there is nothing in the record to indicate that HECO has evaluated whether "the program design and configuration (including how it is managed and promoted) are such as to permit implementation of the program as efficiently and effectively as desired." Notably, HECO states that it is currently conducting an impact evaluation of its RDLC Program to "test the communications between [HECO] and the load control receivers and [HECO's] ability to dispatch the controllable loads" and the "load shapes for residential water heating and central air conditioning systems in the RDLC Program" to "better predict the level of controllable loads participating in the RDLC Program."³⁹ HECO however has yet to complete this evaluation, and instead states that its consultant is "targeting the end of December 2009 for the completion of its impact

³⁸Decision and Order No. 21415, filed on October 14, 2004, in Docket No. 03-0166, at 11.

³⁹See HECO's October 15, 2009 letter, at 3.

findings, and a final report will be issued soon thereafter.”⁴⁰ HECO indicates that it will file its updated cost effectiveness analysis in the first quarter of 2010 and, if warranted, will submit any modifications to the RDLC Program. In the commission’s view, it would be inappropriate at this time to allow expansion of the program before completion of the impact evaluation and other evaluation necessary to determine whether the program is designed and being implemented efficiently and effectively.

In addition, the commission is concerned that the requested program expansion as described in HECO’s Application has not been examined by HECO, the Consumer Advocate, or the commission in a comprehensive planning process such as the IRP process. The proposed expansion of the RDLC Program was not included in HECO’s IRP-3 or IRP-4 plans.⁴¹ In fact, in HECO’s IRP-4 plan, there is no indication that HECO intended to expand the RDLC Program beyond the customer base achieved in 2009 since IRP-4 forecasts a consistent cumulative peak impact of 18.7 MW for the program for each year during the period of 2009-2013.

⁴⁰Id. at 3. The commission notes that an impact evaluation should have been completed before HECO submitted its Application to expand the RDLC Program.

⁴¹See HECO’s IRP-3 Plan, filed on October 28, 2005 and Update to IRP-3 Plan, filed on May 31, 2007, filed in Docket No. 03-0253. See also HECO’s IRP-4 Plan, filed on September 30, 2008 in Docket No. 2007-0084 (HECO IRP-4). In response to proposals to replace the existing IRP Framework with a new CESP process, the commission closed the IRP-4 docket and initiated an investigation to examine the proposed amendments to the IRP Framework. See Order Closing Docket filed on November 26, 2008, in Docket No. 2007-0084, and Order Initiating Investigation, filed on May 14, 2009, in Docket No. 2009-0108.

Because the proposed expansion has not been evaluated as part of a comprehensive planning process, the commission cannot properly determine whether an expansion of the RDLC Program is warranted at this time. In fact, HECO itself acknowledges that further evaluation is needed to examine the role and design of HECO's load control programs as part of HECO's overall long-term resource plan, as well as the interaction between the RDLC Program and other proposed programs such as its proposed DPP and AMI projects.⁴²

Given the lack of comprehensive planning, it is unclear how effective the proposed expansion will actually be in deferring the need for future capital investment. In its Application, HECO claims that "[o]ver the twenty-year life of the RDLC Program, the capacity savings are estimated at over \$74.8 million on a net present value basis using a 7.862% present value factor."⁴³ HECO's projected capacity cost savings are primarily based on its contention that "the RDLC and the CIDLC Programs have the effect of deferring the need date of the addition of a steam turbine to convert the first simple cycle combustion turbine to a single train combustion turbine at Campbell Industrial Park from 2019 to 2024."⁴⁴

HECO's projected capacity savings, however, are based on the assumption that its load control programs will be

⁴²See Application at 6. See also HECO's September 4, 2009 letter, at 3.

⁴³See Application at 12, and Exhibit D.

⁴⁴Id. at 17.

continued through the 2019 to 2024 timeframe. Without a comprehensive plan by HECO, however, there is no guarantee that HECO's load control programs will be continued beyond the 2012 extension as requested herein. If HECO's load control programs were discontinued prior to 2024, then the cost-benefit analyses presented by HECO would no longer be valid.

More importantly, HECO anticipates having a reserve capacity surplus during the 2010-2012 timeframe, even without the proposed expansion of its load control programs. HECO states that with the addition of Campbell Industrial Park Combustion Turbine-1, there is a forecasted reserve capacity surplus of 60-120 MW in 2010 and 0-60 MW in 2012.⁴⁵ These forecasts include the existing 58 MW contributions from the RDLC and CIDLC Programs.⁴⁶ Therefore, an expansion of HECO's load control programs at this point in time is not required to meet HECO's capacity requirements for 2010 through 2012, and would actually add to a forecasted capacity surplus.

Based on the foregoing, the commission finds it appropriate to allow extension of the existing RDLC program for an additional three years on a pilot basis, but defers HECO's proposed program expansion until further analysis and review have been completed. Therefore, HECO's request to extend the existing RDLC Program for an additional three years, from January 1, 2010 through December 31, 2012 is granted on a pilot basis, but HECO's

⁴⁵See HECO's September 4, 2009 letter, at 4 (citing HECO's Supplemental Testimony, HECO ST-4, at pages 10-12, filed in its 2009 test year rate case, Docket No. 2008-0083).

⁴⁶Id.

request to expand the RDLC Program and enroll additional customers for an additional 13.1 MW of interruptible load is denied.

B.

Cost Recovery

In approving HECO's request to extend the existing RDLC Program for an additional three years, the commission also authorizes HECO to recover its program costs for the existing RDLC Program through a combination of base rates and the IRP surcharge.

Existing RDLC program costs for direct labor and administration, tracking and evaluation, and miscellaneous program costs may be recovered through base rates. However, because extension of the RDLC Program is limited to maintaining existing program participants, the recovery of program costs through base rates shall not include costs related to expansion of the RDLC Program for new customers, such as marketing or advertising costs, as such costs would not be necessary for maintaining existing program participants.

HECO may continue using its IRP cost recovery provision to recover incentive payments for existing RDLC customers, outside services (for equipment maintenance and removals), and equipment purchases (for central equipment and communication expenses/upgrades). The recovery of such costs, however, shall be limited to those costs that are necessary to maintain the existing program.

III.

Orders

THE COMMISSION ORDERS:

1. The commission approves HECO's request for a three year extension of its existing RDLC Program, from January 1, 2010 through December 31, 2012, but denies without prejudice HECO's request to expand the enrollment of customers in the RDLC program.

2. HECO shall be permitted to recover its existing RDLC program costs for direct labor and administration, tracking and evaluation, and miscellaneous program costs through base rates. Recovery of such costs through base rates shall not include marketing or advertising costs.

3. HECO shall be permitted to continue using its IRP cost recovery provision to recover incentive payments for existing RDLC customers, outside services (for equipment maintenance and removals), and equipment purchases (for central equipment and communication expenses/upgrades), to the extent such costs are necessary to maintain the existing program.

4. Any existing RDLC program costs that are recoverable through base rates may not be recovered through HECO's IRP cost recovery provision.

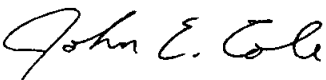
5. Within thirty days of the date of this Decision and Order, HECO shall submit a revised 2010-2012 program budget for the commission's review and approval.


DONE at Honolulu, Hawaii

DEC 29 2009


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:


Bonita Y.M. Chang
Commission Counsel

2009-0097.cp

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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