

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
HAWAIIAN ELECTRIC COMPANY, INC.)
For Approval to Sell the Emma)
Substation Site.)
_____)

DOCKET NO. 02-0098

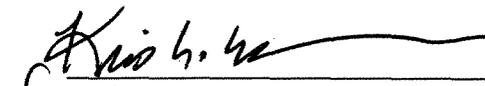
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2002 DEC -2 P 4: 15

DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

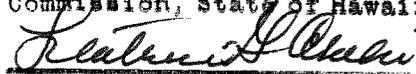
DECISION AND ORDER NO. 19839

Filed Dec. 2, 2002
At 2 o'clock P. .M.



Chief Clerk of the Commission

ATTEST: A True Copy
LEATRICE G. ASAHI
Clerk, Public Utilities
Commission, State of Hawaii.



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HAWAIIAN ELECTRIC COMPANY, INC.)
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Docket No. 02-0098
Decision and Order No.19839

DECISION AND ORDER

I.

By an application filed on April 22, 2002, HAWAIIAN ELECTRIC COMPANY, INC. (HECO), requests commission approval to sell the Emma Substation Site (Property), in accordance with the provisions of Hawaii Revised Statutes (HRS) § 269-19 (proposed sale).

HECO served copies of the application on the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs (Consumer Advocate). On June 13, 2002, the Consumer Advocate served HECO with information requests (IRs). On June 24, 2002, HECO filed responses to the IRs. The Consumer Advocate filed its Statement of Position (SOP) on October 24, 2002, informing the commission that it does not object to the approval of HECO's request, subject to certain qualifications.

II.

A.

HECO, a corporation existing under and by virtue of the laws of the State of Hawaii, is an operating public utility engaged in the production, purchase, transmission, distribution and sale of electricity on the island of Oahu. It is the owner of the Property, which it acquired in 1937.

By Decision and Order No. 19138, filed on January 8, 2002, in Docket No. 01-0419, HECO received commission approval to commit funds relating to the conversion of its Emma Substation from 4 kilovolt (kV) to 12kV, including the installation of underground and overhead facilities (conversion project). The conversion project included the removal of the 4kV underground and overhead facilities and the Emma 12-4kV Substation, including all electrical and structural equipment, foundations and ductwork, and contaminated soils and materials.¹ Upon completion of the conversion project, the Property will no longer be needed for utility purposes. HECO asserts that the proposed sale will not affect the performance of its duties to the public. HECO will obtain an independent appraisal of the Property's market value estimate, and use that estimate as a guideline for the final selling price.

With regard to accounting of the net proceeds from the proposed sale, HECO proposes to reclassify the Property from "plant in-service" to "non-utility property" after all the

¹The removal work was not included in the commission's granting of HECO's capital improvement request. See Decision and Order No. 19138, filed on January 8, 2002, in Docket No. 01-0419.

equipment has been removed. The net proceeds from the sale would be apportioned on a prorated basis between the period during which the Property was classified as utility property, and the period during which the Property was reclassified as non-utility property. The net gain, if any, allocated to utility property will be applied to Other Deferred Credits, and amortized to utility operating income over a five-year period, beginning in the month following the sale of the Property. The unamortized balance in Other Deferred Credits will be deducted from rate base. Any net gain allocated to non-utility property shall be credited to other non-utility income.

B.

In its SOP, the Consumer Advocate states that it finds the proposed sale of the Property to be reasonable because the Property will no longer be needed for utility purposes, and because the proposed sale will not adversely affect HECO's performance. It recommends, however, that HECO be required to file with the commission and the Consumer Advocate information relating to: (1) the reasonableness of the sales price of the Property; (2) the cost of the Property (including the original purchase price and all expenses incurred to prepare the Property for sale); (3) the appraiser's estimated market value; and (4) the net gain/loss from the transaction. With this information, the Consumer Advocate can determine the reasonableness of the selling price and net proceeds, if any.

III.

HRS § 269-19 requires a public utility to obtain commission approval prior to, among other things, leasing, or otherwise disposing of, or encumbering the whole or any part of its road, line, plant, system, or other property necessary or useful in the performance of its duties to the public.

Upon review, the commission finds the proposed sale to be reasonable and in the public interest. It appears that the proposed sale of the Property will not have any effect on HECO's ability to provide service to its customers, and the Property will no longer be needed for utility purposes. We also agree with the Consumer Advocate, however, that upon completion of the proposed sale, HECO should submit to the commission and Consumer Advocate information on the sale of the Property, as described above in section II.B.

Based on the above, the commission, thus, concludes that the proposed sale, as described in HECO's application, filed on April 22, 2002, should be approved. Additionally, HECO should abide by the Consumer Advocate's recommendations, and provide the commission and the Consumer Advocate with information relating to the appraisal and sale of the Property, as specified in section II.B of this decision and order.

IV.

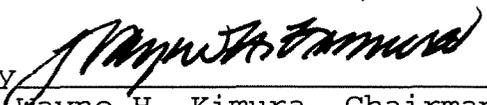
THE COMMISSION ORDERS:

1. HECO's application for approval of the sale of the Emma Substation site, filed on April 22, 2002, is approved.

2. HECO shall provide the information specified in section II.B of this decision and order to the commission and Consumer Advocate within 60 days after the appraisal has been completed and the sale of the Property has been negotiated.

DONE at Honolulu, Hawaii this 2nd day of December , 2002.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Wayne H. Kimura, Chairman

By 
Janet E. Kawelo, Commissioner

By _____ (RECUSED)
Gregg J. Kinkley, Commissioner

APPROVED AS TO FORM:

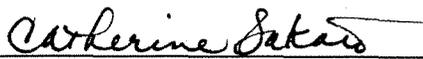

Benedyne S. Stone
Commission Counsel

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 19839 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
P. O. Box 541
Honolulu, HI 96809

WILLIAM A. BONNET, VICE PRESIDENT
GOVERNMENT AND COMMUNITY AFFAIRS
HAWAIIAN ELECTRIC COMPANY, INC.
P. O. Box 2750
Honolulu, HI 96840-0001



for Karen Higashi

DATED: December 2, 2002