

04-04-05

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

--- In the Matter of --- )

PUBLIC UTILITIES COMMISSION )

Instituting a Proceeding to Investigate )  
Competitive Bidding for New Generating )  
Capacity in Hawaii. )  
\_\_\_\_\_ )

DOCKET NO. 03-0372

PUBLIC UTILITIES  
COMMISSION

2005 APR -4 P 4: 05

FILED

INFORMATION REQUESTS TO THE PARTIES AND PARTICIPANTS

OF

HAWAII RENEWABLE ENERGY ALLIANCE

AND

CERTIFICATE OF SERVICE

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**I. INTRODUCTION AND SUMMARY**

The Hawaii Renewable Energy Alliance hereby submits Information Requests (IRs) dated April 4, 2005 to the Parties as included below, in accordance with Public Utilities Commission's (PUC's) Prehearing Order No. 20923, dated April 23, 2004.

**II. HREA INFORMATION REQUESTs**

HREA's Information Requests are listed below by Party. Note: page number notations are references to the relevant Party's Preliminary Statement of Position (SOP).

**A. County of Kauai ("COK")**

HREA-COK-IR-1. Does the COK support HREA's proposed Model 1 (Competition Based on Utility Proposal) and/or Model 2 (Open Competition with IPPs Only), as discussed on pages 10 to 12 of our PSOP?

HREA-COK-IR-2. Does the COK support a mechanism whereby fuel price & volatility and supply risks are NOT born solely by the ratepayer? If so, does Hess have a proposal for creating such a mechanism?

HREA-COK-IR-3. Does the COK support HREA's recommendations for improving IRP as described on pages 16 to 19 in our PSOP?

1        **B. County of Maui ("COM")**

2            HREA-COM-IR-1. Does the COM support HREA's proposed Model 1 (Competition  
3        Based on Utility Proposal) and/or Model 2 (Open Competition with IPPs Only), as discussed  
4        on pages 10 to 12 of our PSOP?

5            HREA-COM-IR-2. Does the COM support a mechanism whereby fuel price & volatility  
6        and supply risks are NOT born solely by the ratepayer? If so, does the COM have a  
7        proposal for creating such a mechanism?

8            HREA-COM-IR-3. Does the COM support HREA's recommendations for improving IRP  
9        as described on pages 16 to 19 in our PSOP?

1 **C. Division of Consumer Advocacy ("CA")**

2 HREA-CA-IR-1. Does the CA support HREA's proposed Model 1 (Competition Based  
3 on Utility Proposal) and/or Model 2 (Open Competition with IPPs Only), as discussed on  
4 pages 10 to 12 of our PSOP? If not, please explain.

5 HREA-CA-IR-2. Does the CA support a mechanism whereby fuel price & volatility and  
6 supply risks are NOT born solely by the ratepayer? If so, does the CA have a proposal for  
7 creating such a mechanism?

8 HREA-CA-IR-3. Does the CA support HREA's recommendations for improving IRP as  
9 described on pages 16 to 19 in our PSOP?

10 HREA-CA-IR-4. On page 22, footnote 20, the CA appears to support competitive  
11 bidding from IPPs for wholesale power (or DSM measures installations), and does not  
12 support competitive bidding for "power plant components that would be procured to  
13 construct the facilities whose cost would be reflected in ratebase."

14 This position appears to be contrary to CA's position on the DG docket, in which, the CA  
15 supported utility ownership of DG (CHP) on the customer-side of the meter. Such ownership  
16 is not only unprecedented for this non-utility function, but would be accomplished without  
17 having gone through a competitive bidding process as the CA now proposes in the instant  
18 docket.

19 Please explain this apparent contradiction in positions.

20 HREA-CA-IR-5. On page 37 of the CA's PSOP, the CA states that potential risks or  
21 procuring energy and capacity from 3<sup>rd</sup> Party suppliers is an IRP issue. HREA would  
22 concur, but to date, we are not aware of any discussion with the Advisory Groups regarding  
23 the merits of utility versus IPP ownership. Therefore, is the CA proposing a change to the  
24 IRP process to examine ownership issues as part of determining the preferred IRP?

1           HREA-CA-IR-6. On page 39, the CA appears to support HREA's proposed Model 1  
2 (Competition Based on Utility Proposal) as way to address situations where the number of  
3 resource sites are limited. Is this correct?

4           HREA-CA-IR-7. On page 43, by contending that "developing an extensive set of rules is  
5 not the best way to implement competitive bidding in Hawaii," does the CA believe that  
6 HECO could utilize HREA's Model 1 or another similar approach now, thus be able to award  
7 a competitive bid in time to meet current central generation "need dates" on Oahu, Maui and  
8 Hawaii?

9           HREA-CA-IR-8. As a follow-up to HREA-CA-IR-7, does the CA believe that initiation of  
10 a competitive bid process on at least one of "needed" new generation increments could help  
11 the development of competitive bidding process that the CA describes on page 44?

1 **D. Hawaiian Electric Company, Maui Electric Company and Hawaii Electric Light**  
2 **Company (“HECO”)**

3 HREA-HECO-IR-1. On page 3, first paragraph, please provide examples of the  
4 contingency options in IRP referenced in the statement below.

5 Just as IRP has to allow for the implementation of *contingency options* when planning assumptions and  
6 forecasts change, any competitive bidding process would have to allow for similar exceptions.

7  
8 HREA-HECO-IR-2. On page 3, third paragraph, please clarify the statement below. Is  
9 not the timing of as-available renewable energy generation just as important as firm  
10 capacity, e.g., to meet RPS? Also, is HECO implying that as-available renewable energy  
11 generation will not contribute positively to system reliability? If so, why not?

12 Also, as-available renewable energy generation has different characteristics than firm capacity, and the  
13 *timing of when such resources are added to the utility’s system is not nearly as important to the*  
14 *reliability of the system.*

15  
16 HREA-HECO-IR-3. On page 3, fourth paragraph and continuing to page 4, please clarify  
17 if the statement below is a direct quote from the Commission Decision and Order (D&O) or  
18 a HECO paraphrase. HREA believes the D&O was limited a time period in question, e.g.,  
19 1996 to 2003. Also, would it not be more correct to say that we already have some forms of  
20 *retail competition* in Hawaii, e.g., net energy metering, third-party-owned, customer-sited  
21 DG and the retail wheeling that has been proposed by the County of Maui on the DG docket  
22 and alluded to by the County of Kauai in its comments?

23 This docket was initiated at the close of the competition docket, in which the Commission determined  
24 that *retail competition would not be appropriate for Hawaii*, given certain factors that are unique to  
25 Hawaii and which distinguish Hawaii from the mainland.

26  
27 HREA-HECO-IR-4. On page 6, the first sentence of the first paragraph, and the first  
28 sentence of the second paragraph read as follows:

29 An *alternative* competitive procurement process was implemented in Hawaii as a result of PURPA  
30 (page 6); and

31  
32 Utilities in Hawaii also have used a Request for Proposals (“RFP”) process to solicit proposals for new  
33 generation from IPPs.  
34  
35

1 Given the above, HREA has the following questions:

- 2 1. While the implementation of PURPA did result in competition here and on the  
3 mainland, would HECO agree until recently the HECO family did not plan for  
4 PURPA contracts for as-available power?
- 5 2. How would HECO propose to incorporate future, unsolicited PURPA contracts,  
6 into IRP?
- 7 3. Please provide the specific cases where the second approach was employed,  
8 and what were the results?

9 HREA-HECO-IR-5. On page 7, the first paragraph, would HECO agree that the buyers  
10 needs, in the following statement, could include acquiring new generation to meet our RPS?

11 The key points are that the process is only implemented if it benefits the buyer using the process,  
12 and the products acquired using the process will meet the buyer's needs.

13 HREA-HECO-IR-6. On page 7, the third paragraph, does the following statement  
14 represent a shift in HECO's priorities? Please explain how HECO will acquire renewable  
15 resources.  
16

17 Under state energy policy, the *utility's focus is first on acquiring new renewable energy*  
18 *generation.*

19 HREA-HECO-IR-7. On page 7, the fourth paragraph, how is the potential use of energy  
20 off-set technologies and storage being evaluated as alternatives to firm capacity?  
21

22 Hawaii utilities must have adequate assurances that *new, firm capacity* generation will be added  
23 when it is needed. Hawaii utilities do not have the option to acquire power from other  
24 jurisdictions, or even other islands, to backup the unfulfilled commitments of IPP developers of  
25 generation.  
26

27 HREA-HECO-IR-8. On page 8, HECO first introduces the issue of the company's  
28 debt/equity ratio and potential impacts if additional purchase power is acquired. See also  
29 HREA-HECO-IRs-9, 26, and 27. Please clarify:

- 30 1. Do HECO's concerns apply primarily to interest rates on bonds for new  
31 generation, or also to other types of debt financing?

- 1           2. Is there a recognized or verifiable relationship between the amounts  
2           (percentages) of purchase power to a specific credit "downgrading" that HECO  
3           suggests would occur if there were additional purchase power were incurred?  
4           Please provide quantitative examples.
- 5           3. Please provide the amounts/percentages of the various types of financing  
6           employed by HECO (Oahu only) over the past 10 years?
- 7           4. Therefore, does the potential "downgrading" affect HECO's financing of  
8           generation assets the same as T&D assets? Please explain.
- 9           5. What would be the anticipated impacts if HECO did not make the next  
10          generation investments on Oahu? Specifically, what would be the increased  
11          interest costs as a percentage of monies invested?
- 12          6. Given an IPP provides the next increment on Oahu (item 5), would there be an  
13          impact on the next round of T&D investments by HECO? Specifically, what would  
14          be the increased interest costs as a percentage of monies invested?

15          HREA-HECO-IR-9. On page 8, the last paragraph, and pages 4 and 14 (Exhibit A)  
16          please clarify HECO's statements below. Specifically:

- 17           1. Is HECO implying that there should be no purchase power or only no additional  
18           purchased power? Please explain.
- 19           2. More importantly, is HECO suggesting that existing purchase power in the  
20           islands has caused operational or reliability problems? Provide examples as  
21           appropriate.
- 22           3. How long has HECO monitored the source and duration of power outages?
- 23           4. For a reasonable period of time (say the past 10 years or so on Oahu), what is  
24           the percentage of outages and total outage hours caused by generation versus  
25           T&D?  
26

1 Regulatory commissions have recognized that utilities have an obligation to serve and provide reliable  
2 service, and have an obligation to do so at lowest reasonable cost. Regulatory commissions also have  
3 recognized that acquisition of energy and capacity to meet the needs of customers remains the  
4 responsibility of the utility, and that these functions *should not be delegated* to an independent entity.  
5 (Page 8, PSOP).  
6

7 The isolated nature of the island's electrical system places a premium on reliability of power supply  
8 and increases the risk of project default and/or the failure of the independent generator to deliver the  
9 power. Unlike the mainland, Hawaii's electric utilities cannot resort to purchases of energy from the  
10 market during periods of generation shortfall if the project does not deliver the power as required under  
11 the contract. (Page 4, Exhibit A).  
12

13 Contractual arrangements for the purchase of power may sometimes constrain the flexibility to manage  
14 system issues that evolve over time. Modifications to generating units needed to meet new operating  
15 requirements, such as cycling on and off or being operated at lower load levels, may be difficult to  
16 obtain. Project financing agreements may limit the ability of the IPP to agree to modifications, even if  
17 the utility compensates the IPP for making the modifications (Page 14, Exhibit A).  
18

19 HREA-HECO-IR-10. On page 9, last paragraph, please provide specific evidence (e.g.,  
20 case studies) supporting HECO's claim that utility projects are now competitive from a  
21 financial perspective as stated below:  
22

23 With regard to host utility self-build options, utilities have been selecting their own build options more  
24 frequently over the past few years for several reasons. First, the financial and credit problems faced by  
25 independent generators have led to higher debt costs and higher equity ratios for independent  
26 generators, virtually eliminating the competitive advantage once enjoyed by independent generators.  
27 *Utility projects are now competitive from a financial perspective.*  
28

29 HREA-HECO-IR-11. On page 10, last paragraph, would HECO consider HREA's  
30 proposal (Model 1, as discussed on pages 10 to 11 of our PSOP) for projects that that  
31 HECO would like to build? Is this not an option that HECO could choose to employ now?

32 HREA-HECO-IR-12. On page 11, the second paragraph, HECO asserts that DSM and  
33 CHP are different from traditional supply-side resources. Would that be because they are  
34 actually demand-side resources?

35 HREA-HECO-IR-13. On page 11, as a follow-up to HREA-HECO-IR-12, if all DG  
36 (including CHP) on the customer-side-of-the-meter were planned and implemented in IRP  
37 as DSM programs (as proposed by HREA on the DG docket), would not this mitigate  
38 HECO's concerns about competitively bidding these technologies? Consequently, we could  
39 focus in this docket on how to competitively procure wholesale power sources, including  
40 traditional central station generations and decentralized DG for delivery of wholesale power.

1        HREA-HECO-IR-14. On page 12, first paragraph (see below), is there an alternative  
2 approach? For example, the PUC could prepare a draft Decision and Order for Hawaii's  
3 competitive bidding rules. All interested Parties could review and comment. Subsequently,  
4 the PUC could finalize a Decision and Order for Hawaii's competitive bidding rules.

5            The details of the competitive bidding process should be developed in a follow up proceeding, based  
6 on the principles enunciated by the Commission in this proceeding. The HECO Companies prefer that  
7 the procedures be developed and adopted in a framework proceeding, like that used to develop the IRP  
8 Framework, rather than in a rulemaking proceeding.  
9

10        HREA-HECO-IR-15. On page 13, as an alternative to the selection of a preferred  
11 approach in IRP based on the traditional evaluation from cost estimates, would HECO  
12 consider incorporating a bidding process (Model 2, as proposed by HREA in its PSOP, page  
13 12), whereby proposals are selected for implementation in HECO's 5-year action plan?

14        HREA-HECO-IR-16. On pages 5 and 7 (Exhibit A), HECO questions whether PPAs with  
15 IPPs can be sufficiently flexible, and implies that HECO would therefore have a diminished  
16 capability to control its grid. Have there been any examples with existing IPPs where this  
17 has been the case? Please provide case studies as evidence.

18        HREA-HECO-IR-17. On page 8, has there been any evidence in Hawaii to support  
19 HECO's claim that IPPs are more prone to "project failure and reliability concerns" than the  
20 utility? If there have been, were any of those projects deemed to be: (1) of high value to  
21 the utility, its ratepayers and the state, and (2) inherently risky such that the utility would  
22 have declined to pursue as utility-owned?

23        HREA-HECO-IR-18. On page 8 (item 2), why does it necessarily take a long time to  
24 develop and implement a competitive bidding process? Can HECO recommend any ways  
25 to shorten the process?

26        HREA-HECO-IR-19. On page 9, HECO uses its next planned fossil increment (simple  
27 cycle peaking unit) on Oahu, Maalaea Unit M18 and Waena Unit 1 on Maui, and Keahole  
28 Unit ST-7 on Hawaii as examples to examine whether a competitive bidding process could  
29 be implemented in time to meet the anticipated need dates of 2009, 2006, 2010 and 2009

1 respectively. Given the development and implementation of the competitive bidding process  
2 as described by HECO, it does appear to be a challenge. See also HECO's discussion on  
3 Issue 2 (pages 15 to 7, Sections A and B.1).

4 As an alternative, HREA would like HECO to consider HREA's proposed Model 1  
5 approach (pages 11 and 12 of our PSOP). Specifically:

- 6 1. HECO treats this exercise and the proposed alternative process as an  
7 opportunity for the company and its ratepayers,
- 8 2. For each project, the alternative processes would be considered pilot competitive  
9 bidding projects, which could provide valuable information for competitive bidding  
10 rules,
- 11 3. An independent observer would be retained by the PUC to monitor the bidding  
12 processes,
- 13 4. A Standard Offer Contract (SOC), tailored to the desired resource, is provided as  
14 part of the solicitation package (as a means to reduce the time to negotiate with  
15 a winning IPP proposal), and
- 16 5. Specific HECO concerns are addressed, e.g., permits obtained or in progress  
17 could be transferred to an IPP, rather than an IPP having to start from "scratch."

18 Given the above approach, and HECO started the competitive process immediately,  
19 could the anticipated in-service dates be met? If not, why not?

20 HREA-HECO-IR-20. On page 12, should the fourth column of the five column table be  
21 entitled "2006 – IPP Capacity as a Percent of Firm Capacity?"

22 HREA-HECO-IR-21. On page 13, if the utility provides a "tolling option" for "gas" or  
23 other "fuels:"

- 24 1. How does that result in "absorbing the fuel risk?" It appears to HREA that tolling  
25 only transfers the risk to the utility, and

- 1           2. More importantly, is HECO prepared to propose any other alternatives that would  
2           really reduce the risk to the ratepayer? If so, how?

3           HREA-HECO-IR-22. On page 13, fourth "bullet," did HECO conduct a parallel planning  
4           process while the county and developers were planning the HPOWER, Kalaeloa and AES  
5           facilities?

6           HREA-HECO-IR-23. On pages 19 to 20, HECO discussed a second option to  
7           incorporate competitive bidding in IRP. HREA observes that this option is very similar to  
8           HREA's proposed Models 1 and 2, as one of the primary goals of all three approaches is to  
9           use competitive bidding as an input to develop the preferred IRP. Regarding HECO's  
10          concerns about the Option 2 as discussed:

- 11          1. If competitive bidding is used to select the resource options for the 5-year action  
12          plan, why does HECO assume that "developers may be unwilling to participate  
13          an early state in the process, or to freeze prices for the time required to complete  
14          the IRP process?"
- 15          2. Why does HECO assume that the bids would be "preliminary?" Why wouldn't  
16          the winning bids then proceed to a negotiations phase?
- 17          3. How does the utility measure the effectiveness of the Advisory Groups in IRP?
- 18          4. Regarding HECO's concerns about releasing confidential information to the  
19          Advisory Groups during the Option 2 bidding process, why not ask specific  
20          Advisory Group members be recused from deliberations, if there are perceived  
21          potential "conflicts of interest?"

22          HREA-HECO-IR-24. On page 22, HECO stated "It is possible that a utility self-build  
23          project – vetted through an RFP – could be the 'best deal for ratepayers'?" Would HECO  
24          agree that:

- 1           1. the utility would have to reach a conclusion about the cost-effectiveness of a  
2           self-build project after taking into account the impacts of rate-basing their  
3           investment,
- 4           2. there would be no pressure to increase rates due to an IPP proposal at or below  
5           avoided cost. In this case, does HECO believe they could self-build sufficiently  
6           lower than avoided cost to off-set the rate impacts from rate-basing the project,  
7           assuming a new Exhibit H from Docket No. 03-0366 based on HECO's new rate  
8           case,
- 9           3. if all bids were above current avoided cost (perhaps a more likely scenario), does  
10          HECO believe they could self-build sufficiently lower than all other bids in order  
11          to off-set the rate impacts from rate-basing the project?, and
- 12          4. please explain the effects of rate design and the impacts of gradually or  
13          immediately eliminating interclass and intraclass cross subsidies on your  
14          analyses in nos. 2 & 3, above.

15          HREA-HECO-IR-25. On page 23, item 4, if HECO were to pursue HREA's Model 1  
16          approach for its next increment at Kahe on Oahu, wouldn't most of HECO's concerns in this  
17          section be mitigated? For example, if HECO solicited bids to meet or beat its projected  
18          performance, costs, and timeline for a simple cycle combustion turbine at the Kahe site,  
19          would not any transmission and system impacts be the same for both the company's bid  
20          and any bids in response to HECO's RFP?

21          HREA-HECO-IR-26. On page 24, third paragraph, please provide details supporting the  
22          following HECO statement:

23                   While recent accounting rules have affirmed how such costs should be treated, it is important to note  
24                   that the *HECO Companies have already been required by the credit rating agencies to rebalance their*  
25                   *capital structures as a result of their purchased power commitments.* The HECO Companies have had  
26                   to add higher cost equity capital to balance the imputed debt attributed to existing non-utility power  
27                   purchase agreements.  
28

29          Specifically in addition to what is provided in Appendix C:

- 1           1. what was the effect on the capital structure and return sought in HECO's most  
2           recent rate case?, and
- 3           2. have there been any effects on HELCO's and MECO's capital structure and  
4           return, and if so, please quantify and provide spreadsheet backup of how these  
5           were or will be calculated?

6  
7           HREA-HECO-IR-27. On page 25, HECO notes the following at the top of the page:

8           The Wisconsin Public Service Commission concluded that the *utility must be compensated for the*  
9           *adverse impact on its capitalization associated with capital lease obligations arising from purchased*  
10           *power transactions.*

11  
12           HECO appears to imply here, that HECO should be treated the same as utilities in  
13           Wisconsin, and be compensated if HECO is required to secure additional equity to  
14           counterbalance the increased debt due to the acquisition of additional purchase power.

15           As an alternative, HREA would like HECO to contrast its potential situation with that of a  
16           T&D company in a restructured market. For example:

- 17           1. Since the T&D company, or separate Transcos and Distcos, purchase all of  
18           their purchases all of its power, how does the argument of "debt/equity" come  
19           into play, and
- 20           2. With respect to purchasing power, how is the T&D company, or Transco and  
21           Distco conceptually different from a public utility, such as HECO, that also  
22           purchases power?

23           HREA-HECO-IR-28. On page 26, HECO presents a hypothetical case of an IPP that  
24           sells power to a utility over a long period (e.g., 30 years), retires its debt, but keeps selling  
25           power to the utility. Since the IPP is not subject to the same requirements as a regulated  
26           utility, HECO appears to suggest that the IPP might make extraordinary profits, or at least  
27           profits that would exceed those for a public utility during the same project during the  
28           projects "end game". Consequently, the implied argument is that the ratepayers would be  
29           harmed. HREA is not sure this would be the case in Hawaii. For example:

- 1           1. Under current law in Hawaii, the power purchase price would be avoided cost or  
2           less, or, in a competitive bidding process, whatever price for a winning bid turns  
3           out to be. Either way, the price would, presumably, be less than the utility bid  
4           (assumes the IPP wins), which would provide benefits to ratepayer. So if the  
5           winning price was good for the first 30 years, and the contract was extended  
6           another 10 years, how could it not still be a good price?
- 7           2. If the utility was concerned about the possibility of some harm to the ratepayer,  
8           could not the utility pre-negotiate a price for the post-contract period, e.g., the  
9           price is X for the first 30 years, then 0.8X for the next 10 years?

10           HREA-HECO-IR-29. On pages 29 to 34, HECO provides a response to Issue 2a: How  
11           can a fair competitive bidding system be developed that ensures that competitive benefits  
12           result from the system and ratepayers are not placed at undue risk? This response,  
13           including a discussion of lessons learned (pages 32 to 34), appears to be based primarily a  
14           competitive bidding process as envisioned by HECO, and an assessment of problems that  
15           appear to HREA to have occurred on the mainland, e.g., items 2 on page 32 and 9 on 33:

16           Due to the financial crisis in the electric generation industry, *credit quality of the counterparty* is now  
17           one of the most important evaluation criteria in competitive bidding processes (Item 2).

18           The *failure rate of projects is a significant factor*. It is important to realize that not all projects awarded  
19           a contract will succeed and not all projects that win a bid will end up successfully negotiating a  
20           contract. This issue has become more prominent since the financial condition of the counterparty can  
21           lead to decisions by IPPs to terminate a project, even one with the possibility for a long-term power  
22           contract. Power generators in poor financial health may be required by their lenders to direct available  
23           capital to other project (Item 9).

24           Consequently, HREA questions how many of these and other HECO concerns:  
25

- 26           1. really apply to Hawaii?
- 27           2. apply to firm capacity as currently proposed for HECO self-build vs. other  
28           capacity needs?
- 29           3. can be mitigated by applying HREA's proposed Model 1 for those projects  
30           currently proposed for HECO self-build?
- 31

1            HREA-HECO-IR-30. From HREA's perspective, perhaps the most important issue NOT  
2 discussed in HECO's PSOP is the issue of fuel price/volatility and supply risks for  
3 conventional central station generators and any utility-owned CHP and additional supply-  
4 side DG, should that be approved. This leads to the following questions:

- 5            1. Is HECO proposing that the PUC approve the continued use of long-standing  
6            "energy cost adjustment clause" (ECAC)?
- 7            2. If so, what is the justification?
- 8            3. Is HECO willing to share the fuel risks with ratepayers?
- 9            4. If so, how would HECO propose to share fuel price risk with ratepayers?

10           HREA-HECO-IR-31. During the proceedings on the original competition docket (No. 96-  
11 0493), HECO indicated support for competitive bidding on new generation. Has that position  
12 changed? If so, how?

1 **C. Hess Microgen ("Hess")**

2 HREA-HESS-IR-1. Does Hess support HREA's proposed Model 1 (Competition Based  
3 on Utility Proposal) and/or Model 2 (Open Competition with IPPs Only), as discussed on  
4 pages 10 to 12 of our PSOP?

5 HREA-HESS-IR-2. Does Hess support a mechanism whereby fuel price & volatility and  
6 supply risks are NOT born solely by the ratepayer? If so, does Hess have a proposal for  
7 creating such a mechanism?

8 HREA-HESS-IR-3. Does the COK support HREA's recommendations for improving IRP  
9 as described on pages 16 to 19 in our PSOP?

10

11 **E. Kauai Island Utility Cooperative ("KIUC")**

12 HREA-KIUC-IR-1. Does KIUC support HREA's proposed Model 1 (Competition Based  
13 on Utility Proposal) and/or Model 2 (Open Competition with IPPs Only), as discussed on  
14 pages 10 to 12 of our PSOP? If not, please explain.

15 HREA-KIUC-IR-2. Does KIUC support a mechanism whereby fuel price & volatility and  
16 supply risks are NOT born solely by the ratepayer? If so, does the COM have a proposal  
17 for creating such a mechanism?

18 HREA-KIUC-IR-3. Does the COK support HREA's recommendations for improving IRP  
19 as described on pages 16 to 19 in our PSOP?

20

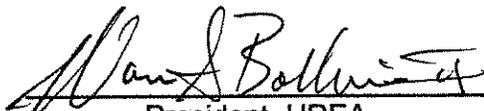
21 \*\*\*\*\*

22 **END OF HREA's INFORMATION REQUESTS**

23 \*\*\*\*\*

24 **DATED: April 4, 2005, Honolulu, Hawaii**

25  
26

  
President, HREA

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Information Requests upon the following parties by causing a copy hereof to be hand-delivered or mailed, postage prepaid, and properly addressed the number of copies noted below to each such party:

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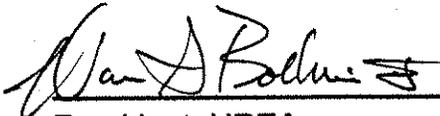
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Dated: April 4, 2005

  
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