



Dean K. Matsuura
Manager
Regulatory Affairs

May 26, 2011

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PUBLIC UTILITIES
COMMISSION

The Honorable Chair and Members
of the Hawaii Public Utilities Commission
Kekuanaoa Building, First Floor
465 South King Street
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Transmittal No. 11-02 – Decoupling RBA Rate Adjustment Tariff Filing
Hawaiian Electric Tariff Revisions Resulting from the May 20, 2011 Order

In accordance with the *Order Regarding Attachment 5 and Directing HECO to File Tariff Amendments* (“Transmittal No. 11-02 Order” or “Order”) filed May 20, 2011, enclosed for filing are revised and new pages of the attachments to Hawaiian Electric Company, Inc.’s (“Hawaiian Electric” or “Company”) Transmittal No. 11-02 filed March 31, 2011 and revised May 10, 2011. The enclosed changes the rate per kWh in the proposed tariff (in Attachment 1) and the supporting calculation (in Attachment 2) as the Commission directed in its Transmittal No. 11-02 Order. The Company also removed Attachment 5 in its entirety and added a new Attachment 6 to comply with the provision in the Order which “directs HECO to file exhibits clearly identifying the Authorized Base Revenue and RAM Revenue Adjustment amounts, as defined in the RBA and RAM Tariffs” (Order at 2.)

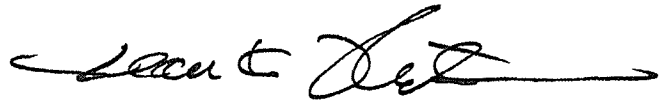
As the Order requires, Hawaiian Electric proposed tariff includes a Revenue Balancing Account (“RBA”) Rate Adjustment of \$0.001995 per kWh, which is based on a 2011 Revenue Adjustment Mechanism (“RAM”) Adjustment calculated over a period of twelve months, from January 1, 2011, through December 31, 2011, and is consistent with the *Division of Consumer Advocacy’s Statement of Position on Hawaiian Electric Company, Inc.’s Transmittal No. 11-02, Exhibit 1 Revised Rate Calculation and Certificate of Service* (“Statement of Position on Transmittal No. 11-02”) filed April 29, 2011.¹

¹ As the Company pointed out in its May 10, 2011 revised Transmittal No. 11-02 filing, the Consumer Advocate did not reflect all of the Company’s proposed revisions in the rate base RAM calculation. This resulted in a nominal difference of \$0.000004 between the rate the Company proposes in this filing and the rate the Consumer Advocate proposed in its Statement of Position on Transmittal No. 11-02. The Company’s May 10, 2011 revised submission and this filing correct the Consumer Advocate’s calculations.

The Honorable Chair and Members
of the Hawaii Public Utilities Commission
May 26, 2011
Page 2

With this filing, Hawaiian Electric has fully complied with the Order. Therefore, Hawaiian Electric requests the Commission to allow its proposed RBA Rate Adjustment of \$0.001995 per kWh, as reflected in the proposed tariff on page 3 of Attachment 1 of this filing, to go into effect on June 1, 2011 – the effective date of the RBA Rate Adjustment specified in the Amended Joint Proposal approved by this Commission.²

Very truly yours,



Dean K. Matsuura
Manager, Regulatory Affairs

Enclosures

cc: Division of Consumer Advocacy
Dr. Kay Davoodi, Department of Defense
James N. McCormick, Department of Defense

² In the Final Decision and Order, filed on August 31, 2010 in Docket No. 2008-0274, the Commission approved the decoupling mechanism proposed in the *Joint Final Statement of Position of the HECO Companies and Consumer Advocate*, filed on May 11, 2009, as amended by filings on June 25, 2009, and July 13, 2009, and as subsequently modified by the proposals in the HECO Companies' *Motion for Interim Approval of a Decoupling Mechanism for Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited*, filed on November 25, 2009, collectively, the "Amended Joint Proposal," subject to the modification made therein.



Superseding SHEET NO. 92B
Effective March 1, 2011

REVISED SHEET NO. 92B
Effective June 1, 2011

REVENUE BALANCING ACCOUNT ("RBA") PROVISION

Interest will be recorded monthly to the RBA by multiplying the simple average of the beginning and ending month balance in the RBA times the Interest Rate divided by 12. The Interest Rate shall be 6 percent.

D: RECOVERY OF BALANCING ACCOUNT AMOUNTS:

At the Annual Evaluation Date provided in the Rate Adjustment Mechanism Provision, the Company will file with the Commission a statement of the previous calendar year-end balance in the RBA and the RAM Revenue Adjustment for the current calendar year, along with supporting calculations.

Both an amortization of the previous calendar year-end balance in the RBA, adjusted for any Earnings Sharing Revenue Credits or Major Capital Projects Credits or Baseline Capital Projects Credits, and the RAM Revenue Adjustment will be recovered through a per-kWh RBA rate adjustment, over the 12 months from June 1 of the current calendar year to May 31 of the succeeding calendar year.

E: REVENUE BALANCING ACCOUNT RATE ADJUSTMENT:

The RBA rate adjustment is comprised of the calculated values from Section D above, adjusted to include amounts for applicable revenue taxes. The RBA rate adjustment is calculated based on the Company's forecast of mWh sales over the RBA rate adjustment recovery period.

Effective June 1, 2011 to May 31, 2012

RBA Rate Adjustment

All Rate Schedules 0.1995 ¢/kWh

F: COMMISSION'S AUTHORITY

The Commission may suspend any or all parts of this Revenue Balancing Account Provision. Such suspension shall remain in place until removed by Commission Order.

HAWAIIAN ELECTRIC COMPANY, INC.

HAWAIIAN ELECTRIC COMPANY

DETERMINATION OF 2011 REVENUE BALANCING ACCOUNT RATE ADJUSTMENT

		<u>In \$000s</u>	<u>In \$000s</u>
L1	2010 Earnings Sharing Revenue Credit, Major Capital Projects Credits and/or Baseline Capital Projects Credit		N.1
L2	RBA 2010 calendar year-end balance		N.2
L3	O&M RAM Attachment 3	\$5,629	
L4	RATE BASE RAM Attachment 4	\$9,376	
L5 = L3 + L4	2011 RAM to be Recovered		<u>\$15,005</u>
L6 = L1 + L2 + L5	Total RBA Rate Adjustment		\$15,005
L7	Estimated GWH Sales, June 2011 to May 2012 Attachment 2, Page 2		7,521.8
L8 = (L6 x 1,000 x 100) ÷ (L7 x 1,000,000)	RBA Rate Adjustment, ¢ per kWh Effective June 1, 2011 through May 31, 2012		0.1995
L9 = L8 ÷ 100 x 600	Monthly Bill Impact @ 600 kWh		\$1.20

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.

N.2 Not Applicable (Implementation of Revenue Balancing Account began on March 1, 2011)

Attachment 5 has been deleted from Transmittal No. 11-02.

HAWAIIAN ELECTRIC COMPANY, INC.
TRANSMITTAL NO. 11-02 PER MAY 20, 2011 ORDER

		<u>In \$000s</u>
L1	Authorized Base Revenue	\$1,358,950
L2	RAM Revenue Adjustment	<u>\$15,005</u>
L3 = L1 + L2	Total Authorized Revenue	\$1,373,955

References

- L1 Electric Sales Revenue from Final D&O Results of Operations filed January 24, 2011, Docket No. 2008-0083, HECO 2009 Test Year Rate Case, Exhibit 1A, Page 1. Approved by the Commission on February 25, 2011.
- L2 Revised Attachment 2, L5
The Company proposes to recover the RAM Revenue Adjustment through the RBA Rate Adjustment of the RBA Provision.

Explanation of the Authorized Base Revenue and RAM Revenue Adjustment

The current level of Authorized Base Revenue is \$1,358,950,000, which is the electric revenue at proposed rates approved by the Commission in Hawaiian Electric's 2009 Test Year Rate Case, Docket No. 2008-0083, on February 25, 2011. This is the starting point for the calculation of the Target Revenue for the Revenue Balancing Account beginning March 1, 2011.

The RAM Revenue Adjustment calculated for 2011 is \$15,005,000, as shown on the revised Attachment 2. The Company proposes to recover the RAM Revenue Adjustment through the RBA Rate Adjustment of the RBA Provision, effective June 1, 2011, at a rate of 0.1995 cents per kWh.

Per the Company's RAM Provision tariff, Sheet No. 93G, Evaluation Procedures, "the RBA Rate Adjustments incorporating the RAM Revenue Adjustment shall go into effect on the June 1 effective date and the Commission shall confirm in its monthly Tariff Order the effectiveness (sic) of the Company's proposed tariff." In effect, the Company seeks Commission approval of the RAM Revenue Adjustment.

If the RAM Revenue Adjustment is approved, the sum of the RAM Revenue Adjustment and the Authorized Base Revenue becomes the starting point for the calculation of the Target Revenue for the Revenue Balancing Account beginning June 1, 2011.