BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAIʻI

In the Matter of HAWAIIAN ELECTRIC COMPANY, INC. 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

COUNTY OF KAUAʻI'S
PRELIMINARY STATEMENT OF POSITION, STATEWIDE ENERGY EFFICIENCY DOCKET

AND

CERTIFICATE OF SERVICE

FILED

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PUBLIC UTILITIES COMMISSION

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By Order No. 21698, filed March 16, 2005, the Commission opened the statewide Energy Efficiency Docket. Order No. 21698 granted Motions to Intervene for the Department of the Navy, on behalf of the Department of Defense ("DOD"), Rocky Mountain Institute ("RMI") and Life of the Land ("LOL"). The County of Maui ("COM") was granted a Motion to Participate.

By Order No. 21749, filed April 14, 2005, the Commission granted the Motions to Intervene for the Hawaiʻi Solar Energy Association ("HSEA") and the Hawaiʻi Renewable Energy Alliance ("HREA").

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

On September 14, 2005, the Commission issued Order No. 22029 which made the County of Kaua'i ("CoK") a participant in this proceeding, provided that its participation is limited to issues of statewide energy policies.

The following preliminary statement of position by the CoK states its position on the issues as outlined in the Stipulated Prehearing Order submitted by the parties to this docket. The policy witness for the CoK will be Glenn Sato, Energy Coordinator for the CoK.

The preliminary statement by the CoK recognizes the differences in ownership structure of the electric utilities on all of the islands as compared to the island of Kaua'i . Kaua'i Island Utility Cooperative has been a member-owned, non-profit cooperative since September 17, 2002 when the Public Utilities Commission approved the sale of Kaua'i Electric to the Kaua'i Island Utilities Cooperative through Docket No. 02-0060, Decision and Order No. 19658. All other electric utilities in Hawai'i are investor-owned, for profit companies with two distinct groups of constituents....ratepayers and stockholders. With this distinction clearly articulated, the CoK responds to the statewide docket issues as follows:

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

Energy efficiency goals for the State should promote the energy policy of the State, as set forth in Hawai'i Revised Statutes ("HRS") section 226-18 and should benefit ratepayers. Specific goals should be determined by a collaborative process of all stakeholders and could consist of targets based on the number of changes a utility has made to its utility practices and pricing to promote energy efficiency, public education and involvement targets, penetration rate of energy efficiency demonstration projects, and generation costs avoided. The goals should be ambitious, challenging, and high, yet achievable. Goals provide the roadmap to success and focusing on these goals help to keep the programs on track. Goals should be kept flexible, as they may require change or refinement.

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

The current utility-only market structure delivery system has produced limited results. In the current scenario, electric utilities concentrate on electrical DSM measures and the gas utility provides similar gas DSM programs. The energy efficiency and DSM focuses for these utilities are system benefits rather than customer benefits.

The CoK believes that a non-utility provider should be tasked to implement aggressive statewide DSM programs. A non-utility provider or providers would be able to structure programs that could mesh electric, gas, and other technologies into an effective energy efficiency program that focuses on users. Because it has no conflicting interests, a non-utility provider can concentrate on whole-system design and functionality and look at various technologies and approaches, which will yield more savings and benefits than a measure-by-measure approach. One example of such an approach is in the proposal recently submitted by the Governor. Her energy bill proposes that the Public Utilities Commission redirect the current demand-side management surcharge to a public benefit fund and establish a fund administrator to operate and manage DSM programs. The fund administrator could competitively solicit a non-utility provider or providers to implement aggressive energy efficiency programs. If a qualified non-utility provider is not available, a newly created non-profit entity could be created to implement the programs.

As a member-owned cooperative, KIUC should have more incentives and less disincentives than an investor-owned utility to see more aggressive DSM measures implemented. Working in concert with the non-utility provider, KIUC's current successful solar program could be expanded to include other energy efficient products or even renewable energy systems which could help to defer the next generation addition. Even with a non-utility provider administering the program, there is an important role for KIUC in the education of its member-owners. Currently, KIUC supports various community programs such as the Hospice Concert in the Sky, local sports and the Youth Tour. Another example of how some of these community benefit funds could be used is the establishment of a resource/energy efficiency center showcasing the latest product innovations to hit the market. This efficiency center should concentrate on commercial buildings and be in a highly visible location. It could be used as a testing/demonstration center to determine product performance and reliability in not only electrical efficiencies but also water conservation/efficiency products as well as sustainable building design. Pacific Gas & Electric's Pacific Energy Center is such an example and it offers educational programs, design tools, advice and support to create energy efficient buildings and comfortable indoor environments. Part of the information provided could be supported through an energy information resource library. A KIUC energy center could also be a direct connection to curriculum development for all Kauaʻi schools to teach students to be more resource efficient.

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

The CoK supports the concept that a non-utility provider be competitively solicited (existing entity) or a newly created non-utility provider be formed to implement energy efficiency programs. In this scenario, utility administrative costs to collect and transfer the funds to a public benefits fund should be minimal, covered by their current operational costs and should be recovered in current rates. For utility providers, pursuing energy efficient objectives is good business practice, and should be part of the utilities' ongoing operations. Utilities will also receive the benefits of energy efficiency programs, so their costs should be recovered in base rates.

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

In the non-utility market structure scenario proposed by the CoK, administrative costs related to energy efficiency/DSM program fund collections by the utility and transferred to the non-utility provider are appropriate for recovery and should be minimal, and not require an increase in current base rates. In the case of KIUC, which is a member-owned, non-profit cooperative, lost margin recovery and shareholder incentives are not relevant and should not be allowed.

(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.**

The CoK's proposal to have DSM programs handled by a non-utility provider precludes the need for DSM incentives. DSM incentives have been historically used to motivate utilities to work on the customer side of the meter. A cooperative, member-owned utility like KIUC should view DSM as a customer service and not require incentives to make their member-owners as efficient as possible.

DATED: Līhu‘e, Kaua‘i, Hawai‘i, February 24, 2006.

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CERTIFICATE OF SERVICE

I hereby certify that I have this date served copies of the foregoing **COUNTY OF KAUA'I'S PRELIMINARY STATEMENT OF POSITION, STATEWIDE ENERGY EFFICIENCY DOCKET** in Docket No. 05-0069 upon the following parties, by causing copies hereof to be mailed, postage prepaid, and properly addressed to each such party, as noted below.

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