



May 7, 2015

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The Honorable Chair and Members  
of the Hawai'i Public Utilities Commission  
465 South King Street  
Kekuanao'a Building, First Floor  
Honolulu, Hawai'i 96813

PUBLIC UTILITIES  
COMMISSION

Dear Commissioners:

Subject: Transmittal No. 15-03 (Decoupling)  
Transmittal No. 15-04 (Decoupling)  
Transmittal No. 15-05 (Decoupling)  
Hawaiian Electric Companies' Responses to CA-IRs

Hawaiian Electric Company, Inc., Hawai'i Electric Light Company, Inc., and Maui Electric Company, Limited (collectively, the "Hawaiian Electric Companies" or "Companies") hereby submit responses to the information requests filed by the Consumer Advocate on April 30, 2015 ("CA-IRs").

If you have any questions on this matter, please contact me at 543-4622.

Respectfully submitted,

Dean K. Matsuura  
Manager, Regulatory Rate Proceedings

Enclosures

cc: Division of Consumer Advocacy

CA-IR-13

In the conference call discussion with Commission personnel on April 27, Company representatives identified certain formula errors that were corrected within the amended decoupling tariff transmittals dated April 15. Please respond to the following:

- a. Identify which Schedules and Workpapers within the Companies' calculations contained the errors, indicating whether changes had been made to the template from prior years' filings that contributed to the errors.
- b. Other than Schedules A1, J and K and the associated workpapers that were added in compliance with Order No. 32735, did the Companies make any other modifications to template Schedules in preparing their initial filings or their amended filings for RBA rate adjustments this year?
- c. If your response to part (b) is affirmative, please list and describe each template schedule modification that was performed and explain the reason for the change.

Hawaiian Electric Companies' Response:

- a. There were two errors discussed in the conference call with Commission personnel on April 27 and as described in the Companies' response to CA-IR-3, filed on May 4, 2015. The first was in Maui Electric Schedule D1 to the unamortized CIAC balance at 12/31/14, which was inadvertently not updated and still reflected the CIAC balance at 12/31/13. The formula for the CIAC beginning balance in Note 1 of Maui Electric Schedule D1 was not properly updated to link to the 12/31/14 balance on Maui Electric Schedule G1. This error was corrected in the Revised Maui Electric Schedule D1 (both Schedule D1 and MECO-WP-J-002, filed on April 15, 2015) and the unamortized CIAC balance at 12/31/14 reflects the correct balance.

The second is an allocation error in the Accumulated Deferred Income Tax ("ADIT") balance for CIS between utility and non-utility portions. This error and its correction is detailed and described in Maui Electric Schedule K1 and MECO-WP-K1-001. This error was corrected in the Revised Maui Electric Schedule D1 (both Schedule

D1 and MECO-WP-J-002, filed on April 15, 2015) (see Note 4) and the ADIT balance at 12/31/14 is properly stated.

No changes were made to the template from prior years' filings that contributed to the error.

- b. Other than Schedules A1, J, K, K1, the associated workpapers and the corresponding feed of the relevant amounts on these schedules into the existing template added in compliance with Order No. 32735, no modifications were made to template Schedules in preparing the initial or amended filings for the RBA rate adjustments.
- c. Not applicable.

CA-IR-14

Ref: Schedule B, Note 1; HECO-WP-B-007; Informal RBA IR #15 (Billing Adjustments).

In the conference call discussion with Commission personnel on April 27, Company representatives explained the general nature of the recurring billing adjustments listed within footnote 1 on Schedule B. Additional information on this topic was provided by the Company informally in response to RBA IR #15. Please provide the following additional information:

- a. Provide a detailed description of each of the most common types of billing adjustments that are encountered, including meter reading errors and each type of rate schedule change.
- b. Explain whether the Companies got behind on their normal schedules for performance of billing adjustments, explaining any manual reviews that are required, how these reviews are performed, and whether procedures have been adopted to automate or otherwise expedite billing adjustment review procedures.
- c. Explain what is being done differently to accomplish "reviewing accounts on a monthly basis" as referenced in informal IR #15 and why this should result in fewer large, multi-customer, multi-month adjustments.
- d. Are the Companies responsible, under Rule 11(C)(1), to calculate the impact of any "incorrect application of the rate schedule" for a specified historical period and provide bill credit refunds to affected customers?
- e. If your response to part (c) is affirmative, please explain how this requirement is interpreted and administered, indicating procedures employed to periodically review and determine the applicable rate schedule, the responsibility (if any) the customer has to review and approve rate schedule changes, and the authority relied upon to determine the period of any refunds that are credited to customers.
- f. If your response to part (d) is negative, please identify and provide copies of any other authority relied upon for recurring forms of billing adjustments or refunds to customers.
- g. Do the Companies add any accrued interest to amounts refunded to customers? Why or why not?
- h. If your response to part (g) is negative, for what reasons should interest ever be added to customer billing adjustments on Schedule B?
- i. Given the period of time decoupling has now been in effect for each utility, please explain whether it would be appropriate to simply allow billing adjustments to flow through the reported billed revenue accounting, without analysis of prior periods impacted and without the calculation of interest.
- j. Provide copies of any supporting analyses, workpapers, projections and other documents associated with your response to part (i).

Hawaiian Electric Companies' Response:

- a. The most common type of recurring billing adjustment is the rate transition from Schedule J to Schedule G. When customer's usage pattern changes (reducing their usage

below 5,000 kwh / month and 25.0kw for consecutive 12 months), they are eligible to be billed in Schedule G.

- b. The system report generated for Schedule J customers requiring rate review had been difficult to use and had not been reviewed in a timely manner.

Instead of using the system report, the Companies are currently using a system extract of Schedule J customers and Microsoft EXCEL. Utilizing filters, the Companies are able to identify accounts that have met the rate change criteria (e.g. below 5,000 kwh/month and below 25.0kw for the past 12 months). These accounts are reviewed by a Customer Service billing representative to determine whether a rate change from Schedule J to Schedule G can be made at the next billing period.

The Customer Service bill review team is also working with the Customer Service Support & Improvement (CSSI) team to refine the system report to identify accounts requiring rate changes in a timelier manner.

- c. Using the system extract and Microsoft EXCEL, the Companies are able to identify accounts that have met the rate change criteria quickly. By reviewing these accounts promptly, the rate is changed as soon as the account is eligible for a rate change.
- d. Per Rule No. 11, Section C. Adjustment for Billing Error, Provision 1, where a customer has been overcharged as a result of incorrect application of the rate schedule, the amount of the overcharge shall be adjusted, refunded or credited to the customer. There is no provision in the tariff for applicable historical period or limit on the application of this section. Because of this, the Companies' practice under this provision of Rule No. 11 has been to refund or credit to the customer for all billing periods where the customer has been overcharged, without limitation as to when the error occurred.

- e. This response reflects an affirmative response to subpart d above, rather than subpart c referenced in the request to subpart e. The procedures employed to periodically review and determine the applicable rate schedule are described in the responses to subparts b and c above. These rate schedule reviews are performed for tariff provisions where customers are moved to different rate schedules based on kWh and/or kW usage. In such cases, customers do not have a choice of rate schedule under which to be served, and there is no customer review and approval of any rate schedule changes implemented under such tariff provisions. The Company's Rule No. 11 is the authority relied upon to determine the period of refunds, as described above in the response to subpart d.
- f. Not applicable.
- g. The Companies do not add any accrued interest to amounts refunded to customers under the provisions of Rule No. 11, part C, which does not provide for accrual of interest whether a customer has been overcharged or undercharged.
- h. In concept, interest should be added to customer billing adjustments on Schedule B where the billing adjustments represent corrections to prior periods. However, see the Companies response to subpart i. below.
- i. The Companies have suggested changes to billing adjustment RBA treatment in the past, and are open to allowing billing adjustments flow through the reported billed revenue accounting, without analysis of prior periods impacted and without the calculation of interest, subject to a certain threshold.

As discussed in Docket No. 2013-0141, HECO Reply SOP – Schedule B, Exhibit N, the Companies proposed that any billing correction adjustments with an impact to the RBA balance of less than \$50,000 be run through the current month's RBA calculation.

Because this is the same threshold for retro-active interest calculation, as stated in the RBA Provision Tariff, the only difference between processing billing adjustments as an adjustment to the RBA balance versus incorporating the billing correction adjustment into the current month calculation would be a half month of interest. With the relatively low interest rates in effect<sup>1</sup>, this difference would be nominal. This treatment would also streamline the RBA calculation by eliminating the need to process and review an additional journal entry. Under this treatment, the adjustment would also not be called out as a separate line item on Schedule B2 and would not appear in the "Adjustments" column in Schedule B. In proposing this, the Companies seek to strike a balance between precision/accuracy and the time and effort involved in analyzing and reporting the lower level billing adjustments, with the acknowledgment that the adjustments could go either way (increase or decrease the RBA balance). The Hawaiian Electric Companies are not proposing a change to the treatment of billing correction adjustments with an impact of \$50,000 or greater to the RBA balance.

Also, see the Companies' response to Informal CA-IR-5 regarding the Companies' Reply Statement of Position, Exhibits M and N, in Docket No. 2013-0141, originally submitted on October 15, 2014 with revisions submitted on December 4, 2014. The revised response stated: "A billing adjustment threshold of \$50,000 for this revised approach could be utilized to strike a balance between accuracy, efficiency, and simplification. This threshold would apply to individual billing adjustments, as well as the aggregation of billing adjustments equal or greater than \$10,000 that result from the

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<sup>1</sup> In accordance with Decision and Order No. 31908, effective March 1, 2014 the Companies have utilized the short term debt rate as established in deriving the consolidated cost of capital in each company's last full rate case in computing interest on the outstanding RBA balances.

same event. In the spirit of streamlining, this threshold would also be used as the reporting threshold in the informal responses (Question 4.b. of the monthly RBA packets), as adjustments subject to this revised approach (i.e., adjustments that fall below the proposed threshold) would not be separately identified in the supporting workpapers and would require additional time and effort for Customer Service to provide.”

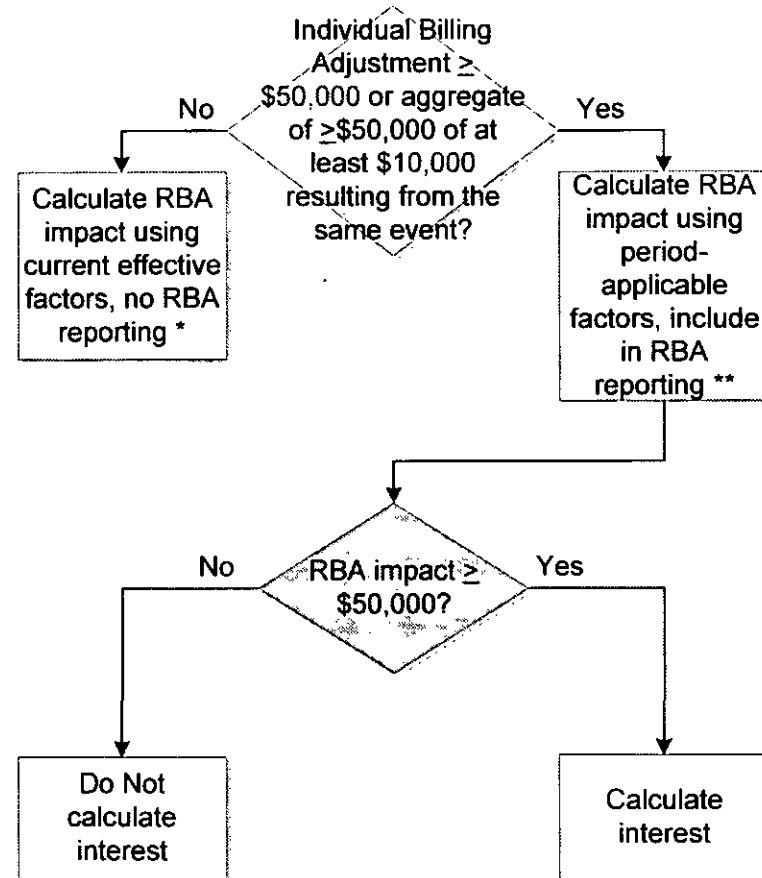
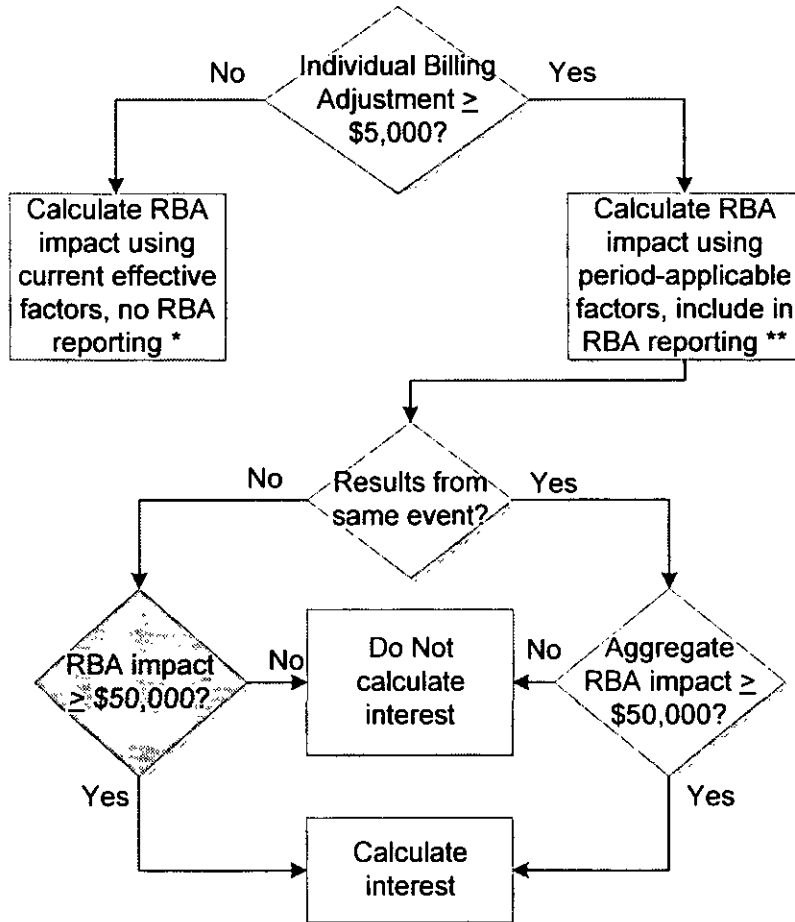
Attachment 1 was also previously provided in the Companies’ revised response to Informal CA-IR-5, flowcharting the current and proposed processes. After the Companies provided these suggestions, no response was received from the Consumer Advocate. However, the Companies are interested in continuing the discussion in the spirit of further streamlining RBA calculation and reporting.

- j. See Attachment 2 for a listing of billing adjustments for 2014. Billing Adjustments for the period January through September 2014 were previously provided at the Consumer Advocate’s request on December 3, 2014 as a follow-up to the October 30, 2014 meeting on the RBA simplification. Attachment 2 updates the previous file through the end of 2014.



**CURRENT**

**PROPOSAL**



**Notes:**

\* The impact of the adjustment is included in the monthly "Variance to RBA" column of Schedule B. There is no reporting of these billing adjustments in the monthly RBA packets provided to the Consumer Advocate.

\*\* The impact of the adjustment is excluded from the "Variance to RBA" column and included in the "Adjustments" column of Schedule B. These billing adjustments are reported in the monthly RBA packets provided to the Consumer Advocate.

Billing Adjustments - Summary  
2014

Billing Adjustments	Hawaiian Electric		Maui Electric		Hawaii Electric Light		Total	
	Jan - Sept	Oct - Dec	Jan - Sept	Oct - Dec	Jan - Sept	Oct - Dec	Jan - Sept	Oct - Dec
\$5,000 - \$20,000	7	61	2	0	6	2	15	63
20,001 to 49,999	1	0	0	0	0	0	1	0
\$50,000 and above	2	0	0	0	0	0	2	0
Total	10	61	2	0	6	2	18	63

Billing Adjustments  
 2014

Line	Month of Billing Adjustment	Billing Adj			Impact to RBA (Principal)
		Pre-Decoupling	Post-Decoupling	Total	
<b>Hawaiian Electric - \$5,000 - \$20,000</b>					
1	August 2014	\$ -	\$ 5,323	\$ 5,323	\$ 5,057
2	September 2014	\$ -	\$ 5,591	\$ 5,591	\$ 5,123
3	August 2014	\$ -	\$ 6,488	\$ 6,488	\$ 6,154
4	September 2014	\$ -	\$ 7,232	\$ 7,232	\$ 6,608
5	September 2014	\$ -	\$ 7,559	\$ 7,559	\$ 6,968
6	September 2014	\$ -	\$ 10,114	\$ 10,114	\$ 9,264
7	April 2014	\$ -	\$ 11,499	\$ 11,499	\$ 2,887
<b>Hawaiian Electric - \$20,001 - 49,999</b>					
8	March 2014	\$ 6,916	\$ 18,576	\$ 25,492	\$ 17,678
<b>Hawaiian Electric - \$50,000 and above</b>					
9	January 2014	\$ -	\$ 60,916	\$ 60,916	\$ 55,522
10	May 2014	\$ -	\$ 271,322	\$ 271,322	\$ 245,812
<b>Hawaiian Electric - \$5,000 - \$20,000 (Oct - Dec 2014)</b>					
11	October 2014	\$ -	\$ 6,449	\$ 6,449	5,877
12	October 2014	\$ -	\$ 8,609	\$ 8,609	7,934
13	October 2014	\$ -	\$ 5,675	\$ 5,675	5,173
14	October 2014	\$ -	\$ 5,915	\$ 5,915	5,429
15	October 2014	\$ -	\$ 5,216	\$ 5,216	4,845
16	October 2014	\$ -	\$ 6,338	\$ 6,338	5,779
17	October 2014	\$ -	\$ 6,147	\$ 6,147	5,645
18	October 2014	\$ -	\$ 5,240	\$ 5,240	4,804
19	October 2014	\$ -	\$ 9,532	\$ 9,532	8,718
20	October 2014	\$ -	\$ 5,637	\$ 5,637	5,239
21	October 2014	\$ -	\$ 7,444	\$ 7,444	6,826
22	October 2014	\$ -	\$ 7,669	\$ 7,669	7,188
23	November 2014	\$ 803	\$ 11,197	\$ 12,000	10,294
24	November 2014	\$ -	\$ 6,519	\$ 6,519	6,174
25	November 2014	\$ -	\$ 8,306	\$ 8,306	7,766
26	November 2014	\$ -	\$ 6,328	\$ 6,328	5,970
27	November 2014	\$ -	\$ 6,642	\$ 6,642	6,221
28	November 2014	\$ -	\$ 8,118	\$ 8,118	7,397
29	November 2014	\$ -	\$ 6,129	\$ 6,129	5,627
30	November 2014	\$ -	\$ 5,299	\$ 5,299	5,057
31	November 2014	\$ 323	\$ 5,585	\$ 5,908	5,416
32	November 2014	\$ -	\$ 7,673	\$ 7,673	7,225
33	November 2014	\$ -	\$ 6,398	\$ 6,398	5,853
34	November 2014	\$ -	\$ 7,353	\$ 7,353	6,788
35	November 2014	\$ -	\$ 8,934	\$ 8,934	8,147
36	November 2014	\$ -	\$ 6,762	\$ 6,762	6,242
37	November 2014	\$ -	\$ 6,344	\$ 6,344	5,902
38	November 2014	\$ -	\$ 5,483	\$ 5,483	5,071
39	November 2014	\$ -	\$ 5,325	\$ 5,325	4,852
40	November 2014	\$ -	\$ 6,013	\$ 6,013	5,507
41	November 2014	\$ -	\$ 7,662	\$ 7,662	6,981
42	December 2014	\$ -	\$ 8,724	\$ 8,724	8,131
43	December 2014	\$ 3,087	\$ 12,155	\$ 15,242	11,144
44	December 2014	\$ -	\$ 5,803	\$ 5,803	5,375
45	December 2014	\$ -	\$ 7,112	\$ 7,112	6,531
46	December 2014	\$ -	\$ 5,909	\$ 5,909	5,652
47	December 2014	\$ -	\$ 7,862	\$ 7,862	7,245
48	December 2014	\$ -	\$ 6,245	\$ 6,245	5,902
49	December 2014	\$ -	\$ 7,809	\$ 7,809	7,115

Billing Adjustments  
 2014

Line	Month of Billing Adjustment	Billing Adj			Impact to RBA (Principal)
		Pre-Decoupling	Post-Decoupling	Total	
50	December 2014	\$ -	\$ 7,796	\$ 7,796	7,103
51	December 2014	\$ -	\$ 5,012	\$ 5,012	4,567
52	December 2014	\$ -	\$ 6,499	\$ 6,499	6,045
53	December 2014	\$ -	\$ 6,303	\$ 6,303	5,898
54	December 2014	\$ -	\$ 6,068	\$ 6,068	5,618
55	December 2014	\$ -	\$ 6,442	\$ 6,442	6,044
56	December 2014	\$ -	\$ 5,468	\$ 5,468	5,215
57	December 2014	\$ -	\$ 5,299	\$ 5,299	4,976
58	December 2014	\$ -	\$ 10,551	\$ 10,551	9,646
59	December 2014	\$ -	\$ 7,239	\$ 7,239	6,803
60	December 2014	\$ -	\$ 6,065	\$ 6,065	5,768
61	December 2014	\$ -	\$ 6,906	\$ 6,906	6,392
62	December 2014	\$ -	\$ 6,823	\$ 6,823	6,319
63	December 2014	\$ -	\$ 6,892	\$ 6,892	6,551
64	December 2014	\$ -	\$ 7,213	\$ 7,213	6,583
65	December 2014	\$ -	\$ 5,961	\$ 5,961	5,537
66	December 2014	\$ -	\$ 5,191	\$ 5,191	4,790
67	December 2014	\$ -	\$ 10,415	\$ 10,415	9,490
68	December 2014	\$ -	\$ 10,140	\$ 10,140	9,346
69	December 2014	\$ -	\$ 5,401	\$ 5,401	5,165
70	December 2014	\$ -	\$ 12,902	\$ 12,902	11,756
71	December 2014	\$ -	\$ 8,885	\$ 8,885	8,145

Maui Electric - \$5,000 - \$20,000					
1	March 2014	\$ -	\$ 7,121	\$ 7,121	\$ 4,829
2	March 2014 & July 2014	\$ -	\$ (14,843)	\$ (14,843)	\$ (13,524)

Hawaii Electric Light Co. - \$5,000 - \$20,000					
1	June 2014	\$ 4,227	\$ 1,096	\$ 5,322	\$ 998
2	August 2014	\$ 4,549	\$ 1,007	\$ 5,556	\$ 918
3	March 2014	\$ -	\$ 5,779	\$ 5,779	\$ 5,265
4	August 2014	\$ 4,967	\$ 914	\$ 5,880	\$ 833
5	April 2014	\$ -	\$ (2,487)	\$ (2,487)	\$ (2,266)
	April 2014	\$ -	\$ -	\$ -	\$ (370)
	April 2014	\$ -	\$ (7,474)	\$ (7,474)	\$ (6,810)
6	January 2014	\$ -	\$ 17,644	\$ 17,644	\$ 16,077
7	October 2014	\$ -	\$ 5,553	\$ 5,553	\$ 5,060
8	November 2014	\$ -	\$ 5,063	\$ 5,063	\$ 4,613

CA-JR-15

Ref: Schedule A, line 8: WP A-001 (GWH Forecast Reasonableness).

In the conference call discussions with Commission personnel on April 27, the Companies indicated that sales forecasts being used for RBA rate determination may not be the most current available updates and, at least for HECO, may be forecasting excessive load growth, relative to recent actual downward sales trends. Please explain the basis of the forecasts that are utilized in the amended decoupling transmittals and provide any updates with supporting documentation where more current forecasted GWH values are now available.

Hawaiian Electric Companies' Response:

The forecasts used in the decoupling transmittals as shown in the Companies' WP-A-001 were developed in the middle of 2014 to support various planning efforts for the Companies including the filing of the Power Supply Improvement Plans.

As mentioned in the April 27<sup>th</sup> meeting, several factors contribute to sales such as economic trends and projections, electricity price and the adoption of energy efficient measures and customer-sited renewable generation systems, primarily photovoltaic ("PV") systems. The economic forecast used in the development of the "underlying" sales forecasts was based on an outlook prepared by the University of Hawaii Economic Research Organization ("UHERO") in the first half of 2014. UHERO assumed a moderate economic expansion would continue in each of Hawaii's counties. The construction industries' expansion was largest on Oahu but was expected to continue its growth momentum to all counties going forward. In the broader economy, job growth was expected to continue which would lay the foundation for growth in personal income. Jobs and personal income have been identified as drivers to both the residential and commercial customer sales. The underlying sales forecast which is driven by economic activity and excludes the impacts of PV, energy efficiency and electric vehicles are

shown in the response to PUC-HECO-IR-1 in Docket No. 2014-0183 pages 10 through 17, filed on October 10, 2014.

A major component of the forecast which adjusts the sales downwards is the impacts related to customers installing distributed generation (“DG”), primarily PV systems. In the near-term (2014-2016), DG projections were based on simplified assumptions about the release of applications in the queue and the pace of new applications. Since the forecast was developed about a year ago, there has been a significant increase in the amount of applications received and systems installed resulting in lower sales than forecasted.

The Companies’ refreshed December 2014 forecasts, which reflect an updated DG forecast, are presented in Attachments 1, 2 and 3 of this response. The table below provides a summary of the sales forecasts that was provided in the March 31, 2015 and April 15, 2015 RBA Rate Adjustment Transmittal filings compared to the updated December 2014 sales forecasts in Attachments 1-3. The updated sales forecasts includes the Companies’ anticipated impact of higher penetrations of customer-sited renewable generation systems under Net Energy Metering (“NEM”), Standard Interconnection Agreements (“SIA”) and Feed-In-Tariffs (“FIT”).

<b><u>Forecast Sales in GWh</u></b>	<b>Hawaiian Electric</b>	<b>Maui Electric</b>	<b>Hawaii Electric Light</b>
<b>3/31/15 and 4/15/15 Decoupling Tariff Transmittal filings</b>	6,892.8	1,101.0	1,068.6
<b>Updated December 2014 forecasts</b>	6,810.6	1,087.5	1,054.9

At the next opportunity, the Companies plan to incorporate the updated December 2014 sales forecasts to calculate their revised RBA Rate Adjustments, to be effective beginning June 1, 2015 through May 31, 2016. Based on the April 15, 2015 amended RBA Rate Adjustment

filings, implementing the updated December 2014 sales forecasts would result in a slight increase to the RBA Rate Adjustments and estimated monthly customer bill impacts (ranging from \$0.09 to \$0.16) as shown below.

	4/15/15 Decoupling Tariff Transmittal Filings	Using Updated December 2014 Forecasts	Difference
<b>Hawaiian Electric</b>			
RBA Rate Adjustment (cents per kWh)	2.2201	2.2469	0.0268
Monthly Bill Impact - 500 kWh	\$ 13.32	\$ 13.48	\$ 0.16
<b>Maui Electric</b>			
RBA Rate Adjustment (cents per kWh)	1.7229	1.7443	0.0214
Monthly Bill Impact - 600 kWh Maui	\$ 10.34	\$ 10.47	\$ 0.13
Monthly Bill Impact - 400 kWh Molokai, Lanai	\$ 6.89	\$ 6.98	\$ 0.09
<b>Hawaii Electric Light</b>			
RBA Rate Adjustment (cents per kWh)	1.4424	1.4611	0.0187
Monthly Bill Impact - 500 kWh	\$ 7.21	\$ 7.31	\$ 0.10

Hawaiian Electric Company, Inc.

Sales Forecast for June 2015 to May 2016  
in GWh

	2015						2016						Total
	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	
R	124.1	129.7	131.1	127.0	134.2	128.8	132.6	140.2	117.9	126.9	118.2	125.3	1,536.0
G	26.6	28.1	28.4	27.1	28.2	26.1	25.8	25.7	25.2	26.5	25.9	27.7	321.3
J	166.9	171.9	179.6	175.2	178.1	166.1	163.9	159.8	159.5	165.7	162.0	173.1	2,021.8
P	237.3	249.7	254.8	245.0	255.4	238.7	239.3	236.7	226.2	236.7	229.6	246.2	2,895.6
F	<u>2.9</u>	<u>2.9</u>	<u>3.0</u>	<u>2.9</u>	<u>3.1</u>	<u>3.0</u>	<u>3.1</u>	<u>3.1</u>	<u>3.0</u>	<u>3.0</u>	<u>2.9</u>	<u>3.0</u>	<u>35.9</u>
Total	557.8	582.3	596.9	577.2	599.0	562.7	564.7	565.5	531.8	558.8	538.6	575.3	6,810.6

Source: December 2014 Sales Update



Hawaiï Electric Light Company, Inc.

Sales Forecast for June 2015 to May 2016  
in GWh

	2015						2016						Total
	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	
R	28.554	30.790	31.213	28.869	31.022	32.117	35.034	35.843	28.827	32.080	29.966	28.741	373.056
G/J	34.789	35.851	37.494	36.860	39.027	36.657	37.110	35.040	34.104	36.060	34.581	36.433	434.005
P	19.797	20.761	21.441	20.196	21.191	20.678	20.386	19.703	18.800	19.900	19.246	20.244	242.344
F	<u>0.424</u>	<u>0.460</u>	<u>0.462</u>	<u>0.448</u>	<u>0.464</u>	<u>0.459</u>	<u>0.459</u>	<u>0.476</u>	<u>0.453</u>	<u>0.455</u>	<u>0.440</u>	<u>0.484</u>	<u>5.483</u>
Total	83.564	87.862	90.609	86.373	91.704	89.912	92.989	91.062	82.184	88.495	84.232	85.902	1,054.887

Source: December 2014 Update

**Maui Electric Company, Ltd.**  
**2015 -2016 Revenue and Expense Forecast**  
**MWH SALES**

	2015							2016					Total
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	
Maui	84,773	88,668	91,222	85,547	92,223	86,912	88,524	88,097	79,894	83,749	80,344	83,307	1,033,260
Lanai	2,209	2,273	2,300	2,229	2,225	2,194	2,150	2,246	2,017	2,216	2,170	2,214	26,445
Molokai	2,264	2,350	2,436	2,381	2,449	2,324	2,355	2,311	2,151	2,277	2,206	2,322	27,826
<b>Total</b>	<b>89,246</b>	<b>93,291</b>	<b>95,958</b>	<b>90,156</b>	<b>96,897</b>	<b>91,431</b>	<b>93,029</b>	<b>92,655</b>	<b>84,062</b>	<b>88,242</b>	<b>84,720</b>	<b>87,843</b>	<b>1,087,530</b>

Source: December 2014 Update

CA-IR-16

Ref: Schedule F-1, Note 1 (2015 Bonus Depreciation).

The Companies' projected ADIT balances calculated on Schedule F-1, prior to consideration of RAM Cap impacts, have assumed no bonus tax depreciation will be available for vintage 2015 property additions. Please respond to the following:

- a. Confirm that no bonus depreciation has been assumed available for vintage 2015 additions, or explain any inability to provide such confirmation.
- b. Provide revised Schedule F-1 and Schedule F-2 calculations for each utility, assuming 50% bonus depreciation is ultimately extended for tax year 2015.
- c. If the tax laws associated with bonus depreciation for 2015 are again revised retroactively (as occurred in 2014 under the Tax Increase Prevention Act), will the Company commit to recalculation and consideration of any needed adjustments to the RBA balance to account for the availability of bonus depreciation?
- d. Please explain your response to part (b), with supporting documentation associated with your explanation.

Hawaiian Electric Companies' Response:

- a. Yes, no bonus depreciation has been assumed available for vintage 2015 additions.
- b. See Attachment 1 of this response for revised Schedule F1 and F2 for the three utilities.  
  
This calculation hypothetically assumes that bonus depreciation, as enacted in 2014, applies to all property placed into service in 2015, except for land and 39 year property.
- c. The Company believes that the "exogenous tax change" provision in the RAM tariff was instituted for all tax changes that might occur after the tariff rates are instituted. The consideration of bonus depreciation should be no different and the thresholds set in the tariff should therefore apply in the interest of keeping the RAM tariff simpler and administratively efficient.

However, in light of the fact that the term "exogenous tax changes" has not been clarified and the status of Congressional action on bonus depreciation is similar to 2014, the Company is agreeable to this exception from the RAM tariff. Consequently, should

the bonus depreciation provision be extended to apply to the entire 2015 tax year, the Company would not view 2015 bonus depreciation as an “exogenous tax change” subject to the applicable thresholds.

If this exception is made, the impact of bonus depreciation should consider all the relevant facts at the time of enactment, including the date of enactment relative to the Companies’ obligation to pay its estimated taxes based on the law as currently in effect.

Ordinarily, the impact of the change in law would be effected through the amount of accumulated deferred income taxes (ADIT) in rate base RAM. The increase in ADIT associated with bonus would reduce rate base assuming these benefits were realized over the entire year. If bonus depreciation were enacted after any quarterly estimated income taxes are paid (the 15<sup>th</sup> of April, June, September and December), the Companies would not have realized the full year’s benefit of the tax deferral. Consequently, any adjustment to the Rate Base RAM – Return on Investment should factor in the actual benefits realized, or not realized, by the Companies. For example, if bonus depreciation is enacted after December 15, 2015, the Companies will have made all its federal estimated payments for 2015 as if bonus depreciation was not enacted and therefore, would have received no tax benefit in 2015. Thus, in this example, no adjustment to the Rate Base RAM – Return on Investment would be warranted. Additionally, as a result of Order No. 32735, the Companies are now subject to a RAM Cap as defined Order No. 32735. Because the 2015 RAM Cap is determined based on an escalation of 2014 adjusted target revenues, 2015 ADIT projections have no impact on the determination of the 2015 RAM Cap. Therefore, an adjustment to target revenues would only be made if the total

Adjusted RAM Revenue Adjustment determined based on the “existing tariff<sup>1</sup>” is less than the RAM Cap.

- d. The attachment to part b shows the calculations in the excel format.

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<sup>1</sup> Excluding the 90% incremental Rate Base RAM limitation previously required under Order No. 31908.

**HAWAIIAN ELECTRIC COMPANY, INC.  
DECOUPLING CALCULATION WORKBOOK  
DETERMINATION OF TAX DEPRECIATION**

Line No	NECO-WP-F1-002				PROJECTS (e)	PROGRAMS (f)	TOTAL (g)	
	LIFE	PROJECTS (b)	PROGRAMS (c)	TOTAL (d)				
1	Computer/PV	5	836	4,698	5,534	0.43%	2.42%	2.85%
2	Communication	20	2,045	1,393	3,438	1.05%	0.72%	1.77%
3	Off/Furn/Tools	7	2,546	3,506	6,052	1.31%	1.80%	3.11%
4	Distribution	20	22,836	66,006	89,542	11.64%	34.40%	46.04%
5	Land	-	1,296	150	1,446	0.67%	0.08%	0.74%
6	Non-Steam Production	15	2,495	-	2,495	1.28%	0.00%	1.28%
7	Steam Production	20	26,966	3,183	30,149	13.86%	1.64%	15.50%
8	Structural	39	2,789	363	3,132	1.42%	0.19%	1.61%
9	Transmission	20	8,623	8,270	16,893	4.43%	4.25%	8.69%
10	Transmission	15	18,904	9,459	28,293	9.67%	4.86%	14.53%
11	Vehicles	-	-	7,548	7,548	0.00%	3.88%	3.88%
12	<b>TOTAL</b>		<b>89,016</b>	<b>105,476</b>	<b>194,492</b>	<b>45.77%</b>	<b>54.23%</b>	<b>100.00%</b>

5 yr	0.43%	2.42%	2.85%
7 yr	1.31%	1.80%	3.11%
15 yr	10.95%	4.86%	15.81%
20 yr	30.99%	41.01%	71.99%
39 yr	1.42%	0.19%	1.61%
Land	0.67%	0.08%	0.74%
Vehicles	0.00%	3.88%	3.88%
<b>Total</b>	<b>45.77%</b>	<b>54.23%</b>	<b>100.00%</b>

BASIS	FED YR 1 TAX RATE	FED YR 1 TAX DEPR	STATE YR 1 TAX RATE	STATE YR 1 TAX DEPR
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NOTE (1)

		Vintage 2015 - 50% Bonus Depreciation							
Basis subject to 50% bonus depreciation		100.00%	100.00%						
5 yr	0.43%	2.42%	2.85%	5 yr	4,722,986	60.00%	2,833,792	20.00%	944,597
7 yr	1.31%	1.80%	3.11%	7 yr	5,185,073	57.145%	2,951,581	14.29%	738,089
15 yr	10.95%	4.86%	15.81%	15 yr	26,250,382	52.500%	13,781,451	5.00%	1,312,519
20 yr	30.99%	41.01%	71.99%	20 yr	119,501,627	51.875%	61,991,469	3.75%	4,481,311
39 yr	1.42%	0.19%	1.61%						
Land	0.67%	0.08%	0.74%						
Vehicles	0.00%	3.88%	3.88%						
<b>Total</b>	<b>43.68%</b>	<b>50.09%</b>	<b>83.77%</b>						

		Vintage 2015 - Regular Depreciation							
Basis subject to regular depreciation		(Total less amounts subject to 50% bonus)							
5 yr	0.00%	0.00%	0.00%	5 yr	-	20.00%	-	20.00%	-
7 yr	0.00%	0.00%	0.00%	7 yr	-	14.29%	-	14.29%	-
15 yr	0.00%	0.00%	0.00%	15 yr	-	5.00%	-	5.00%	-
20 yr	0.00%	0.00%	0.00%	20 yr	-	3.75%	-	3.75%	-
39 yr	1.42%	0.19%	1.61%	39 yr	2,673,002	1.177%	31,481	1.177%	31,481
	1.42%	0.19%	1.61%						
<b>TOTAL ASSETS</b>	<b>45.10%</b>	<b>50.27%</b>	<b>95.38%</b>						

Net Depreciable Baseline Plant Adds	158,313,070	81,589,754	7,507,977
Major Capital Projects from Schedule F2	1,029,286	534,454	39,622
Total Depreciable Plant Adds	159,342,356	82,124,208	7,547,599
Reconciliation from Baseline Plant Adds to Net Depreciable Plant Adds:			
Baseline Capital Projects Plant Adds (rounded)	194,492,000	Schedule D2	
Less: Repairs deduction	28,503,010	<<supported by Special Study each year.	
Net plant add basis	165,988,990		
Less: Land and Vehicles (4.82% x 165,988,990)	7,675,920		
	158,313,070		

NOTE (1) The Tax Increase Prevention Act of 2014 allows 50% bonus depreciation for assets placed in service before January 1, 2015. Consequently, the entire basis of vintage 2015 is subject to regular depreciation. In this calculation, 50% bonus depreciation is hypothetically applied to all 2015 assets for purposes of responding to CA-IR 16.

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

NOTE (3) A new line was created for Transmission - 15 year property.

original depr.	7,547,599
Original versus bonus diff.	74,576,809
x	0.35
ADIT impact	26,101,813
Impact on average RB	13,050,907
Revenue factor	0.1174
	1,532,176
Revenue tax factor	1.0875
Revenue impact	1,661,564

SCHEDULE F1  
PAGE 1 OF 1

**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 2015 Major Capital Projects Plant Items				\$ 1,029,286	Schedule D3
2	Assumed Value of 2015 Major Capital Projects - CIAC nontaxable					Schedule G2 *
3	Assumed Value of 2015 Major Capital Projects - Total				<u>\$ 1,029,286</u>	
4	Tax Classification of Major Capital Project Additions	Tax Basis Distribution	FED YR 1 TAX RATE	FED YR 1 TAX DEPR	STATE YR 1 TAX RATE	STATE YR 1 TAX DEPR
5	5 yr		60.000%	-	20.00%	-
6	7 yr	-	57.145%	-	14.29%	-
7	15 yr	81,914	52.500%	43,005	5.00%	4,096
8	20 yr	947,372	51.875%	491,449	3.75%	35,526
9	39 yr					
10	Land					
11	Vehicles					
	Total	<u>\$ 1,029,286</u>		<u>\$ 534,454</u>		<u>\$ 39,622</u>

\* Adjustment only for non-taxable CIAC. CIAC for 2015 Major Capital Project Additions are taxable.

**HAWAII ELECTRIC LIGHT COMPANY, INC.  
DECOUPLING CALCULATION WORKBOOK  
DETERMINATION OF TAX DEPRECIATION**

Line No.	LIFE	PROJECTS	PROGRAMS	TOTAL	PROJECTS	PROGRAMS	TOTAL
	(#)	(b)	(c)	(d)	(e)	(f)	(g)
1	20	\$ 1,218,344	-	\$ 1,218,344	2.73%	-	2.73%
2	7	738,186	-	738,186	1.65%	-	1.65%
3	20	28,783,445	-	28,783,445	64.48%	-	64.48%
4	5	548,062	-	548,062	1.23%	-	1.23%
5	-	114,099	-	114,099	0.26%	-	0.26%
6	15	2,294,944	-	2,294,944	5.14%	-	5.14%
7	20	1,356,911	-	1,356,911	3.04%	-	3.04%
8	39	1,470,808	-	1,470,808	3.30%	-	3.30%
9	15	5,857,079	-	5,857,079	13.12%	-	13.12%
10	-	2,247,905	-	2,247,905	5.04%	-	5.04%
11		<b>\$ 44,629,783</b>	<b>-</b>	<b>\$ 44,629,783</b>	<b>100.00%</b>	<b>0.00%</b>	<b>100.00%</b>

Projects and Program % Totals by Depreciable Life:

5 yr	1.23%	-	1.23%
7 yr	1.65%	-	1.65%
15 yr	18.27%	-	18.27%
20 yr	70.26%	-	70.26%
39 yr	3.30%	-	3.30%
Land	0.26%	-	0.26%
Vehicles	5.04%	-	5.04%
<b>Total</b>	<b>100.00%</b>	<b>-</b>	<b>100.00%</b>

	FED YR 1 BASIS	FED YR 1 TAX DEPR	STATE YR 1 TAX RATE	STATE YR 1 TAX DEPR
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Note 1		Vintage 2015 - 50% Bonus Depreciation		
Basis subject to 50% bonus	100.00%	100.00%	0.00%	
5 yr	1.23%	-	1.23%	5 yr 457,183 60.000% 274,310 20.00% 91,437
7 yr	1.65%	-	1.65%	7 yr 615,781 57.145% 351,888 14.29% 87,995
15 yr	18.27%	-	18.27%	15 yr 6,800,268 52.500% 3,570,140 5.00% 340,013
20 yr	70.26%	-	70.26%	20 yr 28,158,850 51.875% 13,569,904 3.75% 980,957
39 yr	n/a	n/a	n/a	
Land	n/a	n/a	n/a	
Vehicles	n/a	n/a	n/a	
<b>Total</b>	<b>91.41%</b>	<b>0.00%</b>	<b>91.41%</b>	

Basis subject to regular depreciation		(Total less amounts subject to 50% bonus)			Vintage 2015 - Regular Depreciation		
5 yr	0.00%	-	0.00%	5 yr \$ - 20.00% \$ - 20.00% \$ -			
7 yr	0.00%	-	0.00%	7 yr - 14.29% - 14.29% -			
15 yr	0.00%	-	0.00%	15 yr - 5.00% - 5.00% -			
20 yr	0.00%	-	0.00%	20 yr - 3.75% - 3.75% -			
39 yr	3.30%	-	3.30%	39 yr 1,226,921 1.18% 14,441 1.18% 14,441			
Land	n/a	n/a	n/a				
Vehicles	n/a	n/a	n/a				
<b>Total</b>	<b>3.30%</b>	<b>-</b>	<b>3.30%</b>				
<b>TOTAL ASSETS</b>	<b>94.71%</b>	<b>-</b>	<b>94.71%</b>				

Net Depreciable Baseline Plant Adds	\$ 35,259,003	\$ 17,780,683	\$ 1,514,843
Major Capital Projects from Schedule F2	-	-	-
Total Depreciable Plant Adds	\$ 35,259,003	\$ 17,780,683	\$ 1,514,843
		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	\$ 44,629,783	Schedule D2	
Less: Repairs deduction	7,400,439	<<supported by Special Study each year.	
Net plant add basis	37,229,344		
Less: Land and Vehicles (5.29% x net plant add basis)	1,970,340		
	\$ 35,259,003		

NOTE (1): The Tax Increase Prevention Act of 2014 allows 50% bonus depreciation for assets placed in service before January 1, 2015. Consequently, the entire basis of vintage 2015 is subject to regular depreciation. In this calculation, 50% bonus depreciation is hypothetically applied to all 2015 assets for purposes of responding to CA-IR 15.



**HAWAII ELECTRIC LIGHT COMPANY, INC.**  
**DECOUPLING CALCULATION WORKBOOK**  
**TAX DEPRECIATION ON MAJOR CAPITAL PROJECTS ADDITIONS**

Line No.	Description (a)	PUC Docket (c)	Estimated In Service Date (d)	Amount (e)
1	Assumed Value of 2015 Major Capital Projects - Plant Items			\$ -
2	Assumed Value of 2015 Major Capital Projects - CIAC nontaxable			\$ -
3	Assumed Value of 2015 Major Capital Projects - Total			<u>\$ -</u>

4	Tax Classification of Major Capital Project Additions	Tax Basis Distribution (b)	FED YR 1	FED YR 1	STATE YR 1	STATE YR 1
			TAX RATE (c)	TAX DEPR (d)	TAX RATE (e)	TAX DEPR (f)
5	5 yr	\$ -	20.000%	\$ -	20.000%	\$ -
6	7 yr	-	14.29%	-	14.29%	-
7	15 yr	-	5.000%	-	5.00%	-
8	20 yr	-	3.750%	-	3.75%	-
9	39 yr	n/a				
10	Land	n/a				
11	Vehicles	n/a				
12	Total	<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>

**MAUI ELECTRIC COMPANY, LTD.  
DECOUPLING CALCULATION WORKBOOK  
DETERMINATION OF TAX DEPRECIATION**

Line No.	LIFE	MECO-WP-F1-001			PROJECTS	PROGRAMS	TOTAL	
		PROJECTS	PROGRAMS	TOTAL				
1	Computer Data	5	397,106	107,730	504,836	0.94%	0.25%	1.19%
2	Comp/Off/Furn/Tools	7	19,960	139,892	159,852	0.05%	0.33%	0.38%
3	Street Lights	7	90,196	132,818	223,014	0.21%	0.31%	0.53%
4	Non-Steam Production	15	5,906,477	168,469	6,074,946	13.91%	0.40%	14.31%
5	Communication	20	1,717,580	21,867	1,739,447	4.05%	0.05%	4.10%
6	Steam Production	20	448,441	46,401	494,842	1.06%	0.11%	1.17%
7	General	20	1,442,381	441,803	1,884,184	3.40%	1.04%	4.44%
8	Transmission	20	2,208,383	864,708	3,073,091	5.20%	2.04%	7.24%
9	Distribution	20	9,581,394	18,152,682	25,734,076	22.57%	38.04%	60.61%
10	Structural	39	1,139,255	138,594	1,277,849	2.68%	0.33%	3.01%
11	ROW	50	5,518	65,585	71,103	0.01%	0.15%	0.17%
12	Land	-	-	(6,180)	(6,180)	0.00%	-0.02%	-0.02%
13	Vehicles	-	202,038	1,027,920	1,229,958	0.48%	2.42%	2.90%
14	<b>TOTAL</b>		<b>23,158,709</b>	<b>19,302,269</b>	<b>42,460,998</b>	<b>54.54%</b>	<b>45.46%</b>	<b>100.00%</b>

Project and Program % Totals by Depreciable Life:

5 yr	0.94%	0.25%	1.19%
7 yr	0.26%	0.64%	0.90%
15 yr	13.91%	0.40%	14.31%
20 yr	36.26%	41.28%	77.54%
39 yr	2.68%	0.33%	3.01%
50 yr	0.01%	0.15%	0.17%
Land	0.00%	-0.02%	-0.02%
Vehicles	0.48%	2.42%	2.90%
Total	54.54%	45.46%	100.00%

	FED	FED	STATE	STATE
	YR 1	YR 1	YR 1	YR 1
BASIS	TAX RATE	TAX DEPR	TAX RATE	TAX DEPR

NOTE (1)	Vintage 2015 - 50% Bonus Depreciation								
	Basis subject to 50% bonus depreciation	100.00%	100.00%						
5 yr	0.94%	0.25%	1.19%	5 yr	405,351	60.00%	243,211	20.00%	81,070
7 yr	0.26%	0.64%	0.90%	7 yr	307,167	57.145%	175,531	14.29%	43,894
15 yr	13.91%	0.40%	14.31%	15 yr	4,877,509	52.500%	2,560,692	5.00%	243,875
20 yr	36.26%	41.28%	77.54%	20 yr	26,435,099	51.875%	13,713,208	3.75%	991,316
39 yr	n/a	n/a	n/a						
50 yr	n/a	n/a	n/a						
Land	n/a	n/a	n/a						
Vehicles	n/a	n/a	n/a						
Total	51.37%	42.57%	93.94%						

		Vintage 2015 - Regular Depreciation							
Basis subject to regular depreciation		(Total less amounts subject to 50% bonus)							
5 yr	0.00%	0.00%	0.00%	5 yr	-	20.00%	-	20.00%	-
7 yr	0.00%	0.00%	0.00%	7 yr	-	14.29%	-	14.29%	-
15 yr	0.00%	0.00%	0.00%	15 yr	-	5.00%	-	5.00%	-
20 yr	0.00%	0.00%	0.00%	20 yr	-	3.75%	-	3.75%	-
39 yr	2.68%	0.33%	3.01%	39 yr	1,025,821	1.177%	12,074	1.177%	12,074
50 yr	0.01%	0.15%	0.17%	50 yr	56,933	1.000%	569	1.000%	569
Land	n/a	n/a	n/a						
Vehicles	n/a	n/a	n/a						
Total ASSETS	54.06%	43.05%	97.11%						

Net Depreciable Baseline Plant Adds	33,107,880	16,705,285	1,372,798
Major Capital Projects from Schedule F2	-	-	-
Total Depreciable Plant Adds	33,107,880	16,705,285	1,372,798
Reconciliation from Baseline Plant Adds to Net Depreciable Plant Adds:			
Baseline Capital Projects Plant Adds	42,460,998	Schedule D2	
Less: Repairs deduction	8,369,229	<<supported by Special Study each year.	
Net plant add basis	34,091,769		
Less: Land and Vehicles (2.88% x 34,091,769)	983,889		
	33,107,880		

NOTE (1): The Tax Increase Prevention Act of 2014 allows 50% bonus depreciation for assets placed in service before January 1, 2015. Consequently, the entire basis of vintage 2015 is subject to regular depreciation. In this calculation, 50% bonus depreciation is

**MAUI ELECTRIC COMPANY, LIMITED**  
**DECOUPLING CALCULATION WORKBOOK**  
**TAX DEPRECIATION ON MAJOR CAPITAL PROJECTS ADDITIONS**

Line No.	Description	PUC Docket	Estimated In Service Date	Amount	
	(a)	(b)	(c)	(d)	
	MECO Note: There were no Major Capital Projects in 2015.				
1	Assumed Value of 2015 Major Capital Projects Plant Items			\$ -	
2	Assumed Value of 2015 Major Capital Projects - CIAC nontaxable			\$ -	
3	Assumed Value of 2015 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 RATE	TAX DEPR	TAX RATE	TAX DEPR
5	7 yr	-	57.145%	-	14.28%
6	15 yr	-	52.500%	-	5.00%
7	20 yr	-	51.875%	-	3.75%
8	39 yr	n/a			
9	Land	n/a			
10	Vehicles	n/a			
11	Total	\$ -	\$ -	\$ -	\$ -
			To Schedule F1	To Schedule F1	To Schedule F1

CA-IR-17

Ref: Companies' response to PUC-IR-1, page 8 (Rate Base Impacts of ED/PS Clearing Changes).

The table containing the "summary of 2014 impacts of the change in ED and PS on-cost allocations for elements which impact the 2015 RAM calculations" references a footnote 2 that indicates estimated impacts for CIAC are provided, but not estimated impacts to accumulated deferred income taxes. Please provide the following additional information:

- a. The most detailed available estimate of overall impacts of the ED/PS clearing change upon each recorded element of RAM rate base, as of December 31, 2014, including net plant in service, CIAC and ADIT for each utility, after ultimate distribution of all changes to EC and PS clearings during 2014.
- b. State assumptions and provide workpapers supporting your response to part (a).
- c. Explain each reason whether and why the HECO Companies believe that the impacts of the ED/PS clearing changes should not be reversed in determining RAM Cap rate base, given that all expense savings resulting from the changes are ignored because the O&M RAM does not rely upon recorded input data.

Hawaiian Electric Companies' Response:

- a. The requested information was provided in the Companies' response to CA-IR-1, filed on May 4, 2015. CA-IR-1, Attachment 2, provides the estimated impacts to 2014 plant additions, removal costs, and CIAC for each of the Hawaiian Electric Companies. CA-IR-1, Attachment 4, pages 4 through 6, provides the estimated impacts to 2014 accumulated deferred income taxes resulting from the Companies' change in allocation for ED and PS clearing account charges.
- b. The requested information was provided in the Companies' response to CA-IR-1, subpart e, and CA-IR-1, Attachment 3.
- c. The Hawaiian Electric Companies do not believe that the impacts of the 2014 ED and PS clearing account allocation change should be reversed in determining the RAM Cap rate base. The revisions made in the allocation method for the costs in the Companies' ED and PS clearing accounts to capital and O&M projects and / or activities were described

in PUC-IR-1. These revisions, which were implemented in 2014, recognize that the business operations have changed. Hawaiian Electric is increasing the use of outside services for system improvement projects as well as projects performed at the request of customers, such as new service or relocation projects. There was a need for consistent application of on-costs to all work in Operations whether the project was completed by internal labor or contract services for consistency in project costs and billing customers. Without the new methodology, compensation for these on-costs would be allocated based on internal labor hours and the overheads would be borne by other system and customer projects performed by primarily internal labor resulting in an incorrect allocation of the costs. The revised methodology results in a more equitable distribution of the Company's indirect cost to the work completed by internal labor and external outside services.

As stated in the Companies' response to PUC-IR-1, subpart f, filed on April 22, 2015, one of the effects of the 2014 change in allocation methodology was to allocate a greater portion of ED and PS on-costs from expense to capital accounts. This created an opportunity for the Companies to fund some of the necessary expense initiatives described in PUC-IR-1, which customers benefitted from, and still control and manage their expense spending. On the other hand, the on-costs that were allocated to capital accounts under the new allocation method had nominal bill impacts.

In addition, Order No. 32735 specifically defined how the 2015 RAM Cap should be calculated and the RAM Cap calculations in the Companies' April 15, 2015 amended RBA Rate Adjustment Tariff filings were prepared accordingly, including incorporating recorded 2014 end-of-year actuals (plant in service, depreciation and amortization, CIAC

and ADIT),<sup>1</sup> which include the effects of the Companies' 2014 implementation of the change in ED and PS clearing allocations. Order No. 32735 did not call for adjustments to the O&M RAM and the RAM tariffs approved prior to that order do not allow for changes to the O&M RAM other than the adjustments for bargaining unit labor escalation, productivity factor and GDPPI adjustments to non-labor expense. Although they do not allow for an adjustment to ED and PS clearing charges in the O&M RAM, they also do not allow for other changes to expense, including higher expenses in other areas and in new expense programs, as the Companies have explained in PUC-IR-1, subpart f. In addition, customers have benefitted from the Companies foregoing the opportunity to incorporate these higher expenses (which more than offset the lower allocation of ED and PS on-costs to expense) into rates by withdrawing the Hawaii Electric Light 2013 test year rate case and proposing no change to base rates in the Hawaiian Electric 2014 and Maui Electric 2015 test year rate cases. If adjustments are made to incorporate lower allocations of ED and PS on-costs to expense, then other adjustments to expense such as those referred to above should also be allowed.

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<sup>1</sup> Order No. 32735, paragraph 108, page 95.

CA-IR-18

Ref: HECO Schedule D3 (Major Project in Service Dates).

The "Estimated In Service Dates" for several of the listed major projects has changed significantly, comparing the 4/15/15 Schedule D3 to the prior year Schedule D3. Please respond to the following:

- a. Please explain the in-service status of the Airport DSG project, indicating criteria used to determine actual in-service status and whether/when each criteria was satisfied.
- b. Please explain the in-service status of the BPT Tank 133 project, indicating criteria used to determine actual in-service status and whether/when each criteria was satisfied.
- c. Provide monthly to date accumulations of actual and forecasted construction costs for Airport DSG and for BPT Tank 133 projects.
- d. Provide any needed information to reconcile your response to part (c) to the estimated major project plant additions included in Schedule D3 of the current filing, at lines 1 and 9, respectively.

Hawaiian Electric Companies' Response:

- a. The Airport DSG project was placed in service on August 25, 2014. The Airport DSG project has provided modifications at the Airport Substation and other work necessary for the grid interconnection and utility dispatch of customer generators at the Airport Emergency Power Facility ("EPF"). The Company's criteria for determining when a project is considered complete are identified in its Accounting for Capital Project Costs General Accounting Guidelines. These criteria are that construction is for the most part complete, the facilities have been tested (if testing is possible and appropriate), and the facilities are ready for use (i.e., they are able to perform their intended function, and can be energized, pending completion of a related facility(ies), without a significant amount of additional costs incurred). The Airport DSG project was placed in service in August 2014 because construction and testing of the Hawaiian Electric portion of the

interconnection was completed and the project was considered useful for its intended function given that the Company could dispatch the EPF if it was complete. The EPF project is estimated to be complete in late 2015 or early 2016.

- b. BPT Tank 133 was placed in service on December 16, 2014 because the project met the criteria for determining when a project is considered complete, which are identified in the Company's Accounting for Capital Project Costs General Accounting Guidelines. As stated above, these criteria are that construction is for the most part complete, the facilities have been tested (if testing is possible and appropriate), and the facilities are ready for use (i.e., they are able to perform their intended function, and can be energized, pending completion of a related facility(ies), without a significant amount of additional costs incurred). The Tank 133 Operational Readiness Review was conducted by the operating jurisdiction (Chevron) and the tank was approved as ready to be returned to service.

Subsequently, the physical retaining boundaries (for fluid storing integrity) and physical flow prohibitors (for construction isolation) of Tank 133 were restored to normal operational states. Restoration of the physical equipment to normal operational states allowed the Company to deem Tank 133 as useful (able to store fuel).

- c. Updated monthly actual and forecasted construction cost for the Airport DSG and BPT 133 projects are as follows:



	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
BPT Tank 133 Improve.	254,086	678,877	688,899	43,619	186,304	635,879	189,858	737,916	163,536	2,186,585	225,507	1,199,764	7,190,829
2012			176	181	5,401	1,700	1,799	1,334	569	67	67	240	11,535
2013	252	1,020	637	2,717	3,008	5,262	5,418	691,493	8,293	693,528	13,845	205,155	1,630,629
2014	253,027	261,352	15,429	39,060	176,187	627,209	182,642	45,088	154,675	1,492,990	211,594	994,369	4,453,623
2015	806	416,504	672,657	1,660	1,707	1,707							1,095,042
DOT Airport DSG	203,534	249,875	396,366	171,781	258,598	685,455	379,297	(912,577)	519,383	487,875	495,300	277,047	3,211,934
2008								319,477	12,885	41,812	12,951	18,155	405,280
2009	22,483	13,783	38,500	13,399	19,717	6,138	10,259	6,183	6,522	18,102	11,786	20,961	187,832
2010	13,984	8,411	17,318	10,990	(48,462)	13,190	11,154	21,237	15,705	10,550	19,486	15,581	109,145
2011	22,457	11,481	8,653	11,381	18,558	16,133	12,596	(1,965,152)	29,700	27,452	13,986	14,925	(1,777,828)
2012	35,282	28,042	55,659	27,787	97,422	365,891	103,426	583,434	120,958	106,352	272,428	74,407	1,871,087
2013	20,897	95,744	179,382	47,778	91,429	143,552	70,832	116,427	284,841	236,086	139,997	113,064	1,540,029
2014	63,104	69,122	77,325	45,649	64,978	125,595	117,072	(9,139)	30,287	29,036	14,267	9,556	636,851
2015	15,768	13,734	9,971	5,238	5,398	5,398	5,398	5,398	8,926	8,926	5,398	5,398	94,949
2016	9,559	9,559	9,559	9,559	9,559	9,559	48,559	9,559	9,559	9,559	5,000	5,000	144,589

d. The most recent 2015 forecast for the Airport DSG project (\$94,949) shows costs higher by approximately \$13k. The higher forecast is primarily due to more labor being expended for coordinating the Airport DSG project with the State Department of Transportation.

For BPT 133, the most recent forecast for 2015 (\$1,095,042) is approximately \$4k lower than the 2015 gross plant additions amount shown on HECO-WP-D3-001, due to updated estimates. Schedule D3 shows the amount of 2015 plant addition qualifying for Rate Base RAM, which is approximately \$199k less than the 2015 gross plant additions amount. The \$199k difference was determined by taking the total gross plant additions estimated through 12/31/15 (\$7,194,346) and subtracting the total gross amount of qualifying Rate Base RAM (\$6,995,582). See HECO-WP-D3-001, Note 1g, for further details.

CA-IR-19

Ref: HECO Schedule H, line 1 (Recorded Operating Income).

In 2014, HECO was allowed to record accrued RAM revenues in advance of collection of such revenues, pursuant to the Stipulated Settlement Agreement in Docket No. 2008-0083. Please respond to the following:

- a. Provide a summary of the monthly entries, by NARUC account, that were recorded in connection with RAM accruals, adjustments and amortizations in calendar 2014.
- b. Using the information in your response to part (a), please explain and quantify the impact of net RAM accruals upon reported Operating Income for HECO, as included in line 1 of Schedule H.
- c. What was the impact upon Return on Equity for Decoupling Earnings Sharing, at line 20 of Schedule H, caused by the net accruals of RAM revenues during calendar 2014?

Hawaiian Electric Companies' Response:

- a. The requested information was provided in the Companies' response to 2014 RBA Packets Review Informal CA-IR-7. FY2014 Regulatory Assets - RBA & RAM Revenue Tax Gross-up (the second tab) and FY2014 RAM Regulatory Asset (the third tab) provide a summary of the monthly entries, by NARUC account, that were recorded in connection with RAM accruals, adjustments and amortizations in calendar 2014.
- b. Accrued 2014 RAM revenue was \$12,259,613 as of December 31, 2014. The impact of net RAM accruals upon reported Operating Income for the Company is \$6,823,408. Please see CA-IR-19, Attachment 1, page 1, lines 1a – 1e, for further details.
- c. The impact upon Return on Equity for Decoupling Earnings Sharing was 69 basis points as computed below:

Description	Return on Equity
Return As Filed in 2015 Decoupling Filing, Schedule H	9.85%
Return excluding the impact of 2014 Accrued RAM Revenue (CA-IR-19, Attachment 1, line 20)	9.16%
Impact	0.69%

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

Line No.	Description (a)	Reference (b)	Ratemaking Basis Return on Equity		
			Operating Income (c)	Rate Base (d)	Rate of Return (e)
1	Reported Operating Income before ratemaking adjustment	Dec 2014 Mo. PUC rpt, pg 2A filed 2/26/15 & HECO-WP-H-001	\$ 132,224	\$ 1,756,301	
1a	Accrued RAM Revenue	Informal CA-IR-7	\$ (12,259)		
1b	Accrued RAM Revenue Taxes	Informal CA-IR-7	\$ (1,089)		
1c	Accrued RAM Revenue, net of Revenue Tax	Informal CA-IR-7 or Line 1a-1b	\$ (11,169)		
1d	Income Tax Factor (Note 1)		1,636,929,121		
1e	Accrued RAM Revenue, net of Income Tax	Line 1c / Line 1d	\$ (6,823)		
2	<b>Ratemaking Adjustments to Line 1:</b>				
2a	Incentive Compensation Expenses (net of tax)	HECO-WP-H-002	4,552		
2b	Discretionary and Other Expenses Not Recoverable (net of tax)	HECO-WP-H-002	543		
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	(18,253)		
2e	Remove Accrued Earnings Sharing Refund	HECO-WP-H-005	0		
3	Ratemaking Basis Amounts - Post Tax	Sum Lines 1 & 2	\$ 114,428	\$ 1,756,301	
4	<b>Ratemaking Capitalization</b>				
			Balances	Ratios	Cost Rate
5	Short-Term Debt (12 mo. Avg)		\$ 42,893	2.16%	0.63%
6	Long-Term Debt (Simple Avg)		\$ 784,273	39.54%	5.29%
7	Hybrid Securities (Simple Avg)		\$ 28,322	1.43%	7.27%
8	Preferred Stock (Simple Avg)		\$ 20,972	1.06%	5.41%
9	Common Equity (Simple Avg)		\$ 1,107,140	55.81%	10.00%
10	Total Capitalization	HECO-WP-H-004	\$ 1,983,600	100.00%	7.84%
11	Line 3 Rate Base Amount				\$ 1,756,301
12	Weighted Cost of Debt (Sum Lines 5-7)				2.20%
13	Synchronized Interest Expense				\$ 38,639
	Income Tax Factor (Note 1)				1,636,929,121
13a	Synchronized Interest Expense, net of tax				\$ 23,805
14	Post Tax Income Available for Preferred & Common (Line 3 - Line 13a)				\$ 90,823
17	Less: Preferred Income Requirement (Line 8 Weighted Cost times Rate Base)				1,054
18	Income Available for Common Stock				\$ 89,769
19	Ratemaking Equity Investment (Line 9 Ratio times Rate Base)				980,274
20	Return on Equity for Decoupling Earnings Sharing (Line 18/Line 19)				9.16%
21	<b>Earnings Sharing Revenue Credits:</b>				
			Basis Points		
22	Achieved ROE (basis points)		916		
23	Authorized Return (basis points) (D&O 30505 in Dkt No. 2010-0080, filed on June 29, 2012)		1,000		
24	ROE for sharing (basis points)		-		
25	Sharing Grid per RAM Provision		First 100 bp	Next 200 bp	All over 300 bp
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)				\$ 176
30	Earnings Sharing Revenue Credits (thousands)				\$ -
<b>Footnotes:</b>					
1	Composite Federal & State Income Tax Rate		38.91%		
	Income Tax Factor (1 / 1-tax rate)		1.636929121		
2	Ratemaking Equity investment (line 19)		\$ 980,274		
	Basis Point = 1/100 of a percent			0.01%	
	Earnings Required per Basis Point (thousands)		\$ 98.03		
	Times: Income Tax Conversion Factor		1.636929121		
	Pretax Income Required per Basis Point (thousands)		\$ 160		
	Times: Revenue Tax Conversion Factor		1.0975		
	Revenue Requirement per Basis Point (thousands)		\$ 176		

HAWAIIAN ELECTRIC COMPANY, INC.  
 AVERAGE RATE BASE AND RATE OF RETURN  
 (\$ Thousands)

RATE BASE	REFERENCE	Month End		Simple Average
		Dec-14	Dec-13	
TOTAL UTILITY PLANT	Note 2	2,706,767	2,504,342	
Adjustments:				
Construction Work in Progress		(134,375)	(124,494)	
Retirement Work in Progress		(15,197)	(13,477)	
Asset Retirement Obligation		(28,954)	(42,649)	
Regulatory Liability for Cost of Removal		(227,390)	(211,551)	
Other	GL#25365000	(7,736)	(7,771)	
DEPRECIATED COST OF UTILITY PLANT IN SERVICE	Note 1	2,293,115	2,104,400	2,198,758
REGULATORY ASSETS - SFAS 109	Note 2	67,153	65,455	66,304
REG ASSET- CONTRIB vs. NPPC	GL#18676030	19,411	19,411	19,411
REGULATORY ASSET - PENSION NPPC vs. Rates	GL#18676040	52,359	43,062	47,711
REGULATORY ASSET - OPEB NPBC vs. Rates	GL#18677040	380	380	380
REGULATORY ASSET - RO PIPELINE	Note 2	5,191	5,308	5,250
MATERIALS & SUPPLIES (Excluding Stores Expense)	Note 2	30,863	35,036	32,950
MATERIALS & SUPPLIES ADJUSTMENT	HECO-WP-H-006	(2,626)	(3,111)	(2,869)
FUEL STOCK	Note 2	74,515	99,613	87,064
UNAMORTIZED DEFERRED OMS COSTS	GL#186070	2,159	2,630	2,395
UNAMORTIZED DEFERRED HR SUITE-PHASE 1	GL#186060	2,376	2,733	2,555
UNAMORTIZED DEFERRED HR SUITE-PHASE 2	GL#186061	896	1,024	960
UNAMORTIZED DEFERRED BUDGET SYSTEM PROJECT	GL#186077	1,321	1,467	1,394
UNAMORTIZED DEFERRED CIS COSTS	HECO-WP-D1-001B	12,705	13,925	13,315
	GL#18670124, #18670125,			
UNAMORTIZED EOTP REGULATORY ASSET	#18670126	1,153	1,508	1,331
UNAMORTIZED CIP REGULATORY ASSET	HECO-WP-D1-001A	4,215	5,169	4,692
WORKING CASH:	HECO-WP-H-007	24,836	26,545	25,591
DEDUCTIONS:				
Unamortized Contributions in Aid of Construction	Note 2	283,740	258,084	270,912
Customer Advances for Construction	Note 2	2,300	2,408	2,354
Deferred Income Taxes	Schedule D4	437,905	376,180	407,043
Unamortized Investment Tax Cr - 1962 Revenue Act & STC	GL#255200, #255030	49,034	44,055	46,545
Rental Premiums - Kamoku	GL#25313000	0	0	0
Customer Deposits	GL#23501000	14,603	13,339	13,971
Unamortized Gain on Sales	GL#254001	59	149	104
Regulatory Liability Tracker True-up	GL#25400004	3,320	5,530	4,425
Regulatory Liability OPEB True-up	GL#25400002	5,574	5,497	5,536
TOTAL DEDUCTIONS		796,535	705,242	750,889
MONTH ENDED RATE BASE		1,793,287	1,719,314	1,756,301

Footnotes:

- 1 Includes Property Held for Future Use balance of \$0 for 2014 and 2013.
- 2 See Hawaiian Electric Company Inc. Monthly Financial Report - December 2014, page 8, 9 & 10, filed February 26, 2014.

\* Amounts may not add up due to rounding.

HAWAIIAN ELECTRIC COMPANY, INC.  
 WORKING CASH  
 2014

Line No.	Description (a)	Reference (b)	2014 (c)	Net Collection	
				Lag (Days) (d) Note (1)	Amount (e)=(c)/365*(d)
1	Fuel Oil	Trial Balance: B20	821,246	18.8	42,300
2	Purchased Power	GL #555	537,821	(1.6)	(2,358)
3	Current Income Taxes				
4	Income Tax	Dec. 2014 PUC Monthly Report, Page 2	(5,163)		
4a	Income Tax related to Accrued RAM Revenues	Schedule H Line 1c - 1e	(4,346)		
5	Income Tax related to Disallowed Items	HECO WP-H-002	3,459		
6	Reversal of Tax Related to Int Synch Replacement	Sch H-Line 2a	16,253		
7	Tax Eff of AFUDC Equity	GL #420100	(3,875)		
8	Tax Related to Int Synch	Sch H-line 13 - 13a	(15,035)		
9	Total	Sum of Line 4-8	(6,707)	(1.7)	41
10	Revenue Taxes				
11	Franchise	GL #408010	53,301		
12	PSC	GL #408020	127,721		
13	PUC Fee	GL #408030	10,851		
13a	Revenue Taxes related to Accrued RAM Revenues	Schedule H Line 1b	(1,089)		
14	Total	Sum of Line 11-13	190,784	(52.5)	(27,442)
15	O&M Labor				
16	O&M labor	Acct. Dept. O&M report	125,404		
17	Fuel O&M labor	Acct. Dept. O&M report	(1,507)		
18	O&M Labor Excl Fuel Labor	Line 16 + 17	123,896		
19	Disallow O&M	HECO WP-H-002	(3,419)		
20	Total	Line 18 + 19	120,477	25.2	8,318
21	O&M Non-Labor				
22	O&M Expense	Trial Balance: G30 (see O&M Labor Excl Fuel Labor above)	282,232		
23	O&M Labor Excl Fuel Labor	Labor above	(123,896)		
24	Disallow O&M Non-Labor	HECO WP-H-002	(5,135)		
25	Bad Debt Expense	GL #904	(934)		
26	Pension Reg Asset/Liab Amort	HECO WP-H-007 pg. 2	389		
27	OPEB Reg Asset/Liab Amort	HECO WP-H-007 pg. 2	1,349		
28	Sys Develop Amortization	HECO WP-H-007 pg. 2	(1,101)		
		Sum of Line 22-28	152,902	8.8	3,686
29	Payroll Taxes	GL #408050	9,328	21.1	539
30	Interest on Customer Deposits	GL #43105000	1,123	(145.7)	(448)
31	Working Cash	Sum of Line 1, 2, 9, 14, 20, 27, 28, 29			24,636

Footnotes:

1 See Docket No. 2010-0080, PUC Internm D&O, Exhibit B, page 2, filed July 22, 2011.

CA-IR-1

Ref: HELCO WP-D4-001A, page 2, Line 27, WP-D4-001B, line 27 (Legal/Consulting Fees ADIT).

Please explain the transactions and book/tax timing difference associated with the \$462,363/\$84,547 Federal/State debit ADIT balances for "Legal/Consulting Fee PPA" and explain whether and why such amount is properly included in RAM rate base. Provide references to any prior rate case orders where these transactions are believed to have been addressed (if applicable).

Hawaii Electric Light's Response:

The federal and state deferred tax balances related to "Legal/Consulting Fee PPA" are the result of temporary differences between the book and income tax treatment of legal costs/consulting fees incurred relating to purchased power agreements. Please refer to the Hawaii Electric Light's response to CA-IR-278 in its 2010 test year rate case, Docket No. 2009-0164. This account was included in the rate base balance (ADIT), which the Commission approved in Decision and Order No. 30168, issued February 8, 2012.

CA-IR-1

Ref: MECO WP-D4-001, page 1, line 41 (Legal Fees ADIT).

Please explain the transactions and book/tax timing difference associated with the \$109,020/\$19,936 Federal/State debit ADIT balances for “Legal Fees Deferred for Tax” and explain whether and why such amount is properly included in RAM rate base. Provide references to any prior rate case orders where these transactions are believed to have been addressed (if applicable).

Maui Electric's Response:

The federal and state deferred tax balances related to “Legal Fees Deferred for Tax” are the result of temporary differences between the book and income tax treatment of legal costs/consulting fees incurred relating to purchased power agreements. This account was included in ADIT of the rate base balance in Maui Electric’s 2012 test year rate case, Docket No. 2011-0092, which the Commission approved in Decision and Order No. 32055, issued April 28, 2014.

CA-IR-2

Ref: MECO WP-D4-001, page 1, line 64 (Franchise Taxes ADIT).

Please explain the transactions and book/tax timing difference associated with the \$318,689/\$58,275 Federal/State debit ADIT balances for "Franchise Tax Liability" and explain whether and why such amount is properly included in RAM rate base. Provide references to any prior rate case orders where these transactions are believed to have been addressed (if applicable).

Maui Electric's Response:

The federal and state deferred tax balances related to "Franchise Tax Liability" are the result of temporary differences between the book and income tax treatment of franchise taxes accrued on the unbilled component of electric sales revenue.

In 2012, the Company changed its book method of accounting to accrue franchise taxes on total electric sales revenues, including both billed and unbilled revenues as well. For tax purposes, the Company continues to pay franchise taxes on billed revenues only. As a result, the franchise tax expense related to the unbilled component for which the book accounting method change was made is not deductible for income tax purposes and creates a book tax difference. In the Maui Electric Transmittal No. 14-05 RBA Rate Adjustment filing, the Company and the Consumer Advocate agreed to exclude the resulting ADIT from rate base RAM. (Refer to Maui Electric's Response to the Division of Consumer Advocacy's Statement of Position and Revised RBA Rate Adjustment in Transmittal No. 14-05 dated May 14, 2014.) Consequently, ADIT on this item is reflected as an exclusion from RAM rate base. Please refer to MECO-WP-D4-001, line 101.