

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)	
)	
HAWAIIAN ELECTRIC COMPANY, INC.)	Transmittal No. 11-02
)	
For Approval to Modify the RBA Rate)	Effective
Adjustment in its Revenue Balancing Account)	Date: June 1, 2011
Provision Tariff)	
)	

DIVISION OF CONSUMER ADVOCACY'S
STATEMENT OF POSITION ON HAWAIIAN ELECTRIC COMPANY, INC.'S
TRANSMITTAL NO. 11-02
EXHIBIT 1 REVISED RATE CALCULATIONS
AND
CERTIFICATE OF SERVICE

JEFFREY T. ONO
DIVISION OF CONSUMER ADVOCACY
DEPARTMENT OF COMMERCE AND
CONSUMER AFFAIRS
335 Merchant Street, Room 326
Honolulu, Hawaii 96813
Telephone: (808) 586-2800
Facsimile: (808) 586-2780

TABLE OF CONTENTS

I.	<u>EXECUTIVE SUMMARY</u>	3
II.	<u>ACCRUED REVENUES – RESPONSE TO HECO’S POSITION</u>	7
	A. RAM PURPOSE AND INTENT ARGUMENTS	10
	B. OTHER HAWAII SURCHARGES ARGUMENT	14
	C. HECO COMMENTS REGARDING THE CONSUMER ADVOCATE’S POSITION	15
	D. HECO EXHIBIT 4 ILLUSTRATIONS	17
III.	<u>RATE BASE REVIEW AND REVISIONS – NET PLANT AND OTHER ITEMS</u>	19
	A. 2011 CIAC AMORTIZATION	19
	B. REVIEW OF BASELINE CALCULATIONS	19
	1. Baseline Plant Additions	20
	2. Baseline CIAC	26
IV.	<u>ACCUMULATED DEFERRED INCOME TAX ISSUES</u>	26
	A. BONUS DEPRECIATION ON 2011 PROPERTY ADDITIONS	27
	B. CORRECTION OF CT-1 EXCESS COST ADIT	30
	C. WAI AU 8 BOILER CONTROL BONUS DEPRECIATION	31
	D. ADIT CORRECTIONS ON OTHER MAJOR PROJECTS	32
V.	<u>CONSUMER ADVOCATE RBA RATE CHANGE</u>	33
VI.	<u>CONCLUSIONS AND RECOMMENDATIONS</u>	34

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)	
)	
HAWAIIAN ELECTRIC COMPANY, INC.)	Transmittal No. 11-02
)	
For Approval to Modify the RBA Rate)	Effective
Adjustment in its Revenue Balancing Account)	Date: June 1, 2011
Provision Tariff)	
)	

DIVISION OF CONSUMER ADVOCACY'S
STATEMENT OF POSITION ON HAWAIIAN ELECTRIC COMPANY, INC.'S
TRANSMITTAL NO. 11-02

Pursuant to § 6-61-62 of the Commission's Rules of Practice and Procedure and the Hawaii Public Utilities Commission's ("Commission") August 31, 2010 Final Decision and Order and Dissenting Opinion of Leslie H. Kondo, Commissioner in Docket No. 2008-0274, the Division of Consumer Advocacy "(Consumer Advocate" or "Division") advises the Commission that it has completed its review of the initial decoupling rate adjustment filing of filing Hawaiian Electric Company, Inc. ("HECO" or "Company") and is submitting these comments for the purpose of explaining its position with regard to the Company's proposed changes to its Revenue Balancing Account ("RBA") tariff to establish an RBA Rate Adjustment of \$0.001694. Our comments will also respond to HECO's April 21, 2011 Supplemental Filing regarding the issue of advance accruals and recoveries of Revenue Adjustment Mechanism ("RAM") revenue amounts for periods prior to June 1, 2011.¹

¹ The Consumer Advocate and HECO filed comments addressing the advance accrual of revenues issue simultaneously on April 21, 2011.

Based upon its review to date, the Consumer Advocate hereby provides the Commission with the following discussion of its concerns and recommendations with respect to the proposed RBA Rate Adjustment. Regarding HECO's position that it is entitled to increased revenue under the RAM/RBA tariffs prior to June 1, HECO's comments filed on April 21 have not convinced the Consumer Advocate that such accruals were intended or are permitted under the approved RBA and RAM tariffs, for the reasons explained herein. Upon correction for the accrued revenue matter and after addressing several other minor corrections discussed herein, the Consumer Advocate recommends approval of an RBA Rate Adjustment of \$0.001991, as set forth in Exhibit 1.²

I. EXECUTIVE SUMMARY.

On March 31, 2011, HECO submitted its Application For Approval to Modify the RBA Rate Adjustment in its Revenue Balancing Account ("RBA") with a proposed effective date of June 1, 2011 ("Application"). According to HECO's Application, "the Company requests the Commission to allow the proposed RBA Rate Adjustment rate to be implemented on June 1, 2011. The RBA Rate Adjustment rate is based on the RAM Revenue Adjustment as determined by the Rate Adjustment mechanism Provision tariff, that was approved by the *Order Approving Revised Results of Operations, Supporting*

² The Consumer Advocate's calculated RBA Rate Adjustment is higher than the HECO-proposed RBA Rate Adjustment of \$0.001694 primarily because of the Consumer Advocate's elimination of the 306/365 day prorate factor that is inappropriately applied by HECO at Attachment 2, line 6 in connection with the Company's calendar year RAM revenue entitlement and accrual position that is disputed herein.

Schedules and Tariffs ("Order Approving 2009 Final Rates"), filed on February 25, 2011 in the Hawaiian Electric 2009 test year rate case (Docket No. 2008-0083)."³

The Consumer Advocate has reviewed HECO's RBA Rate Change Application and the voluminous supporting attachments and has concluded that, except for the substantive issue of accruing and recovering RAM revenues for periods prior to June 1, and after correcting certain minor mechanical issues described below, the Company's filing is reasonably calculated and appropriately supported. We continue to assert that the decoupling mechanism that was agreed upon between HECO and the Consumer Advocate within the Joint Final Statement of Position ("JFSOP"), and that received Commission approval,⁴ does not provide for the accrual or recovery of RAM revenue increases for any months prior to the June 1 annual effective date specified in the RBA Tariff. As fully explained in its previously submitted comments, the Consumer Advocate believes that such "accrued revenues" are not contemplated by the JFSOP, the RBA Tariff or the Commission's Orders approving decoupling in Docket Nos. 2008-0274 and 2008-0083.

With regard to the calculated 2010 RAM and 2011 RAM rate adjustments, the Consumer Advocate has completed its review of HECO's O&M Expense RAM calculations and takes no exception to these calculations. A question was initially raised by the Consumer Advocate regarding the apparent need for a productivity offset

³ HECO Application, page 1.

⁴ Commission approval for the Amended Joint Proposal, with certain specified modifications, was first received in *Final Decision and Order and Dissenting Opinion of Leslie H. Kondo, Commissioner* filed August 31, 2010, with implementation delayed until approval of final rates pursuant to the Commission's *Final Decision and Order* and *Order Approving 2009 Final Rates* in HECO's rate case, Docket No. 2008-0083.

for merit wage expenses, at the same time wage rate increases for merit employees were removed in HECO's O&M RAM calculations pursuant to the Commission's directive.⁵ No adjustment is proposed for such a productivity offset at this time, because HECO's RAM tariff that was filed in Docket No. 2008-0083 on January 24th clearly stated, "The part of Base Expenses that represent labor costs for merit employees shall not be subject to application of the Labor Cost Escalation rate, nor be reduced by the Productivity Offset."⁶

With regard to the Rate Base RAM calculations, the Consumer Advocate's review of the Application revealed a number of concerns regarding Accumulated Deferred Income Taxes that require the following specific mechanical adjustments:

- Estimation of Accumulated Deferred Income Taxes on 2011 property additions that will be eligible for 100% Bonus Tax Depreciation.⁷
- Correction of Accumulated Deferred Income Taxes for disallowed costs of Campbell Industrial Park Unit CT-1 ("CIP CT-1").
- Correction of Accumulated Deferred Income Taxes for Waiiau 8 Boiler Controls Upgrade project to recognize eligibility for Bonus Tax Depreciation.

⁵ In its *Final Decision and Order and Dissenting Opinion of Leslie H. Kondo, Commissioner* filed August 31, 2010 in Docket No. 2008-0274 at page 75, the Commission stated that it "...disallows wage increases for Merit employees through the RAM."

⁶ The RAM Provision tariff was submitted as Exhibit 2A, Page 160 of 166 in HECO January 24th, 2011 compliance tariff filing. The Consumer Advocate did not notice nor timely protest this tariff provision excluding productivity offset calculations for merit labor costs.

⁷ The Commission required submission of a Statement of Position by the Consumer Advocate in its *Final Decision and Order and Dissenting Opinion of Leslie H. Kondo, Commissioner* filed on August 31, 2010 in Docket No. 2008-0274 at page 45.

The exceptions noted by the Consumer Advocate have been presented to HECO informally, for consideration and possible acceptance. To facilitate the Commission's review of these issues, the following narrative describes the basis for the concern and presents revised RAM calculations, in the format of HECO's filed Attachments to illustrate and quantify the effects of each change.

In addition, the Consumer Advocate's review of the Rate Base RAM calculations involved, not just reviewing the logic and accuracy of the calculations, efforts to verify agreement between the identified sources and inputs used in the Rate Base RAM calculations. This review yielded a number of observations that are discussed below.

Exhibit 1 to this SOP presents the Consumer Advocate's recommended RBA Rate, incorporating revised RAM Rate Base amounts as well as elimination of the accrued revenue pro-rating of the RAM revenue requirement. These calculations appear in an added column to the right of HECO's Attachment 2 presentation of the RBA Rate to facilitate comparisons and to illustrate the effect of the accrued revenue position being advocated by HECO. Without the accrued revenue proration of revenues, the calculated RBA Rate recommended by the Consumer Advocate is higher than HECO's proposed rate, but would return to zero at the time an interim Decision and Order ("ID&O") is effective in HECO's pending general rate case that will more specifically address the Company's 2011 test year revenue requirement.

II. ACCRUED REVENUES – RESPONSE TO HECO’S POSITION.

HECO filed its comments on Attachment 5 to the Company’s Transmittal No. 11-02 filed on March 31, 2011, and related issues (“HECO Comments”) on April 21, correctly noting that, “...the Consumer Advocate disagrees with the Company with respect to the accrual of RAM revenues, which results in a significant and fundamental difference with respect to the Company’s collection of RAM revenues in a rate case test year.”⁸ This section of the Consumer Advocate’s Statement of Position is responsive to the arguments raised in the HECO Comments. A complete explanation of the Consumer Advocate’s basis for opposing the accrual of RAM revenue increase prior to June 1 was set forth in earlier filed comments⁹ and will not be repeated here, except as needed to specifically respond to HECO’s Comments.

According to the HECO Comments, “The Company’s understanding, however, is that the Consumer Advocate apparently does not view the RAM as an adjustment mechanism that necessarily allows recovery of the revenue used to calculate the RAM. Rather, it apparently views the RAM as merely setting a new rate, rather than a means to recover a certain level of revenue. Whether or not the Company recovers the intended revenue adjustment depends on whether or not the interim rate order in a test

⁸ HECO’s Letter to the Commission dated April 21, 2011 included an Exhibit 1 which provides a 25 page narrative of the accrued revenue dispute. Attachment 5 to Transmittal No. 11-02, filed on March 31, 2011 proposed a series of calculations that would accrue RAM revenue increases effective March 1, of 2011, with RBA rates to recover such accrued amounts both before and after the Commission is expected to issue its Interim Decision and Order in the pending HECO General Rate Case, Docket No. 2010-0080. The referenced statement appears at page 1 of HECO’s April 21 Exhibit 1.

⁹ The Consumer Advocate’s Comments on Attachment 5 were also filed with the Commission on April 21, 2011.

year stops the collection process.”¹⁰ This understanding is largely correct. It is unclear what HECO is referencing in connection with its reference to, “...the revenue used to calculate the RAM” because there is no revenue component to the RAM calculations. However, it is true that the Consumer Advocate absolutely does not view the RAM as “a means to recover a certain level of revenue.” This is particularly true when there is a pending general rate case that was filed by HECO to more carefully and deliberately set rates based upon test year rate base, operating income and cost of capital evidence.

The RAM was instead intended to provide rate relief between rate case test years based upon conservatively prescribed methods and formulae set forth in very explicit terms within the RBA Provision and RAM Provision tariffs. These tariffs work together to accomplish two things when the expense RAM and rate base RAM calculations are performed:

- 1) Revise the rate to be collected through the RBA provision starting on June 1, adding any RBA rate revision that may be required to amortize the accumulated balance in the RBA balancing account as of December 31 of the prior year,¹¹ and
- 2) Revise the monthly “target” Authorized Base Revenues to be compared to recorded adjusted revenue in the Revenue Balancing Account, along with

¹⁰ HECO Comments at page 2.

¹¹ The Revenue Balancing Account (RBA) Provision tariff (Sheet No. 92, Effective March 1, 2011) states, “In addition, the recovery provision of this tariff provides for collection or return of the calendar year-end balance in the RBA and recovery of the RAM Revenue Adjustment provided in the Rate Adjustment Mechanism (“RAM”) Provision over the subsequent June 1st through May 31st period.”

monthly interest to be applied to the average accumulated balance in such account.¹²

In this regard, the HECO Comments cite repeatedly to the same RBA and RAM Provision tariffs, but the Company fails to identify any language in the tariffs that authorizes accrual accounting prior to June 1 to provide a “means to recover a certain level of revenue” calculated pursuant to the RAM formulae. The tariffs authorize a change in rate recovery levels commencing June 1 and a corresponding change in target revenues as of June 1 for tracking against actual revenue levels, but they do not authorize any additional revenue accruals or recoveries beyond such amounts.

The HECO Comments, starting at page 5, recite the various defined terms in the RAM provision tariff, but fail to identify any language specifying accrual of revenues prior to June 1 or continuing recovery of RAM amounts after the Commission issues an Interim Decision & Order in a pending rate case. Instead, the HECO Comments aver that the various changes made to RAM effective dates for rate changes throughout the course of negotiation and revision somehow preserved an entitlement for HECO to collect every calculated RAM dollar, even when new interim rates become effective that supersede the RAM estimate of test year revenue requirement.

According to the HECO Comments, “The period over which annual RAM revenues (in a non-test year) or the pre-interim RAM revenues (in a rate case test year) would be collected changed during the development of the decoupling provision for various reasons – but none of the changes were intended to change the utility’s

¹² Id. “For the purpose of the RBA, the target revenue is the most recent Authorized Base Revenue approved by the Public Utilities Commission (PUC), plus or minus the RAM Revenue Adjustment calculated under the RAM Provision, adjusted to remove amounts for applicable revenue taxes.”

entitlement to RAM revenues.” At page 6, the Company notes that the effective date for RAM rate adjustments has changed through the course of negotiations, by referring to one point in the negotiations where, “The Company agreed to the Consumer Advocate’s proposal to begin collecting the RAM revenues on May 1st of a RAM year (with the collections to take place over 8 months) so that the RAM could take into account actual year-end rate base balances. The collection period was extended to 12 months (reducing the amount collected each month) to reduce the potential impact on customers. The collection period was moved to June 1st to permit more review time. None of these changes were intended to somehow reduce or eliminate the recovery of RAM revenues in a rate case test year – which is what the Consumer Advocate’s proposal would do.” These arguments reflect a very basic disagreement over the nature of RAM rate adjustments – with HECO asserting that, once calculated, a prorated share of every dollar of RAM revenue is owed by ratepayers, even when new interim rates are approved by the Commission that supersede the RAM amounts. The Consumer Advocate does not view an ID&O issued by the Commission to “eliminate the recovery of RAM revenues in a rate case test year,” but rather to replace and update such recoveries with a more detailed calculation of the appropriate revenue requirement for that year. HECO has no entitlement to recovery of RAM revenues after the RAM amount has been replaced by a Commission approved ID&O for the test year.

A. RAM PURPOSE AND INTENT ARGUMENTS.

The HECO Comments at page 9 argues that, “The Company’s position also is consistent with the purpose of including a revenue adjustment mechanism in a

decoupling mechanism,” following this assertion with recitation of the Energy Agreement signed in October 2008 (“HCEI Agreement” or “Energy Agreement”) and excerpts from previously submitted Joint Proposals and Statements of Position filed by HECO and the Consumer Advocate in the decoupling Docket No. 2008-0274. HECO concludes this discussion with the statement, “In the Joint Final Statement of Position of the HECO Companies and Consumer Advocate (May 11, 2009), the Joint Parties included similar or identical statements. With respect to the RAM, the Joint FSOP states that ‘there is a need to allow increases in target revenue levels each year. This is accomplished through a revenue adjustment mechanism, or RAM.’”

The Consumer Advocate does not dispute HECO’s summary of the HCEI Agreement or the position statements cited by the Company, but would observe that the RAM revenue treatment supported by the Consumer Advocate, includes annual RAM revenue adjustments effective on June 1 and continuing thereafter, until replaced by an ID&O in a rate proceeding. This treatment is entirely consistent with the HCEI Agreement and the Joint Final Statement of Position. Adding retroactive accruals of RAM revenue for periods prior to June 1, as now requested by HECO, is not needed for the RBA/RAM tariffs to meet the goals stated by the parties in the decoupling docket or that were documented within the HCEI agreement. The concept supported by the Consumer Advocate does allow an increase of target revenue levels each year, but also recognizes that in a rate case year, a more rigorous analysis of the test year support in the rate case filing should yield more reliable rates.

HECO’s Comments suggest that the Company’s intent to accrue RAM revenues earlier than June 1 was made obvious “during the course of the proceedings” through

illustrative financial calculations the Company prepared. Starting at page 11 of the HECO Comments, the Commission is directed to certain financial projections that were prepared by HECO as “illustrations” of how revenues collected pursuant to the RAM and RBA would compare under three scenarios.” According to HECO, “These estimated results reflect the Company’s position as evidenced by the illustrations submitted. The Consumer Advocate’s position does not.”

To state the obvious in response to this argument, HECO’s chosen input assumptions and spreadsheet calculations in response to a Commission request for information does not indicate any Consumer Advocate consent to or support for the assumptions or calculations. No change to the RAM Provision or RBA Provision language was predicated upon these illustrations. No discussion on the record in Docket No. 2008-0274 indicates any clarity was added regarding the revenue accrual issue as a result of this HECO-submitted information. The Consumer Advocate did not prepare any comparable financial calculations and did not comment upon the illustrations submitted by HECO because they were not part of any jointly submitted filing. HECO now asserts that its PUC-IR-14 illustrations, “...clearly stated the Company’s intent to recover and accrue RAM revenues from the beginning of a rate case test year until the effective date of interim rate relief.” However, it takes HECO another page of dense prose to tease out how this “clear statement” of the Company’s “intent to recover and accrue” RAM revenues was ever revealed to the Commission.

The PUC-IR-14 submission of financial projections by HECO clearly did not clarify the Company’s position on the revenue accrual question. The transcript excerpts quoted in the Consumer Advocate’s previously filed comments indicate considerable

confusion within the Company regarding whether and when revenue accruals for RAM rate adjustments might commence, as well as general confusion from among the other parties.¹³ As noted in the Consumer Advocate's previously submitted comments, the Consumer Advocate is less concerned about HECO's accounting recognition concerns than about when ratepayers are actually obligated to pay the RAM revenue adjustment. We view the key issue to be; what amount of RAM adjustment is appropriate for recovery from ratepayers starting on June 1? The accounting should follow and not drive this determination. Fortunately, this issue is resolved by the plain language of the tariffs, which language appears to be largely undisputed by HECO.

The HECO Comments also suggest, through a series of disjointed quotations from hearing transcripts, that "[t]he Companies' position tracks the discussion of accrual accounting for the RAM that took place at the hearing."¹⁴ Rather than repeat the confounding dialogue among HECO witnesses that was set forth previously, the Consumer Advocate would again refer to the tariff documents for guidance about the timing of ratepayer responsibility for RAM revenue changes, as outlined in our April 21 Comments.¹⁵

¹³ Consumer Advocate Comments filed April 21, 2011; Mr. Champley: "Then I guess I'm confused in listening to the two responses from HECO. as to how – if there is a lag, how do you effectively, you know, record it financially on your books on January 1st."

¹⁴ HECO Comments at page 15.

¹⁵ See Division of Consumer Advocacy's Comments on Attachment 5 to Hawaiian Electric Company, Inc.s Transmittal No. 11-02, April 21, 2011, pages 14-19.

B. OTHER HAWAII SURCHARGES ARGUMENT.

At page 20 of the HECO Comments, the Company asserts that, “The collection of the RAM Revenue Adjustment continues outside the calendar year, and lags the accrual of the RAM Revenue Adjustment within the calendar year” and that, “This is similar to how the accrual and collection of the Demand Side Management (“DSM”) cost recovery adjustment was applied for the Hawaiian Electric Companies as it related to lost revenue margins each calendar year.” After reciting how the amounts of DSM lost revenue margins were calculated and later collected through the DSM cost recovery mechanism, HECO describes historical details for this mechanism as follows:

In the DSM cost recovery adjustment that was effective April 1, 2006, Hawaiian Electric was recovering, among other DSM program elements, an amount for 2006 lost revenue margins for the calendar year. Hawaiian Electric ceased the accrual of lost revenue margins effective May 26, 2006 in compliance with the Commission’s order to discontinue the recovery of lost revenue margins. Effective May 26, 2006, Hawaiian Electric modified the DSM cost recovery adjustment that was effective April 1, 2006 by substituting the 2006 lost revenue margins accrued through May 25, 2006 for the estimated 2006 lost revenue margins for the entire calendar year in the amount to be collected through March 31, 2007, the end date for the collection period for the 2006 lost revenue margin. Hawaiian Electric maintained the collection period for the 2006 lost revenue margin, but adjusted the amount of the 2006 lost revenue margin to be recovered.¹⁶

This series of prior revenue accruals and collections may have been consistent with the provisions of the DSM cost recovery mechanism, before lost revenues margins were eliminated from that mechanism, but these provisions do not indicate any intent favoring accruals of RAM revenues prior to the June 1 effective date set forth in the RBA/RAM tariffs. The Consumer Advocate did not find guidance for its work in the development and negotiation of RBA and RAM provisions within the previously applied

¹⁶ HECO Comments at page 22.

DSM cost recovery mechanism and does not recall HECO making any prior reference to this mechanism in its evidence in the decoupling Docket.

C. HECO COMMENTS REGARDING THE CONSUMER ADVOCATE'S POSITION.

According to the HECO Comments, "Adoption of the Consumer Advocate's position would result in unreasonable, unfair and seriously unintended consequences." The Consumer Advocate believes that the examples cited by HECO do not represent "unintended consequences" at all, but are instead the precise results intended by the Consumer Advocate from the procedures set forth within the jointly sponsored RBA/RAM tariffs.

The first example cited by HECO states, "A general rate increase application can be filed on July 1, using the next calendar year or a test year. The Commission's interim order is due within 10 months if a hearing has been held (or as of May 1 of the test year for an application filed on July 1 of the prior year), or within 10 months plus 30 days if a hearing has not been held (or as of May 31 of the test year for an application filed on July 1 of the prior year). Thus, in the case of a rate application filed on July 1st, the RAM for the test year would be completely nullified under the Consumer Advocate's position, since it would be stopped (May 1st or May 31st) even before it started (June 1st)."

In response, the Consumer Advocate would first note that the purpose of the RAM is to reduce the financial impacts of regulatory lag between rate case test years and not supplement revenue recoveries after the Commission issues a rate case order. HECO's example is focused upon a RAM year that is also a test year where relief from

regulatory lag is not necessary. Within this assumed rate case test year, the estimated RAM revenue change is properly superseded by the more rigorously developed and presumably more accurate revenue requirement resulting from a Commission ID&O. HECO has not “lost” its RAM revenue increase under this example, it has “found” a more complete and compensatory revenue increase resulting from the assumed pending rate case, which is precisely what is intended within the definition of Target Revenue at paragraph B of the RBA tariff. The priority status of an ordered test year revenue requirement (over the RAM estimated revenue requirement) is admitted in the HECO Comments where reference is made to, “a special refund provision applicable if the RAM revenue accrued in a test year (prior to an interim increase) exceeds what the utility would have collected under the new base rates ultimately set in the rate case had been in effect for that period.”¹⁷

The HECO Comments next address a scenario in which, “...the Commission could issue an order on January 1, 2013 discontinuing decoupling. If the Consumer Advocate’s position is adopted, this order would be given retroactive effect by allowing recovery of, at most, 7/12ths of the RAM revenues attributable to 2012.” While not indicating why HECO views this scenario as possible or probable, the Company’s discussion reveals the Company’s unfounded position it has some entitlement to RAM revenues aligned with calendar years – in this case calendar 2012 where recovery of “at most, 7/12ths of the RAM revenues attributable to 2012” is viewed as a problem. The Consumer Advocate does not find support for any attribution of RAM revenues to any calendar year, because the RBA/RAM tariffs attach such revenues to a lagged

¹⁷ Id, page 25.

period commencing in June and to no other period. In any event, a Commission order to discontinue decoupling could specifically consider and address any transition issues that are raised, including the financial impacts upon HECO of such discontinuation.

The HECO Comments also state that, “the Consumer Advocate’s position would distort the application of the earnings sharing credit component of the RAM” without any explanation of how this would occur. The earnings sharing provision within the RAM tariff prescribes an Earnings Sharing Revenue Credit whenever HECO’s calculated ROE exceeds authorized levels with a sharing of such excess earnings with customers.¹⁸ Since these credits only occur when there is excessive ROE, application of the RAM adjustment pursuant to tariff, and without retroactive accruals, may be expected to produce somewhat lower total revenues and earnings in a particular year than HECO’s proposed RAM revenue accrual approach. This outcome would reduce the potential for Earnings Sharing Credits overall, but does not “distort the application” of the mechanism as alleged by HECO.

D. HECO EXHIBIT 4 ILLUSTRATIONS.

The HECO Comments provide, in Exhibit 4, illustrative summaries and calculations of journal entries that would be recorded if the Company’s position regarding accrual of RAM revenues prior to June 1 is approved. The Consumer Advocate does not believe there is any need to analyze illustrative journal entries to resolve this issue, since the effective date for RAM annual revenue adjustments is clearly stated in the RBA/RAM tariffs. However, a review of the Company’s Exhibit 4

¹⁸ RAM Tariff Sheet No. 93D.

indicates the considerable complexity that is added by the Company's accrual approach. Beneath the pages of journal entry detail, a spreadsheet presentation of HECO's view of decoupling is presented at Exhibit 4, page 8.

HECO's Exhibit 4 spreadsheet simulates the "TRACKER" activity contemplated in the RBA tariff and shows the entries that are required to account for the "RBA REGULATORY ASSET" that were contemplated by the parties to the Joint Final Statement of Position. This regulatory asset account is needed to record the result of comparing Target Revenue in the RBA Provision tariff to Recorded Adjusted revenues in each month. HECO's Exhibit 4 adds a second and entirely unnecessary new "RAM REGULATORY ASSET" account that would set up and reverse accruals of RAM revenues to effect the attribution of RAM revenues to calendar periods in a manner that is contrary to the provisions within the tariffs. For example, in June of 2011, HECO would accrue \$100,000 of RAM revenues retroactive to March 1 and then amortize this accrual ratably in later months by continuing RAM charges of \$7,197 monthly to ratepayers after the assumed July 1 effective date for a rate case ID&O. This second regulatory asset account is wholly unnecessary for decoupling to proceed as agreed upon by HECO and the Consumer Advocate. Only the single RBA Regulatory Asset accounting was ever presented by these parties in any documents filed within the decoupling Docket No. 2008-0274.¹⁹

¹⁹ See, for example, page 16 of the previously submitted Division of Consumer Advocacy's Comments on Attachment 5 to Hawaiian Electric Company Inc.'s Transmittal No. 11-02, where the "Simplified Example Revenue Balancing Account Exhibit C" was discussed. This Exhibit was attached as Exhibit C to the Comments and illustrates the single regulatory asset account that is required to implement decoupling and RAM revenue adjustments in each year.

III. RATE BASE REVIEW AND REVISIONS – NET PLANT AND OTHER ITEMS.

The Consumer Advocate has reviewed the calculations and supporting documentation underlying the net plant and other miscellaneous components of HECO's proposed Rate Base RAM. One relatively minor correction has been agreed to by the Company and the Consumer Advocate identified other items that might have impacted net plant but believes that no adjustment is required at this time. Each of these items is discussed below.

A. 2011 CIAC AMORTIZATION.

HECO Attachment 4, page 2, summarizes the various components comprising the Company's proposed revenue adjustment for the 2011 Rate Base RAM. On page 2 of Attachment 4, the Company shows the 2011 rate base change for CIAC amortization as \$10,174,536 (rounded to thousands as \$10,175) at line 18, column G and at line 34. A review of the Company's calculation of the amount of the 2011 CIAC amortization (see Attachment 4.1, page 1 and Attachment 4.5, page 17) revealed that the \$10,175 amount should have been \$10,083 (rounded) after considering the consistent elimination of First Wind items from rate base.

This modification was informally shared with and agreed to by HECO.

B. REVIEW OF BASELINE CALCULATIONS.

In reviewing the Application filed by HECO on March 31, 2011, the Consumer Advocate sought to review not only the mechanics of HECO's calculations set forth in their filing, while also confirming the input data by tracing those amounts into identified

reports or sources. If the inputs used in the Rate Base RAM calculations were not reliable and not verifiable, the calculations, even if mechanically correct, would yield unreasonable results. The Consumer Advocate's review included careful review of the support for the baseline capital additions, major capital improvement projects ("CIP") and contributions in aid of construction ("CIAC") since these areas are important drivers of the Rate Base RAM Adjustment. In its review, the Consumer Advocate has made a number of observations, which are discussed in sections III.B.1 through III.B.3 below, but has not proposed any adjustments to plant additions for purposes of calculating the Rate Base RAM component.

1. Baseline Plant Additions.

On Attachment 4.1, page 2, HECO sets forth the calculation of the average baseline additions that should be used as one of the components of Rate Base RAM. The plant addition amounts set forth on this schedule are referenced primarily to the annual reports previously filed by HECO in Docket No. 03-0257.²⁰ The Consumer Advocate's Rate Base RAM review, not only verified the amounts on Attachment 4.1, page 2 with the reports filed in Docket No. 03-0257, but also compared these plant amounts to the cost reports HECO filed in various CIP applications in order to ensure that the amounts being reflected on Attachment 4.1 were consistent with the Company's reporting in other forums. As a result of that review, the Consumer Advocate noted a

²⁰ The subject of Docket No. 03-0257 was to determine whether it was reasonable to modify the dollar threshold that would require a filing for explicit Commission approval of capital improvement project pursuant to General Order No. 7, paragraph 2.3.g.2. from \$500,000 to a higher amount. As set forth in Decision and Order No. 21002 filed on May 27, 2004, the Commission approved an increase in the threshold from \$500,000 to \$2,500,000 for the HECO Companies.

number of items that required additional analysis, but did not result in any recommended adjustments to the calculation of the average baseline plant additions.

Those items can be generally categorized as follows:

1. Projects where the reported costs varied between Attachment 4.1 and the reports filed in Docket No. 03-0257 (“Category 1”);
2. Projects where the reported costs varied between Attachment 4.1 and the cost reports filed in the respective CIP or other docket (“Category 2”); and
3. Projects whose costs were not reflected on Attachment 4.1, but were the subject of filings made pursuant to General Order No. 7, paragraph 2.3.g.2. (“G.O. No. 7”) (“Category 3”).

In the review of Category 1 differences, the Consumer Advocate notes that a number of projects on Attachment 4.1, page 2 reflect costs in certain years that are outlined by a box²¹, which appears to indicate that the costs in those boxes are recorded as part of that project, but were not reflected in a report filed in Docket No. 03-0257. Notwithstanding the apparent differences between certain of the project amounts listed on Attachment 4.1, page 2 and the reports in Docket No. 03-0257, the accumulated costs on Attachment 4.1 generally agreed with the cost report filed in the respective G.O. No. 7 filing. The Consumer Advocate focused on those projects where the total project costs exceeded \$2,500,000,²² since the baseline additions were meant

²¹ In the black and white version of the schedule, these numbers are outlined by a box, but on the native file or on a color version, the amounts are highlighted/shaded.

²² As will be discussed later, the Company has not reflected any adjustments for CIP that were the subject of G.O. No. 7 applications prior to the Commission’s Decision and Order No. 21002 and whose total project costs were less than the \$2,500,000 threshold established in Decision and Order No. 21002.

to exclude major capital projects that are accounted for separately in the RAM filing.

The following differences are observed.

Docket No.: Description	Cost per Attachment 4.1	Cost per report filed in Docket No. 03-0257	Per cost report filed in CIP Docket
Docket No. 2008-0321: Beckoning Point	\$2,454,759	\$3,232,567	\$2,118,410
Docket No. 03-0124: Telecommunications and Network System	Not Reflected	1,946,731	4,642,489

Due to time constraints, the Consumer Advocate was unable to informally inquire about Docket No. 2008-0321, but did receive additional information from the Company regarding Docket No. 03-0124. In an email message sent on April 27, 2011, HECO indicated that the majority of the costs in Docket No. 03-0124 were incurred prior to 2006, with only \$25,535 recorded in 2006,²³ and explained that these amounts were “stragglers,” suggesting that the nominal impact did not merit an adjustment. The Consumer Advocate contends that such stragglers costs should be recognized as appropriate. If those stragglers costs are included in the Total Plant Additions line item at the top of Attachment 4.1, page 2 and those costs were incurred as part of a major capital improvement project, those amounts should be removed in quantifying the five-year average baseline additions. If the accumulated total of such stragglers costs are sufficient in amount to affect the resulting RAM tariff amount, the appropriate adjustment should be made. In this instance, based on the Consumer Advocate’s

²³ As the five-year average of baseline plant additions for the current tariff filing relies on 2006 through 2010, any costs recorded prior to 2006 should not affect the resulting tariff calculations.

expedited review, it appears that this item is the only straggling cost in this category and the Consumer Advocate has not proposed an adjustment in the instant filing.

In its review of Category 2 differences, the following were observed.

Docket No.: Description	Cost per Attachment 4.1	Per cost report filed in CIP Docket
Docket No. 2009-0155: Kahe 3 Co-firing	\$4,957,351	\$5,229,443
Docket No. 05-0146: Kahe RO Water Project	1,123,313	5,525,516
Docket No. 05-0146: Air Quality Monitoring Station	391,926	1,198,000
Docket No. 00-0040: Ward Air Conditioning Improvement	4,381,591	8,132,907
Docket No. 02-0142: Mokuone Substation	6,862,603	6,862,703
Docket No. 03-0360: New Dispatch Center	27,207,992	27,087,203

Some of these observed differences are significant. Although the Consumer Advocate was unable to complete its review in order to obtain additional information on each of these differences, information was obtained on certain differences. For example, in response to the observed difference for Docket No. 2009-0155, the Company provided information by email transmitted on April 28, 2011 explaining that the amount reported in the CIP cost report included removal and clearing charges. The information provided by the Company included a report titled "2201 Project Hierarchy Summary Report" that identified certain removal and clearing charges that were necessary to reconcile the total amount shown on Attachment 4.1, page 2 and the cost report filed in Docket No. 2009-0155. It is important to note for purposes of this Transmittal review, however, that only the net amount of \$4,957,351 is reflected in the "Total Plant Additions" amount of \$170,051,118 for 2010 reflected towards the top of

Attachment 4.1, page 2. Thus, even where there might be differences between the amounts for the projects shown on Attachment 4.1, page 2 and the cost reports filed in the respective major capital additions proceedings, no adjustment would generally be necessary as long as the amount shown on Attachment 4.1, page 2 agrees with the corresponding amount reflected in the annual reports filed in Docket No. 03-0257.²⁴

In its review of Category 3 differences, the following were observed.

Docket No.: Description	Cost per Attachment 4.1	Per cost report filed in CIP Docket
Docket No. 2006-0003: Human Resources Suite	Not Reflected	\$8,218,848
Docket No. 02-0143: Puuloa Rd Improvements	Not Reflected	1,765,336
Docket No. 01-0135: Waialua Sugar Privatization	Not Reflected	554,683
Docket No. 01-0228: Waikiki Rehabilitation Project 1	Not Reflected	569,084
Docket No. 04-0051: Kahe 6 Fan Enclosure	Not Reflected	845,944
Docket No. 04-0104: Waiau CT Separation	Not Reflected	975,862
Docket No. 04-0131: Outage Management System	Not Reflected	6,078,000
Docket No. 03-0107: Kukui Gardens Conversion	Not Reflected	768,956
Docket No. 03-0362: Waiau 6 High Pressure Turbine Blades	Not Reflected	1,838,339
Docket No. 04-0109: Waiau 9 Exhaust Duct Replacement	Not Reflected	919,116

²⁴

It should be noted, however, that this conclusion is limited to the determination of the baseline capital additions. Since major capital improvement projects are considered separately in the Rate Base RAM component of the decoupling tariff, if the amount reflected in the decoupling support for a major capital project is greater than the amount approved by the Commission and/or reported by the company in its cost report in the respective G.O. No. 7 proceeding, such excess should be excluded, consistent with the Commission approved tariff language.

Within this list of projects, it is the Consumer Advocate offers the following observations:

1. Certain major projects, such as Docket Nos. 2006-0003 and 04-0131, represent software projects that should be excluded from the Rate Base RAM calculations pursuant to the terms and conditions of RAM;
2. For projects whose total costs fall below \$2,500,000, even though subject to the requirements of G.O. No. 7 prior to the Commission's Decision and Order No. 21002, the Company has not proposed to remove these amounts in calculating the baseline capital additions. However, this treatment is consistent with the terms and conditions of RAM which defines major projects as those exceeding \$2,500,000.

The Consumer Advocate offers the following comments on these points. The Consumer Advocate continues to support the agreement that, for the purposes of the calculations involved with decoupling, software projects should not be considered as a major project. Notwithstanding that position, however, if software project costs were reflected in the annual report filed in Docket No. 03-0257 and included in the first line of Attachment 4.1, page 2, those amounts should be removed in calculating the baseline capital additions. Based on the expedited review that the Consumer Advocate was able to conduct, it does not appear that the costs associated with Docket Nos. 2006-0003 and 04-0131 are included in the Total Plant Additions line on Attachment 4.1, page 2. As such, no adjustment to the baseline capital additions appears to be necessary.

As it relates to projects that once qualified as a G.O. No. 7 CIP application and were approved as such but would no longer qualify due to the increase in the dollar

threshold, the Consumer Advocate notes that since these project costs are less than \$2,500,000, it would be reasonable not to require adjustments for these projects since: 1) these projects, if initiated now, would not be deemed to be a major capital improvements; and 2) these types of projects will not be classified as major projects and will not require separate CIP applications in the future.²⁵

2. Baseline CIAC.

The Consumer Advocate also reviewed the applicable monthly reports to verify the inputs used to calculate the baseline contributions in aid of construction ("CIAC") shown on Attachment 4.1, page 3. In its review, the Consumer Advocate noted that certain beginning year balances on Attachment 4.1, page 3 did not necessarily agree with the January report filed by HECO in that year, such as in 2007. The beginning year balance on Attachment 4.1, page did, however, agree with the beginning balance shown in the December report filed in that same year. Based on the assumption that the beginning year balance as reported in January was adjusted to reflect appropriate adjustments, the Consumer Advocate does not have any further comments on the baseline CIAC calculations.

IV. ACCUMULATED DEFERRED INCOME TAX ISSUES.

The Consumer Advocate has reviewed the Company's Rate Base RAM calculations and does not agree with several elements of the Accumulated

²⁵ The Consumer Advocate did not note any projects that were budgeted to be less than \$2,500,000 but whose actual costs exceeded that amount. If such projects were noted, additional analysis and discussion would be warranted.

Deferred Income Tax ("ADIT") amounts set forth therein. These problems include the following:

- 1) Understatement of Accumulated Deferred Income Taxes of the 2011 property additions that will be eligible for 100% Bonus Tax Depreciation.²⁶
- 2) Correction of Accumulated Deferred Income Taxes for disallowed costs of Campbell Industrial Park Unit CT-1 ("CIP CT-1").
- 3) Correction of Accumulated Deferred Income Taxes for Waiiau 8 Boiler Controls Upgrade project to recognize eligibility for Bonus Tax Depreciation.
- 4) Omission of Accumulated Deferred Income Taxes for the Beckoning Point and Kahe RO Water Treatment major projects inadvertently omitted in HECO's filing.

A. BONUS DEPRECIATION ON 2011 PROPERTY ADDITIONS.

The Company's Rate Base RAM includes estimated ADIT associated with the projected Plant in Service Additions for the RAM year, as prescribed at paragraph 2(v) of the RAM Tariff.²⁷ In accordance with the tariff, the Company has calculated ADIT by starting with the recorded balances of ADIT at December 31, 2010 and then adding, "...the estimated tax effect of the depreciation timing different (i.e., difference between

²⁶ The Commission required submission of a Statement of Position by the Consumer Advocate in its *Final Decision and Order and Dissenting Opinion of Leslie H. Kondo, Commissioner* filed on August 31, 2010 in Docket No. 2008-0274 at page 45.

²⁷ RAM Tariff Sheet 93F.

book depreciation and tax depreciation) on the Baseline Capital Projects and Major Capital Projects added to rate base during the RAM period.”

Recent changes in the Internal Revenue Code were enacted by Congress to provide continuing economic stimulus by extending “bonus” tax depreciation on newly acquired assets. The Small Business Jobs Act enacted in September 2010 served to extend the 50 percent bonus tax depreciation that was effective in 2008 throughout tax year 2010. Then, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act (“TRUIRJCA”) of 2010 became law in December and provided for “100 percent bonus” depreciation on qualifying property additions acquired after September 8, 2010 and within 2011, while also providing for 50 percent bonus depreciation for tax year 2012.²⁸

HECO property acquired in 2010 and prior to September 8, 2010 is generally entitled to a “50% bonus” tax depreciation deduction as a result of the tax law changes. However, the unusual September 8, 2010 cutoff date to establish eligibility for the larger 100% bonus depreciation under the TRUIRJCA complicates quantification of such eligibility for taxpayers that keep their records on a calendar month basis. This cutoff date forced HECO to employ an imprecise estimation technique to segregate the estimated RAM year 2011 plant addition amounts that would receive 50 percent versus 100 percent bonus tax depreciation.

Attachment 4.4 to the Company’s Application displays the estimation technique employed by the Company to estimate the portion of its 2011 plant addition project

²⁸ The Small Business Jobs Act of 2010, Pub. L. No. 111–240, 124 Stat. 2504 (September 27, 2010) (SBJA), and § 401(a) and (b) of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111–312, 124 Stat. 3296 (December 17, 2010) (TRUIRJCA).

costs that would qualify for 100 percent bonus depreciation because property acquisition occurred after September 8, 2010. This calculation involves a list of active capital addition projects and first assumed that any listed 2011 Project that had recorded expenditures as of December 31, 2010 should preliminarily be assumed not qualified for 100 percent bonus depreciation. This produced a quite low 26.5% preliminary summation of the classified 2011 project dollars presumed to be eligible for 100 percent bonus depreciation. Next, HECO "factored up" this preliminary result by 133.33 percent to recognize that the actual eligibility cutoff date for 100 percent bonus depreciation is September 8, 2010 rather than December 31, 2010. The explanation for this approach is stated at Attachment 4.4, page 10 as, "The second step in this calculation was to gross up this percentage by a 33% factor to account for the additional 4 month period 100% bonus depreciation was available in 2010." The Company's calculations at Attachment 4.4, page 10 cause HECO to treat only 35.33% of capital project spending in 2011 as eligible for 100 percent bonus depreciation.

When HECO was asked about this estimation method, the Company explained that, "The estimation logic was necessary since the actual data showing the beginning and ending dates of project additions for 2011 will not be available until after December 31, 2011. The application of the 133% gross up logic necessarily assumes that projects start ratably over time. This may not reflect reality from month to month, but it is a reasonable and necessary assumption for projecting qualifying projects for the year."²⁹

²⁹ HECO E-mail from Sue Miller dated 4/28/2011.

The Consumer Advocate views the Company's estimation technique for classification of projected 2011 Plant Addition Projects to be downwardly biased. There is no certainty that Projects with accumulated charges at year-end 2010 had any significant recorded charges as of September 8, 2010. The Consumer Advocate is proposing a different estimation that applies the average daily projected expenditures rate for the project in 2011 to the cumulative expenditures actually recorded by year-end 2011, assuming that daily spending at the 2011 rate, if extant in late 2010, would better indicate whether any expenditure balance was likely to have existed as of September 8, 2010. This revised algorithm is applied in CA Revised Attachment 4.4 to illustrate the effects of the change. An additional correction is included in CA Revised Attachment 4.4, page 10, to eliminate the last listed project P7650000 W8 Boiler Control Upgrades, which is separately addressed as a major project at Attachment 4.4, page 2 and in Consumer Advocate Comments, below, and should not be included in calculations applied to baseline project additions.

B. CORRECTION OF CT-1 EXCESS COST ADIT.

The costs of Campbell Industrial Park ("CIP") generating unit that exceed the amount approved by the Commission for rate base inclusion in Docket No. 2008-0083 have been removed from the Rate Base RAM in HECO's calculations. Part of this exclusion involves isolation of the recorded 2010 year-end ADIT balance that is associated with the excluded excess costs. HECO Attachment 4.3 at pages 3 and 4 contain these calculations, with page 4 detailing recorded CIP costs by Project that

were determined to exceed allowed levels, to calculate book and tax depreciation on each project.

In an e-mail dated April 27, HECO confirmed that two of the CIP project cost elements for the Black Start Generator and the Water Treatment System³⁰ had actually qualified for 50 percent bonus tax depreciation in 2009, even though HECO's filing had assumed no bonus depreciation on this property. Correcting for this error reduces average RAM ADIT balances by \$229,062, increasing RAM Rate Base by a corresponding amount.

C. WAI AU 8 BOILER CONTROL BONUS DEPRECIATION.

The Wai au 8 Boiler Control capital addition project was recognized as a Major Plant Addition in the Company's RAM filing. The tax depreciation calculations for this project were appended as a line item at HECO Attachment 4.4, page 2 where a 20 year tax classification with annual first year tax depreciation at 3.75% is assumed. However, upon review by HECO, this project was confirmed to be eligible for 50 percent bonus depreciation, resulting in a 51.875% tax depreciation rate for this property in tax year 2011. HECO confirmed the need for this correction in an e-mail dated April 27, 2011. The effect of this correction is an increase in the average RAM year ADIT balance of \$335,842, with a corresponding reduction in rate base in this amount.

³⁰ These projects are embedded in the P4900000 Project amount shown at HECO Attachment 4.3, page 4.

D. ADIT CORRECTION ON OTHER MAJOR PROJECTS.

Aside from the Waiiau 8 Boiler Control project, HECO omitted any tax depreciation or ADIT estimates for the other three Major Capital Project items that were included in RAM Rate Base and that had additional straggling costs incurred in 2011 even though these projects were completed and placed into service in 2010. These three projects are:

- Beckoning Point Substation & 46KV, completed in May of 2010.
- Kamoku 46kv Underground Phase I, completed in June of 2010.
- Kahe 3 Biodiesel, completed in September of 2010.

These projects are listed within the “2011 PLANT ADDITIONS – PROJECTS” set forth on Attachment 4.4, pages 5 through 10 that HECO used to develop the 100% bonus depreciation eligibility factor that was discussed herein above. The listed amounts of recorded costs at 12/31/2010 for each of these projects³¹ shows that the vast majority of recorded charges were incurred in 2010, such that recorded ADIT balances as of December 31, 2010 would already reflect most of the ADIT on these projects. This fact leaves only minor amounts of “straggling” costs as incurred in 2011 where such straggling costs would be subject to tax depreciation and incremental ADIT effects. Given the relatively small amounts involved, the Consumer Advocate has not proposed an adjustment to 2011 tax depreciation or ADIT for such straggling costs.

³¹ HECO Attachment 4.4 lists these Major Capital Projects as P0001497 and P0001498 (Beckoning Point) on page 5, P0000922 (Kamoku 46KV) on page 7, and P0001577 (K3 Biofuel) on page 8.

V. CONSUMER ADVOCATE RBA RATE CHANGE.

The Consumer Advocate has compiled, within Exhibit 1 to this Statement of Position, its revised calculations for the Rate Base RAM Adjustment using edited versions of HECO's Attachment 4 through Attachment 4.4 to illustrate each of the revisions that are proposed herein.³² As noted previously, the Consumer Advocate does not dispute any of HECO's calculations of the O&M RAM Adjustment, even though such calculations do not apply a productivity offset for merit labor costs. The net effect of the Consumer Advocate's recommended changes to the Rate Base RAM would reduce that calculation from \$9.57 million to \$9.36 million.

³²

The Consumer Advocate also notes that HECO Attachment 4, page 3 applies a "Rev Tax & Bad Debt Reciprocal" factor of 0.91119 that improperly includes an incremental uncollectible factor within the revenue tax factor-up. Correcting this factor results in a 0.91115 value. This change does not materially impact the calculated Effective Pretax Rate of Return that is applied on page 1 to calculate the Rate Base RAM.

VI. CONCLUSIONS AND RECOMMENDATIONS.

For the reasons set forth herein, the Consumer Advocate has concluded that the RAM Adjustment to revenues proposed by HECO in its Transmittal No. 11-02 should be modified, as set forth in the Exhibit 1 to this Statement of Position. Additionally, the Commission should reject HECO's proposal to accrue and recover RAM revenues for periods prior to June 1 of 2011, allowing the RAM Adjustment applied through the RBA tariff to expire upon approval of new interim rates in the Company's pending rate general rate case, Docket No. 2010-0080.

DATED: Honolulu, Hawaii, April 29, 2011.

Respectfully submitted,

By *Dean Nish*
for JEFFREY T. ONO
Executive Director

DIVISION OF CONSUMER ADVOCACY

Revised HECO
 ATTACHMENT 2
 PAGE 1 OF 2

HAWAIIAN ELECTRIC COMPANY

DETERMINATION OF 2011 REVENUE BALANCING ACCOUNT RATE ADJUSTMENT

		<u>HECO Interpretation</u>		<u>CA Interpretation</u>	
		<u>In \$000s</u>	<u>In \$000s</u>	<u>In \$000s</u>	<u>In \$000s</u>
L1	2010 Earnings Sharing Revenue Credit (N.1), Major Capital Projects Credits and/or Baseline Capital Projects Credit		(NA)		(NA)
L2	RBA 2010 calendar year-end balance		NA		NA
L3	O&M RAM Attachment 3	\$5,629		\$5,629	
L4	RATE BASE RAM Attachment 4	\$9,570		\$9,347	
L5 = L3 + L4	TOTAL RAM	\$15,199		\$14,976	
L6	Adjustment for RAM Period March 1, 2011 - December 31, 2011 306 days ÷ 365 days	83.84%		100%	annualize
L7 = L5 x L6	2011 RAM to be Recovered		<u>\$12,742</u>		<u>\$14,976</u>
L8 = L1 + L2 + L7	Total RBA Rate Adjustment		\$12,742		\$14,976
L9	Estimated GWH Sales, June 2011 to May 2012 Attachment 2, Page 2		7,521.8		7,521.8
L10 = (L8 x 1000 x 100) - (L9 x 1000000)	RBA Rate Adjustment, ¢ per kWh Effective June 1, 2011 through May 31, 2012		0.1694		0.1991
L11 = L10 ÷ 100 x 600	Monthly Bill Impact @ 600 kWh		\$1.02		\$1.19

NA = Not Applicable (Implementation of Decoupling began on March 1, 2011)

N.1 Because decoupling was implemented on March 1, 2011, the first Evaluation Period Earnings Sharing calculation as described in the RAM tariff provision, Sheet No. 93-C to 93-D, will be provided as part of the Company's 2012 Rate Adjustment Mechanism filing for the Evaluation Period of 2011.

Revised HECO Attachment 4, p.1

Hawaiian Electric Company, Inc.
Revenue Decoupling - 2011 Rate Base RAM
Based on 2009 Test Year
(\$000's)

	(A) <u>Test Year 2009</u>	(B) <u>2011 Estimate</u>	(B) - (A) <u>Difference</u>			<u>Rate Base RAM</u>
Average Rate Base (RAM components only)	1,144,935	1,157,469	12,534	x	12.91% (1)	1,618
<u>Income Statement Effects:</u>						
CIAC Amortization	(9,335)	(10,083)	(748)	÷	91.12% (2)	(820)
Annualized Depreciation adjusted for RAM purposes	89,678	97,468	7,790	÷	91.12% (2)	8,549
						<u><u>9,347</u></u>

Source: Attachment 4 page 2

- (1) Effective Pre-Tax Rate of Return. Attachment 4 page 3
- (2) Revenue Tax and Bad Debt Reciprocal. Attachment 4.5 page 8

Revised HECO Att. 4, page 2

Hawaiian Electric Company, Inc.
2011 Rate Base RAM
(\$000's)

	HECO 2009 Test Year Rate Base		References for Col. A & B	2011 Rate Base RAM			Reference for Col. H	
	Beg. Balance	Ending Balance		Actual	2011	Estimated		
	12/31/2008	12/31/2009		12/31/2010	Changes	12/31/2011		
1	Net Plant In Service							
2	Plant in Service:							
3	Starting Balance				\$ 2,946,751	Attachment 4.1 page 1		
4	Additions			\$ 91,838	91,838	Line 27 + Line 28		
5	Retirements							
6	Ending Balance			2,946,750.8	91,838	3,038,589	Sum: Lines 3...5	
7	Accumulated Depreciation:							
8	Starting Balance				(1,374,017)	Attachment 4.1 page 1		
9	Cost of Removal							
10	Salvage							
11	Depreciation Accrual			(99,920)	(99,920)	Line 29		
12	Retirements							
13	Ending Balance			(1,374,017)	(99,920)	(1,473,937)	Sum: Lines 8...12	
14	Net Plant in Service	1,365,578	1,575,485	Attachment 4.5 page 6	1,572,734	(8,082)	1,564,652	Line 6 - Line 13
15	Deductions							
16	Starting Balance					(186,553)	Attachment 4.1 page 1	
17	Unamortized CIAC				(10,222)	(10,222)	Line 32+ Line 33	
18	Adjustment for CIAC amortization - previous year's amortization portion					10,083	10,083	Line 34
19	Ending Balance	(178,757)	(183,375)	Attachment 4.5 page 6	(186,553)	(139)	(186,692)	Sum: Lines 16...18
20	Accumulated Def Income Taxes:							
21	Starting Balance					(212,931)	Attachment 4.1 page 1	
22	Additions				(23,340)	(23,340)	Attachment 4.4 page 1, line 13	
23	Ending Balance	(132,510)	(156,551)	Attachment 4.5 page 6	(212,931)	(23,340)	(236,271)	Line 20 + Line 21
24	Total Deductions	(311,267)	(339,926)	Ln 19 + Ln 22	(399,484)	(23,479)	(422,963)	Line 19 + Line 22
25	Net Rate Base (before working cash)	\$ 1,054,311	\$ 1,235,559	Line 14 + Line 23	\$ 1,173,249	\$ (31,561)	\$ 1,141,689	Line 14 + Line 23
26	Average Rate Base (RAM components only)		\$ 1,144,935			\$ 1,157,469		
27	Change in Rate Base:							
28	Baseline Additions		87,812	Attachment 4.1 page 2				
29	Major CIP Project Additions		4,026	Attachment 4.2 page 2				
30	Depreciation		(99,920)	Attachment 4.1 page 1				
31	Net Plant		(8,082)	Sum: Lines 27-29				
32	ADIT - Baseline and Major Projects		(23,340)	Attachment 4.4 p. 1				
33	CIAC - Baseline		(10,222)	Attachment 4.1 page 3				
34	CIAC - Major CIP		-	Attachment 4.2 page 1				
35	Amortization of CIAC		10,083	Attachment 4.1 page 1				
36	Total Change in Rate Base		(31,561)	Sum: Lines 31-34				
37	Effective Pre-Tax Return		12.91%	Attachment 4 page 3	12.91%			
38	Gross Return on Rate Base		\$ 147,811		\$ 149,429	\$ 1,618	Line 25 x Line 36	
39	Income Statement Effects:							
40	Less: CIAC Amortization				change in exp (748)	(820)	Line 46	
41	Add: Annualized Prior Year Depreciation				7,790	8,549	Line 43	
42	Revenue Requirement on Plant Additions					\$ 9,347		

Income Statement Effects:

2011			
41	Annualized Prior Year Depreciation Est. 2011	97,468	Att. 4.1, p. 1 Attachment 4.5 page 11 line 4+5(Supplemental Testimonies)
42	TY 2009	89,678	Line 41- Line 42
43	2011 Change	7,790	
44	CIAC Amortization Est. 2011	(10,083)	Att. 4.1, p. 1 Attachment 4.5 page 11 (Supplemental Testimonies)
45	TY 2009	(9,335)	Line 44 - Line 45
46	2011 Change	(748)	

HAWAIIAN ELECTRIC CO., INC.
ADIT ON TAX DEPRECIATION FOR VINTAGE 2011

Revised HECO Att. 4.4 page 1

		<u>TAX DEPR</u>
FEDERAL DEFERRED TAXES		
1	State Tax Depreciation	3,091,892.00
2	Effective Federal Tax Rate	32.8947%
3	Federal Deferred Tax on State Tax Depreciation	<u>1,017,069.74</u>
4	Addback State Tax Depreciation	(3,091,892.00)
5	Federal Tax Depreciation	<u>66,339,758.00</u>
6	Federal/State Difference	63,247,866.00
7	Tax Rate on Federal Only Adjustment	35%
8	Federal Deferred Tax Adjustment	<u>22,136,753.10</u>
9	Total Federal Deferred Taxes	<u><u>23,153,822.84</u></u>
STATE DEFERRED TAXES		
10	State Tax Depreciation	3,091,892.00
11	Effective State Tax Rate	6.0150376%
12	Total State Deferred Taxes	<u>185,978.47</u>
13	TOTAL FED AND STATE DEFERRED TAXES	<u><u>23,339,801.30</u></u> CR

NOTE: In accordance with the tariff, the change in ADIT in the RAM year is based on the temporary book/tax depreciation differences associated with the RAM year plant additions (major projects and baseline plant additions). It does not include any estimated ADIT related to the repairs deduction or CIAC on RAM year plant additions.

HAWAIIAN ELECTRIC CO., INC.
ADIT ON TAX DEPRECIATION OF BASELINE PLANT ADDS
2011

Revised HECO Att. 4.4 page 2

	2010 ACTUAL			PROJECTS	PROGRAMS	TOTAL	
	LIFE	PROJECTS	PROGRAMS				TOTAL
Communication	20	2,581	1,441	4,022	1.52%	0.85%	2.37%
Comp/Off/Furn/Tools	7	1,243	3,383	4,626	0.73%	1.99%	2.72%
Distribution	20	14,241	37,168	51,409	8.37%	21.86%	30.23%
Land	-	-	44	44	0.00%	0.03%	0.03%
Non-Steam Production	15	5,082	-	5,082	2.99%	0.00%	2.99%
Steam Production	20	22,719	4,368	27,087	13.36%	2.57%	15.93%
Structural	39	231	20	251	0.14%	0.01%	0.15%
Transmission	20	66,596	4,684	71,280	39.16%	2.75%	41.91%
Vehicles	-	-	6,253	6,253	0.00%	3.68%	3.68%
TOTAL		112,693	57,361	170,054	66.27%	33.74%	100.01%

7 yr	0.73%	1.99%	2.72%
15 yr	2.99%	0.00%	2.99%
20 yr	62.41%	28.03%	90.44%
39 yr	0.14%	0.01%	0.15%
Land	0.00%	0.03%	0.03%
Vehicles	0.00%	3.68%	3.68%
Total	66.27%	33.74%	100.01%

BASIS	FED	FED	STATE	STATE
	YR 1	YR 1	YR 1	YR 1
	TAX RATE	TAX DEPR	TAX RATE	TAX DEPR

Amounts subject to 100% bonus

67.66%	100%
<i>Att. 4.4, pg 10</i>	

Vintage 2011 - 100% bonus

7 yr	0.49%	1.99%	2.48%	7 yr	1,856,064	100%	1,856,064	14.29%	265,232
15 yr	2.02%	0.00%	2.02%	15 yr	1,511,794	100%	1,511,794	5.00%	75,590
20 yr	42.23%	28.03%	70.26%	20 yr	52,583,502	100%	52,583,502	3.75%	1,971,881
39 yr									
Land									
Vehicles									
Total	44.74%	30.02%	74.76%						

Amounts subject to 50% bonus

(Total less amounts subject to 100% bonus)

Vintage 2011 - 50% bonus

7 yr	0.24%	0.00%	0.24%	7 yr	179,619	57.145%	102,643	14.29%	25,668
15 yr	0.97%	0.00%	0.97%	15 yr	725,961	52.500%	381,130	5.00%	36,298
20 yr	20.18%	0.00%	20.18%	20 yr	15,102,976	51.875%	7,834,669	3.75%	566,362
39 yr									
Land									
Vehicles									
Total	21.39%	0.00%	21.39%						

Amounts subject to regular depreciation

(no bonus depreciation)

Vintage 2011 - regular

39 yr	0.14%	0.01%	0.15%	39 yr	112,262	1.177%	1,321	1.177%	1,321
TOTAL ASSETS	66.27%	30.03%	96.30%		72,072,178		64,271,123		2,942,352
	<i>excludes land and vehicles</i>				74,841,306				

Baseline plant adds net of repairs

WB Boiler Controls Upgrade	20 yr	3,987,730	51.875%	2,068,635	3.750%	149,540
Total Baseline Plant Adds		76,059,908		66,339,758		3,091,892
		78,829,036				

Baseline Plant Adds	87,812,319
Less: Repairs deduction	12,971,013
Net plant add basis	74,841,306

Hawaiian Electric Company, Inc.
 2011 PLANT ADDITIONS - PROJECTS

Grand parent	Project #	Project Title	Expenditures				
			Project to Date Recorded 12/31/10	2011 Plant Addition	Future Years	Total Update	100%
Y00017	P0000191	Waikiki Rehab Project 2	-	1,494,804	-	1,494,804	1,494,804
Y00017	P0000192	Waikiki Rehabilitation Project 3	1,750,598	1,914,242	-	1,914,242	-
Y00047	P0001037	Puuloa Rd Widening - UG	404,742	104,386	-	104,386	-
Y00064	P0001169	CIP0 Kahe RO Water Project	1,123,313	28,000	-	28,000	-
Y00065	P0001177	W8 BFP Automated Test	12,006	52,070	-	52,070	52,070
Y00066	P0001191	W9 Gen Protective Relay	3,131	113,442	-	113,442	113,442
Y00068	P0001202	W6 Hydrogen Gas Dryer	-	80	-	80	80
Y00071	P0001217	W7 Turbine Drains	56,749	437,217	-	437,217	437,217
Y00073	P0001251	K3 Condensate Pump	523,062	9,351	-	9,351	-
Y00073	P0001252	K4 Condensate Pump	380,585	474,838	-	474,838	-
Y00074	P0001254	W0 Waiau Tank #3 Lvl Gauge	22,697	71,201	-	71,201	-
Y00074	P0001257	K0 Kahe Tank #11 Lvl Gauge	51,623	285	-	285	-
Y00074	P0001258	K0 Kahe Tank #12 Lvl Gauge	47,820	142	-	142	-
Y00074	P0001260	K0 Kahe Tank #14 Lvl Gauge	49,744	142	-	142	-
Y00079	P0000980	H8 Battery Bank Replacement	467,772	482,348	-	482,348	-
Y00081	P0001131	H9 Honolulu FWH 94 Replace	-	89	-	89	89
Y00083	P0000622	K1 Kahe 13 FWH Replace	-	159	-	159	159
Y00083	P0000644	K1 Kahe FWH 14 Replace	-	140	-	140	140
Y00083	P0000854	K1 Excitation System	-	(25,388)	-	(25,388)	-
Y00084	P0000301	K1 Kahe FWH 12 Replace	911,785	87	-	87	-
Y00084	P0000494	K1 Kahe FWH 11 Replace	995,917	259	-	259	-
Y00084	P0000871	K1 Sootblower Controls	531,431	1,900	-	1,900	-
Y00085	P0000853	K2 Excitation System	-	(25,404)	-	(25,404)	-
Y00087	P0000872	K3 Sootblower Controls	774,965	58,650	-	58,650	-
Y00089	P0000781	K4 Kahe FWH 41 Replacement	645,061	1,064,578	-	1,064,578	-
Y00089	P0000782	K4 Kahe FWH 42 Replacement	597,533	1,016,075	-	1,016,075	-
Y00089	P0000869	K4 Annunciator Replacement	986,682	1,453,207	-	1,453,207	-
Y00089	P0000874	K4 Sootblower Controls	525,643	839,030	-	839,030	-
Y00089	P9537000	K4 Turbine Controls Upgrade	1,167,119	2,176,985	-	2,176,985	-
Y00096	P0000817	W6 Exciter/Regulator Replace	1,824,683	9,316	-	9,316	-
Y00097	P0000096	W7 Sootblower Ctls Upg	303,341	643,212	-	643,212	-
Y00097	P0000314	W7 APH Sootblower Upgrade	12,911	174,085	-	174,085	174,085
Y00097	P0000818	W7 Exciter/Regulator Repl	148,596	1,729,773	11,590	1,741,363	1,729,773
Y00098	P0000315	W7 Air Htr Steam Coils	7,424	317,730	-	317,730	317,730
Y00098	P0000810	W7 Annunciator Replacement	254,174	1,232,148	1	1,232,149	1,232,148
Y00098	P7590000	W7 Controls Upgrade	1,419,907	4,918,113	103,327	5,021,440	4,918,113
Y00099	P0000316	W8 Air Htr Steam Coils	25,234	356,542	-	356,542	356,542
Y00099	P0000811	W8 Annunciator Replacement	705,220	1,375,157	-	1,375,157	-
Y00103	P0001315	Capitol Ctr V6608 Trayer Sw Rpl	16,989	36,605	-	36,605	-
Y00104	P0001324	K1 UPS Panel Upgrade	129,927	4,620	-	4,620	-
Y00104	P0001325	W8 UPS Panel Upgrade	40,871	114,506	-	114,506	-
Y00104	P0001328	W6 UPS Panel Upgrade	90,005	704	-	704	-
Y00104	P0001332	K2 UPS Panel Upgrade	122,194	3,827	-	3,827	-
Y00105	P0001347	N. Kahana Bridge Perm OH	48,316	108,234	-	108,234	-
Y00106	P0001351	Baseyards Priority 2 - 2010	-	83,440	-	83,440	83,440
Y00106	P0001726	Baseyards Pr2 - 2011	-	28,615	-	28,615	28,615
Y00107	P0001355	MEVA Priority 1 - 2010	-	38,852	-	38,852	38,852
Y00107	P0001725	MEVA-Pr1 - 2011	-	131,684	-	131,684	131,684
Y00114	P0001459	W6 FWH 61 Instrumentation	152,278	35	-	35	-
Y00114	P0001463	W7 FWH 71 Instrumentation	-	103,386	-	103,386	103,386
Y00114	P0001464	W7 FWH 72 Instrumentation	-	102,990	-	102,990	102,990
Y00114	P0001465	W7 FWH 73 Instrumentation	-	102,990	-	102,990	102,990
Y00114	P0001466	W7 FWH 74 Instrumentation	-	102,990	-	102,990	102,990
Y00114	P0001467	W8 FWH 81 Instrumentation	22,569	157,383	-	157,383	157,383
Y00114	P0001468	W8 FWH 82 Instrumentation	25,082	132,510	-	132,510	132,510
Y00116	P0001486	School-Bkr4568 Rly Up	77,565	1,990	-	1,990	-
Y00118	P0001497	Beckoning Point 46kV Line Ex	1,506,538	9,444	-	9,444	-
Y00118	P0001498	Beckoning Point Substation	1,726,029	575	-	575	-
Y00126	P0001586	Mamala Phase 5 T&D	750,977	77	-	77	-

Y00126	P0001588	Mamala Phase 5 Hickam Sub	609,662	25,212	-	25,212	-
Y00126	P0001589	Mamala Phase 5 Mamala Sub	896,919	13,256	-	13,256	-
Y00129	P0001557	Makakilo C&D Ph1 46kV UG	1,042,205	349	-	349	-
Y00130	P0001684	Ewa Nui Security Enhancement	4,998	10,590	-	10,590	-
Y00132	P0001711	Chevron Electrical Upgrade	289,604	11,053	-	11,053	-
Y00132	P0001879	Chevron 46kV Line Extension	121,765	1,171	-	1,171	-
Y00133	P0001713	Iwilei T1 Replacement	22,696	1,370,802	-	1,370,802	1,370,802
Y00133	P0001714	Iwilei T1 12kV Circuiting	1,531	268,069	-	268,069	268,069
Y00134	P0001715	Iwilei T2 12kV Circuiting	20,628	248,907	-	248,907	248,907
Y00134	P0001716	Iwilei T2 Replacement	30,520	1,383,146	-	1,383,146	1,383,146
Y00136	P0001752	Ko Olina Tsf #2 Sub Work	12,682	1,649,625	-	1,649,625	1,649,625
Y00136	P0001753	Ko Olina Tsf #2 T&D Work	222	109,813	-	109,813	109,813
Y00138	P0001821	First Wind Waialua Relay	155,601	84,526	-	84,526	-
Y00138	P0001822	Switching Stn Outside Services	(7)	500,000	-	500,000	500,000
Y00138	P0001823	First Wind Wahiawa Relay	217,310	5,440	-	5,440	-
Y00138	P0001824	FW Switching Station	627,098	46,419	-	46,419	-
Y00138	P0001825	First Wind T&D 46kV	94,287	98	-	98	-
Y00138	P0001828	First Wind Telecom Testing	5,991	9,984	-	9,984	-
Y00138	P0001829	First Wind Telecom Ward	89,726	1,812	-	1,812	-
Y00138	P0001830	First Wind Telecom Wahiawa	128,624	6,005	-	6,005	-
Y00138	P0001831	First Wind Telecom Kawela	10,618	2,148	-	2,148	-
Y00138	P0001832	First Wind Telecom Mokuleia	7,856	2,576	-	2,576	-
Y00138	P0001833	First Wind Telecom Waialua	347,207	26,531	-	26,531	-
Y00138	P0001834	First Wind Telecom MaunaKapua	16,546	1,921	-	1,921	-
Y00138	P0001835	First Wind Telecom Kahuku	265,576	19,348	-	19,348	-
Y00138	P0001836	First Wind Tel In-Kind CIAC	-	2,287,200	-	2,287,200	2,287,200
Y00138	P0001839	First Wind MW Tripler	-	210	-	210	210
Y00138	P0001840	First Wind Site Const Kawela	-	342,693	-	342,693	342,693
Y00138	P0001841	First Wind Site Const Mokuleia	-	720,592	-	720,592	720,592
Y00138	P0001842	First Wind Site Const MaunaKapua	-	531,663	-	531,663	531,663
Y00138	P0001843	First Wind Site Const Wahiawa	-	268,918	-	268,918	268,918
Y00138	P0001954	First Wind UFLS	311,501	17,599	-	17,599	-
Y00138	P0001955	First Wind Kahipa Telecom	-	419	-	419	419
Y00138	P0001956	First Wind Waialua Telecom	-	1,470	-	1,470	1,470
Y00138	P0001957	First Wind Wahiawa Telecom	-	1,470	-	1,470	1,470
Y00139	P0001693	NCTAMS Whitmore 46kV Line	1,691,753	1,704,596	-	1,704,596	-
Y00143	P0001907	S. Punaluu Bridge 46kV Temp	66,987	2,850	-	2,850	-
Y00143	P0001908	S. Punaluu Bridge 46kV Perm	-	29,571	-	29,571	29,571
Y00148	P0001985	Extended AMI Test - MDMS	-	42,534	-	42,534	42,534
Y00148	P0001988	Extended AMI Test - Meters	-	631,669	-	631,669	631,669
Y00149	P0001989	Office Renovations	-	41,325	-	41,325	41,325
Y00151	P0002154	CIS @ Waterhouse	97,142	185,076	-	185,076	-
Y00151	P0002155	CIS @ Waterhouse/Furniture	174,228	175,221	-	175,221	-
Y00152	P0002162	CIP Admin 3rd Flr Furniture	118,536	118,536	-	118,536	-
Y00152	P0002163	CIP Admin 3rd Flr Renovation	197,245	213,975	57,500	271,475	-
Y00154	P0002171	Legal Dept Relocation	-	364,647	-	364,647	364,647
Y00154	P0002177	Legal Dept FURNITURE	-	339,800	-	339,800	339,800
Y00155	P0002174	Waiau Office Space	173,293	319,581	-	319,581	-
Y00155	P0002176	Waiau Office - FURNITURE	-	85,370	-	85,370	85,370
Y00156	P0002175	Credit Relocation FURNITURE	25,720	99,704	-	99,704	99,704
Y00157	P0001788	Environmental Relocation	35,303	393,259	-	393,259	393,259
Y00157	P0002180	Environmental Relo-FURNITURE	-	181,535	-	181,535	181,535
Y00158	P0002172	Accting Division - FURNITURE	-	15,000	-	15,000	15,000
Y00158	P0002173	Accting Division Relo	-	291,349	-	291,349	291,349
Y00159	P0001790	System Intergration Renovatn	37,734	496,076	-	496,076	496,076
Y00159	P0002183	Sys Intergration - FURNITURE	81,883	121,323	-	121,323	-
Y00161	P0002198	Test & Substation Renovation	-	109,943	-	109,943	109,943
Y00163	P0002223	Makaha #1 12kV Bkr 1695 UFLS	-	92,073	-	92,073	92,073
Y00163	P0002224	Makalapa #2 12 Bkr 3166 UFLS	-	92,073	-	92,073	92,073
Y00163	P0002225	Pohakupu #2 12 Bkr 2123 UFLS	-	92,119	-	92,119	92,119
Y00163	P0002226	Waihee #2 12 Bkr 3047 UFLS	-	92,119	-	92,119	92,119
Y00163	P0002227	Ft Weaver #1 12 Bkr 8024 UFL	-	92,119	-	92,119	92,119
Y00163	P0002228	Ft Weaver #1 12 Bkr 8025 UFL	-	92,119	-	92,119	92,119
Y00163	P0002229	Ft Weaver #2 12 Bkr 8594 UFL	-	92,165	-	92,165	92,165
Y00163	P0002230	Ft Weaver #2 12 Bkr 8595 UFL	-	92,165	-	92,165	92,165
Y00163	P0002231	Wahiawa #2 12 Bkr 1219 UFLS	-	92,165	-	92,165	92,165
Y48500	P0000922	Kamoku 46kV UG Alt Phase 1	58,212,998	288,433	-	288,433	-
Y49000	P0001051	CIP1 AES Substation Add	3,801,520	8,406	-	8,406	-
Y49000	P0001136	CIP1 Unit Addition-Kahe Bkrs	1,795,940	2,096	-	2,096	-
Y49000	P0001881	CIP Unit 1, Water treatment System	7,107,036	20,000	-	20,000	-
Y49000	P4900000	CIP1 Unit 1 Addition	160,558,463	799,087	-	799,087	-
	P0000062	Ce-Terminating Trust Esmnts	721,323	97	-	97	-

P0000086	W0 Waiau WW Oil Detectors	73,211	214,834	-	214,834	-
P0000287	W0 W1&2 Admn Bldg ReRoof	6,091	6,091	-	6,091	-
P0000450	K0 Kahe Mtr Part Wash Encl	17,132	17,132	-	17,132	-
P0000465	K1&2 Service Air Compressors	468,970	8,313	-	8,313	-
P0000467	K3&4 Instr Air Compressors	-	325,752	-	325,752	325,752
P0000485	W3 Waiau FWH 35 Replace	771,925	3,829	-	3,829	-
P0000497	W0 Waiau WW Pond Closure	93,696	414,175	1	414,176	414,175
P0000571	CIS Replacement	828,098	2,220,098	-	2,220,098	-
P0000616	K0 Kahe Parking Lot Addition	57,830	57,830	-	57,830	-
P0000636	W0 Waiau Chlorine Dioxide	848,330	415	-	415	-
P0000665	W0 Waiau Parking Lot Add	31,502	31,502	-	31,502	-
P0000677	W7/8 Overhead Utilities	452,506	984,521	-	984,521	-
P0000798	W6 Instr Air Compr	26,366	218,678	-	218,678	218,678
P0000956	W0 WWTF Chem Feed Upgrades	604,309	1,602,888	-	1,602,888	-
P0000992	Airport-Iwilei FO Replacemen	-	524,471	-	524,471	524,471
P0001000	K0 Kahe Demin Water Tank #54	293,360	1,979,677	-	1,979,677	1,979,677
P0001078	K0 Kahe Maint Shop Reroof	-	144,881	-	144,881	144,881
P0001081	Auahi Street 12kV OH to UG	31,232	200,059	34,425	234,484	200,059
P0001109	Wahiawa 46KV Ln-Schofield	440,974	440,974	-	440,974	-
P0001334	W10 Inlet Air Filtration	1,523,250	306,643	-	306,643	-
P0001335	W9 Inlet Air Filtration	298,306	2,229,429	149,099	2,378,528	2,229,429
P0001341	Ellipse Migration to Unix	265,790	265,790	-	265,790	-
P0001342	Walmart Manana OH Relocation	31,581	167,274	1,018	168,292	167,274
P0001367	Distributed Energy Resource	12,169	627,855	-	627,855	627,855
P0001388	K0 Replace Kahe Tank #32	86,780	703,868	-	703,868	703,868
P0001392	W0 WWTF Filter Press	487,950	1,359,511	-	1,359,511	-
P0001393	W0 WWTF Misc Upgrades	-	291,731	-	291,731	291,731
P0001399	W8 Main Transformer Replace	2,146,840	2,357,425	-	2,357,425	-
P0001403	Wah 138KV Lines - Schofield	13,712	1,037,712	-	1,037,712	1,037,712
P0001404	Kal Hwy at Makapuu - 12kV UG	220,681	590,184	-	590,184	-
P0001418	W5 FWH Turb. Wtr. Ind. Pvt.	226,947	226,947	-	226,947	-
P0001421	School St #1 Swgr Repl	585,469	1,206	-	1,206	-
P0001434	En DlvY C&M Byard Impvmnts	-	107,221	-	107,221	107,221
P0001442	K5/K6 Diesel Tank Expansion	180,800	455,993	-	455,993	-
P0001478	Waiau 138KV Bkr 107&108 Repl	-	3,391	-	3,391	3,391
P0001479	HPP 46KV Bkr 4552 Replace	266,013	5,178	-	5,178	-
P0001480	Kahe-Wah/Kahe-Hal #2 Str 27	91,292	461,212	-	461,212	461,212
P0001481	AES-CEIP #1 Relay Upgrade	525,993	16,952	-	16,952	-
P0001490	Ahuimanu Pl OH & UG Cbl Upgr	107,181	107,181	-	107,181	-
P0001499	Kahe 138kV Bkr 247 Replace	378,793	8,528	-	8,528	-
P0001500	Kahe 138kV Bkr 133 Replace	334,911	10,148	-	10,148	-
P0001501	HPP 46kV Bkr 4553 Replace	283,688	25,062	-	25,062	-
P0001502	North South Rd Ph1B UG Conv	229,197	212,727	-	212,727	-
P0001503	Kahe 138 kV Bkr 172 Replace	329,012	10,148	-	10,148	-
P0001513	Waiau 46kV Bkr 4499 Replace	150,592	284,047	-	284,047	-
P0001518	Spare 48/80mva Tsf #2	656,585	11,481	-	11,481	-
P0001538	K3 PCT Upgrade	402,513	77	-	77	-
P0001541	Pali Ckt Tree Wire Install	416,675	1,925,438	-	1,925,438	1,925,438
P0001547	Ward ITS Generator Repl	395,269	419	-	419	-
P0001548	Meter Engr Shop Reloc	-	7,905	-	7,905	7,905
P0001561	Kamokila #4 12 kV Line Ext	577,183	172	-	172	-
P0001572	Bougainville Subd SV4613	118,610	118,610	-	118,610	-
P0001577	K3 Biofuel Co-Firing	4,957,350	272,727	-	272,727	-
P0001590	Kailua 2 & Aalapapa 4kV Conv	71,020	173,485	-	173,485	-
P0001594	Allure Waikiki 12kV UG Reloc	464,386	5,100	-	5,100	-
P0001597	CEIP3 138kV Tsf Replacement	423,636	427	-	427	-
P0001600	2010 Spare 8% Tsf #1	-	688,554	-	688,554	688,554
P0001601	2010 Spare 10% Tsf #1	-	695,683	7,722	703,405	695,683
P0001622	K4 Service Water Strainer	102,151	131,370	-	131,370	-
P0001623	K5 Service Water Strainer	3,696	64,426	-	64,426	64,426
P0001628	W7 Repl H2 Purity Meter	869	171,281	-	171,281	171,281
P0001629	W8 Repl H2 Purity Meter	25,651	166,448	-	166,448	166,448
P0001630	H9 Exciter Air Conditioning	20,267	233,308	-	233,308	233,308
P0001631	K3 Repl H2 Purity Meter	359,944	35	-	35	-
P0001632	K4 Repl H2 Purity Meter	220,206	306,973	-	306,973	-
P0001637	W4 Exciter Air Conditioning	316,138	10,099	-	10,099	-
P0001639	K1 Service Water Strainer	108,532	3,171	-	3,171	-
P0001640	K2 Service Water Strainer	122,532	3,171	-	3,171	-
P0001646	Koolau-Pukele #2 OPGW Repl	5,947	2,214,808	-	2,214,808	2,214,808
P0001647	Koolau-Pukele #1 SW Replacement	-	1,797,609	-	1,797,609	1,797,609
P0001658	W6 Turb-Gen Brg Fire Protect	154,566	2,975	-	2,975	-
P0001659	W7 Turb-Gen Brg Fire Protect	-	250,005	839	250,844	250,005

P0001660	W8 Turb-Gen Brg Fire Protect	788	236,845	-	236,845	236,845
P0001669	Waiau 138kV Bkr 112 Replace	970	344,989	-	344,989	344,989
P0001670	Waiau 138kV Bkr 110 Replace	970	344,937	-	344,937	344,937
P0001673	Wahiawa 46kV Bkr 4448 Replace	-	260,251	-	260,251	260,251
P0001681	Halawa-School OPGW	1,038,918	1,388,162	-	1,388,162	-
P0001682	Kapolei IC, Ph1-12kV OH & UG	563,668	402,376	-	402,376	-
P0001686	Kapolei IC, Ph1-12kV OH Conv	130,520	157,639	-	157,639	-
P0001688	W5 BFP 51 Motor Replacement	256,718	340	-	340	-
P0001690	Ironwoods - 12kV OH to UG	54,471	561,589	389,051	950,640	561,589
P0001694	CEIP46 Recond(near Kalaeloa)	-	1,389,965	-	1,389,965	1,389,965
P0001697	Keehi Circuits Reconnection	-	229,006	-	229,006	229,006
P0001707	K4 Static Exciter Ventilation	71,452	275,791	-	275,791	275,791
P0001723	K2 21 Traveling Screen	5,548	288,773	-	288,773	288,773
P0001728	Kalaeloa Dead Bus Energizing	50,118	6,212	-	6,212	-
P0001751	2009 Spare 46-4 kV Tsf #1	535,894	536,178	-	536,178	-
P0001756	Archer-School HPFF Cbl Repl	2,095,002	761	-	761	-
P0001759	Kal Hwy, Keahole St-12kV UG	132,253	1,465,069	-	1,465,069	1,465,069
P0001761	H8 Sootblr Air Compressor 83	513,857	902	-	902	-
P0001772	W8 Hot Reheat Line Repl.	153,763	1,392,678	-	1,392,678	1,392,678
P0001774	W7W8 Battery Bank Separation	-	406,991	-	406,991	406,991
P0001781	Waiau C&M Trailers (repl)	-	410,207	-	410,207	410,207
P0001782	Kahe C&M Trailer (repl)	-	489,579	-	489,579	489,579
P0001784	Archer Substation Phase 2	-	-	-	-	-
P0001787	CPP 21st Flr Renovation	299,623	301,583	-	301,583	-
P0001792	K3 Feed Reg Valve Upgrade	177,471	2,596	-	2,596	-
P0001794	K4 32Aux Clg Hx Replacement	313,788	671,266	-	671,266	-
P0001795	K5 51Aux Clg Hx Replacement	-	708,655	3,388	712,043	708,655
P0001797	K3/4 Emergency Generator Upg	9,328	225,702	-	225,702	225,702
P0001798	W5/6 Emergency Generator Upg	9,534	204,515	-	204,515	204,515
P0001799	W7/8 Emergency Generator Upg	184,250	375,977	-	375,977	-
P0001800	K5 Emergency Generator Upgra	-	238,682	-	238,682	238,682
P0001804	W10 Exciter Upgrade	1,674,630	(2,615)	-	(2,615)	-
P0001807	Halawa SS Access Road	305,310	935,949	-	935,949	-
P0001856	P13/2/72 Halawa Accs Rd	24,545	185,936	-	185,936	185,936
P0001859	K0 Kahe Demin Anion Tanks	262,417	274,086	-	274,086	-
P0001862	P24-25 Valkenburgh Pole Rep	442,825	23,130	-	23,130	-
P0001871	W8 CWP Upgrades	240,519	1,937,869	29,619	1,967,488	1,937,869
P0001877	P13 Hamakua Dr - 46kV OH	32,605	108,144	-	108,144	108,144
P0001899	W9 Exciter Upgrade	330,097	1,833,479	-	1,833,479	1,833,479
P0001903	Ala Moana Park 4kV Conversio	120,982	141,186	-	141,186	-
P0001904	Waiau OCB 4655 Replace	199,590	27,105	-	27,105	-
P0001905	K5 CWP K51 motor replacement	-	1	-	1	1
P0001906	W7 CWP Upgrades	208,184	2,000,967	-	2,000,967	2,000,967
P0001930	P2-4X Kalaeloa Blvd Relocate	57,125	243,428	-	243,428	243,428
P0001933	Honolulu Units 5 & 7 Removal	57,749	66,677	-	66,677	-
P0001934	W7 BFP Recirc CV Upgrade	-	220,325	-	220,325	220,325
P0001935	Kailuana PI 1 Ph UG Install	64,814	531,206	-	531,206	531,206
P0001936	Kam Hwy/Ford Isle Line Reloc	75,965	538,393	-	538,393	538,393
P0001937	W3 1D Fan Rotor Replacement	52,939	574,687	-	574,687	574,687
P0001938	W8 UPS Upgrade	193,776	314,711	-	314,711	-
P0001950	Kamokila Ckt OH to UG Conver	-	426,932	-	426,932	426,932
P0001953	K0 EMD VOLT REG UPGRADE	96,292	806,760	6,234	812,994	806,760
P0001971	Load Dispatch EMS Upgrade	-	186,439	-	186,439	186,439
P0001972	MOKIAWE V2V CABL REPL	-	32	-	32	32
P0001973	DLP/Web 2.0	-	285,538	-	285,538	285,538
P0001976	Remedy Upgrade Help Desk v 7	-	43,848	-	43,848	43,848
P0001977	W0 Env Chem Lab Elec Upgrade	-	1,314	-	1,314	1,314
P0001996	2010 TSF Install #1 10mva 8%	-	80,875	10,118	90,993	80,875
P0002000	2010 Spare 10mva 8% TSF #2	560,796	560,947	-	560,947	-
P0002001	2010 Spare 138kV BKR #1	92,481	2,169	-	2,169	-
P0002003	2010 Spare 10mva 10% TSF #2	512,687	516,040	-	516,040	-
P0002005	2010 spare 10mva 10% TSF #3	558,174	561,825	-	561,825	-
P0002006	2010 Spare 138kV BKR #2	91,644	2,257	-	2,257	-
P0002007	2010 Spare 138kV BKR #3	119,932	2,768	-	2,768	-
P0002010	2010 Spare 10mva 8% TSF #4	560,796	560,852	-	560,852	-
P0002011	2010 Spare 10mva 8% TSF #3	556,829	560,471	-	560,471	-
P0002014	2011 Spare 80mva TSF #3	13,612	1,863,710	-	1,863,710	1,863,710
P0002015	2011 Install #1 80mva TSF	-	410,204	14,369	424,573	410,204
P0002016	Lowes Iwilei Pole Reloc	151,940	804	-	804	-
P0002017	K0 Demin - HMI Addition	8,533	246,384	-	246,384	246,384
P0002018	K0 Demin - System Split	62,147	530,178	-	530,178	530,178
P0002019	2011 Install #1 46kV BKR	-	158,775	11,905	170,680	158,775

P0002020	2011 Install #2 46kV BKR	-	158,154	11,905	170,059	158,154	
P0002021	2011 TSF Install #1 10mva 8%	-	88,589	10,118	98,707	88,589	
P0002022	2011 TSF Install #2 10mva 8%	-	88,589	10,118	98,707	88,589	
P0002023	2011 TSF Install #3 10mva 8%	-	88,589	10,118	98,707	88,589	
P0002024	2011 TSF Instal #1 10mva 10%	-	88,589	10,118	98,707	88,589	
P0002053	2011 Spare 10mva 8% TSF #2	-	820,787	10,762	831,549	820,787	
P0002054	2011 Spare 10mva 8% TSF #3	-	822,977	8,511	831,488	822,977	
P0002055	2011 Spare 10mva 8% TSF #4	-	820,787	10,762	831,549	820,787	
P0002058	2011 Spare 138kV BKR #1	-	167,147	2,069	169,216	167,147	
P0002059	2011 Spare 46kV BKR #1	-	97,099	-	97,099	97,099	
P0002060	2011 Spare 46kV BKR #2	-	97,099	-	97,099	97,099	
P0002061	2011 Spare 46kV BKR #3	-	97,099	-	97,099	97,099	
P0002063	W7 UPS Upgrade	162,571	318,304	-	318,304	-	
P0002064	W7 UPS Panel Upgrade	17,114	101,620	-	101,620	101,620	
P0002066	Middle Street P42 Relocation	41,887	167,611	-	167,611	167,611	
P0002067	CIP FO Unloading Ladder	8,203	44,262	-	44,262	44,262	
P0002068	Burger Subdiv 46kV OH to UG	73,847	456,213	-	456,213	456,213	
P0002121	K-H#2/K-WAHIAWA STR3	-	786,631	-	786,631	786,631	
P0002122	K-W/K-H #1 STR # 38	-	550,528	-	550,528	550,528	
P0002149	Inst Load Bank for M003 Gen	24,493	24,653	-	24,653	-	
P0002152	HPP ED1 REPLACEMENT	104,277	147,581	-	147,581	-	
P0002153	W0 Waiau FOT 4/5 Drainage	207,966	778,077	-	778,077	778,077	
P0002178	Mail Inserter Replacement	181,398	33,002	-	33,002	-	
P0002186	W5 CWP51 Dischg Head Repl	-	36,472	-	36,472	36,472	
P0002188	Ewa Nui 80MVA TSF A Install	68,272	20,964	-	20,964	-	
P0002189	K3 H2 Cooler Replacement	147,387	145,417	-	145,417	-	
P0002197	Harding Ave. Pole Relocation	42,278	384,127	-	384,127	384,127	
P0002200	WAIMALU V3735E-3735F DB	-	400,063	-	400,063	400,063	
P0002201	K4 H2 Cooler Tube Bundle Rep	-	209,787	-	209,787	209,787	
P0002202	k5/6 Stillen Basin Hoist Rep	-	129,480	-	129,480	129,480	
P0002207	2011 80mva TSF Wahiawa #2	-	1,962,457	47,243	2,009,700	1,962,457	
P0002208	2011 Spare 80mva TSF #2	-	1,739,408	4,442	1,743,850	1,739,408	
P0002209	2011 Spare 15kV Switchgear#1	-	363,404	-	363,404	363,404	
P0002210	2011 Spare 15kV Switchgear#2	-	363,404	-	363,404	363,404	
P0002211	2011 Spare 15kV Switchgear#3	-	363,404	-	363,404	363,404	
P0002212	2011 Spare 15kV Switchgear#4	-	363,404	-	363,404	363,404	
P0002213	KAALAKEI P29 - P30 DB	-	619,460	-	619,460	619,460	
P0002214	POHAKUPU 4 V2809-2810 DB	-	443,721	-	443,721	443,721	
P0002218	Aliamanu 12KV UG Relocation	-	144,845	-	144,845	144,845	
P0002219	W72 BFP MOTOR REPLACE	-	195,324	-	195,324	195,324	
P7650000	W8 Boiler Controls Upgrade	-	-	-	-	-	
		300,824,012	117,982,029	966,372	118,948,401	79,828,834	
						% based days ratio cutoff	67.66%
						Total subject to 100%	<u>67.66%</u>

NOTE: This estimate of % qualified for 100% bonus is based on budgeted plant additions for 2011 and it assumes projects with costs prior to 12/31/2010 that on a ratable basis exceed 114 days worth of 2011 spending were acquired prior to 9/9/2010, the inception date for 100% bonus depreciation. This ratio approach is necessary because HECO does not have detailed information for projects to determine which projects were actually acquired or commenced construction prior to 9/9/2010. Wauiua 8 P7650000 is removed from this list and separately calculated.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **DIVISION OF CONSUMER ADVOCACY'S STATEMENT OF POSITION ON HAWAIIAN ELECTRIC COMPANY, INC'S TRANSMITTAL NO. 11-02** was duly served upon the following parties, by personal service, hand delivery, and/or U.S. mail, postage prepaid, and properly addressed pursuant to HAR § 6-61-21(d).

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

1 copy
by hand delivery

DATED: Honolulu, Hawaii, April 29, 2011.


