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DIVISION OF CONSUMER ADVOCACY
Department of Commerce and
Consumer Affairs
335 Merchant Street, Room 326
Honolulu, Hawaii 96813
Telephone: (808) 586-2800

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PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of
HAWAIIAN ELECTRIC COMPANY, INC.
For approval to modify the RBA Rate Adjustment in its Revenue Balancing Account Provision Tariff.

Transmittal Nos. 18-01 (Decoupling)
Effective Date: June 1, 2018

In the Matter of the Application of
HAWAI'I ELECTRIC LIGHT COMPANY, INC.
For approval to modify the RBA Rate Adjustment in its Revenue Balancing Account Provision Tariff.

Transmittal Nos. 18-02 (Decoupling)
Effective Date: June 1, 2018

In the Matter of the Application of
MAUI ELECTRIC COMPANY, LIMITED
For approval to modify the RBA Rate Adjustment in its Revenue Balancing Account Provision Tariff.

Transmittal Nos. 18-03 (Decoupling)
Effective Date: June 1, 2018

DIVISION OF CONSUMER ADVOCACY'S STATEMENT OF POSITION

Pursuant to the Hawaii Public Utilities Commission's ("Commission's") Rules of Practice and Procedure, Hawaii Administrative Rules ("HAR") §§ 6-61-61 and 6-61-62, and various decisions, orders, and rulings of the Commission relevant to the annual decoupling tariff transmittals,[1] the Division of Consumer Advocacy ("Consumer Advocate") offers these comments for the Commission's consideration based upon the review that the Consumer Advocate has been able to conduct thus far of the decoupling rate adjustment filings submitted by Hawaiian Electric Company, Inc. ("Hawaiian Electric"), Hawaii Electric Light Company, Inc. ("Hawaii Electric Light"), and Maui Electric Company, Limited ("Maui Electric") (collectively, the "Hawaiian Electric Companies") on March 29, 2018. As in recent prior years, the Consumer Advocate is again submitting its Statement of Position on a consolidated basis for all three utilities.

This year, the Hawaiian Electric Companies seek to implement RBA Rate Adjustments to recover the following amounts within the June 1, 2018, through May 31, 2019, recovery period:[2]

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[1] See, for example, Final Decision And Order And Dissenting Opinion of Leslie H. Kondo, Commissioner, Docket No. 2008-0274 (filed on Aug. 31, 2010) ("2008-0274 Decision and Order"); Decision and Order No. 31908, Docket No. 2013-0141 (filed on Feb. 7, 2014); Order No. 32735, Docket No. 2013-0141 (filed on Mar. 31, 2015); Order No. 34514, Docket No. 2013-0141 (filed on Apr. 27, 2017); Order No. 32866, Tariff Transmittal Nos. 15-03 (Hawaiian Electric Company, Inc. ("Hawaiian Electric")), 15-04 (Hawaii Electric Light Company, Inc. ("Hawaii Electric Light")), and 15-05 (Maui Electric Company, Limited ("Maui Electric")) (Consolidated) (filed on May 28, 2015); Order No. 34503, Tariff Transmittal Nos. 17-02 (Hawaiian Electric), 17-03 (Hawaii Electric Light), and 17-04 (Maui Electric) (Decoupling) (Consolidated) (filed on Apr. 19, 2017).

[2] The RBA tariff states, "The recovery through the RBA Rate Adjustment of a RAM Revenue Adjustment calculated for a calendar year that is also a rate case test year shall terminate on the effective date of tariff rates that implement a Commission approved base revenue level authorized in the Company's test year rate case." Similarly, the RAM tariff states, "The RAM Revenue Adjustment established for a RAM Period calendar year that is also a rate case test year shall terminate on the effective date of tariff rates that are implemented pursuant to a Commission Decision & Order for that test year, unless otherwise specified below." Therefore, the amounts to be recovered by Maui Electric for the RAM component of the RBA rate is expected to be modified by rate orders to be issued later this year in Docket No. 2017-0150 (Order No. 35333 scheduled the interim decision and order for 8/13/2018). The RAM component of the RBA rate for Hawaii Electric Light and Hawaiian Electric were modified by rate orders issued in pending rate case proceedings, Docket Nos. 2015-0170 (Interim Decision and Order No. 34766 and Order No. 35419) and 2016-0328 (Interim Decision and Order No. 35100 and Order No. 35335), respectively.

		Proposed RBA Adjustment $000			Existing	Percent
		2018	2017	Increment	Target Rev.	Change
HECO	**RBA**	54,032	47,442	6,589	658,471	1.0%
	RAM	13,828		13,828	658,471	2.1%
	Total	67,860	47,442	20,417	658,471	3.1%
HELCO	**RBA**	3,972	3,312	660	163,499	0.4%
	RAM	6,638	3,242	3,396	163,499	2.1%
	Total	10,610	6,554	4,056	163,499	2.5%
MECO	**RBA**	6,085	2,876	3,209	148,357	2.2%
	RAM	16,429	14,088	2,341	148,357	1.6%
	Total	22,514	16,964	5,550	148,357	3.7%
Note: Excludes MECO's Embedded Tax Act Adjustments						
TOTAL	**RBA**	64,089	53,631	10,458	970,327	1.1%
	RAM	36,894	17,330	19,565	970,327	2.0%
	Total	100,983	70,961	30,023	970,327	3.1%

This table illustrates several points for consideration by the Commission. First, the RBA and Rate Adjustment Mechanism ("RAM") amounts are calculated on a cumulative rather than an incremental basis. In order to determine the "incremental" amounts of change now being proposed, it is necessary to compare the absolute amounts proposed in the Hawaiian Electric Companies' 2018 tariff transmittals to the cumulative RBA and RAM increases that were approved last year.[3] Second, unlike the prior year, the RBA recovery rates approved for the 2017 tariff transmittals provided insufficient recovery and resulted in a net increase in the all three utilities' RBA balances during the recovery period. This outcome requires an increased recovery rate for the RBA balance for all three of the utilities.[4] When the new RBA recovery amounts are combined with the proposed RAM increases for the three utilities, the Hawaiian Electric Companies have collectively proposed a $30.0 million, or about 3.1 percent overall incremental increase in recorded adjusted revenue. Notably, these amounts do not include incremental adjustments recommended for Maui Electric's prospective target revenues for Tax Cuts and Jobs Act ("Tax Act") benefits.[5]

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[3] Since interim decisions and orders in the recent rate cases filed by Hawaii Electric Light (Docket No. 2015-0170) and Hawaiian Electric (Docket No. 2016-0328) were issued in 2017 with subsequent revisions in 2018 related to the 2017 Tax Act, the cumulative RAM amounts in their 2018 tariff transmittals represent two and one-year changes, respectively.

[4] This change in the RBA balance during 2017 can be observed at Schedule B for each utility. Amounts recovered through Commission-approved RBA rates can be observed in column (f) of Schedule B, while new monthly deferrals for the monthly difference between target and recorded-adjusted revenues can be observed in the "Variance to RBA" amounts in column (e).

[5] In Transmittal 18-03 at page 18, Maui Electric describes its recalculation of 2012 test year revenue requirements applying lower federal tax rates and other Tax Act changes, resulting in a $5.907 million reduction in target revenues prospectively, as well as a pro-rated $2.4 million reduction to the RAM for recognition of retained tax savings since January 1, 2018.

This year, the RAM Cap served to constrain the RAM increases that would otherwise be implemented for Hawaiian Electric and Hawaii Electric Light, reducing the RAM amounts by about $11.1 million and $62 thousand, respectively.[6] In contrast, the traditionally calculated RAM increase for Maui Electric was below the calculated RAM Cap, such that no Cap constraint was imposed for Maui Electric.[7]

I. BACKGROUND.

Prior to 2014, RBA rate adjustments were prepared by the Hawaiian Electric Companies in general compliance with the Commission's initial decoupling rulings within 2008-0274 Decision and Order, which provided for implementation of annual RBA rate revisions after review and comment by the Consumer Advocate and Commission. The initial Commission-approved decoupling framework was modified on an interim basis by the Commission's Decision and Order No. 31908, issued in Docket No. 2013-0141 on February 7, 2014. The modifications at that time limited increases in the Rate Base RAM to 90 percent of the calculated amount above the prior year Rate Base RAM and mandated reductions in the RBA interest rate, with interest to be applied

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[6] At Hawaiian Electric Schedule A1, the traditionally determined cumulative RAM was reduced from $24,971,625 to $13,827,909 by the RAM Cap. Similarly, at Hawaii Electric Light Schedule A1, the traditionally determined cumulative RAM was reduced from $6,699,547 to $6,637,843 by the RAM Cap.

[7] At Maui Electric Schedule A1, lines 1 through 6 summarizes the traditionally calculated RAM of $16,428,671, which is below the RAM Cap of $18,555,303 summarized at lines 7 through 9.

on a net-of-income taxes basis.[8] Then, with the issuance of Order No. 32735, further modifications to the decoupling regime were implemented, including the insertion of a RAM Cap mechanism, limiting annual increases in target revenues through the RAM mechanism to not exceed the percentage change in Gross Domestic Product Price Index ("GDPPI").

A series of complex implementation issues arising from Order No. 32735 were presented for consideration by the Commission in the 2015 decoupling transmittals. These issues involved how to properly determine and apply the basis for the new RAM Cap, including annualization of depreciation and amortization expense, treatment of the interim 90 percent rate base factor within the basis for the Cap, accounting consistency problems caused by changed clearing account procedures that shifted costs from expense to capital and whether historical or projected GDPPI values should be used to quantify the Cap percentage. Order No. 32866 addressed each of these issues and has been relied upon by the Hawaiian Electric Companies and the Consumer Advocate in preparing and evaluating the pending RBA/RAM filings.

The Hawaiian Electric Companies have calculated and applied the RAM Cap for 2018 at 2.10 percent above prior year 2017 target revenues within the pending tariff

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[8] Decision and Order No. 31908, at Ordering paragraph 3, states, "The Commission orders the HECO Companies to revise their decoupling tariffs to provide that the amount of any "Rate Base RAM - Return on Investment Adjustment" ("Rate Base RAM Adjustment") applied to the determination of Target Revenues and the RBA Rate Adjustment in accordance with the existing RAM tariffs shall include the entire effective Rate Base RAM Adjustment from the prior year, plus ninety percent of the amount that the current RAM Period Rate Base RAM Adjustment exceeds the Rate Base RAM Adjustment from the prior year. If the prior year is a rate case test year, the amount of the Rate Base RAM applied to the determination of Target Revenues and the RBA Rate Adjustment shall be ninety percent of the RAM Period Rate Base RAM Adjustment."

transmittals.[9] The use of forecasted rather than historical measures of GDPPI growth for this purpose was approved by the Commission in Order No. 32866 as one of several clarifications of the prior decoupling investigation Order No. 32735.[10] Other adjustments to the RAM Cap basis were approved by the Commission in Order No. 32866 that also impact the determination of the RAM Cap within the utilities' 2018 tariff transmittals. These include annualization of depreciation and amortization based upon actual prior year-end plant in service balances[11] and an adjustment imposed to recognize the expense reduction impact of changes to the Hawaiian Electric Companies' Energy Delivery and Power Supply clearing accounts, in determining the RAM increase and RAM Cap.[12] The Consumer Advocate has verified that the Hawaiian Electric Companies have properly reflected these adjustments in determining the Target Revenues subject to escalation and the RAM Cap for 2018 within Schedule J of the tariff transmittals.[13]

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[9] See Schedule J and WP-C-002 where the RAM Cap percentage is documented for each of the Hawaiian Electric Companies, based upon the consensus projected growth in GDPPI published by Blue Chip Economic Indicators. The RAM Cap dollar amount is then applied within Schedule A1 at line 6 (HECO), line 5 (HELCO) and line 7 (MECO).

[10] Order No. 32866, Tariff Transmittal Nos. 15-03 (Hawaiian Electric), 15-04 (Hawaii Electric Light), and 15-05 (Maui Electric) (Consolidated), at 16.

[11] Order No. 32866, Tariff Transmittal Nos. 15-03 (Hawaiian Electric), 15-04 (Hawaii Electric Light), and 15-05 (Maui Electric) (Consolidated), at 7-9. This adjustment was approved after the Commission clarified its intent to use 2014 year-end actual plant in service balances to calculate depreciation and amortization expense in determining the RAM Cap.

[12] Id. at 11-15. The interim rates currently in effect for Hawaiian Electric (Docket No. 2016-0328) and Hawaii Electric Light (Docket No. 2015-0170) include in base rates the changes to the Hawaiian Electric Companies' Energy Delivery and Power Supply clearing accounts implemented in 2014. At Schedule A1, Tariff Transmittal No. 18-03 shows a reduction for these clearing changes for Maui Electric, since no interim order has yet been issued in Docket No. 2017-0150.

[13] See Maui Electric Schedule J, at lines 2 and 6.

The base rates of Hawaii Electric Light Company and Hawaiian Electric Company have been adjusted to account for the revenue requirement impacts resulting from the Tax Cuts and Jobs Act ("Tax Act") with Docket Nos. 2015-0170 and 2016-0328, respectively. The Parties' Stipulated Settlement on Remaining Issues in Docket No. 2016-0328 provided for reductions in interim base rates for both utilities, applying a series of agreed-upon principles to address Tax Act benefits on an accelerated basis for ratepayers.[14] The Settlement noted that, "Maui Electric Company does not have interim rates in place at this time. Therefore, the recognition of Tax Act impacts will be addressed within Maui Electric Company's pending rate case, Docket No. 2017-0150 and as Exogenous Tax Changes within decoupling RAM rate calculations submitted and reviewed for implementation on June 1, 2018."[15] Schedule A of the Maui Electric Company decoupling transmittal reflects a downward adjustment of $2.44 million captioned "2017 Tax Reform Act Adjustment (1/1/18 – 5/31/18)" to account for the estimated Tax Act savings occurring since the beginning of this year that have not been returned to customers, based upon an estimated annualized savings of $5.907 million prorated for 151/365 days expiring before new RBA rates are made effective.[16] Additionally, changes have been made within the RAM calculation logic to

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[14] Docket No. 2016-0328, Parties' Stipulated Settlement on Remaining Issues dated March 5, 2018, Exhibit 1 at 19-23.

[15] *Id.*, page 22.

[16] Transmittal 18-03, Schedule A, Note 3. The Company's proposed adjustment is based upon MECO base rates approved in Docket no. 2011-0092 based upon a 2012 test year, as more fully explained in Transmittal 18-03 at pages 18-19.

incorporate the reduced federal income tax rate and other provisions of the Tax Act that impact RAM revenue requirements.[17]

Two specific adjustments are proposed by the Consumer Advocate to the RAM increases calculated within the Hawaiian Electric Companies' transmittals.[18] The first adjustment would conditionally remove Hawaiian Electric's proposed inclusion of Schofield Generating Station ("SGS") investment that is included as a Major Capital Project addition in Schedule D3, because separate recovery of the SGS revenue requirement is pending before the Commission in Docket No. 2017-0213 through the Major Project Interim Recovery ("MPIR") mechanism. The Company has quantified the RAM reduction impact of removing SGS investments at $7.2 million, reducing the traditional RAM from $24.9 million to $17.7 million.[19] However, because of the $13.8 million RAM Cap applicable to Hawaiian Electric's RAM in 2018,[20] the removal of this investment does not impact Hawaiian Electric's proposed RBA rate.

The Consumer Advocate's second adjustment revises the amount of Maui Electric's proposed Exogenous Tax for Tax Reform Act benefits for the period from

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[17] Schedule D employs a lower "Income Tax Factor" in column (f) to reflect the reduced FIT rate, as documented in footnote 1. Schedules D1, D4, F and F1 also reflect the reduced FIT rate under the Tax Act and Schedule E reflects a new "Amortization of ADIT Excess Reg. Liability" credit to return excess ADIT balances resulting from Tax Act revaluation to ratepayers over prescribed amortization periods set for in the Stipulated Settlement Agreement in Docket No. 2016-0328.

[18] The Consumer Advocate's review and the Companies' responses to informal information requests CA-IR-21 and CA-IR-35 revealed small errors in labor cost escalation rates and Accumulated Deferred Income Tax balances that impact Hawaiian Electric's and Hawaii Electric Light's RAM calculations only slightly, and not enough to impact RBA rate calculations due to the RAM Cap that is applicable to the HECO and HELCO RAM calculations in 2018. In the interest of administrative efficiency, these relatively immaterial adjustments are not described or quantified because they have no impact upon the required RBA rate changes.

[19] HECO response to Consumer Advocate informal CA-IR-33. The traditional RAM of $24.9 million appears at Schedule A1, line 5.

[20] See Schedule A1 and Schedule J.

January 1, 2018 to May 31, 2018, which does impact the net RAM increase and resulting RBA rate proposed by Maui Electric. These adjustments are described in detail in the Discussion section below.

Two RAM and RBA tariff issues are raised in the Hawaiian Electric Companies' tariff transmittals submitted in 2018. First, with the issuance of interim orders in recent rate cases for Hawaii Electric Light Company and Hawaiian Electric, there was a reset of target revenues and the Companies have proposed conforming revisions to the RBA Rate Adjustment Mechanism tariff to formally allow the determination of RAM Cap target revenues to be based on the results of the Company's most recent *interim or* final rate case decision.[21] Then, in Order No. 35372 issued on March 29, 2018 in Docket No. 2016-0328, the Commission indicated a need to revise the RBA tariff upon approval of the pending decoupling Transmittals to show the Target Revenue currently in effect, as approved in the most recent general rate case. The Consumer Advocate has reviewed and is in agreement with these changes, as more fully discussed under "Tariff Issues" in the Discussion section that follows.

II. DISCUSSION.

The Hawaiian Electric Companies' calculation of proposed RBA Rate Adjustments in 2018 again includes two elements, the recovery of December 31, 2017 RBA balances and the RAM calculated (or capped) increases to such target revenues. As noted above, proposed rate increases are needed for the RBA recovery component of the overall RBA Rates for all three utilities, because recovery of last year's

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[21] See Attachment 1A of Transmittals 18-01, 18-02 and 18-03 containing redline edits to tariffs.

(December 2016) recorded RBA balances was less than new RBA deferrals representing under-recovery of targeted levels of during 2017. As of December 31, 2017, the accumulated RBA balance to be recovered represents a cumulative revenue shortfall of $54.0 million for Hawaiian Electric, $4.0 million for Hawaii Electric Light, and $6.1 million for Maui Electric Company.[22]

With respect to the RAM element of the RBA rate adjustment, for 2018, the Hawaiian Electric Companies have proposed incremental RAM increases of $13.8 million for Hawaiian Electric, $3.4 million for Hawaii Electric Light, and $2.3 million for Maui Electric, driven by calculated increases in the O&M RAM, the Rate Base RAM – Return on Investment and the Depreciation & Amortization RAM Expense for each company, with RAM Cap limitations for Hawaiian Electric and Hawaii Electric Light.[23]

A. REVIEW OF THE REVENUE BALANCING ACCOUNT.

The revenue balancing account is maintained to accumulate the differences that occur each month between: 1) the target level of base revenues that the utility has been authorized to charge, and 2) the comparable amount of monthly recorded adjusted revenues that were actually earned and charged to customers. The revenue balancing

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[22] See Schedule A, at line 3. These amounts include revenue taxes added to the recorded RBA balances at December 31, 2017, as set forth at Schedule B for each utility.

[23] Excludes Maui Electric' Tax Act adjustment at Schedule A, line 7. Because an interim decision and order has not yet been issued to incorporate the 2017 Tax Act savings in base rates for Maui Electric, Schedule A shows a separate line 7 to incorporate the estimated cumulative amount of such savings for the period January 1 through May 31, 2018 into the 2018 RBA rate adjustment calculations.

process is relatively simple to understand in concept and has been succinctly defined within the RBA Tariff.[24]

Unfortunately, considerable complexity is involved in isolating the amount of recorded adjusted base revenue that was actually earned from serving customers each month, so as to exclude each element of non-base revenues and to properly restate for billing adjustments and error corrections impacting current and prior periods. Contributing to this complexity is the necessary inclusion of monthly accounting accruals and reversals for estimated unbilled revenues that are recorded in addition to all of the actual billed-basis revenue transactions and adjustments, because of the requirement within Generally Accepted Accounting Principles for each of the Hawaiian Electric Companies to report financial results on an accrual-basis of accounting.

RBA accounting is limited to base rate revenues. Therefore, it is necessary to isolate and remove the revenues associated with each of the many other revenue tracking mechanisms that have been authorized by the Commission for separate recovery of fuel, purchased power, energy efficiency funding, DSM/IRP, REIP, and other targeted cost recoveries, which result in distinct billed and unbilled revenues each month to derive the residual amounts of "recorded adjusted" base revenues subject to RBA reconciliation. A high-level summary of the many complex elements of this

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[24] According to Paragraph A: PURPOSE within the Revenue Balancing Account ("RBA") Provision tariff, "The purpose of the Revenue Balancing Account ("RBA") is to record: 1) the difference between the Hawaiian Electric Company's target revenue and recorded adjusted revenue, and 2) monthly interest applied to the simple average of the beginning and ending month balances in the RBA." In paragraph C, a single sentence defines recorded adjusted revenues, stating, "The recorded adjusted revenue is defined to include the electric sales revenue from authorized base rates, plus revenue from any authorized interim rate increase, plus revenue from any RBA rate adjustment, but excluding revenue for fuel and purchased power expenses, IRP/DSM, any Commission Ordered one-time rate refunds or credits or other surcharges, and adjusted to remove amounts for applicable revenue taxes."

monthly calculation of recorded adjusted revenues can be observed within Schedule B2 of the decoupling template calculation that is submitted by each of the Hawaiian Electric Companies in support of the proposed annual RBA rate adjustment.

Because of this complexity and the potential for significant errors, the Hawaiian Electric Companies have continued to maintain detailed reporting and internal review requirements to help ensure that the complex entries made each month to the RBA account are accurate and complete. Detailed monthly workpaper "Packets" are prepared to document Hawaiian Electric's analysis in support of the RBA entries that are recorded each month, as included within pages 9A, 9A.1, and 9A.2 of the Monthly Financial Report that is submitted to the Commission. These monthly RBA information Packets are submitted to the Consumer Advocate and contain written responses to prescribed information requests that highlight any changes in procedures, billing errors or corrections, or other unusual transactions impacting the RBA entries or balance. Hawaiian Electric has also maintained 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, periodic internal audit reviews and annual agreed upon review procedures performed by Hawaiian Electric's external auditor are undertaken to ensure the integrity of RBA accounting procedures of the Hawaiian Electric Companies.

The Consumer Advocate is continuing to review the RBA calculations within Hawaiian Electric's decoupling filing, the monthly informational packets and responses to informal information requests, but at this time has identified no needed adjustments to the December 31, 2017 recorded balances as submitted by the Hawaiian Electric Companies.

B. REVIEW OF RAM – CONSUMER ADVOCATE PROPOSED ADJUSTMENTS.

The Hawaiian Electric Companies' proposed RAM Revenue Adjustment amount is comprised of the O&M RAM, Rate Base RAM – Return on Investment, and the Depreciation and Amortization RAM Expense, as summarized on Schedules A and A1 in the Hawaiian Electric Companies' tariff transmittals. As noted previously, the overall RAM adjustment each year is limited by the RAM Cap approved by the Commission in Order No. 32735, which serves to restrain overall RAM increases to the level of general inflation, as measured by forecasted GDPPI.

Based upon the Consumer Advocate's review to date, there appear to be only two exceptions to the Hawaiian Electric Companies' traditional RAM calculations for 2018 that require Commission attention, as more fully described below.

1. Schofield Generating Station.

Hawaiian Electric's RAM Rate Base Adjustment, at Schedule D1 (line 32) and supported by Schedule D3, sets forth a single 2018 Major Project Addition $141,570,000 for the Schofield Generation Station ("SGS"). This amount for the SGS investment is only included within the end of period rate base and has no impact upon the Depreciation and Amortization RAM Adjustment calculations appearing on Schedule E, because depreciation of SGS would not commence until 2019.

In pending Docket No. 2017-0213, Hawaiian Electric has proposed specific recovery of its SGS investment through the Major Project Interim Recovery ("MPIR") mechanism that was established within Order No. 34514 in Docket No. 2013-0141. The Consumer Advocate's Statement of Position filed on January 17, 2018, in Docket

No. 2017-0213 proposed several revisions to the Company's asserted revenue requirement associated with SGS and stated:

> In summary, the Consumer Advocate has concluded that the SGS Project should be found eligible for recovery through the MPIR mechanism and consistent with the established MPIR Guidelines, as explained herein. However, the level of costs proposed by HECO for recovery through the MPIR should be revised downward and the procedures proposed by HECO for implementation of MPIR surcharges through the Revenue Balancing Account ("RBA") mechanism should be modified to ensure that just and reasonable charges result from such surcharges. Additionally, MPIR recovery should not be allowed to commence prior to receipt of signed attestation by senior management that the SGS Project is fully functional and available for dispatch at design capacity and heat rate parameters, along with a detailed reporting of the status of all remaining reliability testing and punch list issues that remain unresolved to achieve Substantial and Final Completion pursuant to contracts.[25]

The Commission has not acted in Docket No. 2017-0213 at the time the instant Statement of Position was prepared.

In order to avoid duplicate recovery of SGS-related revenue requirements, Hawaiian Electric's investment in this facility should not be included within <u>both</u> the RAM mechanism and the MPIR mechanism. To achieve consistency with its position taken in Docket No. 2017-0213, the Consumer Advocate submits that SGS should not be treated as a major project for inclusion in Hawaiian Electric's 2018 RAM calculation. In response to informal CA-IR-33, Hawaiian Electric revised its 2018 decoupling template to quantify the removal of SGS from therein, resulting in a reduction in the traditionally calculated Rate Base RAM – Return on Investment of approximately $7.2 million, due to the reduction in the SGS major project addition, net of related deferred taxes. A copy of this response is included as <u>Attachment 1</u> to this Statement of Position.

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[25] Docket No. 2017-0213, Division of Consumer Advocacy Statement of Position Regarding Hawaiian Electric Company's Proposed Major Project Interim Recovery Mechanism Schofield Generation Station Cost Recovery dated January 17, 2018, at page 6.

Schedule A1 of Hawaiian Electric's 2018 decoupling template calculation reveals that the Company's traditionally calculated Total Adjusted RAM Revenue Adjustment of $24.97 million exceeds the RAM Cap for 2018 of $13.83 million by more than $11 million. Because of this result, removal of the SGS-related revenue requirement from Hawaiian Electric's traditionally calculated RAM does not change the allowed RAM Revenue Adjustment on Schedule A of the template calculations. Thus, removal of SGS from Hawaiian Electric's RAM does not reduce the required RBA rate adjustment.

2. Maui Electric Company Exogenous Tax Act Adjustment.

As noted above, both Hawaii Electric Light Company and Hawaiian Electric have received interim base rate orders that recognize the ongoing revenue requirement impacts of the Tax Act. For these two utilities, target revenues in Schedule B1 have been reduced to reflect reduced revenue requirements under the Tax Act and revisions elsewhere within the decoupling template calculations have been made to conform the RAM calculations to the reduced federal income tax rate under the Tax Act, accounting for termination of bonus tax depreciation and the amortization of excess accumulated deferred income tax balances.[26] However, Maui Electric's circumstances are different because recognition of Tax Act impacts is pending final resolution within Docket No. 2017-0150 where an interim order has not been issued. Provision was made within the Parties' Stipulated Settlement on Remaining Issues in Hawaiian Electric's rate case, Docket No. 2016-0328, for Maui Electric to treat the Tax Act as Exogenous Tax Changes in MECO's 2018 decoupling RAM rate calculations submitted for

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[26] See for example Hawaiian Electric's Transmittal 18-01 at page 18.

implementation on June 1, 2018.[27] However, the Stipulated Settlement on Remaining Issues did not specify exactly how the decoupling RAM rate calculations would be performed.

Maui Electric proposes to reach back to the Company's last completed base rate case to quantify the incremental impact of the Tax Act. Transmittal 18-03 states:

> Because an interim decision and order has not yet been issued, determining the impact of the Tax Act on Maui Electric's currently effective rates would require applying the new corporate tax rates to the 2012 test year revenue requirement. Exhibit 2 of this Transmittal provides the results of operations for the Maui Electric 2012 test year recalculated according to the reduction in the corporate income tax rate from 35% to 21% and the exclusion of the domestic production activities deduction ("DPAD"), as set forth in the Tax Act. The resulting revenue requirement is $412,980,000. Exhibit 1 of this Transmittal compares the 2012 test year results of operations with the lower Tax Act corporate income tax rate against the Maui Electric final 2012 test year results of operations approved by Order No. 31352 in Docket No. 2011-0092 and shows that Maui Electric's currently effective rates approved in the 2012 test year rate case would decrease by $5,907,000.[28]

This $5.9 million annual value for Tax Act impacts is applied at Schedule B1 to reduce the line 1 base rate Approved Rate Level value from $416.8 million to $410.9 million for prospective determination of Target Revenues starting June 1, 2018 (after inclusion of cumulative RAM increases). Transmittal 18-03 also states:

> In order to provide customers with the Tax Act reductions back to January 1, 2018, Maui Electric used the $5,907,000 reduction amount to calculate the Daily Revenue Impact and multiplied that amount by 151 days, the number of days from January 1 through May 31, 2018. This method is consistent with the formula used to calculate the Daily Revenue Impact of the Tax Act, as provided in Exhibit 1, page 22, of the *Parties' Stipulated Settlement on Remaining Issues* jointly filed by Hawaiian Electric

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[27] Docket No. 2016-0328, Parties' Stipulated Settlement on Remaining Issues dated March 5, 2018, Exhibit 1 at 22-23.

[28] Transmittal 18-03 at 18.

> and the Consumer Advocate in on March 5, 2018, and as proposed by the Consumer Advocate (and corrected by *Division of Consumer Advocacy's Errata to Simultaneous Testimonies and Exhibits regarding the Amended Statement of Issues Filed on February 14, 2018*, filed on February 27, 2018) in Docket No. 2016-0328. The exception is that the Company used a comparison of revenue requirement runs to calculate the impact of the lower corporate income tax rate and the exclusion of the DPAD, as explained above. The total reduction for that period would be $2,443,718 which appears on line 7 of Schedule A of Attachment 2.[29]

This daily pro-rate calculation creates the $2.44 million further adjustment for the "stub" period from January 1 through May 31 of 2018 during which only shareholders have, to date, enjoyed the benefit of Tax Act savings at Maui Electric.

The Consumer Advocate has reviewed the Company's Exhibit 1 calculations and agrees that the $5.9 million downward adjustment to 2012 test year revenue requirements calculated therein reasonably quantify the impact of the Tax Act federal income tax rate change and loss of the Domestic Production Activities Deduction in that prior test year. Additionally, the Consumer Advocate concurs in the Company's proposal to reduce target revenues on Schedule B1 by this amount prospectively, starting in June of 2018. However, for the "stub" period of January 1 through May 31 of 2018, the Company's proposed daily pro-rate of this amount does not fully quantify the value of the Tax Act during this period. From January 1 through May 31, Maui Electric's approved revenue requirement and target revenues included not only the base rate revenues established in Docket No. 2011-0092, but also included the cumulative RAM revenue increase in effect in those months. The reduced federal income tax rate benefit must also be applied to the RAM element of approved target revenues being recorded by Maui Electric for these periods.

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[29] *Id.*

In Docket No. 2011-0092, base rates for Maui Electric were established that provided a return on rate base that totaled $393.4 million.[30] The equity elements of the return on this rate base are the principal determinant of the $5.9 million reduction in revenue requirement that is calculated in Maui Electric's Exhibit 1. However, in each year subsequent to the 2012 test year, the Company's target revenues were increased through the decoupling process and the Rate Base RAM Adjustment – Return on Investment. By January of 2018, these Rate Base RAM Adjustments were providing target revenues and a larger taxable income stream, based upon $47.4 million in additions to average rate base captured in the Company's 2017 decoupling filing.[31] In order to determine the Tax Act savings applicable to January 1 through May 31, 2018, it is necessary to recognize that the Company's approved target revenues and taxable income subject to the lower federal income tax rate are larger because of the growth in rate base earning a return on investment.

In response to informal CA-IR-17, the Company provided calculations requested by the Consumer Advocate to recognize that target revenues have reflected RAM adjustments in the years subsequent to the 2012 test year as illustrated on Schedule B1. These calculations clearly show that the reduction in the pretax rate of return of 1.51 percent, when applied to the cumulative change in rate base being compensated through the 2017 RAM filing in January through June of 2018 (before the 2018 filed RAM changes are effective) would add $786 thousand to the $5.9 million Tax Act calculations Maui Electric has improperly limited to the 2012 test year. A copy

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[30] See Maui Electric Tariff Transmittal Exhibit 1 "Average Rate Base" for the 2012 test year.

[31] See Schedule D1 of MECO's 2017 decoupling template (Revised 5-22-17) provided in response to Informal CA-IR-4.

of the Company's response to CA-IR-17 is included as Attachment 2 to this Statement of Position. It should be noted that in CA-IR-17,[32] Maui Electric quantifies the ongoing Tax Act benefits within the cumulative Rate Base RAM at $1.22 million, which is additive to the Company's calculated 2012 base rate savings of $5.9 million. However, this cumulative RAM benefit is included in target revenues only prospectively, starting in June of 2018. This does not eliminate the need to recognize the prior year 2017 cumulative Rate Base RAM revenues that are being realized by the Company during the "stub" period January through May 2018.

Maui Electric proposes that 151/365 days of the $5.9 million quantified in the 2012 test year, or $2.44 million, should serve as a reduction to the RBA rate calculated on Schedule A to account for the "stub" period Tax Act savings in 2018. When corrected to account for the cumulative Rate Base growth compensated through RAM increases as of the Company's 2017 decoupling filing, the $5.9 million value grows to $6.7 million annually, resulting in an increase in the "stub" period value from $2.44 million to $2.77 million.[33] This change reduces the Company's proposed RBA Rate Adjustment to 1.8954 cents per KWH.[34]

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[32] The Consumer Advocate has not yet fully reviewed the responses to informal CA-IR-36 and -37, which were received on May 9, 2018.

[33] $5.907 million per MECO Exhibit 1, plus $0.786 million from CA-IR-17 Attachment 1 in column F2 equals $6.693 million. 151/365 days times this amount is $2.769 million.

[34] The Total RBA Revenue Adjustment at Schedule A line 8 becomes $19,744,670 when line 7 is changed to $(2,768,885).

C. TARIFF MODIFICATION ISSUES.

Two decoupling tariff modification issues are raised by the Hawaiian Electric Companies in their RBA rate adjustment tariff transmittals this year. They include:

- Insertion of the words "interim or" within the definition of the revenue basis for the RAM Cap, to clarify updating the RAM Revenue Adjustment Cap should occur at the time a new revenue requirement is determined in either an interim or final rate case decision, and
- Inclusion of a table within the RBA tariff showing the computations supporting the Commission-approved level of Annual Target Revenue, as directed by the Commission in Order No. 36372 issued March 29, 2018 in Docket No. 2016-0328.

The Consumer Advocate supports Commission approval of these Company-proposed changes for the reasons described herein.

With respect to including reference to "interim or" final rate orders to administer the RAM Cap, it is appropriate to recognize that in rate case proceedings the input values used to define traditional RAM calculations are comprehensively updated within newly established target revenues. It is therefore essential that the RAM Cap computations employ consistent input values, in order to avoid Cap limitations that may inadvertently reduce revenues from levels approved in a recent interim rate order.

The inclusion of a Target Revenue computation table adds transparency to the RBA accounting process and highlights changes to target revenues when they occur. The Consumer Advocate supports the added transparency and clarity achieved by this disclosure within the tariff.

D. ADMINISTRATIVE MATTERS.

1. On-Cost Clearing Allocation.

With the issuance of interim decisions and orders for HECO (Docket No. 2016-0328, ID&O No. 35100 and Order No. 35335) and HELCO (Docket No. 2015-0170, ID&O No. 34766 and Order No. 35419), the effect of the change in the Energy Delivery and Power Supply On-Cost clearing allocation process has been included in the determination of O&M expense included in base rates. As a result, the RBA/RAM filings for HECO and HELCO no longer require a separate RAM adjustment to ensure that the O&M reduction associated with that change are passed on to ratepayers.

Since an interim decision and order has not yet been issued in the pending MECO rate case, MECO Schedule A1 continues to show an adjustment for the change in on-cost clearings in quantifying the Total Adjusted RAM Revenue Adjustment. Once the change in the on-cost clearing allocation process is included in base rates, this adjustment will no longer be required in future RBA/RAM filings.

2. Depreciation Settlement Agreement (Docket No. 2016-0431).

On March 23, 2018, the HECO Companies and the Consumer Advocate filed a Stipulated Settlement Agreement in Docket No. 2016-0431 proposing negotiated depreciation and amortization rates for Commission review and approval. In response to Informal CA-IR-19, the HECO Companies discuss the planned timing of when the once-approved settlement depreciation/amortization rates and the related CIAC amortization would be recognized for RAM purposes:

> As stipulated in Docket No. 2016-0431 – Hawaiian Electric Companies and Parties' Depreciation Rates Stipulated Settlement Agreement, page 2, item (6), the Companies and the Consumer Advocated propose to incorporate the new depreciation and amortization rates and revised CIAC amortization period once approved by the Commission, and would coincide with the effective date of the interim or final base rates approved in the subsequent rate case for each Company that incorporates the new depreciation and amortization rate and revised CIAC amortization period in its test year revenue requirement. Subsequent to the implementation in each Company's respective rate case, the new depreciation and amortization rates and revised CIAC amortization period would be applied in Schedules E and G in the next annual decoupling filing following that rate case.

In MECO's pending rate case (Docket No. 2017-0150), the Company filed multiple revenue requirement scenarios one of which recognized and incorporated MECO's <u>proposed</u> depreciation rates in setting base rates.[35] In response to CA-IR-167,[36] MECO provided additional calculations quantifying the impact of the settlement on the amount of depreciation and amortization and related CIAC amortization that would be recorded in 2018, if the Commission approved the Stipulated Settlement Agreement. In MECO's 2018 test year rate case, the Consumer Advocate also sponsored an adjustment to include the effect of the Stipulated Settlement Agreement in the calculation of the change in revenue requirement.[37]

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[35] *See* MECO-2509 through MECO-2516 (Docket No. 2017-0150).

[36] *See* the responses to CA-IR-167 (Docket No. 2017-0150), specifically the supplemental responses designated 4/5/2018 and 4/9/2018.

[37] *See* Exhibit CA-102, CA Adjustment C-21 and the Consumer Advocate's response to MECO/CA-IR-103. Applying the Stipulated Settlement Agreement depreciation and amortization rates to MECO's 2018 test year rate case would increase the amount of depreciation/amortization expense net of CIAC amortization to be recorded in 2018 and included in the 2018 test year by about $5.6 million.

In response to Informal CA-IR-20, the HECO Companies did not perform a detailed calculation of the impact of the Commission approval of the Stipulated Settlement Agreement on the resulting net depreciation and amortization expense to be recorded in 2018. However, the response did provide a recap of HECO-S-101 (based on 2015 recorded plant balances) and included amounts for MECO on a comparable basis for informational purposes.[38]

Ref: HECO-S-101	Existing Rates	Settlement Rates	Change
Page 2 – HECO	$122,296,540	$122,505,185	$208,645
Page 8 – HELCO	40,561,345	36,294,804	(4,266,541)
Page 6 – MECO	24,934,272	30,371,623	5,437,351
Totals	$187,792,157	$189,171,612	$1,379,455

The amounts of change presented in the above table do not represent the actual impact the Stipulated Settlement Agreement would have on the amount of change in depreciation and amortization expense that each Company would record in 2018 if approved by the Commission. But, as noted by the HECO Companies in response to Informal CA-IR-20, "[t]he Company believes the results are indicative of the direction and magnitude of the impact of comparing the Existing vs. Settlement Agreement rates as Maui Electric reflected similar results using recorded December 31, 2017 plant balances *[reference omitted]*."

Assuming the change amounts depicted in the above table are reasonably representative of the change resulting from application of the settlement depreciation and amortization rates to actual plant balances at year-end 2017, each of the HECO Companies will be uniquely impacted by implementation of the settlement. HECO

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[38] The table provided in response to Informal CA-IR-20 has been slightly modified and expanded to include total and net change amounts for informational purposes.

would experience a slight increase in depreciation expense. HELCO would realize a significant reduction in depreciation expense, not quite offsetting the significant increase to MECO. If depreciation changes in these approximate amounts were implemented for RAM purposes in 2018: HECO's RAM Revenue Adjustment would remain limited by the RAM Cap; HELCO's RAM Revenue Adjustment would fall below the RAM Cap, which is currently a limiting factor; and MECO's RAM Revenue Adjustment would rise above the RAM Cap, which is currently not a limiting factor.

3. Customer Benefit Adjustments.

In quantifying the O&M RAM Adjustment on Schedule C (Tariff Transmittal 18-01), HECO Schedule C1 provided a breakdown O&M expense between labor and non-labor components. Footnotes 2, 2b and 3 of Schedule C1 identify Customer Benefit Adjustments as reducing expense by $10,023,000 and refer to Commission Order No. 35335 for additional support. A review of Order No. 35335 and the related Parties' Stipulated Settlement on Remaining Issues filed March 5, 2018, reveals that the $10,023,000 amount is comprised of two items:

Amounts (000's)	Customer Benefit Adjustment	Gross-Up (1.09751)
Net Pension Regulatory Asset Reduction	$5,467	$6,000
Baseline Plant Additions "Holdback"	4,556	5,000
Totals	$10,023	$11,000

HECO Schedule C1 shows these Customer Benefit Adjustments as reductions to non-labor O&M expense for purposes of applying the inflation indices on Schedule C. In response to Informal CA-IR-34, the HECO Companies explained that the Customer Benefit Adjustments were treated "as a reduction to non-labor O&M because the adjustment is not linked to any specific O&M component and non-labor O&M is the single largest component of O&M." Because neither of the Customer Benefit Adjustments shown in the table above are clearly identifiable as being labor-related costs, the Consumer Advocate concurs with Hawaiian Electric's proposed treatment.

4. LANAI CHP (MECO Transmittal No. 17-04).

Referring to 2017 RBA/RAM Transmittal No. 17-04, Maui Electric filed an original and a revised RBA Rate Adjustment dated March 31, 2017, and May 5, 2017, respectively. In its responsive Statement of Position, the Consumer Advocate explained that both the original and revised MECO transmittals included in the beginning and end of period RAM Rate Base (Schedule D1 at Note 1) amounts for the Lanai CHP within net plant. The Consumer Advocate also explained (referring to Informal CA-IR-32) that the Lanai CHP addition to rate base was included in the Company's 2012 test year rate case (Docket No. 2011-0092)[39] allowing rate base recognition of the Lanai CHP system plant investment of $3.5 million less accumulated depreciation, rather than the cost of the direct financing lease treatment required for public financial reporting.

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[39] The Lanai CHP issue first arose in MECO's 2010 test year rate case (Docket No. 2009-0163) and was resolved in the settlement agreement in that case (filed June 21, 2010).

In Transmittal No. 17-04 at MECO-WP-D1-002, page 2, Maui Electric explained that the CHP system incurred extensive/irreparable damage due to fire on March 6, 2015. Although the CHP system was removed from service at that time, the Consumer Advocate's Statement of Position stated that Maui Electric included the net book value of the investment in rate base and expects the unit to return to service in November 2017. In that Statement of Position, the Consumer Advocate recommended the removal of the net investment and related depreciation expense from the 2017 RBA/RAM filing. In the pending Maui Electric rate case, MECO-1214 describes the differences in CHP accounting for financial reporting and ratemaking purposes, including the damage caused by the fire on March 6, 2015, and states that the CHP unit was returned to service on September 5, 2017.[40]

Since the Lanai CHP has returned to service and accumulated depreciation balance set forth in Note A of Schedule D1 includes depreciation for all months since the CHP unit was initially placed in service, the Consumer Advocate does not propose any adjustment at this time.[41]

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[40] <u>Also see</u> Maui Electric responses to CA-IR-397 and CA-IR-398 (Docket No. 2017-0150) regarding the CHP unit.

[41] In Transmittal No. 17-04, the Consumer Advocate proposed removing the CHP unit from rate base and observed that Maui Electric had recorded no depreciation since the unit was taken out of service in March 2015. These issues of concern to the Consumer Advocate regarding the Lanai CHP unit, in the context of Transmittal No. 17-04, are no longer applicable. The CHP was returned to service in 2017 and the accumulated depreciation reserve, as presented on Schedule D1 and supported by MECO-WP-D1-002, reflects depreciation for all months since the was initially placed in service.

III. CONCLUSIONS AND RECOMMENDATIONS.

For the reasons set forth herein, the Consumer Advocate recommends that the calculated adjustment to revenues proposed by the Hawaiian Electric Companies in its Transmittal Nos. 18-01, 18-02, and 18-03 should be approved, subjec to the modification described herein applied to the revised RAM calculations of Maui Electric.

DATED: Honolulu, Hawaii, May 11, 2018.

Respectfully submitted,

By Dean Nish
DEAN NISHINA
Executive Director

DIVISION OF CONSUMER ADVOCACY

INFORMAL CA-IR-33

Ref: Schedule D3 (Schofield Generation Station). What dollar impact did inclusion of Schofield Generation Station have upon Hawaiian Electric's traditionally calculated Rate Base RAM and Depreciation/Amortization RAM? Please provide calculations supportive of your response.

Hawaiian Electric Companies' Response:

See Attachment 1 of this response for the 2018 Decoupling Template revised for the exclusion of the Schofield Generation Station as a 2018 Major Project plant addition. Changes to the respective schedules and cells have been highlighted in yellow.

The Rate Base RAM – Return on Investment decreased by $7.2 million due to the reduction in major project additions and related deferred taxes. There was no change to Depreciation & Amortization RAM Expense because depreciation expense is recorded beginning in the year after an asset is placed in service, therefore, depreciation expense is zero in year 1 (i.e., 2018).

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF 2018 REVENUE BALANCING ACCOUNT RATE ADJUSTMENT

Line No.	Description (a)	Reference (b)	Amount (c)	Rate Amount (d)
	RECONCILIATION OF RBA BALANCE:			
1	RBA Prior calendar year-end balance	Schedule B	$ 49,231,536	
2	Revenue Tax Factor	Schedule C	1.0975	
3	Revenue for RBA Balance			$ 54,031,611
	RATE ADJUSTMENT MECHANISM "RAM" AMOUNT:			
4	Total RAM Revenue Adjustment Allowed (Note 2)	Schedule A1		$ 13,827,909
5	EARNINGS SHARING REVENUE CREDITS - 2018 ROE:	Schedule H		$ -
6	PUC-ORDERED MAJOR OR BASELINE CAPITAL PROJECTS CREDITS:	Schedule I		$ -
7	TOTAL RBA REVENUE ADJUSTMENT	Sum Col. (d)		$ 67,859,520
8	GWH SALES VOLUME ESTIMATE JUNE 2018 - MAY 2019	HECO-WP-A-001		6,556.200
9	RBA RATE ADJUSTMENT - cents per kWh	Note (1)		1.0350
10	MONTHLY BILL IMPACT @ 600 KWH			$ 6.21
	MONTHLY BILL IMPACT @ 500 KWH			$ 5.18

Note (1): 2018 RBA Rate Adjustment Breakdown	Col. (d)	Rate Adjustment cents per kWh	Percentage Share
RBA Balance	$ 54,031,611	0.82412999	79.6227%
RAM Amount	$ 13,827,909	0.21091347	20.3773%
Earnings Sharing Revenue Credits	$ -	0.00000000	0.0000%
Major or Baseline Capital Projects Credits	$ -	0.00000000	0.0000%
	$ 67,859,520	1.03504346	100.0000%

Note (2): Total RAM Revenue Adjustment Allowed is the sum of the RAM Cap + Exceptional and Other Projects. See Order No. 32735, filed March 31, 2015, paragraph 107, page 94, which states that the Total RAM Revenue Adjustment is to be comprised of the RAM Cap plus recovery of Exceptional And Other Matters.

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF TOTAL RAM REVENUE ADJUSTMENT ALLOWED

Line No.	Description (a)	Reference (b)	Amount (c)
	RAM REVENUE ADJUSTMENT DETERMINED ACCORDING TO EXISTING TARIFFS AND PROCEDURES		
1	O&M RAM	Schedule C	$ 4,358,860
2	Rate Base RAM - Return on Investment	Schedule D	$ 5,107,088
3	Depreciation & Amortization RAM Expense	Schedule E	$ 8,231,502
4	Total RAM Revenue Adjustment		$ 17,697,450
5	Total Adjusted RAM Revenue Adjustment		**$ 17,697,450**
	RAM REVENUE ADJUSTMENT CAP		
6	RAM Cap for 2018 RAM Revenue Adjustment	Schedule J	$ 13,827,909
7	Plus: Exceptional and Other Matters	Schedule K	$ -
8	2018 Cap - Total RAM Revenue Adjustment (Note 2)		**$ 13,827,909**
9	**Total RAM Revenue Adjustment Allowed** (Note 1)	Lesser of Line 6 or Line 9	**$ 13,827,909** To Sch A

Note 1 RAM Revenue Adjustment Allowed:
See Order No. 32735, filed March 31, 2015, paragraph 106, page 94:
"The RAM Revenue Adjustment to be applied to determine effective Target Revenues will be the **lesser of** (a) the RAM Revenue Adjustment determined according to existing tariffs and procedures or (b) a RAM Revenue Adjustment Cap ("RAM Cap) to be calculated as specified."

Note 2 Total RAM Cap:
See Order No. 32735, filed March 31, 2015, paragraph 110, page 96:
"The RAM Cap will apply to the entire RAM Revenue Adjustment including the O&M RAM, Rate Base RAM (including Major Capital Projects and Baseline Projects), and the Depreciation and Amortization RAM."

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
SUMMARY OF ACCUMULATED REVENUE BALANCING ACCOUNT

Line No.		Month	Beginning Balance	Target Revenues	Recorded Adjusted Revenue	Variance to RBA	Adjustment for Prior Year RBA recovery	Adjustment	Tax-effected Balances Subject to Interest	Interest at 1.75%/year	Ending Balance
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
	Monthly RBA Balance and Activity (Monthly PUC Rpt., Pg. 9A)										
1	2016	December	$ 42,607,398	$ 48,957,962	$ 44,527,809	$ 4,430,153	$ (3,844,438)	$ (4,878)	$ 26,204,786	$ 38,215	$ 43,226,450
2		January 2017 Adjustment - Note (1)									$ 1,162
3		REVISED 2016 December									$ 43,227,612
4											
5	2017	January	$ 43,226,450	$ 48,009,623	$ 43,237,808	$ 4,771,815	$ (3,587,935)	$ 1,162	$ 26,769,364	$ 39,039	$ 44,450,531
6		February	$ 44,450,531	$ 43,030,848	$ 40,425,191	$ 2,605,657	$ (3,275,174)	$ -	$ 26,950,325	$ 39,303	$ 43,820,317
7		March	$ 43,820,317	$ 48,009,623	$ 45,789,648	$ 2,219,975	$ (3,750,510)	$ (9,468)	$ 26,296,546	$ 38,349	$ 42,318,663
8		April	$ 42,318,663	$ 46,468,574	$ 44,302,813	$ 2,165,761	$ (3,677,669)	$ 8,295	$ 25,395,726	$ 37,035	$ 40,852,085
9		May	$ 40,852,085	$ 50,024,842	$ 46,273,239	$ 3,751,603	$ (3,857,908)	$ 7,049	$ 24,928,374	$ 36,354	$ 40,789,183
10		June	$ 40,789,183	$ 51,184,359	$ 46,469,888	$ 4,714,471	$ (3,600,794)	$ -	$ 25,258,284	$ 36,835	$ 41,939,696
11		July	$ 41,939,695	$ 52,997,265	$ 48,512,767	$ 4,484,498	$ (3,839,911)	$ -	$ 25,817,849	$ 37,651	$ 42,621,933
12		August	$ 42,621,933	$ 54,628,879	$ 50,950,611	$ 3,678,268	$ (3,964,587)	$ -	$ 25,950,283	$ 37,844	$ 42,373,458
13		September	$ 42,373,458	$ 52,453,393	$ 47,591,388	$ 4,862,005	$ (3,809,426)	$ (125)	$ 26,207,379	$ 38,219	$ 43,464,131
14		October	$ 43,464,131	$ 53,057,695	$ 48,307,664	$ 4,750,031	$ (3,827,297)	$ -	$ 26,834,087	$ 39,133	$ 44,425,998
15		November	$ 44,425,998	$ 49,915,326	$ 44,634,552	$ 5,280,774	$ (3,440,844)	$ -	$ 27,701,849	$ 40,399	$ 46,306,327
16		December	$ 46,306,327	$ 49,915,326	$ 43,730,598	$ 6,184,728	$ (3,302,057)	$ -	$ 29,169,047	$ 42,538	$ 49,231,536
17				$ 599,695,753	$ 550,226,167	$ 49,469,586	$ (43,934,112)	$ 6,913		$ 462,699	To Sch A
18											
19	2018	January	$ -	$ 48,948,443	$ -	$ -	$ -	$ -	$ -	$ -	$ -
20		February	$ -	$ 45,953,154	$ -	$ -	$ -	$ -	$ -	$ -	$ -
21		March	$ -	$ 51,603,222	$ -	$ -	$ -	$ -	$ -	$ -	$ -
22		April	$ -	$ 49,061,587	$ -	$ -	$ -	$ -	$ -	$ -	$ -
23		May	$ -	$ 50,396,658	$ -	$ -	$ -	$ -	$ -	$ -	$ -
24		June	$ -	$ 49,434,694	$ -	$ -	$ -	$ -	$ -	$ -	$ -
25		July	$ -	$ 53,293,908	$ -	$ -	$ -	$ -	$ -	$ -	$ -
26		August	$ -	$ 54,764,085	$ -	$ -	$ -	$ -	$ -	$ -	$ -
27		September	$ -	$ 52,987,621	$ -	$ -	$ -	$ -	$ -	$ -	$ -
28		October	$ -	$ 54,151,511	$ -	$ -	$ -	$ -	$ -	$ -	$ -
29		November	$ -	$ 50,598,584	$ -	$ -	$ -	$ -	$ -	$ -	$ -
30		December	$ -	$ 50,721,099	$ -	$ -	$ -	$ -	$ -	$ -	$ -
				$ 611,914,566							
	Sources of Data:			Sch B1	Sch B2	Cols (c)-(d)	Note (2)	Note (1)	Cols (b)+(g)+((e)+(f))/2)/(l)		Cols (b)+(e)+(f)+(g)+(i)

Composite Federal & State Income Tax Rate	38.91%	(k)
Income Tax Factor (1 / 1-tax rate)	1.636929	(l)

Note (1): Adjustment Summary:

Year	Month	Workpaper Reference	RBA True-up Adjustment Sch B2, Line 19	RBA Interest Adjustments	Total Adjustment	Adjustment Description
2017	January	HECO-WP-B-002	$ 1,162	$ -	$ 1,162	Prior period adjustments
2017	March	HECO-WP-B-003	$ (9,468)	$ -	$ (9,468)	Prior period adjustments
2017	April	HECO-WP-B-004	$ 8,295	$ -	$ 8,295	Prior period adjustments
2017	May	HECO-WP-B-005	$ 7,049	$ -	$ 7,049	Prior period adjustments
2017	September	-	$ (125)	$ -	$ (125)	Correction to August 2017 RBA calculation

Pursuant to D&O No. 34581 issued on May 31, 2017, beginning June 2017, entries to the RBA to correct individual billing errors of $5,000 or greater have been eliminated.

Note (2):

Amounts represent recovery of prior years' RBA balance through the RBA rate adjustment effective June 1, 2016 for the period June 2016 through May 2017 and June 1, 2017 for the period June 2017 through May 2018. See HECO-WP-B-001.

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF TARGET REVENUES

Line No.	Description (a)	Reference (b)		Docket No. 2010-0080 Amounts (e)	Docket No. 2010-0080 Amounts (f)	Docket No. 2010-0080 Amounts (g)	Docket No. 2010-0080 Amounts (h)	Docket No. 2016-0328 Amounts (i)	Docket No. 2016-0328 Amounts (j)	Docket No. 2016-0328 Amounts (k)	Docket No. 2016-0328 Amounts (l)
1	Last Rate Case Annual Electric Revenue at Approved Rate Levels	Note (1), (6), (8), (8a)	$000s	$ 1,765,954	$ 1,765,954	$ 1,765,954	$ 1,765,954	$ 1,581,445	$ 1,529,709	$ 1,529,709	$ 1,529,709
1a	Less: Holdback of Interim Revenues	Note (6)	$000s					$ (5,000)	$ -	$ -	$ -
1b	Less: Customer Benefit Adjustment	Note (6)	$000s					$ (6,000)	$ -	$ -	$ -
2	Less: Fuel Expense	Note (1), (6), (8), (8a)	$000s	$ (658,172)	$ (658,172)	$ (658,172)	$ (658,172)	$ (327,609)	$ (327,609)	$ (327,609)	$ (327,609)
3	Purchased Power Expense	Note (1), (6), (8), (8a)	$000s	$ (438,707)	$ (438,707)	$ (438,707)	$ (438,707)	$ (466,211)	$ (466,211)	$ (466,211)	$ (466,211)
4	Revenue Taxes on Line 1 to 1b (8.885% statutory rates)	–	$000s	$ (156,905)	$ (156,905)	$ (156,905)	$ (156,905)	$ (139,534)	$ (135,915)	$ (135,915)	$ (135,915)
5	Last Rate Order Target Annual Revenues	Sum Lines 1...4	$000s	$ 512,170	$ 512,170	$ 512,170	$ 512,170	$ 637,091	$ 599,974	$ 599,974	$ 599,974
6	Add: Authorized RAM Revenues	Note (2)	$000s	$ 88,395	$ 88,395	$ -	$ -	$ -	$	$ -	$ -
7	Less: Revenue Taxes on Line 9 at 8.885%		$000s	$ (7,854)	$ (7,854)	$ -	$ -	$ -	$ -	$ -	$ -
8	Net RAM Adjustment - Test Year +5	Lines 9+10	$000s	$ 80,541	$ 80,541	$ -	$ -	$ -	$ -	$ -	$ -
9	Authorized RAM Revenues	Note (3)	$000s	$ -	$ -	$ 101,131	$ 101,131	$ -	$ -	$ -	$ -
10	Less: Revenue Taxes on Line 12 at 8.885%		$000s	$ -	$ -	$ (8,986)	$ (8,986)	$ -	$ -	$ -	$ -
11	Net RAM Adjustment - Test Year +6	Lines 12 + 13	$000s	$ -	$ -	$ 92,146	$ 92,146	$ -	$ -	$ -	$ -
12	Authorized RAM Revenues	Sch. A, Line 4	$000s	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,828	$ 13,828
13	Less: Revenue Taxes on Line 12 at 8.885%		$000s	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,229)	$ (1,229)
14	Net RAM Adjustment - Test Year +1	Lines 15 + 16	$000s	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,599	$ 12,599
15	Less: EARNINGS SHARING REVENUE CREDITS	Sch. A, Line 5	$000s	$ -	$ -	$ (16)	$ (16)	$ (16)	$ (16)	$ -	$ -
16	Less: Revenue Taxes on Line 15 at 8.885%		$000s	$ -	$ -	$ 1	$ 1	$ 1	$ 1	$ -	$ -
17	Net Earnings Sharing Revenue Credits	Lines 18 + 19	$000s	$ -	$ -	$ (14)	$ (14)	$ (14)	$ (14)	$ -	$ -
18	PUC-ORDERED MAJOR OR BASELINE CAPITAL CREDITS:	Sch. A, Line 6	$000s	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
19	Total Annual Target Revenues										
20	June 1, 2016 Annualized Revenues w/RAM Increase	Col (e), lines (5+8+17+18)	$000s	$ 592,711	$ 592,711						
21	June 1, 2017 Annualized Revenues w/RAM Increase	Col (g), lines (5+11+17+18)	$000s			$ 604,302	$ 604,302				
22	February 16, 2018 Annualized Revenues w/Interim Increase	Col (i), lines (5+11+17+18)	$000s					$ 637,077			
23	April 13, 2018 Annualized Revenues w/2nd Interim	Col (j), lines (5+11+17+18)	$000s						$ 599,960		
24	June 1, 2018 Annualized Revenues w/RAM Increase	Col (k), lines (5+14+17+18)	$000s							$ 612,574	$ 612,574
25	Distribution of Target Revenues by Month:	Note (4)	Note (5)	2016	2017	2017	Note (7) 2018	Note (7), (9) 2018	Note (9) 2018	2018	2019
26	January	8.10%	8.19%		$48,009,623		$48,948,443				$50,169,782
27	February	7.26%	7.59%		$43,030,848		$23,503,022	$22,450,132			$46,494,340
28	March	8.10%	8.10%		$48,009,623			$51,603,222			$49,618,466
29	April	7.84%	7.88%		$46,468,574			$20,335,492	$28,726,095		$48,883,378
30	May	8.44%	8.40%		$50,024,842				$50,396,658		$51,456,187
31	June	8.47%	8.07%	$50,202,656		$51,184,359				$49,434,694	
32	July	8.77%	8.70%	$51,980,790		$52,997,265				$53,293,908	
33	August	9.04%	8.94%	$53,581,111		$54,628,879				$54,764,085	
34	September	8.68%	8.65%	$51.447,350		$52,453,393				$52,987,621	
35	October	8.78%	8.84%	$52,040,061		$53,057,695				$54,151,511	
36	November	8.26%	8.26%	$48,957,962		$49,915,326				$50,598,584	
37	December	8.26%	8.28%	$48,957,962		$49,915,326				$50,721,099	
38	Total Distributed Target Revenues	100.00%	100.00%	$357,167,892	$235,543,510	$364,152,243	$72,451,485	$94,388,846	$79,122,753	$365,951,502	$246,622,153

Footnotes:

1 Docket No. 2010-0080 amounts derived from Order No. 30576, filed August 9, 2012, effective September 1, 2012, which implemented Decision and Order No. 30505, Exhibit A, page 1, filed June 29, 2012.
2 Transmittal 16-01 filed March 31, 2016, establishing 2016 target revenue effective June 1, 2016
3 Transmittal 17-02 filed March 31, 2017, establishing 2017 target revenue effective June 1, 2017.
4 RBA Tariff Revised July 26, 2011 to reflect 2011 test year.
5 RBA Tariff Effective February 16, 2018 to reflect 2017 test year.
6 Test Year 2017 Interim Increase provided for in Interim Decision and Order 35100, Issued December 15, 2017 in Docket No. 2016-0328: $35,971 $000s
7 For the month of the initial implementation (Feb 2018), adjust the monthly allocation by the number of effective days in the month over the total number of days: 0.46429
8 Test Year 2017 2nd Interim Increase provided for in Order No. 35335, issued March 9, 2018 in Docket No. 2016-0328: -$603 $000s
8a Reduction for Tax Act Implementation Lag (March 2018 Settlement Tariff Sheets, Attachment 3, filed March 16, 2018, in accordance with Order No. 35335). -$2,143 $000s
9 For the month of the initial implementation (April 2018), adjust the monthly allocation by the number of effective days in the month over the total number of days: 0.60000

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF RECORDED ADJUSTED REVENUES

Line No	Description	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	Total	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)		
	BILLED REVENUES,														
1	Current month's billed revenues (SAP014w)	125,776,075	121,693,823	127,003,652	133 129,624	132,902,891	134,693,715	141,025,561	142,055,339	145,159,197	141,388,862	136 001,586	127,650,383	1,609,380,898	
2	Remove PBF revenues	(1 663 679)	(1,507,352)	(1,524,996)	(1 600,980)	(1,624 110)	(1,669,133)	(1,567,132)	(1,358,188)	(1,400,985)	(1,358,680)	(1,301,569)	(1,197,645)	(17,772,446)	
3	Remove Solar Saver non-revenues	-	-	-	60 714	80 514	(10)	9	-	-	-	-		141,227	
4	City & County traffic signal revenue adjustments	-	-	(9,472)	-	-	(9,519)	-	-	(9,454)	-	-	(9,510)	(37,955)	
5	Other electric revenues adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	
6 = sum 1-5	BILLED REVENUES	124,112,396	120,186,471	125,469,184	131 589,358	131,359,295	133,016,063	139,458,438	141,699,153	143,748,748	140,030,182	134,700,018	126,443,228	1,591,711,624	
	UNBILLED REVENUES														
7	Current month's unbilled revenues (Unbilled Sales and Revenue Est)	63,790 799	61,226,108	70,431,772	70,257,498	73 278,172	74,670,985	78,863 404	84,690,390	80,678,883	82,126,621	78 454,549	77,212,019	893,681,200	
8	Reverse prior month's unbilled revenues (Unbilled Sales and Revenue Est)	(65,855,044)	(63,790,799)	(61,226,108)	(70,431,772)	(70 257,498)	(73,278,172)	(74,670,985)	(78,863,404)	(84,690,390)	(80,678,883)	(82 126,621)	(78,454,549)	(882,324,225)	
9 = 7+8	Unbilled revenues per Unbilled Sales and Revenue Estimate	(2,064,245)	(2,564,691)	9,205,664	(174,274)	3,020,674	1,392,813	4,192,419	5,826,986	(4 011,507)	1,447,738	(5,672,072)	757,470	11,356,975	
10	Recovery of 12-31-15 RBA balance through RBA Rate Adjustment beginning 6-1-16	(3,937,809)	(3,594,550)	(4,116,238)	(4,036,294)	(4,234,109)	-	-	-	-	-	-	-	(19,919,000)	HECO-WP-B-001 page 1 of 2
11	Recovery of 12 31-16 RBA balance through RBA Rate Adjustment beginning 6 1 17	-	-	-	-	-	(3,951,922)	(4,214,357)	(4,351,190)	(4 180,899)	(4,200,512)	(3 776,375)	(3,624,054)	(28,299,309)	HECO-WP-B-001, page 2 of 2
12	ESM refund accrual	-	-	-	-	-	(15,526)	-	-	-	-	-	-	(15,526)	
13	Reversal of ESM refund previously recognized in prior year	-		-		-	1,315	1 362	1,404	1,349	1,363	1,282	1,282	9,356	
14	RAM revenue recognized	(4,049,086)	(3,829,180)	(4,049,087)	(3,919,116)	(4 219,048)	-	-	-	-	-	-	-	(19,865,517)	
15	Accrual of ECAC adjustment	(1 037,500)	1,769,000	316 600	2,700,800	1,275,500	1,021 500	(625,800)	868,100	1,242,500	1,836,100	2,642,100	2,808,600	14,418,600	
16	Reversal of ECAC accrual	159,232	(1,806,800)	(1,606 800)	(1,806,800)	(348,367)	(349,367)	(349 366)	(1,665,966)	(1,865,968)	(1,665,968)	(381,600)	(381,600)	(11,430,369)	
17	Accrual of PPAC adjustment	2 063,200	1,420,600	1,900,100	824,600	1.944,700	537 900	498 200	877,300	1,091,200	522,300	1,835,200	2,147,200	15,782,500	
18	Reversal of PPAC accrual	(523,066)	(1,516,334)	(1,516,334)	(1,516,332)	(1,794,834)	(1,794,834)	(1,794,832)	(1,102,400)	(1,102,400)	(1,102,400)	(822,233)	(822,233)	(15,413,632)	
19	Reclass excess DSM revenues	-	-	-	-	-	(113,016)	(461,796)	(26,895)	37,639	(76,297)	(4,582)	46,338	(600,711)	
20	Adjust prior period RBA balance	1,162	-	(9 468)	8295	7,049	-	-	-	(125)	-	-	-	6,913	
21	Adjust prior period RBA related revenue taxes	113	-	(923)	809	687	-	-	-	(13)	-	-	-	673	
22	Accrual of current month's RBA (PUC Monthly Financial Report pg. 9A)	4,771,815	2,605,657	2,219 975	2,165,761	3,751,603	4,714,471	4,484,498	3,678,269	4,862,005	4,750,031	5,280,774	6 184,728	49,469,586	
23	RBA gross up for revenue taxes	465,319	254,088	216,479	211,192	365,834	459,727	437,301	358,683	474,114	463,195	514,949	603,098	4,823,979	
24 = sum 10-23	Miscellaneous unbilled accruals	(2,096,620)	(4,299,519)	(6,647,696)	(5,168,985)	(3,251,785)	610,446	(2,224,590)	(1,564,796)	759,403	527,812	5,409,515	6,984,359	(11,052,456)	
25 = 9+24	UNBILLED REVENUES	(4,160,865)	(6,864,210)	2,557,968	(5,343,259)	(231,111)	1,803,259	1,967,829	4,262,190	(3,252,104)	1,975,550	(262,557)	7,741,829	304,519	
26 = 6+25	TOTAL REVENUES PER G/L (PUC Monthly Financial Report pg 3)	119,951,532	113,322,260	128,027,153	126,246,099	131,128,183	134,818,311	141,426,267	145,961,343	140,496,643	142,005,733	134,437,461	134,185,057	1,892,016,042	
	Billed Adjustments to Determine Adjusted Revenues for RBA:														
27	Add back C&C unmetered revenue	-	-	9,472	-	-	9,519	-	-	9 454	-	-	9,510	37,955	
28	Add back diplomatic tax exemption (excl. exempted rev taxes on PBF surcharge)	303	312	304	325	327	351	381	358	370	391	340	311	4,053	
29	Remove TY 2011 refund	(12)	-	-	-	-	(5)	-	-	3	-	-	-	(14)	
30	Remove TY 2009/2007 refund / increase & other rate adjustments	172	-	-	-	-	139	-	-	-	-	-	-	311	
31	Remove ECAC revenues	15,550,418	9,870,987	9,043,069	8 896,075	10,476,306	12,603,805	12,142,583	12,157,197	13,345,987	13,187,583	12 151,027	9,821,624	139,246,121	
32	Remove PPAC revenues	(12,296,620)	(11,545,895)	(14,161,259)	(14 939,457)	(15,181,890)	(15,760,226)	(16 482,113)	(16,297,102)	(16,412,037)	(15,958,115)	(15,137,235)	(13,760,782)	(177,932,511)	
33	Remove REIP revenues	2	-	(1)	-	-	-	1	(1)	1	9	(9)	-	2	
34	Remove DSM revenues	(410,747)	(375,661)	(381,046)	(384 418)	(368,455)	(377,701)	(394,522)	(401,160)	(412 752)	(401,904)	(384,490)	(353,088)	(4,845,926)	
35	Remove IRP revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	
36	Remove revenue taxes of PBF revenues	(113,469)	(102,806)	(104,010)	(109,192)	(110,770)	(113,840)	(106,684)	(92,498)	(85,552)	(82,666)	(86,771)	(81,683)	(1,212,139)	
37	Remove Solar Saver revenues	1	-	-	3,921	5 199	(1)	1	5	-	1	5	-	9,132	
38	Remove revenue taxes on billed revenues	(11,289,851)	(10,487,215)	(10,650,957)	(11 111,280)	(11 211 112)	(11,495,155)	(11 960 796)	(12,169,425)	(12,455,366)	(12,151,622)	(11,660,753)	(10,846,733)	(137,470,365)	
39	Remove base fuel (adjusted for revenue taxes)	(47,830 865)	(43,518,870)	(44,087,330)	(46,282,374)	(46 938,472)	(47,985,913)	(50,064 142)	(51,030,856)	(52 510,341)	(51,300,801)	(49,174,087)	(45,183,841)	(575,687,712)	
40	Remove power purchase energy (adjusted for revenue taxes)	(20,095 053)	(18,380,230)	(18,591,820)	(19 526,129)	(19,602,930)	(20,236,398)	(21,130 061)	(21,529,386)	(22 153,653)	(21,643,359)	(20,746,116)	(19,082,866)	(242,877,599)	
41	Other adjustments	1,259	-	(9,466)	8,295	7,048	-	-	-	-	-	-	-	7,135	
42	Other operating revenues - EV-U revenues net of revenue taxes	2,087	4,147	4,239	4,391	5,310	4,864	4,967	5,135	5,287	5,452	5,243	7,260	58,362	
43	Other operating revenues - SMNP revenues net of revenue taxes	-	-	-	1,913	4,142	6,497	7 052	7,533	8,558	9,278	9,860	10,050	64,883	
	Unbilled Adjustments to Determine Adjusted Revenues for RBA,														
44	Remove ESM refund accrual & reversal	-	-	-	-	-	14 211	(1,362)	(1,404)	(1,349)	(1,363)	(1 282)	(1,282)	6,170	
45	Remove RAM revenue recognized	4 049,086	3,829,180	4,049,087	3 919,116	4 219,048	-	-	-	-	-	-	-	19,865,517	
46	Remove ECAC revenues	(4 862,834)	(1,060,564)	331,649	(351,741)	2,567,428	(303,625)	(290,565)	1,148,366	74,290	(132,290)	(994,885)	(1,695,826)	(5,470,508)	
47	Remove ECAC accrual	878,266	(162,200)	1,290,200	(1 094,100)	(926,133)	(672,133)	1,175 166	997,866	423,466	(170,132)	(2,280,500)	(2,449,000)	(2,988,232)	
48	Remove PPAC revenues	2,509,559	(1,813,767)	(1,052,167)	7,045	(696,712)	(175 362)	(426,976)	(380,879)	381,641	(93,616)	935,509	139,745	(687,760)	
49	Remove PPAC accrual	(1,540,134)	97,734	(381,766)	593,732	(150,066)	1,258,734	1,296 432	225,100	11,200	580,100	(1,112,967)	(1,324,967)	(348,868)	
50	Remove DSM revenues	17,993	17,542	(29,030)	20,712	(13,244)	(3,267)	(12,151)	(18,780)	9,391	(3,155)	20,299	3,589	9,899	
51	Remove excess DSM revenues	-	-	-	-	-	113 016	461,796	26,895	(37,639)	76,297	4,582	(46,338)	600,711	
52	Remove prior period RBA adjustment(s)	(1,275)		10,391	(9,104)	(7,736)	-	-	-	138	-	-	-	(7,586)	
53	Remove RBA accruals	(4,771,815)	(2,605,657)	(2,219,975)	(2,165,761)	(3,751,603)	(4,714 471)	(4,484,498)	(3 678,269)	(4,862,005)	(4,750,031)	(5,280,774)	(6,184,728)	(49,469,586)	
54	Remove RBA gross up for revenue taxes	(465,319)	(254,088)	(216,479)	(211,192)	(365,834)	(459,727)	(437,301)	(358,683)	(474,114)	(463,195)	(514,949)	(603,098)	(4,823,979)	
55	Remove revenue taxes on unbilled revenues	740,772	801,073	(385 598)	402,895	(57,045)	270,225	88,794	(197,647)	686,534	264,945	842,949	383,750	3,819,637	
56	Remove base fuel (adjusted for revenue taxes)	2,098,945	2,088,414	(3,323 164)	199,060	(1,797,573)	(318,454)	(1,587,486)	(2,338,716)	1,082,258	(464 084)	2,534,579	486 065	(1,348 176)	
57	Remove power purchase energy (adjusted for revenue taxes)	885,526	881,084	(1,402 022)	83,981	(758,380)	(133,509)	(669,747)	(986,684)	480,815	(195,793)	1,089,316	198,629	(588,764)	
58 = sum 27-57	Total billed and unbilled adjustments to determine adjusted revenues for RBA	(76,723,724)	(72 897,068)	(82,237,505)	(81,943,287)	(84,854,944)	(88,448,423)	(92,913,500)	(94,910,732)	(92,905,255)	(93,698 069)	(89,802,909)	(90,454,459)	(1,041,789,875)	
59 = 26+58	RECORDED ADJUSTED REVENUES FOR RBA DETERMINATION (PUC Monthly Financial Report pg. 9A.1)	43,227,808	40,425,191	45,789,648	44,302,812	46,273,239	46,369,888	48,512,767	50,950,611	47,591,388	48,307,664	44,634,552	43,730,598	550,226,167	Sch B

NOTE: Totals may not add exactly due to rounding.

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF O&M RAM ADJUSTMENT
($ in Thousands)

Line No.	Decription (a)	Reference (b)	Docket No. 2016-0328 Approved (c)	Footnote 4 Previously Approved RAM (d)	O&M Subject to Escalation Col (c) + (d) (e)	Net Inflation Indices Footnote 2 (f)	2018 O&M RAM Adjustment Col (e) * (f) (g)
1	Base BU Labor Expenses	Schedule C1	$ 47,048		$ 47,048	2.24%	$ 1,054
2	Base Non-Labor Expense	Schedule C2	$ 134,734		$ 134,734	2.10%	$ 2,829
3	Payroll Taxes	Footnote 1	$ 3,943		$ 3,943	2.24%	$ 88
4	Subtotal Expense Increase - RAM Adjustment before revenue taxes						$ 3,972
5	Revenue Tax Factor (Footnote 3)						1.0975
6	O&M RAM (SubTotal Expenses x Rev Tax Factor)						$ 4,359 To Sch A1

Footnotes:

1: Payroll Taxes per Stipulated Settlement Letter, filed March 5, 2018, in Docket No. 2016-0328, Exhibit 2C, page 6	$ 9,342
Less: Portion of payroll taxes related to non-BU labor[A] (57.79% * 9,342)	$ (5,399)
Payroll Taxes related to Bargaining Unit labor	$ 3,943

[A] See Schedule C1 for calculation of percentage related to non-BU labor.

2: Escalation Rates

Labor:	2018	
Bargaining Unit Wage Increase	3.00%	(See HECO-WP-C-001)
Less: Labor Productivity Offset	0.76%	Approved in Final D&O in Docket No. 2008- 0274, page 51, filed on August 31, 2010
Labor Cost Escalation Rate	**2.24%**	

Calculation of 2018 Compounded Labor Cost Escalation

2018 Labor Cost Escalation	1.0224	A (2018 labor escalation plus 1)
2018 Compounded Labor Cost Escalation	1.0224	B = A
2018 Compounded Labor Cost %	0.0224	C = B - 1

Non-Labor:	2018	
GDP Price Index	**2.10%**	(See HECO-WP-C-002)

Calculation of 2018 Compounded Non-Labor Cost Escalation

2018 Non-Labor Cost Escalation	1.0210	A (2018 non-labor escalation plus 1)
2018 Compounded Non-Labor Cost Escalation	1.0210	B = A
2018 Compounded Non-Labor Cost %	0.0210	C = B - 1

3: Computation of Revenue Tax Factor

Public Service Tax Rate	0.05885
PUC Fees Rate	0.00500
Franchise Tax Rate	0.02500
Total Revenue Tax Rate	0.08885
Revenue Tax Factor = 1 / (1 - Total Revenue Tax Rate)	1.0975

4: Column d "Previously Approved RAM" is not used as the labor and non-labor escalation is accomplished through the use of a compounded escalation rate in column f, as shown in footnote 2.

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKSHEET
RATE ADJUSTMENT MECHANISM
SUMMARY OF
OPERATIONS AND MAINTENANCE LABOR AND NON-LABOR EXPENSE
BY BLOCK OF ACCOUNTS

Interim D&O - Docket No. 2016-0328
($ in Thousands)

	Footnote 1		Footnote 2			
	(a)	(b)	(c)=(a)+(b)	(d)	(e)	
DESCRIPTION	BU LABOR	NON-BU LABOR	TOTAL LABOR	NON-LABOR	TOTAL	
Production	21,744	13,212	34,956	44,350	79,306	
Transmission	2,420	2,933	5,353	10,454	15,807	
Distribution	12,086	7,321	19,407	27,418	46,825	
Customer Accounts	8,258	3,618	11,876	8,478	20,354	
Allowance for Uncoll Accounts	-	-	-	732	732	
Customer Service	134	5,582	5,716	9,936	15,652	
Administrative & General	2,406	31,769	34,175	85,583	119,758	
Customer Benefit Adjustment (Footnote 3)	-	-	-	(10,023)	(10,023)	
Operation and Maintenance	47,048	64,435	111,483	176,928	288,411	X
	To Sch C			To Sch C2		
Percentage of Total O&M Labor	42.20%	57.79%	100%			

* amounts may not add due to rounding

Footnotes:

1 SOURCE: 2017 test year breakdown of BU and non-BU labor obtained from UI Planner Budget files.

2 O&M breakdown below includes fuel and purchase power expenses consistent with the presentation in the Results of Operations.

	Footnote 2a			Footnote 2b		
	LABOR	NON-LABOR	TOTAL	ADJUSTMENT	STIPULATED SETTLEMENT	
FUEL	-	327,609	327,609		327,609	
PURCHASE POWER	-	466,211	466,211		466,211	
PRODUCTION	34,956	44,350	79,306		79,306	
TRANSMISSION	5,354	10,454	15,808		15,808	
DISTRIBUTION	19,407	27,418	46,825		46,825	
CUSTOMER ACCOUNTS	11,876	8,478	20,354		20,354	
UNCOLLECTIBLE ACCOUNTS	-	732	732		732	
CUSTOMER SERVICE	5,715	9,936	15,651		15,651	
ADMIN & GENERAL	34,265	85,945	120,210	(452)	119,758	
CUSTOMER BENEFIT ADJUSTMENTS	-	-	-	(10,023)	(10,023)	
TOTAL	111,573	981,133	1,092,706	(10,475)	1,082,231	
TOTAL O&M EXPENSE (Excl Fuel & Purch Power)	111,573	187,313	298,886	(10,475)	288,411	X

2a See Order No. 35280, For Approval of General Rate Case and Revised Schedules/Rules, filed on February 9, 2018, in which the Commmission approved the revised schedules or operations and tariff sheets filed January 19, 2018, Exhibit A, Page 1 of 4.
See Docket No. 2016-0328 - Hawaiian Electric 2017 Test Year Rate Case Revised Schedules Resulting from Interim Decision and Order No. 35100 as modified by Order No. 35229 and Order No. 35220, filed January 19, 2018, Exhibit 2, Attachment 1, Page 1 for Labor/Non-Labor breakdown.

2b See Order No. 35335, For Approval of General Rate Case and Revised Schedules/Rules, filed on March 9, 2018, in which the Commmission accepted the Parties' Stipulated Settlment on Remaining Issues filed March 5, 2018, Exhibit 2C, Page 1 of 13.

3 Customer Benefit Adjustments identified in the Results of Operations have been included as a reduction to O&M non-labor subject to escalation. See Order No. 35335, For Approval of General Rate Case and Revised Schedules/Rules, filed on March 9, 2018, in which the Commmission accepted the Parties' Stipulated Settlment on Remaining Issues filed March 5, 2018, Exhibit 2C, Page 1.

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
Non-Labor Exclusion
Adjustment for O&M RAM
($ thousands)

Line No.	Decription	Amount	Reference
	(a)	(b)	(c)
1	Pension Expense	73,940	Note 1
2			
3			
4	OPEB Expense	(470)	Note 1
5			
6			
7	Total before amounts transferred	73,470	
8			
9	O&M %	57.43%	See Parties' Stipulated Settlement Letter,
10	(1- transfer rate of 42.57%)		filed November 15, 2017, in Docket No.
11			2016-0328, HECO T-16 Attachment 4,
12			page 1
13	Adjustment to Non-Labor O&M Expense		
14	for O&M RAM base	42,194	
15			
16			
17	Non-Labor O&M Expense per Interim D&O	176,928	Schedule C1
18			
19			
20	Non-Labor O&M Expense Base for		
21	O&M RAM base	134,734	Schedule C

Note 1 See Parties' Stipulated Settlement Letter, filed November 15, 2017 in Docket No. 2016-0328, Exhibit 1, page 63 for the summary of the pension and OPEB cost the Parties agreed to. In Parties' Stipulated Settlement Letter on Remaining Issues, filed March 5, 2018 in Docket No. 2016-0328, Exhibit 1, page 4, amortization of the excess pension contribution from the test year was reduced to zero.

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF RATE BASE RAM ADJUSTMENT - RETURN ON INVESTMENT

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 1) (f)	PRETAX WEIGHTED EARNINGS REQMTS (g)
1	PUC APPROVED CAPITAL STRUCTURE & COSTS (Note 2):						
2	Short-Term Debt	$ 27,770	1.18%	1.75%	0.02%	1.000000	0.02%
3	Long-Term Debt	928,748	39.59%	5.03%	1.99%	1.000000	1.99%
4	Hybrid Securities	28,651	1.22%	7.19%	0.09%	1.000000	0.09%
5	Preferred Stock	21,137	0.90%	5.37%	0.05%	1.346835	0.07%
6	Common Equity	1,339,335	57.10%	9.50%	5.42%	1.346835	7.31%
7	Total Capitalization	$ 2,345,641	100.00%		7.57%		9.47%
8	RAM CHANGE IN RATE BASE $000 (From Schedule D1)						$ 49,138
9	PRETAX RATE OF RETURN (Line 7, Col g)						9.47%
10	PRETAX RETURN REQUIREMENT						$ 4,653.4
11	REVENUE TAX FACTOR (1/(1-8.885%))						1.0975
12	RATE BASE RAM - RETURN ON INVESTMENT $000						$ 5,107.1 To Sch A1

Footnotes:

1	Composite Federal & State Income Tax Rate	25.75%	See HECO-WP-F-001
	Income Tax Factor (1 / 1-tax rate)	1.346835	

2 See Order No. 35335, For Approval of General Rate Case and Revised Schedules/Rules, filed on March 9, 2018, in which the Commmission accepted the Parties' Stipulated Settlment on Remaining Issues filed March 5, 2018, Exhibit 2C, Page 2 of 13.

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF RATE BASE RAM ADJUSTMENT - CHANGE IN RATE BASE

$ in thousands

		HECO 2017 Test Year Rate Base (Note 2)		HECO 2018 RAM Rate Base			
Line No.	Description (a)	Beg. Balance 12/31/2017 (b)	Budgeted Balance 12/31/2017 (c)	Adjusted Recorded at 12/31/2017 (d) (Note 1)	RAM Projected Amounts (e) See Detail Below	Estimated at 12/31/2018 (f)	
1	Net Cost of Plant in Service	$ 2,595,452	$ 2,770,695	$ 2,749,624	$ 105,051	$ 2,854,675	
2	*Property Held for Future Use*	-	-	-	-	-	
3	Fuel Inventory	46,200	46,200		These Elements of Rate Base are Not Updated for RAM Purposes		
4	Materials & Supplies Inventories	28,427	28,427				
5	Unamort Net ASC 740 Reg Asset	70,144	74,887				
6	Unamort EOTP Reg Asset	444	89				
7	CIP CT-1 Reg Asset	2,306	1,352				
8							
9							
10							
11	Unamort Sys Dev Costs	15,932	13,496		These Elements of Rate Base are Not Updated for RAM Purposes		(Note 5)
12	RO Pipeline Reg Asset	4,958	4,842				
13	Pension Tracking	97,620	113,828				
14	Contrib in Excess of NPPC	6,470	6,470				
15	Total Additions	$ 2,867,953	$ 3,060,286	$ 3,030,670	$ 105,051	$ 3,135,721	
16	Unamortized CIAC	$ (347,826)	$ (395,134)	$ (399,366)	$ (29,773)	$ (429,139)	(Note 3)
17	Customer Advances	(3,581)	(3,925)		Not Updated		(Note 3)
18	Customer Deposits	(12,101)	(12,005)				
19	Accumulated Def Income Taxes	(520,643)	(333,360)	(283,139)	(3,753)	(286,892)	(Note 4)
20	ADIT Excess Reg Liability	-	(203,950)	(274,687)	7,121	(267,566)	(Note 4)
21	Unamortized State ITC (Gross)	(56,323)	(54,903)		Not Updated		
22	Unamortized Gain on Sale	(248)	(182)				
23	Pension Reg Liability	-	-				
24	OPEB Reg Liability	(2,817)	(2,331)				
25	Total Deductions	$ (943,539)	$ (1,005,790)	$ (1,031,400)	$ (26,405)	$ (1,057,805)	
26	Working Cash	3,904	3,904	3,904	Not Updated	3,904	
27	Rate Base at Proposed Rates	$ 1,928,318	$ 2,058,400	$ 2,003,174		$ 2,081,820	
28	Average Rate Base		$ 1,993,359			$ 2,042,497	
29	**Change in Rate Base**					$ 49,138	To Schedule D

30	Column (e) Projected Changes to Rate Base:	Reference	Amount $000
31	Plant - Baseline Capital Project Additions	Schedule D2	252,931
32	Major Project Additions	Schedule D3	-
33	Accumulated Depreciation/Amortization Change	Schedule E	(147,880)
34	Net Plant	Sum: Lines 31-33	105,051
35	Accum Def Income Taxes - Baseline and Major Capital Projects	Schedule F	(3,753)
36	Excess ADIT Reg Liability Amortization	Schedule D5	7,121
37	Projected CIAC Additions - Baseline	Schedule G	(38,472)
38	Projected CIAC Additions - Major Projects	Schedule G2	(119)
39	Less. Amortization of CIAC	Schedule G	8,819
40	Total Change in CIAC in Rate Base	Sum: Lines 37-39	(29,773)

Footnotes:

1 Amounts are recorded, except for the following adjustments:

		Plant in Service	Acc. Depr.	CIAC Net	ADIT	ADIT Excess Reg Liab
				Schedule G	Schedule D4	Schedule D5
[A]	Unadjusted Balance	$ 4,536,540	$ (1,494,205)	$ (399,366)	$ (283,155)	$ (274,687)
	Add:					
[A]	Retirement Work in Progress		42,592			
[A]	Asset Retirement Obligation		(2,539)			
[A]	Reg Liab-Cost of Removal (net salvage)		(327,225)			
	Tenant Improvement Allowance (Sch E)	(14,058)	8,662			
	Major Project Adjustments:	HECO-WP-D2-001	HECO-WP-E-001		HECO-WP-D4-002	
	ERP EAM Hardware	(14)	-	-	2	-
	Koolau-Wailupe #1 Str 30 P9 Replace	(129)	-	-	14	-
	Total Adjustments	$ (143)	$ -	$ -	$ 16	$ -
					Schedule D4	Schedule D5
	Adjusted Balance	$ 4,522,339	$ (1,772,715)	$ (399,366)	$ (283,139)	$ (274,687)

2 See Order No. 35335, For Approval of General Rate Case and Revised Schedules/Rules, filed on March 9, 2018, in which the Commmission accepted the Parties' Stipulated Settlment on Remaining Issues filed March 5, 2018, Exhibit 2C, Page 3 of 13. Revised for presentation purposes only to properly reflect the Unamortized Net ASC 740 Reg Asset, ADIT, and ADIT Excess Reg Liability balances. No change to Total Average Rate Base.

3 As of December 2017, the Company reclassified cash CIAC recevied from Developers, subject to refund, from CIAC to Customer Advances. Leaving this amount unchanged from the balance at 12/31/17 would result in an overstatement of rate base. See further discussion at Schedule G1.

4 As a result of the 2017 Tax Reform Act, Regulatory Liability accounts were created and recorded as of December 31, 2017 to isolate the 2017 excess accumulated deferred taxes resulting from the lower federal tax rate. The bifurcated Regulatory Liabilities are included as a reduction to Rate Base. See further discussion at Schedule F.

5 HECO 2017 Test Year Rate Base includes CIS deferred costs in Unamortized System Development Costs. See detail in November 15, 2017, Stipulated Settlement Letter, HECO T-17, Attachment 1, Page 2.

[A] SOURCE: Hawaiian Electric Company, Inc. Monthly Financial Report - December 2017, pages 8 and 10, filed March 1, 2018

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF BASELINE CAPITAL PROJECTS ADDITIONS

Source: Docket No. 03-0257 General Order No. 7 Plant Additions Annual Reports filed with the PUC dated:

				3/28/2014	3/27/2015	3/29/2016	3/30/2017	NOTE (1)
Line No.	Description			2013	2014	2015	2016	2017
	(a)			(b)	(c)	(d)	(e)	(f)
1	**Total Plant Additions**			**272,820,344**	**269,326,250**	**266,537,660**	**241,294,569**	**276,754,129**
2	Less: Non-Utility Plant Additions		NOTE (2)			(63)	(3,954)	-
3	**Adjusted Total Plant Additions**			**272,820,344**	**269,326,250**	**286,537,597**	**241,290,615**	**276,754,129**
4								
5	Less Major Projects: (+$2.5 Million)	Dkt No.	Item No					
6								
7	2008 In-service:							
8	CIP Generating Unit	05-0145	Y49000	(1,809,875)				
9								
10	2010 In-Service:							
11	K3 Biofuel Co-Firing	2009-0155	P0001577	(4,608)				
12								
13	2011 In-Service:							
14	W8 Boiler Controls Upgrade	2007-0365	P7650000	(45,384)	18,503	(70)		
15	EOTP Ph. 2 (Subs/Switch Stations)	2010-0062	Y48500	(184,448)	(7,357)	(55,681)	(682)	
16	W7 Controls Upgrade	2009-0195	P7590000	(308,336)	(8,237)	(35)		
17	W8 Main Transformer Replace		P0001399	47,320				
18								
19	2012 In-Service:							
20	K1 Condenser Tube Replace	2010-0126	P0000681	(1,850)				
21	BPT Tank 132 Improvements	2010-0286	P0000899	(547)				
22	Mobile Radio Replacement	2010-0162	P0001595	(61,573)				
23	Kapolei Substation	2011-0026	Y00127	(780,700)	(6,459)			
24								
25	2013 In-Service:							
26	Pukele 80MVA Tsf #3	2011-0156	P0001494	(4,299,560)	(28,327)	15,611		
27	Kakaako Makai-Iwilei 25kV DL	2009-0042	Y00038	(6,661,331)	(485,650)	(496,818)		400,000
28	Kaloi Substation - Land	2008-0070	Y00119	(2,276,439)				
29	North South Road 46kV Line	2008-0070	Y00119	(2,099,046)		(3,488)		
30								
31	2014 In-Service:							
32	Kaloi Substation	2008-0070	Y00119		(6,548,755)	(925)		
33	Kaloi Sub 46kV & 12kV Distr	2008-0070	Y00119		(1,218,895)			
34	Kaloi Telecomm	2008-0070	Y00119		(171,237)			
35	Kaloi Sub 12kV Work	2008-0070	Y00119		(25,906)			
36	Kakaako Makai-Kewalo 25kV DL	2009-0042	Y00038		(4,958,840)	(464,900)	(111)	400,000
37	Kakaako Makai DOT Queen-Cook	2009-0042	Y00038		(1,981,600)	(418,816)	(2,890,742)	476,166
38	BPT Tank 133 Improvements	2010-0318	P0000900		(6,095,787)	(1,092,308)		
39	Pukele 80MVA Tsf #2	2011-0156	P0001492		(3,449,859)	(40,084)		
40	DOT Airport DSG	2008-0329	P0001370		(4,965,396)	(97,130)	(172,652)	(94,001)
41								
42	2016 In-Service:							
43	Pukele 80MVA Tsf #1	2011-0156	P0002264				(3,839,121)	(7,612)
44								
45	2017 In-Service:							
46	ERP EAM Hardware	2014-0170	Y00168					(2,604,146)
47	Koolau-Wailupe #1 Str 30 P9 Replace		P0003465					(2,684,387)
48								
49	**Total Net Plant Additions (excluding major projects)**			**254,333,967**	**239,412,448**	**263,882,953**	**234,387,307**	**272,640,149**
50								
51	**Last Five-Year Average**							**$ 252,931,365**
								To Sch D1

NOTE (1): Amounts per HECO-WP-D2-002 and the Hawaiian Electric Companies' *Exemption From and Modification of General Order No. 7 Paragraph No. 2.3(g), Relating to Capital Improvements Capital Projects Completed in 2017*, in Docket No. 03-0257, filed on March 27, 2018.

NOTE (2): Source: UI Planner Budget files: Actuals Scenario. Adjustment to remove non-utility plant additions from utility plant. Chapin UG Duct Line is a non-utility asset. It is a contributed asset that was given to the Company. It is not being used and there are currently no plans to use it.

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF MAJOR CAPITAL PROJECT ADDITIONS

Line No.	Description (a)	PUC Docket Reference (b)	Estimated In Service Date (c)	Amount (d)
1				
2				
3	**Total Major Capital Projects Qualifying for 2018 RAM** (See HECO-WP-D3-001)			**$ -** To Sch D1

See Schedule G2 for related CIAC (if applicable)

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF ADJUSTED RECORDED DEFERRED INCOME TAXES

Line No.	NARUC Account (a)	Reference (b)	DR/(CR) Federal ADIT (c)	DR/(CR) State ADIT (d)	DR/(CR) Total ADIT (e)	
1	Recorded Deferred Income Tax Balances December 31, 2017 Recorded Balances					
2	Depreciation Related Account 282	HECO-WP-D4-001	(197,658,805)	(31,558,691)	(229,217,496)	
3	Other Deferred Income Taxes	HECO-WP-D4-001	(44,852,044)	(9,085,106)	(53,937,150)	
4	Total Recorded Deferred Income Taxes		(242,510,849)	(40,643,797)	(283,154,646)	To Sch D1
5	Adjustments to Recorded Balances:					
6	ADIT on Major Project excess depreciation	HECO-WP-D4-002	15,713	461	16,174	
7	Total Adjustments to Recorded ADIT Balances		15,713	461	16,174	To Sch D1
8	Adjusted Recorded ADIT Balances -12/31/17		(242,495,136)	(40,643,336)	**$ (283,138,472)**	To Sch D1
			To HECO-WP-F1-003			

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF ADJUSTED RECORDED EXCESS ADIT REGULATORY LIABILITY

Line No.	NARUC Account	Reference	DR/(CR) ADIT	DR/(CR) Reg Liab	DR/(CR) Adjusted/Recorded at 12/31/17	Life	Amortization	Est Bal at 12/31/18
	(a)	(b)	(c)	(d)	(e) = (c) + (d)	(f)	(g) = (e) / (f)	(h) = (e) + (g)
1	Recorded Excess ADIT Regulatory Liability Balances December 31, 2017 Recorded Balances							
2	Plant 282 - protected		(160,155,102)	(55,547,395)	(215,702,497)	0		(215,702,497)
3	Plant 283 - unprotected		(26,035,756)	(9,030,111)	(35,065,867)	15	2,337,724	(32,728,143)
4	Nonplant 283 - unprotected		(17,759,008)	(6,159,446)	(23,918,454)	5	4,783,691	(19,134,763)
8	Total Excess ADIT Regulatory Liability		(203,949,866)	(70,736,952)	(274,686,818) to Sch D1		7,121,415 to Sch D1	(267,565,403) to Sch D1

SOURCE: HECO-WP-D5-001

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF DEPRECIATION & AMORTIZATION RAM ADJUSTMENT

Line No.	NARUC Account	Recorded Depreciable/Amort. Balance (Footnote 3)	Adjustments (Footnote 1)	Adjusted Depreciable/Amort. Balance	PUC Approved Accrual Rate	Annual Accrual
	(a)	(b)	(c)	(d)	(e)	(f)
1	**Depreciable Plant**					
2	311	102,187,021		102,187,021	0.01600	1,634,992
3	312	398,395,485	(2,365,000)	396,030,485	0.02030	8,039,419
4	314	191,175,201		191,175,201	0.01540	2,944,098
5	315	83,857,175		83,857,175	0.02430	2,037,729
6	Tot - Steam	775,614,882	(2,365,000)	773,249,882	0.01890	14,656,239
7						
8	341	38,240,688		38,240,688	0.00770	294,453
9	342	16,784,964		16,784,964	0.02580	433,052
10	343	67,717,111		67,717,111	0.03260	2,207,578
11	344	32,288,863		32,288,863	0.01010	326,118
12	345	34,193,476		34,193,476	0.02510	858,256
13	Tot - Gas Turb	189,225,102	-	189,225,102	0.02177	4,119,457
14						
15	Tot - Prod	964,839,984	(2,365,000)	962,474,984		18,775,696
16						
17	3501	3,038,076		3,038,076	-	-
18	352	44,911,154		44,911,154	0.01600	718,578
19	353	315,351,901		315,351,901	0.01860	5,865,545
20	354	17,866,512		17,866,512	0.01480	264,424
21	355	360,038,169		*360,038,169*	*0.03240*	*11,665,237*
22	356	182,718,315	(128,768)	182,589,547	0.03270	5,970,678
23	357	69,763,833		69,763,833	0.01590	1,109,245
24	358	81,788,955		81,788,955	0.01730	1,414,949
25	359	3,235,054		3,235,054	0.01490	48,202
26	Tot - Transm	1,078,711,969	(128,768)	1,078,583,201	0.02508	27,056,859
27						
28	3601	1,806,373		1,806,373	0.02340	42,269
29	361	25,327,581		25,327,581	0.01080	273,538
30	362	278,625,692		278,625,692	0.02020	5,628,239
31	363	2,443,089		2,443,089	0.03740	91,372
32	364	227,560,422		227,560,422	0.03390	7,714,298
33	365	125,631,343		125,631,343	0.04190	5,263,953
34	366	323,959,988		323,959,988	0.02190	7,094,724
35	367	457,123,668		457,123,668	0.04980	22,764,759
36	368	245,092,496		245,092,496	0.05200	12,744,810
37	369.1	66,273,006		66,273,006	0.05250	3,479,333
38	369.2	224,785,950		224,785,950	0.04070	9,148,788
39	370	38,906,840		38,906,840	0.02660	1,034,922
40	Tot - Distr	2,017,536,448	-	2,017,536,448	0.03731	75,281,004
41						
42	Tot - T & D	3,096,248,417	(128,768)	3,096,119,649		102,337,863
43						
44	390	69,016,874		69,016,874	0.02450	1,690,913
45	Tot - General	69,016,874	-	69,016,874	0.02450	1,690,913
46						
47	Sub-Total	4,130,105,275	(2,493,768)	4,127,611,507		122,804,472
48						
49	*3902 (King)*	*7,840,028*		*7,840,028*	*0.02348*	*184,098*
50	3902 (CPP)	2,139,703		2,139,703	0.01648	35,256
51	3902 (Waterhouse)	1,517,450		1,517,450	-	-
52	3902 (Hon Cl)	525,251		525,251	0.07792	40,929
53	3902 (ASB)	1,463,127		1,463,127	0.08178	119,650
54	3902 (Shinco)	939,475		939,475	-	-
55	3902 (PPP)	372,940		372,940	0.11111	41,438
56	3902 (Tenant Allowance)	14,057,907	(14,057,907)	-	-	-
57	Tot- LH Impr	28,855,881	(14,057,907)	14,797,974		421,371
58						
59	392	61,571,155		61,571,155	0.06130	3,774,312
60						
61	Utility Total Depreciation	4,220,532,311	(16,551,675)	4,203,980,636	0.03009	**127,000,155**

Line No.	NARUC Account	Recorded Depreciable/Amort. Balance (Footnote 3)	Adjustments (Footnote 1)	Adjusted Depreciable/Amort. Balance	PUC Approved Accrual Rate	Annual Accrual
	(a)	(b)	(c)	(d)	(e)	(f)
61	**Amortizable Plant**					
62	316	25,605,362		25,605,362	0.05000	1,280,268
63	Tot - Steam	25,605,362	-	25,605,362	0.05000	1,280,268
64						
65	346	18,920,509		18,920,509	0.05000	946,025
66	Tot - Gas Turb	18,920,509	-	18,920,509	0.05000	946,025
67						
68	Tot - Prod	44,525,871	-	44,525,871	0.05000	2,226,294
69						
70	3911	32,372,727	(14,146)	32,358,581	0.20000	6,471,716
71	3912	4,184,969		4,184,969	0.10000	418,497
72	3913	16,654,121		16,654,121	0.06670	1,110,830
73	393	1,499,931		1,499,931	0.04000	59,997
74	394	34,936,481		34,936,481	0.04000	1,397,459
75	395	768,148		768,148	0.06670	51,235
76	396	14,998		14,998	0.05560	834
77	397	128,044,936		128,044,936	0.06670	8,540,597
78	398	9,033,469		9,033,469	0.06670	602,532
79	Tot - General	227,509,780	(14,146)	227,495,634	0.08199	18,653,698
80						
81						
82						
83	Utility Total Amortization	272,035,651	(14,146)	272,021,505	0.07675	$ 20,879,992
84						
85	TOTAL RAM DEPRECIATION / AMORTIZATION				Line 61 + Line 83	**$ 147,860,147**
86	LESS: Vehicle Depreciation (A/C 392 above)				Line 59	**$ (3,774,312)**
87	ADD: ADIT Excess Amortization				Schedule D5	**(7,121,415)**
88	LESS: Depreciation & Amortization in Current Revenues				Footnote 2	**$ (128,974,585)**
89						
90	RAM Adjustment for Depreciation & Amortization					**$ 8,009,835**
91	RAM Adjustment for CIAC Amortization				Schedule G Line 17	**$ (509,805)**
92	Total RAM Adjustment for Depreciation & Amortization					**$ 7,500,230**
93	Times: Factor for Revenue Taxes				Schedule C Line 5	1.09750
94						
95	RAM DEPRECIATION & AMORTIZATION					**$ 8,231,502**
						To Sch A1

Footnotes:

1	Amounts are recorded (in $000s), except for the following adjustments (see HECO-WP-D2-001):		Plant in Service From D1	
	ERP EAM Hardware	HECO-WP-D2-001	$ (14)	**Linked from D1**
	Koolau-Wailupe #1 Str 30 P9 Replace	HECO-WP-D2-001	$ (129)	
	Tenant Improvement Allowance (see Footnote 4)		(14,058)	
	ARO Assets included in Depreciable Plant	GL# 10100001	(2,365)	
	Total		$ (16,566)	
2	Depreciation & Amortization in Current Revenues*:		Depr/Amort Expense	
	Total Depreciation		$ 139,686,000	
	LESS: Vehicle Depreciation (A/C 392)		(3,590,000)	
	LESS: Amortization of Excess ADIT		(7,121,415)	
	Total Depreciation & Amortization in Current Revenues		128,974,585	To Line 88

*See Order No. 35335, For Approval of General Rate Case and Revised Schedules/Rules, filed on March 9, 2018, in which the Commission accepted the Parties' Stipulated Settlement on Remaining Issues filed March 5, 2018, HECO T-25, Attachment 1, Page 1 and the Revised Attachment to the Parties Stipulated Settlement on Remaining Issues, filed March 8, 2018. HECO T-26, Attachment 2A, Page 1.

3 Per Accounting records, does not include land amounting to $43,971,885 as of December 31, 2017.

4 Amount represents tenant improvement allowances paid by the lessors and excluded from the RAM calculation.

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF CHANGE IN DEFERRED INCOME TAXES

Line No.	NARUC Account (a)	Reference (b)	Projected ADIT Change (c)
1	State Tax Depreciation	Schedule F1	9,565,133
2	Amortization of Excess Deferreds	Schedule D5	7,121,415
3	Subtotal		16,686,548
4	Effective Federal Tax Rate	HECO-WP-F-001	19.7368%
5	Federal Deferred Tax on State Tax Depreciation		3,293,398
6	Add back State Tax Depreciation	Line 1	(9,565,133)
7	Federal Tax Depreciation	Schedule F1	9,565,133
8	Federal/State Difference		-
9	Tax Rate on Federal Only Adjustment	HECO-WP-F-001	21%
10	Federal Deferred Tax Adjustment		-
11	Total Federal Deferred Taxes Before Proration		3,293,398
12	Proration Adjustment	HECO-WP-F1-003	(543,770)
13	Total Federal Deferred Taxes After Proration		2,749,628
	STATE DEFERRED TAXES		
14	State Tax Depreciation	Line 1	9,565,133
15	Amortization of Excess Deferreds	Line 2	7,121,415
16	Subtotal		16,686,548
17	Effective State Tax Rate	HECO-WP-F-001	6.0150%
18	Total State Deferred Taxes		1,003,702
19	TOTAL FED AND STATE DEFERRED TAXES		3,753,330 To Sch D1

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 capital 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 COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF TAX DEPRECIATION

Line No.		LIFE	PROJECTS	PROGRAMS	TOTAL	PROJECTS	PROGRAMS	TOTAL
			HECO-WP-F1-002					
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Computers/PV	5	874	5,880	6,754	0.35%	2.32%	2.67%
2	Communication	20	1,711	2,816	4,527	0.68%	1.11%	1.79%
3	Off/Furn/Tools	7	2,293	3,322	5,615	0.91%	1.31%	2.22%
4	Distribution	20	21,822	108,034	129,856	8.63%	42.71%	51.34%
5	Land	-	1,314	158	1,472	0.52%	0.06%	0.58%
6	Non-Steam Production	15	2,562	-	2,562	1.01%	0.00%	1.01%
7	Steam Production	20	22,730	3,023	25,753	8.99%	1.20%	10.18%
8	Structural	39	3,876	513	4,389	1.53%	0.20%	1.74%
9	Transmission	20	14,861	10,066	24,927	5.88%	3.98%	9.86%
10	Transmission	15	35,424	4,882	40,306	14.01%	1.93%	15.94%
11	Vehicles	-	-	6,769	6,769	0.00%	2.68%	2.68%
12	TOTAL		107,467	145,463	252,930	42.49%	57.51%	100.00%

5 yr	0.35%	2.32%	2.67%
7 yr	0.91%	1.31%	2.22%
15 yr	15.02%	1.93%	16.95%
20 yr	24.17%	49.00%	73.17%
39 yr	1.53%	0.20%	1.74%
Land	0.52%	0.06%	0.58%
Vehicles	0.00%	2.68%	2.68%
Total	42.49%	57.51%	100.00%

Vintage 2018 - 40% Bonus Depreciation

						BASIS	FED YR 1 DEPR RATE	FED YR 1 TAX DEPR	STATE YR 1 DEPR RATE	STATE YR 1 TAX DEPR
NOTE (1) Basis subject to 40% bonus depreciation		0.00%	0.00%							
	5 yr	0.00%	0.00%	0.00%	5 yr	-	52.000%	-	20.00%	-
	7 yr	0.00%	0.00%	0.00%	7 yr	-	48.574%	-	14.29%	-
	15 yr	0.00%	0.00%	0.00%	15 yr	-	43.000%	-	5.00%	-
	20 yr	0.00%	0.00%	0.00%	20 yr	-	42.250%	-	3.75%	-
	39 yr									
	Land									
	Vehicles									
	Total	0.00%	0.00%	0.00%						

Vintage 2018 - Regular Depreciation

Basis subject to regular depreciation		(Total less amounts subject to 40% bonus)								
	5 yr	0.35%	2.32%	2.67%	5 yr	5,723,096	20.00%	1,144,619	20.00%	1,144,619
	7 yr	0.91%	1.31%	2.22%	7 yr	4,757,849	14.29%	679,911	14.29%	679,911
	15 yr	15.02%	1.93%	16.95%	15 yr	36,324,799	5.00%	1,816,240	5.00%	1,816,240
	20 yr	24.17%	49.00%	73.17%	20 yr	156,815,716	3.75%	5,880,589	3.75%	5,880,589
	39 yr	1.53%	0.20%	1.74%	39 yr	3,719,080	1.177%	43,774	1.177%	43,774
		41.97%	54.77%	96.74%						
	TOTAL ASSETS	41.97%	54.77%	96.74%						
		Net Depreciable Baseline Plant Adds				207,340,639		9,565,133		9,565,133
		Major Capital Projects from Schedule F2				-		-		-
		Total Depreciable Plant Adds				207,340,639		9,565,133		9,565,133
								Fed Tax Depreciation to Schedule F		*St. Tax Depreciation to Schedule F*

Reconciliation from Baseline Plant Adds to Net Depreciable Plant Adds :

Baseline Capital Projects Plant Adds (rounded)		252,930,000	Schedule D2
Less: Repairs deduction	HECO-WP-F1-001 pg 1	38,606,235	<<supported by Special Study each year.
Net plant add basis		214,323,765	
Less: Land and Vehicles (3.26% x 214,323,765)		6,983,126	
		207,340,639	

NOTE (1) The Tax Cut and Jobs Act removed bonus depreciation for public utility property.

NOTE (2) The numbers in columns b, c, d are rounded to the nearest thousand

NOTE (3) Totals may not add exactly due to rounding.

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
TAX DEPRECIATION ON MAJOR CAPITAL PROJECTS ADDITIONS

Line No.	Description (a)	 (b)	PUC Docket (c)	Estimated In Service Date (d)	Amount (e)	
1	Assumed Value of 2018 Major Capital Projects Plant Items				$ -	Schedule D3
2	Assumed Value of 2018 Major Capital Projects - CIAC nontaxable					Schedule G2 *
3	Assumed Value of 2018 Major Capital Projects - Total				$ -	

			FED YR 1	FED YR 1	STATE YR 1	STATE YR 1
4	Tax Classification of Major Capital Project Additions	Tax Basis Distribution	DEPR RATE	TAX DEPR	DEPR RATE	TAX DEPR
5	5 yr		20.00%	-	20.00%	-
6	7 yr	-	14.29%	-	14.29%	-
7	15 yr	-	5.00%	-	5.00%	-
8	20 yr	-	3.75%	-	3.75%	-
9	39 yr	[redacted]				
10	Land	[redacted]				
11	Vehicles	[redacted]				
	Total	$ -		$ -		$ -
		To Sch F1		To Sch F1		To Sch F1

* Adjustment only for non-taxable CIAC.

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
CIAC SUMMARY

Line No.	Description	Reference	Unamortized CIAC	CIAC Amortization
	(a)	(b)	(c)	(d)
1	12/31/17 Beginning Balance	Schedule G1	$ (365,481,916)	
2	ADD: Developer Advances - 12/31/17 Beginning Balance	Schedule G1	(33,883,949)	
3	12/31/17 Beginning Balance - Adjusted		(399,365,865)	
4				
5	2018 CIAC Additions:			
6	Baseline 5-Yr Average	Schedule G1	(38,472,321)	
7	Major Projects	Schedule G2	(119,285)	
8	Net Additions		(38,591,606)	
9				
10	2018 CIAC Amortization:			
11	Estimated Amortization	Schedule G3	8,818,605	$ (8,818,605)
12				
13	**12/31/18 Ending Balance**		(429,138,866)	(8,818,605)
14				
15	LESS: CIAC Amortization in Current Revenues - NOTE (1)			(8,309,000)
16				
17	**RAM Adjustment for CIAC Amortization**			**$ (509,605)** To Sch E Line 91
18				
19	**12/31/18 Ending Balance-CIAC & Developer Advances**	NOTE (2)	**$ (429,138,866)** To Sch D1 Line 16	

NOTE (1):
See Letter dated March 5, 2018, Subject: Docket No. 2016-0328, Hawaiian Electric 2017 Test Year Rate Case Parties' Stipulated Settlement on Remaining Issues, Exhibit 2E, Page 4 of 6, Line 168.

NOTE (2):
See Note (4) at Schedule G1.

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
BASELINE CAPITAL PROJECTS CIAC ADDITIONS

Source of CIAC balance and amort.: December Monthly Reports filed (non-confidential basis) with the PUC dated:

				2/21/2014	2/26/2015	2/23/2016	2/24/2017	3/1/2018
Line No.	Description			2013	2014	2015	2016	2017
	(a)			(b)	(c)	(d)	(e)	(f)
1	CIAC Balance, January 1 (Dec Rpt. pg 10)			(238,510,104)	(258,084,169)	(283,739,660)	(319,727,698)	(348,444,542)
2	Less: Non-Utility CIAC		NOTE (3)				618,464	618,464
3	Adjusted CIAC Balance, January 1			(238,510,104)	(258,084,169)	(283,739,660)	(319,109,234)	(347,826,078)
4	Less: CIAC Amortization (Dec Rpt. pg. 2)			5,652,912	6,147,559	6,771,148	7,597,437	8,309,481
5	CIAC Balance, December 31 (Dec Rpt. pg. 10)			258,084,169	283,739,660	319,727,698	348,444,542	366,100,380
6	Less: Non-Utility CIAC		NOTE (3)	-	-	(618,464)	(618,464)	(618,464)
7	Less: Adjusted CIAC Balance, December 31			258,084,169	283,739,660	319,109,234	347,826,078	365,481,916 To Sch G
8	**Total Adjusted CIAC Additions**	(Sum Line 3, 4 & 7)		**25,226,977**	**31,803,050**	**42,140,722**	**36,314,281**	**25,965,318**
9	Add Developer Advances:		NOTE (4)	-	-	-	-	33,883,949
19	**Total Adjusted CIAC & Developer Advance Additions**			**25,226,977**	**31,803,050**	**42,140,722**	**36,314,281**	**59,849,268**
20	Less Major Projects:	Dkt No.	Item No.					
21								
22	2009 In-service:							
23	CIP Generating Unit	05-0145	Y49000					
24								
25	2010 In-service:							
26	K3 Biofuel Co-Firing	2009-0155	P0001577					
27								
28	2011 In-Service:							
29	W8 Boiler Controls Upgrade	2007-0365	P7650000					
30	EOTP Ph. 2 (Subs/Switch Stations)	2010-0062	Y48500	(87,994)	(43,725)	(15,232)	(716)	
31	W7 Controls Upgrade	2009-0185	P7590000					
32	W8 Main Transformer Replace		P0001399					
33								
34	2012 In-Service:							
35	K1 Condenser Tube Replace	2010-0126	P0000681					
36	BPT Tank 132 Improvements	2010-0286	P0000899					
37	Mobile Radio Replacement	2010-0162	P0001595					
38	Kapolei Substation	2011-0026	Y00127					
39								
40	2013 In-Service.							
41	Pukele 80MVA Tsf #3	2011-0156	P0001494					
42	Kakaako Makai-Iwilei 25kV DL	2009-0042	Y00038					
43	Kaloi Substation - Land - NOTE (2)	2008-0070	Y00119					
44	North South Road 46kV Line	2008-0070	Y00119					
45								
46	2014 In-Service:							
47	Kaloi Substation	2008-0070	Y00119					
48	Kaloi Sub 46kV & 12kV Distr	2008-0070	Y00119					
49	Kaloi Telecomm	2008-0070	Y00119					
50	Kaloi Sub 12kV Work	2008-0070	Y00119					
51	Kakaako Makai-Kewalo 25kV DL	2009-0042	Y00038					
52	Kakaako Makai DOT Queen-Cook	2009-0042	Y00038				(2,825,023)	
53	BPT Tank 133 Improvements	2010-0318	P0000900					
54	Pukele 80MVA Tsf #2	2011-0156	P0001492					
55	DOT Airport DSG	2008-0329	P0001370					
56								
57	2016 In-Service:							
58	Pukele 80MVA Tsf #1	2011-0156	P0002264					
59								
60	2017 In-Service:							
61	ERP EAM Hardware	2014-0170	Y00168					
62								
63	**Total Net CIAC & Developer Advance Additions**			**25,138,983**	**31,759,325**	**42,125,490**	**33,488,540**	**59,849,268**
64								
65	**Last Five-Year Average**							**38,472,321** To Sch G

NOTE (1): The CIAC amounts of the major projects are reflected in the year that they were received. In previous Decoupling filings these amounts were from the respective year's GO7 plant addition annual reports which reports the CIAC in the year the project closed to plant. In the past, the total CIAC additions, which reflect actual contributions received in the year, may not have included the total major project CIAC from the GO7 report to the extent that the CIAC was received in advance, or in multiple payments over a span of more than one year. Source: UI Planner files: Actuals Scenario.

NOTE (2): CIAC received for this project was not reflected in the 2012 and 2013 Decoupling filings as previous filings reported the CIAC amounts of the major projects from the respective year's GO7 plant addition annual report which reports the CIAC in the year the project closed to plant. See GENERAL NOTE

NOTE (3): Adjustment to remove non-utility project related CIAC from the general ledger balance Chapin UG Duct Line is a non-utility asset. It is a contributed asset that was given to the Company. It is not being used and there are currently no plans to use it. See Schedule G3, Line 96 Adjusted CIAC Additions for 2016 was corrected to exclude the non-utility plant balance from the beginning balance.

NOTE (4) In 2017, the Company reclassed the portion of CIAC for projects where the cash balance received was in excess of total incurred costs since the project agreements include provisions which allow for instances that unapplied funds received in advance would be subject to refunds. The true-up provision allows for any excess funds not expended to be refunded back to the developer. Furthermore, between the timing of the cash receipt to the project completion date, the project could be terminated, which would then result in refund of the unapplied funds. See below for a reconciliation of the Customer Advance balance at December 31, 2017:

Customer Advance (#25200000)	4,239,163	
Developer Advances (#25203000)	33,883,949	
Customer Advances	38,123,112	SOURCE: HECO Monthly Financial Report - December 2017, page 10, filed March 1, 2018.

The unapplied developer funds received in advance (Developer Advances) are excluded from the CIAC balance subject to amortization until they are reclassified to CIAC as costs are incurred. Developer Advances are included in the calculation of the Last Five-Year Average because they represent funds received in advance and are expected to be reclassified to CIAC as costs are incurred in the current year. Developer advances were also included in the Unamortized CIAC balance (See "Average Rate Base" from HECO Decision and Order No. 35280, filed 2/9/2018 of Docket No. 2016-0328).

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
MAJOR CAPITAL PROJECT CIAC ADDITIONS

Line No.	Description (a)	PUC Docket Reference (b)	Estimated In Service Date (c)	Amount (d)
1	2018 Major Project CIAC Additions by Project:			
2	Kakaako Makai DOT Queen-Cook	Docket No. 2009-0042 (D&O dated 8/7/2009)	Apr-14	22,683
3	Amount Qualifying for 2018 RAM	UI Planner Budget files		
3	*DOT Airport DSG*	*Docket No. 2008-0329 (D&O dated 6/25/2009)*	*Aug-14*	*96,602*
4	Amount Qualifying for 2018 RAM	UI Planner Budget files		
5	**Total Major Project CIAC Additions for 2018 RAM** (See HECO-WP-G2-001)			**$ 119,285** To Sch G & D1

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
CIAC AMORTIZATION

Line No.	Description	2016 Balance	2017 Amortization	2017 Balance	2018 Amortization
	(a)	(b)	(c)	(d)	(e)
1	CIAC by Vintage:				
2	1981	$ 28,455	$ 1,778	$ 26,677	$ 1,778
3	1982	90,973	5,351	85,622	5,351
4	1983	190,788	10,599	180,189	10,599
5	1984	196,871	10,362	186,509	10,362
6	1985	260,971	13,049	247,922	13,049
7	1986	387,930	18,473	369,457	18,473
8	1987	779,421	35,428	743,993	35,428
9	1988	1,148,335	49,928	1,098,407	49,928
10	1989	986,131	41,089	945,042	41,089
11	1990	5,563,315	222,533	5,340,782	222,533
12	1990 - Land	1,303,408	-	1,303,408	-
13	1991	2,751,141	105,813	2,645,328	105,813
14	1992	2,546,132	94,301	2,451,831	94,301
15	1993	5,617,820	200,637	5,417,183	200,637
16	1994	4,162,229	143,525	4,018,704	143,525
17	1995	3,234,852	107,828	3,127,024	107,828
18	1996	2,546,489	82,145	2,464,344	82,145
19	1997	1,945,082	60,784	1,884,298	60,784
20	1998	2,870,243	86,977	2,783,266	86,977
21	1999	3,240,772	95,317	3,145,455	95,317
22	2000	2,185,856	62,453	2,123,403	62,453
23	2001	2,766,823	76,856	2,689,967	76,856
24	2002	3,929,841	106,212	3,823,629	106,212
25	2003	4,273,673	112,465	4,161,208	112,465
26	2004	2,978,655	76,376	2,902,279	76,376
27	2005	9,937,459	248,436	9,689,023	248,436
28	2006	8,564,572	208,892	8,355,680	208,892
29	2007	9,115,073	217,026	8,898,047	217,026
30	2008	8,406,563	195,502	8,211,061	195,502
31	2009	6,799,031	154,523	6,644,508	154,523
32	2010	12,736,190	283,026	12,453,164	283,026
33	2011	16,395,712	356,429	16,039,283	356,429
34	2012	32,272,512	686,649	31,585,863	686,649
35	2013	21,257,546	442,866	20,814,680	442,866
36	2014	29,559,794	603,261	28,956,533	603,261
37	2015	39,094,900	781,898	38,313,002	781,898
38	2016	16,679,551	327,050	16,352,501	327,050
39	2017			15,148,435	297,028
40					
41					
42	CIAC GET Adjustment:				
43	-adj 92-96 GET	(121,650)	(3,924)	(117,726)	(3,924)
44	-adj 97 GET	(44,882)	(1,403)	(43,479)	(1,403)
45	-adj 98 GET	(56,010)	(1,697)	(54,313)	(1,697)
46	-adj 99 GET	(73,753)	(2,169)	(71,584)	(2,169)
47	-adj 00 GET	(71,003)	(2,029)	(68,974)	(2,029)
48	-adj 01 GET	(105,850)	(2,940)	(102,910)	(2,940)
49	-adj 02 GET	(115,095)	(3,111)	(111,984)	(3,111)
50	-adj 03 GET	(156,655)	(4,122)	(152,533)	(4,122)
51	-adj 04 GET	(109,612)	(2,811)	(106,801)	(2,811)
52	-adj 05 GET	(225,439)	(5,636)	(219,803)	(5,636)
53	-adj 06 GET	(494,451)	(12,060)	(482,391)	(12,060)
54	-adj 07 GET	(398,817)	(9,496)	(389,321)	(9,496)
55	-adj 08 GET	(326,629)	(7,596)	(319,033)	(7,596)
56	-adj 09 GET	(304,145)	(6,912)	(297,233)	(6,912)
57	-adj 10 GET	(458,801)	(10,196)	(448,605)	(10,196)
58	-adj 11 GET	(395,931)	(8,607)	(387,324)	(8,607)
59	-adj 12 GET	(498,140)	(10,599)	(487,541)	(10,599)
60	-adj 13 GET	(658,224)	(13,713)	(644,511)	(13,713)
61	-adj 14 GET	(673,829)	(13,752)	(660,077)	(13,752)
62	-adj 15 GET	(934,177)	(18,684)	(915,493)	(18,684)
63	-adj 16 GET	(862,287)	(16,908)	(845,379)	(16,908)
64	-adj 17 GET			(1,104,366)	(21,654)
65					
66					
67	In - Kind CIAC.				
68	1988	317,549	13,806	303,743	13,806
69	1989	360,041	15,002	345,039	15,002
70	1990	188,102	7,524	180,578	7,524
71	1991	404,676	15,565	389,111	15,565
72	1992	1,144,268	42,380	1,101,888	42,380
73	1993	983,850	35,138	948,712	35,138
74	1994	1,654,957	57,068	1,597,889	57,068
75	1995	3,336,158	111,205	3,224,953	111,205
76	1996	1,740,814	56,155	1,684,659	56,155
77	1997	911,043	28,470	882,573	28,470
78	1998	1,765,877	53,511	1,712,366	53,511
79	1999	1,399,062	41,149	1,357,913	41,149
80	2000	2,892,247	82,636	2,809,611	82,636
81	2001	1,205,455	33,485	1,171,970	33,485
82	2002	2,645,440	71,498	2,573,942	71,498
83	2003	4,018,794	105,758	3,913,036	105,758
84	2004	2,472,693	63,402	2,409,291	63,402
85	2005	4,229,425	105,736	4,123,689	105,736
86	2006	3,798,854	92,655	3,706,199	92,655
87	2007	7,523,554	179,132	7,344,422	179,132
88	2008	1,125,754	26,180	1,099,574	26,180
89	2009	2,076,398	47,191	2,029,207	47,191
90	2010	4,652,644	103,392	4,549,252	103,392
91	2011	4,986,329	108,398	4,877,931	108,398
92	2012	3,808,013	81,022	3,726,991	81,022
93	2013	3,143,714	65,494	3,078,220	65,494
94	2014	1,669,908	34,080	1,635,828	34,080
95	2015	3,153,710	63,074	3,090,635	63,074
96	2015 - Chapin UG Conduit (non-utility)	618,464	-	618,464	-
97	2016	20,497,017	401,902	20,095,116	401,902
98	2017			11,921,250	233,750
99					
100	**Total CIAC Amortization for 2018 RAM**	$ 348,444,542	$ 8,309,481	$ 366,100,380	$ 8,818,605
					To Sch D1 Line 39

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
EARNINGS SHARING CALCULATIONS
All Amounts $000 (Except %)

Line				Ratemaking Basis Return on Equity		
No.	Description	Reference		Operating Income	Rate Base	Rate of Return
	(a)	(b)		(c)	(d)	(e)
1	Reported Operating Income before ratemaking adjustment	Dec 2017 Mo. PUC rpt, pg 2A filed 3/1/18 & HECO-WP-H-001		$ 116,798	$ 1,976,842	
2	Ratemaking Adjustments to Line 1:					
2a	Incentive Compensation Expenses (net of tax)	HECO-WP-H-002		2,982		
2b	Discretionary and Other Expenses Not Recoverable (net of tax)	HECO-WP-H-002		842		
2c	Amortization of investment income differential	HECO-WP-H-003		185		
2d	Income tax on items to be replaced by synchronized interest	HECO-WP-H-003		(17,165)		
2e	Remove Accrued Earnings Sharing Refund (net of tax)	HECO-WP-H-005		9		
2f	Special Medical Needs Program Discount (net of tax)	HECO-WP-H-006		40		
3	Ratemaking Basis Amounts - Post Tax	Sum Lines 1 & 2		$ 103,691	$ 1,976,842	
4	Ratemaking Capitalization		Balances	Ratios	Cost Rate	Weighted Cost
5	Short-Term Debt (12 mo. Avg)		$ 23,224	1.04%	0.98%	0.01%
6	Long-Term Debt (Simple Avg)		$ 881,917	39.64%	5.13%	2.03%
7	Hybrid Securities (Simple Avg)		$ 28,651	1.29%	7.19%	0.09%
8	Preferred Stock (Simple Avg)		$ 21,137	0.95%	5 37%	0.05%
9	Common Equity (Simple Avg)		$ 1,269,813	57.08%	9.50%	5.42%
10	Total Capitalization	HECO-WP-H-004	$ 2,224,742	100.00%		7.60%
11	Line 3 Rate Base Amount				$ 1,976,842	
12	Weighted Cost of Debt (Sum Lines 5-7)				2.13%	
13	Synchronized Interest Expense				$ 42,107	
	Income Tax Factor (Note 1)				1.636929121	
13a	Synchronized Interest Expense, net of tax				$ 25,723	
14	Post Tax Income Available for Preferred & Common (Line 3 - Line 13a)					$ 77,968
17	Less: Preferred Income Requirement (Line 8 Weighted Cost times Rate Base)					988
18	Income Available for Common Stock					$ 76,980
19	Ratemaking Equity Investment (Line 9 Ratio times Rate Base)					1,128,319
20	Return on Equity for Decoupling Earnings Sharing (Line 18/Line 19)					6.82%
21	Earnings Sharing Revenue Credits:		Basis Points			
22	Achieved ROE (basis points)		682			
23	Authorized Return (basis points)		950			
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)					$ 203
30	Earnings Sharing Revenue Credits (thousands)					0 To Sch A Line 5

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)	$ 1,128,319
	Basis Point = 1/100 of a percent	0.01%
	Earnings Required per Basis Point (thousands)	$ 112.83
	Times: Income Tax Conversion Factor	1.636929121
	Pretax Income Required per Basis Point (thousands)	$ 185
	Times: Revenue Tax Conversion Factor	1.0975
	Revenue Requirement per Basis Point (thousands)	$ 203

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
PUC-ORDERED ADJUSTMENTS

Line No.	Description	Reference		
	(a)	(b)	(c)	(d)

This Schedule has not been developed yet and will be developed only when/as needed.

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
DETERMINATION OF RAM CAP

Line No.	Description (a)	Reference (b)	Amount $000 (c)
1	Last Rate Order Target Annual Revenues	Schedule B1	599,974
2	Revenue Tax Factor (1/(1-8.885%))		1.0975
3	**Last Rate Order Target Annual Revenues plus Revenue Taxes**	Line 1 x 2	658,472
4	2018 GDP Price Index	HECO-WP-C-002	2.10%
5	*2018 RAM Cap Increase excluding Exceptional & Other Matters*	*Line 3 x 4*	*13,828*
6	RAM Cap for 2018 RAM Revenue Adjustment, Adjusted	Line 5	13,828 To Sch A1

Note 1 Target Revenues:

See Decision and Order No. 32735, filed March 31, 2015, paragraph 107, page 94:
"The RAM Cap shall be based on the Target Revenues determined in accordance with the RBA and RAM tariffs as provided below ("Basis"), times the cumulative annually compounded increase(s) in GDPPI for intervening years, adjusted to include applicable revenue taxes."

Continued in Decision and Order No. 32735, filed March 31, 2015, paragraph 109, page 96:
"Following the issuance of a final decision and order in a rate case, the Basis for the calculation of the RAM Cap shall be the target revenues determined in accordance with the RBA tariff based on the results of the Company's most recent final rate case decision." The Company requests that the 2018 RAM Cap be based on 2017 target revenues established as a result of Interim Decision and Order No. 35100 in Hawaiian Electric's 2017 test year rate case and requests to propose a change to replace "most recent final rate case decision" to "most recent interim or final rate case decision".

HAWAIIAN ELECTRIC COMPANY, INC.
DECOUPLING CALCULATION WORKBOOK
EXCEPTIONAL & OTHER MATTERS

Line No.	Description (a)	Reference (b)	Amount $000 (c)
1	None		-
2	2018 Revenue Adjustment for Exceptional & Other Matters		$ - To Sch A1

Note 1 Exceptional and Other Matters:

See Order No. 32735, filed March 31, 2015, paragraph 107, page 94 - 95:
"The Basis used in determining the RAM Cap shall be adjusted to exclude or otherwise appropriately account for adjustments for the recovery of revenues for previously explicitly stipulated and approved exceptional matters or other matters specifically ordered by the commission, which shall, in any event, be recovered fully without respect to any limitations resulting from application of the RAM Cap."

Footnote 149 stipulates that such applicable matters include adjustments accounting for CT-1 costs (for Hawaiian Electric) and CIS costs (for all of the Hawaiian Electric Companies) as provided in a stipulated *agreement approved by the Commission as amended in Order No. 31126 in Docket No. 2008-0083.*

See Order No. 35335, For Approval of General Rate Case and Revised Schedules/Rules, filed on March 9, 2018, in which the Commission accepted the Parties' Stipulated Settlement on Remaining Issues filed March 5, 2018, Exhibit 2C, Page 6 of 13.

The HECO 2017 Test Year Rate Base included CIP CT-1 as a regulatory asset and CIS deferred costs in Unamortized System Development Costs. Accordingly, inclusion of CIP CT-1 and CIS costs as Exceptional & Other Matters is not applicable for the 2018 Annual Decoupling filing.

INFORMAL CA-IR-17

Transmittal 18-03 at page 17 describes an agreement to address MECO's Tax Act impacts within its pending rate case and as "Exogenous Tax Changes with decoupling RAM rate calculations submitted and reviewed for implementation on June 1, 2018." To determine the amount of this change, old rate case data is employed that is described as, "Exhibit 2 of this Transmittal provides the results of operations for the Maui Electric 2012 test year recalculated according to the reduction in the corporate income tax rate from 35% to 21% and the exclusion of the domestic production activities deduction ("DPAD"), as set forth in the Tax Act" which amounts are then compared to Exhibit 2012 test year calculations approved by the Commission without Tax Act impacts. MECO then proposes to include 151/365 days of the $5.9 million difference or $2.44 million as an Exogenous Tax Change reduction to the RAM. Please respond to the following:

a. Explain the rationale for the proposed approach, rather than reliance upon more current test year information.
b. Confirm that target revenues have been increased multiple times through RAM adjustments subsequent to the 2012 test year and explain why these increases in allowed return on rate base should not be allowed to impact the Exogenous Tax Changes" amount.
c. Explain each reason why multiplication of the weighted cost of Preferred and Common Equity on Schedule D to Average Rate Base on line 24 of Schedule D1 of MECO's 2017 RAM calculation to determine post-tax income would not be a more reasonable basis to determine pretax income subject to the change in income tax rates than MECO's proposed reliance upon 2012 test year calculations for this purpose.
d. Provide complete copies of all reports, analyses, workpapers and other documents associated with or supportive of your response to part (c).

Hawaiian Electric Companies' Response:

a. Maui Electric's 2012 test year rate case is the most recent fully litigated case. In Maui Electric's 2018 test year rate case (Docket No. 2017-0150), the Parties are still in discovery and an interim decision and order is expected in August 2018. In order to provide Maui Electric customers the opportunity to benefit from the Tax Cut and Jobs Act ("Tax Act") on June 1, 2018, the Company calculated the exogenous tax change based on the most recently approved test year revenue requirements, which underlie the currently effective base rates being paid by customers. As the 2018 test year revenue requirement is still being litigated and subject to change, the last approved revenue requirement was deemed reasonable. Further, use of the approved 2012 test year revenue requirement calculations allows for transparency in easily tracing through the corporate income tax rate change and exclusion of domestic production activities deduction ("DPAD").

b. Yes. Target revenues have reflected RAM adjustments in the years subsequent to the 2012 test year as illustrated in Schedule B1. The annual increases in the RAM adjustment in each decoupling filing, which include the allowed return on rate base, are effective from June 1 of the filing year through May 31 of the following year. Thus, any annual RAM adjustments in years subsequent to the 2012 test year, but prior to the implementation of the lower corporate tax rates in the Tax Act on January 1, 2018, would not impact the Exogenous Tax Change, as they were not subject to the lower tax rates. Included in the RAM adjustment in Schedule B1 of Attachment 2, line 13 is $7.4 million in rate base return on investment which is the return on the change in rate base from the 2012 test year to the estimated 2018 rate base (Attachment 2, Schedule D). This rate base return on investment is <u>cumulative</u> from 2012 test year and comprises all annual allowed return on rate base previously reflected in past RAM adjustments. This is illustrated in Attachment 1 to this response. As the rate base return on investment in the current decoupling filing is cumulative from the 2012 test year through the estimated 2018 rate base, the reduction in return on rate base from the prior RAM adjustments due to the Tax Act is not included in the Exogenous Tax Change, but in the current RAM adjustment.

c. The Company's Exogenous Tax Change of $5,907,000 is determined based on the approved 2012 test year revenue requirement. In effect, the $5.9 million represents the reduction in the return on the approved 2012 test year average rate base due to the lower corporate income tax rate, which is embedded within currently effective base rates. In addition, the 2018 Rate Base RAM – Return on Investment on the estimated average rate base change from 2012 test year to 2018 in Schedule D is lower by approximately $1.2 million [1] (Attachment 1 to this response, column G2, line 5), as a result of the lower corporate income tax rates impacting the weighted cost of Preferred and Common Equity on Schedule D. The total impact of the Tax Act reflected in the Decoupling Filing for 2018 is approximately $7.1 million (Attachment 1 to this response, column G2, Line 7). Put another way, the $1.2 million reduction described above captures the lower return on investment on the cumulative change in rate base from 2012 test year through 2018. Approximately $786,000 (Attachment 1 to this response, column F2, Line 5) is attributable to the change from 2012 test year through 2017 rate base, with the remaining $439,000 (Attachment 1 to this response, column G1, Line 5) due to the change in 2018 rate base. In aggregate the Exogenous Tax Change based on the approved 2012 test year rate base and lower return on investment on the change from 2012 test year through 2018 in rate base

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[1] The Company acknowledges that the $439,000 reduction in the return on investment on the 2018 incremental rate base increase is not a benefit to customers as there is no difference in the 2018 pretax rate of return due to the new lower corporate income tax rates being effective January 1, 2018. This amount, as well as the cumulative change of $1,224,000, is included for **illustrative purposes only** to highlight that the rate base return on investment in the 2018 decoupling filing is cumulative from 2012 and includes the annual allowed return on rate base previously reflected in past RAM adjustments.

reasonably approximate the benefits deriving from the lower weighted average cost of preferred and common equity due to the lower corporate income tax rate.

This method is more straightforward than the method suggested in the question in part c of this information request. Part c says to multiply the weighted cost of preferred and common equity on Schedule D to average rate base on line 24 of Schedule D1 of MECO's 2017 RAM calculation (i.e., the average rate base in the in the 2017 RAM period) to determine the post-tax income, upon which the difference in the income tax factor due to the change in tax rates would presumably be applied. Part c does not specify what would be done with this result. If it is subtracted from the 2018 RAM Revenue Adjustment, the impact of the change in the corporate income tax rate for plant added from 2013 through 2017 would be counted twice and would therefore be incorrect. The 2018 RAM Revenue Adjustment already calculates the return on investment at the lower corporate income tax rate on a cumulative basis for the plant added from 2013 through 2018. The method in part c appears to presume that the 2018 Rate Base RAM only calculates the return on investment for plant additions in 2018, which would be in error.

d. Please see Attachment 1 to this response.

Illustration of Change in Return on Investment

Line No.		Reference	Base Rate Base 2012 Average *A*	Per 2013 Filing 2013 Average *B*	Per 2013 Filing Annual 2013 RB Change *B1=B-A*	Per 2014 Filing 2014 Average *C*	Per 2014 Filing Annual 2014 RB Change *C1=C-B*	Per 2015 Filing 2015 Average *D*	Per 2015 Filing Annual 2015 RB Change *D1=D-C*	Per 2016 Filing 2016 Average *E*	Per 2016 Filing 2016 RB Change *E1=E-D*	Per 2017 Filing 2017 Average *F*	Per 2017 Filing Annual 2017 RB Change *F1=F-E*	Per 2017 Filing Cumulative 2017 RB Change *F2=F-A*	Per 2018 Filing 2018 Average *G*	Per 2018 Filing Annual 2018 RB Change[1] *G1=G-F*	Per 2018 Filing Cumulative 2018 RB Change[1] *G2=G-A*
1	RATE BASE/CHANGE IN RATE BASE ($000)	Sch D1	393,401	406,908	13,507	435,142	28,234	451,944	16,802	445,801	(6,143)	440,811	(4,990)	47,410	467,288	26,477	73,887
2	CHANGE IN PRETAX RATE OF RETURN	Line 11			-1.51%		-1.51%		-1.51%		-1.51%		-1.51%	-1.51%		-1.51%	-1.51%
3 = 1 x 2	PRETAX RETURN REQUIREMENT				(204)		(426)		(254)		93		75	(716)		(400)	(1,116)
4	REVENUE TAX FACTOR (1/(1-8.885%))				1.0975		1.0975		1.0975		1.0975		1.0975	1.0975		1.0975	1.0975
5 = 3 x 4	RATE BASE RAM - RETURN ON INVESTMENT $000				(224) (1)		(468) (1)		(278) (1)		102 (1)		83 (1)	(788)		(439) (1)	(1,224) (2)
6	Exogeneous Tax Change	Transmittal 18-03, Exhibit 1, page 1															(5,907)
7 = 5 + 6	Total tax change																(7,131)
8	CHANGE IN PRETAX RATE OF RETURN			Sum of annual RB Change Σ (1)			(1,224)										
9	2018 Decoupling Filing, Sch D, Line 9	9.15%		Cumulative 2018 RB Change (2)			(1,224)										
10	2017 Decoupling Filing, Sch D, Line 9	10.66%		Difference			-										
11= 9 - 10	Change in Pretax rate of return	-1.51%															

[1] The Company acknowledges that the $439,000 reduction in the return on investment on the 2018 incremental rate base increase is not a benefit to customers as there is no difference in the 2018 pretax rate of return due to the new lower corporate income tax rates being effective January 1, 2018. This amount, as well as the cumulative change of $1,224,000, is included fo<u>r illustrative</u> <u>purposes only</u> to highlight that the rate base return on investment in the 2018 decoupling filing is cumulative from 2012 and includes the annual allowed return on rate base previously reflected in past RAM adjustments.

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 RATE PROCEEDINGS
HAWAIIAN ELECTRIC COMPANY, INC.
P. O. Box 2750
Honolulu, Hawaii 96840-0001

1 copy
by hand delivery

DATED: Honolulu, Hawaii, May 11, 2018.