BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAI'I

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

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PUBLIC UTILITIES COMMISSION

COUNTY OF KAUA'I'S
FINAL STATEMENT OF POSITION,
STATEWIDE ENERGY EFFICIENCY DOCKET

AND

CERTIFICATE OF SERVICE

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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 Hawai'i Solar Energy Association ("HSEA") and the Hawai'i Renewable Energy Alliance ("HREA").

By Order No. 21861, filed June 7, 2005, the Commission made Hawai'i Electric Light Company, Inc. ("HELCO"), Maui Electric Company, Limited ("MECO"), Kaua'i 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.

On March 1, 2006, CoK sent all parties a preliminary statement of position (PSOP) on the issues as outlined in the Stipulated Prehearing Order submitted by the parties to this docket. The PSOP provided comments and suggestions designed to stimulate discussion with the other parties. From March 1 through March 31, CoK reviewed all PSOP's and entered into discussions with various parties. On April 4, 2006, the parties to the docket met or participated via teleconference in a settlement meeting. At the conclusion of the April 4 meeting, the parties agreed to request a schedule change in order to continue dialogue 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 statement of position. At the April 4 meeting, various parties offered to produce "strawman" proposals of various concepts for discussion. On April 26 and May 11, 2006 the parties met in additional settlement discussion meetings.

This final position statement by the CoK is the result of review of the preliminary position statements, strawman proposals presented and the follow up discussions at the settlement meetings. This final position 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 it pertains to KIUC.

(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 without negative impacts on the incumbent utility. CoK agrees with some of the other parties that the goals should be established on an island/County specific basis through the IRP process reviewed and approved by the PUC. The IRP process involves community, government, and business participation in an open forum. There should also be recognition that a cooperative utility structure is very different from an investor-owned utility. A "one size fits all" approach for the state's energy utilities should not be taken.

The energy efficiency 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 and should be re-evaluated and revised with each IRP cycle.

(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).**

CoK believes that the utility-only market structure is still the most appropriate delivery mechanism on Kauai to provide DSM programs that are part of a long-term integrated resource plan. If a statewide provider is selected, Kauai's relatively small market may result in its needs being given a lesser priority over the needs of larger markets, such as O'ahu's. Thus, it makes sense to have KIUC maintain control of DSM programs. As a coop, it is required to consider the needs of its member/owners while maintaining a high level of service, reliability and value at the lowest reasonable cost. KIUC's member/owners have been very vocal in advocating for more aggressive DSM programs and as a public cooperative, the KIUC administration/Board have that added pressure to respond accordingly.

We acknowledge, however, that the island may benefit from offerings provided by a third party, non-utility provider in specific applications such as programs for low income or elderly customers. In these instances, KIUC could subcontract program delivery to the third-party non-profit, but retain administrative control over the programs. CoK and KIUC have held several informal meetings to discuss DSM/energy efficiency programs for unserved or underserved markets such as programs to benefit low income, elderly residential customers, or other target groups.

Aggressive and "out-of-the box" technological approaches such as those proposed by the CoM, including propane-based technologies, dispatchable stand-by generators and plug-in hybrid electric vehicles should also be explored and seriously considered as part of an expanded utility DSM focus. CoK has encouraged KIUC to discuss and consider these options as part of the IRP process.

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. KIUC's current solar program could be expanded to include other energy efficient products or even renewable energy systems such as photovoltaic power systems and wind turbines that could help to defer the next generation addition. KIUC should also maintain and expand on their "value-added" energy efficiency program measures as a customer service and paid for by their operating capital. A recently announced no-interest solar hot water heater loan program where KIUC pays the interest charges is an innovative customer service-based program. Another has been its Energy Star appliance rebate program that started with refrigerators and will move to other appliances in the future.

Member-owner education is also an important role for KIUC in increasing participation in energy efficiency programs. 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 support for a series of educational workshops targeting small business audiences such as the Chamber of Commerce's "business after-hours program." The workshops could concentrate on commercial buildings and provide facility managers with training on the use of efficient products or programs or software that could determine savings potential as a first step. These workshops could target reliability in not only electrical efficiencies but also water conservation/efficiency products as well as sustainable building design.

Another role for KIUC is continuing education for customer facility engineers or building managers. The efficient products of today are constantly being improved and KIUC should be the leader in customer education as it can lead to substantial DSM projects.

In the settlement meeting held on May 11, 2006 previous to the filing of the Final Statement of Positions, the participants (not including the CA and DOD) agreed that an alternate market structure will not apply to KIUC provided that KIUC hire a DSM consultant and/or consult with the third party DSM administrator (or fund administrator) if and when formed. The remaining parties, including KIUC and CoK had no objections to this stipulation.

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

The CoK supports the use of the IRP surcharge to recover reasonable costs to implement energy efficiency programs. Based on review of the Consumer Advocate's rationale for their position on this matter, CoK agrees that the IRP surcharge would require regular reviews of DSM program cost recovery that would place increased focus on DSM program implementation. The level of review may not occur from cost recover via base rates. We also agree with KIUC that a surcharge recovery mechanism would be in the best interest of KIUC and its lenders. Additionally, the use of the fuel clause seems like a very inappropriate mechanism to use. The use of a flexible cost recovery mechanism will also support the pursuit of good emerging opportunities such as the COM's dispatchable standby generator proposal.

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

KIUC, which is a member-owned, non-profit cooperative, should be able to recover all verifiable program costs that are pure utility-DSM measures and not customer-service oriented. The same would apply to HECO, HELCO and MECO.

As highlighted in the Environmental Protection Agency's comments on HECO's DSM program, CoK would like to support keeping administrative costs as low and reasonable as possible and encourages the PUC or the CA to conduct comparative studies for administrative costs for similar programs in similar sized communities elsewhere.

(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.**

Utility DSM incentives such as lost margin recovery and shareholder incentives have been historically used to motivate investor-owned utilities to work on the customer side of the meter. KIUC, as a cooperative, member-owned, non-profit utility, does not require, nor have they pursued shareholder incentives and per Commission approval, KIUC has also ceased to recover lost margins from their customers. CoK also supports KIUC's suggestion on how to increase the eligible DSM markets for Kauai by allowing KIUC to budget and spend reasonable costs on DSM, provided these are justified from the cost-benefit standpoint. However, the CoK recognizes that cost effectiveness can be measured using methods other than the total resource cost and utility cost test perspectives. In this case, a societal cost must be strongly considered if the KIUC

member-owners and its elected Board determine a more expanded and aggressive DSM program should be implemented in the members' interests.

DATED: Līhu'e, Kaua'i, Hawai'i, May 30, 2006.

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