

ORIGINAL

DIVISION OF CONSUMER ADVOCACY
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PUBLIC UTILITIES
COMMISSION

2013 MAY -6 P 3:54

FILED

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
)
For Approval to Modify the RBA Rate)
Adjustment in its Revenue Balancing)
Account Provision Tariff.)

Transmittal No. 13-02
(Decoupling)

Effective Date: June 1, 2013

DIVISION OF CONSUMER ADVOCACY'S
STATEMENT OF POSITION

Pursuant to the Hawaii Public Utilities Commission's ("Commission") Rules of Practice and Procedure, Hawaii Administrative Rules ("HAR") § 6-61-62 and the Commission's August 31, 2010 Final Decision And Order And Dissenting Opinion Of Leslie H. Kondo, Commissioner, in Docket No. 2008-0274 ("2008-0274 Decision and Order"), the Division of Consumer Advocacy ("Consumer Advocate" or "Division") offers comments for the Commission's consideration based on the review that the Division has conducted to date on the decoupling rate adjustment filing of Hawaii Electric Light Company, Inc. ("HELCO" or "Company"), where HELCO seeks to implement an adjustment of \$0.004388 per kWh for the June 1, 2013 through May 31, 2014 recovery period. Based on that review to date, the

Consumer Advocate proposes only two recommended adjustments to HELCO's proposed RBA Rate adjustment, resulting in a proposed RBA Rate Adjustment of \$0.004383, as shown in Attachment 1 at Schedule A.

I. BACKGROUND.

The Company's instant filing is HELCO's second iteration of RBA rate adjustment and the filing is substantively consistent with the 2008-0274 Decision and Order, which approved of the jointly proposed decoupling mechanism offered by the HECO Companies¹ and the Consumer Advocate.

HELCO's first decoupling filing was submitted in Transmittal No. 12-03 on April 11, 2012, with revisions and corrections submitted on April 18, 2012. The Company's filing supported a negative RBA rate adjustment resulting primarily from declining rate base investment captured through the Rate Adjustment Mechanism. On June 7, 2012, the Consumer Advocate submitted its Statement of Position indicating no adjustments were proposed to the Company's filing and the Commission approved the Company's proposed RBA rate adjustment.

HELCO filed the instant application on March 28, 2013, seeking Commission approval to revise the Revenue Balancing Account ("RBA") rate adjustment clause to recover \$0.004388 per kWh.² The Consumer Advocate submitted several rounds of

¹ The HECO Companies refer to Hawaiian Electric Company, Inc., HELCO, and Maui Electric Company, Limited.

² Pursuant to the 2008-0274 Decision and Order, the Consumer Advocate is directed to file its Statement of Position within 30 days of the Company's filings, unless otherwise ordered by the Commission. Thus, the Consumer Advocate's filing was supposed to have been filed on April 29, 2013. The Consumer Advocate notified the Commission on April 26, 2013 that its investigation was ongoing and nearly complete and that its Statement of Position would be submitted no later than May 6, 2013.

informal written information requests and conducted a series of interviews of Company personnel to analyze the documentation submitted by HELCO in support of its filing. The need for two small adjustments and one follow-up concern to the Company's filing was revealed by this effort, as more fully described in the Discussion Section of this document.

II. DISCUSSION.

A. REVIEW OF THE REVENUE BALANCING ACCOUNT ACTIVITY.

The entirety of the Company's proposed RBA Rate Adjustment is driven by the accumulated Revenue Balancing Account ("RBA") balance arising from shortfalls in recorded, adjusted revenues in comparison to the targeted levels of approved base revenues. As of December 31, the accumulated RBA balance to be recovered represents a cumulative revenue shortfall of \$4.5 million. In contrast, for the 2013 RAM period, HELCO has proposed a small downward adjustment in annual revenue requirement, driven primarily by declines in its Rate Base RAM – Return on Investment requirement.³

The HECO Companies have now adopted extensive reporting and internal review requirements to ensure that entries made to its Revenue Balancing Account ("RBA") are accurate and complete. Detailed monthly workpaper "Packets" are prepared in support of the RBA entries that are recorded each month by HELCO, as reported at pages 9A, 9A.1 and 9A.2 of the Monthly Financial Report that is submitted to the Commission. These Packets are submitted to the Consumer Advocate and

³ See HELCO Schedule A, where lines 1 through 3 summarize the RBA Balance recovery calculations and lines 4 through 7 summarize the RAM amounts to be included in the RBA Revenue Adjustment.

contain written responses to prescribed information requests that highlight any changes in procedures, billing errors or correction or other unusual transactions impacting the RBA entries or balance. The Company has also expanded its internal review and data validation processes to reduce the risk of errors in the recording of revenues that are subject to decoupling reconciliation. In addition, internal audit reviews and certain agreed upon review procedures performed by the Company's external auditor have been added to the decoupling process to improve the reliability of RBA accounting. These efforts are designed to reduce the potential for errors in accounting for the many complex entries and adjustments required each month to administer the tracking of differences between target and recorded adjusted revenues. The Consumer Advocate is continuing to review the RBA calculations within the Company's filing, but has identified no required RBA balance adjustments at this time. There is, however, a concern with apparent inconsistencies in revenue reporting in other reconciliation filings that was revealed in connection with the RBA review, as described below.

1. ECAC Revenue Reconciliation Inconsistencies.

Schedule B2 reveals a series of complex calculations that are performed each month to analyze the Company's recorded billed and unbilled revenue elements, in order to determine Recorded Adjusted Revenues for RBA Determination. These calculations are summarized within approximately 50 lines of calculation combining specific revenue element inputs and removal items in each month. For example, from total Revenues per General Ledger ("G/L"), as shown at Schedule B2 line 25 for HELCO, it is necessary to remove Energy Cost Adjustment Clause ("ECAC"),

Purchased Power Adjustment Clause ("PPAC"), Demand Side Management ("DSM") and Public Benefit Fund ("PBF") surcharge revenues that are separately reported and reconciled in other periodic filings with the Commission.

The Consumer Advocate compared the amounts of ECAC, PPAC, DSM and PBF revenues that are being removed on Schedule B2 to the corresponding amounts of such revenues that have been separately reported to the Commission by the HECO Companies in separate reconciliation filings for these separately administered rate adjustment mechanisms. From this work, it has determined that there are apparent discrepancies in the amounts of recorded ECAC revenues that are removed in Schedule B2, compared to the amounts of ECAC revenues being reported to the Commission for reconciliation of energy cost recoveries. Specific quantification of this problem was possible only for Hawaiian Electric because its RBA mechanism and Schedule B2 reflect a full year of transactions that are reconciled in the calendar year ECAC reconciliation filings. For HELCO and MECO, where RBA accounting was effective for only part of calendar 2012, the Consumer Advocate has not completed this work, but has been advised that reported ECAC revenues on Schedule B2 are also inconsistent with recent ECAC reconciliation filings. In an e-mail dated May 2, 2013, the Company stated that it is, "...still reviewing the files but it appears that, like HECO, there are differences between the ECAC revenue reported in Schedule B2 and the ECAC revenue reported in the ECAC reconciliations. We will adjust the MECO and HELCO ECAC 2012 reconciliations, similar to how we discussed that the HECO reconciliations must be adjusted."

On January 29, 2013, HECO submitted its ECAC Adjustment Factor filing for February 2013. This HECO filing reported ECAC revenues of \$646,454.6 (thousand) at Attachment 4, Page 2, line 13 for ECAC reconciliation. The corresponding amounts of ECAC revenues removed by HECO for RBA revenue reconciliation purposes do not properly tie to this amount reported for ECAC reconciliation purposes:

Amounts per RBA Sch. B2:	HECO Revenue Annual \$000
ECAC Billed (Sch B2, line 23)	736,024.1
ECAC Unbilled (Sch B2, line 36)	(26,452.0)
Totals per Schedule B2	<u>709,572.1</u>
Amounts per HECO's 1/23/13 ECAC Filing:	
Actual ECAC (FOA) filed amount	646,454.6
Adjusted with Rev. Taxes at 9.75%	<u>709,483.9</u>
Unexplained Difference in ECAC Revenue	<u><u>\$ 88.1</u></u>

The Consumer Advocate understands that the HECO Companies intend to make necessary corrections within future ECAC revenue reconciliation filings to ensure that recorded ECAC revenues accurately reflect the amounts of such revenues actually billed and accrued on the books in calendar 2012 for each of the three utilities.

B. REVIEW OF RAM CALCULATIONS FOR THE 2013 RAM YEAR.

HELCO's proposed RAM Revenue Adjustment amount is comprised of the O&M RAM, Rate Base RAM, and depreciation and amortization RAM, which are in the amounts of \$ 2,267,540, \$ (5,567,781) and \$ 3,281,932, respectively for the 2013 period.

The Rate Base RAM and Depreciation & Amortization RAM amounts have increased modestly in this 2013 RAM filing because of inclusion of the costs associated

with the new Customer Information System ("CIS"), net of write-down of such investments, as provided for in the *Stipulated Settlement Agreement between the Hawaiian Electric Companies and the Division of Consumer Advocacy regarding Certain Regulatory Matters* ("Stipulated Settlement") in Docket No. 2008-0083.⁴

Based upon the Consumer Advocate's review to date, the Company's Rate Adjustment Mechanism ("RAM") calculations for 2013 appear to be in general compliance with the tariff and are based upon verified input data and appropriate computations, except for the following issue that was identified as a result of the Consumer Advocate's review. A single Consumer Advocate adjustment is proposed and quantified in Attachment 1 to revise the RBA rate calculations appropriately. The Consumer Advocate has endeavored to identify, fully develop and explain each needed adjustment within the expedited review process that has been established in the Commission's decoupling order, but recognizes the continuing opportunity that is established under the RBA and RAM tariffs to continue its review and seek revisions to the target revenues in the future when and if additional corrections or modification are determined to be appropriate.

1. Deferred Regulatory Asset Balances in Rate Base.

The Rate Base RAM calculation includes one new regulatory asset – "CIS Deferred Costs" at line 9 of HELCO Schedule D1. As discussed at pages 4-7 of HELCO's Transmittal No. 13-02 submitted on March 28, 2013, the Stipulated

⁴ The Stipulated Settlement is described in detail in the Company's Transmittal at pages 4-7 and in the Commission's Order No. 31126 in Docket No. 2010-0080.

Settlement Agreement⁵ allowed HELCO to include in the Rate Base RAM an unamortized regulatory asset for CIS related carrying charges. This regulatory asset would be excluded from the Rate Base RAM, absent such an agreement.

In determining the average regulatory asset balance included in rate base, the Company employed a beginning balance of the two point average as the balance at May 31, 2013. The only difference identified by the Consumer Advocate with respect to the inclusion of the CIS regulatory asset in the Rate Base RAM component relates to the Company's use of the regulatory asset value at May 2013⁶ rather than December 2012. Referring to Schedule D1, column (d) at line 9, the Consumer Advocate recommends that the beginning balance for the CIS regulatory asset is more properly stated at December 31, 2012 in the amount \$2,477,000, as documented at HELCO-WP-D1-001.

At page 89E of the Rate Adjustment Mechanism tariff, part (f) of Section 2 describes the calculation of the RAM Period rate base, as follows:

- i. Plant in Service, Accumulated Depreciation, Accumulated Deferred Income Taxes and Contributions in Aid of Construction ("CIAC") shall be a two-point average of actual recorded balance sheet data at December 31 of the Evaluation Period, plus projected values at December 31 of the RAM Period determined as prescribed in parts (ii) through (v), below.

At pages 1 and 3 of Exhibit 1, the Stipulated Settlement Agreement did not provide for a variance from the December 31 valuation dates with respect to the Rate Base RAM valuation for the CIS regulatory asset, as shown by the following language:

⁵ The Stipulated Settlement Agreement between the HECO Companies and the Consumer Advocate was filed on January 28, 2013, in Docket No. 2008-0083 and approved by the Commission on March 19, 2013, by Order No. 31126.

⁶ Per HELCO Schedule D1, the Company has proposed a beginning balance at May 31, 2013, in the amounts of \$2,562,000 for the CIS Deferred Costs.

Parties agree that the Hawaiian Electric Companies shall continue to accrue AFUDC on the recoverable CIS project deferred costs, including the expenses removed from the Hawaiian Electric 2011 test year and the MECO 2012 test year, and CIS project expenses incurred through the in-service date as agreed in the Hawaiian Electric 2011 Rate Case Settlement Agreement and the MECO 2012 Rate Case Settlement Agreement, until the Commission has approved this Stipulated Settlement and the RBA Rate Adjustment that includes the CIS project costs goes into effect. Amortization of CIS project deferred costs would commence on the effective date of the RBA Rate Adjustment for Hawaiian Electric, MECO and HELCO that includes the recovery of the project costs and the associated amortization expense. The Parties agree that the RAM Revenue Adjustment for 2013 and subsequent years thereafter and subsequent rate cases for Hawaiian Electric, MECO and HELCO would reflect revenue requirements related to including the deferred CIS costs that the Parties agree to be recoverable, including the estimated carrying charges through the effective date of the RBA that includes the RAM revenue adjustment for these items and the amortization expense for the amortization of the recoverable deferred costs including carrying charges, with the recovery period not to exceed the twelve year amortization period approved by the Commission in Docket No. 04-0268. See Exhibit 3.
[Stipulated Settlement Agreement, Exhibit 1, page 3]

The CA Adjustment appearing on page one of Attachment 1 is to reduce average rate base by about \$42,500 to recognize the beginning balances for this regulatory asset at December 2012.

C. EARNINGS SHARING REVENUE CREDITS.

The RBA Rate Adjustment proposed by HELCO on Schedule A does not include at line 8 any reduction for "Earnings Sharing Revenue Credits" based upon the calculations set forth at Schedule H. This is the second decoupling transmittal in which HELCO earnings were insufficient to trigger the form of credits that are specified in the "Evaluation Period Earnings Sharing" section of the RAM tariff. HELCO's calculations on Schedule H begin with the "Reported Operating Income before ratemaking adjustment" that appears at page 2a of the Company's December 2012 Monthly PUC

Report and a calculation of "Rate Base" that is set forth in HELCO-WP-H-001. After ratemaking adjustments, Schedule H contains a calculation of an updated ratemaking capitalization and weighted cost of capital, synchronization of income tax interest deductions and removal of income for preferred stock. At line 20 of Schedule H, HELCO has calculated a "Return on Equity for Decoupling Earnings Sharing" of 7.79%, which is below the Commission-authorized return on equity of 10.0% and therefore does not trigger sharing of excess earnings. The Consumer Advocate has reviewed the Company's calculations on Schedule H and proposes one adjustment that has the effect of slightly increasing the calculated "Return on Equity" but this revision does not trigger any Earnings Sharing Revenue Credits that would be used to calculate the RBA Rate Adjustment.

1. Rate Base Working Cash Allowance.

In calculating the 2012 "Earnings Sharing Revenue Credits" on Schedule H, HELCO used a Rate Base value of \$454,472,000. As supported by HELCO-WP-H-001, this rate base amount includes average Working Cash (or cash working capital) of \$7,418,000. In the settlement of the Company's preceding test year rate case, the amount of Working Cash included in rate base and fixed for Rate Base RAM purposes was \$3,238,000. See Schedule D1, line 24.

The Consumer Advocate's position is that Working Cash should not be included in rate base for purposes of calculating "Earnings Sharing Credits" at a value different from the fixed amount included the Rate Base RAM for several reasons:

- Working Cash is a complex ratemaking issue that requires extensive calculations in the form of a lead lag study. Each such study undertaken in a general rate case is time consuming for both the Company to assemble and the Consumer Advocate to review. At revised sheet 89F of the Rate Adjustment Mechanism tariff, part (f) subpart vi. of Section 2 states that "Working Cash and all other elements of rate base not specifically addressed above shall be fixed at the dollar amount approved by the Commission" in the Company's last rate case.
- The results of a lead lag study are dependent on the transactions, facts and circumstances unique to the period selected for review. As transactions, facts and circumstances change over time, both expense amounts and payment patterns may also change and new items that merit unique consideration and analysis may arise.
- Since the Rate Adjustment Mechanism tariff fixes the Working Capital amount includable in Rate Base RAM, the efforts undertaken in the prior rate case and approved by the Commission to quantify the amount of Working Cash includable in rate base should not be replaced or superseded by calculations in a decoupling tariff transmittal whose review is conducted on an expedited basis with no opportunity for the needed discovery, analysis and testimony that would occur in a rate case.
- Other than Working Cash, the amounts recorded in the general ledger (or the balance sheet) serve as the primary source for the various rate base items shown on HELCO-WP-H-001 and used for earnings sharing calculation purposes. While it is appropriate to reflect more recent actual values in rate base for earnings sharing purposes, adjusted to reflect regulatory requirements as necessary, Working Cash is not represented by one or more accounts recorded on the balance sheet.
- Because the amount of Working Cash is a calculated or derived value for ratemaking purposes and Rate Base RAM fixes this amount for RAM purposes, the determination of earnings sharing credits, if any, should not be influenced either positively or negatively by side calculations that produce a higher or lower Working Cash allowance.

The second CA Adjustment appearing on page one of Attachment 1 reduces average rate base used on Schedule H for earnings sharing purposes by about \$4.18 million to fix Working Cash at the amount last approved by the Commission in Docket No. 2009-0164 in the amount that is consistent with Schedule D1. For

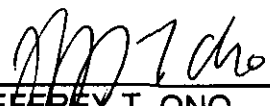
purposes of this RBA/RAM filing, no earnings sharing credits are appropriate, even after this adjustment to Working Cash is recognized.

III. CONCLUSIONS AND RECOMMENDATIONS.

For the reasons set forth herein, the Consumer Advocate recommends that the calculated adjustment to revenues proposed by HELCO in its Transmittal No. 13-02 be modified as set forth in Attachment 1 to this Statement of Position.

DATED: Honolulu, Hawaii, May 6, 2013.

Respectfully submitted,

By 

JEFFREY T. ONO
Executive Director

DIVISION OF CONSUMER ADVOCACY

HAWAII ELECTRIC LIGHT COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
CA ADJUSTED 2013 REVENUE BALANCING ACCOUNT RATE ADJUSTMENT
SUMMARY OF CA ADJUSTMENTS

<u>Line No.</u>	<u>Description</u> (a)	<u>Schedule Reference</u> (b)	<u>CA Adjustment Amount</u> (c)
1	The Schedule D1 beginning Rate Base amount for CIS Deferred Cost was restated to December 2012 actual balance, consistent with the other components of rate base.	D1, line 9	\$ (42,500)
2	The Schedule H Rate Base amount used for Earnings Sharing includes a Working Cash amount that is inconsistent with the findings in the Company's most recent rate order. An adjustment is made to rate base for Earnings Sharing Credit computation to conform Working Cash. See HELCO-WP-H-001 Rate Base at "Rate Base" tab versus Sch D1.	H, line 2e	\$ (4,180,000)

HAWAII ELECTRIC LIGHT COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF 2013 REVENUE BALANCING ACCOUNT RATE ADJUSTMENT

Line No.	Description (a)	Reference (b)	Amount (c)	Rate Amount (d)
<u>RECONCILIATION OF RBA BALANCE :</u>				
1	RBA Prior calendar year-end balance	Schedule B	\$ 4,509,964	
2	Revenue Tax Factor	Schedule C	1.0975	
3	Revenue for RBA Balance			\$ 4,949,685
<u>RATE ADJUSTMENT MECHANISM "RAM" AMOUNT:</u>				
4	O&M RAM	Schedule C	\$ 2,267,540	
5	Rate Base RAM - Return on Investment	Schedule D	\$ (5,573,351)	
6	Depreciation & Amortization RAM Expense	Schedule E	\$ 3,281,932	
7	Total RAM Revenue Adjustment			\$ (23,878)
8	<u>EARNINGS SHARING REVENUE CREDITS - 2012 ROE :</u>	Schedule H		\$ -
9	<u>PUC-ORDERED MAJOR OR BASELINE CAPITAL PROJECTS CREDITS:</u>	Schedule I		
10	TOTAL RBA REVENUE ADJUSTMENT	Sum Col. (d)		\$ 4,925,807
11	GWH SALES VOLUME ESTIMATE JUNE 2013 - MAY 2014 (see HELCO-WP-A-001)			1,123.779
12	RBA RATE ADJUSTMENT - cents per kWh	Note (1)		0.4383
13	MONTHLY BILL IMPACT @ 500 KWH			\$2.19

Note (1): 2013 RBA Rate Adjustment Breakdown

	Col. (d)	Rate Adjustment cents per kWh	Percentage Share
RBA Balance	\$ 4,949,685	0.44045007	100.48%
RAM Amount	\$ (23,878)	(0.00212484)	-0.48%
Earnings Sharing Revenue Credits	\$ -	-	0.00%
Major or Baseline Capital Projects Credits	\$ -	-	0.00%
	\$ 4,925,807	0.43832523	100.00%

HAWAII ELECTRIC LIGHT COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF RATE BASE RAM ADJUSTMENT - RETURN ON INVESTMENT
(\$ in Thousands)

Line No.	Description (a)	AMOUNTS IN THOUSANDS (b)	PERCENT OF TOTAL (c)	COST RATE (d)	POST TAX WEIGHTED EARNINGS REQMTS (e)	INCOME TAX FACTOR Note (2) (f)	PRETAX WEIGHTED EARNINGS REQMTS (g)
1	<u>PUC APPROVED CAPITAL STRUCTURE & COSTS (Note 1):</u>						
2	Short-Term Debt	\$ 7,040	1.41%	3.25%	0.05%	1.000000	0.05%
3	Long-Term Debt	196,838	39.48%	6.15%	2.43%	1.000000	2.43%
4	Hybrid Securities	9,297	1.86%	7.38%	0.14%	1.000000	0.14%
5	Preferred Stock	6,623	1.33%	8.29%	0.11%	1.636929	0.18%
6	Common Equity	278,722	55.91%	10.00%	5.59%	1.636929	9.15%
7	Total Capitalization	<u>\$ 498,520</u>	<u>100.00%</u>		<u>8.31%</u>		<u>11.94%</u>
8	RAM CHANGE IN RATE BASE \$000 (From Schedule D1)						<u>\$ (42,531)</u>
9	PRETAX RATE OF RETURN (Line 7, Col g)						<u>11.94%</u>
10	PRETAX RETURN REQUIREMENT						<u>\$ (5,078.2)</u>
11	REVENUE TAX FACTOR (1/(1-8.885%))						<u>1.0975</u>
12	RATE BASE RAM - RETURN ON INVESTMENT \$000						<u>\$ (5,573.4)</u>

Footnotes:

1 See Letter to Commission, Subject: HELCO Revised schedules Resulting from Decision and Order No. 30168, dated February 21, 2012, in Docket No. 2009-0164, Exhibit 1A, p.2.

2 Composite Federal & State Income Tax Rate 38.91%
Income Tax Factor (1 / 1-tax rate) 1.636929121

See Letter to Commission, Subject: HELCO Revised schedules Resulting from Decision and Order No. 30168, dated February 21, 2012, in Docket No. 2009-0164, Exhibit 1A, p.12.

HAWAII ELECTRIC LIGHT COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF RATE BASE RAM ADJUSTMENT - CHANGE IN RATE BASE
(\$ in Thousands)

Line No.	Description (a)	HELCO 2010 Test Year Rate Base		HELCO 2013 RAM Rate Base		
		Beg Balance 12/31/2009 (b)	Budgeted Balance 12/31/2010 (c)	Adjusted Recorded at 12/31/2012 (d)	RAM Projected Amounts (e)	Estimated at 12/31/2013 (f)
1	Net Cost of Plant in Service	\$ 567,375	\$ 597,486	Note A \$ 589,165	See Detail Below \$ 333	\$ 589,498
2	Property Held for Future Use	-	-	These Elements of Rate Base are Not Updated for RAM Purposes		
3	Fuel Inventory	8,848	8,848			
4	Materials & Supplies Inventories	3,944	3,944			
5	Unamort Net SFAS 109 Reg Asset	11,803	11,633			
6	Unamort Sys Dev Costs	1,184	1,455			
7	Pension Asset	4,888	2,668			
8	ARO Reg Asset	205	209			
9	CIS Deferred Costs - Note B			2,477	(40)	2,437
10						
11						
12						
13	Pension Reg Asset	4,156	4,916			
14	Total Additions	\$ 602,403	\$ 631,159	\$ 625,993	\$ 293	\$ 626,285
15	Unamortized CIAC	\$ (69,566)	\$ (73,019)	\$ (84,799)	\$ (4,016)	\$ (88,815)
16	Customer Advances	(27,912)	(29,995)	Not Updated		
17	Customer Deposits	(2,703)	(2,751)			
18	Accumulated Def Income Taxes	(31,776)	(46,003)	(72,614)	(5,300)	(77,914)
19	Unamortized State ITC (Gross)	(12,301)	(13,314)	Not Updated		
20	Unamortized Gain on Sale	-	-			
21	Pension Reg Liability	-	-			
22	OPEB Reg Liability	(100)	(319)			
23	Total Deductions	\$ (144,358)	\$ (165,401)	\$ (202,111)	\$ (9,316)	\$ (211,427)
24	Working Cash	3,238	3,238	3,238	Not Updated	3,238
25	Rate Base at Proposed Rates	\$ 461,283	\$ 468,996	\$ 427,120		\$ 418,096
26	Average Rate Base		\$ 465,139			\$ 422,608
27	Change in Rate Base					\$ (42,531)

HELCO-WP-D1-001

Column (e) Projected Changes to Rate Base:	Reference	Amount \$000
Plant - Baseline Capital Project Additions	Schedule D2	38,194
Major CIP Project Additions	Schedule D3	-
Accumulated Depreciation/Amortization Change	Schedule E	(37,861)
Net Plant	Sum Lines 29-31	333
Accum. Deferred Income Taxes - Baseline and Major Capital Projects	Schedule F	(5,300)
Projected CIAC Additions - Baseline	Schedule G	(6,783)
Projected CIAC Additions - Major CIP	Schedule D3	-
Less: Amortization of CIAC	Schedule G	2,766
Total Change in CIAC in Rate Base	Sum: Lines 34-36	(4,016)

Note A: For column (d), row 1, \$589,165 Net Cost of Plant in Service, see PUC Monthly Financial Report as of 12/31/12, page 8 Utility Plant, \$655,822,981 less Regulatory Liability - Cost of Removal (Net Salvage), \$66,658,047, page 10.

Note B: Column (d) line 9 per HELCO-WP-D1-001, page 2. Column (e) line 9 per Schedule E, line 102.

SCHEDULE H
(WITH SETTLEMENT)
PAGE 1 OF 1

Attachment 1
Trans. 13-02
CA SOP
Page 5 of 5

HAWAII ELECTRIC LIGHT COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
EARNINGS SHARING CALCULATIONS
(\$ in Thousands)

Line No.	Description (a)	Reference (b)	Ratemaking Basis Return on Equity		
			Operating Income (c)	Rate Base (d)	Rate of Return (e)
		Dec 2012 Monthly PUC Report, p. 2A, filed 2/19/13 & HELCO-WP-H-001			
1	Reported Operating Income b/4 ratemaking adj.		\$ 31,140	\$ 454,472	
2	<u>Ratemaking Adjustments to Line 1:</u>				
2a	Incentive Compensation Expenses (net of tax)	HELCO-WP-H-002	228		
2b	Discretionary and Other Expenses Not Recoverable (net of tax)	HELCO-WP-H-002	608		
2c	Amortization of investment income differential	HELCO-WP-H-003	(9)		
2d	Income tax on items to be replaced by synchronized interest	HELCO-WP-H-003	(4,527)		
2e	CA Adjustment to Restate Working Cash	Sch. D1 vs. HELCO-WP-H-001		(4,180)	
3	Ratemaking Basis Amounts - Post Tax	Sum Lines 1 & 2	\$ 27,440	\$ 450,292	
4	<u>Ratemaking Capitalization</u>		Balances	Ratios	Cost Rate
5	Short-Term Debt (12 mo. Avg)		\$ -	0.00%	0.00%
6	Long-Term Debt (Simple Avg)		\$ 192,875	39.87%	5.80%
7	Hybrid Securities (Simple Avg)		\$ 9,370	1.94%	7.32%
8	Preferred Stock (Simple Avg)		\$ 6,653	1.38%	8.25%
9	Common Equity (Simple Avg)		\$ 274,850	56.82%	10.00%
10	Total Capitalization	HELCO-WP-H-004	\$ 483,748	100.00%	8.25%
11	Line 3 Rate Base Amount			\$ 450,292	
12	Weighted Cost of Debt			2.45%	
13	Synchronized Interest Expense			\$ 11,048	
	Income Tax Factor			1.636929121	
13a	Synchronized Interest Expense, net of tax			\$ 6,749	
14	Post Tax Income Available for Preferred & Common (Line 3 - Line 13a)				\$ 20,690
17	Less: Preferred Income Requirement (Line 8 Weighted Cost times Rate Base)				511
18	Income Available for Common Stock				\$ 20,179
19	Ratemaking Equity Investment (Line 9 Ratio times Rate Base)				255,841
20	Return on Equity for Decoupling Earnings Sharing				7.89%
21	<u>Earnings Sharing Revenue Credits:</u>	Basis Points			
22	Achieved ROE (basis points)	789			
23	Authorized Return (basis points)	1,000			
24	ROE for sharing (basis points)	-			
25	Sharing Grid per RAM Provision	First 100 bp	Next 200 bp	All over 300 bp	Ratepayer Total
26	Distribution of Excess ROE (basis points)	0	0	0	
27	Ratepayer Share of Excess Earnings	25%	50%	90%	
28	Ratepayer Earnings Share - Basis Points	-	-	-	-
29	Revenue Credit per Basis Point (Note 2)				\$ 46
30	Earnings Sharing Revenue Credits (thousands)				\$ -

Footnotes:

1	Composite Federal & State Income Tax Rate	38.91%
	Income Tax Factor (1 / 1-tax rate)	1.636929121
2	Ratemaking Equity Investment (line 19)	\$ 255,841
	Basis Point = 1/100 of a percent	0.01%
	Earnings Required per Basis Point (thousands)	\$ 25.58
	Times: Income Tax Conversion Factor	1.636929121
	Pretax Income Required per Basis Point (thousands)	\$ 42
	Times: Revenue Tax Conversion Factor	1.0975
	Revenue Requirement per Basis Point (thousands)	\$ 46

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **DIVISION OF CONSUMER ADVOCACY'S STATEMENT OF POSITION** 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 K. MATSUURA
MANAGER, REGULATORY AFFAIRS
Hawaiian Electric Company, Inc.
P.O. Box 2750
Honolulu, Hawaii 96840

1 copy
by hand delivery

DATED: Honolulu, Hawaii, May 6, 2013.

Kadeli