015
scan

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of KAUAI ISLAND UTILITY CO-OP For approval to commit funds in excess of $500,000 for the construction of a 12.47 kV/6.9 kV distribution line from the Kekaha Switchyard to the Puuka Pele Substation.	DOCKET NO. 02-0401

RECEIVED
2002 NOV 29 P 4: 09
DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

ORDER NO. 19827

Filed Nov. 29, 2002

At 9 o'clock 4. .M.

for Chief Clerk of the Commission

ATTEST: A True Copy
LEATRICE G. ASAHI
Clerk, Public Utilities
Commission, State of Hawaii.

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of KAUAI ISLAND UTILITY CO-OP For approval to commit funds in excess of $500,000 for the construction of a 12.47 kV/6.9 kV distribution line from the Kekaha Switchyard to the Puuka Pele Substation.	Docket No. 02-0401 Order No. 19827

ORDER

I.

By an application filed on November 14, 2002, KAUAI ISLAND UTILITY CO-OP (KIUC or Applicant)[1] requests commission approval to commit an estimated $2,958,900 for the construction of a 12.47kV/6.9 kV distribution line from the Kekaha Switchyard to the Puuka Pele Substation, in accordance with the provisions of Paragraph 2.3.g.2 of General Order No. 7, Standards for Electricity Utility Service in the State of Hawaii.

[1]KIUC is an electrical cooperative which on November 1, 2002, purchased and assumed the operations of Kauai Electric's assets from Citizens Communications Company (Citizens) including citizens' electrical distribution system on the island of Kauai.

KIUC, by its application and pursuant to Section 1.2.b, of G.O. 7, also seeks a waiver of the Section 2.3.g.2 requirement that its application "be submitted to the commission for review at least 60 days prior to the commencement of construction or commitment for expenditure, whichever is earlier." Copies of the application were served on the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy (Consumer Advocate). On, November 20, 2002, the Consumer Advocate filed its statement of position.

The instant order only addresses KIUC's request for a waiver of Section 2.3.g.2's applicable requirement.

II.

A.

The existing 6.9 kV distribution line running from the Kekaha Switchyard to the Puuka Pele Substation was formerly owned and operated by the Kekaha Sugar Company, Limited, a Hawaii corporation (Kekaha), and is located on the lands that were leased by Kekaha from the State of Hawaii Department of Land and Natural Resources (DLNR).

Pursuant to various arrangements entered into between Kekaha and Applicant's predecessor-in-interest, Citizens Communications Company (Citizens), Citizens was permitted to utilize the 6.9 kV distribution line and other appurtenant Kekaha facilities to serve Citizens' customers located in the Kokee area, which is the only means by which such customers can be served by the electrical distribution system.

Pursuant to that certain Power Purchase Agreement (PPA), dated April 22, 1981, entered into between Kekaha and Citizens, as approved by the commission in Decision and Order No. 6684, issued on June 19, 1981, in Docket No. 4284, Kekaha agreed to use its best efforts to provide energy to Citizens on an interruptible basis, as well as capacity and energy in emergency situations.

In or around September 1999, Kekaha shut down its operations at the Kekaha Sugar Mill. As a result, Kekaha and Citizens entered into a replacement Power Purchase Agreement (Replacement PPA) dated November 1, 1999, as approved by the commission in Decision and Order No. 17809, issued on June 27, 2000, in Docket No. 00-0004. The Replacement PPA amended, restated and replaced the initial PPA in order to, among other things, address the shut down of the Kekaha Sugar Mill and to confirm Kekaha's agreement to continue providing energy to Citizens from Kekaha's hydroelectric power plants operated by Kekaha and to continue utilizing Kekaha's distribution line to serve Citizens' customers in Kokee.

Following this, Kekaha announced its intention to closedown all of its operations, and in connection therewith, terminated the Replacement PPA, to be effective February 28, 2001, without providing Citizens with the required 12 months advance notice of termination, as was required by Article XIV of the Replacement PPA. Because Kekaha's distribution line and facilities are the only means by which Citizens could serve its customers in Kokee, Kekaha, and Citizens entered into a letter agreement dated December 21, 2000, whereby Kekaha agreed to allow Citizens to continue to use the distribution line and other facilities of Kekaha to serve Citizen's customers in Kokee. A copy of said letter was submitted to the commission as part of that certain Motion to Reopen Docket No. 7332 and Motion to Approve the Second Amended and Restated Power Purchase Agreement filed with the commission on January 10, 2001 (Collectively Motions). These Motions were approved by the commission in Decision and Order No. 18387, issued on February 23, 2001, in Docket No. 7332.

Since that time, DLNR has taken over possession of the 6.9 kV distribution line and other facilities of Kekaha, claiming that Kekaha is in default under the terms of the lease between Kekaha and DLNR. DLNR subsequently granted Agribusiness Development Corporation (ADC), a public instrumentality of the State of Hawaii, ownership of or the right to use and operate the 6.9 kV distribution line, together with other appurtenant facilities.

Pursuant to that certain Power Purchase Agreement dated March 1, 2001, entered into between ADC and Citizens (ADC PPA), as approved by the commission in Decision and Order Nos. 18432 and 18456, issued on March 20, 2001 and March 28, 2001, respectively, in Docket No. 01-0035, ADC permitted Citizens to continue to utilize the 6.9 kV distribution line to serve its customers located in the Kokee area until such time as a new replacement distribution line running from the Kekaha Switchyard to the Puuka Pele Substation is constructed and begins operating.

On November 1, 2002, KIUC purchased and assumed the operations of Kauai Electric's assets from Citizens, including Citizens' electrical distribution system on the Island of Kauai. In connection with this purchase, the ADC PPA dated March 1, 2001, was assigned from Citizens to KIUC, with KIUC thereafter accepting and assuming all of Citizens interests, rights, obligations and duties under said Agreement.

B.

KIUC plans to construct and rebuild the distribution line parallel to the existing distribution line. Upon the completion of the rebuilt distribution line, the old distribution line will cease operating and be removed.

The rebuilt distribution line will be built using a double circuit wood pole distribution line. One circuit will be a 12.47 kV distribution line to be used to serve KIUC's existing customers in the Kokee area. The second circuit will be a 6.9 kV distribution line that will be used to transport bulk power generated by the Kokee hydroelectric power plants back down to Kekaha for use by ADC.

With the exception of the 6.9 kV distribution line, KIUC will become the owner of the rebuilt distribution line once it is constructed and begins operating. ADC will become the owners of the 6.9 kV distribution line.

By replacing the existing 6.9 kV line with a double circuit 12.47 kV/6.9 kV distribution line, KIUC represents that it will be able to utilize the 12.47 kV circuit and bypass the Puuka Pele Substation, which is a 6.9kV/12.47kV step-up station, and tie directly into KIUC's existing electrical system. KIUC represents that this will ensure that KIUC will have reliable and permanent facilities to continue providing service to its customers in the Kokee area.

The rebuilt 12.47 kV/6.9 kV distribution line will be built using wood pole structures, using a combination of lightweight polymer and ceramic insulators. The construction type will be a double circuit armless with a single neutral below. This line will be approximately 6.7 miles in length and have approximately 130 structures ranging in height from 50 to 65 feet, with one structure being 70 feet in height.

The estimated cost for the construction and rebuild of the distribution line is $2,958,000. A portion of the cost has or will be paid to KIUC as contractor for the Department of Navy utilizing approximately $1,753,000 in federal funds. These federal funds were granted for the purpose of increasing the reliability and the capacity of the distribution line serving the Department of the Navy's practice missile facilities in the Kokee area. The remaining cost of the rebuilt distribution line in excess of the federal funds may be sought to be included in KIUC's rate base at the time of Applicant's next general rate increase application.

III.

In order to avail itself of the entire approximately $1,753,000 in federal funding, KIUC requests a waiver of Section 2.3.g.2's applicable requirement that its application "be submitted to the commission for review at least 60 days prior to the commencement of construction or commitment for expenditure, whichever is earlier."

Of the approximately $1,753,000 available in federal funding, $708,000 has already been paid to KIUC to cover a portion of the engineering costs and costs for the procurement of material already incurred for this project. However, KIUC represents that the remaining approximately $1,045,000 in available federal funding is subject to a sunset clause expiring on September 30, 2003.

In order to obtain these funds, KIUC represents that it has recently been informed by the Department of the Navy that the rebuilt distribution line must be completed and operational by August 31, 2003 and then inspected and approved by the Department of the Navy prior to the expiration of the funds on September 30, 2003. Accordingly, in order to meet the deadlines imposed by the sunset clause, KIUC represents that it is necessary for it to begin constructing the rebuilt distribution line by December 2, 2002 to account for any unknown possible delays that may occur during construction.

The Consumer Advocate does not object to the request for waiver, but reserves the right to state its position on the merits of KIUC's application upon the completion of its investigation.

Upon review, the commission finds good cause to approve KIUC's request for waiver.

At the same time, the commission emphasizes that the instant order does not constitute a decision on the merits of KIUC's application. As stated in the application, KIUC acknowledges that "in the event KIUC commit funds for and commences construction of the rebuilt distribution line prior to obtaining the commission's approval, KIUC will be bearing the risk of the commission not approving the commitment in whole or in part".

IV.

THE COMMISSION ORDERS that KIUC's request for waiver of the Section 2.3.g.2 requirement to file its application at least 60 days prior to the commencement of construction or commitment for expenditure of funds, filed on November 14, 2002, is approved.

DONE at Honolulu, Hawaii this 29th day of November, 2002.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By ______________________
Wayne H. Kimura, Chairman

By ______________________
Janet E. Kawelo, Commissioner

By ______________________
Gregg J. Kinkley, Commissioner

APPROVED AS TO FORM:

____
Kevin M. Katsura
Commission Counsel

02-0335.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 19827 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

MICHAEL V. YAMANE, MANAGER, STRATEGIC PLANNING
KAUAI ISLAND UTILITY CO-OP
4463 Pahe'e Street
Lihue, HI 96766

ALTON MIYAMOTO, PRESIDENT AND CEO
KAUAI ISLAND UTILITY CO-OP
4463 Pahe'e Street
Lihue, HI 96766

ALAN M. OSHIMA, ESQ.
KENT D. MORIHARA, ESQ.
OSHIMA CHUN FONG & CHUNG LLP
841 Bishop Street, Suite 400
Honolulu, HI 96813

Catherine Sakato
for Karen Higashi

DATED: November 29, 2002