BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of)) THE GAS COMPANY, LLC)) For Approval of Changes to) its Tariff Rule 13.) Transmittal No. 05-01.))	DOCKET NO. 05-0038

ORDER NO. 21643

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DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

Filed Feb. 8, 2005

At 2 o'clock P .M.

Karen Higashi

Chief Clerk of the Commission

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

Karen Higashi

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of THE GAS COMPANY, LLC For Approval of Changes to its Tariff Rule 13. Transmittal No. 05-01.	Docket No. 05-0038 Order No. 21643

ORDER

By this Order, the commission allows THE GAS COMPANY, LLC's ("TGC") transmittal that proposes certain changes to its tariff Rule 13, Main Extension and Service Connections, to take effect on February 14, 2005, as modified to include the additional language mutually agreed upon by TGC and the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate").

I.

Background

TGC proposes certain changes to its tariff Rule 13, governing main extensions and service connections ("Rule 13"), by Transmittal No. 05-01, filed on January 14, 2005. TGC makes its request in accordance with Hawaii Revised Statutes §§ 269-12(b) and 269-16(b) and Hawaii Administrative Rules § 6-61-111. It seeks an effective date of February 14, 2005.

TGC served copies of its transmittal upon the Consumer Advocate. The Consumer Advocate does not object to the

commission's approval of TGC's transmittal, subject to one (1) recommendation, discussed in Section II, below.[1]

II.

TGC's Rule 13

Under its existing Rule 13, TGC collects a contribution from bona fide prospective residential or commercial customers, prior to commencing the construction of TGC's distribution main extension, service pipes, or both (collectively, "line extension"). If the construction cost is less than the customers' estimated three (3)-year adjusted revenues, TGC waives the contribution.

Conversely, if the construction cost exceeds the customers' estimated three (3)-year adjusted revenues, said customers must contribute the excess portion. Moreover, if, during the three (3) years from the original date of installation, new customers request gas utility service from the same line extension, said customers must pay a reasonably allocated portion of the originally contributed amount, which shall be distributed proportionately to the previous contributors.

TGC seeks to amend its Rule 13 to clarify that said rule applies to residential and commercial customers, including subdividers and developers.

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[1]Consumer Advocate's position statement, filed on February 3, 2005.

In addition, TGC proposes to add Subsection (B), which will apply only to subdivisions or developments where it is not possible to reasonably estimate a substantial portion of the adjusted revenues prior to the construction of a main extension, service pipes, or both.[2]

Where such an estimate is not reasonably possible, Subsection (B) provides that the subdivider or developer must make a contribution of the entire cost of the line extension with the possibility of a refund, if the customer: (1) is located within the subdivision or development; (2) ties into the line extension within six (6) years from the date of the subdivider's or developer's contribution; and (3) has an allowance from TGC greater than the cost of the line extension to serve that customer. The total amount of the refund, if any, is limited to the amount of the contribution, and no interest will be paid on the contributions made.

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[2]TGC points to the recent increase in projects involving the sale of finished lots for buyers to build their own higher-end custom homes. Subdividers and developers request that the utility gas distribution system be installed during the initial site and infrastructure work.

Following such installation, the individual lot owners select their gas appliances, with some owners opting for little or no gas appliances, while other owners choose a wide array of gas appliances. TGC notes that, under this scenario, "it is impossible to calculate the 'estimated adjusted revenue' prior to the commencement of construction of the underground utility gas lines, as required by the existing Rule 13." TGC's Transmittal No. 05-01, at 3.

In most cases, TGC further explains, "it would be cost prohibitive to install the necessary underground gas infrastructure (gas mains and service lines) after the project's infrastructure, such as roadways, sidewalks, and landscaping, are [already] in place." Id. at 4.

TGC states that its proposed changes to Rule 13:

1. Enables the subdivider or developer to install utility gas infrastructure with the opportunity to recover all, or a portion of the cost, over a period of time during which permanent loads are established.

2. "Without such a cost recovery mechanism, subdividers and developers are hesitant to incur the additional cost to install the gas utility infrastructure. In recent discussions, subdividers and developers of major subdivisions throughout the state have expressed an interest in paying for and installing the utility gas infrastructure, if TGC had a cost recovery option similar to the electric utilities."[3]

3. "[P]rovides an opportunity for the subdivider and developer to recover its costs as permanent load is established. This option is attractive to subdividers and developers and affords TGC the opportunity to offer a gas option to new homeowners, while not affecting and maybe even decreasing the risk to existing gas ratepayers."[4]

4. Do not involve any increase in its gas utility rates.

5. Are similar to the practices and procedures reflected in the electric utilities' version of Rule 13, which have been part of their respective tariffs for the last ten (10) years, and in most cases, substantially longer.

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[3]TGC's Transmittal No. 05-01, at 5.

[4]Id.

The Consumer Advocate, in response, notes:

1. TGC believes that its proposed changes will: (A) minimize the costs to TGC, subdividers, and developers, as it allows for the construction of line extensions during the initial construction of a development's infrastructure; and (B) provide TGC with the opportunity to acquire new gas customers, in situations where a reasonable estimate of gas consumption is not possible prior to commencing of a development's infrastructure.

2. TGC's proposed changes are similar to the terms included in the electric utilities' respective versions of their Rule 13,[5] with "the period over which the estimated adjusted revenue is based and the number of years over which the advance is subject to refund varies among the utility companies."[6]

3. The three (3)-year period proposed by TGC for the estimated adjusted revenue is based on TGC's original Rule 13. Moreover, "the 6-year period over which the Rule 13, Subsection 'B' advance is subject to refund is within the range of years allowed in other utility company rules (e.g., for KIUC, MECO and HELCO the period is 5 years and for HECO the period is 10 years)."[7]

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[5]The Consumer Advocate refers to Hawaiian Electric Company, Inc.'s ("HECO") Rule 13(C); Hawaii Electric Light Company, Inc.'s ("HELCO") Rule 13(C); Maui Electric Company, Ltd.'s ("MECO") Rule 13(C); and Kauai Island Utilities Cooperative's ("KIUC") Rule 13(C).

[6]Consumer Advocate's position statement, at 4.

[7]Id.

4. For clarification and consistency with Rule 13's new Subsection (B), the following language should be added to Subsection (A):

> In no case shall the refund exceed the contributed amount for that section of the main or service piping. No interest will be paid on the contributions made by the customer, subdivider, or developer.

With the above-noted recommendation, the Consumer Advocate does not object to the commission's approval of Transmittal No. 05-01. TGC, in turn, does not object to the Consumer Advocate's additional new language.[8]

TGC's proposed cost recovery mechanism will encourage the installation of its utility gas distribution system by subdividers and developers during the initial infrastructure work, thus avoiding a more costly and technically unfeasible installation after the project's infrastructure and roadways are already in place. The commission will allow the tariff changes proposed in Transmittal No. 05-01 to take effect, as modified to include the additional language mutually agreeable to TGC and the Consumer Advocate.

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[8]Commission counsel's informal communications with TGC's counsel on February 3 and 4, 2005.

THE COMMISSION ORDERS:

1. TGC's Transmittal No. 05-01, filed on January 14, 2005, is allowed to take effect, as modified to include the following additional language in Rule 13, Subsection (A):

> In no case shall the refund exceed the contributed amount for that section of the main or service piping. No interest will be paid on the contributions made by the customer, subdivider, or developer.

2. The effective date of TGC's tariff changes is February 14, 2005. No later than three (3) business days from the date of this Order, TGC shall file its revised tariff sheets that incorporate the additional language noted in Ordering Paragraph No. 1, above.

DONE at Honolulu, Hawaii FEB - 8 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:

_____
Michael Azama
Commission Counsel

TGC 05-01.cs

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 21643 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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Karen Higashi

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DATED: FEB - 8 2005