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July 8, 2005

William A. Bonnet  
Vice President  
Government & Community Affairs

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PUBLIC UTILITIES  
COMMISSION

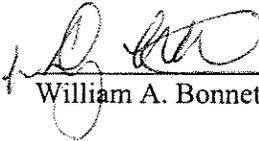
The Honorable Chairman and Members of  
the Hawaii Public Utilities Commission  
Kekuanaoa Building  
465 South King Street, First Floor  
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Docket No. 04-0113- HECO Test Year 2005 Rate Case  
HECO's Information Requests to the CA and DOD  
(Except for DOD Revenue Requirements)

In accordance with Stipulated Prehearing Order No. 21727 issued on April 8, 2005, as amended on June 22, 2005<sup>1</sup>, attached are HECO's information requests to the Consumer Advocate ("CA") and the Department of Defense ("DOD").

Sincerely,

  
\_\_\_\_\_  
William A. Bonnet

Attachments

cc: Division of Consumer Advocacy  
Dr. Kay Davoodi  
Randall Young, Esq.  
Utilitech, Inc.  
Sawvel and Associates, Inc.  
David Parcell  
Maurice Burbaker  
Hill Associates

<sup>1</sup> On April 29, 2005, HECO, the CA, and the DOD (collectively referred to as the "Parties") advised the Commission that the Parties agreed to extend the April 29, 2005 deadline for the CA and the DOD to issue information requests to HECO. The Parties also stated that they would submit for Commission approval, any other scheduled revisions necessitated by the extension. By letter dated June 17, 2005, the Parties submitted for Commission's approval the procedural deadlines leading up to the evidential hearing. By letter dated June 22, 2005, the Commission approved the amended procedural schedule.

Docket No. 04-0113

Hawaiian Electric Company, Inc.  
Information Requests to  
Division of Consumer Advocacy ("CA")

HECO/CA-IR-101

Ref: CA-100.

- a. Please describe the witness' experience in the operation and maintenance of power generating stations, including, without limitation, the witness' function or role regarding operation and maintenance activities such as overhaul
- ~~printing, operator shift scheduling, unit dispatching, safety~~

and/or environmental compliance enforcement, workforce staffing, operator and maintenance training, etc.

- b. Has the witness ever prepared any manuals or instructional materials on the operation or maintenance of generating equipment? If so, please produce copies of such manuals or materials.
- c. Has the witness ever conducted or produced any studies regarding the number of workers and supervisors needed to

OPEB in the calculation of the O&M non-labor payment lag days, if the revision, as stated in Mr. Brosch's testimony, page 112, line 4-7, "completely neutralizes any impact associated with the inclusion of pensions and OPEBs..."

HECO/CA-IR-103

Ref: Exhibit CA-101, Schedule B-9, page 1.

Please provide detailed workpapers showing the following:

- a. The derivation of the \$-2,251 O&M Labor adjustment.
- b. The derivation of the \$193,975 O&M Non-Labor adjustment, and confirm that this \$193,975 O&M Non-Labor adjustment excludes the adjustments related to Fuel and Purchased Power expenses.
- c. The derivation of the "Effect of CA Rate Increase" of \$23,968.

HECO/CA-IR-104

Ref: CA-T-1, page 111, lines 6-17.

Is the CA's position that pension and OPEB are cash items or non-cash items in the calculation of working cash?

HECO/CA-IR-105

Ref: CA-T-1, page 26, lines 14-16.

Please explain why the proposed removal of the amortization of gain on sale of \$4,817 associated with the Lilipuna transaction, for which amortization was completed in May, 2005, should not be

considered an annualization of the zero monthly amortization associated with the transaction at the end of 2005?

HECO/CA-IR-106

Ref.: CA-T-1, page 48, line 12 through page 49, line 13.

- a. Please explain why budget variance reports or data are necessary to determine whether the availability of Honolulu Units 8 & 9 and Waiiau Units 3 & 4 should be increased ~~from 16 hours per day, 5 days per week to 24 hours per~~

day, 7 days per week?

- b. Is it the position of the Consumer Advocate that the availability of Honolulu Units 8 & 9 and Waiiau Units 3 & 4 should not be increased from 16 hours per day, 5 days per week to 24 hours per day, 7 days per week? If your answer is "no," please state all facts which support your position

produce all studies or analyses, including any workpapers, which support your position.

HECO/CA-IR-107

Ref: CA-T-1, page 54, line 5 to page 55, line 11.

Regarding changing the operation of Honolulu 8 and 9 and Waiiau 3 and 4 from 2 shift, 5 day per week operation (10 shifts, or  $16 \times 5 = 80$  hours per week) to 3 shift, 7 day per week operation (21 shifts, or  $24 \times 7 = 168$  hours per week), please describe the CA's understanding of how the staffing level for the units could be changed to provide operator coverage for the Shift Supervisor (H8&9 only), Utility Operator (H8&9 only), Control Operator, Junior Control Operator, and Equipment Operator positions for all operating hours. What staffing changes could be implemented to cover the operator requirements for the additional 88 hours per week or 32,120 hours per year of unit operation?

HECO/CA-IR-108

Ref: CA-T-1, page 55, line 16.

The CA states that there was an "absence of any formal studies" to justify the need for increased staffing at Honolulu 8 and 9 and Waiiau 3 and 4. In addition to understanding the specific positions required to man an additional shift to ensure reliable, safe and compliant operation of H8&9 and W3&4, what additional analysis

is required to warrant a study to justify the increase? What would be the nature of such a study?

HECO/CA-IR-109

Ref: CA-T-1, page 69, line 10 to page 70, line 10.

Please state the CA's understanding of the amount of funds that exist in the Clean Air Special Fund-COV for the years 1993 to date. Please also state the CA's understanding of the Department of Health's management of the fund by answering the following questions:

- a. Will the director of the Department of Health always allow a waiver of the fee when the fund exceeds \$6,000,000?
- b. For what purposes is the fund utilized?
- c. How quickly is the fund utilized?
- d. How quickly is the fund replenished?
- e. How many owners and operators of covered sources are there in the State of Hawaii?
- f. What assurances would any owner or operator of a covered source have for a waiver of the fee?
- g. Based on the answers to the above questions, please describe the basis for the CA's recommendation that "more recent experience be relied upon to estimate the fee waiver factor"?

HECO/CA-IR-110

Ref: CA-T-1, page 63, line 1 to page 63, line 17.

Is it the position of the CA that, when reviewing operating expenses in a ratemaking proceeding, staff vacancies created by routine events such as retirements, terminations, transfers, etc., should be treated in the same manner as new staff positions created to address new or different operations, such as changing operations from 2 shifts, 5 days per week to 3 shifts, 7 days a week, or adding a new night shift maintenance crew? Please state the reasoning and basis for your response.

HECO/CA-IR-111

Ref: CA-T-1, page 51, lines 18-20.

The CA states “HECO has failed to account for avoidable overtime or contractor charges that should at least partially offset the cost of newly hired employees.”

- a. Please provide the specific amount of “contractor charges” referred to in this testimony and state the factual basis for this testimony.
- b. Is it the CA’s understanding that contractor labor is available locally in Hawaii to competently fill positions as Shift Supervisor, Control Operator, Junior Control Operator, Utility Operator, or Equipment Operator to operate HECO’s generating units?
- c. Please provide a list of the known locally available sources.

- d. Please explain the CA's understanding of the type, duration, and cost of training that would be required to bring non-HECO contractor personnel up to a performance level which would ensure safe, reliable, and environmentally responsible operation of HECO's generating units.

HECO/CA-IR-112

Ref: CA-T-1, page 56, line 1.

The CA states "overtime is equivalent to about 15 full time positions working 2080 hours each per year".

- a. Is it the CA's position that each full time employee spends 2080 hours per year on the job performing the duties of his or her position? If so, please state the basis for your position, and in particular, reconcile your position with the applicable provisions of collective bargaining agreement(s) for the positions at issue.
- b. What is the CA's position on how much non-productive time should be allowed per operator position per year for vacation, holidays, short term absences, long term absences, training, and other non-productive work requirements?
- c. Is it the CA's position that coverage for non-productive time is done on a straight time basis? If so, please state the basis for your position, and in particular, reconcile your

position with the applicable provisions of collective bargaining agreement(s) for the positions at issue.

HECO/CA-IR-113

Ref: CA-T-1, page 43, line 6 to page 44, line 3.

Please explain the CA's understanding of generation capacity vs. the staffing required to operate the generating unit providing that capacity. Please use the example of a unit capable of generating 50 MW but operated on a 16 hour (2 shift), 5 day schedule versus the same 50 MW unit operating on a 24 hour (3 shift), 7 day a week schedule.

- a. What is the change in generation capacity of the unit?
- b. What is the change in staffing requirements for operation of the unit?
- c. Please provide all analyses including workpapers to support your position.

HECO/CA-IR-114

Ref: CA-T-1, page 59, line 5 to 7.

The CA states "Continuous turnover in the workforce is a normal phenomena resulting from retirements, resignations, terminations for cause, disabilities and other causes." In the case of a long-term absence by a generating unit operator, such as family medical leave, what kind of staffing or work adjustments would the CA ~~response~~ to effect this type of absence?

HECO/CA-IR-115

Ref: CA-T-1, page 90, line 1-13.

- a. Please identify what, if any, objective criteria were used by the witness in deciding which items should be removed from 2005 Production O&M Priority List.
- b. Does the CA believe it to be reasonable to eliminate

offset spending more than anticipated in identified higher priority or unforecast high priority work activities?

HECO/CA-IR-116

Ref: CA-T-1, page 39, line 1-5.

The CA states that "HECO has notably done a good job of operating its fleet of generating units, achieving good unit reliability and relatively stable expense levels in recent years and

studies or analyses, including any workpapers, which support your position.

b. Does the CA believe that work to maintain HECO's

maintaining equipment should be focused not only on

addressing immediate maintenance needs, but also on addressing long term maintenance which will ensure long term reliability of the generating units?

HECO/CA-IR-117

Ref: CA-T-1

Does the CA believe that forecast Production Maintenance Non-labor expenses are used solely for the single station and work item for which the forecast was made and not allowed to shift to other stations and work items (use it or lose it) as priorities change?

b. Is it the CA's position that no overtime should be incurred by Production Operations or Maintenance personnel, such as working beyond the normal work day, on weekends, holidays, etc., to perform high priority work that impacts reliability, safety and/or environmental compliance so that HECO can provide reliable, safe and environmentally compliant power? If your answer is "yes", please state all facts which support your position and produce all studies or analyses, including any workpapers, which support your position.

HECO/CA-IR-119

Ref: Exhibit CA-101, Schedule E, Page 1, lines 5, 7 and 8.

Please confirm that the rate base adjustments made for the elimination of the Combined Heat & Power Projects (line 7: \$4,959,000 reduction to average rate base) and the addition of Distributed Generation Rate Base Investments (line 8: \$1,054,000 increase to average rate base) are not necessary since those

HECO/CA-IR-120

Ref: Exhibit CA-101, Schedule B-1, page 1 of 1, line 14

Please confirm that the updated 2005 depreciation/amortization accrual estimate should be \$80,080, as referenced in CA-IR-514.

HECO/CA-IR-121

Ref: Exhibit CA-101, Schedule B-1, page 1 of 1, footnote (b).

Please provide detailed workpapers showing the source and calculation of the following:

- a. Accumulated depreciation adjustment of \$5,282
- b. Removal cost of liability of \$12,903

HECO/CA-IR-122

Ref: CA T-1

- a. Are there any analyses or computations that the witness, or someone acting on his behalf, performed that are not included in the witness' testimony? If so, please describe in detail all such analyses or computations and provide copies of all documents relating thereto.
- b. To the extent not identified in response to specific HECO Information Requests, please identify all documents upon which the witness relied in formulating the opinions and conclusions contained in his testimony.
- c. Will the witness perform any additional work in this matter prior to the hearing? If so, please describe in detail what work the witness performs.

Docket No. 04-0113

Hawaiian Electric Company, Inc.  
Information Requests to  
Division of Consumer Advocacy ("CA")

HECO/CA-IR-201

Ref: Exhibit CA-101, Schedule C, page 4.

Please explain and provide all workpapers showing how the adjustment of (\$246,000) shown on C-20 is allocated to the various O&M block of accounts on lines 5 through 11 (in column E).

HECO/CA-IR-202

Ref: CA-101, Schedule C-22.

- a. Please explain the adjustment in Column E - "Included in Other CA Adjustments" and provide the location of Footnote (b) "CA Adjustment C-29".
- b. Referring to the response to part (a) above, please confirm whether the CA's adjustment of \$52,000 is the same adjustment that HECO reflected with the June 15, 2005 update on Attachment 8, page 1, line 5 "Other Benefits/Administration", column (j). Also refer to footnote (c) on Attachment 8 for the detailed breakdown of HECO's adjustments, which included the \$52,000

reduction to Other Benefits/Administration expenses

- c. Do you agree that the CA's adjustment of \$52,000 should be removed so that the same adjustment that HECO had already reflected is included only once?

HECO/CA-IR-203

Ref: CA-T-2, page 7, lines 8-11.

What are the accounting and financial statement implications to HECO of the ratemaking treatment of prepaid pension asset proposed in CA adjustment B-10 (Exhibit CA-101)?

HECO/CA-IR-204

Ref: CA-T-2, page 9, line 3.

For each of the cases listed:

- a. Please provide a detailed description of the respective utility's pension and proposed ratemaking treatment of its pension.
- b. Please provide copies of the respective utility's testimony relating to pension and prepaid pension asset.
- c. Please provide copies of your testimony relating to pension and prepaid pension asset.
- d. How did the respective Commission rule in each of the cases listed?
- e. Please provide a copy of the respective Commission's ruling on the treatment of prepaid pension asset.

- f. How did the resulting ratemaking treatment of the prepaid pension asset impact the respective utility's financial accounting and financial statements?
- g. Please provide all of your testimonies and the presiding commission's decision and order(s) in any other proceeding in which you presented testimony on pension assets.

HECO/CA-IR-205

Ref: CA-T-2, page 56, lines 6-9.

- a. Please quantify the "limited administrative costs" that are associated with DSM program related costs that were not removed from the Company's 2005 forecast.
- b. Please provide a cite in the Commission's Decision and Order No. 21698, Docket No. 04-0113, that requires the separation of DSM program expenses already in base rates from HECO's rate case and places them into the Energy Efficiency Docket.

HECO/CA-IR-206

Ref: CA-T-2, page 57, lines 1-11.

In CA-IR-533, HECO states, "In light of the concerns raised by the Consumer Advocate, the Commission's decision, and the critical need to encourage residential customers to adopt cost-effective conservation resources and practices, HECO intends to add \$750,000 to its test year general advertising budget in order to

enhance the Company's ability to educate and inform its customers about ways that they can save energy and reduce their peak demands." (Emphasis added.)

Please explain why the inclusion in base rates of corporate advertising costs, that are separate from DSM Program costs, should be rejected and taken up in Docket No. 05-0069 instead.

HECO/CA-IR-207

Ref: CA-T-2, page 58, lines 9-22.

Please provide details on why HECO's plans to undertake an aggressive marketing effort would be "inappropriately injected into the current rate case proceeding" if allowed in base rates.

HECO/CA-IR-208

Ref: CA-T-2, page 60, lines 1-14.

- a. Please explain why \$685,000 of IRP Administrative Costs is includable in base rates while \$618,000 of incremental IRP costs are not.
- b. Please provide a cite in the Commission's Decision and Order No. 21698, Docket No. 04-0113, that separates IRP incremental expenses from HECO's rate case and places them into the Energy Efficiency Docket.

HECO/CA-IR-209

Ref: CA-T-2, page 81, lines 16-19.

The CA's adjustment C-21 adjusts the Company's operating budget for "open" positions. As shown in DOD/HECO-IR-8-8, page 6 of 11, some of the Energy Services/IRP "open" positions are related to DSM programs. Please provide a revised adjustment for Account 910 Customer Services that removes the effect of "open" DSM positions.

HECO/CA-IR-210

Ref: CA-T-2, page 44-45.

On CA-T-2, pages 44 and 45, Mr. Carver disagrees with treating the King Street Building lease as a capital lease for ratemaking purposes, although based on SFAS 13, the lease is a capital lease. With respect to generally accepted accounting principles, does the CA concur with the Company that the lease should be treated as a capital lease for financial statement purposes?

HECO/CA-IR-211

Ref: CA-T-2, page 58, lines 9-22.

In the transcript of oral arguments in Docket No. 03-0142, For Approval of a Residential Customer Energy Awareness ("RCEA") Pilot Program and Recovery of Program Costs, the CA states: "However, in closing, the Consumer Advocate, as I stated in the front, that the – there's no opposition to HECO's proposal to

embark on a general advertising mass-media campaign in an effort to reduce evening peak energy usage. The Consumer Advocate is opposed specifically to the approval of an advertising campaign as a DSM pilot program wherein HECO will be allowed a dollar for dollar cost, recovery of program costs through the IRP DSM cost recovery surcharge.” (Transcript, page 22, lines 6-14.)

- a. Was the CA opposed to the education and energy awareness advertising campaign because it was included in the RCEA DSM Program and/or may not have met the requirements of the IRP Framework. Please fully explain your response.
  - b. Is it the CA’s position that there is a benefit to a “general advertising mass-media campaign in an effort to reduced evening peak energy usage”. If the answer is anything other than an unqualified “yes” please fully explain your response.
  - c. Please explain what mechanism should be used to recover the costs of “general advertising mass-media campaign in an effort to reduced evening peak energy usage”.
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HECO/CA-IR-212

Ref: CA-101, Schedule C-19.

Please explain why the Customer Service Reorganization

Adjustment in Schedule C-19 has been applied to Administrative



and General Expenses in CA-101, Schedule C, page 4 of 5.

HECO/CA-IR-213

Ref: CA-101, Schedule C-24.

Please explain why the CA's proposed elimination of the Green  
Program costs is made to Customer Accounts rather than Customer  
Service Expense in CA-101, Schedule C, page 4 of 5.

HECO/CA-IR-214

Ref: CA-T-2, page 60, lines 1-14.

In HECO's rate case, Docket No. 00-0207, the CA proposed and

HECO/CA-IR-215

Ref.: CA-T-2, page 78, line 15 to page 79, line 2.

Is it the position of the CA that staff vacancies created by routine events such as retirements, terminations, transfers, etc., and new staff positions created to address new or different operations should be treated in the same manner? Please state the reasoning and basis for your response.

HECO/CA-IR-216

Exhibit CA-101, Schedule C-27.

On Schedule C-27, footnote c refers to CA Adjustment C-30. However, Exhibit CA-101, Schedule C contains no adjustment designated C-30. Rather, adjustment C-30 is designated “\*reserved\*.” Please explain the reference in Schedule C-27, footnote c.

HECO/CA-IR-217

Ref: CA T-2

- a. Are there any analyses or computations that the witness, or someone acting on his behalf, performed that are not included in the witness’ testimony? If so, please describe in detail all such analyses or computations and provide
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- b. To the extent not identified in response to specific HECO Information Requests, please identify all documents upon which the witness relied in formulating the opinions and conclusions contained in his testimony.
- c. Will the witness perform any additional work in this matter prior to the hearing? If so, please describe in detail what

work the witness performs.

HECO/CA-IR-218

Ref: CA T-2, pages 56-61

- a. Is it the CA's position that the mechanism used to recover integrated resource planning costs (for example, whether some or all of such costs should be included in base rates or in an IRP Cost Recovery Provision) is an issue in the Energy Efficiency Docket No. 05-0069? If the CA's response is anything other than an unqualified "no", then please provide the basis for response, including a cite to any applicable language in Decision and Order No. 21698 (March 16, 2005) establishing such Docket.
- b. Is the witness aware of the position taken by the CA in Docket No. 99-0207, HELCO's 2000 Test Year Rate Case,

(i.e., explain the reasons for any differences in) the CA's position in CA-T-2, and the CA's position in Docket No. 99-0207.

- c. Does the CA agree that all of the integrated resource planning costs ("IRP planning costs") that the CA proposes to exclude from base rate revenue requirements represent

incremental IRP planning costs? Please fully explain your response.

HECO/CA-IR-219

Ref: CA T-2, page 56, lines 11-17

In Docket No. 03-0166, HECO and the CA agreed to changes to the RDLC Program, which included "1. HECO will modify the program budget for the five-year program. HECO will not seek to recover the following RDLC Program operation and maintenance costs through the IRP Cost Recovery Provision: (1) Direct Labor

In Docket No. 03-0415, HECO and the CA agreed to changes to the CIDLC Program, which included “1. HECO will modify the program budget for the five-year program. HECO will not seek to recover the following CIDLC Program operation and maintenance costs through the IRP Cost Recovery Provision: (1) Direct Labor (which is comprised of Administration, Annual Relay Service and Inspection, Tracking and Evaluation, and Clerical Support) and (2) Materials, Travel, and Miscellaneous. Instead, the Parties agreed to allow HECO to seek the recovery of these operation and maintenance costs in base rates in HECO’s next rate case.”

(Docket No. 03-0415, Decision and Order No. 21421 issued October 19, 2004), page 11 (footnote 8 omitted).

- a. Please explain the witness’ understanding of the CA’s position in Docket Nos. 03-0166 and 03-0415 concerning the recovery of RDLC and CIDLC DSM operation and maintenance costs in base rates and reconcile (i.e., explain the reasons for any differences in) the CA’s position in CA-T-2 and the CA’s position in Docket Nos. 03-0166 and 03-0415.
- b. If HECO is not able to recover these operation and maintenance costs of the RDLC and CIDLC DSM programs in base rates (e.g., Direct Labor, Materials, Travel, and Miscellaneous), please explain the mechanism that the CA recommends HECO should use to recover such

operation and maintenance costs. Please provide the basis for the CA's response.

HECO/CA-IR-220

Ref: CA T-2, page 57, lines 1-11

- a. Is it the CA's position that HECO's proposed conservation and energy efficiency advertising messages (referenced in response to CA-IR-446 and CA-IR-533) should not be done at this time? If the answer is anything other than an unqualified "yes", please fully explain your response.
- b. If HECO is not able to recover the conservation and energy efficiency advertising messages in base rates, please explain the mechanism that the CA recommends HECO should use to recover such costs. Please provide the basis for the CA's response.

Docket No. 04-0113

Hawaiian Electric Company, Inc.  
~~Information Document~~

Division of Consumer Advocacy ("CA")

HECO/CA-IR-301

Ref: CA-T-3, page 46, line 1.

The table lists the energy payment to AES as \$87,446,000, and cites the source for this number as CA-312, page 1. On CA-312, page 1, this amount is derived from the sum of \$61,019,000 for fuel and \$26,427,000 for O&M under the "CA DT Position" column. The

\$61,019,000 amount is derived from CA-WP-309, page 5.

In CA-WP-309, page 5, there is a column titled "AES" which shows the Consumer Advocate Fuel Cost (\$) for purchased energy from AES. The column totals \$61,019,316. Please provide the

calculations used to derive each of the twelve numbers in that column.

HECO/CA-IR-303

Ref: Computer production simulation model, CA-T-3, page 24, lines 14 to 20.

Please provide the output files (reports) that display the following:

- a. An hourly output report that shows the hourly MW loading per generating unit.
- b. A monthly output report that shows the MWh generated by unit.

HECO/CA-IR-304

Ref: Computer production simulation model, CA-T-3, page 24, lines 14 to 20.

Please provide the user manual for the program that was used to run the production simulation which should include a discussion of the following:

- a. Economic dispatch.
- b. Unit commitment.
- c. Fixed transactions.
- d. How EFOR are treated in the program.
- e. How Spinning Reserve is treated in the program.

HECO/CA-IR-305

Ref: CA-305, page 2, column (h), line (1).

If the source for the \$2.9053/barrel trucking cost for the LSFO for Honolulu Power Plant that appears on CA-305, page 2, column (h) on Line (1) is from HECO's May 5, 2005 Update letter, please provide

the specific page number. If not, please provide the derivation of the \$2.9053/barrel trucking cost.

HECO/CA-IR-306

Ref: CA-303, page 1, column (d), line 7b.

- a. Was Substation DG modeled as a fixed transaction or as a dispatchable resource?
- b. Please explain how the Substation DG energy was derived.
- c. Please provide a copy of the calculations in electronic format to show how the Substation DG energy was derived.

HECO/CA-IR-307

Ref: CA-314, page 2, line 2.

- a. Please provide the workpapers for “Composite Fuel Cost of Total Generation (HECO & CHP)” of 873.57 cents/mmbtu as shown on CA-314, page 2, line 2.
- b. Did the CA consider the DG Energy Component in the “Composite Fuel Cost of Total Generation (HECO & CHP)”?  
If yes, please provide workpapers showing the DG Energy Component in its calculation of 873.57 cents/mmbtu. If no, please explain why the DG Energy Component should not be included.

HECO/CA-IR-308

Ref: CA-314, page 3, lines 1, 4, 7.

- a. The CA Reference on line 1 is “CA-304, Page 2/CA-303, Page 1”. Please fully explain how 5.67159 cents/kwh is determined from the CA Reference.
- b. The CA Reference on line 4 is “CA-304, Page 2/CA-303, Page 1”. Please fully explain how 0.02552 cents/kwh is determined from the CA Reference.
- c. The CA Reference on line 7 is “CA-301, Page 1/CA-303, Page 1”. Please fully explain how 8.88204 cents/kwh is determined from the CA Reference.

HECO/CA-IR-309

Ref: CA-314, page 3, lines 4, 7 and CA-314, page 1, lines 26, 57.

- a. Please explain the difference between the weighted base DG energy cost component of 0.02552 cents/kwh as shown on CA-314, page 3, line 4 and the weighted composite DG energy cost component of 0.00200 cents/kwh as shown on CA-314, page 1, line 26.
- b. Please explain the difference between the weighted base purchased energy cost component of 8.88204 cents/kwh as shown on CA-314, page 3, line 7 and the weighted composite purchase energy cost of 2.59852 cents/kwh as shown on CA-314, page 1, line 57.

Docket No. 04-0113

Hawaiian Electric Company, Inc.  
Information Requests to  
Division of Consumer Advocacy ("CA")

HECO/CA-IR-401

Ref: CA-408

Please provide the currently authorized return on equity for the each of the eight electric utilities in your two samples of comparable electric utilities.

HECO/CA-IR-402

Ref: CA-400

Please provide your return on equity recommendation and the return on equity authorized for each electric case in which you have testified in the last five years. Please also provide the prevailing yield on long-term Treasury bonds at the time of preparing these testimonies.

HECO/CA-IR-403

Ref: CA-T-4, page 13, lines 15-21

- a. Is it Mr. Parcell's opinion that electric utility stocks have outperformed or underperformed the overall equity market in (1) the last five years, and (2) the last year. Please provide any supporting evidence.
- b. Is it Mr. Parcell's opinion that Hawaiian Electric Industries' common stock has outperformed or

underperformed electric utility stocks (1) the last five years, and (2) in the last year? Please provide any supporting evidence.

HECO/CA-IR-404

Ref: CA-T-4, page 47, lines 12-20

- a. In light of his discussion contained on page 47 lines 12-20, does Mr. Parcell advocate a regulatory process which produces a market-to-book ratio of 1.00? If so, please reconcile this statement with the fact that the companies in his sample group are selling well above book value (Exhibit CA-409).
- b. Does Mr. Parcell believe that his cost of equity recommendation will maintain, increase, or decrease HECO's parent company's market-to-book ratio?

HECO/CA-IR-405

Ref: CA T-4, pages 3-4

Does Mr. Parcell's recommended cost of common equity assume the maintenance of the company's existing capital structure or does it assume some other capital structure. If so, please state Mr. Parcell's recommended ROE under both the company's existing capital structure and his recommended capital structure.

HECO/CA-IR-406

Ref: CA T-4, pages 17-18

Does Mr. Parcell believe that HECO's cost of common equity capital is dependent of HEI? If so, why? If not, why not?

HECO/CA-IR-407

Ref: CA T-4, page 21

Did Mr. Parcell examine how the regulatory climate in Hawaii is viewed by the investment community other than by Value Line, for example Regulatory Research Associates, Merrill Lynch, etc.? If so, what are those views? If not, why not?

HECO/CA-IR-408

Ref: CA T-4, page 14, lines 15-16

- a. Does Mr. Parcell view HECO's purchased power contracts as debt equivalents? If so, please describe the impact of purchased power contracts on financial risk.
- b. Does Mr. Parcell believe that there is a relationship between bond rating and company size, all else remaining constant? If so, describe the relationship.

HECO/CA-IR-409

Ref: CA-T-4

- a. Has Mr. Parcell had discussions with representatives of the rating agencies?
- b. If the response to (a) is yes, please indicate when and with whom.

- c. Please provide a detailed description of what was discussed.
- d. Were HECO/HEI discussed?
- e. What information was obtained that was relied upon in reaching conclusions in the testimony?

HECO/CA-IR-410

Ref: CA-T-4

- a. Please provide all financial ratios calculated in preparing your testimony. Also provide all workpapers for the calculation.
- b. If you did not reference some of the ratios in your testimony, please explain why you did not.

HECO/CA-IR-411

Ref: CA-T-4

How has Mr. Parcell factored into his review HECO's current capital program?

HECO/CA-IR-412

Ref: CA-T-4

- a. Within the last five years, has Mr. Parcell had discussions with representatives of the rating agencies regarding electric utilities?
- b. If the response to (a) is yes, please indicate when and with whom.

- c. Please provide a detailed description of what was discussed.
- d. Please provide details of any discussion of HECO and/or HEI.
- e. What information was obtained that was relied upon in reaching conclusions in the testimony?

HECO/CA-IR-413

Ref: CA-T-4

- a. Please provide all HECO and/or HEI financial ratios calculated at the time the testimony was prepared or for the purpose of preparing the testimony.
- b. Please provide all workpapers and results of each ratio calculated, whether or not included in the testimony and exhibits.
- c. If you did not reference some of the ratios in your testimony, please explain why you did not.

HECO/CA-IR-414

Ref: CA-T-4

How has Mr. Parcell factored into his review HECO's current capital program?

Docket No. 04-0113

Hawaiian Electric Company, Inc.  
Information Requests to  
Division of Consumer Advocacy (“CA”)

HECO/CA-IR-501

Ref: CA-T-5, Page 5, Lines 14-15.

- a. Please specify all the “cost allocation methods” used by HECO that are “questionable”, including the HECO testimony reference and exhibits.
- b. Please provide all workpapers used by the CA supporting its claim that the “cost allocation methods” identified by the CA in response to part a. above, are “questionable”.

HECO/CA-IR-502

Ref: CA-T-5, Page 10, Lines 14-18, Page 20, Lines 10-16.

Please provide all workpapers including the electronic file used by the CA in evaluating each production o&m account and used by the CA to classify 48% of these costs as energy-related and 52% as demand-related.

HECO/CA-IR-503

Ref: CA-T-5, Page 15, Lines 4-14.

Please provide all workpapers in support of the CA’s statement that the Minimum Size Method “double counts cost responsibility” as claimed in the referenced CA testimony.

- a. Did the CA use only the Company's embedded cost of service model to prepare the CA's cost-of-service study in this case?
- b. If the answer to part a. above is yes, doesn't the CA have its own cost-of-service study program model?
- c. If the answer to part a. above is no, please provide the electronic copy of all other cost-of-service study models with all the formula and algorithm used by the CA to prepare its cost-of-service study in this case.

- a. Please explain and elaborate what the CA means by the statement that the "cost-of-service results can change significantly from one test period to another, due to shifts in load conditions and expense levels."
- b. Please provide evidence including all supporting workpapers, in support of the CA's claim stated in part a. above.
- c. Please specify what "other factors must also be considered by the Commission" in "the direction rate changes should occur."

HECO/CA-IR-506

Ref: CA-T-5, Page 27, Line 3.

- a. Please provide the rationale for the CA's proposal to assign equal percentage increases to all rate classes for Schedules R, J, H, PS, PP, and F, and no increases for Schedules G and PT.
- b. Please provide all analysis prepared by the CA to determine the impact such as the resulting class' rates of return, of its proposed allocation of increases referenced in part a. above.

HECO/CA-IR-507

Ref: CA-T-5, Page 29, Lines 1-4; CA-T-3, Page 65, Lines 3-5;  
CA-T-1, Page 25, Lines 1-5.

- a. Is it the CA's proposal to increase the power factor base currently used in HECO's Power Factor Adjustment in Schedules J, PS, PP, and PT, from 85% to 95%? Please fully explain your response.
- b. If the answer to part a. above is yes, please provide all workpapers including all electronic files and spreadsheets used by the CA to determine its proposed 95% base.
- c. Is it the CA's proposal to terminate any credits provided in the Company's current power factor adjustment?
- d. If the answer to part c. above is yes, please provide the cost basis for the CA's proposal, and all supporting workpapers including all electronic programs and spreadsheets used to support the CA's proposal.

- e. Please provide all analysis prepared by the CA, including all workpapers and electronic spreadsheets, to determine the impact on customers as well as on the Company's costs of the CA's proposal on the power factor adjustment.

HECO/CA-IR-508

Ref: CA-T-5, Page 37, Lines 7-10.

Please provide the results and all workpapers including all electronic programs and models used for the CA's "cost-of-service evidence" mentioned in the referenced CA testimony.

HECO/CA-IR-509

Ref: CA-T-5, CA-500.

Please provide all the workpapers including the electronic programs and models showing the determination of each number presented in CA-500.

HECO/CA-IR-510

Ref: CA-T-5, CA-501.

Please provide all the workpapers including the electronic programs and models showing the determination of each number presented in CA-501.

HECO/CA-IR-511

Ref: CA-T-5, page 10, lines 14-18.

Please provide the Federal Energy Regulatory Commission ("FERC") references that describe and illustrate the guidelines for

the “predominance method” that can be used to evaluate production O&M accounts as primarily demand-related or energy-related.

HECO/CA-IR-512

Ref: CA-T-5, page 22, lines 13-16, and CA-500 (spreadsheet).

Please provide a detailed derivation of the Customer Service allocation factors (C8) by rate schedule, shown on the “HAFDATA” tab of the spreadsheet. Provide all formulas and assumptions.

HECO/CA-IR-513

Ref: CA-500 and Exhibit CA-101, Schedule C, Page 2.

Please provide a detailed allocation of the Operating Revenue Adjustment of \$254,035,000 to Schedules PT, PP, and PS that result in the respective sales revenue amounts shown in Exhibit

Docket No. 04-0113

Hawaiian Electric Company, Inc.  
Information Requests to  
Department of Defense ("DOD")

HECO/DOD-IR-201

Ref: DOD T-2

Please provide the currently authorized return on equity for each of the ten electric utilities in your sample of comparable electric utilities.

HECO/DOD-IR-202

Ref: DOD T-2

Please provide your return on equity recommendation and the return on equity authorized for each electric case in which you

have testified in the last five years. Please provide a list of the cases.

HECO/DOD-IR-204

Ref: DOD T-2, page 9, footnote 8

Please provide a copy of the Value Line document cited on page 9 footnote 8 of Mr. Hill's testimony and a copy of the current edition of the same publication.

HECO/DOD-IR-205

Ref: DOD T-2

- a. Is it Mr. Hill's opinion that electric utility stocks have outperformed or underperformed the overall equity market in the last five years? Please provide any supporting evidence.
- b. Is it Mr. Hill's opinion that Hawaiian Electric Industries' common stock has outperformed or underperformed electric utility stocks in the last five years? Please provide any supporting evidence.

HECO/DOD-IR-206

Ref: DOD T-2, pages 15-19 & 30

- a. In light of his discussion contained on pages 15-19 and page 30, does Mr. Hill advocate a regulatory process which produces a market-to-book ratio of 1.00? If so, please reconcile this statement with the fact that the companies in his sample group are selling well above book value (Exhibit DOD 214 page 1 of 2).

- b. Does Mr. Hill believe that his cost of equity recommendation will maintain, increase, or decrease HECO's parent company's market-to-book ratio?
- c. Please provide the market-to-book ratios of each company in Mr. Hill's sample of 10 electric utility companies for the past 10 years.

HECO/DOD-IR-207

Ref: DOD T-2

Please provide a list of college-level finance (corporate finance, investments, banking, etc.) courses Mr. Hill has taught in the last five years or is currently teaching, the syllabus for these courses, and a list of textbooks/readings used in these courses.

HECO/DOD-IR-208

Ref: DOD T-2

Does Mr. Hill's recommended cost of common equity assume the maintenance of the company's existing capital structure or does it assume some other capital structure? If so, please state Mr. Hill's recommended ROE under both the company's existing capital structure and his recommended capital structure.

HECO/DOD-IR-209

Ref: DOD T-2

Is it Mr. Hill's contention that electric utility stocks have become

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more risky, less risky, or as risky as in the past?

HECO/DOD-IR-210

Ref: DOD T-2

Please provide copies or summaries of any book, monograph, or article published in academic journals and subject to peer review in the last five years dealing with the subject of finance and/or regulation.

HECO/DOD-IR-211

Ref: DOD T-2, page 41, footnote 21 and page 44, footnote 27

Please provide the articles cited on Page 41 footnote 21 and Page 44 footnote 27.

HECO/DOD-IR-212

Ref: DOD T-2, page 8, footnotes 6 and 7

Please provide the articles cited on Page 8 footnotes No. 6 and 7.

HECO/DOD-IR-213

Ref: DOD T-2, page 58

Does Mr. Hill adjust his risk free rate proxy in the CAPM analysis

for the maturity premium discussed on Page 58 of his testimony?

HECO/DOD-IR-215

Ref: DOD T-2, page 6, line 17 and page 7, footnote 5

Please provide the A.G. Edwards, Gas Utilities Quarterly Review article cited on Page 6, Line 17 and a copy of the current edition of the same publication.

HECO/DOD-IR-216

Ref: DOD T-2, page 6, line 17 and page 7, line 1

Please provide copies of all studies, workpapers or analysis that Mr. Hill conducted or relied upon in making the statement on page 6 line 17 – page 7 line 1 that the natural gas utility industry is similar in risk to the electric utility industry.

HECO/DOD-IR-217

Ref: DOD T-2, page 14, lines 18-30

Please redo the numerical example of Page 14 lines 18-30 for a non-taxable investor.

HECO/DOD-IR-218

Ref: DOD T-2, page 60, footnote 31 and page 68 footnotes 33 &

34

Please provide the articles cited on Page 60 footnote 31 and page 68 footnotes 33 and 34.

HECO/DOD-IR-219

Ref: DOD T-2, page 3 of 11, DOD 203

Please provide the article cited on Page 3 of 11 DOD 203.

On page 23 of his testimony, Mr. Hill discusses the impact of purchased power risk as debt equivalents on financial risk, and argues that the companies in his sample have more such debt equivalents than HECO.

a. Please provide the numerical support for this statement.

underlying data, and source documents.

- b. What risk adjustment factor (10%, 20%, 30%, etc....) did S&P employ for the capitalization of such debt obligations adjustment for HECO and for each company in Mr. Hill's sample?
- c. Does Mr. Hill believe that there is a relationship between bond rating and company size, all else remaining constant? If so, describe the relationship.

HECO/DOD-IR-222

Ref: DOD T-2

- a. Within the last five years, has Mr. Hill had discussions with representatives of the rating agencies regarding electric utilities?
- b. If the response to (a) is yes, please indicate when and with whom.
- c. Please provide a detailed description of what was discussed.
- d. Please provide details of any discussion of HECO and/or HEI.
- e. What information was obtained that was relied upon in reaching conclusions in the testimony?

HECO/DOD-IR-223

Ref: DOD-T-2

- a. Please provide all HECO and/or HEI financial ratios calculated at the time the testimony was prepared or for the purpose of preparing the testimony.
- b. Please provide all workpapers and results of each ratio calculated, whether or not included in the testimony and

HECO/DOD-IR-224

Ref: DOD-T-2

How has Mr. Hill factored into his review HECO's current capital program?

Docket No. 04-0113

Hawaiian Electric Company, Inc.  
Information Requests to  
Department of Defense ("DOD")

HECO/DOD-IR-301

Ref: DOD T-3, page 15, DOD-305.

- a. Please provide the electronic workpapers showing the derivation of the required increases by rate class shown in DOD-305.
- b. Please provide the resulting class rates of return corresponding to the required increases by rate class shown in DOD-305.

HECO/DOD-IR-302

Ref: DOD T-3, page 15, DOD-306.

- a. Please provide the electronic workpapers showing the derivation of the required increases by rate class shown in DOD-306.
- b. Please provide the resulting class rates of return corresponding to the required increases by rate class shown in DOD-306.

HECO/DOD-IR-303

Ref: DOD T-3, page 19, DOD-309.

- a. Is it the DOD's proposal to increase the allocated revenue increase to Schedule PS by \$1,646,400 to a total increase of

\$11,403,200 or 11.5% rate increase; to increase the allocated revenue increase to Schedule PP by \$407,700 to a total increase of \$23,139,400 or 10.0% rate increase; and to decrease the allocated revenue increase to Schedule PT by \$2,054,100 resulting in a decrease of -\$268,100 or a rate decrease of -1.5%?

- b. Please provide the resulting class rates of return for Schedules PS, PP, and PT with the DOD's proposed adjustments to the allocated revenue increases to these classes presented in DOD-309.
- c. Please provide all the workpapers including the electronic spreadsheet showing the determination of the class rates of return provided in response to part b. above.

HECO/DOD-IR-304

Ref: DOD T-3, Page 17, Lines 18-21.

Please confirm that the DOD's proposal is to allocate increases to Schedule PS, PP, and PT that would result to equal rates of return for these three rate classes? If the answer is yes, is it the DOD's proposal to have Schedule PS and Schedule PP subsidize Schedule PT?

HECO/DOD-IR-305

Ref: DOD T-3, DOD-311

Please provide the workpapers including the electronic spreadsheet showing the determination of all the numbers presented in DOD-311.

HECO/DOD-IR-306

Ref: DOD T-3, DOD-312.

Please provide the workpapers including the electronic spreadsheet showing the determination of all the numbers presented in DOD-312.

HECO/DOD-IR-307

Ref: DOD T-3, DOD-316.

Please provide the workpapers including the electronic spreadsheet showing the determination the rate of return in Col. (1) in DOD-316.

HECO/DOD-IR-308

Ref: DOD T-3, DOD-317.

Please provide the workpapers including the electronic spreadsheet showing the determination of the rate of return shown in Col. (1) in DOD-317.

HECO/DOD-IR-309

Ref: DOD T-3, Page 22, Lines 3-5.

- a. Please provide the cost data used by the DOD to support its statement that “the dedicated single customer substation service, is less costly to provide than service from primary distribution circuits.”
- b. Is it the DOD’s position that “the PP group of customers ... with dedicated single customer substation service...” do not use primary lines? If the answer is yes, please provide data to support this DOD position.

HECO/DOD-IR-310

Ref: DOD T-3, page 20, DOD-314.

- a. Please provide the electronic workpapers showing the derivation of the required increases by rate class shown in DOD-314.
- b. Please provide the resulting class rates of return corresponding to the required increases by rate class shown in DOD-314.

HECO/DOD-IR-311

Ref: DOD T-3, page 20, DOD-315.

- a. Please provide the electronic workpapers showing the derivation of the required increases by rate class shown in DOD-315.

- b. Please provide the resulting class rates of return corresponding to the required increases by rate class shown in DOD-315.

HECO/DOD-IR-312

Ref: DOD T-3, page 23, Lines 5 - 16, DOD-320.

- a. Please explain, by way of example, the type of investment that HECO would make “beyond the low side of the HECO-owned dedicated substation” in order to service a “dedicated substation service” customer. Would this investment include primary lines?
- b. Please explain how “approximately one-half of the cost” was determined to be an appropriate value in developing a “Primary Lines” credit/adder within rate schedule PP? Please show all calculations in determining the \$0.60 credit (DOD-320, Line 3).
- c. Please provide an electronic copy of DOD-320 showing all calculations for proposed credit/adder at present rates and proposed rates. In addition, please demonstrate how the proposed credit/adder would return the full amount of revenue assigned to rate schedule PP at present rates and at proposed rates.