

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

---- In the Matter of ---- )  
 )  
PUBLIC UTILITIES COMMISSION ) DOCKET NO. 2008-0274  
 )  
Instituting a Proceeding to )  
Investigate Implementing a )  
Decoupling Mechanism for )  
Hawaiian Electric Company, )  
Inc., Hawaii Electric Light )  
Company, Inc. and Maui )  
Electric Company, Limited. )  
\_\_\_\_\_ )

ORDER NO. 37119

TERMINATING HAWAIIAN ELECTRIC'S  
MANDATORY TRIENNIAL RATE CASE CYCLE

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

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PUBLIC UTILITIES COMMISSION ) Docket No. 2008-0274  
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Instituting a Proceeding to ) Order No. **37119**  
Investigate Implementing a )  
Decoupling Mechanism for )  
Hawaiian Electric Company, )  
Inc., Hawaii Electric Light )  
Company, Inc. and Maui )  
Electric Company, Limited. )  
\_\_\_\_\_ )

TERMINATING HAWAIIAN ELECTRIC'S  
MANDATORY TRIENNIAL RATE CASE CYCLE

By this Order,<sup>1</sup> the Public Utilities Commission ("Commission") terminates the Mandatory Triennial Rate Case Cycle, initially ordered in the Commission's Final Decision and Order

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<sup>1</sup>The Parties to this docket are HAWAIIAN ELECTRIC COMPANY, INC., HAWAII ELECTRIC LIGHT COMPANY, INC., MAUI ELECTRIC COMPANY, LIMITED (collectively, "Hawaiian Electric" or the "Company") and the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY (the "Consumer Advocate"), an ex officio Party, pursuant to Hawaii Revised Statutes § 269-51 and Hawaii Administrative Rules § 16-601-62(a). In addition, the Commission has granted intervenor status to the Department of Business, Economic Development, and Tourism, Haiku Design and Analysis ("HDA"), Hawaii Renewable Energy Alliance, Hawaii Solar Energy Association, and Blue Planet Foundation. The Commission has also granted participant status to Hawaii Holdings, LLC dba First Wind Hawaii. The Commission granted HDA's Motion to Withdraw from these proceedings on January 19, 2011, in its order closing this docket. "Order Closing Docket," filed on January 19, 2011.

filed August 31, 2010<sup>2</sup> ("Final D&O"). As a result of this Order, the Company will no longer be required to file any rate cases pursuant to the Mandatory Triennial Rate Case Cycle.

I.

RELEVANT BACKGROUND

On August 31, 2010, the Commission issued its Final D&O in this docket. In relevant part, the Final D&O established a decoupling framework for the Company, consisting of a Revenue Balancing Account ("RBA") and a Revenue Adjustment Mechanism ("RAM"), by which the Company's revenues would be decoupled from their annual sales revenues. As part of this decoupling framework, the Commission further established:

- (i) Mandatory Triennial Rate Case Cycle: So that the commission and the Consumer Advocate have a regular opportunity to evaluate decoupling and re-calibrate RAM inputs using [C]ommission-approved values, the HECO Companies shall file staggered rate cases every three years, unless otherwise ordered by the [C]ommission, commencing as proposed in the Amended Joint Proposal,

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<sup>2</sup>Final Decision and Order and Dissenting Opinion of Leslie H. Kondo, Commissioner, filed August 31, 2010. The Commission notes that in Docket No. 2013-0141, the Commission's re-examination of the decoupling framework, the Commission clarified that the Mandatory Triennial Rate Case Cycle serves as the "maximum period between the filings of general rate cases . . . unless otherwise ordered by the Commission." Docket No. 2013-0141, Order No. 32735, "Modifying Decoupling Mechanisms and Establishing Briefing Schedule," filed March 31, 2015 ("Order No. 32735"), at 97.

with HECO's 2011 test year rate case, followed by either MECO's or HELCO's test year rate cases of 2012 and then MECO's or HELCO's test year rate cases of 2013.<sup>3</sup>

## II.

### DISCUSSION

Following the issuance of the Final D&O, the Company began implementing the Mandatory Triennial Rate Case Cycle on a staggered basis throughout its three service areas (Hawaiian Electric Company, Inc. on Oahu, Hawaii Electric Light Company, Inc. on Hawaii island, and Maui Electric Company, Limited on Maui), beginning with Hawaiian Electric Company, Inc.'s 2011 test year rate case.<sup>4</sup>

Currently, the Company has ongoing rate cases for Hawaii Electric Light, based on a 2019 test year, and Hawaiian Electric, based on a 2020 test year.<sup>5</sup>

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<sup>3</sup>Final D&O at 73, 124-25, and 129. The "HECO Companies" refers to Hawaiian Electric. As noted above, the Mandatory Triennial Rate Case Cycle was subsequently clarified by Order No. 32735.

<sup>4</sup>See Docket No. 2010-0080. Hawaiian Electric's 2011 test year rate case was followed by a Maui Electric 2012 test year rate case and a Hawaii Electric Light 2013 test year rate case. See Docket Nos. 2011-0092 and 2012-0099.

<sup>5</sup>See Docket Nos. 2018-0368 and 2019-0085.

On April 18, 2018, the Commission initiated its investigation into Performance-Based Regulation ("PBR").<sup>6</sup> As part of the PBR proceeding, the Commission, in collaboration with the Company, the Consumer Advocate, and other stakeholders, has been developing a number of regulatory mechanisms intended to facilitate the transition from traditional cost of service regulation toward PBR.<sup>7</sup>

In relevant part, the PBR framework under consideration contemplates a number of changes to the existing regulatory framework, including some of the mechanisms established in this docket. For example, as broadly contemplated, the function of the RAM and the Mandatory Triennial Rate Case Cycle would be replaced by a formulaic application of an Annual Revenue Adjustment mechanism combined with a five-year multi-year rate plan ("MRP").<sup>8</sup> These PBR mechanisms are expected to be subject to their own review mechanisms as part of an extended multi-year review process

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<sup>6</sup>See Docket No. 2018-0088, Order No. 35411, "Instituting Proceeding To Investigate Performance-Based Regulation," filed April 18, 2018.

<sup>7</sup>See e.g., Docket No. 2018-0088, Decision and Order No. 36326, filed May 23, 2019 ("D&O 36326").

<sup>8</sup>See D&O 36326 at 26-32. The longer five-year MRP is consistent with one of the goals of PBR to incent utility cost control by extending the frequency of review of a utility's base rates.

(i.e., not necessarily a three-year cycle). The Commission intends to approve a PBR framework by the end of 2020.<sup>9</sup>

In light of the fact that the Commission is currently considering and intends to approve new regulatory mechanisms and review periods in the near future that will incorporate and/or replace the existing decoupling mechanisms (i.e., the RBA and RAM), it no longer appears necessary to maintain a Mandatory Triennial Rate Case Cycle to provide the Commission and Consumer Advocate with a "regular opportunity to evaluate decoupling and re-calibrate RAM inputs using [C]ommission-approved values . . . ." <sup>10</sup>

Rather, the PBR framework currently under consideration, with its own review process, will provide an opportunity for the Commission and Consumer Advocate to monitor the operation of the decoupling mechanisms that are incorporated into the PBR framework.

Based on the above, the Commission terminates the Mandatory Triennial Rate Case Cycle established in its Final D&O in this docket as of the date of this Order. The Commission will conclude the pending Hawaii Electric Light 2019 test year and

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<sup>9</sup>See Docket No. 2018-0088, Order No. 36388, "Convening Phase 2 and Establishing a Procedural Schedule," filed June 26, 2019.

<sup>10</sup>Final D&O at 73, 124-25, and 129.

Hawaiian Electric 2020 test year rate cases in their respective dockets; however, Maui Electric is not required to file a 2021 test year rate case.

III.

ORDERS

THE COMMISSION ORDERS:

1. The Mandatory Triennial Rate Case Cycle, initially ordered in the Commission's Final Decision and Order in this Docket, is terminated as of the date of this Order.

2. This docket is closed unless otherwise ordered by the Commission.

DONE at Honolulu, Hawaii APRIL 29, 2020.

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By James P. Griffin, Chair      By Jennifer M. Potter, Commissioner

APPROVED AS TO FORM:

Mark Kaetsu      By Leodoloff R. Asuncion, Jr., Commissioner  
Mark Kaetsu  
Commission Counsel

CERTIFICATE OF SERVICE

Pursuant to Order No. 37043, the foregoing order was served on the date it was uploaded to the Public Utilities Commission's Document Management System and served through the Document Management System's electronic Distribution List.



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2020 Apr 29 AM 11:23

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COMMISSION

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