

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
SOUTH KOHALA WASTEWATER CORP.)
For Approval to Revise Section 5)
of its Tariff.)
_____)

DOCKET NO. 02-0229

DECISION AND ORDER NO. 20458

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DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

Filed September 19, 2003
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for Stan J. Sh
Chief Clerk of the Commission

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

for Stan J. Sh
Acting Administrative Director

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DECISION AND ORDER

I.

SOUTH KOHALA WASTEWATER CORP. ("SKWC") is a public utility duly authorized to provide wastewater service in the South Kohala service area, island of Hawaii, pursuant to a commission-issued certificate of public convenience and necessity.¹ SKWC's wastewater system consists of "all sewer lines and facilities leading to and including [its] wastewater treatment plant[.]"

By application filed on August 28, 2002, SKWC seeks commission approval to revise section 5 of its tariff. SKWC makes its request in accordance with Hawaii Revised Statutes §§ 269-7.5 and 269-16, and Hawaii Administrative Rules § 6-61-86. The exhibits attached to SKWC's application include: (1) Exhibit B, the current section 5; and (2) Exhibit C, the revised section 5, as proposed.

¹See Decision and Order No. 16054, filed on November 4, 1997, in Docket No. 96-0081.

Copies of the application were served on the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate"). On May 8, 2003, the Consumer Advocate issued its information requests, which SKWC responded to on June 18 and July 29, 2003, respectively.²

By position statement filed on September 10, 2003, the Consumer Advocate does not object to the commission's approval of SKWC's application.

II.

SKWC seeks approval of certain revisions to section 5 of its tariff, relating to new customers' initial service connections to SKWC's wastewater system. In general, SKWC seeks to update, rearrange, and add certain "technical refinements" to section 5.³

III.

SKWC also proposes certain new provisions to section 5 of its tariff, discussed in Section III, below. Specifically, SKWC proposes: (1) certain non-rate provisions (Section III.A, below); and (2) to implement a new service charge (Section III.B, below).

²On July 29, 2003, SKWC submitted its response to CA-IR-2(b), following the commission's approval and issuance of Stipulated Protective Order No. 20252, on June 24, 2003.

³SKWC describes these updated, rearranged provisions and "technical refinements" at pages 6 - 9 of its application.

A.

1.

SKWC's new section 5.4 seeks to authorize SKWC's representatives to physically observe a new customer's installation of the customer's service connection to SKWC's wastewater system. In support of section 5.4, SKWC cites the importance of allowing it to observe and approve the installation of service connections, to ensure the integrity of its wastewater system.

In particular, SKWC explains that its visual observation is intended to ensure that:

- a. The customer properly sizes the pipe that connects to the service connection.
- b. The Wye-joint is at the proper slope and is faced in the proper direction.
- c. The clean-out remains uncovered and exposed to the degree required by SKWC.
- d. The customer has properly aligned the piping leading to the service connection to ensure a full seal, thereby avoiding future leaks.

Furthermore, SKWC maintains that "the installation of the [s]ervice [c]onnection is and should routinely be performed by [a] licensed plumbing subcontractor who should retain responsibility for assuring that the installation is performed in a workmanlike manner and in compliance with all applicable regulation[s]."

The Consumer Advocate does not object to SKWC's new section 5.4, finding that "[t]he proposed revision is expected to help SKWC maintain a reliable and efficient wastewater facility."

2.

SKWC's new section 5.7 provides that a new service connection that is not installed in accordance with section 5.4, "shall be an unauthorized service connection," that is subject to SKWC's after-the-fact inspection and approval or rejection.

3.

SKWC's new section 5.9 specifies the customer's responsibilities to ensure: (A) reasonable access to the service connection for inspection and maintenance purposes; and (B) the proper maintenance of the sewer clean-out.

B.

For its new section 5.5, SKWC proposes to assess a one-time, nonrecurring connection charge (\$500) to future customers who install their own service connections with SKWC's wastewater system.⁴ SKWC confirms that the amount of this proposed charge, \$500, will not vary amongst its customers.

SKWC states that currently, section 5 "does not contain an express provision authorizing [it] to recover many of the expenses it routinely incurs during this process." Thus, SKWC

⁴This situation is in contrast with SKWC's practice of installing a customer's service connection at SKWC's option and at the customer's expense. See SKWC's current section 5.2.

Under SKWC's proposed section 5.6, SKWC retains the option of installing a customer's service connection, at the customer's expense. In this situation, SKWC will not assess the proposed one-time, nonrecurring connection charge of \$500 to the customer. See SKWC's proposed section 5.6.

seeks to impose this new charge to reimburse itself for a portion of its costs relating to:

- a. The preliminary technical review and approval of the location and size of a customer's proposed service connection.
- b. The observation, inspection, and approval of the installation of a service connection.
- c. The inspection and after-the-fact approval of the installation of a service connection.
- d. The administrative expenses incurred to commence initial wastewater service to the customer's property.

SKWC contends that its proposed charge of \$500 is just and reasonable because it bears a close relationship to the actual value of the services it provides under its normal application procedure for wastewater service. Specifically, SKWC estimates that it incurs costs of \$473 for the pre-installation services it performs on the customer's behalf for the initial installation of the customer's service connection.⁵ Furthermore, "[t]he additional task of performing the actual installation of the [s]ervice [c]onnection [is] in excess of the \$473 amount, and will necessarily be valued at more than \$27."⁶

SKWC also states that it has and will complete so-called variations to its normal application procedure, which inevitably increases the time and expense it incurs "to resolve and complete the process observing and approving an initial

⁵See SKWC's response to CA-IR-2(a).

⁶See SKWC's response to CA-IR-2(c).

installation" of a customer's service connection. Under this scenario, SKWC estimates its costs at \$1,118.⁷

Accordingly, based on its "estimated range for the value of its required services for processing an initial installation of the [s]ervice [c]onnection from \$473 to \$1,118[,] " SKWC reasons that "the proposed one-time \$500 charge is just and reasonable as it is within said range, and is nearly identical to [its] estimated value of service provided under [SKWC's] normal [a]pplication procedures."

SKWC states that the costs incurred under its proposal will be recorded as expenses. Further, it projects to generate additional revenues of \$5,000 during the next three years (2003 - 2005), as follows:

<u>Year</u>	<u>Residential service connections</u>	<u>Projected revenues</u>
2003	2	\$1,000
2004	2	\$1,000
2005	6	<u>\$3,000</u>

Total projected revenues (3 years):\$5,000

In response to the Consumer Advocate's inquiry, SKWC also clarifies that the proposed \$500 charge is not intended to cover normal on-going maintenance performed by SKWC following the initial installation.

Based on SKWC's projected additional revenues of \$5,000 for the next three years, the Consumer Advocate recognizes the relatively "minor impact" of the proposed \$500 charge on SKWC's

⁷SKWC utilizes a specific, initial installation it completed in 2002 to calculate this \$1,118 amount. See SKWC's response to CA-IR-2(a).

results of operation. Hence, the Consumer Advocate will not propose any adjustments to the \$500 charge at this time, provided that SKWC deletes any reference to normal maintenance from its new section 5.5.

Lastly, the Consumer Advocate states that the reasonableness of SKWC's \$500 charge can be verified and addressed "in the next rate proceeding by reviewing [the] actual costs incurred for the observation and approval of customer installed service connections, as well as the actual revenues generated from the proposed fee." In this respect, the Consumer Advocate recommends that SKWC maintain records of the actual costs incurred "to support the service connection charge in [SKWC's] next rate proceeding and ensure that the allocation of costs between base rates and the service connection charge is appropriate."

IV.

Upon thorough review, the commission finds that SKWC's proposed revisions to section 5 of its tariff, as a whole, are just and reasonable. Accordingly, the commission will allow SKWC's new section 5 to take effect, provided that it removes from its new section 5.5 the reference to "normal maintenance of the Service Connection," consistent with the Consumer Advocate's concern.

V.

THE COMMISSION ORDERS:


1. SKWC's proposed revisions to section 5 of its tariff, as set forth in Exhibit C of its application, will be allowed to take effect; provided that SKWC removes from its new section 5.5 the reference to "normal maintenance of the Service Connection[.]" SKWC shall: (A) promptly file its revised section 5 with the commission, incorporating the appropriate issued and effective dates; and (B) serve two copies upon the Consumer Advocate.

2. SKWC shall maintain records of the actual costs it incurs in relation to its new \$500 connection charge, consistent with the terms of this decision and order.


DONE at Honolulu, Hawaii this 19th day of September, 2003.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
Wayne H. Kimura, Commissioner

APPROVED AS TO FORM:


Michael Azama
Commission Counsel

By 
Janet E. Kawelo, Commissioner

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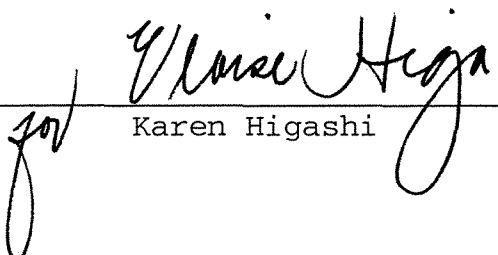
CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20458 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

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DATED: September 19, 2003