



DEPARTMENT OF THE NAVY  
OFFICE OF THE GENERAL COUNSEL

January 10, 2006

OFFICE OF COUNSEL  
NAVAL FACILITIES ENGINEERING COMMAND  
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The Honorable Chairman and Members of  
The Hawaii Public Utilities Commission  
465 South King Street  
Kekuanaoa Building, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Docket No. 05-0069, Energy Efficiency Docket

Pursuant to the procedural schedule agreement for the interim proceeding, the Department of Defense (DOD) transmits its Response to the Hawaiian Electric Company, Inc. ("HECO" or "Company") Interim DSM Proposal. The DOD's Response only addresses the recovery mechanism portion of the Company's Interim DSM Proposal.

HECO explicitly states, in its Interim Proposal (pages 8 and 9 of Exhibit B) that it is not requesting permission to recover lost margins or shareholder incentives associated with the Interim energy Solutions for the Home Program. However, with respect to the modifications to the commercial and industrial energy efficiency programs, it proposes to recover lost margins and shareholder incentives under the current IRP clause (page 1 of Exhibit A of its Interim Proposal).

According to the stipulation agreement dated October 1, 2001, between HECO and Consumer Advocate filed in Docket No. 00-0169, HECO would discontinue recovery of lost margins and shareholder incentives subsequent to an interim or final decision and order in the next rate proceeding following that stipulation. Therefore, based on the DOD's interpretation of the stipulation, HECO should not be allowed to collect lost margins and shareholder incentives under these interim programs.

Sincerely,

RANDALL Y.K. YOUNG  
Associate Counsel  
NAVFAC Pacific  
Attorney for Department of Defense

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COMMISSION

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