

NOTICE OF PUBLIC HEARINGS

APPLICATION OF MAUI ELECTRIC COMPANY, LIMITED
FOR APPROVAL OF RATE INCREASES AND
REVISED RATE SCHEDULES AND RULES

Docket No. 2017-0150

The PUBLIC UTILITIES COMMISSION of the STATE OF HAWAII ("Commission"), pursuant to Hawaii Revised Statutes §§ 269-12 and 269-16, HEREBY GIVES NOTICE that it will hold public hearings relating to the Application of MAUI ELECTRIC COMPANY, LIMITED ("MECO"), filed on October 12, 2017, for Approval of Rate Increases and Revised Rate Schedules and Rules ("Application").

The public hearings will be held as follows:

Maui: Tuesday, January 30, 2018, at 5:00 p.m.

Velma McWayne Santos Community Center
395 Waena Street, Wailuku, Hawaii 96793

Lana'i: Wednesday, January 31, 2018, at 4:30 p.m.

Lana'i Community Center
333 6th Street, Lana'i City, Hawaii 96763

The Commission will investigate whether the proposed revenue increases, changes in rate schedules and rules, and other matters proposed in MECO's Application are just and reasonable.

MECO is an operating public utility engaged: (1) in the production, purchase, transmission, distribution, and sale of electricity on the island of Maui; (2) the production, transmission, distribution, and sale of electricity on the island of Molokai; and (3) the production, purchase, distribution, and sale of electricity on the island of Lanai.

MECO seeks to increase its rates by \$30,062,000, or approximately 9.26% over revenues at current effective rates, based on a revenue requirement of \$354,860,000 for

a normalized calendar 2018 test year ("2018 Test Year"). If the effects of the revenues that MECO receives pursuant to the Revenue Balancing Account ("RBA") and Rate Adjustment Mechanism ("RAM") (the RBA and RAM are decoupling mechanisms which operate as separate cost recovery mechanisms aside from base rates), are included, MECO's requested increase would be \$62,604,000, or approximately 21.4% over revenues at present rates, to achieve a revenue requirement of \$355,861,000. According to MECO, the requested increase is based on fuel oil prices in 2017, existing depreciation rates, and an 8.05% rate of return, which incorporates a return on common equity of 10.60%, on MECO's average rate base.

In its Application, MECO notes that it, along with its sister utilities (Hawaiian Electric Company, Inc. and Hawaii Electric Light Company, Inc.), have an on-going proceeding before the commission seeking approval to modify their depreciation and amortization rates (Docket No. 2016-0431). If approved, this would revise the depreciation and amortization rates used to calculate MECO's 2018 Test Year, and would result in a requested revenue increase of \$46,558,000, approximately 14.3% over revenues at current effective dates, based on a proposed revenue requirement of \$371,356,000. If the effects of the RBA and RAM are included, this would result in a requested increase of \$79,100,000, approximately 27.1%, over revenues at present rates, based on a proposed revenue requirement of \$371,357,000.

As part of its Application, MECO also proposes modifications to the decoupling RAM tariff, which MECO maintains will simplify and eliminate some uncertainties in the process for seeking recovery for capital projects through the RAM.

MECO also proposes a modification to its decoupling RBA Provision tariff such that the allocation factor applicable to target revenue is 1/12 per month, which MECO states will simplify the RBA Provision tariff and the administration of the RBA.

MECO also proposes certain modifications to the Energy Cost Adjustment Clause ("ECAC"), which include: (a) modifying the ECAC tariff to reflect the revised cost of fuel, distributed generation, and purchased energy; (b) revising the target rates for medium sulfur fuel oil and diesel fuel to reflect estimated 2018 test year operations; (c) adding a trigger for target heat rate redetermination for all three MECO divisions (Maui, Lanai, and Molokai); and (d) removing all test year fuel and purchased energy expenses from base rates, with recovery of these costs occurring instead through an appropriately modified energy cost adjustment mechanism.

Lastly, MECO requests that the commission allow MECO to discontinue filings its monthly curtailment reports, which were implemented during MECO's last rate case based on a 2012 test year, Docket No. 2011-0092.

With respect to the allocation and implementation of the proposed rate increase, MECO proposes allocating the overall electric revenue increase among the MECO divisions (i.e., Maui, Lanai, and Molokai) and rate classes based on assigning the dollar amount that results from applying the same percentage increase to electric revenues at current effective rates at each of the MECO divisions, and further applying the same percentage increase to the electric revenue at current effective rates for each rate class at each of the divisions. In addition, MECO requests that, should the Commission issue an interim decision, any interim rate increase be implemented as a surcharge for the various classes based on a percentage of the customer's base revenue charges

(i.e., exclusive of the ECAC, Purchased Power Adjustment, RBA rate adjustment, and other surcharges), and be allocated to the three MECO divisions in the same manner as proposed above for the final increase in rates, if any.

At the public hearings, the Commission will receive in-person testimony from the general public regarding MECO's Application and proposed general rate increase and revised rate schedules and rules, pursuant to HRS § 269-16(b).

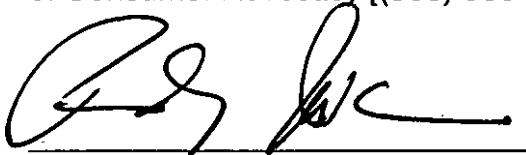
The purpose of these public hearings is to listen to the views expressed by the general public. All interested persons are invited to attend the public hearings to state their views on MECO's Application orally, in writing, or both. So that all in attendance will have the opportunity to speak at the public hearings, the Commission may impose time limits for each person's testimony. Special accommodations for persons with disabilities can be made if requested reasonably in advance by contacting the Commission's Honolulu Office.

In addition, written statements may be mailed to the Commission at 465 South King Street, Room 103, Honolulu, Hawaii, 96813, or sent by electronic mail to puc.comments@hawaii.gov. Written statements should reference Docket No. 2017-0150 and include the author's name and the entity or organization that the author represents, if any.

Any motions to intervene or participate in this proceeding must comply with the applicable provisions of the Commission's *Rules of Practice and Procedure Before the Public Utilities Commission*, Hawaii Administrative Rules, Title 6, Chapter 61, and must be filed with the Commission at its Honolulu Office by February 16, 2018.

After the conclusion of the public hearings, at a later date to be determined, the Commission will hold an evidentiary hearing with the Parties, and thereafter, issue a decision on MECO's Application in accordance with HRS § 269-16.

The foregoing is a brief summary of the proposals in MECO's Application. Copies of MECO's Application are available for public review through the Commission's electronic Document Management System, accessible at <http://dms.puc.hawaii.gov/dms/> (Docket Quick Link 2017-0150). In addition, copies of MECO's Application are also available for review by contacting MECO [(808) 871-9777 (Maui); 1-877-871-8461 (Molokai and Lanai)], the Commission's Honolulu Office [(808) 586-2020], or the Division of Consumer Advocacy [(808) 586-2800].

A handwritten signature in black ink, appearing to read 'Randall Y. Iwase', written over a horizontal line.

Randall Y. Iwase
Chair

Honolulu Star-Advertiser and Maui News
January 9, 16, 23, and 29, 2018