

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Transmittal of)
)
HAWAIIAN ELECTRIC COMPANY, INC.,) TRANSMITTAL NO. 18-01
) (Decoupling)
For Approval to Modify the Revenue)
Balancing Account Rate Adjustment in)
its Revenue Balancing Account)
Provision Tariff.)
)

In the Matter of the Transmittal of)
)
HAWAII ELECTRIC LIGHT COMPANY, INC.,) TRANSMITTAL NO. 18-02
) (Decoupling)
For Approval to Modify the Revenue)
Balancing Account Rate Adjustment in)
its Revenue Balancing Account)
Provision Tariff.)
)

In the Matter of the Transmittal of)
)
MAUI ELECTRIC COMPANY, LIMITED,) TRANSMITTAL NO. 18-03
) (Decoupling)
For Approval to Modify the Revenue)
Balancing Account Rate Adjustment in) CONSOLIDATED
its Revenue Balancing Account) (NON-DOCKETED)
Provision Tariff.)
)

ORDER NO. 35488

(1) CONSOLIDATING THE ANNUAL DECOUPLING TRANSMITTALS FILED BY HAWAIIAN ELECTRIC COMPANY, INC., HAWAII ELECTRIC LIGHT COMPANY, INC., AND MAUI ELECTRIC COMPANY, LIMITED; (2) DIRECTING HAWAIIAN ELECTRIC COMPANY, INC. TO FILE AN AMENDED TRANSMITTAL NO. 18-01; AND (3) DIRECTING THE HAWAIIAN ELECTRIC COMPANIES TO FILE AMENDED TARIFF SHEETS

FILED
2018 MAY 24 P 12:20
PUBLIC UTILITIES
COMMISSION

HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO"), and MAUI ELECTRIC COMPANY, LIMITED ("MECO") (collectively, the "Companies"), on March 29, 2018, directs HECO to file an amended Transmittal No. 18-01, and directs the Companies to file amended versions of the new tariff sheets, as set forth below.

A.

Background

HECO is the franchised provider of electric utility service on the island of Oahu, HELCO is the franchised provider of electric utility service on the island of Hawaii, and MECO is the franchised provider of electric utility service on the islands of Lanai, Maui, and Molokai.

Each of the Company's respective decoupling mechanism tariffs consist of two components: (1) the Rate Adjustment Mechanism ("RAM") Provision; and (2) the Revenue Balancing Account ("RBA") Provision.¹

¹See, e.g., HECO's RAM Provision, at Revised Tariff Sheets No. 93 to No. 93I ("RAM tariff"); and HECO's RBA Provision, at Revised Tariff Sheets Nos. 92 to 92E.

B.

Companies' Annual Decoupling Transmittals

On March 29, 2018, HECO, HELCO, and MECO each filed a transmittal - Transmittal Nos. 18-01, 18-02, and 18-03, respectively, consistent with the March 31st Annual Evaluation Date set forth in each electric utility's RBA Provision ("RBA Tariff or Tariffs").

In effect, each transmittal represents HECO's, HELCO's, and MECO's respective RBA Review Transmittal, due by March 31st of each year. The end-result each year is ordinarily a consolidated commission Order, which approves an updated RBA Rate Adjustment, in cents per kilowatt-hour, and updated effective Target Revenue amounts, for HECO, HELCO, and MECO, effective from June 1 through May 31, for the applicable calendar year RAM Period.²

The Companies served copies of their non-docketed transmittals upon the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate").

The Consumer Advocate filed its Statement of Position on May 11, 2018, "offering [] comments for the [c]ommission's

²See, e.g., In re Hawaiian Elec. Co., Inc., Hawaii Elec. Light Co., Inc., and Maui Elec. Co., Ltd., Transmittal Nos. 17-02, 17-03, and 17-04 (Consolidated), Order No. 34581, filed on May 31, 2017; and In re Hawaiian Elec. Co., Inc., Hawaii Elec. Light Co., Inc., and Maui Elec. Co., Ltd., Transmittal Nos. 16-01, 16-02, and 16-03 (Consolidated), Order No. 33724, filed on May 24, 2016.

consideration based upon the review that [it] has been able to conduct thus far of the decoupling rate adjustment filings"³

On May 21, 2018, the HECO Companies filed their Response to the Division of Consumer Advocacy's Statement of Position.⁴

II.

Addressing Certain Matters Related to the Companies' Annual Decoupling Transmittals

A.

Consolidation

The commission, on its own motion, consolidates Transmittal Nos. 18-01, 18-02, and 18-03. In support thereto, the commission finds that: (1) said transmittals relate to the Companies' respective decoupling mechanisms; and (2) consolidation will promote administrative efficiency.⁵

³Division of Consumer Advocacy's Statement of Position; Attachments 1 & 2; and Certificate of Service," filed on May 11, 2018 ("CA SOP").

⁴Hawaiian Electric Companies' Response to the Division of Consumer Advocacy's Statement of Position; Attachments 1-4, 4A, 5, 6, & 6A," filed on May 21, 2018 ("Companies' Response").

⁵See Order No. 34581 at 6. The commission notes that the CA SOP and the Companies' Response address Transmittal Nos. 18-01, 18-02, and 18-03 as if they had been previously consolidated.

B.

Addressing Transmittal No. 18-01

HECO and the Consumer Advocate agree that the amount of the 2018 RAM Revenue Adjustment for HECO is limited by, and therefore is determined by, the RAM Cap, and have no disagreement regarding the amounts of resulting Target Revenues and RBA Rate Adjustment.⁶ There is not agreement, however, regarding whether recovery for the Schofield Generation Station project ("SGS Project") should be included in the amount of RAM Revenue Adjustment that would become effective if not otherwise limited by the RAM Cap.⁷ In Transmittal No. 18-01, HECO states that:

[t]he Company included recovery for the Schofield Generation Station as a Major Project in the 2018 decoupling filing. In Docket No. 2017-0213, the Company is currently seeking recovery of costs for the Schofield Generation Station through the Major Project Interim Recovery ("MPIR") adjustment mechanism. Should the commission approve recovery through the MPIR adjustment mechanism prior to June 1, 2018, the Company will remove the costs associated with this project from the 2018 decoupling filing.⁸

⁶See Companies' Response at 1; CA SOP at 16.

⁷See HECO's Transmittal No. 18-01, Schedule A1 at 1 stating the amount of RAM Revenue Adjustment for "RAM REVENUE REQUIREMENT DETERMINED ACCORDING TO EXISTING TARIFFS AND PROCEDURES," including recovery for the SGS Project, is \$24,971,625; and CA SOP, Attachment 1 at 3, stating the amount of adjustment, excluding recovery for the SGS Project, is \$17,697,450.

⁸Transmittal No. 18-01 at 16.

The Consumer Advocate, however, does not agree and argues that:

[i]n order to avoid duplicate recovery of SGS-related revenue requirements, Hawaiian Electric's investment in this facility should not be included within both 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.⁹

In the Companies' Response, they state that "removal of the Schofield Generating Station as a major capital project does not impact Hawaiian Electric's 2018 RAM Revenue Adjustment since Hawaiian Electric would still be subject to the 2018 RAM Cap. Therefore, there is no further action or issues remaining for Transmittal No. 18-01."¹⁰

The commission finds that it is important to maintain an accurate record of the assumptions and calculations used to support the determinations required by the RBA and RAM tariffs. The fact that the RAM Revenue Adjustment may be clearly or ultimately determined by the RAM Cap is not a reason to allow an inaccurate record of the revenue adjustments that must be compared to the RAM Cap, or of other information required in accordance with the RAM tariff.

⁹CA SOP at 15 (emphasis in original).

¹⁰Companies' Response at 1.

The commission recognizes that a final determination regarding recovery of interim revenues for the SGS Project has not yet been made in Docket No. 2017-0213. HECO's inclusion of the SGS Project in its Transmittal No. 18-01 calculations therefore appears consistent with the RAM tariff provisions. However, the commission agrees with the Consumer Advocate that "duplicate" recovery of SGS-related revenues should not be allowed.

In order to provide for timely approval of the requested RBA and RAM adjustments and to ensure a complete and accurate record, on or before May 29, 2018,¹¹ HECO shall submit an amended Transmittal No. 18-01 filing that includes two sets of complementary supporting exhibits: (1) the first set shall include recovery for the SGS Project (as provided in the schedules currently attached to Transmittal 18-01); and (2) the second set shall exclude recovery for the SGS Project (as in the response to Informal CA-IR-33, provided as Attachment 1 to the Consumer Advocate's Statement of Position).¹² Consistent with the commission's findings above regarding the necessity of an

¹¹The commission acknowledges the short turnaround time in directing the Companies to make these filings, but requires this information in order to attempt to make a determination on Transmittal No. 18-01 by the June 1, 2018 effective date.

¹²The commission notes that, according to the information provided by both the Companies and the Consumer Advocate, both sets of exhibits should support identical resulting amounts of target revenues and RBA Rate Adjustment.

accurate record, on or before May 29, 2018, HECO shall also include corrections of any known errors in its amended Transmittal No. 18-01 filing, including any acknowledged errors in statements of labor escalation rates or Accumulated Deferred Income Tax balances, as asserted in the Consumer Advocate's Statement of Position.¹³

C.

Addressing RBA Tariff Sheet Additions

In Order No. 35372, filed on March 29, 2018, in HECO's 2017 test year rate case, Docket No. 2016-0328, the commission directed HECO to file a new tariff sheet that identifies the derivation and statement of effective Target Revenue:

In order to provide and maintain a clear statement of the effective Target Revenue, the commission finds that Target Revenue should be stated clearly in a form similar to HECO's other existing filed tariffs. Accordingly, HECO shall file, and update as necessary, a new tariff sheet which shall show the Target Revenue currently in effect and the derivation of the Target Revenue from results of HECO's electric sales revenue most recently approved in a general rate case. The tariff sheet should, at a minimum, contain the information regarding annual Target Revenue shown in Attachment 3 to HECO's March Settlement Tariffs.

¹³See CA SOP at 9, footnote 18, citing the Companies' responses to information requests CA-IR-21 and CA-IR-35.

Accordingly, new tariff sheets are proposed for each Company as part of the revised RBA Tariffs included in the Companies' Response.¹⁴

The information provided in the proposed new tariff sheets appropriately identifies and documents the derivation of effective Target Revenue. However, in order to more thoroughly provide all of the "information regarding annual Target Revenue shown in Attachment 3 to HECO's March Settlement Tariffs," the new tariff sheets shall include citations that identify the sources of the amounts shown. The commission notes that in the future, these tariff sheets may need to be amended several times in the interim periods between general rate cases to incorporate changes to target revenues resulting from several provisions, including Performance Incentive Mechanisms, MPIR, and RAM Revenue Adjustments. The format and content of the tariff sheets may have to evolve to ensure that the derivation, and as appropriate, the history of amendments to Target Revenue, are clearly stated with the sources of information clearly identified.

Accordingly, on or before May 29, 2018, the Companies shall file amended versions of the new tariff sheets with citations that identify the sources of the amounts shown. The Companies may,

¹⁴Companies' Response: HECO Tariff Sheet No. 92E; HELCO Tariff Sheet No. 91E, and MECO Tariff Sheet Nos. 97F, 108F and 152F.

as necessary, amend the format and content of the new tariff sheets in future filings to appropriately identify and document necessary information.

III.

Orders

THE COMMISSION ORDERS:

1. HECO's Transmittal No. 18-01, HELCO's Transmittal No. 18-02, and MECO's Transmittal No. 18-03, filed on March 29, 2018, are consolidated.

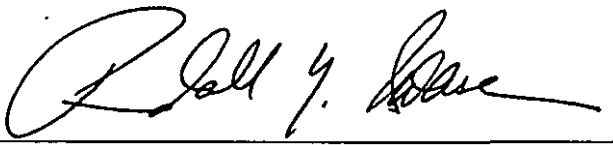
2. HECO shall submit, on or before May 29, 2018, an amended Transmittal No. 18-01 filing that includes two sets of complementary supporting exhibits: (A) the first set shall include recovery for the SGS Project (as provided in the schedules currently attached to Transmittal 18-01); and (B) the second set shall exclude recovery for the SGS Project (as in the response to Informal CA-IR-33, provided as Attachment 1 to the Consumer Advocate's Statement of Position).

3. On or before May 29, 2018, HECO shall also include corrections of any known errors in its amended Transmittal No. 18-01 filing, including any acknowledged errors in statements of labor escalation rates or Accumulated Deferred Income Tax balances, as asserted in the Consumer Advocate's Statement of Position.

4. The Companies shall file amended versions of the new tariff sheets with citations that identify the sources of the amounts shown, on or before May 29, 2018.

DONE at Honolulu, Hawaii MAY 24 2018

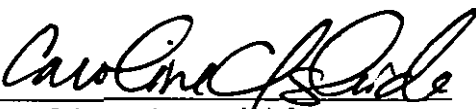
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Randall Y. Iwase, Chair

By 
Lorraine H. Akiba, Commissioner

By 
James P. Griffin, Commissioner

APPROVED AS TO FORM:


Caroline C. Ishida
Commission Counsel

Transmittal Nos. 18-01, 18-02, 18-03.ljk

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

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