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DIVISION OF CONSUMER ADVOCACY
Department of Commerce and
Consumer Affairs
335 Merchant Street, Room 326
Honolulu, Hawaii 96813
Telephone: (808) 586-2800

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PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of HAWAIIAN ELECTRIC COMPANY, INC. For Approval of Rate Increases and Revised Rate Schedules and Rules.	DOCKET NO. 04-0113

DIVISION OF CONSUMER ADVOCACY'S
REBUTTAL INFORMATION REQUESTS

Pursuant to the agreed upon Schedule of Proceedings approved in Order No. 21727 the Division of Consumer Advocacy hereby submits its **FIRST AND SECOND SUBMISSION OF REBUTTAL INFORMATION REQUESTS** in the above docketed matter. The First Submission of Rebuttal Information Requests was filed with Applicant on August 12, 2005.

DATED: Honolulu, Hawaii, August 16, 2005.

Respectfully submitted,

By Cheryl S. Kikuta
CHERYL S. KIKUTA
Utilities Administrator

DIVISION OF CONSUMER ADVOCACY

DOCKET NO. 04-0113

HAWAIIAN ELECTRIC COMPANY, INC.

FIRST SUBMISSION OF REBUTTAL INFORMATION REQUESTS

The following rebuttal information requests are directed to HECO RT- 4.

CA-RIR-1 **Ref: RT- 4, Pages 2 – 3, Lines 21 – 27 and Line 1.**

Please provide all of the P-MONTH Production Simulation Model input data files, for the test year period used in the HECO August 5, 2005 Rebuttal Testimony filing. Please provide this information in electronic spreadsheet format and hard copy format.

CA-RIR-2 **Ref: RT- 4, Pages 2 – 3, Lines 21 – 27 and Line 1.**

Please provide all P-MONTH Production Simulation Model output reports, for the test year period in support of the August 5, 2005 Rebuttal Testimony filing, in electronic format and hard copy. This information should include dispatch costs (fuel and variable O&M) and energy generated by each resource in each month of the test year.

CA-RIR-3 **Ref: RT- 4, Pages 2 – 3, Lines 21 – 27, and Line 1.**

Please provide the P-Month Production Simulation Model hourly and monthly energy output for each HECO unit, including the Kalaeloa and AES units that was calculated in support of the HECO

August 5, 2005 Rebuttal Testimony Filing in electronic spreadsheet format and hard copy.

<u>The following rebuttal information requests are directed to HECO RT- 5.</u>

CA-RIR-4 **<u>Ref. RT- 5, Page 2, Lines 10 – 17.</u>**

Please provide a copy of the power dispatch schedules for H-Power, in support of the August 5, 2005 Rebuttal Testimony filing, as modeled in the P-Month Production Simulation Model.

CA-RIR-5 **<u>Ref. RT- 5, Page 2, Lines 10 – 17.</u>**

Please provide the specific dates for the maintenance schedule for H-Power in support of the August 5, 2005 Rebuttal Testimony filing, as modeled in the P-Month Production Simulation Model.

<u>The following rebuttal information requests are directed to HECO RT-21.</u>

CA-RIR-6 **<u>Ref: RT-21, pages 5-10.</u>**

Please provide an update to the responses to CA-IR-102 (reports of rating agencies that evaluate HECO and/or HEI).

CA-RIR-7 **<u>Ref: RT-21, pages 5-10.</u>**

Please provide an update to the responses to CA-IR-103 (reports by security analysts that evaluate HECO and/or HEI).

CA-RIR-8 **<u>Ref: RT-21, page 8.</u>**

Please provide copy of all S&P publications relied upon in making statement on lines 10-11.

CA-RIR-9 **<u>Ref: RT-21, page 9, lines 6-25.</u>**

Please provide the actual HECO debt coverage, as computed by S&P and including imputed debt, for the five years prior to the 1995 rate proceeding and for the five years prior to the present rate proceeding.

CA-RIR-10 **<u>Ref: RT-21, page 10, lines 5-7.</u>**

Please reconcile the statement on the cited lines with regard to CA-413, which reflects purchase power "debt equivalent" for HECO.

CA-RIR-11 **<u>Ref: RT-21, page 12, lines 22-24.</u>**

Please provide copy of S&P report cited.

CA-RIR-12 **<u>Ref: RT-21, page 14, lines 9-11.</u>**

Please indicate if Mr. Von Gnechten agrees that, in several HECO subsidiary cases since 1994, the Consumer Advocate's proposed DCF results have been used in part by the Commission in setting the fair cost of equity.

CA-RIR-13 **Ref: RT-21, page 16, lines 13-14.**

Please provide copies of all documentation relied upon in making this statement.

The following information requests are directed to HECO RT-16.

CA-RIR-14 **Ref: RT-16, page 63.**

Please provide a copy of any slides or other materials used by HECO in the "Company's annual visit, on May 17, 2005" with S&P

CA-RIR-15 **Ref: RT-16, page 65.**

Please provide copy of any slides or other materials used by HECO in the May, 2005 annual visit with Moody's.

The following information requests are directed to HECO RT-20.

CA-RIR-16 **Ref: RT-20, page 7.**

Please provide a copy of the source document cited in table on this page.

CA-RIR-17 **Ref: RT-20. page 38.**

Please provide copy of survey cited in footnote 1.

CA-RIR-18 **Ref: RT-20, page 42.**

Please provide copy of article cited in footnote 2.

CA-RIR-19 **Ref: RT-20, page 43.**

Please provide copy of articles cited in footnotes 3 and 4.

CA-RIR-20 **Ref: RT-20, page 50.**

Please provide copy of articles cited in footnotes 6-10.

CA-RIR-21 **Ref: RT-20, page 67.**

Please indicate the dates for each allowed ROE decision cited on this page.

CA-RIR-22 **Ref: RT-20, pages 74-75.**

Please indicate if Dr. Morin is aware of any academic or other studies that demonstrate that all investors rely exclusively on analysts' forecasts in making investment decisions. Please identify and provide copy of any studies cited.

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HAWAIIAN ELECTRIC COMPANY, INC.

SECOND SUBMISSION OF REBUTTAL INFORMATION REQUESTS

INSTRUCTIONS

In order to expedite and facilitate the Consumer Advocate's review and analysis in the above matter, the following is requested:

1. For each response, the Company should identify the person who is responsible for preparing the response as well as the witness who will be responsible for sponsoring the response should there be an evidentiary hearing;
2. Unless otherwise specifically requested, for applicable schedules or workpapers, the Company should provide hard copies of each schedule or workpaper together with one copy of each such schedule or workpaper on electronic media in a mutually agreeable format (e.g., Excel and Quattro Pro, to name two examples); and
3. When an information request makes reference to specific documentation used by the Company to support its response, it is not intended that the response be limited to just the specific document referenced in the request. The response should include any non-privileged memoranda, internal or external studies, assumptions, Company instructions, or any other relevant authoritative source which the Company used.
4. Should the Company claim that any information is not discoverable for any reason:
    a. State all claimed privileges and objections to disclosure;

b. State all facts and reasons supporting each claimed privilege and objection;

c. State under what conditions the Company is willing to permit disclosure to the Consumer Advocate (e.g., protective agreement, review at business offices, etc.); and

d. If the Company claims that a written document or electronic file is not discoverable, besides complying with subparagraphs 4(a-c), identify each document or electronic file, or portions thereof, that the Company claims are privileged or will not be disclosed, including the title or subject matter, the date, the author(s) and the addressee(s).

DOCKET NO. 04-0113

HAWAIIAN ELECTRIC COMPANY

SECOND SUBMISSION OF REBUTTAL INFORMATION REQUESTS

Rebuttal Testimony of Mr. Robbie Alm HECO RT-1.

CA-RIR-23 **Ref: RT-1, Page 15, lines 22 through 25, Employee Levels.**

According to the cited rebuttal testimony, "The CA contends that HECO's proposed average employee level should be reduced." Based on this statement, please respond to the following:

a. With respect to "HECO's proposed average employee level," has HECO changed its prefiled position that its year-end 2005 projected level of employees should be reflected on an annualized basis, as if all such employee positions were filled throughout the entire test year?

b. If no change in position is advocated by HECO in rebuttal testimony, please confirm that HECO has, in fact, proposed an "average" employee expense projection that actually reflects the "annualized" employee salary and wages expense projection using year-end headcounts.

c. Please provide the total number of employees at January 1, 2005 and at December 31, 2005 that were used in calculating "HECO's proposed average employee level" that is referenced in the testimony.

CA-RIR-24 **Ref: RT-1, page 18.**

According to Mr. Alm's testimony, "the Company does not believe that the Commission should expect the Company to maintain any continuing budget austerity plans, ongoing hiring constraints or any other spending limitations in an effort to promote operations efficiency and minimize the burden of rate increases upon customers." Based on this statement, please respond to the following:

a. State every reason why a utility that has demonstrated an ability to reduce its costs of operations without compromising service quality or safety, should be allowed to include higher costs levels in determining the test year revenue requirements simply because its management claims that it desires to have higher authorized spending levels than have proven adequate historically when setting base rates.

b. Identify and describe each reason why HECO believes the Commission should not expect the Company to "promote operations efficiency and minimize the burden of rate increases upon customers."

CA-RIR-25 **Ref: RT-1, page 18, line 3.**

According to Mr. Alm's testimony, HECO, "responded to numerous specific information requests regarding its existing staffing levels, how HECO determined its optimal staffing levels, and what work would not get done with less that optimal staffing." Based on this statement, please respond to the following:

a. With regard to the many information request responses referenced at lines 4 through 7 of RT-1, please identify which response(s) specifically identified or quantified "work that would not get done with less than optimal staffing."

b. With regard to the many information request responses referenced at lines 4 through 7 of RT-1, please identify which response(s) **specifically** identified and provided documentation (e.g., studies or computations) supporting HECO's asserted "optimal staffing levels."

CA-RIR-26 **Ref: RT-1, page 25, line 2.**

According to Mr. Alm's testimony, "The CA erroneously assumes that the Company's sales will offset any rate base growth, which is simply not the case." Please provide specific page and line reference to the Consumer Advocate's direct testimony where the specific "assumption" is stated and discussed.

CA-RIR-27 **Ref: RT-1, page 26, line 6.**

According to Mr. Alm's testimony, "First, there would need to be a causal relationship such that the activity associated with the expense would cause sales to increase." Based on this statement, please respond to the following:

a. Does Mr. Alm believe that HECO will continue to add new customers and experience overall growth in kWh sales resulting in sales to increase? Explain why or why not and provide specific information relied upon to support the response.

b. Explain with specificity why HECO's customer level and kWh sales increases would be influenced by any "causal relationship" with HECO "activities associated with expenses."

c. Provide complete copies of all reports, studies, projections, workpapers and other information relied upon to support the Company's notion that HECO's sales and revenue growth is causally related to any "activity associated with the expense.

d. At line 15, Mr. Alm states, "However, it is clear that the installation of the DG units in and of itself does not cause sales to increase." Please confirm that the Consumer Advocate did not allege that the DG units had any causal relationship to ongoing HECO customers, sales and revenue growth or (in the absence of an unqualified admission) provide specific reference to the Consumer Advocate's direct testimony where such causal relationship is stated and discussed.

CA-RIR-28 **<u>Ref: RT-1, page 22, line 19.</u>**

Mr. Alm's testimony states, "For example, the 'assumption' is made that the approved rate increase will be in effect for the full test year, even though in this case the interim increase is expected to be in effect only in the fourth quarter of 2005." Please state whether Mr. Alm believes that the Consumer Advocate has made such an "assumption" and provide specific page and line reference into the Consumer Advocate's direct testimony where such an "assumption" is believed to be stated and discussed.

CA-RIR-29 **<u>Ref: RT-1, page 20, line 4.</u>**

According to Mr. Alm's testimony, "For certain expenses, HECO is proposing to annualize the level of those expenses." Then, at line 11 of RT-1 is the statement, "Two examples in HECO's rate case are the distributed generation ("DG") units to be installed in the late third and early fourth quarters of 2005 and the filling of newly created positions, which is occurring over the course of 2005. These are "known and measurable changes...." Please respond to the following:

a. Confirm that the Consumer Advocate has not challenged the inclusion of these expenses in the test year revenue requirement on the basis that the expenses were not "known and measurable."

b. Please confirm that the Consumer Advocate has, in fact, included the Company's estimates of such costs in the test year revenue requirements, on an average, rather than annualized basis.

c. If anything but an unqualified yes is provided in response to part (a) of this information request, please explain your response and provide complete copies of all documents relied upon to support such explanation.

CA-RIR-30 **<u>Ref: RT-1, page 36, line 21.</u>**

Mr. Alm states, "Accordingly, based on the current planned investments and proposed treatment of lost margins for DSM programs, it is not unlikely that HECO's next rate case would be filed within three years from the conclusion of this proceeding." Please provide the earliest probable date on which the Company's next rate case will be filed and explain what test year would be used in such a filing.

CA-RIR-31 **Ref: RT-1, pages 14-15 (Pension Asset).**

The referenced testimony discusses the Company's opposition to the Consumer Advocate's proposed elimination of the pension asset from rate base. Please provide the following:

a. Has Mr. Alm previously filed testimony on the pension asset issue in any regulatory proceeding before the HPUC or any other State or Federal agency? If so, please provide a copy of the testimony filed by Mr. Alm on this subject.

b. Referring to the response to part (a) above, please provide a copy of each regulatory decision on the pension asset issue by the respective State or Federal agency in those proceedings in which Mr. Alm has presented testimony on that issue.

c. For clarification purposes, is Mr. Alm the primary witness sponsoring the theory and rationale underlying HECO's position to include the pension asset in rate base or is the purpose of Mr. Alm's rebuttal testimony on this issue simply to summarize the rebuttal testimony sponsored by Ms. Tayne Sekimura, HECO RT-16? Please explain.

d. Referring to the response to part (c) above, please identify each element of Mr. Alm's rebuttal testimony on the pension asset issue for which he is primarily responsible for presenting HECO's rebuttal position.

CA-RIR-32 **Ref: RT-1, page 14, lines 13-18 (Pension Asset).**

In discussing why the pension asset should be included in rate base, the referenced testimony states:

> First, this ratemaking treatment would be consistent with the ratemaking treatment that has consistently been used for pension costs. Pension costs have consistently been determined under the guidance in Statement of Financial Accounting Standards No. 87 ("SFAS 87"). Recognition of the prepaid pension asset results from the consistent and proper application of SFAS 87.

Based on the above, please provide the following:

a. For clarification purposes, is the purpose of this excerpt to convey the concept that the pension asset is properly included in rate base because FAS87 has been adopted by HECO for pension accounting purposes? If not, please clarify the intent of the statement made in the cited testimony.

b. Please provide a pinpoint reference to the specific paragraph(s) of FAS87 that address the rate base inclusion of the pension asset for **regulatory ratemaking** purposes. If none, please so state.

c. Please provide a pinpoint reference to the specific paragraph(s) of any HPUC decision concluding that the pension asset should be included in rate base because the utility has accounted for pension costs pursuant to FAS87. If none, please so state.

d. Referring to the response to part (c) above, please identify each HPUC decision that resulted from the litigation of this issue.

CA-RIR-33 **<u>Ref: RT-1, page 14, lines 18-23 (Pension Asset)</u>.**

The referenced testimony states, in part:

> Second, it reflects an investment that the Company has made in the pension plan.

Please provide a copy of any checks or wire transfers documenting pension fund "contributions" that were then explicitly recorded in the pension asset account under FAS87. If none, please so state.

CA-RIR-34 **<u>Ref: RT-1, page 14, beginning at line 23 (Pension Asset)</u>.**

The referenced testimony states, in part:

> Third, the prepaid pension asset accrues definite benefits to the ratepayer. Generation of the prepaid pension asset has resulted in a lower NPPC, enabled the Company to avoid negative tax consequences and has a positive impact on the Company's credit quality.

Based on the above, please provide the following:

a. In the context of the cited testimony, is Mr. Alm referring to the pension plan assets being held by the pension trust or to the prepaid pension asset recorded on HECO's balance sheet pursuant to FAS87? Please explain.

b. Under the accounting requirements of FAS87, does Mr. Alm believe that the prepaid pension asset recorded on HECO's balance sheet results in lower NPPC or that a NPPC below amounts contributed to the pension fund results in the recording of a prepaid pension asset? If the former, please provide a pinpoint reference to the specific paragraphs of FAS87 relied upon in reaching that conclusion.

c. Please explain how the specific prepaid pension asset recorded on HECO's balance sheet pursuant to FAS87 has allowed HECO to avoid negative tax consequences. Also, please provide a copy of any supporting documentation relied upon in formulating the response.

d. Please explain how the specific prepaid pension asset recorded on HECO's balance sheet pursuant to FAS87 has had a positive impact on the Company's credit quality. Also, please provide a copy of any supporting documentation.

CA-RIR-35 **<u>Ref: RT-1, page 14, lines 23-24 (Pension Asset)</u>.**

The referenced testimony states, in part:

> Third, the prepaid pension asset accrues definite benefits to the ratepayer.

Based on the above, please provide the following:

a. Please define the word "accrues" as used in this context.

b. Please define the word "benefits" as used in this context.

c. Please quantify the "benefits" that have arisen or been created since the last rate case.

d. Please identify and describe the specific mechanism(s) (e.g., refunds, cost tracker, earnings sharing plan, rate reductions, etc.) through which HECO has conveyed these "benefits" to ratepayers during the years since the Company's last rate case.

CA-RIR-36 **<u>Ref: RT-1, page 15, lines 4-8 (Pension Asset)</u>.**

The referenced testimony states, in part:

> The CA and the DOD recommend the complete removal of the prepaid pension asset from rate base. However, their arguments are flawed and constitute retroactive ratemaking. By disallowing the prepaid pension asset from rate base, they seek to make up for what they perceive to be an over recovery of NPPC in the ten years between this and the Company's last rate case.

Based on the above, please provide the following:

a. Please define the term "retroactive ratemaking" as used and applied by Mr. Alm in this context.

b. Have any analyses been prepared by, or for, HECO on which Mr. Alm relied in support of his testimony that the removal of the pension asset from rate base will "make up" for a perceived over recovery of NPPC since the Company's last rate case?

1. If so, please provide a copy of the detailed analyses, in both hard copy and spreadsheet file format, demonstrating how this alleged "make up" process would return past over recoveries to ratepayers.

2. If none, please so state and provide all documentation on which Mr. Alm's testimony is based.

c. Please provide a pinpoint reference into Mr. Carver's direct testimony (CA-T-2) wherein he claims or asserts that the removal of the pension asset from rate base will "make up" for a perceived over recovery of NPPC since the Company's last rate case. If none, please so state.

d. Please provide a pinpoint reference into Mr. Carver's direct testimony (CA-T-2) where he quantifies a perceived over recovery of NPPC since the Company's last rate case and then proposes to "make up" for said over recovery by returning such excess to ratepayers by decreasing overall revenue requirement. If none, please so state.

CA-RIR-37 **Ref: RT-1, page 15, lines 8-10 (Pension Asset).**

The referenced testimony states, in part:

> Neither the CA nor the DOD question the validity or value of the asset, they simply take the position that ratepayers have funded the investment.

Based on the above, please provide the following:

a. Please define the phrase "funded the investment" as used by Mr. Alm in this context.

b. Please provide a pinpoint reference into Mr. Carver's direct testimony (CA-T-2) wherein he takes the position that ratepayers have funded the investment in the pension asset HECO has recorded on its balance sheet. If none, please so state.

CA-RIR-38 **Ref: RT-1, page 15, lines 10-12 (Pension Asset).**

The referenced testimony states, in part:

> Because this disallowance would reduce revenue requirement and ultimately decrease the Company's rates, it would in effect pay money back to ratepayers for this alleged over-recovery.

Based on the above, please provide the following:

a. Please confirm that the Company's existing rates (i.e., the rates resulting from the last rate case, Docket No. 7766) are based on an overall revenue requirement that did not include any (i.e., "zero") amount for the pension asset in rate base. If this cannot be confirmed, please explain.

b. Please confirm that HECO has proposed to include a pension asset in rate base of approximately $78.8 million, gross of accumulated deferred income tax reserves. (See HECO's response to CA-IR-337 and HECO-R-1901.) If this cannot be confirmed, please explain.

c. Referring to part (b) above, please confirm that HECO's proposed inclusion of the pension asset in rate base increases the overall revenue requirement, as compared to a rate base valuation that does not include the pension asset in rate base. If this cannot be confirmed, please explain.

d. Please confirm that CA Adjustment B-10 removes from rate base the $78.8 million pension asset HECO proposes to include in rate base, net of related accumulated deferred income tax reserves. If this cannot be confirmed, please explain.

CA-RIR-39 **Ref: RT-1, page 15, line 13 (Pension Asset).**

The referenced testimony states:

> This is clearly retroactive ratemaking and should be rejected by the Commission.

Please provide a copy of all information, documentation and analyses relied upon by Mr. Alm to conclude that the Consumer Advcoate's proposed exclusion of the pension asset HECO proposes to include in rate base constitutes prohibited "retroactive ratemaking."

CA-RIR-40 **<u>Ref: RT-1, pages 15-20 (Employee Count)</u>.**

In discussing the Consumer Advocate's proposed use of average 2005 forecast employee counts; the following statement appears at page 18, lines 18-25 of Mr. Alm's rebuttal testimony:

> As such, the Company does not believe that the Commission should expect the Company to maintain any continuing budget austerity plans, ongoing hiring constraints or any other spending limitations in an effort to promote operational efficiency and minimize the burden of rate increases upon customers. The Company, however, may institute budget austerity plans, hiring constraints, and other spending limits in times of economic uncertainty, while not compromising reliability and safety, and in an effort to maintain financial integrity.

Based on the above, please provide the following:

a. Please provide a pinpoint reference into Mr. Carver's direct testimony (CA-T-2) wherein he claims or asserts that the Commission should expect the Company to maintain or remain on a continuing austerity program, impose ongoing hiring constrains or maintain spending limitations to promote operational efficiency. If none, please so state.

b. Does HECO currently have any specific plans or has management discussed internally the possibility of instituting "budget austerity plans, hiring constraints, and other spending limits" in 2005, 2006 or 2007? If so, please describe those plans and explain the context of any discussions thereon.

CA-RIR-41 **<u>Ref: RT-1, pages 15-20 (Employee Count)</u>.**

In discussing the Consumer Advocate's proposed use of average 2005 forecast employee counts; the following statement appears at page 19, line 2, of Mr. Alm's rebuttal testimony:

> The CA bases its approach on the use of an 'average' test year. However, for purposes of <u>this</u> rate case, there are at least <u>three</u> fundamental problems with the CA's approach, as Ms. Sekimura addresses in HECO RT-16.

Based on the above, please provide the following:

a. Please define the "average" test year concept, as understood by Mr. Alm.

b. In the context of an "average" forecast test year, does Mr. Alm believe that it is acceptable in determining overall revenue requirement to base certain elements of overall revenue requirement at beginning of test year levels, others at average levels and some items at end of period levels? Please explain.

c. Referring to the response to parts (a) and (b) above, does Mr. Alm believe that there is any need to maximize consistency in the approach to quantifying the various elements of the ratemaking formula – that is, conceptual consistency in presenting the test year forecast using beginning, average or end of period prices, quantities or amounts? If not, please explain.

d. In the context of developing test year for purposes of establishing utility rates, please describe and explain Mr. Alm's understanding of the linkage, if any, between the forecast test year (e.g., calendar year 2005) and the first year the rates resulting from the rate case will be in effect (e.g., calendar 2006). In other words, does Mr. Alm believe that the revenues, expenses and investment resulting from a 2005 forecast test year should yield amounts equal to those expected in 2006?

CA-RIR-42 **<u>Ref: RT-1, pages 15-20 (Employee Count).</u>**

In discussing the Consumer Advocate's proposed use of average 2005 forecast employee counts, the following statement appears at page 19, line 4, of Mr. Alm's rebuttal testimony:

> First, much of the staffing increase is for <u>new</u> positions, and is not just to fill previously authorized but unfilled positions. For example, in Production, HECO needs to add 20 employees to establish night maintenance crews. The CA has included the <u>annual</u> costs for only one-half the new positions (by including one-half the full year's cost for all of the positions). Allowing the costs for only 10 new employees (by including only one-half the annual cost for 20 new employees) is <u>not</u> going to provide funding for 20 new employees. Sales growth from 2005 to 2006 is <u>not</u> going to pay for the other one-half of this <u>new</u> cost.

Based on the above, please provide the following:

a. Please confirm that the above quote draws a distinction between a <u>new</u> position that has not yet been filled with a previously authorized position that is unfilled. If this cannot be confirmed, please explain.

b. Please explain why an unfilled new position should be treated differently for ratemaking purposes than an unfilled position that had been previously authorized.

CA-RIR-43 **<u>Ref: RT-1, page 35, line 9-12 (Test Year Results & Rate Changes).</u>**

The referenced testimony states, in part:

> Under the test year concept, the amount of the rate increase approved by the Commission in a general rate case, which uses an average rate base, generally is the increase in revenues necessary at the beginning of the test year. Unless a rate increase is effective at the beginning of a test year, the utility will <u>not</u> have an opportunity to earn the fair rate of return on rate base determined to be fair and reasonable by the Commission, based on the estimated results of operations for the normalized test year.

Based on the above, please provide the following:

a. Please provide the basis for Mr. Alm's contention that use of an average rate base implies, or presupposes that any change in rates will occur at the beginning of the test year.

b. Referring to part (a) above, please provide a citation to, and copy of any authoritative support or specific documents (e.g., regulatory orders, publications, etc.) which support the contention that use of an average rate base implies or presupposes that any change in rates will occur at the beginning of the test year.

CA-RIR-44 **Ref: RT-1, pages 37-38 (Potential Reserve Mechanism).**

Beginning at page 38, line 11, the referenced testimony states, in part:

> The Consumer Advocate's recommendations are akin to single-issue ratemaking, which the Consumer Advocate has opposed in the past. For this reason, HECO must respectfully object to the CA's recommendations at this time. However, the Company would be willing to consider these recommendations in the context of an overall policy allowing the use of adjustment mechanisms for specific issues – provided the adjustment mechanism policy works both ways.

Based on the above please provide the following:

a. Please define the phrase "single-issue ratemaking" as used by Mr. Alm in this context.

b. Please identify and describe any forms of deferral accounting or cost recovery mechanisms the Commission has previously authorized for HECO that would conform to Mr. Alm's definition of "single-issue ratemaking," as provided in response to part (a) above.

Rebuttal Testimony of Mr. P. C. Young HECO RT-3.

CA-RIR-45 **Ref: RT-3, page 2, line 21 through page 3, line 3.**

At the referenced testimony, Mr. Young identifies eight causes of changes made to HECO's proposed test year revenues. For **each** of the eight reasons, please provide a separate breakdown of the revenue dollar impacts and gross margin impacts (revenue less associated changes in fuel/energy costs) associated with the cause.

CA-RIR-46 **Ref: RT-3, page 2, line 21 through page 3, line 3.**

At the referenced testimony, Mr. Young describes differences between the Consumer Advocate's and the Company's revenue estimate at present rates. Please provide the Company's best estimate of the revenue dollar impact and gross margin impacts (revenue less associated changes in fuel/energy costs) of each such difference and provide all supporting calculations of same.

CA-RIR-47 **Ref: HECO-RWP-302, pages 1-166.**

Please identify and explain each change in input data and each changed calculation algorithm that is contained in these computations to support HECO's asserted Rebuttal revenue at present rates and revenue at proposed rates, relative to the corresponding calculations in HECO WP-304 supporting the

Company's initial filing. In addition, provide the electronic spreadsheet files for HECO-RWP-302 with all cell formulae and links intact.

Rebuttal Testimony of Mr. R. H. Sakuda HECO RT-4.

CA-RIR-48 **Ref: RT- 4, Page 16, Line 1 – 25.**

Please indicate the EFORS that were used in the HECO August 5, 2005 Rebuttal Testimony filing. Please refer to HECO's response to CA-IR-461 when responding to this question.

CA-RIR-49 **Ref: RT- 4, Page 19, Line 10.**

Please provide a copy of HECO workpaper HECO-R-WP-511. It seems that this workpaper should be HECO-R-WP-411; however that workpaper cannot be located in HECO's rebuttal testimony filing.

Rebuttal Testimony of Mr. A. Fujinaka HECO RT-6.

CA-RIR-50 **Ref: RT-6, page 10, line 24**.

According to Mr. Fujinaka, "Sales growth from 2005 to 2006 is not going to pay for the other one-half of this new cost." Based on this statement, please respond to the following:

a. Please confirm that Mr. Fujinaka believes that HECO will continue to experience ongoing growth in the number of customers served by the Company, the kWh and sales revenue from the last half of 2005 into 2006 and beyond.

b. In Mr. Fujinaka's opinion, how much additional revenue does HECO expect to receive in 2006, relative to the 2005 levels, as a result of the referenced sales growth.

c. In Mr. Fujinaka's opinion, how much additional revenue does HECO expects to receive in 2006, relative to the 2005 levels, as a result of the referenced sales growth.

d. After paying for fuel and variable purchased power costs incurred to serve load and sales growth in 2006, provide the calculations indicating how much additional revenue is expected by HECO to be available to help offset growth in HECO's overall expenses, including any "new" production O&M expenses.

CA-RIR-51 **<u>Ref: RT-6, page 17, line 7.</u>**

According to Mr. Fujinaka's Rebuttal, "HECO agrees with the CA's option to allow $121,000 for 2005 ESA development, but seeks flexibility in the use of the remaining funds in other research and development ("R&D") projects. HECO's expenditures for R&D activities could increase in the future so the test year level of expenses might actually understate the on going level of expenses for this type of activity." Based on these statements, please provide the following information:

a. Confirm that the new R&D projects described at pages 18 through 24 of RT-6 were not included in the Company's Direct Testimony rate case forecast and were not the subject of any Consumer Advocate information requests previously answered by HECO.

b. Provide a schedule showing the actual expenditures made to-date by HECO for each of the new LPG reforming unit, NaS battery, emerging PV and communications technology projects listed at page 18, lines 6-11.

c. Provide complete copies of all contracts, agreements, requests for proposals, proposals and other documents indicative of the known and measurable status of each of the new R&D projects described at pages 18 through 24 of RT-6.

Rebuttal Testimony of Mr. Scott Seu HECO RT- 7

CA-RIR-52 **Ref: RT-7, page 7, line 12 and line 14.**

According to Mr. Seu, "Non-fuel O&M expenses for the nine units total $1,466,000 on an annualized basis." Furthermore, "As mentioned earlier, HECO proposes to normalize the impact on O&M expenses by including the annual O&M expenses for the nine units in the 2005 test year revenue requirements." Please explain Mr. Seu's understanding of the difference between "normalizing" versus "annualizing" expenses for ratemaking purposes and describe each known distinction in these two concepts.

CA-RIR-53 **<u>Ref: RT-7, page 10, line 24.</u>**

According to Mr. Seu, "The gap between the Consumer Advocate's recommended O&M number and the actual costs that will be incurred by HECO is simply too large to rely on a hope that revenues will grow and that utility costs in other areas will not increase." Please explain and provide complete copies of all analyses, reports, projections, workpapers and other information prepared or relied upon in making this statement.

CA-RIR-54 **<u>Ref: RT-7, page 11, line 5.</u>**

According to Mr. Seu, "Revenues from the energy generated by the DG units will in no way pay for the expenses that will be incurred to have the units available to serve HECO's customers." Based on this statement, please provide the following information:

a. State whether Mr. Seu believes that the Consumer Advocate asserted anywhere in its direct testimony the premise that "Revenues from the energy generated by the DG units will...pay for the expenses that will be incurred to have the units available to serve HECO's customers."

b. If your response to part (a) is affirmative, provide specific citation to each place in the Consumer Advocate's direct testimony where such an assertion is made and discussed.

CA-RIR-55 **<u>Ref: RT- 7, Page 11, Lines 8 through 11.</u>**

a. Will DG units decrease energy losses and/or avoid delivery systems (distribution and/or transmission) capital expenditures?

b. If no, please explain why not.

c. If there is a decrease in losses and/or capital expenditures, please quantify the decreases in dollars and explain how the amount was quantified.

CA-RIR-56 **<u>Ref: RT- 7, Page 13, Lines 9 through 18.</u>**

When more DG units will be installed in the future, please indicate the avoided capital expenditures and operation and maintenance expenses that would be decreased including the fuel caused by decreased delivery system energy losses.

Rebuttal Testimony of Mr. Stephen Yoshida RT-8.

CA-RIR-57 **Ref: RT-8, page 4, line 25 (Software Costs – T&D).**

The referenced testimony states, in part:

> As noted earlier in this rebuttal testimony, HECO agrees with removing $25,000 of these costs per HECO-R-1302, as shown in HECO-R-803. Please refer to Ms. Yamauchi's testimony at HECO-RT-13 for discussion of the Ellipse maintenance buy-down cost.

HECO-R-1302 addresses employee counts, not software costs, and HECO-R-803 merely shows the $25,000 reduction as an input into the supporting spreadsheet file. In addition, the source for HECO's T&D rebuttal position on software (see HECO-R-803, Column A) is to HECO's direct testimony (HECO-1604, page 17). Please provide the following:

a. It is unclear how the $25,000 reduction in software costs, that HECO agrees with removing, was quantified. Please provide additional supporting calculations of this amount.

b. Did HECO intend to refer to HECO-1604, page 17, as support for the $25,000 amount on HECO-R-803?

    1. If so, please clarify how HECO-1604 supports the referenced amount removed by the Company in rebuttal.

    2. If not, please explain.

c. Does the $25,000 reduction relate to Ellipse buy down costs or upgrade amortization? Please explain.

CA-RIR-58 **<u>Ref: RT-8 , page 5, line 20 (Employee Count)</u>.**

The referenced testimony states:

> HECO's position is that all positions forecasted in the 2005 test year should be considered as filled for the entire test year. The CA's approach to take one-half of the costs for these "open" positions does not account for these positions being filled in future years when rate recovery for these positions will be required.

Based on the above, please provide the following

a. The quoted testimony contends, in part, that the Consumer Advocate's approach "does not account for these positions being filled in future years." Please confirm that the T&D "positions" at issue have not been filled during <u>each</u> month of 2005, to-date. If this cannot be confirmed, please explain.

b. Referring to part (a) above, please confirm that the T&D "positions" at issue were not included in HECO's 2005 operating forecast or budget as being filled during <u>each</u> month of 2005. If this cannot be confirmed, please explain.

c. The quoted testimony contends, in part, that "rate recovery for these positions will be required" in future years. For clarification purposes, please confirm that Mr. Yoshida is proposing that the 2005 test year forecast include an annual level of labor and related benefit costs for T&D employee positions that will not be incurred until after calendar 2005. If this cannot be confirmed, please explain.

CA-RIR-59 **<u>Ref: RT-8, pages 17-18 (T&D Expense)</u>.**

Beginning at page 17, line 24, Mr. Yoshida compares the level of actual T&D expense through 6/30/05 with HECO's 2005 test year estimate. Please provide the following:

a. In a format comparable to HECO-809, please provide actual 2005 T&D expense by month.

b. In a format comparable to HECO-809, please provide actual 2004 T&D expense by month.

c. In a format comparable to HECO-809, please provide HECO's 2005 T&D expense forecast by month.

CA-RIR-60 **<u>Ref: RT-8 , page 18, lines 6-11 (T&D Corrective Maintenance)</u>.**

The referenced testimony states that HECO has expended $722,000 more on cable failures through 6/30/05 than forecasted.

a. Please provide the amount of actual cable failure expenditures charged to T&D expense by month during 2004 and 2005.

b. Please provide the forecast of cable failure expenditures charged to T&D expense by month for the 2005 test year.

c. Referring to the responses to parts (a) and (b) above, please identify how the $722,000 amount was determined.

Rebuttal Testimony of Mr. Alan Hee RT-10,.

CA-RIR-61 **Ref: RT-10 , pages 2 & 5-9 (DSM Expense).**

At page 2, line 14, the referenced testimony states:

> The amount of DSM expense remaining in the rate case is $1,030,000, as shown on line 15 of HECO-R-1003.

Beginning at page 5, RT-10 also discusses the proposed increase in DMS related advertising and marketing costs. Please provide the following:

a. Referring to HECO-R-1003, please confirm that the $1,030,000 of DSM costs that HECO proposes to include in base rates includes $350,000 for advertising/marketing.

b. In the context of Decision and Order No. 21698 referenced by RT-10 (pages 2 and 4), please confirm that Commission's Decision and Order does not explicitly allow HECO to incur additional advertising and marketing costs for the RDLC or CIDLC programs.

    1. If yes, please provide specific citation to the page(s) in the Decision and Order.

    2. If this cannot be confirmed, please explain.

c. In the context of Decision and Order No. 21698 referenced by RT-10 (pages 2 and 4), please confirm that this Commission Decision and Order does not explicitly allow HECO to recover any additional advertising and marketing costs for the RDLC or CIDLC programs through base rates.

1. If yes, please provide specific citation to the page(s) in the Decision and Order.

2. If this cannot be confirmed, please explain.

CA-RIR-62 **Ref: RT-10 , pages 4-5 (DSM Expense).**

The referenced testimony refers to Decision and Order Nos. 21415 and 21421 in which the Commission approved two stipulated agreements between the Company and the Consumer Advocate (Docket Nos. 03-0166, RDLC Program, & 03-0415, CIDLC Program). Beginning at page 5, line 10, the cited testimony states:

> In addition, the marketing and advertising costs were increased above the approved program budgets by $300,000 to account for higher expenses that the Company has found necessary to meet accelerated annual program load reduction goals through actual experience as described in CA-IR-533.

Based on the above, please provide the following

a. HECO-R-1003 includes $350,000 of advertising/marketing costs in the HECO's revised 2005 DSM forecast. Please confirm that the $350,000 includes the $300,000 referenced in the above quote plus: $25,000 for an RDLC customer recognition program (RT-10, page 8) and $25,000 for CIDLC marketing and advertising. If this cannot be confirmed, please explain.

b. Please confirm that Decision and Order Nos. 21415 and 21421 do not specify, approve or authorize a $300,000 increase in the marketing and advertising costs for these two programs.

1. If yes, please provide specific citation to the page(s) in the Decision and Order.
2. If this cannot be confirmed, please explain.

c. Please confirm that Decision and Order No. 21698 does not specify, approve or authorize a $300,000 increase in the marketing and advertising costs for these two programs.

1. If yes, please provide specific citation to the page(s) in the Decision and Order
2. If this cannot be confirmed, please explain.

CA-RIR-63 **Ref: RT-10 , pages 2-3 (DSM Expense).**

Beginning at page 2, line 24, the referenced testimony provides the following explanation as to why HECO did not remove all DSM expenses from the rate case:

> D&O No. 21698 stated that 'HECO may temporarily continue, in the manner currently employed, its

> existing two (2) residential DSM programs . . . and three (3) C&I DSM programs . . .'. HECO currently recovers DSM program base labor costs through base rates and incremental DSM program costs through the DSM component of the IRP clause. Therefore, for the purposes of the rate case HECO has continued recover the DSM program base labor costs in the manner currently employed, which is through base rates. .

Please provide the following

a. Please confirm that the cited excerpt from Decision and Order No. 21698 allows HECO to temporarily <u>continue</u> the identified DSM programs. If this cannot be confirmed, please explain.

b. Please confirm that the cited language from Decision and Order No. 21698 does <u>not</u> explicitly refer to or otherwise allow HECO to continue "recovering" the cost of the identified DSM program costs through base rates. If this cannot be confirmed, please explain.

CA-RIR-64 **<u>Ref: RT-10, pages 10-11 & HECO-R-1002 (Informational Advertising)</u>.**

The referenced testimony indicates that the Company has increased its original test year forecast for informational advertising expense by $750,000. At page 11, lines 4 and 7, the following passages generally describe the educational advertising campaign:

> The campaign is not claiming that it will achieve a level of energy or demand savings; therefore, it is not a DSM program.

> Since the overall objective of an energy efficiency message is to encourage customers to conserve energy, it is logical that in the same message they also be provided actions they can take to reduce energy use.

Please provide the following:

a. Is HECO undertaking the information advertising campaign with the objective of altering customer energy usage and consumption patterns? Please explain.

b. Has HECO previously presented similar informational advertising campaigns to the Commission? If so, please identify the docket in which such presentations were made and explain why those similar campaigns were presented to the Commission for approval.

c. Referring to the response to part (b) above, did the Commission approve the Company's request? If not, why not?

d. Please provide a pinpoint reference to Commission decision and order relied upon by the Company in responding to parts (b) and (c) above.

CA-RIR-65 **Ref: RT-10, page 10 & HECO-R-1006 (Informational Advertising).**

Mr. Hee describes HECO's plans to "procure an expanded presence in print and broadcast media (including television and radio), as shown in HECO-R-1006." Please provide the following:

a. Has HECO actually initiated this informational advertising campaign? If so, when was the campaign initiated.

b. HECO-R-1006 identifies costs associated with broadcast and print media. Referring to parts (a) above, please provide specimen ad copy associated with print media, viewable television broadcast ads (DVD or VHS format) and script for the radio ads.

CA-RIR-66 **<u>Ref: RT-10, pages 14-16 (DSM & Open Positions)</u>.**

At page 14, line 15, the referenced testimony states:

> The CA's and DOD's proposed adjustment reduces labor expenses for 4 'open' DSM positions that the CA and DOD already separated from the rate case because of the Energy Efficiency Docket. Thus, even if the basis for the CA's and DOD's proposed adjustment was reasonable (which it is not), it double counts the reduction for vacant DSM positions and overestimates the impact on Customer Service Expense.

In quantifying the impact of these four open positions, HECO RT-10 (page 16) refers to HECO-R-1011 to remove the "double count." Please provide the following

a. Please provide a pinpoint reference to HECO's direct testimony, exhibits, workpapers and/or responses to discovery which support the labor amounts for each position set forth on HECO-R-1011. If the requested information is not contained in any information previously provided, please provide a copy of all supporting workpapers and show how such positions were initially included in HECO's original 2005 test year forecast.

b. HECO-R-1003 summarizes HECO's proposed adjustment to remove DSM costs from forecast test year expense. Please identify which line (e.g., incremental direct labor) eliminates the open position positions.

c. Referring to item (b) above, please provide a detailed breakdown of the identified forecast amount and demonstrate that the open DSM positions have, in fact, been separately removed from the test year forecast.

CA-RIR-67 **Ref: RT-10, page 19, line 15 (DSM Costs).**

The referenced testimony states:

> In HECO/CA-IR-205, the CA suggests that the Commission's order to 'temporarily continue' the five existing energy efficiency programs 'until further order by the commission' does not provide 'sufficient certainty that these programs will continue as proposed'.

Please provide the following:

a. Please define the word "temporarily," or forms thereof, as HECO believes is used in this context.

b. Will the Energy Efficiency Docket be the next opportunity for the Commission to assess whether to remove the "temporary" status of these DSM programs? If not, please explain when HECO anticipates the "temporary" designation is most likely to be revisited.

c. Does HECO believe that the Commission will <u>not</u> take up the RDLC and CIDLC Programs in the Energy Efficiency Docket? If so, please explain the basis for the Company's position.

CA-RIR-68 **<u>Ref: RT-10, page 19, line 18 (DSM Costs)</u>.**

The referenced testimony states:

> Further, the CA contends that cost recovery is one of the issues to be taken up by the Energy Efficiency Docket. The CA concludes that there is 'no assurance that the Commission will approve, for cost recovery, the amounts that HECO has included in the 2005 test year forecast to support base rate inclusion at the present time.'

Please provide the following

a. Please confirm that DSM cost recovery is one of the issues to be taken up in the Energy Efficiency Docket. If this cannot be confirmed, please explain.

b. Does HECO contend that the Commission has provided assurance or otherwise guaranteed that the RDLC and CIDLC programs will not be re-considered in the Energy Efficiency Docket? If so, please provide a pinpoint reference to any such assurance provided by the Commission.

c. Does HECO contend that the Commission has provided assurance or otherwise guaranteed that the amounts the Company has proposed to include in the test year forecast for the RDLC and CIDLC Programs will not be re-evaluated in the Energy Efficiency Docket? If so, please provide a pinpoint reference to any such assurance provided by the Commission

CA-RIR-69 **Ref: RT-10, page 21, line 23 (Information Advertising).**

The referenced testimony states:

> HECO's current proposal is a general education campaign, not a DSM program. The campaign does not have the RCEA Program objectives of achieving significant energy savings and peak load reduction. Instead, its purpose is to establish a foundation of awareness so that customers will be able to understand why using energy wisely at all times, during the peak, and during an emergency is important.

Please provide the following

a. Please confirm that HECO does not expect its general education campaign to result in energy savings. If this cannot be confirmed, please explain.

b. Please confirm that HECO does not expect its general education campaign to result in peak load reduction. If this cannot be confirmed, please explain.

c. Please identify and describe the key differences in the messages HECO planned to convey through the Residential Customer Energy Awareness DSM Pilot Program as compared to the general education campaign it now proposes to implement.

d. Prior to HECO's revision of the 2005 test year forecast to include $750,000 for a general education campaign, did the Company make any attempt to use advertising and marketing efforts to educate the customers as to why using energy wisely is important? If so, please explain why those efforts were terminated.

e. Please explain why HECO did not include the $750,000 for its general education campaign in its original test year forecast.

CA-RIR-70 **<u>Ref: RT-10, page 24, line 12 (Research & Development)</u>.**

The referenced testimony states:

> HECO agrees with the CA's option to allow $121,000 for 2005 ESA development, but seeks flexibility in the use of the remaining funds in other research and development ("R&D") projects.

Please provide the following clarification:

a. Please explain what specific "flexibility" HECO is seeking.

b. Please identify, quantify and describe the "remaining funds" being referenced in the quoted testimony.

Rebuttal Testimony of Ms. Yamauchi HECO RT- 13

CA-RIR-71 **Ref: RT-13 page 28, line 23**

Ms. Yamauchi states that "$4.5 million of Kahe Unit 7 Project costs are being amortized over five years through September 2006, including the $900,000 of amortization included in the Company's test year 2005 estimate for Other Production Operation expenses." Based on this statement, please provide the following information:

a. A schedule showing the gross amount to be amortized over five years and the annual amortization that has been recorded historically and is to be recorded in each year 2006, 2007 and 2008 per the earlier stipulated agreement.

b. An explanation as to how the $900,000 of test year amortization expense can be considered normal and representative of ongoing costs when the entire amount remaining to be amortized in all years after test year 2005 is only $675,000.

c. A description of how the Company would not over-recover the amortization expense in every year that the rates established in the instant proceeding are in effect by including HECO's proposed $900,000 annual amortization expense amount in relation to anticipated per books amortization in 2006, 2007 and 2008.

CA-RIR-72 **Ref: RT-13 page 30, line 16.**

According to the testimony, "As explained in the previous testimony, based on current conditions, the Company's next rate case is more likely to be filed in three, rather than four, years after the conclusion of this instant proceeding." What is the expected test year that would be used by HECO in the "next rate case" that is posited? Provide all information relied upon to make such determination.

CA-RIR-73 **Ref: RT-13, page 7 & HECO-R-1301 (A&G Expense Accounts).**

At page 7 of the referenced testimony, HECO indicates that because the Consumer Advocate and DOD did not post their adjustments by NARUC account number, the Company used its best judgment in determining their test year estimates by account. The reference rebuttal exhibit compares HECO's proposed A&G expense by account (both direct & rebuttal testimony) with the recommendations of Consumer Advocate and DOD by NARUC account. HECO also provided a spreadsheet file ("HECO-R-1301.xls") in support of HECO-R-1301. However, the "CA" column (e.g., Column [E] of filed HECO-R-1301) of the spreadsheet starts with amounts from the HECO direct testimony column, by account, plus or minus unidentified amounts embedded within the cell formulae that should theoretically represent the Consumer

Advocate's adjustments. The Consumer Advocate has been successful in tracing certain of these "amounts" into Exhibit CA-101, while unsuccessful with other amounts. Please provide the following:

a. Did HECO prepare a separate analysis compiling the amount of each CA adjustment by account for purposes of assembling HECO-R-1301? If so, please provide a copy of that analysis, in both hard copy and spreadsheet file format.

b. For each CA adjustment "amount" HECO has included in the "CA" column of the referenced spreadsheet (e.g., Account 920, $-201), please identify the corresponding CA adjustment "number" (e.g., CA Adjustment C-21) from which the amounts were obtained by Company personnel.

CA-RIR-74 **Ref: RT-13, page 10 & HECO-R-1302 (Employee Counts).**

Please provide the following clarifications regarding the employee position table appearing on RT-13, page 10 and generally described on HECO-R-1302:

a. Please confirm that the 20 positions listed in the table at page 10 represent employee positions that were not included in HECO's 2005 test year forecast. If this cannot be confirmed, please explain.

b. In reviewing HECO-R-1302, please confirm that some of the 20 positions were filled prior to 1/1/05 even though they were not included in HECO's 2005 test year forecast. If this cannot be confirmed, please explain.

c. Based a review of HECO-R-1302, it is unclear how many of the 20 additional listed on page 10 of RT-13 were actually filled in 2004, have already been filled in 2005 or are expected to be filled sometime in 2005. Please expand the referenced table to provide the actual hiring dates and/or the expected 2005 hiring month for each additional position.

CA-RIR-75 **Ref: RT-13, page 10 & HECO-R-1302 (Employee Counts).**

The chart appearing on page 80 of CA-T-2 compares HECO's actual employee counts with its forecast counts for the months of December 2004 through April 2005. As noted on the chart, the data sources were HECO's responses to CA-IR-9, CA-IR-331 and CA-IR-508. Please provide the following:

a. To the extent that HECO had hired certain of the 20 additional positions listed on RT-13, page 10, as of 12/31/04, please confirm that those "hired" employees were included in the actual non-production employee counts provided in response to CA-IR-9, CA-IR-331, and CA-IR-508 and depicted in the chart on page 80 of CA-T-2.

If this cannot be confirmed, please explain why those "hired" employees would have been excluded from the actual counts provided by the Company.

b. Please confirm that the 20 additional employees listed on RT-13, page 10, would not have been included in the monthly forecast of non-production employee counts provided in response to CA-IR-9, CA-IR-331, and CA-IR-508 and thereby excluded from the chart on page 80 of CA-T-2. If this cannot be confirmed, please explain how those 20 additional employees excluded from HECO's 2005 forecast could have been included in the data source provided by the Company.

c. CA Adjustment C-21 removes the labor and benefit costs associated with the non-production "open positions" HECO provided in response to DOD/HECO-IR-8-8. Please confirm that, in compiling DOD/HECO-IR-8-8, HECO considered a position as being "open" if the December 2005 forecasted employee count exceeded the actual December 2004 employee count on a departmental basis. If this cannot be confirmed, please explain.

d. Referring to the response to item (c) above, please confirm that any of the additional employees listed on page 10 of RT-13 that were actually hired as of 12/31/04 would have caused the number of non-production "open positions" to be lower (i.e., because actual counts included those hires), thereby causing HECO to provide lower labor and benefit costs in response to DOD/HECO-IR-8-8. If this cannot be confirmed, please explain.

CA-RIR-76 <u>**Ref: RT-13 , page 13, line 20 (Ellipse Upgrade)**</u>.

In explaining why the Ellipse upgrade cost should be included in test year forecast when the upgrade will not occur in 2005, the referenced testimony states:

> Yes, because the normalization adjustment represents a reasonable level of ongoing costs incurred by the Company. The adjustment is not an advance collection of a future, post-test year cost as claimed by the Consumer Advocate (see CA-T-2, page 42). While the next upgrade will occur beyond the 2005 test year, the upcoming upgrade is not a new, first time cost for the Company. Rather, upgrades have already occurred in the past, and the already established cost pattern is for an upgrade every few years.

Please provide the following

a. Please define the word "incurred", as used by HECO RT-13 in this context.

b. Please define the word "ongoing", as used by HECO RT-13 in this context.

c. Please define the test year concept as understood and applied by HECO RT-13.

d. Please confirm that HECO will not incur any upgrade costs until well after the test year. If this cannot be confirmed, please explain.

e. Please confirm that none of the upgrade cost HECO seeks to include in the test year forecast was incurred during the test year. If this cannot be confirmed, please explain.

Rebuttal Testimony of Ms. Tayne Sekimura HECO RT-16.

CA-RIR-77 **Ref: RT-16, pages 7-8 & HECO-R-1606 (Employee Counts).**

The table appearing on RT-16, page 7, identifies 53 additional positions that were not included in HECO's 2005 test year forecast, of which 41 positions had been filled as of 6/30/05. Please provide the following clarifications regarding this information:

a. Please expand the referenced table to provide the actual hiring dates and/or the expected 2005 hiring month for each "additional" position.

b. HECO-R-1606 indicates that 17 of the additional positions were filled prior to 1/1/05. If not included in the response to part (a) above, please identify how many of the 17 positions filled prior to 1/1/05 were in Power Supply.

c. Please confirm that those 17 "filled" positions were included in the actual non-production employee counts provided in response to CA-IR-9, CA-IR-331 and CA-IR-508 and depicted in the chart on page 80 of CA-T-2. If this cannot be confirmed, please explain why those "filled" positions would have been excluded from the actual counts provided by the Company.

d. Please confirm that the 53 additional employees listed on RT-16, page 7, would <u>not</u> have been included in the monthly forecast of non-production employee counts provided in response to CA-IR-9, CA-IR-331 and CA-IR-508 and thereby excluded from the chart on page 80 of CA-T-2. If this cannot be confirmed, please explain how the 53 additional employees excluded from HECO's 2005 forecast could have been included in the forecast data source provided by the Company.

e. CA Adjustment C-21 removes the labor and benefit costs associated with the non-production "open positions" HECO provided in response to DOD/HECO-IR-8-8. Please confirm that, in compiling the response to DOD/HECO-IR-8-8, HECO considered a position as being "open" if the December 2005 forecasted employee count exceeded the actual December 2004 employee count on a departmental basis. If this cannot be confirmed, please explain.

f. Referring to the response to part (e) above and RT-16, page 8 (lines 3-8), please confirm that any of the additional employees listed on page 7 of RT-16 that were actually hired as of 12/31/04 would have caused the number of non-production "open positions" to be lower (i.e., because actual counts included those hires), thereby causing HECO to provide lower labor and benefit costs in response to DOD/HECO-IR-8-8. If this cannot be confirmed, please explain.

CA-RIR-78 **Ref: RT-16, pages 7-8, HECO-R-1603 & HECO-R-1606 (Employee Counts).**

Please provide a copy of the written job or position descriptions for each of the additional 53 positions, indicating when each position was filled, or is expected to be filled.

CA-RIR-79 **Ref: RT-16, pages 8-9 & HECO-R-1606 (Employee Counts).**

The referenced testimony generally refers to and describes the various costs associated with the additional positions presented on HECO-R-1606. In support of HECO-R-1606 and certain other rebuttal exhibits, the Company provided a spreadsheet file ("HECO-R-1602 to HECO-R-1606.xls"). However, this spreadsheet file is primarily comprised of input numbers, with the only formulae representing "sums" or "subtotals." Please provide the following:

a. When did the Company conduct the analysis on which HECO-R-1606 was based?

b. Please describe the data source for the HECO-R-1606 "tab" of the referenced spreadsheet and explain how the "input" amounts were calculated.

c. Referring to the response to part (b) above, please provide additional supporting documentation (hard copy and spreadsheet file format) supporting the amounts appearing as "inputs" into the HECO-R-1606 "tab" of the referenced spreadsheet.

d. Neither HECO-R-1606 nor the supporting spreadsheet file provide any source references or support for the calculation of estimated benefits. Please provide support for the assumed 1904 productive hours per employee and the benefit rate of $7.99 per productive hour.

e. Neither HECO-R-1606 nor the supporting spreadsheet file provide any source references or support for the allocation or apportionment of labor and benefit costs between O&M, Capital, Billable and Clearing accounts. Please explain how this distribution was determined and provide support for those amounts.

CA-RIR-80 **Ref: RT-16, page 10, lines 13-17 (Employee Counts).**

In describing the two additional unforecasted positions in the Special Projects area, the referenced testimony states, in part:

> These two positions will continue for the duration of the EMS and OMS projects, currently scheduled to be completed by mid-2007. At that point, if there are no major systems projects to oversee (interoperability will continue until the completion of the CIS project around the middle of 2008), these positions will be phased out.

Based on the above, please provide the following:

a. Please clarify and explain the parenthetical reference to "interoperability" in the context of the CIS project.

b. Please explain and describe how these positions "will be phased out."

CA-RIR-81 **<u>Ref: RT-16, page 13, lines 13-17 (Employee Counts)</u>.**

In describing the Company's disagreement with the labor expense adjustments proposed by the Consumer Advocate and DOD, the referenced testimony states, in part:

> First, the CA erroneously assumes that employee vacancies directly translate into a reduction in labor expenses, when some vacancies may be offset by unforecasted overtime (in the case of bargaining unit employees) and a significant percentage of employee costs are charged to capital projects rather than expenses.

Based on the above, please provide the following:

a. Referring to the labor costs set forth on HECO-R-1606, did the Company assume that each of the 53 additional employee positions would directly translate into increased labor expenses? If not, please explain.

b. Referring to HECO-R-1606, please provide a listing of the additional employee positions that represent "bargaining unit" employees.

c. Referring to part (b) above, did the Company recognize in quantifying HECO-R-1606 that the additional "bargaining unit" employees would reduce forecasted overtime levels and compensation?

    1. If so, please provide the amount of the overtime reduction recognized in the calculations underlying HECO-R-1606.

    2. If not, please explain why that factor was not considered in preparing HECO-R-1606.

d. Is it HECO's position that CA Adjustment C-21"erroneously" removed from O&M expense the employee costs charged to capital projects? If so, please compare CA Adjustment C-21 with the response to DOD/HECO-IR-8-8 and provide a detailed explanation and quantification of the portion the CA's adjustment that erroneously removed capital project charges from O&M expense.

CA-RIR-82 **<u>Ref: RT-16, page 13, lines 18-21 (Employee Counts)</u>.**

In describing the Company's disagreement with the labor expense adjustments proposed by the Consumer Advocate and DOD, the referenced testimony states, in part:

> In addition, the Company has added and expects to fill additional positions beyond those included in the test year estimate, which means that the year-end employee count, and/or the employee count in future years, should exceed the test year average.

Based on the above, please provide the following:

a. Please indicate when, and identify the specific letter, discovery response, etc. through which HECO first informed the Consumer Advocate that the Company's 2005 test year employee forecast excluded the 53 additional positions now asserted in rebuttal testimony.

b. Please indicate when, and identify the specific letter, discovery response, etc. through which HECO first informed the Consumer Advocate that the Company's 12/31/04 actual employee count included 17 additional positions that had not been included in the 2005 test year forecast.

CA-RIR-83 **<u>Ref: RT-16, pages 13 and 17 (Employee Counts)</u>.**

In describing the Company's disagreement with the labor expense adjustments proposed by the Consumer Advocate and DOD, the referenced testimony at page 13 states, in part:

> Moreover, the CA treats vacancies arising out of new staffing positions created to enable the Company to perform new or substantially increased work that will carry over into future years in the same manner that it treats "structural vacancies" due to retirements and/or terminations that periodically occur.

At page 17, RT-16 also discusses why the structural vacancies should be treated differently from vacancies due to filling new positions. Based on the above, please provide the following:

a. It is unclear why the Company believes that an unfilled <u>new</u> position should be treated or viewed differently for ratemaking purposes than an unfilled position that had been previously authorized. Please explain.

b. Regardless of whether a vacancy is associated with a new position or a previously authorized position, the testimony at RT-16, page 17, does not appear to establish the conceptual regulatory framework demonstrating why these types of vacancies should be treated differently for ratemaking purposes. After all, each position is still "vacant" at a given point in time. Please provide a copy of all authoritative documentation, regulatory decisions or other support on which Ms. Sekimura relied in formulating this position.

CA-RIR-84 **<u>Ref: RT-16, page 14, lines 1-5 (Employee Counts)</u>.**

In describing the Company's disagreement with the labor expense adjustments proposed by the Consumer Advocate and DOD, the referenced testimony states, in part:

> Also, some of the "vacant" positions relate to the Company's proposals to expand its DSM programs and to include DSM program costs in base rates. The expenses related to these programs have separately been removed from the rate case, and the CA double counts the reduction when it separately reduces labor expenses due to these vacancies".

Based on the above, please provide the following:

a. Please confirm that the reference to the vacant DSM positions is the same 4 open positions referenced by HECO RT-10 at page 14. If this cannot be confirmed, please explain.

b. Referring to HECO-R-1011, please quantify the labor and benefit costs included in the response to DOD/HECO-IR-8-8 for the 4 open DSM positions, by NARUC account.

c. Referring to part (b) above, please provide a copy of all supporting workpapers in both hard copy and spreadsheet file format (with intact cell formulae).

CA-RIR-85 **<u>Ref: RT-16, page 15, lines 12-20 (Employee Counts)</u>.**

In discussing the Consumer Advocate's proposed use of average 2005 forecast employee counts, the referenced testimony states, in part:

> In addition, new rates are <u>not</u> being set at the beginning of 2005. If rates were reset at the beginning of the year, and it was assumed that full staffing was in place at the beginning of the year even though staffing increases occurred gradually over the course of the year, then the amount included for staffing in rates for 2005 (looked at in isolation) might be too high. In this case, however, rates are <u>not</u> expected to be reset until at least October (for the interim increase) and until next year (for the final increase). The Company will not have received any rate increase during the first 9 months of 2005, even though significant staff increases have been made.

Based on the above, please provide the following:

a. Please define the "average" test year concept, as understood by Ms. Sekimura.

b. In the context of an "average" forecast test year, does Ms. Sekimura believe that it is acceptable to base certain elements of overall revenue requirement at beginning of test year levels, others at average levels and some items at end of period levels when determining overall revenue requirement? Please explain.

c. Referring to the response to parts (a) and (b) above, does Ms. Sekimura believe that there is any need to maximize consistency in the approach to quantifying the various elements of the ratemaking formula – that is, conceptual consistency in presenting the test year forecast using beginning, average or end of period prices, quantities or amounts? If not, please explain.

d. In the context of developing a test year for purposes of establishing utility rates, please describe and explain Ms. Sekimura's understanding of the linkage, if any, between the forecast test year (e.g., calendar year 2005) and the first year the rates resulting from the rate case will be in effect (e.g., calendar 2006). In other words, does Ms. Sekimura believe that the revenues, expenses and investment resulting from a 2005 forecast test year should yield amounts equal to those expected in 2006?

CA-RIR-86 **<u>Ref: RT-16, page 16, lines 22-24 (Employee Counts)</u>.**

The referenced testimony states, in part:

> ...the Company is incurring additional, unforecasted overtime in some areas as a result of some of the vacancies.

Based on the above, please provide the following:

a. Please provide a copy of all documents and analyses (both hard copy and spreadsheet file format) supporting this statement.

b. Referring to part (a) above, please explain how the Company quantified the additional overtime incurred as a result of the additional position vacancies.

c. Please provide a quantification of the overtime pay directly related to the referenced position vacancies.

CA-RIR-87 **<u>Ref: RT-16, page 20, lines 9-25 & HECO-R-1607 (King Street Lease)</u>.**

The referenced testimony indicates, in part, that HECO and Bishop Estates renegotiated the lease and executed a modified agreement, effective July 1, 2005. Under the modified terms, the lease is now deemed to be an operating lease under FAS13. Please provide the following:

a. In support of HECO-R-1607, the Company provided a spreadsheet file ("HECO-R-1607 Deferred Rent.xls"). However, this spreadsheet file is primarily comprised of input numbers, with the only formulae representing "sums" or "subtotals." Please provide a revised version of this spreadsheet file, with intact cell formulae showing how the numbers presented in the cells were derived.

b. Please provide a copy of the analysis relied upon by the Company to conclude that the modified lease is an operating lease under FAS13, in both hard copy and spreadsheet file format (with intact cell formulae).

CA-RIR-88 **Ref: RT-16, page 21, lines 16-24, & HECO-R-1607 (King Street Lease).**

The referenced testimony states, in part:

> Under SFAS No. 13, for financial reporting purposes, lease payments for the fixed term of the lease must be recorded on a straight-line basis over the fixed term of the lease, even if the rental payments are not made on a straight-line basis. Since the lease payments escalate over time, a straight-line lease payment amount for the fixed term was calculated. HECO proposes that the ratemaking treatment and the financial accounting treatment to be the same.

Based on the above, please provide the following:

a. Does HECO believe that FAS13 requires the Commission to adopt the Company's proposed "straight-line lease" expense for ratemaking purposes?

   1. If so, please provide a pinpoint reference to the relevant portions of FAS13.
   2. If not, please so state.

b. Please confirm that HECO's monthly lease payments to Bishop Estates during the last six months of 2005 will <u>not</u> be based on the "straight-line lease" expense calculated on HECO-R-1607. If this cannot be confirmed, please explain.

c. To the extent that the Commission allows HECO to include in rates the Company's proposed "straight-line lease" expense, please explain how HECO proposes to account for the advance collection from ratepayers and whether any rate base offset for the advance collection is envisioned by the Company.

CA-RIR-89 **Ref: RT-16, pages 42-43 & HECO-R-1609 (Pension Asset).**

Beginning at page 42, line 25, the referenced testimony states, in part:

> As I described, in the period 1999 through 2002, the activity in the prepaid pension asset was solely a function of the negative NPPC.

Based on the above, please provide the following:

a. Please confirm that the negative NPPC recorded by HECO during the period 1999 through 2002 was about $56.5 million. If this cannot be confirmed, please explain.

b. Please confirm that the HECO's pension fund contributions during the period 1999 through 2002 were "zero." If this cannot be confirmed, please explain

c. At any time during the period 1999 through 2002, did HECO reduce electric rates in recognition of the $56.5 million negative NPPC? Please explain.

d. At any time during the period 1999 through 2002, did HECO reduce fuel and purchased power costs passed on to customers in recognition of the $56.5 million negative NPPC? Please explain.

e. At any time during the period 1999 through 2002, did HECO reduce the DSM cost recoveries in recognition of the $56.5 million negative NPPC? Please explain.

Please confirm that during the period 1999 through 2002 the negative NPPC recorded by HECO resulted in lower operating expenses and higher operating income than would have been recorded if NPPC had been "zero" or positive. If this cannot be confirmed, please explain.

CA-RIR-90 **Ref: RT-16, pages 46-47 (Pension Asset).**

Beginning at line 30 of page 46, the referenced testimony states, in part:

> ...the prepaid pension asset should be included in rate base because, under SFAS 87, it is the recognized pension funding in excess of the pension obligation.

Based on the above, please provide the following:

a. Is it the position of Ms. Sekimura that FAS87 requires regulatory agencies to include the pension asset in rate base? Please explain.

b. Please provide a pinpoint reference to the specific paragraph(s) of FAS87 that address the rate base inclusion of the pension asset for regulatory ratemaking purposes. If none, please so state.

CA-RIR-91 **<u>Ref: RT-16, pages 39, 41 & 47 (Pension Asset)</u>.**

At page 39, line 11, the referenced testimony states:

> Under SFAS 87, a prepaid pension asset is created when fund contributions exceed the NPPC. Exhibit HECO-R-1609, page 1 summarizes the annual activity in HECO's prepaid pension asset account since the inception of SFAS 87

At page 41, line 13, the referenced testimony states:

> As a result, in the period 1999 through 2002, the increase in the prepaid pension asset was solely a function of the negative NPPC.

Beginning at page 47, line 2, the referenced testimony states, in part:

> It *[the pension asset]* reflects an investment that the Company has made in the pension plan.

Based on the above, please provide the following:

a. Assuming FAS87 had resulted in NPPC in an amount equal to HECO's contribution to the pension plan since 1987, please confirm that HECO would <u>not</u> have recorded a pension asset on its balance sheet. If this cannot be confirmed, please explain.

b. If the pension asset represents an investment the Company has made in the pension plan, please explain the mechanism through which HECO "invested" $56.5 million of negative NPPC in the plan during the years 1999 through 2002.

CA-RIR-92 **Ref: RT-16, page 47, lines 14-23 (Pension Asset).**

The question appearing at RT-16, page 47, line 14, contains the following quote from the direct testimony of Consumer Advocate witness Carver:

> In general terms, the utility is considered to have recovered all costs incurred between rate cases and achieved a reasonable return on its rate base investment. [CA-T-2, page 16, lines 1-2]

Beginning at line 19 of page 47, RT-16 states:

> Mr. Carver's statement implies that utilities are guaranteed their authorized rate of return when in fact they are unable to make up for past revenue deficiencies through rates. There is no true-up mechanism that will ensure that a utility will recover all costs incurred between rate cases and achieve a reasonable, let alone "authorized", rate of return on its rate base investment.

Based on the above, please provide the following:

a. Please provide a pinpoint reference to any portion of Mr. Carver's testimony that specifically states that utilities are "guaranteed" their authorized rate of return.

b. Please confirm that any true-up mechanism guaranteeing recovery all costs incurred between rate cases and achievement of the authorized return would constitute retroactive ratemaking. If this cannot be confirmed, please explain.

CA-RIR-93 **Ref: RT-16, page 48 (Pension Asset).**

The referenced testimony refers to and identifies HECO's achieved returns on investment in various years since the last rate case (Docket No. 7766). Please provide the following:

a. Please provide a copy of all documents relied upon by Ms. Sekimura to quantify these returns, including a detailed breakdown of achieved earnings and rate base investment.

   1. This information should be provided in both hard copy and spreadsheet file format.

   2. Referring to part (a), the information requested in not limited to the years referenced by Ms. Sekimura, but all years since the late rate case.

b. Were the returns identified by Ms. Sekimura based on average, beginning of year, or end of year rate base?

c. Referring to part (b) above, please provide monthly values for each rate base component, regardless of the rate base valuation method used by HECO.

CA-RIR-94 **Ref: RT-16, pages 50-51 (Pension Asset).**

Beginning at page 50, line 21, RT-16 states:

> More importantly, Mr. Carver's analysis is a form of retroactive ratemaking...The fact remains, however, that he seeks to make up for what he perceives to be an over recovery of NPPC in years prior to the test year by disallowing the prepaid pension asset from rate base. Because this disallowance would reduce

revenue requirement and ultimately decrease the Company's rates, it would in effect pay money back to ratepayers and would thus constitute retroactive ratemaking.

Please provide the following:

a. Please define the term "retroactive ratemaking" as used and applied by Ms. Sekimura in this context.

b. Have any analyses been prepared by, or for, HECO on which Ms. Sekimura relied in support of her testimony that the removal of the pension asset from rate base will "pay money back" to ratepayers?

   1. If so, please provide a copy of the detailed analyses, in both hard copy and spreadsheet file format, demonstrating how this alleged "pay money back" process would return past over recoveries to ratepayers.

   2. If no analyses were prepared or are available, please so state.

c. Please provide a pinpoint reference into Mr. Carver's direct testimony (CA T-2) wherein he claims or asserts that the removal of the pension asset from rate base will "pay money back" to ratepayers. If none, please so state.

d. Please provide a pinpoint reference into Mr. Carver's direct testimony (CA T-2) where he quantifies a perceived over recovery of NPPC from ratepayers since the Company's last rate case and then proposes to "pay money back" for said over recovery by returning such excess to ratepayers by decreasing overall revenue requirement. If none, please so state.

CA-RIR-95 **Ref: RT-16, page 53, lines 3-12 (Pension Asset).**

The referenced testimony states:

> Third, as I discussed earlier, ratepayers have benefited from the prepaid pension asset. Funding of the pension is part of what resulted in lower NPPC. This contributed to a lower revenue requirement, which negated the need to request a general rate increase in the last ten years. If the Company had had a rate case during the last ten years, and its rates had stayed the same (based on the results of operations that reflected a negative pension expense), Mr. Carver would not even be able to make his argument. The fact that rates were able to stay the same without a rate case should not change the result. In addition, the funding of the pension fund will contribute to a lower NPPC than what would otherwise be realized.

Based on the above, please provide the following:

a. Please provide a copy of all analyses, including related documents and spreadsheet files, relied upon by Ms. Sekimura to conclude that the lower NPPC negated the need to request a general rate increase in the past ten years. If none, please so state.

b. Referring to the response to part (a) above, please identify the individual responsible for preparing the analyses (by name and job title) and indicate when (month/year) each analysis was prepared.

CA-RIR-96 **Ref: RT-16, pages 55-57 (Pension Asset).**

The referenced testimony identifies and describes various regulatory orders "enabling some form of recovery of the pension asset." Please provide the following:

a. Please provide a complete copy of all regulatory orders in HECO's possession that allow some form of recovery of the pension asset.

b. Of those regulatory orders cited by RT-16 at pages 55-56, were any of the allowed pension asset recoveries the result of litigated issues, resulting in a regulatory decision involving the merits of the issues presented? Please explain.

c. Has Ms. Sekimura previously filed written testimony or appeared as an expert witness on the pension asset issue?

   1. If so, please provide a listing of each regulatory proceeding by jurisdiction and docket.

   2. If so, please provide a copy of the testimony prepared or presented by Ms. Sekimura.

   3. If so, please state whether the issue was litigated or resolved through a negotiated settlement, and provide

a copy of the regulatory decision related to the pension asset issue.

Rebuttal Testimony of Ms. Nagata HECO RT- 18

CA-RIR-97 **Ref: RT-18, page 10, lines 3 through 22.**

According to Ms. Nagata's Rebuttal, the Company's PHFFU investment at Barbers Point is economically justified because of "minimized future higher costs" and the "options that may be available to the Company for its use of the Pipeline." Please provide complete copies of all economic analyses, reports, studies, workpapers and other documents relied upon by HECO or Ms. Nagata to conclude that this PHFFU investment is economically justified and that HECO has a definite plan for use of the facilities.

CA-RIR-98 **Ref: RT-18, page 3, line 18.**

According to Ms. Nagata's Rebuttal, "HECO's rebuttal plant addition estimate has been updated to reflect a correction for the New Kuahua Substation project...Attachment 6 to the June 15, 2005 Transmittal did not accurately reflect the expenditures for 2005, 2006, and 2007, resulting in an understatement of 2005 expenditures of $5,635,891." Please provide a detailed explanation of the development of the

Attachment 6 amounts and reconcile all annual expenditure amounts associated with the "correction" that was discovered.

<u>Rebuttal Testimony of Mr. Young HECO RT- 22,</u>

CA-RIR-99 **<u>Ref: RT-22, page 4, lines 4 through 15.</u>**

According to Mr. Young's Rebuttal, HECO has modified its classification of DSM costs, so as to identify demand and energy-related allocations instead of the 100% customer-related classification included in Direct Testimony T-22.

a. Please confirm that this change was intended to better reflect cost causation.

b. Explain whether the change is the primary reason why "Unit Customer Cost" amounts for each Class at HECO-R-2208 and HECO-R-2210 are significantly lower than were contained in HECO's corresponding Direct Exhibits HECO-2208 and HECO-2210.

CA-RIR-100 **<u>Ref: RT-22, page 21, lines 2 through 6.</u>**

According to Mr. Young's Rebuttal, HECO does not "need to undertake a cost study of production O&M expenses" and "HECO recognizes that if there are variable O&M non-fuel production costs, they should be minimal."

a. Please confirm that variable O&M expenses other than fuel were estimated to exceed $34.4 million annually for the HECO system and $2.3 million for HECO generating units as shown on HECO-WP-2217, page 99 of 153.

b. Explain how such amounts are now thought to be "minimal." Provide complete copies of all reports, studies, analyses, projections and other documents associated with your response.

CA-RIR-101 **<u>Ref: RT-22, page 22, lines 18 through 23.</u>**

According to Mr. Young's Rebuttal, "Second, and more importantly, the CA's proposal to adjust the existing structure of customer charges, minimum charges, energy charges, and demand charges in equal percentages is inconsistent with aligning charges closer to the cost to serve. For example, the existing Schedule R single phase service customer charge of $7.00 per customer per month recovers only about 50% of the $14.12 unit customer cost..." Based on this statement, please provide the following information:

a. Confirm that the "$14.12 unit customer cost" value being cited is based upon the Company's cost of service evidence and revenue requirement in Docket No. 7766.

b. Confirm that in the instant case, the $19.41 Schedule R unit customer cost at proposed rates is based upon the

Company's cost of service evidence and Rebuttal revenue requirement, as summarized in HECO-R-2208,

c. Confirm that the corresponding Consumer Advocate Schedule R/E unit customer cost is only $10.89 per month, as shown at CA Exhibit 501 on the "Total Customer" line.

d. State whether Mr. Young believes it to be uncommon for an electric utility to recover some of its costs classified as demand and customer-related through the energy charge. Provide copies of all documentation relied upon to support the response.

e. Confirm that increasing the present Schedule R customer charge on an equal percentage basis is moving the rate toward indicated cost of service according to the Consumer Advocate's evidence, in particular CA Exhibit 501.

CA-RIR-102 **Ref: RT-22, page 27, line 10.**

According to Mr. Young's Rebuttal, "Any transition of Schedule H should be planned to minimize administrative costs, minimize impacts on existing Schedule H customers, and establish applicability that aligns appropriately with other company rates. HECO's Schedule H should be maintained in its current form while a transition for the rate is structured." Please state with specificity how HECO proposes to address each of the issues that are raised and provide all available details regarding the timeline for the "transition of Schedule H" that is being proposed.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Division of Consumer Advocacy's **REBUTTAL INFORMATION REQUESTS** was duly served upon the following parties, by personal service, hand delivery, and/or U.S. mail, postage prepaid, and properly addressed pursuant to HAR § 6-61-21(d).

WILLIAM A. BONNET — 1 copy
VICE PRESIDENT, GOVERNMENT AND COMMUNITY AFFAIRS
HAWAIIAN ELECTRIC COMPANY, INC.
P. O. BOX 2750
Honolulu, Hawaii 96740-0001

DEAN MATSUURA — 1 copy
DIRECTOR, REGULATORY AFFAIRS
HAWAIIAN ELECTRIC COMPANY, INC.
P. O. BOX 2750
Honolulu, Hawaii 96740-0001

THOMAS W. WILLIAMS, JR. — 1 copy
PETER Y. KIKUTA
GOODSILL ANDERSON QUINN & STIFEL
1800 Alii Place
1099 Alakea Street
Honolulu, Hawaii 96813

DR. KAY DAVOODI — 1 copy
Utilities Rates and Studies
NAVFAC Washington
1314 Harwood Street, S.E.
Washing Navy Yard, DC 20374-5018

RANDALL Y.K. YOUNG — 1 copy
Associate Counsel (Code 09C)
Naval Facilities Engineering Command, Pacific
258 Makalapa Drive, Suite 100
Pearl Harbor, HI 96830-3134

DATED: Honolulu, Hawaii, August 16, 2005.

Jmha Jaludo