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PUBLIC UTILITIES  
COMMISSION

FILED

November 24, 2006

The Honorable Chairman and Members of  
the Hawaii Public Utilities Commission  
Kekuanoa Building  
465 South King Street, 1<sup>st</sup> Floor  
Honolulu, HI 96813

Re: Docket No. 03-0371—In the Matter of the Public Utilities Commission  
Instituting a Proceeding to Investigate Distributed Generation in Hawaii

Dear Commissioners:

My name is Joseph Allan and I am the Assistant Director of Engineering of Hospitality Properties Trust, the majority owner of the Kauai Marriott Resort and Beach Club, located in Lihue.

Kauai Island Utility Cooperative (KIUC) intends to file proposed Standby Rate Tariffs on or before November 27, 2006. Pursuant to Rider S, the standby charge applicable to our business would rise from the current level of \$5/kW to \$31.25/kW of standby demand per month.

From the limited information available, we believe that the proposed fee will have a significant negative impact on the net savings available from CHP installations, potentially making the projects economically unattractive.

The resort is particularly interested in the proposed rate increase as the resort ownership entities have invested tens of thousands of dollars studying cost effective methods of heating the resort swimming pool, and the result of the two independent studies conducted to date have identified that combined heat and power plants are the most cost effective method of providing the necessary heat input required for pool heating.

The studies were conducted in the last quarter of 2005 and were submitted for ownership review in the first quarter of 2006. The studies were completed with the support of many parties, including KIUC, who participated in several conference calls and also reviewed the resorts DOE-2 computer simulation model runs.

As a participant in the process, the KIUC account representatives attending the project development conference calls were asked to aid the team in developing cash flow projections. In the process of developing the cash flow projections, a

standby rate increase was considered by the team. Additionally, a KIUC – Resort joint ownership option was discussed, however, the KIUC team felt that this type of arrangement may require extensive detailed studies, which would likely delay the implementation of the project to a point where the ownership entities would be dissatisfied.

The final cash flow projections and energy consumption values were submitted to KIUC, The Gas Company, The Gas Technology Institute, Marriott and HPT for comment and at no point in time, did the KIUC staff identify a proposed rate increase of this magnitude.

The impact of the proposed rate increase essentially eliminates the only economical method of heating the resort swimming pool. This is a significant point as the pool temperature is the largest single source of resort guest complaints. Additionally, the resort time share owners have voted to fund the pool heating and CHP project through a special assessment.

If the CHP pool heating option is rendered not economically feasible, the result will likely be reduced occupancy as timeshare owners elect to vacation at other available resorts with heated pools. The impact of reduced occupancy on the local economy may be significant.

We are concerned that KIUC's proposed standby rate will prevent the resort from implementing a cost management option that is both reasonable and environmentally responsible. We request that the Commission carefully study the proposed rate and the way it is designed, to ensure that it does not unnecessarily impede our adoption of an energy efficient pool heating project.

In this regard, we join with the comments of the United States Combined Heat & Power Association, filed October 11, 2006, to request hearings on the proposed standby charges of all of Hawaii's electric utilities. We ask that the Commission establish a new docket for standby rates so that we could participate.

Thank you for your consideration of our concerns.

Sincerely,

  
Joseph P. Allan  
Assistant Director of Engineering  
Hospitality Properties Trust

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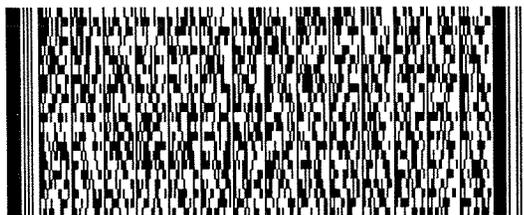
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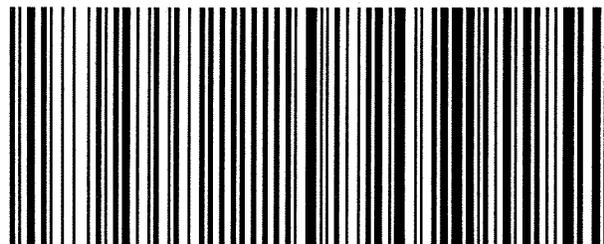
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