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PUBLIC UTILITIES
COMMISSION

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

COUNTY OF MAUI'S REBUTTAL INFORMATION REQUESTS TO
HAWAIIAN ELECTRIC COMPANY, INC., HAWAII ELECTRIC
LIGHT COMPANY, INC., AND MAUI ELECTRIC COMPANY, LIMITED

COUNTY OF MAUI'S REBUTTAL INFORMATION REQUESTS TO
THE STATE DIVISION OF CONSUMER ADVOCACY

CERTIFICATE OF SERVICE

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**COUNTY OF MAUI'S REBUTTAL INFORMATION REQUESTS TO
HAWAIIAN ELECTRIC COMPANY, INC., HAWAII ELECTRIC
LIGHT COMPANY, INC., AND MAUI ELECTRIC COMPANY, LIMITED**

The following are the County of Maui's ("COM") Rebuttal Information Requests ("RIRs") to Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO"), and Maui Electric Company, Limited ("MECO"), hereinafter collectively referred to as the "HECO", regarding the HECO's rebuttal testimonies. The RIRs are designated as COM-HECO-RIR-(number).

COM-HECO-RIR-1

HECO RT-1, page 10, lines 10-12: The witness states:

...the general trend has been for the CHP equipment vendors and energy service companies to move away from the model of owning equipment at a customer site.

Provide documentation illustrating the general trend cited above.

COM-HECO-RIR-2

HECO RT-1, page 11, lines 3-8: The witness states:

This analysis showed a positive net present value benefit for all of the Companies, indicating the CHP Program is expected to be cost-effective from a Utility Cost Test

perspective. The Companies' economic analysis methodology, assumptions, and results are explained in detail on pages 51 to 61 of the CHP Program application in Docket No. 03-0366, and were addressed in HECO T-3.

Provide copies of the workpapers for the economic analysis of CHP, in electronic format, in the original software used to prepare the analysis, with all formulae intact, and with all linked spreadsheet files incorporated. This includes all analyses included in Attachments A through H of the CHP application.

COM-HECO-RIR-3

HECO RT-1, page 25, lines 6-13: The witness states:

A Request for Qualifications ("RFQ") was issued to nine manufacturers of CHP equipment on September 10, 2004. The RFQ requested comprehensive information on products, servicing capabilities, project experience, and other criteria. Responses were required to be postmarked by October 1, 2004 and responses were received from seven of the manufacturers. At this time, HECO is reviewing the submittals and is selecting a short list of vendors. These vendors will be reviewed further, and ultimately, several will be selected as pre-qualified vendors.

Provide a list of the vendors to whom the RFQ was sent, and those that submitted responses.

COM-HECO-RIR-4

HECO RT-1, page 25, lines 6-13, the same citation as RIR-3 above. Provide copies of all materials developed by HECO to guide the evaluation and qualification of potential CHP vendors, including rating criteria, financial qualifications, technical qualifications, and other matters that will be considered by the

Company. Include any appeal procedures developed for use by vendors that have submitted responses to the RFQ, but may not be selected by HECO as pre-qualified vendors.

COM-HECO-RIR-5

HECO RT-1, page 40, , lines 5-14: The witness states:

The first CHP agreement was executed on September 8, 2004 between HECO and Pacific Allied Products, a major plastics and Styrofoam manufacturer located in Campbell Industrial Park. The contract is for HECO to install, own, operate, and maintain a CHP system on the Pacific Allied site consisting of two 250 kW diesel generators and a 100 ton absorption chiller.

The other CHP agreement was executed October 6, 2004, between HELCO and the owners of the Sheraton Keauhou Resort, a newly renovated hotel in Keauhou on the Big Island. The contract is for HELCO to install, own, operate, and maintain a CHP system on the hotel site consisting of two 370 kW diesel generators and a 95 ton absorption chiller.

Provide workpapers showing the estimated acquisition cost, maintenance cost, fuel cost, system efficiency, system reliability, and other economic elements of the CHP systems proposed for Pacific Allied Products and the Sheraton Keauhou.

COM-HECO-RIR-6

HECO RT-1, page 50, lines 7-8: The witness states:

The equity of levying differential charges based on a customer's vintage must also be taken into consideration.

What is the basis for the Company's conclusion that new customers with expanding service requirements would be treated differently from existing customers with expanding service requirements under

the County of Maui proposal? Provide citations to the testimony where the type of vintaging alleged is proposed.

COM-HECO-RIR-7

HECO RT-1, page 52, lines 13-14: The witness states:

Doesn't the addition of substantial new generation tend to put upward pressure on rates?

Provide any analysis done by or for the Company showing the effect of the new generating facilities on MECO rates, as identified on Page 16 of Exhibit H to the CHP docket.

COM-HECO-RIR-8

HECO RT-1, page 54, lines 12-14: The witness states:

However, existing customers, most of whom did not make large renovations, accounted for nearly half of the load growth on the island of Maui in 2003.

Provide the workpapers associated with the statement that existing customers are causing nearly half of the increased load on Maui. Segregate this load increase into newly constructed facilities, construction additions at existing facilities, modifications requiring electrical service changes at existing facilities, and load growth among existing customers not requiring electrical permits of any kind.

COM-HECO-RIR-9

HECO RT-1, page 54, lines 16-18: The witness states:

New customers are only responsible for slightly more than half of the load increase, but would pay the entire marginal cost of new facilities under the COM's proposal.

Does the Company understand that the proposal of the County would require new customers and expanding service to existing customers to pay only for the pro-rata share of new facilities that their demand requires to the extent it is not already recovered in rates, not for the entire cost of new capacity nor for the entire capacity of new generating facilities beyond that needed to serve their growing needs?

COM-HECO-RIR-10

HECO RT-1, page 56, lines 18-19: The witness states:

The justification for the Lanai discount was fully documented in Docket No. 03-0261.

Provide a calculation of the "full-cost" of service for Castle & Cooke based on the last cost of service study prepared on the Lanai system, compared with the revenue being received under the current contract. Include all workpapers, including electronic copies of the spreadsheets with all formulae intact.

COM-HECO-RIR-11

HECO RT-3, page 2, line 14: The witness states:

Demand for electricity on Oahu (as well as on Maui and Hawaii) continues to increase...These events clearly illustrate HECO's increasing need for additional capacity.

Provide the actual output of each generating plant owned by or contracted to HECO on October 12 and 13, 2004 at the time of the system peak for each day. Indicate the rate "firm" capacity of each generating unit. If any resources listed as "firm" in HECO's capacity planning were not available, indicate the reason. If any resources treated as "as-available" were providing power, provide the hourly generation for those resources for the entire 48 hour period of October 12 and 13.

COM-HECO-RIR-12

HECO RT-3, page 9, line 13, the witness states, "(y)es, a survey of customers was conducted."

Provide a copy of the survey to parties in this proceeding that were not parties to the cited proceeding.

COM-HECO-RIR-13

HECO RT-5, page 10, lines 8-13: The witness states:

The rates, terms, and conditions of HELCO's standby service rate rider (Rider A) that was approved by the Commission in Docket No. 99-0207, was based on a stipulated agreement between the CA and HELCO. The stipulated standby rate level includes a portion of the generation (20%) and transmission costs (52%), and all of the distribution demand costs (100%) allocated to HELCO's Schedules J and P customers.

Provide the original workpapers used to develop the figures of 20%, 52%, and 100% for the standby rate recovery of generation, transmission, and distribution costs in sufficient detail that this

can be applied to the most recent unit costs for the MECO system developed by the Company.

COM-HECO-RIR-14

HECO RT-5, page 10, lines 8-13, the same citation as RIR-13 above. Provide the most recent unit costs for generation capacity, transmission capacity, and distribution capacity for the MECO system to the extent not provided in response to previous COM information requests.

COM-HECO-RIR-15

HECO RT-5, page 11, lines 9-12: The witness states:

The COM's proposed standby rate design with usage-based recovery of the fixed costs (e.g., recovering fixed costs on the basis of kWh usage) would likely result in under recovery of the utility's fixed costs and result in an increase in rates to other ratepayers.

Provide any analysis prepared by or for the Company of the effect of having 50 - 100 CHP customers on the system, each paying a standby rate of the form on the HELCO system, compared with each paying a standby rate of the form proposed by the County of Maui in its rebuttal testimony relative to the fixed costs of capacity required to serve standby loads.

COM-HECO-RIR-16

HECO RT-5, page 12, lines 10-13: The witness states:

The Companies may propose rates specific to DG customers, such as standby service rates, in its next general rate

case following the Commission's issuance of its decision and order in this instant docket, in order to reflect and/or incorporate the Commission's findings in the design of such rates.

Provide copies of all utility standby rates that the witness has received or reviewed in the past four years.

COM-HECO-RIR-17

HECO RT-5, page 12, lines 10-13, the same citation as RIR-16 above. Provide any analysis prepared by or for the Company of the appropriate level of standby capacity that would be required for each of the three utilities if the number of CHP systems identified on pages 2, 4, and 6 of Exhibit A to the CHP application were installed.

COM-HECO-RIR-18

HECO RT-5, page 13, beginning at line 1, the witness states that, "inverted rates for the residential class is irrelevant." Provide any studies of the applicability or impact of inverted residential rates prepared by or for the Company since 1996.

COM-HECO-RIR-19

HECO RT-5, page 13, lines 4-6: The witness states:

The residential customers are generally not the potential users of distributed generation.

Provide any documents or information which supports the witness's statement that residential customers are generally not the potential users of distributed generation.

COM-HECO-RIR-20

HECO RT-5, page 15, lines 18-20: The witness states:

The Companies' load management riders, as well as the stand-alone Schedule U, provide alternative time-of-use pricing incentives for customers to shift their load away from the system priority peak hours.

Provide a list of all customers served on time-of-use rates by MECO. For each customer, provide the energy usage by time period.

COM-HECO-RIR-21

HECO RT-5, page 15, lines 18-20, the same citation as RIR-20 above:

Provide the Company's estimated usage by time period for all Schedule P customers on Maui as a group, and separated by those subject to time-of-use rates and those not subject to time of use rates.

COM-HECO-RIR-22

HECO RT-5A, page 1, lines 12-14: The witness states:

Over the last fifteen years, I have provided written and oral testimony for federal and state regulatory agencies on topics such as unbundled rate design and electric industry restructuring.

Provide copies of all testimony submitted by Mr. Gregax to any regulatory commission on the subject of standby rates since 1990. If more than three such submissions have occurred, provide the three most extensive testimonies.

COM-HECO-RIR-23

HECO RT-5A, page 3, lines 10-14: The witness states:

3. their insistence on time-of-use rates complemented by significant metering investments...

For each MECO Schedule P customer, provide the make and model of meter(s) currently installed, and the modifications or replacement cost associated with converting the metering to TOU-capable metering.

COM-HECO-RIR-24

HECO RT-5A, page 10, line 25: The witness states:

Standby service itself is a type of "insurance"...

The term "insurance" is used to describe standby service. Does the witness agree that the cost of "insurance" typically is a small fraction of the cost of the product that the customer would receive in the event that an "insurance claim" is necessary, such as an automobile insurance or home fire insurance premium relative to the cost of the potential loss being insured?

COM-HECO-RIR-25

HECO RT-5A, page 12, line 19:

The witness uses the term "cost-causation principles" in describing the development of standby rates. Please provide a reference to one of the principle texts of utility ratemaking, such as Principles of Public Utility Rates (Bonbright, 1961), Public Utility Economics, (Garfield and Lovejoy 1964), or The Regulation

of Public Utilities (Phillips, 1984) that supports your definition of "cost causation" to imply recovery of fixed costs in fixed charges in the context of setting standby rates.

COM-HECO-RIR-26

HECO RT-5A, page 14, lines 18-19: The witness states:

This reservation amount should be equal to the DG rated capacity - 300 kW in Figure 1.

Is it the witness' position that the utility must maintain one unit of reserve or standby capacity for each unit of distributed generation connected to the system? For example, if all of the 55 potential CHP systems identified by HECO on Page 2 of Exhibit A to the CHP application were constructed, totaling some 23 megawatts of CHP capacity, what level of standby capacity would the utility be required to own and maintain over and above the level required for requirements customers in order to provide standby service?

COM-HECO-RIR-27

HECO RT-5A, page 14, Figure 1:

Referring to Figure 1, does the witness agree that during the periods when the example customer does not use standby service, that this standby capacity is available to serve needs of other standby and/or requirements customers. How does the witness propose that the cost of this capacity that is required to serve multiple customers be allocated between the potential users of the capacity?

COM-HECO-RIR-28

HECO RT-5A, page 14, lines 20-23: The witness states:

...the standby charge itself is lower than the demand charge applied to the portion of the load that is being normally satisfied by utility generation (200 kW in Figure 1) because standby charges include only a portion of the generation capacity.

Please reconcile this with the statement beginning on page 13, line 26: "Therefore, the appropriate design of rates for a DG customer based on cost-causation principles would include a demand charge large enough to recover the full cost associated with the capacity necessary to meet the customer's full demand at any time."

COM-HECO-RIR-29

HECO RT-5A, pages 13-14, lines 26-3: The witness states:

Therefore, the appropriate design of rates for a DG customer based on cost-causation principles would include a demand charge large enough to recover the full cost associated with the capacity necessary to meet the customer's full demand at any time.

Explain how this is consistent with Ms. Seese's testimony that the HELCO standby rate was designed to recovery 20% of generation fixed costs.

COM-HECO-RIR-30

HECO RT-5A, page 14, lines 24-26: The witness states, "the standby charge applied to the 300 kW amount is lower than the demand charge in the customer's normal tariff."

How does the witness reach that conclusion, and what methodology

does the witness propose for setting the standby demand rate at a level lower than the normal tariff?

**COUNTY OF MAUI'S REBUTTAL INFORMATION REQUESTS TO
THE STATE DIVISION OF CONSUMER ADVOCACY ("CA")**

COM-CA-RIR-31

CA-RT-1, page 12, lines 12-13: The witness states:

WHY DOES THE CONSUMER ADVOCATE CONTEND THAT THIS
PROCEEDING IS FOCUSED ON SUPPLY-SIDE RESOURCES?

- A. What consumer interests are advanced by focusing only on the supply-side aspects of distributed generation?
- B. What consumer interests are advanced by not considering the demand-side aspects of distributed generation?
- C. How is the Commission's record enhanced by the CA's contention that the focus of the instant proceeding should only be on the supply-side aspects of distributed generation?

COM-CA-RIR-32

CA-RT-1, page 29, lines 1-3: The witness states:

5. develop rules and reporting requirements to prevent cross-subsidization of utility-owned customer-sited DG by non-DG utility customers, to the extent practical.

Provide example rules and reporting requirements that prevent cross-subsidization.

COM-CA-RIR-33

CA-RT-1, page 32, lines 6-9: The witness states:

The existing rates, however, were not designed to recover revenues for fixed costs currently incurred if energy sales are decreased due to installation of a customer-owned generating unit whose energy is not metered by the utility.

What costs does the witness believe will be avoided by the utility if a customer on Maui chooses DG? Short-run marginal costs only? Long-run marginal costs? Provide any cost study relied on by the witness to reach the conclusion that utility fixed cost recovery will be impaired on Maui if customers choose DG.

COM-CA-RIR-34

Provide a copy of any testimony on standby rate design prepared by the witness and submitted to any state commission in the US, together with a copy of the Commission decision in each such docket setting forth the decision on standby rate issues addressed by the witness.

COM-CA-RIR-35

CA-RT-1, pages 32-35:

Under the CA proposal, would DG customers receiving DG service from MECO pay the same standby rates and charges as DG customers that install and own their own DG systems, and rely on MECO for standby service? How would this affect the proposed tariff rates submitted by MECO for DG service in the CHP docket?

DATED: Wailuku, Maui, Hawaii, November 1, 2004.

BRIAN T. MOTO
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By Cindy Y. Young
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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 November 1, 2004, addressed as follows:

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DATED: Wailuku, Maui, Hawaii, November 1, 2004.

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