ORIGINAL

DIVISION OF CONSUMER ADVOCACY
Department of Commerce and
Consumer Affairs
335 Merchant Street, Room 326
Honolulu, Hawaii 96813
Telephone: (808) 586-2800

FILED
2009 JUN 12 P 2:54
PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of	)	
	)	
HAWAIIAN ELECTRIC COMPANY, INC.	)	DOCKET NO. 2008-0083
	)	
	)	
Approval of Rates Increase and Revised Rate Schedules and Rules.	)	

DIVISION OF CONSUMER ADVOCACY'S
FIRST SUBMISSION OF REBUTTAL INFORMATION REQUESTS
(REVENUE REQUIREMENTS)

Pursuant to the Schedule of Proceedings approved in Order Approving, with Modifications, Stipulated Procedural Order filed on January 15, 2009 and amended in Order Amending Stipulated Procedural Order filed on January 21, 2009, the Division of Consumer Advocacy submit its **FIRST SUBMISSION OF REBUTTAL INFORMATION REQUESTS (REVENUE REQUIREMENTS)** in the above docketed matter.

DATED: Honolulu, Hawaii, June 12, 2009.

Respectfully submitted,

By Cat P. Awa
CATHERINE P. AWAKUNI
Executive Director

DIVISION OF CONSUMER ADVOCACY

DOCKET NO. 2008-0083

HAWAIIAN ELECTRIC COMPANY, INC.

FIRST SUBMISSION OF REBUTTAL INFORMATION REQUESTS (REVENUE REQUIREMENTS)

INSTRUCTIONS

In order to expedite and facilitate the Consumer Advocate's review and analysis in the above matter, the following is requested:

1. For each response, the Company should identify the person who is responsible for preparing the response as well as the witness who will be responsible for sponsoring the response should there be an evidentiary hearing;
2. Unless otherwise specifically requested, for applicable schedules or workpapers, the Company should provide hard copies of each schedule or workpaper together with one copy of each such schedule or workpaper on electronic media in a mutually agreeable format (e.g., Excel and Quattro Pro, to name two examples); and
3. When an information request makes reference to specific documentation used by the Company to support its response, it is not intended that the response be limited to just the specific document referenced in the request. The response should include any non-privileged memoranda, internal or external studies, assumptions, Company instructions, or any other relevant authoritative source which the Company used.
4. Should the Company claim that any information is not discoverable for any reason:
    a. State all claimed privileges and objections to disclosure;

b. State all facts and reasons supporting each claimed privilege and objection;

c. State under what conditions the Company is willing to permit disclosure to the Consumer Advocate (e.g., protective agreement, review at business offices, etc.); and

d. If the Company claims that a written document or electronic file is not discoverable, besides complying with subparagraphs 4(a-c), identify each document or electronic file, or portions thereof, that the Company claims are privileged or will not be disclosed, including the title or subject matter, the date, the author(s) and the addressee(s).

DOCKET NO. 2008-0083

HAWAIIAN ELECTRIC COMPANY, INC.

FIRST SUBMISSION OF REBUTTAL INFORMATION REQUESTS (REVENUE REQUIREMENTS)

CA-RIR-1 **Ref: HECO RT-1, page 48, line 16 (Penalties for Failing to Meet RPS standards).**

According to Mr. Alm's rebuttal testimony, "Furthermore, the Company could be subject to penalties if it fails to meet the RPS standards." Please provide the following additional information:

a. Is HECO proposing that the Commission approve the Company's proposed informational advertising costs to assist HECO in avoiding future RPS penalties?

b. Explain whether HECO or Mr. Alm believe that the Commission should consider, in the exercise of its discretion regarding the future assessment or reduction of any penalties for failure to meet the RPS standards, the amounts of advertising included by the Commission in utility revenue requirements in this and future rate case proceedings. In other words, should penalties be more rigorously enforced if HECO is allowed relatively lower amounts of ratepayer funded informational advertising?

c. If your response to part (b) is affirmative, please state and quantify precisely how approval (or disapproval) of HECO

advertising expenditures should be weighted into the determination of RPS non-achievement penalties.

d. Explain whether and to what extent HECO would willingly incur future advertising costs in amounts exceeding the amounts proposed by the Consumer Advocate for inclusion for ratemaking purposes, so as to reduce its exposure to RPS penalties that must be charged below the line and not collected from ratepayers.

CA-RIR-2 **Ref: HECO RT-1, page 51, line 19 (PBF Administrator Goals).**

According to Mr. Alm, "The PBF Administrator is faced with meeting ambitious and necessary energy efficiency goals, with tight program budgets and during the challenging economic environment in which it is even more difficult for residents and businesses to afford energy efficiency upgrades. Furthermore, fuel prices have retreated significantly from the record highs of last year, lowering electricity prices and removing some of the incentive to pursue energy efficiency." Please provide the following information:

a. Explain Mr. Alm's and HECO's understanding of each of the PBF Administrators "energy efficiency goals."

b. For each of the "energy efficiency goals" identified in your response to part (a), describe why/whether the goal is believed by Mr. Alm and HECO to be "ambitious."

c. Provide comparisons to relevant historical DSM achievement levels and all other data relied upon to support your conclusion about the PBF Administrator's goals being "ambitious."

d. Explain whether, and to what extent, HECO should be held responsible for future penalties for failure to achieve prescribed RPS standards (per HECO RT-1, pages 48-49) if the PBF Administrator fails to meet its "ambitious" Energy Efficiency goals.

e. Provide copies of all workpapers, projections, analyses, studies, reports and other documents associated with or supportive of your responses to parts (a) through (d) of this information request.

CA-RIR-3 **Ref: HECO RT-1, page 51, lines 7-10 (RPS and Greenhouse Gas Reduction Goals).**

Mr. Alm states that, "..the Company is responsible for meeting the RPS requirements, which includes an energy efficiency component through 2014, and the state's greenhouse gas reduction goals. The Company is also subject to potential penalties for not meeting these requirements." Please provide the following information *regarding this project:*

a. Explain what, if any, specific "potential penalties" Mr. Alm believes may be assessed against HECO in connection with "the state's greenhouse gas reduction goals."

b. Provide citation to each law, rule or Commission order that presently provides for penalties if HECO fails to perform in relation to "the state's greenhouse gas reduction goals."

c. Provide a detailed breakdown and quantification of HECO's obligations in each year starting in 2009 "through 2014" to meet the RPS requirements "energy efficiency components" that is being referenced.

d. Provide a detailed breakdown showing how each of HECO's existing or planned load control, advertising and other programs are intended to meet HECO obligations in each year starting in 2009 "through 2014" to meet the RPS requirements "energy efficiency components."

e. Provide a detailed breakdown showing HECO's understanding of how each of the PBF Administrator's existing or planned energy efficiency, advertising and other programs are intended to meet its obligations in each year starting in 2009 "through 2014", so as to meet the RPS requirements "energy efficiency components."

f. Provide complete copies of all workpapers, projections, analyses, studies, reports and other documents associated

with or supportive of your responses to parts (a) through (e) of this information request.

CA-RIR-4 **Ref: HECO RT-1, page 53 (Fundamental Obligation).**

According to Mr. Alm, "The Company also has a fundamental obligation to provide energy efficiency information to its customers." Please respond to the following:

a. Explain whether Mr. Alm or HECO believes that any existing law, rule or Commission order imposes such a "fundamental obligation" and provide citation to each such law, rule and Commission Order.

b. Explain whether Mr. Alm or the Company believe that the Commission erred in its Order dated November 14, 2008, by not reasonably considering this "fundamental obligation" when it denied HECO's proposed continuation of the RCEA Program.

c. Does Mr. Alm believe that HECO is unique among electric utilities elsewhere in the United States in having the referenced "fundamental obligation to provide energy efficiency information to its customers?"

d. If your response to part (c) of this information request is affirmative, please state each reason why HECO and/or Hawaii are unique.

e. If your response to part (c) of this information request is negative, please identify each other electric utility HECO is aware of that regularly incurs non-labor energy efficiency advertising expenses proportional to the spending levels for such advertising that HECO is proposing in this rate case.

f. Provide copies of all documents associated with or supportive of your responses to parts (a) through (e) of this information request.

CA-RIR-5 **Ref: HECO RT-1, page 53, line 8 (Customer Expectations).**

According to Mr. Alm's testimony, "Similarly, customers have an expectation that their utility will be a major source of this advice." Please provide the following information:

a. Explain how Mr. Alm acquired his claimed understanding of customers' "expectations" in this regard.

b. Provide complete copies of all studies, reports, surveys, analyses and other documents supportive of this statement regarding customers' expectations.

CA-RIR-6 **Ref: HECO's Response to CA-IR-416(e); HECO RT-1, page 54, lines 4-10; (Safety, Equipment Protection, Rule 16, Outage Prevention, Sun Power Advertising).**

According to Mr. Alm's testimony, the Company "has an obligation to educate customers through advertising on other important topics

such as electrical safety, equipment protection, Rule 16" and the, "Sun Power for Schools program." Please respond to the following:

a. In its response to CA-IR-416(e), HECO provide a historical breakdown of its energy efficiency advertising. Please provide a comparable breakdown of HECO's actual non-labor spending on each of these other categories of advertising listed in Mr. Alm's rebuttal, for the same periods 2005 through 2008.

b. Explain whether or not HECO believes it has adequately invested in non-labor advertising expenditures for these non-energy efficiency messages in the years 2005 through 2008 and the reasons for such beliefs.

CA-RIR-7 **Ref: HECO's Response to CA-IR-416(e); HECO RT-1, page 54, lines 4-10; (Safety, Equipment Protection, Rule 16, Outage Prevention, Sun Power Advertising).**

According to Mr. Alm's testimony, the Company "has an obligation to educate customers through advertising on other important topics such as electrical safety, equipment protection, Rule 16" and the, "Sun Power for Schools program." Please respond to the following:

a. In its response to CA-IR-416(e), HECO provide a historical breakdown of its energy efficiency advertising. Please provide a comparable breakdown of HECO's actual non-labor spending on each of these other categories of

advertising listed in Mr. Alm's rebuttal, for the same periods 2005 through 2008.

b. Explain whether or not HECO believes it has adequately invested in non-labor advertising expenditures for these non-energy efficiency messages in the years 2005 through 2008 and the reasons for such beliefs.

CA-RIR-8 **Ref: HECO RT-10A, page 2, line 23 through page 3, line 5 (PBF Administrator's Advertising Budget).**

According to Ms. Unemori's testimony, "The PBF Administrator's advertising efforts are not likely to be anywhere near as extensive as what the Company has conducted in the recent past to increase energy awareness amongst its customers and effect extraordinary decreases in energy use. The Company invested $3,500,390 and $2,924,519 in energy efficiency and other informational advertising in 2007 and 2008, respectively. This includes amounts charged to utility operating expenses, the RCEA program, and residential and commercial DSM advertising (almost all of this was for advertising directed at residential customers)." Please respond to the following:

a. Explain all efforts by HECO to determine the PBF Administrator's planned or "likely" advertising, as asserted in this testimony.

b. Provide complete copies of all reports, e-mails, projections, workpapers, correspondence and other documents in the possession of HECO associated with or supportive of your response to part (a) of this information request.

c. Explain why HECO's judgments regarding the importance and adequacy of energy efficiency awareness advertising at particular levels of expenditure are believed to be more valid or reasonable than the judgments reached by the PBF Administrator regarding such advertising.

d. State whether HECO or Ms. Unemori has concluded that the PBF Administrator's, "advertising efforts [that] are not likely to be anywhere near as extensive as what the Company has conducted..." are inadequate or insufficient, relative to the responsibilities undertaken by the PBF Administrator.

e. Provide complete copies of all analyses, workpapers, projections, reports and other information relied upon in support of your response to part (e) of this information request.

CA-RIR-9 **Ref: HECO RT-10A, page 3, line 8 (Discussion with the PBF Administrator).**

According to Ms. Unemori's testimony, the Company engaged in "discussion with the PBF Administrator" from which certain

conclusions were drawn by HECO about how advertising funding of $404,000 would be applied. Please respond to the following:

a. Provide the dates, times and identify the participants in each such "discussion."

b. Provide copies of all notes, correspondence, electronic messages, shared files, presentations and other documents associated with each such "discussion."

c. Explain HECO's understanding of the PBF Administrator's planned advertising spending in <u>each</u> future year to "establish a new brand."

d. Explain whether HECO has proposed any efforts to co-brand or maintain any HECO branding of programs to be offered by the PBF Administrator.

e. Explain HECO's understanding of the PBF Administrator's planned advertising spending in <u>each</u> future year to "market the energy efficiency programs."

f. Explain HECO's understanding of the PBF Administrator's planned advertising spending in <u>each</u> future year to "provide ongoing energy awareness messaging."

g. Provide a complete copy of all studies, reports, analyses, assessments and other work prepared by or for HECO to evaluate the adequacy and expected effectiveness of the advertising plans of the PBF Administrator.

CA-RIR-10 **Ref: HECO RT-10A page 4, lines 11-22 (Incremental Demand Savings).**

According to Ms. Unemori's testimony, "In addition, as a result of the 2007 and 2008 advertising campaigns, as well as other factors during that time (e.g., customer reaction to the impact of rising fuel prices), incremental demand savings increased significantly in those two years as shown in the graph below." Please respond to the following:

a. Provide the source data underlying the graph.

b. Provide a breakdown of the demand savings values in each year 2005 through 2008, indicating separately the amounts that were caused by:

   1. HECO informational advertising.
   2. Customer reaction to the impact of rising fuel prices.
   3. HECO Energy Efficiency Programs.
   4. HECO Load Control Programs.
   5. Each known other factor in each year.

CA-RIR-11 **Ref: HECO RT-10A, page 6, lines 4-18 (Differences in Expected Advertising Message Content).**

According to Ms. Unemori's testimony, "The messages that comprise HECO's informational advertising are not necessarily the same as those for the PBF Administrator. Thus, increasing the PBF Administrator's advertising budget instead of approving

HECO's informational advertising expense estimate will not provide the breadth of energy awareness messaging that HECO can deliver and that customers should receive." Please respond to the following:

a. State and explain whether and why the PBF Administrator's advertising budget "will not provide the breadth of energy awareness messaging...that customers should receive."

b. Describe the methods used by HECO and provide all calculations relied upon to quantify precisely how much energy awareness messaging customers should receive in 2009 and 2010.

c. Provide complete copies of all documents associated with your response to part (b) of this information request, including but not limited to all reports, studies, analyses, projections, workpapers and other information relied upon by HECO to optimize the overall spending on energy awareness messaging.

d. What are the quantitative metrics routinely used by HECO to measure the "breadth" of energy efficiency messaging that is occurring in Hawaii, including advertising funded by HECO as well as from the PBF Administrator other sources?

CA-RIR-12 **Ref: HECO's Response to CA-IR-416(e); HECO RT-10A, page 6, lines 20 to page 8, line 2 (Detailed Breakdown of HECO Advertising Messages).**

At the referenced pages/lines, Ms. Unemori's testimony discusses "HECO's advertising messages in more detail." Please respond to the following:

a. *In its response to CA-IR-416(e), HECO provided a historical* breakdown of its energy efficiency advertising. Please provide a comparable breakdown of HECO's historical actual non-labor spending on each of these other advertising messages (by message or campaign as available) as listed in Ms. Unemori's rebuttal, for the same historical periods 2005 through 2008.

b. Please provide a comparable breakdown of HECO's test year proposed non-labor spending on each of these other advertising messages (or campaign) listed in Ms. Unemori's rebuttal.

c. Explain whether or not HECO believes it has adequately invested in non-labor advertising expenditures for these non-energy efficiency measure messages in the years 2005 through 2008 and the reasons for such beliefs.

CA-RIR-13 **Ref: HECO's Response to CA-IR-416 Attachments 1 and 2; HECO RT-10A, page 10 (Year to Date Actual 2009 Advertising Spending).**

According to Ms. Unemori's testimony, "As of May 20, 2009, the Company had already effectively incurred $470,000 in utility O&M informational advertising costs, including $283,000 for advertising invoices received and/or processed and approximately $187,000 in additional pending billings for advertising work already completed or committed to." Please respond to the following:

a. Update Attachment 1 to CA-IR-416, indicating the monthly breakdown of actual spending and updated budget values by month for 2009.

b. Update Attachment 2 to CA-IR-416, indicating the monthly breakdown of actual spending by month for 2009.

c. Explain and provide calculations showing how the amounts cited in the referenced testimony can be reconciled into your responses to parts (a) and (b) of this information request.

CA-RIR-14 **Ref: HEI SEC Form 10-Q for the Period Ending 3/31/2009, page 24 (HCEI Commitments).**

According to the SEC Form 10-Q, "To help fund energy efficiency programs, incentives, program administration, customer education, *and other related program costs, as expended by the third-party* administrator for the energy efficiency programs or by program contractors, which may include the utilities, the Energy Agreement

provides that the parties will request that the PUC establish a Public Benefits Fund (PBF) that is funded by collecting 1% of the utilities' revenues in years one and two after implementation of a PBF; 1.5% in years three and four; and 2% thereafter. In December 2008, the PUC issued an order directing the utilities to collect revenue equal to 1% of the projected total electric revenue of the utilities, of which 60% shall be collected via the DSM surcharge and 40% via the PBF surcharge. Beginning January 1, 2009, the 1% is being assessed on customers of HECO and its subsidiaries." Please respond to the following:

a. Explain why informational advertising to promote energy conservation should be funded separately through HECO rates for utility advertising, in addition to the funding arrangements described in the 10-Q.

b. Describe why the PBF funding percentages and total resulting funded amounts described in this arrangement could not be re-assigned within the PBF structure to more heavily emphasize customer education advertising if the Commission agrees with HECO that more of such advertising is desired or needed.

c. State whether and on what dates HECO has discussed coordination of informational advertising with representatives

of the PBF Administrator, seeding to utilize existing funding arrangements for expanded informational advertising.

d. Provide copies of all meeting notes, correspondence and other documents associated with your response to part (c) of this information request and explain the outcome of such discussions.

Witness RT-19 Mr. R. Morin.

CA-RIR-15 **Ref: "Electric Utility Allowed Returns 2004-2008," as shown on page 6.**

Please update this table for the first quarter of 2009 and, when available, the second quarter of 2009.

CA-RIR-16 **Ref: Statement on page 8, lines 12-20 that "the Company's Risk Profile is Reflected to Some Extent in the Capital Market Data of the Comparable Companies...."**

Please identify which of the "comparable companies" that have in place revenue decoupling and other related mechanisms that is as extensive as are the proposed decoupling mechanisms of HECO.

CA-RIR-17 **Ref: Table on page 11, lines 2-18.**

a. For each company listed, please indicate the name of the subsidiary of the holding company, the state, and docket number represented by each "Allowed ROE."

b. Please also indicate the other subsidiaries and states not reflected in the "Allowed ROE" for each holding company.

CA-RIR-18 **Ref: Statement on page 16, lines 18-21, that "Empirical Finance Literature Demonstrates that the Sustainable Growth Rate Technique is a Very Poor Explanatory Variable of Market Value and is Not Correlated Significantly to Measures of Value, Such as Stock Price and Price/Earnings Ratios."**

a. Please identify and provide copy of all "empirical finance literature" relied upon in making this statement.

b. Please also indicate if Dr. Morin is aware of any "empirical finance literature" that takes an alternative position on the usefulness of sustainable growth rates.

CA-RIR-19 a. Please indicate any electric utility rate cases during the past five years, in which Dr. Morin has testified in, where a decoupling mechanism was approved.

b. Please indicate any specific recognition in the cost of common equity stated by the respective commission related to the decoupling mechanism approval.

CA-RIR-20 **Ref: Statement on page 34, lines 9-13.**

For each of Dr. Morin's comparable companies, please identify the percentage of revenues that are presently subject to decoupling mechanisms.

CA-RIR-21 **Ref: Statement on page 39, line 18 that "Capital Markets are in a State of Turmoil."**

Please indicate if Dr. Morin believes that HECO's ratepayers should pay higher rates, based on a higher awarded cost of equity, to offset HECO from any "turmoil" in the capital markets.

CA-RIR-22 Please provide source documents for the following footnotes:

a. 5 on page 47;

b. 6 on page 47; and

c. 7 on page 47.

CA-RIR-23 **Ref: Statement on page 51, lines 17-19 that "Mr. Parcell Applies a DCF Analysis to Three Groups of Electric Utilities."**

Please confirm that two of these three groups are the proxy groups used by Dr. Morin in his direct testimony in this proceeding.

CA-RIR-24 Please provide the detail and supporting documentation for the statement on page 52, lines 19-22.

CA-RIR-25 Please provide the detail and supporting documentation for the statement on page 53, lines 10-11.

CA-RIR-26 Please provide the detail and supporting documentation for the statement on page 53, lines 19-20.

CA-RIR-27 Please provide the detail and supporting documentation for the statement on page 54, lines 17-18.

CA-RIR-28 Please reconcile the statements on page 52, lines 21-22 and page 54, lines 17-18.

CA-RIR-29 Please provide a copy of all schedules, work papers and source documents used in developing Dr. Morin's "Updated Recommendations" of pages 68-73.

Witness RT-20 Ms. T. Sekimura.

CA-RIR-30 **RE: Statement on page 10, lines 10-15 that "Approval of Adjustment Clauses and Cost Recovery Mechanisms by Regulatory Commissions is Widespread...."**

Please identify all electric utilities that HECO is aware of that have a decoupling mechanism similar to that proposed by HECO.

CA-RIR-31 Please indicate the percentage of HECO's test year revenues that would be subject to the proposed decoupling mechanism and other mechanisms in effect and/or proposed at this time.

CA-RIR-32 Please provide copy of S&P report cited on page 24, line 10.

CA-RIR-33 Please provide copy of source documents relied upon in making statement on page 25, lines 11-19.

CA-RIR-34 Please provide a copy of any reports on HECO and/or HEI by rating agencies and security analysts that have been published subsequent to HECO's response to IRs earlier in this proceeding.

CA-RIR-35 Please provide copy of any presentations and correspondence between HECO and rating agencies in 2009.

Witness RT-21 Mr. S. Fetter.

CA-RIR-36 Please provide copy of source document cited in footnote 1 on page 2.

CA-RIR-37 Please provide copy of Moody's report cited on page 4, lines 3-16.

CA-RIR-38 Please provide copy of source document cited in footnote 3 on page 8.

CA-RIR-39 Please provide copy of source document cited in footnote 4 on page 9.

CA-RIR-40 Please provide copy of source document cited in footnote 5 on page 9.

CA-RIR-41 Please provide copy of S&P document cited on page 10, lines 6-19.

CA-RIR-42 Please provide copy of source document cited in footnote 7 on page 11.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **DIVISION OF CONSUMER ADVOCACY'S FIRST SUBMISSION OF REBUTTAL INFORMATION REQUESTS (REVENUE REQUIREMENTS)** was duly served upon the following parties, by personal service, hand delivery, and/or U.S. mail, postage prepaid, and properly addressed pursuant to HAR § 6-61-21(d).

DARCY ENDO-OMOTO VICE PRESIDENT GOVERNMENT AND COMMUNITY AFFAIRS HAWAIIAN ELECTRIC COMPANY, INC. P. O. Box 2750 Honolulu, Hawaii 96840-0001	1 copy by hand delivery
DEAN K. MATSUURA MANAGER- REGULATORY AFFAIRS HAWAIIAN ELECTRIC COMPANY, INC. P. O. Box 2750 Honolulu, Hawaii 96840-0001	1 copy by hand delivery
THOMAS W. WILLIAMS, JR., ESQ. PETER Y. KIKUTA, ESQ. DAMON L. SCHMIDT, ESQ. GOODSILL, ANDERSON, QUINN & STIFEL 1800 Alii Place 1099 Alakea Street Honolulu, Hawaii 96813 Counsel for Hawaiian Electric Company, Inc.	1 copy by hand delivery

DR. KAY DAVOODI
NAVFAC HQ ACQ-URASO
1322 Patterson Avenue, S.E. Suite 1000
Washington Navy Yard
Washington, DC 20374-5065

1 copy
by U.S. mail

JAMES N. MCCORMICK, ESQ.
ASSOCIATE COUNSEL
NAVAL FACILITIES ENGINEERING COMMAND, PACIFIC
258 Makalapa Drive, Suite 100
Pearl Harbor, HI 96860-3134

1 copy
by U.S. mail

Counsel for Department of Defense

DATED: Honolulu, Hawaii, June 12, 2009.