

Bryan J. Baptiste
Mayor



Beth Tokioka
Director

COUNTY OF KAUI
OFFICE OF ECONOMIC DEVELOPMENT
4444 RICE STREET, SUITE 200
LIHU'E, KAUI, HAWAII 96766

December 7, 2006

The Honorable Chair and Members of
The Hawai'i Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, HI 96813

RE: Docket No. 03-0371 – In re Public Utilities Commission Regarding
Instituting a Proceeding to Investigate Distributed Generation in Hawaii:
Proposed Tariff Regarding Standby Rates for Kaua'i Island Utility
Cooperative ("KIUC")

Dear Chair and Commissioners:

The County of Kaua'i responds to KIUC's November 27, 2006 filing with the Commission, of its proposed Tariff regarding standby rates. The County of Kaua'i requests the Commission not allow the implementation of the above filing until a thorough investigation is undertaken.

In our preliminary review, the standby costs seem extraordinarily high and we encourage the Commission, the Consumer Advocate and all parties to examine the assumptions and methodologies used to determine these costs and its impact to the deployment of beneficial and economic distributed generation on Kaua'i.

The County's concerns include the fact that the standby rate filing makes no distinction on the type of distributed generation, the system efficiency, types of fuel used, hours of operation, and any beneficial impact which the DG system may have on the utility's system. In the Commission's Decision and Order No. 22248, the Commission stated that "The policy of the commission is to promote the development of a market structure that assures: (a) distributed generation is available at the lowest feasible cost; (b) distributed generation that is economical and reliable has an opportunity to come to fruition; and (c) distributed generation that is not cost-effective does not enter the system." The County contends that there is a definite benefit to deferring the assignment of unrecovered costs until a certain percentage of load has been lost to distributed generation. The County has concerns that the proposed

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standby rates will render unfeasible, DG projects on the island, including renewable energy DG projects. This would be contrary to State energy policy that encourages the use of renewable energy systems as a mean to decrease our dependence on imported oil.

As an example, the County is currently working to secure a photovoltaic power system for the Līhu'e Civic Center's Piikoi Building. The proposed project would be a third-party owned system supplying power to the facility via a purchase power agreement. With KIUC staff assistance, we did an analysis on a no action, PV with the Current Rider S and PV with the proposed standby rates scenarios. For a 72 kW PV system, we projected kWh savings in the order of about \$810-\$850 per month compared to a no-action scenario. Comparing the no-action scenario with a scenario under the proposed standby rate falling under Schedule P, the project would cost the County about \$1,070 per month more. From this analysis, the proposed standby rate makes our specific project unfeasible.

The County requests that it and other parties impacted by the proposed rates be allowed to participate or intervene should the Commission commence an investigation.

If you have any questions, please contact me at (808) 241-6393. Thank you for your consideration to this request.

Respectfully,



Glenn H. Sato
Energy Coordinator

cc: Division of Consumer Advocacy
Thomas W. Williams, Jr. Esq.
Peter Y. Kikuta, Esq.
William A. Bonnet
Dean Matsuura
Randall J. Hee, P.E.
Joseph McCawley
Timothy Blume
Kent D. Morihara, Esq.
Michael H. Lau, Esq.
Sandra-Ann Y. H. Wong, Esq.

Brian T. Moto, Esq.
Cindy Y. Young, Esq.
Kalvin K. Kobayashi
Warren S. Bollmeier, II
Christiane Nakea-Tresler, Esq.
Rick Reed
Henry Curtis
John Crouch
Christopher S. Colman
Michael De'Marsi