

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
)
KAUAI ISLAND UTILITY COOPERATIVE)
)
For Approval to Commit Funds in)
Excess of \$2,500,000, Excluding)
Customer Contributions, for the)
Lydgate Substation Rebuild Project,)
and Waiver of 60-day Requirement.)
_____)

DOCKET NO. 2006-0481

ORDER NO. 23156

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

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Filed Dec. 21, 2006
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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Docket No. 2006-0481
Decision and Order No. 23156

DECISION AND ORDER

By this Order, the commission approves KAUAI ISLAND UTILITY COOPERATIVE's ("KIUC") request for a waiver of the sixty (60) day requirement in Section 2.3.g.2 of General Order No. 7, Standards for Electric Utility Service in the State of Hawaii ("General Order No. 7") in connection with the Lydgate Substation Rebuild Project ("Proposed Project").

I.

Background

KIUC is a Hawaii non-profit cooperative association organized under the laws of the State of Hawaii with its principal place of business in Lihue, Kauai, Hawaii. An operating public utility, KIUC is engaged in the production, transmission, distribution, purchase, and sale of electric energy on the island of Kauai.

By application filed on December 15, 2006, KIUC requests commission approval to commit funds to replace the

existing Lydgate Substation. According to KIUC, the close proximity of the existing Lydgate Substation to the ocean has taken its toll on the structural and electrical integrity and reliability of the substation resulting in costly annual equipment replacements and high maintenance costs. To prevent against further premature deterioration, KIUC proposes to rebuild the existing substation in an indoor configuration. In doing so, KIUC proposes to also increase the capacity of the substation's power transformers to meet anticipated future growth. In addition, the substation will be rebuilt toward the back edge of the existing parcel in anticipation of future widening of the highway fronting the parcel. The estimated cost of the Proposed Project is \$4.5 million.¹

Due to the deteriorated condition of the existing Lydgate Substation, KIUC plans to commence construction on the new substation by the end of 2007 or the beginning of 2008. To meet this timetable, KIUC states that it must order the necessary Gas Insulated Switchgear ("GIS") equipment, which has a one-year lead time, by no later than the end of this year.

II.

Discussion

Given KIUC's timetable and the one year lead time required to order the necessary GIS equipment, KIUC seeks

¹KIUC notes that the \$4.5 million estimate for the Proposed Project is subject to change, as the design of the new substation has not yet occurred. KIUC states that it will submit a revised estimate, if necessary, upon completion of the design and planning of the new substation.

commission approval to waive the 60-day requirement in Section 2.3.g.2 of General Order No. 7 to the extent necessary to allow it to commit funds to order the GIS equipment prior to the expiration of the 60-day period.

Section 2.3.g.2 of General Order No. 7 states, in relevant part:

Proposed capital expenditures for any single project related to plant replacement, expansion or modernization, in excess of \$[2.5 million] or 10 percent of the total plant in service, whichever is less, shall be submitted to the Commission for review at least 60 days prior to the commencement of construction or commitment for expenditure, whichever is earlier²

Here, KIUC represents that waiver of the 60-day requirement will allow it to timely order the necessary GIS equipment, which has the longest lead time to construct; and to timely complete the design of the new substation in order to commence construction of the substation by the end of 2007 or the beginning of 2008. According to KIUC, it has discussed the matter with the Division of Consumer Advocacy, Department of Commerce and Consumer Affairs,³ who has orally indicated that it does not oppose the commission granting the waiver of the 60-day requirement provided that it may state its position on the commitment of funds for the Proposed Project upon its completion of its review of the Proposed Project.

²As noted above, in Docket No. 03-0257, the commission increased the monetary threshold governing the filing of capital expenditure applications by HECO, from \$500,000 to \$2.5 million, exclusive of customer contributions, effective July 1, 2004. See Decision and Order No. 21002, filed on May 27, 2004.

³The Consumer Advocate is an ex officio party to this docket, pursuant to Hawaii Revised Statutes § 269-51 and Hawaii Administrative Rules § 6-61-62.

Based on the foregoing, the commission finds good cause to approve KIUC's waiver request. KIUC, thus, is permitted to commit funds for the Proposed Project earlier than 60 days following the filing of its application. The commission, however, notes that this Order does not constitute a decision on the merits of KIUC's application and that if the commission does not approve the application, KIUC will have the burden of proof to justify the reasonableness of the capital expenditures in its next rate case.

III.

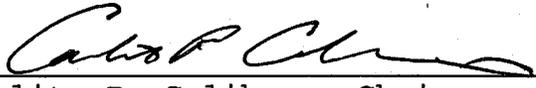
Orders

THE COMMISSION ORDERS:

KIUC's request for a waiver of the Section 2.3.g.2 requirement in General Order No. 7 to file its application at least 60 days prior to the commencement of construction or commitment for expenditure of funds, is approved.

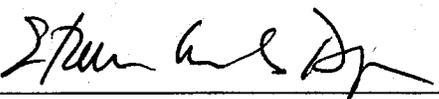
DONE at Honolulu, Hawaii DEC 21 2006.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
John E. Cole, Commissioner

APPROVED AS TO FORM:


Stacey Kawasaki Djou
Commission Counsel

2006-0481.sl

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 23156 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

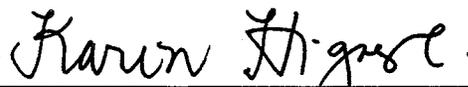
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Karen Higashi

DATED: DEC 21 2006