



STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
465 S. KING STREET, #103
HONOLULU, HAWAII 96813

December 28, 2004

To Parties and Participants:

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

Pursuant to Prehearing Order No. 20922, filed on April 23, 2004, simultaneous post-hearing opening briefs are due four (4) weeks after the transcript of the proceeding is completed and filed with the Commission.

The Commission requests that the Parties and Participants address the following issues in their post-hearing opening briefs, in addition to any other questions the parties and participants wish the Commission to consider:

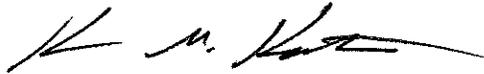
1. Whether the costs and benefits of distributed generation change in times of excess capacity vs. times of shortages of capacity; if the answer is yes, then given that for the life of any long-term asset there are likely to be periods of excess capacity and shortages, please comment on the time span over which one should measure the costs and benefits of distributed generation.
2. How should non-utility owned distributed generation be incorporated into the IRP process, in a manner comparable to the treatment of utility-owned distributed generation, so that there is no market or regulatory advantage of one type over another?
3. Whether transmission and distribution costs will be substantially reduced for CHP or other distributed generation projects set up for peak shaving only.
4. Whether potential loss of revenues to investor owned utilities, due to advancements in technology and the development of new markets is a risk for which the utility has been and is compensated through its approved rate of return; and which forms of distributed generation, if any, would fall into the category of advancement risks for which the utility already receives compensation.
5. Whether the utility would have stranded costs in period of load growth.

6. Is it reasonable to expect identification of individual projects or project zones in the IRP process? What specific modifications to the IRP process should the Commission consider to facilitate such identification?

7. Under each of the two scenarios for participation in distributed generation – utility participation and utility affiliate participation – what rules and restrictions are necessary to assure that the competition between non-utility projects and utility-owned (or affiliate-owned) projects is evenhanded, meaning that the utility or utility affiliate has no unearned competitive advantage? (Note: although some Parties and Participants may believe that there is no possibility of unearned competitive advantage, while other Parties and Participants might believe that any participation by the utility or an affiliate will distort the market, the Commission urges Parties and Participants to suspend these beliefs for purposes of this question and assist the Commission’s consideration of practical approaches.)

If you have any questions, please contact Kevin Katsura at (808) 586-2019. Thank you for your assistance on this matter.

Sincerely,



Kevin M. Katsura
Commission Counsel

KMK:cs

Enclosure

PARTIES AND PARTICIPANTS

Department of Commerce and Consumer Affairs
Division of Consumer Advocacy
P. O. Box 541
Honolulu, HI 96809

Thomas W. Williams, Jr., Esq.
Peter Y. Kikuta, Esq.
Goodsill Anderson Quinn & Stifel
Alii Place, Suite 1800
1099 Alakea Street
Honolulu, HI 96813

Alan M. Oshima, Esq.
Kent D. Morihara, Esq.
Oshima Chun Fong & Chung LLP
841 Bishop Street, Suite 400
Honolulu, HI 96813

Brian T. Moto, Esq.
Cindy Y. Young, Esq..
County of Maui
Department of the Corporation Counsel
200 S. High Street
Wailuku, HI 96793

Warren S. Bollmeier II
President
Hawaii Renewable Energy Alliance
46-040 Konane Place, #3816
Kaneohe, HI 96744

Henry Q Curtis
Vice President for Consumer Issues
Life of the Land
76 North King Street, Suite 203
Honolulu, HI 96817

Sandra-Ann Y.H. Wong, Esq.
1050 Bishop Street, #514
Honolulu, HI 96813

Lani D. H. Nakazawa, Esq.
Office of the County Attorney
County of Kauai
4444 Rice Street, Suite 220
Lihue, HI 96766