

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )  
HAWAII ELECTRIC LIGHT COMPANY, INC. )  
For approval of Rate Increases and )  
Revised Rate Schedules and Rules )  
\_\_\_\_\_ )

DOCKET NO. **05-0315**

FILED  
2005 DEC 13 P 1:13  
PUBLIC UTILITIES  
COMMISSION

NOTICE OF INTENT

MOTION FOR APPROVAL OF TEST PERIOD WAIVER

AFFIDAVIT OF WARREN H. W. LEE

AFFIDAVIT OF DEAN K. MATSUURA

and

CERTIFICATE OF SERVICE

Warren H. W. Lee  
President  
HAWAII ELECTRIC LIGHT COMPANY, INC.  
P.O. Box 1027  
Hilo, Hawaii 96721-1027  
  
Telephone: (808) 969-0121

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NOTICE

HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO" herein), whose executive offices are located at 1200 Kilauea Avenue, Hilo, Hawaii, respectively serves notice that:

1. Pursuant to Section 6-61-85 of the Rules of Practice and Procedure before the Public Utilities Commission, Title 6, Chapter 61 of the Hawaii Administrative Rules ("Rules of Practice and Procedure"), HELCO intends to file an application for a general rate increase on or after March 15, 2006 (but before June 30, 2006).

2. Communications regarding this notice should be addressed to:

Warren H. W. Lee  
President  
Hawaii Electric Light Company, Inc.  
P.O. Box 1027  
Hilo, Hawaii 96721-1027

Copies of all communications should also be sent to:

Dean K. Matsuura  
Director, Regulatory Affairs  
Hawaiian Electric Company, Inc.  
P.O. Box 2750  
Honolulu, Hawaii 96840-0001

and

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

3. HELCO plans to request rate relief based on a 2006 calendar year test period, and file its application on or after March 15, 2006 (but before June 30, 2006), if the Commission approves HELCO's Motion for Approval of Test Period Waiver, filed simultaneously herewith.

4. HELCO's request for rate relief is expected to be based on factors such as increases in operations and maintenance expenses and additional investments in plant and equipment required to maintain and increase system reliability and to meet expected load growth. The amount of the increase to be requested has not yet been determined.

5. As a result of these factors (e.g., increased costs and investments in plant), HELCO's return on its utility property used or useful for public utility purposes is expected to be lower than that required to provide a fair return during the period when the proposed rates will be in effect, unless a rate increase is obtained. Therefore, the proposed

increase in HELCO's rates is intended to provide HELCO with an opportunity to earn a fair return on its utility property used or useful for utility purposes.

6. HELCO's current rates are the result of the Commission's Final Decision and Order ("D&O") No. 18365, filed February 8, 2001, in Docket No. 99-0207. In that rate case, the Commission set HELCO's rates based on estimated revenue requirements for a calendar year 2000 test period.

DATED: Hilo, Hawaii, December 13, 2005

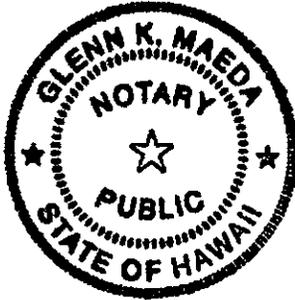
HAWAII ELECTRIC LIGHT COMPANY, INC.

By   
Warren H. W. Lee  
President

STATE OF HAWAII        )  
                                  ) SS.  
COUNTY OF HAWAII    )

Warren H. W. Lee, being first duly sworn, on oath deposes and says:

That he is the President of Hawaii Electric Light Company, Inc., the within-named Applicant; that he makes this verification for and on behalf of Hawaii Electric Light Company, Inc. and is authorized so to do; that he has read the foregoing Notice, know the contents thereof, and that the same is true.



Warren H. W. Lee  
Warren H. W. Lee

Subscribed and sworn to before me  
this 13th day of December, 2005.

Glenn K. Maeda

[Signature]  
Notary Public, State of Hawaii

My Commission expires: 8/1/2009

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )  
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HAWAII ELECTRIC LIGHT COMPANY, INC. ) DOCKET NO. \_\_\_\_\_  
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MOTION FOR APPROVAL OF TEST PERIOD WAIVER

HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO" or "Company") respectfully moves the Commission to allow it to use a calendar year 2006 test period in support of its application for a general rate increase to be filed with the Commission on or after March 15, 2006 (but before June 30, 2006). HELCO files this motion pursuant to Sections 6-61-41 and 6-61-92 of the Commission's Rules of Practice and Procedure, Title 6, Chapter 61 of the Hawaii Administrative Rules ("HAR"). As discussed below, the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs ("Consumer Advocate") does not object to this motion.

I.

HELCO, whose executive offices are located at 1200 Kilauea Avenue, Hilo, Hawaii, is a corporation duly organized under the laws of the Republic of Hawaii on or about December 5, 1894, and is now existing under and by virtue of the laws of the State of

Hawaii. HELCO is an operating public utility engaged in the production, purchase, transmission, distribution and sale of electric energy on the island of Hawaii.

II.

Correspondence and communications regarding this motion should be addressed to:

Warren H. W. Lee  
President  
Hawaii Electric Light Company, Inc.  
P.O. Box 1027  
Hilo, Hawaii 96721-1027

Copies of all communications should also be sent to:

Dean K. Matsuura  
Director, Regulatory Affairs  
Hawaiian Electric Company, Inc.  
P.O. Box 2750  
Honolulu, Hawaii 96840-0001

and

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

III.

Simultaneously with this Motion, HELCO has filed a notice of intent to file an application for a general rate increase based on a 2006 calendar test year period on or after March 15, 2006 (but before June 30, 2006), pursuant to HAR 6-61-85. The notice states that HELCO's request for rate relief is expected to be based on factors such as

increases in operations and maintenance expenses and additional investments in plant and equipment that are required to maintain and increase system reliability and to meet expected load growth. The amount of the increase has not yet been determined.

#### IV.

##### Request for Waiver

Because of the circumstances hereinafter set forth, HELCO requests a waiver of HAR 6-61-87(4) in order to file a general rate increase on or after March 15, 2006 (but before June 30, 2006) using a 2006 calendar year test period. HAR 6-61-87(4) states the following:

- ...The test year shall be a forward test year, determined as follows:
- (A) If an application is filed within the first six months of any year, the test year shall be from July 1 of the same year through June 30 of the following year; or
  - (B) If an application is filed within the last six months of any year, the test year shall be from January 1 through December 31 of the following year;...

Without a waiver of this section, the test year for an application filed in the first six months of 2006 would be a "split-test year" of July 1, 2006 through June 30, 2007. HAR 6-61-92 enables the Commission to modify any of the requirements of Subchapter 8 of Title 6, Chapter 61 of the HAR if the requirements would "impose a financial hardship on the applicant or be unjust or unreasonable."

HELCO intends to file its general rate increase application in early 2006 (using a 2006 calendar year test period), in order to permit rate relief to be authorized as soon as possible in 2007, while still providing the Commission and the parties with the time

required to adequately review HELCO's application and supporting information. Failure to grant the requested waiver would impose a financial hardship on HELCO, and would be unjust and unreasonable. See Affidavit of Warren H. W. Lee ("Lee Affidavit") at 1, which is attached hereto. The use of a 2006 test year is justified for the following reasons:

First, HELCO's budgeting, forecasting and financial reporting processes are based on a calendar year. Use of a split test year would cause HELCO to incur significantly higher expenses and resource commitments to develop and compile demand forecasts, financial projections and results based on a split test year, and complicate analysis and evaluation of HELCO's case by other parties. Using a calendar 2006 test year will facilitate presentation and analysis of the test year estimates, particularly in view of the fact that HELCO has not had a rate case since 2000, and should help avoid unnecessary controversy and potential delay in concluding this case. Lee Affidavit at 1.

Second, under current circumstances, it will be difficult, if not impossible for HELCO to earn its allowed rate of return in 2007 without rate relief near the beginning of that year.<sup>1</sup> This is because HELCO's rate base and expenses are increasing faster than its kilowatt-hour sales. HELCO's preliminary estimates of its plant additions through 2006 since its 2000 test year rate case (Docket No. 99-0207) total almost \$300 million. HELCO's average depreciated rate base in that rate case was \$250 million and had increased to \$346 million as of June 30, 2005. In addition, higher operation and maintenance expenses and

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<sup>1</sup> As shown on HELCO's Rate of Return on Rate Base and Common Equity Reports filed with the Commission, HELCO's ratemaking simple average return on rate base for the 12 months ended June 30, 2005 was 6.29%. (HELCO files reports on ratemaking returns on June 30 and December 31 of each year.) For 2000, 2001, 2002, 2003 and 2004, HELCO's ratemaking simple average return on rate base for the 12 months ended December 31 has

depreciation expenses, net of additional revenues due to sales increases are contributing to HELCO's increased annual revenue requirements in the test year. (For example, depreciation expenses for the twelve months ended June 30, 2005 were \$24.2 million, versus \$18.5 million for the 2000 test year.) Without the requested waiver, HELCO would either have to incur the financial and resource burdens of managing a split test year or delay its application for needed rate relief. In either case, the outcome would be financial hardship for HELCO.<sup>2</sup> Lee Affidavit at 2.

The Consumer Advocate does not object to approval of this motion. See Affidavit of Dean K. Matsuura at 1. Further, the Commission has previously granted motions for waiver of the test year requirement in HAR 6-61-87(4). For example, Order No. 13656 in Docket No. 94-0298 approved GTE Hawaiian Telephone Company Incorporated's ("GTE") motion to waive the test year requirements in HAR 6-61-87(4) and approved a calendar year 1995 test year for a rate increase application intended to be filed in the first six months of 1995. Similarly, in Order No. 12161 in Docket No. 7579, the Commission approved GTE's use of a 1993 calendar test year for a rate increase application which was to be filed during the first six months of 1993.

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steadily declined as follows: 9.36%, 8.95%, 9.15%, 8.65% and 7.25%. HELCO's current authorized rate of return on average rate base is 9.14%.

<sup>2</sup> Generally, HELCO would prefer to use a forward-looking calendar year test period for its rate cases. However, given the circumstances described above, utilizing an "historic" test period is reasonable.

V.

HELCO respectfully requests an expedited decision on this Motion for Approval of Test Period Waiver because HELCO must begin preparation of its application, testimonies and exhibits. HELCO does not request a hearing on this motion.

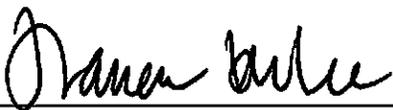
VI.

Pursuant to HAR 6-61-41(b), the factual matters referred to in this motion are supported by the Affidavit of Warren H. W. Lee and the Affidavit of Dean K. Matsuura, which are attached hereto and made a part hereof.

WHEREFORE, HELCO respectfully requests the Commission to approve this Motion for Approval of Test Period Waiver and allow the HELCO to use a 2006 calendar year test period for the rate increase application it intends to file on or after March 15, 2006 (but before June 30, 2006).

DATED: Hilo, Hawaii, December 13, 2005

HAWAII ELECTRIC LIGHT COMPANY, INC.

By   
Warren H. W. Lee  
President

AFFIDAVIT OF WARREN H. W. LEE

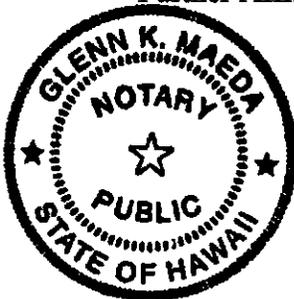
STATE OF HAWAII            )  
  ) SS.  
COUNTY OF HAWAII        )

Warren H. W. Lee, being first duly sworn on oath, deposes and says that:

1.       He is the President of Hawaii Electric Light Company, Inc. (“HELCO”).
2.       This affidavit is made in support of HELCO’s Motion for Approval of Test Period Waiver.
3.       HELCO intends to file its general rate increase application based on a 2006 calendar year test period on or after March 15, 2006 (but before June 30, 2006), in order to permit rate relief to be authorized as soon as possible in 2007. Not receiving approval of the requested waiver would impose financial hardship on HELCO, and would be unjust and unreasonable.
4.       HELCO’s last rate case was Docket No. 99-0207, which utilized a 2000 calendar year test period.
5.       HELCO’s budgeting, forecasting and financial reporting processes are based on a calendar year. Use of a split test year will cause HELCO to incur significantly higher expenses and resource commitments to develop and compile demand forecasts, financial projections and results based on a split test year, and complicate analysis and evaluation of HELCO’s case by other parties. Using a calendar 2006 test year will facilitate presentation and analysis of the test year estimates, particularly in view of the fact that HELCO has not had a rate case since 2000, and avoid unnecessary controversy and potential delay in concluding this case.

6. It will be difficult, if not impossible for HELCO to earn its allowed rate of return in 2007 without rate relief near the beginning of that year. This is because HELCO's rate base and expenses are increasing faster than its kilowatt-hour sales. HELCO's preliminary estimates of its plant additions through 2006 since its 2000 test year rate case (Docket No. 99-0207) total almost \$300 million. HELCO's average depreciated rate base in that rate case was \$250 million and had increased to \$346 million as of June 30, 2005. In addition, higher operation and maintenance expenses and depreciation expenses, net of additional revenues due to sales increases are contributing to HELCO's increased annual revenue requirements in the test year. (For example, depreciation expenses for the twelve months ended June 30, 2005 were \$24.2 million, versus \$18.5 million for the 2000 test year.)

Further Affiant Sayeth Naught.



  
\_\_\_\_\_  
Warren H. W. Lee

Subscribed and sworn to before me  
this 13th day of December, 2005.

Glenn K. Maeda



\_\_\_\_\_  
Notary Public, State of Hawaii

My Commission expires: 8/1/2009

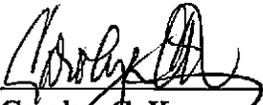


Further Affiant Sayeth Naught.



Dean K. Matsuura

Subscribed and sworn to before me  
this 13th day of December, 2005.



Carolyn C. Kuwana  
Notary Public, State of Hawaii

My Commission expires: October 4, 2006

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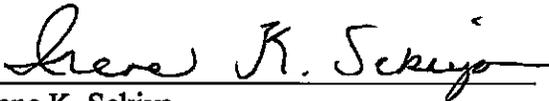
CERTIFICATE OF SERVICE

I hereby certify that I served copies of the foregoing Notice of Intent, Motion for Approval of Test Period Waiver, Affidavit of Warren H. W. Lee, Affidavit of Dean K. Matsuura, and this Certificate of Service, by hand delivery or mailing a copy by United States mail, postage prepaid, to the following:

John E. Cole  
Executive Director  
Division of Consumer Advocacy  
Department of Commerce and Consumer Affairs  
333 Merchant Street, Room 326  
Honolulu, Hawaii 96813

The Honorable Harry Kim  
Mayor  
County of Hawaii  
25 Aupuni Street  
Hilo, Hawaii 96720

DATED: Honolulu, Hawaii, December 13, 2005

  
Irene K. Sekiya  
HAWAIIAN ELECTRIC COMPANY, INC.  
Regulatory Affairs Division