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STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
465 S. KING STREET, #103
HONOLULU, HAWAII 96813

September 1, 2004

To Parties and Participants:

Subject: Docket No. 03-0417 – Application of Hawaiian Electric Company, Inc. for approval to commit funds in excess of $500,000 for Item Y48500, East Oahu Transmission Project

Enclosed for your records is a copy of an e-mail transmission relating to the above-referenced docket that was sent to the Public Utilities Commission ("Commission") on August 30, 2004. We believe that this message was not sent to all parties and participants to this docket. We remind you to transmit all correspondence (including e-mail messages), briefs, and other documents that are filed with the Commission to all of the other parties and participants of this docket for their records and use.

Please contact me with any questions or concerns that you have relating to this matter. Thank you.

Sincerely,

Catherine P. Awakuni

Catherine P. Awakuni
Commission Counsel

CPA:eh

Enclosure

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Hawaii_PUC/DBF/StateHiUS
08/30/2004 12:03 PM

To Catherine P Awakuni/DBF/StateHiUS@StateHiUS
cc Karen H Higashi/DBF/StateHiUS@StateHiUS
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Subject Fw: Testimony for PUC Hearing on HECO

----- Forwarded by Hawaii_PUC/DBF/StateHiUS on 08/30/2004 12:05 PM -----

DRJLAM@aol.com
08/30/2004 09:10 AM

To Hawaii.PUC@hawaii.gov
cc pbunn@pjpn.com
Subject Testimony for PUC Hearing on HECO

Enclosed is Malama o Manoa's testimony for Sept 1, 2004 PUC hearing.

For questions call Jeremy Lam at 944-1400 or 944-1844. HECOPUCSept04.doc

The Honorable Chairman and Members
of the Hawai`i Public Utilities Commission
465 South King Street, First Floor
Kekuanaoa Building
Honolulu, HI 96813

September 1, 2004

Subject: Testimony re East Oahu Transmission Project (Docket No. 03-0417)

Dear Commissioners:

My name is Jeremy Lam. I am a pediatrician and have lived in Manoa Valley for twenty one years. For ten years, I have served on the Manoa Neighborhood Board. Tonight, I offer this testimony on behalf of Malama O Manoa ("Malama"), of which I am a director and President.

Malama is a nonprofit Hawai`i corporation formed in 1992 which has more than 3700 members. Over more than a decade, Malama has developed a substantial and active interest in Hawaiian Electric Company, Inc.'s ("HECO") proposed Kamoku-Pukele 138 kV transmission line, the previous iteration of HECO's current proposal now before the Commission. The genesis of that interest was HECO's decade-long insistence, despite nearly universal public opposition, on running the proposed Kamoku-Pukele line overhead through conservation district land on Wa`ahila Ridge, which forms the eastern wall of Manoa Valley. Some of Malama's members, myself included, served on the Community Advisory Committee ("CAC") formed in 1992, which HECO supposedly consulted in planning the project but which unanimously rejected HECO's preferred alternative. Ultimately, Malama intervened in the contested case proceeding before the Board of Land and Natural Resources ("BLNR") on HECO's conservation district use permit application. Malama and the other Intervenors prevailed and HECO's application was rejected.

Although Malama's initial concerns with the Kamoku-Pukele 138 kV transmission line focused on the aesthetic and cultural impacts of the transmission line, the more it learned about the East Oahu Transmission Project, the more convinced Malama became that there simply was no need for it. The Hearings Officer, Retired Circuit Court Judge John McConnell, after hearing seven days of testimony, agreed. As the BLNR's decision rejecting HECO's application for the permit noted, "[b]ased on the presentations by the parties in the contested case, the Hearing Officer recommended that the public benefit for this project has been substantially overstated by HECO and is speculative, based on his evaluation of the evidence and testimony." Findings of Fact, Conclusions of Law, Decision and Order in DLNR File No. OA-2801 at 63, n. 12. The CAC which was formed last year to give input on HECO's current plans (and on which I also represented Malama), was likewise not persuaded; the predominant theme to emerge from HECO's public input process was that the EOTP is not needed.

HECO's current proposal, the Kamoku 46 kV Underground Alternative – Expanded, now relies on virtually the same justifications as those put forth for the Kamoku-Pukele line and seeks to fix the same "problems." By its December 18, 2003, application, HECO seeks this Commission's approval to spend in excess of $500,000 on the East Oahu Transmission Project ("EOTP"). (HECO estimates the amount of the project at more than $55 million, which it will undoubtedly attempt to shift to the ratepayers.) HECO contends that the EOTP is needed to prevent: (1) overload of the third 138 kV line transporting power to the Koolau/Pukele Service Area when the one line is out of service for maintenance and another fails for any reason (which HECO asserts could occur beginning in 2005)[1]; (2) overload of the third 138 kV line serving the Downtown area when one line is out of service for maintenance and another fails for any reason (which HECO does not predict could occur until 2023); (3) power outages in the Pukele service area if one of the 138 kV lines serving the Pukele substation is out of service for maintenance and the other fails for any reason; and (4) power outages at the Archer, Kewalo and Kamoku Substations if both of the underground 138 kV lines serving the Archer Substation failed simultaneously. (HECO Application, pp. 13-21.)

HECO still steadfastedly refuses to disclose the probability of any of these multiple-contingency failures occurring. HECO's response is that its planning is deterministic, as opposed to probabilistic. However, as the BLNR's hearings officer found, nothing in HECO's planning criteria prevents it from calculating and disclosing the probability of the events it is seeking to prevent. Certainly it would assist the public's understanding of the issue if it knew whether HECO proposed to spend more than $55 million to prevent an event statistically likely to occur annually or an event predicted to occur only once every hundred years. HECO's representative testified in the contested case hearing before the BLNR that the impact of an outage in the Pukele service area would be so great that HECO did not need to consider the probability of such an outage occurring; according to HECO, even if that probability were once in one hundred years, any risk of an outage was unacceptable and justified the project. The outage in the Pukele service area that occurred on March 3, 2004, however, which is the <u>only</u> such outage ever to have occurred, did not result in catastrophic consequences that would justify an expenditure in excess of $55 million. Spending $55 million to prevent a recurrence of that outage , particularly if the probability of such a recurrence is predicted at once in fifty years, would certainly not be reasonable or in the public interest.

The multiple contingency outages HECO seeks to prevent can only occur when one of the 138 kV lines is out of service for maintenance. Nonetheless, HECO has not embraced the concept of live line maintenance, or "liveworking," and has hired consultants to explain that,

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[1] In support of its conservation district use application, HECO made similar dire predictions, which were all off the mark. For instance, in its July 1991 East Oahu 138 kV Requirements Study, updated in August 1992, HECO predicted that "[i]n <u>1994</u>, if one line feeding the Koolau/Pukele area is out for maintenance, and another fails, the remaining line will become overloaded." (<u>Id.</u> at 3, emphasis added.) However, in a 1994 study, HECO moved that prediction off to 1998; the 1998 East Oahu Transmission Requirements Update Study moved that date still further, out to 2002, explaining "[t]he earlier 1992 and 1994 studies projected the overload problem would occur in 1994 and 1998 respectively. The delay of the problem is a result of the slower forecasted load growth." (<u>Id.</u> at 5.) Thus, the so-called "Koolau overload" problem has been delayed 11 years with no action at all on HECO's part other than revising its unrealistic growth projections.

unlike in the rest of the world, liveworking it is not practicable here because of the weather, the terrain, and a multitude of other factors. The conditions cited as reasons why new transmission lines are a more appropriate solution than liveworking, however, are no different than they were when Stone & Webster Management Consultants, Inc. and Power Technologies Inc. ("PTI"), in investigating the causes of island-wide blackouts that occurred in 1983 and 1991, recommended that HECO implement liveworking so that 138kV lines would not need to be taken out of service for maintenance. The PTI report pointed out that one of the costs of planned maintenance outages is the system-wide cost of requiring multiple lines or circuits so there is backup when lines are de-energized for maintenance. HECO, conversely, points to new lines, such as the Waiau-CIP line, as reducing the need for liveworking. One cannot help but suspect that HECO's inverted reasoning is the result of the economics by which the shareholders are guaranteed a return on investment for capital improvements such as new transmission lines, but maintenance costs detract from HECO's bottom line.

That suspicion is only bolstered by HECO's inclusion in the cost of its current proposal of the $17 million it spent in its miscalculated decade-long crusade to build the Kamoku-Pukele line on Wa`ahila Ridge in defiance of nearly universal community opposition. HECO contends that the $17 million it spent on the Environmental Impact Statements and the Conservation District Use Permit application for the Wa`ahila Ridge alternative are justifiable "planning costs" of the current proposal because these were "costs that were incurred prior to (and that led to) the selection of the proposed project for which approval is requested in this application."[2] Ironically, however, in the process of trying to force its preferred Wa`ahila Ridge alternative against overwhelming opposition, HECO did consider, at the insistence of the CAC, an alternative similar to its current proposal, the so-called "46 kV Network," and <u>rejected</u> the alternative in favor if its single-minded drive to run a 138-kV line up Wa`ahila Ridge.[3] HECO's bad business decisions should be borne by its shareholders, not the ratepayers.

In sum, Malama is not convinced there is any need for the EOTP beyond the need to enrich HECO's shareholders at the expense of the ratepayers. If HECO instead committed itself to improved maintenance, and innovative solutions such as demand side management and distributed power generation, the "problems" the EOTP is designed to rectify could be resolved at substantially less cost to the ratepayers.

On behalf of Malama O Manoa and its 3700 members, I want to thank the Commission for this opportunity to testify.

Very truly yours,

Jeremy Lam, M.D.
President, Malama O Manoa

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[2] Written Direct Testimony of Earlynne F. Oshiro (HECO T-9), p. 4, ll. 14-16.

[3] <u>See</u> Kamoku-Pukele 138 kV Transmission Line Alternatives Study (CH2MHill, June 1995); Kamoku-Pukele 46-kV Alternatives Study (1994).