

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Transmittal of)
)
HAWAIIAN ELECTRIC COMPANY, INC.,) Transmittal No. 15-03
) (Decoupling)
For approval to modify the RBA Rate)
Adjustment in Its Revenue Balancing)
Account Provision Tariff)
_____)

In the Matter of the Transmittal of)
)
HAWAII ELECTRIC LIGHT COMPANY, INC.,) Transmittal No. 15-04
) (Decoupling)
For approval to modify the RBA Rate)
Adjustment in Its Revenue Balancing)
Account Provision Tariff)
_____)

In the Matter of the Transmittal of)
)
MAUI ELECTRIC COMPANY, LIMITED,) Transmittal No. 15-05
) (Decoupling)
For approval to modify the RBA Rate)
Adjustment in Its Revenue Balancing) (CONSOLIDATED)
Account Provision Tariff)
_____)

ORDER NO. 32866

CONSOLIDATING PROCEEDINGS, PROVIDING CLARIFICATIONS
REGARDING DECOUPLING TARIFF TRANSMITTAL FILINGS,
AND SUSPENDING DECOUPLING TARIFF TRANSMITTAL FILINGS

PUBLIC UTILITIES
COMMISSION

2015 MAY 28 A 10:45

FILED

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Transmittal of)
)
HAWAIIAN ELECTRIC COMPANY, INC.,) Transmittal No. 15-03
) (Decoupling)
For approval to modify the RBA Rate)
Adjustment in Its Revenue Balancing)
Account Provision Tariff)
_____)

In the Matter of the Transmittal of)
)
HAWAII ELECTRIC LIGHT COMPANY, INC.,) Transmittal No. 15-04
) (Decoupling)
For approval to modify the RBA Rate)
Adjustment in Its Revenue Balancing)
Account Provision Tariff)
_____)

In the Matter of the Transmittal of)
)
MAUI ELECTRIC COMPANY, LIMITED,) Transmittal No. 15-05
) (Decoupling)
For approval to modify the RBA Rate) (CONSOLIDATED)
Adjustment in Its Revenue Balancing)
Account Provision Tariff)
_____) Order No. **32866**

CONSOLIDATING PROCEEDINGS, PROVIDING CLARIFICATIONS
REGARDING DECOUPLING TARIFF TRANSMITTAL FILINGS,
AND SUSPENDING DECOUPLING TARIFF TRANSMITTAL FILINGS

By this Order, the commission, consolidates the above-captioned transmittals and provides several clarifications regarding the decoupling tariff transmittal filings made by Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light

Company, Inc. ("HELCO"), and Maui Electric Company, Limited ("MECO") (collectively, the "HECO Companies") on March 31, 2015, as amended on April 15, 2015. In addition, the commission suspends the effect of the HECO Companies' decoupling tariff transmittal filings to allow time for the Companies to revise their transmittals as set forth in this Order. The HECO Companies may use an effective date of June 8, 2015, in their revised transmittals.

I.

Background And Procedural History

On March 31, 2015, HECO, HELCO, and MECO each filed a transmittal - Transmittal Nos. 15-03, 15-04, and 15-05, respectively - proposing to revise the Revenue Balancing Account ("RBA") Provision tariff ("RBA Tariff") to revise the RBA Rate Adjustment. HECO proposed to increase its current RBA Rate Adjustment from \$0.021269 per kilowatt-hour ("kWh") to \$0.022830 per kWh for the period from June 1, 2015, to May 31, 2016. Likewise, for the same period, HELCO proposed to increase its current RBA Rate Adjustment from \$0.012225 per kWh to \$0.014421 per kWh, and MECO proposed to increase its current RBA Rate Adjustment from \$0.016239 to \$0.018221 per kWh for all divisions.

On March 31, 2015, the commission issued Order No. 32735 in Docket No. 2013-0141.¹ In that Order, the commission made a number of changes to the HECO Companies' decoupling mechanisms, including the following (as numbered in Order No. 32735):

2. The RAM mechanism shall be modified to include a cap that shall be applied to the total annual RAM Revenue Adjustment. The cap shall limit the automatic component of RAM adjustment increases to an amount equal to or lower than the Gross Domestic Product Price Index ("GDPPI").
3. The 90% adjustment shall be removed in favor of the GDPPI cap.
4. In order to provide a means for timely recovery of expanded capital programs, the Commission will allow the Companies to apply for approval by the Commission, on a case by case basis, to recover revenues outside of and in addition to the capped RAM revenues. The HECO Companies and the Consumer Advocate shall develop criteria for the commission's review for recovery of these costs (which may include consolidated or "programmatic" baseline expenditures) through the RAM or the Renewable Energy Infrastructure Program ("REIP") surcharge
5. The changes in Paragraphs [2] through 4 above shall be made effective on an interim basis pending commission resolution of the proceedings concerning the HECO Companies'

¹In the Matter of PUBLIC UTILITIES COMMISSION Instituting an Investigation to Reexamine the Existing Decoupling Mechanisms for Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited, Docket No. 2013-0141, "Order No. 32735 Modifying Decoupling Mechanisms And Establishing Briefing Schedule," filed March 31, 2015 ("Order No. 32735").

Power Supply Improvement Plan ("PSIPs") in
Docket No. 2014-0183.²

Among other things, that Order directed each of the HECO Companies to file, on or before April 15, 2015, (1) amended submittals reflecting the calculation and application of the Revenue Adjustment Mechanism ("RAM") cap consistent with the findings and conclusions in Order No. 32735; (2) revised effective Target Revenues for the 2015 RAM period determined according to the RBA and RAM tariffs as amended by the provisions of Order No. 32735; and (3) revised RBA and RAM tariffs consistent with the provisions of Order No. 32735. Order No. 32735 also extended the date for the Consumer Advocate's response to the transmittal filings from April 30, 2015, to on or before May 15, 2015.³

On April 15, 2015, in response to Order No. 32735, each of the HECO Companies submitted an amended RBA Rate Adjustment tariff filing. Based on the HECO Companies' interpretation of Order No. 32735, the RBA Rate Adjustments were revised as follows:
(1) HECO's proposed RBA Rate Adjustment of \$0.022830 per kWh

²Order No. 32735 at 6-7 (footnotes omitted).

³The Consumer Advocate is an ex officio party to these proceedings pursuant to Hawaii Revised Statutes ("HRS") § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62(a). The Consumer Advocate and the HECO Companies are referred to herein as the "Parties."

decreased to \$0.022201; (2) HELCO's proposed RBA Rate Adjustment of \$0.014421 per kWh increased to \$0.014424; and (3) MECO's proposed RBA Rate Adjustment of \$0.018221 per kWh decreased to \$0.017229.

On April 22, 2015, the HECO Companies filed a response to the commission's information request, PUC-IR-1.

On April 27, 2015, an informal technical conference was held to discuss the decoupling submittals filed by the HECO Companies on March 31, 2015, and supplemental filings and draft tariffs.

On April 29, 2015, the Consumer Advocate filed a letter with the commission addressing its initial issues and questions related to the transmittals. The Consumer Advocate noted that it was still analyzing and investigating the transmittal filings.

On May 4, 2015 and May 7, 2015, the HECO Companies filed responses to information requests from the Consumer Advocate.

On May 11, 2015, the HECO Companies filed a letter providing responses to several matters identified in the Consumer Advocate's letter dated April 29, 2015 and matters raised in the information requests from the commission and Consumer Advocate.

On May 15, 2015, the Consumer Advocate filed its Statement of Position ("SOP") concerning the transmittals. In its SOP, the Consumer Advocate proposed several adjustments to each of the HECO Companies' proposed RBA Rate Adjustments.

On May 21, 2015, the HECO Companies filed responses to the SOP including revised proposed RBA Rate Adjustments and RAM tariff amendments.

II.

Consolidation

1. Pursuant to HAR § 6-61-39, the commission, on its own motion, consolidates Transmittal Nos. 15-03, 15-04, and 15-05. As discussed herein, each of these Transmittals relate to the HECO Companies' decoupling mechanisms, and consolidation will promote administrative efficiency.

III.

Discussion

2. The Consumer Advocate's SOP identifies eight numbered specific matters regarding the HECO Companies' Transmittals, including four quantified proposed amendments to the Companies' proposed RBA Rate Adjustments and four specific matters that are not quantified. The subjects of all of the specific matters identified in the CA SOP were previously identified and discussed at the informal technical conference and/or in the supplemental filings.

3. Based on its review and consideration of the March 31, 2015 transmittals, as amended on April 15, 2015, the Consumer Advocate's SOP, and the supplemental filings, the commission provides the following clarifications regarding each of the specific matters identified in the Consumer Advocate's SOP.

A. Depreciation and Amortization Expense.

4. In Order No. 32735, the commission provided directions for the implementation of a RAM Cap for determining the 2015 RAM Revenue Adjustment. Questions have been raised in several of the filed documents regarding the proper method of calculating the depreciation and amortization expense in determining the RAM Cap in compliance with the Order. Much of the discussion focuses specifically on paragraph 108 on pages 95-96 of the Order:

108. For each of the HECO Companies, for the calculation of the RAM Cap for the 2015 RAM Revenue Adjustment and until issuance of a final decision and order in the next rate case for each Company, the target revenues that will serve as the Basis for the incremented cap will be the 2014 annualized target revenues adjusted as follows. The 2014 RAM Revenue Adjustment used to determine the adjusted 2014 target revenues for purposes of determining the cap will be adjusted to use recorded 2014 end-of-year actuals (plant in service, depreciation and amortization, CIAC, and ADIT) rather than 2014 RAM year projections in determination of the 2014 Depreciation and Amortization RAM Expense and average rate base in the 2014 Rate Base RAM.

This provision will include in the determination of the average 2014 effective rate base used in determining the RAM Cap for the 2015 RAM Revenue Adjustment, the actual end-of-year net plant in service, including all baseline projects installed in 2014, rather than the five year moving average of baseline project expenditures used in the determination of the 2014 Rate Base RAM. The adjusted 2014 target revenues will be incremented by the GDPPI index to determine the RAM Cap as provided above. (footnote omitted, emphasis added)

5. Without making specific findings regarding the many assertions made by the HECO Companies and Consumer Advocate regarding the commission's intent, the commission clarifies that the Companies' use of 2014 end-of-year actual plant in service balances in the calculations of the Depreciation and Amortization RAM Expense in the determination of the adjusted 2014 annualized target revenues used as the Basis to determine the RAM Cap in the Companies' April 15, 2015 transmittals is consistent with the language in paragraph 108 and Order No. 32735 generally.

6. As noted by the Consumer Advocate, this method will "embed full recovery of expected 2015 depreciation and amortization expense within the RAM Cap Basis."⁴ As observed by the Consumer Advocate and acknowledged by the HECO Companies, however, further incrementing the Basis by the GDPPI would result in 2015 Depreciation and Amortization RAM expense in excess of

⁴CA SOP at 17.

actual 2015 depreciation and amortization expense. As stated by the HECO Companies,

the Companies realize that further escalating the 2015 Depreciation and Amortization RAM expense amount by the GDPPI results in an amount in the RAM Cap above the actual 2015 Depreciation and Amortization expense, and are willing to make an adjustment to reduce the RAM Cap for the amount in excess of the 2015 Depreciation and Amortization expense.⁵

7. The HECO Companies provide a calculation of the amount that the 2015 depreciation and amortization expense included in the indexed RAM Cap exceeds actual 2015 depreciation and amortization for each of the Companies as follows: \$1,454,014 for HECO; \$287,224 for MECO; and \$471,892 for HELCO.⁶ By the HECO Companies responses to the SOP filed for each of the HECO Companies on May 21, 2014, the Companies propose adjustments to reduce the amounts of depreciation and amortization expense used in determining the RAM Cap by these amounts. Accordingly, the HECO Companies shall adjust the RAM Cap for each of the Companies to ensure that the depreciation and amortization expense included in the indexed RAM Cap does not exceed actual 2015 depreciation and amortization expense.

⁵HECO Companies letter to the commission dated May 11, 2015, at 9.

⁶HECO Companies letter to the commission dated May 11, 2015, at 9, footnote 24.

B. Application of the Interim Ninety (90) Percent Limitation On Incremental Rate Base RAM Increase.

8. The Consumer Advocate's SOP notes that the HECO Companies "have eliminated the interim 90 percent limitation in annual growth of the Rate Base RAM, that was first implemented in Order No. 31908, within the calculations used to determine the 2014 basis for determination of the 2015 RAM Cap."⁷ The Consumer Advocate takes exception to the Companies' approach and maintains that the suspension of the interim ninety (90) percent limitation in Order No. 32735 is meant only to be applied prospectively.⁸ The SOP recommends adjustments to apply the interim ninety (90) percent limitation to the 2014 Rate Base RAM increment in the calculation of the 2014 Basis for determining the RAM Cap.⁹

9. The commission clarifies that the ninety (90) percent limitation on incremental Rate Base RAM increases should not be applied in the determination of the 2014 Basis or target revenues in determining the Basis for the 2015 RAM Cap.

10. The commission observes that the interim ninety (90) percent limitation only applied to the increment of

⁷CA SOP at 23.

⁸CA SOP at 24.

⁹CA SOP at 27 and Attachments 1, 2, and 3.

current year Rate Base RAM in excess of previous year Rate Base RAM amount. As provided in Order No. 31908 in specifying the interim ninety (90) percent limitation:

the amount of any "Rate Base RAM - Return on Investment Adjustment" ... applied to the determination of Target Revenues and the RBA Rate Adjustment in accordance with the existing RAM tariffs shall include the entire effective Rate Base RAM Adjustment from the prior year, plus ninety percent of the amount that the current RAM Period Rate Base RAM Adjustment exceeds the Rate Base RAM adjustment from the prior year.¹⁰

11. For example, in the March 31, 2015 transmittals, which were filed prior to application of the suspension of the ninety (90) percent limitation directed in Order No. 32735, the HECO Companies properly applied the ninety (90) percent limitation only to the increment of Rate Base RAM Adjustments in excess of 2014 RAM Period Rate Base RAM calculations. No reductions were or should have been applied to prior year 2014 Rate Base RAM Adjustments in the determination of the 2015 Rate Base RAM Adjustment.

C. Accounting Changes to O&M Clearing Accounts.

12. In its response to PUC-IR-1, the HECO Companies confirmed that changes were made to accounting practices for

¹⁰Order No. 31908 at 49-50 (emphasis added).

allocation of expenses in the Companies' Energy Delivery ("ED") and Power Supply ("PS") clearing accounts. These accounting changes were implemented for HECO in January of 2014, and for HELCO and MECO in April of 2014. As stated by the HECO Companies, "[o]ne of the effects of the 2014 change in allocation methodology was to allocate a greater portion of the ED and PS on-costs from expense to capital accounts."¹¹

13. The HECO Companies have quantified the impacts of the accounting changes on the calculation of the 2015 RAM Caps and the 2015 RAM Revenue Adjustments for each of the Companies.¹² The Companies have also quantified substantial reductions in O&M expenses that directly result from the accounting changes.¹³ The reductions in O&M expenses and increases in prospective recovery of capitalized costs would result in increased revenue recovery from customers and increased utility earnings, unless the commission provides for appropriate ratemaking treatment of the accounting changes that is more equitable to ratepayers.

14. The commission does not make findings regarding the merits of the accounting changes in this Order based on the limited

¹¹HECO Companies' letter to the commission dated May 11, 2015, at 12.

¹²PUC-IR-1(d) and CA-IR-1.

¹³CA-IR-1(b).

information provided in the review of the HECO Company decoupling transmittals. As a matter of more specific and immediate import, the commission has not considered and has not approved the application or effects of the accounting changes for ratemaking purposes

15. A general rate case would be the ordinary venue for considering and approving the application of changes in accounting practices for ratemaking purposes. In the context of a rate case, appropriate commensurate adjustments would be made to allowed revenue requirements, including consideration of the impacts of accounting changes on O&M expenses, return on rate base, and depreciation and amortization expense. In the instance of the accounting changes to the ED and PS clearing accounts, in the context of a rate case, increased revenue requirements associated with increased capital account balances would be more than offset by decreased expenses in O&M accounts.

16. The commission notes that the RAM tariffs for the HECO Companies provide for automatic rate adjustments for the interim years between general rate cases scheduled for a three-year cycle. None of the three HECO Companies, however, have filed full rate cases in the most recent three year cycle as provided in the RAM Tariff. In these decoupling transmittals, the accounting changes initiated by the Companies in 2014 (a) have substantial rate impacts and (b) have not previously been reviewed or approved Transmittals No. 15-03, 15-04 and 15-05 (Consolidated)

by the commission for ratemaking purposes, and, thus, must be specifically considered with respect to the implementation of the RAM tariffs. Thus, the commission must consider and decide whether the proposed application of the accounting changes produces a just and reasonable result that is consistent with the RAM tariffs.

17. In consideration of the above, the commission finds that it is not reasonable to allow the accounting change reallocation of ED and PS costs from expense to capital accounts to ultimately result in increased rates associated with increased capital balances through the RAM without commensurate adjustments in revenue recovery to reflect the associated reductions in O&M expenses to the HECO Companies. Allowing the Companies to benefit doubly from decreased expenses and increased rates resulting solely from accounting changes that are not associated with increased utility services, performance, economy or efficiency, would be untenable.

18. Accordingly, the Companies shall adjust the 2015 RAM Revenue Adjustment for each Company to reflect the O&M expense reduction impacts associated with the accounting changes identified by the Companies in response to CA-IR-1(b).¹⁴ This provision is necessary to produce a logical, consistent,

¹⁴See CA-IR-1(b): For HECO the expense impact is -\$8,282,105; for HELCO -\$470,245; and for MECO -\$1,215,520.

and reasonable result for the application of the accounting change impacts on rates adjusted in accordance with the RAM tariff.

19. The merits of the accounting changes applied to the HECO Companies' clearing accounts initiated in 2014 will be investigated by the commission in a separate docket. The investigation will include an examination of the regulatory treatment of the accounting changes for ratemaking purposes. The adjustments to the RAM Revenue Adjustment and target revenues required in paragraph 18 shall remain in effect until the outcome of the investigation or until otherwise ordered by the commission, and shall be subject to appropriate adjustment, if any, resulting from any commission order issued as a result of the investigation to be conducted. The HECO Companies' accounting procedures initiated in 2014 shall remain subject to appropriate adjustment pending the outcome of the investigation.

D. Updated Sales Projection in Determining RBA Rate Adjustment.

20. As recommended by the Consumer Advocate and agreed to by the HECO Companies, the updated December 2014 sales forecasts shall be used to calculate the RBA Rate Adjustments for each of the Companies.¹⁵

¹⁵CA SOP at 5; CA-IR-15.

E. Forecasted Versus Historical GDPPI.

21. The commission clarifies that the forward projections of GDPPI used by the Companies in determining the non-labor component of the O&M RAM adjustments are appropriate and shall be used as the index used to escalate target revenues in accordance with the provisions in Order No. 32735.

F. Benefits of Bonus Tax Depreciation.

22. One issue considered in the determination of the 2014 RAM Revenue Adjustment that became effective on June 1, 2014, was the possibility that federal tax legislation could serve to retroactively reinstate bonus depreciation for plant assets placed in service in the 2014 calendar year.¹⁶ Based on tax laws applicable at the time of the 2014 decoupling submittals and June 1, 2014 effective date, no bonus depreciation was assumed in determining 2014 RAM Period target revenues.

23. In response to informal information requests by the Consumer Advocate in review of the 2014 decoupling transmittals, the HECO Companies provided estimates of the impacts on target revenues that would result from application of 50% bonus depreciation for the 2014 RAM Period.¹⁷

¹⁶See CA-IR-12; CA-IR-16; and CA SOP at 35-36.

¹⁷By letter dated May 8, 2014, the Consumer Advocate provided a previously omitted Attachment 2 to the Statement[s] of Position Transmittals No. 15-03, 15-04 and 15-05 (Consolidated)

24. In its 2014 Statement of Position for each of the HECO Companies, the Consumer Advocate expressed concerns about the fairness of assuming no bonus depreciation in the 2014 Rate Base RAM Adjustments and recommended that if bonus depreciation provisions were ultimately reinstated for the 2014 year, the Companies' target revenues should be correspondingly reduced as of June 1, 2014, by the amount of impact estimated by the Companies.¹⁸

25. Under cover letters dated May 14, 2014, each of the HECO Companies responded to the Consumer Advocate's concerns, stating:

the Company agrees that if a bonus tax depreciation provision is enacted in 2014, the benefit derived by such provision should accrue to the customer by way of an adjustment to target revenues. The methodology and impact of the benefit to the rate base RAM should be addressed at the time of enactment in order that the parties can apply the law, when and if revised, to all the relevant facts at that time.¹⁹

for each of the HECO Companies. The attachments include tables showing the HECO Companies' calculations of target revenue impacts of applying 50 percent bonus depreciation for the 2014 RAM Period.

¹⁸Division of Consumer Advocacy's Statement of Position regarding Transmittal 14-03(HECO) at 16-19; Division of Consumer Advocacy's Statement of Position regarding Transmittal 14-04(HELCO) at 13-17; and Division of Consumer Advocacy's Statement of Position regarding Transmittal 14-05(MECO) at 16-19.

¹⁹Identical language in letters from the HECO Companies dated May 14, 2014: HECO, Attachment 1 at 8; HELCO, Attachment 1 at 5; MECO, Attachment 1 at 6.

26. On December 19, 2014, 50 percent bonus depreciation was approved for investments in qualifying assets placed in service in the entire 2014 calendar year.²⁰ The HECO Companies made all periodic estimated tax payments during the 2014 year according to then currently applicable tax laws without benefits of bonus depreciation.²¹ The Companies recognized the tax deferral benefit of the 2014 50% bonus depreciation in 2014 end-of-year recorded Accumulated Deferred Income Taxes ("ADIT").²² The impacts of bonus depreciation were included in the end-of-year balances used in the determination of the Basis for the 2015 RAM Cap and the beginning-of-year balances used in the RAM Revenue Adjustment calculations for each of the Companies.²³ No explicit adjustments were made to account for possible extensions of bonus depreciation provisions for the 2015 year.²⁴

27. In its SOP, the Consumer Advocate now recommends that, in accordance with the agreement by the Companies on May 14, 2014, explicit adjustments should be made to the

²⁰CA-IR-12.

²¹HECO Companies' letter to the Commission dated May 11, 2015, at 19-20.

²²Id.

²³Id.

²⁴CA-IR-16.

2014 target revenues for the five months (January through May of 2015) of 2014 target revenues remaining²⁵ after the changes in bonus depreciation were enacted in December of 2014.²⁶

28. The HECO Companies argue that, because estimated tax payments were made throughout 2014 based on currently applicable tax laws without bonus depreciation, the Companies did not receive a benefit from bonus depreciation in 2014; any benefits would only be realized in 2015; and therefore no adjustments to 2014 target revenues are necessary.²⁷

29. The commission does not agree with the HECO Companies' assertion that no tax deferral benefits accrued to the Companies in 2014. Although it may be true that no cash benefits were obtained through reductions in periodic tax payments made during 2014, the Companies accrued a tax deferral benefit in 2014, amounting to the effects of 50% bonus depreciation applicable to qualified investments placed in service in the full 2014 year. The Companies acknowledge this tax deferral benefit as a credit

²⁵Target revenues for each RAM Period are applied to the RBA balances for the months of June of the RAM Period through the month of May of the year following the RAM Period.

²⁶The commission observes that the Consumer Advocate's position is a change from its previous position that, in the event bonus depreciation was enacted for the 2014 year, target revenues should be retroactively adjusted as of June 1, 2014.

²⁷HECO Companies letter to the commission dated May 11, 2015 at 19-20.

that could be refunded to the Companies or applied to tax liabilities in 2015²⁸ and recorded this benefit in ADIT at the close of the 2014 year.²⁹

30. The commission recognizes that the inclusion of the ADIT adjustment for bonus depreciation at the end of 2014 effects and lowers the 2015 RAM Cap and 2015 RAM Revenue Adjustment calculations. This adjustment, however, affects the determination of 2015 target revenues and does not constitute an adjustment to 2014 target revenues as agreed by the Companies on May 14, 2014.

31. The commission concurs with the Consumer Advocate that adjustments should be made to 2014 RAM Period target revenues but does not concur that the adjustment should be limited to the five month period of 2014 RAM Period target revenues in 2015. The purpose of the adjustment agreed to by the HECO Companies is to pass the benefits of 2014 bonus depreciation to customers. The commission sees no reason to limit the adjustment to a fraction of the actual benefits of the bonus depreciation provisions. The HECO Companies shall adjust the target revenues calculated for the 2014 RAM Period and applied to the twelve month period of June 2014 through May 2015, so as to pass through to customers the benefits of the full 2014 RAM benefit of the bonus depreciation

²⁸Id.

²⁹Id.

target revenue impacts estimated by the Companies and enumerated in the SOP.³⁰ The Companies shall make appropriate adjustments to target revenues, RBA accounts and associated regulatory asset accounts to ensure that the 2014 bonus depreciation benefits accrue to customers as provided above.

G. RBA Accounting for Billing Adjustments.

32. The Consumer Advocate and the HECO Companies agree that accounting for billing adjustments in the RBA could be simplified by changes made on a prospective basis. The commission notes that this matter does not have to be resolved prior to any timely approval of the 2015 transmittals and proposed RBA Rate Adjustments. The HECO Companies may file proposed implementing RBA tariff amendments based on language reviewed by and agreed to by the Consumer Advocate.

H. RAM Tariff Amendments.

33. In the April 15, 2015 transmittals, the HECO Companies propose amendments to the RAM tariffs for each of the Companies. The proposed amendments are identified in Attachments 1 and 1A to each of the April 15, 2015 transmittals.

³⁰CA SOP at 38. Annual target revenue benefits to be adjusted for HECO are \$1,673,734; for HELCO, are \$431,234; and for MECO, are \$295,057.

In its SOP, the Consumer Advocate concurs with most of the proposed amendments but recommends alternate language regarding two matters.³¹

34. First, the Consumer Advocate recommends removal of the proposed added language regarding the method for determining the amount of target revenues to serve as the Basis for the indexed RAM Cap. Instead, the Consumer Advocate recommends simpler language that specifies the dollar amount of the approved target revenue Basis.³² As observed by the HECO Companies in their responses to the SOP, language in the tariff definitions and the new section "RAM Revenue Adjustment Cap" is necessary to provide for "previously explicitly stipulated and approved exceptional matters or other matters specifically ordered by the Commission".³³ The HECO Companies shall, however, revise the proposed language in the last paragraph of the "RAM Revenue Adjustment Cap" section for each company that is currently similar to the following:

The RAM Revenue Adjustment Cap for year 2015 and for each subsequent year until the issuance of a final decision and order in the next rate case shall be calculated as the RAM Basis, multiplied by the cumulative annually compounded increase(s) in the GDPPI for the years between 2014 and the RAM Period,

³¹CA SOP at 39-41.

³²CA SOP at 40.

³³See, for example, HECO response to the SOP, dated May 21, 2015, Attachment 1 at 10-11.

adjusted to include applicable revenue taxes,
plus the adjusted calculation of the 2014
RAM Revenue Adjustment described above.

A period shall be inserted after the word "taxes" in the
last sentence and the remainder of the last sentence shall
be deleted.

35. Second, the Consumer Advocate recommends removal of
the proposed new language specifying a provision for recovery of
major projects and consolidated baseline projects as provided in
Order No. 32735. The commission concurs with the Consumer
Advocate's arguments that this provision is sufficiently clear and
effective by the force of Order No. 32735 and is not currently
necessary, and that appropriate language can be added as necessary
after the commission determines standards and guidelines for
eligibility and amount of cost recovery above or outside the RAM
as provided for in Order No. 32735.

IV.

Suspension

36. The commission suspends the effect of the
HECO Companies' decoupling tariff transmittal filings to allow
time for the Companies to revise their transmittals as set forth

in this Order.³⁴ The HECO Companies may use an effective date of June 8, 2015, in their revised transmittals.

V.

Orders

THE COMMISSION ORDERS:

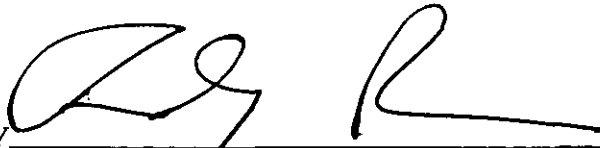
1. The HECO Companies shall revise the March 31, 2015 transmittals, as amended on April 15, 2015, to comply with the directives set forth in this Order. The HECO Companies shall file the revised transmittals with the commission no later than June 3, 2015, with an effective date of June 8, 2015.


³⁴See HECO's Rate Adjustment Mechanism Provision, Sheet No. 93, effective June 1, 2013 ("The commission may suspend any or all parts of this Rate Adjustment Mechanism Provision. Such suspension shall remain in place until removed by Commission Order.") Identical language appears in HELCO's and MECO's Rate Adjustment Mechanism Provisions (MECO has separate tariffs for each of its operating divisions).

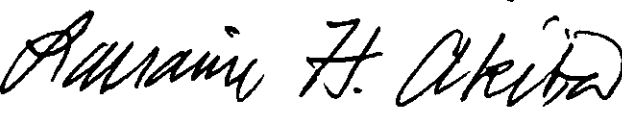
2. The commission suspends the effect of the HECO Companies' decoupling tariff transmittal filings to allow time for the Companies to revise their transmittals as set forth in this Order.

DONE at Honolulu, Hawaii MAY 28 2015.


PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Randall Y. Iwase, Chair

By 
Michael E. Champley, Commissioner

By 
Lorraine H. Akiba, Commissioner

APPROVED AS TO FORM:


Thomas C. Gorak
Commission Counsel

TRANS#15-03,15-04&15-05(CON).sr

CERTIFICATE OF SERVICE

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

JEFFREY T. ONO
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