

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )  
 )  
HAWAIIAN ELECTRIC COMPANY, INC. )  
 )  
For Approval to Sell the Aiea Park )  
Place Substation Site. )  
\_\_\_\_\_ )

DOCKET NO. 2006-0323

DECISION AND ORDER NO. 23154

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

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At 11 o'clock A.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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DECISION AND ORDER

By this Decision and Order, the commission approves HAWAIIAN ELECTRIC COMPANY, INC.'s ("HECO") sale of the Aiea Park Place Substation site (the "Property").

I.

Background

A.

HECO

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

B.

On August 2, 2006, HECO filed an Application for Approval to Sell the Aiea Park Place Substation Site ("Application"),<sup>1</sup> in accordance with HRS § 269-19 and Paragraph 13 of the "Conditions for the Merger and Corporate Restructuring of Hawaiian Electric Company, Inc.," which is attached as Exhibit A to Order No. 7256, filed on September 29, 1982, in Docket No. 4337. In its Application, HECO requests commission approval to sell the Property ("Proposed Transaction") on the ground that the Property is no longer needed for utility purposes.

HECO states that it acquired the Property, which consists of 5,040 square feet located at 99-890 Holo'ai Street (tax map key number (1) 9-9-027:123) for approximately \$53,977 in 1982. The Property was used as a substation facility from 1950 until 1992, when HECO removed the four kilovolt ("kV") transformer bank, associated equipment, and infrastructure from the site when the distribution system for the area was converted to 12kV. HECO states that in December 1993, the land and related improvements were reclassified from utility plant to non-utility property. According to HECO, a perimeter fence and retaining wall remain on the Property and are included as part of the sale. Additionally, HECO represents that an existing switchgear vault will remain on the Property and that it will retain easement rights for it as part

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<sup>1</sup>On August 2, 2006, HECO served a copy of the Application on the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"). The Consumer Advocate is an ex officio party to this docket, pursuant to HRS § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62.

of the sale. HECO states that no other facilities are planned for the Property because of size constraints limiting the application of the 12kV system necessary for the area.

Prior to marketing the Property, HECO had it appraised by an outside appraiser who concluded the market value of the Property, as of March 31, 2006, was \$315,000.<sup>2</sup> HECO states that after marketing the Property, it received a number of offers, the highest of which was a Deposit Receipt Offer and Acceptance ("DROA") received from Manny and Anne Salvador, at a sales price of \$430,000. Mr. and Mrs. Salvador are the owners of the adjacent property. HECO's in-house appraiser determined that the Salvador's offer was probably the best that could be received for the Property, and, thus, HECO accepted the DROA, subject to commission approval.

HECO proposes that the net gain from the sale should be apportioned on a prorated basis between the period during which the Property was classified as utility property, and the period during which the Property was reclassified as non-utility property.<sup>3</sup> HECO proposes that the net gain allocated to utility property be "applied to NARUC account 253 'Other Deferred Credits,' and amortized on a straight line basis to utility operating

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<sup>2</sup>See Application, Attachment 2 at 2.

<sup>3</sup>In its statement of position filed on August 30, 2006, ("Statement of Position"), the Consumer Advocate notes that the Property has been classified as utility property for approximately 11.75 years and non-utility property for approximately 13.50 years. Statement of Position at 5.

income . . . over a five-year period."<sup>4</sup> HECO further proposes that the five-year period begin in the month following the sale of the Property and that HECO deduct the unamortized balance in the "Other Deferred Credits" from rate base.

HECO represents that a sale of the Property will not adversely affect HECO's performance of its duties to the public.

C.

Consumer Advocate's Statement of Position

On August 30, 2006, the Consumer Advocate filed its Statement of Position stating that it does not object to the Proposed Transaction and the proposed accounting treatment of the gain from the sale of the Property. According to the Consumer Advocate: (1) the sale of the Property will not negatively impact HECO's ability to provide utility service; (2) the proposed selling price of the Property is reasonable; and (3) HECO's proposed accounting treatment of the net gain from the sale of the Property is reasonable and consistent with prior commission rulings and Consumer Advocate recommendations.

II.

Discussion

HRS § 269-19 provides that no public utility corporation shall "sell, lease, assign, mortgage, or otherwise dispose of or

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<sup>4</sup>Application at 4. HECO asserts that its proposed use of gains from the sale of the Property is based on past commission decisions. Id.

encumber the whole or any part of its road, line, plant, system, or other property necessary or useful in the performance of its duties to the public . . . without first having secured from the public utilities commission an order authorizing it so to do." HRS § 269-19 also states: "Every 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 of the "Conditions for the Merger and Corporate Restructuring of Hawaiian Electric Company, Inc." mandates that HECO "shall not transfer any of its property which is or was in the rate base . . . without the prior approval of the [c]ommission." It also states that the "determination of the transfer value and the accounting and rate-making treatment thereof shall be determined by the [c]ommission at the time of approval of such transfer."

HECO's proposed sale of the Property in the instant case appears reasonable and in the public interest. Purchased in 1982,<sup>5</sup> the Property has not been used by HECO since 1992 when it was decommissioned as a substation. It was reclassified as non-utility property in 1993. As such, the sale of the Property should not have a negative impact on HECO's ability to provide reliable service to its customers. Moreover, the sales price offered by the Salvadors, \$430,000, is the highest offer received by HECO, and HECO's proposed accounting treatment of the net gain from the sale

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<sup>5</sup>The Property was leased by HECO from 1950 to 1982. Application at 3.

of the Property is consistent with prior commission decisions. Accordingly, the commission concludes that HECO's request for approval of the sale of the Property should be approved.

III.

Orders

THE COMMISSION ORDERS:

1. HECO's request for commission approval to sell the Aiea Park Place Substation site is approved.
2. This docket is closed unless otherwise ordered by the commission.

DONE at Honolulu, Hawaii DEC 21 2006.

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Carlito P. Caliboso, Chairman

By   
John E. Cole, Commissioner

APPROVED AS TO FORM:

  
Benedyne S. Stone  
Commission Counsel  
06-0323.AC

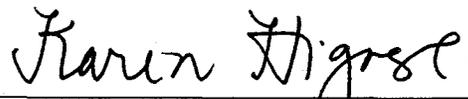
CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 23154 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

CATHERINE P. AWAKUNI  
EXECUTIVE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
DIVISION OF CONSUMER ADVOCACY  
P. O. Box 541  
Honolulu, HI 96809

WILLIAM A. BONNET  
VICE PRESIDENT, GOVERNMENT AND COMMUNITY AFFAIRS  
HAWAIIAN ELECTRIC COMPANY, INC.  
P.O. Box 2750  
Honolulu, HI 96840-0001

DEAN MATSUURA  
DIRECTOR, REGULATORY AFFAIRS  
HAWAIIAN ELECTRIC COMPANY, INC.  
P.O. Box 2750  
Honolulu, HI 96840-0001

  
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Karen Higashi

DATED: DEC 21 2006