

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 \$500,000 for )  
Item P0000942, the Waiiau Fuel )  
Oil Tank 4 Renovation Project. )  
\_\_\_\_\_ )

DOCKET NO. 04-0054

ORDER NO. 20856

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

Filed March 19, 2004  
At 9:30 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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Docket No. 04-0054

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ORDER

I.

Background

HAWAIIAN ELECTRIC COMPANY, INC. ("HECO") requests the commission's approval to commit approximately \$702,487 for Item P0000942, the Waiiau Fuel Oil Tank 4 Renovation Project ("Project").<sup>1</sup> HECO makes its request in accordance with Section 2.3.g.2 of General Order No. 7 ("G.O. No. 7"), *Standards for Electric Utility Service in the State of Hawaii*.

HECO, by its application and pursuant to Section 1.2.b, of G.O. No. 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."

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<sup>1</sup>HECO's application, filed on March 11, 2004.

HECO served copies of its application upon the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate").

## II.

### Waiiau Fuel Oil Tank 4 and Tank 5

Waiiau Fuel Oil Tank 4 ("Tank 4") is a 120-foot diameter by 40-foot high, above ground, steel insulated tank used for the bulk storage of low sulfur fuel oil at HECO's Waiiau Generating Station. Originally constructed in 1946, Tank 4 was retrofitted in 1992 with a double steel bottom, and leak detection at its perimeter.

Tank 4 and Tank 5 are located in the same berm area, adjacent to one another and subject to the same physical environment.

In January 2003, Tank 5 developed a small leak in its bottom area. HECO discovered that Tank 5's entire bottom area was severely corroded due to higher than normal corrosion rates caused by the tank's bottom "not being completely sealed from the surrounding environment external to the tank, which enabled moisture from rainwater and the atmosphere to come in contact with the underside of the bottom." A new bottom with leak detection was then installed for Tank 5.

Based on HECO's recent experience with Tank 5, HECO will inspect Tank 4's bottom area. While Tank 4 has not shown any signs of leaking, following the results of HECO's inspection

of Tank 4's bottom, HECO may proceed with the installation of a new bottom.

Accordingly, HECO requests a waiver based on the assumption that Tank 4 will require a new bottom. If, after Tank 4 is cleaned and HECO's inspection of the bottom area concludes that the installation of a new bottom is not necessary, HECO will withdraw its application (Docket No. 04-0054).

HECO's estimated completion date for the Project is August 2004. HECO explains that a time constraint on the Project is to have Tank 4 back into service before the new Waiiau fuel pipeline is completed during the fourth quarter of 2004.

Thus, the commission's approval by March 19, 2004 of HECO's request for a waiver will allow HECO to promptly commence with the Project. Conversely, the commission's waiver after March 19, 2004 will extend Tank 4's maintenance outage and could impact the operating conditions of the Waiiau Generating Station during commissioning of the new Waiiau fuel pipeline.

### III.

#### Waiver

The Consumer Advocate does not object to the request for waiver, but reserves the right to state its position with respect to the substance of HECO's application.<sup>2</sup>

The commission finds good cause to approve HECO's request for waiver. HECO, thus, is permitted to commit funds for

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<sup>2</sup>HECO's application, at 6.

the Project earlier than sixty (60) days following the filing of its application.

Concomitantly, the commission notes that this order does not constitute a decision on the merits of HECO's application. HECO acknowledges that if the commission does not approve the application, HECO "will have the burden of proof to justify the reasonableness of the capital expenditures in its next rate case."

#### IV.

##### Procedural Schedule

The deadline for commission action on the merits of HECO's application is on or about June 8, 2004, pursuant to Section 2.3.g.2 of G.O. No. 7. Accordingly, the commission will instruct HECO and the Consumer Advocate (collectively, the "parties") to submit a procedural schedule for the commission's review and consideration.<sup>3</sup>

#### V.

##### Orders

###### THE COMMISSION ORDERS:

1. HECO's request for a waiver of the Section 2.3.g.2 requirement to file its application at least sixty (60) days prior to the commencement of construction or commitment for expenditure of funds, filed on March 11, 2004, is approved.


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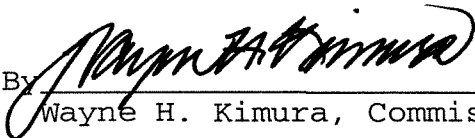
<sup>3</sup>In the event intervenor or participant status is later granted to any interested person, the commission will amend the procedural schedule accordingly, if necessary.

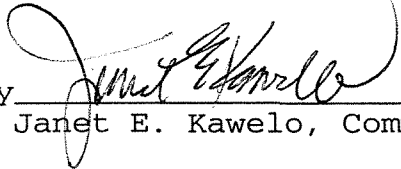
2. Within thirty (30) days from the date of this order, the parties shall submit to the commission a stipulated procedural schedule, incorporating their agreed upon schedule with respect to this proceeding. If they are unable to stipulate to such a schedule, each party shall submit a proposed procedural schedule for the commission's consideration by the same date.

DONE at Honolulu, Hawaii this 19th day of March, 2004.

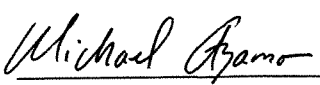
PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Carlito P. Caliboso, Chairman

By   
Wayne H. Kimura, Commissioner

By   
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:

  
Michael Azama  
Commission Counsel

04-0054.sl

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 20856 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

WILLIAM A. BONNET  
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Karen Higashi

DATED: March 19, 2004