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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

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| ----------------In the Matter of---------------- ) | |
| HAWAIIAN ELECTRIC COMPANY, INC. ) | Docket No. 05-0069 |
| For Approval and/or Modification of Demand-Side and Load Management Programs and Recovery of Program Costs and DSM Utility Incentives. ) | |

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**POST-HEARING OPENING BRIEF OF KAUAI ISLAND UTILITY COOPERATIVE**

**EXHIBITS A AND B**

**AND**

**CERTIFICATE OF SERVICE**


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**POST-HEARING OPENING BRIEF**
**OF**
**KAUAI ISLAND UTILITY COOPERATIVE**

KAUAI ISLAND UTILITY COOPERATIVE ("KIUC"), by and through its attorneys, Morihara Lau & Fong LLP, hereby submits its Post-Hearing Opening Brief in this docket, pursuant to Order No. 22251, filed on January 31, 2006 ("Order No. 22251"), as amended.[1] Furthermore, as requested by the Commission during the panel hearings held from August 28, 2006 to September 1, 2006, attached hereto as Exhibits A and B are the resumes of KIUC's panel witnesses, Joseph M^c^Cawley ("Mr. M^c^Cawley") and Timothy Blume ("Mr. Blume"), respectively.[2]

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[1] See Order No. 22319 issued on March 15, 2006 by the Hawaii Public Utilities Commission ("Commission") and the Commission's letter dated September 28, 2006 indicating that, among other things, Simultaneous Post-Hearing Opening Briefs are due on Wednesday, October 25, 2006.

[2] Tr. 09/01/06 at 1116. Citations to the transcript of the August 28, 2006 to September 1, 2006 panel hearings are made herein by using the words "Tr." followed by the applicable transcript hearing date and the page number(s) of the transcript. For example, "Tr. 09/01/06 at 1116" means the transcript for the panel hearings held on September 1, 2006, and that the statement, reference and/or support cited is found on page 1116 of the transcript. The panel hearings were presided by Chairman Carlito Caliboso and moderated by Moderator Scott Hempling. Also in attendance were Commissioner John Cole and Commission Counsel Catherine Awakuni and Nichole Shimamoto. Tr. 08/28/06 at 6.

## I. SUMMARY OF KIUC'S FINAL POSITION AND REQUESTS

KIUC presented its position and requests of the Commission with respect to the issues of the instant docket in its closing statements made on September 1, 2006 at the Docket No. 05-0069 panel hearings.[3]

To reiterate, with regards to energy efficiency goals, KIUC respectfully requests that the Commission allow KIUC to continue to develop demand-side management ("DSM") goals through the well-established integrated resource planning ("IRP") process. Consistent with this, KIUC also respectfully requests that it not be required to adhere to general statewide goals, should such goals be developed as a result of this docket. KIUC believes that such statewide goals should not be applicable to KIUC and the island of Kauai, given KIUC's electric cooperative status, and the interest of KIUC's members/customers. KIUC supports the establishment of viable and reasonable goals that encourage the implementation of cost-effective DSM programs; however, these goals must be established at the utility level (i.e., KIUC level) for the following reasons. First, KIUC believes that goals must be consistent with its strategic and business plans that have been, and will continue to be, developed in accordance with the cooperative model structure. Second, KIUC should be allowed the flexibility to establish its own DSM goals and objectives that would be subject to review during the IRP process. Third, KIUC should be allowed to utilize its own staff and consultant's expertise and experience to create DSM goals that reflect the potential of the various energy efficiency markets on the island of Kauai.[4]

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[3] Tr. 09/01/06 at 1085-1091.

[4] Tr. 09/01/06 at 1086.

With regards to market structure, KIUC believes that its membership expects KIUC, as a not-for-profit cooperative, to be proactive by exploring ways to balance environmental stewardship that includes energy efficiency programs and renewable energy resources with reasonable energy costs. As a result, KIUC's position is that the market structure on the island of Kauai should be limited solely to "utility-only" providers (i.e., KIUC). KIUC desires this type of market structure and control to (1) incorporate non-DSM measures in its energy services offerings, (2) incorporate remnant DSM markets into its energy services, (3) develop synergistic programs that effectively combine DSM and non-DSM measures, and (4) take DSM to a higher level by providing training for Kauai's facility managers and maintenance personnel to ensure ongoing efficient operation of installed equipment.[5]

With regards to utility-incurred costs, KIUC believes that its current mechanism is sufficient and appropriate and should not be modified.[6]

With regards to which costs are appropriate for recovery, KIUC believes that as a member-owned cooperative, there is essentially no distinction between shareholders and ratepayers, and contends that all of its utility-incurred energy efficiency/DSM costs should be appropriate for recovery.[7]

With regards to incentives, KIUC contends that, unlike non-utility providers and investor-owned utilities ("IOUs"), a member-owned cooperative utility does not require DSM incentive mechanisms (e.g., financial incentives or even the potential for profit) to

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[5] Tr. 09/01/06 at 1087-1088.

[6] Tr. 09/01/06 at 1089.

[7] Tr. 09/01/06 at 1089.

aggressively pursue DSM and/or energy efficiency programs.[8] The record is clear that, as a not-for-profit member-owned electric cooperative, KIUC does not require lost margins or shareholder incentives to aggressively pursue DSM and/or energy efficiency programs. KIUC is motivated by the expectations of its membership to pursue DSM and other energy efficiency programs and non-DSM programs. For these and other reasons stated below, a public benefits fund need not be established for purposes of supporting energy efficiency and DSM programs and services on the island of Kauai under Act 162, 2006 Session Laws of Hawaii.

To summarize its position on the issues KIUC is allowed to address in this proceeding, KIUC recognizes that, even though it is a not-for-profit member-owned electric cooperative, KIUC continues to be a public utility subject to the Commission's authority and regulation. Despite this, however, KIUC's situation is nonetheless very different than that of an investor-owned electric utility. As such, regardless of what requirements may be imposed on the other utilities as it pertains to energy efficiency and DSM programs and services, KIUC respectfully requests that the issues in this proceeding and KIUC's position on these issues be reviewed and treated in terms of what would be appropriate for a cooperative utility.

## II. PROCEDURAL BACKGROUND

On March 16, 2005, the Commission issued Order No. 21698 opening this docket ("Docket No. 05-0069" or "Energy Efficiency Docket") and separating Hawaiian Electric Company, Inc.'s ("HECO") requests for approval and/or modification of its energy efficient and load management DSM programs and recovery of such programs

[8] Tr. 09/01/06 at 1089-1090.

costs and DSM utility incentives from HECO's 2005 test year rate case, Docket No. 04-0113.

On June 7, 2005, the Commission issued Order No. 21861 requiring Hawaii Electric Light Company, Inc. ("HELCO"), Maui Electric Company, Limited ("MECO"), KIUC and The Gas Company, LLC ("TGC") to be parties to the Energy Efficiency Docket, but limited their participation solely to the issues dealing with statewide energy policies ("Statewide Energy Policy Issues").

By Order No. 22251, filed on January 31, 2006, the Commission approved HECO's proposed prehearing order, filed on October 7, 2005 and attached to Order No. 22251 as Exhibit A.[9] Pursuant to the schedule set forth in Order No. 22251, as amended, the Parties/Participants[10] informally exchanged their respective preliminary statements of position with respect to the issues set forth below as contained in Order No. 22251 on March 1, 2006.[11]

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[9] Order No. 22251, among other things, established the Statewide Energy Policy Issues as restated in Section III. below. Order No. 22251, Exhibit A, at 4-5.

[10] As stated in Order No. 22251, HECO, HELCO, MECO, the Division of Consumer Advocacy, Department of Commerce and Consumer Affairs ("Consumer Advocate"), Life of the Land ("LOL"), Rocky Mountain Institute ("RMI"), Department of the Navy, on behalf of the Department of Defense, Hawaii Solar Energy Association, Hawaii Renewable Energy Alliance ("HREA"), KIUC, and TGC are collectively referred to as the "Parties." County of Maui and County of Kauai ("CoK") are referred to as the "Participants." HECO, HELCO and MECO are hereinafter collectively referred to as "HECO Companies".

[11] On February 14, 2006, HECO, on behalf of the Parties/Participants, requested an extension of time (from February 15, 2006 to March 1, 2006) to file their respective preliminary statements of position. On March 15, 2006, the Commission issued Order No. 22319 allowing the Parties/Participants to informally exchange their respective preliminary statements of position on March 1, 2006, and amending the schedule of proceedings to allow the United States Environmental Protection Agency ("EPA"), the Commission's consultant, to submit its final analysis and recommendations ("Final Report") by July 19, 2006, and any responses to the EPA's Final Report by August 22, 2006. Consistent with Order No. 22251, as amended, the Parties/Participants also informally met on April 4, 2006, April 26, 2006 and May 11, 2006 to discuss the statewide energy policy issues to attempt to reach agreement/partial agreement on these issues for the Commission's review and approval.

On June 1, 2006, the Parties/Participants submitted their Final Statements of Position, pursuant to Order No. 22251, as amended.

From June 21, 2006 to June 23, 2006, certain Parties/Participants submitted their information requests ("IRs") on the Parties' and Participant's respective Final Statements of Position.[12] From July 11, 2006 to July 20, 2006, the Parties/Participants submitted their respective responses and supplemental responses to the applicable Parties' and Participant's IRs.

By Commission letter dated July 26, 2006, the Commission provided the Parties/Participants a copy of the EPA's Final Report.

On August 22, 2006, certain Parties/Participants submitted their statements in response and/or comments to the EPA's Final Report.

On August 24, 2006, the Commission held a prehearing conference, pursuant to Hawaii Administrative Rules ("HAR") § 6-61-36, with representatives of the respective Parties/Participants in preparation for the panel hearings scheduled to commence on August 28, 2006. On August 25, 2006, the Commission issued Order No. 22803, which, among other things, recited the agreements reached and actions taken at the August 24, 2006 prehearing conference.

From August 28, 2006 to September 1, 2006, the Commission held panel hearings to address, among other things, the Statewide Energy Policy Issues, discussed in further detail below.

[12] By letter dated July 14, 2006, the Commission granted the Consumer Advocate's request for an extension of time for the Parties to file their information requests (from June 21, 2006 to June 23, 2006) and responses (from July 12, 2006 to July 14, 2006). By that same letter, the Commission also extended the EPA's Final Report deadline from July 19, 2006 to July 26, 2006.

## III. STATEMENT OF THE ISSUES

As set forth in Order No. 22251, the Statewide Energy Policy Issues in this docket that KIUC is allowed to address are as follows:

1. Whether energy efficiency goals should be established and if so, what the goals should be for the State of Hawaii ("State")?
2. What market structure(s) is the most appropriate for providing these or other DSM programs (e.g., utility-only, utility in competition with non-utility providers, non-utility providers)?
3. For utility-incurred costs, what cost recovery mechanism(s) is appropriate (e.g., base rates, fuel clause, IRP Clause)?
4. For utility-incurred costs, what types of costs are appropriate for recovery?
5. Whether DSM incentive mechanisms are appropriate to encourage the implementation of DSM programs, and, if so, what is the appropriate mechanism(s) for such incentives?

## IV. DISCUSSION

Consistent with KIUC's June 1, 2006 Final Statement of Position, its testimonies, comments and closing arguments made during the panel hearings, and the other pleadings and documents filed in this proceeding by KIUC, the following summarizes KIUC's final position and requests with respect to each of the Statewide Energy Policy Issues set forth in Order No. 22251.[13]

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[13] KIUC incorporates by reference all pleadings/documents submitted in this proceeding that is consistent with KIUC's position and requests herein. Moreover, KIUC requests that the Commission take official notice of facts of all Commission records and facts pertaining to KIUC, pursuant to HAR § 6-61-48.

1. <u>Issue 1</u>: **Whether energy efficiency goals should be established and if so, what the goals should be for the State?**

<u>Brief Response</u>: **Specific energy efficiency goals for electric cooperative utilities like KIUC should continue as they are, to be established on an island-specific basis through the well-established IRP process rather than through this proceeding.**

KIUC supports the establishment and implementation of viable and reasonable policies and practices that encourage the use of cost-effective energy efficiency programs and that promote using efficient energy resources within the State. However, KIUC is concerned with the concept of establishing and/or applying such policies, practices or goals on a statewide basis across all utilities. Applied in this manner, goals may not adequately reflect or take into consideration the successful and/or differing levels of cost-effective energy efficiency programs.[14] Such goals do not uniquely consider programs that have already been or may be implemented on each of the islands nor reflect the respective high or low potential energy efficiency market remaining on each of the islands. A generic, statewide approach to goals could result in a disproportionate goal requirement placed upon one or more utilities. In addition, KIUC believes that the establishment of general statewide energy efficiency goals to be implemented universally throughout each island and each individual electric utility may not be realistic, prudent and reasonable for the reasons further discussed below.

[14] Based on the issues set forth by the Commission in Order No. 22251, it appears that the words "energy efficiency" and "DSM" are used interchangeably. KIUC believes that there may be distinct differences between these two words, and such distinction was further clarified in this proceeding. In sum, KIUC agrees with the Consumer Advocate's definition of DSM programs as "programs designed to influence utility customer uses of energy to produce desired changes in demand. It includes conservation, load management, and efficiency resource programs." Consumer Advocate's Final Statement of Position at 16, n.10. Moderator Scott Hempling further elaborated on the Consumer Advocate's definition as follows: "When we use the phrase demand-side management, we're including two major things. One is energy efficiency, and the other is load management. Energy efficiency refers to savings of energy usage, and load management refers to managing the load." Tr. 08/28/06 at 32.

Instead of establishing statewide energy efficiency goals to be applied universally throughout each island and utility, KIUC believes that specific energy efficiency goals for each utility should be established through the current well-established IRP process rather than through this proceeding.[15] This position is consistent with both: (1) the positions and recommendations provided by the Consumer Advocate, who is statutorily responsible, under Hawaii Revised Statutes ("HRS") § 269-51, to "represent, protect, and advance the interest of all consumers, including small businesses, of [KIUC's] services", and (2) CoK, who is one of KIUC's largest customers/members on the island of Kauai. In its Final Statement of Position, the Consumer Advocate "recommend[ed] that long-term goals for energy and demand savings be established on an island-specific basis through each electric utility company's IRP processes."[16]

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[15] The IRP process is described in the Commission's "A Framework for Integrated Resource Planning" ("IRP Framework"), which provides the guidelines and requirements under which all Hawaii energy utilities including KIUC must perform IRP and DSM programs, pursuant to Decision and Order No. 11523, filed on March 12, 1992, as amended by Decision and Order No. 11630, filed on May 22, 1992, both in Docket No. 6617. Recently, the Commission held that KIUC's existing IRP Framework initially adopted in 1992 should be modified to reflect the following non-substantive changes: (1) the utility's name change to KIUC; and (2) the increased filing threshold under paragraph 2.3.g.2 of General Order No. 7. See In re Public Utilities Commission, Docket No. 05-0075, Decision and Order No. 22490 (May 26, 2006).

[16] Consumer Advocate's Final Statement of Position at 8. Specifically, the Consumer Advocate stated as follows:

> The Consumer Advocate recommends that long-term energy efficiency goals be established. However, they should not be established for the State. Rather, the goals should be established on an island-specific basis as a consequence of the analyses and recommendations from each electric utility's IRP plan. Such long-term goals would be set and reevaluated with each successive major IRP review filing. . . . The Consumer Advocate observes that benefits will result from DSM goals developed through IRP processes because they will: (1) communicate each utility's commitment to important legislative initiatives, and (2) provide stakeholders with a clear view of the level of energy and capacity savings to be achieved by each utility across the long-term. . . . The Consumer Advocate observes that [DSM] assessments can only be done in the IRP process and the Commission's IRP Framework sets the foundation for that process. Thus, the Consumer Advocate recommends that long-term DSM goals be established through each electric utility company's IRP process.

Id. at 32-33 (emphasis added).

Similarly, CoK, in its Final Statement of Position, stated the following: "CoK agrees with some of the other parties that the goals should be established on an island/County specific basis through the IRP process reviewed and approved by the PUC."[17]

KIUC believes that the existing IRP Framework already offers a suitable means through which energy efficiency goals can and are being developed and implemented by the individual electric utilities. Based on the experience and knowledge KIUC has gained by implementing numerous DSM programs since 1998, KIUC believes that DSM markets generally are fixed resources. They are fixed to the extent that an existing market will not significantly increase over time, with the exception of an occasional infusion of new technology. Any given DSM market is determined first, by the number of measures that meet economic criteria and second, by the willingness of consumers to participate in the purchase and installation of these measures. This emphasizes that DSM is a resource only to the degree that there are economically viable measures and customers that are willing to purchase and install them. Understanding this principle, it can be stated that there is a key difference between supply-side resources and demand-side resources. A utility can install any amount of generation resources to meet demand and energy needs; however, a utility can only pursue DSM to the degree that there is a market. The general concept of how much DSM potential may be

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[17] CoK's Final Statement of Position at 3. CoK further elaborated, in relevant part, that the:

> IRP process involves community, government, and business participation in an open forum. There should also be recognition that a cooperative utility structure is very different from an investor-owned utility. A "one size fits all" approach for the state's energy utilities should not be taken. . . . Goals should be kept flexible, as they may require change or refinement and should be re-evaluated and revised with each IRP cycle.

Id.

available to a utility is borne in the fact that DSM markets that are untapped (i.e., no DSM implemented) have not experienced the positive impact of DSM programs and represent the greatest opportunity for successful energy efficiency efforts. On the other hand, saturated DSM markets that have benefited from successful DSM programs have the least remaining energy efficiency potential because much of the market has already been served. As Mr. Blume testified: "[T]here are some possible market barriers and things that . . . you may not necessarily . . . , from a practical standpoint – achieve . . . . This is where I think the utility's experience in DSM programs is a very important thing because they have done much of this before and they understand their customers' attitudes and what they can reasonably expect."[18]

As mentioned above, Hawaii's electric utilities are, at any given time, at various stages of addressing their individually unique DSM markets. Thus, one of KIUC's major concerns in prescribing statewide energy efficiency goals is that these goals would not consider the varying potential that exists or remains at any given time in the various markets throughout the State. Additionally, this phenomenon often extends to individual measures and submarket sectors, making it impractical to set meaningful statewide energy efficiency goals. Moreover, statewide energy efficiency goals that do not consider the amount of DSM already implemented and the subsequently remaining markets will tend to penalize those utilities that have already successfully served their respective markets. Thus, though not desired by KIUC, if statewide energy efficiency goals are established in this proceeding, they must be established only after careful consideration of the regulatory and operational responsibilities and constraints of each

[18] Tr. 08/28/06 at 79.

utility. Goals must account for the uniquely distinct service territories of each utility on each island in accordance with each utility's remaining DSM markets.[19]

Furthermore, as discussed below, KIUC also believes that the establishment of statewide energy efficiency goals cannot take into account KIUC's unique organizational and financial structure as a not-for-profit member-owned electric cooperative. Instead of such statewide energy efficiency goals, it is KIUC's desire and recommendation that specific goals for each utility be determined by each utility through the well-established IRP process on an island-specific basis. The current IRP Framework requires utilities to evaluate energy efficiency resources and include them in their respective IRPs as a means of addressing load growth.[20] Effectively, this is goal setting at the utility level where it is more meaningful and directly applicable to each island's market and the electric utility that is directly responsible for providing effective DSM.[21] Specific to KIUC, the IRP process is already in place, and thus currently provides an effective and efficient mechanism to set meaningful DSM goals directly applicable to KIUC, its members, and other stakeholders.[22] See e.g., In re Kauai Island Utility Cooperative, Docket No. 2006-0165, Order No. 22542 (June 20, 2006) (Commission opening docket

[19] Tr. 08/28/06 at 121. (As stated by the HECO Companies' panel witness, Alan Hee: "[the utility's] goals ought to be developed on an island-by-island basis because if you set something on a statewide basis, you lose the identities and differences that I'm sure exist on each island").

[20] See e.g., Tr. 08/28/06 at 101-103 (Mr. M^cCawley testifying that "[a]s [DSM] programs are deemed to be economically viable, those programs are included in the IRP to show how the overall load shape will be met. . . [and such] overall load shape will be met by demand-side programs of which the utility then has . . . the discretion to make sure resources are allocated properly to make sure measures are maximized").

[21] Tr. 08/28/06 at 91-92 (Mr. Blume stating, among other things, that "KIUC would prefer to see the goal[s] at a utility level").

[22] Tr. 09/01/06 at 1067 (CoK recommending to the Commission that "KIUC be allowed the latitude and flexibility to propose and develop island-specific DSM programs as part of its IRP process, subject to review and approval of the Commission").

to examine KIUC's IRP efforts in its next IRP cycle or KIUC's 3rd IRP, pursuant to Section III.C.1 of the IRP Framework, as modified).[23] The parties and participants to KIUC's IRP proceeding and the Commission will have the opportunity to review and determine (1) whether or not the DSM goals established by KIUC are reasonable, and (2) whether KIUC is adequately pursuing DSM programs.[24]

2. **<u>Issue 2</u>: What market structure(s) is the most appropriate for providing these or other DSM programs (e.g., utility-only, utility in competition with non-utility providers, non-utility providers)?**

**<u>Brief Response</u>: KIUC believes that the market structure on the island of Kauai should be "utility-only", and thus limited to solely KIUC.**

Consistent with the Parties' and Participants' testimonies and positions in this proceeding, KIUC's position is that the market structure on the island of Kauai should be limited to solely a "utility-only" market structure. In other words, the present market structure that currently allows KIUC to exclusively administer energy efficiency and DSM programs should continue to be implemented without any further modifications by the Commission.

This said, KIUC recognizes that there may be occasions whereby a third-party implementation contractor may be better suited to provide certain DSM services. In connection with KIUC's position that the island of Kauai be limited to solely a "utility-only" market structure, it is also KIUC's position that any need to incorporate third-party

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[23] Pursuant to Decision and Order No. 22542, filed on June 20, 2006, in Docket No. 2006-0165, KIUC also submitted its IRP Schedule for its 3rd IRP, which was prepared, in consultation with the Consumer Advocate. In said IRP Schedule, KIUC intends to file its 3rd IRP with the Commission by June 20, 2007 consistent with the IRP Framework.

[24] Tr. 09/01/06 at 1031-1032 (Mr. McCawley stating, in relevant part, that "[g]iven the current IRP dockets, I believe that they should continue as is to allow the utilities – certainly allow KIUC – to proceed and develop its integrated resource plan with the goals that KIUC has developed, and then any results of this docket would be incorporated in subsequent integrated resource plan updates").

program implementation assistance would be at KIUC's sole discretion and within its purview to develop effective DSM implementation strategies.

KIUC contends that it is reasonable, appropriate and in the public interest to maintain the energy efficiency or DSM program market structure on the island of Kauai as one that is solely administered by KIUC due to the following four reasons, each of which is subsequently discussed in further detail:

(1) As a not-for-profit member-owned electric cooperative, there is an expectation from its membership that KIUC be proactive in administering DSM programs by exploring ways to balance environmental stewardship that includes energy efficiency programs and renewable energy resources with reasonable energy costs. As such, KIUC lacks the need for utility incentives to aggressively pursue DSM programs;

(2) The potential for non-utility providers to enter a particular market is usually motivated solely by profit-making purposes. As a not-for-profit member-owned electric cooperative, KIUC is, in addition to pursuing traditional DSM programs, focused on non-DSM programs and value-added services that exceed lesser DSM-only goals;

(3) KIUC's integrated resource planning efforts would be adversely affected because there is an inherent inability for a non-utility DSM provider to understand and, as such, perform under KIUC's integrated resource planning objectives of meeting member needs; and

(4) Non-utility DSM providers do not share the same responsibility that a utility has for meeting adequacy of supply requirements.

With respect to the first item, advocates for non-utility DSM providers often contend that non-utility DSM providers would "do more" DSM programs than electric utilities. At least in its specific situation, KIUC does not believe this statement to be accurate. KIUC, as a not-for-profit member-owned electric cooperative, is committed to providing its membership with superior service and value at the lowest reasonable cost. In addition, as noted above, KIUC believes that its membership expects KIUC to be proactive by exploring ways to balance environmental stewardship that includes energy efficiency programs and renewable energy resources with reasonable energy costs.[25] For example, KIUC currently offers appliance rebates through its energy-efficient new appliance program that goes beyond simply being cost effective.[26] KIUC also initiated a "Light Up a Life" compact fluorescent light ("CFL") program in which a member can buy up to five (5) CFLs for a modest cost of $3 each. The entire proceeds of the sale are being donated to six (6) charities by KIUC on its members' behalf. In addition, KIUC is offering a zero percent (0%) financing solar loan program in which KIUC will pay the third party financer the term interest on the loan. For almost four (4) years since KIUC became an electric cooperative, KIUC has, without the familiar utility-type incentives, demonstrated its commitment to encourage its members to become energy efficient.[27]

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[25] Tr. 09/01/06 at 1087.

[26] KIUC has decided to provide this service to its members as a "value-added" energy efficiency program and is not including it in its DSM portfolio. Consequently, it is not funded by the Resource Cost Adjustment Surcharge, but rather as an operating expense.

[27] CoK's panel witness, Glenn Sato, stated, in relevant part, as follows:

> In terms of specific [DSM] programs, the [CoK] recommends that the Commission continue to allow KIUC to develop specific [DSM] programs based on [its] past experiences of customer support, member input, and effectiveness. KIUC should continue to have the flexibility to develop programs that go beyond difficult DSM measures.
>
> Being a cooperative, you know, [KIUC has] member input that pretty much raises the importance of environmental stewardship, use of more renewables, and assistance to special groups such as low-income elderly.

Tr. 09/01/06 at 1067-1068.

Due to its not-for-profit status, KIUC has not pursued, nor has the need for, the usual "IOU-type" DSM utility incentives that were implemented by its IOU predecessor, such as lost margins and shareholder incentives. In addition, the Commission has recently approved KIUC ceasing to recover lost margins[28] from its customers.[29]

With respect to the second item, KIUC's position on non-utility provider, third-party administrator or other alternative market structures is that non-utility entities will provide DSM program services as profit-earning businesses and will not be motivated by the non-financial incentives, philosophies, or customer/member needs that KIUC must consider and often implements. KIUC contends that, as a not-for-profit member-owned electric cooperative, it is committed to providing superior service and satisfaction to its members. As aptly summarized by Mr. M^c^Cawley in KIUC's closing arguments:

> As a result, KIUC's position is that the market structure on the island of Kauai should be limited solely to KIUC. KIUC desires this type of market structure and control to be able to fully incorporate non-DSM measures – we call them member advantage services - in its energy service programs; to be able to incorporate remnant DSM markets into its energy services programs; to be able to develop synergistic programs that effectively combine DSM and non-DSM measures; and to take demand-side management services to higher level by providing training for Kauai's facility managers and maintenance personnel to ensure ongoing efficient operations of installed electrical equipment.[30]

[28] On June 14, 2005, the Commission issued Decision and Order No. 21865 in Docket No. 05-0033 approving KIUC's request to simultaneously utilize the depreciation accrual rates in accordance with its Depreciation Study and remove the lost gross margin component from its 2005 Resource Cost Adjustment Surcharge.

[29] Contrary to some belief that the recovery of lost margins is a utility incentive for pursuing DSM, it is simply the recovery of the fixed cost that a utility prudently incurred that is associated with the energy that it will not sell due to effective DSM. As this Commission has noted in the past, the concept of lost margins does not and/or should not apply to member-owned cooperatives like KIUC.

[30] Tr. 09/01/06 at 1088.

Unlike non-utility providers and IOUs, KIUC contends that it does not require any financial incentives or even the potential for profit to aggressively pursue energy efficiency/DSM programs or non-DSM programs, or a combination of both.[31] Instead, KIUC is often motivated to aggressively pursue these types of programs because it is in the best interest of its membership/customers.[32] Accordingly, KIUC contends that the natural choice of market structure for energy efficiency or DSM programs on the island of Kauai should be "utility-only".

With respect to the third item listed above, KIUC's integrated resource planning will be adversely affected by non-utility providers because non-utility providers will likely have difficulty understanding the unique and distinct aspects of integrated resource planning, implementation plans and other IRP activities on the island of Kauai. This is simply because non-utility providers do not have the intimate utility business knowledge of KIUC, both from an operational as well as from an electric cooperative standpoint, that is required to effectively perform integrated resource planning on the island of Kauai. The allowance of non-utility providers would effectively de-couple DSM from the integrated resource planning process and provides no accountability for effective planning and implementation. Under the current IRP process required by the Commission, utilities like KIUC are required to consider all feasible demand-side and supply-side options and include these options in the least reasonable cost plan for "meeting near and long-term consumer energy needs in an efficient and reliable manner

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[31] Tr. 08/30/06 at 649 (Mr. McCawley stating that "there are [energy efficiency/DSM] programs that we are offering that are not purely economically driven").

at the lowest reasonable cost."[33] Under the same rules, utilities are also required to provide a 5-year DSM implementation plan, report on impacts annually, and determine the effect of DSM on the need for future generation. Clearly, non-utility providers will not be structured, required nor able to perform these requirements as well as an electric utility that serves the entire island does. KIUC also notes that the "IRP [F]ramework is consistent with the concept of the utility being the sole administrator of its DSM services. This is evident in the [IRP Framework's] language that requires the utility to determine the DSM resource potential and then subsequently design, implement, and evaluate DSM programs."[34]

Finally, with respect to the fourth item listed above, KIUC believes that DSM programs are one of at least two distinct resources available to an electric utility to meet its mandate of providing reliable, safe and adequate electric service to its customers. KIUC is required by the Commission's IRP Framework to consider all reasonable supply-side options in its integrated resource planning process. It is also required to consider all feasible demand-side options. Removing or disrupting KIUC's ability to include DSM programs and other energy efficiency programs in its respective integrated resource planning process essentially removes a significant resource that KIUC has for meeting its adequacy of supply requirements for its entire electric system. In its planning, an electric cooperative utility like KIUC strives to achieve reasonable balances

[32] Tr. 08/30/06 at 591 (Mr. M^cCawley stating, in relevant part, that "the utility, and certainly in the case of KIUC from a member-ownership standpoint, we have a very strong interest in having all benefits being spread amongst as many members as possible").

[33] See IRP Framework, at 3. See also, Decision and Order No. 11523, filed on March 12, 1992, as amended by Decision and Order No. 11630, filed on May 22, 1992, both in Docket No. 6617.

[34] Tr. 09/01/06 at 1088-89. See IRP Framework at 15-19.

between costs and rates of its respective DSM program implementation and often takes into consideration the timing of its next capacity need, impact to the customer, and DSM technical, economic, and market potential. KIUC believes that non-utility providers would have no motivation or limited resources, time, or funding to perform these types of assessments, and would likely not consider factors that are intended to ensure safe and reliable electric services to KIUC's membership/customers.

In conclusion, for the reasons stated herein, KIUC respectfully requests that the Commission determine through this proceeding that the most appropriate market structure for the island of Kauai is to allow only KIUC to exclusively administer its energy efficiency and DSM programs.[35] In support of KIUC's position, the Parties and Participants, including CoK, acknowledged that third party or hybrid market structures should not be applicable to KIUC and that the market structure should remain as it currently is: a "utility-only" market structure whereby KIUC would exclusively administer utility DSM programs.[36]

3. **Issue 3: For utility-incurred costs, what cost recovery mechanism(s) is appropriate (e.g., base rates, fuel clause, IRP Clause)?**

**Brief Response: KIUC believes that its current mechanism for recovering its energy efficiency/DSM costs and expenses is appropriate and should not be modified.**

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[35] Tr. 09/01/06 at 1067 (CoK specifically recommended that the Commission should "exempt KIUC from an alternative market structure [(e.g., hybrid or 'utility in competition with non-utility providers' or third-party administrator or 'non-utility providers') if such structure is ultimately required by the Commission] and allow [KIUC] to continue DSM [programs] under its existing utility administration").

[36] Tr. 08/30/06 at 759 ("Consumer Advocate currently recommends that third-party administration not include KIUC"); Tr. 08/30/06 at 760 (RMI stating "the existing utility-only market structure should apply to KIUC because of its nature of a cooperative"); Tr. 08/30/06 at 761 (HREA stating that it "agreed that the alternative market structures need not be applied to KIUC"); and Tr. 08/30/06 at 762-763 (LOL stating that it "would not favor having an energy efficiency utility applied to KIUC unless KIUC wanted it").

In connection with utility-incurred costs, KIUC believes that its current mechanism (i.e., recovery via base rates and/or surcharge) for recovering its energy efficiency/DSM costs and expenses is appropriate and should not be modified.[37] Due to its not-for-profit member-owned electric cooperative structure, KIUC does not currently operate under the traditional rate of return regulation concepts that require the establishment of a rate base in order to determine an appropriate return on investment for shareholders. As KIUC shareholders and ratepayers are one of the same, all of KIUC's annual net margins are allocated to member-owned patronage capital accounts. Thus, whether the costs incurred by KIUC for DSM or other energy efficiency programs are recovered through a surcharge or embedded in base rates as an operational expense, the net impact on KIUC and its member is effectively the same. In other words, when all utility operation and capital expenses are subtracted from all revenues, the balance will be declared as net margins and allocated/distributed as patronage capital to its membership.

Further, as discussed in further detail in Section V. below, KIUC does not believe that the establishment of a public benefits fund, if any, to recover utility-incurred costs should be applicable to energy efficiency/DSM programs on the island of Kauai.

4. **Issue 4: For utility-incurred costs, what types of costs are appropriate for recovery?**

**Brief Response: As a member-owned cooperative, KIUC believes that all utility-incurred costs should be appropriate for recovery by KIUC.**

[37] Tr. 8/31/06 at 798-799 (Mr. Blume explaining KIUC's current mechanism as follows: "In KIUC's case - - actually, under the old Kauai Electric regime . . . we put a substantial portion of the DSM IRP labor into base rate [$180,800]. . . . And so currently, the surcharge reflects more of the administrative – other administrative costs, marketing costs [, etc.]. You can have large expenditures in one year and not so large in the next, which would seem that the surcharge might be an appropriate mechanism much like the fuel surcharge is for accommodating volatile costs").

As previously discussed, KIUC's position on cost recovery in general is that, as a not-for-profit member-owned electric cooperative, there is essentially no distinction between shareholders and ratepayers in a cooperative setting. Therefore, the question as to whether a utility-incurred cost is appropriate is moot.

5. **Issue 5: Whether DSM incentive mechanisms are appropriate to encourage the implementation of DSM programs, and, if so, what is the appropriate mechanism(s) for such incentives?**

**Brief Response: KIUC believes that unlike non-utility providers and IOUs, it does not require DSM incentive mechanisms (e.g., financial incentives or even the potential for profit) to aggressively pursue energy efficiency and/or DSM programs.**

As stated previously, KIUC contends that as a not-for-profit member-owned electric cooperative, it does not require financial incentive mechanisms to aggressively pursue DSM and/or energy efficiency programs.[38] In fact, KIUC is motivated simply because it is the expectation and in the best interest of its membership. Moreover, such expectations also motivate KIUC to pursue value-added energy efficiency programs in addition to traditional DSM programs.[39] As stated by Mr. Blume:

> KIUC is a nonprofit cooperative and certainly has some different motivations for doing energy efficiency DSM.
>
> In concept, I think we pretty much use the same approach as laid out in the IRP. I think that there's probably a desire on KIUC's part to get to maximum achievable potentials that might actually exceed that of just simple economics and boil down to market penetrations but, probably even more aggressively, to have larger

[38] Tr. 08/29/06 at 471 (Mr. Blume testifying that "KIUC is a nonprofit cooperative where lost margin is not an applicable mechanism").

[39] Tr. 08/30/06 at 652 (Mr. Sato stating that a "lot of [KIUC's energy/DSM] services are value-added. . . . And a lot of the direction that goes to the [KIUC] staff comes from [KIUC's] elected board of directors").

markets simply because the membership of KIUC might desire greater levels of energy efficiency.[40]

For these reasons and the other reasons stated herein, KIUC contends that a public benefits fund under Act 162, 2006 Session Laws of Hawaii[41] need not be established for purposes of supporting energy efficiency and DSM programs and services for the island of Kauai. As such, the Commission should not redirect any of the funds collected through KIUC's DSM surcharge into a public benefits fund. If such a public benefits fund is established by the Commission, KIUC respectfully requests that the Commission determine that KIUC and the portion of funds collected through KIUC's DSM surcharge

[40] Tr. 08/28/06 at 227-228.

[41] On June 2, 2006, Governor Linda Lingle signed into law S.B. No. 3185, S.D.2, H.D.2, C.D. 1 or Act 162, 2006 Session Laws of Hawaii ("Act 162"). Act 162 states, in relevant part, as follows:

> **§269-A Public benefits fund; authorization.** (a) The public utilities commission, by order or rule, may redirect <u>all or a portion of the funds</u> collected through the current demand-side management surcharge by Hawaii's electric utilities into a public benefits fund that <u>may</u> be established by the public utilities commission.
> (b) If the public utilities commission establishes a public benefits fund, the surcharge shall be known as the public benefits fee. Moneys in the fund shall be ratepayer funds that shall be used to support energy-efficiency and demand-side management programs and services, subject to the review and approval of the public utilities commission. These moneys shall not be available to meet any current or past general obligations of the State.
>
> **§269-B Public benefits fund administrator; establishment.** (a) If the public utilities commission establishes a public benefits fund, the public utilities commission shall appoint a fund administrator to operate and manage any programs established under section 269-A. The fund administrator shall not expend more than ten per cent of the fund in any fiscal year, or other reasonable percentage determined by the public utilities commission, for administration of the programs established under section 269-A.
> (b) The fund administrator shall be subject to regulation by the public utilities commission, including pursuant to sections 269-7, 269-8, 269-8.2, 269-8.5, 269-9, 269-10, 269-13, 269-15, 269-19.5, and 269-28, and shall report to the public utilities commission on a regular basis. Notwithstanding any other provision of law to the contrary, the fund administrator shall not be an electric public utility or an electric public utility affiliate.

Act 162 (emphasis added). Based on the plain reading of the above-referenced sections, <u>in pari materia</u>, KIUC believes that the Commission may choose to not direct any of the funds collected by KIUC through its DSM surcharge, thereby not establishing a public benefits fund and/or requiring a fund administrator for the island of Kauai.

not be subject to such a public benefits fund requirement, particularly in light of its not-for-profit member-owned cooperative structure.[42]

## V. CONCLUSION

Based on the foregoing, KIUC respectfully requests that in its decision and order, the Commission find and/or conclude, among other things, the following:

1. That specific energy efficiency goals for electric cooperative utilities like KIUC should be established on an island-specific basis through the well-established IRP process rather than through this instant proceeding;

2. That the market structure on the island Kauai should be "utility-only", and thus allowing KIUC to administer DSM programs in the best interest of its membership;

3. That, unlike non-utility providers and IOUs, KIUC does not require energy efficiency/DSM incentive mechanisms (e.g., financial incentives or even the potential for profit) to aggressively pursue DSM and/or energy efficiency programs;

4. That as a not-for-profit member-owned cooperative, the concept of appropriate DSM costs to be recovered is not applicable to a not-for-profit member-owned electric cooperative;

5. That as a not-for-profit member-owned electric cooperative, KIUC's current mechanism for recovering its energy efficiency/DSM costs and expenses is appropriate and should not be modified through this proceeding; and

6. That a public benefits fund need not be established for purposes of supporting energy efficiency and DSM programs and services for the island of Kauai

[42] In the alternative, if a public benefits fund is ultimately established by the Commission and deemed applicable to all electric utilities, KIUC requests that all of the funds collected from KIUC's members/customers through KIUC's current IRP/DSM surcharge mechanism should be earmarked solely for the benefit of KIUC's members/customers.

under Act 162, 2006 Session Laws of Hawaii, and, if such public benefits fund is established, determine that KIUC and the portion of the funds collected through KIUC's IRP/DSM surcharge not be subject to the public benefits fund requirement that may be imposed on the other electric utilities as result of Act 162, 2006 Session Laws of Hawaii, particularly in light of its not-for-profit member-owned cooperative structure.

DATED: Honolulu, Hawaii, October 25, 2006.

KENT D. MORIHARA
MICHAEL H. LAU
KRIS N. NAKAGAWA

MORIHARA LAU & FONG LLP
Attorneys for KAUAI ISLAND UTILITY COOPERATIVE

# EXHIBIT A

**JOSEPH M. McCAWLEY, P.E.**

6420 Opaekaa Road
Kapaa, HI 96746

Home: 808-821-2849
jmccawle@kiuc.coop

**Kauai Island Utility Cooperative**:

Present – 05/06: ***Interim Executive Manager***

- o Assist the President and CEO with his daily activities as part of a succession planning program.

Present – 01/04: ***Manager, Regulatory and Legislative Affairs***

- o Prepare and present written and oral testimony to the Hawaiian Public Utility Commission promoting KIUC's position in all regulatory proceedings.
- o Timely and accurately comply with all Federal, State, and County regulations and rules, including reporting and other information request requirements.
- o Analyze tariff provisions and regulatory orders for impact on revenues, expenses, and margins; prepare reports and compliance filings adjusting rates to comply with decisions and orders issued by the Public Utilities Commission. Advise on interpretation of orders, rules, and regulations impacting KIUC.
- o Track and interpret all energy related State legislative Bills and, as the company's registered lobbyist, prepare and present written and oral testimony to the State Legislators and staff.
- o Supervise Regulatory & Legislative Affairs Staff. Ensures all rate-related components are timely developed, including rates, energy rate adjustment clause, and integrated resource plan and other surcharges.
- o Sponsoring a Green Rate RFP.

1/04 – 11/02: ***Supervisor, Energy Services:***

- o Oversaw the review of existing and development of new demand side management (DSM) programs.
- o Championed the development of energy efficiency (EE) and customer service focused programs that go beyond the traditionally economically based DSM programs.
- o Prepared reports describing the actual vs. budgeted participation in the various DSM and EE programs to comply with Company and Regulatory reporting requirements.
- o Presented reports and updates to Senior Staff and the Board of Directors.

11/02 – 2/02: ***Engineering Coordinator***:

- o Developed and managed a $6 million distribution capital budget. Continually interfaced with employees expending capital funds to ensure proper use and evolving prioritization.
- o Prepared draft Construction Work Plan and gained knowledge and familiarity with CFR #7 and various RUS Bulletins applicable to electric cooperatives.
- o Oversaw technical and contractual aspects of customer owned Distributed Generation and renewable energy projects.
- o Processed Customer Damage Claims.
- o Member of review and selection team for a new Accounting Software.
- o Managed distribution transformer standards and inventory.

**JOSEPH M. M$^{c}$CAWLEY, P.E.**

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Kapaa, HI 96746

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**Pennoni Associates, Inc.:**
10/01 – 3/00: ***Regional Manager*** – Pan Asia Architects & Engineers (Okinawa, Japan)

- o Managed the operations associated with an International Architect and Engineering Firm (20 professionals and support staff) performing new, modification and O&M design work for multiple engineering and architecture disciplines.
- o Project Manager overseeing every aspect of project development and coordination.
- o Reviewed Design Drawings, Design Analysis, and Specifications for Quality Assurance and Scope adherence for multi-discipline projects.
- o Prepared replies to Contract Solicitations, Request for Proposals, Contract Fee Proposals and Negotiations.
- o Prepared Business Plans and Financial Reports for Corporate Head Quarters.
- o Ongoing Marketing and Business Development with existing (mainly US Military) and potential clients.

**Pennsylvania Power & Light (PP&L):**
3/00 - 11/97: ***Senior Power Marketing Specialist*** - Energy Marketing Center

- o Established procedures and reports to monitor PP&L's Energy Marketing Center's adherence to the Trading Risk Management Policy.
- o Created policies and procedures to ensure timely and accurate deal entry of Hourly, Term, and Financial Trades. Supervised 3 deal entry persons.
- o Project Management Team for the selection and installation of a Bulk Power Marketing Trading and Risk Management System..
- o Hands-on involvement in defining and fine-tuning databases and reports to link and meet the needs of all Front-Middle-Back Office data requirements.
- o Developed load forecasts, procured and scheduled transmission, and scheduled and reconciled energy transactions associated with PP&L's Pennsylvania Pilot Retail Load Program.
- o Familiar and experienced with policies and Tariffs associated with the deregulation of Pennsylvania's electric utility business.
- o First hand experience in reading, interpreting, incorporating, and evaluating the changes in Federal and PA State laws associated with Pennsylvania's transition from a Regulated to a Deregulated Electric Utility state.
- o Scheduled daily-weekly-monthly wholesale power sales and purchases.
- o Well versed in multi-tasking and time management techniques.

**JOSEPH M. M$^{c}$CAWLEY, P.E.**

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Kapaa, HI 96746

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**PP&L, continued:**

11/97 - 1994: ***Senior Engineer*** - System Development & Technical Support.

- o Coordinated with the field engineers to plan for the continued reliable and economic delivery of electric power (69 - 12 KV supply) to the residential, industrial and commercial customers supplied by 60$^{+}$ 12 KV substations.
- o Controlled a 5-year Capital Budget (average $2 million/yr.), authorizing only those jobs that provided the most economic, environmentally sound, and efficiently planned projects while still meeting PP&L's Principle and Practices of Reliable Electric Supply.
- o Developed and adhered to a One Scope-Cost-Schedule document for each budgeted capital project.
- o Acquired a thorough understanding of electric utility System Operations procedures and practices, including Power Flow and Transmission Constraint modeling.

1994 - 1985: ***Senior Engineer*** - Integrated Resource Planning

- o Performed engineering economic evaluations of various corporate dependent and independent variables on the cost to provide electric service to PP&L's one million customers.
- o Daily interaction with numerous utility corporate personnel and departments (Financial Planning, System Operating, Corporate Planning, Accounting, Sales, Rates & Market Research, Fuels, Power Plant Operations, Information Systems, etc.)
- o Maintained a production-costing database used for in-house analyses and government filings.
- o Acquired a thorough understanding of electric utility Corporate Planning philosophies and practices.

**Education, Training and Affiliations:**

B. S. Electrical Engineering: Wilkes College - 1985
Enrolled in University of Phoenix Master of Business Administration program
Professional Engineer's License - HI: 2002, PA: 1994
NRECA Management Internship Program Graduate – 2005
Various NRECA Board of Director Training Classes
Power Technology Inc.'s two-year (13 topic) course on Power Systems
Decision Focus Inc.'s course on Risk Management and Probability and Assessment
Kepner - Tregoe Course on Problem Analysis and Solving
PP&L's Energy Exchange Speakers Program
Three years of Japanese Language and Culture courses
Member: Kauai Chamber of Commerce, past member of SAME (Society of American Military Engineers) and ACCO (American Chamber of Commerce: Okinawa)

# EXHIBIT B

# TIMOTHY BLUME

256 Molo St.
Kapaa, HI 96746

Home: 808-823-0129
tblume@kiuc.coop

**Kauai Island Utility Cooperative**:
Present –01/06: ***Resource Planning Engineer***

- Manage Integrated Resource Planning efforts.
- Provide regulatory affairs support.

01/04 – 12/05: ***Manager, Energy Services***

- Manage DSM program implementation personnel.
- Responsible for data collection and tracking.
- Provide annual DSM reports to PUC.
- Manage IRP/DSM surcharge, including monthly calculation of Lost Margin and annual surcharge reconciliation/PUC application filings.
- Provide IRP support

11/93 – 12/03: ***Energy Specialist Engineer***:

- Responsible for design and implementation of commercial DSM programs.
- Conducted pilot DSM programs.
- Developed original DSM implementation plan, DSM data tracking system, PUC report formats, staffing guides, trade ally program, and marketing plans.

**Hyatt Regency Kauai:**
7/93 – 11/93: ***Interim Director of Engineering***

- Managed the engineering division (5 managers, 55 employees) including the following departments:
    - Landscaping
    - Water Features
    - Wildlife
    - Electrical and Mechanical Maintenance employees
    - Building Maintenance
- Responsible for environmental, health, and safety compliance.
- Annual O&M and capital budgets.
- Managed renovations and other capital projects.

9/90 – 7/93: ***Assistant Director of Engineering***

- Part of the opening team in 1990
- Hired 35 employees in initial staffing of engineering department.
- Developed policies and procedures.
- Implemented computerized maintenance program.
- Employee development and trade training programs.

## TIMOTHY BLUME

256 Molo St.
Kapaa, HI 96746

Home: 808-823-0129
tblume@kiuc.coop

**Stouffers Waiohai Resort:**
6/85 – 9/90: ***Maintenance First Class - Electrical***

- Electrical maintenance and installation: power and controls.
- Large air conditioning systems – centrifugal chillers, pumps, and cooling tower.

**Lihue Plantation Company:**
8/80 – 6/85: ***Power Plant Electronic Instrument and Controls Technician***

- Maintain and install pneumatic and electronic process controls.
- Maintain and install electrical control systems, including power and process turbine controls.
- High voltage breaker maintenance.
- Power relay device calibration.

**Education, Training and Affiliations:**
A. S. Electronic Technology – Honolulu Community College - 1975
Currently working towards B.A. in Business – Completed 62 credits in A.A. Liberal Arts program at Kauai Community College. Will be entering B.A. distance education program at Phoenix University in early 2007.

CERTIFICATE OF SERVICE

I (we) hereby certify that the foregoing document was duly served on the following Parties and Participants, by having said document delivered via electronic mail, hand delivered or mailed, postage prepaid and properly addressed to each said Parties' and Participants' respective addresses as set forth below:

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DATED: Honolulu, Hawaii, October 25, 2006.

KENT D. MORIHARA
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KRIS N. NAKAGAWA

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