

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 2005 Resource)
 Cost Adjustment (DSM & IRP))
 Surcharge)
 _____)

DOCKET NO. 04-0368

DECISION AND ORDER NO. 21900

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

Filed June 30, 2005
At 3 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)) KAUAI ISLAND UTILITY COOPERATIVE)) For Approval of changes to its) Tariff to reflect a 2005 Resource) Cost Adjustment (DSM & IRP)) Surcharge) <hr style="width: 40%; margin-left: 0;"/>	Docket No. 04-0368 Decision and Order No. 21900
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DECISION AND ORDER

By this Decision and Order, the commission approves KAUAI ISLAND UTILITY COOPERATIVE's ("KIUC") request to approve changes to its tariff to reflect a 2005 resource cost adjustment (Demand Side Management ("DSM") & Integrated Resource Plan ("IRP")) Surcharge, reflecting the removal of the Lost Gross Margin component, effective from July 1, 2005 to January 31, 2006.

I.

Introduction

On December 23, 2004, KIUC filed an Application requesting commission approval to recover from its 2005 DSM & IRP Surcharge. KIUC made 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 was February 1, 2005.

KIUC served copies of the Application on the Division of Consumer Advocacy, Department of Commerce and Consumer Affairs ("Consumer Advocate"). On January 6, 2005, the Consumer Advocate filed its Statement of Position indicating that it does not object to the commission approving KIUC's request to implement the 2005 DSM & IRP Surcharge, pending review of the actual costs.

On January 27, 2005, the commission issued Decision and Order No. 21567 ("Decision and Order No. 21567") which, among other things: (1) approved the proposed tariff changes, effective February 1, 2005, for a period of six (6) months to allow KIUC to simultaneously address the commission's concern about a cooperative collecting lost gross margins and KIUC's financial impact concerns relating to depreciation rates; and, thus, (2) required that KIUC file an application for approval of its current depreciation rates within three (3) weeks from the issuance date of the Decision and Order No. 21567.

On February 4, 2004, in Docket No. 05-0033, KIUC filed its Application in accordance with Decision and Order No. 21567 seeking commission approval on or before June 30, 2005, to allow KIUC to, commencing as of July 1, 2005, simultaneously utilize the depreciation accrual rates in accordance with the Depreciation Study and remove the lost gross margin component from its DSM & IRP Surcharge.

By Decision and Order No. 21865, filed on June 14, 2005, in Docket No. 05-0033 ("Decision and Order No. 21865"), the commission, among other things, approved KIUC's request to simultaneously utilize the depreciation accrual rates in accordance with the Depreciation Study and remove the lost gross margin component from its DSM & IRP Surcharge. The commission also required KIUC to file with the commission, in Docket No. 04-0368, the appropriate tariff sheets, consistent with the terms and conditions of Decision and Order No. 21865 with an effective date of July 1, 2005, within seven (7) days of the date of Decision and Order No. 21865.

On June 21, 2005, KIUC filed its revised tariff sheets reflecting the removal of the Lost Gross Margin component from its 2005 DSM & IRP Surcharge ("proposed tariff changes") in accordance with Decision and Order No. 21865.

II.

Discussion

As we stated in Decision and Order No. 21567, KIUC's 2005 IRP and DSM budget is based on KIUC's estimated 2005 IRP and DSM expenses less a reconciliation for its 2004 over-collection of IRP and DSM expenses. The cost recovery mechanism proposed in this Application is similar to mechanisms approved in Docket Nos. 03-0422, 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 proposed tariff changes are reasonable. In addition, we also find and conclude that the proposed tariff changes are consistent with the terms and conditions of Decision and Order No. 21865, and should therefore be approved, effective from July 1, 2005 to January 31, 2006.

III.

Orders


THE COMMISSION ORDERS:

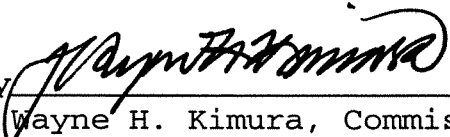
1. KIUC's proposed tariff changes, filed on June 21, 2005 in accordance with Decision and Order No. 21865, are approved, to be effective from July 1, 2005 to January 31, 2006.

2. This case is closed unless otherwise ordered by the commission.

DONE at Honolulu, Hawaii JUN 30 2005.

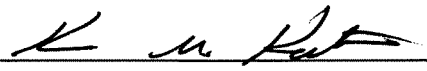
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
Wayne H. Kimura, Commissioner

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:


Kevin M. Katsura
Commission Counsel

04-0368.eh

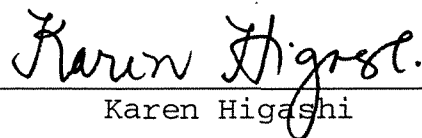
CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 21900 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

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DATED: JUN 30 2005