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EXECUTIVE DIRECTOR’S MESSAGE
BY JEFFREY ONO



The Hawaiian Electric Companies released their Integrated Resource Planning (IRP) Report at the end of June. The report identifies proposed plans for the State’s energy future, excluding Kauai, since the Garden Island’s electric service is run by a cooperative, not the HECO companies. You can read a brief summary in this newsletter, but the full report, which is over two thousand pages including appendices, is available online through the Public Utilities Commission’s (PUC) Document Management System (enter Docket No. 2012-0036 to locate the report). Hawaiian Electric issued public notice of the report on July 7, and interested parties had 20 days to file a request with the PUC to formally participate in the discussion of the plan. Several parties filed a request before the deadline. Our office also remains committed to examining and tracking natural gas prices as LNG remains a hot topic in the mix to be an alternative fuel source for the islands. As always, please do not hesitate to contact our office with any questions or concerns.

INTEGRATED RESOURCE PLANNING

The tough task of delivering reliable and affordable electricity, while reducing imported fossil fuel use and increasing renewables, and also protecting Hawaii’s environment and cultural history, is certainly challenging. After receiving input from an Advisory Group consisting of individuals representing 68 different organizations, the Hawaiian Electric Companies developed an Integrated Resource Planning (IRP) Action Plan to take on this challenge. The group discussed several different alternate plans through the process to work under various scenarios because of uncertainties ahead, and it resulted in numerous possible plans. Now that the Action Plan has been presented and the time for a Public Utilities Commission (PUC) decision is approaching, the PUC received more than a dozen filings from other groups seeking some form of formal participation in the docket related to IRP.

A major part of the plan analyzed shutting down several power generating units burning fossil fuels. Hawaii’s Renewable Portfolio Standard (RPS) law requires the utility to have at least 15 percent of its electricity sold generated by renewable resources by 2015. The number increases to 25 percent by 2020, and then to 40 percent by 2030. HECO Companies reported a figure of 13.9 percent for 2012. In 2014, the companies want to deactivate or decommission the two units at the Honolulu power plant, two of four units at the Kahului power plant on Maui, and the Shipman power plant, which is actually already deactivated. For other existing units, the utilities will be looking at converting them to more cost effective plants that use renewable and lower carbon fuels, including biofuels and liquefied natural gas.

SEE Integrated Resource Planning Page 2

COMP BID WAIVER

Earlier this year Hawaiian Electric Co. (HECO) sought proposals for low-cost, near-term renewable energy projects (see Fast-Tracking Oahu Renewables, issue #17). HECO received 25 submissions, and ended up selecting five for approval. Of the five, four are solar projects ranging from six to 15 megawatts (MW). The fifth is a 21MW wind project. The utility is now seeking approval from the Public Utilities Commission (PUC) to waive the competitive bidding framework, traditionally required when seeking to add generation resources. Key elements for these projects include lower pricing at an average of 15.9 cents per kilowatt hour, site control, community outreach, and opening financial data for inspection by the Consumer Advocate and the PUC. HECO is looking to quickly add renewable energy projects priced lower than current power purchase agreements through this process.

Docket No. 2013-0156

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Kauai Island Utility Cooperative (KIUC)

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INTEGRATED RESOURCE PLANNING

CONTINUED FROM PAGE 1

The action plan also analyzed using smart meter technology, bettering consumer information and education, and introducing new Demand Response programs to help support clean energy while lowering monthly bills. The smart meters would be rolled out statewide, with opt out provisions. Smart meters should allow for real-time communication between the customer and utility, providing not only better service, but more options and information to lower consumption and cost.

Another area of focus will be on studying and implementing system upgrades for areas with or expected to have high concentrations of distributed generation. A repeated criticism and concern from customers and solar installers is that they are eager to go green and adopt PV, but the utility says the circuit cannot safely take on any more. The customer needs to wait until the utility tells them it will be okay and/or conduct a costly interconnection requirements study. A total of 12,215 solar systems across Oahu, Maui County, and Hawaii Island connected to the grid in 2012, exceeding the combined total over the previous 10 years. The HECO companies intend to be more proactive in providing better access with interconnection under the IRP Action Plan.

Docket No. 2012-0036

OAHU PLANS

As previously mentioned, HECO plans to deactivate the Honolulu power plant in 2014. It also plans to deactivate Waiau 3 & 4 in 2016. Other units for deactivation or decommission will be evaluated as well, with any to be reactivated for emergencies. The company will be seeking to lower generation costs with more efficient technologies, and is already in the process of soliciting fast-track renewable energy projects that can be up and running by 2015. HECO is taking a close look at using liquefied natural gas (LNG) as a cleaner and potentially cheaper fuel source. Modification and additional infrastructure would be required to use LNG, but the switch would assure compliance with impending EPA air regulations. When LNG or biodiesel are not available, the utility would use ultra low sulfur diesel (ULSD). HECO is also still exploring the possibility of a renewable energy project outside of Oahu, and delivering the energy via an undersea cable. One of the projects still under consideration is a wind farm on Lanai. In addition, for more firm generation, HECO will seek approval to build a new quick-start plant at Schofield Barracks, outside the tsunami inundation zone for better energy security.

MAUI PLANS

On Maui, MECO has analyzed decommissioning the Kahului power plant by 2019. The utility is negotiating an extension with Hawaiian Commercial and Sugar on a biomass contract as the current contract is set to conclude at the end of 2014. Similar to Oahu, MECO is exploring using LNG as a fuel source. The LNG would be shipped to Maui County from Oahu and modifications made to combustion units to use the new type of fuel. MECO will also evaluate and consider demand response mechanisms - encouraging customers to reduce energy use at peak or critical times, battery energy storage systems, capacity value of wind resources, and new firm generation. The utility also plans to examine the potential impact to the Maalaea power plant should a tsunami hit, and implement mitigation measures.

MOLOKAI PLANS

On Molokai, MECO is looking at ways to lower customer bills by exploring replacing oil with LNG, sourcing low-cost biofuels, supporting energy efficiency and the adoption of electric vehicles, and implementing on-bill financing to make it easier for customers to install renewable energy systems. MECO will also work with the community to develop a larger scale and cost-effective PV project with energy storage and/or a biomass generator. The utility will evaluate the implementation of additional energy storage resources on the Friendly Isle to increase renewable energy and improve system reliability.

LANAI PLANS

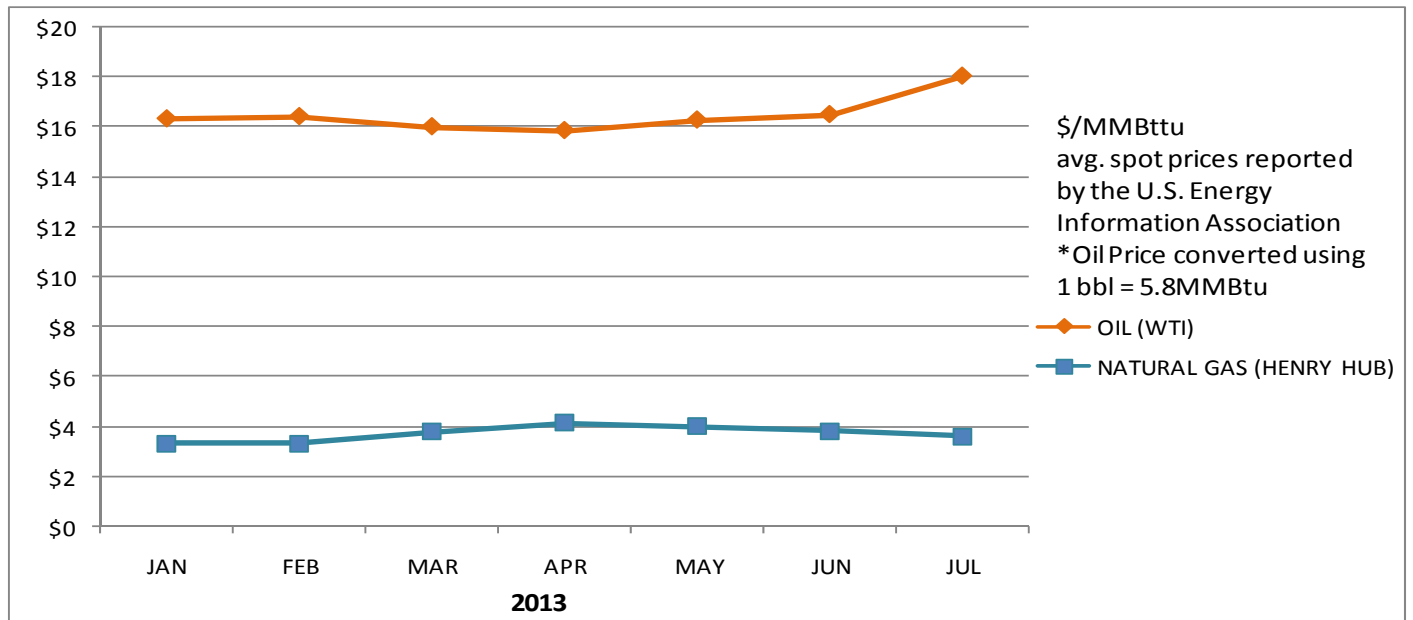
To comply with impending EPA air regulations, MECO believes the cheapest route is to convert the existing generation units and equipment to use LNG. If LNG is not used, then a conversion to use low sulfur industrial fuel or biofuel would be the alternative plan. Similar to plans on Molokai, MECO will also work with the community on Lanai to develop a larger scale and cost-effective PV project with energy storage and/or a biomass generator, as well as implementing on-bill financing to make it easier for customers to install smaller scale renewable energy systems.

HAWAII ISLAND PLANS

On the Big Island, HELCO will continue to seek up to 50 megawatts (MW) of geothermal energy. It also plans to repower the Waiiau hydroelectric power plant. The old 350 kilowatt (kW) generator, however, will be replaced with a new 1.2MW unit, and the 750kW generator will be refurbished to 800 kW. The utility is also looking to work with the County of Hawaii or a private partner to develop a waste-to-energy facility in the Hilo area. In addition, HELCO will continue to make an effort to renegotiate existing power purchase agreements to lower costs. Other planned changes include converting Keahole power plant to biofuel subject to approval of a biofuel purchase contract, converting a Puna steam boiler to use biomass, and looking at using LNG.

NATURAL GAS PRICE WATCH

The price of oil climbed over \$100 a barrel again, with an average spot price of \$104.67 for July, according to data released by the U.S. Energy Information Association. Meanwhile, the price of natural gas dropped to \$3.62 per MMBtu, continuing a decline since April of this year.





FRAUD ALERT

Hawaii Gas and Hawaiian Electric are both warning customers to stay alert for suspicious activity and attempted scams. Hawaii Gas recently received a report of an individual claiming to be an employee affiliated with the company, and requesting access to private property. Hawaii Gas reminds customers that it does not use third parties to read meters, and all of its employees have proper company identification and wear a Hawaii Gas patch on their coveralls.

Hawaiian Electric also warns customers of telephone scams, where individuals claim to be from the utility company and request payment for delinquent bills or risk disconnection. The callers even go so far as to spoof the caller ID to appear as the call is coming from the company. The caller tells the customer to make payment using a service called Money Pak. Payment should only be made through authorized locations such as Hawaiian Electric's customer service offices, First Hawaiian Bank, and participating stores. When in doubt, customers should call the utility back directly to inquire about the suspicious phone call, or call police.

LANAI WIND

In July the Public Utilities Commission (PUC) instructed Hawaiian Electric Co. (HECO) to remove any reference to a Lanai wind project and undersea transmission cable in its request for proposal to acquire 200 megawatts or more of renewable energy for Oahu (Order No. 31354). The PUC then opened new separate dockets, one of which specifically investigates a Lanai wind project. Serious negotiations between HECO and Castle & Cooke Properties, Inc. to develop a wind farm on Lanai go back to 2008. Castle & Cooke has since sold its assets on Lanai to Larry Ellison, although under the terms of the sale, Castle & Cooke retained the "right to develop the "Big Wind" project, which is a planned wind farm on approximately 7,000 acres of land on the northwest corner of the island capable of producing a contemplated 200 to 400 megawatts of renewable energy..." It is fair to question whether Castle & Cooke still has the same ability as it did when negotiations first began to develop such a wind project, given that it gave up control of previous assets in the sale to Mr. Ellison. So in this new, the PUC and Consumer Advocate will be reviewing the current status and progress of the project. It is not to approve any construction of a project. Such a decision would be made through a separate application to approve a power purchase agreement.

Docket No. 2013-0168

INTERISLAND CABLE

A large initial factor in constructing a large wind farm on Lanai is to help provide clean renewable energy for Oahu. An undersea transmission cable is needed to deliver the energy. As mentioned above, the PUC pared off the discussion of the cable into its own docket to determine if an interisland transmission system is in the public interest, but focused on an Oahu to Maui connection. The PUC is soliciting comprehensive information pertaining to the economic benefits and costs, as well as potential technical issues associated with an Oahu-Maui island grid interconnection. The PUC also would like to see more information related to ratemaking policies and practices for a certified cable company, should such a project be approved. The PUC reiterated that it is not leaning either way in supporting or disapproving of an undersea cable project and is awaiting more information to be presented. The PUC recognizes that the public and community stakeholders have had limited information and few opportunities to provide input on an interconnection between islands and want to change that with this docket. They plan to better facilitate public input and information. Anyone can write comments related to the docket right now to the PUC, and can also respond to others' comments. After the comment period concludes, the PUC intends to schedule public meetings on Maui and Oahu and solicit more input. Those meeting dates have yet to be set.

Docket No. 2013-0169



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>

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