

## **NOTICE OF PUBLIC HEARING**

### **APPLICATION OF HAWAIIAN ELECTRIC COMPANY, INC. FOR APPROVAL OF RATE INCREASES AND REVISED RATE SCHEDULES AND RULES**

#### **Docket No. 2019-0085**

The PUBLIC UTILITIES COMMISSION of the STATE OF HAWAII ("Commission"), pursuant to Hawaii Revised Statutes §§ 269-12 and 269-16, HEREBY GIVES NOTICE that it will hold a public hearing relating to the Application of HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), filed on August 21, 2019, for Approval of Rate Increases and Revised Rate Schedules and Rules ("Application").

The public hearing will be held as follows:

**Thursday, November 14, 2019, at 6:00 p.m.**

Hearing Room  
Public Utilities Commission  
465 South King Street, Room 103  
Honolulu, Hawaii 96813

The Commission will investigate whether the proposed revenue increases, changes in rate schedules and rules, and other matters proposed in HECO's Application are just and reasonable.

HECO is an operating public utility engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Oahu.

HECO seeks to increase its rates by \$77,554,000, or approximately 4.12% over revenues at current effective rates, based on a revenue requirement of \$1,960,400,000 for a normalized calendar 2020 test year ("2020 Test Year"). If the effects of the revenues that HECO receives pursuant to the Revenue Balancing Account ("RBA"), Rate Adjustment Mechanism ("RAM"), Major Project Interim Recovery ("MPIR")

adjustment mechanism, and Demand Side Management ("DSM") surcharge (which all operate as separate cost recovery mechanisms aside from base rates) are included, HECO's requested increase is \$146,961,000, or approximately 8.10% over revenues at present rates, to achieve a revenue requirement of \$1,960,401,000. HECO states that the requested increase is based on fuel prices in 2018, the depreciation rates recently approved in Decision and Order No. 35606, filed July 30, 2018, in Docket No. 2016-0431, and a 7.97% rate of return, which incorporates a return on common equity of 10.50%, on HECO's average rate base of \$2,476,801,000.

In addition to a general rate increase, HECO also seeks approval for modifications to its Energy Cost Recovery Clause ("ECRC") and RBA Provision tariffs, as well as approval for accounting changes regarding contributions in aid of construction ("CIAC") and developer advances.

HECO proposes to modify the ECRC tariff to: (1) revise the target heat rate for low sulfur fuel oil ("LSFO") to reflect 2020 test year production simulations; (2) widen the heat rate deadband for LSFO; (3) modify the annual adjustment to the LSFO target heat rate to be bi-directional; and (4) modify the non-adjustable component to reflect 2020 test year fuel handling expenses.

HECO proposes to modify the RBA Provision tariff such that the monthly allocation factor applicable to target revenues is based on the number of days in the month, and to modify the RBA rate adjustment such that it is applied as a non-bypassable percentage of base revenues.

HECO states that it is changing its presentation of CIAC to align with the Federal Energy Regulatory Commission Uniform System of Accounts ("FERC USOA"). As a result, HECO proposes a change in rate base related to the *treatment* of CIAC associated with projects that are still under construction (i.e., Construction Work in Progress).

HECO also proposes to include the balance of developer advances as a reduction to rate base, and to reflect this in its rate base RAM filings in a manner consistent with the way CIAC has been treated when the rate base RAM was originally developed.

With respect to the allocation and implementation of the proposed rate increase, HECO proposes to allocate any final increase in electric revenues such that each rate class moves closer to their respective cost of service. HECO also requests that, should the Commission issue an interim decision, any interim rate increase be implemented as a surcharge on base revenues, calculated as a percentage increase on revenues at current effective rates.

In addition, the Commission has arranged for a management audit of HECO as part of this proceeding, which will be conducted independently by Munro Tulloch, Inc., and will focus on the areas of: (1) Governance and Executive Leadership; (2) Capital and Operations and Maintenance Planning, Budgeting, and Investment Strategy; and (3) Program and Project Management.

At the public hearing, the Commission will receive in-person testimony from the general public regarding HECO's Application and proposed general rate increase and revised rate schedules and rules, pursuant to HRS § 269-16(b).

The purpose of this public hearing is to listen to the views expressed by the general public. All interested persons are invited to attend the public hearing to state their views on HECO's Application orally, in writing, or both. So that all in attendance will have the opportunity to speak at the public hearing, the Commission may impose time limits for each person's testimony. Special accommodations for persons with disabilities can be made if requested reasonably in advance by contacting the Commission's Honolulu Office.

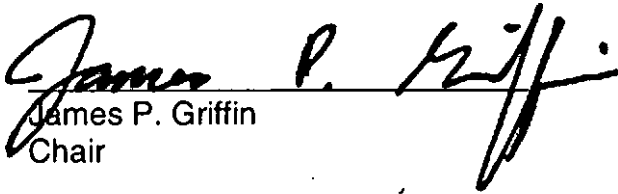
In addition, written statements may be mailed to the Commission at 465 South King Street, Room 103, Honolulu, Hawaii, 96813, or sent by electronic mail to [puc.comments@hawaii.gov](mailto:puc.comments@hawaii.gov). Written statements should reference Docket No. 2019-0085 and include the author's name and the entity or organization that the author represents, if any.

Any motions to intervene or participate in this proceeding must comply with the applicable provisions of the Commission's *Rules of Practice and Procedure Before the Public Utilities Commission*, Hawaii Administrative Rules, Title 16, Chapter 601, and must be filed with the Commission at its Honolulu Office by November 25, 2019.

After the conclusion of the public hearing, at a later date to be determined, the Commission will hold an evidentiary hearing with the Parties, and thereafter, issue a decision on HECO's Application in accordance with HRS § 269-16.

The foregoing is a brief summary of the proposals in HECO's Application. Copies of HECO's Application are available for public review through the Commission's electronic Document Management System, accessible at <http://dms.puc.hawaii.gov/dms/>. In addition, copies of HECO's Application are also

available for review by contacting HECO [(808) 548-7311], the Commission's Honolulu Office [(808) 586-2020], or the Division of Consumer Advocacy [(808) 586-2800].

  
James P. Griffin  
Chair

Honolulu Star-Advertiser,  
October 24 and 31, 2019; November 7 and 13, 2019.