

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
LAUNIUPOKO WATER COMPANY, LLC)
For Review and Approval of Rate)
Increases and Revised Rate)
Schedules.)
_____)

DOCKET NO. 2006-0505

ORDER NO. 23221

Filed Jan. 26, 2007
At 11 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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ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

Karen Higashi

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Docket No. 2006-0505
Order No. 23221

ORDER

By this Order, the commission approves LAUNIUPOKO WATER COMPANY, LLC's ("LWC") request to submit its unaudited financial statements in lieu of an audited balance sheet, required under Hawaii Administrative Rules ("HAR") § 6-61-75(b)(1), provided that LWC make available for review all documentation supporting its financial statements.¹ The commission also finds that LWC's application is complete and properly filed under HRS § 269-16(f) and HAR § 6-61-88,² and, thus, the filing date of LWC's completed Application is December 29, 2006. Finally, the commission instructs the Parties to file a stipulated procedural order for the commission's review and approval within thirty (30) days from

¹The DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"), is an ex officio party to this proceeding pursuant to Hawaii Revised Statutes ("HRS") § 269-51 and HAR § 6-61-62. LWC and the Consumer Advocate are hereafter collectively referred to as the "Parties."

²LWC filed its Application on December 29, 2006, and attached various exhibits; the testimonies of Mr. Glenn Tremble (designated as T-1) and Mr. Walter Matsuno (designated as T-2); a Verification; and a Certificate of Service (collectively, "Application"). Copies of the Application were served on the Consumer Advocate.

the date of this Order. If the Parties are unable to stipulate to a procedural order, the commission will issue its own procedural order that complies with the time requirements of HRS § 269-16(f)(3).

I.

Background

LWC is a Hawaii limited liability company and a public utility as defined by HRS § 269-1³ and, thus, is regulated by the commission under Chapter 269, HRS. LWC is authorized by the commission to provide potable water service within the service territory of West Maui, Hawaii on the island of Maui.

LWC currently serves approximately 178 customers within its authorized service territory and charges its customers a monthly water consumption charge of \$1.42 per 1,000 gallons ("TGs") of consumption up to 10,000 gallons; \$1.91 per TGs of consumption from 10,001 gallons up to 25,000 gallons; and \$2.25 per TGs of consumption over 25,000 gallons. Aside from the monthly water consumption charge, LWC also assesses its customers a monthly standby meter charge based upon meter size ranging from \$20 to \$100, which LWC is not seeking to amend in this proceeding.

On December 29, 2006, LWC filed its Application for commission approval of, among other things, a general rate

³LWC received commission authority to provide water service as a public utility in 2003. See In re Launiupoko Water Company, LLC, Docket No. 02-0196, Decision and Order No. 20274, filed on June 27, 2003.

increase of \$45,321, or approximately 37.77% over revenues at present rates, pursuant to HRS § 269-16. The requested increase is based on an estimated total revenue requirement of \$165,328 for its 2007 calendar test year.

LWC proposes to increase its water consumption rates and impose certain new charges as follows:

	Present Rates	Proposed Rates
Water Consumption Charge: (Usage/Month)		
Per thousand gallons up to 10,000 gallons	\$1.42	\$2.42
Per thousand gallons from 10,001 up to 25,000 gallons	\$1.91	\$2.91
Per thousand gallons over 25,000 gallons	\$2.25	\$3.25
Private Fire Protection Charge: (Connection/Month)		
Hydrants	---	\$3.00
Stand pipes	---	\$2.00
Other	---	\$2.50 (per inch diameter of feeder main)

Aside from the above, LWC requests commission approval to, among other things: (1) establish a power cost adjustment clause to account for the cost of electricity; and (2) amend its rules and regulations governing water service.

Furthermore, with regard to its Application, LWC requests, pursuant to HAR § 6-61-92, that its unaudited financial statements, submitted with its Application, be accepted in lieu

of audited financial statements as required under HAR § 6-61-75(b)(1) ("Waiver Request").

On January 11, 2007, the Consumer Advocate filed its Statement of Position Regarding Completeness of Application, stating that it does not object to the completeness of LWC's Application.

II.

Discussion

LWC is a public utility with annual gross operating revenues of less than \$2 million, and, as such, it filed its Application under HAR § 6-61-88 (Requirements for General Rate Increase Applications by a Public Utility with Annual Gross Operating Revenues of Less than \$2,000,000) and HRS § 269-16(f). Under HRS § 269-16(f), the commission must make every effort to issue its proposed decision and order within six (6)-months from the filing date of LWC's completed 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 Request

HAR Chapter 6-61, Subchapter 8, governs rate increase applications and tariff changes. In relevant part, HAR § 6-61-86 requires a public utility requesting authority to change its rate, schedule, or charge to file an application, and a financial

statement under HAR § 6-61-75. HAR § 6-61-75(b)(1) requires that financial statements 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[.]" HAR § 6-61-75(b)(1).

Under HAR § 6-61-92, the commission may modify the requirements of Subchapter 8, HAR Chapter 6-61, in its discretion, if the requirements of the subchapter would impose a financial hardship on the applicant or be unjust or unreasonable. Further, under HRS § 269-16(f), the commission is authorized to amend its rules and procedures "to 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).

LWC requests, pursuant to HAR § 6-61-92, that its unaudited financial statements (submitted with its Application as Exhibit LWC 2-3), be accepted in lieu of audited financial statements as required by HAR § 6-61-75(b)(1). It contends that as a small utility with annual revenues "substantially" less than \$2 million, LWC does not have audited financial reports and that compliance with the requirement would: (1) delay the filing of the Application; and (2) unjustly impose on LWC additional financial burdens.

The Consumer Advocate does not object to approval of LWC's Waiver Request, provided that it makes available for review all documentation supporting its financial statements, including all accounting books and records.

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

B.

Completed Application

Upon review, the commission finds that LWC'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 the Application. Accordingly, the filing date of LWC's completed Application is December 29, 2006.

C.

Stipulated Procedural Order

HRS § 269-16(f)(3) requires the commission to issue a procedural order allowing the commission to complete its review and issue its proposed decision and order within the six (6)-month period prescribed in the subsection. For this reason, the Parties are instructed to: (1) initiate the discovery process without delay; and (2) submit a stipulated procedural order setting forth the issues, procedural schedule, and procedures to govern LWC's Application, within thirty

(30) days from the date of this Order.⁴ The stipulated procedural schedule to be submitted by the Parties shall, at a minimum, provide that: (1) LWC's rebuttal testimony (or rebuttal statement of position), if any, be filed by Tuesday, May 15, 2007; and (2) the Parties' settlement agreement, if any, be filed by Tuesday, May 22, 2007, in order for the commission to reasonably meet the six (6)-month deadline of June 29, 2007. If the Parties are unable to agree on a procedural order, as prescribed, the commission will issue its own procedural order in accordance with HRS § 269-16(f)(3).

Under HRS § 269-16(f)(3), in the event that the conditions of the subsection are fully met (i.e., the Parties strictly comply with the established procedural schedule and no person is granted intervention), the Parties shall not be entitled to a contested case hearing prior to the issuance of the commission's proposed decision and order.

III.

Orders

THE COMMISSION ORDERS:

1. LWC's request to submit its unaudited financial statements in lieu of an audited balance sheet, required under HAR § 6-61-75(b)(1), is approved; provided that LWC make available for review all documentation supporting its financial

⁴In 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, including all accounting books and records, to the commission and the Consumer Advocate.

2. The filing date of LWC's completed Application is December 29, 2006.

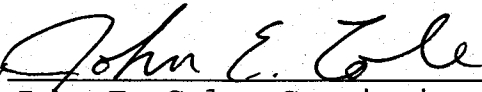
3. The Parties shall: (a) initiate the discovery process without delay; and (b) unless directed otherwise, submit a stipulated procedural order setting forth the issues, procedural schedule, and procedures to govern LWC's Application, within thirty (30) days from the date of this Order. The stipulated procedural schedule to be submitted by the Parties shall, at a minimum, provide that: (a) LWC's rebuttal testimony (or rebuttal statement of position), if any, be filed by Tuesday, May 15, 2007; and (b) the Parties' settlement agreement, if any, be filed by Tuesday, May 22, 2007, in order for the commission to reasonably meet the six (6)-month deadline of June 29, 2007. If the Parties are unable to agree on a procedural order, as prescribed, the commission will issue its own procedural order in accordance with HRS § 269-16(f)(3).

DONE at Honolulu, Hawaii

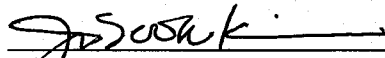
JAN 26 2007

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
John E. Cole, Commissioner

APPROVED AS TO FORM:


Ji Sook Kim
Commission Counsel

2006-0505.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 23221 upon the following Petitioners, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

CATHERINE P. AWAKUNI
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Karen Higashi

DATED: JAN 26 2007