

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

----In the Matter of---- )  
 )  
PUBLIC UTILITIES COMMISSION )  
 )  
Instituting a Proceeding to )  
Investigate Competitive Bidding )  
for New Generating Capacity in )  
Hawaii. )  
\_\_\_\_\_ )

DOCKET NO. 03-0372

ORDER NO. 20583

Filed Oct. 21, 2003  
At 2:00 o'clock P.M.

Karen Higash  
Chief Clerk of the Commission

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

----In the Matter of----	)	
	)	
<u>PUBLIC UTILITIES COMMISSION</u>	)	Docket No. 03-0372
	)	
Instituting a Proceeding to	)	Order No. 20583
Investigate Competitive Bidding	)	
for New Generating Capacity in	)	
Hawaii.	)	
<hr/>		

ORDER

I.

Purpose of Investigation

The purpose of this investigation is to evaluate competitive bidding as a mechanism for acquiring or building new generating capacity in Hawaii. The competitive bidding process has been widely implemented throughout the United States and may serve as an alternative for Hawaii to facilitate wholesale market competition and enhance the potential for higher efficiency and lower costs for its electric industry.

Competitive bidding for new generating capacity is often referred to as a wholesale market model that includes equity and efficiency considerations, encouragement of competitive generation options and new technologies, lower costs through competition, more choices, reliable supplies, and a level playing field on which all generation options could compete. At this juncture, the commission believes that competitive bidding for new generating capacity may provide a viable, wholesale market competition alternative for the State of Hawaii.

Potential benefits traditionally identified with the competitive bidding process include, without limitation: (1) increasing the level of wholesale competition for electric power resources; (2) placing bidders under the same guidelines, rules, requirements, and bidding window, thereby allowing the best electric generation project to be selected; (3) encouraging new technologies and creative proposals; and (4) potentially lowering electricity prices and offering more choices to the electric consumer.

Through this docket, the commission intends to explore competitive bidding issues affecting the electric industry in Hawaii. The issues include, but are not limited to:

- (1) evaluating the benefits and impacts of competitive bidding;
- (2) developing a fair competitive bidding system, if necessary, that:
  - (a) ensures that competitive benefits result from the system and ratepayers are not placed at undue risk;
  - (b) clearly specifies competitive bidding guidelines and requirements for prospective bidders, including the evaluation system to be used, and the process for evaluation and selection;
  - (c) encourages broad participation from a range of prospective bidders; and
- (3) developing the necessary revisions to the integrated resource planning process, if necessary.

Since all regulated electric utilities in Hawaii will likely be impacted by the outcome of this investigation, the commission will make Hawaiian Electric Company, Inc. ("HECO"),

Maui Electric Company, Limited ("MECO"), Hawaii Electric Light Company, Inc. ("HELCO"), and Kauai Island Utility Cooperative ("KIUC") and the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate") parties to this docket.<sup>1</sup>

As we examine the various generic competitive bidding issues in this proceeding, the commission anticipates that other related matters may also be simultaneously addressed through other state and federal actions (i.e., legislation). Further, these issues may tangentially or indirectly be raised in future commission dockets or tariff filings.

Since it would be unreasonable to defer consideration of all future related filings with the commission that may be affected by this proceeding, the commission may consider these related matters on a case-by-case basis. To the extent that there is a public interest served in determining an outcome in these matters prior to the completion of this proceeding, we will do so. Such an outcome may need to be interim in nature, pending our final disposition of this docket. In any case, this investigation is not intended to impede or delay the timely consideration of any related matters that may subsequently come before us.

---

<sup>1</sup>Pursuant to Hawaii Administrative Rules ("HAR") § 6-61-62, the Consumer Advocate is an ex officio party in all commission proceedings.

## II.

### Investigative Authorities

Hawaii Revised Statutes §§ 269-7 and 269-15 and HAR § 6-61-71 authorize the commission to examine and institute proceedings on any matter relating to a utility's practices and services or otherwise affecting the relations and transactions between the utility and the public. Accordingly, pursuant to the above-mentioned authorities, the commission will, on its own motion, institute a proceeding to evaluate competitive bidding as a mechanism for acquiring or building new generating capacity in Hawaii.<sup>2</sup>

Any individual, entity, or organization desiring to intervene as a party or to participate without intervention in this proceeding shall file a motion to intervene or participate without intervention not later than twenty (20) days of the filing of this order. Motions to intervene or participate without intervention must comply with all applicable rules of HAR Chapter 6-61, Rules of Practice and Procedures Before the

---

<sup>2</sup>For purposes of this docket, we will, pursuant to our investigative authorities, examine all facets of Hawaii's electric industry as it pertains to competitive bidding. Similar to Docket No. 96-0493, our investigation will encompass not only the physical/technological and legal (statutory and regulatory) structures and features of the State's electric industry, but all aspects and arrangements that affect the manner in which electricity services are planned, produced, acquired, transported, furnished, and sold in the State of Hawaii. We are interested in both the substance and the process in competitive bidding and the requisite roles and responsibilities of all players, including providers, consumers, regulators, and the society in general.

Public Utilities Commission.<sup>3</sup> Subsequent to determining all parties and participants in this docket, the commission will issue a prehearing order establishing, among other things, the schedule of proceedings, issues, hearing date(s), and other procedures needed to govern the instant proceedings.

### III.

#### Orders

##### THE COMMISSION ORDERS:

1. A proceeding is instituted to evaluate competitive bidding as a mechanism for acquiring or building new generating capacity in Hawaii.

HECO, MECO, HELCO, KIUC and the Consumer Advocate shall be parties to this proceeding.

3. Within 20 days of this order, interested persons or entities shall file motions to intervene or participate without intervention, pursuant to HAR Chapter 6-61.

---

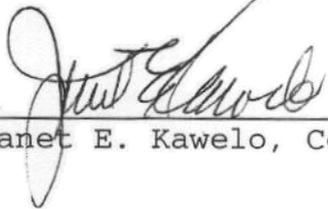
<sup>3</sup>To ensure a comprehensive examination of this matter, we invite all interested energy service providers and other business, environmental, cultural and community groups to participate in this docket as intervenors or participants so long as these persons or entities adhere to our administrative rules, specifically HAR Chapter 6-61 which governs intervention and participation in commission proceedings.

DONE at Honolulu, Hawaii this 21st day of October,  
2003.

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:

*for*   
Kevin M. Katsura  
Commission Counsel

Investigation Competitive Bidding.ah

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 20583 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  
HAWAIIAN ELECTRIC COMPANY, INC.  
P.O. Box 2750  
Honolulu, HI 96840-0001

WARREN H. W. LEE, PRESIDENT  
HAWAII ELECTRIC LIGHT COMPANY, INC.  
P.O. Box 1027  
HILO, HI 96721-1027

EDWARD L. REINHARDT, PRESIDENT  
MAUI ELECTRIC COMPANY, LIMITED  
P.O. BOX 398  
KAHULUI, HI 96733-6898

ALTON MIYAMOTO  
KAUAI ISLAND UTILITY CO-OP  
2970 HALEKO ROAD, SUITE 202  
LIHUE, HI 96766

  
\_\_\_\_\_  
Karen Higashi

DATED: October 21, 2003