



Division of Consumer Advocacy

CONSUMER SPOTLIGHT

Issue #16

Public Utility News You Can Use

October 2012

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Public Utilities Commission (PUC)

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Fax: (808) 586-2066
E-mail: Hawaii.PUC@hawaii.gov
Web Address:
www.hawaii.gov/budget/puc

Federal Communications Commission (FCC)

445 12th St., SW
Washington, DC 20554
Toll-Free: 1-888-225-5322
E-mail: fccinfo@fcc.gov
Web Address:
www.fcc.gov/consumers

Federal Energy Regulatory Commission (FERC)

888 First St., NE
Washington, DC 20426
Toll-Free: 1-866-208-3372
E-mail: customer@ferc.gov
Web Address: www.ferc.gov

EXECUTIVE DIRECTOR'S MESSAGE BY JEFFREY ONO



Our office received an increasing amount of complaints regarding Hawaiian Electric Co.'s customer service this summer. As cited in media reports, HECO experienced issues with its new billing system that it implemented in May. A larger number of customers trying to contact HECO at the same time resulted in unusually long hold times and delayed or no response to inquiries. I did my best to address all of the complaints sent to our office and relayed them to HECO to be addressed. While I welcome and would like to hear consumers' complaints, I would also like to let you know that action can be taken through the Public Utilities Commission, regulators of Hawaii's public utilities. Information on filing a complaint can be found in this newsletter. While some of the recent high electric bills were in error due to the new billing system, others could be attributed to increased usage to battle the summer heat, and increasingly volatile fuel prices. It is times like these that accentuate the need for Hawaii to cut its dependence on imported oil. In addition to adding more renewable energy, there is serious discussion about using liquefied natural gas to supply a portion of our energy demand. Please read more about it on the next page. As always, please do not hesitate to contact our office with any questions or concerns.

PROGRAMMATIC EIS

To hear community input first hand, the Division of Consumer Advocacy was present in the audience at each of the programmatic environmental impact statement scoping meetings held in Honolulu, Lihue, Kailua-Kona, Hilo, Kahului, Lanai City, Kaunakakai, and Kaneohe in September. The U.S. Department of Energy and Hawaii State Energy Office held the PEIS meetings to discuss and solicit comments on the undersea transmission cable and renewable energy projects in the state. The PEIS will consider potential environmental, cultural, and socio-economic impacts of the undersea cable and all types of renewable energy projects in Hawaii.



Sept. 19 PEIS meeting at the Mitchell Pauole Community Center on Molokai

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AKP CONTRACT

Hawaii Electric Light Company recently asked the Public Utilities Commission to approve a new biofuel contract with Aina Koa Pono (AKP). AKP would provide 16 million gallons of biofuel per year for the Keahole Power Plant. Another 8 million gallons would be sold to Mansfield Oil Company. The PUC rejected a previous contract because the cost was deemed excessive. The new deal for consideration reduces the cost to customers by about \$125 million over the 20 year term compared to the previous contract. If approved, HELCO estimates that customers on Hawaii Island and Oahu would see an increase on their monthly bill between \$0.84 to \$1. The Division of Consumer Advocacy is still conducting a detailed analysis of the contract before delivering its statement of position to the PUC.

Docket No. 2012-0185

Electric Companies:

Hawaiian Electric Co. (HECO)

Phone: (808) 548-7311

www.heco.com

Hawaii Electric Light Co. (HELCO)

Hilo: (808) 969-6999

Kona: (808) 329-3584

Waimea: (808) 885-4605

www.heco.com/portal/site/helco/

Maui Electric Co. (MECO)

Phone: (808) 871-9777

Molokai & Lanai: 1-877-871-8461

www.mauielectric.com

Kauai Island Utility Cooperative (KIUC)

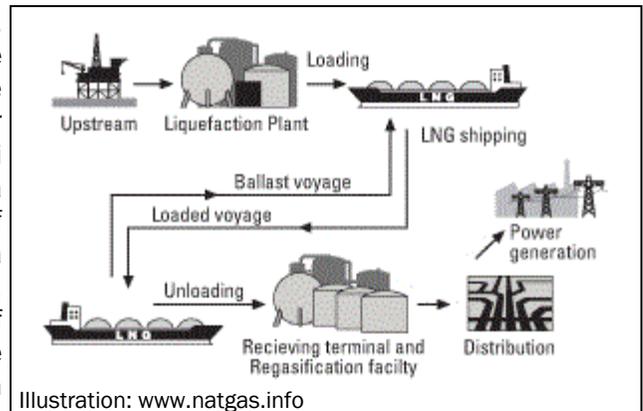
Phone: (808) 246-4300

www.kiuc.coop

WHAT IS LIQUIFIED NATURAL GAS?

Liquefied natural gas, or LNG, is natural gas that is converted to a liquid form for ease of transport and storage. Natural gas is primarily methane, with low concentrations of other hydrocarbons and sulfur compounds. When cooled down to about minus 260 degrees Fahrenheit, it condenses into a liquid and reduces volume by approximately 600 times. LNG is half the weight of water, and would float if spilled. Thanks to advances in gas-drilling technology, companies are tapping previously inaccessible gas reserves and the abundance is driving prices to all-time lows. It has dipped below \$3/MMBtu, and a rough cost-comparison would equate it to about \$16.65 for a barrel of oil. Given this currently low price, LNG offers potential lower cost electricity generation for Hawaii's consumers. On the other hand, the task of bringing LNG to Hawaii is extremely complex and expensive. In all likelihood, a ship would need to be built specifically to serve Hawaii. If a United States source is to be used, then the tanker ship would need to be built in the U.S. and flagged with a U.S. crew in order to comply with the Jones Act. Furthermore, a storage and re-gasification facility would need to be built somewhere on Oahu. Another hurdle is that there are no U.S. LNG export terminals in operation. The Federal Energy Regulatory Commission recently approved an export terminal for Sabine Pass to be sited in Cameron Parish, Louisiana.

Currently, HECO and Hawaii Gas, formerly The Gas Company, are both carefully studying the possibility of importing LNG for electricity generation. Hawaii Natural Energy Institute (HNEI), a research body of the University of Hawaii, recently released a Request for Proposal (RFP) for a study on the economic impact of importing LNG. Among the impacts being considered in HNEI's RFP is the effect LNG



would have on Hawaii's two oil refineries from which HECO purchases low sulfur fuel oil and diesel. Assuming these plans move forward in earnest, the earliest anticipated date for LNG being used for electricity would be 2018 or beyond. Thus far, there are no applications before the Public Utilities Commission concerning LNG, but the Division of Consumer Advocacy will actively monitor all of the LNG proposals because of its potential benefit to the state.

Not everyone is in favor of the idea of importing LNG to Hawaii. There are those who feel that LNG will detract from Hawaii's goal of sustainability with renewable energy generation and that LNG is simply replacing one fossil fuel with another. There are others who feel that the low price of LNG cannot be sustained over the long-term and that LNG prices will eventually rise and fall with the price of oil. Finally, there are those who object to hydraulic fracturing, also referred to as hydro-fracking, which is the manner in which natural gas is extracted from the earth.



PUC Docket Numbers corresponding to topics discussed are included for your convenience so that you can read deeper into the subjects. PUC public filings are accessible online via the PUC's Document Management System (DMS). Visit: <http://dms.puc.hawaii.gov/dms>

LNG PLANS

Hawaii Gas, formerly the Gas Company, is seeking federal regulatory approval for the first of its planned three phases to import liquefied natural gas to Hawaii. In its application, filed with the Federal Energy Regulatory Commission (FERC) in August, the company stated that the first phase includes, among other things, a fleet of up to 20 40-foot cryogenic ISO containers to be transported to Hawaii on cargo vessels and mobile LNG vaporization/re-gasification units to inject the gas into the company's distribution pipeline or directly to a customer's facility. Each ISO container would be filled with about 8,600 gallons of LNG, even with a capacity of 12,000 gallons, because of road transport limits. The company also requested FERC to approve their application within 90 days, which would be on November 7, because it would provide them with a backup fuel source for potential service disruption in December. Hawaii Gas will need to do inspection work to a synthetic natural gas transmission line serving Honolulu as mandated by the Department of Transportation. The company plans to use a backup propane unit to provide temporary service to customers. The company also cited the need to diversify its fuel supply and firm energy security because of performance issues with and potential sale of its main feedstock supplier, the Tesoro Kapolei Refinery. For more information visit: www.hawaiigas.com/news.aspx

GOING SOLAR GETS EASIER

The Hawaiian Electric companies are trying to make it easier on customers wanting to install smaller photovoltaic (PV) systems, but are hindered by costly interconnection studies. HECO engineers determined that single-phase

PV System 10kW or smaller with generating capacity of 15% or > of peak load		
NEW CHECKPOINT		OLD CHECKPOINT
Penetration <75% min. daytime load	Penetration 75% or > min. daytime load	Penetration 50% or > min. daytime load
No Study Needed	Study May Be Required	Study May Be Required

NEW CHECKPOINT

OLD CHECKPOINT

PV systems up to 10 kilowatts on single-phase transformers have less potential to impact service reliability so the utility is eliminating the need for a study for most of these systems, unless the solar generating capacity is 15 percent or more of peak load. In such cases, an interconnection study may be required if the PV penetration is 75 percent or more of the circuit's minimum daytime load.

In addition, the company stated that it will refund customers who previously paid for an interconnection study and system upgrades to install those smaller PV systems that would not have required a study under the new threshold. Customers will still need to submit a signed net energy metering (NEM) application before installation, and the county building permit must close before the NEM agreement is executed. The City & County of Honolulu also added to the convenience by recently revamping their website to include online submissions of building permit applications for residential PV systems. The county reported that they issued more than 300 permits on the first day alone. For more information, including tips on financing and selecting a contractor, customers can visit Hawaiian Electric's new online solar resource center at: goingsolar.heco.com

OAHU WIND FARM UPDATE

First Wind's 12 wind turbines in Kahuku remain idle after a fire destroyed the battery storage facility for the 30 megawatt (MW) wind farm on August 1. This battery system was used to smooth out fluctuations in voltage output as wind can be intermittent. An environmental remediation firm took air and soil samples because of concerns over lead contamination from the burning of the lead-acid batteries. The results determined there was no potential health risk. First Wind is hoping to get the wind farm back online as soon as possible. As of this writing, the cause of the fire has yet to be determined and is still under investigation.

Meanwhile, construction continues for First Wind's other wind farm on Oahu, and the State's largest to date, Kawailoa Wind. The project is expected to be completed and generating electricity by the end of 2012. The wind farm will have a generating capacity of 69 megawatts using 30 turbines, enough to power about 14,500 homes. Construction and testing on the wind farm is slated to continue through the year before it officially goes online.

Docket Nos. 2009-0176 (Kahuku, closed) & 2011-0224 (Kawailoa)

HTI & WAVECOM

Hawaiian Telcom is in the process of acquiring Wavecom Solutions Corporation for \$13 million, pending state and federal approval. The acquisition would, among other things, give HT access to Wavecom's fiber optic network connecting the main Hawaiian Islands. As mentioned in its application to the Federal Communications Commission (FCC), HT would be able to expand its broadband and television service outside of Oahu using the under-sea cable network, positioning itself to better compete with Oceanic Time Warner and give consumers more options to choose from. The Division of Consumer Advocacy does have some concerns, however, and filed its comments with the PUC and FCC.

PUC Docket No. 2012-0174
FCC WC Docket No. 12-206

Telecommunication Companies:

Hawaiian Telcom

Phone: (808) 643-3456

www.hawaiiantel.com

Time Warner Telcom

Phone: (808) 441-8500

www.twtelecom.com

Wavecom Solutions

Phone: (808) 791-3000

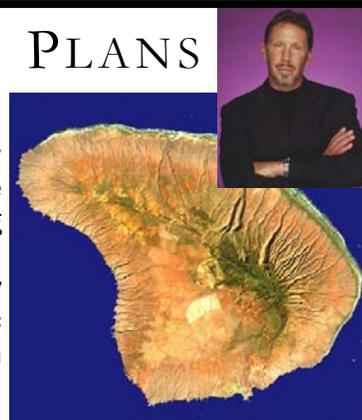
Toll-Free: 1-877-912-5648

www.wavecomsolutions.com

LARRY ELLISON'S LANAI PLANS

Billionaire and Oracle Corp. CEO Larry Ellison revealed some insight into his vision for Lanai in an interview with CNBC on October 2. Ellison mentioned his desire to make the island sustainable, incorporating among other things, solar power, electric vehicles, and converting sea water into fresh water. He incorrectly stated, however, that he owned the island's electric utility, which is still owned by Maui Electric. Ellison is in the process of acquiring Lanai's water, sewer, and transportation utilities. The Hawaii Public Utilities Commission (PUC) gained national attention when news spread of Ellison's plan to buy Lanai in June. Under Hawaii law, a public utility cannot sell or transfer assets that may affect service to the public without first receiving authorization from the commission. Since the sale of the island included Manele Water Resources, LLC, Lanai Water Co., Inc., and Lanai Transportation Co., which are companies regulated by the PUC, the sale needed the PUC's decision to go through. Ellison's newly formed company, Lanai Island Holdings, LLC, and the seller, Castle & Cooke, Inc., asked the PUC to grant an interim approval in a week's time in order to avoid jeopardizing the overall sale of the island. The Division of Consumer Advocacy agreed to the expedited process with a recommendation to the PUC for the interim approval conditioned on the following: (1) The Consumer Advocate does not waive any right to a full and complete review of the transaction; (2) As a showing of a good faith commitment to Lanai, Larry Ellison would make \$10 million in capital improvements to the utilities over a period of five years without passing these costs on to ratepayers; and (3) In the event that the PUC denies approval of the transaction, then the ownership of the utilities would revert back to Castle & Cooke. The PUC then granted interim approval of the transaction, but reserved the right to "ultimately disapprove of the indirect transfer and sale of the three public utilities, as part of the commission's future final decision on the Companies' Application." The application is currently under review. The controversial 200 MW wind farm that was proposed by Castle & Cooke is not part of this application. Castle & Cooke retains the right to develop the wind farm subject to a land lease from Larry Ellison. It is not yet clear how Castle & Cooke plans to fulfill its obligations under the community benefits package that is an integral part of developing the wind farm.

Docket No. 2012-0157



FILING A COMPLAINT

While we encourage consumers to try to resolve all issues with the respective utility when possible, sometimes a resolution cannot be reached, leaving the customer feeling frustrated with nowhere to turn. You can file an informal complaint with the Public Utilities Commission. If your informal complaint is not resolved to your satisfaction, you may wish to file a formal complaint. Filing a formal complaint, however, is subject to a \$30 filing fee. A copy of the complaint form is available for download on the PUC's website. You can email, mail, or fax the form to the PUC. Their contact information is posted on the front page of this newsletter.

Download the form at: <http://puc.hawaii.gov/forms/complaints-inquiries>

