

MORIHARA LAU & FONG LLP

A LIMITED LIABILITY LAW PARTNERSHIP

April 7, 2010

PUBLIC UTILITIES
COMMISSION

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HAND DELIVER

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street
Kekuanaoa Building, Room 103
Honolulu, HI 96813
Attention: Kaiulani Kidani Shinsato, Esq.

Re: Docket No. 2007-0008 – In the Matter of Public Utilities Commission
Instituting a Proceeding to Examine Hawaii’s Renewable Portfolio
Standards Law, Hawaii Revised Statutes (“HRS”) §§ 269-91 –
269-95, as Amended by Act 162, Session Laws of Hawaii 2006:
Kauai Island Utility Cooperative’s (“KIUC”) 2009 Annual Renewable
Portfolio Standards (“RPS”) Status Report

Dear Commissioners and Commission Staff:

Please find enclosed KIUC’s Annual RPS Status Report for the year ending
December 31, 2009 (“2009 RPS Report”).

As shown in the attached 2009 RPS Report, renewable energy resources
and energy savings supplied 14.90% of KIUC’s net electricity sales during the
2009 calendar year. This exceeds the year 2010 RPS goal of 10.0% to be
achieved by each electric utility as established by HRS § 269-92(a)(1), as
amended.

The attached 2009 RPS Report also includes a breakdown of the
renewable energy resources on Kauai comprising the 14.90% RPS for 2009 and
the RPS reached in 2004, 2005, 2006, 2007 and 2008. Also included in said
report is a discussion of KIUC’s commitment to continue to increase the growth of
renewable energy and energy savings on Kauai.

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
April 7, 2010
Page 2

We thank you for your consideration of this matter. If you should have any questions, please do not hesitate to contact the undersigned.

Very truly yours,



Kent D. Morihara
Kris N. Nakagawa

Morihara Lau & Fong LLP
Attorneys for Kauai Island Utility
Cooperative

Enclosure

cc: Consumer Advocate
Ms. Darcy Endo-Omoto
Mr. Dean Matsuura
Mr. Jay Ignacio
Mr. Edward Reinhardt
Thomas W. Williams, Jr., Esq.
Craig I. Nakanishi, Esq.
Mr. Randall J. Hee
Mr. Timothy Blume
Mr. Warren S. Bollmeier, II
Mr. Henry Q. Curtis

Kauai Island Utility Cooperative Renewable Portfolio Standards (RPS) Status Report Year Ending December 31, 2009

KIUC RPS Results for 2009

Kauai Island Utility Cooperative (KIUC or Company) achieved a Renewable Portfolio Standard (RPS) percentage of 14.90% for calendar year 2009. This essentially exceeds the State of Hawaii's 2010 RPS requirement of meeting 10% of its net electricity sales with electrical energy generated and/or displaced by renewable resources¹. In addition to meeting the 2010 required RPS percentage of net electricity sales, KIUC has also met the requirement that at least 50% of its renewable portfolio standard be met by electrical energy generated using renewable energy as the source².

KIUC met the electrical energy needs of its customers with a combination of Company-owned fossil fueled generation, Company-owned renewable generation, and non-firm (100% renewable) power purchases³. In addition to this generated electricity, Solar Water Heating (SWH), Photovoltaic (PV) systems, and Demand Side Management (DSM) measures also supplied some of KIUC consumer's energy needs, while at the same time, displacing fossil-fuel generated power. The portion of the RPS met by electrical energy generated using renewable energy as the source was 36,709 megawatt-hours, which is greater than 50% of the total 2010 10% RPS requirement of 46,950 megawatt-hours (MWh).⁴ Exhibit A illustrates how KIUC met the energy needs of its approximately 35,000 members.

KIUC's 2009 RPS Results

In 2009, KIUC achieved a renewable portfolio percentage of 14.90%, which is 1.05% greater than KIUC's 2008 renewable portfolio percentage of 13.85%. This is due to the following:

¹ Hawaii Revised Statutes (HRS) § 269-92(a)(1)

² HRS § 269-92(b)

³ KIUC has four non-firm power purchase contracts to purchase excess electrical power from Gay & Robinson (G&R) (hydro), Kauai Coffee (hydro), Kekaha Agriculture Association (KAA) (hydro) and Green Energy Team. G&R shutdown its sugar operation in 2009 and as such is not anticipated to generate any biomass-fueled energy in 2010. Green Energy Team's 6.4 megawatt (MW) biomass project is currently under development and as such KIUC will not receive any energy from it unless and until the plant is completed and commissioned. If built, KIUC anticipates that energy from that plant will not be available until 2012.

⁴ 46,950 MWh is 10% of KIUC's annual adjusted MWh sales of 469,507, which is 436,273 MWh of actual sales adjusted for displacement technologies contribution of 36,709 MWh to the RPS.

1. Reduced direct sales of electricity.
2. In 2009, KIUC's total power purchases from G&R and KAA were increased compared to 2008.
3. KIUC experienced a slight increase in energy savings as result of its DSM, SWH, and customer renewable generation programs. The number of customer renewable generation installations increased significantly from 170 in 2008 to 249 in 2009.

KIUC Future RPS Activities

While KIUC exceeded the 2010 RPS goal of 10%, the Company is committed to increasing the growth of renewable energy and energy savings. To accomplish this, KIUC is undertaking the following:

1. Green Energy's 130 kilowatt hydro electric generation unit synchronized with KIUC's grid in 2009, but is currently being repaired shortly after experienced a generating winding failure.
2. In March of 2007, KIUC signed a 20-year purchase power agreement with Green Energy Team LLC to purchase power from the proposed 6.4 MW Biomass-To-Energy facility. Green Energy Team LLC has been granted a Use Permit from the County. The project has experience development delays due to insufficient feed stock, and at this time, it is uncertain if the project will be moving forward. KIUC remains committed to producing a larger percentage of our future power needs from biomass.
3. KIUC and a wind power developer have been working since 2006 to develop a 12.5 MW wind farm. Project siting and avian populations are the major obstacles preventing the project from moving forward at this time.
4. KIUC has a collaborative agreement with an ethanol and power generation developer that has the potential to result in the development of a significant source of biomass-fueled energy. At this time, securing land for the project is proving to be the biggest obstacle. If this project proves to be unsuccessful, KIUC remains committed to the development of a large biomass generation facility.
5. KIUC is currently conducting a cultural study and collecting water flow data for its Upper Waiahi hydro plant. This data will be used to determine how much, if any, capacity could be added to the already-existing 1.2 MW generation capacity.

KIUC is also pursuing a long-term water lease from the Department of Land and Natural Resources. With the certainty of resources that this lease will

provide, KIUC anticipates making additional capital improvements to the units and water delivery system, which would increase the annual energy produced.

6. Due to development issues with securing State lands for photovoltaic systems; KIUC is negotiating with private land owners whom have partnered with photovoltaic developers to bring 5MW online by 2012.
7. KIUC is in negotiations for a 10MW Concentrating Solar Thermal project that is proposed to be developed on the west side of Kauai. The project holds good potential to safely integrate a significant percentage of solar generated electricity, but this comes at a significant cost premium today and in the future.
8. KIUC is actively exchanging information with the National Renewable Energy Laboratory (NREL) and meeting with various developers of renewable energy projects. Technologies discussed include, without limitation, wave energy, run-of-river hydro, municipal solid waste, PV, concentrating solar, combined heat and power, and biomass. KIUC anticipates these contacts will result in the development of renewable energy projects in the near term and beyond into the future.
9. KIUC has been working with NREL to see if utilizing the Federal Governments Utility Services Agreement mechanism could be used to get the landfill gas project going at Kekaha landfill.
10. In addition to large utility-scale renewable energy projects, KIUC also recognizes the importance of small-scale PV, SWH, and DSM systems in meeting future RPS goals. To this end, KIUC is also continuing its residential energy efficiency programs, commercial retrofit program, and its SWH programs.

Conclusion

KIUC achieved a RPS percentage of 14.90% in 2009, which currently surpasses the 10% by 2010 RPS requirement by 4.90%. KIUC recognizes the benefits that renewable energy and energy savings provide to the visitors, residents, and commercial sectors of Kauai, as well as the impact it has on global environmental, societal, and economic issues. As such, KIUC will continue to evaluate, promote, and incorporate renewable energy and energy savings to meet the needs of its members, the Kauai community, and the State.

Exhibit A

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>						
	MWh	MWh	MWh	MWh	MWh	MWh						
1. Net Fossil Generation	412,793	413,355	419,451	441,154	417,986	399,325						
2. <i>Net Renewable Generation</i>												
KIUC Hydro	1,684	4,232	4,561	926	7,968	7,454						
Gay & Robinson	2,844	3,501	3,921	2,845	2,385	3,548						
Kauai Coffee	29,199	26,292	25,613	20,612	22,149	21,597						
KAA	2,070	3,466	3,024	2,079	3,106	4,111						
Green Energy Hydro						5						
Total Renewable Generation	<u>35,796</u>	<u>37,491</u>	<u>37,120</u>	<u>26,462</u>	<u>35,607</u>	<u>38,709</u>						
						436,039						
3. Conserved Energy (Displaced Sales)												
Solar Water Heating (SWH)	7,558	7,659	7,831	7,937	8,484	8,993						
Customer Renewable Generation	90	130	202	524	3,924	5,023						
Demand Side Management (DSM)	19,037	20,855	21,349	21,361	19,233	19,217						
Total Conserved Energy	<u>26,685</u>	<u>28,644</u>	<u>29,382</u>	<u>29,822</u>	<u>31,641</u>	<u>33,234</u>						
4. Total Sales												
Direct KIUC Sales	446,923	448,611	452,080	466,896	453,791	436,273						
Displaced Sales due to SWH, PV, DSM	<u>26,685</u>	<u>28,644</u>	<u>29,382</u>	<u>29,822</u>	<u>31,641</u>	<u>33,234</u>						
Total Sales	<u>473,608</u>	<u>477,255</u>	<u>481,461</u>	<u>496,718</u>	<u>485,432</u>	<u>469,507</u>						
5. Renewable Generation + Conserved Energy	62,481	66,135	66,501	56,284	67,248	69,943						
Percent of Total Sales supplied by Renewables and Conserved Energy	<table border="1"><tr><td>13.19%</td></tr></table>	13.19%	<table border="1"><tr><td>13.86%</td></tr></table>	13.86%	<table border="1"><tr><td>13.81%</td></tr></table>	13.81%	<table border="1"><tr><td>11.33%</td></tr></table>	11.33%	<table border="1"><tr><td>13.85%</td></tr></table>	13.85%	<table border="1"><tr><td>14.90%</td></tr></table>	14.90%
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