

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

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

THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM'S
MOTION TO PARTICIPATE WITHOUT INTERVENTION

The Department of Business, Economic Development, and Tourism (Department), by and through its Director of Business, Economic Development, and Tourism (Director) and in his capacity as the Energy Resources Coordinator, and through the undersigned Deputy Attorney General, hereby moves to participate without intervention in the matter before the Public Utilities Commission in Docket No. 03-0371, Instituting a Proceeding to Investigate Distributed Generation in Hawaii, pursuant to Chapter 6-61 Hawaii Administrative Rules, Rules of Practice and Procedure Before the Public Utilities Commission.

The primary purpose for the Department's intervention is to execute its statutory responsibility for formulating plans, objectives, criteria, for optimum development of energy resources and to conduct systematic analysis of existing and proposed

energy resource programs of the electric utilities in Hawaii. See, section 196-4, Hawaii Revised Statutes (HRS).

The Department seeks participation without intervention status pursuant to Rule 6-61-56 on the following grounds:

1. **The Department's Interest.** The Department's direct and substantial interest stems from section 26-18(a), HRS, which states in pertinent part its statutory responsibilities:

The Department shall undertake Statewide business and economic development activities, undertake energy development and management, provide economic research and analysis, plan for the use of Hawaii's ocean resources, and encourage the development and promotion of industry and international commerce through programs established by law. (Emphasis added.)

Moreover, section 196-3, HRS, provides for the statutory appointment of the Director to serve as the "energy resources coordinator". The State Energy Resources Coordinator has been provided the following relevant powers and duties pursuant to section 196-4, HRS:

- (1) Formulate plans, including objectives, criteria to measure accomplishments of objectives, programs through which the objectives are to be obtained, and financial requirements for the optimum development of Hawaii's energy resources;
- (2) Conduct systematic analysis of existing and proposed energy resource programs evaluate the analysis conducted by government agencies and other organizations and recommend to the governor and to the legislature programs which represent the most effective allocation of resources for the development of energy sources;
- (3) Formulate and recommend specific proposals, as necessary, for conserving energy and fuel, including the allocation and distribution

thereof, to the governor and to the legislature; . . .

- (8) Serve as consultant to the Governor, public agencies and private industry on matters related to the acquisition, utilization and conservation of energy resources;
- (9) Contract for services when required for implementation of this chapter;
- (10) Review proposed state actions which the coordinator finds to have significant effect on energy consumption and report to the governor their effect on the energy conservation program, and perform such other services as may be required by the governor and the legislature;

(Emphasis added.)

As previously discussed, the nature and extent of the Department's interests are mandated by statute. The Legislature has delegated broad authority to the Department for energy development and management, including but not limited to the analysis of comprehensive plans to provide for the full utilization and effective allocation of Hawaii's energy resources throughout the State. The Department's interest is directly related to promoting the public's energy needs through the analysis of energy resource programs.

Since the objective of this docket is to investigate distributed generation in Hawaii, any order issued by the Commission in this docket will directly affect the Department's statutory obligations.

2. The Department's Position. As outlined below in the discussion of the applicant's expertise, knowledge, and experience, the Department has consistently advocated increased use of distributed generation in the context of a regulatory structure that balances the interests of distributed generation

owners/users, electric utilities, rate payers, and providers of distributed generation systems.

3. The Department believes its participation will not broaden the issues or delay the proceeding. It intends to focus its participation on the objectives set by the Commission for this docket. The Department's expertise may assist the Commission by clarifying the issues and shortening the proceeding.

4. The Department's interest will not be adequately represented by the existing parties. There are no other means available whereby the Department's interest may be protected because the Department's statutory interest will not be advocated by the parties in this docket, including the Consumer Advocate. The Consumer Advocate may have positions that are similar to those of the Department, but this does not assure adequate protection or representation of the Department's broader statutory interest. The statutory responsibility of the Consumer Advocate under section 269-51, HRS, requires it to "represent, protect, and advance the interest of consumers of utility services" (emphasis added). Because it represents a broader perspective, the Department's positions may be different from solely the interest of consumers of utility services.

5. Statement of Expertise, Knowledge and Experience. The Department submits that its expertise in energy planning, analysis, and policy development will assist the Commission and the parties in this docket by providing relevant studies, surveys and other information related to institutional, policy, financial, and other issues related to the Commission's investigation of distributed generation in the State of Hawaii.

Over the past 30 years, the Department has considered provisions for meeting requirements for new generation and

advocated policies to improve the process and results. The Department's efforts have been consistent with the State's statutory energy objectives as outlined in section 226-18, HRS, as follows:

(a) Planning for the State's facility systems with regard to energy shall be directed toward the achievement of the following objectives, giving due consideration to all:

(1) Dependable, efficient, and economical statewide energy systems capable of supporting the needs of the people;

(2) Increased energy self-sufficiency where the ratio of indigenous to imported energy use is increased;

(3) Greater energy security in the face of threats to Hawaii's energy supplies and systems; and

(4) Reduction, avoidance, or sequestration of greenhouse gas emissions from energy supply and use.

(b) To achieve the energy objectives, it shall be the policy of this State to ensure the provision of adequate, reasonably priced, and dependable energy services to accommodate demand.

In 1991-1992, the Department was an active participant in the Integrated Resource Planning ("IRP") Task Force and Collaborative and has previously intervened in Integrated Resource Plan dockets. The Department was granted intervention in Docket No. 6617, Instituting a Proceeding to Require Energy Utilities in Hawaii to Implement Integrated Resource Planning, and in all four electric utility Integrated Resource Planning dockets. In the second round of IRP, the Department participated in all four electric utility advisory groups, and is currently represented on the ongoing HECO IRP Advisory Group.

In the MECO IRP Advisory Group that assisted in developing the May 2000 plan, members suggested consideration of distributed generation as a supply-side option. MECO discussed the issue and made a presentation on the potential market. They also reported that they had commissioned a study assessing the technical and economic feasibility of implementing distributed generation on the MECO system. While MECO subsequently installed distributed generation at Hana to increase reliability, in the IRP, they concluded that distributed generation as a strategy in generation planning was still in its infancy and did not include it in its plan.

Over the past several years, the Department has promoted the potential for and advantages of distributed generation to Hawaii's energy system. Increased use of distributed generation offers many benefits to distributed generation owners and to Hawaii's energy system. Distributed generation can:

- Help control or reduce electricity costs;
- Increase energy efficiency through the application of combined heat and power systems;
- Enhance utility system reliability helping to attract new businesses for which reliability is mission critical;
- Help diversify Hawaii's energy supply, improving energy and economic security;
- Reduce reliance on oil and environmental impacts;
- Promote the use of indigenous renewable energy;

- Help keep money spent for electricity in Hawaii; and
- Help reduce significant transmission and distribution system losses.

The Department has sought to provide information to Hawaii's utilities and electricity users on the potential of distributed energy through several workshops and forums. In 2001, the Department sponsored workshops on Combined Heat and Power, Distributed Energy Opportunities, and Interconnecting Distributed Energy Resources. In July 2002, five forums were held on four islands to obtain public input on barriers to distributed energy resources and their potential in Hawaii. In December 2002, workshops on combined heat and power were held in Kihei, Kona, and Lihue, hosted by Maui, Hawaii, and Kauai counties and co-sponsored by the Department, Rebuild Hawaii, The Gas Company, and others.

A recently produced consultant study, *Creating Distributed Energy Opportunities for Hawaii*, provides an assessment of the technical potential for distributed generation in Hawaii, identifies barriers, and recommends ways to reduce those barriers. The report will be released soon.

In addition, the Department, using competitively awarded U.S. Department of Energy Special Project funding, is working with HELCO to evaluate the possible use of battery storage and

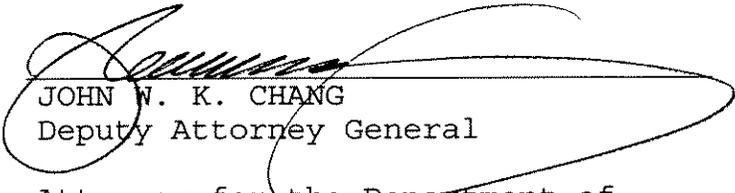
microgrid management to permit greater use of distributed energy and renewable energy on the Island of Hawaii.

6. The Department's participation will assist in the Commission's evaluation of distributed energy. The Department may provide references, studies, documents and analyses, and/or present policy and/or expert witnesses to assist the Commission in its determination regarding the manner in which distributed generation may change or improve Hawaii's electric utility systems.

7. The Department seeks participation without intervention status in this docket so that it can share its expertise and available information. The Department seeks an approach to meeting the State's future electricity needs that fully comports with State energy policy.

In conclusion, the Department respectfully requests that it be granted participation without intervention status.

DATED: Honolulu, Hawaii _____



JOHN W. K. CHANG
Deputy Attorney General

Attorney for the Department of
Business, Economic Development, and
Tourism

Certificate of Service

I hereby certify that I have this date served a copy of the foregoing Motion To Participation Without Intervention by the Department of Business, Economic Development, and Tourism in PUC Docket Number 03-0372, upon the following parties, by delivering the original and eight copies to the PUC, two copies to the Consumer Advocate, and by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each of the electric utilities.

CARL CALIBOSO, CHAIR
PUBLIC UTILITIES COMMISSION
465 S KING ST. SUITE 103
HONOLULU, HI 96813

DIVISION OF CONSUMER ADVOCACY
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
P.O. BOX 541
HONOLULU, HI 96909

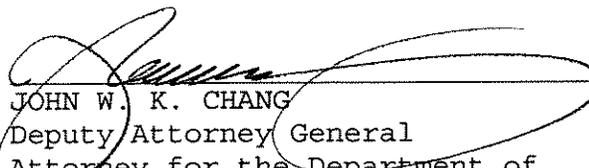
WILLIAM A BONNET
VICE PRESIDENT, GOVERNMENT AND COMMUNITY AFFAIRS
HAWAIIAN ELECTRIC COMPANY, INC.
P. O. BOX 2750
HONOLULU, HI 96840-0001

WARREN H. W. LEE, PRESIDENT
HAWAII ELECTRIC LIGHT COMPANY, INC.
P.O. BOX 1027
HILO, HI 96721-1027

EDWARD L. REINHAHDT, PRESIDENT
MAUI ELECTRIC COMPANY, LIMITED
P.O. BOX 398
KAHULUI, HI 96733-6898

ALTON MIYAMOTO
KAUAI ISLAND UTILITY CO-OP
2970 HALEKO ROAD, SUITE 202
LIHUE, HI 96766

DATED: Honolulu, Hawaii _____


JOHN W. K. CHANG
Deputy Attorney General
Attorney for the Department of
Business, Economic Development, and
Tourism