

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of )  
 )  
PUBLIC UTILITIES COMMISSION )  
 )  
Instituting a Proceeding to Investigate )  
Distributed Generation in Hawaii. )  
\_\_\_\_\_ )

Docket No. 03-0371

PUBLIC UTILITIES  
COMMISSION

Aug 18 2 47 PM '04

FILED

KAUAI ISLAND UTILITY COOPERATIVE'S RESPONSES TO THE  
DIVISION OF CONSUMER ADVOCACY'S INFORMATION REQUESTS  
ISSUED JULY 28, 2004

AND

CERTIFICATE OF SERVICE

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COOPERATIVE

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of )

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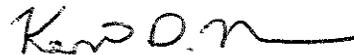
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KAUAI ISLAND UTILITY COOPERATIVE'S RESPONSES TO THE  
DIVISION OF CONSUMER ADVOCACY'S INFORMATION REQUESTS  
ISSUED JULY 28, 2004

COMES NOW, KAUAI ISLAND UTILITY COOPERATIVE, by and through its  
attorneys, Oshima Chun Fong & Chung, hereby submits its Responses to the Division  
of Consumer Advocacy's Information Requests issued July 28, 2004.

DATED: Honolulu, Hawai'i, August 18, 2004.



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ALAN M. OSHIMA  
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Attorneys for KAUAI ISLAND UTILITY  
COOPERATIVE

**KAUAI ISLAND UTILITY COOPERATIVE'S RESPONSES TO THE  
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**CA-IR-37**     Ref: KIUC T-1, Page 12, Lines 3 through 17.

Mr. Miyamoto indicates that "if one of KIUC's members were to install a distributed generator, KIUC's sales and revenues will correspondingly reduce." It is also indicated that "it is KIUC's position that utility ownership of DG facilities should be allowed and even encouraged on the island of Kauai."

- a.     If KIUC's rates were restructured such that net revenues would not be adversely impacted if one of KIUC's members were to install a DG facility, would KIUC's position on ownership of DG facilities change with respect to the revenue reduction concern? Explain.

**Response:**     No. Even if KIUC's rates were restructured such that net revenues would not be adversely impacted if one of KIUC's members were to install a DG facility, KIUC's position would still be that utility ownership of DG facilities should be allowed and even encouraged on the island of Kauai. See KIUC-T-2, pages 22 and 23 for other reasons supporting the utility ownership of DG facilities on Kauai. However, KIUC acknowledges that one of its primary concerns with non-utility ownership of a DG facility on Kauai would be alleviated if its rates could be restructured such that its net revenues would not be adversely affected if one of its members were to install a DG facility.

- b.     Under such a situation involving restructuring of KIUC's rates, what other concerns would KIUC have, other than the loss of revenue concern, if one of KIUC's members or a third-party were to install a DG?

**Response:**     In addition to a concern of lost revenue, KIUC is also concerned with such factors as the technical impacts associated with interconnecting a DG project to KIUC's system, who will have the control over operating the DG project and the level of expertise of the operator(s).

**Sponsor:**     Mike Yamane  
                       Alton Miyamoto

**KAUAI ISLAND UTILITY COOPERATIVE'S RESPONSES TO THE  
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**CA-IR-38**     Ref: KIUC T-2, Page 2, Line 18 through Page 3, Line 4.

The testimony provides a description of the benefits of new DG generation, under KIUC ownership, added to the KIUC system. Under the appropriate rate and interconnection agreement arrangements, would the same benefits not be realized if such DG generation were owned either by the customer or a third-party? Explain.

**Response:** Yes. Under the appropriate rate and interconnection agreement arrangements, the same benefits described in KIUC-T-2, Page 2, Line 18 through Page 3, Line 4 could be realized if the DG generation were owned by the customer or a third-party **and** if the DG generation was strategically placed **and** the generation was operated under the direction and/or guidance of KIUC.

**Sponsor:**     Mike Yamane  
                     N. Richard Friedman

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**CA-IR-39**    Ref: KIUC T-2, Page 3, Lines 6 through 8.

Are there any DG technologies that are not believed to be feasible or viable for either Hawaii or Kauai at the current time? Explain.

**Response:** As noted in the above-referenced portions of KIUC's Direct Testimonies, KIUC does not believe a general determination can be made at the current time of what DG technologies are feasible and viable for Hawaii except on a case-by-case basis. However, see KIUC-T-2, Page 9, line 9 through Page 19, line 23 for a general discussion of the current status of various DG technologies and their general applicability in various situations.

KIUC suggests that economics alone may argue against the application of fuel cells at this time for general deployment across Kauai. Additionally, the current unavailability of natural and synthetic natural gas on Kauai may make the economics of operating DG technologies on Kauai with this fuel questionable.

**Sponsor:**    Mike Yamane  
                  N. Richard Friedman

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**CA-IR-40**     Ref: KIUC T-2, Page 3, Lines 11 through 23.

Would the development and implementation of standard interconnection and agreement arrangements for DG be appropriate for establishing DG standards and requirements for the KIUC system? Explain.

**Response:** KIUC interprets this information request as identifying both "standard interconnection arrangements" and "standard agreement arrangements." Standard agreement arrangements may be workable, assuming such agreements include reimbursement of any interconnection or system upgrade costs by the DG owner, as well as other terms and conditions intended to protect KIUC and its members; in the case of KIUC DG ownership, this concern over cost reimbursement would not be an issue.

Standard interconnection arrangements would likely include common elements that would apply to all DG projects, but most interconnection arrangements will have to be evaluated on a case-by-case basis depending on the DG mode of operation, location, and size relative to feeder load.

**Sponsor:**     Mike Yamane  
                       N. Richard Friedman

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**CA-IR-41**    Ref: KIUC T-2, Page 4, Lines 3 through 10.

- a.     Under KIUC's standby tariff for providing backup and maintenance power to a customer-sited DG, would such a standby tariff be mandatory? Explain.

**Response:**     Yes. The use of the standby tariff would assist in alleviating the burden placed on those members that will not directly benefit from the DG due to possible stranded capital investment and loss of revenues.

- b.     What modifications does KIUC anticipate are needed to its standby tariff with respect to the deployment of DG? Explain why these modifications are believed to be necessary.

**Response:**     KIUC is currently undergoing a cost-of-service study. The results of this study will help KIUC determine what changes may be necessary to the existing standby tariff with respect to the deployment of DG. However, as a preliminary note and as mentioned in KIUC-T-2, Page 35, line 21 through Page 36, line 1, KIUC believes that some changes may at least be needed to its existing standby tariff to better reflect KIUC's current cost of providing back-up service.

- c.     With respect to the exit fees referenced at Lines 8 through 10, would such exit fees apply to customers that "quit the system" due to bankruptcy, change of ownership, relocation off the island, etc.? Explain.

**Response:**     At this time, KIUC has not determined if/how exit fees will be applicable and has no policy in place at this time as to how and to whom such fees would be applied. KIUC's mention of an exit fee is purely to present this as an option to recover any stranded costs that may be incurred if a customer were to adopt distributed generation. KIUC does not intend at this time to apply any future exit fees to customers who wish to terminate their service from KIUC for any other reason provided that they have given appropriate notice of termination of service as dictated by the terms and conditions of the KIUC service agreement.

- d.     What administrative guidelines would KIUC establish to "fairly and equitably" administer exit fees?

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**CA-IR-41 (cont.)**

**Response:** See the response to (c) above. Any administrative guidelines established by KIUC to administer exit fees would seek to apply and collect such fees in a fair and equitable manner.

- e. Would exit fees also be applicable to customers that cease operations but maintain some level of minimum load so as to not "entirely quit the system?" Explain.

**Response:** See the response to (c) above. Any customer who chooses to cease operations but maintain some level of minimum load would continue to be responsible for any applicable fees or charges that result in accordance with their KIUC rate agreement.

**Sponsor:** Mike Yamane  
N. Richard Friedman

**KAUAI ISLAND UTILITY COOPERATIVE'S RESPONSES TO THE  
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**CA-IR-42**     Ref: KIUC T-2, Page 5, Lines 3 and 4.

- a.     Would the DG definition, in KIUC's opinion, include customer-sited emergency generation that is only utilized during utility outages? Explain.

**Response:**     No. Within the scope of the DG definition for the subject docket, KIUC does not consider customer-sited emergency generation that is only utilized during utility outages as falling within the scope of this definition.

- b.     Would the DG definition, in KIUC's opinion, include customer-sited off grid generation? Explain.

**Response:**     No. KIUC does not consider this as DG as it relates to this docket.

**Sponsor:**     Mike Yamane  
                     N. Richard Friedman

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**CA-IR-43**     **Ref: KIUC T-2, Page 26, Lines 16 through Page 27, Line 17.**

The testimony indicates that "it is KIUC's position that the particular DG owner/beneficiary should be required to pay for all costs associated with accommodating the interconnection of the DG unit."

- a.     What does "all costs associated with accommodating the interconnection of the DG unit" encompass; interconnection costs only, or other "costs" associated with the DG unit?

**Response:**     "All costs associated with accommodating the interconnection of the DG unit" would include, at a minimum:

- Interconnection costs (e.g., engineering and system impact studies, protective relaying, any additional metering, isolation transformers, telemetry, etc., to the extent needed for a specific DG installation);
- System upgrade costs, to the extent needed to accommodate a specific DG installation;
- Other costs related to integrating the DG unit into KIUC system operating practices, or to assure personnel or public safety, or system stability, as needed.

- b.     If "all costs" include more than direct interconnection costs, please define all of the items under KIUC's position that should be taken into account.

**Response:**     Examples of such costs are included in the response to (a) above.

**Sponsor:**     Joe M<sup>c</sup>Cawley  
                     N. Richard Friedman

CERTIFICATE OF SERVICE

I (we) hereby certify that copies of the foregoing document were duly served on the following parties, by having said copies delivered as set forth below:

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