BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

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| In the Matter of the Application of)<br>)<br>HAWAIIAN ELECTRIC COMPANY, INC. )<br>)<br>For Approval of a Waiver of Rule 13)<br>Of HECO's Tariff to Allow HECO to )<br>Pay for a Portion of the )<br>Underground Conversion Cost for )<br>Item P0001081, Auahi Street )<br>12kV OH to UG Conversion - Kamakee )<br>Street to Queen Street. )<br>) | DOCKET NO. 05-0276 |

DECISION AND ORDER NO. 22565



Filed June 27, 2006
At 12 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

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| In the Matter of the Application of)<br>)<br>HAWAIIAN ELECTRIC COMPANY, INC. )<br>)<br>For Approval of a Waiver of Rule 13)<br>Of HECO's Tariff to Allow HECO to )<br>Pay for a Portion of the )<br>Underground Conversion Cost for )<br>Item P0001081, Auahi Street )<br>12kV OH to UG Conversion - Kamakee )<br>Street to Queen Street. )<br>) | Docket No. 05-0276<br><br>Decision and Order No. 22565 |

DECISION AND ORDER

By this Decision and Order, the commission approves HAWAIIAN ELECTRIC COMPANY, INC.'s ("HECO") request for a waiver of Rule 13 of its tariff ("Rule 13") to allow HECO to pay approximately $77,884 (net) for the underground conversion of its 11.5 kilovolt ("kV") lines for the Auahi Street (from Kamakee Street to Queen Street) overhead to underground conversion project ("Conversion Project").

I.

Background

HECO is a Hawaii corporation and a public utility as defined by Hawaii Revised Statutes ("HRS") § 269-1. It was initially organized under the laws of the Kingdom of Hawaii on or about October 13, 1891. HECO is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Oahu in the State of Hawaii.

A.

The Application

On November 2, 2005, HECO filed an application for a waiver of Rule 13[1] of its tariff to allow HECO to contribute approximately $77,884 (net) for the underground conversion of its 11.5kV lines for the Auahi Street overhead to underground conversion project ("Application").[2] HECO filed its Application, a project-specific waiver from Rule 13, pursuant to HECO's tariff Sheet No. 1, and its understanding of Decision and Order No. 20473, filed on October 1, 2003, in Docket No. 03-0036.[3]

1.

Project Description

The proposed Conversion Project is being initiated on behalf of Victoria Ward, Ltd. ("VWL"), who had expressed interest in undergrounding the 11.5kV overhead lines fronting Ward Center on Auahi Street (between Kamakee and Queen Streets).

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[1]HECO's Tariff Rule No. 13.D.4 states:

> When mutually agreed upon by the customer or applicant and the Company [(i.e., HECO)], overhead facilities will be replaced with underground facilities, provided the customer or applicant requesting the change makes a contribution of the estimated cost installed of the underground facilities less the estimated net salvage of the overhead facilities removed.

[2]HECO served copies of the Application on the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"), an *ex officio* party to this docket pursuant to HRS § 269-51 and Hawaii Administrative Rules § 6-61-62. No persons moved to intervene or participate in this proceeding.

[3]See Application at 1, n.1.

HECO recently completed a system project extending two 25kV underground circuits down Auahi Street to provide service for the Hokua luxury condominium project located at the intersection of Queen and Auahi Streets. For the Hokua project, which was completed in April 2005, HECO installed a new 25kV ductline and extended 25kV underground cables along Auahi Street (from Kamakee Street to Queen Street).

For the proposed Conversion Project, HECO intends to use the newly installed ductline infrastructure on Auahi Street. Therefore, the project requires the: (1) installation of lateral ductlines and handholes; (2) extension of underground cables; and (3) connection of four (4) padmount transformers currently served from the existing 11.5kV overhead lines to the 11.5kV underground system. Upon completion, the existing overhead lines on Auahi Street (between Kamakee to Queen Streets) can be removed.

Specifically, with regard to the proposed Conversion Project, VWL will be providing the necessary infrastructure (i.e., the lateral ductlines and handholes), which includes:

(1) Three 3′ x 5′ handholes; and

(2) Approximately 150 feet of one 4-inch and 120 feet of two 4-inch ducts.

HECO will be contributing the electrical facilities for the project, which includes:

(1) Approximately 450 circuit feet of 3-1/c 1/0 aluminum 25kV underground cable; and

(2) 940 circuit feet of 3-1/c 4/0 aluminum 25kV underground cable and associated splices.

HECO will also remove 12 wooden poles and approximately 1,040 circuit feet of overhead conductors. HECO notes, however, that the scope of the proposed Conversion Project may need to be slightly adjusted to accommodate VWL's design modifications or further design refinements by HECO.

2.

Cost Allocations and Justifications

The total cost of the proposed Conversion Project is currently estimated to be $182,393 (excluding change-over and removal costs).[4] Of this amount, VWL will provide cash contribution-in-aid-of-construction ("CIAC") of $70,084[5] and an in-kind CIAC of approximately $34,425 (for the infrastructure). HECO filed the Application to allow it to contribute, the remainder of the costs associated with the proposed Conversion Project, approximately $77,884 (net) for necessary electrical facilities.

VWL's cash CIAC contribution of $70,084 represents its pro-rated share of HECO's costs for the Hokua project ductline, which HECO will be utilizing for this project. Since the

[4]HECO notes that commission approval of the project under paragraph 2.3(g)(2) of General Order No. 7 is unnecessary since the total estimated cost of the proposed Conversion Project is less than $2.5 million. See Decision and Order No. 21002, filed on May 27, 2004, in Docket No. 03-0257.

[5]VWL will be providing a total cash payment of $73,000 for the proposed Conversion Project ($70,084 in cash CIAC and $2,916 for general excise taxes). See Application at 1, n.3.

Hokua duct system was installed to serve new load growth in the area as opposed to this proposed Conversion Project, HECO is requiring VWL to contribute cash CIAC of $70,084 for its utilization of HECO's existing ducts and manholes. Accordingly, while the electrical facilities for the proposed Conversion Project are estimated to cost $147,968, HECO's overall contribution for the project is $77,884 (i.e., $147,968 - $70,084).

The cost sharing described above is based on HECO's modified Policy on Underground Lines in Docket No. 03-0260.[6] HECO represents that it is being "proactive in addressing the Legislature's clearly expressed concern that the community's desire for underground utility facilities be facilitated, if and to the extent that that can be done at a reasonable cost."[7] HECO asserts that the cost sharing between VWL and HECO for the proposed Conversion Project is a reasonable solution for the underground conversion of existing overhead lines.

## B.

## Consumer Advocate's Position

On January 20, 2006, the Consumer Advocate filed its Statement of Position ("CA's Statement of Position") informing the commission that it does not object to approval of HECO's

[6]On March 15, 2006, HECO and the Consumer Advocate filed their agreements regarding underground lines and customer contributions as required in Docket No. 03-0260, as discussed further below.

[7]See Application at 5.

Rule 13 waiver request, provided that the commission does not approve the inclusion of the project costs in HECO's rate base at this time.

While noting certain concerns,[8] the Consumer Advocate states that it will not object to approval of HECO's waiver request in the instant proceeding based on, among other things, the following factors:

1. HECO's proposal to require a cash contribution for the use of the Hokua project ductline is not objectionable since the ductline was constructed to serve the future load growth in the area as opposed to the Conversion Project.

2. The net amount of HECO's contribution of $77,884 is not significant when compared to its December 31, 2005 plant in serve balance; therefore, any adjustments to address concerns with HECO's cost sharing formula for

[8]The Consumer Advocate identified the following concerns:

(1) The Consumer Advocate and HECO were in discussions regarding HECO's policies on underground lines and customer contributions, pursuant to the commission's directive in Docket No. 03-0260;

(2) The overall costs of HECO's Policy on Underground Lines has not been determined to assess the total impact on electric rates to HECO's ratepayers; and

(3) The reasonableness of replacing 11.5kV overhead facilities with 25kV underground facilities, and the reasonableness of the project costs.

the Conversion Project should not have an effect on HECO's current or future rates.

3. The project area is within the Hawaii Community Development Authority ("HCDA") Kaka`ako district and while the project area has not been deemed an improvement district by the HCDA, the proposed Conversion Project appears to satisfy the HCDA's requirement that public utilities place their utility lines underground within the mauka area.

## II.

## Discussion

HECO's tariff Sheet No. 1 states, in relevant part: "[t]he rules and rate schedules set forth herein have been fixed by order of the Public Utilities Commission of the State of Hawaii and may not be abandoned, changed, modified or departed from without the prior approval of the [c]ommission."

HECO's Tariff Rule No. 13.D.4 states:

> When mutually agreed upon by the customer or applicant and [HECO], overhead facilities will be replaced with underground facilities, provided the customer or applicant requesting the change makes a contribution of the estimated cost installed of the underground facilities less the estimated net salvage of the overhead facilities removed.

HECO's Tariff Rule No. 13.D.4.

HECO's Cost Contribution for Placing Overhead Distribution Lines Underground--Guideline Summary, however, states that when converting existing overhead lines to underground lines, "HECO will perform and pay for 100% of the planning, design and construction of the electrical work for its facilities if the community and/or government are willing to perform and pay for 100% of the planning, design and construction of the ductline infrastructure to bury existing neighborhood distribution lines (25kV and below)."[9] Accordingly, HECO requires a waiver of Rule 13 to proceed as requested in the Application.

Having reviewed the filings in this docket and given the specific facts and circumstances set forth in this case, the commission finds that approval of HECO's request for a waiver from Rule 13 to allow it to contribute a net amount of approximately $77,884 for the Auahi Street Conversion Project is appropriate. The cost sharing formula being proposed by HECO in its Application appears to be consistent with HECO's commission-approved Policy on Underground Lines (dated May 2006) and Cost Contribution for Placing Overhead Distribution Lines Underground--Guideline Summary (updated March 2006) (collectively, Underground Line Policies) which were filed with the commission in Docket No. 03-0260, pursuant to Decision and Order No. 21003, filed on May 27, 2004 ("Decision and Order No. 21003").[10]

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[9]See HECO's Cost Contribution for Placing Overhead Distribution Lines Underground--Guideline Summary, filed on March 15, 2006, in Docket No. 03-0260.

[10]Due to concerns raised in Docket No. 03-0260 regarding HECO's policies on underground lines and requiring contributions, the commission ordered HECO and the Consumer Advocate to develop stipulated agreements regarding these matters for the commission's review and approval. See Decision and

Additionally, the $70,084 charged to VWL representing VWL's pro-rated share of HECO's costs for the Hokua project ductline, which HECO will be utilizing for this Conversion Project, is also consistent with HECO's stated policies.[11] Since HECO's expected contribution for the proposed Conversion Project (i.e., net $77,884) is insignificant when compared to its overall plant in service, the proposed Conversion Project should have a negligible effect on HECO's rates and its ratepayers. Moreover, conversion of the lines in the affected area appears to be consistent with the objectives and requirements of the HCDA.

Based on the foregoing, the commission concludes that HECO's request for a waiver of Rule 13 for the proposed Conversion Project, as set forth in its Application, should be approved.

## III.

## Orders

THE COMMISSION ORDERS:

1. HECO's request for a waiver of its tariff Rule 13 to allow HECO to pay a net amount of approximately $77,884 for

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Order No. 21003 at 22-23. HECO's Underground Line Policies were filed on March 15, 2006. By Order No. 22467, filed on May 16, 2006, in Docket No. 03-0260 ("Order No. 22467"), the commission approved HECO's Underground Line Policies and its Dedicated and System Substation Guideline, with a slight modification. HECO filed its revised Policy on Underground Lines on May 24, 2006.

[11]In its Policy on Underground Lines, HECO states that it will consider using existing ductlines for the conversion of overhead lines and that if HECO allows such use, the applicant shall be required to pay CIAC in the amount of the cost to originally install the duct. See HECO's Policy on Underground Lines at 2, n.8.

the underground conversion cost of Item P0001081, Auahi Street 12kV Overhead to Underground Conversion Project (from Kamakee Street to Queen Street), is approved; provided that no part of the cost of the project may be included in HECO's rate base unless and until the commission approves the inclusion in HECO's next rate case proceeding.

2. Within thirty (30) days after the completion of the Conversion Project, HECO shall file a final cost report with the commission and serve two (2) copies of the same on the Consumer Advocate.

3. HECO shall conform to the commission's orders set forth above. Failure to adhere to the commission's orders will constitute cause for the commission to void this Decision and Order, and may result in further regulatory action as authorized by law.

DONE at Honolulu, Hawaii JUN 27 2006.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By [signature]
Carlito P. Caliboso, Chairman

By (EXCUSED)
Wayne H. Kimura, Commissioner

By [signature]
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:

[signature]
Ji Sook Kim
Commission Counsel

05-0276.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 22565 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

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DATED: JUN 27 2006