

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
VERIZON HAWAII INC.)
For Approval to Include)
Expenditures in Excess of \$500,000)
In its Rate Base for the Kakaako)
Community Development District 9)
Project.)

DOCKET NO. 02-0015

DECISION AND ORDER NO. 19411

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

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RECEIVED

Filed June 14, 2002
At 8:00 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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OF THE STATE OF HAWAII

In the Matter of the Application of)	
VERIZON HAWAII INC.	Docket No. 02-0015
For Approval to Include	Decision and Order No. 19411
Expenditures in Excess of \$500,000	
In its Rate Base for the Kakaako	
Community Development District 9	
Project.	

DECISION AND ORDER

I.

By an application filed on January 17, 2002,¹ VERIZON HAWAII INC. (Verizon Hawaii), requests commission approval to commit \$963,288 to relocate existing aerial facilities to a new underground system that will be constructed in conjunction with the Kakaako Community Development District 9 Project on Oahu (Project). Verizon Hawaii makes its request pursuant to Hawaii Revised Statutes (HRS) Chapter 269, Hawaii Administrative Rules (HAR) § 6-80-90, and paragraph 2.3.d.2 of General Order No. 8, Standards for Telephone Service in the State of Hawaii.

¹By letter dated January 28, 2002, Verizon Hawaii transmitted an amended page 3 of its application. The last line of page 3 was inadvertently deleted from the originally filed page. In addition, Verizon Hawaii corrected paragraph III of the originally filed application to reflect commission authorization to review this application under HAR § 6-80-90 and 2.3.d.2 of General Order No. 8, Standard for Telephone Service in the State of Hawaii.

Copies of the application were served on the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy (Consumer Advocate).² On March 22, April 2, and April 3, 2002, Verizon Hawaii responded to the Consumer Advocate's information requests. By position statement filed on May 23, 2002,³ the Consumer Advocate does not object to our approval of the instant application, subject to certain qualifications.

II.

A.

The Kakaako Community Development District, originally established by the Hawaii State Legislature in 1976, was divided into a Mauka Area and a Makai Area. The Makai Area was established in 1982 and now totals approximately 221 acres, including land from Ala Moana Boulevard at Ala Moana Park to Aloha Tower.

The policy of the Kakaako Plan states that all utilities shall, to the extent practical, be located underground and all utility improvements should be coordinated with the

²By letter filed on April 11, 2002, Verizon Hawaii requested an extension of the time by which the commission must issue its written decision in this docket from April 17, 2002 to May 17, 2002. On April 12, 2002, the commission granted that request for the extension of time.

³By Order No. 19351, filed on May 10, 2002, the commission suspended the triggering of the 90-day automatic approval provision, in order to allow the Consumer Advocate and the commission additional time to complete their respective reviews of Verizon Hawaii's Project.

roadway improvements. Verizon Hawaii explains that it will follow the guidance provided by the Kakaako Plan and will upgrade all roadways and existing utility systems to accommodate the anticipated demands of the proposed land uses in the Makai area.

B.

The Project will improve portions of Ilalo Street between Ahui Street and Forrest Avenue.⁴ Specifically, the Project will involve:

1. The construction of a new underground duct and manhole system with the Project boundary, including: (A) an eight-duct system on Ilalo Street, from Ahui Street to Forrest Avenue (South Street); and (B) seven manholes and eleven pull boxes. Four of the eight ducts will be used to replace the existing pole line, one duct for maintenance, one duct for fiber provisioning requested by the State of Hawaii, and two ducts for future growth.
2. The conversion of all aerial cable to the new underground duct and manhole system. Verizon Hawaii will place new cables on each street, replacing the existing cables on a one for one basis. Cables ranging in size from 25 to 300 pairs will be placed on Ilalo Street, between Ahui Street and Forrest Avenue (South Street).

⁴By letter filed on April 10, 2002, Verizon Hawaii notified the commission that it commenced work on the Project on April 3, 2002, to meet State requirements, which was 76 days after the filing of the application in this docket. HAR § 6-80-90(b) requires the carrier to submit the proposed expenditures for review at least 60 days prior to the commencement of construction or commitment for expenditure, whichever is earlier.

III.

A.

Verizon Hawaii states that it did not evaluate various alternatives to this line-relocation Project, because the Hawaii Community Development Authority (HCDA), through its consulting engineers, identified the work to be done in improving the streets, including the conversion of utilities from overhead to underground.

B.

In its position statement, the Consumer Advocate makes the following observations, reservations and recommendations:

1. Since the Project is mandated by the HCDA's plan to improve the Kakaako area, the Consumer Advocate finds the Project to be necessary. However, the Consumer Advocate expresses its concern over the scope of the Project. Namely, the Consumer Advocate believes that the Project may require the provision of too many underground ducts, and "has a concern with the uncertainties of this projected demand forecast. In addition, the Consumer Advocate has some concerns with the apparent overlap with the replacement ducts that would be available to meet estimated future growth and the other duct(s) specifically designated for future growth needs."

2. Its concerns relating to the scope of the Project notwithstanding, the Consumer Advocate does not object to Verizon Hawaii's request to commit the expenditures.

3. At the same time, the Consumer Advocate recommends that the commission not approve the instant expenditures for inclusion in Verizon Hawaii's rate base at this time. Instead Verizon Hawaii should be required to demonstrate, in a future rate proceeding, that its plant investment is used and useful before any portion of the Project's costs are allowed to be included in its rate base.

4. The Consumer Advocate also recommends that Verizon Hawaii be required to "report at yearend for the years 2003 and 2004 the forecasted requirements for telephone and fiber optic services for the area."

5. Further, the Consumer Advocate recommends that Verizon Hawaii be required to account for the Project's expenditures and contributions in a manner that comports with regulatory guidelines, and that will "facilitate appropriate regulatory treatment and analyses."

6. The Consumer Advocate reserves its right "to review the forecasted demand for telephone services in the area, the relief planned to meet this demand and the utilization of the duct system at the time of final cost reporting and in [Verizon Hawaii]'s next rate case filing."

C.

Upon careful review, the commission finds that the proposed Project is reasonable and is consistent with the public interest. Thus, the commission concludes that Verizon Hawaii's application to commit approximately \$963,288 for the Project

should be approved, subject to the reporting requirement noted below. However, the commission will not, at this time, approve the inclusion of the Project's costs or any additional costs in Verizon Hawaii's rate base for ratemaking purposes.

IV.

THE COMMISSION ORDERS:

1. Verizon Hawaii's application to commit approximately \$963,288 to relocate existing aerial facilities to a new underground system is approved.

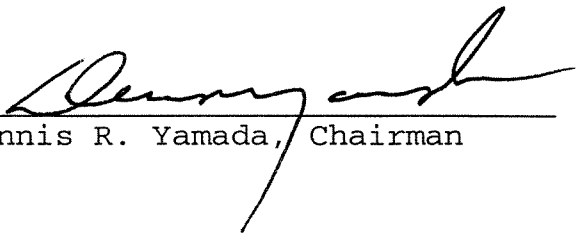
2. Verizon Hawaii shall complete and submit to the commission and Consumer Advocate a year-end report for years 2003 and 2004 stating the forecasted requirements for telephone and fiber optic services for the area. Unless otherwise ordered, the report shall be filed no later than February 28, 2004 and February 28, 2005, respectively, and shall include: (1) the service requester's name, (2) the type of service requested, (3) Verizon Hawaii's engineering plans on the type and size of cable to satisfy this request, and (4) the specific duct selected in the eight duct configuration to accommodate the relief cable.

3. Verizon Hawaii shall submit a report within 60 days of the Project's commercial operation, with an explanation of any deviation of 10 per cent or more in Project costs from the amount estimated in the application. Failure to submit the report as required by this decision and order will

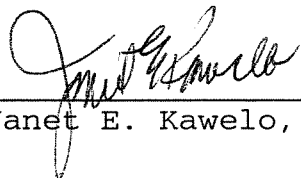
constitute cause to limit the cost of the Project, for ratemaking purposes, to that estimated in the application.

DONE at Honolulu, Hawaii this 14th day of June, 2002.


PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By  _____
Dennis R. Yamada, Chairman

By (EXCUSED) _____
Wayne H. Kimura, Commissioner

By  _____
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:

 _____
Catherine P. Awakuni
Commission Counsel

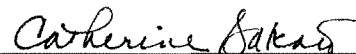
02-0115

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 19411 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

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

JOEL K. MATSUNAGA
VICE PRESIDENT, EXTERNAL AFFAIRS
VERIZON HAWAII INC.
P. O. Box 2200, A-17
Honolulu, HI 96841



Catherine Sakato

DATED: June 14, 2002