

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )  
 )  
 MAUI ELECTRIC COMPANY, LIMITED )  
 )  
 For Approval of Rate Increases and )  
 Revised Rate Schedules. )  
 \_\_\_\_\_ )

DOCKET NO. 2009-0163

ORDER REGARDING COMPLETED  
APPLICATION AND OTHER INITIAL MATTERS

FILED

2009 NOV -3 P 2:35

PUBLIC UTILITIES  
COMMISSION



A.

MECO's Application

By its Application, MECO seeks an increase in its revenues of \$28,190,300 (approximately 9.7%) over its present total revenue requirement of \$291,028,500 at current effective rates.<sup>3</sup> The requested increase is based on an estimated total revenue requirement of \$319,218,800 for the January 1, 2010 to December 31, 2010 test year ("Test Year"), and an 8.57% rate of return on MECO's average Test Year rate base of \$389,959,000.

1.

Depreciation Rates

"The revenue requirement of \$319,218,800 is based on the depreciation rates set forth in its 2008 Book Depreciation Study which MECO filed for Commission approval in its application in Docket No. 2009-0286, filed on September 10, 2009 . . . . These depreciation rates are pending review and approval by the Commission."<sup>4</sup> Conversely, "MECO's existing depreciation rates are those that were last approved by the Commission. These [depreciation] rates are those resulting from the 1986 book depreciation study which the Commission approved in Docket

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<sup>3</sup>"MECO's current effective rates are the base rates that were established as a result of Amended Decision and Order No. 16922 in Docket No. 97-0346 (MECO's 1999 test year rate case) plus the interim rate relief that the Commission approved on December 21, 2007 in Interim Decision and Order No. 23926 in MECO's 2007 test year rate case (Docket No. 2006-0387)." Application, MECO T-21, at 1-2.

<sup>4</sup>Application, MECO T-21, at 2; see also Application, MECO T-1, at 5. The parties in In re Maui Elec. Co., Ltd., Docket No. 2009-0286, are MECO and the Consumer Advocate.

No. 5750, Decision and Order No. 9717 issued on April 8, 1988 (as amended by Decision and Order No. 9812 issued on June 29, 1988)."<sup>5</sup> According to MECO:

The revenue requirement results should be based on the depreciation rates last approved by the Commission. Hence, if the Commission issues a decision and order in Docket No. 2009-0286 before the conclusion of this rate case, the 2010 test year revenue requirement should be based on the depreciation rates and any other changes approved by the Commission in [Docket No. 2009-0286].

Application, MECO T-21, at 4; see also Application, MECO T-1, at 5.

2.

#### Implementation of Rate Increases

MECO requests that the commission implement the electric utility's proposed rate changes in the following steps: (1) an Interim Increase as soon as practicable after the evidentiary hearing is held, "structured as surcharges for the various classes based on a percentage of the customer's base charges (i.e., exclusive of Energy Cost Adjustment charges and other surcharges)[;]"<sup>6</sup> (2) to the extent applicable, a Depreciation Step Down step;<sup>7</sup> and (3) a Final Increase when the

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<sup>5</sup>Application, MECO T-21, at 3-4.

<sup>6</sup>Application, at 4.

<sup>7</sup>As described by MECO:

If a decision in Docket No. 2009-0286 has not been rendered by the time that an interim decision is to be issued in this proceeding, the Company requests that the Interim Step be based on the existing depreciation rates, and that upon issuance of the decision and order in Docket No. 2009-0286, the Commission approve a

commission issues its final written decision in this proceeding, on an equal, across-the-board percentage basis.

3.

### Tariff Rules

As part of its Application, MECO also proposes to: (1) establish a purchased power adjustment ("PPA") clause/surcharge to recover non-energy purchased power agreement costs by effectively transferring the recovery of purchased power costs from base rates to the new surcharge that will be adjusted monthly and reconciled on a quarterly basis, pursuant to Section 30 of the Energy Agreement dated October 20, 2008, between the State of Hawaii and the Hawaiian Electric Companies ("Energy Agreement");<sup>8</sup> and (2) establish a revenue balancing account for a revenue decoupling mechanism that will remove the linkage between electric revenues and sales (i.e., decouple), pursuant to Section 28 of the Energy Agreement, if such a revenue balancing

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Depreciation Step Down that would effectively implement the difference between MECO's 2010 test year revenue increase based on its existing depreciation rates and the revenue increase based on the depreciation rates approved in Docket No. 2009-0286. On the effective date of the Depreciation Step Down, MECO will begin recording the depreciation expense according to the decision and order in Docket No. 2009-0286 to match the recording and recovery of the new depreciation rates. As reflected in MECO-2101 and MECO-2105, the amount of the Depreciation Step Down would be a reduction of \$10,472,100.

Application, MECO T-21, at 6; see also Application, at 4 and MECO T-1, at 5 and 7.

<sup>8</sup>The Governor, director of Business, Economic Development, and Tourism, and the Consumer Advocate, signed the Energy Agreement on behalf of the State of Hawaii.

account is not otherwise approved by the commission in In re Public Util. Comm'n, Docket No. 2008-0274, the commission's revenue decoupling investigative proceeding. In this regard, MECO states that the "Hawaiian Electric Companies will be implementing the provisions of the Energy Agreement in a number of proceedings before the Commission, including the MECO 2010 test year rate case."<sup>9</sup>

MECO, as part of its Application, also proposes certain revisions to its tariff rules, which include increasing: (1) the Service Establishment Charge from \$15 to \$25; (2) the same day service connection charge from \$25 to \$45; (3) the Returned Check Charge from \$10 to \$25 per returned check or payment, as well as re-naming this provision the Returned Payment Charge; and (4) the Field Collection Charge from \$15 to \$25 per field collection call.

4.

Reasons for Rate Relief

MECO asserts that rate relief is required due to: (1) the decline in its electric sales; (2) its additional investment in plant equipment, increasing costs for labor, materials, contract services, and other operating expenses; and (3) the need to maintain its financial integrity.

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<sup>9</sup>Application, at 6.

II.

Discussion

A.

Complete Application

HRS § 269-16(d), governing a public utility's application for a general rate increase, states in relevant part:

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 therefore to the legislature within thirty days after rendering the decision.

Notwithstanding subsection (c), if the commission has not issued its final decision on a public utility's rate application within the nine-month period stated in 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. The commission shall establish standards concerning the data required to be set forth in the application in order for it to be deemed a completion application. The consumer advocate may, within twenty-one days after receipt, object to the sufficiency of any application, and the commission shall hear and determine any objection within twenty-one days after it is filed. If the commission finds that the objections are without merit, the application shall be deemed to have been completed upon original filing. If the commission finds the

application to be incomplete, it shall require the applicant to submit an amended application consistent with its findings, and the nine-month period shall not commence until the amended application is filed.

HRS § 269-16(d).

To be considered a complete application for a general rate increase, the contents of MECO's Application must comply with the requirements set forth in HAR §§ 6-61-75, 6-61-86, and 6-61-87, unless otherwise waived by the commission pursuant to HAR § 6-61-92.

On October 20, 2009, the Consumer Advocate filed its Statement of Position Regarding Completeness of Application, stating that it does not object to the completeness of MECO's Application.

The commission finds that MECO's Application complies with the applicable requirements, and is complete and properly filed pursuant to HRS § 269-16(d) and HAR § 6-61-87. Accordingly, the filing date of MECO's complete Application is September 30, 2009.

B.

Public Hearing

The commission will schedule public hearings on MECO's complete Application on the islands of Lanai, Maui, and Molokai, consistent with HRS §§ 269-12(c) and 269-16(b). The Parties will be notified of the dates, times, and locations of the public hearings.

C.

Prehearing Order

Given the deadlines set forth in HRS § 269-16(d) governing commission decision-making, the Parties shall: (1) initiate the discovery process forthwith; and (2) submit a stipulated prehearing order for the commission's review and consideration.

III.

Orders

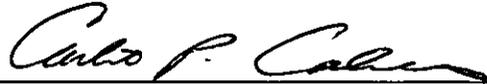
THE COMMISSION ORDERS:

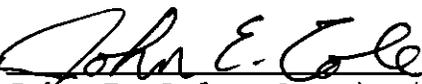
1. The filing date of MECO's complete Application is September 30, 2009.

2. The Parties shall: (A) initiate the discovery process forthwith; and (B) submit a stipulated prehearing order for the commission's review and consideration by December 23, 2009. If the Parties are unable to agree on a stipulated prehearing order, each of the parties shall submit its own proposed prehearing order by the same date.

DONE at Honolulu, Hawaii NOV - 3 2009.

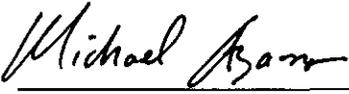
PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Carlito P. Caliboso, Chairman

By   
John E. Cole, Commissioner

By   
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:

  
Michael Azama  
Commission Counsel

2009-0163.cp

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  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
DIVISION OF CONSUMER ADVOCACY  
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