

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application)
)
 of)
)
 KAUAI ISLAND UTILITY COOPERATIVE)
)
 For Approval of changes to its)
 Tariff to reflect a 2004 Resource)
 Cost Adjustment (DSM & IRP))
 Surcharge)
 _____)

DOCKET NO. 03-0422

DECISION AND ORDER NO. 20793

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

2004 FEB -5 A 8:26

RECEIVED

Filed Feb. 4, 2004
At 9:00 o'clock A .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) Docket No. 03-0422)) KAUAI ISLAND UTILITY COOPERATIVE) Decision and Order No. 20793)) For Approval of changes to its) Tariff to reflect a 2004 Resource)) Cost Adjustment (DSM & IRP)) Surcharge) _____ _____	
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DECISION AND ORDER

I.

Introduction

On December 31, 2003, KAUAI ISLAND UTILITY COOPERATIVE ("KIUC") filed an application requesting commission approval of changes to its tariff to reflect a 2004 Resource Cost Adjustment (DSM & IRP) Surcharge ("proposed tariff changes" or "2004 Surcharge"). KIUC makes its request pursuant to Hawaii Revised Statutes ("HRS") § 269-16(b) and Hawaii Administrative Rules ("HAR") § 6-61-111. The proposed effective date of the proposed tariff changes is February 1, 2004.

KIUC served copies of the application on the Division of Consumer Advocacy, Department of Commerce and Consumer Affairs ("Consumer Advocate"). On January 30, 2004, the Consumer Advocate filed its statement of position indicating that it does not object to the commission approving KIUC's request to implement the surcharge, pending review of the actual costs.

II.

KIUC's 2004 IRP and DSM Budget

KIUC's 2004 IRP budget and estimate for the total 2004 IRP cost component is \$319,731, including revenue taxes less a reconciliation for 2003 over-collection.

KIUC's 2004 DSM budget provides for \$70,916, which includes related revenue taxes less a reconciliation for 2003 over-collection, for its Commercial DSM program.

In addition, the 2004 Surcharge is also designed to recover the Lost Margin component costs and related revenue taxes by rate classes as follows:

Schedule D: \$1,175,765 - Residential
Schedule G: \$164,009 - Commercial
Schedule J: \$138,540 - Commercial
Schedule L: \$280,365 - Commercial
Schedule P: \$764,718 - Commercial

III.

Discussion

KIUC's 2004 budget is based on KIUC's estimated 2004 IRP and DSM expenses less a reconciliation for its 2003 over-collection of IRP and DSM expenses. The cost recovery mechanism proposed in this application is similar to mechanisms approved in Docket Nos. 03-0002, 01-0479 and 00-0446. In light of the above and because the current mechanism for determining KIUC's DSM and IRP surcharge for a given period provides for an annual "true-up" or reconciliation of KIUC's actual DSM and IRP

expenses incurred in a given year, we find that KIUC's tariff changes are reasonable, however, the commission notes that the rationale of a cooperative collecting lost gross margins is questionable. Accordingly, the commission will issue information requests regarding this issue. We therefore, find that KIUC proposed tariff changes are reasonable and conclude it should be approved, effective February 1, 2004, for a period of six months, at which time the commission intends to readdress the issue of lost gross margins.

IV.

Orders

THE COMMISSION ORDERS:


1. KIUC's proposed tariff changes sought by KIUC in the application, filed on December 31, 2003, are approved, to be effective on February 1, 2004, for a period of six months, and subject to the condition noted below.

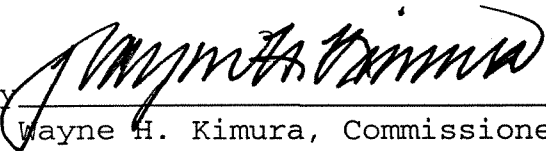
2. KIUC shall file with the commission the appropriate tariff sheets, consistent with the terms of this decision and order.

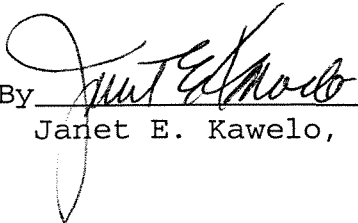
DONE at Honolulu, Hawaii this 4th day of February,

2004.


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:


Kevin M. Katsura
Commission Counsel

03-0422.eh

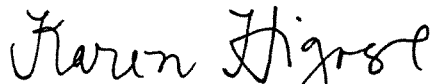
CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20793 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

ALTON H. MIYAMOTO
PRESIDENT & CHIEF EXECUTIVE OFFICER
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Karen Higashi

DATED: February 4, 2004