

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )  
HAWAIIAN ELECTRIC COMPANY, INC. )  
For Approval to Sell the Haiku )  
Corridor Site )  
\_\_\_\_\_ )

DOCKET NO. 2007-0424

DECISION AND ORDER

RECEIVED

2008 SEP -8 A 8:35

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

PUBLIC UTILITIES  
COMMISSION

2008 SEP -5 P 12:53

FILED

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)  
HAWAIIAN ELECTRIC COMPANY, INC. )  
For Approval to Sell the Haiku )  
Corridor Site )

---

Docket No. 2007-0424

DECISION AND ORDER

By this Decision and Order, the commission approves HAWAIIAN ELECTRIC COMPANY, INC.'s ("HECO") request to sell certain real property referred to as the Haiku Corridor site ("Property").

I.

Background

A.

Application

On December 27, 2007, HECO<sup>1</sup> filed an application requesting commission approval to sell the Property, which consists of 11.85 acres of land located near Kuneki Street in

---

<sup>1</sup>HECO is a corporation duly organized under the laws of the Kingdom of Hawaii on or about October 13, 1891, and now exists under and by virtue of the laws of the State of Hawaii. It is an operating public utility engaged in the production, purchase, transmission, distribution and sale of electricity on the island of Oahu.

Haiku, to Hui Ku Maoli Ola LLC ("Application").<sup>2</sup> HECO filed its Application pursuant to HRS § 269-19 and Paragraph 13 of the "Conditions for the Merger and Corporate Restructuring of Hawaiian Electric Company, Inc.," which is attached as Exhibit A to Order No. 7256, filed on September 29, 1982, in Docket No. 4337.

In its Application, HECO states that in June 2007 a member of Hui Ku Maoli Ola LLC ("Buyer") inquired as to whether HECO would be willing to sell the Property. HECO determined that sale of the Property would not adversely affect the performance of its duties to the public so long as the necessary easement rights were secured. Thereafter, HECO's in-house appraiser reviewed comparable sales information and determined a fair market value of \$443,000 for the Property and HECO and Buyer executed a Purchase and Sale Agreement for the Property "with a sales price of \$443,000, subject to approval of the sale by the Commission and further subject to a reservation in favor of HECO for easement rights for existing and future equipment necessary to provide electrical power."<sup>3</sup>

---

<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 Hawaii Revised Statutes ("HRS") § 269-51 and Hawaii Administrative Rules § 6-61-62. By letter dated and filed January 8, 2008, HECO amended its Application to correct the "amount for the original cost of the land . . . . In addition, HECO [] revised the estimated expenses of the sale to \$16,000 (was \$5,000) to include estimated expenses for surveying (\$5,000) and environmental work (\$6,000)."

<sup>3</sup>Application, at 3.

As set forth in the Application, HECO states that it recorded the Property as utility plant in service at the time of purchase of the Property in 1970, and subsequently reclassified it to non-utility property in October 2007. By letter dated and filed January 29, 2008, HECO states that "in order to reduce the issues in this proceeding, [it] will be reclassifying the Haiku Corridor Site to utility plant in service effective December 2007 and that "[a]s a result, [HECO] proposes that the entire net gain (after closing costs) from the sale be applied to NARUC account 253 'Other Deferred Credits', and amortized on a straight line basis to utility operating income (NARUC account 414 'Gains [Losses] from Disposition of Utility Property') over a five-year period. [HECO] further proposes that the five-year period begin in the month following the sale of the Property. [HECO] proposes to deduct the unamortized balance in the Other Deferred Credits from rate base."

B.

Consumer Advocate's Statement of Position

On February 22, 2008, the Consumer Advocate filed its Statement of Position in which it states that it does not object to commission approval of HECO's request to sell the Property to Buyer, provided the easements described in paragraph 16 of the Purchase and Sale Agreement are executed prior to closing ("CA's Statement of Position"). The Consumer Advocate also states that it does not object to HECO's proposed accounting

Letter dated and filed January 29, 2008, from HECO to the commission, at 1.

treatment of the net proceeds derived from the sale of the Property, as set forth in HECO's January 29, 2008 letter to the commission.

## II.

### Discussion

HRS § 269-19 provides that "[n]o public utility corporation shall sell, lease, assign, mortgage, or otherwise dispose of or encumber the whole or any part of its road, line, plant, system, or other property necessary or useful in the performance of its duties to the public, or any franchise or permit, or any right thereunder . . . without first having secured from the public utilities commission an order authorizing it so to do." HRS § 269-19 also states: "Every such sale, lease, assignment, mortgage, disposition, encumbrance, merger, or consolidation, made other than in accordance with the order of the commission shall be void."

Paragraph 13 of the "Conditions for the Merger and Corporate Restructuring of Hawaiian Electric Company, Inc." mandates that HECO "shall not transfer any of its property which is or was in the rate base . . . without the prior approval of the [c]ommission." It also states that the "determination of the transfer value and the accounting and rate-making treatment thereof shall be determined by the [c]ommission at the time of approval of such transfer."

Here, HECO's sale of the Property appears reasonable and in the public interest. Likewise, the recommended accounting treatment appears reasonable. However, as recommended by the Consumer Advocate, the sale of the Property should be conditioned on Buyer providing the easements described in paragraph 16 of the Purchase and Sale Agreement prior to closing to ensure that sale of the Property will not adversely affect HECO's ability to provide service. Accordingly, the commission concludes that HECO's Application should be approved.

### III.


#### Orders

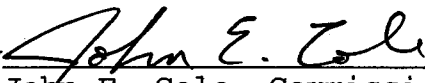
##### THE COMMISSION ORDERS:


1. HECO's request for approval to sell the Property is approved, subject to the condition noted above.
2. This docket is closed unless otherwise ordered by the commission.

DONE at Honolulu, Hawaii SEP - 5 2008.


PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Carlito P. Caliboso, Chairman

By   
John E. Cole, Commissioner

By   
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:

  
Stacey Kawasaki Djou  
Commission Counsel

2007-0424.laa

CERTIFICATE OF SERVICE

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

CATHERINE P. AWAKUNI  
DIVISION OF CONSUMER ADVOCACY  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
P. O. Box 541  
Honolulu, HI 96809

WILLIAM A. BONNET  
VICE PRESIDENT  
GOVERNMENT AND COMMUNITY AFFAIRS  
HAWAIIAN ELECTRIC COMPANY, INC.  
P.O. Box 2750  
Honolulu, HI 96840-0001

DEAN MATSUURA  
MANAGER, REGULATORY AFFAIRS  
HAWAIIAN ELECTRIC COMPANY, INC.  
P.O. Box 2750  
Honolulu, HI 96840-0001