

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )  
 )  
HAWAIIAN ELECTRIC COMPANY, INC., )  
HAWAII ELECTRIC LIGHT COMPANY, INC., )  
AND MAUI ELECTRIC COMPANY, LIMITED )  
 )  
For Approval to Commit Funds in )  
Excess of \$2,500,000 for the Phase 1 )  
Grid Modernization Project, and )  
Related Requests. )  
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DOCKET NO. 2018-0141

ORDER NO. 36334

CLARIFYING DECISION AND ORDER NO. 36230

PUBLIC UTILITIES  
COMMISSION

2019 MAY 28 P 1:44

FILED

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Docket No. 2018-0141

Order No. **36334**

CLARIFYING DECISION AND ORDER NO. 36230

By this Order, the Public Utilities Commission ("commission") grants the Motion for Clarification,<sup>1</sup> filed by HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO"), and MAUI ELECTRIC COMPANY, LIMITED ("MECO") (collectively, "Companies") on April 8, 2019.

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<sup>1</sup>Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc. and Maui Electric Company, Limited's Motion for Clarification and/or Partial Reconsideration of Decision and Order No. 36230, Exhibit "A" and Certificate of Service," filed April 8, 2019 ("Motion for Clarification").

I.

MOTION FOR CLARIFICATION

In Decision and Order No. 36230,<sup>2</sup> the commission approved, subject to certain conditions, the Companies' Application<sup>3</sup> to commit approximately \$86.3 million to the first phase ("Phase 1") of their Grid Modernization Strategy,<sup>4</sup> including the acquisition and deployment of advanced meters, a meter data management system ("MDMS"), a telecommunications network, and related matters. By their Motion for Clarification, the Companies seek clarification of Order No. 36230 relating to: (1) whether Order No. 36230 allows HECO to recover deferred costs through the Major Project Interim Recovery ("MPIR") adjustment mechanism;<sup>5</sup> (2) the useful life of advanced meters; and (3) the calculation and timing of the cost recovery caps.

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<sup>2</sup>In re Hawaiian Elec. Co., Docket No. 2018-0141, Decision and Order No. 36230 ("Order No. 36230"), filed March 25, 2019.

<sup>3</sup>Application of Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc. and Maui Electric Company, Limited; Verification; Exhibits "A"-"L"; and Certificate of Service," filed June 21, 2018 ("Application").

<sup>4</sup>See "Modernizing Hawaii's Grid For Our Customers," filed in Docket No. 2017-0226, on August 29, 2017.

<sup>5</sup>See Application at 38-40. See also In re Public Util. Comm'n, Docket No. 2013-0141, Order No. 34514, filed April 27, 2017, Attachment A.

A.

MPIR

The Companies seek clarification that HECO can recover the deferred costs of Phase 1 through the MPIR adjustment mechanism.<sup>6</sup> The Companies state that, although the commission expressly allowed MECO and HELCO to recover their Phase 1 deferred costs through the MPIR adjustment mechanism, the commission did not expressly allow HECO to do so.<sup>7</sup> The Companies state their concern that if HECO is not allowed to recover deferred costs through the MPIR adjustment mechanism, it could leave HECO "with a gap in its ability to recover all prudent costs incurred," and, if circumstances result in an in-service date in 2021, HECO would lack a mechanism to recover prudently incurred costs.<sup>8</sup> Therefore,<sup>9</sup> HECO requests that the commission clarify whether Order No. 36230 allows HECO to recover deferred costs through the MPIR adjustment mechanism, like MECO and HELCO.<sup>9</sup>

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<sup>6</sup>See Motion for Clarification at 6.

<sup>7</sup>See Motion for Clarification at 6.

<sup>8</sup>Motion for Clarification at 6.

<sup>9</sup>See Motion for Clarification at 6-7.

B.

Useful Life of Advanced Meters

The Companies also seek clarification regarding the useful life of advanced meters. The Companies note that although they proposed a 30-year useful life for advanced meters for the purposes of estimating the bill impact of Phase 1, they intend to use the latest commission-approved depreciation rate and average service life in the next depreciation study.<sup>10</sup> The Companies request clarification that Order No. 36230 does not preclude them from doing so.<sup>11</sup>

C.

Cost Recovery Caps

The Companies seek clarification regarding the variable cost recovery caps set forth in Order No. 36230. First, the Companies seek confirmation that their per-meter calculations of the cost recovery caps for the advanced meters project and for the telecommunications network project are correct.<sup>12</sup> The Companies also seek clarification regarding whether the cost

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<sup>10</sup>See Motion for Clarification at 8.

<sup>11</sup>See Motion for Clarification at 9.

<sup>12</sup>See Motion for Clarification at 10-11 (the Companies redacted their cost recovery cap estimates as confidential, pursuant to Protective Order No. 35591).

recovery caps will be compared against actual deployment costs at the end of Phase 1, or at some shorter interval.<sup>13</sup> The Companies state the cost recovery caps should be compared against actual costs at the end of Phase 1, because that would most accurately reflect aggregated project costs.<sup>14</sup>

D.

Discussion

Based on the Companies' statements in the Motion for Clarification, and subject to the conditions set forth herein, the commission grants the Motion for Clarification, and clarifies Order No. 36230 as set forth below.

1.

MPIR

In approving the Application, the commission relied on information the Companies provided. Exhibits D and J of the Application show HECO's proposed methods to recover its deferred costs for the meter headend and MDMS projects. Exhibit D includes Tables 2 and 3, which indicate that HECO expects its meter headend

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<sup>13</sup>See Motion for Clarification at 10.

<sup>14</sup>See Motion for Clarification at 11.

and MDMS projects to go into service in the 2020 test year for its next general rate case,<sup>15</sup> and Table 4, which shows that HECO proposes to recover revenues for plant additions that occur in rate case test years, including HECO's 2020 and 2023 plant additions, through rate cases, rather than through the MPIR mechanism.<sup>16</sup> Similarly, HECO documents its proposed MPIR recovery amounts in Exhibit J which include recovery for the proposed capitalized costs and exclude MPIR recovery for the deferred costs.<sup>17</sup> HECO's Application, in its supporting detail, thus suggests that HECO did not propose interim recovery of its Phase 1 deferred costs.

In the Motion for Clarification, HECO indicates that it may need interim recovery of its deferred Phase 1 costs, stating that the meter headend and MDMS components may not be in service in 2020, and thus may not be incorporated into HECO's 2020 test year rate case.

The commission approved the Application, and in doing so intended to allow the Companies to recover their prudently incurred costs for Phase 1. Therefore, the commission clarifies that HECO may recover its deferred Phase 1 costs via the MPIR adjustment

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<sup>15</sup>See Application, Exhibit D at 11-12.

<sup>16</sup>See Application, Exhibit D at 12.

<sup>17</sup>See Application, Exhibit J at 1-4.

mechanism if HECO's meter headend and MDMS components are not in service in its 2020 test year, to the extent such costs are not already recovered through base rates or some other cost recovery mechanism.

2.

#### Useful Life of Advanced Meters

Order No. 36230 does not preclude the Companies from using the latest commission-approved depreciation rate and average service life for advanced meters, and then reassessing the advanced meters' depreciation rate and average service life in the next depreciation study. But the commission cautions that it will not look favorably upon the obsolescence of meters removed from service prematurely. That is, Order No. 36230 does not guarantee cost recovery for stranded assets.

3.

#### Cost Recovery Caps

The commission confirms that the Companies' per-meter calculations of the cost recovery caps for the advanced meters project and for the telecommunications network project are



correct.<sup>18</sup> Finally, the commission will compare variable cost recovery caps against actual costs at the end of Phase 1, to accurately reflect the aggregated project costs.

II.

ORDER

THE COMMISSION ORDERS:

The Companies' Motion for Clarification is granted, subject to the conditions set forth herein.

DONE at Honolulu, Hawaii                     MAY 28 2019                    .

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By James P. Griffin  
James P. Griffin, Chair

By Jennifer M. Potter  
Jennifer M. Potter, Commissioner

APPROVED AS TO FORM:

Mike S. Wallerstein  
Mike S. Wallerstein  
Commission Counsel

By Leodoloff R. Asuncion, Jr.  
Leodoloff R. Asuncion, Jr. Commissioner

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<sup>18</sup>See Motion for Clarification at 10-11 (the Companies redacted their cost recovery cap estimates as confidential, pursuant to Protective Order No. 35591).

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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EXECUTIVE DIRECTOR  
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DIVISION OF CONSUMER ADVOCACY  
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