

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. 2006-0386

INTERIM DECISION AND ORDER NO. 23749

Filed Oct. 22, 2007

At 9:30 o'clock A .M.

Karen Higashi  
Chief Clerk of the Commission

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

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

Karen Higashi

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OF THE STATE OF HAWAII

In the Matter of the Application of )  
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Docket No. 2006-0386

Interim Decision  
and Order No. 23749

INTERIM DECISION AND ORDER

By this Interim Decision and Order, the commission approves, on an interim basis, the request of HAWAIIAN ELECTRIC COMPANY, INC. ("HECO") to increase its rates to such levels as will produce, in the aggregate, \$69,997,000 in additional revenues, or 4.96 per cent over revenues at current effective rates for a normalized 2007 test year ("2007 Test Year").

The commission also approves, on an interim basis, the adoption of a pension tracking mechanism and a Postretirement Benefits Other Than Pensions ("OPEB") tracking mechanism, and interim rates that incorporate the test year net periodic pension costs ("NPPC") of \$17,711,000, and the test year net periodic benefit costs ("NPBC") of \$6,350,000, to be described herein.

I.

Introduction

A.

Application

On December 22, 2006, HECO filed an application for approval of rate increases and revised rate schedules and rules in which HECO requested a general rate increase of approximately \$99,556,000, or 7.1%, over revenues at current effective rates. HECO's filing included its Direct Testimonies, Exhibits and Workpapers.<sup>1</sup> HECO filed its Application pursuant to HAR Title 6, Chapter 61, Subchapters 2, 6, and 8, Rules of Practice and Procedure before the Public Utilities Commission. HECO seeks the commission's approval of the proposed rate increase and revised rate schedules pursuant to Hawaii Revised Statutes ("HRS") § 269-16.

HECO served copies of the Application on the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"), an ex officio party to this docket, pursuant to HRS § 269-51 and HAR § 6-61-62.

By Order No. 23262, filed on February 15, 2007, the commission found that the Application was complete and properly

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<sup>1</sup>HECO's Application and Certificate of Service, filed on December 22, 2006 ("Application"). On September 22, 2006, HECO filed a Notice of Intent, pursuant to Hawaii Administrative Rules ("HAR") § 6-61-85, stating that it planned to request rate relief based on a 2007 calendar year test period and file an application on or after November 22, 2006.

filed under HRS § 269-16(d) and HAR § 6-61-87. Thus, the filing date of HECO's completed Application is December 22, 2006.

On March 6, 2007, the commission held a public hearing on the Application at the Prince David Kawanakoa Middle School Cafeteria in Honolulu, Hawaii, to gather public comments on this docket.

On April 5, 2007, HECO and the Consumer Advocate filed a Stipulated Procedural Schedule in this docket, pursuant to Order No. 23262, filed on February 15, 2007.

By Order No. 23366, filed on April 13, 2007, the commission granted the Motion to Intervene and Become a Party filed by the DEPARTMENT OF THE NAVY on behalf of the DEPARTMENT OF DEFENSE ("DOD")<sup>2</sup> on February 20, 2007, and denied the Motion to Intervene filed by Life of the Land on January 5, 2007.

Given the DOD's intervention in this docket, by letter dated April 23, 2007, the commission instructed HECO, the Consumer Advocate, and DOD to re-submit a Stipulated Procedural Schedule that incorporated DOD into the procedural schedule of this proceeding. On May 4, 2007, the Parties filed a Revised Stipulated Procedural Schedule, which the commission approved by Order No. 23442, filed on May 17, 2007.

On April 23, 2007, the commission also issued Protective Order No. 23378 to govern the classification,

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<sup>2</sup>HECO, the Consumer Advocate, and the DOD are collectively referred to herein as the "Parties."

acquisition and use of confidential information by any party in this docket.<sup>3</sup>

During the period from February through July 2007, HECO responded to information requests ("IRs") submitted by the Consumer Advocate and the DOD. In June and July 2007, HECO also submitted updates to its 2007 Test Year estimates reflected in the Application, Direct Testimonies, Exhibits and Workpapers filed on December 22, 2006, including incorporation of certain recorded 2006 results as well as other corrections and revisions.

The Consumer Advocate and DOD's Testimonies, Exhibits and Workpapers were filed on August 6, 2007, and reflected rate increases of \$53,550,000, and \$54,959,000, respectively. HECO has submitted a number of IRs to the other Parties.

By Order No. 23612, filed August 24, 2007, the commission approved the Stipulated Prehearing Order submitted by the Parties on July 23, 2007, with modifications, and amended the Parties' stipulated procedural schedule, approved in Order No. 23442, filed May 17, 2007.

B.

Stipulated Settlement Letter

Order Nos. 23442 and 23612 govern the proceedings in this docket. Pursuant thereto, the Parties engaged in settlement

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<sup>3</sup>On June 4, 2007, the commission issued Amended Protective Order No. 23378, which revised the protective order to include the DOD.

discussions, in an attempt to resolve the issues established for this docket. By stipulated settlement letter filed on September 6, 2007 ("Stipulated Settlement Letter"), the Parties documented their agreements on all but two issues impacting revenue requirements: (1) whether a pension asset should be included in rate base;<sup>4</sup> and (2) whether interest synchronization should be used to determine the interest expense deduction for computing the test year income tax expense.<sup>5</sup> The Parties agree that these issues need not be addressed in an evidentiary hearing

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<sup>4</sup>HECO proposed to include \$59,405,000 of pension asset in the test year average rate base. The portion of the Accumulated Deferred Income Taxes ("ADIT") related to the pension asset amounts to \$23,114,000. The Parties agreed that the exclusion of all or a portion of the pension asset in rate base will also require a corresponding adjustment to ADIT. The Consumer Advocate and the DOD oppose the inclusion of HECO's pension asset in rate base. Whether a pension asset should be included in rate base also is an issue in HECO's 2005 test year rate case (Docket No. 04-0113). For purposes of an interim decision in this proceeding, the Parties have agreed to exclude the pension asset and related ADIT from rate base.

<sup>5</sup>The DOD proposed an adjustment for interest synchronization to determine the interest deduction for the calculation of test year income tax expense. HECO did not agree with this proposal and did not use interest synchronization to develop its revenue requirements for the test year. The Parties took the same positions in Docket No. 04-0113 (HECO's 2005 test year rate case). For purposes of settlement, the Parties agreed not to relitigate the issue in this docket, that HECO's method of computing interest expense for the purposes of determining income taxes for the 2007 Test Year will be used in calculating the interim rate increase (as it was in Interim Decision and Order No. 22050 in Docket No. 04-0113), and that the interest synchronization methodology issue will be determined by the final non-appealable decision in Docket No. 04-0113.

and that the Parties may file proposed findings of fact and conclusions of law<sup>6</sup> on the pension asset issue only.<sup>7</sup>

As a result of the settlement reached between Hawaii Electric Light Company, Inc. ("HELCO") and the Consumer Advocate regarding the implementation of a pension tracking mechanism for HELCO in Docket No. 05-0315 (HELCO's 2006 test year rate case), HECO proposed a pension tracking mechanism in the instant proceeding.<sup>8</sup>

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<sup>6</sup>In Order No. 23612, filed on August 24, 2007, the commission modified the Parties' proposed procedural schedule by requiring the filings of proposed findings of fact and conclusions of law in lieu of opening and reply briefs. As a result, the Parties maintain that the Stipulated Settlement Letter reflects the modified procedural steps reflected in Order No. 23612.

<sup>7</sup>The Parties also have agreed on all but one issue affecting rate design. In the Stipulated Settlement Letter, the Parties state that (1) in a subsequent document, the Parties will address the issue of whether there should be a sharing of the risk associated with changes in the price of oil that is reflected in the existing Energy Cost Adjustment Clause ("ECAC"); (2) the agreement that is reflected in the Stipulated Settlement Letter is intended to provide HECO with timely rate relief through the commission's authorization of the stipulated interim rate increase; and (3) the Parties' agreement, if any, on the ECAC matter is not expected to impact the agreement on the increase to which HECO is probably entitled. See Stipulated Settlement Letter, at 3-4. By letter dated September 18, 2007, the commission inquired of the Parties, among other things, whether a subsequent agreement by the Parties, or decision by the commission, on a different risk-sharing formula for ECAC, would affect the commission's issuance of interim relief, and the calculation of any refunds that may be required. The Parties responded, in sum, that "[i]f the Parties subsequently agree to, or the Commission issues an order with, a different risk-sharing formulation under HECO's ECAC, this would not affect the interim rate relief, and would not be the basis for any refund." See Letter filed on September 21, 2007, from the Parties to the commission, at 2.

<sup>8</sup>See HECO's June 2007 Update to HECO T-10, Attachment 8, filed on June 27, 2007.

For purposes of settlement, the Parties have agreed to a pension tracking mechanism that does not include the amortization of a pension asset as part of the pension tracking mechanism in this proceeding. Not including the amortization has the effect of deferring the issue of whether a pension asset should be amortized for rate making purposes to HECO's next rate case.<sup>9</sup> The pension tracking mechanism will require HECO to create a regulatory asset or regulatory liability, as appropriate, for the difference between the amount of NPPC included in rates and actual NPPC recorded by HECO.

In this proceeding, HECO also proposed an OPEB tracking mechanism. HELCO and the Consumer Advocate previously agreed to the implementation of an OPEB tracking mechanism for HELCO in Docket No. 05-0315. For purposes of settlement, the Parties also have agreed to HECO's proposed OPEB tracking mechanism. The

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<sup>9</sup>The Parties note that this provision is different from the tracking mechanism that was agreed to for the pending HELCO rate case due to different facts and circumstances. The Parties explain that, in the HELCO rate case, HELCO and the Consumer Advocate were in agreement as to the inclusion of the pension asset in rate base and the amortization of the pension asset balance at the end of the test year; in the current HECO rate case, the Parties disagree as to whether a pension asset should be included in the test year rate base, as well as whether said balance should be amortized for rate making purposes. The issue as to whether such amortization should be recognized in the test year revenue requirements has been deferred to HECO's next rate case.

In addition, under the stipulated tracking mechanism, HECO would only be required to fund the minimum level required under the law, until the existing pension asset amount is reduced to zero, at which time HECO would fund NPPC as specified in the pension tracking mechanism for HELCO. If the existing pension asset amount is not reduced to zero by the next rate case, the Parties would address the funding requirements for the pension tracking mechanism in the next rate case.



Parties state that the implementation of the OPEB tracking mechanism does not impact the test year revenue requirements in this case.

C.

Statement of Probable Entitlement

Pursuant to the Stipulated Settlement Letter, on September 6, 2007, HECO filed a Statement of Probable Entitlement that reflects the Parties' stipulated agreements. Exhibits 1 and 2, attached to the Statement of Probable Entitlement, set forth the results of the agreement between the Parties on the 2007 Test Year revenue requirements ("HECO's Exhibits 1 and 2").

The Parties agree that the amount of the interim rate increase to which HECO is probably entitled under HRS § 269-16(d) is \$69,997,000 over revenues at current effective rates<sup>10</sup> (and \$127,293,000 over revenues at present rates).<sup>11</sup>

The Parties also agree that the final rates set in Docket No. 04-0113 may impact revenues at current effective rates and at present rates, and that the amount of the stipulated interim rate increase should be adjusted when the final rates are set to take into account any such changes.

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<sup>10</sup>See HECO's Exhibit 1. Revenues at current effective rates are revenues from base rates plus the interim rate increase approved by the commission in Interim Decision and Order No. 22050 in HECO's 2005 test year rate case, Docket No. 04-0113, and the interim surcharge for DG trucking and fuel and LSFO trucking authorized in Order No. 23377 in Docket No. 04-0113.

<sup>11</sup>See HECO's Exhibit 2. Revenues at present rates are revenues from base rates, but do not include the interim rate increase and interim surcharge revenues.

## II.

### Discussion

#### A.

##### Results of Operation

For interim relief purposes, the commission will apply the average test year methodology. Attached to this Interim Decision and Order are Exhibits A and B, which provide the estimates of operating revenues and expenses and the average depreciated rate base for the 2007 Test Year for purposes of this Interim Decision and Order.<sup>12</sup> These exhibits reflect the settlement between HECO, the Consumer Advocate, and the DOD with respect to the issues impacting revenue requirements. In particular, the Parties have agreed to an increase of \$69,997,000 over current effective rates of \$1,410,457,000, or 4.96 per cent over current effective rates for a normalized 2007 Test Year.

The final rate of return on common equity to be adopted in this rate case will require further analysis. For purposes of this Interim Decision and Order, the commission accepts a 10.7 per cent rate of return on common equity, for an overall rate of return of 8.62 per cent on the average depreciated rate base of \$1,158,316,000, all of which were agreed upon by the Parties. Accordingly, the commission concludes that interim rate relief in the amount of \$69,997,000 in additional revenues, or a 4.96 per cent increase over revenues at current effective rates, is appropriate. Based on the record, it appears that HECO will

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<sup>12</sup>Any differences in the commission's numbers and HECO's Exhibit 1 are due to rounding.

probably be entitled to the level of relief that the commission grants in this Interim Decision and Order. The interim relief granted meets HECO's need for immediate rate relief and protects the interests of the ratepayers.

In arriving at the interim relief for additional revenues of \$69,997,000, the commission considered the Parties' agreements and disagreements concerning the components relevant in ratemaking, namely, the test year estimates of operating revenues (at current effective rates), operating expenses, average depreciated rate base, and rate of return on average rate base. Where the Parties agreed, the commission accepted such agreement for purposes of this Interim Decision and Order.

B.

HECO's Requests

HECO proposes that the commission grant rate relief in two steps:

1. Interim increase, equal to the increase in rates to which the commission believes HECO is "probably entitled" based on the evidentiary record before it.

2. General increase, a general rate increase when the commission issues its final decision and order to provide for the amount of HECO's total requested revenue increase not included in the interim rate increase.

HECO generally requests that its proposed rate design changes be implemented when the final increase becomes effective,

at which time it will concurrently terminate the interim rate increase surcharge.

For settlement purposes, the Parties agreed to allocate any interim or final increase in electric revenues to rate classes in the percentages shown in an attachment to the Stipulated Settlement Letter, "HECO T-20, Attachment 1." According to the Stipulated Settlement Letter, this considers the positions of HECO, the Consumer Advocate, and the DOD on cost of service and movement of inter-class revenues towards the respective cost of service positions.

The Parties also agreed that Schedule P electric revenues established by this allocation will be further adjusted in the following amounts for a stipulated Schedule PP billing credit:<sup>13</sup> Schedule PP revenues will be decreased by approximately \$2.5 million, Schedule PS revenues will be increased by approximately \$2.2 million, and Schedule PT revenues will be increased by approximately \$0.3 million, as shown in HECO T-20, Attachment 1.

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<sup>13</sup>Per the Stipulated Settlement Letter, Schedule PP will include a billing credit of \$3.25 per billing kilowatt ("kW") for customers who are directly served from a dedicated substation. The amount of the credit is an agreed upon value to approximate the reduced level of costs that these customers impose on the HECO system. In the next HECO rate case, HECO has agreed to include in the cost of service and propose in rate design a separate rate class for customers who are directly served from a dedicated substation. The Parties agreed that, to manage the billing impact on Schedule PP customers, the amount of the billing credit above \$1.75 per billing kW (\$1.50 per billing kW or approximately \$2.5 million) will be recovered ratably based on billing kW from Schedule PS and Schedule PT customers.

The Parties agreed that the effect of the stipulated revenue increase allocations, Schedule PP billing credit, and Schedule PS, Schedule PP, and Schedule PT revenue adjustments will be reflected in the approved interim rate increase as follows: Since the interim rate increase will be implemented as a percentage applied to base revenue charges, similar to the implementation of the interim rate increase approved in HECO's test year 2005 rate case, HECO will make the appropriate billing system adjustments to apply a different percentage interim rate increase to Schedule PP customers that are directly served by a dedicated substation and to those that are not, in order to implement the effect of a \$3.25 per kW credit and the stipulated revenue adjustments to Schedule PS, Schedule PP, and Schedule PT.

C.

HRS § 269-16(d)

HRS § 269-16(d) requires that the commission make every effort to complete its deliberations with respect to a public utility's request for a rate increase "as expeditiously as possible and before nine months from the date the public utility filed its completed application." The statute further provides that, if such deliberations are not concluded within the nine-month period, the commission shall render an interim decision within one month after the expiration of the nine-month period. The commission may postpone its interim rate decision an additional thirty days if the commission considers the evidentiary hearing incomplete. The interim decision may

allow an increase in rates if the commission believes the public utility is "probably entitled" to such interim rate relief.<sup>14</sup>

HECO filed its Application on December 22, 2006. The ten-month period to issue an interim decision under HRS § 269-16(d) expires on October 22, 2007. This Interim Decision and Order is issued in compliance with HRS § 269-16(d).

D.

Pension Tracking Mechanism

The Parties also agreed to a pension tracking mechanism that does not include the amortization of the pension asset as part of the tracking mechanism in this proceeding. Under the tracking mechanism, HECO would only be required to fund the minimum level required under the law, until the existing pension asset amount is reduced to zero, at which time HECO would fund the NPPC as specified in the pension tracking mechanism. If the

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<sup>14</sup>The commission has previously determined:

[O]ur decision in this docket should be consistent with precedent and that computational errors committed by the parties should be accounted for. However, in deciding interim rate relief, the commission's scrutiny of both the record and the discourse during the evidentiary hearings is a search for showings of probable entitlement. This search is necessarily quick, unlike the careful deliberation the commission consistently accords issues in rendering final decisions. In deciding interim rate relief, the commission must often postpone determinations of reasonableness with respect to certain unresolved matters. Otherwise, the speed with which HECO is given interim rate relief would be affected.

Interim Decision and Order No. 11559, filed on March 31, 1992, in Docket No. 6998, at 7.

existing pension asset amount is not reduced to zero by the next rate case, the funding requirements for the pension tracking mechanism would be addressed in the next rate case. Furthermore, the pension tracking mechanism will require HECO to create a regulatory asset or regulatory liability, as appropriate, for the difference between the amount of NPPC included in rates and actual NPPC recorded by HECO. The Parties also agreed to an OPEB tracking mechanism. In addition, the Parties agreed to interim rates that incorporate the 2007 Test Year NPPC of \$17,711,000 and NPBC of \$6,350,000.<sup>15</sup>

E.

#### Interim Rates

For interim purposes, the allocation of revenue increases to the various rate classes should reflect the proposal agreed upon by the Parties and be imposed as a percentage of bill surcharge (exclusive of ECAC and other surcharges), and the interim rate increase should be implemented in the manner stipulated to by the Parties.

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<sup>15</sup>See HECO's June 2007 Update to HECO T-12, filed on June 15, 2007, at 1 and Exhibit 2.

The Parties state that, if the commission grants interim approval of the pension tracking mechanism, in each future rate case, the cumulative amount of pension cost in rates since the last rate change will be compared to the cumulative amount of the actual NPPC since the rate change, and the difference will be included as a reduction to rate base (if positive, i.e., regulatory liability) or an addition to rate base (if negative, i.e., regulatory asset). The regulatory asset or liability will be included in rate base and amortized over five years at the time of the next rate case.

F.

Refund

The commission emphasizes that the findings and adoption of the various amounts reflected in Exhibits A and B are for the purpose of this Interim Decision and Order, only. Where the Parties agreed, the commission accepted such agreement for the purposes of this Interim Decision and Order. It does not, in any way, commit the commission to accept any of these amounts in its final decision. The commission notes that all of its decisions and rulings in this regard are subject to a more detailed review and analysis. The commission's final decision will reflect this review and analysis of all estimates and proposals of the Parties. Based on the record, it appears that HECO will probably be entitled to the level of relief that the commission grants in this Interim Decision and Order.

HECO will be required to refund to its customers any excess collected under this Interim Decision and Order, together with such interest as provided for by HRS § 269-16(d), if the final increase approved by the commission is less than the total interim increase granted by this Interim Decision and Order.<sup>16</sup>

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<sup>16</sup>In particular, notwithstanding the Parties' contention to the contrary (see supra note 7), if the Parties subsequently agree to, or the commission issues a final order with, a different risk-sharing formulation under HECO's ECAC, HECO shall make any refunds that may be required under HRS § 269-16(d).



### III.

#### Ultimate Findings of Fact and Conclusions of Law

The commission makes the following findings of fact and conclusions of law.

1. HRS § 269-16(d) mandates that the commission make every effort to complete its deliberations and issue a final decision in public utility rate cases within nine months after a completed application has been filed by a utility. If such deliberations are not concluded within the nine-month period, the commission shall render an interim decision within one month after the expiration of the nine-month period. The interim decision may be postponed an additional thirty days if the commission considers the evidentiary hearing incomplete.

2. The ten-month period for the issuance of an interim rate decision in this docket expires on October 22, 2007. In this case, the requested interim increase is based solely on the amount stipulated to by the Parties for purposes interim relief. There are only two remaining contested issues impacting revenue requirements, and the Parties have agreed that an evidentiary hearing is unnecessary. This Interim Decision and Order is issued in compliance with HRS § 269-16(d).

3. Pursuant to HRS § 269-16(d), the commission may grant an interim increase, subject to refund and interest, pending a final decision, if the commission believes that the public utility is probably entitled to an increase in its rates.

4. Based on the evidentiary record before the commission and the Stipulated Settlement Letter, HECO is probably entitled to an increase in its rates.

5. Without interim relief, HECO may be denied an opportunity to earn a fair return on its rate base.

6. For interim decision purposes, pending a final decision in this docket, it is appropriate and reasonable to adopt an average depreciated rate base of \$1,158,316,000, a rate of return on the rate base of 8.62 per cent, and test year results of operations, as set forth in Exhibit A, which is attached to this Interim Decision and Order.

7. An interim increase in revenues of \$69,997,000, or an increase of 4.96 per cent over revenues at current effective rates, is just and reasonable.

8. Interim commission approval of the adoption of the pension and OPEB tracking mechanisms and interim rates that incorporate the 2007 Test Year NPPC of \$17,711,000 and NPBC of \$6,350,000, as agreed upon by the Parties, is just and reasonable.

#### IV.

##### Orders

###### THE COMMISSION ORDERS:

1. HECO may increase its rates, on an interim basis, to such levels as will produce, in the aggregate, \$69,997,000, in additional revenues for the 2007 Test Year (4.96 per cent more than at current effective rates).

2. HECO may adopt the pension and OPEB tracking mechanisms and interim rates that incorporate the 2007 Test Year NPPC of \$17,711,000 and NPBC of \$6,350,000.

3. As soon as is reasonably practicable, HECO shall submit a revised schedule of rates and charges, reflecting the increase in rates allowed by this Interim Decision and Order. HECO shall also serve a copy of the revised schedule upon the Consumer Advocate and DOD.

4. Upon issuance of the final Decision and Order in this proceeding, any amount collected pursuant to this interim rate increase that is in excess of the increase determined by the final decision and order to be just and reasonable shall be refunded to HECO's ratepayers, together with interest as provided by HRS § 269-16(d).

DONE at Honolulu, Hawaii OCT 22 2007.

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By Carlito P. Caliboso  
Carlito P. Caliboso, Chairman

By John E. Cole  
John E. Cole, Commissioner

APPROVED AS TO FORM:

Kaiulani Kidani Shinsato  
Kaiulani Kidani Shinsato  
Commission Counsel

By Leslie H. Kondo  
Leslie H. Kondo, Commissioner

HAWAIIAN ELECTRIC COMPANY, INC.  
RESULTS OF OPERATIONS  
2007  
(\$ IN 000'S)

	EFFECTIVE RATES	ADDITIONAL AMOUNT	INTERIM RATES
	-----	-----	-----
Operating Revenues:			
Electric	1,406,573	69,256	1,475,829
Other	3,384	741	4,125
Gain on Sale of Land	500	0	500
	-----	-----	-----
Total Operating Revenues	1,410,457	69,997	1,480,454
	-----	-----	-----
Operating Expenses:			
O&M:			
Fuel	543,874		543,874
Purchased Power	387,492		387,492
Production	67,597		67,597
Transmission	10,272		10,272
Distribution	24,663		24,663
Customer Accounts	11,720		11,720
Allowance for Uncollectible Accounts	970		970
Customer Service	5,890		5,890
Administrative & General	69,189		69,189
Gen. Excise Tax Rate Incr. Adj.	328		328
	-----	-----	-----
Total O&M	1,121,995	0	1,121,995
Depreciation & Amortization	78,763		78,763
Amortization of State ITC	(1,304)		(1,304)
Taxes, Other than Income Taxes	131,398	6,201	137,599
Interest - Customer Deposits	377		377
Income Taxes	18,354	24,823	43,177
	-----	-----	-----
Total Operating Expenses	1,349,583	31,024	1,380,607
	-----	-----	-----
Net Operating Income	60,874	38,973	99,847
	=====	=====	=====
Average Depreciated Rate Base	1,159,013	(697)	1,158,316
	=====	=====	=====
Rate of Return	5.25%		8.62%
	=====		=====

HAWAIIAN ELECTRIC COMPANY, INC.  
 TAXES OTHER THAN INCOME TAXES  
 (\$ IN 000'S)

	PCT.	EFFECTIVE RATES	INTERIM RATES
	-----	-----	-----
Electric Revenues		1,406,573	1,475,829
Other Revenues		3,384	4,125
		-----	-----
Operating Revenues		1,409,957	1,479,954
		-----	-----
PUBLIC SVC CO TAX	0.05885	82,919	87,038
PUC FEES	0.00500	7,045	7,395
FRANCHISE ROYALTY TAX	0.02500	35,140	36,871
		-----	-----
		125,104	131,305
		-----	-----
PAYROLL TAXES		6,294	6,294
		-----	-----
		131,398	137,599
		=====	=====

HAWAIIAN ELECTRIC COMPANY, INC.  
COMPUTATION OF INCOME TAX EXPENSE  
(\$ IN 000'S)

	EFFECTIVE RATES		INTERIM RATES
<b>Income:</b>			
Operating Revenues	1,406,573	69,256	1,475,829
Other	3,384	741	4,125
Gain on Sale of Land	500	0	500
	1,410,457	69,997	1,480,454
<b>Deductions:</b>			
Fuel Oil & Purchased Power	931,366		931,366
Other O&M Expenses	190,629	0	190,629
Depreciation	78,763		78,763
Amortization of State ITC	(1,304)		(1,304)
Taxes, Other than Income Tax	131,398	6,201	137,599
Interest on Customer Deposit	377		377
	1,331,229	6,201	1,337,430
<b>Tax Adjustments:</b>			
Interest Expense	(30,597)		(30,597)
Meals & Entertainment	81		81
	(30,516)	0	(30,516)
Taxable Income	48,712	63,796	112,508
<b>Income Tax:</b>			
Tax Rate:	38.9100%	18,954	24,823
		24,823	43,777
Tax Benefits of Domestic Production Activities Deduction	577		577
Tax Effect of Deductible Preferred Stock Dividends	23		23
	18,354	24,823	43,177

HAWAIIAN ELECTRIC COMPANY, INC.  
 AVERAGE DEPRECIATED RATE BASE  
 (\$ IN 000'S)

	BEGINNING BALANCE	END OF YEAR BALANCE
	-----	-----
Net Plant in Service	1,331,363	1,370,649
Additions:		
Fuel Oil Inventory	53,084	53,084
Materials & Supplies Inventories	12,838	12,838
Property Held for Future Use	517	3,567
Unamortized Net SFAS 109 Reg. Assets	53,483	55,970
OPEB Amount	-	-
Pension Asset	-	-
Unamortized System Dev. Costs	-	4,642
ARO Reg Asset	27	26
	-----	-----
Total Additions	119,949	130,127
Deduct:		
Unamortized CIAC	164,092	176,802
Customer Advances	1,001	756
Customer Deposits	6,369	6,827
Accumulated Def. Income Taxes	135,254	130,294
Unamortized ITC	28,523	30,044
Unamortized Gain on Sale	1,582	1,214
	-----	-----
Total Deductions	336,821	345,937
-----		
Depreciated Rate Base Before Working Cash	1,114,491	1,154,839
	=====	=====
Average		1,134,665
Add Working Cash		24,348
		-----
Average Depreciated Rate Base - Effective Rates		1,159,013
Less Change in Working Cash		(697)
		-----
Average Depreciated Rate Base - Interim Rates		1,158,316
		=====

HAWAIIAN ELECTRIC COMPANY, INC.  
COMPUTATION OF WORKING CASH ITEMS  
(\$ IN 000'S)

	Collection Lag Days	Payment Lag Days	Net Lag Days	Net Lag Days/365
	-----	-----	-----	-----
Expenses Requiring Cash:				
Fuel Oil Purchases	37	17.0	20	0.05
O&M - Labor	37	11.0	26	0.07
O&M - Non-Labor	37	34.0	3	0.01
Pension Asset Amortization	37	-	37	0.10
Expenses Providing Cash:				
Revenue Taxes	37	66.0	(29)	(0.08)
Income Taxes - Effective Rates	37	40.0	(3)	(0.01)
Income Taxes - Interim Rates	37	40.0	(3)	(0.01)
Purchased Power	37	39.0	(2)	(0.01)

	Present Rates		Interim Rates	
	Expense	Working Cash	Expense	Working Cash
	-----	-----	-----	-----
Expenses Requiring Cash:				
Fuel Oil Purchases	537,767	29,467	537,767	29,467
O&M - Labor	88,209	6,283	88,209	6,283
O&M - Non-Labor	100,922	830	100,922	830
Pension Asset Amortization	0	0	0	0
	-----	-----	-----	-----
Subtotal	726,898		726,898	
Payroll Taxes	6,294		6,294	
	-----		-----	
TOTAL	733,192		733,192	
	=====		=====	
Expenses Providing Cash:				
Revenue Taxes	125,104	(9,940)	360	(10,432)
Income Taxes - Effective Rates	20,489	(168)		0
Income Taxes - Interim Rates	45,312	0	124	(372)
Purchased Power	387,492	(2,123)	1,062	(2,123)
	-----	-----	-----	-----
Total		24,348		23,652
		-----		-----
Change in Working Cash				(697)
				=====



CERTIFICATE OF SERVICE

I hereby certify that I have on this date served a copy of the foregoing Interim Decision and Order No. 23749 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

CATHERINE P. AWAKUNI  
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Counsel for Department of the Navy on behalf  
of the Department of Defense

CERTIFICATE OF SERVICE

Page 2

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*Karen Higashi*

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Karen Higashi

DATED: OCT 22 2007