BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

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| In the Matter of the Application of<br><br>HAWAIIAN ELECTRIC COMPANY, INC.<br><br>For Approval of Rate Increases and Revised Rate Schedules and Rules, and for Approval and/or Modification of Demand-Side and Load Management Programs and Recovery of Program Costs and DSM Utility Incentives. | DOCKET NO. 04-0113 |
| ------ In the Matter of ------<br><br>HAWAIIAN ELECTRIC COMPANY, INC.<br><br>For Approval and/or Modification of Demand-Side and Load Management Programs and Recovery of Program Costs and DSM Utility Incentives. | DOCKET NO. 05-0069<br><br>(SEPARATED) |

ORDER NO. 21698

Filed March 16, 2005

At 2:30 o'clock P.M.

Karen Higashi

Chief Clerk of the Commission

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

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| In the Matter of the Application of<br><br>HAWAIIAN ELECTRIC COMPANY, INC.<br><br>For Approval of Rate Increases and Revised Rate Schedules and Rules, and for Approval and/or Modification of Demand-Side and Load Management Programs and Recovery of Program Costs and DSM Utility Incentives. | Docket No. 04-0113<br><br>Order No. 21698 |
| ------ In the Matter of ------<br><br>HAWAIIAN ELECTRIC COMPANY, INC.<br><br>For Approval and/or Modification of Demand-Side and Load Management Programs and Recovery of Program Costs and DSM Utility Incentives. | Docket No. 05-0069<br><br>(Separated) |

ORDER

By this Order, the commission: (1) separates HAWAIIAN ELECTRIC COMPANY, INC.'s ("HECO") requests for approval and/or modification of demand-side and load management programs and recovery of program costs and demand-side management ("DSM") utility incentives (the "Proposed DSM Programs") from Docket No. 04-0113 (the "Rate Case Docket"), and opens a new docket (the "Energy Efficiency Docket") in which to consider these matters, among other things, and (2) determines the parties and participants for the Rate Case Docket and the newly formed Energy Efficiency Docket to address and examine the Proposed DSM Programs.

I.

Introduction

On November 12, 2004, HECO filed an application requesting approval of rate increases and revised rate schedules and rules, and for approval and/or modification of demand-side and load management programs and recovery of program costs and DSM utility incentives ("Application").[1] HECO's Application was filed pursuant to HAR Title 6, Chapter 61, Subchapters 2, 6, and 8, Rules of Practice and Procedure before the Public Utilities Commission, and the approval of the proposed rate increase and revised rate schedules is sought under the provisions of Hawaii Revised Statutes ("HRS") § 269-16.

HECO served copies of the Application on the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"), an *ex officio* party to this docket, pursuant to HRS § 269-51 and HAR § 6-61-62.

Pursuant to the requirements set forth in HRS § 269-16(d), on December 2, 2004, the Consumer Advocate informed the commission that it completed its initial review of the application and did not object to the completeness of the Application.[2]

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[1]On May 18, 2004, HECO filed a Notice of Intent, pursuant to Hawaii Administrative Rules ("HAR") § 6-61-85, stating that it planned to request rate relief based on a 2005 calendar year test period and file an application on or after July 18, 2004.

[2]Division of Consumer Advocacy's Statement of Position Regarding Completeness of Application, filed on December 2, 2004.

On December 8, 2004, the ROCKY MOUNTAIN INSTITUTE ("RMI") filed the Motion to Intervene of Rocky Mountain Institute ("RMI's Motion to Intervene") in this docket. HECO and the Consumer Advocate filed memoranda in opposition to RMI's Motion to Intervene (hereinafter referred to as "HECO's Opposition to RMI's Motion to Intervene" and the "Consumer Advocate's Opposition to RMI's Motion to Intervene," respectively).[3] On January 24, 2005, RMI requested additional time to respond ("RMI's Motion for Enlargement of Time") and permission to respond to HECO's Opposition to RMI's Motion to Intervene and the Consumer Advocate's Opposition to RMI's Motion to Intervene ("RMI's Response").[4] HECO responded to RMI's Response, stating that it opposes RMI's request to intervene as a party in this docket, but does not oppose RMI's participation in this docket if the commission finds that RMI should be allowed to participate and that the Consumer Advocate would not adequately represent RMI's interest involving HECO's Proposed DSM Programs, and if RMI's participation is limited to HECO's Proposed DSM Programs.

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[3]HECO filed a Memorandum in Opposition to the Motion to Intervene of Rocky Mountain Institute on December 15, 2004. That same day, the Consumer Advocate filed the Consumer Advocate's Memorandum in Opposition to Rocky Mountain Institute's Motion to Intervene.

[4]Motion for Enlargement of Time to Request Permission to Respond to Memoranda; Motion to Request Permission to Respond to Memoranda Opposing Rocky Mountain Institute's Motion to Intervene; and Response to Memoranda by the Consumer Advocate and Hawaiian Electric Company, Inc. Opposing Rocky Mountain Institute's Motion to Intervene; and Certificate of Service, filed on January 24, 2005.

On January 12, 2005, the commission held a public hearing at the Kaimuki High School Auditorium, 2705 Kaimuki Avenue, Honolulu, HI 96816, to gather public comments on this docket.[5]

On January 19, 2005, the DEPARTMENT OF THE NAVY, on behalf of the DEPARTMENT OF DEFENSE ("DoD") filed its Motion to Intervene and Become a Party ("DoD's Motion to Intervene"). On January 26, 2005, the Consumer Advocate submitted a memorandum in support of DoD's Motion to Intervene.[6] HECO filed a letter on January 28, 2005 indicating that it "does not oppose the granting of intervenor status to the Department of the Navy on behalf of the Department of Defense."

On January 24, 2005, the COUNTY OF MAUI ("CoM") filed a motion for extension of time to intervene.[7] That same day, JOSEPH SPERONI ("Mr. Speroni"), and the LIFE OF THE LAND ("LoL") filed motions to participate and intervene, respectively (hereinafter referred to as "Mr. Speroni's Motion to Participate" and "LoL's Motion to Intervene").[8] On January 31, 2005, HECO

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[5]Pursuant to HAR § 6-61-57, a person's motion to intervene or participate, to be timely filed, must be filed not later than ten (10) days after the last public hearing held pursuant to the published notice of the hearing.

[6]Division of Consumer Advocacy's Memorandum in Support of Department of Defense's Motion to Intervene, filed on January 26, 2005.

[7]County of Maui's Motion for Extension of Time to Intervene and Certificate of Service, filed on January 24, 2005.

[8]Motion to Participate of Joseph Speroni, filed January 24, 2005. Life of the Land's Motion to Intervene and Certificate of Service, filed on January 24, 2005.

filed its opposition to Mr. Speroni's Motion to Participate ("HECO's Opposition to Mr. Speroni's Motion to Participate").[9] On February 2, 2005, HECO filed its opposition to LoL's Motion to Intervene.[10] On February 10, 2005, Mr. Speroni responded to HECO's Opposition to Mr. Speroni's Motion to Participate.[11]

On February 14, 2005, CoM filed County of Maui's Motion for Participation without Intervention, Verification of Kalvin K. Kobayashi, and Certificate of Service ("CoM's Motion to Participate"). On February 23, 2005, HECO submitted its opposition to the CoM's Motion to Participate.[12]

## II.

## Proposed DSM Programs

### A.

### Description

In its Application, HECO requests approval of seven (7) new energy efficiency DSM programs and the recovery of the programs' costs through base rates. The new energy

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[9]Memorandum in Opposition to the Motion to Participate of Joseph Speroni and Certificate of Service, filed on January 31, 2005.

[10]Memorandum in Opposition to Motion to Intervene of Life of the Land and Certificate of Service, filed on February 2, 2005.

[11]Memorandum in Response to the Memorandum in Opposition to the Motion to Participate of Joseph Speroni, filed on February 10, 2005.

[12]Memorandum in Opposition to County of Maui's Motion to Participate and Certificate of Service, filed on February 23, 2005.

efficiency DSM programs that are being proposed are the: (1) Commercial and Industrial Energy Efficiency ("CIEE") Program; (2) Commercial and Industrial New Construction ("CINC") Program; (3) Commercial and Industrial Customized Rebate ("CICR") Program; (4) Residential Efficient Water Heating ("REWH") Program; (5) Residential New Construction ("RNC") Program; (6) Residential Low Income ("RLI") Program; and (7) Energy$Solutions for the Home ("ESH") Program.

In addition, HECO requested approval of the Residential Customer Energy Awareness ("RCEA") Program in Docket No. 03-0142. If the RCEA Program is approved in Docket No. 03-0142, HECO proposes in the instant docket that the RCEA Program duration be extended from two (2) years to five (5) years and that the cost recovery mechanism be modified so that the program costs are recovered entirely through base rates.

HECO also requests approval to modify the cost recovery mechanism for its two (2) approved load management DSM programs. The two (2) load management DSM programs include: (1) the Residential Direct Load Control ("RDLC") Program; and (2) the Commercial and Industrial Direct Load Control ("CIDLC") Program.

Presently, HECO has five (5) existing energy efficiency DSM programs that were approved by the commission in 1996, and for which HECO is allowed to recover program costs, lost margins, and shareholder incentives through the Integrated Resource Planning Cost Recovery Provision ("IRP Clause"). The commission approved one-year extensions (to December 31, 2001) of HECO's Residential Efficient Water Heating Program, its Residential New

Construction Program, and its three (3) Commercial and Industrial ("C&I") DSM programs by Order No. 18208, filed on November 27, 2000, in Docket No. 94-0206, Order No. 18207, filed on November 27, 2000, in Docket No. 94-0216, and Order No. 18206, filed on November 27, 2000, in Docket Nos. 94-0010, 94-0011, and 94-0012 (consolidated), respectively. By Order Nos. 19019 and 19020, issued on November 15, 2001, in Docket Nos. 00-0169 and 00-0209, respectively, the commission approved the temporary continuation of the five (5) existing energy efficiency DSM programs, subject to certain conditions.

On May 31, 2000 and June 30, 2000, respectively, HECO filed applications, for which the commission opened Docket Nos. 00-0169 and 00-0209, respectively, requesting approval of a new C&I DSM program, which would have consolidated the DSM measures in HECO's three (3) existing C&I DSM programs, for a period of five (5) years, and a new Residential DSM program, which would have consolidated the DSM measures in HECO's two (2) existing Residential DSM programs, for a period of five (5) years. The applications also requested that the commission approve recovery of program costs, lost margins, and shareholder incentives using the IRP Clause.

After the Consumer Advocate completed its review of the applications filed in Docket Nos. 00-0169 and 00-0209, HECO and the Consumer Advocate finalized letter agreements ("Letter Agreements") dated and filed on October 5, 2001 (C&I DSM programs) and October 12, 2001 (Residential DSM programs), under which HECO's three (3) existing C&I DSM programs and

two (2) existing Residential DSM programs would be continued until HECO's next rate case in lieu of HECO continuing go seek approval of new five (5)- year DSM programs.[13] Under the Letter Agreements, any DSM programs to be in place after HECO's next rate case would be determined as part of the rate case.

By Order Nos. 19019 and 19020, the commission approved the Letter Agreements, subject to certain conditions and modifications. The commission also reserved the right, upon its own initiative or upon motion, to reopen Docket Nos. 00-0169 or 00-0209 or open a separate docket at any time to institute an investigation or other proceedings to ensure, among other things, that the electric power consumers or ratepayers affected by the proceeding are protected and that the implementation of the Letter Agreements are consistent with the commission's IRP Framework.

On August 7, 2003 and August 12, 2003, HECO filed agreements ("New Agreements") with the parties to the stipulations, which modified the stipulations by delaying the required filing of a general rate case by approximately twelve (12) months such that HECO would utilize a 2005 test year for the filing. The terms and conditions of the stipulations, with the conditions imposed by the commission's approval orders, remained generally unchanged, with the New Agreements providing

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[13]HECO submitted two (2) Letter Agreements for the Residential DSM programs: one executed by all parties to the docket that addressed the issues raised by the Consumer Advocate, Hawaii Solar Energy Association and LoL, and one executed by HECO and the Consumer Advocate that addressed the issues raised by the Consumer Advocate.

for: (1) temporary continuation of existing C&I and Residential DSM programs with such modifications as the commission may, from time to time, approve or order, until the next rate case; (2) an end to the current DSM programs as part of the next rate case, with HECO pursuing development of new and/or replacement DSM programs that will continue to provide ample opportunities to ratepayers to strive for energy efficiency, and with the new and/or replacement DSM programs that may be in place after the next rate case to be determined as part of that case (i.e., this docket); (3) HECO's continuation to accrue and recover the program costs, lost margins, and shareholder incentives for HECO's existing DSM programs in accordance with the agreements, terms, and conditions of the stipulations and commission approval orders, and (4) HECO's agreement to not pursue the continuation of lost margins and shareholder incentives through a surcharge mechanism in the next rate case or thereafter. The commission approved the New Agreements by Order Nos. 20392 and 20391, issued August 26, 2003 in Docket Nos. 00-0209 and 00-0169, respectively.

B.

Separation of the Proposed DSM Programs

The commission, upon its own initiative or upon motion, may separate matters in issue for hearing in two or more separate proceedings, if it finds that separation will be conducive to the proper dispatch of its business and to the ends of justice and will not unduly delay the proceedings, pursuant to HAR § 6-61-39. Moreover, as stated above, the commission reserved for itself the

right to reopen Docket Nos. 00-0169 and 00-0209 or open a separate docket at any time to institute an investigation or other proceedings to ensure that the electric power consumers or ratepayers affected by the proceeding are protected and that the implementation of the Letter Agreements are consistent with the commission's IRP Framework.

In its Application, HECO states that it assessed the energy efficiency achievable potential for Oahu as part of its third IRP process in Docket No. 03-0253. HECO's findings of the assessment suggest that "even with the accomplishments from HECO's existing energy efficiency programs, significant potential still exists for additional energy savings on Oahu, ... these energy savings can best be realized through a major expansion of HECO's energy efficiency DSM program efforts, and ... this will necessitate that HECO expand its existing DSM program portfolio to include previously underserved markets for energy efficiency."[14]

In light of HECO's forecast reserve capacity shortfalls contained in the Application and the direct testimonies supporting the Application, the commission must consider whether HECO's Proposed DSM Programs are the most cost-effective methods of meeting increasing demand for electric services. Additional information, including whether the benefits to be attained by the Proposed DSM Programs outweigh the risks to the ratepayers, will be produced if the commission examines these programs in this

[14]Application at 22.

docket. However, given the time constraints imposed by HRS § 269-16 that govern the timing for applications requesting general rate increases, such information produced relating to the Proposed DSM Programs will, by necessity, need to be limited. The commission believes that additional information relating to energy efficiency programs is required to determine whether those proposed by HECO are the best means of achieving energy savings, as it suggests.

The commission, through its membership in the National Association of Regulatory Utility Commissioners, was recently selected by the United States Environmental Protection Agency ("EPA") to participate in the newly formed EPA-State Energy Efficiency and Renewable Energy ("EERE") Projects.[15] Through the EPA-State EERE Projects, the commission expects to utilize EPA experts to assist generally in examining regulatory options that will help the State of Hawaii ("State" or "Hawaii") meet its goals for clean and efficient energy resources.

Given our need for additional information and our recent partnering with the EPA in the EPA-State EERE Projects, the commission believes that HECO's proposed DSM projects should be examined apart from the request for general rate increase included in HECO's Application. Therefore, we conclude that we should separate HECO's requests for approval and/or modification of its DSM and load management programs and recovery of such program costs and DSM utility incentives from this docket and

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[15] *See* Exhibit A, EPA *Environmental News*, February 16, 2005 (Press Release and Fact Sheet).

open the Energy Efficiency Docket to examine the following issues, among other issues, to be determined in consultation with the parties to the new docket:[16]

(1) Whether energy efficiency goals should be established and if so, what the goals should be for the State;

(2) Whether the seven (7) proposed DSM programs (i.e., the CIEE, CINC, CICR, REWH, RNC, RLI, and ESH programs), the RCEA program, and/or other energy efficient programs will achieve the established energy efficiency goals and whether the programs will be implemented in a cost-effective manner;

(3) What market structure(s) is the most appropriate for providing these or other DSM programs (e.g., utility-only, utility in competition with non-utility providers, non-utility providers);

(1) For utility-incurred costs, what cost recovery mechanism(s) is appropriate (e.g., base rates, fuel clause, IRP Clause); and

(2) For utility-incurred costs, what cost level is appropriate?

Pending disposition of the Energy Efficiency Docket, the commission will allow HECO to temporarily continue, in the manner currently employed, its existing two (2) residential DSM programs, approved in Docket Nos. 94-0206 and 94-0216 and continued in Docket No. 00-0209, and three (3) C&I DSM programs,

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[16]The deadline by which all motions to intervene on this new docket will be twenty (20) days from the date of this order, pursuant to HAR § 6-61-57(3)(B).

approved in Docket Nos. 94-0010, 94-0011, and 94-0012 and continued in Docket No. 00-0169, until further order by the commission.[17]

III.

Intervention and Participation

HAR § 6-61-55, which governs intervention in our proceedings requires, among other things, the movant to state the facts and reasons for the proposed intervention, and its position and interest thereto. Furthermore, HAR § 6-61-55(d) states that "[i]ntervention shall not be granted except on allegations which are reasonably pertinent to and do not unreasonably broaden the issues already presented." HAR § 6-61-56(a) provides the commission with the discretion to permit participation in a docket without intervention. Participation means that the person or entity in whose behalf an appearance is entered is "not a party to the proceeding and may participate in the proceeding only to the degree ordered by the commission."

A.

DoD

DoD states that it maintains numerous military installations within the State that obtain and use electric services from HECO. It further asserts that it is one of the

[17]This Order is not intended to nullify the decisions rendered by the commission in the dockets approving the RDLC and CIDLC programs, Docket Nos. 03-0166 and 03-0415, respectively.

largest purchasers of electric services in the State, has participated in other dockets related to rate increases and rate design, IRP, and DSM, and has a "crucial and strategic interest in securing electricity at the lowest but fair cost." Moreover, DoD suggests that its intervention would serve the public interest in that it expends funds on behalf of the taxpayers of the United States in the furtherance of the goals and objectives of the federal government.

Upon our review, we find that the proposed rate increase is a matter of immense importance to the DoD. Issues relating to the reasonableness of the prices proposed to be charged by HECO are crucial to the national defense interests represented by the DoD and should be thoroughly investigated in the Rate Case Docket. We, therefore, find that the DoD has substantial interests that are reasonably pertinent to the matters raised in the Rate Case Docket and that its participation will not broaden the issues or unduly delay the proceedings. Accordingly, we conclude that the DoD's Motion to Intervene in the Rate Case Docket should be granted.

B.

RMI

In support of its Motion to Intervene, on January 24, 2005, RMI requested an extension of time and leave to file a response to HECO's Opposition to RMI's Motion to Intervene and the Consumer Advocate's Opposition to RMI's Motion to Intervene, each filed on December 15, 2004. Since RMI's request for

extension of time was submitted more than seven (7) days after HECO's and the Consumer Advocate's respective Oppositions, the commission must determine whether RMI's failure to meet its deadline was due to "excusable neglect," pursuant to HAR § 6-61-23(a)(2).[18] RMI states that at the time that RMI received HECO's and the Consumer Advocate's respective Oppositions to RMI's Motion to Intervene it had already closed for the holiday season. It further claims that as a small non-profit organization, it did not have the staff available to timely respond to HECO's and the Consumer Advocate's respective Oppositions to RMI's Motion to Intervene. Upon review, the commission finds that the reasons set forth by RMI do not constitute excusable neglect. As a result, the commission will deny RMI's Motion for Enlargement of Time and will strike RMI's Response.

In its Motion to Intervene, RMI asserts, among other reasons, that as "one of the world's foremost authorities on energy use, supply, policy and regulation," it should be granted intervention in this docket. RMI claims that it has a "mission-critical interest in ensuring that the appropriate regulatory treatment of [DSM] programs has been addressed in this proceeding..." The organization further states that the Consumer Advocate will not necessarily represent RMI's overriding

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[18]HAR § 6-61-41(c) provides that an opposing party may serve and file counter affidavits and a written statement of reasons in opposition to the motion and authorities relied upon not later than five (5) days after being served the motion. HAR § 6-61-21(e) adds an additional two (2) days to a prescribed period in certain circumstances.

interest in reducing fossil fuel dependency and ensuring regulatory treatment of DSM that aligns HECO's financial interest with the path that represents the least cost to society.

Upon review, the commission finds that RMI's expertise in energy-efficient techniques, technologies, programs and regulations, energy industry structure, resource planning, technology commercialization, and competitive strategy for companies in the electric power, natural gas, and other regulated industries, as well as its experience before numerous public utility commission hearings across the country relate to the Proposed DSM Programs and are not reasonably pertinent to HECO's request for general rate increase. Accordingly, the commission will deny RMI's Motion to Intervene in the Rate Case Docket, but will grant it intervention in the new docket addressing HECO's Proposed DSM Programs.

C.

LoL

LoL, a non-profit Hawaii corporation, states that it is "Hawaii's own environmental and community action group advocating for the people and the land since 1970." In LoL's Motion to Intervene, it states its mission as preserving and protecting "the life of the land through sustainable land use and energy policies and to promote open government through research, education, advocacy, and when necessary litigation." LoL believes that environmental interests must be represented in "this crucial docket," and that the Consumer Advocate, which has

"the statutory responsibility to represent, protect, and advance the interest of consumers of utility services" cannot adequately represent its environmental concerns.

LoL asserts in favor of its request that it "has a history of following [commission] directives in previous dockets [it has] intervened in ... [, and has] not asked for any time extensions, nor ... to expand the scope of dockets."

LoL participated in Docket No. 00-0209, which considered HECO's request to consolidate the DSM measures in HECO's two (2) existing Residential DSM programs. In our view, LoL's interests relate and are more reasonably pertinent to HECO's proposed DSM matters rather than to the request for general rate increase. Accordingly, we conclude that LoL's Motion to Intervene should be denied with respect to the Rate Case Docket, and granted in the Energy Efficiency Docket.

D.

CoM

CoM filed a timely Motion for Extension of Time to Intervene, stating that it "recently learned that decisions relating to [HECO's DSM] programs may apply to Maui Electric Company and thereby affect the County of Maui." Upon review, the commission finds good cause to allow CoM an extension of time to file its Motion to Intervene, pursuant to HAR § 6-61-23(a)(1).

CoM requested participation without intervention in this docket because it "has an interest in any impacts that [DSM] resources would have on the public and on the overall economy,

specifically in the delivery of safe, affordable, and reliable energy." CoM's interest is to ensure that DSM is "aggressively pursued, whether or not lost revenue recovery and shareholder incentives are maintained." CoM states that it has participated as an intervenor and an advisory group member of the IRP process since its inception, and intervened in Docket No. 96-0493, relating to DSM issues. It further asserts that it possesses information and expertise from its participation in these dockets and processes, providing it with the necessary expertise, knowledge, and experience to intervene in this docket.

Upon review, the commission finds that the CoM's interests are not reasonably pertinent to HECO's request for general rate increase and lie solely with HECO's Proposed DSM Programs. Therefore, the commission will deny CoM's request to participate in the Rate Case Docket, and will grant it participation in the Energy Efficiency Docket.

E.

Mr. Speroni

Mr. Speroni, an individual who resides in Honolulu, requests commission approval to participate in the this docket, citing his concern about ratepayers' increasing costs for electricity. Mr. Speroni states that he has been employed in the computer industry since graduation from Case Institute of Technology in 1960, and has "participated in the design, implementation and management of dozens of large IT projects, several involving worldwide communications networks."

We find that Mr. Speroni failed to, among other things, satisfactorily demonstrate that his interests are reasonably pertinent to the matters presented. Moreover, Mr. Speroni failed to substantiate how he will assist in the development of a sound record and refrain from unreasonably broadening the issues already presented.

We, therefore, find that Mr. Speroni did not satisfy the requirements of HAR § 6-61-55. Accordingly, we conclude that Mr. Speroni's Motion to Participate should be denied.

## IV.

## Orders

THE COMMISSION ORDERS:

1. The commission, on its own motion, hereby separates HECO's requests for approval and/or modification of DSM and load management programs and recovery of such program costs and DSM utility incentives from this docket and opens a new Energy Efficiency Docket in which it will consider these matters.

2. HECO may temporarily continue, in the manner currently employed, its existing two (2) residential DSM programs, approved in Docket Nos. 94-0206 and 94-0216 and continued in Docket No. 00-0209, and three (3) C&I DSM programs, approved in Docket Nos. 94-0010, 94-0011, and 94-0012 and continued in Docket No. 00-0169, until further order by the commission.

3. DoD's Motion to Intervene, is granted.

4. RMI's Motion for Enlargement of Time is denied and RMI's Response is stricken.

5. RMI's Motion to Intervene in the Rate Case Docket is denied, but is granted in the Energy Efficiency Docket.

6. LoL's Motion to Intervene in the Rate Case Docket is denied, but is granted in the Energy Efficiency Docket.

7. CoM's Motion for Extension of Time to Intervene is granted.

8. CoM's Motion to Participate in the Rate Case Docket is denied, but is granted in the Energy Efficiency Docket.

9. Mr. Speroni's Motion to Participate is denied.

10. HECO and the Consumer Advocate shall meet informally with DoD to determine the issues, procedures, and schedule with respect to the instant docket, to be set forth in a stipulated prehearing order. The stipulated prehearing order shall be submitted for commission approval within ten (10) days from the date of this order. If the parties are unable to stipulate to such an order, each party shall submit its own proposed prehearing order for the commission's consideration within ten (10) days from the date of this order.

DONE at Honolulu, Hawaii MAR 1 6 2005.

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:

_____
Catherine P. Awakuni
Commission Counsel

04-0113.HECO..sl.

United States
Environmental Protection
Agency

Office of Public Affairs
Washington D.C. 20460
(1703A)

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EPA

# Environmental News

News for release: Wednesday, February 16, 2005

U.S. Environmental Protection Agency (EPA)

## EPA and NARUC Announce Energy Efficiency and Renewable Energy Projects with Six States

John Millett, 202-564-7842 / millett.john@epa.gov

(Washington, D.C. – February 16, 2005) Today, EPA and the National Association of Regulatory Utility Commissioners (NARUC) announced the formation of EPA-State Energy Efficiency and Renewable Energy (EERE) Projects between EPA and utility regulators from six states. The six states involved in the initiative are Arkansas, Connecticut, the District of Columbia, Hawaii, Minnesota, and New Mexico. The projects involve state utility regulators working with EPA to explore approaches for reducing the cost of consumer electric and gas bills through cost-effective energy efficiency, renewable energy, and clean distributed generation.

Based on a number of recent studies, EPA estimates that if all states were to implement cost-effective energy efficiency and clean energy policies, the expected growth in demand for electricity could be cut in half by 2025, providing billions of dollars in customer savings, contributing to lower prices for natural gas and substantially reducing greenhouse gas emissions.

Through the EERE projects, EPA and the states will explore policies and programs for delivering more energy efficiency to electric and gas customers, which in a growing number of states across the country is delivering energy savings at a significantly lower cost than the construction of new electricity supply or buying natural gas. The initiative will also explore opportunities for combined heat and power and renewable energy to contribute to a lower cost, cleaner power system.

The projects will build upon the past decade of experience by EPA's ENERGY STAR program in helping utilities and others to implement low-cost energy efficiency programs that deliver energy bill savings to their customers. Through 2004, Americans with the help of ENERGY STAR have reduced national electricity demand by almost 4 percent, saving about $10 billion annually and avoiding greenhouse gas emissions equivalent to those of 20 million vehicles.

The EPA-State EERE projects were announced at NARUC's 2005 Winter Meetings held in Washington, D.C.

More information is available online at http://www.epa.gov/cleanenergy .

**R029** ###

EXHIBIT A

# EPA-State Energy Efficiency and Renewable Energy Projects

## Energy Efficiency and Renewable Energy Offers Many Benefits

Energy efficiency and other clean energy resources are delivering a host of benefits, including enhanced electric system reliability, moderated natural gas prices, economic development and reduced environmental impacts. Many states are finding that energy efficiency can deliver energy savings at a significantly lower cost than the construction of new energy supply and that renewable energy offers an important opportunity to diversify the energy portfolio. However, there remains tremendous untapped potential for additional cost-effective energy efficiency, clean distributed generation and renewable energy resources across the country. Harnessing these resources is particularly important today, as natural gas prices are expected to remain at or above current levels for the next several years, electric reliability continues to raise prices and limit development in congested areas, and energy-related air pollution contributes to local air quality "hot spots" and increased risk of climate change.

The EPA-State Energy Efficiency and Renewable Energy (EERE) Projects are a joint initiative between the U.S. Environmental Protection Agency (EPA), the National Association of Regulatory Utility Commissioners (NARUC), and individual state utility commissions designed to explore approaches that deliver significant energy cost savings and other benefits through greater use of energy efficiency, renewable energy, and clean distributed generation. These projects build upon the past decade of experience of EPA's ENERGY STAR program in helping utilities and others to implement low-cost energy efficiency programs that deliver significant energy savings to their customers. Through 2004, Americans with the help of ENERGY STAR have reduced national electricity demand by almost 4 percent, saving about $10 billion annually and avoiding the greenhouse gas emissions equivalent to those of 20 million vehicles. The projects will build upon recent NARUC resolutions that support increased use of clean energy resources as a strategy to reduce energy prices and enhance electric system operations.

Based on a number of recent studies, EPA estimates that if all states were to implement cost-effective energy efficiency and clean energy policies, the expected growth in demand for electricity could be cut in half by 2025, providing billions of dollars in customer savings, contributing to lower prices for natural gas, and substantially reducing greenhouse gas emissions. State utility commissioners can help implement policies and programs that deliver a large part of these savings.

## The EPA-State Energy Efficiency and Renewable Projects

The EPA-State EERE Projects will explore a range of approaches, for encouraging energy efficiency and clean energy resources within state utility commission processes based on specific State interests. Efforts may include the following:

Rate Design. Many utilities are regulated in a manner by which they lose revenue if they undertake energy efficiency programs. Efforts may investigate ways to address this unintended consequence through revenue "decoupling" mechanisms combined with performance-based incentives designed to better align utilities' interests with greater use of energy efficiency.

Resource Planning. There is an opportunity to better recognize the value of clean energy resources more fully in utility resource planning processes. Projects may be designed to provide key information about the fuel diversity, congestion relief, reliability enhancement, environmental benefits, and cost-savings benefits that clean energy resources offer to the electricity system over both the short- and long-term.

Transmission and Distribution Planning. Geographically-targeted clean energy resources can provide least-cost solutions to transmission and distribution challenges like load pockets and areas with reliability concerns. The projects may explore "non-wires" planning approaches that consider clean energy resources on equal footing with traditional transmission and distribution investments.

Standardized Interconnection Requirements for Clean Distributed Generation. Standardized interconnection and guidance on rate reasonableness will help reduce the uncertainty faced by energy users and developers when they propose clean on-site generation projects. The projects may explore model approaches for interconnection and rate reasonableness that reduce this uncertainty while ensuring cost recovery for utilities.

The EPA-State EERE Projects are expected to take one to two years to assess, document and share information on the benefits and costs of policies and programs in a manner that can catalyze changes within the States which expand the use of clean energy technologies. When implemented, these policies and programs have the potential to provide billions of dollars in lower energy bills to consumers across the country, along with greater electric system reliability and reduced air emissions from power plants.

## Partners in the Initiative

### The U.S. Environmental Protection Agency

EPA through a number of voluntary program efforts works with businesses, organizations, governments, and consumers to reduce emissions of the greenhouse gases that contribute to global climate change by promoting greater use of energy efficient and other cost-effective technologies. EPA's ENERGY STAR, Combined Heat and Power Partnership, and Green Power Partnership form a basis for this new initiative.

For more information: http://www.epa.gov/cleanenergy

### The National Association of Regulatory Utility Commissioners (NARUC)

The National Association of Regulatory Utility Commissioners (NARUC) is a non-profit organization founded in 1889. Its members include the governmental agencies that are engaged in the regulation of utilities and carriers in the fifty States, the District of Columbia,

Puerto Rico and the Virgin Islands. NARUC's member agencies regulate the activities of telecommunications, energy, and water utilities.

For more information: http://www.naruc.org/

**State Partners**

Sandra Hochstetter, Chairman
**Arkansas Public Service Commission**

Anne George, Commissioner
**Connecticut Department of Public Utility Control**

Richard Morgan, Commissioner
**District of Columbia Public Service Commission**

Carlito P. Caliboso, Chairman
**Hawaii Public Utilities Commission**

Phyllis Reha, Commissioner
**Minnesota Public Utilities Commission**

Shirley Baca, Co-Chair
**New Mexico Public Regulation Commission**

## Event Information

Announcement of the State Projects will be made at a joint session of the **Electricity** and **Energy Resources & the Environment** committees during NARUC's Winter Committee Meetings being held in Washington, DC, February 13 – 16, 2005, at the Hyatt Regency Hotel, 400 New Jersey Avenue, NW.

Joint Committee Session of **Electricity** and **Energy Resources & the Environment**

| | |
|---|---|
| Session Topic: | Energy Efficiency and Demand Response |
| Date: | February 16, 2005 |
| Time: | 10:30 a.m. |
| Room: | Yorktown/Valley Forge |

For more information: **http://winter.narucmeetings.org/**
Karl Stellrecht
KStellrecht@naruc.org
(202) 898-8193

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 21698 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

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

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

PATSY H. NANBU
DIRECTOR - REGULATORY AFFAIRS
HAWAIIAN ELECTRIC COMPANY, INC.
P. O. Box 2750
Honolulu, HI 96840-0001

THOMAS W. WILLIAMS, JR., ESQ.
PETER Y. KIKUTA, ESQ.
GOODSILL ANDERSON QUINN & STIFEL
Alii Place, Suite 1800
1099 Alakea Street
Honolulu, HI 96813

DR. KAY DAVOODI
UTILITIES RATES AND STUDIES OFFICE
NAVFAC WASHINGTON
1314 Harwood Street, S.E.
Washington Navy Yard, DC 20374-5018

RANDALL Y.K. YOUNG, ESQ.
NAVAL FACILITIES ENGINEERING COMMAND PACIFIC
258 Makalapa Drive, Suite 100
Pearl Harbor, HI 96860-3134

E. KYLE DATTA
ROCKY MOUNTAIN INSTITUTE
P. O. Box 390303
Keauhou, HI 96739

HENRY Q CURTIS
VICE PRESIDENT FOR CONSUMER ISSUES
LIFE OF THE LAND
76 North King Street, Suite 203
Honolulu, HI 96817

BRIAN T. MOTO, ESQ.
CINDY Y. YOUNG, ESQ.
DEPARTMENT OF THE CORPORATION COUNSEL
COUNTY OF MAUI
200 South High Street
Wailuku, HI 96793

JOSEPH SPERONI
2781 Kapiolani Boulevard, Suite 502
Honolulu, HI 96826

Karen Higashi

Karen Higashi

DATED: MAR 16 2005