

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application)
)
 of)
)
 KAUAI ISLAND UTILITY COOPERATIVE)
)
 For Approval of changes to its)
 Tariff to reflect a 2005 Resource)
 Cost Adjustment (DSM & IRP))
 Surcharge.)
 _____)

DOCKET NO. 04-0368

DECISION AND ORDER NO. 21567

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

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Filed Jan. 27, 2005
At 11 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

Administrative Rules ("HAR") § 6-61-111. The proposed effective date of the proposed tariff changes is February 1, 2005.

KIUC served copies of the Application on the Division of Consumer Advocacy, Department of Commerce and Consumer Affairs ("Consumer Advocate"). On January 6, 2005, the Consumer Advocate filed its statement of position indicating that it does not object to the commission approving KIUC's request to implement the 2005 Surcharge, pending review of the actual costs.

II.

KIUC's 2005 IRP and DSM Budget

KIUC's 2005 IRP budget and estimate for the total 2005 IRP cost component is \$502,225, including revenue taxes less a reconciliation for 2004 over-collection.

KIUC's 2005 DSM budget provides for (\$43,583), which includes related revenue taxes less a reconciliation for 2004 over-collection, for Residential DSM Program Costs and \$655,797, which includes related revenue taxes less a reconciliation for 2004 over-collection, for its Commercial DSM Program Costs.

In addition, the 2005 Surcharge is also designed to recover the Lost Margin component costs and related revenue taxes by rate classes as follows:

Schedule D: \$986,375 - Residential

Schedule G: \$201,837 - Commercial

Schedule J: \$112,569 - Commercial

Schedule L: \$250,826 - Commercial

Schedule P: \$690,020 - Commercial

III.

Discussion

KIUC's 2005 IRP and DSM budget is based on KIUC's estimated 2005 IRP and DSM expenses less a reconciliation for its 2004 over-collection of IRP and DSM expenses. The cost recovery mechanism proposed in this application is similar to mechanisms approved in Docket Nos. 03-0422, 03-0002, 01-0479 and 00-0446. In light of the above and because the current mechanism for determining KIUC's DSM and IRP surcharge for a given period provides for an annual "true-up" or reconciliation of KIUC's actual DSM and IRP expenses incurred in a given year, we find that KIUC's proposed tariff changes are reasonable.

Nonetheless, in Decision and Order No. 20793, filed on February 4, 2004, in Docket No. 03-0422, the commission noted its concerns about a cooperative collecting lost gross margins. The commission reiterated such concerns in Order No. 20960, filed on May 4, 2004, which amended Decision and Order No. 20793. The commission further stated that it "will evaluate KIUC's equity management plan and proposed Integrated Resource Plan Framework to be filed by December 2004¹ and make a determination whether modifications to the surcharge are necessary prior to KIUC's next request for approval of changes to its tariff to reflect a 2005 Resource Cost Adjustment Surcharge."

¹KIUC's equity management plan was filed on December 15, 2004 in accordance with Decision and Order No. 20691, issued on November 26, 2003, as clarified by Order No. 20708, issued on December 5, 2003, both in Docket No. 03-0223. KIUC's proposed revisions to the Integrated Resource Plan Framework was filed on December 23, 2004, in accordance with Order No. 20957, filed on April 30, 2004, in Docket No. 02-0060.

Notwithstanding the commission's concerns noted above, KIUC asserts that, as reflected in the equity management plan, there may be adverse financial impacts resulting from the isolated removal of lost gross margins. As such, KIUC requests that the commission refrain from making any adjustments to the 2005 Surcharge with respect to lost gross margins until a simultaneous adjustment is allowed to reflect its current depreciation rates in order to mitigate and/or offset any adverse financial impacts.² Concerning this issue, the Consumer Advocate also notes, that although KIUC is requesting collection of lost margins in this docket, it also anticipates that for 2005 and beyond, all residential energy conservation programs will be offered as non-regulated, non-DSM programs that will be internally funded.³

In light of the above, the commission will allow KIUC's proposed tariff changes to take effect as of February 1, 2005 for a period of six months without addressing the lost gross margins issue to allow time for KIUC to file an application for approval of its current depreciation rates. The commission will require KIUC to file an application for approval of its current depreciation rates within three (3) weeks from the issuance date of this Decision and Order. The commission will require that

²Pursuant to Decision and Order No. 18658, filed on September 17, 2002, KIUC filed with the commission its depreciation study on June 7, 2004.

³Citing, KIUC's 2005 Energy Services Program Report filed on December 23, 2004 in Docket No. 02-0060, page 7.

KIUC and the Consumer Advocate file a proposed procedural schedule one (1) week from the filing of the KIUC's application.

IV.

Orders

THE COMMISSION ORDERS:

1. KIUC's proposed tariff changes sought by KIUC in the application, filed on December 23, 2004, are approved, to be effective on February 1, 2005, for a period of six months, and subject to the condition noted below.


2. KIUC shall file with the commission the appropriate tariff sheets, consistent with the terms of this decision and order.

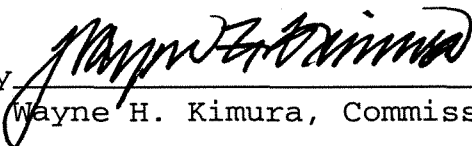
3. KIUC shall file an application for approval of its current depreciation rates within three (3) weeks from the issuance date of this Decision and Order.

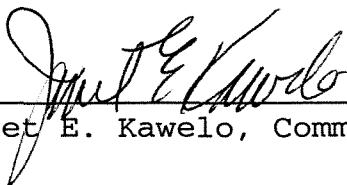
4. KIUC and the Consumer Advocate shall file a proposed procedural schedule one (1) week from the filing of the KIUC's application.

DONE at Honolulu, Hawaii JAN 27 2005


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:


Kevin M. Katsura
Commission Counsel

04-0368.eh


CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 21567 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

DUTCH ACHENBACH
KAUAI ISLAND UTILITY COOPERATIVE
4463 Pahe'e Street
LIHUE, HI 96766-2032

ALAN M. OSHIMA, ESQ.
KENT D. MORIHARA, ESQ.
OSHIMA, CHUN, FONG & CHUNG
Davies Pacific Center
841 Bishop Street, Suite 400
HONOLULU, HI 96813



Karen Higashi

DATED: **JAN 27 2005**