

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
HAWAIIAN ELECTRIC COMPANY, INC.)
For Approval of Rate Increases)
And Revised Rate Schedules and)
Rules)
_____)

DOCKET NO. 2008-0083

PREHEARING CONFERENCE ORDER

PUBLIC UTILITIES
COMMISSION

2009 OCT 20 P 2:29

FILED

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
HAWAIIAN ELECTRIC COMPANY, INC.)
For Approval of Rate Increases)
And Revised Rate Schedules and)
Rules)
_____)

Docket No. 2008-0083

PREHEARING CONFERENCE ORDER

The commission issues this prehearing order as a result of the prehearing conference held on October 19, 2009, in preparation for the panel evidentiary hearing scheduled for October 26, 2009, to November 6, 2009.

The parties to this docket are HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"): the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"): and the DEPARTMENT OF THE NAVY on behalf of the DEPARTMENT OF DEFENSE ("DoD") (collectively, "Parties").

I.

Background

A.

Settlement Agreement

On May 15, 2009, the Parties filed a Stipulated Settlement Letter ("Settlement Agreement"), in which the Parties stated that they reached agreement on all issues in this

proceeding (the "Settled Issues"), except for two issues: (1) what is the appropriate test year expense for informational advertising; and (2) what is the appropriate return on common equity for the test year (the "Disputed Issues").¹

The Parties agreed that each of their respective witnesses' pre-filed written testimonies may be submitted without their witnesses appearing at an evidentiary hearing, subject to certain specified exceptions:

Under §91-9(d) of the Hawaii Revised Statutes: "Any procedure in a contested case may be modified or waived by stipulation of the parties and informal disposition may be made of any contested case by stipulation, agreed settlement, consent order, or default." As a result of this settlement, the Parties: 1) agree that the written testimonies (and exhibits, workpapers, updates and responses to information requests related to such testimonies and updates) of all witnesses in this docket, with the exception of those witnesses who will be testifying on the two contested issues, may be submitted without the witnesses appearing at an evidentiary hearing, and 2) acknowledge that all identified witnesses are subject to call at the discretion of the Commission, and witnesses called by the Commission shall be subject to cross examination upon any testimony provided at the call of the Commission. The Parties also agree to waive their rights to (a) present further evidence on the settled issues, except as provided herein and (b) conduct cross-examination of the witnesses who are not testifying on the contested issues. This waiver shall not apply where a Party deems it to be necessary to respond to evidence or argument resulting from the examination of witnesses or questions asked by the Commission.²

¹See Settlement Agreement at 1.

²See Settlement Agreement at 2.

B.

Interim Decision and Order

The commission issued an Interim Decision and Order on July 2, 2009 ("Interim Decision and Order"), which (among other things) identified and described several issues and concerns it had in this proceeding, and allowed the Parties to provide supplemental testimony related to those issues.

C.

Panel Evidentiary Hearing Format

On September 28, 2009, the commission advised the Parties that the commission intended to organize the evidentiary hearing in this proceeding by issue panels as the commission had done in investigative dockets in the past.³ The commission explained that this issue-focused approach facilitates immediate comparisons and interactions between and among the testifying experts, which results in deepening the commission's understanding of the issues, and that the commission has found this approach to be more efficient and valuable than the traditional party-by-party approach.⁴

By letter dated October 7, 2009, HECO, on behalf of itself, Consumer Advocate, and DoD, informed the commission that the Parties agreed to the panel hearing format described in the

³See letter from Commission to Parties dated September 28, 2009 ("September 28th Letter").

⁴See September 28th Letter at 1.

September 28th Letter "in light of the steps proposed by the Commission to preserve the due process rights of the Parties."⁵

On October 12, 2009, the commission identified the issues that would be covered in the hearing⁶ as follows:

- I. Parties' Disputed Issues
 - A. Informational advertising
 - B. Return on common equity
- II. HCEI Related Costs Excluded From Interim Rates
 - A. Sales Decoupling
 - B. HCEI-Related Positions
 - C. HCEI-Related Outside Services
- III. Other Costs Excluded from Interim Rates
 - A. Campbell Industrial Park Combustion Turbine Unit ("CT-1") In-Service Date and AFUDC Treatment
 - B. Employee Electricity Rate Discount
 - C. Merit Employee Wage Increases
 - D. Commodity Prices
- IV. Additional Issues
 - A. Employee Count
 - B. Purchased Power Adjustment Clause
 - C. Cost Overruns on CIP Projects
 - D. ECAC

⁵See letter from HECO to commission dated October 7, 2009 (footnotes omitted).

⁶See letter from commission to parties dated October 12, 2009.

- E. IRP/DSM Costs
- F. Rate Design
- G. Non-Merit Employee Wage Increases
- H. Management Audit
- I. Significant Expense Increases (limited)
 - 1. Medical Insurance (HECO-ST-13)
 - 2. Outside Services (HECO-ST-11)
- V. Settlement Agreement
 - A. ADIT Adjustments-Book Depreciation
 - B. Other Operating Revenues (Why diminished in comparison with amount in HECO FERC 1 Form)
 - C. AMI R&D Consulting (Appropriateness given delay in AMI docket)
 - D. Fuel Expense for CT-1 (Should amount be updated or corrected given status of fuel contract?)
 - E. Effect on projected expenses of HECO corporate efficiency and cost reduction measures (reduced training; no overtime, reduced vehicle maintenance, etc.)

At the October 19, 2009, prehearing conference, the commission advised the parties that the hearing would also include questions and a discussion on the Kalaeloa Barbers Point Harbor pipeline, which is property held for future use, as described in HECO's testimony (HECO T-17). This issue will be included in the CT-1 Panel (see Exhibit A, attached hereto), since the appropriate witnesses will be available in that panel.

On October 19, 2009, the Parties provided their respective witness lists and proposed hearing schedule.

II.

Prehearing Conference

On October 19, 2009, the commission held a prehearing conference pursuant to Hawaii Administrative Rules § 6-61-36, with representatives from HECO, the Consumer Advocate, and the DoD.⁷

Unless otherwise modified by the commission, the following terms shall control the panel evidentiary hearing:

Date and Location:

The panel evidentiary hearing will be held at the commission's hearing room at 465 South King Street, Honolulu, Hawaii. The hearing is scheduled from October 26, 2009, through November 6, 2009, as necessary and as more particularly described in the "Panel Evidentiary Hearing Schedule" attached hereto as attached Exhibit A. The hearing will begin and reconvene daily at 9:00 a.m., unless otherwise modified by the commission.

Opening Statements:

Each Party shall have up to thirty minutes to present opening statements, which shall be presented in the following order: HECO, the Consumer Advocate, and then the DoD.

⁷HECO was represented by Dean Matsuura, Thomas W. Williams, Esq., and Peter Y. Kikuta, Esq. The Consumer Advocate was represented by Catherine P. Awakuni, Dean Nishina, and Jon Itomura, Esq. DoD was represented by Dr. Kay Davoodi (by telephone), and James N. McCormick, Esq.

Settled Issues and any other issues:

Mr. Scott Hempling, Executive Director of the National Regulatory Research Institute, the commission's consultant, will moderate this portion of the panel evidentiary hearing. Mr. Hempling will direct commission questions to specific panel members. These questions will be asked by Mr. Hempling, with follow-up questions by commissioners and staff, if deemed necessary. After the commission's questions are completed for each panel, the Parties will have an opportunity to conduct cross-examination on other Parties' witnesses and to conduct re-direct examination of their own witnesses.

Disputed Issues:

For the Disputed Issues, the Parties shall present their witnesses in the traditional contested case format. Witnesses will present and summarize their pre-filed written direct testimony, and other Parties will have an opportunity to conduct cross-examination of these witnesses on the Disputed Issues. Parties will have an opportunity to conduct re-direct examination of their own witnesses after cross-examination or any commission questioning. The commission may have questions for witnesses following cross-examination by the Parties.

The order of presentation of witnesses for Disputed Issues shall be in the following order: HECO, the Consumer Advocate, and then the DoD. Cross-examination shall be conducted in the same order as applicable.

Informational advertising: DoD advised the commission and the other Parties that DoD's witness, Ralph C. Smith, may not be available as scheduled on Friday, October 30, 2009. DoD will advise the commission of Mr. Smith's availability by Wednesday, October 21, 2009. In any event, HECO and the Consumer Advocate agreed that DoD's witness, Ralph C. Smith, need not be present at the hearing and waived cross-examination of Mr. Smith.

Return on common equity: DoD advised the commission and the other Parties that DoD's witness, Stephen G. Hill, will probably not be available for the hearing. HECO and the Consumer Advocate will advise the commission whether it objects to Mr. Hill not being made available

for cross-examination at the hearing or whether they waive cross-examination of Mr. Hill, by Wednesday, October 21, 2009.

Closing Arguments:

Each of the Parties shall have up to thirty minutes to present closing arguments, which shall be presented in the following order: DoD, the Consumer Advocate, then HECO.

Hearing Exhibits:

The Parties shall not present any hearing exhibits that are not already filed in the record and served upon the Parties.

Panel Evidentiary Hearing Schedule:

The panel evidentiary hearing shall be conducted to the extent reasonably possible as described and outlined in the "Panel Evidentiary Hearing Schedule" attached hereto as Exhibit A. Subject to witness availability, in the event a panel or other matter is completed earlier than scheduled, the hearing will continue with the next scheduled panel or matter on the schedule, and in the event a panel or other matter is completed after its scheduled time period, the next panel or matter will be held as soon as reasonably possible.

Agreement of Parties to Panel Evidentiary Hearing Format:

As previously stated in HECO's letter dated October 7, 2009, described above, the Parties have no objections to, and have affirmatively agreed to the panel evidentiary hearing format described herein.

Post Hearing Briefs:

Simultaneous Opening Briefs by Parties are due four weeks after Transcripts are filed. Parties' Proposed Findings of Fact and Conclusions of law shall be included in their respective Opening Briefs. Simultaneous Reply Briefs are due three weeks after Opening Briefs.

III.

Orders

THE COMMISSION ORDERS:

1. This order shall control the subsequent course of the panel evidentiary hearing in this proceeding, unless modified or otherwise ordered by the commission.


2. This order shall supersede all prior procedural orders in this proceeding where there may be a conflict and shall supplement such orders in all other respects.

DONE at Honolulu, Hawaii OCT 20 2009

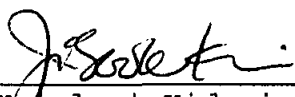
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
John E. Cole, Commissioner

By 
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:

for 
Kalulani Kidani Shinsato
Commission Counsel

2008-0083.cp

EXHIBIT A

Panel Evidentiary Hearing Schedule

Application of
Hawaiian Electric Company, Inc.
Docket No. 2008-0083

For Approval of Rate Increases And Revised Rate Schedules and Rules

Panel	Panel Title
1	Opening Statements
2	Employee Count / HCEI Related Positions/HCEI Related Outside Services
3	Expense Panel
4	Employee Discount/Wage Panel
5	CT-1 Panel
6	Sales Decoupling / ECAC Panel
7	Purchase Power Adjustment Clause Panel
8	ADIT Adjustments - Book Depreciation Panel
9	Other Operating Revenues Panel
10	Rate Design Panel
11	Management Audit Panel
12	Informational Advertising
13	Cost of Capital
14	Closing Arguments

Week 1									
	Start	Stop	Total Time	Hearing Time	Monday	Tuesday	Wednesday	Thursday	Friday
					26-Oct-09	27-Oct-09	28-Oct-09	29-Oct-09	30-Oct-09
Session 1	9:00 AM	10:30 AM	1:30	1:30	Panel 1	Panel 4	Panel 5 (cont)	Panel 8	Panel 11
Break	10:30 AM	10:45 AM	0:15						
Session 2	10:45 AM	12:15 PM	1:30	1:30	Panel 2	Panel 4 (cont)	Panel 6	Panel 9	Panel 11 (cont)
Lunch	12:15 PM	1:45 PM	1:30						
Session 3	1:45 PM	3:15 PM	1:30	1:30	Panel 3	Panel 5	Panel 6 (cont)	Panel 10	Panel 11 (cont)
Break	3:15 PM	3:30 PM	0:15						
Session 4	3:30 PM	5:00 PM	1:30	1:30	Panel 3 (cont)	Panel 5 (cont)	Panel 7	Panel 10 (cont)	Panel 12
			8:00	6:00					

Week 2									
	Start	Stop	Total Time	Hearing Time	Monday	Tuesday	Wednesday	Thursday	Friday
					02-Nov-09	03-Nov-09	04-Nov-09	05-Nov-09	06-Nov-09
Session 1	9:00 AM	10:30 AM	1:30	1:30	Panel 13	Panel 13 (cont)	Panel 14		
Break	10:30 AM	10:45 AM	0:15						
Session 2	10:45 AM	12:15 PM	1:30	1:30	Panel 13 (cont)	Panel 13 (cont)	Panel 14 (cont)		
Lunch	12:15 PM	1:45 PM	1:30						
Session 3	1:45 PM	3:15 PM	1:30	1:30	Panel 13 (cont)	Panel 13 (cont)			
Break	3:15 PM	3:30 PM	0:15						
Session 4	3:30 PM	5:00 PM	1:30	1:30	Panel 13 (cont)	Panel 13 (cont)			
			8:00	6:00					

EXHIBIT A

Panel Evidentiary Hearing Schedule

Application of
Hawaiian Electric Company, Inc.
Docket No. 2008-0083

For Approval of Rate Increases And Revised Rate Schedules and Rules

Panel		Witnesses	Witnesses	Witnesses
1	Opening Statements	HECO	DCA	DoD
2	Employee Count / HCEI Related Positions / HCEI Related Outside Services Panel	ibid	ibid	ibid
	HCEI - Related Positions HCEI - Related Outside Services Employee Count	ST-1 R. Alm ST-7 D. Giovanni ST-8 R. Young ST-9 D. Yamamoto ST-10 A. Hee ST-11 P. Nanbu ST-15 F. Chiogioji ST-15C L. Roose ST-15D S. Seu	M. Brosch S. Carver	None
3	Expense Panel			
	Commodity Prices	ST-7 D. Giovanni ST-8 R. Young	M. Brosch S. Carver	None
	Integrated Renewable Portfolio ("IRP")/Demand-Side Management Costs ("DSM")	ST-10 A. Hee	M. Brosch S. Carver	None
	Significant Expense Increases (limited) 1. Medical Insurance 2. Outside Services	ST-13 J. Price ST-11 P. Nanbu	M. Brosch S. Carver	None
	AMI R&D Consulting	ST-14 B. Tamashiro	S. Carver	None
	Effect on projected expenses of HECO corporate efficiency and cost reduction measures	ST-7 D. Giovanni ST-8 R. Young ST-9 D. Yamamoto ST-10 A. Hee ST-11 P. Nanbu ST-14 B. Tamashiro	M. Brosch S. Carver	None
4	Employee Discount / Wage Panel			
	Employee Electricity Rate Discount Merit Employee Wage Increases Non-Merit Employee Wage Increases	ST-1 R. Alm ST-15 F. Chiogioji ST-15A G. "Miki" Furuta-Okayama ST-15B M. McInerney	M. Brosch S. Carver	None
5	CT-1 Panel			
	Used and Useful Campbell Industrial Park Combustion Turbine Unit In-Service Date and AFUDC treatment	ST-1 R. Alm ST-4 R. Sakuda ST-7 D. Giovanni ST-11 P. Nanbu ST-17 L. Nagata ST-17A B. Isler ST-17E T. Simmons	S. Carver M. Brosch	None
	Fuel Expense for CT-1	ST-4 R. Sakuda	J. Herz	None
	Cost Increase on CIP Projects	ST-4 R. Sakuda ST-7 D. Giovanni ST-17A B. Isler ST-17B A. Lunardini ST-17C B. Munger ST-17D K. Morikami ST-17E T. Simmons	M. Brosch, S. Carver, if required by commission	None
	Property Held for Future Use - Kalaheo Barbers Point Harbors Pipeline	ST-17 L. Nagata ST-17D K. Morikami	M. Brosch S. Carver J. Herz	None
6	Sales Decoupling / ECAC Panel			
	Sales Decoupling	ST-10 A. Hee ST-20 T. Sekimura	S. Carver M. Brosch	None
	ECAC	ST-10 A. Hee ST-10B Dr. J. Makhholm	J. Herz	None

Panel		Witnesses	Witnesses	Witnesses
7	Purchase Power Adjustment Clause Panel Purchased Power Adjustment Clause	HECO ST-20 T. Sekimura ST-22 P. Young	DCA J. Herz	DoD None
8	ADIT Adjustments - Book Depreciation Panel ADIT Adjustments - Book Depreciation	ST-16 L. Okada	M. Brosch S. Carver	Ralph Smith (if required by commission)
9	Other Operating Revenues Panel Other Operating Revenues	ST-3 P. Young ST-9 D. Yamamoto ST-14 B. Tamashiro	M. Brosch	None
10	Rate Design Panel Rate Design	ST-22 P. Young	M. Brosch	M. Brubaker (not required)
11	Management Audit Panel Management Audit	ST-1 R. Alm	M. Brosch	Ralph Smith (if required by commission)
12	Informational Advertising Informational Advertising Panel	ST-1 R. Alm T-10 A. Hee ST-10A L. Unemori	M. Brosch	R. Smith (not required)
13	Cost of Capital Panel Cost of Capital	ST-19 R. Morin ST-20 T. Sekimura ST-21 S. Fetter	D. Parcell	S. Hill (probably not available)
14	Closing Arguments	tbd	tbd	tbd

CERTIFICATE OF SERVICE

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

CATHERINE P. AWAKUNI
EXECUTIVE DIRECTOR
DIVISION OF CONSUMER ADVOCACY
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
P. O. Box 541
Honolulu, HI 96809

DEAN K. MATSUURA
MANAGER - REGULATORY AFFAIRS
HAWAIIAN ELECTRIC COMPANY, INC.
P. O. Box 2750
Honolulu, HI 96840-0001

DR. KAY DAVOODI
NAVFAC HQ ACQ-URASO
1322 Patterson Avenue, SE Suite 1000
Washington Navy Yard
Washington, DC 20374-5065