

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)

KRWC CORPORATION, dba)
KOHALA RANCH WATER COMPANY)

DOCKET NO. 2008-0283

For Review and Approval of its)
Proposed Preferential Agricultural)
Potable Water Rate and Criteria)
for Bona Fide Agribusinesses)
Pursuant to Act 169, 2008 Session)
Laws of Hawaii, and Other)
Ratemaking Matters Including)
Without Limitation, Rate Increases,)
Revised Rate Schedules and Revised)
Rules.)

ORDER REGARDING COMPLETED
APPLICATION AND OTHER INITIAL MATTERS

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STATE OF HAWAII

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KRWC CORPORATION, dba
KOHALA RANCH WATER COMPANY
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Pursuant to Act 169, 2008 Session
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Without Limitation, Rate Increases,
Revised Rate Schedules and Revised
Rules.

Docket No. 2008-0283

ORDER REGARDING COMPLETED
APPLICATION AND OTHER INITIAL MATTERS

By this Order, the commission approves the request of KRWC CORPORATION, dba KOHALA RANCH WATER COMPANY ("KRWC"), to submit its unaudited financial statements in lieu of its audited balance sheet, subject to the condition noted herein.¹ The commission also finds that KRWC's application is complete and properly filed under HRS § 269-16(f) and HAR § 6-61-88. Thus, the filing date of KRWC's completed Application is November 12, 2008.² In addition, the commission, on its own

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

²Application; Exhibits KRWC 1 to KRWC 12; Exhibit KRWC-T-100; Attachment 1 to 3; Verification; and Certificate of

motion, names the State of Hawaii, Department of Agriculture ("DOA"), as a participant in this proceeding. Lastly, the Parties are instructed to submit a stipulated procedural order for the commission's review and consideration, consistent with the terms of this Order.

I.

Background

KRWC is a public utility that provides potable water service within its Kohala service area on the island of Hawaii. KRWC presently serves approximately 400 customers located in the Kohala Estates, Kohala Ranch, Kohala Waterfront, and the Kohala by the Sea developments.

By its Application, KRWC seeks an increase in its revenues of \$448,051 (approximately 23.9 percent) over its present total revenue requirement of approximately \$1,873,623. The requested increase is based on an estimated total revenue requirement of \$2,321,684 for the 2009 calendar test year ("Test Year"), and a rate of return of 8.85 percent. KRWC proposes to implement the approximate 23.9 percent increase in its overall total revenue requirement for the Test Year in the following manner: (1) increase its various monthly meter charges by 50 to 51 percent; (2) increase its monthly water consumption charge by 51 percent; (3) increase its hydrant rental charge by 51 percent; and (4) establish a preferential agricultural potable water rate for qualified agricultural activities, otherwise known as the

Service, filed on November 12, 2008 (collectively, "Application").

Preferential Agricultural Potable Water Rate, that will be set at approximately 34.4 percent less than the monthly water consumption rate that is currently charged for potable water service. As a result, KRWC's present and proposed rates, as set forth in its Application, are as follows:

Monthly Meter Charges

<u>Size of Meter</u>	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>% Change</u>
5/8"	\$16.00	\$24.00	50% increase
1"	\$46.00	\$69.00	50% increase
1-1/2"	\$88.00	\$133.00	51% increase
2"	\$120.00	\$181.00	51% increase
3"	\$240.00	\$362.00	51% increase

Monthly Water Consumption Charge

<u>Description</u>	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>% Change</u>
Monthly Water Consumption Charge	\$5.635 per thousand gallons ("TG")	\$8.4907 per TG	51% increase
Preferential Agricultural Potable Water Rate (for qualified Agricultural Activities only)	\$5.635 per TG*	\$3.6952 per TG	34.4% decrease

*KRWC explains that: (1) while no Preferential Agricultural Potable Water Rate currently exists, customers that may qualify for this proposed rate are currently being assessed the existing Monthly Water Consumption Charge of \$5.635 per TG that applies to all of KRWC's customers; thus (2) the proposed Preferential Agricultural Potable Water Rate will result in a 34.4 percent reduction in the Monthly Water Consumption Charge for qualifying customers. Any qualifying customer will also be subject to any other applicable charges set forth in KRWC's tariff, including the Monthly Meter Charge, Automatic Power Cost Adjustment Charge, Meter Installation Charge, and Hydrant Rental Charge.

Hydrant Rental Charge

	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>% Change</u>
Per meter**	\$10.85/day	\$16.40/day	51% increase

**All water utilized from temporary hydrants is calculated at the Monthly Water Consumption Charge or the Preferential Agricultural Potable Water Rate, as applicable.

KRWC seeks to implement its proposed Preferential Agricultural Potable Water Rate in accordance with Act 169, 2008 Session Laws of Hawaii ("Act 169"). Act 169, which took effect in June 2008: (1) establishes a policy of providing preferential potable water rates for qualified agricultural activities; and (2) provides that such preferential rates, if approved by the commission, are subject to subsidization by the potable water rates charged to other customers of the water utility.

In support of the requested increase in its water rates, KRWC states that: (1) the proposed increase in water rates reflects the subsidization of the Preferential Agricultural Potable Water Rate by KRWC's other customers, as authorized by Act 169; and (2) its operating expenses and rate base have increased since the last increase in water rates authorized by the commission, effective November 2006.

On November 25, 2008, the Consumer Advocate filed its Statement Regarding Completeness of Application, stating that it does not object to the completeness of KRWC's Application.

II.

Discussion

As a public utility with annual gross revenues of less than \$2 million, KRWC 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 KRWC'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 rates or charges 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

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[.]"

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).

KRWC's unaudited financial statements for the calendar year 2007 and for the nine-month period ending September 30, 2008, are attached as Exhibit KRWC 2, Schedules 4 and 5, to its Application. KRWC seeks the commission's permission to submit its unaudited financial statements in lieu of the audited balance sheet required by HAR § 6-61-75(b)(1). In support thereto, KRWC represents that as a small public utility with annual revenues of less than \$2 million, it does not have audited financial reports, and to prepare an audited financial report solely for this proceeding will "delay the filing and . . . unjustly impose additional financial burdens on [KRWC]." ⁴

The Consumer Advocate does not object to KRWC's requested waiver, subject to the condition that KRWC make available for review all documentation in support of KRWC's financial statements, including all accounting books and records.

The commission finds that the requirement for KRWC to submit an audited balance sheet pursuant to HAR § 6-61-75(b)(1) appears unduly burdensome, and thus, inconsistent with the "just, speedy, and inexpensive

⁴Application, at 14.

determination of [this] proceeding."⁵ Accordingly, the commission finds good cause to approve KRWC's request, subject to the Consumer Advocate's proposed condition.

B.

Complete Application

The commission concurs with the Consumer Advocate's assessment regarding the completeness of KRWC's Application, and thus, finds that KRWC's Application is complete and properly filed pursuant to HRS § 269-16(f) and HAR § 6-61-88. Accordingly, the filing date of KRWC's complete Application is November 12, 2008.⁶

C.

Public Hearing

The commission will schedule a public hearing on KRWC's completed Application on the island of Hawaii, consistent with HRS §§ 269-12(c) and 269-16(b). The Parties will be notified of the date, time, and location of the public hearing.

D.

Department of Agriculture

Act 169 provides in part that in reviewing proposed preferential water rates for agricultural activities, the commission, "in consultation with the department of agriculture,

⁵HAR § 6-61-1.

⁶KRWC served copies of its complete Application upon the Consumer Advocate, and also provided a courtesy copy to the DOA.

may establish additional criteria to qualify bona fide agribusinesses for water used solely for agricultural activities." As part of its completed Application, KRWC also proposes to revise its tariff rules by including: (1) a definition of Agricultural Activities; and (2) a provision that sets forth the conditions and requirements a customer must satisfy in order to qualify for the Preferential Agricultural Potable Water Rate.

KRWC's completed Application represents the first request by a water utility to establish criteria for bona fide agribusinesses to qualify for the preferential water rate for agricultural activities pursuant to Act 169. Accordingly, the commission, on its own motion, finds it appropriate to name the DOA as a participant in this proceeding, for the limited purpose of assisting the commission in establishing the requisite criteria pursuant to Act 169.⁷ As a named participant, DOA is not a party to this proceeding; instead, its role shall be limited to providing written input and comments on the criteria proposed by KRWC, to the extent requested by the commission.

E.

Stipulated Procedural Order

HRS § 269-16(f)(3) states that the commission shall:

Make every effort to complete its deliberations and issue a proposed decision and order within six months from the date the public utility files

⁷The commission will serve copies of this Order upon the DOA and the Department of the Attorney General, counsel of record for the DOA. See Certificate of Service, attached.

a completed application with the commission; provided that all parties to the proceeding strictly comply with the procedural schedule established by the commission and no person is permitted to intervene. If a proposed decision and order is rendered after the six-month period, the commission shall report in writing the reasons therefor to the legislature within thirty days after rendering the proposed decision and order. Prior to the issuance of the commission's proposed decision and order, the parties shall not be entitled to a contested case hearing.

HRS § 269-16(f)(3).

Given the six-month target date governing the commission's issuance of its Proposed Decision and Order, the Parties shall: (1) initiate the discovery process forthwith; and (2) submit a stipulated procedural order for the commission's review and consideration.⁸ If the Parties are unable to agree on a stipulated procedural order, each of the parties shall submit its own proposed procedural order. If no motions to intervene or participate are filed, the stipulated procedural order or individual proposals shall be due within seven days following the deadline to file any such motions to intervene or participate. Conversely, if one or more motions to intervene or participate are filed, the Parties and any designated intervenors or participants, if any, shall file their stipulated procedural order within fourteen days from the filing of the commission's decision on the motions to intervene or participate. If no intervention is granted by the commission, the stipulated

⁸Given the DOA's limited role consistent with Act 169, it is not necessary for the DOA to submit to the commission a proposed procedural order, whether individually or jointly with the Parties. Instead, the commission envisions that any written input or comments submitted by the DOA to the commission will be provided to the Parties for the opportunity to comment.

procedural order submitted by the Parties, at a minimum, shall provide that KRWC's rebuttal testimony or its rebuttal statement of position, if any, be filed by April 7, 2009, in order for the commission to reasonably meet the six-month target date of May 12, 2009. If no agreement is reached on a stipulated procedural order that conforms to the foregoing parameters, the commission will issue its own procedural order.

III.

Orders

THE COMMISSION ORDERS:

1. KRWC's request to submit its unaudited financial statements in lieu of the audited balance sheet required by HAR § 6-61-75(b)(1) is approved, subject to the condition that KRWC make available for review all documentation in support of KRWC's financial statements, including all accounting books and records.

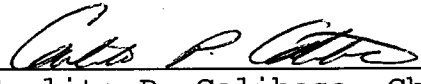
2. The filing date of KRWC's complete Application is November 12, 2008.

3. The DOA is named as a participant in this proceeding for the limited purpose of assisting the commission in establishing the requisite criteria for bona fide agribusinesses to qualify for the preferential water rate for agricultural activities, pursuant to Act 169, 2008 Session Laws of Hawaii. Unless ordered otherwise by the commission, DOA's role shall be limited to providing written input and comments on the criteria proposed by KRWC, to the extent requested by the commission.

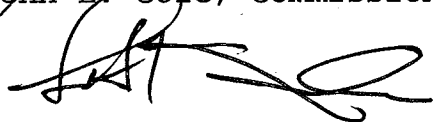
4. The Parties shall: (A) initiate the discovery process forthwith; and (B) submit a stipulated procedural order for the commission's review and consideration. If the Parties are unable to agree on a stipulated procedural order, each of the parties shall submit its own proposed procedural order. If no motions to intervene or participate are filed, the stipulated procedural order or individual proposals shall be due within seven days following the deadline to file any such motions to intervene or participate. Conversely, if one or more motions to intervene or participate are filed, the Parties and any designated intervenors or participants, if any, shall file their stipulated procedural order within fourteen days from the filing of the commission's decision on the motions to intervene or participate. If no intervention is granted by the commission, the stipulated procedural order submitted by the Parties, at a minimum, shall provide that KRWC's rebuttal testimony or its rebuttal statement of position, if any, be filed by April 7, 2009, in order for the commission to reasonably meet the six-month target date of May 12, 2009. If no agreement is reached on a stipulated procedural order that conforms to the foregoing parameters, the commission will issue its own procedural order.

DONE at Honolulu, Hawaii DEC - 8 2008.

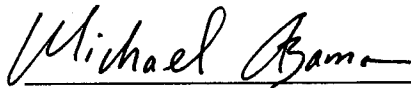
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
John E. Cole, Commissioner

By 
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:


Michael Azama
Commission Counsel

2008-0283.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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