

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 Y00021,)
New Kuahua Substation.)
_____)

DOCKET NO. 03-0260

ORDER NO. 22467

RECEIVED
2006 MAY 17 A 8:52
PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

Filed May 16, 2006
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.

K. Higashi

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 OF THE STATE OF HAWAII

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 For Approval to Commit Funds in)
 Excess of \$500,000 for Item Y00021,))
 New Kuahua Substation.)
 _____)

Docket No. 03-0260
 Order No. 22467

ORDER

By this Order, the commission approves the policies and guidelines agreed to by HAWAIIAN ELECTRIC COMPANY, INC. ("HECO") and the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate") (collectively, the "Parties"), subject to the amendment described herein. In particular, the commission approves: 1) HECO's Policy on Underground Lines, subject to the amendment described below; 2) HECO's Cost Contribution for Placing Overhead Distribution Lines Underground; and 3) HECO's Dedicated and System Substation Guideline ("Agreements"), which were filed on March 15, 2006, in compliance with Decision and Order No. 21003.

I.

Background

By Decision and Order No. 21003, filed on May 27, 2004, in this docket ("Decision and Order No. 21003"), the commission approved, among other things, HECO's request to expend approximately \$7,312,075 for its new Kuahua Substation,

Item Y00021, as described in its application filed on September 17, 2003, subject to certain regulatory conditions. One such condition required the Parties to submit for the commission's review and approval a stipulated filing addressing the concerns raised in the docket regarding HECO's policies on underground lines and requiring contributions, pursuant to the parameters set forth in the decision and order. The Parties were initially required to submit the filing within six (6) months of the issuance of Decision and Order No. 21003; however, this filing deadline was extended upon the requests of the Parties.¹

On March 15, 2006, the Parties filed a joint letter dated March 15, 2006, signed by both Parties, submitting the Agreements for the commission's consideration, pursuant to Decision and Order No. 21003 ("Joint Letter"). The Parties state that the Agreements filed as attachments to their Joint Letter "represent the Parties best effort to identify the criteria that should be considered in formulating the underground policy and substation guideline, and are based on currently known information/circumstances."²

¹See Letter dated and filed on November 29, 2004, from HECO (through William A. Bonnet, Vice President of Government and Community Affairs) to the commission requesting an extension until March 31, 2005, to submit the compliance filing; and the commission's letter dated December 1, 2004, approving HECO's extension request. See also Stipulated Procedural Order Nos. 21758, 21953, 22099, and 22243, filed on April 21, 2005, August 3, 2005, November 3, 2005, and January 26, 2006, respectively, cumulatively extending the deadline for submitting the compliance filing until March 15, 2006.

²See Joint Letter at 3.

II.

Discussion

The Parties stipulated to the following Agreements:

(1) Policy on Underground Lines (dated March 2006);
(2) Hawaiian Electric Company's Cost Contribution for Placing Overhead Distribution Lines Underground, Guideline Summary (updated March 2006); and (3) Hawaiian Electric Company, Inc. Dedicated and System Substation Guideline (dated March 2006). The first two documents are the policies and guidelines that HECO will apply to future projects involving the installation of new underground lines or the conversion of existing overhead lines to underground. The third document applies to projects involving the construction of new system substations or new dedicated substations.

Upon review, the commission finds that the Agreements provide clarification and guidance regarding HECO's policies on underground lines and cost contribution requirements; and HECO's responsibilities and guidelines for new dedicated and system substations. These policies and guidelines should assist in ensuring, among other things, that customer contributions for these types of capital improvement projects are being applied consistently and in a non-discriminatory manner.

However, with regard to HECO's Policy on Underground Lines, the commission is concerned that imposing a fixed \$1,000,000 cumulative annual expenditure cap ("Expenditure Cap") in connection with HECO's policy to pay for the underground/overhead cost differential if deemed "comparable" may

be too limiting on a going forward basis. While the Expenditure Cap may not have affected past completed capital projects,³ it is uncertain how this type of limitation would affect future projects or whether it would impede the proposal and development of certain capital improvement projects.⁴ Accordingly, the commission finds it appropriate to amend footnote no. 5 of HECO's Policy on Underground Lines to read as follows:⁵

In any one calendar year, HECO will not incur obligations under this Policy to make capital expenditures in excess of \$1,000,000 total, without prior commission approval, for (a) the overhead-underground project cost-differentials for new transmission, sub-transmission and distribution lines, and (b) the work-share costs incurred by HECO for conversion of existing overhead to underground lines as part of eligible community or government-initiated projects, provided that changes in project schedules after the commitment is incurred or the projects are initiated may affect the actual timing of such expenditures under (a) and/or (b).

In sum, the commission finds that the Parties' Agreements are reasonable and consistent with the public interest, subject to the inclusion of the amendment described above. Thus, the commission concludes that the Parties' Agreements should be approved, provided that the amendment set forth above is incorporated into HECO's Policy on Underground Lines.

³See HECO's response to PUC-IR-1(c), filed on April 26, 2006 in response to the commission's information requests issued on March 31, 2006.

⁴The commission is aware that there are other situations in which HECO would propose the underground placement of lines under its policy, and that the Expenditure Cap would not be applicable for these other situations.

⁵Amended new language is underlined.

III.

Orders


THE COMMISSION ORDERS:

1. The Parties' Agreements, filed on March 15, 2006, in compliance with Decision and Order No. 21003, are approved, provided that the amendment set forth in section II of this Order is incorporated into HECO's Policy on Underground Lines.

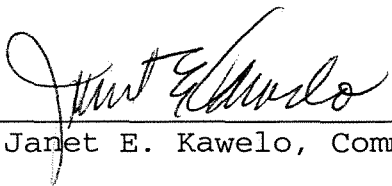
2. Within fifteen (15) days of the date of this Order, HECO shall file with the commission and the Consumer Advocate its revised Policy on Underground Lines consistent with the commission's determination herein.

DONE at Honolulu, Hawaii MAY 16 2006.

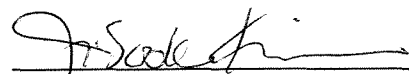
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By (EXCUSED)
Wayne H. Kimura, Commissioner

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:


Ji Sook Kim
Commission Counsel

03-0260.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 22467 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

DATED: MAY 16 2006