

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )

HAWAIIAN ELECTRIC COMPANY, INC. )

For Approval of (1) the Commitment of Funds in )  
Excess of \$2,500,000 for the Purchase and Installation )  
of the RO Water Pipeline Project and the Environmental )  
Monitoring Project, (2) a Rate Reduction Program, )  
(3) Accounting and Ratemaking Treatment of the )  
RO Water Pipeline Project and Environmental )  
Monitoring Project, all as Part of the Community )  
Benefits Package Relating to Item Y-49000, Campbell )  
Industrial Park Generating Station and Transmission )  
Additions Project. )

05 - 0146

Docket No. \_\_\_\_\_

PUBLIC UTILITIES  
COMMISSION

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FILED

APPLICATION

EXHIBITS A-F

VERIFICATION

and

CERTIFICATE OF SERVICE

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\_\_\_\_\_ )

**APPLICATION**

TO THE HONORABLE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII:

HAWAIIAN ELECTRIC COMPANY, INC., ("HECO") respectfully requests Commission approval of (1) the commitment of funds in excess of \$2,500,000 for the purchase and installation, and subsequent dedication to the Board of Water Supply of the City and County of Honolulu ("BWS"), of a water pipeline from Campbell Industrial Park to Kahe Power Plant and related facilities in accordance with the provisions of Paragraph 2.3(g)(2) of General Order No. 7, as revised in Decision and Order No. 21002 (issued May 27, 2004 in Docket No. 03-0257) ("G.O. 7 2.3(g)(2)"), (2) the commitment of funds in accordance with G.O. 7 2.3(g)(2) for the purchase and installation of equipment needed for environmental monitoring, (3) the accounting and ratemaking treatment of the water pipeline and environmental monitoring programs, (4) a rate reduction program as further described herein, all as part of a community benefits package

relating to the Campbell Industrial Park Generating Station and Transmission Additions Project ("CIP Generating Station Project").<sup>1</sup>

In conjunction with the CIP Generating Station Project, HECO conducted community meetings for the neighborhoods surrounding the proposed CIP Generating Station Project facility site to discuss the impact that the proposed CIP Generating Station Project would have on these communities. These meetings resulted in a consensus that the other communities on Oahu benefiting from the CIP Generating Station Project, as well as HECO, need to "give back" some sort of benefit to mitigate the impact of the CIP Generating Station on the community accepting the new facility. As a result of these community meetings, a set of six Community Benefits were agreed upon as the appropriate "give-back" for siting the CIP Generating Station Project in their community. Briefly, the Community Benefits consist of (1) a rate reduction for the immediately impacted residential area around the CIP Generating Station Project Site, (2) construction of water facilities to substitute reverse osmosis water ("RO Water") from the Board of Water Supply's Honouliuli Wastewater Treatment Plant for potable water presently being used for industrial purposes at HECO's Kahe Power Plant,<sup>2</sup> (3) the addition of three air monitoring stations and the resumption of HECO's fish monitoring studies, (4) a long-term financial commitment by HECO to support conservation education to be spearheaded by leaders in the community, (5) provision of a "report card" on HECO's activities and distribution

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<sup>1</sup> The Campbell Industrial Park Generating Station Project (Item Y-49000) will add approximately 76 megawatts ("MW") to 130 MW of peaking generating capacity on HECO's system in the Campbell Industrial Park in order to meet the existing demand and forecasted future system load growth on the island of Oahu.

<sup>2</sup> In order to generate power, the Kahe Power Plant requires a significant amount of water for industrial uses such as steam boiler operations. However, before being used in the steam boilers, the water is purified in the Kahe water treatment system. The water that goes into the Kahe water treatment system can be either potable water (water that is used for domestic purposes such as drinking, showers, and sinks) or RO Water (which is recycled wastewater that has been treated to a level suitable for industrial processing and other non-drinking uses). Because potable water has greater applications than RO Water (e.g. RO Water cannot be used for drinking, showers, or other consumption), it is in the public interest to substitute RO Water for potable water whenever feasible.

of the Campbell Local Emergency Action Network ("C.L.E.A.N.") reports to the surrounding communities, and (6) reaffirmation of HECO's corporate commitment to provide strong support for the charitable activities in these communities. This set of six commitments in total constitutes a "Community Benefits Package". The cost of the Community Benefits Package will be shared by HECO's customers, the Board of Water Supply and by HECO's current operations and/or shareholders. HECO is requesting that the first three elements of the Community Benefits Package be recoverable as part of the cost of the CIP Generating Station Project, except that the costs relating to the repair and maintenance of the proposed RO water pipeline project will be handled by the Board of Water Supply. The costs associated with items 4, 5 and 6 of the Community Benefits Package will be paid for by HECO's current operations or shareholders. HECO believes that the proposed Community Benefits Package is reasonable and an essential element of successfully siting the CIP Generating Station Project. The Community Benefits Package will not take effect until after the CIP Generating Station Project has been approved, constructed and placed in-service.

HECO understands that while mitigation measures relating to specific capital improvement projects have been approved in the past, the concept of a Community Benefits Package, while a natural progression of mitigation measures, is somewhat of a new idea in Hawaii's utility regulatory arena. It is not, however, a new idea nationally.<sup>3</sup> This Application

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<sup>3</sup> The concept of "Community Benefits" can be seen from community benefit agreements and good neighbor agreements that have been used by developers and also a few utilities in a variety of projects such as the Staples Center Expansion Project in Los Angeles; Marlon Square Redevelopment Project in California; North Hollywood Mixed-Use Redevelopment Project in California; Key Span Energy Application for CEC and PN Ravenswood Generating Station in Long Island City, Borough of Queens (Case 99-F-1625 (at 50)); Key Span Energy - Application for a Certificate of Environmental Compatibility and Public Need to Construct and Operate a 250 MW Combined Cycle Electric Generating Facility to be Developed in the Town of Huntington, Suffolk County (Case 01-F-0761); PPL Corporation - Relicensing of the Lake Wallenpaupack Facility; Consolidated Edison - Application for a Certificate of Environmental Compatibility; and Public Need to Repower its East River Generating Station located in the Borough of Manhattan, New York City (Case 99-F-1314).

was filed separately in order to address this important issue as HECO recognizes that this concept of a “give-back” deserves its own consideration, especially in light of the importance of the concept to the surrounding community.

## **I. HECO**

HECO, whose principal place of business and whose administrative offices are located at 900 Richards Street, Honolulu, Hawaii, is a corporation duly organized under the laws of the Kingdom of Hawaii on or about October 13, 1891, and is now existing under and by virtue of the laws of the State of Hawaii. HECO is an operating public utility engaged in the production, purchase, transmission, distribution and sale of electricity on the island of Oahu.

## **II. CORRESPONDENCE AND COMMUNICATIONS**

Correspondence and communications regarding this Application should be addressed to:

Robert A. Alm  
Senior Vice President  
Public Affairs  
Hawaiian Electric Company, Inc.  
P. O. Box 2750  
Honolulu, Hawaii 96840-0001.

Copies of such correspondence and communications should also be sent to:

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### **III.**

Commission approval is sought under the provisions of Paragraph 2.3(g)(2) of General Order No. 7, as revised, which states in part that "Proposed capital expenditures ... in excess of [\$2,500,000] ... shall be submitted to the Commission for review at least 60 days prior to the commencement of construction or commitment for expenditure, whichever is earlier." In May 2004, the Commission increased the threshold from \$500,000 to \$2,500,000, excluding customer contributions (Decision and Order No. 21002, issued May 27, 2004 in Docket No. 03-0257). Commission approval is also requested pursuant to Hawaii Administrative Rules ("HAR") Section 6-61-105 and HRS Section 269-19, which provides that a public utility must secure from the Commission an authorization before the public utility may encumber or otherwise dispose of any of its property necessary or useful in the performance of its duties to the public. Commission approval is also requested under HAR Section 6-61-86 and Section 6-61-110 with respect to the proposed rate reduction program.

### **IV. BACKGROUND**

HECO proposes a Community Benefits Package as part of its overall plan to install the CIP Generating Station Project (which will add approximately 76 to 130 MW of peaking generating capacity on HECO's system in order to meet the existing demand and forecasted

future system load growth on the island of Oahu).<sup>4</sup> The Community Benefits Package is the culmination of a long process that had its genesis in the discussions relating to Hawaii's energy policy.

In early 2002, a different type of effort to discuss Hawaii's energy future began to take shape. A key component was the University of Hawai'i at Manoa Hawai'i Energy Policy Forum ("Energy Forum") – a unique experiment in collaborative energy planning and policy making.<sup>5</sup> The Energy Forum included representatives from business, government, and the community in an effort to incorporate many different perspectives and the broadest possible experience into the design of a flexible, forward-looking energy strategy. The Energy Forum identified six critical studies to support the development of energy strategy. One of the studies related to social, cultural and economic issues.

In December 2003 and January 2004, the Energy Forum formed a Community Impacts Group, a sub-group, to begin the process to identify, understand and address the issues related to the impact of infrastructure placement in communities. Invited participants primarily consisted of residents of those communities familiar with hosting such facilities as it was clearly evident that major infrastructure projects are unevenly distributed across Oahu's communities and that only a few communities bear the brunt of the impact (identified by the Community Impacts Group to include impacts such as aesthetics, natural and cultural resources and possible negative health consequences) resulting from these types of projects. For example, most of Oahu's power plants and landfill sites are located along the Leeward coast of Oahu. These burdens are exacerbated when general planning models are applied to Hawaii without taking into

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<sup>4</sup> As explained in the application for the CIP Generating Station Project filed concurrently with this Application, the CIP Generating Station Project is an integral part of HECO's continuous process to provide safe, adequate, and reliable electric service to its customers.

<sup>5</sup> A description of the Hawaii Energy Forum may be found at <http://www.hawaiienergypolicy.hawaii.edu/>.

account Hawaii's distinctive geographic, cultural and social differences. Thus, in determining the location of new major infrastructure facilities, the Community Impacts Group suggested that the decision making process should include input from the impacted communities from development to evaluation of the proposed project and allow for full disclosure of risks and benefits, clearly delineated boundaries and limits, interagency cooperation and ongoing monitoring and evaluation. Most importantly, the community consultation process should give the most weight to the communities most likely to be directly impacted by the proposed facility.<sup>6</sup>

As a result of the work of the Community Impacts Group and the other work by HECO in the community, HECO knew that it needed to meet with the communities potentially impacted by the CIP Generating Station Project to discuss the new generating unit and its impact on these communities.

Beginning in the summer of 2004, HECO began discussing the new unit with the neighboring communities. Meetings with individuals; speeches to community and business groups; meetings with the Neighborhood Boards of Makakilo/Kapolei/Honokai Hale, Waianae and Ewa; focused on describing the energy situation on Oahu and what it would take to meet Oahu's energy needs. As a result of all of those meetings, HECO was given the following protocol to follow:

1. Tell the communities about HECO's planned proposals before HECO announces its proposals to the general public.
2. Ask communities for permission for HECO's activities.
3. Understand that communities may oppose HECO.
4. If the communities agree with HECO's proposals or if the communities are unsuccessful in opposing HECO, the affected communities and HECO need to discuss possible ways of giving

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<sup>6</sup> The Report to Hawaii Energy Forum on Community Impacts is attached as Exhibit A.



back to the communities for the burdens being imposed on the communities.

5. HECO needs to ask the communities about the form of the give-backs.

HECO believed that it had met the first three requirements with respect to the CIP Generating Station Project. HECO then asked the community to initiate the “give-back” discussions contemplated in steps four and five of this protocol.

As a result, HECO conducted community meetings concerning the “give-backs” for the CIP Generating Station Project over a period of several months in the neighborhoods surrounding the proposed CIP Generating Station Project site. Over the period from February 2005 to June 2005 numerous meetings were held with individuals in the communities of Ewa Beach, Makakilo, Kapolei, and Waianae, and five group meetings involving a diverse array of the various leaders from these communities (collectively the “Community Group”).<sup>7</sup> The principle purposes of the group meetings are summarized as follows:

February 22, 2005 meeting – Seek the guidance of the community on how to discuss give-backs to the community if a new power generating unit in Campbell Industrial Park or a wind farm on the hills above the Kahe Power Plant is built.

March 31, 2005 meeting – Provide information that had been requested by the participants of the February 22 meeting and to continue discussions on the give-back criteria and possible areas for give-backs.

April 12, 2005 meeting – Continue to provide requested information and discuss and refine the possible give-backs and the feasibility of the givebacks.

May 12, 2005 meeting – Disseminate the research and information relating to the various give-back proposals and to further refine the list of feasible give-backs.

June 1, 2005 meeting – Reach an agreement on the give-backs related to the CIP Generating Station Project.

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<sup>7</sup> A list of the invited participants and their attendance is attached as Exhibit B.

These meetings resulted in a consensus that in certain instances, where a community accepts a less than desirable facility that benefits the general population as a whole, the general population should “give-back” something to that community for bearing the burden of the undesirable, but necessary, facility.<sup>8</sup> Specifically, the consensus was that while the CIP Generating Station Project may well be necessary, “give-backs” to the community are an essential part of any package to install new generation at Campbell Industrial Park. Overall, the Community Group considered over seventeen (17) different proposals including building a hospital, closing the Kahe Power Plant, building affordable housing, providing discounted rates, and beautifying Farrington Highway, just to name a few. A list of the community suggested “give-backs” and an initial analysis of each is located on Exhibit C at pages 9 through 17.

Creating the Community Benefits Package was a complex task and required the cooperation and patience of the many community groups and individuals involved in the process. There was discussion of which give-back items might be acceptable to the Commission and the likely size of an acceptable give-back package. Among the factors discussed in terms of how to create a package were the following:

1. The community needs to create it with assistance from HECO and then the community needs to stand up for the package when HECO presents it.
2. The Mayor's Office expects the results to be a "win-win" as the Oahu needs additional power generation, and the communities involved need to be addressed for the imposition of new power facilities.
3. Both the process and many of the give-backs are precedent-setting and it is important that this process be successful.
4. The give-back process will probably be most successful if it is linked to the application to build the actual plant.

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<sup>8</sup> A Report on the Community Benefits Meetings is attached as Exhibit C.

5. As the plant application will be submitted in late May or early June, this process needs to be completed, if possible, in the same time period.

Working with these factors, the Community Group adhered to the following guiding principles in working on the Community Benefits Package:

1. The Community Benefits Package needs to do something to directly address the immediate neighbors of the new plant.
2. The Community Benefits Package needs to take action to reduce the environmental impact of existing facilities, especially the Kahe Power Plant.
3. The Community Benefits Package should encourage change in the way people live on this island -- there needs to be an ethic that recognizes and appreciates the limits of living in an island community and that conserves resources such as air, water and land.
4. The Community Benefits Package should provide information -- hard data -- on the environmental conditions in the areas around HECO's power generating facilities.
5. HECO should be accountable to the community for the assurances and promises it has made the community in terms of the following:
  - a. The actions that would be taken to reduce the use of power through conservation and energy efficiency programs;
  - b. The actions that would be taken to promote the use of renewable energy;
  - c. The mitigation of environmental impacts caused by power generation.
6. The community and HECO should create a process and working relationship between the HECO and the community that can then be held out to others who come into the community as a model, a template, for future work.

As a result of these community meetings, the Community Group agreed to a set of six Community Benefits to be linked to the application to build the CIP Generating Station Project that they thought were appropriate under the circumstances and that they felt would

mitigate the impact of the CIP Generating Station Project.

As discussed in more detail below, the proposed Community Benefits Package consists of:

1. A rate reduction for the immediately impacted area ("Rate Reduction Program");
2. Construction of water facilities to substitute RO Water from the Board of Water Supply's Honouliuli wastewater treatment plant ("RO Water Pipeline Project") for potable water presently being used at the Kahe Power Plant;
3. The addition of three air monitoring stations and the resumption of the fish monitoring studies that HECO formerly conducted ("Environmental Monitoring Project");
4. A long-term financial commitment from HECO to support conservation education to be spearheaded by leaders in the community ("Conservation Education Program");
5. A "report card" on HECO's activities and distribution of the Campbell Local Emergency Action Network ("C.L.E.A.N.") reports to the surrounding communities ("Community Report Card"); and
6. A reaffirmation of the HECO's corporate commitment to provide strong charitable support for activities in the West Oahu/Waianae Coast communities ("Corporate Support Program").

The Community Group understood that the Community Benefits Package would be effective when the CIP Generating Station Project is approved, constructed and placed in-service.

The Community Group and HECO acknowledged that providing "give-backs" would clearly raise the question of when "give-backs" were appropriate. In other words; what is the threshold for "give-backs" and why would "give-backs" apply in one case but not another. In that light, HECO believes that the following criteria are appropriate in determining when discussions on potential "give-backs" should occur:

1. The facility to be placed in the community triggers an automatic EIS under HRS Chapter 343, such as new large fossil fuel power generating facility.
2. The new facility is critical to Hawaii's economy and Hawaii's community at large and there are no viable alternatives to locate the facility. Projects which may not be eligible for "give-backs" have viable alternatives and/or while their denial would create some level of harm, it would not necessarily be devastating if they were denied;
3. The neighborhood of the new facility already has a substantial number of facilities that serve the general public that would be considered undesirable such as oil refineries, large wastewater facilities, large fossil fuel power generating facilities, landfills, oil off-loading and storage facilities, and coal off-loading and storage facilities;
4. The facility location is constrained by land use designations and zoning;
5. The benefits of the facility go substantially to the general population, and not primarily to those who live nearby the new facility; and
6. "Give-backs" would help to mitigate the burdens borne by those in the neighborhood of the new facility for the benefit of the general population.

Any "give-backs" negotiated are, when appropriate, subject to the approval of the Commission both as to the "give-backs" and as to the underlying project to which the "give-backs" are attached.

The total costs for the Community Benefits Package is estimated at approximately \$12,545,000 (including HECO shareholder's \$1,000,000 contribution and excluding the amount for the operations and maintenance services to be provided by the BWS for the RO Water Pipeline). The Rate Reduction Program, RO Water Pipeline Project and the Environmental Monitoring Project should be recoverable through HECO's rates as these programs and project are related to the cost of the Generating Station Project and the provision of utility service. The

costs relating to the repair and maintenance of the proposed RO Water Pipeline Project will be handled by the BWS, and HECO's current operations or shareholders will bear the costs relating to items four, five and six of the Community Benefits Package. HECO believes that the Community Benefits Package is reasonable and an important aspect of siting the CIP Generating Station Project.

## **V. COMMUNITY BENEFITS PACKAGE**

### **A. General**

As previously indicated, HECO is requesting approval for three of the six items proposed in the Community Benefit Package: (1) Rate Reduction Program, (2) RO Water Pipeline Project, and (3) Environmental Monitoring Project. The Conservation Education Program, Community Report Card, and Corporate Support Program, which collectively amount to over \$1,000,000, will be sponsored by HECO's current operations and/or shareholders and not by HECO's customers.<sup>9</sup>

### **B. Rate Reduction Program**

One of the key discussions during the Community Benefit meetings attempted to identify a "give-back" that would directly benefit the individuals that live in the immediate vicinity of the impacted area. Among the features of such a "give-back" would be: limiting the give-back to residents; applying the giveback to the area immediately impacted by the CIP Generating Station Project (such as by looking at the area involved in the Campbell Local Emergency Action Network) which resulted in the primary area being identified as zip code

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<sup>9</sup> The details and scope of the Conservation Education Program, Community Report Card, and Corporate Support Program are described in Exhibit D.

96707 (which generally includes without limitation Kapolei, Makakilo, Honokai Hale and Ko Olina); and recognizing that the amount is not as important as the principle that the rest of Oahu should, in effect, compensate this area for the burden of the new facility.<sup>10</sup>

The Community Group consensus was that those in the immediate vicinity of a new facility which benefits the entire community should be compensated by other communities for taking on that burden on their behalf. Discounting rates and having other ratepayers make up that discount is a very direct way of doing so. Thus, the Community Group agreed that a rate discount for the residents in the 96707 zip code area, which is immediately proximate to the new unit, is an appropriate "give-back" that will provide a direct benefit to help mitigate the impact of the facility.

The Residential Rate Reduction Program will offer a discount of seven percent (7%) off of the base energy charge for residential ratepayers in zip code 96707 area. The discount would not apply to the Demand Side Management, Energy Cost Adjustment Clause, Integrated Resource Planning and AES surcharges. The discount would start on the first full month after the in-service date of CIP Generating Station Project and continue for a period of ten years. In order not to encourage the wasteful use of energy, the discount would only apply to the first 786 kilowatt hours (Kwh) (which is the current average use in this area) of individual use per month. Energy use over 786 Kwh per month will not be discounted.

Under current rates, the total discount would be approximately \$554,000 per year. HECO would expect the total amount of the discount to increase as more residences are built in the 96707 zip code and to be offset to some extent by the demand side management/conservation programs that HECO believes will be implemented. HECO anticipates that the cumulative cost of the discount over a ten year period will be approximately \$5.6 million. HECO plans to

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<sup>10</sup> A map of the 96707 zip code area is attached as Exhibit E.

implement the discount at the appropriate time using a 30 day tariff filing or short notice filing pursuant to HAR Section 6-61-111 or Section 6-61-112.

### **C. RO Water Pipeline Project**

During the community meetings, the issue of potable water usage by the Kahe Power Plant arose as one possible “give-back.” Currently, the Kahe Power Plant uses about 200,000 to 250,000 gallons of potable water a day for its steam boilers and other industrial purposes. After much research into the matter, a consensus was reached that part of the Community Benefits Package connected to the proposed CIP Generating Station Project should include the use of RO water from the BWS Honouliuli Wastewater Treatment Plant (“HWWTP”) to reduce the potable water consumption at the Kahe Power Plant. The intent behind minimizing the use of potable water is to reduce the overall environmental impact of the Kahe Power Plant in a way that will benefit the community.

The HWWTP has enough capacity to substitute RO water for potable water presently being used at the Kahe Power Plant. However, no pipeline or other economic means currently exists to transport the RO Water to the Kahe Power Plant. HECO had numerous discussions with BWS and as a result of those discussions, BWS agreed that it would be willing to operate and maintain the pipeline if HECO built the pipeline and used RO water instead of potable water. BWS would also maintain HECO’s current potable water allocation in the event that there is any disruption in the flow of RO Water to the Kahe Power Plant. Thus, the Community Group and HECO agreed that, as part of the Community Benefit Program and subject to the necessary approvals, HECO would build a pipeline from the Kahe Power Plant to an existing pipeline connected to the HWWTP in order for HECO to substitute RO water for



potable water presently being used at Kahe Power Plant. The RO Water Pipeline Project is in the public interest as it provides for the cooperative conservation of a natural resource.

Specifically, the proposed RO Water Pipeline project consists of the construction by HECO of a new pipeline from Campbell Industrial Park to existing water storage tanks at the Kahe Power Plant. The new RO Water Pipeline would be approximately 4 miles long and would connect to an existing BWS RO water pipeline that starts from HWWTP and runs along the Oahu Rail and Land Co. ("OR&L") right-of-way to Saratoga Road, and continues to the Campbell Industrial Park. The new RO Water Pipeline from Kahe would tap into the existing RO water pipeline at the point where the existing RO water pipeline meets up with Saratoga Road.<sup>11</sup>

The granting of a lease or easement in the OR&L right-of-way would involve the long-term commitment of State-owned land. Chapter 343, Hawaii Revised Statutes ("HRS"), and Hawaii Administrative Rules ("HAR") Section 11-200, establish certain categories of action that require the agency processing an applicant's request for approval to prepare an Environmental Assessment ("EA") or an Environmental Impact Statement ("EIS").<sup>12</sup> HECO has recently begun preparing the documents for the Chapter 343 EIS process in connection with the CIP Generating Station Project. The RO Water Pipeline Project will be included as part of the EIS for the CIP Generating Station Project.

HECO proposes to commit funds for the RO Water Pipeline Project with the issuance of purchase orders for long-lead time materials in accordance with Paragraph 2.3(g)(2)

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<sup>11</sup> See map of location of proposed RO Water Pipeline at Exhibit F.

<sup>12</sup> One category of action is the use of state or county lands. HAR Section 11-200 also requires preparation of an EA/EIS for proposed uses within any land classified as Conservation District by the State Land Use Commission under Chapter 205, HRS; for any use within any historic site as designated in the National Register or Hawaii Register; and for any use within the shoreline area as defined in Section 205 A-41, HRS. The OR&L right-of-way is a historic site and partly within a shoreline area.

of General Order No. 7. Once the project is completed, HECO will use RO Water instead of potable water for its industrial needs whenever practical. HECO will also dedicate the RO Water Pipeline to BWS in exchange for the BWS operating and maintaining the pipeline at BWS' cost. The RO Water Pipeline project has a total estimated cost of \$5.0 million.

HECO proposes to account for the costs incurred of the RO Water Pipeline Project by setting up a regulatory asset in the amount of the cost of the RO Water Pipeline Project. The amount of the regulatory asset will be amortized over the useful life of the RO Water Pipeline and any unamortized balance will be included in rate base for ratemaking purposes.

#### **D. Environmental Monitoring Programs**

HECO proposes to implement two environmental monitoring programs as "give-backs" relating to the CIP Generating Station Project: an air quality monitor program and the reinstatement of the fish monitoring program that HECO last conducted in the 1980s. The goal of these programs is to provide an ongoing environmental profile of the area including air and water quality, impacts on fish communities, and impacts on areas where food and medicinal plants are gathered. The Environmental Monitoring Programs would be initiated no later than approximately one year prior to the in-service date of the CIP Generating Station Project in order to establish baselines on the current conditions in the area.

##### **Air Quality Monitoring Stations**

HECO will construct and install three air quality monitoring stations in the area: one makai of the CIP Generating Station Project, one in Nanakuli, and one somewhere in the Waianae area. The Air Quality Monitoring station ("AQM") continuously measures air quality data from all sources in the area which will include transportation, construction, and industrial

sources including the CIP Generation Project. HECO may also consult with the State of Hawaii Department of Health during the site selection process for these three stations.

The equipment cost of an AQM station and the costs associated with obtaining required permits and/or approvals (right-of-entry), security fencing, electric and telephone service drops, and grading/leveling (assuming simple access and minimal approvals required) is approximately \$190,000 per station. Operations & Maintenance (O&M) expenses for data collection, audit, and support services are estimated to be about \$120,000 annually per station per year. More remote sites or sites with unique challenges may require additional costs to prepare. In sum, the estimated cost for three stations is approximately \$570,000 for equipment, site access and preparation, and annual O&M costs of \$360,000.

HECO proposes to account for the costs incurred for the AMQ Stations in accordance with the usual procedures for recording HECO capital expenditures. The costs will be depreciated over the useful lives of the facilities involved and any undepreciated balance will be included in rate base for ratemaking purposes. HECO also proposes to create a regulatory asset for the first year's O&M costs related to establishing a baseline of the area and to amortize such costs over ten years.<sup>13</sup> The unamortized balance will be added to rate base for ratemaking purposes. The O&M costs incurred after the in-service date of the CIP Generating Station Project will be expensed.

#### *Fish Monitoring Program*

As part of the Environmental Monitoring Program, HECO will reinstitute a fish monitoring program that was last conducted in the 1980's off the near shore waters of Kahe

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<sup>13</sup> The data resulting from the baseline will be used as a measure to compare with data collected after the CIP Generating Station Project is placed in-service.

Power Plant. The fish monitoring program consists of scientists (e.g., marine biologists) conducting fish counts on established underwater transects to record the number, type, abundance, and distribution of fish. These transects will be located at various monitoring stations in the near shore waters off of Kahe. This information can be used to measure potential power plant operation impacts to fish populations and the ecological condition of reef life as a whole.

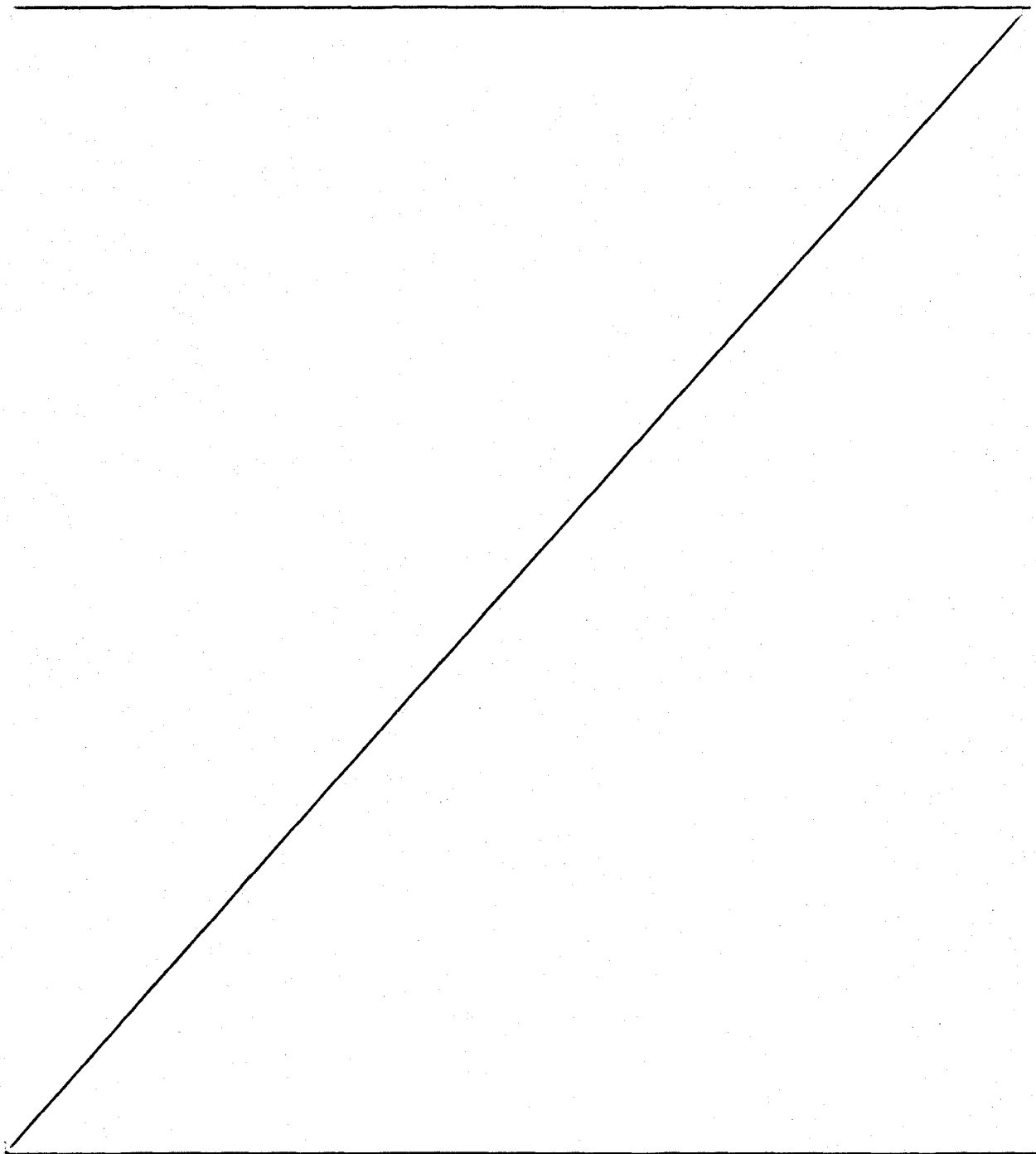
A fish transect is a standard scientific method of counting fish and is used by a researcher to investigate fish community structure in different reef habitats. The collected data, including information on fish diversity, abundance, and distribution, can be used to evaluate the health of reef fish communities and provide a source of data that can be used to update the existing Kahe database for current and future research. The data collected could provide observations about potential changes in the near shore reef fish communities or fish conditions and the ecological condition of the reef as a whole in these areas. The approximate cost is \$75,000 a year.

Similar to the AQM program, HECO proposes to create a regulatory asset for the first year's costs related to establishing a baseline of the area and to amortize such costs over ten years. The unamortized balance will be added to rate base for ratemaking purposes. The costs of the fish monitoring program incurred after the in-service date of the CIP Generating Station Project will be expensed.

## **VI. PROJECT COST ESTIMATE**

HECO will file a more detailed cost estimate, which provides a cost estimate by project component, under a protective order to be issued in this Docket. The information

contained in the more detailed cost estimate is confidential and proprietary, because disclosure of the cost estimate by project component could disadvantage HECO in its future negotiations with contractors/vendors who will be submitting bids to perform the work on various components of the Project (which could result in higher prices and a higher project cost to be covered by HECO's customers' rates).



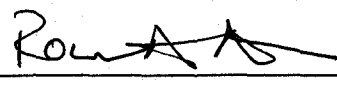
## VII. APPROVALS REQUESTED FROM THE COMMISSION

Wherefore, HECO respectfully requests that the Commission, subject to HECO obtaining approval of the CIP Generating Station Project:

- 1) approve the commitment of funds for the proposed purchase and installation of the RO Water Pipeline Project and subsequent dedication of the RO Water Pipeline to the Board of Water Supply, in accordance with Paragraph 2.3 (g) (2) of General Order No. 7, HRS Section 269-19 and HAR Section 6-61-105,
- 2) approve HECO's proposed accounting and ratemaking treatment for the costs associated with the RO Water Pipeline Project,
- 3) approve the commitment of funds for the proposed purchase and installation of the Environmental Monitoring Program as part of the CIP Generating Station Project, in accordance with Paragraph 2.3 (g) (2) of General Order No. 7,
- 4) approve HECO's proposed accounting and ratemaking treatment for the costs associated with the Environmental Monitoring Program,
- 5) approve the proposed rate reduction program and its implementation in accordance with HAR Section 6-61-86 and Section 6-61-110, and
- 6) grant HECO such other and further relief as may be just and equitable in the premises.

DATED: Honolulu, Hawaii June 17, 2005

HAWAIIAN ELECTRIC COMPANY, INC.

By:   
Robert A. Alm  
Senior Vice President,  
Public Affairs

## VERIFICATION

STATE OF HAWAII )  
 ) ss.  
CITY AND COUNTY OF HONOLULU )

ROBERT A. ALM, being first duly sworn, deposes and says: That he is a Senior Vice President, Public Affairs, of Hawaiian Electric Company, Inc., Applicant in the above proceeding; that he makes this verification for and on behalf of HAWAIIAN ELECTRIC COMPANY, INC. and is authorized so to do; that he has read the foregoing Application, and knows the contents thereof; and that the same are true of his own knowledge except as to matters stated on information or belief, and that as to those matters he believes them to be true.

Robert A. Alm

Subscribed and sworn to before me this

17th day of June, 2005

*[Handwritten signature]*

Carolyn Kuwana  
Notary Public, State of Hawaii

My commission expires: October 4, 2006

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## **COMMUNITY IMPACTS**

### **A Report to Hawai'i Energy Forum**

**Kim Ku'ulei Birnie  
March 2004**

#### **BACKGROUND**

In May 2002, the Hawai'i Energy Policy Forum convened representatives from utilities; oil and natural gas suppliers; environmental groups; participants in the renewable energy industry; legislators; federal, state and county agencies; the business community; and major energy consumers. The Forum's purpose is to chart an environmentally friendly, renewable, safe, reliable, and affordable energy future for Hawai'i by facilitating discussion of relevant issues, and incorporating a wide range of perspectives into its planning.

Six workgroups were convened at the Forum's December 2, 2003, conference, including one that addressed Social and Cultural Issues. Section 3 of the Workgroup's Report listed factors to consider when discussing siting in communities. These included (Sec. 3.iv) requiring community benefit agreements when siting is proposed, (Sec. 3.v) reaching out to impacted communities to glean full knowledge of the breadth and depth of issues affecting siting, and (Sec. 3.vi) engaging diverse elements of communities.

The commitment to collecting mana'o (thoughts) on issues of importance to communities is still being realized. This report reflects community discussion about where to place infrastructure needed in Hawai'i, who should decide, and the process and criteria used to make such decisions.

#### **PURPOSE**

To initiate discussion of a process that can be broadly relevant to understanding, prioritizing, and appropriately addressing the issues of infrastructure placement



that affect Hawai'i's communities. To provide a report of discussions to decision-makers to use when considering placement of infrastructure sites.

## **METHODS**

A facilitated focus group model of discussion was employed. Participants were chosen based on experience with sites in their communities, or familiarity with such sites. Many were residents of Kapolei, Palehua, 'Ewa Beach, Makakilo, Nanakuli, Wai'anae and Makaha, but representatives of environmental organizations, the Legislature and other stakeholder groups also attended. Invitees were asked to participate in three sessions during December 2003 and January 2004. However, participants felt the issues and recommendations had been exhausted by the end of two sessions. Participants sat in a semi-circle at each meeting. Each gathering opened with a pule wehe (opening blessing) and included dinner and beverages; introductions were followed by two or more hours of discussion.

Pre-designed questions stimulated discussion and participants were encouraged to clarify and/or fully explain their ideas. Each discussion was led by a facilitator. One notetaker recorded participant comments on paper while another took notes on a laptop computer. Specific recommendations were culled and are included with the many issues of site placement.

The two sessions were facilitated by Linda Colburn and Kim Ku'ulei Birnie, respectively. Kim Birnie, Frank Cho, Trudy Wong-You and Anne Worth took notes.

### **Questions**

Questions were designed to stimulate open-ended discussion and probe more deeply when necessary:

- a. How does infrastructure impact the host communities? Probe: what are the physical, social, economic or education system impacts; compare short-term vs. long-term impacts; how do they interrelate?
- b. What might be a mechanism or process through which infrastructure impacts are addressed, and who should be involved?
- c. How have other communities addressed such impacts, and what results have been achieved? Is time an appropriate measure? (For example, if Wai'anae has to accept the Kahe Power Plant for X years, then how might that be quantified and balanced?)

- d. If social justice is the goal, what are the mitigating measures toward that end? How can communities ensure that promises are kept?

## DISCUSSION

### **Uneven distribution**

Distribution of major infrastructure sites is uneven on O'ahu; for example, most of the island's power plants and landfill sites are located along the Leeward coast. The burden is not shared among the greater populace, resulting in the perception that communities are not equal.

The perception was voiced that communities with less tend to share more, be more tolerant and giving, be less assertive, and accept what is unfair. This appearance of social and environmental injustice impels over-burdened communities to demand that basic rights be accorded them, such as the right to be a valued part of the discussion. Communities need to believe that social justice is attainable, and that, most importantly, veto power is an option. Communities, particularly those that are not accustomed to hosting such facilities, are urged to understand the responsibility and impacts of bearing burdens.

### **Defining impact**

Impacts were described in terms of diminished air quality, aesthetics, natural and cultural resources, and possible negative health consequences. It was pointed out that burdens are exacerbated when there is lack of involvement of appropriate stakeholders, lack of foresight, lack of long-range planning, lack of enforcement, high management turnover (particularly within government), and when general planning models, rather than island-style resource management, are applied to Hawai'i's distinctive geography.

### **Addressing impact**

In determining where a major facility is placed, it was felt that a community consultation process should be utilized, with greatest weight given to members of communities that would be most heavily impacted (home rule). Communities can be further defined by geography, ethnicity, culture, voting district, or other appropriate category. Processes should be developed to access and influence communities through leaders who are accountable to their communities. Decision-making should anticipate growth and include planning that involves community input at all phases from development to evaluation, full disclosure of risks and benefits, clearly delineated boundaries and limits, interagency

cooperation and interaction with community members, and ongoing monitoring and evaluation.

Sometimes, it was noted, the most creative solutions arise from disasters or disaster preparedness (such as post-hurricane transportation and waste solutions). However, research is critical. Planning should be thoughtful and based on hard data that will facilitate informed, short- and long-term decisions on policy and program implementation. A clear desire was expressed to resist real or perceived sense of urgency that tends to override long-term planning. A precautionary approach is best.

Most importantly, communities want to be shown respect by being asked permission. This allows for aloha to be freely shared and the culture to be practiced.

#### **Criteria**

Criteria for infrastructure site placement are true need, high benefit, low risk, cost and duration (length of time any impact will be felt). Assessments should be based on hard data, and should consider short-, mid-, long-term and cumulative impacts. Weight should be given to the value of the project to help decide site placement.

Needs assessment should consider the type of facility being proposed, its interaction with other nearby facilities, and the area of need or high use (e.g., a recycling center may be needed by the Waikiki hotels more than any other consumer group). True needs should be identified and the reasons for siting retained in the written record. For example, a participant noted, if a power plant is sited in a rural area in order to prevent air pollution in downtown/Waikiki, but not to centralize, avoiding an urban area isn't a valid consideration in placing the next facility.

#### **Benefits and risks**

Assessment should measure the benefits and risks of hosting a facility. Benefits might include the long-term effect on a community, or improved readiness in case of a disaster. The downside might also be the vulnerability of a site in the event of a disaster.

The social risks are mostly long-term in nature. Unequal distribution of community site placement over time creates elitism (perception of class distinction), diminished pride of place—for both self and community—and a perception of inevitability, resulting in little or no motivation by the younger

generation to act on faulty decisions of their predecessors. Further, an instrument to measure cultural impact is necessary.

Negative health consequences, possibly including future genetic irregularities, might result from magnetic fields generated by transmission lines, land pollution, increased concentration of heavy metals, and diminished air and water quality.

What is the impact of multiple sites? There is a need to evaluate the compounded and cumulative effects, the interaction of facilities, and particularly the exponential increase in consequences of having multiple sites in or near a single community.

Financial cost should assess the true cost of the site, including anticipated health care costs resulting from subsequent negative health consequences, and projected social cost. One suggestion is to divide the cumulative cost among all benefiting communities. It is also recommended that the length of time a site will be in use should be projected and that an assessment of ultimate removal and clean-up costs be made. The value of the project should be given priority over profit.

It is also crucial to understand risks and seek ways to measure and address risks that are unanticipated or not yet known.

### **Justice**

In addition, ethical consideration should be given to whether it is socially just to overburden a community with such sites. Where unequal burden is requested, participants felt processes should be developed that are responsive, and that feel inclusive, fair and equitable to the hosting community. They demanded full understanding of all risks and costs - health, social, economic, aesthetics - and ongoing re-evaluation of all needs, risks and benefits. When overburdening is indicated, there should be clearly delineated buffer zones established in anticipation of future growth. Regional caps might be instituted to reduce unequal burden. Discussion should include potential areas of negotiation or mitigating options that permit a community to offer its resources in exchange for having needs addressed that may or may not be related to the burden of hosting a site. For example, the community might seek facilities, services, or reduced fees in exchange for accepting a site.

**Accountability**

To assure accountability, there needs to be a central tracking agency that monitors sites throughout all phases. There is currently an assumption that government would do this, but there are concerns about continuity. High government turnover tends to weaken institutional memory and separate it from the process of making new decisions. More thought needs to be put into how to enforce agreements that are likely to outlast the policy-makers who created them.

Government has the responsibility to protect communities through enforcement, promoting concrete, meaningful input to processes of planning, implementation and evaluation. In the permitting process, boundaries appear to be arbitrary. Flawed decisions, sometimes based on politics unrelated to the function of the facility, become the basis for future decisions, exacerbating the negative impact. Additionally, communities are concerned in the negotiation process that small concessions will become footholds for later expansion. Policy-makers need to reassess current zoning policies that, if unchanged, will ensure that particular communities continue to bear a disproportionate burden.

Ongoing, regular evaluation is necessary. Systems and attitudes should be evaluated based on cause and effect. Lessons must be learned from the past, from near and far.

All these factors will differ by community, but the criteria for decision-making can be generalized to all islands.

**ACKNOWLEDGEMENTS**

Mahalo to all the focus group participants who willingly shared their mana'o.

**REFERENCES**

Hawai'i Energy Policy Forum Web site  
<http://hawaiienergypolicy.hawaii.edu>

Communications Pacific (2003). Community Impacts Discussion Notes, Wednesday, December 10, 2003.

**COMMUNITY REPRESENTATIVES INVITED**

**Aulani Ahmad**, Princess Kahanu Estate Hawaiian Homestead Association  
**William and Melva Aila**, Mohala I Ka Wai  
**Nettie Armitage-Lapilio**, Waianae Coast Coalition  
**Agnes Cope**, Nanakuli Hawaiian Homestead Community Association  
**Frenchy deSoto**, Waianae Kupuna  
**John deSoto**, Representative of Mayor Mufi Hanneman  
**Fred Dodge and Karen Young**, Malama Makua  
**Kalehua and Midge Eli**, Nanakuli Hawaiian Homestead Association  
**Dennis Enomoto**, Iron Workers Union  
**Eric Enos**, Ka'ala Farms  
**Kurt Fevella**, Ewa Neighborhood Board  
**Judith Flanders**, Campbell Family  
**Nalani Flynn**, West Oahu Community FCU  
**Michael Golojuch**, Makakilo/Kapolei/Honokai Hale Neighborhood Board  
**Diane Guild**, Campbell Family and Palehua Resident  
**Colleen Hanabusa**, State Senate  
**Herbert and Beatrice Hew Len**, Waianae Kai Valley Hawaiian Homestead Association  
**Black Hoohuli**, Nanakuli Resident  
**Kuulei Jolonino**, Honokai Hale/ Nanakai Gardens Community Association  
**Kamaki Kanahele**, Nanakuli Hawaiian Homestead Community Association  
**Shad Kane**, Kapolei Hawaiian Civic Club  
**Gege Kawelo**, Waianae Hawaiian Civic Club  
**Maylene Keamo**, Waianae Ahupuaa Council  
**Glen Kila**, Koa Mana  
**Ivan Laikupu**, Waianae Valley Hawaiian Homestead Community Association  
**Joseph Lapilio**, Waianae Coast Rotary Club  
**Charles Lopez**, Waianae Ahupuaa Council  
**Stephen H. MacMillan**, Campbell Estate  
**Martha Makaiwa**, Makakilo/Kapolei/Honokai Hale Neighborhood Board (Honokai Hale/Nanakai Gardens Resident)  
**Tesha Malama**, Ewa Neighborhood Board  
**Ruby Maunakea**, Nanaikapono Hawaiian Civic Club  
**Theresia McMurdo**, Campbell Estate  
**George Paris**, Iron Workers Union, Local 625  
**Cynthia Rezentes**, Waianae Coast Neighborhood Board #24  
**Jane Ross**, Makakilo/Kapolei/Honokai Hale Neighborhood Board (Honokai Hale/Nanakai Gardens Resident)  
**Jeff Stone**, Ko Olina Resort & Marina  
**Mark Suiso**, Waianae Resident  
**Bob Sullivan**, Waianae Coast Rotary Club  
**Patty Kahanamoku Teruya**, Waianae Coast Neighborhood Board  
**Nettie Tiffany**, Lanikuhonua  
**Maeda Timson**, Makakilo/Kapolei/Honokai Hale Neighborhood Board  
**Kenneth Williams**, Ko Olina Community Association  
**George S. Yamamoto**, Makakilo/Kapolei/Honokai Hale Neighborhood Board (Ko Olina Fairways)

**ATTENDEES**  
**February 22, 2005 Meeting**

William and Melva Aila

Agnes Cope

Fred Dodge and Karen Young

Kalehua and Midge Eli

Dennis Enomoto

Eric Enos

Michael and Carolyn Golojuch

Diane Guild

Herbert and Beatrice Hew Len

Black Hoohuli

Kamaki Kanahele

Shad Kane

Maylene Keamo

Glen Kila

Joseph Lapilio

Charles Lopez

Theresia McMurdo

George Paris

Cynthia Rezentes

Mark Suiso

Bob Sullivan

Nettie Tiffany

Maeda and Keith Timson

Larry Wilderman

Kenneth Williams

**ATTENDEES**  
**March 31, 2005 Meeting**

William and Melva Aila

Dennis Enomoto

Eric Enos

Michael and Carolyn Golojuch

Diane Guild

Black Hoohuli

Shad Kane

John Kaopua

Glen Kila

Martha Makaiwi

George Paris

Cynthia Rezentes

Jane Ross

Maeda and Keith Timson



**ATTENDEES**  
**April 12, 2005 Meeting**

William and Melva Aila

John deSoto

Fred Dodge and Karen Young

Eric Enos

Nalani Flynn

Diane Guild

Kuulei Jolonino

John Kaopua

Rochelle Kawelo

Glen Kila

Martha Makaiwi

George Paris

Cynthia Rezentes

Jane Ross

Keith Timson

**ATTENDEES**  
**May 12, 2005 Meeting**

William and Melva Aila

Agnes Cope

John deSoto

Fred Dodge and Karen Young

Dennis Enomoto

Eric Enos

Michael and Carolyn Golojuch

Herbert and Beatrice Hew Len

Black Hoohuli

Kuulei Jolonino

Kamaki Kanahele

John Kaopua

Charles Lopez

Martha Makaiwa

George Paris

Cynthia Rezentes

Jane Ross

Maeda and Keith Timson

**ATTENDEES**  
**June 1, 2005 Meeting**

Aulani Ahmad  
William and Melva Aila  
Agnes Cope  
John deSoto  
Dennis Enomoto  
Eric Enos  
Gordon Flynn  
Carolyn Golojuch  
Herbert and Beatrice Hew Len  
Kamaki Kanahele  
Shad Kane  
Alva Kaneaikala  
Joseph Lapilio  
Ruby Maunakea  
Cynthia Rezentes  
Nettie Tiffany  
Maeda and Keith Timson

**REPORT ON THE COMMUNITY BENEFITS MEETINGS  
HELD ON FEBRUARY 22; MARCH 31; APRIL 12; MAY 12;  
AND JUNE 1, 2005 IN KAPOLEI**

**BACKGROUND**

In recent years, there has been a growing discussion about the continuing placement of infrastructure burdens on particular O'ahu neighborhoods. A key topic in those discussions has been the cumulative impact of these facilities on the residents of these neighborhoods. There have even been charges that the continuing siting of these facilities in these areas amounts to "environmental racism."

In the fall of 2003, the University of Hawai'i's Energy Policy Forum organized a discussion of these issues through a Community Impacts Group convened by Senator Colleen Hanabusa and Robbie Alm. At about the same time, Hawaiian Electric Company representatives met with leaders of the West O'ahu/Wai'anae Coast communities to discuss a possible wind farm resource in the area above the Kahe Power Plant.

The result of these meetings was a clearer understanding of how impacted communities want to be treated. Hawaiian Electric has stated that it understands it should adhere to the following protocols for working with communities when its activities will place significant additional infrastructure burdens on neighborhoods:

1. Tell us (the neighbors) what you're going to do before you tell the general public about your proposals.
2. Ask our permission for your activities.
3. Understand that we may oppose you.
4. If we are unsuccessful in opposing you or if we agree to what you're doing, we need to discuss your giving back to the community for the burdens you impose on us.
5. You need to ask us what form those givebacks should take.

This protocol guided Hawaiian Electric's initial briefings with various community members on the Campbell Industrial Park Generation Station Project. After meeting with the elected officials in this region, the Chairs of the Neighborhood Boards in the West O'ahu/Wai'anae Coast communities and a number of

community leaders recommended by those individuals, the consensus was that while new power generation may well be necessary, give backs are an essential part of any package to install that new generation unit in this area.

### **PURPOSE OF THE MEETINGS**

The purpose for these meetings was to seek the guidance of the community on give backs to the community if either a new power generating unit in Campbell Industrial Park or a wind farm on the hills above the Kahe Power Plant goes forward and is built.

### **TWO PROCESSES**

Based on the initial meeting, there will be two processes. The first will deal with the Campbell Industrial Park unit for which a series of formal applications will begin in the coming months. It is these applications, and specifically the application to the Public Utilities Commission (PUC), to which these give backs would be best attached.

Any discussion of give backs for a wind farm project was felt to be premature. The primary obligation of Hawaiian Electric Company, Inc. (Hawaiian Electric) was to finish the due diligence process on the possible wind farm, present the material to the community--including size of units, number of units, locations of units, etc. -- and then have a discussion with the community on the wind farm itself. If after this process, the decision is to go forward with a wind farm, then a discussion of give backs would be appropriate.

### **GIVE BACK CRITERIA**

During the course of the discussions, a number of comments were made on the criteria that should be used in evaluating possible give back proposals.

As a result of the discussions, the following are the criteria that will be used:

1. Is the give back personal? That is, will every affected person receive some direct benefit or will all the benefits be given to only a select group, i.e. scholarships to area residents?
2. Do the give backs address the cumulative impacts of this project, that is, this project's impacts as well as the impacts of other facilities already in place?
3. Do they improve some specific existing environmental impacts sufficiently enough to compensate for the additional impacts caused by the project?

(An example would be reducing the pollution output of the Kahe Power Plant.)

4. Do the give backs educate and raise the level of understanding and knowledge that the community has about impacts to them. Is that education aimed at schools or at adults?
5. Do the give backs benefit only residents, and not resort areas or the military?
6. Does the level of give backs relate directly to the level of harm caused by the project?
7. Do they address health issues—both immediate and cumulative?
8. The give backs should not take the place of governmental responsibilities. For example, they should not be used to build roads or schools.
9. Are they ongoing; do they last as long as the facility itself?
10. Do they focus on long-term environmental and community goals?
11. Do they relate to the Hawaiian Electric project directly and not to others?

### **INFORMATION NEEDS**

During the meetings, it was also clear that the community wanted additional information. Some of what is sought is general to any energy project, some relates only to the generating unit and some only to the wind farm. Some has now been provided (see next section) and some has not yet been provided or is unavailable.

1. General Information Requested:
  - (a) What are the impacts that communities will feel and what is the proportionate level of that impact? (The air quality impact has been disclosed.)
  - (b) What is the level of electricity use by each community? How much is residential? How much is military? How much is resort? (See attached.)
  - (c) What are the projections for use in five, ten, and twenty years? (Not yet provided.)

- (d) What are the cumulative impacts of emissions from all sources including Campbell Industrial Park, Kahe Power Plant, Schofield Barracks, Del Monte, etc.? (See attached for Campbell Industrial Park, unavailable as to the others.)
- (e) Can the communities get a copy of the Campbell Industrial Park emissions report that was cited by Maeda Timson as an example of what a community can create? (See attached.)
- (f) Can the information be provided in different forms since people learn differently? (Information provided in both text and graphic forms where available and applicable.)

2. Kahe Wind Farm Information Requested:

- (a) What are the sizes of the potential turbines to be used?
- (b) Where will the turbines be sited? Where are they located on contour lines?
- (c) Visual simulations of the wind farm from various vantage points.
- (d) What are the other possible locations for a wind farm on O'ahu and what is the status of each possible site, including Kahuku?
- (e) Can the turbines be placed above or around Waimānalo Gulch instead of above Kahe?

**INFORMATION PROVIDED**

At the request of the group, over the course of the meetings thus far, the following information was provided regarding each project:

**A. Campbell Industrial Park New Generating Station Project**

- 1. The plant and its related transmission line's location were provided along with an artist's rendering of the plant, its stack (height 210 ft.) and the general location of wastewater treatment and storm water retention ponds.
- 2. The highest levels of actual, existing, measured air quality data with the maximum possible effect the new unit could have on air quality were presented on a graphic chart at the meeting. It was noted that the data was conservative which means that the possible effects on air quality from the new unit are probably

overestimated. It was also noted that the existing measured air quality data is from monitors on the mauka side of Campbell Industrial Park and that there are no monitoring stations on the makai side.

3. The plant will use non-potable water in operations—potentially recycled wastewater—for NO<sub>x</sub> emissions control. If recycled wastewater cannot be used, Hawaiian Electric will dig supply wells and use brackish water. Wastewater from plant operations will be directed to deep injection wells following appropriate treatment (e.g. removal of oil).
4. The native plants in the sinkhole area makai of the plant site will not be impacted by the plant operations. This is an issue that can be addressed in the EIS process.
5. The plant will burn naphtha, the Environmental Protection Agency's (EPA) preferred oil-based fuel. The only plant burning naphtha in Hawai'i today is the Hamakua Energy Partners Plant (HEP) on Hawai'i Island. There is currently a surplus amount of naphtha being produced today on O'ahu. This surplus is currently being exported but could fully provide for the fuel needs of this new unit. Therefore, no additional barrels of oil would need to be imported to run this new unit.
6. The major permits needed for the plant are the following:
  - a. A PUC filing is needed and will be submitted for permission to build a single CT (combustion turbine) plant and its related transmission line. This will occur in June of this year.
  - b. A Public Infrastructure Map Amendment (PIMA) application needs to be filed with the City and County of Honolulu.
  - c. A Conditional Use Permit (CUP) application will also be filed with the City and County of Honolulu. An environmental Impact Statement (EIS) will be included as part of that permit process. (This is a process that those in attendance are welcome to participate in, and all will be sent a copy of the Environmental Impact Statement Preparation Notice (EISPN).) As part of the EIS process, the impacts of a possible second unit currently projected to be needed in 2013 will be included so that any cumulative impacts are disclosed and to avoid any allegation of segmentation in the



disclosure process. (In this context, it should be noted that Hawaiian Electric is working to potentially delay that unit for up to a decade through the implementation of aggressive energy efficiency, distributed generation, and renewable energy projects.)

- d. A covered source air permit from the Department of Health, a process that is the lengthiest and has been underway since 2003, is required. Like the EIS, it will include a discussion of the impacts of a possible second unit, for the reasons stated above.
- 7. A "wind rose" (a method for charting the various directions of the wind over time) was provided for the Kahe Power Plant area. It showed that the primary direction the wind blows is offshore.
- 8. The approximate construction time frames are early 2008 for the transmission line and late 2008 or early 2009 for the generating unit. Commercial operation would be scheduled to begin in 2009.
- 9. The cost of the new generating station is between \$100M and \$140M.
- 10. Campbell Industrial Park is the location for the new generating unit because:
  - (a) It is zoned for industrial use;
  - (b) Its geographic location allows for the obtaining of the required air permits;
  - (c) Of its proximity to the refineries/fuel.

**B. Responses to Questions from February 22 Meeting**

The following are the questions that were raised during the February 22 meeting and as they are stated in the meeting report.

- 1. What are the impacts that communities will feel and what is the proportionate level of that impact? As noted in item A2. (above) information on additional air emissions was provided. However, a thorough disclosure of the potential impacts will be completed through the Environmental Impact Statement.

2. What is the level of electricity use by each community? How much is residential? How much is military? How much is resort? The information requested on customer electricity usage was provided for three areas—'Ewa, Makakilo/Kapolei, Wai'anāe—individually and in aggregate. The information included aggregate use from February 2004 to February 2005 and the breakdown by customer groups. Among the interesting features of the charts were the following:
  - The prevalence of residential customers.
  - The significant impact (19%) of the military in the 'Ewa region, of the industrial and resort/lodging sectors (26% and 6%, respectively) in the Makakilo/Kapolei area, and the lack of the significant military presence (as a customer) in the Makakilo/Kapolei region.
3. What are the projections for use in five, ten, and twenty years? This information has not yet been provided.
4. What are the cumulative impacts of emissions from all sources including Campbell Industrial Park, Kahe Power Plant, Schofield Barracks, Del Monte, etc.? Information for Campbell Industrial Park was provided but was unavailable for others. Cumulative impact will be addressed in the EIS. However, it can only be addressed to the extent that emissions information is available since there are no air monitors located along the Wai'anāe Coast.
5. Can the communities get a copy of the Campbell Industrial Park emissions report that was cited by Maeda Timson as an example of what a community can create? Samples of DOH's Monthly Emission Report, which is submitted to the Makakilo/Kapolei/Honokai Hale Neighborhood Board every month, were provided along with information about the Campbell Local Emergency Action Network (C.L.E.A.N.) organization.
6. Can the information be provided in different forms since people learn differently? Information was provided in text and graphic forms (where applicable and appropriate). Hawaiian Electric will continue to solicit community feedback to improve its information quality and accessibility.

**C. Other General Information**

1. The proposed aircraft carrier group is not factored into HECO's current projections.
2. HECO is working with others on fuel cell research. Much of that research is aimed at automobile use and at the use of renewable energy to fuel the cells rather than using fossil fuels.
3. In addition to these projects, Hawaiian Electric is also pursuing:
  - (a) Distributed generation/combined heat and power (which are essentially small power plants spread out across the island);
  - (b) Renewable energy through the installation of solar panels (an area where Hawai'i leads the nation);
  - (c) Renewable energy through participation in experiments involving new sources such as wave energy.
4. Hawaiian Electric is obligated by law to increase the amount of renewable energy it uses to meet the following requirements:  
  
10% of sales by December 31, 2010  
15% of sales by December 31, 2015  
20% of sales by December 31, 2020

**PROCESS PIECES**

Beyond the clear guidance to separate the give back discussion into two parts, there were also other process suggestions:

1. That the community organize a smaller group to work directly with Hawaiian Electric.
2. That the community should come up with its own answers to the questions posed.

In the end, the group decided to meet again as a whole and to schedule meetings only for the new generating unit.

Both the criteria and the give backs may need to be prioritized.

## **GIVE BACK/COMMUNITY BENEFIT PROPOSALS**

The following is a list of each community-suggested give back and an initial analysis of each conducted by HECO:

1. **Close the Kahe Power Plant.** This option would require the building of a new approximately 700MW (megawatts) power plant, presumably in Campbell Industrial Park. While closing an older power plant has advantages, the cost, permitting and resource allocation issues make this option highly unlikely.

- ***Very expensive – \$1 billion plus.***
- ***New 650-700MW plant in Campbell Industrial Park in addition to the proposed unit.***

***One policy question: These costs would produce no new MWs; is that how we want to spend such large amounts of money?***

2. **Reduce the environmental footprint of the Kahe Power Plant.** There was substantial discussion and support for the proposition that adding a new environmental burden (the Campbell Industrial Park unit) should require the reduction of an existing burden (the Kahe units). In terms of what constitutes the environmental footprint, the options include air emissions, water quality, and the use of potable water. There was discussion of the possible connection between the incidence of asthma and the emissions from the Kahe plant.

***Air emission changes – current operations are already within the applicable federal guidelines.***

### ***Major Items (using specific control technologies)***

1. ***Reduce particulate emissions by 90%***
  - a. ***\$72 million in capital***
  - b. ***\$3 million in operating costs***
2. ***Reduce SO<sub>2</sub>***
  - a. ***\$192 million in capital***
  - b. ***\$19 million in operating costs***
3. ***Reduce NO<sub>x</sub> by 50%***
  - a. ***\$14 million in capital***
  - b. ***\$5.5 million in operating costs***

**Potable Water – Kahe uses a significant amount.**

- **200-250,000 gallons per day**
- **Kahe could switch to using RO (reverse osmosis) water from the Honouliuli Wastewater Treatment Plant.**
- **Estimated costs -- \$5 million**

3. **Expand the reach of the CLEAN reporting process.** The work done by the CLEAN process in the Campbell Industrial Park was shared with the group and there was a desire to see if the reports could be shared with more communities.

- ***This would entail including additional communities in the reports currently sent to the Makakilo/Kapolei/Honokai Hale neighborhood boards.***
- ***The expanded report would include the new unit.***
- ***An expanded report sent to more communities appears to be very doable.***

4. **Create a conservation awareness program for the schools that would include energy use as well as the use of natural resources such as water and land.** The goal is to create a comprehensive program that creates a conservation ethic; an attitude that reflects an island sense of place and the proper use of resources. It should address the use of all resources. While Hawaiian Electric must be part of it, it should be led by others and should also involve the Board of Water Supply; Chevron and Tesoro; the Wai'anae Coast Comprehensive Clinic; and many others. It should be linked to school curriculum but must also reach out to everyone. It should also include strategies to use resources more appropriately such as renewable energy, composting, etc. Models for this work include the recycling and seat belt campaigns.

***The goal is a comprehensive education program that creates a conservation ethic. It would:***

- ***Address all resources (air, water, land, etc.)***
- ***Include all appropriate companies and agencies (Hawaiian Electric, Board of Water Supply, Chevron, Tesoro, etc.)***
- ***Include community resources such as the Wai'anae Coast Comprehensive Health Center***
- ***Be community-based and linked to schools.***

***The PUC has recently rejected a very similar program, at least for now. This item probably cannot be part of a PUC submission.***

***Hawaiian Electric is willing to provide its own money (not ratepayer money) for program start-up and for on-going support of this work.***

***Hawaiian Electric needs a recipient for the funds.***

5. **Provide solar panels to the schools.** The goals of this idea were to reduce the electricity bills at the schools, provide education on energy issues, and if possible, teach students how to make their own solar units.

***Experience through Sun Power For Schools:***

***This program provides solar power to meet some school electrical needs and provides educational opportunities.***

***Hawaiian Electric can roughly price providing all of the power to area schools using solar power although there are challenges (space, for example).***

***The costs are roughly \$12 million per school.***

***Campbell Complex (8 schools)***

***Kapolei Complex (6 schools)***

***Wa'anae Complex (7 schools)***

***Nānākuli Complex (3 schools)***

***Pearl City Complex (10 schools)***

***Waipahu Complex (8 schools)***

***Total estimated cost is \$504 million, but it could be done in any school grouping desired.***

6. **Provide solar panels to everyone.** The goal would be to take what is already a great program for Hawai'i and expand it dramatically to cover the areas impacted by the new plant by providing solar panels for every home. There was a suggestion that the solar panels could substitute for the new plant themselves.

There was also a suggestion that we look at solar power for other uses such as composting or waste management.

***Hawaiian Electric can make an estimate on solar panels for homes in the area.***

***The total energy savings would be about 6.5 MW.***

***The cost to supply panels to each area, with some assumptions as to current penetration, etc. is as follows:***

<b><i>Kapolei, Makakilo, Honokai Hale</i></b>	<b><i>\$19.5 million</i></b>
<b><i>Wai'anae</i></b>	<b><i>\$27.8 million</i></b>
<b><i>'Ewa Beach</i></b>	<b><i><u>\$35.6 million</u></i></b>
<b><i>Total</i></b>	<b><i><u>\$83.0 million</u></i></b>

***If Hawaiian Electric pursued using photovoltaic systems (PV), the total would be \$512 million.***

7. **Provide combined heat and power units (CHP)/distributed generation (DG) to all schools in the area.** The goal would be primarily to reduce the electric bills of the schools leaving more money to be spent on educational activities. Hawaiian Electric should look at both the pros and cons of such installations.

***CHP is the most useful for large facilities with 24/7 power needs such as hotels or hospitals.***

***Therefore, it would not be economical for schools.***

***CHP uses fossil fuels, needs fuel storage on site, and it will make more noise.***

***DG, in the form of emergency generators, is available at many Leeward schools for Civil Defense purposes. It is not a good way to run a system on a regular basis.***

8. **Determine whether the power provided by the new plant can be dedicated to specific communities such as those most impacted by the project.** The goal here is to provide a benefit, the greater likelihood of power availability during periods of generation difficulty, to those neighborhoods impacted by the new unit. Power currently is fed by all units into an island-wide grid and is not isolated by community.

***The goal would be to provide that the additional power created by the plant would be available first to the impacted areas in the event of an emergency. This is called "islanding" power.***

- ***Dedicating power to a specific area would not only harm the entire system in the event of an emergency, it would harm the separated area during normal conditions.***
- ***The best way to improve reliability in these areas is to build a new substation in Wai'anae to be located half-way between the Mākaha and Mikilua Substations.***
- ***Cost for this new substation would be \$2.5 to \$3.0 million.***

9. **Build a hospital or a full-service clinic in this area.** The goal is to provide health care services in an area with great health care needs. The needs are viewed as a result of the variety of environmental challenges these areas have faced over the years, including the Kahe Plant.

One aspect of this work would involve baseline studies to see where we are today and then to track changes over time.

***Building a hospital on the Wai'anae Coast would allow for the many health needs of the residents of this area to be addressed.***

- ***From a legal standpoint, it would be difficult, if not impossible to get state permission to build a hospital in this area.***
- ***Wai'anae Coast Comprehensive Health Center has "hospital" in its legal name. The Center has built a strong community-based clinic model to address disease prevention and health maintenance.***
- ***The Center has records on 25,000 residents in the area and receives 125,000 medical visits a year.***

10. **Provide discounts on electricity to those who live in the area directly impacted by the new plant.** The goal is to provide a direct benefit to each individual in the immediately impacted area rather than generalized benefits such as scholarships. Among the features suggested would be: limiting the discount to residents (who live with the air the longest and during the peak hours when the unit is supposed to operate); taking into account the direction of prevailing winds—primarily the area involved is zip code 96707 (Kapolei, Makakilo, Honokai Hale and Ko'olina); and recognizing that the discount amount is not as important as the principal of the rest of O'ahu in effect compensating this area for the burden.

***The proposal is for a rate reduction for those most directly impacted by the new plant.***



***Assuming that the discount is applied to the non-fuel portion of the bill, the discount for zip code 96707 (Kapolei/Makakilo/Honokai Hale/Ko'olina) residential use would be as follows:***

<u># of bills annually</u>	<u>Total kWh</u>	<u>1% Discount (annual)</u>	<u>5% Discount (annual)</u>
104,148	81,900,549	\$99,800	\$499,002

***One challenge in this regard is that the number of residential users will grow substantially in the years ahead, thus increasing the discount amount.***

11. **Create a report card for Hawaiian Electric on various items related to the operation of its power system.** The reports would go to all of the communities in the area and include emission levels, effectiveness of conservation efforts, electricity use patterns, air and water quality test results, impacts on fisheries and other subsistence living activities. The report card should begin with baselines and must take into account the outdoor lifestyle of people in the area.

***Have Hawaiian Electric issue a report to the community on such issues as emissions, electricity use patterns, the results of the conservation and energy efficiency program, impacts on the environment.***

- ***Assuming that the data exists, Hawaiian Electric should be able to produce a report card.***
- ***Need to determine what items to include.***

12. **Establish environmental testing/measuring sites makai of the new plant and on the coast northwest of the plant site.** The goal would be to provide an ongoing environmental profile of the area including air and water quality, impacts on the fisheries, and impacts on areas where food and medicinal plants are gathered. The measurements should take into account the outdoor lifestyle of people in the area. There would also need to be baselines on the current conditions in the area.

***The purpose is to create new monitoring stations and testing makai of the plant site and on the Wai'anae Coast.***

***Rough estimates are as follows on the monitoring stations:***

<b><i>Capital (including site costs):</i></b>	<b><i>\$200,000</i></b>
<b><i>Operating Costs:</i></b>	<b><i>\$120,000 per year</i></b>

***Water quality testing (known as Water Effluent Toxicity or WET testing) has been on-going for the past 15 years. WET measures any impact on marine organisms.***

***Hawaiian Electric could reinstate fish monitoring which it did in the 1970s and 1980s. Cost would be \$125,000 per year.***

***Coral monitoring off Kahe Plant has also been on-going since 1980.***

13. **Underground the utility wires along Farrington Highway.** The goals of this work would be to underground the lines along the highway to increase electrical reliability, to harden the system in the event of hurricanes or tsunamis, and to improve the road safety. The intent would be to maximize the use of federal monies (DOT and FEMA) in this project.

***The Wai'anae Coast portion would be 10 miles of 46 Kv lines and 12 miles of 12 Kv lines. The 46 Kv lines would cost approximately \$27 million and the 12 Kv portion, over \$40 million. (These numbers are only for electrical wires. It does not include "Verizon" or "Oceanic Cable" lines.)***

- ***The State Department of Transportation Director has discretion to use federal highway funds to underground utility wires.***
- ***FEMA funds may also be available subject to certain "conditions" (e.g. identified as a priority in the State's plan and funded within 12-13 months of a disaster).***

14. **Beautify Farrington Highway as an interim measure to ultimate undergrounding.** The goal would be to plant trees along the highway from Kahe to Mākaha to minimize the visual impact of the utility wires and to improve the visual appearance generally.

***Unless and until the utility undergrounds its wires along Farrington Highway, the utility wires should be visually mitigated to the greatest degree possible.***

***The American Institute of Architects did a study of undergrounding utility lines and in the course of that work looked at the visual mitigation issues.***

***The cost estimates in that study were as follows:***

***Treelines: \$10,000 per 100 l.f. or \$500,000 per mile.***

***Landscape: \$10.00 per square foot***

15. **Provide monies for a community fund.** This fund would be used to meet a variety of needs and could also be leveraged to obtain additional funds from other sources. The community fund could then be directed to the purposes of any of the give backs or to other items.

***This fund would be established to provide a source of funds for community projects.***

- ***One advantage is that these funds could be used to leverage additional funds from other sources.***
- ***Such funds have been set up in conjunction with large scale development projects. One such example is the Lanai Community Fund.***
- ***There is PUC precedent which makes this proposal unlikely to receive support.***

16. **Increase corporate citizenship in this geographic area.** The goal would be to have Hawaiian Electric be particularly supportive of giving in this geographic area. One example given was the Kapolei Hale Christmas Tree and Parade.

- ***These funds, by PUC decision, come from shareholder monies and not ratepayer monies.***

17. **Assist with affordable housing.** The goal would be to have Hawaiian Electric provide direct assistance in the area of affordable housing.

***After consulting with State housing officials, the approximate amount of shortfall between family income and the cost of housing that could be developed is \$158,900.***

***Computing this out leads to the following:***

<b><i>10 units</i></b>	<b><i>\$ 1,589,000</i></b>
<b><i>100 units</i></b>	<b><i>\$15,890,000</i></b>

18. **Assume responsibility for or develop the beach near the Kahe Power Plant.** The goal would be to have Hawaiian Electric assume responsibility for the beach area across from the Kahe plant and develop it as a recreational site.

***The goal is to have Hawaiian Electric expand use of the beach area.***

***The area has been leased to the City & County of Honolulu for recreation purposes.***

***It is highly unlikely that the PUC would allow Hawaiian Electric to, or that Hawaiian Electric would on its own, assume the responsibility (and liability) for operating a recreational facility.***

In examining these give backs, it was noted that many (the solar roofs, solar for the schools, etc.) could be scaled back by not doing all of the installations called for in the original request.

One final note on the source of the monies for these various items: one theme is to have the give backs become part of the project itself which would, in essence, mean that all O'ahu ratepayers would be providing a benefit for this area (and not for themselves unless they live there) because of the burdens imposed on this area; the second theme is that the give backs should come out of the utilities profits.

#### **OTHER SUGGESTIONS FOR CONSIDERATION**

The discussions also elicited a number of other comments and suggestions on the energy situation in Hawai'i:

1. Build a rate structure that provides for a certain amount of electricity use at a base rate and then a substantially higher rate for use over that amount -- with the goal being energy conservation.
2. The give back process we build here should be made so that it can be applicable in other situations in the future.
3. Encourage more open building design so that air conditioning is not needed.
4. The landfills should be tapped for gas. (There are current efforts to do this at Waimānalo Gulch and perhaps at others.)

### **CREATING A GIVE BACK PACKAGE**

There was discussion of which give back items might be more acceptable to the PUC and the likely size of an acceptable give back package.

Among the factors discussed in terms of how to create a package:

1. The community needs to create it with assistance from Hawaiian Electric and then the community needs to stand up for the package when Hawaiian Electric presents it.
2. The Mayor's Office expects the results to be a "win-win" as the island needs additional power generation and the communities involved need to be addressed for the imposition of new power facilities.
3. Both the process and many of the give backs are precedent-setting and it is important that this process be successful.
4. The give back process will probably be most successful if it is linked to the proposal submitted to build the actual plant.
5. As the plant application will be submitted in late May or early June, this process needs to be completed, if possible, in the same time period.

### **THE GIVE BACK AGREEMENT**

In working on an Agreement, the community and Hawaiian Electric Company adhered to the following guiding principles:

1. We need to do something to directly address the immediate neighbors of the new plant.
2. We need to take action to reduce the environmental impact of existing facilities, especially the Kahe Power Plant.
3. We need to change the way we live -- we need to establish a citizen and community ethic that understands and appreciates the limits of living on an island and the need to conserve resources such as air, water and land.
4. We need information -- hard data -- on the environmental conditions in the areas around our power generating facilities.

5. We need to hold Hawaiian Electric accountable for the assurances and promises it has made the community in terms of the following:
  - a. The actions that would be taken to reduce the use of power through conservation and energy efficiency programs;
  - b. The actions that would be taken to promote the use of renewable energy;
  - c. The environmental impacts caused by power generation.
6. We need to create a process and working relationship between Hawaiian Electric and the community that can then be held out to others who come into our community as a model, a template, for future work.

Based on those principles, the community and Hawaiian Electric Company agreed to the following "give backs" to be linked to the application to build the new generating unit. The first three are to be filed with the Public Utilities Commission at the same time as the filing for the new generating unit. The second three are commitments made by the Company itself and do not require PUC approval.

1. A rate discount will be sought for the residents in the area immediately proximate to the new unit— Makakilo, Kapolei, Honokai Hale and Ko'olina. This area is currently part of the C.L.E.A.N. process that deals with emissions and other impacts from activities in the Campbell Industrial Park.

In proposing the discount, it was felt that those in the immediate vicinity of a new facility that benefits the entire island should be compensated by other communities for taking on that burden on everyone's behalf. Discounting rates and having other ratepayers make up that discount is a very direct way of doing this.

The proposed discount is 7% on the energy charge (and not on the fuel charge) for residential ratepayers in zip code 96707. The discount would last for ten years and apply only to the first 786 kilowatt hours (Kwh) of individual use per month. In order to not encourage energy waste, energy use over that amount (which is the current average use amount in this area) will not be discounted.

The cost over a ten year period is estimated to be \$5.0 million.

2. In conjunction with the Board of Water Supply, Hawaiian Electric Company will construct the facilities and infrastructure necessary to have the Kahe Power Plant substitute R.O. (reverse osmosis, recycled) water for its industrial use of potable water.

This may involve construction of a pipeline between the Honouliuli Wastewater Treatment Plant and the Kahe Plant and/or the construction of facilities on the grounds of the Kahe Plant to create such water.

The cost is estimated to be between \$5.0 million to \$10.0 million.

3. Hawaiian Electric will establish three additional air quality monitoring stations: one makai of the new unit, one in Nānākuli, and one in the Wai'anae/mā'ili area. In addition, Hawaiian Electric will resume the fish monitoring studies it used to conduct.

The cost is estimated to be \$390,000 in capital costs and \$485,000 in annual operating costs.

4. Hawaiian Electric will make a long-term financial commitment to support a resource conservation education program that will be spearheaded by leaders in the community. The program will seek support from other companies and agencies and will be designed to build a conservation ethic in our community with respect not only to energy use but also to water, land and other resources. A key component will focus on programs in the schools.

The program will also work with Hawaiian Electric on the implementation of the next two items.

The commitment by Hawaiian Electric Company is to provide \$100,000 a year for ten years.

5. Hawaiian Electric will work with the community to create and deliver, on an ongoing basis, a "report card" on Company activities in areas such as energy efficiency/demand side management, renewable energy, and electrical use by categories such as residential use. The Company will also provide copies of the C.L.E.A.N. reports to other communities in the area.

6. Hawaiian Electric will reaffirm its commitment to provide a substantial portion of its corporate giving to the West O'ahu/Wai'anae Coast area in consultation with the leadership of the area.

**SEEKING APPROVAL FOR THE AGREEMENT**

The group reviewed the format for this report and approved it in concept. The report is designed to allow those reading it to follow the process undertaken by the group. Once completed, it will be submitted as a part of the PUC filing on the Give Back Agreement.

Members of the group will then, at their option, appear at public hearings or otherwise provide written and/or verbal support for the agreement. Many of the group indicated their intent to do so.

**CLOSING**

With the unanimous consent of all present, the Agreement reached and the process undertaken were closed with a blessing.



## HECO'S COMMITMENT TO COMMUNITY BENEFITS

HECO is committed to the concept that in certain instances, HECO and the community should discuss if "give backs" to the community are appropriate for bearing the burden of the undesirable, but necessary, facilities. HECO believes that the CIP Generating Station Project falls within the parameter of formulating "give backs" with the community impacted by the CIP Generating Station Project. Accordingly, HECO has agreed to sponsor three programs in the Community Benefits Package: Conservation Education Program, Community Report Card, and Corporate Support Program.

### Conservation Education Program

HECO's demand side management programs presently focus on commercial and industrial customers and new residential construction and offer a full range of assistance and services to reduce energy usage. Programs for existing residential households, on the other hand, are limited to promoting efficient water heating. While energy conservation information and material are available to residential consumers, a dedicated, long-term effort to build energy conservation awareness and expand consumer knowledge is necessary to change consumers' behaviors.

As part of the Community Benefits Package, HECO will make a commitment to provide a \$1,000,000 grant over a period of ten years for a conservation education and awareness program for the West Oahu and Waianae Coast communities. The program will be designed to instill and advance a conservation ethic in Hawaii's community. This effort will be lead by a community-based organization and will encompass energy conservation as well as the conservation of water, land, and other natural resources. A key component will focus on schools in West Oahu and an integrated curriculum that will be developed together with the State Department of Education. The program will bring together public and private resources and will involve the active partnership of HECO, businesses, government agencies, and community organizations.

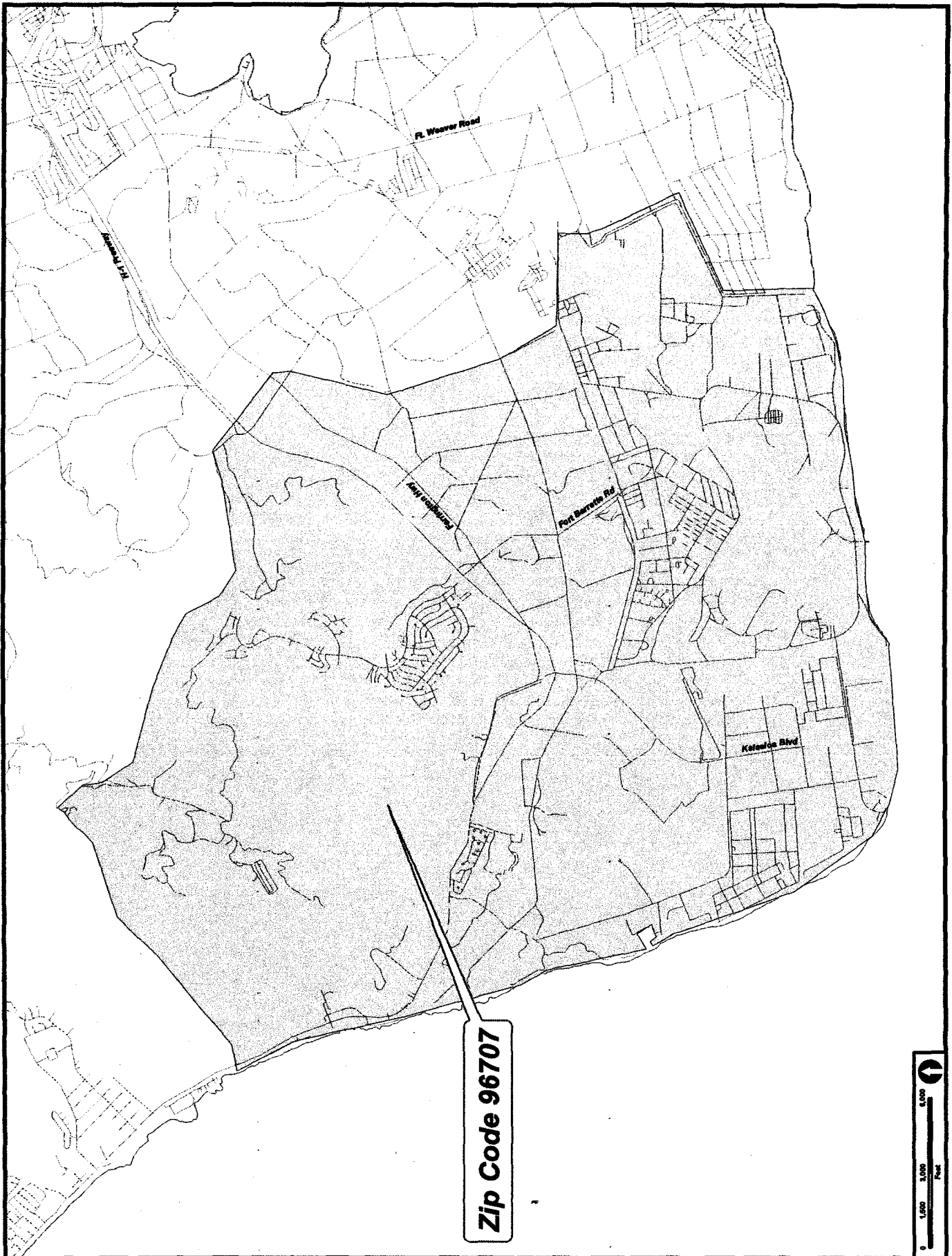
### Community Report Card

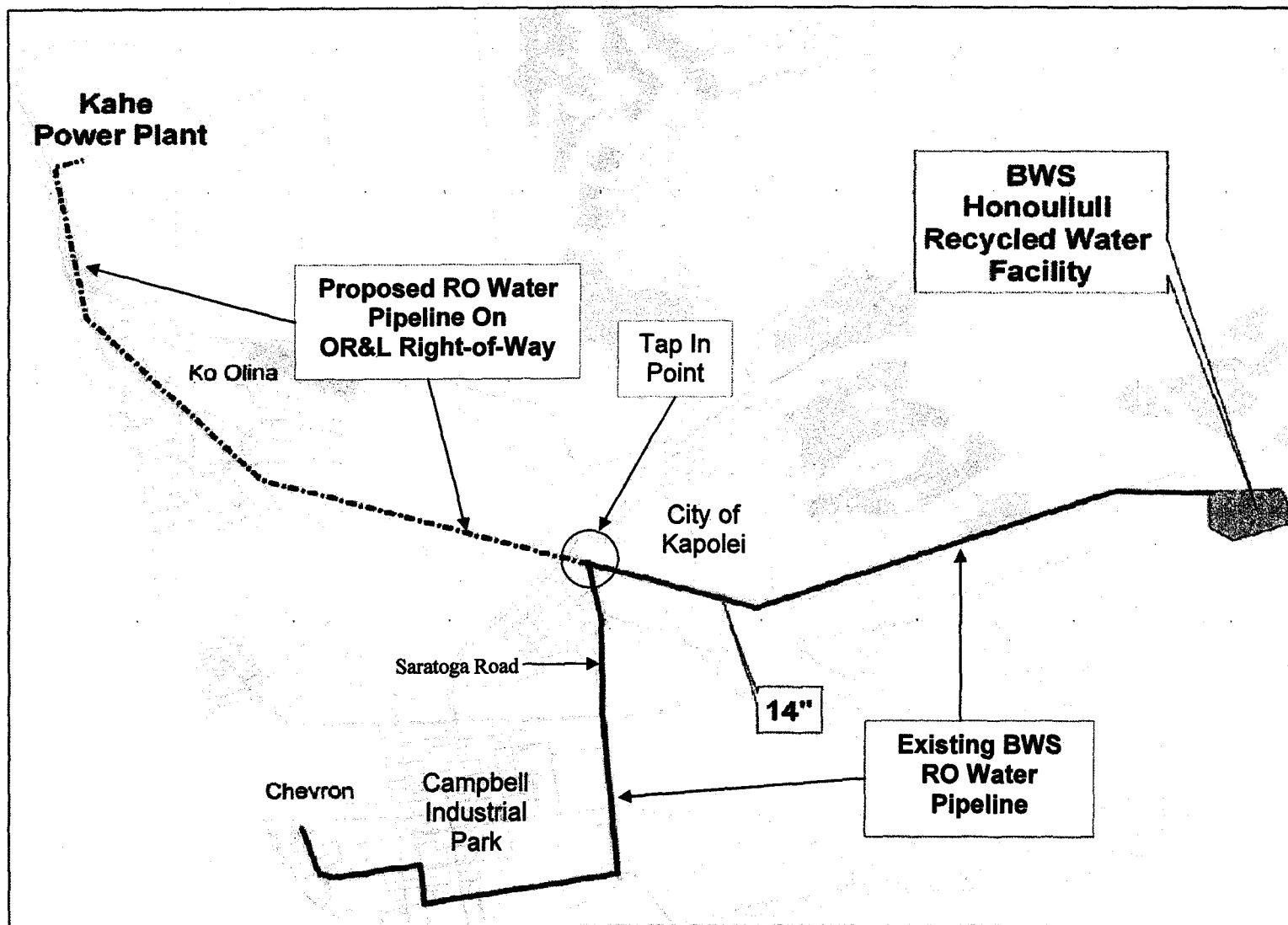
HECO will work with the community to create and deliver to the community on an ongoing basis a "report card" on HECO's activities in areas such as energy efficiency/demand side management, renewable energy, and electrical use by categories such as residential use. The report card will also include data collected from the three new air quality monitoring stations and fish monitoring. HECO will also provide copies of the C.L.E.A.N. reports including the "Monthly Emission Incident Report" prepared by the State Department of Health for the Makakilo/Kapolei/Honokai Hale Neighborhood Board, to communities in the area.

**Corporate Support Program**

HECO has a long history of supporting community services and needs through its corporate giving and employee volunteer programs. Along with corporate financial donations, hundreds of HECO employees annually volunteer their time as well as expertise to service organizations and community events throughout Oahu. HECO hereby affirms that it will give a substantial portion of its available resources to continue its strong support of the charitable activities in the West Oahu/Waianae Coast area.

EXHIBIT E





LOCATION OF PROPOSED RO WATER PIPELINE

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )

HAWAIIAN ELECTRIC COMPANY, INC. )

) Docket No. \_\_\_\_\_

)  
)  
) For Approval of (1) the Commitment of Funds in  
) Excess of \$2,500,000 for the Purchase and Installation  
) of the RO Water Pipeline Project and the Environmental  
) Monitoring Project, (2) a Rate Reduction Program,  
) (3) Accounting and Ratemaking Treatment of the  
) RO Water Pipeline Project and Environmental  
) Monitoring Project, all as Part of the Community  
) Benefits Package Relating to Item Y-49000, Campbell  
) Industrial Park Generating Station and Transmission  
) Additions Project.  
)  
\_\_\_\_\_ )

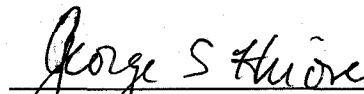
CERTIFICATE OF SERVICE

I hereby certify that I have this date served two copies of the foregoing Application,  
together with this Certificate of Service, by making personal service to the following and at the  
following address:

Division of Consumer Advocacy  
Department of Commerce and Consumer Affairs  
335 Merchant Street, Room 326  
Honolulu, Hawaii 96813

DATED: Honolulu, Hawaii June 17, 2005 \_\_\_\_\_

HAWAIIAN ELECTRIC COMPANY, INC.

  
\_\_\_\_\_  
George S. Hirose