Hawaiian Electric Company, Inc. • PO Box 2750 • Honolulu, HI 96840-0001

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December 15, 2006

William A. Bonnet
Vice President
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The Honorable Chairman and Members of
the Hawaii Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, Hawaii 96813

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PUBLIC UTILITIES COMMISSION

Dear Commissioners:

Subject: Docket No. 03-0371
Proceeding to Investigate Distributed Generation in Hawaii

This responds to Commission Counsel Michael Azama's letter dated November 30, 2006 regarding the Commission's receipt of unsolicited letters from four non-parties, one of which, dated November 26, 2006, is from Scheibert Energy Company ("Scheibert Letter"). The Scheibert Letter, unlike the others referenced in Mr. Azama's letter, directly commented on HECO/HELCO/MECO's ("the Companies'") proposed standby rate tariffs, filed August 28, 2006, in the subject proceeding.[1]

The Scheibert Letter was an unsolicited, ex parte communication, and the Companies respectfully request that the Commission give no weight to the comments in the letter in rendering any decisions in the subject proceeding. Ex parte communications are included in the official record, but are not considered evidence in a contested case proceeding. Moreover, as noted below, the letter contains errors, and does not accurately characterize the Companies' proposed Schedule SS Standby Service tariff sheets.

The Companies respectfully reiterate their request first stated in the Companies' letter to the Commission, dated November 9, 2006, that the filed proposed standby rate tariffs go into effect at this time.

Briefly stated, the Companies make the following comments with respect to the Scheibert Letter:

1. The Scheibert Letter (p. 1) states that "the proposed HECO tariff would create standby fees from \$20/kW to \$32/kW on cogeneration systems because HECO claims

[1] The Companies proposed standby rate tariffs were filed in compliance with Decision and Order No. 22248, January 26, 2006. The other three letters addressed Kauai Island Utility Cooperative's proposed standby tariff.

that fossil fuel CHP & DG cannot guarantee 100% up time." This statement is not accurate because:

a. The Schedule SS is designed for customers who demand standby services, not because "CHP & DG cannot guarantee 100% up time."

b. The proposed standby fees do not range from $20/kW to $32/kW as stated in the Scheibert Letter. For example, Pohai Nani, which is a Schedule J customer, would be charged $8.97 per Contract Standby kW for Reservation Demand under the proposed standby tariff.

2. The Scheibert Letter (p. 1) also states that "These new standby fees would be based on the maximum nameplate kW rating."

   There is no reference to "the maximum nameplate kW rating" in the proposed tariffs. The Contract Standby kW is defined at Sheet Nos. 69A and 69D of the proposed HECO Schedule SS.

3. The Scheibert Letter (p. 2) states: "On the island of Oahu, HECO claims to have insufficient generating capabilities for the next 3 years."

   This statement is not accurate. At times, HECO expects to have less than desired levels of reserve capacity, but expects to have sufficient capacity to serve customer demand.

Based on the reasonableness of the Companies' proposed standby rate tariffs, filed August 28, 2006, the Consumer Advocate's support for their implementation at this time, and the foregoing comments as well as those comments filed by the Companies on November 9, 2006, the Companies respectfully request that the Commission issue a decision and order allowing the Companies' proposed standby rate tariffs to take effect at this time.

If you have any questions on this matter, please contact Dean Matsuura at 543-4622.

Sincerely,

for William A. Bonnet

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