

BKK



October 7, 2005

William A. Bonnet  
Vice President  
Government & Community Affairs

PUBLIC UTILITIES  
COMMISSION  
2005 OCT -7 P 1: 18  
FILED

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

Dear Commissioners:

Subject: Docket No. 05-0069  
Energy Efficiency Proceeding – Prehearing Order

In accordance with Order No. 21698, enclosed for filing is Hawaiian Electric Company, Inc.’s (“HECO” or “Company”) proposed prehearing order (Attachment I) for this proceeding. The parties apparently agree on all items for the prehearing order except whether issues 6 and 9 should include reference to a Residential Customer Energy Awareness (“RCEA”) program.<sup>1</sup> The enclosed proposed prehearing order has been executed by HECO and the Kauai Island Utility Cooperative.

HECO’s position is that issues 6 and 9 of the prehearing order should include reference to an RCEA program. Order No. 21698 which initiated Docket No. 05-0069 (“Energy Efficiency Proceeding”) included the issue (as issue 2 on p. 12) of “...Whether the seven DSM programs, the RCEA program and /or other energy efficiency programs will achieve the established energy efficiency goals and whether the programs will be implemented in a cost-effective manner.” HECO’s position is that issue 6 should mirror this language. Issue 9 asks whether the programs specified in issue 6 should be approved, approved with modifications, or rejected. Thus, if the RCEA program is included in issue 6, it should also be included in issue 9.

---

<sup>1</sup> “RCEA Program” means generally a conservation informational advertising program rather than the RCEA Pilot Program proposed in Docket No. 03-0142 in particular.

The Division of Consumer Advocacy (“the Consumer Advocate”) has argued that the RCEA program should be deleted from issues 6 and 9 due to Decision and Order No. 21756 in Docket No. 03-0142 which denied without prejudice HECO’s request to implement the RCEA Pilot Program. However, Decision and Order No. 21756 also stated that “...An educational program, such as the RCEA Pilot Program may be better suited as one component of a portfolio of DSM measures, which may be considered in other proceedings before the commission, if HECO so chooses.” Because of this provision in the order, HECO believes it is appropriate to include an RCEA program in issues 6 and 9 in this proceeding.

In Docket No. 04-0113 (HECO’s 2005 Test Year Rate Case), HECO has requested recovery of expenses of \$750,000 for a conservation informational advertising program. This program is one of the unsettled issues in the rate case and will be addressed by the parties in legal briefs. The Consumer Advocate has argued that the Company should either request recovery of this program in the rate case or propose such a program in the Energy Efficiency Proceeding, but not both.

The Commission indicated in Interim Decision and Order No. 22050 (“ID&O”) in the rate case that it may not allow recovery of those expenses because the Company proposed it too late in the rate case proceeding. The ID&O stated the following on the conservation informational advertising issue:

“At the outset, we question whether it was appropriate for HECO to include such an expense, for the first time, in its rebuttal testimony. Such action effectively limited the Consumer Advocate and DOD’s ability to fully review, investigate, and comment on such an expense during pre-rebuttal discovery. For purposes of this Interim Decision and Order, we do not find that HECO is probably entitled to include the conservation and energy efficiency advertising in HECO’s customer service expenses.”

If the Commission were to deny the program expenses in its final decision and order in the rate case, such a denial would be on procedural grounds, rather than a decision on the substantive issue of whether the Company should be allowed to engage in, and receive recovery for, a general energy conservation awareness program. The Company believes that it is critical to raise consumer awareness of the importance of energy conservation through such a program. As a result, the Company



would like the opportunity to address this substantive issue in the Energy Efficiency Docket if it is not substantively decided in the rate case.

If the Commission rejects or approves the conservation informational advertising program in the rate case on substantive grounds, HECO's position will be that the issue has been decided and should no longer be addressed in the Energy Efficiency Docket. But if the Commission decides that the expenses for this program should not be allowed into rates because procedurally, the Company proposed it too late in the rate case proceeding, then the Company's position would be that it should be addressed in the Energy Efficiency proceeding, since the merits of this issue has not yet been decided on by the Commission.

The following is a chronology of the Company's conservation informational advertising proposals:

1. On May 15, 2003, HECO filed an application for approval of the Residential Customer Energy Awareness (RCEA) Pilot Program in Docket No. 03-0142.
2. On November 12, 2004, HECO filed its application and direct testimonies for its 2005 test year rate case (Docket No. 04-0113). The Commission had not yet rendered a decision in the RCEA proceeding. The Company therefore included the costs of the RCEA Pilot Program in its direct case in the rate case.
3. On March 16, 2005, the Commission issued Order No. 21698, bifurcating the rate case and opening the Energy Efficiency Docket (Docket No. 05-0069) to address and examine the Company's proposed DSM programs.
4. On April 20, 2005, the Commission issued Decision and Order No. 21756 which denied without prejudice the RCEA Pilot Program in Docket No. 03-0142 but stated ... "An educational program, such as the RCEA Pilot Program may be better suited as one component of a portfolio of DSM measures, which may be considered in other proceedings before the commission, if HECO so chooses..." [emphasis added]. The Company's read of this decision and order is that the Commission left the door open for a conservation informational advertising program to be considered for approval. (The Commission denied the pilot program because it



found that the Company had not satisfied the specific requirements in Section V.A.2. of the IRP Framework. Satisfying these requirements is necessary for recovering costs through the DSM adjustment component of the IRP Cost Recovery Provision.)

5. On June 8, 2005, HECO filed its response to CA-IR-533 in the rate case, which in recognition of Decision and Order No. 21756 proposed a conservation informational advertising program for recovery in the rate case.

6. On June 28, 2005, the Consumer Advocate filed its direct testimony in the rate case. With respect to the conservation informational advertising program, the Consumer Advocate referenced the Commission's denial of the RCEA Pilot Program in Docket No. 03-0142 and stated that there was inadequate time for the CA's DSM consultants to undertake additional discovery or further evaluate the propriety of the conservation informational advertising program costs. (CA-T-2, p. 58)

7. On July 18, 2005, the Consumer Advocate filed its response to HECO/CA-IR-220.b. (Attachment II) which asked the following: "If HECO is not able to recover the conservation and energy efficiency advertising messages in base rates, please explain the mechanism that the CA recommends HECO should use to recover such costs..." The CA responded: "In the event that HECO stands committed to the aggressive marketing effort, the Company should raise the matter for further consideration by the Commission in Docket No. 05-0069 [the Energy Efficiency Docket] – because the primary focus of the messages relate to DSM and customer awareness of energy options and conservation" [emphasis added].

8. On August 5, 2005, the Company filed its rebuttal testimonies in the rate case, which discussed and requested recovery of the conservation informational advertising program.

9. In its September 13, 2005 filing summarizing its position on conservation informational advertising (Attachment III), the DOD stated "...HECO has included in its rebuttal testimony \$750,000 of load management program advertising. DOD's position is that this expense should not be included in HECO's base rates in the current rate case, and should be addressed in the Energy Efficiency docket. DOD also questions the amount HECO proposes to spend, and suggests that HECO's proposal receive thorough scrutiny in the context of the Energy Efficiency docket..." [emphasis



The Honorable Chairman and Members of the  
Hawaii Public Utilities Commission  
October 7, 2005  
Page 5

added]. (The conservation informational advertising program is not for load management in particular but is for energy conservation and efficiency awareness.)

10. On September 27, 2005, the Commission issued its ID&O which provided the Company an interim revenue award, pending a final decision and order in the case. With respect to conservation informational advertising, the Company did not propose that the interim award include the associated expenses for this program but hopes that the Commission will address the issue of recovery of these expenses in its final decision and order.

In summary, the ID&O indicates that the proposal may not be granted because the Company proposed it in rebuttal testimony rather than in its initial direct case. Thus, it is possible that the Commission may deny recovery of the costs of this program on procedural grounds (i.e., proposed it too late in the proceeding) rather than on substantive grounds (i.e., whether the Company should provide and receive recovery of a general energy conservation awareness program). Accordingly, the Company believes that the issues in the Energy Efficiency Docket should include reference to an RCEA program, subject to further guidance from the Commission in the rate case final decision and order. As stated previously, if the Commission approves or rejects the program on substantive grounds in the rate case, the issue for the Company is settled and there is no need to further pursue this issue in the Energy Efficiency proceeding. If the Commission denies the program on procedural grounds in the final decision and order in the rate case, then it should be addressed in the Energy Efficiency Docket as previously recommended by the DOD and the Consumer Advocate in the rate case and have the issue be decided on its merits.

Sincerely,



Attachments

cc: All Parties



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of	)	
	)	
HAWAIIAN ELECTRIC COMPANY, INC.	)	Docket No. 05-0069
	)	
For Approval and/or Modification of	)	
Demand-Side and Load Management	)	
Programs and Recovery of Program	)	
Costs and DSM Utility Incentives	)	
	)	
	)	
_____	)	

STIPULATED PREHEARING ORDER NO. \_\_\_\_\_

Filed \_\_\_\_\_, 2005

At \_\_\_\_\_ o'clock \_\_\_\_\_ .M.

\_\_\_\_\_  
Chief Clerk of the Commission

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of	)	
	)	
HAWAIIAN ELECTRIC COMPANY, INC.	)	Docket No. 05-0069
	)	
For Approval and/or Modification of	)	
Demand-Side and Load Management	)	
Programs and Recovery of Program	)	
Costs and DSM Utility Incentives.	)	
	)	
	)	
	)	
	)	

STIPULATED PREHEARING ORDER

Hawaiian Electric Company, Inc. (“HECO”), Hawaii Electric Light Company, Inc. (“HELCO”), Maui Electric Company, Limited (“MECO”), the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs (the “Consumer Advocate”), Kauai Island Utility Cooperative (“KIUC”), the Department of the Navy, on behalf of the Department of Defense (“DOD”), Rocky Mountain Institute (“RMI”), Hawaii Solar Energy Association (“HSEA”), Hawaii Renewable Energy Alliance (“HREA”), Life of the Land (“LOL”), The Gas Company, LLC (“TGC”), the County of Kauai (“COK”) and the County of Maui (“COM”) hereby stipulate that the attached Stipulated Prehearing Order is mutually acceptable to each respective party/participant.

DATED: Honolulu, Hawaii, October 7, 2005.



---

WILLIAM A. BONNET  
Vice President  
Hawaiian Electric Company, Inc.  
Hawaii Electric Light Company, Inc.  
Maui Electric Company, Limited

---

JOHN E. COLE  
Executive Director  
Division of Consumer Advocacy  
Department of Commerce and Consumer Affairs

---

KENT D. MORIHARA  
Attorney for  
Kauai Island Utility Cooperative

---

RANDALL Y. K. YOUNG  
Attorney for  
Department of Defense

---

E. KYLE DATTA  
Managing Director  
Rocky Mountain Institute

---

RICHARD R. REED  
President  
Hawaii Solar Energy Association

---

WARREN S. BOLLMEIER II  
President  
Hawaii Renewable Energy Alliance

---

HENRY Q CURTIS  
Vice President  
Life of the Land

---

GEORGE T. AOKI  
Attorney for  
The Gas Company, LLC

---

BRIAN T. MOTO  
Attorney for  
County of Maui

---

LANI D. H. NAKAZAWA  
Attorney for  
County of Kauai

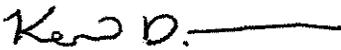
DATED: Honolulu, Hawaii, \_\_\_\_\_.

---

WILLIAM A. BONNET  
Vice President  
Hawaiian Electric Company, Inc.  
Hawaii Electric Light Company, Inc.  
Maui Electric Company, Limited

---

JOHN E. COLE  
Executive Director  
Division of Consumer Advocacy  
Department of Commerce and Consumer Affairs

  
\_\_\_\_\_

KENT D. MORIHARA  
Attorney for  
Kauai Island Utility Cooperative

---

RANDALL Y. K. YOUNG  
Attorney for  
Department of Defense

---

E. KYLE DATTA  
Managing Director  
Rocky Mountain Institute

---

RICHARD R. REED  
President  
Hawaii Solar Energy Association

---

WARREN S. BOLLMEIER II  
President  
Hawaii Renewable Energy Alliance

---

HENRY Q CURTIS  
Vice President  
Life of the Land

---

GEORGE T. AOKI  
Attorney for  
The Gas Company, LLC

---

BRIAN T. MOTO  
Attorney for  
County of Maui

---

LANI D. H. NAKAZAWA  
Attorney for  
County of Kauai



Energy Alliance (“HREA”) in the Energy Efficiency Docket.

By Order No. 21861, filed June 7, 2005, the Commission made Hawaii Electric Light Company, Inc. (“HELCO”), Maui Electric Company, Limited (“MECO”), Kauai Island Utility Cooperative (“KIUC”) and The Gas Company, LLC (“TGC”) parties to the Energy Efficiency Docket, but limited their participation solely to the issues dealing with statewide energy policies.

By Order No. 21957, filed August 3, 2005, the Commission dismissed as untimely the Motion to Participate or Intervene for the County of Kauai (“COK”), and the Motion to Intervene for Honolulu Seawater Air Conditioning, LLC. in the Energy Efficiency Docket. On September 14, 2005, the Commission issued Order No. 22029 which denied COK’s motion for reconsideration of Order No. 21957 but made COK a participant in this proceeding, provided that its participation is limited to issues of statewide energy policies, and does not broaden the issues or delay the proceeding.

The parties/participants have reached agreement on procedural matters and submit this Stipulated Prehearing Order to the Commission, which is acceptable to the parties/participants.

ACCORDINGLY, IT IS ORDERED that the following Statement of Issues, Schedule of Proceedings and procedures shall be utilized in this docket.

I.

In its Application, filed November 12, 2004 in Docket No. 04-0113 (the “Rate Case Docket”), HECO requested the approvals necessary (1) to implement seven new

energy efficiency demand-side management (“DSM”) programs; (2) to recover the program costs for the seven energy efficiency DSM programs, a Residential Customer Energy Awareness Pilot (“RCEA”) Program<sup>1</sup>, and two load management DSM programs through base rates; (3) to implement and recover the costs of a proposed DSM utility incentive (given discontinuance of the current lost margin recovery and shareholder incentive mechanisms pursuant to the prior DSM stipulations) through base rates; and (4) to reconcile DSM customer incentives and the DSM utility incentive through a proposed DSM Reconciliation Clause.

The new energy efficiency DSM programs that HECO proposed in the Rate Case Docket included: (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.

HECO also proposed to modify the cost recovery mechanism for its two approved load management DSM programs including (1) the Residential Direct Load Control

---

<sup>1</sup> At the time HECO filed its application in the Rate Case Docket, as well as the time the Commission filed Order No. 21698 opening the instant docket, a decision and order had not been filed in the RCEA Program proceeding, Docket No. 03-0142. Subsequently, on April 20, 2005, the Commission filed Decision and Order No. 21756 (“D&O 21756”) denying HECO’s request to implement the RCEA Program, without prejudice. D&O 21756 stated that “...An educational program, such as the RCEA Pilot Program may be better suited as one component of a portfolio of DSM measures, which may be considered in other proceedings before the commission, if HECO so chooses” (at 10).

("RDLC") Program approved in Docket No. 03-0166 and (2) the Commercial and Industrial Direct Load Control ("CIDLC") Program approved in Docket No. 03-0415 (so that program costs would be recovered entirely through base rates).

By Order No. 21698 ("Order No. 21698"), filed on March 16, 2005, in Docket Nos. 04-0113 and 05-0069, the Commission: (1) separated HECO's requests for approval and/or modification of demand-side and load management programs and recovery of program costs and DSM utility incentives (collectively referred to as the "Proposed DSM Programs") from the Rate Case Docket, and opened the instant docket (the "Energy Efficiency Docket") in which to consider these matters, among other things, and (2) determined the parties and participants for the Rate Case Docket and the newly formed Energy Efficiency Docket to address and examine the Proposed DSM Programs.

The issues in this docket are comprised of two categories, namely 1) issues dealing with statewide energy policy, and 2) issues dealing with HECO's Proposed DSM Programs.

Statewide Energy Policy Issues:

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

(2) 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);<sup>2</sup>

---

<sup>2</sup> Life of the Land believes that the sentence should say " What market entities and/or market structures are the most appropriate ..."

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

(4) For utility-incurred costs, what types of costs are appropriate for recovery;

(5) Whether DSM incentive mechanisms are appropriate to encourage the implementation of DSM programs, and, if so, what is the appropriate mechanism(s) for such DSM incentives;

HECO's Proposed DSM Programs Issues:

(6) 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 efficiency programs will achieve the established energy efficiency goals and whether the programs will be implemented in a cost-effective manner;<sup>3</sup>

(7) If utility-incurred costs for the programs in issue 6 are to be included in base rates, what cost level is appropriate, and what the transition mechanism for cost recovery will be until the respective utility's next general rate case;

(8) Whether HECO's proposed DSM utility incentive is reasonable, and should be approved, approved with modifications, or rejected;

(9) Which of the Proposed DSM Programs, the RCEA Program, and/or other energy efficiency programs should be approved, approved with modifications, or rejected.

SCHEDULE OF PROCEEDINGS

HECO Informal Submission  
of Interim DSM Proposals to Parties/Participants<sup>4</sup>

October 11, 2005

---

<sup>3</sup> See footnote 1. HECO has pursued cost recovery for its enhanced energy conservation and efficiency informational advertising efforts in Docket No. 04-0113. The Commission's decision on this matter may influence whether and to what extent HECO pursues approval and cost recovery of an RCEA program or any other energy conservation and efficiency informational advertising program in this proceeding.

<sup>4</sup> HECO will informally provide to the parties/participants its Interim DSM Proposals by October 11, 2005. The parties/participants may provide to HECO by November 18, 2005 informal comments on its Interim DSM Proposals. HECO's Interim DSM Proposals will be its proposed DSM initiatives pending the resolution of the Energy Efficiency Docket, such as modifications to its existing energy efficiency programs (e.g., changes in customer incentive levels and program budgets, modifications to customer

Technical Consultant Meeting <sup>5</sup>	November 2, 2005
Parties/Participants' Informal Comments on HECO's Interim DSM Proposals	November 18, 2005
HECO's Interim DSM Proposals filed with the Commission for interim approval	December 5, 2005
Parties/Participants' Responses to HECO's Interim DSM Proposals filed with the Commission	January 10, 2006
HECO's Reply to the Parties/Participants' Responses on HECO's Interim DSM Proposals filed with the Commission	January 31, 2006
Commission decision on HECO's Interim DSM Proposals	To be determined by the Commission
Parties/Participants Informally Exchange Preliminary Statements of Position <sup>6</sup>	February 15, 2006
Settlement Discussions Meeting <sup>7</sup>	Week of March 27, 2006

payback period) and/or new DSM programs (e.g., CFLs for the residential sector). For the Interim DSM Proposals, HECO will request Commission approval for their implementation on an interim basis until a final decision and order is rendered by the Commission in the subject proceeding. The Interim DSM Proposals are being proposed at this time to help HECO address its reserve capacity margins shortfall situation.

<sup>5</sup> The intent of the Technical Consultant Meeting is to informally discuss issues such as statewide energy policy, HECO's Interim DSM Proposals, DSM program design and incentive mechanisms, and recent developments in DSM program regulation and implementation.

<sup>6</sup> By February 15, 2006, the parties/participants will provide informally to the other parties their respective preliminary statement of position ("SOP"). From February 16, 2006 through March 31, 2006, the parties/participants plan to engage in informal discussions in which information can be exchanged informally between the parties/participants so that their preliminary positions on the issues can be understood. During this timeframe the parties/participants will also attempt to reach agreement/partial agreement on the issues for Commission review and approval.

<sup>7</sup> The parties/participants will informally meet to discuss the statewide energy policy issues and the issues related to HECO's Proposed DSM Programs to attempt to reach agreement/partial agreement on the issues for Commission review and approval, which would limit the issues needed to be addressed in the parties/participants' Final SOP. The date for the meeting will be determined by the parties/participants.

Simultaneous Final SOP <sup>8</sup> by the parties/participants filed with the Commission	April 13, 2006
Information Requests on Final SOPs filed with the Commission	May 5, 2006
Responses to Information Requests on Final SOPs filed with the Commission	May 26, 2006
Prehearing Conference	June 20, 2006
Panel Hearings	Week of June 26, 2006
Simultaneous Post-Hearing Opening Briefs filed with the Commission	4 weeks after transcripts
Simultaneous Post-Hearing Reply Briefs filed with the Commission	3 weeks after Opening Briefs

II.

MISCELLANEOUS MATTERS TO FACILITATE  
AND EXPEDITE THE ORDERLY CONDUCT OF  
THESE PROCEEDINGS

A. Requests for Information

A party/participant to this proceeding may submit information requests to another party/participant within the time schedule specified in this Stipulated Prehearing Order. To the extent practical, the parties/participants will cooperate by resolving questions regarding information requests and responses informally to attempt to work out problems

---

<sup>8</sup> The SOP is designated "Final" because the preliminary SOP is being provided informally to the parties/participants and is not being filed with the Commission.

with respect to understanding the scope or meaning of information requests, or with respect to the availability of information. If a party/participant is unable to provide the information requested within the prescribed time period, it should so indicate to the inquiring party/participant as soon as possible. The parties/participants shall then endeavor to agree upon a later date for submission of the requested information. If the parties/participants are unable to agree, the responding party/participant may seek approval for the late submission from the Commission upon a showing of good cause. It is then within the Commission's discretion to approve or disapprove such late filings and take any additional action that may be appropriate, such as extending the date for the inquiring party/participant to act.

In lieu of responses to information requests that would require the reproduction of voluminous documents or materials, the documents or materials may be made available for reasonable inspection and copying at a mutually agreeable designated location and time. In the event such information is available on computer diskette or other readily usable electronic medium, the party/participant responding to the information request may make the diskette or such electronic medium available to the other party/participant and the Commission. Subject to objections that may be raised and to the extent practicable, the electronic files for spreadsheets will contain all formulae intact, and will not be entirely converted to values prior to submission.

A party/participant shall not be required, in a response to an information request, to provide data that are already on file with the Commission or otherwise part of the

public record, or that may be stipulated to pursuant to Part B, infra. The responding party/participant shall, in lieu of production of a document in the public record, include in its response to the information request an identification of the document with reasonable specificity sufficient to enable the requesting party/participant to locate and copy the document. In addition, a party/participant shall not be required, in a response to an information request, to make computations, compute ratios, reclassify, trend, calculate, or otherwise rework data contained in its files or records.

A party/participant may object to responding to an information request that it deems to be irrelevant, immaterial, unduly burdensome, onerous or repetitious, or where the response contains information claimed to be privileged or subject to protection (confidential information). If a party/participant claims that information requested is confidential, and withholds production of all or a portion of such confidential information, the party/participant shall: (1) provide information reasonably sufficient to identify the confidential information withheld from the response, without disclosing privileged or protected information; (2) state the basis for withholding the confidential information (including, but not limited to, the specific privilege applicable or protection claimed for the confidential information and the specific harm that would befall the party/participant if the information were disclosed); and (3) state whether the party/participant is willing to provide the confidential information pursuant to a protective order governing this docket.

A party/participant seeking production of documents notwithstanding a party/participant's claim of confidentiality, may file a motion to compel production with the Commission.

The responses of each party/participant to information requests shall adhere to a uniform system of numbering agreed upon by the parties/participants. For example, the first information request submitted by the Consumer Advocate in this docket shall be referred to and designated as "CA-SOP-IR-1", and a response to this information request shall be referred to and designated as "Response to CA-SOP-IR-1".

Each response shall be provided on a separate page and shall recite the entire question asked and set forth the response and/or reference to the attached responsive document, indicating the name of the respondent for each response.

The parties/participants anticipate that it will be necessary to refer to certain information obtained through the informal IR process in their Final SOPs and/or their Responses to HECO's Interim Proposals. Therefore, the parties/participants agree that the informal IR responses upon which any party/participant has relied in its Response to HECO's Interim Proposals or Final SOP will be documented and filed with the Commission (either as an attachment to such Response or Final SOP, or in a separate filing), and the parties/participants will cooperate in designating and documenting the informal IR responses to be filed with the Commission, and in filing the designated responses on a timely basis with the Commission. These informal IR responses filed with the Commission shall be deemed to be part of the record in this docket.

B. Matters of Public Record

In order to provide a means to reduce unnecessary reproduction of documents and to facilitate these proceedings, identified matters of public record, such as reports that a party/participant has filed with the Commission, published decisions of this or other Commissions, published scientific or economic statistical data, material and textbooks, technical or industry journals relating to electric utility matters, and specified parts of the record in previous Commission dockets shall be admissible in this proceeding without the necessity of reproducing each document; provided that the document to be admitted is clearly identified by reference to the place of publication, file or docket number, and the identified document is available for inspection by the Commission and the parties/participants; and further provided that any party/participant has the right to explain, qualify or conduct examination with respect to the identified document. The Commission can rule on whether the identified document can be admitted into evidence when a party/participant proffers such document for admission as evidence in this case.

From time to time, the parties/participants may enter into stipulations that such documents, or any portion of such documents, may be introduced into evidence in this case.

C. Copies of Filings and Information Requests.

1. Filings:

Commission	Original + 8 copies	
Consumer Advocate	3 copies	
Other parties/participants		2 copies

2. Information Requests and Responses:

Commission	Original + 8 copies
Consumer Advocate	3 copies
Other parties/participants	2 copies

3. All pleadings, and other documents required to be filed with the Commission shall be filed at the office of the Commission in Honolulu within the time limit prescribed pursuant to Chapter 61, subchapter 2, section 6-61-15 of the Commission's Rules of Practice and Procedure.

4. Copies of all filings, information requests and information request responses should be sent to the other parties/participants by hand delivery, mail or via facsimile. In addition, if available, all parties/participants shall provide copies of their filings, information requests and information request responses to the other parties via diskette or e-mail in a standard electronic format that is readily available by the parties/participants. The parties/participants agree to use Word 97, Word 2000, or Word 2003 as the standard programming format for filings in this case. However, if workpapers, documentation, or exhibits attached to any filing are not readily available in an electronic format, a party/participant shall not be required to convert such workpapers, documentation, or exhibits into an electronic format. Also, existing documents produced in response to requests need not be converted to Word 97/Word 2000/Word 2003 as long as the applicable format is identified. In the event a copy of a filing, information request or information request response is delivered to a party/participant via diskette or e-mail, unless otherwise agreed to by such party/participant, the same number of copies of such

filing, information request or information request response must still be delivered to such party/participant by hand delivery or via facsimile as provided in Parts C.1 and C.2 above.

D. Panel Hearing

This Stipulated Prehearing Order contemplates that this proceeding will implement a hearing format that is substantially similar to the hearing format implemented at the hearings held on December 8-10, 2004 in Docket No. 03-0371 relating to Distributed Generation. (The specifics of the panel hearing format were discussed in Order No. 21489 issued December 1, 2004 in Docket No. 03-0371.) The parties/participants request that the Commission issue an order prior to the Prehearing Conference with respect to its proposed format for the panel hearing. This order may address aspects of the panel hearing such as the issues to be addressed by the parties/participants, witnesses for each party/participant, counsel for each party/participant, cross examination procedures, and the role of the panel hearing moderator, if applicable. The matters addressed in the Commission's order may be discussed at the Prehearing Conference.

E. Communications

Chapter 61, subchapter 3, section 6-61-29 of the Commission's Rules of Practice and Procedure concerning ex parte communications is applicable to any communications between a party/participant and the Commission. However, the parties/participants may communicate with Commission counsel on matters of practice and procedure through their own counsel or designated official.

Communications between the parties/participants should either be through counsel or through designated representatives. All pleadings, papers, and other documents filed in this proceeding shall be served on the opposing party/participant. All motions, supporting memoranda, and the like shall also be served on opposing counsel.

F. General

These procedures are consistent with the orderly conduct of this docket.

Pursuant to Chapter 61, subchapter 3, section 6-61-37 of the Commission's Rules of Practice and Procedure, this Stipulated Prehearing Order shall control the subsequent courses of the proceedings, unless modified at or prior to the hearings to prevent manifest injustice.

This Stipulated Prehearing Order may be executed by the parties/participants in counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument. The parties/participants may execute this Stipulated Prehearing Order by facsimile for initial submission to the Commission to be followed by the filing of originals of said facsimile pages.

DONE at Honolulu, Hawaii, this \_\_\_\_ day of \_\_\_\_\_, 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

CERTIFICATE OF SERVICE

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

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
DIVISION OF CONSUMER ADVOCACY  
335 Merchant Street, Room 326  
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, HI 96840-0001

DEAN K. MATSUURA  
DIRECTOR, REGULATORY AFFAIRS  
HAWAIIAN ELECTRIC COMPANY, INC.  
P. O. Box 2750  
Honolulu, HI 96840-0001

THOMAS W. WILLIAMS, JR.  
PETER Y. KIKUTA  
GOODSILL ANDERSON QUINN & STIFEL  
HAWAIIAN ELECTRIC COMPANY, INC.  
Alii Place, Suite 1800  
Honolulu, HI 96813  
Attorneys for HECO, HELCO, MECO

H. A. DUTCH ACHENBACH  
PRESIDENT AND CEO  
KAUAI ISLAND UTILITY COOPERATIVE  
4463 Pahee Street  
Lihue, HI 96766

KENT D. MORIHARA  
ISHIKAWA MORIHARA LAU & FONG  
Davies Pacific Center, Suite 400  
841 Bishop Street  
Honolulu, HI 96813  
Attorney for KIUC

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

RANDALL Y. K. YOUNG  
NAVAL FACILITIES ENGINEERING COMMAND PACIFIC  
258 Makalapa Drive, Suite 100  
Pearl Harbor, HI 96860  
Attorney for DOD

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

RICHARD R. REED  
PRESIDENT  
HAWAII SOLAR ENERGY ASSOCIATION  
P. O. Box 37070  
Honolulu, HI 96837

WARREN S. BOLLMEIER II  
PRESIDENT  
HAWAII RENEWABLE ENERGY ALLIANCE  
46-040 Konane Place, #3816  
Kaneohe, HI 96744

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

GEORGE T. AOKI  
THE GAS COMPANY, LLC  
P. O. Box 3000  
Honolulu, HI 96802  
Attorney for TGC

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

LANI D. H. NAKAZAWA  
LAUREL LOO  
JAMES K. TAGUPA  
OFFICE OF THE COUNTY ATTORNEY  
COUNTY OF KAUAI  
4444 Rice Street, Suite 220  
Lihue, HI 96766-1300

---

Karen Higashi

DATED: \_\_\_\_\_

HECO/CA-IR-220 Ref: CA T-2, page 57, lines 1-11.

- a. Is it the CA's position that HECO's proposed conservation and energy efficiency advertising messages (referenced in response to CA-IR-446 and CA-IR-533) should not be done at this time? If the answer is anything other than an unqualified "yes", please fully explain your response.

RESPONSE: It is the Consumer Advocate's position that it is well within the discretion of HECO's management to expend whatever level of corporate funds it chooses on the proposed conservation and energy efficiency advertising messages. It is also the Consumer Advocate's position that none of the actual or forecasted cost of such advertising should be included in determining base rates in the pending rate case.

- b. If HECO is not able to recover the conservation and energy efficiency advertising messages in base rates, please explain the mechanism that the CA recommends HECO should use to recover such costs. Please provide the basis for the CA's response.

RESPONSE: In the event that HECO stands committed to the aggressive marketing effort, the Company should raise the matter for further consideration by the Commission in Docket No. 05-0069 – because the primary focus of the messages relate to DSM and customer awareness of energy options and conservation.



DEPARTMENT OF THE NAVY  
OFFICE OF THE GENERAL COUNSEL

OFFICE OF COUNSEL  
NAVAL FACILITIES ENGINEERING COMMAND  
PACIFIC  
258 MAKALAPA DRIVE, SUITE 100  
PEARL HARBOR, HI 96860-3134

13 September 2005

The Honorable Chairman and Members of the  
Public Utilities Commission of the State of Hawaii  
465 South King Street  
Honolulu, Hawaii 96813

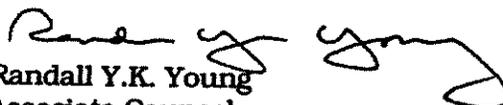
Dear Commissioners:

Subject: Docket No. 04-0113  
HECO 2005 Test Year Rate Case - Summaries of DOD  
Position r.e. Income Synchronization and Informational  
Advertising

Pursuant to the September 12<sup>th</sup> request of the Commission's counsel, the DOD transmits its position summaries regarding the two issues the parties wish to submit to the Commission without live testimony and on briefs. These are the issues of income synchronization and informational advertising.

Should you have any questions on this, please call me at (808) 474-5514.

Very truly yours,

  
Randall Y.K. Young  
Associate Counsel  
NAVFAC Pacific

Enclosures

Cc: Division of Consumer Advocate  
(C. Kikuta)  
HECO  
(D. Matsuura)

## Informational Advertising

### 1. What is the issue?

HECO has included in its rebuttal testimony \$750,000 of load management program advertising. DOD's position is that this expense should not be included in HECO's base rates in the current rate case, and should be addressed in the Energy Efficiency docket. DOD also questions the amount HECO proposes to spend, and suggests that HECO's proposal receive thorough scrutiny in the context of the Energy Efficiency docket. Since this expenditure is for load management and energy conservation and efficiency awareness it should be addressed in the Energy Efficiency docket. After reviewing the ads "Groove" and "Cool Tips" (per the response to DOD-RIR-56), the Commission should question the likely effectiveness of this form of DSM spending. The forum that the Commission has established for evaluating HECO's proposed conservation related expenses is the Energy Efficiency docket. So, the \$750,000 expense for conservation awareness advertising should be removed from the rate case.

### 2. What can't the issue be settled?

Because HECO has thus far refused to agree to remove the \$750,000 advertising expense amount that it presented (for the first time) in its rebuttal testimony so it can more appropriately be reviewed in the Energy Efficiency docket.

### 3. What are the implications for the revenue requirement for HECO?

The \$750,000 advertising expense is in HECO's rebuttal filing and should be removed. Using a 1.09 multiplier, removal will decrease the revenue requirement otherwise agreed to by the parties in their settlement agreement by approximately \$824,000.

### 4. Why would just briefing this issue be sufficient?

Briefing would be sufficient because there appear to be no disputed facts regarding this issue. The only dispute is whether it should not be in base rate expenses in this case, or more appropriately be removed and evaluated in detail in the Energy Efficiency docket. HECO's response to DOD-RIR-56 shows the advertisements. HECO's responses to other discovery, such as CA-RIR-61, 62, 64 and 65 provide additional details. That information, which is in the record, plus additional comments that may be presented in the briefs submitted by the parties, should be sufficient for the Commission to decide this issue without need for any witness testimony in this case.

### Interest Synchronization

1. **What is the issue? The method of calculating interest expense to be deducted from operating income in determining income tax expenses**
2. **Why can't the issue be settled? This is a policy matter, asking the Commissioners to either adopt a new policy consistent with other jurisdictions or reaffirm past Hawaii precedent.**
3. **What are the implications for revenue requirement? Interest synchronization can produce either a higher or a lower revenue requirement depending on the Commission's final determination of rate base. In the instant case the company has an all party agreement to weighted cost of debt of 2.594% and the settlement rate base is \$1,109.230 million with the disputed pension issue and \$1,030.439 million without the disputed pension issue resolved as proposed by the DOD and Consumer Advocate. Thus interest expense for calculating income tax expense when including the pension asset in rate base would be \$28.773 million and \$26.729 million when excluding pension asset from rate base. That compares to the \$27.911 interest expense for income tax calculations used by the company in reliance on past precedent.**
4. **Why is briefing sufficient? There are no disputed facts and relevant precedents and references are either in the record or capable of judicial notice.**