

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
For Approval of Rate Increases and)
Revised Rate Schedules and Rules)

DOCKET NO. 05-0315

ORDER NO. 22212

RECEIVED
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DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

Filed Jan. 9, 2006
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Karen Higashi
Chief Clerk of the Commission

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.
K. Higashi

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HAWAII ELECTRIC LIGHT COMPANY, INC.)
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ORDER

As part of HAWAII ELECTRIC LIGHT COMPANY, INC.'s ("HELCO") forthcoming Application for a general rate increase, the commission approves HELCO's request to utilize the 2006 calendar test year.

I.

Background

On December 13, 2005, HELCO filed a Notice of Intent stating that it intends to file an application for a general rate increase on or after March 15, 2006 (but before June 30, 2006). In conjunction with its Notice of Intent, HELCO filed a Motion for Approval of Test Period Waiver ("Motion") in which HELCO requested that the commission "allow it to use a calendar year 2006 test period in support of its application for a general rate increase to be filed with the Commission on or after March 15, 2006 (but before June 30, 2006)."¹ According to HELCO, "failure to grant the requested waiver would impose a financial hardship

¹Motion at 1.

on HELCO and would be unjust and unreasonable."² The Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs ("Consumer Advocate"), an *ex officio* party to this docket, does not object to the Motion.³

II.

Discussion

Rule 6-61-87(4) of the Hawaii Administrative Rules ("HAR") states, in relevant part:

For an application by a public utility with annual gross revenues from its public utility business of \$2,000,000 or more for a general rate increase or to alter any classification, contract, practice, or rule as to result in a general rate increase to be considered a completed application under section 269-16, HRS, in addition to meeting the requirements in section 6-61-86, must contain the following:

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- (4) A summary of estimated earnings (rate of return summary) on a depreciated rate base for a twelve month period (test year). The adjusted or estimated results shown for the test year shall be on a consistent basis reflecting normalized conditions to the very best estimate possible.

The test year shall be a forward test year, determined as follows:

- (A) If an application is filed within the first six months of any year, the test year shall be from July 1 of the same year through June 30 of the following year; or
- (B) If an application is filed within the last six months of any year, the test year shall be from January 1 through December 31 of the following year;

²Motion at 4.

³Id. at 1.

HAR § 6-61-87(4). The commission, however, may modify the requirements of section 6-61-87(4) if the requirements would "impose a financial hardship on the applicant or be unjust or unreasonable." HAR § 6-61-92.

Here, HELCO claims that the test year requirement in HAR § 6-61-87(4) would impose a financial hardship on HELCO because "HELCO's budgeting, forecasting and financial reporting processes are based on a calendar year" and "use of a split test year would cause HELCO to incur significantly higher expenses and resource commitments to develop and compile demand forecasts, financial projections and results based on a split test year, and complicate analysis and evaluation of HELCO's case by other parties."⁴ Also, according to HELCO, it would be difficult for HELCO "to earn its allowed rate of return in 2007 without rate relief near the beginning of that year" as its "rate base and expenses are increasing faster than its kilowatt-hour sales."⁵

Based on the evidence presented by HELCO, in particular its use of a calendar year for budgeting, forecasting and financial reporting, it appears that application of the test year requirement in HAR § 6-61-87(4) would impose a financial hardship on HELCO. Accordingly, the commission waives the test year requirement in HAR § 6-61-87(4), pursuant to HAR § 6-61-92.

⁴Motion at 4.

⁵Id.

III.

Orders

THE COMMISSION ORDERS:

1. HELCO's Motion for Approval of Test Period Waiver is granted.

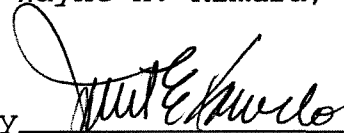
2. HELCO is authorized to utilize a 2006 calendar test year, including the use of calendar year 2006 financial data; provided that HELCO files its Application on or after March 15, 2006 (but before June 30, 2006).

DONE at Honolulu, Hawaii JAN - 9 2006.

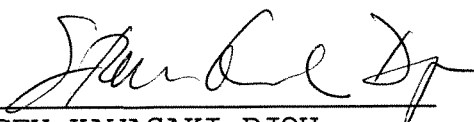
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By (EXCUSED)
Wayne H. Kimura, Commissioner

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:


STACEY KAWASAKI DJOU
Commission Counsel

05-0315.eh

05-0315

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 22212 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

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Karen Higashi

DATED: JAN - 9 2006