

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)	
)	
THE GAS COMPANY, LLC dba)	Docket No. 2024-0304
HAWAII GAS)	
)	
For Modifications of General Order No.)	
9 Paragraph 2.3.f.2. Requirements)	
Relating to Capital Improvements.)	
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APPLICANT’S REPLY STATEMENT OF POSITION

and

CERTIFICATE OF SERVICE

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APPLICANT’S REPLY STATEMENT OF POSITION

Applicant THE GAS COMPANY, LLC dba HAWAII GAS (“Hawaii Gas” or “HG”), by and through its attorneys, Watanabe Ing, LLP, respectfully submits this Reply Statement of Position (“Reply SOP”) in response to the Division of Consumer Advocacy’s (“Consumer Advocate”) Statement of Position (“CA SOP”), filed on February 28, 2025, in the instant docket. This Reply SOP is being filed pursuant to Order No. 41204 *Approving the Parties’ Stipulated Procedural Schedule*, issued on November 19, 2024, in the subject docket.

As described in its Application, Hawaii Gas seeks Commission approval of a permanent exemption from, and a modification of, General Order No. 9, *Standards for Gas Service Calorimetry, Holders & Vessels in the State of Hawaii* (“G.O.9”), section 2.3.f.2. to increase the threshold amount from \$500,000 to \$2,750,000, excluding customer and third-party contributions.¹ In its SOP, the Consumer Advocate stated that it does not object to Hawaii Gas’ requested relief subject to certain conditions of

¹ See Application at 1.

approval. Based on the reasons detailed below, the request by Hawaii Gas for a permanent exemption from and modification of G.O.9, section 2.3.f.2., to increase the threshold amount from \$500,000 to \$2,750,000, excluding customer and third-party contributions, should be approved subject to the amended conditions agreed upon by the Parties, as set forth in Section II.A below.

I. PROCEDURAL BACKGROUND

On September 18, 2024, Hawaii Gas filed its Application for approval of a permanent exemption from, and a modification of G.O. 9 section 2.3.f.2. to increase the threshold amount from \$500,000 to \$2,750,000, excluding customer and third-party contributions.

On September 24, 2024, Hawaii Gas filed a motion for a protective order.

On October 28, 2024, the Commission issued Protective Order No. 41124 governing the submission of confidential information in this docket.

On October 28, 2024, the Commission issued Order No. 41123, *Instructing the Parties To File a Proposed Stipulated Procedural Schedule*.

On November 13, 2024, Hawaii Gas and the Consumer Advocate submitted a joint letter that proposed a stipulated procedural schedule.

On November 19, 2024, the Commission issued Order No. 41204, *Approving the Parties' Proposed Procedural Schedule*.

On January 9, 2025, the Consumer Advocate issued information requests ("IRs") to Hawaii Gas, and on January 31, 2025, Hawaii Gas filed responses to the same.

On February 28, 2025, the Consumer Advocate filed the CA SOP. While the Consumer Advocate did not object to Hawaii Gas' requested relief, the Consumer Advocate recommended that the Commission adopt the following conditions of approval²:

1. Hawaii Gas should be required to expand its Five-Year Capital Expenditure Budget Forecast to include a narrative for each project that is expected to cost \$500,000 or more for the upcoming year and each project that is expected to cost \$500,000 or more annually with particular emphasis on the projects planned for the upcoming year. The narrative should include: 1) a brief description of the project, 2) the primary reason for the project, 3) the estimated cost of the project 4) an explanation of how each project relates to the overall strategic objectives of Hawaii Gas as well as how various projects may be interrelated and/or positively or adversely affected by existing or other future projects, and 4) *[sic]* an estimated timeline for the project including start and completion dates for each project;³ and
2. Hawaii Gas should provide a report regarding certain projects completed during the past year, including the following information:
 - Blanket projects with a threshold of \$500,000 – These projects would only need to be summarized by each district of Hawaii Gas by providing the total number of projects completed and the total costs associated with those projects. No narrative will be required for “blanket” projects.
 - Projects with a total cost of \$500,000 - \$2,750,000 – These projects should have already been discussed in the capital budget process, so no additional narrative would be required to explain the need of the project or the relationship to management's objectives, unless the project was not included in the capital expenditure budget forecast. Each of these projects would need to be itemized with the actual costs incurred, an explanation of any deviations of $\pm 10\%$ from the budgeted cost, and a general discussion of the reasons causing the variance.
 - Projects with a total cost of \$2,750,000 or more: These projects would be reviewed in the capital expenditure application review process, the report should include an identification of the projects and the total completed cost for each project.⁴

² Note that these restated conditions are not completely verbatim from the CA SOP but attempts to accurately recreate the CA's original proposed conditions.²

³ See CA SOP at 17-18.

⁴ See *id.* at 19-20.

II. DISCUSSION

In response to the CA SOP, Hawaii Gas does not oppose the position of the Consumer Advocate and accepts the proposed reporting conditions with certain modifications as agreed upon with the Consumer Advocate. These modified conditions are detailed in Section II.A below. Hawaii Gas understands that the Consumer Advocate does not object to the request that the proposed G.O. 9 capital project threshold increase from \$500,000 to \$2,750,000 **excludes** customer (e.g., CIAC) and third-party contributions.⁵

Notwithstanding the Consumer Advocate's non-objection to the requested relief, Hawaii Gas respectfully recommends that the Commission adopts the proposed reporting conditions subject to certain modifications as set forth in Section II.A. and discussed in Section II.B. and Section II.C. below. Hawaii Gas has conferred with the Consumer Advocate and has confirmed that the Consumer Advocate does not object to the recommended modifications with respect to its proposed reporting conditions.

A. Modified Conditions of Approval Agreed to by the Parties

The following are the revised conditions, which Hawaii Gas suggests that the Commission adopt. The Consumer Advocate does not oppose these modifications to the reporting conditions. For reference, the modifications to the Consumer Advocate's initial proposed conditions are shown in blackline, followed by the revised conditions in their clean form:

⁵ See CA SOP at 1 and 20 (The Consumer Advocate did not state any objection that the threshold increase **excludes** customer (e.g., CIAC) and third-party contributions); see *also* Hawaii Gas' response to CA-IR-7a.

Blacklined Form of the Agreed Upon Modified Conditions

1. **Beginning in 2026**, Hawaii Gas ~~should be required to~~ **shall** expand its Five-Year Capital Expenditure Budget Forecast to include a narrative for each project that is expected to cost **\$5001,000**,000 or more for the upcoming year and each project that is expected to cost **\$5001,000**,000 or more annually with particular emphasis on the projects planned for the upcoming year. The narrative should include: 1) a brief description of the project, 2) the primary reason for the project, 3) the estimated cost of the project 4) an explanation of how each project relates to the overall strategic objectives of Hawaii Gas as well as how various projects may be interrelated and/or positively or adversely affected by existing or other future projects, and ~~4) 5)~~ **an estimated timeline for the project including start and completion dates for each project;** **This expanded Five-Year Capital Expenditure Budget Forecast shall be filled annually by the end of February;** and
2. **Beginning in 2026**, Hawaii Gas ~~should provide~~ **shall file annually by the end of May**, a report ~~regarding certain projects completed during the past year~~, including the following information:
 - Blanket projects with a threshold of **\$5001,000**,000 – These projects would only need to be summarized by each district of Hawaii Gas by providing the total number of projects completed and the total costs associated with those projects. No narrative will be required for “blanket” projects.
 - Projects with a total cost of **\$5001,000**000 - \$2,750,000 – ~~These projects should have already been discussed in the capital budget process, so no~~ **No** additional narrative ~~would be~~ **is** required to explain the need of the project or the relationship to management’s objectives, unless the project was not included in the capital expenditure budget forecast. Each of these projects would need to be itemized with the actual costs incurred, an explanation of any deviations of ~~± 40~~ **15**% from the budgeted cost, and a general discussion of the reasons causing the variance.
 - Projects with a total cost of \$2,750,000 or more: These projects would be reviewed in the capital expenditure application review process, the report should include an identification of the projects and the total completed cost for each project.

Clean Form of the Agreed Upon Modified Conditions

1. Beginning in 2026, Hawaii Gas shall expand its Five-Year Capital Expenditure Budget Forecast to include a narrative for each project that is expected to cost \$1,000,000 or more for the upcoming year and each project that is expected to cost \$1,000,000 or more annually with particular emphasis on the projects planned for the upcoming year. The narrative should include: 1) a brief description of the project, 2) the primary reason for the project, 3) the

estimated cost of the project 4) an explanation of how each project relates to the overall strategic objectives of Hawaii Gas as well as how various projects may be interrelated and/or positively or adversely affected by existing or other future projects, and 5) an estimated timeline for the project including start and completion dates for each project. This expanded Five-Year Capital Expenditure Budget Forecast shall be filled annually by the end of February; and

2. Beginning in 2026, Hawaii Gas shall file annually by the end of May, a report including the following information:
 - Blanket projects with a threshold of \$1,000,000 – These projects would only need to be summarized by each district of Hawaii Gas by providing total costs associated with those projects. No narrative will be required for “blanket” projects.
 - Projects with a total cost of \$1,000,000 - \$2,750,000 – No additional narrative is required to explain the need of the project or the relationship to management’s objectives, unless the project was not included in the capital expenditure budget forecast. Each of these projects would need to be itemized with the actual costs incurred, an explanation of any deviations of $\pm 15\%$ from the budgeted cost, and a general discussion of the reasons causing the variance.
 - Projects with a total cost of \$2,750,000 or more: These projects would be reviewed in the capital expenditure application review process, the report should include an identification of the projects and the total completed cost for each project.

B. Rationale for Modifications to Condition #1

Hawaii Gas believes that adopting a minimum project threshold amount of \$1,000,000 is more reasonable, specific, and relevant to the Commission and the Consumer Advocate’s review of major capital projects in between rate cases. Adopting a minimum reporting expense amount of \$1,000,000 would avoid the inclusion of smaller-scale or routine replacement projects that do not significantly affect Hawaii Gas' rate base and are becoming smaller in scope relative to Hawaii Gas' overall plant-in-service. Further, increasing the reporting threshold amount would reduce the administrative and resource burdens imposed on Hawaii Gas by this additional reporting condition. Moreover, Hawaii Gas observes that adopting a \$1,000,000 reporting project

threshold is consistent with the capital expenditure budget forecast requirements of other similar utilities. Specifically, the minimum project threshold for a similar expanded Five-Year Capital Expenditure Budget Forecast reporting requirement for Kauai Island Utility Cooperative (“KIUC”), and Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc. and Maui Electric Company, Limited (together, “Hawaiian Electric Companies”) is also \$1,000,000.⁶ As such, Hawaii Gas requests that the Commission adopt a modified amount of \$1,000,000 to maintain fairness and consistency with other utilities.

Finally, Hawaii Gas respectfully requests that the Commission also modify G.O. 9 section 2.3.f.1 by changing the Five-Year Capital Expenditure Budget Forecast report filing deadline from January 1 to the last business day of February of the calendar year on a going-forward basis.⁷ Hawaii Gas conferred with the Consumer Advocate regarding its request to change the report filing date from January 1 to the last business day of February, and the Consumer Advocate does not oppose this request. In recent years, Hawaii Gas has requested extensions to, and filed the Five-Year Capital Expenditure Budget Forecast in, early February because year-end budget reporting and

⁶ See Decision and Order No. 21001 issued on May 27, 2004, in Docket No. 03-0256, at Section VI.3 (showing KIUC’s \$1,000,000 threshold for a similar reporting condition); see also Stipulation in Lieu of Response to Division of Consumer Advocacy’s Statement of Position filed on May 4, 2004 in Docket No. 03-0257, at Section II, and Decision and Order No. 21002 issued on May 27, 2004 in Docket No. 03-0257, at Section VI.3 (showing Hawaiian Electric Companies’ \$1,000,000 threshold for a similar reporting condition).

⁷ Specifically, Hawaii Gas respectfully requests that the Commission modify G.O. 9 section 2.3.f.1 to read as follows:

The utility shall, by ~~January 1~~ **the last business day of February of** each year, file with the Commission, a report (in a form approved by the Commission) of its projected capital improvements program expenditures budget for the ensuing five years which shall include, in considerable detail, the capital improvements program expenditures budget approved by management for the first year of the five-year period.

internal management approvals are usually not completed until January for the upcoming calendar year. Accordingly, Hawaii Gas respectfully requests the adoption of a permanent later annual filing date that is consistent with current business practices and that accommodates the expanded information resulting from this docket.⁸ Given the timeframe of this docket, Hawaii Gas also requests that this reporting requirement start in 2026.

C. Rationale for Modifications to Condition #2

Similar to the rationale noted above with respect to Condition #1, Hawaii Gas respectfully requests that the Commission adopt a \$1,000,000 project threshold reporting amount and a 15% cost deviation explanation requirement. These recommended modifications are consistent with KIUC's and Hawaiian Electric Companies' similar reporting requirements for their past completed projects.⁹ The Consumer Advocate's original recommended project threshold reporting amounts would require the inclusion of smaller-scale or routine replacement projects that do not significantly affect Hawaii Gas' rate base and are becoming smaller in scope relative to Hawaii Gas' overall plant-in-service. Additionally, increasing the reporting threshold amount would reduce the administrative and resource burdens imposed on Hawaii Gas by this additional reporting condition.

⁹ See Decision and Order No. 21001, issued on May 27, 2004, in Docket No. 03-0256, at Section VI.4 (showing KIUC's \$1,000,000 threshold and 15% variance for a similar reporting condition); see *also* Stipulation in Lieu of Response to Division of Consumer Advocacy's Statement of Position filed on May 4, 2004 in Docket No. 03-0257, at Section II, and Decision and Order No. 21002 issued on May 27, 2004 in Docket No. 03-0257, at Section VI.4 (showing Hawaiian Electric Companies' \$1,000,000 threshold and 15% variance for a similar reporting condition).

In order to provide sufficient time to prepare this report, Hawaii Gas also respectfully requests that the completed project report be filed annually with the Commission starting May 31, 2026.

III. CONCLUSION

For the reasons set forth herein, Hawaii Gas believes that the requested relief for a permanent exemption from, and a modification of G.O. 9 section 2.3.f.2. to increase the threshold amount from \$500,000 to \$2,750,000, excluding customer and third-party contributions, should be approved subject to Hawaii Gas' recommended modified conditions of approval, which were agreed to by the Parties and which are set forth in Section II.A.

As stated above, Hawaii Gas has conferred with the Consumer Advocate and has confirmed that the Consumer Advocate does not object to the Commission adopting the proposed reporting conditions with the above-recommended modifications as set forth in Section II.A.

Based on the foregoing, Hawaii Gas respectfully requests that the Commission issue a decision and order:

- (1) Granting Hawaii Gas a permanent exemption from, and a modification of G.O. 9 section 2.3.f.2. to increase the threshold amount from \$500,000 to \$2,750,000, excluding customer and third-party contributions; and
- (2) Granting such relief as may be deemed required, applicable, or otherwise appropriate, just, and reasonable under the circumstances.

DATED: Honolulu, Hawaii, March 21, 2025.

/s/ Kendrick S. Chang

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Attorneys for Applicant

THE GAS COMPANY, LLC

dba HAWAII GAS

CERTIFICATE OF SERVICE

I hereby certify that on this date a copy of the foregoing document, together with this Certificate of Service, were duly served upon the following entities electronically to the email address shown below pursuant to HAR § 16 601 21(d), as modified by Order No. 38270 *Setting Forth Public Utilities Commission Emergency Filing and Service Procedures*, filed on March 14, 2022:

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DATED: Honolulu, Hawaii, March 21, 2025.

/s/ Kendrick S. Chang

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THE GAS COMPANY, LLC
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