

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application )  
 )  
 MAUI ELECTRIC COMPANY, LIMITED )  
 )  
 For Approval of a Pipeline )  
 Connection Agreement and Grant of )  
 Easement with Alexander & )  
 Baldwin, Inc. through its )  
 Division Hawaiian Commercial & )  
 Sugar Company, for the )  
 Installation and Maintenance of a )  
 Fuel Oil Pipeline at MECO's )  
 Kahului, Maui Power Plant )  
 \_\_\_\_\_ )

DOCKET NO. 02-0087

DECISION AND ORDER NO. 20008

Filed Feb. 7, 2003  
At 9:00 o'clock A.M.

Karen Higashi  
Chief Clerk of the Commission

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

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ATTEST: A True Copy  
KAREN HIGASHI  
Chief Clerk, Public Utilities  
Commission, State of Hawaii.

K. Higashi

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DECISION AND ORDER

I.

By an application filed on April 15, 2002, MAUI ELECTRIC COMPANY, LIMITED (MECO or Applicant) requests commission approval of a Pipeline Connection Agreement (Agreement)<sup>1</sup> and Grant of Easement (Easement) between MECO and Alexander & Baldwin, Inc., through its division Hawaiian Commercial & Sugar Company (HC&S), affecting the land situated at MECO's Kahului power plant.

Copies of the application were served on the Division of Consumer Advocacy, Department of Commerce and Consumer Affairs (Consumer Advocate). The Consumer Advocate filed information requests (IRs) to MECO on June 7, 2002.

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<sup>1</sup>Commission approval of the Agreement is requested to the extent the Agreement includes the Grant of Easement.

MECO filed its responses to the Consumer Advocate's IRs on June 27, 2002. On January 21, 2003, the Consumer Advocate filed its statement of position indicating it does not object to the commission approving the instant application.

II.

A.

MECO is the owner in fee simple of a certain parcel of land identified as a portion of Tax Map Key No. (2) 3-7-011:020, and whose legal description is identified as being Lot 2 of the Maui Electric Power Plant Subdivision, being a portion of Grant 2242 to Claus Spreckels, situated at Kahului, Maui, containing an area of 4,002 acres (MECO's property).

In its application, MECO states that HC&S desires to construct a new above-ground pipeline over MECO's property which would connect MECO's existing 8-inch pipeline to a storage tank owned by Maui Petroleum, Inc.<sup>2</sup> MECO represents that this new pipeline would facilitate delivery of fuel oil under the terminalling agreement<sup>3</sup> from Kahului Piers 1 and 3 and MECO's tank to the Maui Petroleum, Inc. tank, and thereby support the generation and delivery of electricity by HC&S to MECO, pursuant

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<sup>2</sup>Approximately 37-feet of the new HC&S above-ground pipeline would be constructed on MECO property. The pipeline, and the easement, would run in a northerly direction from the southern boundary of the Kahului Power Plant to the 8-inch pipeline.

<sup>3</sup>MECO and HC&S are parties to a Fuel Oil Terminalling Agreement dated December 6, 1996, pursuant to which MECO provides certain No. 6 fuel oil terminalling and throughput services to HC&S.

to the Amended and Restated Power Purchase Agreement between HC&S and MECO dated November 30, 1989 (as amended).<sup>4</sup>

MECO further represents that the easement in favor of HC&S will not interfere with the use and operation of the subject MECO property. HC&S will pay MECO a pipeline throughput charge on each shipment of HC&S fuel transferred through the pipeline at a rate of \$0.10 per barrel. MECO will record such payment as Other Operating Revenues in Account 451.

B.

In its position statement, the Consumer Advocate asserts that it does not object to the approval of the Agreement and Easement because:

1. MECO needs the firm capacity provided by HC&S to meet the power demands of MECO's customers. As a result, the Easement is required for the construction of the new proposed pipeline to deliver fuel oil to HC&S;
2. The Agreement and Easement will not interfere with the use and operation of the subject MECO property; therefore, if approved, the Agreement and Easement will

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<sup>4</sup>See Decision and Order No. 10803, filed October 11, 1990, in Docket No. 6616, as amended by Decision and Order No. 10874, filed on November 30, 1990.

not negatively affect MECO's ability to provide electric service to its customers;

3. HC&S will pay MECO a pipeline throughput charge on each shipment of HC&S fuel transferred through the pipelines at a rate of \$0.10 per barrel. The pipeline throughput charge is determined based on negotiations between MECO and HC&S. The revenues from this activity will be reflected as Other Operating Revenues, which will help offset some level of revenue requirements.

### III.

HRS § 269-19 provides, in relevant part, "no public utility corporation shall sell, lease, assign . . . or otherwise dispose of . . . any part of its . . . property necessary or useful in the performance of its duties to the public . . . without first having secured from the public utilities commission an order authorizing it so to do."

Based on the above, the commission finds that the Agreement and Easement between MECO and HC&S is reasonable and in the public interest. It appears that the Agreement and Easement will not interfere with MECO's use and operations of its facilities; and therefore negatively affect MECO's ability to provide safe and reliable electric service to its customers more, the revenues gained from this transaction will be beneficial to

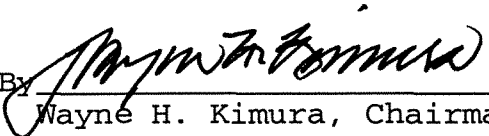
ratepayers. Accordingly, we conclude that the Agreement and Easement between MECO and HC&S should be approved.

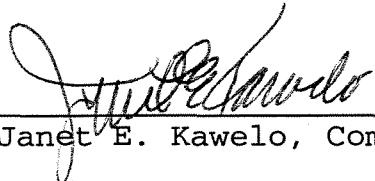
IV.

THE COMMISSION ORDERS that MECO's request to approve the Agreement and Easement between MECO and HC&S, affecting the land situated at MECO's Kahului power plant, as described in its application, filed on April 15, 2002, is approved.

DONE at Honolulu, Hawaii this 7th day of February, 2003.


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:

  
Kevin M. Katsura  
Commission Counsel

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20008 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  
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PRESIDENT  
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MANAGER, LEGAL DEPARTMENT AND  
LAND AND RIGHTS OF WAY DIVISION  
HAWAIIAN ELECTRIC COMPANY, INC.  
P.O. Box 2750  
Honolulu, HI 96840-0001

  
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Karen Higashi

DATED: February 7, 2003