

VBKK

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, and for)
Approval and/or Modification of Demand-)
Side and Load Management Programs and)
Recovery of Program Costs and DSM Utility)
Incentives.)

DOCKET NO. 04-0113

2005 AUG 16 P 3:49
PUBLIC UTILITIES
COMMISSION
FILED

DEPARTMENT OF DEFENSE'S
REBUTTAL INFORMATION REQUESTS (MORIN AND VON GNETCHEN)
TO HAWAIIAN ELECTRIC COMPANY, INC.
AND
CERTIFICATE OF SERVICE

RANDALL Y.K. YOUNG
Associate Counsel (Code 09C)
Naval Facilities Engineering Command, Pacific
258 Makalapa Drive, Suite 100
Pearl Harbor, HI 96860-3134
Telephone (808) 474-5514

ATTORNEY FOR
DEPARTMENT OF DEFENSE

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)	
)	
HAWAIIAN ELECTRIC COMPANY, INC.)	DOCKET NO. 04-0113
)	
For Approval of Rate Increases and)	
Revised Rate Schedules and Rules, and for)	
Approval and/or Modification of Demand-)	
Side and Load Management Programs and)	
Recovery of Program Costs and DSM Utility)	
Incentives.)	
)	

DEPARTMENT OF DEFENSE'S REBUTTAL INFORMATION REQUESTS
(MORIN AND VON GNETCHEN) TO HAWAIIAN ELECTRIC COMPANY, INC.

COMES NOW, DEPARTMENT OF DEFENSE ("Applicant") by and through its undersigned attorney, and hereby submits its Rebuttal Information Requests (Morin and Von Gnetchen) to Hawaiian Electric Company, Inc. ("HECO").

DATED: Honolulu, Hawaii, August 16 2005.


RANDALL Y.K. YOUNG
Associate Counsel (Code 09C)
Naval Facilities Engineering Command, Pacific
258 Makalapa Drive, Suite 100
Pearl Harbor, HI 96860-3134
Telephone (808) 474-5514

ATTORNEY FOR
DEPARTMENT OF DEFENSE

DOCKET NO. 04-0113

DEPARTMENT OF DEFENSE'S

REBUTTAL INFORMATION REQUESTS (MORIN AND VON GNETCHEN)

TO HAWAIIAN ELECTRIC COMPANY, INC.

INSTRUCTIONS

In order to expedite and facilitate Department of Defense's review and analysis in the above matter, the following is requested:

1. For each response, HECO 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, HECO 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 HECO 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, HECO instructions, or any other relevant authoritative source which HECO used.
4. Should HECO 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 HECO is willing to permit disclosure to Department of Defense (e.g., protective agreement, review at business offices, etc.); and
 - d. If HECO 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 HECO claims are privileged or will not be disclosed, including the title or subject matter, the date, the author(s) and the addressee(s).
5. Please provide each response in electronic format (if available) as well as paper. Please provide two copies of each response, with one copy going directly via overnight delivery to Department of Defense's consultant at the following address:

Stephen G. Hill
Hill Associates
4000 Benedict Road
Hurricane, West Virginia 25526
Telephone: 304-562-3645
E-mail: Sghill@compuserve.com

and the other copy going directly via overnight delivery to:

Dr. Kay Davoodi
Utilities Rates and Studies Office
NAVFAC Washington
1314 Harwood Street, S.E.
Washington Navy Yard, DC 20374-5018
Telephone No.: 702-685-3319
E-mail: Khojasteh.Davoodi@navy.mil

DEPARTMENT OF DEFENSE'S REBUTTAL INFORMATION REQUESTS (MORIN
AND VON GNETCHEN) TO HAWAIIAN ELECTRIC COMPANY, INC.

DOCKET NO. 04-0113

The following rebuttal information requests are directed to HECO (Dr. Morin).

DOD/HECO-RIR-69 Please provide complete copies of the following articles referenced by Dr. Morin in his Rebuttal Testimony:

- Robert F. Bruner, Kenneth M. Eades, Robert S. Harris, and Robert C. Higgins, "Best Practices in Estimating the Cost of Capital: Survey and Synthesis", *Financial Practice and Education*, Vol. 8, Number 1, Spring/Summer 1998,
- Dimson, Elroy, Paul Marsh and Mike Staunton (2000) "Risk and Return in the 20th and 21st centuries." *Business Strategy Review* 11(2): 1-18
- Harris, R. S., Marston, F. C., Mishra, D. R., and O'Brien, T. J., "Ex Ante Cost of Equity Estimates of S&P 500 Firms: The Choice Between Global and Domestic CAPM," Financial Management, Autumn 2003, pp. 51-66,
- Welch, Ivo (2000, 2001), "Views of Financial Economists on the Equity Premium and on Professional Controversies," *Journal of Business* 73(4): 501-537,
- Chan, L.K.C. and Lakonishok, J., "Are Reports of Beta's Death Premature?" *Journal of Portfolio Management*, Summer 1993,
- Black, F., "Beta and Return," *Journal of Portfolio Management*, Summer 1993,
- Kothari, S.P., Shanken, J., and Sloan, R.G., "Another Look at the Cross-Section of Expected Stock Returns," Journal of Finance, Vol. 50, No. 1,
- Kim, D., "The Errors in the Variables Problem in the Cross-Section of Expected Stock Returns," Journal of Finance, December 1995, Vol. 50, No. 5,
- Jagannathan, R. and Wang, Z., "The Conditional CAPM and the Cross-Section of Expected Returns," Journal of Finance, March 1996, Vol. 51, No. 1.

DOD/HECO-RIR-70 Please provide complete copies of all source documents from which Dr. Morin derived the parameters used in his updated cost of equity analysis (e.g., growth rates, bond yields, bond yield projections).

- DOD/HECO-RIR-71 Please provide electronic copies of all of Dr. Morin's rebuttal schedules in Excel format with cells unlocked and formulas available.
- DOD/HECO-RIR-72 [Ref. Morin Rebuttal, pp. 9, 10] Please provide a complete copy of the IRUC Final Order in Cause No. 39871, cited in part by Dr. Morin.

The following rebuttal information requests are directed to HECO (Mr. Von Gnetchen)

DOD/HECO-RIR-73 [Von Gnetchen Rebuttal, p. 29]

- a) Please provide the data available that shows the purchased power expense for "HECO-only" and "HECO consolidated" as a percentage of revenues for each entity. Please provide supporting documentation (income statements, etc.).
- b) Please provide any documents originated by Standard & Poor's (i.e., not created by the Company) that show HECO's purchased power "long-term fixed obligations" represents 40% of HECO's base-load generation. If unable to provide any such documents, please explain why and provide supporting documentation for the calculation.

- DOD/HECO-RIR-74
- a) Are expected purchased power expenses included in HECO's cost of service in this proceeding? If so, why; if not, why not?
 - b) Are expected interest costs included in HECO's cost of service in this proceeding? If so, why; if not, why not?
 - c) Is the cost of debt included in the overall cost of capital calculation in this proceeding? If so, why; if not, why not?
 - d) Is the cost of imputed debt related to purchased power obligations included in the overall cost of capital calculation in this proceeding? If so, why; if not, why not?

CERTIFICATE OF SERVICE

I hereby certify that one copy of the foregoing DEPARTMENT OF DEFENSE'S REBUTTAL INFORMATION REQUESTS (MORIN AND VAN GNETCHEN) TO HAWAIIAN ELECTRIC COMPANY, INC. 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 sec. 6-61-21(d).

William A. Bonnet
Vice President, Government and Community Affairs
Hawaiian Electric Company, Inc.
P.O. Box 2750
Honolulu, Hawaii 96840

Patsy H. Nanbu
Director, Regulatory Affairs
Hawaiian Electric Company, Inc.
P.O. Box 2750
Honolulu, Hawaii 96840

Thomas W. Williams, Jr., Esq.
Peter Y. Kikuta, Esq.
Goodsill Anderson Quinn & Stifel
1800 Alii Place
1099 Alakea Street
Honolulu, Hawaii 96813

Department of Commerce and Consumer Affairs
State of Hawaii
Division of Consumer Advocacy
335 Merchant Street, Room 326
Honolulu, Hawaii 96813

6 Copies

DATED: Honolulu, Hawaii, August 16, 2005


RANDALL Y.K. YOUNG
Associate Counsel
Naval Facilities Engineering Command,
Pacific