BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
)
HAWAII-AMERICAN WATER COMPANY ) DOCKET NO. 2007-0180
)
For Approval of a Rate Increases )
And Revised Rate Schedules and )
Rules.
)

ORDER NO. 24178

Filed May 6, 2008
At 1 o'clock P.M.

Chief Clerk of the Commission

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
) Docket No. 2007-0180
HAWAII-AMERICAN WATER COMPANY ) Order No. 24178
) For Approval of Rate Increases
) and Revised Rate Schedules and
) Rules.
)

ORDER

By this Order, the commission approves with modifications the proposed Stipulated Prehearing Order submitted by HAWAII-AMERICAN WATER COMPANY ("HAWC"), the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"), and the CITY AND COUNTY OF HONOLULU ("City") (collectively, "Parties") on March 31, 2008.

I.
Background

On October 29, 2007, HAWC filed an Application requesting approval of rate increases and revised rate schedules and rules. Specifically, HAWC requested commission approval of a general rate increase under HRS § 269-16 of approximately

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

2HAWC's Application, Exhibits 1 to 14, Attachments RLJ-101, SPC-201, MEL-301 to MEL-321, and CCB-501, Verification, and Certificate of Service, filed on October 29, 2007 (collectively, "Application"). Copies of the Application were served on the Consumer Advocate.
$1,324,488, or approximately 15.9% over total revenues at present rates.³

By Order No. 24090, filed on March 13, 2008, the commission acknowledged that the filing date of HAWC's complete Application is December 11, 2007; ordered a second public hearing that was held on April 14, 2008; granted intervention to the City; and directed the Parties to submit to the commission a proposed stipulated procedural schedule within fifteen (15) days of the order.

II.

Stipulated Procedural Order (as Modified)

The deadline for the Parties to timely file their proposed stipulated prehearing order was March 31, 2008; the Parties timely filed their proposed Stipulated Prehearing Order on March 31, 2008. In their proposed order, the Parties detailed their Stipulated Regulatory Schedule for the proceedings of this docket in Exhibit "A."⁴ At the outset, the commission notes that, pursuant to HRS § 269-16(d), the nine-month deadline for commission action in this docket is September 11, 2008. However, the Parties' proposed schedule includes deadlines that occur after September 11, 2008, including the proposed date for the evidentiary hearing. Accordingly, by submittal of the

³On November 19, 2007, the Consumer Advocate filed its Statement of Position Regarding Completeness of Application informing the commission that it does not object to the completeness of HAWC's Application.

⁴Stipulated Regulatory Schedule, attached to the Stipulated Prehearing Order as Exhibit A.
proposed Stipulated Prehearing Order, HAWC has effectively waived commission action by September 11, 2008.

In addition, upon review of the Parties’ proposed Stipulated Regulatory Schedule, the commission finds it appropriate to amend Exhibit A by: (1) revising the deadline for the Settlement Letter/Agreement (if any) from September 19, 2008, to September 11, 2008; (2) setting a Prehearing Conference on September 22, 2008, at 9:00 a.m.; (3) requiring the filing of a Statement of Probable Entitlement by September 22, 2008; (4) including a deadline of September 26, 2008, for the Consumer Advocate’s Response, if any, to the Statement of Probable Entitlement; (5) establishing a deadline for the simultaneous submission of proposed Findings of Fact/Conclusions of Law instead of Post-Hearing Briefs, due three weeks after the evidentiary hearing transcript is filed with the commission; and (6) requiring any Comments to the proposed Findings of Facts/Conclusions of Law within two weeks after the submission of the proposed Findings of Facts/Conclusions of Law. Therefore, the Parties’ Stipulated Regulatory Schedule will be amended to read as follows:
<table>
<thead>
<tr>
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2007-0180 4
Stipulated Prehearing Order, at Exhibit "A" (as modified) (footnotes omitted). Thus, we conclude that the schedule of proceedings, as modified above, should be approved and adopted. Unless ordered otherwise, the Parties shall adhere to the schedule. Notwithstanding the above, the Parties shall have the right to amend the procedural schedule as may be agreed in writing, as necessary, subject to approval by the commission.

III.

Orders

THE COMMISSION ORDERS:

1. The Parties’ proposed Stipulated Prehearing Order submitted on March 31, 2008, attached as Exhibit 1 to this Order, is approved as modified herein to govern the proceedings in this docket.

2. The Stipulated Regulatory Schedule, Exhibit A of the Parties’ Stipulated Prehearing Order, is amended to read as follows:
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DONE at Honolulu, Hawaii

MAY - 6 2008

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By

Carlito P. Caliboso, Chairman

John E. Cole, Commissioner

Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:

Jodi L. K. Yi
Commission Counsel
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAI'I

In the Matter of the Application

of

HAWAII-AMERICAN WATER COMPANY

For Approval of Rate Increases and Revised Rate Schedules and Rules.

STIPULATED PREHEARING ORDER NO. _____________________________

EXHIBIT "A"

and

CERTIFICATE OF SERVICE

Filed _________________________, 2008

At __________ o'clock ___m.

_________________________________
Chief Clerk of the Commission

EXHIBIT 1
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAI'I

In the Matter of the Application
of
HAWAII-AMERICAN WATER COMPANY
For Approval of Rate Increases and Revised Rate
Schedules and Rules.

Docket No. 2007-0180

STIPULATED PREHEARING ORDER

HAWAII-AMERICAN WATER COMPANY ("Applicant" or "HAWC"), the DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS (the
"Consumer Advocate"), and the CITY AND COUNTY OF HONOLULU (the "City"), by and
through their respective attorneys and/or authorized representatives, do hereby stipulate to the
following provisions of this Stipulated Prehearing Order as mutually acceptable to each.

ACCORDINGLY, IT IS ORDERED that the following Statement of Issues, Schedule of
Proceedings, and procedures shall be utilized in this docket.

I.

STATEMENT OF THE ISSUES

The issues in this case are:

1. Is HAWC's proposed general rate increase reasonable?
   a. Are the proposed tariffs, rates and charges just and reasonable?
   b. Are the revenue forecasts for Test Year ending December 31, 2008
      ("Test Year") at present rates and proposed rates reasonable?
   c. Are the projected operating expenses for Test Year reasonable?
d. Is the projected rate base for Test Year reasonable, and are the properties included in the rate base used or useful for public utility purposes?

e. Is the rate of return requested fair?

2. Whether any other relief (e.g., interim relief) as may be just and reasonable should be granted under the circumstances?

II.

SCHEDULE OF PROCEEDINGS

The parties shall adhere to the schedule of proceedings set forth in the Stipulated Regulatory Schedule attached hereto as Exhibit "A." Notwithstanding the above, the parties shall have the right to amend the Stipulated Regulatory Schedule as may be agreed in writing from time to time; provided that the requesting party or parties receive the Commission's approval in accordance with Hawaii Administrative Rules ("HAR") § 6-61-23, to the extent applicable. However, the intent of the parties in agreeing to a schedule at this time is to promote the efficient and cost-effective allocation of resources. Therefore, any changes to the schedule should be proposed only when there is an urgency or substantial competing need that cannot be reasonably accommodated without a change.

III.

REQUESTS FOR INFORMATION

A party to this proceeding may submit information requests to another party within the time schedule specified in this Stipulated Prehearing Order. If a party is unable to provide the information requested within the prescribed time period, it should so indicate to the inquiring party as soon as possible. The parties shall then endeavor to agree upon a later date for submission of the requested information. If the parties are unable to agree, the inquiring party may seek approval from the Commission and make a showing of good cause. It is then within the Commission's discretion to allow additional information requests.
In lieu of responses to information requests that would require the reproduction of voluminous documents or materials (e.g., documents over 50 pages), the documents or materials may be made available for reasonable inspection and copying at a mutually agreeable designated location and time. In the event such information is available on computer diskette, the party responding to the information request may make the diskette available to the other party and the Commission. A party shall not be required, in a response to an information request, to provide data that is/are already on file with the Commission or otherwise part of the public record, or that may be stipulated to pursuant to Part VI, infra. The responding party shall, in lieu of production of a document in the public record, include in its response to the information request an identification of the document with reasonable specificity sufficient to enable the requesting party to locate and copy the document. In addition, a party shall not be required, in a response to an information request, to make computations, compute ratios, reclassify, trend, calculate, or otherwise rework data contained in its files or records.

A party may object to responding to an information request that it deems to be irrelevant, immaterial, unduly burdensome, onerous or repetitious, or where the response contains information claimed to be privileged or subject to protection (confidential information). If a party claims that information requested is confidential, and withholds production of all or a portion of such confidential information, the party shall: (1) provide information reasonably sufficient to identify the confidential information withheld from the response, without disclosing privileged or protected information; (2) state the basis for withholding the confidential information (including, but not limited to, the specific privilege applicable or protection claimed for the confidential information and the specific harm that would befall the party if the information were disclosed); and (3) state whether the party is willing to provide the confidential information pursuant to a protective order.

A party seeking production of documents, notwithstanding a party’s claim of confidentiality, may file a motion to compel production with the Commission.
IV.

WITNESSES

Witnesses shall submit pre-filed written testimony and exhibits and shall be made available for cross-examination at the hearing. Witnesses should have the work papers used in preparing the evidence they sponsor available at the hearing. Witnesses will not be permitted to read prefiled testimony at the hearings.

In the oral presentation of the testimony, each witness may give a brief summary of the testimony and exhibits and shall summarize the issues raised by such testimony. Each witness shall be subject to cross-examination for both direct and rebuttal testimony and exhibits.

The parties in this case should cooperate to accommodate the schedules of any mainland witnesses and should inform the Commission in advance of any scheduling difficulties of mainland witnesses. If any party has any objection to scheduling a witness in advance of other witnesses, the party should make a timely objection to the Commission.

V.

FORM OF PREPARED TESTIMONY

All prepared testimony, including text and exhibits, shall be prepared in written form on 8-1/2” x 11” paper with line numbers, and shall be served on the dates designated in the Schedule of Proceedings.

Each party shall be permitted to follow its own numbering system for written testimony and exhibits, provided that the numbering system utilized is consistent and is clearly understandable. Each document of more than one page shall be consecutively numbered. Each party shall prepare a list of its exhibits by exhibit numbers and titles.

The parties shall be permitted to make revisions to exhibits after the designated dates appearing in the Schedule of Proceedings. Revisions shall bear appropriate revision dates. However, revisions or additions that do more than correct typographical errors, update facts, or give numerical comparisons of the positions taken by the parties shall not be submitted.
Generally, exhibits should include appropriate footnotes or narratives in the exhibits or the related testimony setting forth the sources of the information used and explaining the methods employed in making statistical compilations or estimates.

VI.

MATTERS OF PUBLIC RECORD

To reduce unnecessary reproduction of documents and to facilitate these proceedings, identified matters of public record, such as reports that HAWC has filed with the Commission, published scientific or economic statistical data, material and textbooks, technical or industry journals relating to utility matters, and specified parts of the record in previous Commission docket shall be admissible in this proceeding without the necessity of reproducing each document; provided that the document to be admitted is clearly identified by reference to the place of publication, file or docket number, and the identified document is available for inspection by the Commission and the parties; and further provided that any party has the right to explain, qualify or conduct examination with respect to the identified document. The Commission can rule on whether the identified document can be admitted into evidence when a party proffers such document for admission as evidence in this case.

From time to time, the parties may enter into stipulations that such documents, or any portion of such documents, may be introduced into evidence in this case.

VII.

COPIES OF TESTIMONIES, EXHIBITS AND INFORMATION REQUESTS

Public Utilities Commission
465 South King Street
First Floor
Honolulu, HI 96813

Division of Consumer Advocacy
335 Merchant Street
Room 326
Honolulu, HI 96813
Facsimile Number: 586-2780

Original plus 8 copies

6 copies
All pleadings, briefs and other documents required to be filed with the Commission shall be filed at the office of the Commission in Honolulu within the time limit prescribed pursuant to HAR § 6-61-15.

VIII.

ORDER OF EXAMINATION

Consistent with the requirements set forth under HAR § 6-61-31, HAWC’s witnesses shall open with its direct case. The Consumer Advocate’s direct case shall be presented after HAWC’s direct case. The City’s direct case shall be presented after the Consumer Advocate’s direct case. HAWC shall close with its rebuttal case.
Examination of any witness shall be limited to one attorney for a party. The parties shall avoid duplicative or repetitious cross-examination. Cross-examination shall be limited to witnesses whose testimony is adverse to the party desiring to cross-examine. Re-cross-examination shall be limited to the extent of material covered in redirect examination unless otherwise permitted by the Commission.

IX.

COMMUNICATIONS

HAR § 6-61-29 concerning ex parte communications is applicable to any communications between a party and the Commission. However, the parties may communicate with Commission counsel through their own counsel or designated official only as to matters of process and procedure.

Communications between the parties should either be through counsel or through designated representatives. All pleadings, papers, and other documents filed in this proceeding shall be served on the opposing party as provided in Article VII above.

All motions, supporting memoranda, briefs, and the like shall also be served on opposing counsel.

X.

GENERAL

The foregoing procedures shall be applied in a manner consistent with the orderly conduct of this docket.

Pursuant to HAR § 6-61-37, this Stipulated Prehearing Order shall control the subsequent courses of the proceedings, unless modified at or prior to the hearings to prevent manifest injustice. This Stipulated Prehearing Order may be executed by the parties in counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument. The parties may execute this Stipulated Prehearing
Order by facsimile for initial submission to the Commission to be followed by the filing of
originals of said facsimile pages.


By

JON S. ITOMURA
LANE H. TSUCHIYAMA
Attorneys for
DIVISION OF CONSUMER ADVOCACY
DEPARTMENT OF COMMERCE AND
CONSUMER AFFAIRS

By

CARRIE K.S. OKINAGA
GARY Y. TAKEUCHI
PAUL HERRAN
Attorneys for the CITY AND COUNTY OF
HONOLULU

By

KENT D. MORIHARA
KRIS N. NAKAGAWA
SANDRA L. WILHIDE
RHONDA L. CHING
Attorneys for Applicant
HAWAII-AMERICAN WATER
COMPANY
APPROVED AND SO ORDERED AT HONOLULU, HAWAII THIS _____ day of _____________________________, 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
CERTIFICATE OF SERVICE

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

MS. CATHERINE P. AWAKUNI
EXECUTIVE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
250 S. King Street
Room 825
Honolulu, Hawaii 96813

KENT D. MORIHARA, ESQ.
KRIS N. NAKAGAWA, ESQ.
SANDRA L. WILHIDE, ESQ.
RHONDA L. CHING, ESQ.
Morihara Lau & Fong LLP
Davies Pacific Center
841 Bishop Street, Suite 400
Honolulu, Hawaii 96813

MR. RODNEY L. JORDAN
c/o American Water Works Service Company, Inc.
4701 Beloit Drive
Sacramento, CA 95838

MR. LEE A. MANSFIELD, P.E.
Manager
Hawaiian-American Water Company
6700 Kalanianaole Highway
Honolulu, HI 96825

CARRIE K.S. OKINAGA, ESQ.
GARY Y. TAKEUCHI, ESQ.
PAUL HERRAN, ESQ.
Department of Corporation Counsel
City and County of Honolulu
530 S. King Street, Room 110
Honolulu, HI 96813

DATED: __________________________, 2008

__________________________________________
Chief Clerk
**EXHIBIT “A”**

**STIPULATED REGULATORY SCHEDULE**

**HAWAII-AMERICAN WATER COMPANY**

Docket No. 2007-0180

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<sup>1</sup> During the period from March 30, 2008 through May 14, 2008, the Consumer Advocate and City have the right to issue IRs on Hawaii-American at any time. Hawaii-American agrees to use its best efforts to provide a response to these IRs to the Consumer Advocate and City within 14 days from the date the particular information request(s) were submitted to Hawaii-American, but in no event later than 21 days after submission. The IRs and responses will only be shared between Hawaii-American and the Consumer Advocate and/or between Hawaii-American and the City initially, as applicable. However, in periodic intervals, but in no event later than the seven (7) days after the date the Consumer Advocate and City file their respective Direct Testimonies and Exhibits with the Commission, Hawaii-American, the Consumer Advocate and City will compile and file with the Commission all IRs and responses provided during the time period.

<sup>2</sup> The parties reserve the right to (collectively or individually) engage in settlement discussions at any time on any and/or all disputed issues that may exist between any of the parties’ respective positions in the subject docket. In the event a settlement is reached by all or any of the parties, the respective parties will notify the Commission and any other parties accordingly and make such changes to the remaining procedural steps as may be applicable or prudent under the circumstances, including but not limited to waiving any rights to an evidentiary hearing or limiting the scope of the hearing to any unresolved issues.
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</tbody>
</table>

\(^3\) Pursuant to Order No. 24090, filed on March 13, 2008, the Commission determined, among other things, that the date of the completed Application, filed on October 29, 2007, is December 11, 2007. As such, under Hawaii Revised Statutes (HRS) § 269-16(d), Hawaii American is entitled to a final decision on its Application no later than September 11, 2008 (aka, nine-month final decision and order) and, at the very minimum, interim relief by October 11, 2008 if the Commission determines based on the evidentiary record before it that Hawaii-American is probably entitled to such interim relief. By stipulating to this regulatory schedule, Hawaii-American does not waive its right to a nine-month final decision and order and interim relief within ten months consistent with the requirements set forth under HRS § 269-16(d). In that connection, the parties will make every effort to expedite the discovery process, if possible, to provide the Commission with a sufficient and complete evidentiary record to render an interim relief decision within the ten-month period.
CERTIFICATE OF SERVICE

I hereby certify that I have on this date served a copy of the foregoing Order No. 24178 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: MAY - 6 2008