

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

----In the Matter of----)
)
PUBLIC UTILITIES COMMISSION) DOCKET NO. 2013-0141
)
Instituting an Investigation to)
Reexamine the Existing Decoupling)
Mechanisms for Hawaiian Electric)
Company, Inc., Hawaii Electric)
Light Company, Inc., and Maui)
Electric Company, Limited.)

)

ORDER NO. 31289

INITIATING INVESTIGATION

PUBLIC UTILITIES
COMMISSION

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INITIATING INVESTIGATION

By this Order, the commission initiates an investigation to examine whether the existing decoupling mechanisms for Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO"), and Maui Electric Company, Limited ("MECO") (collectively, the "HECO Companies"), as approved by the commission in Docket No. 2008-0274 ("Decoupling Docket"),¹ are effectively serving intended purposes; are fair to the HECO Companies and the HECO Companies' ratepayers; and are in the public interest.

¹See *Final Decision and Order and Dissenting Opinion of Leslie H. Kondo, Commissioner*, filed on August 31, 2010, in Docket No. 2008-0274 ("Decision and Order").

I.

Background

On October 24, 2008, the commission opened the Decoupling Docket to examine implementing a decoupling mechanism "that would modify the traditional model of rate-making for the HECO Companies by separating the HECO Companies' revenues and profits from electricity sales."² Prompted by an "Energy Agreement,"³ which included a commitment to implement a decoupling mechanism for the HECO Companies, the commission described decoupling in the Opening Order as follows:

Generally, decoupling is a regulatory tool designed to separate a utility's revenue from changes in energy sales. Decoupling,

²*Order Initiating Investigation*, filed on October 24, 2008, in Docket No. 2008-0274 ("Opening Order"), at 1. The Opening Order refers to examination of "a decoupling mechanism" (in the singular). It is recognized, as referenced in the instant Order, that ultimately, several decoupling mechanisms have been approved, including several distinguishable mechanisms for each of the HECO Companies.

³"Energy Agreement" refers to the "Energy Agreement Among the State of Hawaii, Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and the Hawaiian Electric Companies," executed on October 20, 2008 by the former Governor of the State of Hawaii, the Department of Business, Economic Development, and Tourism ("DBEDT"), the HECO Companies, and the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate"). The Energy Agreement represented "a commitment on the part of the State and the HECO Companies to accelerate the addition of new, clean resources on all islands; to transition the HECO Companies away from a model that encourages increased electricity usage; and to provide measures to assist consumers in reducing their electricity bills." Opening Order at 2.

as asserted by its proponents, has the benefits of encouraging the substitution of renewable resources, distributed generation and energy efficiency for the utility's fossil fuels production (by reducing a utility's disincentive to promote these types of resources and programs), while simultaneously protecting a utility's financial health from erosion as these types of programs go into effect.⁴

The commission named the HECO Companies and the Consumer Advocate as parties to the docket.⁵

On May 11, 2009, the HECO Companies and the Consumer Advocate filed a Joint Final Statement of Position ("Joint FSOP"), which included, among other proposals: (1) a Revenue Balancing Account ("RBA") tariff provision; and (2) a Revenue Adjustment Mechanism ("RAM") tariff provision, described further below.

Thereafter, the parties exchanged and responded to information requests; and the commission held a panel-format evidentiary hearing, after which the parties filed opening and reply briefs.

⁴Opening Order at 2-3.

⁵The commission subsequently allowed intervention in the docket to: (1) DBEDT; (2) Haiku Design and Analysis; (3) Hawaii Renewable Energy Alliance; (4) Hawaii Solar Energy Association; (5) Blue Planet Foundation; (6) Life of the Land ("LOL"); and (7) Hawaii Holdings, LLC dba First Wind Hawaii ("First Wind"). During the course of the proceeding, LOL withdrew and First Wind changed its status to participant.

Pursuant to the commission's *Order Establishing Hearing Procedures*, filed on June 16, 2009, the issues identified for the docket that were addressed during the panel hearing were:

- I. Will Decoupling Help Achieve Hawaii's Objectives?
- II. Decoupling Mechanics: How Well Does the HECO Companies' Decoupling Design Achieve Hawaii's Objectives?
- III. Revenue Adjustment Mechanism: How Well Does it Achieve Hawaii's Objectives?
- IV. Revenue Per Customer Mechanism and Other Alternatives: How Well Do They Achieve Hawaii's Objectives?
- V. Energy Cost Adjustment Clause Amendment: What are Its Advantages and Disadvantages, In Terms of Hawaii's Objectives?
- VI. What Review Processes and Safeguards Should the Commission Consider?⁶

On August 31, 2010, the commission issued its Decision and Order, which approved the Joint FSOP, as amended, of the HECO Companies and the Consumer Advocate. Specifically, the commission approved a sales decoupling component, the RBA, which was intended to break the link between the HECO Companies' sales and their total electric revenue. In sum, under the RBA, the HECO Companies' revenues are delinked from sales by setting the target revenues to the most recent authorized revenues approved

⁶*Order Establishing Hearing Procedures*, filed on June 16, 2009, in Docket No. 2008-0274, at 5-6.

in the utility's most recent rate case. Accounting records associated with the RBA are maintained to record: (1) the difference between the utilities' target revenue and recorded adjusted revenue; and (2) monthly interest applied to the simple average of the beginning and ending month balances in the RBA. The target revenue excludes revenues for fuel and purchased power expenses that are recovered either in base rates or in a Power Purchase Adjustment Clause ("PPAC"), as well as all other revenue being separately tracked or recovered through any other surcharge or rate tracking mechanism. The amortization of the previous calendar year-end balance in the RBA and the RAM Revenue Adjustment for the current calendar year, described further below, is recovered through a single per kilowatt-hour ("kWh") RBA rate adjustment for residential and non-residential customers, over the twelve months from June 1st of the current calendar year to May 31st of the succeeding calendar year.

The second key component of the decoupling mechanism that the commission approved in the Decision and Order was the RAM. The RAM was intended, via formula-driven estimates and escalators, to "compensate the HECO Companies for increases in utility costs and infrastructure investment between rate cases"⁷ and therefore reduce the frequency of rate cases. In sum, the

⁷Decision and Order at 4-5.

components of the HECO Companies' revenue requirements that are subject to annual update and escalation through the RAM include the revenue requirements associated with: (1) changes in designated labor and non-labor operations and maintenance ("O&M") and payroll tax expenses; (2) the return on incremental investment in designated rate base components; (3) updated depreciation and amortization expenses; and (4) changes in costs due to significant changes in tax laws or tax regulations. As noted above, the RAM for a current calendar year, along with the previous calendar year-end balance in the RBA, is recovered through the per kWh RBA rate adjustment from June 1st of the current calendar year to May 31st of the succeeding calendar year.

As consumer protection features, the commission approved an Earnings Sharing Revenue Credit Mechanism and Credit Mechanisms for Major and Baseline Capital Projects that were included in the Joint FSOP.⁸ The commission also added certain modifications and conditions to the RAM to address the concerns that the commission and some of the parties had with respect to the RAM. Several parties proposed tying decoupling revenue collection to achievement of clean energy related performance metrics. In effect, these parties sought to make the availability of revenue increases resulting from the RAM the

⁸See generally Decision and Order, Section II.B.6.

quid pro quo for the HECO Companies meeting the commitments made in the Energy Agreement. The commission, however, declined to adopt specific clean energy performance metrics for the HECO Companies in the Decision and Order, explaining:

The commission finds that the potential loss of decoupling benefits by the HECO Companies, should they fail to perform reasonably relative to commitments made in the Energy Agreement, will serve as an incentive for such performance. Accordingly, the commission declines to adopt a clean energy performance metric for the HECO Companies at this time. The commission acknowledges, however, that it is important to have clearly defined objectives and measurements of success. Therefore, in future reviews of the effectiveness of decoupling and its relationship with Hawaii's clean energy initiatives, [and of] the performance of the HECO Companies after decoupling is implemented, . . . the concept of performance metrics should be appropriately investigated to allow the commission to consider the need for such metrics in the future. Moreover, as stated earlier, the commission approves decoupling herein for the specific purpose of incenting the HECO Companies (or removing their disincentive) to accept more renewable energy and energy efficiency measures in accordance with the State's energy objectives. The commission can and will reexamine decoupling and may revoke it if it finds that decoupling is not being used for this purpose.⁹

Although the commission approved the decoupling mechanism in the Decision and Order, it ruled that decoupling could not actually be implemented until "rates that reflect a

⁹Id. at 104-105.

reduced [rate of return ("ROR")] due to decoupling are approved by the commission in either an interim or final decision and order in the HECO Companies' pending rate cases."¹⁰ The commission subsequently considered and approved an adjusted ROR due to decoupling, and allowed implementation of decoupling for each of the HECO Companies in: *Final Decision and Order*, filed on December 29, 2010, in Docket No. 2008-0083 (HECO's 2009 test year rate case); *Decision and Order No. 30168*, filed on February 8, 2012, in Docket No. 2009-0164 (HELCO's 2010 test year rate case); and *Decision and Order No. 30365*, filed on May 2, 2012, in Docket No. 2009-0163 (MECO's 2010 test year rate case).

II.

Discussion

A.

Need to Reexamine Decoupling Mechanisms

In several instances in its Decision and Order in the Decoupling Docket, the commission specifically noted its authority and intent to review and/or terminate the decoupling mechanism at any time if the public interest so requires. In one instance, for example, the commission expressly adopted the

¹⁰Id. at 129.

following review provisions that were included in the Energy Agreement:

(i) The commission may review the decoupling mechanism at any time if it determines that the mechanism is not operating in the interests of the ratepayers.

(ii) The HECO Companies or the Consumer Advocate may also file a request to review the impact of the decoupling mechanism.

(iii) The commission may unilaterally discontinue the decoupling mechanism if it finds that the public interest requires such action.¹¹

Since the initial approval of decoupling mechanisms in the Decoupling Docket and the initiation of the mechanisms in subsequent rate cases, HECO has submitted three annual decoupling tariff filings (2011, 2012, and 2013); HELCO has submitted two annual tariff filings (2012 and 2013);¹² and MECO has submitted one (2013).¹³ After three years of implementation experience (for HECO), the commission now finds it prudent to

¹¹Id. at 122, 128, 131-132; see also Energy Agreement at 33.

¹²HELCO's RBA Rate Adjustment for 2012 was negative, and therefore resulted in a reduction to customer bills.

¹³MECO filed its RBA Rate Adjustment schedules and workpapers in 2012 for informational purposes only.

The 2013 decoupling tariff filings for all three HECO Companies are consolidated and approved in an order issued concurrently with this Order in connection with Transmittal Nos. 13-01 to 13-06.

reexamine whether the sales decoupling mechanism is functioning as intended to serve the public interest.

The commission clarifies that currently the sales decoupling mechanism is comprised of two components, the RBA and the RAM. Although both mechanisms are grouped administratively under the sales decoupling mechanism umbrella, each serves a different purpose. As noted in the Decision and Order in the Decoupling Docket, the primary purpose of the RBA is to de-link or "decouple" the HECO Companies' revenues from the amount of electricity or kWh sold to remove financial disincentives due to sales declines attributable to aggressive pursuit of Hawaii's clean energy mandates. The RAM, on the other hand, serves to compensate the HECO Companies for changes in utility costs and infrastructure investment between rate cases.

At the outset, the commission affirms its support for the continuation of a sales decoupling mechanism. The commission believes that a properly structured sales decoupling mechanism is an essential component to achieve Hawaii's clean energy policies and ultimately allows customers to manage their energy use and associated costs. Due in part to these types of programs and customer conservation efforts, total electric

sales, and in particular, residential sales, have declined substantially.¹⁴

The commission believes that a thorough examination of the RAM mechanism is warranted. To the extent that the existing RAM or an alternative formulaic rate adjustment mechanism is retained, it is critical that the mechanism be properly structured with the appropriate balance of risks, costs, incentives and performance requirements. Therefore, consistent with the issues set forth below, the commission believes it is in the public interest to review whether, and to what degree, revenue recovery through a combination of formulaic adjustment mechanisms and traditional rate cases may be appropriate for Hawaii to minimize regulatory lag and uncertainty. The commission also believes it is appropriate to consider and adopt other innovative methods to ensure timely cost recovery and streamline the ratemaking process to improve its regulatory oversight.

Several subject matter areas of examination are identified below in order to (a) indicate the nature of the commission's concerns that underlie the need to open the instant investigation and (b) serve as an initial basis for determining

¹⁴For example, HECO's 2004 and 2012 Annual Financial Reports show that total electric sales on Oahu have declined by 10% from 2004 to 2012, while average residential use per customer has declined over 20% during the same time period.

a more specific set of issues to be considered in the investigation docket.¹⁵

1. FAIR ALLOCATION OF RISK AND ASSOCIATED COSTS:

Whether the effects and shifts in financial risks between the HECO Companies and their ratepayers that result from the decoupling mechanisms are fairly compensated in determinations of associated costs of capital allowed in rates?

The decoupling mechanisms, in conjunction with the HECO Companies' other automatic rate adjustment and tracking mechanisms -- e.g., Energy Cost Adjustment Clause ("ECAC"), PPAC, Integrated Resource Planning, Pension, and Renewable Energy Infrastructure Surcharge -- shift risks from utility shareholders to ratepayers. Conjunctively, these mechanisms have the effect of reducing utility risk by virtually ensuring recovery of all entitled revenues regardless of economic, demographic, customer choice, weather and other uncertain circumstances that would otherwise affect utility revenues.¹⁶ The adjustment mechanisms shift these risks to ratepayers, who are subject to any resulting automatic rate adjustments. The shifts in risks from the utilities to ratepayers that are

¹⁵The discussion below should not be construed as an exhaustive list of issues to be considered; additional issues may be raised during the course of the investigation.

¹⁶The commission recognizes that the ECAC, as currently implemented for each utility, maintains some utility financial risk and opportunity resulting from utility system operations.

directly and indirectly associated with the decoupling mechanisms are especially pronounced in current times when electric sales appear to be in structural decline. It is not clear that these substantial shifts in risk are fully reflected in determinations of the utilities' cost of capital embedded in base rates. Although the commission has made incremental reductions in the HECO Companies' ROR in each company's most recent rate case to account for reductions in utility risk due to implementation of the decoupling mechanisms, the balance of risks and associated costs, including the impacts of all effective automatic adjustment mechanisms conjunctively, deserves careful scrutiny in this proceeding.

2. INCENTIVES TO CONTROL COSTS: Whether the decoupling mechanisms, in conjunction with the present reliance on multiple automatic rate recovery and tracking mechanisms, sufficiently maintain and enhance incentives for the HECO Companies to control costs?¹⁷

As noted above, in conjunction with other automatic rate adjustment mechanisms, the decoupling mechanisms essentially ensure that the HECO Companies will recover all

¹⁷See *Decision and Order*, filed concurrently with this Order, in Docket No. 2011-0092 (MECO's 2012 test year rate case), at Section II.C.1.a.ii (commission discussing how, given the present design of the pension tracking mechanism, MECO (and its affiliated companies) are not incented to limit growth in its pension costs).

entitled revenues regardless of virtually all circumstances that would otherwise effect utility sales and revenues. The HECO Companies are therefore not subject to a broad category of risks that might otherwise serve to incentivize diligent control of company expenses. With the recent persistent decreases in utility electric sales volumes, for example, the HECO Companies do not, by any discernable indications, appear to feel financially compelled to implement corresponding decreases in utility expenses to the extent that would occur with declining net revenues. Indeed, HECO's 2013 decoupling tariff filing and associated automatic rate adjustment reflects considerable increases in expenditures on investments in total plant compared to prior years, even with declining electricity sales.¹⁸

Of particular concern regarding the recent trend of HECO's increasing expenditures for utility plant, is that the majority of the expenditures appear to be related to baseline projects that are not subject to any prior commission review and approval process, in contrast to major capital projects that are subject to the commission's General Order No. 7, Standards for

¹⁸For example, HECO's 2013 decoupling tariff filing reflects considerable increases in total plant investments (including baseline and major project plant additions) since HECO's first decoupling filing -- jumping from \$170 million in 2011 to \$256 million in 2012 (\$86 million increase from 2011), and \$292 million projected for 2013 (projected \$36 million increase from 2012). See HECO's Transmittal No. 13-03, filed on March 28, 2013, at 15-16.

Electric Utility Service in the State of Hawaii. In addition to the subject of incentives for cost control generally, one specific issue for examination in this investigation is whether this aspect of the functioning of the RAM, combined with the fact that there is no prior commission review and approval of baseline expenditures before they are incorporated in effective rates, is reasonable and in the public interest.

3. PERFORMANCE INCENTIVES: Whether the implementation of the decoupling mechanisms should be contingent upon utility performance metrics?

Although the approval of the decoupling mechanisms in the Decoupling Docket presumed corresponding enhanced utility performance in implementing clean energy objectives embodied in State policy, the existing decoupling mechanisms are not contingent upon any specific performance metrics. Neither sales decoupling through the RBA or the RAM are tied to the achievement of performance metrics or furtherance of State energy policies, such as the acceleration or enhancement of clean energy integration, or improvements in customer service. The commission has recently found, in other proceedings, that utility performance is a substantial issue.¹⁹ In the Decision

¹⁹In MECO's 2012 test year rate case, Docket No. 2011-0092, the commission decided to adjust the parties' stipulated return on equity 50 basis points downward based on apparent system inefficiencies. In particular, the commission found that MECO

and Order in the Decoupling Docket, the commission suggested: "[I]n future reviews of the effectiveness of decoupling and its relationship with Hawaii's clean energy initiatives, [and of] the performance of the HECO Companies after decoupling is implemented, . . . the concept of performance metrics should be appropriately investigated to allow the commission to consider the need for such metrics in the future."²⁰ The commission plans to consider in this investigation whether decoupling should be tied to performance metrics.

4. INCENTIVES TO MAKE NECESSARY AND/OR APPROPRIATE CHANGES TO UTILITY STRATEGIC PLANS AND ACTION PLANS: Whether the decoupling mechanisms overly insulate the HECO Companies from the need or urgency to make major adjustments to utility strategies and action plans that are in the public interest?

As discussed above, the decoupling mechanisms (and other existing automatic adjustment mechanisms) effectively shift financial risks from the utility companies to ratepayers. This shift in risk provides some insulation to the utilities from risks resulting from evolving circumstances that may

failed to adequately and sufficiently plan for and implement the necessary modifications to its existing operations to accept a more appropriate level of the wind energy generation made available to MECO, negatively impacting ratepayers through higher electricity rates. See *Decision and Order*, filed concurrently with this Order, in Docket No. 2011-0092 (MECO's 2012 test year rate case), at Section II.E.

²⁰Decision and Order at 105.

ultimately need to be addressed to best serve the public interest. One issue to be addressed in this investigation is whether the decoupling mechanisms overly insulate the HECO Companies from making necessary and/or appropriate changes to utility strategic plans or action plans.

For example, it appears inherently problematic that electric sales are declining while utility costs and investments continue to increase. The resulting increases in utility rates could result in further reductions in utility sales and further resulting rate increases. Do the existing decoupling mechanisms insulate the utilities from immediate financial consequences of these trends to the extent that appropriate adjustments to budgets and strategic plans are delayed or deferred to the ultimate detriment of the utilities' customers? Do the decoupling mechanisms, in conjunction with other ratemaking provisions, provide sufficient incentives for the utility companies to avoid the "downward spiral" described above and, more generally, to make prompt, necessary decisions in support of the public interest?

5. ADMINISTRATIVE EFFICIENCY: Whether and how the implementation and annual review of the decoupling mechanisms can be simplified?

The past three years of decoupling experience show that several aspects of the annual tariff review process may be

administratively complex and burdensome. The commission seeks to explore measures to simplify and improve the implementation review process in this proceeding.

6. APPROPRIATE INTEREST RATE FOR OUTSTANDING RBA BALANCE: Whether the current interest rate applied to the outstanding RBA balance is reasonable?

One specific issue to be addressed in this proceeding is whether the interest rate(s) currently applied to outstanding RBA balances is in excess of the actual or opportunity cost of short term capital for each of the HECO Companies, and whether currently applied interest rates are reasonable or should be amended.

7. LEGISLATIVE GUIDANCE

The commission notes that the concerns noted above echo those expressed by the 2013 Hawaii State Legislature in connection with Senate Bill 120, Session Laws of Hawaii 2013, which authorizes the commission "to establish a policy to implement economic incentives and cost recovery regulatory mechanisms, as necessary and appropriate, to induce and accelerate electric utilities' cost reduction efforts, encourage greater utilization of renewable energy, accelerate the retirement of utility fossil generation, and increase

investments to modernize the State's electrical grids."²¹

Specifically, the Legislature asserted the following:

The legislature finds that electricity rates in the State are at record levels, due in large part to the high cost of petroleum used to fuel electric generation plants on all islands. In addition, electric utility operating expenses have substantially increased in recent years while electric sales have declined. The consequences of those circumstances have led to further electricity rate increases. Electric ratepayers are demanding immediate relief from increasing electricity rates. It is therefore imperative that Hawaii's electric utilities accelerate their efforts to acquire lower cost clean energy resources and reduce existing energy and other utility operating expenses.

The legislature further finds that as the electric utility business model evolves, existing regulatory cost recovery mechanisms neither provide sufficient economic incentives to induce electric utilities to reduce energy and operating costs nor financially reward them if these cost reductions are self-initiated and substantial.

.....

The legislature concludes that it is necessary for the public utilities commission to consider and implement economic incentive mechanisms, where appropriate, to induce electric utility actions to reduce energy cost and operating expenses and to enable the maximum

²¹Senate Bill No. 120, Senate Draft 1 at 3. Senate Bill No. 120, Senate Draft 1 was signed into law on April 22, 2013 as Act 37, Session Laws of Hawaii 2013 ("Act 37").

integration of lower cost renewable energy resources.²²

Given this legislative guidance, the commission intends to examine whether potential economic incentives could be utilized to reward significant, accelerated efforts to reduce costs, improve customer service and otherwise provide affordable rates.

Thus, based on the commission's concerns outlined above, and consistent with the views of the Legislature related to Act 37, the commission finds it reasonable and prudent to open this investigation to reexamine the decoupling mechanisms for the HECO Companies.

B.

Commission Authority

Hawaii Revised Statutes ("HRS") § 269-7 states, in relevant part:

- (a) The public utilities commission and each commissioner shall have the power to examine the condition of each public utility, the manner in which it is operated with reference to the safety or accommodation of the public, the safety, working hours, and wages of its employees, the fares and rates charged by it, the value of its physical property, the issuance by it of stocks and bonds, and the disposition of the

²²Id. at 1, 3.

proceeds thereof, the amount and disposition of its income, and all its financial transactions, its business relations with other persons, companies, or corporations, its compliance with all applicable state and federal laws and with the provisions of its franchise, charter, and articles of association, if any, its classifications, rules, regulations, practices, and service, and all matters of every nature affecting the relations and transactions between it and the public or persons or corporations.

-
- (c) Any investigation may be made by the commission on its own motion, and shall be made when requested by the public utility to be investigated, or by any person upon a sworn written complaint to the commission, setting forth any prima facie cause of complaint. A majority of the commission shall constitute a quorum.

HRS § 269-7(a) and (c) (emphasis added). Similarly, in HRS § 269-6, the commission is vested with "general supervision . . . over all public utilities."²³ In addition, as noted above, the commission further reserved its authority in the Decision and Order to reexamine decoupling at any time to protect ratepayers' interests.

²³Commission investigatory authority is also set forth in HRS § 269-15 and Hawaii Administrative Rules ("HAR") § 6-61-71.

C.

Named Parties

As in the Decoupling Docket, because the HECO Companies and the Consumer Advocate²⁴ will be impacted by the outcome of this investigation, the commission will name them as parties to this proceeding. Their involvement and participation in this proceeding will assist the commission in developing a sound record for its investigation.

D.

Procedural Matters

Any interested individual, entity, agency, or community or business organization may file a motion to intervene or participate without intervention in this docket. A motion to intervene or participate without intervention must be filed not later than twenty days from the date of this Order, pursuant to HAR § 6-61-57(3)(B). Motions to intervene or participate without intervention must comply with HAR Chapter 6-61, Rules of Practice and Procedure Before the Public Utilities Commission. Any intervenor or participant will not be allowed to broaden the issues or unduly delay the proceeding.

²⁴The Consumer Advocate is statutorily mandated to represent, protect, and advance the interests of all consumers of utility service and is an ex officio party to any proceeding before the commission. See HRS § 269-51; HAR § 6-61-62.

The Consumer Advocate and the HECO Companies are directed to file a statement of position not later than twenty days from the date of this Order, specifying in detail the nature and extent of any constraints on the HECO Companies and the Consumer Advocate in the investigative proceeding initiated by this Order, resulting from the Stipulated Settlement Agreement, filed on January 28, 2013, in Docket No. 2008-0083.²⁵

The commission's concerns justifying the opening of this docket are broadly discussed above. After the commission rules on intervention, the commission intends to develop a more specific set of proposed issues and a proposed procedural schedule for the docket. Prior to issuing a procedural order for this proceeding, the parties will be allowed to comment on, and add to, the commission's proposed issues and procedural schedule.

²⁵The Stipulated Settlement Agreement states at page 2: "Through calendar year 2016, the Hawaiian Electric Companies and the Consumer Advocate will recommend and support continuation of the Hawaiian Electric Companies' existing recovery mechanisms, which include the decoupling RBA and RAM, . . . in their present forms, except for the agreement for temporary acceleration of HECO's RBA/RAM Revenue Adjustment described in the bullet below and the agreement to recover CIS costs through the RAM Revenue Adjustment described above."

III.

Orders

THE COMMISSION ORDERS:

1. An investigative proceeding is initiated to examine whether the existing decoupling mechanisms for the HECO Companies are effectively serving intended purposes; are fair to the HECO Companies and the HECO Companies' ratepayers; and are in the public interest.

2. The HECO Companies and the Consumer Advocate are parties to this investigative docket.

3. A motion to intervene or participate without intervention must be filed not later than twenty days from the date of this Order, pursuant to HAR § 6-61-57(3)(B). Motions to intervene or participate without intervention must comply with HAR Chapter 6-61, Rules of Practice and Procedure Before the Public Utilities Commission.

4. The Consumer Advocate and the HECO Companies shall file a statement of position not later than twenty days from the date of this Order, specifying in detail the nature and extent of any constraints on the HECO Companies and the Consumer Advocate in the investigative proceeding initiated by this Order, resulting from the Stipulated Settlement Agreement, filed on January 28, 2013, in Docket No. 2008-0083.

DONE at Honolulu, Hawaii MAY 31 2013 .

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By *Hermina Morita*
Hermina Morita, Chair

By *Michael E. Champley*
Michael E. Champley, Commissioner

By *Lorraine H. Akiba*
Lorraine H. Akiba, Commissioner

APPROVED AS TO FORM:

Kaiulani Kidani Shinsato
Kaiulani Kidani Shinsato
Commission Counsel

2013-0141.rs

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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