

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
For Approval to Transfer Removed)
Woodward Control System to Tesoro)
Hawaii Corporation (Tesoro))

DOCKET NO. 2007-0068

DECISION AND ORDER NO. 23781

Filed Oct. 29, 2007
At 11 o'clock A.M.

Karen Higashi.
Chief Clerk of the Commission

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

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

Karen Higashi.

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Docket No. 2007-0068
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DECISION AND ORDER

By this Decision and Order, the commission approves HAWAII ELECTRIC LIGHT COMPANY, INC.'s ("HELCO") sale of a removed Woodward control system and associated parts ("Control System") to Tesoro Hawaii Corporation ("Tesoro").

I.

Background

A.

Application

On March 14, 2007, HELCO¹ filed an application requesting commission approval to transfer, i.e., sell, the Control System to Tesoro ("Application"),² pursuant to

¹HELCO is a corporation duly organized under the laws of the Republic of Hawaii, 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 Hawaii.

²HELCO 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.

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. 4337.³

In its Application, HELCO states that the Control System was placed in service in 1992 for the CT-3 generating unit in Puna, Hawaii; that it had become obsolete; and that it had some spare parts for the Control System, but not for every component so that if a component failed for which HELCO did not have a spare part, HELCO would not have been able to run the unit. As such, in 2005, HELCO initiated a project to upgrade the Control System with a modern state-of-the-art control system for the CT-3 generating unit thereby improving the reliability and availability of the generating unit. The Control System was then placed in storage. Tesoro has since offered to purchase the Control System for \$12,500, as Tesoro uses an identical system on its generator.

With respect to the accounting treatment of the Control System, HELCO states that the Control System was part of HELCO's Utility Plant in Service and was retired after the new control system was installed. The original cost of the Control System was \$453,830.13 and the net book value at the time of retirement in 2005 was \$158,840.55. Consistent with its standard practice for recording retirement and sale proceeds, HELCO's "Utility Plant in Service was credited for the cost of

³HELCO states that commission approval is not required under HRS § 269-19 as the Control System is not "necessary or useful" in its provision of electric utility service.

the control system with a corresponding debit to Accumulated Depreciation; and a receivable will be recorded for the proposed sale price of the Control System, with a corresponding credit to Accumulated Depreciation - Salvage Value. No gain or loss will be recognized on the sale of the [C]ontrol [S]ystem."

B.

Consumer Advocate's Statement of Position

On April 5, 2007, the Consumer Advocate filed its Statement of Position in which it states that it does not object to commission approval of HELCO's request to sell the Control System to Tesoro ("CA's Statement of Position"). The Consumer Advocate also states that it does not oppose HELCO's proposal to record the \$12,500 sale price as a credit to Accumulated Depreciation - Salvage Value.

II.

Discussion

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, HELCO's sale of the Control System appears reasonable and in the public interest. As noted by the Consumer Advocate, "rather than simply dispose of the [Control System], the sale to Tesoro will allow the unit to provide spare parts that can be used by Tesoro and ensure the operation of Tesoro's generator and generate monies to offset the remaining net book value of the retired [C]ontrol [S]ystem that is reflected in rate base."⁴ Likewise, HELCO's recommended accounting treatment is reasonable. Accordingly, the commission concludes that HELCO's Application should be approved.

III.

Orders

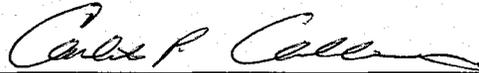
THE COMMISSION ORDERS:

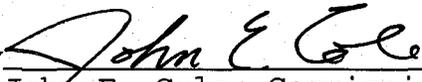
1. HELCO's request for approval to sell the Control System to Tesoro is approved.
2. This docket is closed unless otherwise ordered by the commission.

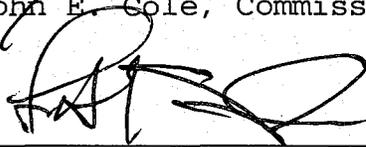
⁴CA's Statement of Position at 3.

DONE at Honolulu, Hawaii OCT 29 2007.

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

2007-0068.eh

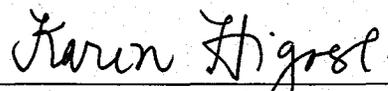
CERTIFICATE OF SERVICE

I hereby certify that I have on this date served a copy of the foregoing Decision and Order No. 23781 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: OCT 29 2007