

Hawaii Public Utilities Commission

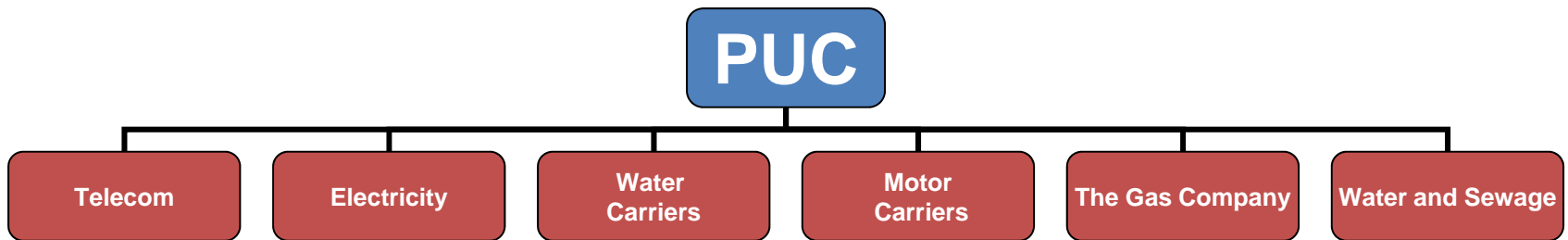
Hermina Morita, Chair

Report to the Plenary Session

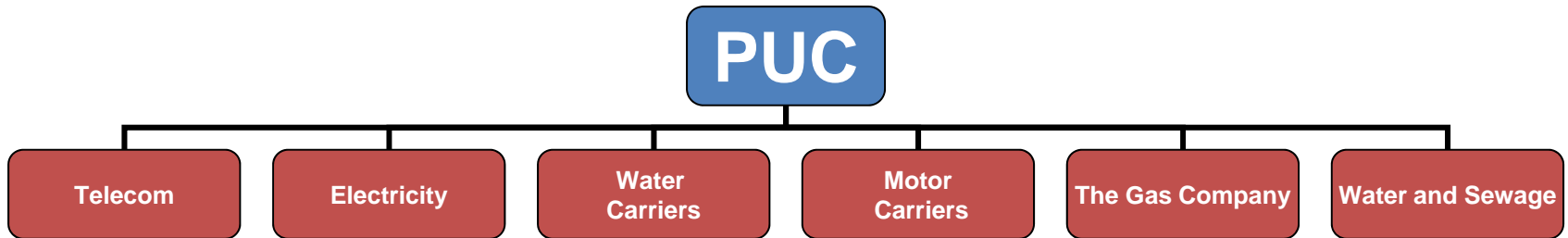
Hawaii Clean Energy Initiative

Monday, May 2, 2011

Overview



- The PUC is responsible for regulating all chartered, franchised, certificated, and registered public utility companies that provide electricity, gas, telecommunications, private water and sewage, and motor and water carrier transportation services in the State.



- The PUC is responsible for regulating the following:
 - 4 electric companies
 - 1 gas company
 - 176 telecommunications
 - 38 water and sewer companies
 - 4 water carriers
 - 679 passenger carriers
 - 593 property carriers

FY 2009-2010

Electric Regulatory Proceedings

- **Recently Completed Dockets**
 - Decoupling
 - Public Benefit Fund Administrator
 - Revision to IRP Frame Work

- **77 on-going dockets**
 - Energy Efficiency Portfolio Standard
 - Feed-In Tariffs (“FIT”)
 - Power Purchase Agreements (PPA’s)

Decoupling

- Transformational change from traditional rate-making.
 - Begins June 1, 2011
- Under decoupling, the PUC determines the utility's operation targets and sets the corresponding revenue level based on the resources and costs required, plus a reasonable return on investment for the utility.
 - The kilowatt hour rate is adjusted as electricity consumption goes up or down to meet the target revenue level.
- The decoupling mechanism has two key parts:
 - (1) a sales decoupling component, or Revenue Balancing Account, which is intended to break the link between electricity sales and total electric revenue
 - (2) a Revenue Adjustment Mechanism, which is intended to compensate for increases in utility costs and infrastructure investment between rate cases.
- Customer bills will continue to be based on energy usage there will still be an incentive to conserve electricity.
- Customers receive a refund if the utility earns more than its PUC approved profit. If the utility does not earn at the level that the PUC approved, it cannot raise its rates to get to that level.

Public Benefit Fund Administrator

- The PUC selected Science Applications International Corporation, nka R.W. Beck as the PBFA, which operates as Hawaii Energy.
 - Bank of Hawaii, Fiscal Agent
 - James Flanagan Associates, Contract Manager
- Public Benefits Fee 2011 surcharge is set at 1.5% of the HECO Companies' projected total electric revenue, plus revenue taxes.
 - \$75M over the next two years



Revised IRP Framework

- For the first time, IRP will consider scenario planning, which is designed to capture variations in planning assumptions and forecasts as well as high level planning estimates of the costs and benefits of resource options.
- Independent Entity (IE)
 - Facilitate the IRP process
 - Verify that the process is conducted in a manner consistent with the framework
 - Ensure that the process is timely and meaningful.
- Advisory Group
 - Collection of individuals, selected by the PUC from public and private entities and the general public, who will contribute to the utility's integrated resource planning process.

Energy Efficiency Portfolio Standard

- HRS § 269-96 requires the PUC establish an energy efficiency portfolio standard (EEPS) to:
 - achieve 4,300 gigawatt hours of electricity use reductions statewide by 2030
 - establish interim goals for electricity use reduction to be achieved by 2015, 2020, and 2025
- Technical Session in April 2011
- Final Statements of Position in May 2011
- Panel Hearing June 2011
 - Jim Flanagan will moderate

Feed In Tariff

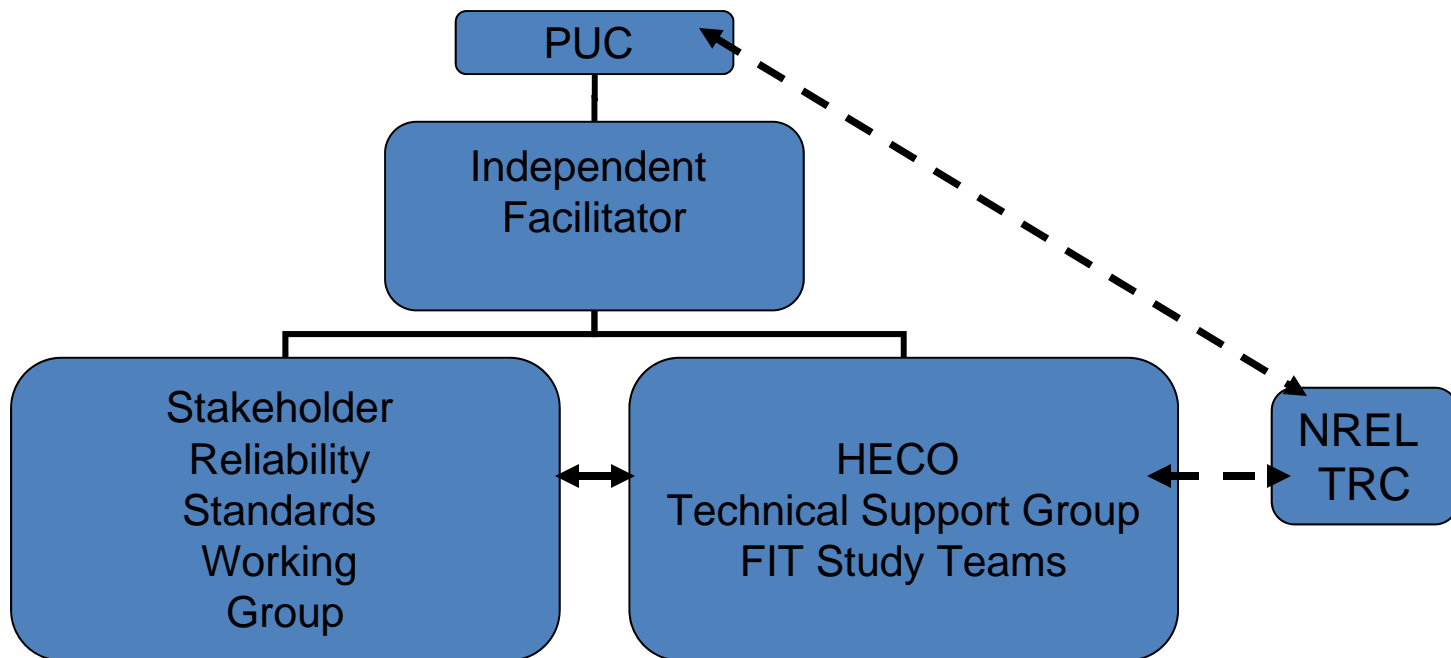
- **Tier 1 and Tier 2 approved**

- HECO Tier 1 – 32 kW active - 29968 kW remain
- HECO Tier 2 – 4625 kW active - 25375 kW remain
- MECO Tier 1 – 21 kW active - 2026 kW remain
- MECO Tier 2 – 285 kW active - 1762 kW remain
- HELCO – Tier 1 – 27 kW active - 2973 kW remain
- HELCO – Tier 2 – 249 kW active - 2751 kW remain

- **Tier 3 reliability standards on going**

- NREL has convened the Technical Review Committee (TRC)
 - Provides independent technical review to the Commission concerning the scope, quality, methods, and results of the studies being conducted by the HECO Technical Support Group ("TSG").
- Allison Silverstein – Independent Facilitator (IF)
 - Contract with the PUC is pending Governor's approval
 - IF coordinates interaction between Stakeholder Reliability Standards Work Group and HECO TSG.

Feed In Tariff



Power Purchase Agreements

- **Recently Approved**

- Oahu Kahuku Wind Power – 30 MW Wind
Honua – 6 MW Waste to Energy
- Maui Kaheawa II – 21 MW Wind
- Kauai Kapa`a Solar – 1.21 MW Solar

- **Pending**

- Kauai Poipu Solar – 3 MW Solar
Green Energy Team – 6.7 MW Biomass
- Oahu IC Sunshine – 5 MW Solar
Kalaeloa Solar II – 5 MW Solar
- Maui Auwahi Wind – 21 MW Wind + Battery
Storage