

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Transmittal of)
)
HAWAIIAN ELECTRIC COMPANY, INC.,) TRANSMITTAL NO. 17-02
) (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)
)
HAWAII ELECTRIC LIGHT COMPANY, INC.,) TRANSMITTAL NO. 17-03
) (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. 17-04
) (Decoupling)
For Approval to Modify the Revenue)
Balancing Account Rate Adjustment in) CONSOLIDATED
its Revenue Balancing Account) (Non-Docketed)
Provision Tariff.)
_____)

ORDER NO. 34581

PROVIDING CLARIFICATIONS
AND APPROVING TARIFF TRANSMITTALS AS AMENDED

FILED
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PUBLIC UTILITIES
COMMISSION

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In the Matter of the Transmittal of)
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For Approval to Modify the Revenue)
Balancing Account Rate Adjustment in)
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Provision Tariff.)
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In the Matter of the Transmittal of)
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MAUI ELECTRIC COMPANY, LIMITED,) Transmittal No. 17-04
) (Decoupling)
For Approval to Modify the Revenue)
Balancing Account Rate Adjustment in) Consolidated
its Revenue Balancing Account) (Non-Docketed)
Provision Tariff.)
_____) Order No. **34581**

PROVIDING CLARIFICATIONS
AND APPROVING TARIFF TRANSMITTALS AS AMENDED

By this Order, the commission: (1) provides several clarifications regarding Transmittal Nos. 17-02, 17-03, and 17-04 ("Transmittals"), filed by Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO"), and Maui

Electric Company, Limited ("MECO"), respectively (collectively, the "HECO Companies"), on March 31, 2017;¹ (2) approves the March 31, 2017 Transmittals for HECO and HELCO as clarified herein; and (3) approves MECO's March 31, 2017 Transmittal, as amended on May 22, 2017 ("MECO Revised Transmittal"),² and as clarified herein.

I.

BACKGROUND AND PROCEDURAL HISTORY

On March 31, 2017, HECO, HELCO, and MECO filed the Transmittals, which propose to revise the Revenue Balancing Account ("RBA") Provision tariff ("RBA Tariff") to revise the RBA Rate Adjustment. Based on the revised Target Revenues and Revenue Adjustment Mechanism ("RAM") Revenue Adjustments proposed therein. HECO proposed to increase its RBA Rate Adjustment by \$0.001193, from the current rate of \$0.021098 per kilowatt-hour ("kWh"), to \$0.022291 per kWh for the period from June 1, 2017, to May 31, 2018. Likewise, for the same period, HELCO proposed to increase its RBA Rate Adjustment by \$0.000292, from the current rate of \$0.014241 per kWh, to \$0.014533 per kWh, and MECO proposed

¹In re Hawaiian Elec. Co., Inc., Hawaii Elec. Light Co., Inc., and Maui Elec. Co., Ltd., Transmittal Nos. 17-02, 17-03, 17-04.

²MECO's Revised Transmittal incorporates and includes other amendments to MECO's Transmittal that were filed on May 5, 2017.

to increase its RBA Rate Adjustment by \$0.002365, from the current rate of \$0.014082, to \$0.016447 per kWh for all divisions.

On April 19, 2017, the commission issued Order No. 34503, consolidating the Transmittals and requiring appropriate adjustments regarding the RBA accounting for revenue reductions attributable to the Special Medical Needs Pilot Program ("SMNPP").

On April 20, 2016, the commission held an informal technical conference, which was attended by the HECO Companies, the Consumer Advocate, and commission staff, to discuss the Transmittals filed by the HECO Companies on March 31, 2017.

The Consumer Advocate submitted, and the HECO Companies subsequently responded to, several informal information requests.

On May 5, 2017, the HECO Companies filed a letter and exhibits amending MECO Transmittal No. 17-04, due to a change in the estimated in service date for the Kuihelani Substation major capital project from August 2017 to October 2017.³ The amended Transmittal No. 17-04 decreased the amount of MECO's proposed 2017 RAM Revenue Adjustment by \$599,000 and decreased the amount of the proposed RBA Rate Adjustment by \$0.00553 per kWh for all divisions.

³See MECO letter to commission, "Maui Electric Revisions to RBA Rate Adjustment Tariff Filing", filed on May 5, 2017, at 1.

On May 1, 2017 the Consumer Advocate filed a motion for enlargement of time to file its Statement of Position regarding the Transmittals.

On May 10, 2017, the commission granted the Consumer Advocate's motion for enlargement of time.⁴

On May 12, 2017, the Consumer Advocate filed its Statement of Position⁵ ("CA SOP") concerning the Transmittals. In the CA SOP, the Consumer Advocate discussed its review of the Transmittals, found "no needed adjustments to the December 31, 2016 recorded RBA balances as submitted by the Hawaiian Electric Companies,"⁶ concurred with the downward revision in the MECO 2017 RAM period rate base proposed in the MECO May 5, 2017 Transmittal amendment,⁷ proposed two adjustments to the RAM increases calculated in the Transmittals,⁸ and identified several "administrative" issues raised in

⁴Order No. 34547 "Granting the Division of Consumer Advocacy's Motion for Enlargement of Time to File its Statement Relating to Annual Decoupling Transmittals Filed by Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited Transmittal Nos. 17-02, 17-03, 17-04," filed on May 11, 2017.

⁵"Division of Consumer Advocacy's Statement of Position; Exhibit 1; and Certificate of Service" filed on May 12, 2017.

⁶CA SOP at 12.

⁷CA SOP at 7.

⁸CA SOP at 7 and 12-18.

the Transmittals.⁹ The proposed adjustments and issues that the Consumer Advocate identified are addressed individually below.

On May 22, 2017, the HECO Companies filed the "Hawaiian Electric Companies Response to Consumer Advocate's Statement of Position," ("HECO Companies' Response") which contains: (1) arguments in response to the Consumer Advocate's SOP; (2) revised tariff sheets with revised RBA Rate Adjustments for MECO; and (3) documentation supporting revised RBA and RAM calculations for MECO. The revised tariff sheets, and associated RBA and RAM calculations, purport to address the issues raised by the Consumer Advocate, and to implement all of the amendments proposed by the Consumer Advocate that affect the determination of effective RAM Revenue Adjustments, Target Revenues, and RBA Rate Adjustments.¹⁰

As a result, the proposed RBA Rate Adjustment for HECO and HELCO in the HECO Companies' Response remain the same as proposed in the March 31, 2017 transmittals. The proposed

⁹See CA SOP at 7-8 and 18-29.

¹⁰As discussed below, the HECO Companies agree to incorporate the changes recommended by the Consumer Advocate regarding the removal of the "Lanai CHP" project investment and depreciation expense from RAM Revenue Adjustments and RBA Rate Adjustments. Several issues that do not affect the approval of the effective RAM Revenue Adjustments, Target Revenues, and RBA Rate Adjustments to be implemented on June 1, 2017, remain contested and/or deferred for later resolution.

RBA Rate Adjustment for MECO in the HECO Companies' Response, filed on May 22, 2017, is amended to increase MECO's current effective RBA Rate Adjustment of \$0.014082 per kWh to \$0.015654 per kWh. The RBA Rate Adjustment proposed for MECO in the HECO Companies' Response is an increase of \$0.001572 over effective rates, which is less than the \$0.002365 increase proposed in the March 31, 2017 Transmittal or the \$0.001812 increase proposed in the amended transmittal filed on May 5, 2017.

II.

DISCUSSION

The commission discusses several considerations below regarding the revenue adjustments and tariff language changes proposed in the Transmittals, as well as several additional matters identified by the commission and Consumer Advocate.

A.

Proposed Revenue Adjustments

Revenue adjustments are provided in accordance with the RBA and RAM tariffs, including provisions for reconciliation of RBA balances, RAM Revenue Adjustments, Earnings Sharing Revenue Credits, and commission-ordered credits regarding Major Projects or Baseline Capital Projects.

No necessary adjustments to the calculation, statement or reconciliation of the December 31, 2016 RBA balances as submitted in the March 31, 2017 Transmittals were identified in the CA SOP¹¹ or by the commission.

The commission has not ordered any Major Project or Baseline Project credits for any of the HECO Companies.

There were several issues identified, and several amendments and corrections made regarding the proposed RAM Revenue Adjustments and Earnings Sharing Revenue Credits. These issues, amendments, and corrections are discussed individually below.

1.

RAM Revenue Adjustment

The Consumer Advocate states in its Statement of Position that, based on its review, the RAM Revenue Adjustments proposed in the Transmittals, as amended in the May 5, 2017 MECO filing, appeared "to be in general compliance with the tariff and are based on verified input data and appropriate computations," with two noted exceptions.¹² The May 5, 2017 amendment to the MECO Transmittal and the two noted exceptions are discussed below.

¹¹See CA SOP at 12.

¹²CA SOP at 12.

a.

MECO: Kuihelani Substation Project Costs

On May 5, 2017, the HECO Companies filed their "Maui Electric Revisions to RBA Rate Adjustment Filing," in which the proposed RAM Revenue Adjustment and RBA Rate Adjustment for MECO were adjusted downward to account for a change in the estimated in service date for the Kuihelani Substation Major Capital Project from August 2017 to October 2017. The revision in the expected in service date means that the project would not be in service before the September 30 cutoff date for Major Capital Projects specified in the RAM Tariff.

The Consumer Advocate concurs with the removal of the Kuihelani Substation costs and downward revision in the RAM Revenue Adjustments that the Companies proposed in the May 5, 2017 MECO filing.

b.

MECO: Lanai CHP Project Costs

The Consumer Advocate states that investment costs and depreciation expense associated with the Lanai CHP project are included in the proposed RAM Revenue Adjustments set forth in the MECO March 31, 2017 Transmittal and MECO filing. The Consumer Advocate recommends removal of the net investment

and related depreciation expense from the allowed RAM Revenue Adjustments.¹³

The Consumer Advocate notes that the regulatory treatment of the Lanai CHP project costs were initially addressed and resolved in a stipulated letter filed on June 21, 2010, in MECO's 2010 test year rate case (Docket No. 2009-0163);¹⁴ the costs of the project were allowed rate base recognition in MECO's 2012 test year rate case (Docket No. 2011-0092);¹⁵ the CHP system incurred damage and was taken out of service due to a fire on March 6, 2015;¹⁶ and that the project is now estimated to be returned to service as early as June or July of 2017.¹⁷ The Consumer Advocate asserts that there are several complex issues associated with determining the appropriate regulatory treatment of the removal from and return to service of the CHP project, including: (1) the appropriate rate base recognition of the Lanai CHP; (2) treatment of depreciation and amortization expense; (3) treatment of the cessation of lease payments in past

¹³See CA SOP at 17.

¹⁴See CA SOP at 17.

¹⁵See CA SOP at 15.

¹⁶See CA SOP at 16, citing to MECO-WP-D1-002 at 2.

¹⁷See CA SOP at 16, citing to HECO Company response to Informal CA-IR-32.

and future RBA and RAM accounting; and (4) consideration of the insurance premiums and costs of returning the CHP project to service.¹⁸ The Consumer Advocate notes that, although MECO's 2016 RBA/RAM transmittal did refer to the damage to the CHP unit caused by fire, this reference was overlooked by the Consumer Advocate in the review of MECO's 2016 RBA/RAM filing.¹⁹

The HECO Companies respond to the CA SOP, as follows:

The Companies do not agree with the position taken by the Consumer Advocate. However, in order to eliminate this as a contentious issue for the 2017 Maui Electric RAM Revenue Adjustment, Maui Electric is willing to remove the CHP investments from the RAM rate base and the CHP depreciation expense from the Depreciation & Amortization RAM Expense for the purposes of Transmittal No. 17-04 and reserves the right to propose inclusion of these items into revenue requirement in future RAM and rate case proceedings. Based on subsequent communication with the Consumer Advocate, the Consumer Advocate informally concurred with the Company's request to also remove the associated accumulated deferred income taxes ("ADIT") from the RAM rate base. Accordingly, the RAM calculation in Attachment 3 removes the CHP plant in service, net of accumulated depreciation as recommended by the Consumer Advocate, and additionally removes the accumulated deferred income taxes associated with the CHP. Maui Electric will address the issues raised by the Consumer Advocate in the Maui Electric 2018 test year rate case.²⁰

¹⁸See CA SOP at 15-18.

¹⁹See CA SOP at 18.

²⁰HECO Companies' Response, Attachment 1 at 5-6.

Accordingly, the RAM Revenue Adjustment and RBA Rate Adjustment proposed in the HECO Companies' Response incorporate the changes recommended by the Consumer Advocate regarding the Lanai CHP project.

c.

HECO: ERP/EAM Hardware Costs

The Consumer Advocate and the HECO Companies do not agree about whether the ERP/EAM hardware costs should be included in rate base in the calculations of the 2017 Rate Base RAM. A basic point of disagreement is whether the ERP/EAM project should be considered to be in service on: (1) the August 2017 date when the ERP/EAM servers are expected to become functional in "test mode"; or (2) the October 2018 expected "go live" date.²¹ The Consumer Advocate and the HECO Companies both agree, however, that since the RAM Revenue Adjustment for the 2017 RAM Period is ultimately governed by the RAM Cap, rather than calculations dependent on determination of the 2017 Rate Base RAM, this issue (i.e., whether the ERP/EAM hardware costs should be included in the 2017 Rate Base RAM) has no impact on the RAM Revenue Adjustment

²¹See CA SOP at 13.

or RBA Rate Adjustment for HECO that would become effective on June 1, 2017.²²

The Consumer Advocate recommends that the commission require HECO to remove the ERP/EAM hardware costs from the 2017 Rate Base RAM or, in the alternative, require HECO to verify that AFUDC accrual for this project has been terminated, in order to ensure that HECO will not be "able to both continue AFUDC accrual as well as receiving rate base treatment in future rate case proceedings."²³

The HECO Companies state that inclusion of the ERP/EAM hardware costs in the 2017 Rate Base RAM is valid because the hardware asset is put in use when the software is being developed in 2017. The Companies also state that the hardware assets do not accrue AFUDC.²⁴ The HECO Companies argue that since the removal of ERP/EAM hardware costs from the RAM Rate Base would not affect the 2017 RAM Revenue Adjustment, which is determined instead by the RAM Cap, there is no need for the commission to address this issue at this time.

²²See CA SOP at 15, and HECO Companies' Response, Attachment 1 at 4-5.

²³CA SOP at 14.

²⁴See HECO Companies' Response, Attachment 1 at 4.

The commission will not require the HECO Companies to amend the HECO Transmittal at this time, however the issue raised by the Consumer Advocate will be taken into consideration in HECO's pending rate case.

2.

Earnings Sharing Revenue Credits Corrections

In the Transmittals, the HECO Companies note that in July 2016, the Companies discovered an error in the programming of a report that resulted in an overstatement of interest expense accrued since May 2012 for each of the Companies. The overstatement was deemed immaterial for financial statement purposes but, if corrected, would change the amount of Earnings Sharing Revenue Credits for HECO and MECO in certain years. The Companies propose and include in the determination of target revenues in the Transmittals, a one-time correction to account for the overstatement of interest expense. The adjustment includes accrued interest to customers.²⁵

²⁵See Transmittal No. 17-02 at 17-18; Transmittal No. 17-04 at 17-18.

The Consumer Advocate is in agreement with the corrections to the Earnings Sharing Revenue Credits proposed in the Transmittals.²⁶

B.

Changes to Tariff Provisions

The HECO Companies propose several changes to the language in the RBA and RAM tariffs. These changes are discussed individually below.

1.

Formalizing Earnings Sharing Mechanism
Capital Structure Provisions

In the Transmittals, the HECO Companies note that the methods that have been used to calculate the Earnings Sharing Revenue Credits mechanism since the RAM tariff was first implemented are not in strict accordance with the RAM tariffs. In particular, in the calculations of Earnings Sharing Revenue Credits, the prior year's actual capital structure ratios and updated costs of debt capital are used to determine the achieved return on equity that is the basis for any credits. The HECO Companies note that this method of calculation is not in

²⁶See CA SOP at 7-8.

strict accordance with the commission's Final Decision and Order in Docket No. 2008-0274:

Capital ratios and costs rates will be retained as authorized in either the most recently issued rate case interim or final decision, and synchronized interest will be updated using methods employed in that last rate case for purposes of the earnings sharing mechanism.²⁷

The HECO Companies propose to amend the pertinent language in the RAM tariffs for each of the Companies to "formally incorporate the use of actual cost of capital in the earnings sharing calculation."²⁸ The proposed changes add the word "actual" in two instances in each of the Companies RAM tariffs.

The HECO Companies and the Consumer Advocate argue that using actual capital structure and updated financing costs is preferable to the method prescribed in the commission's implementing Order.²⁹

²⁷HECO Transmittal No. 17-02 at 17 (and similar in Transmittal Nos. 17-03 and 17-04) citing to Final Decision and Order, filed August 31, 2010, in Docket No. 2008-0274 at 61 ("August 31, 2010 Decision and Order").

²⁸See Transmittal No. 17-02 at 18, regarding revisions to HECO tariff Sheet No. 93D; Transmittal No. 17-03 at 16, regarding revisions to HELCO tariff Sheet No. 89C; and Transmittal No. 17-04 at 18 regarding revisions to MECO tariff Sheet Nos. 96D (Maui), 107D (Lanai), and 151D (Molokai).

²⁹See HECO Transmittal 17-02 at 17-18 and HECO-WP-H-008; Transmittal No. 17-03 at 16 and HELCO-WP-H-008; Transmittal No. 17-04 at 18 and MECO-WP-H-008; and CA SOP at 21-13.

The commission notes that the method and calculations that have been used to determine Earnings Sharing Revenue Credits are embodied in "Schedule H" of spreadsheet templates that were negotiated and vetted by the HECO Companies and the Consumer Advocate, reviewed by the commission, and have served as standardized methods since the inception of RAM tariff implementation. The commission also notes that the determinations of Earnings Sharing Revenue Credits using the incumbent methods in all prior annual transmittals have been reviewed by the commission and approved in all previous instances. Notwithstanding the explicit provisions in the commission's August 31, 2010 Decision and Order cited above, the commission finds that the methods that have been used to date, which incorporate actual updated capital structure and debt financing costs, are reasonable, and that the proposed amendments formalizing the use of actual capital structure and costs should be made to the RAM tariffs for the HECO Companies.

2.

Removal of Requirement to Adjust for Billing Errors

The RBA tariff for each of the HECO Companies now requires immediate corrections to the RBA accounts for all billing

errors greater than five thousand dollars. The language in each existing tariff is as follows:

Entries to the RBA to correct individual billing errors of \$5,000 or greater will be made as soon as possible. Such corrections to the RBA balance shall not require adjustments to prior calculated interest if the corrections are less than \$50,000 (in absolute value, plus or minus). In determining whether the corrections to the RBA balance are less than \$50,000 (in absolute value, plus or minus), all billing errors of \$5,000 or more that result from the same event shall be aggregated.

The Consumer Advocate and the HECO Companies propose to delete this provision in the RBA tariffs for all of the HECO Companies. The Consumer Advocate argues that

[c]ustomer billing adjustment analysis and disclosure within the monthly and annual decoupling reports adds considerable effort to the utilities' accounting burden and to the Consumer Advocate's review efforts, even though the net impact of such adjustments upon the recoverable RBA balance is negligible.³⁰

The Consumer Advocate states that individual large customer billing adjustments should remain available for review by the Consumer Advocate as part of the existing established informal review procedures established by the Consumer Advocate and the Companies,³¹ which include monthly information reports provided by the Companies to the Consumer Advocate. In conjunction with

³⁰See CA SOP at 24.

³¹See CA SOP at 25.

the proposed removal of language from the RBA tariffs, the HECO Companies agree to report customer billing adjustments of \$50,000 or more in the "monthly RBA packets", noting that \$50,000 is the current threshold to trigger interest recalculation on adjustments.³²

The commission finds the proposed elimination of the RAM tariff language to be reasonable, subject to the following clarifications and directives.

First, the HECO Companies shall continue to report customer billing adjustments to the Consumer Advocate as provided in WP-B-005 in the Transmittals.

Second, the Consumer Advocate's and the HECO Companies' proposed deletion of the language in the RAM tariffs discussed above shall not be interpreted to limit the responsibility of the Consumer Advocate to recommend reasonable and appropriate adjustments to the RBA based on the information provided by the Companies. Nor does the deletion of the RAM tariff language limit the authority of the commission to order reasonable adjustments, including retroactive adjustments, to the RBA balances to account for customer billing errors or adjustments, as may be recommended by the Consumer Advocate, or sua sponte.

³²See WP-B-005 in each of the Transmittals.

Third, the \$50,000 materiality threshold identified in WP-B-005 in the Transmittals shall apply to the amount of cumulative customer billing adjustments that are associated with a common error, cause, or event.

3.

Removal of Expiring Settlement Agreement Provisions

The HECO Companies propose to remove language from the RAM tariffs for each of the Companies that was added to the tariffs to implement terms of the Settlement Agreement that was approved in Order No. 31126 in Docket No. 2008-0083 ("Settlement Agreement"), which allowed HECO to accelerate accounting recognition of RAM revenue increases for the RAM years 2014 through 2016.

The Consumer Advocate does not object to the proposed removal of language from the HECO Companies' RAM tariffs.³³

The commission finds that the removal of the language pertaining to the terms of the Settlement Agreement as proposed by the HECO Companies is reasonable with the following clarification.

Notwithstanding the removal of language in the RAM tariffs regarding the terms of the Settlement Agreement, the terms and provisions in the Settlement Agreement that do not expire at the end of calendar 2016, shall remain in effect and

³³See CA SOP at 27.

shall be applicable to the determination of the RAM Cap and RAM Revenue Adjustment as currently implemented in the Transmittals.

C.

Additional Matters

1.

HECO Companies' SMNPP Revenue Reductions

In the Transmittals filed on March 31, 2017, the HECO Companies proposed that the revenue reductions from the SMNPP would be accounted for in determining the RBA balances without explicit adjustment, which would result in the Companies ultimately recovering SMNPP revenue reductions from customers generally, through higher RBA balances. In Order No. 34503, the commission directed the HECO Companies, in the Companies' then-forthcoming reply position statement, to "make appropriate adjustments such that the reductions in revenues attributable to the [SMNPP] are not passed on to ultimately result in increased revenues collected from ratepayers through the [RBA]." ³⁴

The Consumer Advocate recommends that documentation of customer participation in the SMNPP and the resulting revenue discounts should be reported in the monthly information reports

³⁴Order No. 34503 at 8.

provided by the Companies to the Consumer Advocate, commencing with the effective date of the SMNPP.

In the HECO Companies' Response, the Companies confirm that they will comply with the directives in Order No. 34503 and will provide the reports recommended by the Consumer Advocate.

The Companies confirm that billing and financial reporting systems will make the needed provisions to quantify the revenue impact of this program. Starting from the month ended April 30, 2017, the Companies will incorporate an estimate of the revenue impact. The estimate may slightly overstate the amount of the discount as it will assume all enrolled customers as of the end of the month were billed and received the maximum discount (\$20) in the month. The estimate will continue to be refined to identify the enrolled customers who were billed and the amount of the discount for the billing period. A system generated report, which will identify the enrolled customers who were billed and the amount of the discount for the billing period, is under development. When that report has been developed, tested, and put into production, the report will be the source for the Special Medical Needs Pilot discount adjustment incorporated in the calculation of the Revenue Balancing Account.³⁵

The HECO Companies also identify and commit to several adjustments to the information provided monthly to the Consumer Advocate regarding revenue impacts. The Companies are directed to also include the information identified in the Consumer Advocate's Statement of Position at 26, including documentation supportive of the customers' participation

³⁵HECO Companies' Response, Attachment 1 at 1-2.

in the SMNPP, to the extent this information is not otherwise included in the provided reports.

2.

HELCO: Issues Related to Utilization of a
2016 Test Year in Setting Rates in the 2017 Calendar Year

The Consumer Advocate identified several issues expected to arise in conjunction with the utilization of a 2016 calendar year test year in setting rates for 2017 in HELCO's pending general rate case in Docket No. 2015-0170. The Consumer Advocate argues that the RBA tariff could be interpreted to require or allow for updating the interim order in HELCO's rate case, which would be based on a 2016 test year, to be adjusted for a single-year 2017 RAM adjustment. The Consumer Advocate observes, however, that no single-year 2017 RAM adjustment has been quantified at this time.³⁶ The Consumer Advocate identifies a list of "unanswered implementation questions":

1. Is there need for any incremental RAM adjustment to [HELCO's] 2016 test year, given [HELCO's] selection of the test year that was presented in Docket No. 2015-0170?
2. If a RAM [adjustment] is appropriate, should [HELCO's] 2016 approved rate base, cost of capital, labor and non-labor O&M

³⁶See CA SOP at 27-28. The 2017 RAM Revenue Adjustment considered and quantified in the instant HELCO Transmittal is a cumulative adjustment for all years since the test year in the most recent general rate case.

expense values become new calculation inputs, serving as the basis for a complete recalculation of an incremental 2017 RAM increase to Target Revenues?

3. Alternatively, should the cumulative calculations of the O&M RAM, Rate Base RAM and Depreciation and Amortization RAM within the pending Transmittals be somehow disaggregated, so as to isolate a single year adjustment amount that could be additive to 2016 test year revenue requirements, rather than recalculating an incremental 2017 RAM increase to add to new interim base rates?
4. How should the RAM Cap be reset, given its cumulative rolled-forward calculation within the existing RAM mechanism?
5. Is any new Return on Equity approved by the Commission in a rate case applicable within the Earning Sharing RAM calculations only prospectively, or should authorized ROE changes apply to 2016 reported earnings that are subject to sharing within the exiting Transmittals?³⁷

The Consumer Advocate states that it has not formulated any position on the issues and questions it has identified on this matter.³⁸ The HECO Companies state that "[t]he Companies plan to address the questions raised by the Consumer Advocate in the [HELCO] 2016 test year rate case settlement discussions and letter."³⁹

³⁷CA SOP at 28-29.

³⁸CA SOP at 29.

³⁹HECO Companies' Response, Attachment 1 at 8.

The commission agrees that the issues and questions regarding the application of the RAM and RBA tariffs to the circumstances presented by HELCO's utilization of a 2016 test year to determine rates effective in 2017, including the questions identified by the Consumer Advocate, should be resolved.

The commission directs the HECO Companies and the Consumer Advocate to each provide a statement of position, or to jointly file a statement of position, on the above issue and any related issue, on or before June 23, 2017.

The HECO Companies and Consumer Advocate may each file a reply to the statement(s) of position on or before July 7, 2017.

The statements of position and the replies shall be filed in HELCO's pending general rate case in Docket No. 2015-0170. The commission expressly reserves ruling on these issues, and subject to the further briefing by HELCO and the Consumer Advocate, will render its determination on them in the pending HELCO rate case.

III.

ORDERS

THE COMMISSION ORDERS:

1. Transmittal Nos. 17-02 and 17-03, filed by HECO and HELCO respectively, on March 31, 2017, and MECO's Transmittal No. 17-04, as amended by the MECO Revised Transmittal, including the tariff sheets provided therein, are approved, subject to the clarifications, conditions, and directives provided in this Order, and shall go into effect for each of the HECO Companies, respectively, on June 1, 2017.

2. The RBA Rate Adjustments identified in Transmittal Nos. 17-02 and 17-03, filed by HECO and HELCO respectively, on March 31, 2017, and MECO's Transmittal No. 17-04 as amended in the MECO Revised Transmittal, are approved, and shall go into effect for each of the HECO Companies on June 1, 2016.

3. The HECO Companies shall provide information to the Consumer Advocate on a monthly basis, and as otherwise provided in Sections II.B.2 and II.C.1 above.

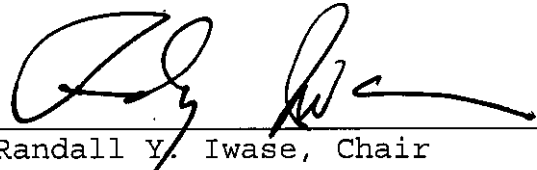
4. On or before June 23, 2017, the HECO Companies and Consumer Advocate shall each provide a statement of position, or jointly file a statement of position, addressing the issues identified by the Consumer Advocate, as discussed in

Section II.C.2, above, to be filed in HELCO's rate case in Docket No. 2015-0170.

5. On or before July 7, 2017, the HECO Companies and Consumer Advocate may file replies to the statement(s) of position required above, in HELCO's rate case in Docket No. 2015-0170.

DONE at Honolulu, Hawaii MAY 31 2017 .

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Randall Y. Iwase, Chair

By 
Lorraine H. Akiba, Commissioner

APPROVED AS TO FORM:


Caroline C. Ishida
Commission Counsel

TRANSMITTAL NOS. 17-02, 17-03, 17-04.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:

DEAN NISHINA
EXECUTIVE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
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