

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
MAUI ELECTRIC COMPANY, LIMITED)
For Expedited Approval to Sell)
Materials to the Queen Kaahumanu)
Shopping Center and/or Macy's)
West, a division of Federated)
Department Stores, Inc.)

DOCKET NO. 05-0049

DECISION AND ORDER NO. 21916

Filed July 12, 2005
At 2:30 o'clock P.M.

Karen Higashi
Chief Clerk of the Commission

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

2005 JUL 13 A 7:56

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

K. Higashi

On March 9, 2005, MECO filed its Application seeking commission approval to sell certain materials to Macy's, in the approximate amount of \$22,800, to restore power to its store at the Queen Kaahumanu Shopping Center ("QKSC").³ MECO timely filed its Application in compliance with Interim Order No. 21658, and served copies upon the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate").

MECO makes its request for approval pursuant to: (1) Hawaii Revised Statutes ("HRS") § 269-19; and (2) Paragraph 13 of the "Conditions For the Merger and Corporate Restructuring of Hawaiian Electric Company, Inc.," attached as Exhibit A to Order No. 7256, filed on September 29, 1982, in Docket No. 4337 ("Paragraph 13").

II.

Parties' Positions

MECO seeks approval to sell a 1,500 kilovolt ampere padmount transformer to Macy's.⁴ MECO will also bill Macy's for the labor to install the transformer and other incidental costs, which are estimated to be \$2,700.00.⁵ MECO installed and energized the transformer on February 25, 2005.

³MECO's Application, Verification, Exhibits I and II, and Certificate of Service, filed on March 9, 2005 (collectively referred to as the "Application").

⁴Application at 2.

⁵*Id.* at 2 and 4.

In support of its Application, MECO represents:

1. At approximately 5:03 p.m. on February 23, 2005, one of the eight (8) transformers serving QKSC incurred an unplanned outage. MECO provides service to QKSC, including Macy's, at the primary service level. The transformers serving the shopping center are owned by the shopping center. The transformer that incurred the outage only serves Macy's. No other stores at QKSC were affected by the transformer outage.⁶

2. After testing the transformer on Thursday, February 24, 2005, QKSC determined that it could not be repaired. Neither QKSC nor Macy's has a spare transformer or access to one.⁷

3. Macy's and QKSC requested the sale of a transformer and the labor to install the unit in order to restore service to Macy's as soon as possible.⁸

4. MECO had the requested materials available, the materials could not be obtained from local suppliers, and MECO estimated the materials would take approximately four (4) to six (6) months to be shipped from the mainland.⁹

5. "MECO has sufficient inventory of the transformer to provide reliable service on its system."¹⁰

⁶Application at 3.

⁷*Id.*

⁸*Id.*

⁹*Id.* MECO based its estimate on its experience with lead time required for its transformer orders. *Id.*

¹⁰*Id.*

6. MECO's provision of a transformer to Macy's "is in the public interest of assisting a large retail customer to restore electrical service in this emergency situation."¹¹

7. If the commission approves MECO's request, MECO intends to account for this transaction as a normal retirement of utility plant. "No gain or loss will be recognized on the sale of the transformer."¹²

The Consumer Advocate does not object to the commission's approval of MECO's Application, finding that:

1. The sale of the transformer "is necessary as it appears to be the only alternative that would restore power to Macy's in a timely manner."¹³

2. It does not appear that the sale of the transformer to Macy's will impact MECO's ability to provide utility service and adversely affect MECO's ratepayers.¹⁴

3. It does not object to MECO's proposed accounting treatment, notwithstanding its question regarding the proposed accounting treatment of the sale as a plant retirement, instead as a sale of an asset or a reduction in inventory, citing the

¹¹Application at 3.

¹²*Id.*

¹³Division of Consumer Advocacy's Statement of Position, filed on March 24, 2005 at 3.

¹⁴*Id.* at 4.

transaction's small amount and minimal impact on MECO's ratepayers.¹⁵

III.

Discussion

HRS § 269-19 provides that a public utility is prohibited from, among other things, selling, leasing, assigning, mortgaging, encumbering, or otherwise disposing of its property that is necessary or useful in the performance of its duties to the public, without first obtaining an order from the commission authorizing the public utility so to do. HRS § 269-19 further states that "[e]very such sale, lease, assignment, mortgage, disposition, encumbrance, merger, or consolidation, made other than in accordance with the order of the commission shall be void."

Paragraph 13 requires prior commission approval of transfers of property that is or was in MECO's rate base. Paragraph 13 states:

"13. The Utility Corporation shall not transfer any of its property which is or was in the rate base nor assume any liabilities of Industries, directly or indirectly, without the prior approval of the [c]ommission. The determination of the transfer value and the accounting and ratemaking treatment thereof shall be determined by the [c]ommission at the time of approval of such transfer."

¹⁵The Consumer Advocate recommends that future applications involving the sales of assets should justify any deviation from the instructions provided in the Uniform System of Accounts ("USOA") established by the National Association of Regulatory Utility Commissioners ("NARUC"). It further suggested that information relating to the transaction in the form of proposed accounting entries and the associated accounts and amounts should also be provided to facilitate the analysis of the proposed accounting of the transaction.

We find MECO's request for approval of the sale of the materials to Macy's to be reasonable and in the public interest. We further find that MECO's recommended accounting treatment of the sale to be reasonable. Thus, we conclude that MECO's Application should be approved.

We further find the Consumer Advocate's suggestions relating to the information MECO must provide in future applications for sales of applications to be reasonable, and conclude that in such future applications, MECO should provide the commission with, if applicable: (1) its reasoning why it should deviate from the instructions provided in the NARUC USOA; and (2) its proposed accounting entries and the associated accounts and amounts for such proposed sales, to facilitate in the analysis of the accounting of the transaction.

IV.

Orders

THE COMMISSION ORDERS:

1. MECO's request to sell a transformer, as described in its Application, to Macy's is approved.

2. MECO's accounting treatment arising out of the sale of said materials to Macy's is approved. In future applications involving the sales of assets, MECO shall provide the commission with, if applicable: (a) its reasoning why it should deviate from the instructions provided in the NARUC USOA; and (b) its proposed accounting entries and the associated accounts and amounts for such

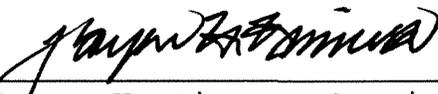
proposed sales, to facilitate in the analysis of the accounting of the transaction.

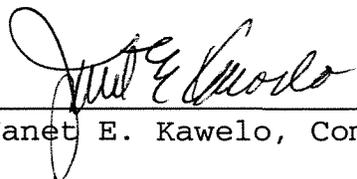
3. This docket is closed unless otherwise ordered by the commission.

DONE at Honolulu, Hawaii JUL 12 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:


Catherine P. Awakuni
Commission Counsel

05-0049.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 21916 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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Karen Higashi

DATED: JUL 12 2005