



Robert A. Alm
Senior Vice President
Public Affairs

September 17, 2004

PUBLIC UTILITIES
COMMISSION

SEP 17 4 08 PM '04

FILED

The Honorable Chairman and Members of
the Hawaii Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Docket No. 03-0371 – Proceeding to Investigate Distributed Generation in Hawaii

Pursuant to Prehearing Order No. 20922, filed April 23, 2004, attached are HECO/HELCO/MECO's responses to direct testimony supplemental information requests ("SIRs") received from the following parties:

County of Maui ("Maui")
Hess Microgen LLC ("Hess")
Hawaii Renewable Energy Alliance ("HREA")
Life of the Land ("LOL").

Sincerely,

Attachment

cc: Division of Consumer Advocacy (3)
A. Miyamoto
C. Y. Young, Esq.
W. S. Bollmeier II
R. Reed
S. Y. H. Wong, Esq.
M. de'Marsi
G. Sato

A. M. Oshima, Esq. (2)
B. T. Moto, Esq.
K. K. Kobayashi
J. Crouch
H. Q Curtis (3)
C. S. Coleman, Esq.
L. D. H. Nakazawa, Esq.

WINNER OF THE EDISON AWARD
FOR DISTINGUISHED INDUSTRY LEADERSHIP



COM-HECO-SIR-1

Regarding the response to COM-HECO-DT-IR-11, please make the proposed protective order available for review prior to September 20, and make the documents available for review at HECO offices during the week of September 27.

HECO Response:

The proposed protective order has not been finalized by the parties to the proceeding. Attached is the draft protective order that has previously been circulated to the parties, updated for the withdrawal of TGC and DBEDT. Issues that need to be resolved include the definition of "qualified persons", and the use of the confidential information provided under the protective order in other PUC proceedings. HECO also plans to make modifications to paragraphs 16 and 17. HECO recommends that the parties discuss the proposed protective order at the Settlement Conference scheduled for September 30, 2004. Upon finalization of the protective order, and its issuance by the PUC, HECO will make available for review the documents that are covered by the protective order, to the extent and on the bases indicated in earlier responses to information requests.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of,)	DOCKET NO. <u>03-0371</u> ,	Deleted: the Application of
PUBLIC UTILITIES COMMISSION,)		Deleted: _____
)		Deleted: _____
<u>Instituting a Proceeding to</u> <u>Investigate Distributed Generation</u> <u>In Hawaii.</u> _____))		Deleted: To increase Rates and Charges on
_____)		Deleted: _____ Tariff No. _____
Protective Order DRAFT 7/6/04 _____)		Deleted: 6
		Deleted: 24

PROTECTIVE ORDER NO. _____

DRAFT STIPULATION FOR PROTECTIVE ORDER

EXHIBIT A

and

CERTIFICATE OF SERVICE

Filed _____

At _____ o'clock _____.m.

Chief Clerk of the 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

Deleted: _____

DRAFT STIPULATION FOR PROTECTIVE ORDER

WHEREAS, on October 21, 2003, the Public Utilities Commission ("Commission") instituted this docket to examine the potential benefits and impacts of distributed generation on Hawaii's electric distribution system and market;

Deleted: In the Matter of the Application of ¶
 ¶
 ¶
 To Increase Rates and Charges on _____ Tariff No. _____

WHEREAS, Order No. 20832, filed March 3, 2004, established the parties and participants in this proceeding;

Deleted: ¶
 Deleted: pursuant to the Public Utilities Commission's ("Commission")
 Deleted: in Docket No. 03-0371, the Commission instituted this docket to examine the potential benefits and impacts of distributed generation on Hawaii's electric distribution systems and market;

WHEREAS, Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO"), Maui Electric Company, Limited ("MECO"), Kauai Island Utility Cooperative ("KIUC"), Life of the Land ("LOL"), County of Kauai, County of Maui, Hawaii Renewable Energy Alliance ("HREA"), Hess Microgen ("HESS"), and the Division of Consumer Advocacy ("Consumer Advocate") are parties in this proceeding;^{1, 2}

Deleted: Department of Business, Economic Development, and Tourism ("DBEDT")
 Deleted: Pacific Machinery, Inc.,

¹ Johnson Controls Inc. ("JCI"), Pacific Machinery, Inc. ("PMI") and The Gas Company ("TGC") were also made parties to the proceeding, however, JCI filed a notice of withdrawal on June 9, 2004, PMI filed a notice of withdrawal on June 25, 2004, and TGC filed a notice of withdrawal on July 15, 2004.

Deleted: and
 Deleted: and
 Deleted: Parties awaiting guidance from the Commission as to the party status of Pacific Machinery, Inc., due to notice of Johnson Controls' intent to withdraw from this docket and no current substitution of counsel on record for Pacific Machinery.

² The County of Kauai is a Participant in this proceeding. The Department of Business, Economic Development and Tourism ("DBEDT") was also made a Participant in this proceeding, however, DBEDT filed a notice of withdrawal on August 2, 2004. Parties and Participants are referred to herein as the "Parties".

Deleted: DBEDT and
 Deleted: are
 Deleted: s

WHEREAS, the disclosure of certain confidential information could negatively impact the competitive advantage of numerous parties;

WHEREAS, the parties anticipate that during the course of this proceeding, information considered to be privileged or confidential by a party may be requested or filed;

WHEREAS, the parties desire to establish a set of procedures and provisions pertaining to the use and disclosure of information considered to be confidential and any information which any party may in the future contend to be confidential;

WHEREAS, the parties understand that during the course of the evidentiary hearing in this matter, if any, if it becomes necessary to address any information provided pursuant to this protective order during the course of the hearing, that portion of the proceeding will be heard in camera; and

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, in accordance with Section 6-61-50 of the Rules of Practice and Procedure before the Public Utilities Commission, that the Commission issue a protective order covering the confidential information identified in the course of the proceeding in connection with this docket as follows:

TERMS OF THE ORDER

1. This protective order governs the classification, acquisition, and use of trade secrets and other confidential information produced by any party in this docket.
2. All parties or participants to all or any portion of this docket, including persons who are granted intervention or participation after the effective date of this

protective order, shall be subject to this protective order and shall be entitled to either all or specific portions of confidential information of a party or participant under the provisions of this protective order to the extent allowed by the Commission.

APPLICATION OF THE UNIFORM INFORMATION PRACTICES ACT

3. To the extent that any of the documents covered by this protective order consist of "government records," as defined in Hawaii Revised Statutes ("HRS") §92F-3, the provisions of HRS Chapter 92F ("Uniform Information Practices Act" or "UIPA") shall apply to the disclosure of information contained in such documents. In the event any provision of this protective order conflicts with any provision of the UIPA, the UIPA shall control.

CLASSIFICATION

4. A party to this proceeding may designate as confidential any information it believes, in good faith, contains trade secrets or other confidential research, development, commercial, financial, vendor, or bid information, including but not limited to cost support studies. Such information shall be protected against disclosure to a non-qualified person pursuant to the terms of this protective order, unless such information is declassified, or permission to disclose the information to such non-qualified person is granted by the party claiming confidentiality, as provided in paragraph 13 below. In addition, a party may designate certain information as being confidential and reserve distribution to another specified party (not including the Consumer Advocate) by notifying the Commission and the Consumer Advocate in writing, setting forth in particularity the information to be kept as confidential and not

available to the other party. With respect to such confidential information, the party to whom such information is being withheld shall be treated as a non-qualified person from whom such information shall be protected against disclosure in accordance with the terms of this protective order.

5. If a party designates information as confidential pursuant to paragraph 4 above or 6 below, it shall produce the confidential information in accordance with the procedures described in paragraphs 11 through 14 below, and concurrently provide certain information in writing to the Commission and the Consumer Advocate. If a party seeks to designate information as confidential, it must: (1) identify, in reasonable detail, the information's source, character, and location, (2) state clearly the basis for the claim of confidentiality, and (3) describe, with particularity, the cognizable harm to the producing party from any misuse or unpermitted disclosure of the information. If the Commission or any party challenges the claim of confidentiality of the information, the party claiming confidentiality shall bear the burden of proof in supporting its claim of confidentiality, and the Commission will determine whether the information is confidential and whether it should be disclosed under a protective order. Any challenge to the confidentiality of any information shall be made in accordance with paragraph 24 below.

6. Confidential information provided to the Commission or a party, orally or in any other form, shall be protected as fully as confidential information provided in written form. A party shall notify the Commission and the parties when information provided orally or in other than written form includes confidential information. At the time of such notification, the party shall, in the manner provided in paragraph 5 above, specify the

subject-matter of such confidential information, the basis for the claim of confidentiality, and the cognizable harm to the producing party from any misuse or unpermitted disclosure of the information.

FORMS OF CONFIDENTIAL INFORMATION

7. All information claimed to be confidential information shall be subject to the terms of this protective order, and shall be treated by all qualified persons (as defined by this protective order) as constituting confidential information. Unless a different treatment is warranted, any notes, summaries, abstracts, or analyses that are prepared by counsel, experts, or other qualified persons, and that reflect the underlying confidential information, shall also be subject to the terms of this protective order.

DESIGNATION

8. Any party claiming that information is confidential shall place upon the applicable material the following legend:

CONFIDENTIAL SUBJECT TO PROTECTIVE ORDER

Whenever only a portion of a document, transcript, or other material is deemed to contain confidential information, the party shall, to the extent reasonably practicable, limit the claim of confidentiality to only such portion. However, if such limitation is not reasonably practicable, the entire document, transcript, or other material may be designated as confidential information.³

9. With respect to any confidential information that is not under the control of the party claiming the information is confidential, other persons shall, to the extent

³ By executing this Stipulation, the Consumer Advocate is not waiving its right to so challenge any claims of confidentiality.

requested by that party, cooperate to ensure that all copies of such confidential information bear the legend required in paragraph 8 above.

10. Any party may request the Commission to designate as confidential information any document or other information previously produced but not designated as confidential, provided that the party, in the manner provided in paragraph 5 above, specifies the subject-matter of such confidential information, the basis for the claim of confidentiality, and the cognizable harm to the producing party from any misuse or unpermitted disclosure of the information. In addition, the party claiming confidentiality shall substitute the previously-produced but not designated as confidential material with the identical material under designation as required in Paragraph 8 above.

DISCLOSURE

11. Except as provided in paragraph 13, confidential information shall not be made available or disclosed to any person who is not a "qualified person" as defined in paragraph 12 below.

12. "Qualified person," as used in this protective order means any one of the following:

- a. The author(s), addressee(s), or originator(s) of the confidential information (provided that such person shall be a Qualified Person by virtue of this subparagraph only with respect to the confidential information of which such person was the author, addressee or originator);
- b. The Commission and its staff;

- c. The Consumer Advocate, its staff, counsel, (including employees directly employed by such counsel), and any consultants retained by the Consumer Advocate in this proceeding;
- d. Counsel of record for a Party (including persons directly employed by such counsel to assist in the preparation, evaluation, and presentation of this case before the Commission, who would not be excluded if they were Independent Consultants employed by, or employees of, a Party);
- e. Independent Consultants employed by a Party who are not employees of the Party, or in-house subject matter experts and/or regulatory personnel, who are not engaged in developing, planning, marketing, or selling the party's products or services, or determining the costs of the party's products or services or designing prices of the party's products or services to be charged customers;

Note: used when parties have not yet been determined. Item g (formerly h) below is broad enough if new parties are added in this proceeding.

- f. Any other person approved by the Party asserting the claim of confidentiality; and
- g. Any other person designated as a qualified person by order of the Commission.

Deleted: f.

Deleted: Any other party or participant to this proceeding, its staff, its counsel (including employees directly employed by such counsel), and any consultants retained by it for this proceeding, to the extent allowed by the Commission;

Deleted: ¶

Deleted: g

Deleted: h

13. When a qualified person wishes to disclose confidential information to a non-qualified person, the qualified person must request permission from the party claiming confidentiality. The request shall identify the non-qualified person to whom disclosure is desired; disclose any past, present, or anticipated affiliation between the qualified person and the non-qualified person; specify the exact information to be disclosed; and state the reasons for disclosure. If permission is granted by the party claiming confidentiality, disclosure of the confidential information shall be made to such non-qualified person in the same manner as provided for qualified persons in paragraph 14 below.

PROCEDURE FOR OBTAINING ACCESS

14. Prior to disclosing confidential information to a qualified person other than the Commission and its staff, the qualified person shall read a copy of this protective order, complete a copy of the agreement attached as Exhibit A to this protective order, and sign the completed copy of the agreement. A copy of the executed agreement shall be delivered to the party claiming confidentiality and the Commission.

USE OF CONFIDENTIAL INFORMATION

15. Any confidential information obtained under this protective order shall be used solely in connection with this proceeding and any related administrative and judicial proceedings (at which time the information will continue to be treated as confidential), and shall not be used for any other purpose, including business, governmental or commercial purposes, or in any other administrative or judicial proceeding, except as provided in paragraphs 16 and 17, and except as may be directed by (a) an order of court, (b) an order of the Commission, and (c) the UIPA,

including any ruling of the Office of Information Practices.

16. Any confidential information obtained under this protective order may be used by the Commission and its staff in any proceeding pending before the Commission involving the producing party, or where the intended use of such confidential information is for the purpose of assisting the Commission in fulfilling its statutory duties and responsibilities. The confidential information shall continue to be treated as confidential until the protection conferred by this protective order (or any other applicable protective order) is terminated by the producing party, or until further order of the Commission.

17. Any confidential information obtained under this protective order may be used by the Consumer Advocate, its staff, its consultant and its counsel in any proceeding pending before the Commission involving the producing party, or where the intended use of such confidential information is for the purpose of assisting the Consumer Advocate in fulfilling its statutory duties and responsibilities. The confidential information shall continue to be treated as confidential until the protection conferred by this protective order (or any other applicable protective order) is terminated by the producing party, or until further order of the Commission.

18. Unless otherwise ordered by the Commission, if a party desires to file written testimony, exhibits or pleadings that contain or reflect the confidential information, only that part of the page(s) containing or reflecting such information shall be treated as confidential, and that part of any hearing at which such information is discussed shall be held in camera, or under other conditions imposed by the Commission to prevent unnecessary public disclosure of such information. A copy of any confidential page, with any such information deleted, shall be filed to be included in

the public record, and each such page shall contain the following designation in the upper left-hand corner:

**Confidential Information
Deleted Pursuant To
Protective Order No. _____.**

RETENTION OF CONFIDENTIAL INFORMATION

19. Confidential information shall be retained in a locked cabinet dedicated to the storage of confidential information, or otherwise secured to ensure that access to and disclosure of the confidential information is limited to a qualified person.

20. Confidential information that is given to or filed with the Commission or its staff shall be separately bound and placed in a sealed envelope or other appropriate sealed container on which shall appear the following legend:

**THIS ENVELOPE IS SEALED PURSUANT TO
PROTECTIVE ORDER NO. _____ AND CONTAINS
DOCUMENTS WITH CONFIDENTIAL INFORMATION. IT
IS NOT TO BE OPENED OR THE CONTENTS OF THIS
ENVELOPE DISPLAYED OR REVEALED EXCEPT TO
QUALIFIED PERSONS AUTHORIZED TO INSPECT THE
ENCLOSED DOCUMENTS.**

21. Confidential information shall not be reproduced or duplicated, except to make working copies and copies to be filed with the Commission under seal. If a document contains information so sensitive that it should not be copied by anyone, it shall bear the following legend: "Copying Prohibited."

22. If a court or other administrative agency requests, subpoenas, or orders production of confidential information that a party or person has obtained under this protective order, that party or person, prior to disclosure, shall promptly notify the party claiming confidentiality of the request, subpoena, or order.

DURATION OF CONFIDENTIALITY

23. The confidentiality of the information produced pursuant to this protective order shall be preserved until all interested parties, by written stipulation, terminate the protection conferred by this protective order, or until further order of the Commission.

APPEAL TO THE COMMISSION

24. If any interested person disagrees with the designation of information as confidential, the party claiming confidentiality and the person so disagreeing shall first make a good faith attempt to resolve the dispute on an informal basis. If the dispute cannot be resolved, the person contesting the confidentiality of the information shall file a motion to compel disclosure or any other appropriate motion with the Commission. The party claiming confidentiality shall bear the burden of proof in supporting its claim, and the Commission will determine whether the information shall continue to be designated as confidential under this protective order. Pending a disposition of the motion, the information in question shall be treated as confidential information and shall not be disclosed except as permitted in this protective order.

NON-WAIVER OF OBJECTIONS AND RIGHTS

25. The parties retain the right to contest any assertion or finding of confidentiality or of non-confidentiality.

26. The parties retain the right to question, challenge, and object to the admissibility of confidential information on the grounds of relevancy or materiality.

MODIFICATION OF THE PROTECTIVE ORDER

27. The Commission may modify this protective order on the motion of any party, or on its own motion, upon reasonable notice to the parties and an opportunity for

hearing.

DISPOSAL OF CONFIDENTIAL INFORMATION

28. Except as provided in paragraphs 29 and 30 below, within 90 days after the conclusion of this proceeding, persons in possession of confidential information shall, at the option of the party producing the confidential information, return or destroy all such materials and all copies, notes, tapes, papers, or other medium containing, summarizing, excerpting, or otherwise embodying any confidential information. If the party producing the confidential information requests destruction, the person destroying the information shall certify its destruction to the producing party, indicating the name of the person destroying the documents, the method of destruction, and the identity of the specific documents destroyed.

29. Counsel and the representatives of record for a party shall be entitled to retain memoranda, pleadings, exhibits of record, written testimony, and transcripts embodying information derived from or incorporating confidential information to the extent reasonably necessary to preserve files on this proceeding. The files shall not be disclosed to any other person.

30. Confidential information produced in this proceeding shall remain in the possession of the Commission, the Consumer Advocate and counsel for the Consumer Advocate for the duration required by applicable statute.

SANCTIONS

31. Any person violating this protective order shall be subject to sanctions imposed by the Commission.

DATED: Honolulu, Hawaii _____

Deleted: ¶

By _____
JON S. ITOMURA
Attorney for
Division of Consumer Advocacy
Department of Commerce and
Consumer Affairs

By _____
ALAN M. OSHIMA
KENT D. MORIHARA, Attorneys for,
Kauai Island Utility Cooperative

Deleted: _

Deleted: Applicant

Deleted: JON S. ITOMURA¶

Deleted: the

Deleted: Division of Consumer
Advocacy¶
Department of Commerce and
Consumer Affairs

By _____
THOMAS W. WILLIAMS, JR.
PETER Y. KIKUTA
Attorneys for
Hawaiian Electric Company, Inc.
Hawaii Electric Light Company, Inc.
Maui Electric Company, Limited

By _____
SANDRA-ANN Y.H. WONG
Attorney for Hess Microgen

By _____

By _____
Henry Q Curtis
Life of the Land

Deleted: GEORGE T. AOKI¶
Attorney for The Gas Company¶

By _____
WARREN S. BOLLMEIER II
Hawaii Renewable Energy Alliance

By _____
LANI NAKAZAWA
Attorney for the County of Kauai

BY _____
CINDY Y. YOUNG
Attorney for the County of Maui

By _____

Deleted: JOHN W.K. CHANG¶
Attorney for the Department of
Business¶
Economic Development and
Tourism

APPROVED AND SO ORDERED THIS _____, 2004,
at Honolulu, Hawaii.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By _____
Carlito P. Caliboso, Chairman

By _____
Wayne H. Kimura, Commissioner

By _____
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:

Commission Counsel

EXHIBIT A

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

PROTECTIVE AGREEMENT

1. I, _____, have been presented with a copy of Protective Order No. _____ issued by the Hawai'i Public Utilities Commission in Docket No. _____ on the ____ day of _____, 2004 ("Protective Order").

2. I am employed, retained or assisting _____ in Docket No. 03-0371, am a "Qualified Person" pursuant to Paragraph 12 of the Protective Order, and have requested review of the confidential information covered by the Protective Order.

Deleted: _____

3. I understand the confidential information covered by the Protective Order is to be used solely to assist _____ and that unless otherwise permitted by the Protective Order, I am to make no other use of the confidential information, nor am I to disclose the confidential information to any other person.

4. I further understand that at the conclusion of my assistance to _____, I shall account for each copy, extract, note and summary of, or other document containing any part of such confidential information to the party claiming confidentiality and I shall abide by the provisions in paragraph 28 of the Protective Order, unless otherwise permitted by paragraphs 29 and 30 of the Protective Order.

5. I hereby certify that I have read the above-mentioned Protective Order and agree to abide by its terms and conditions.

DATED at _____, _____, this _____, 2004.

Signature

Address

() _____
Telephone Number

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing protective Order No. _____, upon the following party (parties) by hand delivery or by mail, postage prepaid and properly addressed.

DIVISION OF CONSUMER ADVOCACY
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
P.O. Box 541
Honolulu, Hawaii 96809

Deleted: ¶

THOMAS W. WILLIAMS, JR. ESQ.

PETER Y. KIKUTA, ESQ.

Goodsill, Anderson, Quinn & Stifel

Alii Place, Suite 1800

1099 Alakea Street

Honolulu, Hawaii 96813

WILLIAM A. BONNET

Vice President

Hawaiian Electric Company, Inc.

Hawaii Electric Light Company, Inc.

Maui Electric Company, Limited

P. O. Box 2750

Honolulu, Hawaii 96840-0001

PATSY H. NANBU

Hawaiian Electric Company, Inc.

P. O. Box 2750

Honolulu, Hawaii 96840-0001

ALAN M. OSHIMA, ESQ.

KENT D. MORIHARA, ESQ.

841 Bishop Street, Suite 400

Honolulu, Hawaii 96813

ALTON MIYAMOTO

President & CEO

Kauai Island Utility Cooperative

4463 Pahe'e Street

Lihue, Hawaii 96766

BRIAN T. MOTO, CORPORATION COUNSEL

County of Maui
Department of the Corporation Counsel
200 S. High Street
Wailuku, HI 96793

CINDY Y. YOUNG, DEPUTY CORPORATION COUNSEL

County of Maui
Department of the Corporation Counsel
200 S. High Street
Wailuku, HI 96793

KALVIN K. KOBAYASHI, ENERGY COORDINATOR

County of Maui
Department of Management
200 S. High Street
Wailuku, HI 96793

WARREN S. BOLLMEIER II, PRESIDENT

Hawaii Renewable Energy Alliance
46-040 Konane Place, #3816
Kaneohe, Hawaii 96744

JOHN CROUCH

Box 38-4276
Waikoloa, HI 96738

RICK REED

Inter Island Solar Supply
761 Ahua Street
Honolulu, HI 96819

HENRY CURTIS

Life of the Land
76 North King Street, Suite 203
Honolulu, HI 96817

SANDRA-ANN Y. H. WONG, ESQ.

1050 Bishop Street, #514
Honolulu, Hawaii 96813
Attorney for: Hess Microgen

Deleted: GEORGE T. AOKI, ESQ.

..... ¶
The Gas Company ¶
P.O. Box 3000 ¶
Honolulu, HI 96802-3000 ¶
for hand delivery: ¶
Topa Fort St. Financial Tower ¶
745 Fort St., 18th Floor ¶
Honolulu, HI 96813 ¶

¶ STEVEN P. GOLDEN ¶
The Gas Company ¶
P.O. Box 3000 ¶
Honolulu, HI 96802-3000 ¶
for hand delivery: ¶
Topa Fort St. Financial Tower ¶
745 Fort St., 18th Floor ¶
Honolulu, HI 96813 ¶

¶ GAIL S. GILMAN ¶
The Gas Company ¶
P.O. Box 3000 ¶
Honolulu, HI 96802-3000 ¶
for hand delivery: ¶
Topa Fort St. Financial Tower ¶
745 Fort St., 18th Floor ¶
Honolulu, HI 96813

CHRISTOPHER S. COLMAN

Deputy General Counsel
Amerada Hess Corporation
One Hess Plaza
Woodbridge, N.J. 07095

MICHAEL DE'MARSI

Hess Microgen
4101 Halburton Road
Raleigh, NC 27614

LANI D. H. NAKAZAWA, ESQ.

Office of the County Attorney
County of Kauai
4444 Rice Street, Suite 220
Lihue, HI 96766

GLENN SATO, ENERGY COORDINATOR

c/o Office of the County Attorney
County of Kauai
4444 Rice Street, Suite 220
Lihue, HI 96766

Chief Clerk

Dated: _____, 2004

Deleted: JOHN W. K. CHANG,
ESQ. ¶
Deputy Attorney General¶
Department of the Attorney General¶
State of Hawaii¶
425 Queen Street¶
Honolulu, Hawaii 96813¶
Attorney for: The Department of
Business¶
Economic Development and Tourism

Deleted: MAURICE H. KAYA, P.E.
. ¶
Chief Technology Officer¶
DBEDT-Strategic Industries Division¶
P. O. Box 2359¶
Honolulu, HI 96813¶
for hand delivery:¶
235 S. Beretania Street, Room 502¶
Honolulu, HI 96813

Deleted: STEVEN
ALBER ¶
Energy Analyst¶
DBEDT-Strategic Industries Division¶
P. O. Box 2359¶
Honolulu, HI 96813¶
for hand delivery:¶
235 S. Beretania Street, Room 500¶
Honolulu, HI 96813

Deleted: APPLICANT¶
123 Main Street¶
Any City, USA 00000¶

Deleted: ¶
Dated: _____
2004¶
¶

COM-HECO-SIR-2

Regarding the response to COM-HECO-DT-IR-16, provide as requested any studies the Company has received on the capacity value of as-available generation.

HECO Response:

In response to COM-HECO-DT-IR-16, HECO referred to its response to COM-HECO-DT-IR-15 that made reference to the testimony of Mr. Thomas Wind in Docket No. 00-0135 (Apollo Energy Corporation Petition) in which Mr. Wind indicated that “[a] rough estimate of this firm capacity from the existing wind turbines would be 2 MW. If the wind farm is repowered to 9.75 MW (7 MW maximum instantaneous) as proposed by Apollo, then I would estimate the firm capacity value to be 3 MW. If the Kamao’a Wind Farm is then expanded up to the 20 MW level (15 MW maximum instantaneous), then the firm capacity value would be about 6 MW.” Please refer to HECO’s complete response to COM-HECO-DT-IR-15. As HECO indicated in the response, in Decision and Order No. 18568, dated May 30, 2001, the PUC stated, “The commission does not believe that capacity payments for Apollo are warranted. Rather, HELCO, under its generation capacity planning criteria, is unable to avoid or defer the construction of its own generation additions as a result of the intermittent energy generated by a wind farm such as Kamaoa. Nor is HELCO able to avoid the fixed operations and maintenance costs associated with its own generation.”

The complete direct and rebuttal testimonies and exhibits of Mr. Wind in Docket No. 00-0135, as well as the complete direct and rebuttal testimonies of Mr. Sakuda, are voluminous. HECO will make these direct and rebuttal testimonies and exhibits in Docket No. 00-0135 available for review to the County of Maui (and all other parties to this Docket No. 03-0371) at

its Regulatory Affairs offices. Arrangements to view the material may be made by contacting Dan Brown with HECO's Regulatory Affairs Division at 543-4795.

COM-HECO-SIR-3

Regarding the response to COM-HECO-DT-IR-33, please make the requested workpapers available for review at HECO during the week of September 27.

HECO Response:

The workpapers will be available for review at HECO during the week of September 27, as requested. Please contact Dan Brown with HECO's Regulatory Affairs at 543-4795 to arrange for review.

COM-HECO-SIR-4

Regarding the response to COM-HECO-DT-IR-35, why does the Company not consider the report entitled: DEMAND SIDE MANAGEMENT RECOMMENDATIONS FOR THE HAWAIIAN ELECTRIC COMPANY: PROGRAM, PRICING AND REGULATORY OPTIONS, Submitted to the Hawaiian Electric Company for Final Review: August 30, 2002, responsive to this request.

HECO Response:

The County of Maui informed HECO on September 17, 2004 that they will be filing a letter with the Commission withdrawing this SIR.

COM-HECO-SIR-5

Regarding the response to COM-HECO-DT-IR-40, the question may have been misunderstood. It did not ask about the recovery of embedded costs, it asked about the situation where the revenue losses (i.e., foregone tariff revenues, which may or may not equal embedded cost) are lower than Company marginal costs. Please respond to the question as clarified.

HECO Response:

The Companies do not agree with the premise stated in COM-HECO-DT-IR-40, which posed the question: "If revenue losses from customer self-generation is lower than Company marginal costs, that customer self generation reduces rate pressure on other customers." The Companies' current rate structures are based on embedded costs and designed to recover a large portion of fixed embedded costs in the energy rate. As such, any reduction in kWh sales due to customer self generation would result in a loss of the recovery of a portion of the embedded fixed costs which would have to be shifted to the other ratepayers. The Companies' rates are based on embedded costs and not on marginal costs. Any loss of embedded fixed cost-related revenues due to customer self generation, regardless of whether such lost fixed cost-related revenues are lower or higher than marginal costs, will be shifted to other ratepayers.

COM-HECO-SIR-6

Regarding the response to COM-HECO-DT-IR-42, provide the material relating to HELCO referenced in the response.

HECO Response:

The information regarding standby service costs produced in HELCO's last general rate proceeding (Docket No. 99-0207) is voluminous. Please contact Dan Brown at HECO's Regulatory Affairs Division to arrange for review. (Certain customer load and billing information provided in Rider A–Standby Service Reports is confidential and was filed under Protective Order No. 17603. This confidential customer information will not be available for review by the County of Maui.)

COM-HECO-SIR-7

Regarding the response to COM-HECO-DT-IR-51, provide a list of the customers on the HECO, HELCO, and MECO systems that have interconnection agreements that permit them to operate on-site generation in parallel with the utility system, and the size of on-site generating units for each customer, if known.

HECO Response:

The following DG customers have executed Rule 14.H. interconnection agreements. (The list does not include net metered customers with PV systems, no-sale customers with PV systems, small-power purchase as-available wind and hydro systems, and Schedule Q wind and hydro customers.)

Utility	Customer	Generator Size
HECO	Pohai Nani Good Samaritan Retirement Community	140 kW
HECO	City & County of Honolulu, Honolulu Hale	220 kW
MECO	Customer name is confidential	2 x 220 kW
MECO	Grand Wailea	150 kW
MECO	Harley Davidson	30 kW (PV)
MECO	Customer name is confidential	52.2 kW (PV)
HELCO	University of the Nations*	75 kW
HELCO	Regency at Hualalai	2 x 85 kW
HELCO	Hilo Medical Center	2 x 365 kW
HELCO	Kona Community Hospital	455 kW
HELCO	Fairmont Orchid	4 x 200 kW
HELCO	Mauna Loa Macadamia Nut Corporation	2 x 300 kW 750 kW (steam generator)
HELCO	Hapuna Beach Prince Hotel	20 kW (PV)
HELCO	Mauna Lani Resort	250 kW, 75 kW, 130 kW, 110 kW (all PV)
HELCO	Parker Ranch	175 kW (PV), 50 kW (wind)

*Unit no longer in operation.

HESS-SIR-1 to HECO

Ref.: response to HESS-DT-IR-1 to HECO

- a. Under HELCO's Rider A, "For Schedule P customers, the Supplemental Billing kW for each month shall be the difference between the Total kW Load for such month, or the mean of the current month's Total kW Load and highest Total kW Load for the previous eleven months, whichever is higher, less the Standby Billing kW, but not less than 200 kW." Please explain in detail how this differs, if at all, with the regular Schedule P rate. If there is a difference, please explain in detail why.
- b. Does the alleged lower cost for back up service under Rider A take into consideration the customer's "cost associated with metering its non-utility power source(s), including the total installed cost of the meters", including, but not limited to, the expense to ". . . furnish, install and maintain in accordance with the Company's requirements all associated equipment such as all conductors, service switches, fuses, meter sockets, meter and instrument transformer housing and mounting, switchboard meter test buses, meter panels, and similar devices, required for service connection and meter installations on customer's premises. If not, please explain in detail why not.
- c. Please provide a sample bill for a customer (name may be deleted) that has customer and/or third party CHP generation onsite in which HELCO credits the customer for standby demand charge. Please indicate the line item for the standby demand charge. Also, please explain in detail how such credit is calculated.
- d. Please explain in detail the process, if any, for how HELCO takes into consideration outages by a customer and/or third party CHP generation unit that are the result of another party (not the customer, third party CHP provider, and/or utility). If HELCO does not have such a process, please explain in detail why not?

HECO Response:

- a. The differences between the determination of the Supplemental Billing kW under Rider A and the determination of the billing kW under the regular Schedule P are:
 1. Under Rider A, the customer's total maximum kW load supplied by both the Company and the customer's onsite generation is used in determination of the demand ratchet. This total maximum kW load

is determined by aggregating the customer's kW demand supplied by the Company and the customer's kW demand supplied by its onsite generation, on a time-coincident basis using interval-type meters.

The customer's total maximum kW demand is the load that the Company would have to serve if and when the customer's onsite generation is not operating or not available for any reason. Under the regular Schedule P, the customer's maximum kW demand supplied by the Company is used in the determination of the demand ratchet. For a customer with onsite generation, this measure of the customer's maximum demand does not represent nor reflect the customer's actual maximum kW demand that the Company would have to serve if and when the customer's onsite generation is not operating or not available for any reason.

2. Under Rider A, the ratcheted kW demand is then adjusted by subtracting the customer's Standby billing kW to determine the supplemental billing kW, to ensure that the customer is not billed twice for the same kW. The supplemental billing kW, which excludes the customer's standby billing kW, is charged the regular demand charge under Schedule P, and the standby billing kW is charged the standby charge under Rider A. Under the regular Schedule P, the ratcheted kW demand, which is based only on the kW load supplied by the Company, is the billing kW that is charged the regular demand charge under Schedule P.

- b. HECO's response to HESS-DT-IR-1 to HECO described the conditions under which DG/CHP customers could obtain backup service at a lower price than under HELCO's regular rate schedules. Backup service under Rider A does not include the associated metering costs for the customer's onsite generation as required by the PUC-approved Rider A. Except for the installed cost of the meters for the customer's onsite generation, the equipment required under Rider A that are furnished by the customer at its expense, such as but not limited to conductors, service switches, fuses, meter sockets, meter and instrument transformer housing and mounting, switchboard meter test buses, meter panels, and similar devices – is the same equipment required from all other customers under HELCO's Rule 14.H.
- c. A sample billing under Rider A for a customer with onsite generation is attached.
- d. HELCO does not know what the SIR means when it refers to "outrages by a customer". HELCO presumes that Hess intended to refer to "outrages by a customer". It is not clear what is meant by "outrages by a customer and/or third party CHP generation unit that are the result of another party", and HELCO will follow-up with Hess. HELCO provides power service to all its customers in accordance with its PUC-approved tariffs. Its service processes, such as customer billings, are done in accordance with its tariffs. Any service process or billing that is in variance from the PUC-approved tariffs must be submitted to the PUC for approval. See Title VII, General Order No. 7, Sec. 1.2.e.

Sample Billing for a HELCO Schedule J Rider A Customer

(A)	(B) Schedule J Without Rider A	(C) Schedule J With Rider A
Billing Load		
Total kWh/Month	127,200	127,200
Max Measured kW (kW _m)	582.4	327.8
Contract Standby Billing kW		455.0
DG Max kW		254.6
Total kW Load	582.4	582.4
Billing kW (kW_b)	582.4	127.4
% PF	85	85
Calculation of Bill		
	\$/Month	\$/Month
Customer Charge	\$56.00	\$56.00
Demand Charge	\$4,076.80	\$891.80
Energy Charge	\$20,696.76	\$17,915.95
PF Adjustment	\$0.00	\$0.00
Supply Volt Adj	(\$1,238.68)	(\$940.39)
Standby Charge	\$0.00	\$4,927.65
Total Base Bill	\$23,590.88	\$22,851.01
ECAC ¹	\$4,211.59	\$4,211.59
IRP/DSM Surcharge ²	\$326.90	\$326.90
Total Bill	\$28,129.37	\$27,389.50

¹ Energy Cost Adjustment Factor of 3.311 ¢/kWh, effective 9/1/04.

² Commercial DSM Adjustment of 0.2570 ¢/kWh, effective 9/1/04.

HREA-HECO-T-1-SIR-1

As a follow-up to HREA-HECO-T-1-IR-4. HREA would agree that it could be “disingenuous” to focus on one aspect of an issue. However, HREA was merely observing that the Companies’ did not appear to be analyzing the negative economic aspects associated with the Companies’ continued use of fossil fuels. HREA would like to take a closer look at HECO’s response, which focuses on ONE renewable technology (in this case, PV). Specifically:

1. Hawaii may purchase PV systems, which are currently NOT being manufactured in Hawaii. However, would HECO agree that Hawaii is NOT purchasing PV systems from politically volatile and unstable foreign governments or the uncertain future of oil from other sources, such as Alaska?
2. Given the increasing price of oil, upon which Hawaii so heavily depends, how can HECO be so sure that PV will be more expensive in the future?

HECO Response:

1. HECO’s reference to PV in its response to HREA-HECO-T-1-IR-4 was meant to illustrate that the argument of exporting dollars outside the local economy also can be applied to non-fossil fuel technologies as well. If one wishes to consider exportation of dollars on a more global basis and consider the origin of the resource, whether fuel or equipment, HECO would agree that PV equipment is generally available domestically as well as from Japan and countries in Western Europe.
2. HECO’s response to HREA-HECO-T-1-IR-4 does not comment on the relative cost difference between PV and fossil fuels into the future, but is based on the current state. As described by Mr. Seki in HECO-T-2, currently PV systems are capital intensive and cost more than many other electric generation technologies. Currently, total capital costs for PV systems in Hawaii are estimated to range from \$9,000 to \$13,000 per kW, versus less than \$2,000 per kW for diesel-fired CHP. Mr. Seki states that as PV and other renewable technologies improve and cost is reduced, they may increase in their application for DG renewable energy.

HREA-HECO-T-1-SIR-2

As a follow-up to HREA-HECO-T-1-IR-6, if HECO assumes that its utilities are in a load growth period, HREA would agree that there could be impacts to HECO's shareholders due to loss revenues from non-utility installations. However, HREA believes that potential rate impacts to customers from the non-utility installations would be less than the potential rate and customer bill impacts from HECO's recovery of all proposed CHP tariff costs, including the pass-through of all fuel costs. Correct us if we are wrong, but here is our rationale for drawing this conclusion: (i) HECO investments in CHP will be like HECO investments in larger facilities. When was the last time that a new power plant didn't result in a rate increase?; and (ii) additional use of fossil fuel, notwithstanding the efficiency gains, will result in increased costs through the fuel adjustment clause, at best increasing at a lesser rate than if the additions were central generation.

HECO Response:

HECO's response to HREA-HECO-T-1-IR-6 stated that there would be rate impacts as a result of the utility's investment in CHP. However, according to the Companies' economic analysis prepared for its CHP Program application in Docket No. 03-0366, these impacts are preferable from the standpoint of all ratepayers when compared to the significant adverse rate impacts that can result from the loss of sales to third party or customer owned DG. With respect to the addition of a new generating facility and the need for a general rate case, see HECO's response to COM-HECO-DT-IR-50.

HREA-HECO-T-1-SIR-3

As a follow-up to HREA-HECO-T-1-IR-8, does HREA understand correctly that the Companies' use of the phrase "so that non-participating customers are not burdened" means that the Companies believe that any impacts from a utility-owned system will be less than the impacts from a third-party system? Should not the Companies design an approach where the non-participating customers are not negatively impacted in any way?

HECO Response:

1. Yes, the rate impacts to non-CHP customers are expected to be less for utility-owned CHP systems than for third-party owned systems. See the response to HREA-HECO-T-1-IR-8, and the economic analysis included in the Companies' CHP Program application, pages 51-61, Docket No. 03-0366.
2. The Companies believe that their proposed offering of utility-owned CHP is the best approach to support the implementation of CHP and deliver an overall benefit to its customers. Rate impacts will be lower than those caused by non-utility CHP, and the utility CHP will be of sufficient reliability and dispatchability to directly benefit the electric system. If the utility were not able to offer CHP to its customers, then there could be significant adverse overall impacts to ratepayers if only non-utility CHP were developed.

HREA-HECO-T-1-SIR-4

As a follow-up to HREA-HECO-T-1-IR-9, doesn't a Power Purchase Agreement (PPA) actually include the interconnection agreement?

HECO Response:

In some power purchase agreements (e.g., HELCO's power purchase agreement with Hawaii Renewable Development, LLC), the technical requirements concerning the interconnection of an Independent Power Producer ("IPP") with the utility's system are provided for in certain appendices in a PPA, and are integral to the PPA. Thus, there is no separate interconnection agreement. In other power purchase agreements (e.g., HELCO's power purchase agreement with Encogen Hawaii, L.P., now known as Hamakua Energy Partners, L.P.), there is a separate interconnection agreement.

HREA-HECO-T-1-SIR-5

As a follow-up to HREA-HECO-T-1-IR-10, the Companies did not answer the following HREA questions directly: (i) are they (Austin Energy) allowed to rate-base their investments?; and (ii) are they allowed to pass through their fuel costs to their customers? If the answer to either or both of these questions is “yes,” please provide documentation of corroborating evidence (e.g., correspondence with Austin Energy).

HECO Response:

1. Austin Energy is a municipal utility and a department of the City of Austin. As such, the Austin City Council sets Austin Energy’s budget and electric rates. The 2002-2003 Austin Energy budget is posted on its website¹, and a description of Austin Energy’s electric utility fund is provided as follows:

“Austin Energy (AE), the City of Austin’s community owned electric utility, has been providing electric power to the Austin area since 1895. The electric utility fund is an enterprise fund. Its operating budget consists of revenue received and appropriated for all operating requirements of the electric utility system and payment of principal and interest of its bond indebtedness. Any net revenue remaining is the result of Austin Energy meeting or exceeding its revenue bond debt service coverage requirement of 1.5 times established by the City of Austin financial policies. Any net revenue resulting from the debt service coverage can be used to fund transfers to Austin Energy’s Capital Budget, Debt Management Fund, Repair and Replacement Fund as well as the General Fund.”

According to the Austin Energy website, its 2002-2003 annual revenues exceeded \$800 million.

Annual operating and maintenance expenses totaled more than \$430 million, including roughly \$200 million for fuel for power generation. \$117 million was spent on capital improvements, and \$186 million was paid to debt service. \$73 million was transferred to the City General Fund.

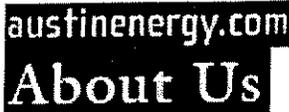
Relevant pages from the Austin Energy website are attached.

¹ <http://www.austinenergy.com/About%20Us/Company%20Profile/Budget/2003budget.pdf>

Since Austin Energy is a municipal utility, its rates are not determined based on a fair rate of return on property used and useful for utility purposes (i.e., rate base), which is the manner in which rates for an investor owned utility such as HECO are established. HECO does not know the extent to which Austin Energy's investment in CHP projects is "rate based". HECO assumes that in the setting of Austin Energy's rates, consideration is given to the depreciation expense related to existing capital improvements, including CHP projects, such that the rates established provide a return of capital to be used as a funding mechanism for future capital improvements.

2. Austin Energy does pass the cost of fuel through to its customers. A description of Austin Energy's Fuel Charge is attached.

Austin Energy Budget



[Customer Care](#)

[Commercial](#)

[Residential](#)

[Energy Efficiency](#)

[Company Profile](#) | [Rates](#) | [Environmental Initiatives](#) | [Purchasing](#) | [Jobs](#) | [Newsroom](#) | [Outreach](#) | [Contact Us](#)
[Home](#) > [About Us](#) > [Company Profile](#) > [Budget](#) > Austin Energy Budget

Austin Energy Budget

Austin Energy is the largest City of Austin department. Annually, revenues exceed \$800 million. Annual operating and maintenance expenses total more than \$430 million. That includes about \$200 million for fuel to generate electricity at Austin Energy power plants.

Building a Competitive Utility

In 1999, Austin Energy began increasing investments in its system budgeting. Capital improvements have grown more than \$100 million annually.

While maintaining competitive rates, the Utility also transfers about \$73 million each year to the City's General Fund. This transfer helps fund City services including fire, police, parks and libraries.

The utility maintains a Competitive Strategy fund. Reserves in this fund total more than \$170 million. This money is available for emergencies or for needs that improve the Utility's competitive position.

Deregulation in Texas

Currently none of the 73 city-owned electric utilities in Texas are participating in retail deregulation. Only two of 75 electric cooperatives are participating.

However, Austin Energy has adopted a competitive strategy designed to keep rates low:

- › Reduce operating costs
- › Pay down debt
- › Pay cash for new generation.

Austin Energy's Fiscal Year

Like all City departments, the fiscal year for Austin Energy's budget begins on October 1 and ends September 30. The Austin City Council sets Austin Energy's budget and electric rates.

Budget Questions to:
contact: Ed Clark, Public Information
phone: (512) 322-6514
e-mail: [Budget](#)

Links

- › [Austin Energy Adoption \(2002-2003\)](#)

Related Content

- › [Serving Our Community](#)
- › [Power Plants](#)
- › [Electric System](#)
- › [Statewide Electric](#)
- › [Field Service Centers](#)
- › [Customer Care Centers](#)
- › [Permits and Codes](#)

External Sites

- › [City of Austin Budget](#)



Austin Energy — 2002–2003

Purpose and Nature of Fund

Austin Energy (AE), the City of Austin's community owned electric utility, has been providing electric power to the Austin area since 1895. The electric utility fund is an enterprise fund. Its operating budget consists of revenue received and appropriated for all operating requirements of the electric utility system and payment of principal and interest of its bond indebtedness. Any net revenue remaining is the result of Austin Energy meeting or exceeding its revenue bond debt service coverage requirement of 1.5 times established by the City of Austin financial policies. Any net revenue resulting from the debt service coverage can be used to fund transfers to Austin Energy's Capital Budget, Debt Management Fund, Repair and Replacement Fund as well as the General Fund.

Factors Affecting Funding

Operating Revenues for Austin Energy are projected to be \$815,409,471 for 2002-2003, compared to the amended 2001-2002 budget of \$822,086,835. This represents a reduction of \$6,677,364 or 0.81% primarily due to a decrease in fuel revenue associated with the reduction of fuel costs. In addition, de-appropriation of CIP Fund projects in 2001-2002 of \$15,659,592 provided a one-time transfer revenue that is not available in 2002-2003. Total resources are \$22,336,956 less in 2002-2003.

No change in base electric rates is approved for 2002-2003. An amendment is approved to the Fuel Adjustment Rider Tariff to include certain Electric Reliability Council of Texas fees for 2002-2003.

A new fee is approved for customer requests to locate underground facilities other than those required by Texas One Call (The Texas Underground Facility Damage Prevention Act).

Austin Energy's budgeted beginning balance is the previous year's ending balance carried forward. The budgeted balance is calculated by combining cash, net accounts receivable and unrecovered fuel revenue, then deducting accounts payable, accrued payroll, and encumbrances. The beginning balance does not represent only cash.

Total available funds including Revenues and Transfers in amount to \$815,409,471 for 2002-2003.

Factors Affecting Requirements

Total Approved 2002-2003 requirements for Austin Energy are estimated at \$830,869,440 compared to the 2001-2002 amended budget of \$848,838,186. This represents a reduction of \$18.0M or 2.12% primarily due to decreased fuel costs of \$14.6 million, a \$8.3 million increase in operating requirements, a \$3.9 million increase in the General Fund transfer, a \$5.5 million increase in debt service, a \$17.2 million reduction in the CIP transfer, a \$7.6 million reduction in the debt management fund transfer and a \$3.7 million increase in other transfers.

Austin Energy Utility Fund

	<u>Actual 2000-2001</u>	<u>Amended 2001-2002</u>	<u>Estimate 2001-2002</u>	<u>Proposed 2002-2003</u>	<u>Approved 2002-2003</u>
BEGINNING BALANCE	\$ 106,577,203	\$ 107,998,061	\$ 107,998,061	\$ 101,536,511	\$ 101,536,511
REVENUE					
Service Area Revenue	756,187,306	726,284,400	673,429,432	721,369,207	721,369,207
Other Revenue	78,849,005	95,802,435	89,561,921	94,040,264	94,040,264
REVENUE TOTAL	835,036,311	822,086,835	762,991,353	815,409,471	815,409,471
TRANSFERS IN					
Utility Debt Management Fund	36,800,212	0	0	0	0
Electric Capital Improvement Program Fund	0	15,659,592	15,659,592	0	0
TRANSFERS IN TOTAL	36,800,212	15,659,592	15,659,592	0	0
AVAILABLE FUNDS TOTAL	\$871,836,523	\$837,746,427	\$778,650,945	\$815,409,471	\$815,409,471
REQUIREMENTS					
OPERATING REQUIREMENTS					
Operations and Maintenance, including Joint Projects	383,003,912	374,123,563	316,725,418	370,275,661	370,275,661
Conservation-Energy	4,645,268	6,755,042	6,111,027	5,566,816	5,566,816
Conservation-Load Management Program	3,579,789	7,488,356	3,230,000	3,031,856	3,761,856
Conservation-Rebates & Incentives	7,452,500	7,984,500	4,706,972	6,925,325	6,925,325
Conservation-Chillers	409,760	6,451,151	5,248,047	6,658,541	6,658,541
Other Operating Expenses	41,035,486	41,027,724	47,336,724	44,324,736	44,324,736
OPERATING REQUIREMENTS TOTAL	440,126,715	443,830,336	383,358,188	436,782,935	437,512,935
OTHER REQUIREMENTS					
Workers' Compensation	792,311	653,233	653,233	673,411	673,411
Liability Reserve	600,000	300,000	300,000	566,000	566,000
Administrative Support	6,855,853	7,972,468	7,972,468	10,081,357	10,081,357
Accrued Payroll	328,895	289,000	444,000	555,000	555,000
OTHER REQUIREMENTS TOTAL	8,577,059	9,214,701	9,369,701	11,875,768	11,875,768
SUBTOTAL BEFORE TRANSFERS OUT	448,703,774	453,045,037	392,727,889	448,658,703	449,388,703
TRANSFERS OUT					
General Fund	67,283,000	68,933,000	68,933,000	72,864,000	72,864,000
Debt Management	0	7,609,000	7,609,000	0	0
Electric Capital Improvement Program	150,215,626	134,266,816	132,975,816	117,033,000	117,033,000
Economic Development Fund	4,239,000	3,512,000	3,512,000	3,500,000	3,500,000
Trunked Radio	0	93,665	93,665	49,330	49,330
Support Services ISF	133,333	490,333	490,333	633,333	633,333
General Obligation Debt Service	469,047	482,081	482,081	493,793	493,793
Debt Service (Principal and Interest)	187,943,662	180,406,254	178,288,711	185,907,281	185,907,281
PARD Capital Improvement Program	0	0	0	0	1,000,000
TRANSFERS OUT TOTAL	410,283,668	395,793,149	392,384,606	380,480,737	381,480,737
TOTAL REQUIREMENTS	\$858,987,442	\$848,838,186	\$785,112,495	\$829,139,440	\$830,869,440
Excess (Deficiency) of Revenue over Requirements	\$12,849,081	(\$11,091,759)	(\$6,461,550)	(\$13,729,969)	(\$15,459,969)
Adjustment to GAAP	(11,428,223)	0	0	0	0
ENDING BALANCE	\$ 107,998,061	\$ 96,906,302	\$ 101,536,511	\$ 87,806,542	\$ 86,076,542

Fuel Charge

austinenergy.com

About Us

[Customer Care](#)

[Commercial](#)

[Residential](#)

[Energy Efficiency](#)

[Company Profile](#) | [Rates](#) | [Environmental Initiatives](#) | [Purchasing](#) | [Jobs](#) | [Newsroom](#) | [Outreach](#) | [Contact Us](#)

[Home](#) > [About Us](#) > [Rates](#) > [Fuel Charge](#)

Fuel Charge

The Fuel Charge recovers the cost for the fuel needed to generate electricity. This charge is a dollar-for-dollar pass to the customer. Austin Energy does not profit from the revenues collected through the fuel charge. **View list of current fuel charges.**

>>

Fuel Charge Components

The fuel charge consists of three components:

- The estimated average fuel and purchased power cost for the year,
- The estimated fees and charges from the Electric Reliability Council of Texas (ERCOT) incurred to meet service-area obligations for the calendar year
- The projected generation requirements for the year
- The combination of plants projected to be used to meet that generation requirement
- An adjustment for previous over- or under-recoveries.

The estimate is the forecasted fuel and purchased power cost, plus the estimated ERCOT fees and charges for the year divided by the estimated kilowatt-hour sales.

The forecasted fuel and purchased power cost is based on:

- The projected generation requirements for the year
- The combination of plants projected to be used to meet that generation requirement
- The estimated price of the coal, gas and nuclear fuel used to operate those plants

We generally use gas generation for peak periods, primarily during the summer. Additionally, when there is an outage at one of the nuclear or coal units, more gas generation may be required.

ERCOT Fees and Charges

Beginning October 1, 2002 certain ERCOT fees and charges were included in the calculation of the fuel factor. We estimate ERCOT fees and charges based on:

- The level of current applicable ERCOT fees and charges
- The estimated energy and capacity needed to meet Austin Energy service-

Related Content

- Residential
- Commercial
- State
- School Districts
- City
- Rates Summary
- Utility Service Regi
- GreenChoice® Ene
- Security Lighting
- Line Extension and Switchover Policy
- Distributed Genera Renewable Source:
- Download Fee Schi

External Sites

- Electric Utility Desi

Fuel Charge

area obligations

Over-Recovery and Under-Recovery of Revenues

If Austin Energy collects more in fuel charge revenues than the actual cost, we subtract the over-recovery from the estimate. Similarly, if the actual fuel charge revenues recovered are less than the actual cost, we add the under-recovery to the estimate.

Fuel Adjustment Factors

Finally, we make an **adjustment** to the fuel factor to reflect the different voltage levels of power that customers receive. We meter primary level customers on the high side of the transformer, before transformation losses occur. We make a voltage level adjustment, resulting in primary customers receiving a slightly lower fuel factor than secondary level customers.



HREA-HECO-T-1-SIR-6

As a follow-up to HREA-HECO-T-1-IR-1, involvement in the CHP market would provide more choices and options based on the assumption that no 3rd parties would or could offer similar products and services?

HECO Response:

Please see the response to HREA-HECO-T-1-IR-14.

HREA-HECO-T-3-SIR-1

As a follow-up to HREA-HECO-T-3-IR-1, regarding the capabilities of 3rd parties vs. the utility to install and operate CHP installations, HREA observes that the application of CHP technologies in Hawaii (as well as on the mainland) is a relatively new phenomenon, and there is still room for improvement. While HREA agrees that the utility's core business includes power generation, why then are the Companies seeking to partner with DG providers, such as Hess-Microgen? It would appear that the Companies have something to learn from companies such as Hess.

HECO Response:

HECO's proposed CHP Program is based on the premise that the utility will procure CHP equipment from vendors, then install, own, and operate the equipment. The reasons for the Teaming Agreement with Hess were discussed in the Companies' CHP Program application in Docket No. 03-0366 (pages 45 through 48).

HREA-HECO-T-3-SIR-2

As a follow-up to HREA-HECO-T-3-IR-6, have the Companies considered adding incremental amounts of spinning reserve on Maui's and Hawaii's system, e.g., lesser amounts than the largest unit on the Maui's and Hawaii's systems? For example, would not it be cost-effective to have spinning reserve to both: (i) follow load and generation excursions beyond the normal operating reserve capability, and (ii) as a specific example of (i) -- to provide generation during fault-clearing events?

HECO Response:

HELCO and MECO distinguish between "spinning reserve", "operating reserve", and "regulating reserve". Spinning reserve refers to the total amount of reserve capacity that is on-line but not currently serving any load (i.e., the difference between the total normal top load rating of all operating units and the total output of all operating units). Spinning reserve is intended to immediately serve load in the event another operating unit trips out of service. HELCO and MECO do not carry spinning reserve on their systems to serve load that would be lost with the unexpected outage of an operating unit.

Operating reserve is similar to spinning reserve in that it is an amount of reserve capacity that is on-line but not currently serving any load. The purpose of operating reserve, however, is to keep supply and demand in balance when demand on the system is increasing or decreasing.

Regulating reserve is a subset of operating reserve. Regulating reserve is the amount of operating reserve that is controlled by the Automatic Generation Control system. The purpose of regulating reserve is to maintain a cushion for power fluctuations that can occur through changes in system demand or in fluctuations in power output from intermittent, as-available resources.

System operating costs are higher when a spinning reserve is carried on the system because more capacity must be kept on-line at any given time. Additional units need to be started up, resulting in higher fuel costs and higher variable operation and maintenance costs due to higher

cumulative run hours. Since more capacity is kept on-line, the distribution of load among the units will be different compared to when no spinning reserve is maintained. The change in the distribution of load among the units in service may result in units operating at less efficient points resulting in additional fuel consumption. Generally, the most efficient operating point for generating units is near maximum output. Operating at lower loads usually results in lower efficiency.

HELCO analyzed the spinning reserve (less than the largest unit) on its system. HELCO analyzed this issue in depth in its IRP-2 report¹, Section 5.3.2, pages 5-4 to 5-6. HELCO found that carrying spinning reserve increases production costs substantially. The study found that the increase in present value revenue requirements for fuel and variable O&M costs over the 20-year planning period was \$1.9 million for 10 MW of operating reserve, \$10.7 million for 20 MW, and \$22.6 million for 30 MW to cover the loss of the largest unit on the system (PGV at 30 MW)². HELCO concluded that it is “reluctant to incur the additional costs of maintaining spinning reserve, realizing that this would simply mean a higher cost of electricity to its customers.”³

MECO has similarly considered operating with spinning reserve but also has concerns with increased costs. In its IRP-2 report⁴, Section 4.2.3, page 4-6, MECO stated that it “does not have a spinning reserve criteria requirement in their Capacity Planning Criteria due to the additional costs it would place on the MECO ratepayers. It should be noted that there is an inherent level of spinning reserve on the system as units are brought on-line. Low levels of spinning reserve can be maintained without major changes to the system dispatch. However, as the spinning reserve

¹ Filed with the PUC on September 1, 1998, in Docket No. 97-0349.

² HELCO IRP-2 report, Table 5-2, page 5-5.

³ Ibid., page 5-5.

⁴ Filed with the PUC on May 31, 2000, in Docket No. 99-0004.

requirement is increases (e.g., to account for the loss of a unit), additional units must be started and brought on-line which would significantly increase operating costs.”

As a practical operating matter, small levels (about 4 MW) of operating reserve are carried on the MECO and HELCO systems to account for normal increases in demand on the system during each day.

HREA-HECO-T-6-SIR-1

As a follow-up to HREA-HECO-T-6-IR-5, HREA does not share the Companies' perspective as to what makes for a competitive market. While there may be many definitions of what makes for a competitive market, HREA offers the following definition as a reference for comments by the Companies to the discussion herein:

Main Assumptions of Perfect Competition¹

• Each firm produces only a small percentage of total market output. It therefore exercises no control over the market price. For example it cannot restrict output in the hope of forcing up the existing market price. Market supply is the sum of the outputs of each of the firms in the industry

HREA Comment: HECO's response, that "the Companies' CHP forecast in HECO-104 anticipates that a fair amount – roughly 20% -- of the CHP projects will be independently developed by customers," flies in the face of this very basic assumption (tenet) of what it takes to make for a competitive market, much less a perfectly competitive market.

• No individual buyer has any control over the market price - there is no monopsony power. The market demand curve is the sum of each individual consumer's demand curve – essentially buyers are in the background, exerting no influence at all on market price

HREA Comment: It does not appear that Hawaii is danger of any one buyer exercising control of the market price.

• Buyers and sellers must regard the market price as beyond their control

HREA believes that the Companies, as a Seller and by virtue of their existing monopoly power, would be able to control the market price for CHP.

• There is perfect freedom of entry and exit from the industry. Firms face no sunk costs that might impede movement in and out of the market. This important assumption ensures all firms make normal profits in the long run

HREA Comment: HREA has already argued that there are existing barriers to the CHP market.

• Firms in the market produce homogeneous products that are perfect substitutes for each other. This leads to each firms being price takers and facing a perfectly elastic demand curve for their product

HREA Comment: HREA realizes that the initial CHP market may result in non-homogeneous products, and not all products will be interchangeable. Consequently,

¹ Reference: http://www.tutor2u.net/economics/content/topics/monopoly/perfect_competition.htm

the Companies' approach goes against this tenet, and HREA believes would lead to their "take-over" of the CHP market as they have predicted (Reference their response to HREA-HECO-T-6-IR-5). However, HREA also believes that if the Companies were not allowed to participate directly in the CHP market, a number of third Parties would offer products and services similar, if not identical, to what the Companies have proposed.

- *Perfect knowledge – consumers have perfect information about prices and products.*

HREA Comment: HREA believes this will be very hard to achieve, but impossible if the market is dominated by one major player.

- *There are no externalities which lie outside the market*

HREA Comment: HREA believes this will be very hard to achieve, but impossible if the market is dominated by one major player.

HECO Response:

The Companies have not stated that perfect competition will exist in the CHP market if the Companies are allowed to participate on a regulated basis. There are very few, if any, markets where perfect competition actually exists.

As for the main assumptions noted in HREA's definition of perfect competition:

- If the Companies offer CHP on a regulated basis, the Companies cannot control the price by controlling the supply - they must offer the service to parties meeting the eligibility criteria at the regulated price structure described in the CHP Program application, Section VI, Schedule CHP.
- The Companies would not be able to control the market price. Schedule CHP is designed, in part, to respond to market price signals.
- Entry to the market is not blocked by the Companies participation in the market on a regulated basis.

- Any party may offer the same technical package as the Companies and mirror the Companies' pricing methods in Schedule CHP. The Companies' CHP projects will be filed with PUC for review.
- The Companies' participation in the CHP market on a regulated basis should positively impact customer knowledge about CHP system prices and products, since it will give customers another source of information regarding the available options.

LOL-SIR-1

Please reconcile the following two sections. Specifically, is the rate of load growth dependent upon the docket HECO is talking about?

- a. 'Over time, with increasing electrical use, it is possible that the total use of fossil fuels will trend upwards. However, simply measuring the 'after energy savings' use of fossil fuels ignores the reduction of fossil fuels consumption due to efficient generation technologies such as combined heat and power, as well as district cooling, ice storage and energy conservation DSM measures.' (HECO Response to LOL-WDT-IR-52, PUC DN 03-0371 Distributed Generation)
- b. 'If one of the three 138kV transmission lines to Iwilei or School Street Substation is taken out of service for maintenance, and a second Downtown 138kV transmission line becomes unavailable, then the current flowing through the remaining Downtown 138kV transmission line is forecast to exceed its current carrying capacity rating during daytime peak load conditions after the year 2020' (East O'ahu Transmission Project (EOTP) 46kV Phased Project Draft Environmental Assessment (DEA))

HECO Response:

HECO is not clear what Life of the Land is asking HECO to reconcile. In the statement referenced in subpart a. above, HECO was not referring to any specific forecast but rather speaking generally of what may occur over time ('Over time, with increasing electrical use'). In the statement referenced in subpart b. above, the estimated load flows were based on a specific load growth forecast (i.e., HECO's August 2002 load forecast). Therefore, no specific comparison or reconciliation can be made.

HECO updates its load forecast periodically to reflect current information. For example, its most recent long-term sales and peak forecast was prepared in February 2004 for use in the HECO IRP-3 process currently in progress in Docket No. 03-0253. Its previous long-term sales and peak forecast was prepared in August 2002 in conjunction with the HECO IRP-2 Evaluation Report, filed with the PUC on December 31, 2002, in Docket No. 95-0347.

Therefore, different forecasts may be used in different dockets as a result of updated information.

LOL-SIR-2

How does HECO define balance: "HECO believes that the State energy policy is a balance of the four stated objectives." (HECO Response to LOL-WDT-IR-42)

HECO Response:

With respect to its response to LOL-WDT-IR-42, HECO believes that definition number 1 for "balance" from Random House Webster's College Dictionary (there are 25 numbered definitions listed), "a state of equilibrium or equipoise; equal distribution of weight, amount, etc.", is appropriate. Definition number 25, of "on balance", "considering all aspects", would also be appropriate. HECO believes that no single State energy policy objective should be overly emphasized. The State must balance the four energy policy objectives as best as possible.

LOL-SIR-3

HECO's Response: Whether it would be better to reduce the consumption of one petroleum product versus another, or the "whole barrel" would depend on the resulting effect that one action would have relative to the other. For example, whether reduction in the local use of one product would result in the export of the product, whether another local use for the product exists, or if it then becomes feasible to import refined products or other energy sources (e.g., liquefied natural gas). Petroleum refining and product markets are very complex and in the absence of specific information on the effects of one action relative to the other, in general, the reduction in consumption of any fossil fuel through reasonable actions would be preferred. (HECO Response to LOL-WDT-IR-46 (1), PUC DN 03-0371 Distributed Generation)

In numerous testimonies before the Legislature, over many years, HECO has said that reducing just HECO's use of resids would throw the balance out of oil barrels imported. Refining a barrel of oil produces lights, mediums, and heavies (resids). HECO has repeated stated that they are simply using the waste product -- the resids -- and that reducing resids will not lead to a reduction in the barrels of oil needed. HECO's response to LOL-WDT-IR-46 appears to change your position. Please clarify.

HECO Response:

The Companies do not know which testimonies this SIR is referencing when it states "In numerous testimonies before the Legislature". HECO has testified before the State Legislature on hydrogen related bills in the past, and made the following statement in its testimony on S.B. 2080 – Relating to Taxation, February 10, 2004:

"As you know, about 30% of the imported oil is used for the electrical generation and the rest, about 60%, mostly for transportation sector (ground, air and water). While the state's focus in recent years has been almost exclusively on alternatives to fossil fuels for electrical generation, Hawaii will not make any significant dents in its imports of petroleum for Hawaii's energy needs unless it addresses the transportation sector. This is because the vast majority of the fuel oil that HECO uses to generate electricity is the residual from the refining process to produce the jet fuel and gasoline for the transportation sector."

HECO's response to LOL-WDT-IR-46 and statements made before the State Legislature are consistent. Ultimately, any changes to petroleum refining and product markets in Hawaii are likely to be driven by the business decisions of the local oil refineries and petroleum dealers. As

stated in LOL-WDT-IR-46, in general, HECO feels the reduction in consumption of any fossil fuel through reasonable actions is preferred.

LOL-SIR-4

LOL Question: Are there any energy fuels which are not subsidized by the government? If the first part is answered in the affirmative, please identify the fuel and explain how it was determined that the fuel is not subsidized. HECO Response: HECO objects to this information request as it is overly broad and not directly related to the issues in this proceeding. Also, HECO does not understand what LOL means by the use of the term “subsidized by the government”. HECO Response to LOL-WDT-IR-48)

HECO should refer to our full question to understand what we meant by “subsidized by the government”. Our question stated that HECO stated: “The federal government offers investment tax credits for wind and geothermal.” (HECO T-2, page 24 of 26, line 22)

Some people might conclude, that your statement implied, that wind and geothermal are competitive only due to the fact that they are subsidized, and that oil is cheaper than unsubsidized renewables. Our question was: (a) aren't all fuels subsidized? (b) Do you know of any fuel that is not subsidized? (c) Do you believe that resins and other oil products are not subsidized? (d) If HECO believes that oil is not subsidized, then does HECO believe that they fairly pay for all of the costs associated with oil, including but not limited to, harbor expansion, road expansion, pollution cleanup, wars, global warming gas mitigation, etc)?

HECO Response:

HECO maintains its objection to this information request due to it being overly broad and not directly relevant to the issues of this proceeding. Without waiving its objection, HECO T-2, page 24, line 20 through page 25, line 2, simply stated what types of tax incentives are available that support renewable energy development in Hawaii. The referenced testimony did not address fuels. If by “subsidized by the government”, LOL means if investment tax credits “subsidize” any fuels, HECO has not conducted research, which is beyond the scope of this proceeding, to determine if there are investment tax credits specific to the petroleum industry.

LOL-SIR-5

Please reconcile the following two sections.

(A) HECO Response: Historically, only HECO has been performing maintenance on transmission lines. HECO is considering using contractors on selected transmission maintenance activities in the near future. (HECO Response to LOL-WDT-IR-50 (2), PUC DN 03-0371 Distributed Generation)

(B) BY MR. KUDO: Q. Mr. Eckert, would you give us your address for the record, as well? A. It is Kevin Eckert, care of Hawaiian Electric Company, 820 Ward Avenue, Honolulu, Hawaii. Q. And where are you employed? A. Hawaiian Electric Company. Q. What is your profession? A. I am forester and arborist. Q. How long have you served in this position? A. Somewhere in the neighborhood of 22 years. Q. What is your title or position with HECO? A. System forester. Q. And would you briefly describe to us your duties and responsibilities as system forester? A. Development design and administration of Hawaiian Electric's vegetation management program. Q. Would you briefly describe to us your work experience? A. I have been system forester at Hawaiian Electric Company since January of 1994. (BLNR CDUA 2801 Contested Case Hearing Transcript 358:8-359:1)

MR. KUDO: At this time, I would like to qualify Mr. Eckert as an expert in vegetation management. MR. McCONNELL: I will accept his opinions. (BLNR CDUA 2801 Contested Case Hearing Transcript 359:25-360:2)

Q. How many contractor crews do you have? How many different contractor crews are you working with? A. Well, we -- that varies at various times. We are dealing with right now three IVM contractors. Q. And how many crews do those contractors have? Can you tell us that? A. Well, that varies with the work load. There are often times where we have one crew -- contractor crew out doing IVM practices. On some occasions we will have more than one. (BLNR CDUA 2801 Contested Case Hearing Transcript 406:10-407:23)

We have marked it as T-53. This is an internal audit report. Mr. Eckert, have you seen a copy of this document before? A. I believe I have, yes. Q. Okay. Can you tell us what it is? A. It is copy of an internal audit report, vegetation management program, dated October 2nd, 1998. ... Who is Mr. Okura? A. He is the manager of the Construction and Maintenance Department. Q. And does he oversee your work? A. Yes. Q. I notice in the second full paragraph the writer, and I assume it is Mr. Okura, "Currently all vegetation services throughout the company's vegetation districts, an estimated 4000 acres of right-of-ways are provided by four separate outside contractors. (BLNR CDUA 2801 Contested Case Hearing Transcript 410-411)

HECO Response:

The statement in (A) "Historically, only HECO has been performing maintenance on transmission lines." was in response to LOL-WDT-IR-50, which asked "2) Does HECO maintain

Transmission Lines by hiring subcontractors?” HECO’s response to LOL-WDT-IR-50 was with respect to transmission line maintenance, which includes work on the physical components of the transmission line such as replacing poles, repairing/replacing transmission lines or other equipments/components used to transmit electricity. The statements in (B) shown above refer to the use of contractors to perform integrated vegetation management (“IVM”), and IVM does not involve work on the physical components of the transmission line. IVM involves work along the right of ways for the transmission lines to control vegetation. HECO has historically used outside contractors to perform IVM.

LOL-SIR-6

Ref: "Hawaii's electric utilities cannot just be in the business of offering central station generation, as they have been told ... by regulators" (HECO T-6, page 3 of 13, lines 18-20)

Question: Name all specific citations where utility regulators have informed The Companies that they cannot just be in the business of offering central station generation. HECO Response: The general basis for the referenced statement arises from policies such as those in the Commission's IRP Framework (HECO Response to LOL-WDT-IR-53, PUC DN 03-0371 Distributed Generation)

Question: The PUC told you that you can not be in the business of offering just central station generation in 1992 so you published your opposition to cogeneration: "What's the buzz about cogen?" in your Powerlines in 1999 and then waited until the new millenium to do something about it? Why?

HECO Response:

The Companies' position on CHP evolved over the past several years due in part to the Companies recognizing the potential benefits of DG in general, and CHP applications of DG in particular. The development of the Companies' position and plans for CHP was explained in detail in Exhibit C of the Companies' CHP Program application, Docket No. 03-0366.