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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 P0000667, the Kahe Power)
Plant Sanitary Sewer Replacement)
Project.)
_____)

DOCKET NO. 04-0064

DECISION AND ORDER NO. 21105

Filed July 2, 2004
At 2:30 o'clock P.M.

Karen Higashi
Chief Clerk of the Commission

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

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

K. Higashi

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DECISION AND ORDER

I.

Application

HAWAIIAN ELECTRIC COMPANY, INC. ("HECO") filed an application on April 5, 2004, requesting commission approval to commit approximately \$1,241,092 for Item P0000667, the Kahe Power Plant Sanitary Sewer Replacement project ("Proposed Project"). HECO's request is made pursuant to paragraph 2.3.g.2 of the commission's General Order No. 7, Standards for Electric Utility Service in the State of Hawaii ("G.O. No. 7").

HECO served copies of the application on the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"). On April 21, 2004, the Consumer Advocate filed a preliminary statement of position in which it stated that it had certain questions regarding the Proposed Project and that it would be issuing information requests ("IRs"). On May 12, 2004, the Consumer Advocate issued its IRs to HECO, to which HECO responded by responses filed on June 16, 2004.

On June 29, 2004, the Consumer Advocate submitted its statement of position, ("SOP") in which it stated that it did not object to the commission's approval of the instant application.

II.

Background

The Federal Environmental Protection Agency ("EPA") requires that all cesspools receiving more than 1,000 gallons per day of wastewater flow or that serve 20 or more people ("Class 5 Cesspools") cease operations by April 5, 2005.¹ Thus, by April 5, 2005, all Class 5 Cesspools must cease operations and an alternative means of treatment and disposal of wastewater must be developed.

The Proposed Project consists of installing an individual wastewater system ("IWS") to replace three of the four existing cesspool systems in the Kahe Power Plant Sanitary Wastewater system ("Kahe Power Plant"). Three of the existing cesspool systems are Class 5 Cesspools; the fourth is not, and thus, is not required to be replaced.²

Three existing wastewater systems at the Kahe Power Plant are proposed to be replaced: (1) System K12, where wastewater flows from Kahe Unit 1, Kahe Unit 2 and the office building to two cesspools; (2) System K34, where wastewater flows from Kahe Units 3 and 4 to a single cesspool; and (3) System K56, where wastewater flows from Kahe Units 5 and 6 to a single

¹See Exhibit 1 to the Application.

²See Application at 3, n. 1.

cesspool. According to HECO, the estimated maximum potential staff generating sanitary wastewater to each of these three systems and the resulting maximum flow generation from each is as follows: (1) for the K12, 51 staff and maximum resulting wastewater flow of 1,585 gallons per day; (2) for the K34, 39 staff with a maximum resulting wastewater flow of 1,365 gallons per day; and (3) for the K56, 38 staff, with a maximum resulting wastewater flow of 1,330 gallons per day.³ Thus, pursuant to EPA requirements, these Class 5 Cesspools must be taken offline by April 5, 2005.

HECO proposes to satisfy the EPA requirement with the installation of: (1) four low pressure sewage ("LPS") pump systems at the locations of the existing cesspools; (2) approximately 7,200 linear feet of new sanitary sewer force mains; and (3) up to 10 septic tanks. The septic tanks will connect into an adjacent field where the wastewater will drain into the ground. HECO proposes to begin construction in August 2004, and complete it in April 2005.

Prior to construction, HECO must obtain a Shoreline Management Area ("SMA") permit from the City and County of Honolulu, Department of Planning and Permitting ("DPP"), an Environmental Assessment ("EA") acceptance from DPP and approval from the State Department of Health ("DOH") for a combined

³See Exhibit 4 to the Application.

individual wastewater system ("IWS") servicing multiple buildings.^{4,5}

HECO states that it has two options for handling the wastewater at Kahe. HECO can pump the wastewater to the nearest municipal or private wastewater collection and/or treatment plant, or it may collect, treat and dispose of the wastewater at the site.

If HECO chooses to pump the wastewater to the nearest municipal or private plant for treatment, it would be to either the future interceptor sewer at Fort Barrett Road in Kapolei, or the Nanakuli Wastewater Pump Station. Treatment of the wastewater via the Fort Barrett connection would cost approximately \$3.7 million. It would cost approximately \$1.6 million to pump the wastewater to the Nanakuli Wastewater Pump Station.⁶ In addition to costing more, HECO asserts that the option of pumping the wastewater to a separate location for treatment would require additional government approvals and pose construction difficulties, among other things.⁷

⁴HECO submitted its application for the SMA permit and a draft EA in February 2004. It expects to receive approvals by September 2004.

⁵HECO has obtained approval from the DOH: (1) for more than one building to discharge into a single IWS, pursuant to Decision and Order and Findings of Fact and Conclusions of Law, filed on April 8, 2004, in Docket No. 03-VWW-09; and (2) to combine IWSs at the Kahe site, in Decision and Order and Findings of Fact and Conclusions of Law, filed on April 5, 2004, in Docket No. 03-VWW-08.

⁶See HECO's Responses to the Consumer Advocate's IRs ("Response to IRs"), CA-IR-3.

⁷See Application at 6.

With regard to treating the wastewater at the Kahe Power Plant site, HECO examined two types of secondary treatment systems and an IWS. HECO asserts that the secondary treatment systems are more costly than the IWS.⁸ Moreover, based upon correspondence with the DOH, HECO determined that it did not need to install a secondary treatment system.⁹ Eventually, HECO settled for an IWS at a site located on the Waianae side of the Kahe Power Plant.¹⁰

III.

Consumer Advocate

The Consumer Advocate states that it does not object to commission approval of the Proposed Project. It has determined that the Proposed Project is necessary to comply with the EPA's rules regarding Class 5 Cesspools and is satisfied that HECO has chosen to accomplish this in the most economical manner available. The Consumer Advocate is satisfied that the estimated costs for the Proposed Project are reasonable.¹¹

⁸Id.

⁹See Response to IRs, CA-IR-5.

¹⁰Another site considered by HECO for the IWS was excluded from consideration because HECO prefers to reserve that site for any potential future developments. See Application at 7.

¹¹At the same time, the Consumer Advocate notes that any concerns it may have regarding the reasonableness of the actual Proposed Project costs can be appropriately pursued after reviewing the final cost report submitted by HECO when the Proposed Project is completed.

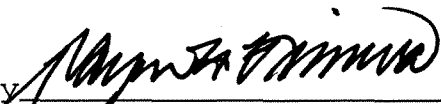
Plant Sanitary Sewer Replacement project, in accordance with section 2.3.g.2 of G.O. No. 7, is approved; provided that no part of the cost of the Proposed Project may be included in HECO's rate base unless and until the Proposed Project has been completed, and the Proposed Project is used and useful for utility purposes.

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

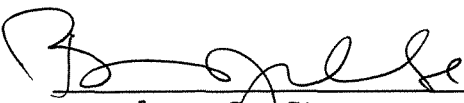
DONE at Honolulu, Hawaii this 2nd day of July, 2004.

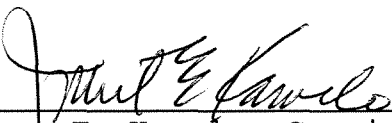
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
Wayne H. Kimura, Commissioner

APPROVED AS TO FORM:


Benedyne S. Stone
Commission Counsel

By 
Janet E. Kawelo, Commissioner

04-0064.sl

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 21105 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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DIVISION OF CONSUMER ADVOCACY
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Karen Higashi

DATED: July 2, 2004