

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
MAUI ELECTRIC COMPANY, LIMITED)
For Approval to Commit Funds in)
Excess of \$500,000 for Project)
M0000438, Wailuku Country Estates)
Subdivision, Wailuku, Maui, Hawaii.)

DOCKET NO. 03-0029

DECISION AND ORDER NO. 20172

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

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RECEIVED

Filed May 7, 2003
At 11:00 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

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
MAUI ELECTRIC COMPANY, LIMITED) Docket No. 03-0029
For Approval to Commit Funds in) Decision and Order No. 20172
Excess of \$500,000 for Project)
M0000438, Wailuku Country Estates)
Subdivision, Wailuku, Maui, Hawaii.)

DECISION AND ORDER

I.

By an application filed on February 7, 2003, MAUI ELECTRIC COMPANY, LIMITED (MECO) requests commission approval to undertake and complete Project M0000438, involving the installation of an underground distribution system for the Wailuku Country Estates Subdivision (proposed project). In particular, MECO requests commission approval to commit approximately \$3,379,707¹ for Item M0000438, Wailuku Country Estates Subdivision, Installation of an Underground Distribution System, in accordance with paragraph 2.3.g.2 of the commission's General Order No. 7, Standards of Electric Utility 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). On February 19, 2003, the

¹By letter filed on April 9, 2003, MECO advised the commission that it revised its cost estimate for the proposed project from \$3,423,929 (as stated in the application) to \$3,379,707.

Consumer Advocate filed a preliminary statement of position. On February 25, 2003, the Consumer Advocate served information requests upon MECO, to which it responded on April 9, 2003. By position statement filed on April 16, 2003, the Consumer Advocate stated that it does not object to our approval of the instant application.

II.

A.

The proposed project involves the installation of an underground distribution system to serve the Wailuku Country Estates Subdivision, an agricultural subdivision with 187 two-acre lots. The proposed underground distribution system will be fed from the Waiehu Substation and consists of approximately 113,413 circuit feet of primary conductors, 7,895 circuit feet of secondary conductors, 17 streetlights, and 7 switchgears. MECO states that without the proposed project, it could not provide electric utility service to these customers.

MECO is placing the distribution system underground at the request of the developer of the Wailuku Country Estates Subdivision, CGM, LLC (CGM). The proposed project will be funded by CGM through a non-refundable cash contribution-in-aid-of construction (CIAC) of \$344,336,² an in-kind CIAC of \$2,661,210 for ducts, handholes/manholes, and pullboxes for the electrical

²The non-refundable cash CIAC of \$344,336 includes approximately \$13,771 for State General Excise Taxes (GET).

distribution facilities, and a cash advance of \$450,679.³ The above advance and contributions comport with MECO's Rule No. 13. The cash CIAC was determined pursuant to MECO's Rule No. 13.D.1, which is calculated by determining the difference between the cost of the underground system and an equivalent overhead system. The in-kind CIAC was determined pursuant to MECO's Rule No. 13.D.3, which states, in part, that:

When feasible the subdivider or developer will furnish the trenching, duct work, backfill and miscellaneous construction to meet engineering construction standards of the Company.

B.

In its position statement, the Consumer Advocate states that based upon the information provided by MECO, it appears that the proposed project is necessary to provide electrical service to MECO's customers in the Wailuku Country Estates Subdivision. Further, the Consumer Advocate stated that the underground placement of the proposed distribution facilities appears reasonable.

While the Consumer Advocate believes that the calculations of the contributions and advance are reasonable and compliant with MECO's Rule No. 13, it was unable to state whether the estimated overhead costs associated with the proposed project are reasonable. However, despite its reservations with respect to the overhead costs, the Consumer Advocate nonetheless will not object to the amount of the overhead costs at this time.

³The cash advance of \$450,679 includes approximately \$18,024 of GET.

The Consumer Advocate recognizes that CGM will pay for the entire estimated cost of the project. In addition, the Consumer Advocate believes that any concerns regarding the calculations of overhead costs can be pursued upon the filing of the proposed project's final cost report. As a result, the Consumer Advocate proposes to review and quantify the reasonableness of the actual costs incurred to complete the project and pursue issues, if any, regarding the reasonableness of the proposed project's actual costs in MECO's next rate proceeding.

C.

Upon careful review, the commission finds that the proposed project is reasonable and consistent with the public interest. The proposed project will allow MECO to provide electrical service to its customers in the Wailuku Country Estates Subdivision while complying with its Rule No. 13. Accordingly, the commission concludes that the instant application for the proposed project should be approved.

III.

THE COMMISSION ORDERS:

1. MECO's application, filed on February 7, 2003, to expend an estimated \$3,379,707 for Project M0000438, Wailuku Country Estates Subdivision, Installation of an Underground Distribution System, is approved; provided that no part of the project may be included in MECO's rate base unless and until the

project is in fact installed, and is used and useful for utility purposes.

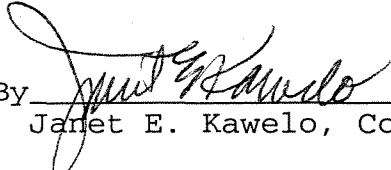
2. MECO shall report within 60 days of the proposed project's commercial operation, with an explanation of any deviation of 10 per cent or more in the projects costs from that estimated in the application. MECO's failure to submit this report will constitute cause to limit the cost of the project, for ratemaking purposes, to that estimated in the application.

DONE at Honolulu, Hawaii this 7th day of May, 2003.


PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By _____ (EXCUSED)
Wayne H. Kimura, Commissioner

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:


Catherine P. Awakuni
Commission Counsel

03-0029.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20172 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
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Karen Higashi

DATED: May 7, 2003