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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

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In the Matter of the Application of)
)
 HAWAIIAN ELECTRIC COMPANY, INC.)
)
 For Approval to Commit Funds in)
 Excess of \$500,000 for)
 Project P0000774, Kukui Gardens)
 Corporation Conversion.)
 _____)

DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII
DOCKET NO. 03-0107

DECISION AND ORDER NO. 20406

Filed August 29, 2003
At 1:00 o'clock P .M.

Karen Higashi
Chief Clerk of the Commission

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

K. Higashi

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of))	
HAWAIIAN ELECTRIC COMPANY, INC.))	Docket No. 03-0107
For Approval to Commit Funds in))	
Excess of \$500,000 for))	Decision and Order No. 20406
Project P0000774, Kukui Gardens))	
Corporation Conversion.))	

DECISION AND ORDER

I.

By application filed on April 28, 2003, HAWAIIAN ELECTRIC COMPANY, INC. ("HECO") requests commission approval to commit approximately \$745,732 for Project P0000774, the Kukui Gardens Corporation Conversion from primary metered customer to individual metered customers ("Proposed Project"). HECO's request is made pursuant to section 2.3.g.2 of the commission's General Order No. 7, Standards for Electric Utility Service in the State of Hawaii ("G.O. No. 7").

HECO served copies of the application on the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate").

By Order No. 20181, filed on May 9, 2003 in this docket, the commission granted HECO's request for a waiver of the G.O. No. 7, section 2.3.g.2 requirement that HECO file its application at least 60 days prior to the commencement of construction or commitment for the expenditure of funds.

On May 29, 2003, the Consumer Advocate served HECO with information requests ("IRs"), to which HECO responded on July 18, 2003. On May 30, 2003, the Consumer Advocate filed a preliminary statement of position.

By Order No. 20338, filed on July 18, 2003, the commission granted HECO's July 11, 2003 request for an extension of the G.O. No. 7 requirement that the commission render a decision within 90 days from the date of the application, from July 27, 2003, to September 5, 2003. On August 19, 2003, the Consumer Advocate filed its statement of position ("SOP"), in which it stated that it would not object to the commission's approval of the instant application.

II.

A.

The proposed project involves the installation of an underground distribution system at Kukui Gardens, an existing building complex that is currently master metered. Kukui Gardens consists of 857 single-family apartment units in 44 buildings. The existing distribution system is approximately 32 years old and in need of replacement. Distribution cables and transformers are deteriorating and in disrepair. Rather than maintaining the current distribution system, the developer of Kukui Gardens, Kukui Gardens Corporation ("Developer"), requests that HECO construct and maintain a new distribution system that will require the conversion of the existing primary service to individual secondary metered service at each apartment unit. The Developer

will pay for the entire cost of the Proposed Project.¹ In addition, the Developer, through a separate agreement with other parties, will be paying for the total cost of preparing each individual unit in the Kukui Gardens for individual metering. The Proposed Project will be fed from the Iwilei Substation and the Developer has requested that it be completed by December 2003.

B.

The Consumer Advocate does not object to commission approval of HECO's commitment of funds for the Proposed Project. The Consumer Advocate is satisfied that the Proposed Project is necessary, and that the estimated project costs are reasonable. Additionally, the Consumer Advocate does not object to the Developer's contribution to the Proposed Project, while also recognizing that any concern it may have related to the reasonableness of the project costs may be pursued when HECO files its final cost report, or if necessary, at the next rate proceeding.²

¹The Proposed Project is being funded in whole by the Developer with a cash contribution-in-aid-of construction of \$516,384 and an in-kind contribution of \$250,000. The Developer made a down payment of \$50,000 in September 2002.

²While the Developer will pay the entire estimated cost of the Proposed Project, the Consumer Advocate recognizes that HECO's figure for the Proposed Project is an estimate. In the event that the actual cost of the Proposed Project exceeds the estimated costs, the Consumer Advocate notes that this would result in a nominal impact to HECO's ratepayers because HECO would request that the additional amount over the estimated costs be included in HECO's rate base. Thus, the Consumer Advocate reserves its right, if necessary, to pursue any concern it may have related to the final cost of the Proposed Project.

III.

Upon a careful review of HECO's application, its responses to the Consumer Advocate's IRs, and the Consumer Advocate's SOP, we find the Proposed Project to be reasonable and in the public interest. The Proposed Project will allow the Kukui Gardens to replace its aging electrical distribution system with little or no impact to HECO's ratepayers since the Developer is expected to bear the entire cost of the Proposed Project. We, thus, conclude that HECO's application to commit funds for the Proposed Project should be approved.

IV.

THE COMMISSION ORDERS:


1. HECO's application, filed on April 28, 2003, to commit \$745,732 for Project P0000774, Kukui Gardens Corporation Conversion, in accordance with paragraph 2.3.g.2 of G.O. No. 7, is approved; provided that no part of the cost of the Proposed Project may be included in HECO's rate base unless and until the Proposed Project has been completed, such costs to be included in HECO's rate base consist only of amounts that exceed the amount contributed by the Developer, and the Proposed Project is used and useful for utility purposes.

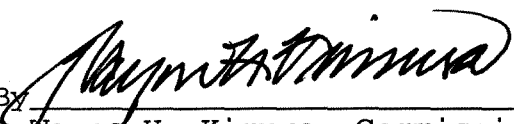
2. HECO shall submit a report within 60 days of the completion of the Proposed Project, with an explanation of any deviation of 10 per cent or more in the Proposed Project's cost from that estimated in the application. Failure to submit the report, as requested by this decision and order, will constitute

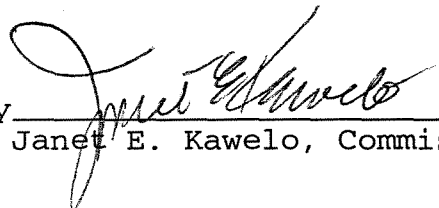
cause to limit the cost of the project, for ratemaking purposes, to that estimated in the application.

DONE at Honolulu, Hawaii this 29th day of August,
2003.


PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
Wayne H. Kimura, Commissioner

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:


Benedyne S. Stone
Commission Counsel

03-0107.sl

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20406 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

LORIE ANN NAGATA, TREASURER
HAWAIIAN ELECTRIC COMPANY, INC.
P. O. Box 2750
Honolulu, HI 96840-0001



Karen Higashi

DATED: August 29, 2003