

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
HAWAIIAN ELECTRIC COMPANY, INC.)
For Approval to Commit Funds in)
Excess of \$2,500,000 (excluding)
Customer contributions) for Item)
Y00118, Beckoning Point Substation)
And 46 kV Circuit.)

DOCKET NO. 2008-0321

DECISION AND ORDER

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Docket No. 2008-0321

DECISION AND ORDER

By this Decision and Order, the commission approves HAWAIIAN ELECTRIC COMPANY, INC.'s ("HECO") request to commit approximately \$3,285,391 (excluding customer contributions) for Item Y00118, Beckoning Point Substation and 46 kilovolt ("kV") Circuit ("Proposed Project"), pursuant to Section 2.3.g.2 of General Order No. 7, Standards for Electric Utility Service in the State of Hawaii ("General Order No. 7"). The commission also determines that it is appropriate for HECO to construct the 46 kV subtransmission line above the surface of the ground, as proposed in its application filed on December 23, 2008, under Hawaii Revised Statutes ("HRS") § 269-27.6(a).

I.

Background

HECO, a Hawaii corporation, is a public utility as defined by HRS § 269-1. HECO was initially organized under the

laws of the Kingdom of Hawaii on or about October 13, 1891; and its principal place of business is located in Honolulu, Hawaii. HECO is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Oahu in the State of Hawaii ("State").

A.

Application

By application filed on December 23, 2008,¹ HECO requested commission approval to commit approximately \$3,285,391 for the construction of a new dedicated, high-profile distribution substation to serve the Department of the Navy's ("Navy") planned new Submarine Drive-In Magnetic Silencing Facility ("Facility") in the Beckoning Point area of Pearl Harbor; the overhead extension of one existing 46 kV subtransmission line to the new substation site; and "the installation of one, 3-phase, 15 kV underground cable in new underground infrastructure from the proposed Beckoning Point substation to the Navy's switchgear."²

¹Application, Verification, Exhibit I to XI, Certificate of Service ("Application"). HECO served copies of its Application upon the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"), an ex officio party to this docket pursuant to HRS § 269-51 and Hawaii Administrative Rules § 6-61-62.

²Application, at 5.

As a result of the Navy's request for electrical power to the Facility, HECO conducted a "Beckoning Point Study" to determine the best alternatives for serving the Facility.³ The Study considered use of the existing circuit Wailani 12.47 kV circuit; and other energy alternatives, such as capacitors, batteries and distributed generation, but did not find them feasible. Three other alternatives were also examined: "(1) installing one 12 kV circuit from HECO's Waipahu Substation to the project site and installing a 46-12, 10/12.5 [megavolt ampere ("MVA")] distribution substation transformer at HECO's Waipahu Substation; (2) installing one 12 kV circuit from HECO's Pearl City Peninsula substation to the project site and installing a 46-12, 10/12.5 MVA distribution substation transformer at HECO's Pearl City Peninsula substation; and (3) extending one 46 kV circuit and installing a 46-12, 10/12.5 MVA distribution substation transformer at a new dedicated substation near the Beckoning Point project site. The study recommended that a new dedicated substation be constructed near the Beckoning Point site to serve the project."⁴

HECO states that the Proposed Project will provide the following benefits: "1) allows HECO to establish 12 kV capacity near the load center to effectively feed the proposed Beckoning Point loads; 2) reduces losses to the system by reducing 12 kV circuit lengths in the Beckoning Point area; and 3) shorter

³Application, at Exhibit VII.

⁴Application, at 9; and Exhibit VII, at 7-12.

circuit lengths increases the reliability of the distribution circuits by minimizing the exposure of the circuits to faults.”⁵

HECO states that the Proposed Project is reasonable in light of the Hawaii Clean Energy Initiative and the State’s movement towards self-sufficiency in that it will serve new customer loads at Pearl Harbor and is an investment in the ongoing maintenance and upgrade of the existing distribution system. HECO states, “maintaining and upgrading the electric system is essential to supporting reliable, renewable energy and to using technologies . . . that gives customers options for better managing energy use.”⁶

B.

Consumer Advocate’s Statement of Position

On June 10, 2009, the Consumer Advocate filed its Statement of Position⁷ stating that it does not object to approval of the Application “as it appears to be the most feasible and practical alternative due to the unique attributes of the Facility’s electrical load.”⁸

With respect to HECO’s proposal to construct the proposed 46 kV line extension overhead, the Consumer Advocate

⁵Application, at 8.

⁶Application, at 12-13.

⁷Division of Consumer Advocacy’s Statement of Position, filed on June 10, 2009 (“CA SOP”).

⁸CA SOP, at 5.

stated that it considered the criteria in HRS § 269-27.6(a) and there "does not appear that there is a benefit to undergrounding the proposed 46 kV line extension."⁹

As to estimated project costs, the Consumer Advocate stated that it will review "the reasonableness of the actual costs incurred to complete the project and pursue issues, if any, regarding the reasonableness of the instant project's actual costs in HECO's next rate proceeding."¹⁰ Likewise, with respect to materials and outside services, which may change with bid proposals, the Consumer Advocate stated that it would "review the actual costs and determine the reasonableness of such costs when the final cost report is submitted."¹¹

II.

Discussion

A.

General Order No. 7

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]¹² or

⁹CA SOP, at 10.

¹⁰CA SOP, at 11.

¹¹CA SOP, at 12.

¹²The 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.

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 earlier. If the Commission determines, after hearing on the matter, that any portion of the proposed project provides facilities which are unnecessary or are unreasonably in excess of probable future requirements for utility purposes; then the utility shall not include such portion of the project in its rate base. If the utility subsequently convinces the Commission that the property in question has become necessary or useful for public utility purposes; it may then be included in the rate base. Failure of the Commission to act upon the matter and render a decision and order within 90 days of filing by the utility shall allow the utility to include the project in its rate base without the determination by the Commission required by this rule¹³

Here, the commission finds that the Proposed Project, as set forth in the Application, is reasonable and in the public interest. The commission agrees with the Consumer Advocate that the Project is the most feasible and cost-effective alternative given the "unique attributes of the Facility's electrical load." Accordingly, the commission approves HECO's request to commit funds for the Proposed Project.

See Decision and Order No. 21002, filed on May 27, 2004, in Docket No. 03-0257.

¹³By the Stipulated Procedural Order, filed on February 6, 2009, HECO and the Consumer Advocate waived the commission's 90-day review period.

B.

HRS § 269-27.6(a)

HRS § 269-27.6(a) titled "Construction of high-voltage electric transmission lines; overhead or underground construction" states:

Notwithstanding any law to the contrary, whenever a public utility applies to the public utilities commission for approval to place, construct, erect, or otherwise build a new forty-six kilovolt or greater high voltage electric transmission system, either above or below the surface of the ground, the public utilities commission shall determine whether the electric transmission system shall be placed, constructed, erected, or built above or below the surface of the ground; provided that in its determination, the public utilities commission shall consider:

- (1) Whether a benefit exists that outweighs the costs of placing the electric transmission system underground;
- (2) Whether there is a governmental public policy requiring the electric transmission system to be placed, constructed, erected, or built underground, and the governmental agency establishing the policy commits funds for the additional costs of undergrounding;
- (3) Whether any governmental agency or other parties are willing to pay for the additional costs of undergrounding;
- (4) The recommendation of the division of consumer advocacy of the department of commerce and consumer affairs, which shall be based on an evaluation of the factors set forth under this subsection; and
- (5) Any other relevant factors.

HRS § 269-27.6(a).

First, under HRS § 269-27.6(a)(1), there does not appear to be any benefit that exists that outweighs the costs associated with constructing the 46 kV line extension underground. HECO estimated that it would cost "approximately five times more to underground the 46 kV line than to construct it overhead (i.e., approximately \$8.3 million vs. approximately \$1.6 million)."¹⁴ In addition, since there are other existing overhead lines in the affected area, placing the 46 kV lines overhead as opposed to underground will not dramatically impact the area visually.¹⁵ No public comments were received at the public hearing regarding the benefits of placing the line underground.¹⁶ Accordingly, there does not appear to be a benefit that outweighs the additional costs of placing the 46kV line underground.

Second, under HRS § 269-27.6(a)(2), the commission is not aware of any governmental policies requiring the underground placement of the line. As noted by the Consumer Advocate, there

¹⁴Application, at 10.

¹⁵According to HECO, "[t]he visual impact of the proposed 46 kV overhead line extension will not be significantly increased, as there are existing 12 kV overhead lines along the Waipio Point Access Road. (The 46 kV line extension will replace an existing 12 kV overhead pole line, and a portion of the existing 12 kV conductors will be relocated to the new 46 kV pole line.) In addition, views from the Waipahu residential areas should not be adversely affected." Application, at 9-10.

¹⁶On February 25, 2009, the commission held a public hearing at the August Ahrens Elementary School Cafeteria in Waipahu, Hawaii. HECO's Manager of Engineering and the Consumer Advocate both submitted testimonies. No one from the general public provided any testimony.

have been State legislative efforts to study the feasibility of requiring underground placement of utility facilities, but none of the recommendations have resulted in a legislative mandate to underground electric transmission lines.

Third, under HRS § 269-27.6(a)(3), the commission is not aware of any governmental agency or any other party willing to pay for the additional costs of placing the lines entirely underground. By letter dated September 17, 2009, the Navy expressly stated that they do not have the necessary funds to underground and are unwilling to contribute to the cost to underground the extension.¹⁷

Fourth, under HRS § 269-27.6(a)(4), the commission recognizes that the Consumer Advocate, after reviewing the Proposed Project under HRS § 269-27.6(a), stated that "it does not appear that there is a benefit to undergrounding the proposed 46kV line extension."¹⁸

Based on the foregoing, the commission concludes that the overhead construction of the 46 kV subtransmission line in association with the Proposed Project, in the manner set forth in the Application, should be approved.

¹⁷See Application, Exhibit VII.

¹⁸CA SOP, at 10.

III.

Orders

THE COMMISSION ORDERS:

1. HECO's request to commit approximately \$3,285,391 (excluding customer contributions) for Item Y00118, Beckoning Point Substation and 46 kV Circuit, as described in HECO's Application, is approved; provided that no part of the project may be included in HECO's rate base unless and until the project is in fact installed, and is used and useful for utility purposes.

2. HECO's request to construct a 46 kV subtransmission line extension above the surface of the ground, as part of the Proposed Project, is approved, pursuant to HRS § 269-27.6(a).

3. HECO shall file a report within sixty days of the project's operation, with an explanation of any deviation of ten percent or more in the project's actual cost from that estimated in the Application. HECO's failure to submit this report may constitute cause to limit the cost of the project, for ratemaking purposes, to that estimated in the Application.

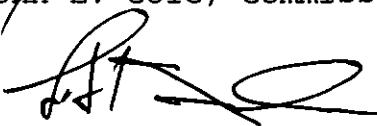
4. HECO shall conform to the commission's order set forth in paragraph 3 above. Failure to adhere to the commission's order may constitute cause for the commission to void this Decision and Order, and may result in further regulatory action as authorized by law.

DONE at Honolulu, Hawaii SEP 30 2009.

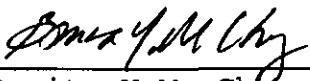
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
John E. Cole, Commissioner

By 
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:


Bonita Y.M. Chang
Commission Counsel

2008-0321.laa

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

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