

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
PUHI SEWER & WATER CO., INC.)
For Review and Approval of Rate)
Increases and Revised Rate)
Schedules.)

DOCKET NO. 2006-0423

ORDER NO. 23072

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

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Broderick K. Kane
for Chief Clerk of the Commission

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

for Broderick K. Kane

BEFORE THE PUBLIC UTILITIES COMMISSION
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Docket No. 2006-0423
Order No. 23072

ORDER

By this Order, the commission approves PUHI SEWER & WATER CO., INC.'s ("Puhi Sewer") request to submit its unaudited financial statement in lieu of an audited balance sheet, subject to the condition that Puhi Sewer provides copies of its parent company's consolidated audited financial statements and supporting documentation for the calendar year 2005.¹ The commission also finds that Puhi Sewer's application is complete and properly filed under HRS § 269-16(f) and HAR § 6-61-88. Thus, the filing date of Puhi Sewer's completed Application is October 23, 2006.² Lastly, the Parties are instructed to submit a stipulated procedural schedule for the

¹The Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate"), is an ex officio party to this proceeding, pursuant to Hawaii Revised Statutes ("HRS") § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62(a). Puhi Sewer and the Consumer Advocate are collectively referred to as the "Parties."

²Puhi Sewer's Application; Exhibits PSW 1 - PSW 12; Attachment RO 202; Verification; and Certificate of Service, filed on October 23, 2006 (collectively, "Application"). Puhi Sewer served copies of its Application upon the Consumer Advocate.

commission's review and consideration within thirty days from the date of this Order. If the Parties are unable to stipulate to such a schedule, the commission will issue its own procedural order that complies with the time requirements of HRS § 269-16(f)(3).

I.

Background

Puhi Sewer is a public utility that provides wastewater collection and treatment services to its residential, industrial, and commercial customers located in the Lihue/Puhi area on the island of Kauai. In addition, Puhi Sewer provides effluent to the Puakea Golf Course.

Puhi Sewer's wastewater rate schedule consists of:

- (1) a monthly flat-rate service charge for residential customers;
- (2) a monthly flat-rate service charge plus a sewer consumption charge based on domestic water use for industrial customers;
- (3) a monthly flat-rate service charge plus a sewer consumption charge based on domestic water use for commercial customers; and
- (4) an effluent charge for metered effluent delivered to the Puakea Golf Course.

On October 23, 2006, Puhi Sewer filed its Application seeking the commission's approval of a general rate increase of \$287,270, or 28.1 percent, over revenues at present rates. The requested increase is based on an estimated total revenue requirement of \$1,369,422 for the 2007 calendar test year, and an overall rate of return of 9.5%. Puhi Sewer proposes to implement

its requested increase in revenues with an across-the-board twenty-eight percent (28%) increase in its residential, industrial, and commercial wastewater rates. Puhi Sewer does not propose to increase its effluent charge.

Puhi Sewer also requests the commission's approval to: (1) establish an Automatic Power Cost Adjustment Clause that will enable it to pass through increases in its electric charges above the base cost of electric charges established in this proceeding; and (2) increase its connection deposit/hook-up charge from \$100.00 to \$150.00. Lastly, Puhi Sewer requests that the commission conduct a public hearing on the island of Kauai, in accordance with HRS § 269-16.

On November 14, 2006, the Consumer Advocate filed its Statement of Position Regarding Completeness of Application, stating that it does not object to the completeness of Puhi Sewer's Application.

II.

Discussion

As a public utility with annual gross revenues of less than \$2 million, Puhi Sewer filed its Application pursuant to HAR § 6-61-88 (general rate increase application filed by a public utility with annual gross revenues of less than \$2 million) and HRS § 269-16, specifically subsection (f). In brief, the commission must make every effort to issue its proposed decision and order within six months from the filing date of Puhi Sewer's complete Application, "provided that all parties to the

proceeding strictly comply with the procedural schedule established by the commission and no person is permitted to intervene." HRS § 269-16(f)(3).

A.

Waiver of Audited Balance Sheet Requirement

HAR chapter 6-61, subchapter 8, governs general rate increase applications. HAR § 6-61-86 of subchapter 8 provides in respective part that a public utility requesting authority to change its rate or charge shall file: (1) an application; and (2) a financial statement under HAR § 6-61-75.³ HAR § 6-61-92 of subchapter 8 states that "[t]he commission may in its discretion modify the requirements of [subchapter 8], if the requirements of [subchapter 8] would impose a financial hardship on the applicant or be unjust or unreasonable." Moreover, HRS § 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." HRS § 269-16(f).

Puhi Sewer's unaudited financial statement for the calendar year 2005 is attached as Exhibit PSW 2, Schedule 4, to its Application. Puhi Sewer seeks permission to submit its unaudited financial statement in lieu of the audited balance

³HAR § 6-61-75(b)(1) of subchapter 6, governing applications generally, provides that an applicant's financial statement shall be accompanied by "[a]n audited balance sheet, including any pertinent notations and explanations contained therein, as of the end of the last calendar year[.]"

sheet required by HAR § 6-61-75(b)(1). In support thereto, Puhi Sewer explains:

The information submitted in Exhibit PSW 2, Schedule 4 contains information taken directly from the audited financial information for the consolidated operations of [Puhi Sewer's] parent company, which contains various information about the operations of [Puhi Sewer's] affiliates that are irrelevant to these proceedings and considered confidential in nature. It would be unduly burdensome and time consuming for [Puhi Sewer] to prepare separate audited financial information for only its operations.

Puhi Sewer's Application, at 5 n.5.

The Consumer Advocate does not object to Puhi Sewer's request, subject to the condition that Puhi Sewer provides a copy of its parent company's consolidated audited financial statements and supporting documentation for the calendar year 2005.⁴

The commission finds that the requirement for Puhi Sewer to submit an audited balance sheet pursuant to HAR § 6-61-75(b)(1) appears unduly burdensome, and thus, is unjust and unreasonable in this instance. Accordingly, the commission finds good cause to approve Puhi Sewer's request, subject to the Consumer Advocate's proposed condition.

⁴The Consumer Advocate cites by analogy In re Puhi Sewer & Water Co., Inc., Docket No. 03-0383, Puhi Sewer's most recent general rate case (2004 calendar test year), wherein Puhi Sewer agreed to provide a copy of its parent company's consolidated audit financial statements and supporting documentation, subject to a protective order.

B.

Complete Application

The commission finds that Puhi Sewer's Application is complete and properly filed under HRS § 269-16(f) and HAR § 6-61-88, and thus, concurs with the Consumer Advocate's assessment regarding the completeness of Puhi Sewer's Application. Accordingly, the filing date of Puhi Sewer's complete Application is October 23, 2006.

C.

Public Hearing

The public hearing on Puhi Sewer's complete Application is scheduled for December 21, 2006, 5:00 p.m., on the island of Kauai.

D.

Stipulated Procedural Schedule

The commission interprets HRS § 269-16(f)(3) to require the commission to issue a procedural order that allows the commission to complete its review within the six-month period prescribed in HRS § 269-16(f)(3). Given the six-month deadline governing the commission's issuance of its Proposed Decision and Order, the Parties shall: (1) initiate the discovery process forthwith; and (2) within thirty days from the date of this Order, submit a stipulated procedural schedule setting forth the issues and procedures to govern Puhi Sewer's request to increase

its wastewater rates.⁵ At a minimum, the stipulated procedural schedule submitted by the Parties shall provide that Puhi Sewer's rebuttal testimony or its rebuttal statement of position, if any, be filed by March 9, 2007, in order for the commission to reasonably meet the six-month deadline of April 23, 2007. If the Parties are unable to agree to a stipulated procedural schedule that conforms to the foregoing parameters, the commission will issue its own procedural order in accordance with HRS § 269-16(f)(3).

In the event the conditions set forth in HRS § 269-16(f)(3) are met, i.e., the Parties strictly comply with the established procedural schedule and there is no intervention, "the [P]arties shall not be entitled to a contested case hearing[,] "prior to the issuance of the commission's proposed decision and order[.]" HRS § 269-16(f)(3).

III.

Orders

THE COMMISSION ORDERS:

1. Puhi Sewer's request to submit its unaudited financial statement in lieu of an audited balance sheet is approved, subject to the condition that Puhi Sewer provides copies of its parent company's consolidated audited financial

⁵The deadline for interested persons to timely seek intervention or participant status is January 2, 2007, pursuant to HAR §§ 6-61-22 and 6-61-57(1). In the event intervenor or participant status is later granted to any interested person, the commission will amend the procedural order accordingly, to the extent necessary.

statements and supporting documentation for the calendar year 2005 to the commission and the Consumer Advocate.

2. The filing date of Puhi Sewer's complete Application is October 23, 2006.

3. The Parties shall initiate the discovery process forthwith. Unless ordered otherwise, within thirty days from the date of this Order, the Parties shall submit to the commission a stipulated procedural schedule, setting forth the issues and procedures to govern Puhi Sewer's request to increase its wastewater rates. At a minimum, the stipulated procedural schedule submitted by the Parties shall provide that Puhi Sewer's rebuttal testimony or its rebuttal statement of position, if any, be filed by March 9, 2007. If the Parties are unable to stipulate to such a schedule, the commission will issue its own procedural order that complies with the time requirements of HRS § 269-16(f)(3).

DONE at Honolulu, Hawaii NOV 24 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:

Michael Azama
Michael Azama
Commission Counsel
2006-0423.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 23072 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: NOV 24 2006