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April 19, 2012

DEPT. COMM. NO. 80

The Honorable Shan S. Tsutsui
President of the Senate
State Capitol, Room 409
415 South Beretania Street
Honolulu, Hawaii 96813

The Honorable Calvin K.Y. Say
Speaker of the House
State Capitol, Room 431
415 South Beretania Street
Honolulu, Hawaii 96813

Re: Docket No. 2009-0164, Hawaii Electric Light Company, Inc. – Application for Approval of a General Rate Increase and Other Related Matters

Dear Senate President Tsutsui and House Speaker Say:

The Public Utilities Commission ("Commission") respectfully submits this report in accordance with Hawaii Revised Statutes ("HRS") § 269-16(d). With respect to a public utility's completed rate case application filed with the Commission, HRS § 269-16(d) states in relevant part:

(d) The commission shall make every effort to complete its deliberations and issue its decision as expeditiously as possible and before nine months from the date the public utility filed its completed application; provided that in carrying out this mandate, the commission shall require all parties to a proceeding to comply strictly with procedural time schedules that it establishes. If a decision is rendered after the nine-month period, the commission shall report in writing the reasons therefor to the legislature within thirty days after rendering the decision.

. . . . if the commission has not issued its final decision on a public utility's rate application within the nine-month period stated in

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this section, the commission, within one month after the expiration of the nine-month period, shall render an interim decision allowing the increase in rates, fares, and charges, if any, to which the commission, based on the evidentiary record before it, believes the public utility is probably entitled. The commission may postpone its interim rate decision for thirty days if the commission considers the evidentiary hearings incomplete

The nine-month period in this subsection shall begin only after a completed application has been filed with the commission and a copy served on the consumer advocate

HRS § 269-16(d) (emphasis added).

The Parties in this rate case proceeding are Hawaii Electric Light Company, Inc. ("HELCO") and the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy, ex officio, a party, pursuant to HRS § 269-51 and Hawaii Administrative Rules § 6-61-62(a). HELCO is a public utility engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Hawaii.

By way of procedural background:

1. On December 9, 2009, HELCO filed its completed application seeking the Commission's approval of an increase in its revenues of \$20,934,500 (approximately 6.0 percent) over its revenues at current effective rates, based on a 2010 test year ("Test Year").
2. On September 16, 2010, the Parties jointly filed their Settlement Agreement, which effectively represented a global settlement of all the issues in this proceeding. HELCO filed the Settlement Agreement in lieu of its rebuttal testimonies.
3. On October 5, 2010, the Parties filed their Joint Statement of Probable Entitlement in support of interim rate relief.
4. On November 3, 2010, the Commission issued its Interim Decision and Order in this docket, which approved in part and denied in part HELCO's request to increase its rates on an interim basis, as set forth in the Joint Statement of Probable Entitlement. As discussed in the Interim Decision and Order, the Commission denied HELCO's request to increase employee salaries and wages, and determined that HELCO must make

certain downward adjustments to the wages, salaries, and benefits of HELCO employees in light of the economic challenges that HELCO customers and the State of Hawaii face today.

5. On December 15, 2010, HELCO filed its Supplemental Testimonies and Exhibits pursuant to the Interim D&O.
6. On February 8, 2012, the Commission issued its Decision and Order No. 30168, approving an increase in rates and allowing HELCO to implement the decoupling mechanism that the Commission approved in the decoupling proceeding, Docket No. 2008-0274, on August 31, 2010. In addition, the Commission determined that the appropriate return on common equity for the 2010 Test Year is 10.00 percent. By Ordering Paragraph No. 4 of Decision and Order No. 30168, the Commission instructed HELCO as follows:

As soon as is reasonably practicable, HELCO shall file its revised results of operations and supporting schedules, and tariff sheets which reflect the increase in rates allowed by this Final Decision and Order, for the commission's review and approval, with copies served upon the Consumer Advocate.

Decision and Order No. 30168, Ordering Paragraph No. 4, at 109.

7. On February 21, 2012, HELCO filed its revised results of operations, supporting schedules, and tariffs for the Commission's review and approval. Exhibit 1A to the February 21, 2012 filing provides the 2010 Test Year results of operations, including a revenue requirement of \$356,707,000, for a revenue increase of \$4,494,000 over revenues at 2006 test year final rates.
8. On April 4, 2012, the Commission issued Order No. 30301, approving the revised results of operations, supporting schedules, and tariff sheets filed by HELCO.

A copy of the Commission's Decision and Order No. 30168 and Order No. 30301 are enclosed for your information.

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The Commission determined the filing date of the completed Application as December 9, 2009. Thus, pursuant to HRS § 269-16(d), the nine-month deadline for the Commission to make every effort to complete its deliberations and issue its decision and order was September 9, 2010, or at a minimum, its interim decision and order by October 9, 2010. Because October 9, 2010 fell on a Saturday, and October 8, 2010 was a scheduled furlough day, the Commission was required to render an interim rate decision by October 7, 2010, unless it considered the evidentiary hearings incomplete. Notably, as of September 29, 2010, approximately one week before the expiration of the ten-month period for interim relief, the Parties had not filed their Statement of Probable Entitlement. Because the evidentiary hearings were incomplete, the Commission postponed its interim rate decision for thirty days pursuant to HRS § 269-16(d), and instead rendered an interim decision by November 9, 2010.

In summary, based on the Parties' actions, including HELCO's waiver of the nine-month decision deadline, the Commission was unable to issue its final decision by September 9, 2010, i.e., within the nine-month period set forth in HRS § 269-16(d).

Thank you for the opportunity to submit this report. Should you have any questions regarding this matter, please contact me at 586-2020 or Catherine Awakuni, Chief Counsel, at 586-2010.

Sincerely,



Hermina Morita
Chair

HM:CPA:sl

Enclosures

c: Dean Matsuura, Hawaii Electric Light Company, Inc.
(w/o enclosure)
Jeffrey T. Ono, Division of Consumer Advocacy
(w/o enclosure)