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LETTER OF TRANSMITTAL

July 28, 2004

TO: Public Utilities Commission
465 S. King Street, Rm 103
Honolulu HI 96813

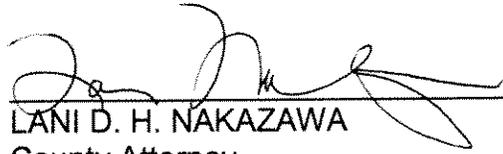
RE: Docket No. 03-0371, In the Matter of Public Utilities Commission
Instituting a Proceeding to Investigate Distributed Generation in Hawai'i

We are enclosing the following:

Original + 12 - County Of Kaua'i's Information Requests to the Kaua'i Island
Utility Cooperative and Certificate Of Service

- | | |
|---|---|
| <input type="checkbox"/> For your information | <input type="checkbox"/> For necessary action |
| <input type="checkbox"/> For your files | <input type="checkbox"/> For signature in BLACK
INK and RETURN |
| <input type="checkbox"/> For review and comment | <input type="checkbox"/> For signature in BLACK
INK and FORWARD TO |
| <input type="checkbox"/> For correction | |
| <input type="checkbox"/> For distribution | |
| <input type="checkbox"/> Per your request | |
| <input type="checkbox"/> Per our agreement | <input checked="" type="checkbox"/> For filing or recording |
| <input type="checkbox"/> Per our conversation | <input type="checkbox"/> See remarks below |

REMARKS: After filing, please return two copies in the envelope provided.
Thank you.



LANI D. H. NAKAZAWA
County Attorney

Enclosures
cc: Parties

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)
)
PUBLIC UTILITIES COMMISSION) Docket No. 03-0371
)
Instituting a Proceeding to Investigate)
Distributed Generation in Hawai'i.)
)
)
_____)

COUNTY OF KAUAI'S INFORMATION REQUESTS
TO THE KAUAI ISLAND UTILITY COOPERATIVE

and

CERTIFICATE OF SERVICE

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)
)
PUBLIC UTILITIES COMMISSION) Docket No. 03-0371
)
Instituting a Proceeding to Investigate)
Distributed Generation in Hawai'i.)
_____)

**COUNTY OF KAUA'I'S INFORMATION REQUESTS
TO KAUA'I ISLAND UTILITY COOPERATIVE**

COK-KIUC(T-2)-IR-1 Reference: Exhibit no. KIUC-T-2, page 2, lines 8-11. "If DG is built by KIUC's customers on Kauai, this customer owned and interconnected DG will likely have a significant impact on operations and system stability due to lightly loaded feeders."

- a. Does the entire KIUC system consist of "lightly loaded feeders"?
- b. If DG is built by KIUC's customers on highly loaded electric feeders, wouldn't the DG system be beneficial to the KIUC system? State the reasons for your answer.

COK-KIUC(T-2)-IR-2 Reference: Exhibit no. KIUC-T-2, page 2, lines 11-15. The immediate concern for KIUC as it relates to customer owned DG seems to be lost revenues as it relates to possible increased rates or a decrease in patronage refunds/credits.

- a. What is KIUC's projected load growth over the next 5 years?
- b. State the reasons lost revenues are a concern if in the context of moderate load growth, DG defers very expensive, future generation and system upgrades to accommodate this growth.

COK-KIUC(T-2)-IR-3 Reference: Exhibit no. KIUC-T-2, page 3, lines 2-4. RE: Utility ownership of DG projects...“In this case, KIUC and its members and customers could also benefit from the strategic deployment of DG around the island to optimize the design and operation of the T&D system.”

Does this KIUC reference to DG refer only to firm power or also intermittent power DG such as from renewables?

COK-KIUC(T-2)-IR-4 Reference: Exhibit no. KIUC-T-2, page 6, lines 9-12. “Accordingly, DG will likely have a significant technical impact on KIUC’s operations and system stability due to lightly loaded feeders, and KIUC will have difficulty absorbing the impact of lost revenues due to a customer leaving the system.”

- a. Please provide a diagram of the KIUC feeders and their current loads. Please also provide KIUC’s definition of light, moderate and highly loaded feeders.
- b. If a new customer (such as a development) comes on line and plans DG from the onset, there will be no sales and revenue history, thus no “lost revenues”. What is KIUC’s position on customer-owned DG in this case?

COK-KIUC(T-2)-IR-5 Reference: Exhibit no. KIUC-T-2, page 8, lines 17-21.

- a. How many cooperatives in the National Rural Electric Cooperative Association are currently regulated monopolies such as KIUC?
- b. Of these regulated cooperatives, how many own, operate and maintain customer-sited DG’s?

COK-KIUC(T-2)-IR-6 Reference: Exhibit no. KIUC-T-2, page 23, lines 5-8. “However, it should be noted that general policies that require KIUC to always share presumed cost savings with end-users who install DG are inappropriate. Instead, any sharing of savings should be based on actual cost reductions to KIUC that are site dependent.”

Please explain these statements using specific examples, including examples of “general policies.”

COK-KIUC(T-2)-IR-7 Reference: Exhibit no. KIUC-T-2, page 23, lines 13-14. "In light of the above discussion, utility ownership of DG projects should be allowed and even encouraged on Kauai."

- a. What is KIUC's position regarding regulated utilities being in direct competition with private sector vendors installing and maintaining customer DG units?
- b. Do you believe that changes to the current situation (of bundled rates and utility-owned proprietary information on system loads and customer usage) are necessary in order to level the playing field if regulated utilities and private sector vendors compete in the same market? Explain the reason(s) for your response.
- c. The Division of Consumer Advocacy's (CA) consultant states that DG can be fairly and competitively implemented in Hawaii by electric utilities, vendors (third parties) and customers alike if unbundled rates, sufficient rules and information that is known only by it to (such as electric feeders that would benefit from DG, the amount of annual benefit that would be paid to the DG owner for the savings in costs to the electric utility and customer electric usage) are implemented and provided to other parties. See CA-T-1 page 73, lines 5-16. State whether you agree or disagree with this statement, and the reasons for your agreement or disagreement.

COK-KIUC(T-2)-IR-8 Reference: Exhibit no. KIUC-T-2, page 25, lines 20-23 and page 26, line 1. "Sometimes, DG can lower T&D costs, or at least allow the deferral of upgrades to existing T&D investment. This is a prime motivator for many cooperatives and other utilities to encourage the use of DG. To achieve these savings, however, the DG must be located at a constrained substation or along a feeder where it can be used to support the grid."

Does KIUC currently have or anticipate having a "constrained substation" or a highly loaded feeder? If so, please provide the location of the substation or feeder.

COK-KIUC(T-2)-IR-9

Reference: Exhibit no. KIUC-T-2, page 26, line 14-19. What are the economic impacts of DG on the member-consumers and customers of KIUC? “When an end-user deploys a DG unit, they will pay KIUC less revenue because they will be purchasing less power from the cooperative. As indicated above, all other cooperative members and customers will then have to pay more to cover the utility’s fixed costs, including costs associated with generation and the T&D system.”

Do you agree or disagree with the testimony of the CA, at CA-T-1 pages 60-61, lines 14-22 and lines 1-19 regarding how electric rates should be unbundled in Hawaii? Please explain your position.

COK-KIUC(T-2)-IR-10

Reference: Exhibit no. KIUC-T-2, page 30, lines 10-15. “Looking forward, a survey of, or information collection about existing backup generation on the island (not interconnected) would prove useful. Such data may assist in any discussions of homeland security issues as well as planning for use of these generators as part of a KIUC dispatchable virtual power plant. Thus, KIUC is in the process of considering whether its next IRP study should include such a survey.”

There are two surveys, the Survey of Emergency Generators at Emergency and Essential Service Locations, State of Hawaii that was prepared for the State Dept. of Business, Economic Development and Tourism by Hawaiian Electric Company and Xenergy Inc. dated February 9, 2001 and an ongoing U.S. Army Corps of Engineers, Pacific Ocean Division Statewide Emergency & Essential Services Facilities Emergency Generator Database to GIS Project. How would the survey under consideration by KIUC for its next IRP study differ from these surveys?

COK-KIUC(T-2)-IR-11

Reference: Exhibit no. KIUC-T-2, page 31, lines 12-19. "Air permitting procedures for DG sites have evolved over recent years. As more DG units are installed and operated, state and local officials are increasingly implementing new regulations and procedures specifically designed to address the needs and requirements of DG units. For example, some states have recently enacted revised Best Available Control Technology standards for DG generators. Emission limits constrain the deployment of some types of DG technologies in some regions, possibly limiting the choice of DG technology available to a utility or end-user."

Please provide citations for your references to existing State (Hawai'i) or local (Kaua'i) regulations or procedures that specify the requirements of DG units on Kaua'i and in Hawai'i.

Dated: LThu'e, Kaua'i, Hawaii, July 28, 2004.



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Dated: Līhu'e, Kaua'i, Hawaii, July 28, 2004.


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