

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
)
WAIKOLOA WATER CO., INC., WAIKOLOA)
SANITARY SEWER CO., INC., WAIKOLOA)
RESORT UTILITIES, INC., and HAWAII)
WATER SERVICE COMPANY, INC.)

DOCKET NO. 2008-0018

Requesting Approval of (a) the Sale)
of the Stock of Waikoloa Water Co.,)
Inc., Waikoloa Sanitary Sewer Co.,)
Inc., and Waikoloa Resort Utilities,)
Inc., to Hawaii Water Service)
Company, Inc., Pursuant to Hawaii)
Revised Statutes §§ 269-17.5 and)
269-18; and (b) Financing)
Arrangements pursuant to Hawaii)
Revised Statutes § 269-17.)

ORDER GRANTING DIVISION OF CONSUMER ADVOCACY'S MOTION FOR
CLARIFICATION AND/OR MODIFICATION OF THE COMMISSION'S DECISION
AND ORDER ISSUED ON AUGUST 20, 2008 IN THE ABOVE DOCKETED MATTER

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

PUBLIC UTILITIES
COMMISSION

2008 SEP 24 A 11:44

FILED

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
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WAIKOLOA WATER CO., INC., WAIKOLOA) Docket No. 2008-0018
SANITARY SEWER CO., INC., WAIKOLOA)
RESORT UTILITIES, INC., and HAWAII)
WATER SERVICE COMPANY, INC.)
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ORDER GRANTING DIVISION OF CONSUMER ADVOCACY'S MOTION FOR
CLARIFICATION AND/OR MODIFICATION OF THE COMMISSION'S DECISION
AND ORDER ISSUED ON AUGUST 20, 2008 IN THE ABOVE DOCKETED MATTER

By this Order, the commission grants the Motion for Clarification and/or Modification of the Commission's Decision and Order Issued on August 20, 2008 filed by the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate")¹ on August 28, 2008 ("Consumer Advocate's Motion"). Specifically, the commission hereby clarifies: (1) the refinancing of WAIKOLOA WATER CO., INC.'s ("WWC") debt to Perry R. Bass, Inc. and the associated costs of such debt ("WWC's Debt") shall not be recognized for ratemaking purposes; and

¹The Consumer Advocate is an ex officio party to this proceeding pursuant to Hawaii Revised Statutes § 269-51 and Hawaii Administrative Rules § 6-61-62(a).

(2) Hawaii Water Service Company, Inc. ("HWSC") shall not recover any transition or transaction costs from ratepayers.

I.

Discussion

A.

WWC's Debt

Whether WWC's Debt should be recognized in rate base was decided in WWC's initial rate case in 1979, and the commission has repeatedly ruled that the debt should not be recognized for ratemaking purposes. See, e.g., Decision and Order No. 5667, filed on May 23, 1979, in Docket No. 3295 and Decision and Order No. 17263, filed on September 30, 1999, in Docket No. 98-0060. If unclear in the Decision and Order, filed on August 20, 2008, consistent with its prior rulings, the commission intended to adopt the Consumer Advocates' position concerning the ratemaking treatment of the refinanced debt. Accordingly, to clarify the Decision and Order, WWC's Debt shall not be recognized for rate setting purposes.

B.

Transaction Costs

In response to the Consumer Advocate's Motion, the commission clarifies that no costs relating to the transition of Waikoloa Water Co., Inc., Waikoloa Sanitary Sewer Co., Inc., and Waikoloa Resort Utilities, Inc. (collectively "Utilities") to HWSC or HWSC's acquisition of the Utilities can be recovered,

directly or indirectly, from ratepayers. As the Consumer Advocated recommended, the commission's Decision and Order is hereby clarified to require HWSC to maintain an accounting of costs incurred relating to its Application for Approval of the Sale of Stock of Waikoloa Water Co., Inc., Waikoloa Sanitary Sewer Co., Inc., and Waikoloa Resort Utilities, Inc. to Hawaii Water Service Company, Inc. pursuant to Hawaii Revised Statutes §§ 269-17.5 and 269-18; and Financing Arrangements pursuant to Hawaii Revised Statutes § 269-17 ("Instant Motion") and to record those costs in "below the line" accounts until the next rate case.

II.

Orders

THE COMMISSION ORDERS:

Decision and Order, filed on August 20, 2008, is hereby clarified:

(a) the refinancing of WWC's debt to Perry R. Bass, Inc. and the associated costs of such debt shall not be recognized for ratemaking purposes; and


(b) HWSC shall maintain a separate accounting of costs incurred relating to the Instant Motion and record those costs in "below the line" accounts until HWSC's next rate case. HWSC shall not be permitted, either directly or indirectly, to recover any of the transition and transaction costs from ratepayers.

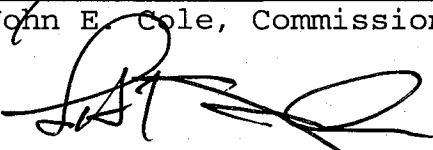
(c) Unless expressly addressed herein, the Decision and Order, filed on August 20, 2008, remains unchanged and in full force and effect.

DONE at Honolulu, Hawaii SEP 24 2008.

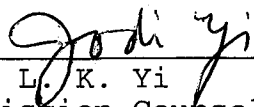
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
John E. Cole, Commissioner

By 
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:


Jodi L. K. Yi
Commission Counsel

2008-0018.cp

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

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