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July 28, 2004

FILED
JUL 29 10 10 AM '04
PUBLIC UTILITIES
COMMISSION

Public Utilities Commission
State of Hawaii
465 South King St., Rm. 103
Honolulu, HI 96813

ATTENTION: Chief Clerk of the Commission

Re: In the matter of PUBLIC UTILITIES COMMISSION Instituting
a Proceeding to Investigate Distributed Generation In
Hawaii; Docket No. 03-0371

Dear Chief Clerk of the Commission:

Enclosed for filing is COUNTY OF MAUI'S DIRECT TESTIMONY INFORMATION REQUESTS TO HAWAIIAN ELECTRIC COMPANY, INC.; HAWAII ELECTRIC LIGHT COMPANY, INC., AND MAUI ELECTRIC COMPANY, LIMITED; THE STATE DIVISION OF CONSUMER ADVOCACY; THE KAUAI ISLAND UTILITY COOPERATIVE; THE HAWAII RENEWABLE ENERGY ALLIANCE; AND THE STATE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM AND CERTIFICATE OF SERVICE (Original + 12).

Please return the two (2) additional file-marked copies to this office. A self-addressed, stamped, envelope is enclosed for your convenience.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kay A. Ozanwar (secretary)
CINDY Y. YOUNG
Deputy Corporation Counsel

CYY:ko
Enclosures

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PUBLIC UTILITIES
COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)
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Instituting a Proceeding to)
Investigate Distributed)
Generation in Hawaii.)
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DOCKET NO. 03-0371

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LIGHT COMPANY, INC., AND MAUI ELECTRIC COMPANY, LIMITED;
THE STATE DIVISION OF CONSUMER ADVOCACY; THE KAUAI ISLAND
UTILITY COOPERATIVE; THE HAWAII RENEWABLE ENERGY ALLIANCE;
AND THE STATE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT
AND TOURISM

AND

CERTIFICATE OF SERVICE

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)
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PUBLIC UTILITIES COMMISSION)
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**COUNTY OF MAUI'S DIRECT TESTIMONY INFORMATION REQUESTS TO
HAWAIIAN ELECTRIC COMPANY, INC., HAWAII ELECTRIC LIGHT
COMPANY, INC., AND MAUI ELECTRIC COMPANY, LIMITED; THE STATE
DIVISION OF CONSUMER ADVOCACY; THE KAUAI ISLAND UTILITY
COOPERATIVE; THE HAWAII RENEWABLE ENERGY ALLIANCE; AND THE
STATE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM**

The following are the County of Maui's ("COM") Information Requests ("IRs") to Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO"), and Maui Electric Company, Limited ("MECO"), collectively referred to as "HECO", to the State Division of Consumer Advocacy ("CA"), to the Kauai Island Utility Cooperative ("KIUC"), to the Hawaii Renewable Energy Alliance ("HREA"), and to the State Department of Business, Economic Development and Tourism ("DBEDT"), regarding the parties' Direct Testimonies ("DT"). The IRs are designated as COM-(party)-DT-IR-(number).

Information Requests to HECO

COM-HECO-DT-IR-1

HECO T-1, page 12, line 13: Provide a list of all investor-owned utilities HECO is aware of that offer DG as a utility-owned tariffed service, and copies of all tariffs that HECO has for

utilities which offer utility-owned distributed generation as a tariffed service.

COM-HECO-DT-IR-2

HECO T-1, page 16, line 12: Provide any numerical examples the Companies have prepared of how non-participating customers would be affected by customer-sited DG that is NOT company-owned, versus the impact of customer sited DG that IS company owned.

COM-HECO-DT-IR-3

HECO T-1, page 16, line 22: What is the "uniqueness" characteristic of the Company's offering? Provide any analyses that have been prepared by the Company supporting that "uniqueness."

COM-HECO-DT-IR-4

HECO T-1, page 18, line 1: Provide the workpapers showing that Castle and Cooke Resorts contribute \$1.2 million per year to MECO's fixed costs.

COM-HECO-DT-IR-5

HECO T-1, page 21, line 18: Provide any numerical analysis of how the utility's fixed cost of owning and maintaining DG systems compares with the fixed cost recovery the Company would receive for these projects under its existing tariff rates.

COM-HECO-DT-IR-6

HECO T-1, page 22, line 19: Provide any numerical analysis the Companies have prepared comparing how the utility's fixed cost recovery under current tariffs compares with the estimated fixed costs of acquiring additional generation capacity for MECO, HECO, and HELCO.

COM-HECO-DT-IR-7

HECO T-1, page 26, lines 7: Provide copies of all non-utility CHP vendor proposals.

COM-HECO-DT-IR-8

HECO T-1, page 26, line 20: The Company seeks to offer DG systems at a "discount" to the normal tariff. What other services does the Company offer on a "value of service" rather than "cost of service" basis?

COM-HECO-DT-IR-9

HECO T-1, page 26, line 20: Provide any internal analyses the Company has prepared of the "cost" to provide DG service as it is anticipated.

COM-HECO-DT-IR-10

HECO T-1, page 26, line 20: Provide copies of all operating protocols that the Companies have developed relating to the operation of customer-site DG systems, and how these would affect

the Company's generation, distribution and transmission capacity requirements and associated costs.

COM-HECO-DT-IR-11

HECO T-1, page 31, line 12: Provide copies of all proposals made by the Company to customers to install DG equipment.

COM-HECO-DT-IR-12

HECO T-1, page 32, line 3: Provide documentation of all payments made to Hess Microgen in association with its teaming agreement with Hess Microgen?

COM-HECO-DT-IR-13

HECO T-1, page 33, line 4: Provide a list of all vendors other than Hess the Company has had discussions with, any copies of any packaged system summary cost and technical information provided by all such vendors. This should not exceed twenty pages of information per vendor.

COM-HECO-DT-IR-14

HECO T-2, page 5, line 4: Provide any studies HECO has prepared or received that estimate the capacity value of photovoltaic installations without storage backup systems on any utility system.

COM-HECO-DT-IR-15

HECO T-2, page 14, line 20: Provide any studies HECO has prepared or received that estimate the capacity value of wind turbines without storage backup systems on any utility system.

COM-HECO-DT-IR-16

HECO T-2, page 14, line 20: provide any studies HECO has prepared or received that estimate the impact on system loss of load probability resulting from application of as-available generation such as wind or photovoltaic systems without backup storage systems.

COM-HECO-DT-IR-17

HECO T-2, page 19, line 1: Provide any studies HECO has prepared or received since January 1, 2000 relating to the availability and/or cost-effectiveness of specific wind installations located on the island of Maui.

COM-HECO-DT-IR-18

HECO T-3, page 4, line 2: Provide any quantification the Company has prepared of the generation, transmission, and distribution costs that a DG installation could avoid on the island of Maui.

COM-HECO-DT-IR-19

HECO T-3, page 5, line 13: Provide any analysis of the

differences in avoided costs the Companies would experience depending on whether DG systems were company-owned or customer-owned. Include all assumptions as to operating protocols, short-run variable costs, fixed costs, and other parameters that lead to differences in these costs.

COM-HECO-DT-IR-20

HECO T-3, page 8, line 5: Provide the estimated cost per kw for acquiring additional generation, transmission, and distribution peaking capacity for MECO, compared with the estimated cost per kw of acquiring customer-sited DG systems under the Company's proposed program.

COM-HECO-DT-IR-21

HECO T-3, page 8, line 18: Provide the estimated cost and technical specifications for the proposed CHP installation on Lanai discussed in the testimony.

COM-HECO-DT-IR-22

HECO T-3, page 11, line 8: Provide any analytical documents prepared by or for the companies indicating what characteristics of customer-owned DG make them as-reliable or less-reliable than Company-owned resources.

COM-HECO-DT-IR-23

HECO T-3, page 12, line 7: Please re-run the analysis showing

relative present value of revenue requirements assuming that the same level of penetration of DG occurs with and without utility involvement.

COM-HECO-DT-IR-24

HECO T-3, page 15, line 9: Provide all documents that recorded or estimated the grid impacts from large customers running their backup generators and disconnecting from the grid when requested by HECO, MECO, or HELCO in an emergency.

COM-HECO-DT-IR-25

HECO T-3, page 15, line 18: Provide any information HECO has on the air permitting problems experienced by other electric utilities that have developed DG programs utilizing customers' backup generators.

COM-HECO-DT-IR-26

HECO T-4, page 9, line 2: Explain how T&D reliability is enhanced by a CHP system, specifically considering the risk of an unscheduled outage of the CHP system. Indicate how the Company probabilistically measures changes in expected outages given that unscheduled outages are rare, but inevitable.

COM-HECO-DT-IR-27

HECO T-4, page 16, line 1: Exactly what do you mean by "a little more control" and indicate what elements would need to be

included in a third-party or customer-owned CHP standby agreement in order to provide equal "control" to that asserted here.

COM-HECO-DT-IR-28

HECO T-4, page 22, line 12: Assume hypothetically that a continuous-duty CHP system were installed at a location where loads range from 50% to 90% of existing transmission system capacity, reducing loads to no more than 70% of rated capacity. Because of limited load growth expectations, no transmission upgrade is anticipated, and so there are no anticipated capital cost deferrals. Describe in general terms how the CHP system installation at such a location would affect line losses on this transmission circuit, given that loads on the line at peak periods would decline significantly.

COM-HECO-DT-IR-29

HECO T-5, page 2: Explain how an embedded cost of service study provides a meaningful guide to the costs avoided or incurred by the Company if a customer installs a DG system.

COM-HECO-DT-IR-30

HECO T-5, page 7: Assume hypothetically that the company serves 10 DG customers with 15 MW of DG equipment, but diversity that produces an expected maximum coincident peak standby demand on the Company of 3 MW. Explain how the Company would address diversity of standby demands among multiple DG customers in

establishing a production and transmission allocation factor for these customers, were they to be treated as a separate class.

COM-HECO-DT-IR-31

HECO T-5, page 7: Assume hypothetically that the company serves 10 DG customers with 15 MW of DG equipment, but contract provisions restricted these customers from receiving standby service at times when system reserves were below specified levels, and therefore their expected maximum coincident peak standby demand on the Company would be zero MW. Explain how the Company would establish a production and transmission allocation factor for these customers, were they to be treated as a separate class.

COM-HECO-DT-IR-32

HECO T-5, page 7: What elements of the marginal cost study are relevant to the consideration of DG in Hawaii, and how would the presence of DG systems affect marginal costs for Hawaii utilities as measured by HECO.

COM-HECO-DT-IR-33

HECO T-5, page 7: Provide the complete workpapers for the most recent marginal cost of service studies prepared for MECO, HECO, and HELCO.

COM-HECO-DT-IR-34

HECO T-5, page 9: The testimony states that the load factor

block method is "widely used" in the industry. Provide a list of all utilities other than the HEI utilities that use load factor blocks that the Company is aware of, and provide copies of the relevant tariffs for these utilities.

COM-HECO-DT-IR-35

HECO T-5, page 9: The testimony states that the load factor blocks are a proxy for time-of-use pricing. Provide copies of all studies prepared by or for HECO that examine substitution of time-of-use pricing for the current load-factor blocks.

COM-HECO-DT-IR-36

HECO T-5, page 9: Assume hypothetically that a customer has an individual noncoincident peak demand of 100 kw at 10 A.M., a 70% load factor (500 kwh/kw), and their demand at the system coincident peak at 6 P.M. is 60 kw.

A) Does the Company agree that this customer would be in the second load factor block for any decision to use more or less power at 6 P.M.?

B) Does the Company agree that if the customer used more power at 6 P.M. this power use would increase the system coincident peak demand?

COM-HECO-DT-IR-37

HECO T-5, page 10: How many of the Schedule P and Schedule J customers on each of the system have meters that are capable of

measuring time-of-use for demand and/or energy (including programming and memory upgrades, but not meter replacements).

COM-HECO-DT-IR-38

HECO T-5, page 13: Provide any quantification of the loss of net revenue available to serve residential customers that MECO, HECO, and/or HELCO would suffer if customer DG installations occur, taking into account the rate design and the marginal costs faced by each utility.

COM-HECO-DT-IR-39

HECO T-5, page 13: Does the Company concede that in most wholesale markets on the mainland, pricing is done for market transactions on a time of use energy basis, with no separately stated demand charge? In this situation, would you concede that all fixed generation costs, if recovered, are recovered in energy rates? Provide any analysis of this situation prepared by the Company which relates to its discussion of recovery of fixed costs in energy rates.

COM-HECO-DT-IR-40

HECO T-5, page 14: If revenue losses from customer self-generation is lower than Company marginal costs, would you agree that customer self-generation reduces rate pressure on other customers?

COM-HECO-DT-IR-41

HECO T-5, page 16: The company states that wheeling is not an issue in this proceeding. If a customer has more than one business location, and had DG opportunities at one or more of those locations, would a customer not be interested in wheeling as a means to serve multiple locations for consumption from fewer locations for generation?

COM-HECO-DT-IR-42

HECO T-5, page 17: Provide the complete methodology and workpapers that the Company has developed for allocating standby service costs to the customers that would be served by the Company-owned CHP systems proposed in the CHP docket. If no methodology has been developed, provide all memoranda, analyses, and calculations that bear on this subject that have been produced by the companies. If this is different from the HELCO Schedule A methodology, provide all analysis supporting the difference(s).

COM-HECO-DT-IR-43

HECO T-5, page 17: Provide all underlying analysis for the statement that HELCO's rates exceed HELCO's marginal costs.

COM-HECO-DT-IR-44

HECO T-5, page 19: If the Company's CHP application is approved, will the Company withdraw its Rule 4 Customer Retention Rate Contract provision?

COM-HECO-DT-IR-45

HECO T-5, page 19: The Company states that the customer retention rate discounts are less than the class subsidies. It also states that it has such a contract on Lanai. However, Exhibit 501 shows that all classes on Lanai are receiving subsidies. Please explain how this is logically consistent.

COM-HECO-DT-IR-46

HECO T-5, page 20: The proposed CHP contract has a proposed "termination charge" if customers terminate service prematurely. Explain why this should not be required of all large system supply customers, not just CHP customers.

COM-HECO-DT-IR-47

HECO 501, P. 5: Does the subsidy shown for the Schedule P class on Lanai include or exclude the payment being made by MECO for customer retention? If it does not include this, please recast the exhibit showing the effect of this payment.

COM-HECO-DT-IR-48

HECO T-6, page 4, line 22: Provide the current estimate of the cost of construction and integration of the next peaking capacity generating unit for HECO.

COM-HECO-DT-IR-49

HECO T-6, page 4, line 22: Provide the current production net

plant in service, and the generating capacity of the generating units represented by that capacity. If the Company has data indicating the net plant in service of units under contract (AES/BP and Kalaeloa) and the capacity represented by those units, provide that data.

COM-HECO-DT-IR-50

HECO T-6, page 4 line 22: Does the Company concede that the marginal capital cost of new generating capacity for HECO significantly exceeds the current average capital cost of generating facilities now serving HECO customers, and that, other things equal, addition of a new power plant will therefore cause upward rate pressure?

COM-HECO-DT-IR-51

HECO T-6, page 8, line 6: Provide any tariff provisions that prevent customer-sited emergency generators from being allowed to interconnect with the grid, as long as all interconnection requirements are met?

COM-HECO-DT-IR-52

HECO T-6, page 10, line 25: Provide documents of all past Commission and court rulings relating to the retail sale of electricity by non-utility companies in Hawaii.

COM-HECO-DT-IR-53

HECO T-6, page 12, line 18: Provide information showing how the provision of a non-monopoly service, such as CHP, is a natural step in the evolution of the natural monopoly services of electric utilities?

Information Requests to the CA

COM-CA-DT-IR-54

CA-T-1, page 30, line 10: Provide all analyses prepared by or for the Consumer Advocate or by or for Sawvel identifying the capacity value of as-available generation for utilities.

COM-CA-DT-IR-55

CA-T-1, page 30, line 10: Provide any studies measuring the loss of load probability impacts of as-available generation such as wind power that Mr. Herz has received and reviewed.

COM-CA-DT-IR-56

CA-T-1, page 30, line 10: Provide any analyses prepared by or for the Consumer Advocate of the actual performance of as-available energy resources during periods of capacity shortfalls on Hawaii utility systems.

COM-CA-DT-IR-57

CA-T-1, page 30, Line 10: Provide any analysis prepared by Mr. Herz of the testimony relating to as-available energy resources

submitted by the Consumer Advocate in Docket No. 7310.

COM-CA-DT-IR-58

CA-T-1, page 45, Line 5: Under an unbundled rate structure, how would interclass deviations from cost of service results be addressed? Would a non-bypassable system benefit charge be appropriate to be applied to all customers, including DG standby customers, to recover the cost of service deviations?

COM-CA-DT-IR-59

CA-T-1, page 45, line 10: Provide two examples of utility tariffs that are unbundled in the form recommended by Mr. Herz.

COM-CA-DT-IR-60

CA-T-1, page 45, line 10: Assume hypothetically that a utility has unbundled tariffs as proposed by Mr. Herz, structured so that the sum of unbundled billing determinants multiplied by unbundled rates equals the current bundled revenue requirement. Assume further that under such a structure, a DG customer chooses to acquire energy and capacity, but not ancillary services, from another source, and continued to purchase ancillary services from the utility. How would Mr. Herz propose that the utility's loss of revenue from providing generation capacity be treated for ratemaking purposes in a subsequent rate proceeding?

COM-CA-DT-IR-61

CA-T-1, page 57, Line 6: You state that DG affects the distribution system of the utility. Assume hypothetically that a DG system operates reliably 90% of the time, and that the utility has designed its distribution system to provide reliable service to all loads, including the standby service to the DG customer during the 10% of the time that the DG system requires standby power. Do you agree that during the other 90% of the time, the utility has excess distribution capacity that provides for lower losses and greater reliability than would be the case if the DG customer took power continuously from the grid? Assume further under this example that the 10% of the time the DG system is unavailable does NOT coincide with the distribution system peak demand. Would you agree under these circumstances that the utility would have significantly more reliable distribution service to non-DG customers than if the DG system did not exist?

COM-CA-DT-IR-62

CA-T-1, page 59: Provide an actual example of a utility which has unbundled rates in the form you recommend, including the effective tariffs of the utility.

COM-CA-DT-IR-63

CA-T-1, page 62, line 1: It appears that your recommended rate design would provide for fixed capacity charges recovering all fixed capacity-related costs, ignoring diversity that exists

between customers with lower load factors. Provide detailed worksheets showing how the formula for unbundling you suggest would affect distribution customers with load factors of 20%, 40%, 60%, and 80% compared with current rate designs for Schedule J and Schedule P.

COM-CA-DT-IR-64

CA-T-1, page 69, line 5: If there is no restriction on who owns DG facilities, should all DG facilities be subject to the same standby rates, including DG systems owned by the electric utility?

COM-CA-DT-IR-65

CA-T-1, page 69, line 5: Does the Consumer Advocate favor allowing electric utilities to own DG facilities and charge for these facilities on a value-of-service basis, rather than a cost-of-service basis?

COM-CA-DT-IR-66

CA-T-1, page 69, line 5: If utilities own DG facilities, should the rates they charge for these facilities be based upon the costs of the facilities, including traditional rate base treatment of the investment, application of the utility's cost of capital, and straight-line depreciation to the facilities?

COM-CA-DT-IR-67

CA-T-1, page 69, line 5: If non-utility owners can finance DG

systems with lower overall costs of capital (any combination of lower costs of debt and/or equity, or greater leverage) than utilities can do, and utilities are allowed to charge for DG systems on some basis other than cost of service (e.g., a value-of-service basis that does not recover the fully allocated costs of DG systems), should other customers be held liable for the under recovery of DG system costs?

COM-CA-DT-IR-68

CA-T-1, page 69, line 5: Should the unbundled costs provide for the same standby charges to DG customers regardless of whether the DG facilities are owned by the utility or by the customer or a third-party?

COM-CA-DT-IR-69

CA-T-1, page 70, line 10: Provide examples of the type of performance incentives/disincentives that would make the non-utility DG owner's system as reliable, for planing purposes, as a utility owner.

COM-CA-DT-IR-70

CA-T-1, page 74, line 15: Define "benefit" as the term is used in the context of benefitting only a select group of customers or all customers.

COM-CA-DT-IR-71

CA-T-1, page 74, line 15: Provide information as to when HECO should be allowed to rate base the costs of its proposed CHP program without some offset in the form of contributions in aid of construction or other compensation?

COM-CA-DT-IR-72

CA-T-1, page 75, line 1: Does this mean that DG customers buying DG-generated electricity from the utility should pay the same rates as all other customers on the same rate schedule and having the same load characteristics?

COM-CA-DT-IR-73

CA-T-1, page 77, line 1: Would the standby rates be the same for the customer-owned DG system and the utility-owned DG system?

COM-CA-DT-IR-74

CA-T-1, page 78, line 18: Should the utility require multi-year contracts for large customers who have alternatives that might allow them to disconnect from the system altogether, in order to mitigate the risk of stranded investment?

Information Request to KIUC

COM-KIUC-DT-IR-75

KIUC-T-1, page 8 line 4: What is the optimal equity ratio for an electric utility, from the perspective of KIUC?

COM-KIUC-DT-IR-76

KIUC-T-2, page 4, line 6: You state that Rider S is outdated. In what way is it outdated, and how should it be updated? When will KIUC submit an updated Rider S?

COM-KIUC-DT-IR-77

KIUC-T-2, page 21, line 5: If a customer opted for "best efforts" standby service, that did not require KIUC to maintain capacity to serve the customer, and standby service could be denied if it would adversely affect other customers, would KIUC incur the costs described?

Information Requests to HREA

COM-HREA-DT-IR-78

HREA page 12: What information do you propose that the utility would provide to potential DG providers, including a utility unregulated affiliate, regarding customer consumption and characteristics? Should the customer's permission be required for the release of this information?

COM-HREA-DT-IR-79

EXHIBIT HREA-A: The witness has consulted with several wind energy projects. Provide any studies received or prepared by the witness addressing the capacity value of wind energy projects.

Information Requests for DBEDT

COM-DBEDT-DT-IR-80

DBEDT page 6, line 25: Explain what is meant by the term "level playing field." Does this mean that the utilities should sell CHP systems on a cost-of-service basis, and charge CHP users nondiscriminatory standby rates, regardless of whether they get CHP systems from the utility or from another vendor?

COM-DBEDT-DT-IR-81

DBEDT page 9, line 10: Explain in detail what is meant by the term "restructure distribution tariffs to reduce excessive fixed charges." Does HECO or the other utilities have "excessive fixed charges" for distribution service at the present time?

COM-DBEDT-DT-IR-82

DBEDT page 10, line 12: What characteristics of Hawaii's standby charges are inappropriate? What characteristics does DBEDT believe appropriate for standby charges?

COM-DBEDT-DT-IR-83

DBEDT page 10, line 12: Please comment on the approach to standby charges set forth in the testimony of the County of Maui (COM-T-2, Pages 69-79).

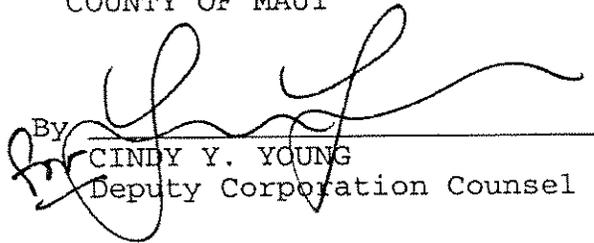
COM-DBEDT-DT-IR-84

DBEDT page 12, line 5: Why have you excluded utility

generation capacity (investment) costs as a cost that can be avoided with DG?

DATED: Wailuku, Maui, Hawaii, July 28, 2004.

BRIAN T. MOTO
Corporation Counsel
Attorney for Intervenor
COUNTY OF MAUI

By 
CINDY Y. YOUNG
Deputy Corporation Counsel

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing document were duly served upon the following by electronic mail and by United States mail, postage prepaid, on July 28, 2004, addressed as follows:

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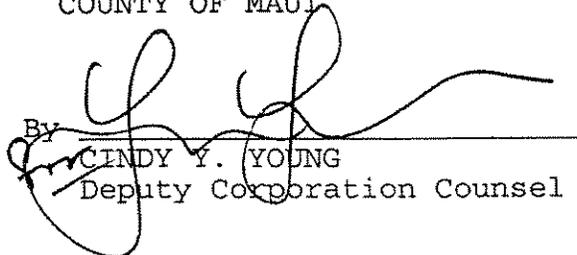
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