

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 \$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

DECISION AND ORDER NO. 20130

Filed April 17, 2003
At 11:30 o'clock A.M.

Karen Higdon.
Chief Clerk of the Commission

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

In the Matter of the Application)
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 of) Docket No. 02-0401
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 KAUAI ISLAND UTILITY COOPERATIVE) Decision & Order No. 20130
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 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)
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)

I.

By Order No. 20019, filed on February 12, 2003, the commission granted Applicant's request for an extension of time, until March 14, 2003 of Section 2.3.g.2 requirement that the

commission render a decision within 90 days after the filing of an electric utility's application. By Order No. 20080, filed on March 14, 2003, the commission granted Applicant's request for an extension of time, until April 4, 2003 of Section 2.3.g.2 requirement that the commission render a decision within 90 days after the filing of an electric utility's application. By Order No. 20110, filed on April 4, 2003, the commission granted Applicant's request for an extension of time, until April 18, 2003 of Section 2.3.g.2 requirement that the commission render a decision within 90 days after the filing of an electric utility's application.

II.

A.

KIUC

Applicant is a corporation organized and existing under the laws of the State of Delaware. Applicant is an operating public utility engaged in production, transmission, distribution, purchase and sale of electric energy on the Island of Kauai in the State of Hawaii.

B.

Background

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 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),¹ 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 then owned by Citizens.

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 to the 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 the March 1, 2001 Power Purchase Agreement, entered into between ADC and Citizens, as approved by the commission in Decision and Order Nos. 18432 and 18456 issued in Docket No. 01-0055 on March 20, 2001 and March 28, 2001,

¹See Decision and Order No. 17809 issued on June 27, 2000 in Docket No. 00-0004; see also, Decision and Order Nos. 18339 and 18359 issued on January 29, 2001 and February 6, 2001, respectively, as amended by Decision and Order No. 18387 issued on February 23, 2001, in Docket No. 7332.

respectively, 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, Applicant 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 Power Purchase Agreement dated March 1, 2001, was assigned from Citizens to Applicant, with Applicant thereafter accepting and assuming all of Citizens' interests, rights, obligations and duties under the Agreement.

C.

The Rebuilt Distribution Line

Applicant plans to construct and rebuild the distribution line parallel to the existing distribution line. Upon 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 Applicant'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, Applicant will become the owner of the rebuilt distribution line once it is constructed and begins operating. Originally, the rebuilt distribution line was intended to belong to Kekaha, with Citizens' Kauai Electric Division serving only as the contractor for Kekaha in rebuilding the distribution line. However, as a result of Kekaha's closing of its operations and ADC's decision not to own said line, Applicant has agreed to take ownership of the entire rebuilt distribution line except the 6.9 kV circuit. ADC will become the owner of the 6.9 kV distribution line.²

By replacing the existing 6.9 kV line with a double circuit 12.47 kV/6.9 kV distribution line, Applicant will be able to utilize the 12.47 kV circuit and bypass the Puuka Pele Substation, which is a 6.9 kV/12.47 kV step-up station, and tie directly into Applicant's existing electrical system.

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.

²Applicant agreed to allow ADC to attach its own 6.9 kV circuit to the poles along the rebuilt distribution line at a cost of \$1 per year. As such, ADC will be the owner of the 6.9 kV distribution line. Once the rebuilt distribution line is complete, ADC or DLNR will grant Applicant an easement for the as-built 12.47 kV/6.9 kV distribution line.

The estimated cost for the construction and rebuild of the distribution line is \$2,958,000. A portion of this cost has or will be paid to Applicant as a contractor for the Department of the Navy utilizing approximately \$1,753,000 in federal funds to cover the costs of ADC's portion of the rebuilt distribution line.³ The remaining cost of the rebuilt distribution line in excess of the amount of the federal funds may be sought to be included in Applicant's rate base at the time of Applicant's next general rate increase application.

III.

Based on our review of the record in this proceeding, we find that the proposed project is reasonable and consistent with the public interest. The proposed project will allow KIUC to continue providing electrical service to the Kokee area. The existing Kokee Line has deteriorated, does not comply with current standards and has insufficient capacity to meet KIUC's electrical needs. Accordingly, the commission will approve KIUC's application.

³Pursuant to the construction contract between the Department of the Navy and Citizens' Kauai Electric Division, Citizens' Kauai Electric Division agreed to act as the contractor for the rebuilding of the distribution line in exchange for the federal grant money. As contractor for the Department of the Navy, Citizen's Kauai Electric Division spent approximately \$1 million for materials needed for the rebuilt distribution line. Applicant is now acting as the contractor for the rebuild of the distribution line in exchange for the federal grant money.

IV.

THE COMMISSION ORDERS:

1. KIUC's application, filed on November 14, 2002, to commit \$2,958,900 for the construction and rebuild of the distribution line from the Kekaha Switchyard to the Puuka Pele Substation, is approved; provided that no part of the project may be included in KIUC's rate base unless and until the project is in fact installed, and is used and useful for utility purposes.

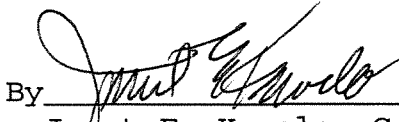
2. KIUC shall submit a report within 60 days of the project's commercial operation, with an explanation of any deviation of 10 per cent or more in the project's cost from that estimated in the application. Failure to submit the report, as required by this decision and order, will constitute cause to limit the cost of the project, for ratemaking purposes, to that estimated in the application.

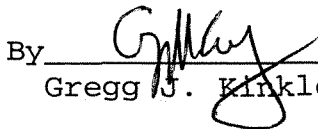
3. KIUC shall serve two copies of the reports and information described in paragraph 2, above, upon the Consumer Advocate.

DONE at Honolulu, Hawaii this 17th day of April, 2003.

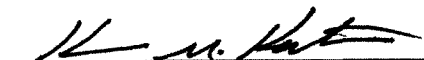
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Wayne H. Kimura, Chairman

By 
Janet E. Kawelo, Commissioner

By 
Gregg J. Kinkley, Commissioner

APPROVED AS TO FORM:


Kevin M. Katsura
Commission Counsel

02-0401.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20130 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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DATED: April 17, 2003