

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)

HAWAIIAN ELECTRIC COMPANY, INC.)

DOCKET NO. 2008-0020

For Approval to Commit Funds in)
Excess of \$2,500,000 for Item)
P0001550, Purchase of 2008 Spare)
138-46kV, 48/80MVA Transformer #1)
And for Deviation of)
Paragraph 2.3(g)2 of General Order)
No. 7.)

ORDER NO. 24033

Filed February 11, 2008
At 2 o'clock P.M.

fm *Stan and D*
Chief Clerk of the Commission

ATTEST: A True Copy

for KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

Eleanor P. Linares

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DIV. OF CONSUMER ADVOCACY
DEPT. OF PUBLIC UTILITIES
COMM. OF HAWAII
STATE OF HAWAII

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_____)

Docket No. 2008-0020

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ORDER

By this Order, the commission approves HAWAIIAN ELECTRIC COMPANY, INC.'s ("HECO") request to deviate from the sixty (60) day notice requirement in Paragraph 2.3.g.2 of General Order No. 7, Standards for Electric Utility Service in the State of Hawaii ("General Order No. 7") concerning the commitment of funds regarding Item P0001550, Purchase of 2008 Spare 138-46kV, 48/80MVA Transformer #1.

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.

By application filed on February 4, 2008, HECO requests commission approval to commit approximately \$2,605,951 for Item P0001550, Purchase of 2008 Spare 138-46kV, 48/80MVA Transformer #1 ("Proposed Project") ("Application").¹ The Application was made pursuant to Paragraph 2.3.g.2 of General Order No. 7. In its Application, HECO also seeks approval to deviate from the Paragraph 2.3.g.2 requirement that its application "be submitted to the [c]ommission for review at least 60 days prior to the commencement of construction or commitment for expenditures, whichever is earlier" ("60-day Notice"). HECO makes this request pursuant to Paragraph 1.2.e of General Order No. 7.

According to HECO, the Proposed Project is necessary since HECO is planning to use its existing spare 138-46kV, 48/80MVA transmission transformer to replace the Wahiawa #2 138-46kV, 48/80MVA transformer ("Wahiawa #2 Transformer") that failed in November 2007. HECO represents that: (1) the Wahiawa #2 Transformer was 34 years old; and (2) it determined that the transformer could not be repaired. Due to its replacement plans, HECO states that it will have no spare transformer in case of another 138-46kV transformer failure.

¹HECO 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 proceeding pursuant to HRS § 269-51 and Hawaii Administrative Rules § 6-61-62.

HECO states that it presently has 30 138-46kV transformers on its system; 13 of which are 40 years old while 8 are between 30-39 years old.² HECO explains that the sub-transmission system is designed to accommodate the loss of a transmission transformer or circuit by transferring loads to their back-up transmission transformers for a short duration. However, HECO maintains that "back-up transformers will sustain major damage if loaded to its 1% loss-of-life rating for a long period of time, such as for a major repair or replacement of a failed transformer, since an additional 1% loss-of-life occurs for each 24-hour period a transformer is loaded to its 1% loss-of-life rating."³ This damage, according to HECO, is cumulative over the life of a transformer.

HECO notes that a failed transformer can take a "considerable" amount of time to repair. For instance, HECO represents that a transformer that failed in 1988 took a total of 15 months before it was repaired on the mainland and back in service in Honolulu. HECO claims that the current lead-time to purchase and install a new transformer, if a failed transformer cannot be repaired, is approximately 23 months. The availability of a spare transformer, the request of which is the subject of HECO's Application, would allow HECO to replace a failed transformer in about a week. HECO plans to maintain at least one spare transformer on hand at any given point in time.

²See Application at 4.

³Id. at 4-5.

HECO contends that the Proposed Project is consistent with its plans for Integrated Resource Planning ("IRP").⁴ It states that the purchase of the spare 138-46kV transformer is for the purpose of helping HECO maintain its system reliability. HECO also states the Proposed Project should further its IRP objectives. Moreover, HECO understands that it will have the burden of proof to justify the reasonableness of the capital expenditure in its next rate case if the commission does not approve its Application.⁵

II.

Discussion

Paragraph 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 [c]ommission for review at least 60 days prior to the commencement of construction or commitment for expenditure, whichever is earlier⁶

Given that the lead time to purchase and install a new transformer is approximately 23 months, HECO seeks commission approval by February 11, 2008, to deviate from the 60-day Notice

⁴Id. at 7.

⁵Id. at 6.

⁶The commission, in Docket No. 03-0257, 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.

requirement, set forth above, to allow HECO to immediately commence with the ordering of the spare 138-46kV transformer. This request is made pursuant to Paragraph 1.2.e of General Order No. 7 which states, in relevant part that "[n]o electric utility shall deviate from these rules without specific authorization from the [c]ommission except as herein provided."

Here, HECO represents that a deviation from the 60-day Notice requirement will allow it to reduce the amount of time HECO is without a spare 138-46kV transformer. Additionally, HECO indicates that the Consumer Advocate does not object to its request to deviate from the requirement; however, the Consumer Advocate reserves its right to state its position on the substance of HECO's Application.

Based on the foregoing, the commission finds good cause to approve HECO's request to deviate from the 60-day Notice requirement. HECO, 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 HECO's Application and that if the commission does not approve the Application, HECO will have the burden of proof to justify the reasonableness of the capital expenditures in its next rate case.

III.

Order

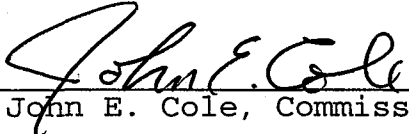
THE COMMISSION ORDERS:


HECO's request to deviate from the Paragraph 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, with regards to the Proposed Project, is approved.

DONE at Honolulu, Hawaii FEB 11 2008.

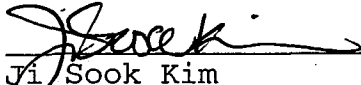
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By: 
Carlito P. Caliboso, Chairman

By: 
John E. Cole, Commissioner

By: 
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:


Ji Sook Kim
Commission Counsel

2008-0020.eh

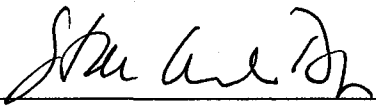
CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 24033 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

CATHERINE AWAKUNI
EXECUTIVE DIRECTOR
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DIVISION OF CONSUMER ADVOCACY
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DEAN MATSUURA
MANAGER, REGULATORY AFFAIRS
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for Karen Higashi

DATED: FEB 11 2008