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PUBLIC UTILITIES COMMISSION

November 2, 2009

The Honorable Chairman and Members of
the Hawaii Public Utilities Commission
Kekuanaoa Building
465 South King Street, 1st Floor
Honolulu, Hawaii 96813

Dear Commissioners:

RE: Docket No. 2008-0083 -- Application of Hawaiian Electric Company, Inc. for Approval of Rate Increases and Revised Rate Schedules and Rules

Pursuant to Prehearing Conference Order filed on October 20, 2009, the Division of Consumer Advocacy submits its 4th Hearing Exhibit in the above docketed matter.

Sincerely yours,

Catherine P. Awakuni
Executive Director

CPA:tt

cc: Darcy Endo-Omoto
Dr. Kay Davoodi
Theodore E. Vestal, Esq.
Peter Y. Kikuta, Esq.
Dean K. Matsuura
James N. McCormick, Esq.
Thomas W. Williams, Jr., Esq.
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CONSUMER ADVOCATE'S MANAGEMENT AUDIT TOPICS

1) Focused Regulatory Audits are suggested for the following areas of special interest to help resolve the following known and/or anticipated ratemaking issues:

   a) CT-1 construction cost reasonableness;

   b) East Oahu Transmission project construction cost reasonableness (upon completion);

   c) CIS Project cost reasonableness (upon completion);

   d) HECO Companies' productivity analysis (if used in an approved RAM);

   e) HECO Companies' effectiveness in meeting HCEI performance obligations (for 2011 rate case); and

   f) Periodic (ongoing) Financial Attest Audits to confirm accuracy and present any issues arising from existing and proposed surcharge filings of each regulated utility:

      i) ECAC;

      ii) PPAC;

      iii) IRP/DSM; and

      iv) RBA/RAM.

2) Focused Management Audits (process issues) within HECO.

   a) Technology (AMI and CIS) enabled TOU and other Pricing Initiatives.

   b) Process issues to efficiently implement CESP filing and review.

   c) Capital projects management, cost control and accounting processes.

3) Regulatory Audit Processes should be controlled by a designated PUC agent, with involvement of an advisory group in each of the following steps.

a) Project Scoping and solicitation:

i) Define the problem and detailed questions to be independently asked & answered.

ii) Identify qualifications required of auditor.

iii) Specify preliminary project schedule and deliverable due dates.

iv) What Docket(s) will "receive" the audit report?

v) What review criteria and scoring will be applied to proposals?

vi) How will independence (avoidance of conflicts of interest) be assured?

b) Proposal Review and Contracting.

i) What parties/people and process be used to grade the proposals?

ii) Who will award contract(s)?

iii) Budgetary constraints and cost/quality ratings

iv) Contract structure (client, contacts, commercial terms)

c) Project Management.

i) Who is the client and sponsoring entity (PUC or CA)?

ii) Sources of policy guidance to the auditor (contacts, advisory groups).

iii) How will audit work plan be reviewed/approved?

iv) How will work progress be tracked and managed?

v) Information processing – formal IRs? Interviews?

vi) Discovery dispute resolution.

vii) Confidentiality protection.

viii) Who will review, approve and pay invoices?

ix) How will project costs be recovered?

d) Project Completion.

i) Draft Report Distribution/comment.

ii) Final Deliverables distribution (Report, Workpapers, References).

iii) Discovery to Auditor and/or utility.

iv) Response opportunities for parties (CA, Utility, Intervenors).

v) Provision for written & live testimony and hearing support by the Auditor.