

MORIHARA LAU & FONG LLP

A LIMITED LIABILITY LAW PARTNERSHIP

March 31, 2009

PUBLIC UTILITIES
COMMISSION

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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's") 2008 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, 2008 ("2008 RPS Report").

As shown in the attached 2008 RPS Report, renewable energy resources
and energy savings supplied 13.85% of KIUC's net electricity sales during the
2008 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(1), as amended.

The attached 2008 RPS Report also includes a breakdown of the
renewable energy resources on Kauai comprising the 13.85% RPS for 2008 and
the RPS reached in 2003, 2004, 2005, 2006, and 2007. 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
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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,

A handwritten signature in dark ink, appearing to read 'K.D.' followed by a stylized flourish.

Kent D. Morihara
Kris N. Nakagawa
Dana O. Viola
Sandra L. Wilhide

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, 2008

KIUC RPS Results for 2008

Kauai Island Utility Cooperative (KIUC or Company) achieved a Renewable Portfolio Standard (RPS) percentage of 13.85% for calendar year 2008. Essentially, in 2008 KIUC exceeded the RPS 2010 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 fifty per cent 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 our members' 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 35,607 megawatt-hours, which is greater than 50% of the total 2010 10% RPS requirement of 48,543 megawatt-hours⁴. Exhibit A illustrates how KIUC met the energy needs of its approximately 35,000 members.

KIUC's 2008 RPS Results

In 2008, KIUC achieved a renewable portfolio percentage of 13.85%, which exceeds KIUC's 2007 renewable portfolio percentage of 11.33%. This was due to the following:

1. KIUC experienced an increase in hydro generation from its Upper and Lower Waiahi hydro plants. This was the result of a number of factors, including

¹ 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) (bagasse), Kauai Coffee (hydro), Kekaha Agriculture Association (KAA) (hydro) and Green Energy Team. Green Energy Team's 6.4 megawatt (MW) biomass project is currently under development and as such KIUC projects that it will not receive any energy from it until the plant is completed and commissioned in 2010.

⁴ 48,543 kWh is 10% of KIUC's annual adjusted kWh sales of 485,432 megawatt-hours, which is 453,791 megawatt-hours of actual sales adjusted for displacement technologies contribution of 31,641 megawatt-hours to the RPS.

increased rainfall resulting in increased water supply and improved ditch system maintenance over the years to maximize water flow.

2. In 2008, KIUC's total power purchases from G&R, Kauai Coffee, and KAA were increased compared to 2007 due to increased rainfall.
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 93 in 2007 to 170 in 2008.

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. 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 will begin commercial operation in 2010.
2. 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 obstacle preventing the project from moving forward at this time.
3. KIUC's 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.
4. 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.

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.

5. KIUC has been working with KAA to sub-lease state lands for the development of a large solar project. Lease acquisitions and permitting use has delayed the project, but we hope to have 2 MW operational in 2010.
6. KIUC has begun preliminary discussions with a major land owner for development of a 4 MW hydro electric project.

7. KIUC is actively exchanging information and meeting with various developers of renewable energy projects. Technologies discussed include 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.

Additionally, KIUC continues to explore potential opportunities to partner with other entities and develop renewable sources such as municipal solid waste and landfill gas.

8. 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 13.85% in 2008, which essentially exceeds the 10% RPS requirement for 2010. 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 1

	2003	2004	2005	2006	2007	2008
	MWh	MWh	MWh	MWh	MWh	MWh
1. Net Fossil Generation	405,825	412,793	413,355	419,451	441,154	417,986
2. Net Renewable Generation						
KIUC Hydro	558	1,684	4,232	4,561	926	7,968
Gay & Robinson	2,521	2,844	3,501	3,921	2,845	2,385
Kauai Coffee	20,331	29,199	26,292	25,613	20,612	22,149
KAA	2,080	2,070	3,466	3,024	2,079	3,106
Total Renewable Generation	<u>25,490</u>	<u>35,796</u>	<u>37,491</u>	<u>37,120</u>	<u>26,462</u>	<u>35,607</u>
3. Conserved Energy (Displaced Sales)						
Solar Water Heating (SWH)	7,387	7,558	7,659	7,831	7,937	8,484
Customer Renewable Generation	66	90	130	202	524	3,924
Demand Side Management (DSM)	N.A.	19,037	20,855	21,349	21,361	19,233
Total Conserved Energy	<u>7,453</u>	<u>26,685</u>	<u>28,644</u>	<u>29,382</u>	<u>29,822</u>	<u>31,641</u>
4. Total Sales						
Direct KIUC Sales	431,315	446,923	448,611	452,080	466,896	453,791
Displaced Sales due to SWH, PV, DSM	7,453	26,685	28,644	29,382	29,822	31,641
Total Sales	<u>438,768</u>	<u>473,608</u>	<u>477,255</u>	<u>481,461</u>	<u>496,718</u>	<u>485,432</u>
5. Renewable Generation + Conserved Energy	32,943	62,481	66,135	66,501	56,284	67,248
6. Percentage of RPS met through renewable generation		75.6%	78.6%	77.1%	53.3%	73.4%
Percent of Total Sales supplied by Renewables and Conserved Energy	7.51%	13.19%	13.86%	13.81%	11.33%	13.85%