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BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)

HAWAIIAN ELECTRIC COMPANY, INC. )

DOCKET NO. 04-0054

For Approval to Commit Funds )  
in Excess of \$500,000 for )  
Item P0000942, the Waiau Fuel )  
Oil Tank 4 Renovation Project. )

ORDER NO. 21213

Filed August 5, 2004  
At 8 o'clock A.M.

Karen Diggs  
Chief Clerk of the Commission

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

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HAWAIIAN ELECTRIC COMPANY, INC. )  
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Item P0000942, the Waiau Fuel )  
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\_\_\_\_\_)

Docket No. 04-0054  
Order No. **21213**

ORDER

I.

Background

HAWAIIAN ELECTRIC COMPANY, INC. ("HECO") requests the commission's approval to commit approximately \$702,487 for Item P0000942, the Waiau Fuel Oil Tank 4 Renovation Project ("Project").<sup>1</sup> HECO makes its request in accordance with Section 2.3.g.2 of General Order No. 7 ("G.O. No. 7"), *Standards for Electric Utility Service in the State of Hawaii*.

HECO served copies of its application upon the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate") (collectively, the "Parties"). On April 29, 2004, the commission issued Stipulated Procedural Order No. 20929.

On May 14, 2004, HECO responded to the Consumer Advocate's information requests. On June 29, 2004, the Consumer Advocate filed its position statement, and on July 22,

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<sup>1</sup>HECO's application, filed on March 11, 2004.

2004, HECO filed its response. The deadline date for commission action on HECO's capital expenditure request is August 11, 2004, pursuant to Stipulated Procedural Order No. 20929, page 3.

This order addresses HECO's request for an extension of the ninety (90)-day period for commission action to September 22, 2004. HECO represents that the Consumer Advocate does not object to its request.<sup>2</sup>

## II.

### Waiau Fuel Oil Tank 4 and Tank 5

Waiau Fuel Oil Tank 4 ("Tank 4") is a 120-foot diameter by 40-foot high, above ground, steel insulated tank used for the bulk storage of low sulfur fuel oil at HECO's Waiau Generating Station. Originally constructed in 1946, Tank 4 was retrofitted in 1992 with a double steel bottom, and leak detection at its perimeter.

Tank 4 and Tank 5 are located in the same berm area, adjacent to one another and subject to the same physical environment.

In January 2003, Tank 5 developed a small leak in its bottom area. HECO discovered that Tank 5's entire bottom area was severely corroded due to higher than normal corrosion rates caused by the tank's bottom "not being completely sealed from the surrounding environment external to the tank, which enabled moisture from rainwater and the atmosphere to come in contact

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<sup>2</sup>See HECO's response, at 2.

with the underside of the bottom." A new bottom with leak detection was then installed for Tank 5.

Based on HECO's recent experience with Tank 5, HECO will inspect Tank 4's bottom area. Following the results of HECO's inspection of Tank 4's bottom, HECO intends to either: (1) proceed with the installation of a new bottom; or (2) withdraw its capital expenditure application, if it concludes that the installation of a new bottom is not necessary.

HECO has retained Global Environmental Services Group, LLC to clean Tank 4, and another contractor to inspect Tank 4.

### III.

#### Extension Request

##### A.

#### Extension Request: Approved

Section I of Stipulated Procedural Order No. 20929 sets forth the deadline dates governing this proceeding, including the deadline of August 11, 2004, for commission action on HECO's capital expenditure request.

The Consumer Advocate does not object to HECO's use of funds to clean and inspect Tank 4's bottom, noting: "[I]f only isolated repairs are required to the tank, HECO claims that the repair work will be considered maintenance and will not regard the [P]roject cost as a capital expenditure."<sup>3</sup> However, until Tank 4 is cleaned and inspected, the extent of corrosion or other

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<sup>3</sup>Consumer Advocate's position statement, at 5.

damage, in addition to the Project's actual scope of work, are unknown. Thus, the Consumer Advocate recommends that HECO's capital expenditure request be deferred.

The Consumer Advocate also recommends that, before HECO proceeds with the capital improvement portion of the Project, HECO should: (1) provide copies of all reports that assess Tank 4's damage and recommend a course of action, if any, to repair Tank 4; and (2) confirm that it intends to perform the repair work in accordance with the reports' recommendations. In addition, if HECO chooses to deviate from the reports' recommended course of action, HECO should explain in writing the basis for its decision.

Under this scenario, the Consumer Advocate requests "14 days to review these reports and recommendations, together with . . . HECO's reasons for not adopting the recommendations, and submit comment[s] to the Commission before HECO is allowed to proceed with the repairs."<sup>4</sup>

In response, HECO states:

1. The inspection of Tank 4 is scheduled for the first week of August 2004, the Tank 4 inspection report will be completed by the second week of August 2004, and HECO will provide the commission and Consumer Advocate with copies of the report by August 19, 2004.

2. Simultaneously with the filing of its Tank 4 inspection report, HECO will inform the commission "of its plans

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<sup>4</sup>Id.

regarding replacement or repair of the tank bottom[.]"<sup>5</sup> HECO expects to implement the "Action Items" recommended in the report. If its proposed course of action differs from those recommended in Tank 4's inspection report, HECO will provide an explanation.

3. HECO agrees to give the Consumer Advocate until September 2, 2004 to review the Tank 4 inspection report and HECO's proposed course of action. Thus, HECO seeks to extend the deadline date for commission action, from August 11, 2004 to September 22, 2004. It represents that the Consumer Advocate does not object to its request to extend the deadline to September 22, 2004.<sup>6</sup>

At the time HECO filed its capital expenditure application on March 11, 2004, HECO estimated that the installation of a new bottom for Tank 4 (if necessary) would be completed by August 2004. Thus, the Parties' agreed-upon procedural deadline dates anticipated that the inspection and assessment of Tank 4's bottom would be completed prior to the dates for: (1) the Consumer Advocate to file its position statement (July 7, 2004); and (2) HECO to file its response (July 28, 2004).

Due to delays, however, the cleaning and inspection of Tank 4's bottom has yet to occur. Until HECO's contractor inspects Tank 4's bottom and completes its inspection report, HECO proposed course of action is unknown. Also unknown at this

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<sup>5</sup>HECO's response, at 1.

<sup>6</sup>Id. at 2.

time is the Consumer Advocate's ultimate position on HECO's capital expenditure request. Thus, the Parties agree to extend the deadline date governing commission action to September 22, 2004. The commission approves the Parties' extension request.

B.

Stipulated Procedural Order No. 20929: Modified

Consistent with Section II(E) of Stipulated Procedural Order No. 20929, the commission modifies Section I of the procedural order to include the following new dates to govern this proceeding:

|  |                       |
|--|-----------------------|
| HECO to provide copies of the Tank 4 inspection report and its proposed course of action to the commission and Consumer Advocate | By August 19, 2004    |
| Consumer Advocate's supplemental position statement  | By September 2, 2004  |
| Commission action (G.O. No. 7, Section 2.3.g.2)  | By September 22, 2004 |

In all other respects, Stipulated Procedural Order No. 20929 remains unchanged.

IV.

Orders

THE COMMISSION ORDERS:

1. The Parties' agreement to extend the deadline date governing commission action, from August 11, 2004 to September 22, 2004, is approved.

2. Section I of Stipulated Procedural Order No. 20929, filed on April 29, 2004, is modified to include the following new dates:

HECO to provide copies of the  
Tank 4 inspection report and its  
proposed course of action to the  
commission and Consumer Advocate By August 19, 2004


Consumer Advocate's supplemental  
position statement By September 2, 2004


Commission action By September 22, 2004  
(G.O. No. 7, Section 2.3.g.2)

In all other respects, Stipulated Procedural Order No. 20929 remains unchanged.

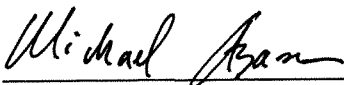
DONE at Honolulu, Hawaii this 5th day of August, 2004.


PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Carlito P. Caliboso, Chairman

By   
Wayne H. Kimura, Commissioner

APPROVED AS TO FORM:

  
Michael Azama  
Commission Counsel

By   
Janet E. Kawelo, Commissioner

04-0054.sl



CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 21213 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  
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Karen Higashi

DATED: AUG 05 2004