

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
)
CITIZENS COMMUNICATIONS COMPANY,)
KAUAI ELECTRIC DIVISION)
)
and)
)
KAUAI ISLAND UTILITY CO-OP)
)
For Approval of the Sale of Certain)
Assets of Citizens Communications)
Company, Kauai Electric Division)
and Related Matters.)
_____)

DOCKET NO. 02-0060

ORDER NO. 20957

RECEIVED
2004 MAY -3 A 8:27
DIV. OF CONSUMER AFFAIRS
DEPT. OF COMMERCE AND
INDUSTRY
STATE OF HAWAII

Filed April 30, 2004
At 2:00 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)
CITIZENS COMMUNICATIONS COMPANY,)
KAUAI ELECTRIC DIVISION)
and)
KAUAI ISLAND UTILITY CO-OP)
For Approval of the Sale of Certain)
Assets of Citizens Communications)
Company, Kauai Electric Division)
and Related Matters.)

Docket No. 02-0060
Order No. 20957

ORDER

I.

Introduction

On September 17, 2002, the commission issued Decision and Order No. 19658 approving CITIZENS COMMUNICATIONS COMPANY, KAUAI ELECTRIC DIVISION'S ("Citizens") and KAUAI ISLAND UTILITY COOPERATIVE'S ("KIUC"), March 15, 2002 request for commission approval of: (1) the Amended and Restated Purchase and Sale Agreement dated March 5, 2002; (2) the assignment of Citizens' Kauai Electric Division's ("KE") legislatively-granted franchise to KIUC, pursuant to Hawaii Revised Statutes ("HRS") § 269-19; (3) the sale of certain of KE's assets to KIUC; and (4) the financing proposed to be obtained by KIUC for the purpose of acquiring KE's assets, pursuant to HRS § 269-17, which included the financing of the \$215 million purchase price of KE's assets

through a loan from the Rural Utilities Service's ("RUS") municipal rate loan program.¹

Ordering paragraph 8(h) (Part VIII, subpart 8(h)) of Decision and Order No. 19658 required KIUC, on or before December 31, 2003, to prepare and submit for review by the commission and the Division of Consumer Advocacy, Department of Commerce and Consumer Affairs ("Consumer Advocate") its proposed revisions to the Integrated Resource Plan ("IRP") and Demand Side Management ("DSM") programs ("proposed revision requirement") previously prepared by KE, 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, in Docket No. 6617.

On October 17, 2003, KIUC submitted a letter requesting approval to: (1) defer the December 31, 2003 proposed revision requirement for a one (1) year period; (2) continue its existing DSM programs and their respective resource cost surcharge budgets; and (3) suspend all other IRP and DSM filings required by or related to the existing IRP framework until such time a revised framework can be prepared and approved by the commission. On January 14, 2004, the commission issued information requests to KIUC, to which it responded on February 13, 2004.

¹Decision and Order No. 19755, filed on October 30, 2002 amended Decision and Order No. 19658, filed on September 17, 2002, to, among other things, provide for a shorter amortization period of the RUS loan.

II.

Requests for deferral, continuation, and suspension

As stated above, KIUC requests to defer the deadline of its proposed revision requirement, and proposes that its DSM programs and their respective resource cost surcharge budgets continue to be submitted to the commission for approval. However, it requests that all other IRP and DSM filings with the commission required by or related to the existing IRP framework be suspended until such time as the revised framework can be prepared and approved by the commission. KIUC requests the deferral of the proposed revision requirement to allow it to undertake an extensive study to determine how the IRP and DSM framework should be revised or replaced in light of its cooperative status and to reflect its current ownership structure. KIUC states that it determined, sometime in late July or early August of 2003, that the current traditional investor-owned utility IRP framework needed to be reworked in order for KIUC to better address the changing alternative energy environment on Kauai as well as to address the fact that as a member-owned utility, the total resource cost test may not be the most appropriate test for KIUC.

In its letter to the commission, and its response to the commission's information requests, KIUC indicates that it discussed the matter with the Consumer Advocate, and was informed that the Consumer Advocate does not object to KIUC's request to defer the proposed revision requirement.² KIUC also submitted

²See, PUC-IR-137.

letters from the United States Department of the Navy and the County of Kauai, the remaining parties in the instant docket, that state that they also do not object to KIUC's request to defer the proposed revision requirement.³

The commission agrees that KIUC should update its IRP and DSM framework to reflect its current ownership structure as well as its increased commitment to pursuing both renewable and energy efficient technologies. We further find that it is prudent for KIUC to conserve its resources by retaining a consultant to examine and recommend an IRP and DSM plan that would address the needs and interests of a member-owned cooperative, rather than to expend those funds to work on existing, traditional IRP and DSM programs that were instituted when the utility was investor-owned. Therefore, we conclude that KIUC's request to defer the December 31, 2003 proposed revision requirement for one (1) year should be approved. The commission concludes that KIUC's request to continue the DSM programs and their respective resource cost surcharge budgets should be approved. The commission, however, directs KIUC continue to file the reports that reconcile or compare the surcharges and KIUC's actual expenditures (a.k.a., the Resource Cost Adjustment Surcharge Report). The commission also concludes that KIUC's request to suspend all other IRP and DSM filings with the commission required by or related to the existing framework until such time as the revised framework can be prepared and approved by the commission should be approved.

³Id.

III.

Orders

THE COMMISSION ORDERS:

1. KIUC's request to defer the December 31, 2003, proposed revision requirement for one (1) year is approved to allow KIUC the time to examine and recommend an IRP and DSM plan that would address the needs and interests of its new structure as a member-owned cooperative. KIUC shall submit a proposed IRP and DSM plan, as designed to reflect its member-owned status, on or before December 31, 2004.

2. KIUC's requests to continue its DSM programs and to continue to submit their respective resource cost surcharge budgets to the commission for approval are approved. KIUC shall continue to file the reports that reconcile or compare the surcharges and KIUC's actual expenditures (the Resource Cost Adjustment Surcharge Report).

3. KIUC's request to suspend all other IRP and DSM filings with the commission required by or related to the existing IRP framework as set forth in Decision and Order No. 11523, filed on March 12, 1992, as amended by Decision and Order No. 11630, filed on May 22, 1992, in Docket No. 6617, until such time that a revised framework can be prepared and approved by the commission is approved.

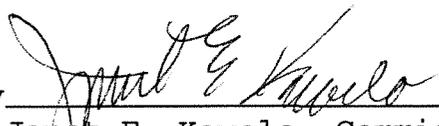
DONE at Honolulu, Hawaii this 30th day of April,

2004.

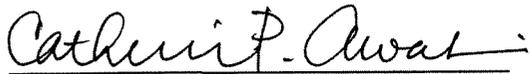
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
Wayne H. Kimura, Commissioner

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:



Catherine P. Awakuni
Commission Counsel

02-0060.en

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 20957 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 MIYAMOTO, PRESIDENT
KAUAI ISLAND UTILITY COOPERATIVE
4463 Pahee Street
Lihue, HI 96766-2032

GREGG GARDINER
c/o KAUAI ISLAND UTILITY COOPERATIVE
4463 Pahee Street
Lihue, HI 96766-2032

L. RUSSELL MITTEN, ESQ.
CITIZENS COMMUNICATIONS COMPANY
3 High Ridge Park
Stamford, CT 06905-1390

ALAN M. OSHIMA, ESQ.
KENT D. MORIHARA, ESQ.
OSHIMA CHUN FONG & CHUNG LLP
Davies Pacific Center
841 Bishop Street, Suite 400
Honolulu, HI 96813

DAVID W. PROUDFOOT, ESQ.
BELLES GRAHAM PROUDFOOT & WILSON
4334 Rice Street, Suite 202
Lihue, HI 96766

Certificate of Service (Continued)

WILLIAM W. MILKS, ESQ.
SPECIAL COUNSEL,
COUNTY OF KAUAI ADMINISTRATION
Pacific Tower, Suite 977
1001 Bishop Street
Honolulu, HI 96813

OFFICE OF THE MAYOR, COUNTY OF KAUAI
4444 Rice Street, Suite 235
Lihue, HI 96766

HARTWELL BLAKE, ESQ.
OFFICE OF THE COUNTY ATTORNEY
4444 Rice Street, Suite 220
Lihue, HI 96766

RANDALL Y. K. YOUNG, ESQ.
ASSOCIATE COUNSEL
PACIFIC DIVISION
NAVAL FACILITIES ENGINEERING COMMAND
258 Makalapa Drive, Suite 100
Pearl Harbor, HI 96860-3134

SAM DeFRAWI
DIRECTOR, NAVY RATE INTERVENTION
CODE OORI
1314 Harwood Street, S.E.
Washington Navy Yard, DC 20374-5018



Karen Higashi

DATED: April 30, 2004