



# NORTH HAWAII COMMUNITY HOSPITAL

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June 6, 2006

Mr. Carlito Carboso, Chairman  
Public Utilities Commission  
465 South King Street, #103  
Honolulu, Hawaii 96813

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PUBLIC UTILITIES  
COMMISSION  
PUC

Dear Mr. Carboso:

Subject: Docket No. 03-0371, Distributed Generation Investigative Docket

North Hawaii Community Hospital continues to face challenges in today's health care market as characterized by increasing costs and flat reimbursement. Here in Hawaii most hospitals are losing money serving patients and there is no relief in sight.

Energy costs, particularly with rising oil prices, represent a significant portion of our operating costs. Specifically, our energy costs have risen from \$685,750 in 2000 to \$1,047,412 in 2005, and this is in spite of implementing an aggressive conservation program.

Specifically as it pertains to energy conservation measures, the hospital has worked with HELCO to implement energy conservation measures under HELCO's Demand-Side Management (DSM) Program. Since 1998, we have implemented at least eight energy conservation projects under this program. We have found HELCO's DSM Program to be an effective method of moderating our electricity costs from a usage standpoint while making improvements in our own capital plant. In addition, through the DSM Program we have been able to build a strong working relationship with HELCO and we have become very confident in HELCO's ability to provide energy services.

However, with the prospect of even higher energy prices in the future, more needs to be done to control costs. We have been working with HELCO over the past few years to develop a combined heat and power (CHP) system for our facility. In fact, by August 2004 we had progressed to the point of signing a letter of intent (LOI) with HELCO for installation of a CHP system at our facility. We did understand that HELCO was in the process of obtaining PUC approval for a CHP Program and that these issues were included in the subject distributed generation (DG) docket.

Sadly, we must express disappointment in the Commission's decision and order in this DG docket. Although the PUC did not specifically exclude HELCO from the DG market, it appears that the restrictions placed upon the utility present significant barriers to their DG participation. This, in turn, presents barriers and delays for our facility to achieve our own goals in cost reduction. In principle, we are not opposed to seeking the "lowest-cost" CHP service provider, whether this is the utility company or a third-party vendor.

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However, it is important to note that a project's first-cost is only one consideration in the choice of a provider. Equally important, North Hawaii Community Hospital places a high value on the long-term reliability of its suppliers. In this regard, HELCO has demonstrated its long-term stability and "staying power" as well as its commitment to providing quality energy services, as demonstrated in its DSM incentives program.

We respectfully request that the Commission look favorably upon the partnership that has been established between North Hawaii Community Hospital and HELCO, and implement policies which further empower the hospital's Board of Directors to select a CHP service provider based upon its own identified needs and its own financial and quality service criteria. We welcome the opportunity to discuss with and advise the Commission in this regard at your convenience.

Sincerely,



President, Board of Directors

PB/WSH

cc: John Leite  
PUC Hawaii District Office  
688 Kinoole Street, #106-A  
Hilo, Hawaii 96720

Stan B. Berry, FACHE  
Chief Executive Officer  
North Hawaii Community Hospital