BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of
THE GAS COMPANY, LLC
To File a General Rate Increase
For All Utility Gas Divisions.

DOCKET NO. 2008-0081

INTERIM DECISION AND ORDER
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)

THE GAS COMPANY, LLC ) Docket No. 2008-0081
)
To File a General Rate Increase )
For All Utility Gas Divisions. )

INTERIM DECISION AND ORDER

By this Interim Decision and Order, the commission approves, on an interim basis, an increase in revenues over present rates of $9,519,293 (approximately 11.03 percent) for THE GAS COMPANY, LLC ("TGC"), based on the 2009 calendar test year ("Test Year"), in response to TGC's Application filed on August 4, 2008. In so doing, the commission approves the Parties' Joint Statement of Probable Entitlement in Support of Interim Rates, filed on May 22, 2009, as supplemented.

1The Parties in this proceeding are TGC and the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"), an ex officio party to this proceeding, pursuant to Hawaii Revised Statutes ("HRS") § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62(a).

2Application; Exhibits A - G; Written Testimonies TGC T-1 - TGC T-12; Exhibits TGC-100 - TGC-1200; Workpapers; and Certificate of Service, filed on August 4, 2008 (collectively, "Application"). TGC filed certain documents under confidential seal, pursuant to the Protective Order issued by the commission on June 10, 2008. See Order Instructing the Parties to File a Stipulated Prehearing Order, filed on September 5, 2008 (the filing date of TGC's completed Application is August 4, 2008, in accordance with HRS § 269-16(d) and HAR § 6-61-87).

3Joint Statement of Probable Entitlement in Support of Interim Rates; and Exhibits A - F (including documents designated
I.

Background

A.

TGC

TGC is a duly franchised public utility that provides gas utility service throughout the State of Hawaii ("State"). TGC engages in both regulated and non-regulated gas operations on the islands of Oahu, Hawaii, Kauai, Maui, Molokai, and Lanai, through its Oahu, Hawaii, Kauai, Maui, Molokai, and Lanai Gas Divisions.

TGC's regulated gas operations consist of the purchase, production, transmission, and distribution through gas pipelines, and sale for residential, commercial, and industrial uses of synthetic natural gas ("SNG") and liquefied petroleum gas ("LPG"), i.e., propane. TGC provides gas utility service to approximately 35,600 customers statewide. TGC's non-regulated gas operations, meanwhile, involve the purchase, distribution, and sale to residential, commercial, and industrial customers of tanked and bottled LPG.

TGC's parent entity is Macquarie Infrastructure Company, Inc., a United States publicly-traded company. In July 25, 2003, the commission approved the sale of The Gas Company's assets from Citizens Communications Company to kl Ventures Limited, a Singapore company, subject to certain

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as confidential for Exhibit E), filed on May 22, 2009, as supplemented.

'See TGC T-5, at 4; and Exhibit TGC-502.
conditions, including ten regulatory conditions. The asset purchase was completed on August 8, 2003. Thereafter, in May 2006, the commission approved the purchase of stock and the transfer of control of TGC to Macquarie Investment Holdings, Inc., subject to certain conditions, including fourteen superseding regulatory conditions. The transfer of control was completed on June 7, 2006. Macquarie Infrastructure Company, Inc., is the successor-in-interest to Macquarie Investment Holdings, Inc.

B.

TGC's Completed Application

On April 30, 2008, TGC filed its Notice of Intent, informing the commission and the Consumer Advocate of its intent to file an application for a general rate increase on or after July 1, 2008. As a public utility with annual gross operating revenues of $2 million or more, TGC filed its Notice of Intent in compliance with HAR § 6-61-85.

On August 4, 2008, TGC filed its Application seeking the commission's approval of a general rate increase of

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6TGC T-1, at 9.

7See In re The Gas Co., LLC, Docket No. 05-0242, Decision and Order No. 22449, filed on May 3, 2006.

8TGC T-1, at 9.

9TGC T-1, at 10.
$12,510,047 over revenues at present rates, based on an estimated total revenue requirement of $160,416,523 for the 2009 calendar test year (consolidated operations basis) ("Test Year"), and an overall rate of return of 8.81 percent. The requested increase in revenues by each island is as follows:

<table>
<thead>
<tr>
<th>Island</th>
<th>Proposed Revenue Increase</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oahu</td>
<td>$11,680,433</td>
<td>8.54%</td>
</tr>
<tr>
<td>Hawaii</td>
<td>$473,889</td>
<td>5.97%</td>
</tr>
<tr>
<td>Maui</td>
<td>$277,996</td>
<td>10.58%</td>
</tr>
<tr>
<td>Kauai</td>
<td>$48,236</td>
<td>9.02%</td>
</tr>
<tr>
<td>Molokai</td>
<td>$22,948</td>
<td>38.39%</td>
</tr>
<tr>
<td>Lanai</td>
<td>$6,545</td>
<td>50.63%</td>
</tr>
</tbody>
</table>

In support of its Application, TGC states that: (1) its requested increase in rates and other proposed changes are essential if it is to continue to meet consumers' demands for gas, furnish the quality of services expected by its present and future consumers, offer just compensation to its employees, provide operations which are safe and compatible with all environmental requirements and considerations, yield an adequate return on TGC's prudently incurred investments, and have the opportunity to attract new capital on reasonable terms when necessary or appropriate; and (2) without the requested rate relief, it will continue to experience a declining rate of return. TGC further notes that its last rate increase took effect in October 2001, based on the 2001 calendar test year.19

19See Citizens Comm. Co., Docket No. 00-0309, Interim Decision and Order No. 18940, filed on October 11, 2001 (interim rate increase of 9.87 percent over revenues at present rates, effective from October 11, 2001); and Decision and Order No. 19385, filed on May 31, 2002 (final rate increase of 9.87 percent over revenues at present rates, effective from June 27, 2002); see also Order No. 19436, filed on June 27, 2002.
As part of its Application, TGC also seeks to: (1) add certain new rate schedules for the island of Kauai in order to offer a full range of commercial and residential utility services;\(^\text{11}\) and (2) revise certain of its tariff rules, including its fuel adjustment clause.\(^\text{12}\)

Statewide public hearings were held by the commission in October and November 2008, pursuant to HRS §§ 269-16 and 269-12.

C. Joint Statement of Probable Entitlement

The Parties engaged in the discovery process in accordance with the commission's Order Approving Proposed Stipulated Prehearing Order, as Modified, filed on December 16, 2008 ("Prehearing Order").\(^\text{13}\) Thereafter, on February 26, 2009, as amended on February 27, 2009, the Consumer Advocate filed its Direct Testimonies, Exhibits, and Workpapers. In lieu of the filing of rebuttal testimonies by TGC, the Parties on May 22, 2009, filed their Joint Statement of Probable Entitlement in Support of Interim Rates, in accordance with the commission's Second Order Amending the Regulatory Schedule.

\(^{11}\)See TGC T-2, at 17-18 (addition of certain new rate schedules for the Kauai District).

\(^{12}\)See TGC T-10, at 19-35 (proposed tariff changes); and TGC T-8, at 21-34 (proposed changes to TGC's fuel adjustment clause).

\(^{13}\)See also Commission's letters, dated January 12, 2009 and March 17, 2009 (granting various requests for additional time); Order Approving the Parties’ Request to Amend the Regulatory Schedule, filed on April 27, 2009; and Order Approving the Parties’ Request to Amend the Regulatory Schedule, filed on May 20, 2009 ("Second Order Amending the Regulatory Schedule").
Thereafter, on May 27 and 29, 2009, TGC filed supplemental documents in support of the Joint Statement of Probable Entitlement.\textsuperscript{14} TGC represents that the Consumer Advocate "concurs with this submittal and the enclosed schedules/attachments."\textsuperscript{15} TGC's supplemental documents include its Exhibit A-1, which consists of the Parties' results of operation schedule on a consolidated operations basis in traditional ratemaking format. In this regard, TGC explains:

Following submission of the Joint Statement Commission counsel . . . requested that TGC submit a schedule detailing the results of operation on a consolidated operations basis, that shows: (1) revenues, operating expenses, other expenses, rate base, and rate of return, at present rates; (2) revenues, operating expenses, other expenses, rate base, and rate of return, at interim rates; (3) the stipulated increase in test year revenues for interim relief; and (4) the stipulated test year revenue requirement for interim relief.

Attached hereto as Exhibit "A-1" is TGC's consolidated results of operation at present rates and proposed rates, together with the other information requested. Some of the numbers included on Exhibit "A-1" may not be the exact numbers detailed in the Joint Statement due to differences caused by rounding, which commonly occurs in the reconciliation of the calculated revenue requirement and the calculated revenues derived from projected sales and projected rates.

TGC's letter, dated May 27, 2009, at 1 (emphasis added).

As noted by TGC, certain of the numbers set forth in its Exhibit A-1 are different from the numbers and amounts

\textsuperscript{14}The supplemental documents, which include corrections to certain exhibits, were filed in response to commission staff's informal inquiries. Hereinafter, the phrase "Joint Statement of Probable Entitlement" collectively refers to the Parties' Joint Statement of Probable Entitlement in Support of Interim Rates, filed on May 22, 2009, as supplemented on May 27 and 29, 2009.

\textsuperscript{15}TGC's letter, dated May 27, 2009, at 2.
reflected in the Parties' Joint Statement, due to rounding and the reconciliation process. Accordingly, while the text of this Interim Decision and Order refers to the numbers and amounts discussed by the Parties in their Joint Statement of Probable Entitlement, filed on May 22, 2009, the commission's results of operations schedule (consolidated operations basis) attached hereto as Exhibit A incorporates the numbers and amounts set forth in TGC's Exhibit A-1.

II. Discussion

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

\[\text{\textsuperscript{16}}\text{Examples of such discrepancies include: (1) the Joint Statement of Probable Entitlement calculates the interim increase in revenue amount as $9,519,293, while the amount reflected in TGC's Exhibit A-1 is $9,520,062, a difference of $769 (0.00807 percent increase); and (2) the Joint Statement of Probable Entitlement refers to an average rate base of $98,966,139 and a rate of return of eight percent, while TGC, in its Exhibit A-1, refers to a rate base of $98,958,434 and a rate of return of eight percent, a difference of $7,705 (0.00778 percent decrease).}\]
an increase in rates if the commission believes the public utility is "probably entitled" to such interim relief."

Moreover:

In the event interim rates are made effective, the commission shall require by order the public utility to return, in the form of an adjustment to rates, fares, or charges to be billed in the future, any amounts with interest, at a rate equal to the rate of return on the public utility's rate base found to be reasonable by the commission. Interest on any excess shall commence as of the date that any rate, fare, or charge goes into effect that results in the excess and shall continue to accrue on the balance of the excess until returned.

HRS § 269-16(d).

Here, the Parties waived the nine-month deadline for the commission to issue its decision and order by May 4, 2009.\textsuperscript{18}

Accordingly, the commission timely issues this Interim Decision

\textsuperscript{17}With respect to interim rate relief, the commission has previously noted:

\cite{In re Hawaiian Elec. Co., Inc., Docket No. 04-0113, Interim Decision and Order No. 22050, filed on September 27, 2005, at 5-6 n.7 (quoting In re Hawaiian Elec. Co., Inc., Docket No. 6998, Interim Decision and Order No. 11559, filed on March 31, 1992, at 7).}

\textsuperscript{18}See Prehearing Order (the Parties, by their actions, effectively waived the nine-month deadline for the commission to issue its decision and order).
and Order, which addresses TGC's request for interim relief, as reflected in Issue No. 2 of the commission's Prehearing Order.

A.

Results of Operation and Interim Rate Design for Interim Rate Relief Purposes

The Parties, as part of their Joint Statement of Probable Entitlement, state:

5. . . . the Parties hereby submit and provide the following statements into the record for purposes of obtaining the requested interim rate relief to the extent provided herein:

. . . .

(c) Following the filing of the Consumer Advocate's Direct Filing, extensive discussions were conducted between the Consumer Advocate and TGC in an effort to better understand each Party's respective positions and differences. As part of this process, the Parties exchanged additional information, responses, schedules, workpapers, and other relevant data. As a result of these discussions, TGC has agreed with certain adjustments contained in the Consumer Advocate's Direct Filing, and the Consumer Advocate has recognized certain revisions, corrections and modifications to the proposed revenue deficiency amounts set forth in Exhibits CA-101 through CA-108 of its Direct Filing. As mentioned above and as a direct result of these discussions, the Parties have been able to resolve their areas of differences and reach an agreement on TGC's overall revenue requirements and rate structure in this proceeding, both for purposes of final revenues and rates as well as the immediate purpose of the Commission granting immediate rate relief to TGC.

(d) Exhibit A provides the revenue requirements and results of operations for the forecast test year ending December 31, 2009 ("Test Year") resulting from the Parties' global settlement of their differences, which is based on an average rate base of $98,966,139 as further set forth in Exhibit B, and a rate of return (i.e.,
weighted cost of capital) on rate base of eight percent (8.0%) as set forth in Exhibit C. In addition, Exhibit E includes the finalized schedules (Schedules B and C) which detail the rate base items and the income and expense ratemaking components, together with a summary of the adjustments (i.e., revisions, corrections and modifications) made from the Consumer Advocate’s Direct Filing that resulted in the above settlement.

6. The Parties are in agreement that, for interim rate purposes pending a final decision by the Commission in this docket, it is appropriate and reasonable to adopt for TGC an average rate base of $98,966,139 (Exhibit B), a rate of return on rate base of eight percent (8.0%) (Exhibit C), and a Test Year revenue requirement of $95,837,039 (Exhibit A).

7. The Parties are in agreement that an interim increase in revenues of $9,519,293, or an increase of approximately 11.03% over revenues at present rates, is just and reasonable. See Exhibit A.

8. The Parties are in agreement that the Commission should allow TGC to increase its rates, on an interim basis, to such levels as will produce, in the aggregate, $9,519,293 in additional revenues for the Test Year (11.03% more than at present rates). See Exhibit A.

9. The Parties are in agreement that the new Rate Schedules listed below are reasonable and should be added to TGC’s Tariffs for the island of Kauai, as set forth in TGC-T-2 and TGC-T-12.

1). Schedule No. 310 – General Service
2). Schedule No. 330 – Multiple Unit Housing Service
3). Schedule No. 350 – Commercial and Industrial Service
4). Schedule 360 – Large Firm Gas Service

10. Based on the above and the information contained in the exhibits referenced above, the Parties request approval of the interim rates shown on Exhibit D. Exhibit D contains a summary of present and proposed rates as well as calculations indicating that the proposed rates will produce, when applied to Test Year adjusted billing determinants, additional utility sales revenues of $9,429,496. Increased revenues of
$90,572 from non-gas utility charges for service connections, transfers, re-connections and field collections that were proposed by TGC and accepted by the Consumer Advocate are summarized on page 9 of Exhibit D.

11. The Parties are in agreement that TGC's fuel calculations on the island of Oahu, should exclude an adjustment for Unaccounted for Gas with the difference in the fuel costs from the rate base now being divided by the therms sold to obtain the fuel adjustment factor, as set forth in TGC-T-8.

12. The Parties are in agreement that the Exhibit D rates, as well as the revenue increase and requirements from which the above rates are based, are established for interim rate purposes based only on what the Parties believe that TGC is entitled to under the probable entitlement standard set forth in HRS § 269-16(d).

Joint Statement of Probable Entitlement, at 5-7 (boldface in original; footnotes and text therein omitted; emphasis added).

The Parties, as a result of their settlement discussions, have addressed and resolved all of their differences in this rate case proceeding. From the commission's review of the Joint Statement of Probable Entitlement, it is apparent that the Parties utilized the Consumer Advocate's direct testimonies and corresponding exhibits -- specifically, the adjustments recommended by the Consumer Advocate therein -- as the starting point for their settlement negotiations. Indeed, the Parties' Exhibits A and B are in a similar format to that utilized by the Consumer Advocate in its direct testimonies and corresponding exhibits.

Accordingly, the Parties' agreed-upon adjustments to the recommendations initially proposed by the Consumer Advocate, or conversely, TGC's acceptance of the Consumer Advocate's
initial recommendations, are reflected in their Exhibits A and B, and are further explained in their Exhibit E. In general, for interim rate relief purposes, the Parties stipulate to: (1) various corrections, revisions, and updates; (2) certain adjustments that were initially recommended by the Consumer Advocate as part of its direct testimonies and corresponding exhibits, which have been accepted by TGC; (3) downward revisions to TGC's therm sales volumes and revenues to reflect updated, actual therm sales trends for certain rate schedules; (4) the pension tracking mechanism and funding requirements initially proposed by the Consumer Advocate, as subsequently modified and clarified by the Parties; (5) a new adjustment to remove the Hawaii State Capital Goods Excise Tax Credit, based on recent legislation to suspend this tax credit; and (6) a fifty-five percent debt/forty-five percent common equity hypothetical capital structure, and a rate of return of eight percent.19

Attached to this Interim Decision and Order is the results of operation schedule (consolidated operations basis) which provides the estimates of TGC's operating revenues and expenses, and its average depreciated rate base for the Test Year. For interim rate relief purposes, the commission utilizes the average test year methodology. The commission's attached schedule reflects the Parties' settlement of all their differences, resulting in their agreement to an increase of

19See Joint Statement of Probable Entitlement, Exhibit E.
$9,519,293 in revenues over present rates, or approximately 11.03 percent, based on a Test Year revenue requirement of $95,837,039 (consolidated operations basis).

For purposes of this Interim Decision and Order, the commission accepts the agreements memorialized by the Parties in their Joint Statement of Probable Entitlement, including the eight percent rate of return on the average depreciated rate base of $98,966,139 (consolidated operations basis). Accordingly, the commission finds that interim rate relief in the amount of $9,519,293 in revenues, or an approximate 11.03 percent increase in revenues over present rates (consolidated operations basis), is appropriate. Based on the docket record, it appears that TGC...

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See, e.g., In re Waikoloa Resort Util., Inc., dba West Hawaii Util. Co., Docket No. 2006-0409, Interim Decision and Order No. 23925, filed on December 21, 2007, at 13 (where the parties agreed, the commission accepted such agreement for purposes of this Interim Decision and Order); In re Hawaiian Elec. Co., Inc., Docket No. 2006-0386, Interim Decision and Order No. 23749, filed on October 22, 2007, at 10 (where the parties agreed, the commission accepted such agreement for purposes of this Interim Decision and Order); In re Hawaii Elec. Light Co., Inc., Docket No. 05-0315, Interim Decision and Order No. 23342, filed on April 4, 2007, at 10 (where the parties agreed, the commission accepted such agreement for purposes of this Interim Decision and Order); and In re Hawaiian Elec. Co., Inc., Docket No. 04-0113, Interim Decision and Order No. 22050, filed on September 27, 2005, at 7 (where the parties agreed, the commission accepted such agreement for purposes of this Interim Decision and Order).

The commission's Notice of Public Hearings states in part:

The total revenue requirement for the 2009 calendar test year will not exceed the $12,510,047 over revenues at present rates (consolidated operations basis) that TGC requests [in its Application]. However, the increases in rates and charges to be finally approved by the Commission, if any, may be higher or lower than the rates and charges proposed by TGC in its Application.
will be probably entitled to the level of relief that the commission grants in this Interim Decision and Order. The interim rate relief granted meets TGC's need for immediate rate relief and protects the interests of the gas utility's ratepayers.

The commission emphasizes that the findings and adoption here of the various amounts reflected in the attached schedule is for purposes of this Interim Decision and Order, only. It does not, in any way, commit the commission to accept any of these amounts in its final decision. The commission's final decision will reflect a detailed review and analysis of all work papers, schedules, and other materials produced by the Parties, including their forthcoming settlement agreement, due by June 19, 2009.

The Parties' stipulated interim rate design is set forth in Exhibit D of their Joint Statement of Probable Entitlement. For purposes of interim rate relief, the commission accepts the Parties' stipulated rate design to implement the changes in TGC's gas utility rates and charges statewide, including certain rate schedules for the island of Kauai.

Here, for interim rate relief purposes, the Parties stipulate to an increase in revenues over present rates of $9,519,293, an amount that is less than the $12,510,047 initially requested by TGC in its Application.
B.  
Refund

As acknowledged by the Parties in Paragraph No. 13 of their Joint Statement of Probable Entitlement, TGC 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.

C.  
Parties' Settlement Agreement

For the Parties' forthcoming settlement agreement, the commission hereby reiterates and emphasizes the guidelines set forth in Ordering Paragraph No. 2 of the commission's Order Approving the Parties' Request to Amend the Regulatory Schedule, filed on April 27, 2009 ("Amended Order"), which states:

The Parties, in their efforts to reach agreement on a written stipulation, shall adhere to the following guidelines: (A) the settlement agreement should fully explain and provide the supporting bases (calculations, worksheets, data, and all other evidence) or other rationale to justify and support a commission finding that the proposed revenue requirements (revenues, expenses, rate base, and rate of return) set forth in the stipulation are just and reasonable, including the applicable citations to the docket record; and (B) the revenues, expenses, and rate base amounts agreed-upon by the Parties should be consistent with the test year concept, and utilize a normalized test year period.

Amended Order, at 6.
Furthermore, the commission emphasizes that the Parties' forthcoming settlement agreement must include complete and comprehensive supporting results of operation schedules: (1) in both the consolidated utility and island-by-island formats (i.e., by gas districts); and (2) in a format that is consistent with general ratemaking principles (present rates column, additional amounts column, proposed rates column). Likewise, the text of the Parties' forthcoming settlement agreement must be written and organized in a manner that reflects general ratemaking principles. The commission does not intend to "re-create" or "figure out" the results of operation schedules for the Parties; doing so may force the commission to utilize certain assumptions and guesswork that may not necessarily be consistent with or reflect the Parties' intent.

III.

Summary of Findings and Conclusions

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.

See, e.g., Application, Exhibits TGC-350 to TGC-352.
The interim decision may be postponed an additional thirty days if the commission considers the evidentiary hearing incomplete.

2. The Parties waived the nine-month deadline for the commission to issue its decision and order by May 4, 2009.

3. The ten-month deadline for the commission's issuance of its interim rate decision expires on June 4, 2009, as set forth in the commission's Prehearing Order. This Interim Decision and Order is issued in compliance with HRS § 269-16(d).

4. 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.

5. Based on the docket record before the commission, including the Parties' Joint Statement of Probable Entitlement, TGC is probably entitled to an increase in its rates.

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

7. For interim purposes, pending a final decision in this docket, it is appropriate and reasonable to adopt an average depreciated rate base of $98,966,139, a rate of return on rate base of eight percent, and a test year results of operations (consolidated operations basis), as set forth in the exhibits attached to this Interim and Order.

8. TGC is probably entitled to an interim increase in revenues of $9,519,293, or an increase of approximately 11.03 percent over revenues at present rates (consolidated operations basis).
IV.

Orders

THE COMMISSION ORDERS:

1. TGC may increase its rates to such levels as will produce $9,519,293 in additional revenues for the Test Year (approximately 11.03 percent over revenues at present rates), on a consolidated operations basis.

2. The interim increase in rates shall take effect from June 11, 2009, provided that TGC shall file its revised tariff rates with the commission by June 9, 2009, with the applicable issued and effective dates, and serve copies on the Consumer Advocate.

3. Upon the 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 TGC's ratepayers, together with interest as provided in HRS § 269-16(d).

4. The Parties forthcoming settlement agreement shall: (A) fully explain and provide the supporting bases (calculations, worksheets, data, and all other evidence) or other rationale to justify and support a commission finding that the proposed revenue requirements (revenues, expenses, rate base, and rate of return) set forth in the settlement agreement are just and reasonable, including the applicable citations to the docket record; (B) include complete and comprehensive supporting results of operation schedules in both the consolidated utility and
island-by-island formats (i.e., by gas districts), and in a format that is consistent with general ratemaking principles (present rates column, additional amounts column, proposed rates column); and (C) be written and organized in a manner that reflects general ratemaking principles. In addition, the revenues, expenses, and rate base amounts agreed-upon by the Parties must be consistent with the test year concept, and utilize a normalized test year period.

5. The failure to comply with any of the requirements set forth in Ordering Paragraph No. 4, above, may constitute cause to deny or reduce the rate increase authorized by the commission in this Interim Decision and Order.

DONE at Honolulu, Hawaii _____ JUN - 4 2009 _____.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By __________ By __________
Carlito P. Caliboso, Chairman John E. Cole, Commissioner

APPROVED AS TO FORM:

By __________
Leslie H. Kondo, Commissioner

Michael Azama
Commission Counsel

2008-0081.cp
### The Gas Company, LLC

**Consolidated Utility Results of Operation Schedule**

**Test Year Ended December 31, 2009**

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>Present</th>
<th>Additional</th>
<th>Interim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas Sales</td>
<td>$85,689,551</td>
<td>$9,429,495</td>
<td>$95,119,046</td>
</tr>
<tr>
<td>Other</td>
<td>627,426</td>
<td>90,567</td>
<td>717,993</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>86,316,977</strong></td>
<td><strong>9,520,062</strong></td>
<td><strong>95,837,039</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Expense:</th>
<th>Present</th>
<th>Additional</th>
<th>Interim</th>
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</thead>
<tbody>
<tr>
<td>Fuel Cost</td>
<td>50,157,415</td>
<td>-</td>
<td>50,157,415</td>
</tr>
<tr>
<td>Production: SNG</td>
<td>5,551,533</td>
<td>-</td>
<td>5,551,533</td>
</tr>
<tr>
<td>Transmission</td>
<td>911,490</td>
<td>-</td>
<td>911,490</td>
</tr>
<tr>
<td>Distribution, Local Storage, Cust. Svs.</td>
<td>5,069,209</td>
<td>-</td>
<td>5,069,209</td>
</tr>
<tr>
<td>Customer Accounting</td>
<td>2,556,265</td>
<td>-</td>
<td>2,556,265</td>
</tr>
<tr>
<td>Sales</td>
<td>392,541</td>
<td>-</td>
<td>392,541</td>
</tr>
<tr>
<td>Admin. &amp; General</td>
<td>7,184,803</td>
<td>-</td>
<td>7,184,803</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>71,823,256</td>
<td>-</td>
<td>71,823,256</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,877,373</td>
<td>-</td>
<td>3,877,373</td>
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<tr>
<td>Amortization CIAC</td>
<td>(73,705)</td>
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<td>(73,705)</td>
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<tr>
<td>Interest Customer Deposit</td>
<td>36,809</td>
<td>-</td>
<td>36,809</td>
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<tr>
<td>Taxes Other Than Income Tax</td>
<td>8,435,095</td>
<td>844,147</td>
<td>9,279,242</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>(399,637)</td>
<td>3,379,973</td>
<td>2,980,336</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>83,699,191</td>
<td>4,224,120</td>
<td>87,923,311</td>
</tr>
</tbody>
</table>

**Net Operating Income**

<table>
<thead>
<tr>
<th>Present</th>
<th>Additional</th>
<th>Interim</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,617,786</td>
<td>5,295,942</td>
<td>7,913,728</td>
</tr>
</tbody>
</table>

**Rate Base**

<table>
<thead>
<tr>
<th>Present</th>
<th>Additional</th>
<th>Interim</th>
</tr>
</thead>
<tbody>
<tr>
<td>$98,966,139</td>
<td>(7,705)</td>
<td>$98,958,434</td>
</tr>
</tbody>
</table>

**Rate of Return on Rate Base**

<table>
<thead>
<tr>
<th>Present</th>
<th>Additional</th>
<th>Interim</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.65%</td>
<td></td>
<td>8.00%</td>
</tr>
</tbody>
</table>

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Exhibit A
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

JEFFREY M. KISSEL
PRESIDENT & CHIEF EXECUTIVE OFFICER
THE GAS COMPANY, LLC
745 Fort Street, 18th Floor
Honolulu, HI   96813

GEORGE T. AOKI, ESQ.
THE GAS COMPANY, LLC
745 Fort Street, 18th Floor
Honolulu, HI   96813

Counsel for THE GAS COMPANY, LLC

KENT D. MORIHARA, ESQ.
KRIS N. NAKAGAWA, ESQ.
MORIHARA LAU & PONG LLP
Davies Pacific Center
841 Bishop Street, Suite 400
Honolulu, HI   96813

Outside Regulatory Counsel for THE GAS COMPANY, LLC