

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)  
HAWAIIAN ELECTRIC COMPANY, INC. )  
For Approval of a Waiver of Rule 13)  
of HECO's Tariff to allow HECO to )  
Pay for a Portion of the )  
Underground Conversion Cost for )  
Item P0001404, Kalaniana'ole Highway )  
Improvements, Retaining Wall at )  
Makapuu, Project )  
\_\_\_\_\_ )

Docket No. 2007-0217

DECISION AND ORDER

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

PUBLIC UTILITIES  
COMMISSION

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FILED

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Makapuu Project )

<sup>1</sup>HECO is a Hawaii corporation and a public utility as defined by Hawaii Revised Statutes ("HRS") § 269-1. HECO was initially organized under the laws of the Kingdom of Hawaii on or about October 13, 1891. HECO is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Oahu in the State of Hawaii.

I.

Background

A.

Application

On August 2, 2007, HECO filed an application requesting commission approval for a waiver of Rule 13 to allow HECO to contribute approximately \$275,344 for the Project ("Application").<sup>2</sup> HECO filed its request pursuant to HECO's tariff Sheet No. 1,<sup>3</sup> and Decision and Order No. 20473, filed on October 1, 2003, in Docket No. 03-0036.

1.

Project Description

Initiated at the request of the State Department of Transportation ("DOT"), the Project involves the conversion of existing 12kV overhead lines to 12kV underground lines between the Makapuu Lookout and Makapuu Beach Park located along the makai side of Kalaniana'ole Highway. The DOT plans to construct a new retaining wall and metal guardrail to replace the existing

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<sup>2</sup>HECO served copies of the Application on the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"), an ex officio party to this docket pursuant to HRS § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62. No persons moved to intervene or participate in this proceeding.

<sup>3</sup>HECO's tariff Sheet No. 1 states, in relevant part: "[t]he rules and rate schedules set forth herein have been fixed by order of the Public Utilities Commission of the State of Hawaii and may not be abandoned, changed, modified or departed from without the prior approval of the Commission."

retaining wall and metal guardrail along Kalaniana'ole Highway from the Makapuu Lookout to Makapuu Beach Park.

According to HECO, the Project will require the installation of underground infrastructure (i.e., ductlines and handholes), riser poles and underground cables, which will follow approximately the same alignment as the existing overhead structure. The underground work will consist of the installation of four 6' x 11' manholes, approximately 15 feet of 4-5 inch and 4-4 inch ducts, approximately 1,235 feet of 2-5 inch and 2-4 inch ducts, approximately 330 circuit feet of 3-1/c 750 KCM RDC copper 15kV cables, approximately 1,170 circuit feet of 3-1/c 1000 KCM PEICN aluminum 15kV cables, approximately 1,500 circuit feet of 1/c #2 PEICN aluminum 15kV cables, one three-phase 12kV riser, and one single-phase 12kV riser.

HECO plans on removing the existing overhead lines along Kalaniana'ole Highway between Poles P21 and P26, which consist of six wood poles ranging from 40 - 55 feet in height, and approximately 1,216 circuit feet of overhead conductors.

The Project includes \$12,464 in system betterment costs, which includes the installation of larger ampacity 3-1/c 1000 KCM PEICN aluminum 15kV cables. By installing betterment cables on the Project, HECO states that it will be able to increase its capability to provide additional back up capacity in the Hawaii Kai area during emergency conditions.

2.

Cost Allocation

HECO proposes to share the cost of the Project, which is estimated at \$606,993<sup>4</sup> (excluding change-over and removal costs), with the DOT, who will provide a cash contribution-in-aid-of-construction ("CIAC") estimated at \$18,492 and an in-kind CIAC estimated at \$313,157 (excluding contributions for change-over and removal costs). As set forth in Utility Agreement No. 1883, pursuant to HRS § 264-33, the cost will be shared 50/50 between HECO and DOT after first deducting \$10,000 and any depreciation, salvage and betterment costs. Therefore, of the \$606,993 Project cost, DOT will contribute \$331,649 (cash and in-kind CIAC) and HECO will expend \$275,344.

B.

Consumer Advocate's Position

On February 14, 2008, the Consumer Advocate filed its Statement of Position ("Consumer Advocate SOP"), informing the commission that it does not object to approval of the Application. According to the Consumer Advocate, the cost sharing formula is based on HRS § 264-33, which has been applied in previous dockets and found reasonable by the commission. In addition, the Consumer Advocate states that HECO's contribution

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<sup>4</sup>Pursuant to Decision and Order No. 21002, filed on May 27, 2004, in Docket No. 03-0257, effective July 1, 2004, the capital expenditures threshold of General Order No. 7 was increased from \$500,000 to \$2.5 million, excluding customer contributions. Since the amount of this project is less than \$2,500,000, commission approval pursuant to paragraph 2.3(g)(2) of General Order No. 7 is not required.

based on total project costs appears to be reasonable as there is no equivalent overhead placement of the existing facilities. Finally, "the system betterment proposed by HECO appears reasonable at this time as it will allow [HECO] to improve its ability to provide reliable service in the Hawaii Kai area for a relatively small increase in the project cost."<sup>5</sup> Nonetheless, the Consumer Advocate states that it "reserves its right to review the final costs associated with this project in the Company's next rate proceeding following the completion of the project."<sup>6</sup>

## II.

### Discussion

HECO's tariff Sheet No. 1 states, in relevant part: "The rules and rate schedules set forth herein have been fixed by order of the Public Utilities Commission of the State of Hawaii and may not be abandoned, changed, modified or departed from without the prior approval of the [c]ommission."

HECO's tariff Rule No. 13.D.4 states:

[W]hen mutually agreed upon by the customer or applicant and [HECO], overhead facilities will be replaced with underground facilities, provided the customer or applicant requesting the change makes a contribution of the estimated cost installed of the underground facilities less the estimated net salvage of the overhead facilities removed.

HECO's tariff Rule No. 13.D.4.

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<sup>5</sup>Consumer Advocate SOP at 6.

<sup>6</sup>Consumer Advocate SOP at 6.

Any deviation from the cost allocation set forth in Rule 13.D.4 requires commission approval. In the instant proceeding, HECO proposes to depart from its Rule 13.D.4 to allow HECO to share in the costs to relocate the existing overhead lines to underground facilities since the existing facilities cannot be relocated to overhead facilities.

Here, having reviewed the record, the commission finds that the Project is reasonable and in the public interest. The cost sharing for the Project is based on HRS § 264-33, and is generally consistent with HECO's Policy on Underground Lines, which states:

HECO will convert existing overhead lines to underground lines:

- As part of an eligible community or government-initiated project to underground HECO's distribution and service lines (25kV and below). Provided that monies are available, HECO shall contribute at 100% its cost, the planning, design, material procurement and construction of the electrical work (e.g., cable installation, transformers, terminations, etc.). The community and/or government agency shall perform at 100% its cost, the planning, design, material procurement and construction of the civil/structural infrastructure work (e.g., trenching, ductline construction, manholes, etc.) . . . .<sup>7</sup>

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<sup>7</sup>HECO's Policy on Underground Lines, filed on May 24, 2006, in Docket No. 03-0260 (certain formatting omitted).

Similarly, HECO's Cost Contribution for Placing Overhead Distribution Lines Underground, Guideline Summary, states that when converting existing overhead lines to underground lines,

HECO will perform and pay for 100% of the planning, design and construction of the electrical work for its facilities if the community and/or government are willing to perform and pay for 100% of the planning, design and construction of the ductline infrastructure to bury existing neighborhood distribution lines (25kV and below).<sup>8</sup>

In addition, HECO will be incurring \$12,464 in system betterment, which HECO states will improve its ability to provide additional back-up capacity in the Hawaii Kai area during emergency conditions. HECO asserts that the substations serving the Hawaii Kai area are served by two 46 kV circuits (i.e., Koolau-Wailupe #1 and Koolau-Wailupe #2) that traverse through remote mountainous terrains, and that an increase in the capacity of the 12 kV system in Hawaii Kai will allow HECO to pick up load from other substations in the area (e.g., Waimanalo Substation) during emergency situations when the area cannot be served by the two 46 kV circuits.<sup>9</sup>

Based on the foregoing, the commission determines that HECO's request for a waiver of Rule 13 to allow it to contribute \$275,344 for the Project, should be approved.

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<sup>8</sup>HECO's Cost Contribution for Placing Overhead Distribution Lines Underground, Guideline Summary, filed on March 15, 2006, in Docket No. 03-0260.

<sup>9</sup>Consumer Advocate SOP at 5.



### III.

#### Orders

##### THE COMMISSION ORDERS:

1. HECO's request for a waiver of its tariff Rule 13 to allow HECO to contribute approximately \$275,344 for the Project is approved; provided that no part of the project may be recovered from HECO's ratepayers unless and until approval for such recovery is granted by the commission in HECO's next general rate increase proceeding.

2. Within thirty (30) days after the completion of the Project, HECO shall file a final cost report with the commission and serve two copies of the same on the Consumer Advocate.

3. HECO shall conform to the commission's orders set forth above. Failure to adhere to the commission's orders may constitute cause for the commission to void this Decision and Order, and may result in further regulatory action as authorized by law.

DONE at Honolulu, Hawaii JUL 18 2008.

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By Carlito P. Caliboso  
Carlito P. Caliboso, Chairman

By John E. Cole  
John E. Cole, Commissioner

By Leslie H. Kondo  
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:

Stacey Kawasaki Djou  
Stacey Kawasaki Djou  
Commission Counsel

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CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

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