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DEPT. COMM. NO. 83

May 2, 2012

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. 2009-0163, Maui Electric Company, Limited – Application for
Approval and Rate Increases and Revised Rate Schedules

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 Maui Electric Company, Limited ("MECO") and the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy, an ex officio party, pursuant to HRS § 269-51 and Hawaii Administrative Rules § 6-61-62(a). MECO is the franchised provider of electric utility service for the County of Maui.

By way of procedural background:

1. On September 30, 2009, MECO filed its completed application for a general rate increase and other related matters, based on the 2010 test year ("Test Year").
2. On June 21, 2010, the Parties filed their Settlement Agreement, which represented a global settlement of all the issues.
3. On June 24, 2010, the Parties filed their Joint Statement of Probable Entitlement in support of interim rate relief.
4. On July 27, 2010, the Commission issued its Interim Decision and Order, approving an interim increase in revenues of \$10,296,200, or approximately 3.3% over present at current effective rates.
5. On January 5, 2011, the Commission issued its Order Granting [the Parties'] Joint Motion to Adjust Interim Rates, which lowered the amount of the interim increase in revenues previously approved by the Commission in its Interim Decision and Order.

6. Following the filing of the Parties' Settlement Agreement in June 2010, the Commission adjudicated five related proceedings involving MECO and its affiliated entities, Hawaiian Electric Company, Inc. ("HECO") and Hawaii Electric Light Company, Inc. ("HELCO")(collectively, the "HECO Companies"). Specifically: (1) In re Public Util. Comm'n, Docket No. 2008-0274, decoupling for MECO, HECO, and HELCO; (2) In re Maui Elec. Co., Ltd., Docket No. 2006-0387, MECO's 2007 test year rate case; (3) In re Hawaiian Elec. Co., Inc., Docket No. 2008-0083, HECO's 2009 test year rate case; (4) In re Maui Elec. Co., Ltd., Docket No. 2009-0286, MECO's revised depreciation and amortization rates; and (5) In re Hawaii Elec. Light Co., Inc., Docket No. 2009-0164, HELCO's 2010 test year rate case.

(The Commission's Order No. 30196, Instructing the Parties to File an Updated Settlement Agreement, filed on February 13, 2012, describes in detail the background and adjudication of all five proceedings. A copy of Order No. 30196 is enclosed for your information.)

7. Upon the adjudication of the five related proceedings, the Commission, on February 13, 2012, provided the Parties with the opportunity to incorporate in their Settlement Agreement the applicable rulings and decisions made by the Commission in the related proceedings. Accordingly, the Commission instructed the Parties to file an updated settlement agreement.
8. On March 29, 2012, the Parties filed their Updated Settlement Agreement.
9. On May 2, 2012, the Commission issued its Decision and Order No. 30365, approving an increase of \$4,745,100, or approximately 1.5% over revenues at present rates for MECO, based on a total Test Year revenue requirement of \$320,117,200. In so doing, the Commission approved the Parties' Updated Settlement Agreement.

(A copy of the Commission's decision and order is enclosed for your information.)

The nine-month deadline for the Commission to make every effort to complete its deliberations and issue its decision and order as expeditiously as possible expired on or about June 30, 2010, in accordance with HRS § 269-16(d), subject to the proviso that

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the Parties strictly comply with the procedural time schedules established by the Commission. The Commission did not issue its decision and order by that date. Instead, on July 27, 2010, the Commission timely issued its Interim Decision and Order, in compliance with HRS § 269-16(d). Thereafter, the Commission completed its adjudication of the five related proceedings involving the HECO Companies, and instructed the Parties to file an updated settlement agreement.

On March 29, 2012, the Parties filed their Updated Settlement Agreement, and five weeks later, the Commission issued its decision and order on May 2, 2012.

In summary, based on the Commission's adjudication of the five related proceedings, the Commission was unable to issue its decision and order by June 30, 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 Michael Azama, Commission Counsel, at 586-2033.

Sincerely,



Hermina Morita
Chair

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Enclosures (2)

c: Dean K. Matsuura, Hawaiian Electric Co., Inc. (w/o enclosure)
Jeffrey T. Ono, Division of Consumer Advocacy (w/o enclosure)