

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
SOUTH KOHALA WASTEWATER CORP.)
For Review and Approval of Rate)
Increases; Revised Rate Schedules)

DOCKET NO. 05-0333

DECISION AND ORDER NO. 22759

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

Filed August 17, 2006
At 11 o'clock A .M.

Karen Higashi
Chief Clerk of the Commission

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

K. Higashi

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
SOUTH KOHALA WASTEWATER CORP.) Docket No. 05-0333
For Review and Approval of Rate) Decision and Order No. 22759
Increases; Revised Rate Schedules)

DECISION AND ORDER

By this Decision and Order, the commission adopts Proposed Decision and Order No. 22577, filed on June 29, 2006, as its Decision and Order in this proceeding. In addition, the commission finds that the revised tariff sheets and rate schedules filed by SOUTH KOHALA WASTEWATER CORP. ("SKWC") on July 12, 2006, comply with the Proposed Decision and Order. SKWC's revised tariff sheets and rate schedules shall take effect from September 1, 2006.

I.

Proposed Decision and Order No. 22577

On June 29, 2006, the commission timely issued Proposed Decision and Order No. 22577, as mandated by Act 168, Session Laws of Hawaii 2004 ("Act 168"), codified at Hawaii Revised Statutes ("HRS") § 269-16(f), and in response to the Application filed by SKWC on December 30, 2005.¹

¹See SKWC's Application, Exhibits SKWC 1 to SKWC 13, Verification, and Certificate of Service, filed on December 30, 2005 (collectively, the "Application").

In Proposed Decision and Order No. 22577, the commission approved a general rate increase of \$271,168, or 40.01% over revenues at present rates for SKWC, based on a total revenue requirement of \$1,030,555 for the test year ending December 31, 2006 (the "Test Year"). In so doing, the commission approved the "Stipulation of Settlement Agreement in Lieu of [SKWC's] Rebuttal Testimonies," jointly filed by SKWC and the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate")² (jointly, the "Parties"), on June 22, 2006.³

Specifically, the commission approved: (1) an annual revenue increase of \$271,168, or 40.01% over revenues at present rates, which represents an increase in SKWC's revenue requirement to \$1,030,555; (2) a total Test Year amortization expense amount of \$23,050, and an amortization period of four years; (3) a Test Year average rate base of \$446,544; (4) a rate of return of 8.85% on SKWC's Test Year average capital rate base; and (5) the continuation of SKWC's operating reserve, but at a reduced rate of 6.5% of the approved monthly user fee rates for all customers.

²The Consumer Advocate is an *ex officio* party to this docket pursuant to HRS § 269-51 and Hawaii Administrative Rules § 6-61-62.

³Stipulation of Settlement Agreement in Lieu of Rebuttal Testimonies, Exhibits A through D, and Certificate of Service, filed on June 22, 2006.

II.

The Parties' Acceptance of the Proposed Decision and Order

On July 12, 2006, SKWC accepted *in toto* Proposed Decision and Order No. 22577.⁴ Concurrently with its Notice of Acceptance, SKWC submitted its revised tariff sheets and rate schedules in compliance with the Proposed Decision and Order.⁵ By letter dated and filed July 10, 2006, the Consumer Advocate, likewise, accepted Proposed Decision and Order No. 22577.⁶

III.

Adoption of Proposed Decision and Order No. 22577

The Parties have accepted Proposed Decision and Order No. 22577. Accordingly, the Parties are not entitled to a contested case hearing, and HRS § 269-15.5 does not apply.⁷ See HRS § 269-16(f)(3).

In light of the foregoing, the commission adopts *in toto* Proposed Decision and Order No. 22577. In addition, the commission finds that SKWC's revised tariff sheets and rate schedules comply with Proposed Decision and Order No. 22577.

⁴SKWC's Notice of Acceptance *in Toto* of Proposed Decision and Order No. 22577, filed July 12, 2006.

⁵See Letter dated and filed July 12, 2006 from SKWC to the commission, Enclosures 1 and 2.

⁶See Letter dated and filed July 10, 2006 from the Consumer Advocate to the commission. In this letter, the Consumer Advocate also clarified for the record the reasons why an alternative proposed rate design was not offered for the commission's consideration in this proceeding.

⁷See Proposed Decision and Order No. 22577, at 29, Paragraph 1.

IV.

Orders

THE COMMISSION ORDERS:

1. Proposed Decision and Order No. 22577, filed on June 29, 2006, is adopted as the commission's Decision and Order in this proceeding.

2. SKWC may increase its rates to produce a total annual revenue increase of \$271,168, or 40.01% over revenues at present rates for SKWC, as shown on Exhibit A of Proposed Decision and Order No. 22577, representing an increase in SKWC's revenue requirement to \$1,030,555.

3. SKWC is entitled to earn a rate of return of 8.85% on its Test Year average rate base of \$446,544.

4. A total Test Year amortization expense amount of \$23,050, and an amortization period of four years, are approved.

5. SKWC is authorized to continue its operating reserve, but at a reduced rate of 6.5% of the approved monthly user fee rates for all customers.

6. SKWC's revised tariff sheets and rate schedules shall take effect from September 1, 2006. SKWC shall promptly file its revised tariff sheets and rate schedules, consistent with the terms of this Decision and Order, with the applicable issued and effective dates.

DONE at Honolulu, Hawaii

AUG 17 2006

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By: *Carlito P. Caliboso*
Carlito P. Caliboso, Chairman

By: *John E. Cole*
John E. Cole, Commissioner

APPROVED AS TO FORM:

Kaiulani Kidani Shinsato
Kaiulani Kidani Shinsato
Commission Counsel

05-0333.ef

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 22759 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: AUG 17 2006