

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
)
KRWC CORPORATION, dba KOHALA RANCH)
WATER COMPANY)
)
For Review and Approval of Rate)
Increases and Revised Rate)
Schedules.)
_____)

DOCKET NO. 05-0334

ORDER NO. 22236

Filed Jan. 24, 2006
At 9:15 o'clock A .M.

Karen Higashi
Chief Clerk of the Commission

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

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KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

K. Higashi

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Docket No. 05-0334

Order No. 22236

ORDER

By this Order, the commission approves KRWC CORPORATION, dba KOHALA RANCH WATER COMPANY's ("KRWC") requests to submit unaudited financial information in lieu of an audited balance sheet and utilize a 2006 calendar test year in connection with its application for a general rate increase.

I.

Background

By motion filed on December 29, 2005, KRWC requests commission approval to: (1) submit unaudited financial information in lieu of the audited balance sheet required by Hawaii Administrative Rules ("HAR") § 6-61-75(b)(1); and (2) utilize calendar year 2006 financial data in place of the mid-year data that would otherwise be required by HAR § 6-61-88(3)(A).¹ KRWC makes its requests pursuant to

¹KRWC's Motion to Submit Unaudited Financial Statements in Lieu of Audited Balance Sheet and to Use 2006 Calendar Year Financial Data in the Place of Mid-Year Test Year Data ("Motion"), Memorandum in Support of Motion ("Memorandum"), and

Hawaii Revised Statutes ("HRS") § 269-16(f) and HAR §§ 6-61-41 and 6-61-92, as part of its Application for a general rate increase ("Application").²

In its Motion, KRWC asserted that:

1. KRWC is a public utility that is limited in size and revenues, with annual gross revenues of less than \$2 million, see HRS § 269-16(f); that it does not have any audited financial statements; and that it would be unduly burdensome and time consuming for KRWC to prepare audited financial information solely for the purpose of complying with the audited balance sheet requirement.

2. KRWC is actively preparing its Application and supporting exhibits and testimony, but was unable to file its application by the end of 2005, "which would have allowed the use of a 2006 calendar test year pursuant to HAR § 6-61-88(3)(B)."³

3. Adhering to a mid-year test year (July 1, 2006 to June 30, 2007) as required by HAR § 6-61-88(3)(A) will necessitate re-doing all of its financial exhibits and other supporting information.

4. KRWC's Application and supporting financial exhibits and testimony are virtually completed, and that re-doing

Certificate of Service, filed on December 29, 2005 (collectively, KRWC's Motion"). KRWC served copies of its Motion upon the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate").

²On January 5, 2006, KRWC filed its Application; Exhibits KRWC 1 Through KRWC 10; Exhibits KRWC-T-100 and KRWC-T-200; Workpapers; Verification; and Certificate of Service.

³Memorandum at 2.

these documents to conform with a mid-year test year would be an onerous and expensive task.

In essence, KRWC seeks: (1) a waiver of the audited balance sheet requirement; and (2) approval to utilize the 2006 calendar test year in lieu of a mid-year test year. KRWC represents that the Consumer Advocate does not object to KRWC's requested relief.⁴ KRWC does not request a hearing on its Motion.

II.

Discussion

HAR § 6-61-75(b)(1) states, in relevant part:

- (b) The financial statement submitted pursuant to subsection (a) shall be accompanied by:
 - (1) An audited balance sheet, including any pertinent notations and explanations contained therein, as of the end of the last calendar year;

HAR § 6-61-75(b)(1).

HAR § 6-61-88(3) also states, in relevant part:

For an application by a public utility with annual gross revenues from its public utility business of less than \$2,000,000 for a general rate increase or to alter any classification, contract, practice, or rule as to result in a general rate increase to be considered a completed application under section 269-16, HRS, the application, in addition to meeting the requirements of section 6-61-86, must contain the following:

. . . .

⁴Motion at 1.

(3) A summary of estimated earnings (rate of return summary) on a depreciated rate base for a twelve month period (test year). The adjusted or estimated results shown for the test year shall be on a consistent basis reflecting normalized conditions to the best estimate possible. 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 in the last six months of any year, the test year shall be from January 1 through December 31 of the following year; and

HAR § 6-61-88(3). The commission, however, may modify the requirements of sections 6-61-75(b)(1) and 6-61-88(3) if the requirements would "impose a financial hardship on the applicant or be unjust or unreasonable." HAR § 6-61-92.⁵

Here, KRWC is a public utility with annual gross revenues of less than \$2 million. According to KRWC, it does not have audited financial statements and it would be unduly burdensome and time-consuming to prepare audited financial information to comply with HAR § 6-61-75(b)(1). In addition, KRWC represents that its Application was "virtually complete" and that it would be onerous and expensive to revise all of its

⁵HRS § 269-16(f) authorizes the commission to "amend its rules and procedures which will provide the commission with sufficient facts necessary to determine the reasonableness of the proposed rates without unduly burdening the utility company and its customers."

financial exhibits and supporting information to comply with HAR § 6-61-88(3).⁶

Based on the evidence presented by KRWC, it appears that application of the audited balance sheet and test year requirements in HAR §§ 6-61-75(b)(1), 6-61-88(3) would impose a financial hardship on KRWC. Accordingly, the commission finds good cause to: (1) waive the audited balance sheet requirement, subject to the condition that KRWC make available for review all documentation in support of its financial statements, including all books and records;⁷ and (2) waive the test year requirement and allow KRWC to utilize a 2006 calendar test year, including the use of calendar year 2006 financial data.

III.

Orders

THE COMMISSION ORDERS:

1. KRWC's Motion to submit unaudited financial information in lieu of an audited balance sheet, and to utilize

⁶Motion at 2. As stated above, KRWC filed its Application on January 5, 2006.

⁷As a matter of course, the Consumer Advocate seeks to impose this condition in response to a public utility's request to waive the audited balance sheet requirement set forth in HAR § 6-61-75(b)(1). See, e.g., In re Waikoloa Water Co., Docket No. 04-0373, Order No. 21574, filed on January 28, 2005; In re Hawaii Water Service Co., Docket No. 03-0275, Order No. 20914, filed on April 16, 2004.

calendar year 2006 financial data, filed on December 29, 2005, is granted.

2. KRWC is authorized to submit its unaudited financial information in lieu of an audited balance sheet, subject to the condition that KRWC make available for review all documentation in support of its financial statements, including all books and records.

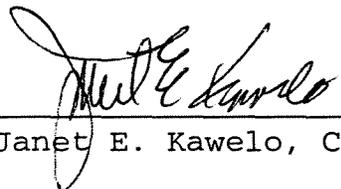
3. KRWC is authorized to utilize a 2006 calendar test year, including the use of calendar year 2006 financial data.

DONE at Honolulu, Hawaii JAN 24 2006.

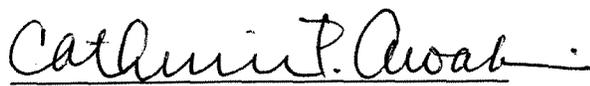
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By (EXCUSED)
Wayne H. Kimura, Commissioner

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:


Catherine P. Awakuni
Commission Counsel

05-0334.eh

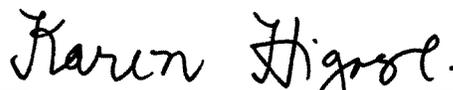
CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 22236 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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Karen Higashi

DATED: JAN 24 2006