BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of)
)
HAWAIIAN ELECTRIC COMPANY, INC.) DOCKET NO. 2006-0386
)
For Approval of Rate Increases)
And Revised Rate Schedules and)
Rules)

ORDER GRANTING HAWAIIAN ELECTRIC COMPANY, INC.'S
MOTION TO ADJUST INTERIM INCREASE FILED ON MAY 21, 2008

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

ORDER GRANTING HAWAIIAN ELECTRIC COMPANY, INC.'S MOTION TO ADJUST INTERIM INCREASE FILED ON MAY 21, 2008

By this Order, the commission grants HAWAIIAN ELECTRIC COMPANY, INC.'s ("HECO") Motion to Adjust Interim Increase, filed on May 21, 2008 ("Motion"), and therefore approves an adjusted 2007 test year interim increase of $77,867,000 over revenues at the final rates implemented in Docket No. 04-0113, HECO's 2005 test year rate case.[1] In addition, the commission approves the revised tariff sheets filed by HECO on May 28, 2008, which reflect the adjustments requested in the Motion. Accordingly, the revised tariff sheets shall take effect upon the issuance of this Order.

I.

Motion

By Interim Decision and Order No. 23749, filed on October 22, 2007, the commission approved, on an interim basis, an increase in HECO's rates to such levels as will produce, in the aggregate, $69,997,000 in additional revenues, or

[1] See Exhibits A and B, attached hereto.

4.96 per cent over revenues at current effective rates for a normalized 2007 test year.[2] In the Motion, HECO requests the commission to approve an adjustment to the interim increase, from $69,997,000 over revenues at current effective rates to $77,867,000 over revenues at the final rates implemented in Docket No. 04-0113 (HECO's 2005 test year rate case), to be effective on the same date as approval of HECO's revised tariff sheets and rate schedules filed in Docket No. 04-0113. In support of its Motion, HECO asserts that the adjustment is necessary in order to tie the interim increase to the new rates being implemented in Docket No. 04-0113. Specifically, HECO explains:

> The amount of the interim revenue requirement for the 2007 test year stipulated to by the parties in Docket No. 2006-0386 would remain the same, but the amount of the interim increase over the revenues from the new base rates in Docket No. 04-0113 would need to be adjusted to obtain the stipulated revenue requirement of $1,480,454,000 for the 2007 test year.
>
> By Stipulated Settlement Letter filed on September 6, 2007, the parties agreed that the amount of the interim rate increase for the 2007 test year to which HECO is probably entitled under Hawaii Revised Statutes ("HRS") § 269-16(d) is $69,997,000 over revenues at current effective rates (and $127,293,000 over revenues at present rates). Revenues at "current effective rates" are revenues from the base rates in effect prior to Docket No. 04-0113, plus the interim rate increase approved by the Commission in Interim Decision and Order No. 22050 ("Interim D&O 22050"), issued on September 27, 2005, in Docket No. 04-0113, and the

[2]The parties to this proceeding are HECO, the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"), and the DEPARTMENT OF THE NAVY ON BEHALF OF THE DEPARTMENT OF DEFENSE ("DoD") (collectively, "Parties").

interim surcharge for distributed generation ("DG") fuel and trucking and low sulfur fuel oil ("LSFO") trucking ("DG/LSFO Fuel and Trucking Interim Surcharge") authorized in Order No. 23377 (April 23, 2007) in Docket No. 04-0113. Revenues at "present rates" are revenues from the base rates in effect prior to Docket No. 04-0113, without including the interim rate increase and interim surcharge revenues. The interim increase of $69,997,000 over revenues at current effective rates and the interim increase of $127,293,000 over revenues at present rates result in the same level of interim revenue requirement ($1,480,454,000).

By Interim D&O 23749 in Docket No. 2006-0386, the Commission approved, on an interim basis, HECO's request to increase its rates to such levels as would 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. Interim D&O 23749 recognized that the parties also agreed 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."

The amount of the interim increase over the final rates to be implemented in Docket No. 04-0113 that is necessary to produce the stipulated level of interim revenue requirement in Docket No. 2006-0386 is $77,783,000.

In addition, given the Commission's decision in Docket No. 04-0113 to adopt interest synchronization as the mechanism for determining interest expense in HECO's 2005 test year rate case, the parties agree that interest synchronization should also be used for the purposes of calculating the interim adjustment requested in this motion. The revenue requirement impact of incorporating interest synchronization for the adjustment to the 2007 test year interim increase is $84,000. Therefore, HECO respectfully requests that the Commission approve an adjusted 2007 test year rate case interim increase of $77,867,000 over

> revenues at the final rates implemented in Docket No. 04-0113, to be effective on the same date as the final rates in Docket No. 04-0113.[3]

In addition, HECO notes in the Motion that the Consumer Advocate and the DoD have reviewed the calculation of the adjusted interim rate increase, and agree that it has been correctly calculated.

Upon review, the commission finds that HECO's proposed adjustments to its interim surcharge, as set forth in the Motion, are reasonable. As recognized by the commission in Interim Decision and Order No. 23749, when the Parties entered into their Stipulated Settlement Letter agreeing to HECO's interim rate increase, they also agreed 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 will be adjusted to take into account any such changes."[4] Under the circumstances, and based on the support provided in the Motion, it is fair and reasonable to approve the proposed adjustments to HECO's 2007 interim increase, as set forth in the Motion and in Exhibit A and B, attached hereto.

In addition, the commission approves the revised tariff sheets filed by HECO in this docket on May 28, 2008, which reflect the adjustments requested in the Motion. The revised tariff sheets shall take effect upon the issuance of this Order.

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[3]Motion at 1-3 (footnotes and internal citations omitted).

[4]Stipulated Settlement Letter filed by the Parties on September 6, 2007, at 3.

HECO shall promptly file copies of its revised tariff sheets, with the applicable effective dates.

The commission further notes that, by separate order in Docket No. 04-0113, which is being issued contemporaneously with this Order, the commission approves final rates for HECO, as set forth in its revised tariff sheets and rates schedules, filed on May 21, 2008, in Docket No. 04-0113. Thus, the approval herein of the adjustments to HECO's 2007 interim surcharge shall be made effective at the same time as the approval of final rates in HECO's 2005 rate case.

II.

Orders

THE COMMISSION ORDERS:

1. HECO's Motion to Adjust Interim Increase, filed on May 21, 2008, is granted, and the adjustments set forth in the attached Exhibits A and B to HECO's 2007 test year interim rate increase, are approved.

2. The revised tariff sheets filed by HECO on May 28, 2008, which reflect the adjustments requested in the Motion, are approved and shall take effect upon the issuance of this Order. HECO shall promptly file copies of its revised tariff sheets, with the applicable effective dates.

3. Pursuant to the commission's contemporaneously issued order in Docket No. 04-0113, which approves HECO's revised tariff sheets and rates schedules for its 2005 test year rate case, the adjustments to HECO's 2007 interim surcharge approved

herein shall be made effective at the same time as the approval of final rates in Docket No. 04-0113.

DONE at Honolulu, Hawaii JUN 20 2008.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By: Carlito P. Caliboso
Carlito P. Caliboso, Chairman

By: John E. Cole
John E. Cole, Commissioner

By: __________
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:

Kaiulani Kidani Shinsato
Kaiulani Kidani Shinsato
Commission Counsel

2006-0386eh

DOCKET NO. 2006-0386

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

	EFFECTIVE RATES	ADDITIONAL AMOUNT	INTERIM RATES
Operating Revenues:			
Electric	1,398,765	77,149	1,475,914
Other	3,406	718	4,124
Gain on Sale of Land	500	0	500
Total Operating Revenues	1,402,671	77,867	1,480,538
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	0	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	130,706	6,900	137,606
Interest - Customer Deposits	377		377
Income Taxes	15,641	27,613	43,254
Total Operating Expenses	1,346,178	34,513	1,380,691
Net Operating Income	56,493	43,354	99,847
Average Depreciated Rate Base	1,159,091	(775)	1,158,315
Rate of Return	4.87%		8.62%

DOCKET NO. 2006-0386

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

	PCT.	EFFECTIVE RATES	INTERIM RATES
Electric Revenues		1,398,765	1,475,914
Other Revenues		3,406	4,124
Operating Revenues		1,402,171	1,480,038
PUBLIC SVC CO TAX	0.05885	82,461	87,043
PUC FEES	0.00500	7,006	7,395
FRANCHISE ROYALTY TAX	0.02500	34,945	36,874
		124,412	131,312
PAYROLL TAXES		6,294	6,294
Total Taxes Other Than Income Taxes		130,706	137,606

DOCKET NO. 2006-0386

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

		EFFECTIVE RATES		INTERIM RATES
Income:				
Operating Revenues		1,398,765	77,149	1,475,914
Other		3,406	718	4,124
Gain on Sale of Land		500	0	500
Total Income		1,402,671	77,867	1,480,538
Deductions:				
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		130,706	6,900	137,606
Interest on Customer Deposit		377		377
Total Deductions		1,330,537	6,900	1,337,437
Tax Adjustments:				
Interest Expense		(30,475)		(30,475)
Meals & Entertainment		81		81
Total Tax Adjustments		(30,394)	0	(30,394)
Taxable Income		41,740	70,967	112,707
Income Tax:				
Tax Rate:	38.9100%	16,241	27,613	43,854
Tax Benefits of Domestic Produciton Activities Deduction		577		577
Tax Effect of Deductible Preferred Stock Dividends		23		23
Total Income Tax		15,641	27,613	43,254

DOCKET NO. 2006-0386

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		24,426
Average Depreciated Rate Base - Effective Rates		1,159,091
Less Change in Working Cash		(775)
Average Depreciated Rate Base - Interim Rates		1,158,315

DOCKET NO. 2006-0386
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)

	Effective 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	124,412	(9,885)	360	(10,433)
Income Taxes - Effective Rates	17,776	(146)		0
Income Taxes - Interim Rates	45,389	0	124	(373)
Purchased Power	387,492	(2,123)	1,062	(2,123)
Total		24,426		23,650
Change in Working Cash				(775)

CERTIFICATE OF SERVICE

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

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