Division of Consumer Advocacy

# Consumer Spotlight

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Federal Communications Commission (FCC)
445 12th St. , SW
Washington, DC 20554
Toll-Free: 1-888-225-5322
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Web Address:
www.fcc.gov/cgb/consumers.html

Federal Energy Regulatory Commission (FERC)
888 First St., NE
Washington, DC 20426
Toll-Free: 1-866-208-3372
E-mail: customer@ferc.gov

## Executive Director's Message

By Dean Nishina

Aloha and mahalo for picking up another edition of the Division of Consumer Advocacy's (DCA) newsletter. With an office staff of 12, it remains a constant challenge tackling all of the issues presented before our office. The topics discussed in this issue of *Consumer Spotlight* are just a small sample of the dockets the division analyzes daily. Moving Hawaii forward in its clean energy initiative remains a priority, but it does not come without many technical and regulatory hurdles. The DCA does its best to protect and represent the interest of consumers of Hawaii's public utilities and transportation services, but it could use your help to improve. Feedback from you, the consumer, helps us better understand the ramifications that may come with proposed changes. Since the role of the Consumer Advocate is to represent consumers as a whole, and not a single voice, greater public input is desired. The division will be working to add functions to its website to encourage and generate more feedback so please be on the lookout for that. In the meantime, please explore the wealth of information, which is now more easily accessible through the Public Utilities Commission's Document Management System to read about the topics in detail. The docket numbers included at the bottom of the articles will make it easier to locate the relevant filings. As always, if you have any questions, concerns or suggestions, please do not hesitate to contact us.

## Cargo Competition

Competition is heating up in Hawaiian waters as the Public Utilities Commission (PUC) issued an Interim Decision and Order allowing Pasha Hawaii Transport Lines LLC to operate as a water carrier of property between Honolulu, Pearl Harbor, Barbers Point, Nawiliwili, Kahului, and Hilo. Pasha Hawaii already provides interstate water carrier service to and from the State of Hawaii, but needed PUC approval to conduct intrastate service. The order issued on September 20, allows Pasha Hawaii to operate on the interim through the end of 2013, although the Commission may terminate the authorization at any time if the service causes harm to existing services or the public interest. Young Brothers, Limited has long served as Hawaii's lone intrastate water carrier and briefly shared the market with the Hawaii Superferry. Businesses appreciated the alternative option to ship goods to neighbor islands and competition usually benefits consumers. Young Brothers, however, argued that Pasha Hawaii should not be allowed to operate as a intrastate carrier because it would be detrimental to consumers. Young Brothers currently subsidizes its service to Molokai and Lanai with revenue from its other routes. Pasha Hawaii, meanwhile, has no plans to offer service to Molokai and Lanai. The PUC determined that there is insufficient evidence to back Young Brothers claims. With its Interim Decision, the PUC and Division of Consumer Advocacy can evaluate the operations and impact of Pasha Hawaii's entry into the market prior to the PUC will rendering a final decision.

Docket No. 2009-0059

## SOLAR RANKINGS

For the second year in a row, Hawaii's electric utilities all made the national top 10 for use of solar power. In the Solar Electric Power Association's (SEPA) ratings for solar power per customer, Maui Electric Company ranked second, Hawaii Electric Light Company on the Big Island ranked third, Kauai Island Utility Cooperative came in sixth, and Hawaiian Electric Company rounded out the four at number eight on the list. It is certainly a positive trend for our State, especially with its clean energy goals. SEPA is a non-profit organization that focuses on research, education, and utility outreach. To see the full ranking and for more solar information, visit www.solarelectricpower.org

**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

# DECOUPLING DECISION

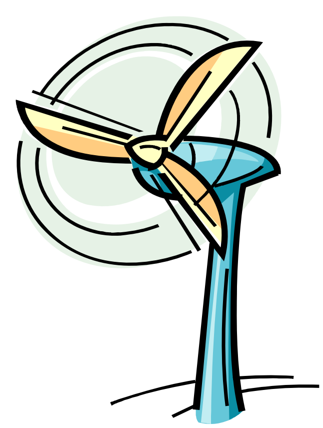
The manner in which many of Hawaii's electric bills are calculated is soon to change. Many definitions fall under the term "decoupling," but in the context of utility rate-making, decoupling refers to the de-linking of revenue from its energy sales. California was the first to implement this regulatory rate design mechanism. A few other States have since slowly adopted forms of decoupling. Proponents say decoupling promotes clean energy use because the rate design offers the utility no incentive for selling more electricity. To achieve this, however, critics point out that the utility is virtually guaranteed a profit. Critics also point out that no other businesses enjoy operating with such reduced financial risk. The PUC issued its Final Decision and Order on the decoupling mechanism on August 31, in a 2 to 1 vote, with Commissioner Leslie Kondo issuing a dissenting opinion. He wrote, "I disagree that it is reasonable or in the public interest to shift essentially all of the HECO Companies' business and economic risks to the customers." In its ruling, the PUC points out that over earnings would be refunded to customers and that it will monitor the utility's operations to ensure they are prudent and that "the decoupling mechanism should not be viewed as a guaranteed, automatic pass-through of utility costs to ratepayers." If it finds anything objectionable, the PUC maintains the authority to suspend HECO's tariff. Officials believe that this new rate design should also reduce the frequency of costly rate case filings, which ultimately are also recovered from consumers. The Hawaiian Electric companies and the Division of Consumer Advocacy are working together to develop a public outreach plan leading up to and during the implementation of the decoupling mechanism to help consumers understand how the change will affect them.

Docket No. 2008-0274

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 commission's Document Management System (DMS).
Visit: http://dms.puc.hawaii.gov/dms

# KAHUKU WIND PROJECT

Twelve wind turbines are set to be erected on Oahu's North Shore. Groundbreaking for the Kahuku Wind Project began in July, after the Public Utilities Commission in May approved the purchase power agreement between First Wind and Hawaiian Electric Company. The 30 megawatt project will be able to produce enough renewable energy to power roughly 7,700 homes each year. The U.S. Department of Energy helped finance the project with a $117 million loan guarantee. It is estimated that the wind project has the capacity to reduce oil consumption by nearly 140,000 barrels a year. This project gets the State a step closer to reducing its dependence on imported oil and is notably an integral component in Hawaii's Clean Energy Initiative, which aims to have 70 percent of Hawaii's energy for electricity and ground transportation come from clean energy by 2030. Officials are also pleased to help create approximately 200 jobs during the construction of this project.



For more information visit www.kahukuwind.com
Docket No. 2009-0176

# Electric Vehicle Savings

They may not offer the glitz and glamour of a luxury vehicle, but electric cars could provide value and help the environment. Initial purchases may be slow with no track record and little selection among automobile manufacturers. As an incentive to jumpstart the use of electric vehicles on our roadways, the State is offering a rebate program. Purchasers of a qualified vehicle and/or charger in Hawaii can apply for the rebates.

Vehicle rebates will be up to 20% of the vehicle purchase price, up to a maximum of $4500 per vehicle.

Rebates for electric vehicle charging equipment not included with the purchase of a vehicle will be up to 30% of the charging system cost, including installation, up to a maximum of $500.

If the vehicle purchase includes a vehicle charger, the rebate for the vehicle and charger together will be up to 20% of the total cost, up to a maximum of $5000.

It is anticipated that the rebate program will continue until September 30, 2011, or until rebate program funds are exhausted, unless the program period or amounts are modified. The program may be extended based on the performance of the program. Rebates will be issued to qualified applicants on a strictly first come, first served basis, determined by the State's time stamp on receipt of complete and valid applications.

2011 CODA Sedan. One of the rebate qualified electric vehicles

Hawaiian Electric has also asked the Public Utilities Commission to approve a proposal for reduced rates for charging highway-capable electric vehicles. The Electric Vehicle (EV) Charging Rate Pilot Project will be open to 1,000 customers on Oahu, 300 in Maui County and 300 in Hawaii County.

To encourage charging of vehicles during off peak hours (between 9 p.m.—7a.m., daily) and reduce load on the electrical grid during primetime hours, the pilot project will offer lower electric rates during the off peak hours – for residential customers on Oahu it will be about six cents per kilowatt hour (kWh) below the residential rate. While residents will be able to charge at any time, it will come at a cost during on-peak hours, charging at higher rates – about three cents per kWh above the residential rate. Neighbor island residential off-peak charging rates will be about seven to 10 cents per kWh lower than the residential rate.

HECO estimates that the proposed rates could provide a substantial savings. As an example, on Oahu a mid-sized internal combustion engine sedan with average fuel economy of 27 miles per gallon has a fuel cost of 12 cents per mile at $3.35 per gallon of gasoline. With electricity at a rate of 25 cents per kWh, a mid-sized electric vehicle with a range of 100 miles on a 24-kWh battery has a charging cost of 5 cents per mile, taking advantage of what would be a 19-cent/kWh off-peak charging rate.

Residential customers will be able to choose whether to charge their EVs along with the rest of their home usage on a single meter at new time-of-use rates or to provide wiring and a meter box for a second meter provided by Hawaiian Electric exclusively for EV charging with separate EV time-of-use rates for the second account. If approved by the PUC, the pilot project rates will go into effect October 1, 2010 and run for three years. In order for the utility to learn more about future customers' charging patterns and assess the potential impact on the grid, a limited number of customers will have load profile data recording devices and load control relays similar to those used in Hawaiian Electric's EnergyScout program. These will be installed at no cost and are not expected to affect the customers' charging costs.

You can view more details on the rebate program and download the rebate form on DBEDT's website: www.hawaii.gov/dbedt/info/energy/evrebatesgrants

## LIFELINE

Lifeline saves eligible customers a little over $8 a month off their telephone bill. Unfortunately, Hawaii ranks among the lowest in the nation for participation in the federal program. In September, Hawaii joined the country in observing National Telephone Discount Lifeline Awareness week in an effort to encourage more qualified consumers to take advantage of the assistance. Eligible Telecommunication Carriers (ETCs) include Hawaiian Telcom, Mobi PCS, Sprint Nextel, and Sandwich Isles Communications. The Link-Up program also helps cover about half of the cost of activation or connection charges. Contact your respective ETC to see if you qualify. You can also visit our website for more information on Lifeline and Link-Up.

**Telecommunication Companies:**

Hawaiian Telcom
Phone: (808) 643-3456
www.hawaiiantel.com

Time Warner Telcom
Phone: (808) 441-8500
www.twtelecom.com

Pacific LightNet Communications
Phone: (808) 791-1000
Toll-Free: 1-888-478-1414
www.plni.net

## Reorganization Approval


Hawaiian Telcom is on its way to emerging from bankruptcy after receiving State regulatory approval from the Public Utilities Commission. On September 22, 2010, the PUC approved the applicable portions of the company's Chapter 11 Reorganization Plan. A week before the PUC's decision, the Federal Communications Commission approved Hawaiian Telcom's Transfer of Control. The U.S. Bankruptcy Court for the District of Hawaii previously confirmed the reorganization plan in late 2009. Under its plan, Hawaiian Telcom is able to reduce its debt of a little over $1 billion to about $300 million. Officials would like to see the company successfully implement its plan, as it is the State's primary telecommunications carrier, although landline retention continues to trend downward with the widespread use of cellular phones. Realizing this, much of the company's financial projections are dependent on new service offerings, including its long awaited Next Generation television service (NGTV). In addition, consumers may have noticed Hawaiian Telcom also openly advertising its stand-alone high-speed internet service, giving customers the option to enjoy broadband through the company without paying extra for landline telephone service they have no desire for. Of course bundled deals are also available to those that wish to carry both the landline telephone and internet service. In its filing, the company assured the PUC that its current rates and terms for service will not be affected under the reorganization, and it also intends to retain generally all of its 1,450 employees. Hawaiian Telcom expects to emerge from bankruptcy by November.

Docket No. 2010-0001

## Phasing in Increases


On May 28, 2010, the Public Utilities Commission issued an Interim Decision and Order for the two water rate cases on Molokai. Increases were approved in order to keep the utilities, Molokai Public Utilities, Inc. (MPU) and Waiola O Molokai, Inc. (WOM), from operating at a loss and potentially abandoning service. Since the previous rates were heavily subsidized, the new rates are being phased in incrementally to lessen the immediate financial burden on customers, commonly referred to as "rate shock." The first phase began in July. On September 23, 2010, the PUC issued its Final Decision and Order for MPU, approving an increase in annual revenues of approximately 126% over previously existing rates, about one percent higher than the increase approved in its interim decision. The second phase of increases for MPU customers will take effect on January 1, 2011. No final order has been issued for WOM yet as of this writing. In the case of Waiola O Molokai, because of its greater increase from the original rates, a third phase is required. That would occur six months following the implementation of Phase Two. The second phase for WOM is set to kick in six months after Phase One, which began on July 1, 2010, or when the PUC issues a Final Decision and Order, whichever comes later. As typically seen in rate cases, any over collection pending the PUC's Final Decision and Order would be refunded to consumers with interest.

Docket No.'s 2009-0048 & 2009-0049

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