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COMMISSION ON WATER RESOURCE MANAGEMENT

STATE OF HAWAI`I

`Īao Ground Water Management Area High-Level Source Water Use Permit Applications and Petition to Amend Interim Instream Flow Standards of Waihe`e, Waiehu, `Īao, & Waikapū Streams Contested Case Hearing	Case No. CCH-MA06-01 **OFFICE OF HAWAIIAN AFFAIRS' RESPONSIVE BRIEF**

OFFICE OF HAWAIIAN AFFAIRS' RESPONSIVE BRIEF

Office of Hawaiian Affairs ("OHA"), submits its responsive brief to the Opening Briefs and submissions filed by the County of Maui Department of Water Supply ("the County" or "MDWS"), Wailuku Water Company LLC ("WWC"), and Hawaiian Commercial and Sugar Company ("HC&S"), which addressed the following issues remanded by the Hawai`i Supreme Court in *In re Nā Wai `Ehā,* 128 Hawai`i 228, 287 P.3d 129 (2012): (1) the viability of recycled water from the Kahului Wastewater Plant as an alternative to diverting Nā Wai `Ehā streams (MDWS); (2) reasonable estimate of system losses (WWC and HC&S); (3) use of diverted Nā

Wai `Ehā water to irrigate Fields 921 and 922 (HC&S); and (4) use of Well No. 7 as an alternative to diverting Nā Wai `Ehā streams (HC&S), as well as other issues. OHA reserves its right to further comment and submit additional evidence based on the evidence and argument of the other parties in their responsive and rebuttal submissions and at the hearing, and responds as follows:

I. RESPONSE TO THE COUNTY

The County spends much of its opening submission flailing at a straw man of its own creation. It argues at length, supported by "microeconomic" and "macroeconomic" analyses, that its potential future use of 3.2 mgd of surface water from `Īao Stream via the `Īao-Waikapū Ditch "must [] be considered and included by the Commission as part of the process to determine the interim instream flow standards." MDWS's Opening Brief ("MDWS OB") at 10. The County apparently fails to recognize that the Commission has *already done* what the County spends so much effort arguing it *should do*. In establishing the IIFS the Commission concluded that, although it was only using about 1 mgd at the time, "MDWS's reasonable use, COL 62, *supra*, of surface water is 3.2 mgd." D&O, COL 224. *See also id.,* Tables 13, 18 (identifying "current and future allowable diversions"). Clearly, MDWS's potential use of 3.2 mgd ***was*** considered and included by the Commission in determining the IIFS. No party challenged, on appeal, the Commission's conclusion that MDWS's 3.2 mgd was reasonable, and it is not an issue the Supreme Court instructed the Commission to reconsider on remand. Accordingly, consideration of the County's future use of 3.2 mgd from `Īao Stream as part of the IIFS determination is a settled issue.[1]

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[1] That the Commission considered MDWS's future use of 3.2 mgd in determining the IIFS, however, does not mean that MDWS has a "reservation" of that amount, as it apparently supposes. MDWS OB at 7. *See* HRS § 174C-49(d) ("The Commission, *by rule*, may reserve

Equally settled is the Commission's rejection of the ill-conceived Wai`ale Surface Water Treatment Facility ("Wai`ale WTF"), which the County improperly attempts to resurrect on remand. *See, e.g.,* Declaration of David Taylor dated January 3, 2014 ("Taylor Decl.), ¶¶ 47-49; MDWS OB at 17. In the original contested case proceeding, the County made the *same* arguments it makes here regarding this scheme pursuant to which A&B would obtain source credits to support its development projects by building and dedicating to the County a treatment plant to process 9 mgd of Nā Wai `Ehā water (notwithstanding HC&S's claim that every drop was required for it to survive), provided an agreement could be reached regarding how much the County would have to pay WWC for the water. *See, e.g.,* FOF 306; Eng WT 9/14/07, pp. 8-9; Eng, Tr. 12/13/07, pp. 122-125; Eng, Tr. 12/14/07, pp. 6-9; Kuriyama WT 10/26/07, ¶ 6; Kuriyama, Tr. 2/22/08, pp. 18-22.[2]

In its Final D&O, the Commission admonished the County that it needed to "tak[e] responsibility to *reduce* reliance upon stream waters," *id.* at 192 (emphasis added), and concluded that the Wai`ale WTF was "too speculative" to be considered in the determination of the IIFS, COL 62. *See also* COL 224 ("MDWS's current and future use *should not take into account the informal discussions . . . to build a new treatment facility. . . .* Therefore, MDWS's reasonable use, COL 62, *supra*, of surface water is *3.2 mgd*" (emphases added)). Although MDWS cross-appealed from the Commission's Final D&O, it did ***not*** challenge as erroneous the

water . . ." (emphasis added)). To the contrary, the Commission, in its Final D&O, expressed concern about the County's reliance on stream water, and indicated it would address that concern in the WUPA proceedings. Final D&O at 192-193. ***That*** is the appropriate time for MDWS to present its arguments regarding why it should be permitted to increase its use of Nā Wai `Ehā water to 3.2 mgd.

[2] A&B *also* contemplated imposing a water delivery charge in addition to whatever WWC charged the County for the water. WT Kuriyama 10/26/07, ¶ 6.

Commission's conclusion regarding Wai`ale WTF.[3] That conclusion was therefore undisturbed on appeal.

MDWS fails to recognize that, just as with its high-level dike WUPAS, the issues it raises regarding (1) its current and potential future use of up to 3.2 mgd from `Īao Stream, and (2) the proposed Wai`ale WTF "were [decided] in the original proceeding, were not part of the appeal to the Supreme Court, and accordingly are also not a part of this remand proceeding." MDWS OB at 1. MDWS's attempt to re-litigate decided issues on remand is procedurally improper and a waste of the Hearings Officer's and the parties' time. It should be rejected.

The only *actual* remand issue MDWS addresses is whether recycled water is a viable alternative to diverting Nā Wai `Ehā streams. MDWS OB at 7. On that issue (which MDWS is the *only* diverter to address in its opening submission),[4] MDWS contends that recycled water "is not cost-effective and cannot displace enough potable water to meet the needs in the Central Maui System area," *id.*, because "the costs for improving the treatment plants and building an independent water distribution system are much higher than treating Nā Wai `Ehā surface water," *id.* at 18 (citing Ex. B-R8).[5] The County's position is myopic, and appears wilfully so.

[3] In fact, the County's cross-appeal was dismissed by the Hawai`i Supreme Court because it sought only an advisory opinion on an abstract proposition. *Nā Wai `Ehā,* 128 Hawai`i 228, 245, 287 P.3d 129, 146 (2012).

[4] On January 23, 2014, OHA received a CD entitled *ATA's Feasibility Report For HC&S Use of Reclaimed Water From Wailuku-Kahului Wastewater Reclamation Facility.* OHA has had insufficient opportunity to review the report, and HC&S has not yet presented any position with respect to the report that the parties can respond to. OHA anticipates a supplemental briefing schedule to address HC&S's position regarding the feasibility of using recycled water for irrigation, and reserves its right to respond to HC&S's position once it is known.

[5] Of course, simply saying an alternative is more expensive does not end the inquiry, because the public trust "is not obliged to ensure that any particular user enjoys a subsidy or guaranteed

The issue on remand is far broader than *MDWS's* use of recycled water *to displace potable water* use in its Central Maui System. As the Supreme Court observed, the Commission concluded that at least 5 mgd of recycled wastewater from the Wailuku/Kahului Wastewater Plant is currently disposed of via underground injection, and there was testimony that "private parties could construct their own pipeline to the plant." *Nā Wai `Ehā,* 128 Hawai`i 228, 262, 287 P.3d 129, 163 (2012). That testimony was given by Steve Parabicoli, the County of Maui Water Recycling Program Coordinator, who also testified that R-2 recycled water can be used on golf courses, allowing the golf courses to use less fertilizer, Parabicoli Tr. 1/25/07 at 183, and had been used on sugar cane by Pioneer Mill for five or six years until it ceased sugar cultivation, *Id.* at 147-48. Mr. Parabicoli was "sure" HC&S could use R-2 water from the Kahului plant on its Waihe`e-Hopoi or Iao-Waikapu Fields; among other things, the chloride levels in the recycled water from that facility are low enough to meet drinking water standards. *Id.* at 149-150. As Mr. Parabicoli explained, recycled water is always available, and can free up water for valuable purposes such as stream restoration, agricultural, and cultural practices. *Id.* at 153-154.

In addition to leaving more water in Nā Wai `Ehā streams where it supports public trust purposes, the County's expert pointed out that increased use of recycled water by HC&S would also benefit the County by reducing its reliance on injection wells. B-R8 at 9. Moreover, as the Community Groups demonstrated in their Opening Brief, leaving more water in Nā Wai `Ehā streams would increase the recharge to the aquifers that are the main water source for the Central Maui System. *Id.* at 28-31 (and exhibits cited therein); B-R8 at 5 (identifying

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access to less expensive water sources," and "[s]tream protection and restoration need not be the least expensive alternative for offstream users to be 'practicable' from a broader, long-term social and economic perspective." *In re Waiāhole,* 94 Hawai'i 97, 165, 9 P.3d 409, 477 (2000).

sources for Central Maui System). Maintenance of those aquifers is obviously vital if the County is to have any hope of meeting the future demands of the Central Maui System.

OHA is not suggesting that the County construct a pipeline dedicated to delivering recycled water to the Waihe`e-Hopoi Fields funded entirely with public funds. As the Commission directed in its Final D&O, however, its decision was intended to "force[] all parties to address critical water issues which have been avoided for far too long." *Id.* at 194. Specifically, "[l]arger diverters facing ongoing and growing needs, *including the County,* should explore joint development of reclamation and water recycling in order to address their needs *without returning to these streams.*" *Id.* (emphases added). Surely the County, as a trustee of Nā Wai `Ehā's public trust resources, would support any effort by A&B to construct a pipeline to deliver recycled water to HC&S, and would work jointly with A&B to ensure this resource can be put to use for the mutual benefit of the County, HC&S, and the communities of Nā Wai `Ehā.

II. <u>RESPONSE TO WWC</u>

WWC purports to "assist" the Commission by providing supplemental information regarding "the effect which a change in instream flows will have on WWC economically." WWC OB at 2. The Commission clearly does not need such assistance; it has already assumed (and accepted) that restoration of flow to Nā Wai `Ehā streams, even to the paltry extent of the *current* IIFS, could have a significant negative financial impact on WWC. COL 240(b)-(d).[6]

WWC also makes the misguided suggestion that it is somehow relevant to the Commission's decision on the remand issues that restoration of flow to `Īao and Waikapū Streams will have a greater impact on WWC's bottom line than restoration of flow to Waihe`e

[6] As it turns out, the 10 mgd IIFS for Waihe`e River has not had a significant financial impact on WWC. *See infra,* n. 7 and Exh. C-R 14.

River. WWC OB at 6-10.[7] The Commission, however, has no discretion to deny appurtenant rights of kuleana users along `Īao and Waikapū Streams, and the feasibility of protecting traditional and customary Native Hawaiian rights exercised along those streams is not determined by the fact that, as an accounting matter, HC&S pays WWC for water from `Īao and Waikapū Streams, but not from Waihe`e River. That, of course, is the reason WWC prefers restoration of flow to Waihe`e River over restoration to `Īao or Waikapū Streams.

Moreover, as WWC acknowledges, its rate structure will be determined by the Public Utilities Commission ("PUC") after the IIFS are established and the permitting proceedings are concluded. WWC OB at 13-14. It appears unlikely in the extreme that the PUC would approve a rate structure based on the assumptions of Mr. Kuba's model (or that WWC would even propose a financial model where 71% of the expenses were allocated to non-paying customers) but until the PUC actually considers and approves a rate structure for WWC, consideration of different IIFS scenarios and their relative financial impacts on WWC is a matter of pure speculation.

With respect to its system losses, WWC claims they have been reduced to 4.97%. Assuming that estimate is correct, and further assuming that (1) WWC has in fact eliminated vegetation loss and operational loss to the extent possible and (2) WWC's estimates of the cost to line the ditches or replace them with pipelines is accurate, it appears WWC has reduced its system losses to the extent feasible.

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[7] WWC's annual reports to its unit holders *do* bear out Mr. Kuba's conclusion that the IIFS for Waihe`e River does not have a significant financial impact on WWC. In 2009, the year before the IIFS was implemented, WWC had total revenues of $1,113,062; its revenues in 2010, 2011, and 2012 were $1,078,469, $1,031,942, and $995,434, respectively. Exh. C-R 14. In other words, in 2011, the first full year with the IIFS in place, WWC's revenues were 93% of its 2009 (pre-IIFS) revenues. Also, contrary to Mr. Kuba's conclusions, WWC continued to report a positive cash flow through 2011. *Id.* Indeed, WWC ended 2012 with cash reserves of $707,690 (compared to $746,651 at the end of 2009). *Id.*

III. RESPONSE TO HC&S

As is clear from HC&S's Opening Brief, many of HC&S's assumptions have required adjustment in the six years since the original contested case proceeding. Nonetheless, the message is the same (albeit less stridently delivered): "the continued viability of HC&S remains highly sensitive to any further IIFS increases." HC&S OB at 33 (upper case omitted). HC&S "cannot survive" meaningful IIFS (which it calls "regulatory drought") and Nā Wai `Ehā water "continues to be critical to HC&S's prospects of maintaining its business model and labor force while it explores longer-term alternatives to keep its 36,000 acres in agricultural cultivation." HC&S OB at 15 (citing Declaration of Rick W. Volner, Jr. ("Volner Decl."), ¶ 25).

However, as A&B's current Chairman and Chief Executive Officer made clear, it is ***A&B's*** business model that is relevant, not HC&S's. *See* Kuriyama WT 10/26/07, ¶ 8 (referring to "A&B's business model for HC&S"). No stand-alone company could survive growing a single crop on 36,000 acres and selling it for "prices below breakeven, but above current market[.]" Exh. C-R 15 at 30. It is only because HC&S is not a separate company, but a division of A&B (which reported $58.0 million in operating profits in 2012, Exh. E-R 6), that it even seeks to maintain such an unsustainable business model. And while A&B strives to "maximize its returns from agricultural activities and assets," Exh. E-R 6, its business model for HC&S does not depend on HC&S generating a profit. As Mr. Holaday explained, A&B would shut down HC&S if the cost of operating it were greater than the costs of shutting it down, which latter costs would include (vastly) increased real property taxes on A&B's 36,000 acres if they were no longer taxed at the agriculture rate, as well as other holding costs such as insurance and security. Tr. (Holaday) 1/31/08 at 115-116. *See also* Exh. C-46 at 6-7. Although there has been no testimony presented regarding the point at which the costs to A&B of operating HC&S would exceed the costs of not operating it, there are certainly data points.

For example, as HC&S predicted in 2007, it took two years for HC&S to reverse the declining yields that resulted from the reduced crop age that had been indirectly triggered by the closure of the Paia Mill. *See* FOF 538, 537. As planned in 2007, HC&S reduced its harvesting in 2008 and 2009 to allow for an increase in crop age, and anticipated the short term result would be diminished revenues, after which it expected increased yields. FOF 538. Even when the diminished revenues in 2008 and 2009 resulted in approximately $40 million in losses for those two years, A&B decided to continue HC&S's operations through 2010 based, in part, on anticipated yield improvements and higher sugar prices. Exh. E-R 3. And, when it became obvious well over a year ago that (1) the dramatic increase in sugar prices was temporary; and (2) after balancing the crop age and improving its agronomic practices, HC&S's yield was still significantly short of the 13-14 TSA it had determined was necessary to "remain viable," Holaday WT 09/14/07, A&B continued to support HC&S's efforts.

Nor did A&B abandon HC&S when a PUC decision changed the way Maui Electric Company ("MECO") calculated its "avoided cost," which is how it pays HC&S for power under the Power Purchase Agreement ("PPA"). In the years before the contested case hearing, HC&S had reduced its irrigation pumping in order to maximize energy sales. *See, e.g.,* Ex. C-29 at 33, 36. By the time of the hearing, energy sales to MECO accounted for 20-21% of HC&S's revenue, and "[g]oing forward, because we get paid on an . . . avoided cost . . . I would think that number will go to 25% probably in 2008, and it will keep going higher and higher as fossil fuel costs go higher and higher." Tr. (Holaday) 1/31/08 at 18, l. 22-19, l. 21; *see also id.* at 142, ll. 3-5 (agreeing that "the viability of the company really is a function of that [PPA] contract"). Instead, before that year was out, the PUC changed the avoided cost formula, resulting in an estimated $6 million loss in annual revenues to HC&S. Exh. E-R 2, ¶ E. Now, it appears that if the PPA continues beyond its December 31, 2014 expiration, it will be under different terms, with HC&S committing to providing substantially less power, and at a fixed price that is not based on MECO's avoided cost. Exh. A-R 6.

There is simply no basis in the record for concluding that increasing the IIFS to protect traditional and customary Native Hawaiian rights to the extent feasible, adequately protect public trust uses and satisfy appurtenant rights will cause A&B to shut HC&S down. Nor is there any basis for the communities of Nā Wai `Ehā to continue subsidizing A&B by sacrificing public trust purposes, including the practice of their culture, to reduce A&B's landholding costs and increase its profits. A&B must bear some of the sacrifice, as it has apparently, albeit belatedly, recognized.

A. Well No. 7

HC&S has finally conceded the obvious – that using Well No. 7, as it did through most of its history, is a feasible alternative to draining Nā Wai `Ehā streams. Indeed, HC&S/A&B made the business decision that it was cost-effective to invest $1,658,369 in a new booster pump and a new distribution pipeline so that it could pump and distribute to the Waihe`e-Hopoi Fields ***more*** than the 9.5 mgd that the Commission majority arbitrarily chose as the "cap" on Well 7's use. And, because the new pump is more energy efficient, and revenues from MECO have declined on a per-unit basis and will likely decline further, *supra*, HC&S's pumping costs are lower even than it projected, and will be lower still next year.[8]

[8] Moreover, given the engineering expertise available to HC&S, presumably it will be able to determine why the addition of pump 7D results in tripping the shut-off feature when pumps 7A and 7B are running simultaneously, which was not an issue before pump 7D was added.

HC&S suggests it may not be reasonable for it to pump Well No. 7 at 18.5 mgd continuously for 365 days per year, *i.e.,* even when stream flows are abundant. HC&S OB at 24-25. *No one disagrees.* Once IIFS have been established that properly balance the competing demands while protecting traditional and customary Native Hawaiian rights and practices in Nā Wai `Ehā to the extent feasible, allowing kuleana users to exercise their appurtenant rights, and adequately protecting the other public trust uses in Nā Wai `Ehā, offstream users such as HC&S may, by definition, divert stream flow that is in excess of those IIFS. It is only WWC and HC&S that have taken absolutist positions; the Community Groups, OHA, and the County have always advocated balance and sharing.

B. HC&S's System Losses

The original contested case proceeding confirmed what many had observed—an unconscionable amount of the water diverted from public trust uses in Nā Wai `Ehā was simply wasted. While it claimed that every drop was critical to its very survival, HC&S ***alone*** diverted 20 mgd in excess of its irrigation requirements. FOF 283, 286 (finding HC&S diverted an average of 49.6 mgd from Nā Wai `Ehā); COL 227 (concluding total irrigation need for Waihe`e-Hopoi Fields and `Īao-Waikapū Fields, including 2 mgd for losses, is 29.81 mgd). Of that 20 mgd, 9-12 mgd is system losses (6-8 mgd Wai`ale Reservoir seepage and 3-4 mgd in the remainder of HC&S's water system (COL 122)) and the rest is water delivered to the fields in excess of their irrigation needs. Even the Commission majority, which "consistently cho[se] presumptions in favor of HC&S and to the detriment of stream restoration," and acted "to protect HC&S's interests, to the detriment of stream resources," Dissent at 2, 4, could not overlook the scale of HC&S's waste.

In its Final D&O, the Commission ordered:

> The Commission staff shall immediately confer with HC&S, WWC, and other relevant parties to establish a timetable for addressing the approximately 12.48 mgd in preventable system losses. ***The highest priority is leakage from HC&S's unlined Waiale Reservoir.*** The Commission has found in the past that merely requiring parties to address losses has not resulted in prompt remedying of losses. Accordingly, after some discussion, the Commission has deliberately opted to place the burden and motivation to address loss squarely upon the parties in control of those systems. The IIFS will be implemented as stated below, and the result is that HC&S and WWC will have to aggressively address~~immediately remedy~~ significant system losses or face far greater reductions in water to meet their needs.

Id. at 187 (emphasis added) (strikethrough in original). HC&S did not appeal from the Final D&O.

The Hawai`i Supreme Court found it "necessary to recognize the magnitude of the losses," which it characterized as "massive." *Nā Wai `Ehā,* 128 Hawai`i at 256-57, 287 P.3d at 157-58. Even while holding the Commission failed to fulfill its public trust duties in several respects, the Court specifically ***commended*** the Commission for ordering HC&S to line Wai`ale Reservoir, citing it as an example of "the 'diligence' and 'foresight' expected of the Commission in its management of the public trust." *Id.* at 257, 287 P.3d at 158.

The specific issue on remand is the extent to which the system losses *other than* the seepage through Wai`ale Reservoir are reasonable; the Commission has already concluded that the Wai`ale Reservoir losses are ***not.*** Given that HC&S did not appeal from the Commission's order, and that briefing on appeal was completed in 2011, the Hawai`i Supreme Court had no way of knowing that, more three years after it was ordered to "aggressively address" its system losses, giving leakage from Wai`ale Reservoir the "highest priority," HC&S would not yet have addressed the reservoir seepage. The "timetable" that the Commission ordered was presented to the Commission at its November, 2011 meeting, Exh. C-R 16, p. 9, and for all that appears in the Commission's records, or on the ground at Wai`ale Reservoir, nothing further was done (notwithstanding that HC&S was flush with profits in 2011 and 2012).

Although the Wai`ale Reservoir seepage loss is not an enumerated issue on remand (it already having been settled that such loss is avoidable and thus unreasonable), it is certainly relevant to the IIFS. As the Hawai`i Supreme Court pointed out,

> [t]he plain meaning of the word "importance" [in HRS § 174C-71(2)(D)] requires the Commission to judge the value of a party's noninstream use against the other present or potential uses. The value of diverting water, only to lose the water due to avoidable or unreasonable circumstances is unlikely to outweigh the value of retaining the water for instream uses.

*Nā Wai `Ehā,* 128 Hawai`i at 257, 287 P.3d at 129. There is no evidence in the record from which the Commission could conclude that the value of seepage through Wai`ale Reservoir outweighs the value of the public trust uses in Nā Wai `Ehā and it has clearly concluded the contrary. Given HC&S's failure to comply with the Commission's order to mitigate those losses, 8 mgd should be summarily added to the IIFS. That appears to be the only way to actually give effect to the Commission's expressly stated intent to "place the burden and motivation to address loss squarely upon the part[y] in control of [Wai`ale Reservoir]." Final D&O at 187.

With respect to the loss in the rest of HC&S's system, which *is* an identified issue on remand, HC&S is equally cavalier. Unlike WWC, HC&S did not even make an attempt to further quantify, let alone mitigate, its other system losses. It simply claims, based on a twenty-year old water use data compilation from USGS, that "it would be reasonable to expect" HC&S to have total system losses of 20%, based on other comparable systems. HC&S OB at 26.

HC&S's use of USGS Survey Circular 1200 (Exh. E-R14) is misleading, at best.[9] In any event, given the geographic proximity and similarity of systems, there is no reason why HC&S should not be able to achieve the same efficiency as WWC, which reports that it has reduced its system losses to less than 5%. As the Supreme Court reminded the Commission, in estimating losses, it must be "mindful of its duty to 'protect instream values to the extent practicable.'" *Nā Wai `Ehā,* 128 Hawai`i at 258, 287 P.3d at 159.

C. HC&S's Actual Acreage

HC&S devotes considerable effort to demonstrating that Fields 921 and 922 are not "sandy 'scrub land'" like Field 920, HC&S OB at 16-20, Declaration of Mae Nakahata, ¶¶ 9-13, but nowhere does it explain why Nā Wai `Ehā water should diverted to irrigate these fields, which were never cultivated until Maui Land & Pine needed a waste-disposal site, Tr. (Volner) 1/30/08, pp. 17, ll. 24-25; 137, l. 24-138, l. 1.

Moreover, what HC&S's evidence shows is that the allocation for the Waihe`e-Hopoi seed cane fields is excessive. The Commission's allocations were based on Dr. Fares' calculations of optimal irrigation need, increased by 5% to account for the reasons HC&S gave for exceeding the irrigation requirements over what both Dr. Fares' and HC&S's water balance models would calculate. COL 91. For the Waihe`e-Hopoi Fields, the 5% increase resulted in an irrigation requirement of 5,958 gad. *Id.* The Commission thus allocated 19.96 mgd for the 3,350

[9] The USGS compiles (from various sources) and disseminates estimates of water use at five-year intervals. Exh. E-R 14 (Forward). The 1995 compilation cited by HC&S explains that "[m]ethods of estimating withdrawals for irrigation vary greatly"; in some areas they are based on "theoretical calculations." *Id.* at 32. Accurate estimates can be made if the acreage irrigated, application rates and conveyances losses are known, but "[i]t usually is difficult to obtain reliable estimates for consumptive use and for conveyance loss[,]" so some of those estimates "may be only rough approximations of actual conditions." *Id.* In the 2000 report, USGS stopped reporting estimated conveyance losses altogether, Exh. C-R 17, p. 3, which is why HC&S must rely on twenty-year old "rough approximations" for its 20% loss figure.

irrigated acres of the Waihe`e-Hopoi Fields, and then added 1.79 gad for the additional 300 acres in Fields 921 and 922, for a total of 21.75 mgd. COL 92.

As HC&S now concedes, however, seed cane uses substantially less water than crop cane. Nakahata Decl., ¶¶ 5, 6; Exh. E-R 29. The actual irrigation requirement for the 1,445 acres of seed cane in the Waihe`e-Hopoi Fields (including Fields 921 and 922) for the period after the IIFS was implemented is 4,504 gad, not 5,958 gad. *Id.* In other words, the allocation of 21.75 mgd for the Waihe`e-Hopoi Fields, *including* Fields 921 and 922, exceeds the actual irrigation requirement by 2.10 mgd (5,958 gad allocated minus 4,504 gad needed = 1,545 gad excess x 1,445 acres = 2.10 mgd). OHA has no objection to HC&S's use of Fields 921 and 922, but based on the evidence the allocation for the Waihe`e-Hopoi Fields must be reduced by 2.10 mgd to account for the lower irrigation requirements of seed cane.

D. HC&S's "Economic Analysis"

HC&S has developed a model "[t]o assist CWRM in understanding the impacts on HC&S of the IIFS mandated by the 2010 D&O and any proposed modifications thereto[,]" HC&S OB at 26, which it apparently intends as a substitute for an economic analysis. HC&S's model is fundamentally and fatally flawed, for two reasons. First, it is obviously inaccurate, as HC&S could have easily determined had it been inclined to do even the most rudimentary validation. Second, to the extent the model is being used to show the economic impact of restricting HC&S's use of Nā Wai `Ehā water for purposes of the IIFS determination, the model improperly includes the cost of pumping Well No. 7 as an economic impact. It is not.

1. <u>HC&S' Model is Demonstrably Inaccurate</u>[10]

HC&S's model does not accurately predict the real world, which HC&S would have known had it made an effort to validate the model. That HC&S apparently failed to do so is not because it does not understand the concept of validating models—it obviously does. In the original contested case hearing, HC&S presented an expert witness, Dr. Ogoshi, to suggest that Dr. Fares' irrigation model, which is almost identical to HC&S's and which Dr. Ogoshi described as a "well-accepted tool for calculating irrigation requirements," Ogoshi WT 11/16/07, ¶ 3, had not been adequately validated. Dr. Ogoshi testified, "[t]he model is a formula for generating predictions from inputs; and then validation is a process of gathering empirical data to test the accuracy of the predictions." Ogoshi Tr. 2/20/08, p. 162, ll. 21-25.

HC&S has been working on its model since 2009, and claims that, since then, it has been updated and refined. HC&S OB at 26. The model purports to "predict the number of days each year that specific IIFS levels will result in HC&S not being able to meet its irrigation requirements with stream water alone," *id.* at 27, using as inputs daily measurements of stream flow in Waihe`e and `Īao Streams for the period January 2005 through September 2013, and a number of assumptions regarding how the system works, *id.* at 28-30 (describing assumptions). HC&S has also included data on the actual pre-IIFS water delivery to Wai`ale Reservoir, as "a check against reality," *id.* at 30, by which it apparently means, in Dr. Ogoshi's language, "empirical data to test the accuracy of the predictions."

Setting HC&S's model to simulate pre-IIFS conditions conclusively demonstrates that the model does ***not*** accurately predict the "reality" that existed prior to the implementation of the IIFS, but rather, predicts an alternate reality. Pre-IIFS conditions were replicated by

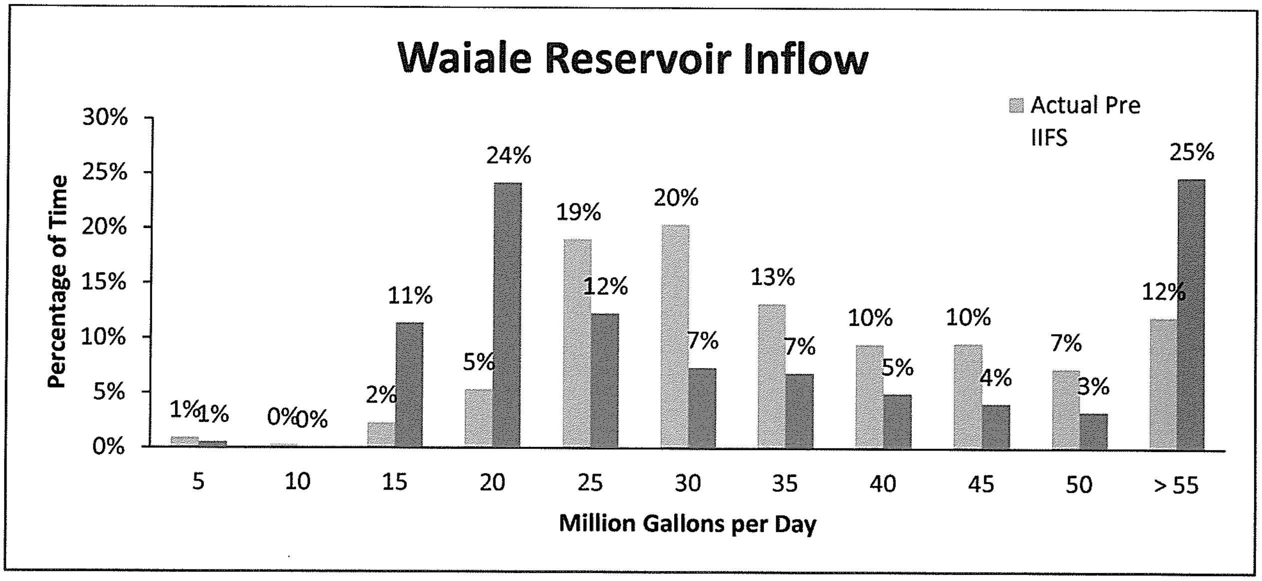
[10] At OHA's request, HC&S provided an electronic copy of the "live" model with all cells and formulae intact and operative.

setting the IIFS at zero, and setting the amounts for daily requirements and losses at the amount HC&S actually ***used***, rather than the daily requirements and losses found by the Commission to be reasonable. The amount HC&S actually used on the Waihe`e-Hopoi Fields plus actual losses is 33.4 mgd (22.9 mgd average use (COL 66) plus 10.5 estimated average losses (COL 122)); the amount HC&S actually used on the `Īao-Waikapū Fields, without Field 920, was 7.67 mgd (COL 66). With those inputs, which replicate the pre-IIFS conditions, the model predicts that there will be less than the daily requirements for the Waihe`e-Hopoi Fields ***223 days per year***, requiring that Well No. 7 be pumped an average of 6.75 mgd, and even with that pumping, there will be an annual shortfall of 553 million gallons.[11] See Exh. C-R 18. Between the pumping costs and purported "total revenue shortfall due to less than daily water requirements," HC&S's model predicts that, in a year where there is ***no IIFS***, and the water use is based on HC&S's actual water use as found by the Commission, the "total financial impact" on HC&S is ***$1,253,209.*** *Id.*

Even with the daily requirements and losses set at the amounts the Commission concluded were reasonable, as HC&S has set them, when the IIFS are set at zero the model still predicts that there will be less than 23.75 mgd available for the Waihe`e-Hopoi Fields on ***154 days per year***, requiring that Well No. 7 be pumped an average of 1.75 mgd. *See* Exh. C-R 19. Thus, even where there are no IIFS, and HC&S limits its use to its actual irrigation needs, HC&S's model predicts a "total financial impact" on HC&S of ***$227,744.*** *Id.*

The inaccuracy of the model is further confirmed by the graph below, which compares the model output (in blue) with the actual pre-IIFS data on flow into Wai`ale Reservoir (in green) when the IIFS is zero (*see also* Exhs. C-R 18; C-R 19):

[11] HC&S only pumped an average of 1.22 mgd in 2007, 2008, and 2009, substantially less than the 6.75 mgd predicted by the model under the same conditions. Ex. E-R 16.



The model predicts that, with no IIFS, there will be 20 mgd or less delivered to Wai`ale Reservoir 36% of the time; 48% of the time there will be 25 mgd or less. The actual data shows that delivery of 20 mgd or less occurred only 8% of the time, and 25 mgd or less only 27% of the time. In reality, in the five years prior to the implementation of the IIFS, the daily volume delivered to Wai`ale Reservoir exceeded 30 mgd 72% of the time, which is why HC&S never felt the need to pump from Well No. 7 or to mitigate its profligate waste.

HC&S's model is demonstrably inaccurate, and should be rejected outright.[12]

2. <u>The Cost of Using Well No. 7 Does Not Factor Into the IIFS</u>

Even if HC&S's model were accurate, the cost of pumping from Well No. 7 is not an "economic impact" that is material to the IIFS determination. As the Commission pointed out in its Final D&O,

> For a water-use permit application, the costs of alternative sources would be considered in the determination of the practicability of those alternative

---

[12] The inaccuracy of HC&S's model should not come as a surprise. Leading up to the original contested case hearing, HC&S presented so many different and irreconcilable calculations of its water use that it was difficult to keep track. *See* Community Groups' Closing Brief, § VI.B.1 at 43-47 (documenting various iterations of HC&S figures and spreadsheets); *see also* COL 81 (concluding that HC&S's calculation of its "Historical daily requirement" overlooked rainfall).

> sources. In amending the IIFS, the costs of available alternative sources for noninstream uses would not be included in the economic impact of restricting such noninstream uses because it is intrinsic to the definition of "reasonable-beneficial" use. COL 37, *supra.*

COL 43. As the Commission concluded, the cost of using Well No. 7 relates to its practicability. *See also, Waiāhole II,* 105 Hawai`i 1, 19, 93 P.3d 643, 661 (2004) (the definition of practicable "take[s] into consideration cost"). In other words, if an alternative is "practicable," then it is necessarily capable of being used from the standpoint of cost; the cost of using it thus not an "economic impact" considered in determining the IIFS. As discussed above, HC&S has already ***conceded*** the practicability of using Well No. 7 as an alternative to diverting Nā Wai `Ehā water, and has actually done so for more than three years. Exh. E-R 16. The cost of pumping Well No. 7 is therefore not properly considered in the determination of the IIFS.

IV. CONCLUSION

HC&S and WWC complain they have felt the impacts of the IIFS for Waihe`e River and Waiehu Stream, and suggest that, if the Commission fulfills its public trust duty on remand by establishing IIFS that actually protect traditional and customary Native Hawaiian Rights and other public trust purposes in Nā Wai `Ehā, the Companies might not survive in their present forms. Not only is there no economic analysis that supports the Companies' conjecture, they remain completely insensitive to the fact that the communities of Nā Wai `Ehā have suffered the impacts of these diversions for many generations, in ways that are not measurable in dollars. As the Commission found, based on uncontroverted evidence, "[r]estoration of mauka to mauka flow to the streams is critical to the perpetuation and practice of Hawaiian culture in Nā Wai `Ehā." FOF 58.

What the remand evidence to date shows is that HC&S can practicably use Well No. 7 (and has done so, while earning healthy profits, for three years), to replace at least 18.5

mgd of diverted Nā Wai `Ehā water. HC&S's belated concession eliminates the majority's 9.5 mgd "cap" that served as the mechanism by which "`Īao Stream's restoration gave way to HC&S's irrigation requirements[.]" Dissent at 2. Of course, although pumping from Well No. 7 costs HC&S significantly less than other farmers pay for water, it is not "free," but neither is the diversion of Nā Wai `Ehā streams; diversion only seems free to HC&S because the communities of Nā Wai `Ehā bear all of the costs while HC&S/A&B reaps all of the benefits.

Moreover, HC&S has found that it "needs" substantially less water when it has to bear the cost of pumping. For example, in 2009, prior to the implementation of the IIFS, HC&S applied an average of 6,482 gad to its Waihe`e-Hopoi seed cane fields. Exh. E-R 29. The IIFS was implemented in August 2010, and HC&S's use on the same fields decreased to 5,437 gad in that year. *Id.* In 2011, the first full year of the IIFS, and 2012, HC&S found that it could get by with only 4,458 and 4,551 gad, respectively, on those seed cane fields. *Id.* HC&S's allocation for its 1,445 acres of Waihe`e-Hopoi seed cane fields, including Fields 921 and 922, should be reduced by 2.10 mgd, to reflect the actual irrigation needs of these fields.

Just as HC&S finds it can get by with less water when it has to pump the water, it will likely also find a way to mitigate its waste if it actually needs the water it squanders. Although it estimates it loses 6-8 mgd through seepage from Wai`ale reservoir, and although the Commission ordered it three years ago to "aggressively address" those losses, it does not appear that HC&S has done anything to eliminate or reduce the seepage loss. The IIFS should be immediately and summarily increased by 8 mgd to replace in the streams the amount that seeps out of Wai`ale Reservoir; if HC&S finds that it has to pump 8 mgd from Well No. 7 to replace that water, it is far more likely to "aggressively address" the loss. With respect to the system losses other than Wai`ale reservoir seepage, there is no reason given why HC&S cannot reduce its system losses to less than 5%, as WWC claims to have done.

OHA expects to address the feasibility of using recycled water to replace diverted Nā Wai `Ehā water after HC&S has presented its position and witnesses. OHA reserves the right to further comment and submit additional evidence based on the evidence and argument of the other parties in their responsive and rebuttal submissions and at the hearing, and based upon such further evidence as is discovered prior to the hearing.

Dated: Honolulu, Hawai`i, January 28, 2014.

ANNA ELENTO-SNEED
PAMELA W. BUNN
Attorneys for OFFICE OF HAWAIIAN AFFAIRS

ORIGINAL

Of Counsel:
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Attorneys for
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COMMISSION ON WATER RESOURCE MANAGEMENT

STATE OF HAWAI`I

`Iao Ground Water Management Area High-Level Source Water Use Permit Applications and Petition to Amend Interim Instream Flow Standards of Waihe`e, Waiehu, `Iao, & Waikapū Streams Contested Case Hearing	Case No. CCH-MA06-01 **OFFICE OF HAWAIIAN AFFAIRS' AMENDED EXHIBIT LIST**

OFFICE OF HAWAIIAN AFFAIRS' AMENDED EXHIBIT LIST

OHA EXHIBIT NO.:	DESCRIPTION	REFERENCES	ADM
C-R 1	Tax Map for Zone 3, Section 3, Plat 01	Testimony of Levi Kainalu Almeida ("Almeida WT"), ¶ 2	
C-R 2A	Land Commission Award No. 3234C to Kaianui	Almeida WT, ¶¶ 3, 4	
C-R 2B	Royal Patent No. 4256 to Kaianui	Almeida WT, ¶ 4	

C-R 2C	Foreign Testimony in support of Kaianui's claim	Almeida WT, ¶ 4	
C-R 2D	Native Testimony in support of Kaianui's claim	Almeida WT, ¶ 4	
C-R 2E	Kaianui's claim from Native Register	Almeida WT, ¶ 4	
C-R 3	Tax Map for Zone 3, Section 5, Plat 04	Testimony of Ethan Harders ("Harders WT"), ¶ 2	
C-R 4A	Map 1 for Land Court Application 1315	Harders WT, ¶ 2	
C-R 4B	Enlargement of portion of Map 1	Harders WT, ¶ 2	
C-R 4C	Enlargement of portion of Map 1	Harders WT, ¶ 2	
C-R 5A	Land Commission Award No. 460 to Puupahoehoe	Harders WT, ¶ 5	
C-R 5B	Royal Patent No. 2165 to Puupahoehoe	Harders WT, ¶ 5	
C-R 5C	Native Testimony of Eeka and Kaili in support of Puupahoehoe's claim	Harders WT, ¶ 5	
C-R 6A	Land Commission Award No. 6041 to Eeka	Harders WT, ¶ 6	
C-R 6B	Native Testimony of Kamai in support of Eeka's claim	Harders WT, ¶ 6	
C-R 7A	Land Commission Award No. 3105 to Kaaa	Harders WT, ¶ 7	
C-R 7B	Royal Patent No. 3154 to Kaaa	Harders WT, ¶ 7	
C-R 7C	Native Testimony of Kamai in support of Kaaa's claim	Harders WT, ¶ 7	
C-R 8A	Land Commission Award No. 3296 to Mumuku	Harders WT, ¶ 8	

C-R 8B	Royal Patent No. 3147 to Mumuku	Harders WT, ¶ 8	
C-R 8C	Foreign Testimony of Eeka in support of Mumuku's claim	Harders WT, ¶ 8	
C-R 9A	Land Commission Award No. 8808 to Kekeleiaiku	Harders WT, ¶ 9	
C-R 9B	Royal Patent No. 2164 to Kekeleiaiku	Harders WT, ¶ 9	
C-R 9C	Foreign Testimony of Eeka in support of Kekeleiaiku's claim	Harders WT, ¶ 9	
C-R 10	Photograph of cultivated lo`i	Harders WT, ¶ 14	
C-R 11	Photograph of fallow lo`i	Harders WT, ¶ 14	
C-R 12	Excerpts from Keālia Pond National Wildlife Refuge Comprehensive Conservation Plan dated September 2011	Hui o Nā Wai `Ehā and Maui Tomorrow's Opening Brief and Opening Statement, p. 19	
C-R 13	Surface Water Use Permit Application filed May 1, 2009 by U.S. Fish and Wildlife Service	Hui o Nā Wai `Ehā and Maui Tomorrow's Opening Brief and Opening Statement, p. 20	
C-R 14	Letters from Avery B. Chumbley, Wailuku Water Company LLC, to Unit Holders	Anticipated cross-examination of Avery Chumbley and/or Gary M. Kuba	
C-R 15	Alexander & Baldwin, Inc. Form 10Q for the quarterly period ended September 30, 2013 (without exhibits)	Anticipated cross-examination of Rick W. Volner, Jr.	
C-R 16	Presentation given at November, 2011 meeting of Commission on Water Resource Management	Anticipated cross-examination of Rick W. Volner, Jr.	
C-R 17	Excerpt from "Estimated Use of Water in the United States in 2000," U.S. Geological Survey Circular 1268	Anticipated cross-examination of Rick W. Volner, Jr.	
C-R 18	"Summary" sheet from HC&S model with "Inputs/Assumptions" entered as shown	Anticipated cross-examination of Rick W. Volner, Jr.	

C-R 19	"Summary" sheet from HC&S model with "Inputs/Assumptions" entered as shown	Anticipated cross-examination of Rick W. Volner, Jr.	

Office of Hawaiian Affairs ("OHA") reserves the right to introduce additional exhibits at the remand hearing for purposes of impeachment or rebuttal, and to cite to and/or rely on all exhibits admitted in the original contested case proceeding, and all documents in the Commission on Water Resource Management's ("CWRM's") files relative or relevant to this matter, including all Water Use Permit Applications and Surface Water Use Permit Applications, all correspondence, and all other filings in CCH-MA-06-01.

Dated: Honolulu, Hawai`i, January 28, 2014.

ANNA ELENTO-SNEED
PAMELA W. BUNN
Attorneys for OFFICE OF HAWAIIAN AFFAIRS

2009

WAILUKU WATER COMPANY LLC

Aloha Unit Holders,

I wanted to take this opportunity to provide you with an update of Wailuku Water Company LLC, hereinafter known as WWC.

As you recall WWC was formed in the last quarter of 2005 therefore this year would be our third full year of operations. The year brought us many opportunities and challenges. We have seen some decreased demands for our delivery of water services due to the economic challenges faced by individuals and businesses throughout our State and Nation. In addition WWC continues to face a number of administrative proceedings with the Commission on Water Resources Management of the Department of Land and Natural Resources of the State of Hawaii which may result in lower volumes of water available to WWC for deliveries. These proceedings have required a concentrated focus of attention and a draw on our resources. Further when we do receive requests for new delivery service we are restricted from taking on any new customers due to the Public Utilities Commission (PUC) order to only operate on an status quo basis until the open Docket and Tariff Rate Schedule is resolved.

Total revenues for 2009 were $1,113,062 resulting in an operating loss of ($100,634) or $0.68 loss per unit. This was a decrease in revenues of $201.2k or 15% under prior year 2008. However even with revenues lower than prior year the reported loss this year versus 2008 was less due primarily to lower legal fees. With depreciation expense of $200,971 and a net cash flow increase for the period of $251,692, WWC has been able to generate a positive cash flow to fund operating and legal fee expenses. WWC currently maintains a cash balance of $746,651. I believe this is sufficient to meet near term ongoing and future obligations from operations and legal fees involving the various administrative proceedings.

These results are reported to you on an income tax basis of accounting rather than generally accepted accounting practices (GAAP), (using a 25 year MACRS tax depreciation tax method).

The outlook for 2010 is promising and we hope that many of the administrative issues will be resolved during the year allowing management the opportunity to focus on the continued improvements of the delivery system and explore opportunities for expanding our customer base. Should you have any additional questions or would like to share comments with regards to the operations of WWC please feel free to contact me on my direct phone line at 1-808-244-7079, by USPS mail or e-mail at; abc@aloha.net.

With Regards,

Avery B. Chumbley

EXHIBIT C-R 14

WAILUKU WATER COMPANY LLC

Aloha Unit Holders,

I wanted to take this opportunity to provide you with an update of Wailuku Water Company LLC (hereinafter known as WWC) for the calendar year of 2010,

As you recall WWC was formed in the last quarter of 2005; therefore this year would be our forth full year of operations. We have seen some decreased demands for our delivery of water services due to the continued economic challenges faced by individuals and businesses throughout our State and Nation. On June 10, 2010 the Commission of Water Resources Management (CWRM) issued its Decision and Order in the Contested case on In-Stream Flows. We were ordered to return 11.6 million Gallons of water back to the streams of Waiehu and Waihee on a daily basis. Two appeals were filled with the Hawaii Intermediate Court of Appeals by Petitioners Maui Tomorrow Foundation and Hui O Na Eha and Intervener Office of Hawaiian Affairs with a cross appeal being filed by the County of Maui Department of Water Supply. The opening Briefs on these appeals were filled in Late February 2011, we will be filing your Companies Answering Briefs in April 2011. These proceedings will continue to require a concentrated focus of attention and a draw on our resources. As been over the past several years when we do receive requests for new delivery service we are restricted from taking on any new customers due to the Public Utilities Commission (PUC) order to only operate on an status quo basis until the open Docket and Tariff Rate Schedule is resolved.

Total revenues for 2009 were $1,078,469 resulting in an operating loss of ($82,187) or $0.55 loss per unit. This was a decrease in revenues of $34,593k or 3% under prior year 2009. However even with revenues lower than prior year the reported loss this year versus 2009 was less due primarily to lower legal fees. With depreciation expense of $200,915 and a net cash flow increase for the period of $202,422, WWC has been able to generate a positive cash flow to fund operating and legal fee expenses. WWC currently maintains an adjusted year end (minus receipt of a first quarter 2011 receivable) cash balance of $796,405. I believe this is sufficient to meet near term ongoing and future obligations from operations and legal fees involving the various administrative proceedings.

These results are reported to you on an income tax basis of accounting rather than generally accepted accounting practices (GAAP), (using a 25 year MACRS tax depreciation tax method).

The outlook for 2011 is promising and we hope that many of the administrative issues will be resolved during the year allowing management the opportunity to focus on the continued improvements of the delivery system and explore opportunities for expanding our customer base. Should you have any additional questions or would like to share comments with regards to the operations of WWC please feel free to contact me on my direct phone line at 1-808-244-7079, by USPS mail or e-mail at; abc@aloha.net.

With Regards,

Avery B. Chumbley

Manager

WAILUKU WATER COMPANY LLC

Aloha Unit Holders,

I wanted to take this opportunity to provide you with an update of Wailuku Water Company LLC (hereinafter known as WWC) for the calendar year of 2011,

As you recall WWC was formed in the last quarter of 2005; therefore this year would be our fifth full year of operations. We continue to see decreased demands for our delivery of water services due to the lingering economic challenges faced by individuals and businesses throughout our State and Nation. On June 10, 2010 the Commission of Water Resources Management (CWRM) issued its Decision and Order in the Contested case on In-Stream Flows. We were ordered to return 11.6 million Gallons of water back to the streams of Waiehu and Waihee on a daily basis. An appeal of that Decision and Order is currently before the Hawaii Supreme Court filed by Petitioners Maui Tomorrow Foundation and Hui O Na Eha and Intervener Office of Hawaiian Affairs with a cross appeal being filed by the County of Maui Department of Water Supply. The opening Briefs on these appeals were filled in Late February 2011, we are awaiting notice from the Hawaii Supreme Court if they are going to hear oral arguments, if they do not then they will simply publish a decision . These proceedings will continue to require a concentrated focus of attention and a draw on our resources. As been over the past several years when we do receive requests for new delivery service we are restricted from taking on any new customers due to the Public Utilities Commission (PUC) order to only operate on an status quo basis until the open Docket and Tariff Rate Schedule is resolved.

Total revenues for 2011 were $1,031,942 resulting in an operating loss of ($198,119) or $1.32 loss per unit. This was a decrease in revenues of $46,527k or 4.3% under prior year 2010. With depreciation expense of $204,925 and a net cash flow decrease for the period of -$206,710 (this was caused primarily by a timing issue over prior year), WWC has been able to generate a positive cash flow to fund operating and legal fee expenses for the year. WWC currently maintains a yearend cash balance of $742,364. I believe this is sufficient to meet near term ongoing and future obligations from operations and legal fees involving the various administrative proceedings.

These results are reported to you on an income tax basis of accounting rather than generally accepted accounting practices (GAAP), (using a 25 year MACRS tax depreciation tax method).

The outlook for 2012 is guarded, until we know the outcomes of many of the administrative issues and the PUC matter we will be operating on the basis of uncertainty. Management is anxious for the opportunity to focus on the continued improvements of the delivery system and explore opportunities for expanding our customer base. Should you have any additional questions or would like to share comments with regards to the operations of WWC please feel free to contact me on my direct phone line at 1-808-244-7079, by USPS mail or e-mail at; abc@aloha.net.

With Regards,

Avery B. Chumbley

Manager

WAILUKU WATER COMPANY LLC

Aloha Unit Holders,

I wanted to take this opportunity to provide you with an update of Wailuku Water Company LLC (hereinafter known as WWC) for the calendar year of 2012,

As you recall WWC was formed in the last quarter of 2005; therefore this year would be our sixth (6) full year of operations. While the economic situation in Hawaii has shown some recent improvements, WWC has not experienced increase demands for water delivery services. On June 10, 2010 the Commission of Water Resources Management (CWRM) issued its Decision and Order in the Contested case on In-Stream Flows. We were ordered to return 11.6 million Gallons of water back to the streams of Waiehu and Waihee on a daily basis. An appeal of that Decision and Order was filed in the Hawaii Supreme Court by Petitioners Maui Tomorrow Foundation and Hui O Na Eha and Intervener Office of Hawaiian Affairs with a cross appeal being filed by the County of Maui Department of Water Supply. The opening Briefs on these appeals were filled in Late February 2011, oral arguments were heard before the Supreme Court on June 6, 2012 and the court rendered its findings on August 15, 2012. The Court concluded that the CWRM erred is several respects and vacated their order and remanded the case back to the CWRM for further proceedings. These proceedings will continue to require a concentrated focus of attention and a draw on our resources. Over the past several years when we do receive requests for new delivery service we are restricted from taking on any new customers due to the Public Utilities Commission (PUC) order to only operate on a status quo basis until the open Docket and Tariff Rate Schedule is resolved, because until then we will not know how much water we have to deliver.

Total revenues for 2012 were $995,434 resulting in an operating loss of ($186,973) or $1.25 loss per unit. This was a decrease in revenues of $36,508k or 3.5% under prior year 2011. With depreciation expense of $208,691 and a net cash flow decrease for the period of -$34,674. WWC has been able to generate sufficient cash to fund operating and legal fee expenses for the year. WWC currently maintains a yearend cash balance of $707,690. I believe this is adequate to meet near term ongoing and future obligations from operations and legal fees involving the various administrative proceedings.

These results are reported to you on an income tax basis of accounting rather than generally accepted accounting practices (GAAP), (using a 25 year MACRS tax depreciation tax method).

The outlook for 2013 continues to be guarded, until we know the outcomes of many of the administrative issues and the PUC matter we will be operating on the basis of uncertainty. Management is anxious for the opportunity to focus on the continued improvements of the delivery system and explore opportunities for expanding our customer base. Should you have any additional questions or would like to share comments with regards to the operations of WWC please feel free to contact me on my direct phone line at 1-808-244-7079, by USPS mail or e-mail at; abc@aloha.net.

With Regards,

Avery B. Chumbley

Manager

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2013

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to ____________

Commission file number 001-35492

ALEXANDER & BALDWIN, INC.
(Exact name of registrant as specified in its charter)

Hawaii	**45-4849780**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
P. O. Box 3440, Honolulu, Hawaii	**96801**
822 Bishop Street, Honolulu, Hawaii	**96813**
(Address of principal executive offices)	(Zip Code)

(808) 525-6611
(Registrant's telephone number, including area code)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 193 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filin requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 month (or for such shorter period that the registrant was required to submit and post such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. Se the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

Number of shares of common stock outstanding as of September 30, 2013: 43,105,424

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(In millions, except per share amounts) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	**2013**	2012
Operating Revenue:				
Real estate leasing	**$ 26.2**	$ 23.3	**$ 76.0**	$ 71.1
Real estate development and sales	**10.1**	0.1	**12.0**	9.6
Agribusiness	**35.9**	67.9	**94.1**	121.4
Total operating revenue	**72.2**	91.3	**182.1**	202.1
Operating Costs and Expenses:				
Cost of real estate leasing	**15.4**	13.8	**44.7**	41.5
Cost of real estate development and sales	**3.3**	0.1	**3.6**	4.2
Costs of agribusiness revenues	**34.4**	58.6	**80.1**	101.5
Selling, general and administrative	**9.6**	6.5	**24.4**	21.9
Gain on the sale of agricultural parcel	**—**	(7.3)	**—**	(7.3
Impairment of real estate assets (Santa Barbara)	**—**	—	**—**	5.1
Grace Acquisition costs	**2.0**	—	**4.5**	—
Separation costs	**—**	0.7	**—**	6.8
Total operating costs and expenses	**64.7**	72.4	**157.3**	173.7
Operating Income	**7.5**	18.9	**24.8**	28.4
Other Income and (Expense):				
Income (loss) related to real estate joint ventures	**0.7**	(1.0)	**1.8**	(3.7
Gain on insurance	**1.3**	—	**1.3**	—
Impairment and equity losses related to joint ventures	**(6.6)**	—	**(6.6)**	(4.7
Interest income and other	**1.2**	—	**1.6**	—
Interest expense	**(4.2)**	(3.6)	**(11.7)**	(11.7
Income (Loss) From Continuing Operations Before Income Taxes	**(0.1)**	14.3	**11.2**	8.3
Income tax expense	**0.8**	1.5	**5.7**	0.6
Income (Loss) From Continuing Operations	**(0.9)**	12.8	**5.5**	7.7
Income From Discontinued Operations (net of income taxes)	**5.3**	0.6	**8.9**	4.1
Net Income	**$ 4.4**	$ 13.4	**$ 14.4**	$ 11.8
Basic Earnings (Loss) Per Share:				
Continuing operations	**$ (0.02)**	$ 0.30	**$ 0.13**	$ 0.18
Discontinued operations	**0.12**	0.01	**0.20**	0.10
Net income	**$ 0.10**	$ 0.31	**$ 0.33**	$ 0.28
Diluted Earnings (Loss) Per Share:				
Continuing operations	**$ (0.02)**	$ 0.30	**$ 0.13**	$ 0.18
Discontinued operations	**0.12**	0.01	**0.20**	0.10
Net income	**$ 0.10**	$ 0.31	**$ 0.33**	$ 0.28
Weighted Average Number of Shares Outstanding:				
Basic	**43.1**	42.6	**43.1**	42.5
Diluted	**43.8**	43.3	**43.7**	42.7

See Notes to Condensed Consolidated Financial Statements.

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(In millions) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	**2013**	2012
Net Income	**$ 4.4**	$ 13.4	**$ 14.4**	$ 11.8
Other Comprehensive Income:				
Defined benefit pension plans:				
Net loss and prior service cost	**—**	—	**(2.0)**	(1.9
Amortization of prior service credit included in net periodic pension cost	**(0.4)**	(0.1)	**(1.0)**	(0.5
Amortization of net loss included in net periodic pension cost	**1.9**	1.8	**5.8**	5.7
Income taxes	**(0.6)**	(0.7)	**(1.1)**	(1.6
Other Comprehensive Income	**0.9**	1.0	**1.7**	1.7
Comprehensive Income	**$ 5.3**	$ 14.4	**$ 16.1**	$ 13.5

See Notes to Condensed Consolidated Financial Statements.

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In millions) (Unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 4.1	$ 1.1
Accounts and other notes receivable, net	42.2	8.2
Inventories	52.0	23.5
Real estate held for sale	26.9	11.5
Deferred income taxes	7.8	7.8
Income tax receivable	9.4	4.4
Prepaid expenses and other assets	7.3	6.9
Total current assets	149.7	63.4
Investments in Affiliates	327.2	319.9
Real Estate Developments	246.5	144.0
Property – net	1,009.3	838.7
Goodwill	9.2	—
Other Assets	103.3	71.3
Total assets	$ 1,845.2	$ 1,437.3
LIABILITIES AND EQUITY		
Current Liabilities:		
Notes payable and current portion of long-term debt	$ 26.9	$ 15.5
Accounts payable	22.9	26.2
Accrued interest	2.3	5.2
Due to former affiliate	10.0	—
Accrued and other liabilities	25.4	22.7
Total current liabilities	87.5	69.6
Long-term Liabilities:		
Long-term debt	587.3	220.0
Deferred income taxes	149.3	152.9
Accrued pension and postretirement benefits	59.5	58.9
Other non-current liabilities	27.2	21.5
Total long-term liabilities	823.3	453.3
Commitments and Contingencies (Note 3)		
Equity:		
Common stock	943.9	939.8
Accumulated other comprehensive loss	(45.5)	(47.2)
Retained earnings	36.0	21.8
Total equity	934.4	914.4
Total liabilities and equity	$ 1,845.2	$ 1,437.3

See Notes to Condensed Consolidated Financial Statements.

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In millions) (Unaudited)

	Nine Months Ended September 30,	
	2013	2012
Cash Flows used in Operating Activities:	**(109.4)**	(12.8
Cash Flows used in Investing Activities:		
Capital expenditures for properties and developments	**(102.9)**	(34.4
Proceeds from disposal of income-producing properties and other assets	**2.3**	0.8
Payments for purchases of investments in affiliates	**(35.9)**	(8.0
Proceeds from investments in affiliates	**3.3**	1.8
Cash acquired through consolidation of The Shops at Kukui'ula	**0.3**	—
Net cash used in investing activities	**(132.9)**	(39.8
Cash Flows from Financing Activities:		
Proceeds from issuances of long-term debt	**428.0**	122.0
Payments of long-term debt and deferred financing costs	**(196.8)**	(231.1
Proceeds (payments) from line-of-credit agreements, net	**13.5**	(3.5
Contributions from Alexander & Baldwin Holdings, Inc., net	—	146.0
Proceeds from stock option exercises, including excess tax benefit and tax withholding	**0.6**	11.6
Net cash provided by financing activities	**245.3**	45.0
Cash and Cash Equivalents:		
Net increase (decrease) for the period	**3.0**	(7.6
Balance, beginning of period	**1.1**	11.7
Balance, end of period	**$ 4.1**	$ 4.1
Other Cash Flow Information:		
Interest paid	**$ (14.1)**	$ (11.9
Income taxes paid	**$ (10.0)**	$ (6.3
Other Non-cash Information:		
Tax-deferred property sales	**$ 17.5**	$ 17.2
Tax-deferred property purchases	**$ (25.3)**	$ (9.4
Transfer of real estate development assets to Waihonua joint venture investment	**$ —**	$ 24.2
Note payable assumed in connection with acquisition of Waianae Mall	**$ 20.6**	$ —
Note payable assumed in connection with acquisition of Pearl Highlands Center	**$ 62.3**	$ —
Notes payable assumed in connection with the consolidation of The Shops at Kukui'ula	**$ 51.2**	$ —
Note receivable received in connection with the sale of Issaquah Office Center	**$ 13.0**	$ —
Property (net) acquired in connection with the consolidation of The Shops at Kukui'ula	**$ 39.0**	$ —
Capital expenditures included in accounts payable and accrued expenses	**$ 7.7**	$ 5.6

See Notes to Condensed Consolidated Financial Statements.

Alexander & Baldwin, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(1) ***Description of Business.*** A&B is headquartered in Honolulu and conducts business in three operating segments in two industries—Real Estate and Agribusiness. On October 1, 2013, A&B acquired GPC Holdings, Inc. ("Grace"), which will be reported as a separate operating segment.

Real Estate: Real Estate consists of two segments, both of which have operations in Hawaii and on the Mainland. The Real Estate Development and Sales segment generates its revenues through the development and sale of land and commercial and residential properties. The Real Estate Leasing segment owns, operates, and manages retail, office, and industrial properties. Real estate activities are conducted through A&B Properties, Inc. and various other wholly owned subsidiaries of A&B.

Agribusiness: Agribusiness, which contains one segment, produces bulk raw sugar, specialty food-grade sugars, and molasses; markets and distributes specialty food-grade sugars; provides general trucking services, mobile equipment maintenance, and repair services in Hawaii; leases agricultural land to third parties; charters the MV Moku Pahu during the sugar off-season; and generates and sells electricity, to the extent not used in the Company's Agribusiness operations.

Natural Materials and Construction: On October 1, 2013, the Company consummated its previously announced acquisition of Grace, a Hawaii-based natural materials and infrastructure construction company. Grace mines, processes, and sells basalt aggregate; imports sand and aggregates for sale and use; imports and markets liquid asphalt; manufactures and markets asphaltic concrete; performs asphalt paving as prime contractor and subcontractor; manufactures and supplies precast/prestressed concrete products; and provides various construction- and traffic- related services.

(2) ***Basis of Presentation.*** Prior to June 29, 2012, A&B's businesses included Matson Navigation Company Inc., a wholly owned subsidiary that provided ocean transportation, truck brokerage and intermodal services. As part of a strategic initiative designed to allow A&B to independently execute its strategies and to best enhance and maximize its growth prospects and shareholder value, A&B made a decision to separate the transportation businesses from the Hawaii real estate and agriculture businesses. In preparation for the separation, A&B modified its legal-entity structure and became a wholly owned subsidiary of a newly created entity, Alexander & Baldwin Holdings, Inc. ("Holdings"). On June 29, 2012, Holdings distributed to its shareholders all of the common stock of A&B stock in a tax-free distribution (the "Separation"). Holders of Holdings common stock continued to own th transportation businesses, but also received one share of A&B common stock for each share of Holdings common stock held at the close of business on June 18, 2012, the record date. Following the Separation, Holdings changed its name to Matson, Inc. On July 2, 2012, A&B began regular trading on the New York Stock Exchange under the ticker symbol "ALEX" as an independent, public company.

The financial statements and related financial information pertaining to the period preceding the Separation have been presented or a combined basis and reflect the financial position, results of operations and cash flows of the real estate and agriculture businesses and corporate functions of Alexander & Baldwin, Inc., all of which were under common ownership and common management prior to the Separation. The financial statements and related financial information pertaining to the period subsequent to the Separation have been presented on a consolidated basis. The financial statements for periods prior to the Separation included herei may not necessarily reflect what A&B's results of operations, financial position and cash flows would have been had A&B been a stand-alone company during the periods presented.

The condensed consolidated financial statements are unaudited. Because of the nature of the Company's operations, the results for interim periods are not necessarily indicative of results to be expected for the year. While these condensed consolidated financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (GAAP) for complete financial statements. Therefore, the interim condensed consolidated financial statements should be read in conjunction with the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2012 and the notes thereto included in the Company's Annual Report filed on Form 10-K for the year ended December 31, 2012, and other subsequent filings with the SEC.

Reclassifications: Certain amounts reflected in the condensed consolidated balance sheets as of December 31, 2012 have been reclassified to conform to the presentation as of September 30, 2013.

Rounding: Amounts in the consolidated financial statement and Notes are rounded to the nearest tenth of a million, but per-share calculations and percentages were determined based on amounts before rounding. Accordingly, a recalculation of some per-share amounts and percentages, if based on the reported data, may be slightly different.

(3) ***Commitments, Guarantees and Contingencies:*** Commitments and financial arrangements not recorded on the Company's condensed consolidated balance sheet, excluding lease commitments that are disclosed in Note 8 of the Company's Annual Report filed on Form 10-K for the year ended December 31, 2012, included the following (in millions):

Standby letters of credit related to real estate projects	$	10.8
Performance bonds related to real estate construction	$	21.7

On September 24, 2013, KDC LLC ("KDC"), a wholly owned subsidiary of A&B and a 50 percent member of Kukui'ula Village LLC ("Village"), entered into an Amended and Restated Limited Liability Company Agreement of Kukui'ula Village ("Agreement") with DMB Kukui'ula Village LLC ("DMB"), a Delaware limited liability company, as a member, and KKV Management LLC, a Hawaii limited liability company, as the manager and a member. Village owns and operates The Shops at Kukui'ula, a 78,900 square foot commercial retail center on the South shore of Kauai.

Under the Agreement KDC assumed control of Village, which includes full financial and operational responsibility. Accordingly, A&B consolidated Village's assets and liabilities at fair value, which includes secured loans totaling approximately $51.2 million. The first loan, totaling $41.8 million (the "Real Estate Loan"), is secured by The Shops at Kukui'ula and 45 acres of land owned by Kukui'ula Development Company (Hawaii), LLC ("Kukui'ula"), in which KDC is a member. The Real Estate Loan currently bears interest at the greater of (i) LIBOR plus 4.0 percent or (ii) 4.5 percent. The second loan, totaling $9.4 million (the "Term Loan"), is secured by a letter of credit, and bears interest at LIBOR plus 2.0 percent.

The Real Estate Loan and Term Loan were scheduled to mature on September 28, 2013. On September 25, 2013, Village entered into an agreement to extend the maturities of the loans to November 5, 2013, in order to finalize refinancing negotiations with the lender. In connection with the loan extensions, Village made a $5 million principal payment on the Real Estate Loan. On November 5, 2013, the Company refinanced the loans with a new three-year term loan, the terms which are described in Note 15.

Prior to the consolidation of the assets and liabilities of Village, the carrying value of the Company's investment in Villag
was approximately $6.3 million. In connection with the consolidation of Village, the Company wrote down its $6.3 million investment in the joint venture.

Fair value of assets acquired and liabilities assumed		
Assets acquired:		
Cash	$	0.3
Other current assets		0.4
Property, plant and equipment		39.0
Intangible assets		4.0
Total assets acquired		43.7
Liabilities assumed:		
Intangible liabilities		1.0
Liabilities assumed		51.9
Total liabilities assumed		52.9
Excess of liabilities assumed over assets acquired (recorded as goodwill)	$	9.2

The above allocation is preliminary and is based on estimated fair value estimates that may change once all information necessary to make a final fair value assessment is received. The Shops at Kukui'ula will be added to the Company's commercial portfolio, and accordingly, goodwill will be allocated to the Real Estate Leasing reportable operating segment.

Indemnity Agreements: For certain real estate joint ventures, the Company may be obligated under bond indemnities to complete construction of the real estate development if the joint venture does not perform. These indemnities are designed to protect the surety in exchange for the issuance of surety bonds that cover construction activities, such as project amenities, roads, utilities, and other infrastructure, at its joint ventures. Under the indemnities, the Company and its joint venture partners agree to indemnify the surety bond issuer from all losses and expenses arising from the failure of the joint venture to complete the specified bonded construction. The maximum potential amount of aggregate future payments is a function of the amount covered by outstanding bonds at the time of default by the joint venture, reduced by the amount of work completed to date. The recorded amounts of the indemnity liabilities were not material.

Other Obligations: Certain of the real estate businesses in which the Company holds a non-controlling interest have long-term debt obligations. One of the Company's joint ventures has a $10 million loan that matures in August 2015. As a condition to providing the loan to the joint venture, the lender required that the Company and its joint venture partner guarantee certain obligations of the joint venture under a maintenance agreement. The maintenance agreement specifies that the Company and its joint venture partner make payments to the lender to the extent that the loan-to-value measure or debt service ratio of the property held by the joint venture is below pre-determined thresholds. The Company has determined that the fair value of its obligation under this maintenance agreement is not material, and as of September 30, 2013, the Company had not paid or accrued any amounts under the guaranty.

Other than obligations described above, obligations of the Company's joint ventures do not have recourse to the Company and the Company's "at-risk" amounts are limited to its investment.

Legal Proceedings and Other Contingencies: A&B owns 16,000 acres of watershed lands in East Maui that supply a significant portion of the irrigation water used by Hawaiian Commercial & Sugar Company ("HC&S"), a division of A&B that produces raw sugar. A&B also held four water licenses to another 30,000 acres owned by the State of Hawaii in East Maui which, over the last ten years, have supplied approximately 58 percent of the irrigation water used by HC&S. The last of these water license agreement expired in 1986, and all four agreements were then extended as revocable permits that were renewed annually. In 2001, a request was made to the State Board of Land and Natural Resources (the "BLNR") to replace these revocable permits with a long-term water lease. Pending the conclusion by the BLNR of this contested case hearing on the request for the long-term lease, the BLNR has renewed the existing permits on a holdover basis. If the Company is not permitted to utilize sufficient quantities of stream waters from State lands in East Maui, it could have a material adverse effect on the Company's sugar-growing operations.

In addition, on May 24, 2001, petitions were filed by a third party, requesting that the Commission on Water Resource Management of the State of Hawaii ("Water Commission") establish interim instream flow standards ("IIFS") in 27 East Maui streams that feed the Company's irrigation system. On September 25, 2008, the Water Commission took action on eight of the petitions, resulting in some quantity of water being returned to the streams rather than being utilized for irrigation purposes. In May 2010, the Water Commission took action on the remaining 19 petitions resulting in additional water being returned to the streams. A petition requesting a contested case hearing to challenge the Water Commission's decisions was filed with the Commission by the opposing third party. On October 18, 2010, the Water Commission denied the petitioner's request for a contested case hearing. On November 17, 2010, the petitioner filed an appeal of the Water Commission's denial to the Hawaii Intermediate Court of Appeals. On August 31, 2011, the Intermediate Court of Appeals dismissed the petitioner's appeal. On November 29, 2011, the petitioner appealed the Intermediate Court of Appeals' dismissal to the Hawaii Supreme Court. On January 11, 2012, the Hawaii Supreme Court vacated the Intermediate Court of Appeals' dismissal of the petitioner's appeal and remanded the appeal back to the Intermediate Court of Appeals. On November 30, 2012, the Intermediate Court of Appeals remanded the case back to the Water Commission, ordering the Commission to grant the petitioner's request for a contested case hearing.

On June 25, 2004, two organizations filed a petition with the Water Commission to establish IIFS for four streams in West Maui to increase the amount of water to be returned to these streams. The West Maui irrigation system provided approximately 15 percent of the irrigation water used by HC&S over the last ten years. The Water Commission issued a decision in June 2010, which required the return of water in two of the four streams. In July 2010, the two organizations appealed the Water Commission's decision to the Hawaii Intermediate Court of Appeals. On June 23, 2011, the case was transferred to the Hawaii Supreme Court. On August 15, 2012, the Hawaii Supreme Court overturned the Water Commission's decision and remanded the case to the Water Commission for further consideration in connection with the establishment of the IIFS.

The loss of East Maui and West Maui water as a result of the Water Commission's decisions imposes challenges to the Company's sugar growing operations. While the resulting water loss does not immediately threaten near-term sugar production, it will result in a future suppression of sugar yields and will have an impact on the Company that will only be quantifiable over time. Accordingly, the Company is unable to predict, at this time, the outcome or financial impact of the water proceedings.

In March 2011, the Environmental Protection Agency ("EPA") published nationwide standards for controlling hazardous air pollutant emissions from industrial, commercial, institutional boilers and process heaters (the "Boiler MACT" rule), which would apply to Hawaiian Commercial & Sugar Company's three boilers at the Puunene Sugar Mill. The EPA subsequently reconsidered the March 2011 rule, and on December 21, 2012, EPA announced that it had finalized a revised Boiler MACT rule; the final rule was published in the Federal Register on January 31, 2013. The effective date of the rule was April 1, 2013, with compliance required by January 31, 2016.

The Company is currently evaluating the final rule and assessing its compliance options. Based on our review, the EPA has made significant revisions from the March 2011 final rule addressing industry concerns. The Company, along with the Florida Sugar Industry, has submitted a petition for reconsideration of certain issues in the final Boiler MACT rule. The EPA has indicated that it will be granting petitions for reconsideration of certain issues, including correcting an error that led to a final limit on carbon monoxide emissions from sugar mill boilers that was lower than it should have been.

The Puunene Mill boilers are capable of meeting most of the emissions limits specified in the final rule and the Company does not expect to incur material costs associated with upgrades to the existing particulate matter controls. While initial testing indicates that the boilers are able to meet new limits on carbon monoxide emissions during bagasse firing, it is not yet clear whether this limit can be met on a consistent basis. This is largely due to the highly variable nature of bagasse fuel. As a result, at a minimum, improvements to combustion controls and monitoring will be required on all three boilers.

The Company has begun the process of assessing current carbon monoxide emissions during bagasse firing, and will need to complete an engineering evaluation in order to develop a plan for compliance with the new rule. The compliance deadline for this rule will be three years from the date of publication of the final rule in the Federal Register (i.e., January 31, 2016), with the option for states to grant a one-year extension. A preliminary estimate of anticipated compliance costs is less than $5 million based on currently available information. This estimate will be refined as the engineering evaluation proceeds.

In June 2011, the Equal Employment Opportunity Commission ("EEOC") served McBryde Resources, Inc., formerly known as Kauai Coffee Company, Inc. ("McBryde Resources") with a lawsuit, which alleged that McBryde Resources and five other farms were complicit in illegal acts by Global Horizons Inc., a company that had hired Thai workers for the farms. The lawsuit was filed in the U.S. District Court for the District of Hawaii. In July 2011, the EEOC amended the lawsuit to name Alexander & Baldwin, LLC (formerly known as Alexander & Baldwin, Inc.), a wholly owned subsidiary of the Company, as a defendant. After motions t dismiss the complaint, and amended complaints, certain claims against the defendants remain and McBryde Resources and Alexander & Baldwin, LLC are defending the lawsuit. Discovery is pending while the parties discuss possible settlement of this matter. The Company is unable to predict, at this time, the outcome or financial impact, if any, of the lawsuit.

A&B is a party to, or may be contingently liable in connection with, other legal actions arising in the normal conduct of its businesses, the outcomes of which, in the opinion of management after consultation with counsel, would not have a material effect on A&B's condensed consolidated financial statements as a whole.

(4) ***Earnings Per Share ("EPS").*** The computation of basic and diluted earnings per common share for all periods prior to Separation is calculated using the number of shares of A&B common stock outstanding on July 2, 2012, the first day of trading following the June 29, 2012 distribution of A&B common stock to Holdings shareholders, as if those shares were outstanding for those periods. Additionally, for all periods prior to Separation, there were no dilutive shares because no actual A&B shares or share-based award were outstanding prior to the Separation.

Earnings Per Share ("EPS"): The number of shares used to compute basic and diluted earnings per share is as follows (in millions)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	**2013**	2012
Denominator for basic EPS – weighted average shares	**43.1**	42.6	**43.1**	42.5
Effect of dilutive securities:				
Employee/director stock options and restricted stock units	**0.7**	0.7	**0.6**	0.2
Denominator for diluted EPS – weighted average shares	**43.8**	43.3	**43.7**	42.7

Basic earnings per share is computed based on the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed based on the weighted-average number of common shares outstanding adjusted by the number of additional shares, if any, that would have been outstanding had the potentially dilutive common shares been issued. Potentially dilutive shares of common stock include non-qualified stock options, time-based restricted stock units and performance share units. The vesting of performance share units is contingent upon the achievement of relative total shareholder return metrics. Prior to vesting, if all necessary conditions would have been satisfied by the end of the reporting period (as if the end of the reporting period were deemed to be the end of the performance measurement period), the dilutive effect of the performance share units, if any, is included in the computation of diluted EPS using the treasury stock method.

During the three and nine month period ended September 30, 2013 and 2012, there were no anti-dilutive securities outstanding.

(5) ***Fair Value of Financial Instruments.*** The fair values of receivables and short-term borrowings approximate their carrying values due to the short-term nature of the instruments. The Company's cash and cash equivalents, consisting principally of cash on deposit, may from time to time include short-term money markets funds. The fair values of these money market funds, based on market prices (level 2), approximate their carrying values due to their short-maturities. The carrying amount and fair value of the Company's long-term debt at September 30, 2013 was $587.3 million and $606.2 million, respectively, and $220.0 million and $249.0 million at December 31, 2012, respectively. The fair value of long-term debt is calculated by discounting the future cash flows of the debt at rates based on

instruments with similar risk, terms and maturities as compared to the Company's existing debt arrangements (level 2).

(6) ***Inventories.*** Sugar inventories are stated at the lower of cost (first-in, first-out basis) or market value. Materials and supplies inventory are stated at the lower of cost (principally average cost) or market value.

Inventories at September 30, 2013 and December 31, 2012 were as follows (in millions):

	September 30, 2013	December 31, 2012
Sugar inventories	$ 38.6	$ 3.9
Materials and supplies inventories	13.4	19.6
Total	$ 52.0	$ 23.5

(7) ***Share-Based Compensation.*** Under the 2012 Plan, 4.3 million shares of common stock were initially reserved for issuance, and as of September 30, 2013, 1,488,130 shares of the Company's common stock remained available for future issuance. The shares of common stock authorized to be issued under the 2012 Plan may be drawn from the shares of the Company's authorized but unissued common stock or from shares of its common stock that the Company acquires, including shares purchased on the open market or in private transactions.

Activity in the Company's stock option plans in 2013 was as follows (in thousands, except weighted average exercise price and weighted average contractual life):

	2012 Plan	Weighted Average Exercise Price	Weighted Average Contractual Life	Aggregate Intrinsic Value
Outstanding, January 1, 2013	1,722.7	$19.41		
Exercised	(106.3)	$20.00		
Forfeited and expired	(1.2)	$19.80		
Outstanding, September 30, 2013	1,615.2	$19.37	5.1	$26,304
Exercisable, September 30, 2013	1,419.3	$19.11	4.7	$23,481

The following table summarizes non-vested restricted stock unit activity through September 30, 2013 (in thousands, except weighted average grant-date fair value amounts):

	2012 Plan Restricted Stock Units	Weighted Average Grant-Date Fair Value
Outstanding, January 1, 2013	330.0	$20.43
Granted	121.1	$34.12
Vested	(156.5)	$18.57
Canceled	(48.1)	$22.44
Outstanding, September 30, 2013	246.5	$27.94

A portion of the restricted stock unit awards are time-based awards that vest ratably over three years. The remaining portion of the awards represents market-based awards that cliff vest after two years, provided that the total shareholder return of the Company's common stock over the two year measurement period meets or exceeds pre-defined levels of relative total shareholder returns of the Standard & Poor's MidCap 400 index.

A summary of compensation cost related to share-based payments is as follows (in millions):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	**2013**	2012
Share-based expense (net of estimated forfeitures):				
Stock options	$ **0.3**	$ 0.4	$ **1.0**	$ 1.8
Restricted stock units	**0.8**	0.4	**2.2**	2.4
Total share-based expense	**1.1**	0.8	**3.2**	4.2
Total recognized tax benefit	**(0.3)**	(0.3)	**(1.0)**	(1.4)
Share-based expense (net of tax)	$ **0.8**	$ 0.5	$ **2.2**	$ 2.8

(8) ***Discontinued Operations.*** The revenues and expenses related to the sales of Northpoint Industrial, an industrial property in California, Centennial Plaza, an industrial property in Utah, and Issaquah Office Center, an office building in Washington, have been classified as discontinued operations. Additionally, the revenues and expenses related to Republic Distribution Center, an industrial property in Texas sold on October 4, 2013, was classified as discontinued operations as of September 30, 2013. In 2012, the revenues and expenses of two leased fee properties on Maui and Firestone Boulevard Building, a California office property, were classified as discontinued operations.

The results of operations from these properties in prior periods were reclassified from continuing operations to discontinued operations to conform to the current period's accounting presentation. Consistent with the Company's intention to reinvest the sale proceeds into new investment property, the proceeds from the sales of property treated as discontinued operations were deposited in escrow accounts for tax-deferred reinvestment in accordance with Section 1031 of the Internal Revenue Code.

The revenue, operating profit, income tax expense and after-tax effects of these transactions were as follows (in millions):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2013	2012	**2013**	2012
Proceeds from the sale of income-producing properties	$ **37.3**	$ —	$ **52.2**	$ 8.9
Real estate leasing revenue	**1.3**	1.6	**4.0**	4.8
Gain on sale of income-producing properties	**7.8**	—	**12.0**	3.9
Real estate leasing operating profit	**0.7**	1.0	**2.4**	2.9
Total operating profit before taxes	**8.5**	1.0	**14.4**	6.8
Income tax expense	**3.2**	0.4	**5.5**	2.7
Income from discontinued operations	$ **5.3**	$ 0.6	$ **8.9**	$ 4.1

(9) ***Pension and Post-retirement Plans.*** The Company has defined benefit pension plans that cover substantially all non-bargaining unit and certain bargaining unit employees. The Company also has unfunded non-qualified plans that provide benefits in excess of the amounts permitted to be paid under the provisions of the tax law to participants in qualified plans.

In 2007, the Company changed the traditional defined benefit pension plan formula for new non-bargaining unit employees hired after January 1, 2008 and replaced it with a cash balance defined benefit pension plan formula. Subsequently, effective January 1, 2012, the Company froze the benefits under its traditional defined benefit plans for non-bargaining unit employees hired before January 1, 2008 and replaced the benefit with the same cash balance defined benefit pension plan formula provided to those employees hired after January 1, 2008. Retirement benefits under the cash balance pension plan formula are based on a fixed percentage of employee eligible compensation, plus interest. The plan interest credit rate will vary from year-to-year based on the ten-year U.S. Treasury rate.

The assumptions related to discount rates, expected long-term rates of return on invested plan assets, salary increases, age, mortality and health care cost trend rates, along with other factors, are used in determining the assets, liabilities and expenses associated with pension benefits. Management reviews the assumptions annually with its independent actuaries, taking into consideration existing and future economic conditions and the Company's intentions with respect to these plans. Management believes that its assumptions and estimates are reasonable. Different assumptions, however, could result in material changes to the assets, obligations and costs associated with benefit plans.

The components of net periodic benefit cost recorded for the three months ended September 30, 2013 and 2012 were as follows (in millions):

	Pension Benefits		Post-retirement Benefits	
	2013	2012	**2013**	2012
Service cost	$ **0.7**	$ 0.6	$ **—**	$ —
Interest cost	**1.9**	2.0	**0.1**	0.1
Expected return on plan assets	**(2.7)**	(2.6)	**—**	—
Amortization of prior service credit	**(0.2)**	(0.2)	**—**	—
Amortization of net loss (gain)	**1.9**	2.0	**(0.1)**	(0.1)
Net periodic benefit cost	$ **1.6**	$ 1.8	$ **—**	$ —

The components of net periodic benefit cost recorded for the nine months ended September 30, 2013 and 2012 were as follows (in millions):

	Pension Benefits		Post-retirement Benefits	
	2013	2012	**2013**	2012
Service cost	$ **1.9**	$ 1.8	$ **0.1**	$ 0.1
Interest cost	**5.7**	6.1	**0.3**	0.4
Expected return on plan assets	**(8.2)**	(7.8)	**—**	—
Curtailment gain*	**—**	—	**(0.5)**	—
Amortization of prior service credit	**(0.6)**	(0.6)	**—**	—
Amortization of net loss (gain)	**5.8**	6.0	**(0.1)**	(0.2)
Net periodic benefit cost (credit)	$ **4.6**	$ 5.5	$ **(0.2)**	$ 0.3

* The curtailment gain is related to headcount reductions associated with the termination of the Company's Kauai trucking service operations.

(10) ***New Accounting Pronouncements.*** In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ("ASU 2013-02"). This update requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, ASU 2013-02 requires presentation, either on the face of the income statement or in the notes, of significant amounts reclassified out of accumulated other comprehensive income by respective line items of net income, but only if the amounts reclassified are required to be reclassified in their entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about these amounts. The amendments in ASU 2013-02 are to be applied prospectively and are effective for fiscal years and interim periods within those years, beginning after December 15, 2012. The Company adopted the standard effective January 1, 2013 with prospective application. The adoption of ASU 2013-02 changed the presentation of the Company's financial statements and related footnotes, but did not affect the calculation of net income, comprehensive income or earnings per share.

(11) ***Accumulated Other Comprehensive Income.*** The changes in accumulated other comprehensive income by component for the three and nine months ended September 30, 2013 were as follows (in millions, net of tax):

	Pension and postretirement plans	
	Three Months Ended September 30, 2013	**Nine Months Ended September 20, 2013**
Beginning balance	$ 46.4	$ 47.2
Amounts reclassified from accumulated other comprehensive income, net of tax	(0.9)	(1.7)
Ending balance	$ 45.5	$ 45.5

The reclassifications of other comprehensive income components out of accumulated other comprehensive income for the nine months ended September 30, 2013 were as follows (in millions):

Details about Accumulated Other Comprehensive Income Components	**Amounts Reclassified from Accumulated Other Comprehensive Income for the Three Months Ended September 30, 2013**	**Amounts Reclassified from Accumulated Other Comprehensive Income for the Nine Months Ended September 30, 2013**
Net loss and prior service cost	$ —	$ (2.0)
Amortization of defined benefit pension items reclassified to net periodic pension cost:		
Actuarial loss*	1.9	5.8
Prior service credit*	(0.4)	(1.0)
Total before income tax	1.5	2.8
Income taxes	(0.6)	(1.1)
Other comprehensive income net of tax	$ 0.9	$ 1.7

* These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note 9 for additional details).

(12) ***Income Taxes.*** The Company is included in the consolidated tax return of Matson, Inc. (formerly Alexander & Baldwin Holdings, Inc.) for results occurring prior to June 30, 2012. Subsequent to June 30, 2012, the Company began reporting as a separate taxpayer. The current and deferred income tax expense recorded in the condensed consolidated financial statements for the 2012 periods have been determined by applying the provisions of ASC 740 as if the Company were a separate taxpayer during 2012.

The Company makes certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments are applied in the calculation of tax credits, tax benefits and deductions, and in the calculation of certain deferred tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. Deferred tax assets and deferred tax liabilities are adjusted to the extent necessary to reflect tax rates expected to be in effect when the temporary differences reverse. Adjustments may be required to deferred tax assets and deferred tax liabilities due to changes in tax laws and audit adjustments by tax authorities. To the extent adjustments are required in any given period, the adjustments would be included within the tax provision in the condensed consolidated statements of income or balance sheet.

On September 13, 2013 the IRS and Treasury Department released final regulations on the deduction and capitalization of expenditures related to tangible property ("Tangible Property Regulations"). The Tangible Property Regulations apply to tax years beginning on or after January 1, 2014. The estimated financial statement impact of the Tangible Property Regulations was a reclassification of $7.6 million from deferred income taxes (non-current) to other non-current liabilities in the quarter ended September 30, 2013.

The Company's Due to former affiliate account consists primarily of an estimate of A&B's share of pre-separation consolidated income taxes that will be remitted to Matson, Inc. to offset payments to the relevant taxing authorities. The Company's Income Ta: Receivable account consists of post-separation consolidated income tax payments that the Company intends to use to offset its income tax liabilities to the relevant taxing authorities and refundable solar tax credits.

The effective income tax rate for the three and nine month periods ended September 30, 2013 was higher than the statutory rate du to state taxes and non-deductible expenses incurred by the Company related to the acquisition of Grace, which occurred in the fourth quarter of 2013. Accordingly, the Company's annual effective tax rate, as of the quarter ended September 30, 2013, does no include any estimates related to Grace's operations. The Company will include the effect of Grace following the acquisition date in its annual effective tax rate for the year ending December 31, 2013.

(13) ***Notes Payable and Long-Term Debt.*** On January 22, 2013, A&B completed the purchase of Waianae Mall, a 170,300 square-foot 10-building retail center in Leeward Oahu, for $10.1 million in cash and the assumption of a $19.7 million loan (the "Loan"). The Promissory Note for the Loan is secured by a Mortgage, Assignment of Leases and Rents and Security Agreement, bears interest a 5.39 percent, and requires monthly payments of principal and interest totaling $0.1 million. A final balloon payment of $18.5 million is due on October 5, 2015. In connection with the loan assumption, the Company has also provided a limited guaranty for the payment of all obligations under the Loan. The guaranty is limited to 10 percent of the outstanding principal balance of the Loan upon the occurrence of an event of default, plus any cost incurred by the lender. The loan was recorded at its fair value of $20.6 million. Intangible assets acquired included lease-in-place value of $2.8 million (weighted-average life of 7.7 years) and net below-market leases of $0.5 million (weighted average life of 6.3 years).

On September 17, 2013, A & B Properties, Inc. ("A&B Properties"), a wholly owned subsidiary of the Company, closed the purchase of Pearl Highlands Center, a 415,000 square-foot, fee simple retail center in Pearl City, Oahu (the "Property"), for $82.2 million in cash and the assumption of a $59.3 million mortgage loan (the "Pearl Loan"), pursuant to the terms of the Real Estate Purchase and Sale Agreement, dated April 9, 2013, between PHSC Holdings, LLC and A&B Properties. The Pearl Loan, which is currently held by The Northwestern Mutual Life Insurance Company (the "Lender"), is secured by a Mortgage and Security Agreement, bears interest at 5.9 percent, and requires monthly payments of principal and interest totaling $0.4 million. A final balloon payment of $56.2 million is due on September 15, 2016. The loan was recorded at its fair value of $62.3 million. Intangibl assets acquired included lease-in-place value of $9.5 million (weighted-average life of 14.3 years) and net below-market leases of $4.7 million (weighted average life of 6.5 years).

On September 24, 2013, A&B assumed control of Village and consolidated Village's assets and liabilities at fair value, which includes secured loans totaling approximately $51.2 million. The first loan, totaling $41.8 million (the "Real Estate Loan"), is secured by The Shops at Kukui'ula and 45 acres of land owned by Kukui'ula Development Company (Hawaii), LLC ("Kukui'ula"), in which KDC is a member. The Real Estate Loan currently bears interest at the greater of (i) LIBOR plus 4.0 percent or (ii) 4.5 percent. The second loan, totaling $9.4 million (the "Term Loan"), is secured by a letter of credit, and bears interest at LIBOR plus 2.0 percent. The Real Estate Loan and Term Loan are scheduled to mature on November 5, 2013. Subsequent to quarter end, the Company refinanced the loans with a new three-year term loan, the terms which are described in Note 15.

The total consideration paid for the acquisitions described above, and including the acquisition of Napili Plaza that closed in May 2013, totaled approximately $241.6 million. The total fair value of tangible property acquired with respect to the above acquisitions, and including the acquisition of Napili Plaza, totaled approximately $224.2 million.

(14) ***Segment Results.*** Segment results for the three and nine months ended September 30, 2013 and 2012 were as follows (in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	**2013**	2012
Revenue:				
Real Estate[1]:				
Leasing	**$ 27.5**	$ 24.9	**$ 80.0**	$ 75.9
Development and Sales	**47.4**	8.4	**64.2**	26.8
Less amounts reported in discontinued operations	**(38.6)**	(1.6)	**(56.2)**	(13.7
Agribusiness	**35.9**	67.9	**94.1**	121.4
Reconciling items[2]	**—**	(8.3)	**—**	(8.3
Total revenue	**$ 72.2**	$ 91.3	**$ 182.1**	$ 202.1
Operating Profit, Net Income:				
Real Estate[1]:				
Leasing	**$ 11.2**	$ 10.2	**$ 32.7**	$ 31.4
Development and Sales	**4.6**	3.3	**6.3**	(5.7
Less amounts reported in discontinued operations	**(8.5)**	(1.0)	**(14.4)**	(6.8
Agribusiness	**2.2**	9.1	**14.3**	19.6
Total operating profit	**9.5**	21.6	**38.9**	38.5
Interest Expense	**(4.2)**	(3.6)	**(11.7)**	(11.7
General Corporate Expenses	**(3.4)**	(3.0)	**(11.5)**	(11.7
Grace Acquisition Costs	**(2.0)**	—	**(4.5)**	—
Separation Costs	**—**	(0.7)	**—**	(6.8
Income (Loss) From Continuing Operations Before Income Taxes	**(0.1)**	14.3	**11.2**	8.3
Income Tax Expense	**0.8**	1.5	**5.7**	0.6
Income (Loss) From Continuing Operations	**(0.9)**	12.8	**5.5**	7.7
Income From Discontinued Operations (net of income taxes)	**5.3**	0.6	**8.9**	4.1
Net Income	**$ 4.4**	$ 13.4	**$ 14.4**	$ 11.8

[1] Prior year amounts recast for amounts treated as discontinued operations.
[2] Represents the sale of a 286-acre agricultural parcel in the third quarter of 2012 classified as "Gain on sale of agricultural parcel" in the consolidated statements of income, but reflected as revenue for segment reporting purposes.

(15) ***Subsequent Events.*** On October 1, 2013, the Company consummated its previously announced acquisition of 100% of the shares of GPC Holdings, Inc. ("Grace Holdings" or "Grace"), a Hawaii-based natural materials and infrastructure construction company. Pursuant to an Agreement and Plan of Merger (the "Merger Agreement"), by and among A&B, A&B II, LLC ("Merger Sub"), a Hawaii limited liability company and a wholly owned subsidiary of A&B, Grace Pacific Corporation, a Hawaii corporation (now Grace Pacific LLC, a Hawaii limited liability company and a wholly owned subsidiary of Grace Holdings), Grace Holdings and David C. Hulihee, in his capacity as the shareholders' representative, dated June 6, 2013, Grace Holdings merged with and into Merger Sub with Merger Sub remaining as the surviving company and a wholly owned subsidiary of A&B (the "Merger").

The Company views the acquisition of Grace as an attractive long-term investment, with favorable return metrics and diversification benefits that will augment A&B's ability to further pursue its core real estate strategies over time. Grace will extend and enhance A&B's community building capabilities to encompass infrastructure work, for which a steady and growing need exist in Hawaii. Grace will allow A&B to further benefit from Hawaii's improving economy and real estate markets and also materially strengthens and diversifies A&B's financial profile and flexibility. A complete discussion of the reasons A&B acquired Grace is more fully described in the Company's Amendment No. 4 to Form 10 filed on June 8, 2012.

The total merger consideration payable to Grace Holdings equity holders is approximately 5.4 million shares of A&B common stock and approximately $35.25 million in cash, as adjusted based on Grace Holdings' shareholders' equity at closing. Pursuant to the Merger Agreement, the aggregate number of shares of A&B common stock issued in the Merger was determined by dividing $199.75 million, which was 85% of the total merger consideration prior to any post-closing adjustments, by $36.7859, which was the volume weighted average of the trading prices of A&B common stock on the New York Stock Exchange for the 20 consecutive trading days ending on the third trading day prior to the closing of the Merger. Of the $35.25 million cash portion of the acquisition price, $28.2 million (the "Holdback Amount") has been withheld pro rata from Grace Holdings shareholders and retained by A&B to secure any final adjustments to the merger consideration and certain indemnification obligations of Grace Holdings shareholders pursuant to the Merger Agreement. These funds will be released by A&B in accordance with the terms set forth in the Merger Agreement. In addition, an amount of cash equal to $1 million of the merger consideration otherwise deliverable to Grace Holdings shareholders has been delivered to the shareholders' representative to cover the costs and expenses incurred by him in performing his duties as provided in the Merger Agreement. Any amounts not used, or retained for future use, by the shareholders' representative will be paid to Grace Holdings shareholders upon the release of any and all remaining portions of the Holdback Amount.

A&B expects to allocate the purchase price to acquired assets and assumed liabilities at their estimated fair values. The assets acquired and liabilities assumed include, among others, property, plant and equipment, accounts receivable, cash, goodwill, and notes payable. Supplemental pro forma information has not been included since the Company is in the process of finalizing its fair value and purchase accounting adjustments. The Company will include the results of Grace Holdings in its financial statements from the closing date forward.

On October 4, 2013, A&B closed on the sale of Republic Distribution Center, and industrial property in Texas, for approximately $19.4 million.

On November 5, 2013, the Company refinanced $44.0 million of secured loans related to The Shops at Kukui'ula with new three-year term loans. The first loan, totaling $34.6 million (the "Real Estate Loan"), is secured by The Shops at Kukui'ula, 45 acres of land owned by Kukui'ula Development Company (Hawaii), LLC ("Kukui'ula"), in which KDC is a member, and an A&B guaranty The Real Estate Loan bears interest at LIBOR plus 2.85% and requires principal amortization of $0.9 million per quarter. The second loan, totaling $9.4 million (the "Term Loan"), is interest only, secured by a letter of credit, and bears interest at LIBOR plus 2.0%. The Real Estate Loan contains guarantor covenants that mirror the covenants in A&B's $260 million revolving credit agreement.

On November 8, 2013, the Company closed on the sale of a 24-acre parcel adjacent to Maui Business Park II for $40.4 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of the condensed consolidated financial condition and results of operations of Alexander & Baldwin, Inc. and its subsidiaries (collectively, the "Company") should be read in conjunction with the condensed consolidated financial statements and related notes thereto included in Item 1 of this Form 10-Q and the Company's Annual Report on Form 10-K for the year ended December 31, 2012 filed with the U.S. Securities and Exchange Commission.

FORWARD-LOOKING STATEMENTS

Alexander & Baldwin, Inc. ("A&B" or the "Company"), from time to time, may make or may have made certain forward-looking statements, whether orally or in writing, such as forecasts and projections of the Company's future performance or statements of management's plans and objectives. These statements are "forward-looking" statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be contained in, among other things, Securities and Exchange Commission ("SEC") filings, such as the Forms 10-K, 10-Q and 8-K, the Annual Report to Shareholders, press releases made by the Company, the Company's Internet Web sites (including Web sites of its subsidiaries), and oral statements made by the officers of the Company. Except for historical information contained in these written or oral communications, such communications contain forward-looking statements. New risk factors emerge from time to time and it is not possible for the Company to predict all such risk factors, nor cai it assess the impact of all such risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Accordingly, forward-looking statements cannot be relied upon as a guarantee of future results and involve a number of risks and uncertainties that could cause actual results to diffei materially from those projected in the statements, including, but not limited to the factors that are described in "Risk Factors" of the Company's 2012 Annual Report on Form 10-K and other filings with the SEC. The Company is not required, and undertakes no obligation, to revise or update forward-looking statements or any factors that may affect actual results, whether as a result of new information, future events, or circumstances occurring after the date of this report.

INTRODUCTION

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is a supplement to the accompanying condensed consolidated financial statements and provides additional information about A&B's business, recent developments, financial condition, liquidity and capital resources, cash flows, results of operations and how certain accounting principles, policies and estimates affect A&B's financial statements. MD&A is organized as follows:

- *Business Overview:* This section provides a general description of A&B's business, as well as recent developments that the Company believes are important in understanding its results of operations and financial condition or in understanding anticipated future trends.
- *Consolidated Results of Operations:* This section provides an analysis of A&B's consolidated results of operations for the three an nine months ended September 30, 2013 and 2012.
- *Analysis of Operating Revenue and Profit by Segment:* This section provides an analysis of A&B's results of operations by business segment.
- *Liquidity and Capital Resources:* This section provides a discussion of A&B's financial condition and an analysis of A&B's cash flows for the three and nine months ended September 30, 2013 and 2012, as well as a discussion of A&B's ability to fund its futur commitments and ongoing operating activities through internal and external sources of capital.
- *Outlook:* This section provides a discussion of management's general outlook about the Hawaii economy and the Company's markets.
- *Other Matters:* This section provides a summary of other matters, such as officer and management changes.

BUSINESS OVERVIEW

Alexander & Baldwin, with a history that dates back to 1870, is a land and real estate corporation headquartered in Honolulu that conducts business in three operating segments in two industries—Real Estate and Agribusiness. On October 1, 2013, A&B acquired GPC Holdings, Inc. ("Grace Holdings" or "Grace"), which will be reported as a separate operating segment.

Real Estate: The Real Estate Industry consists of two segments, both of which have operations in Hawaii and on the Mainland. The Real Estate Development and Sales segment generates its revenues through the development and sale of land and commercial and residential properties. The Real Estate Leasing segment owns, operates, and manages retail, office, and industrial properties. Real estate activities are conducted through A&B Properties, Inc. and various other wholly owned subsidiaries of A&B.

Agribusiness: Agribusiness, which contains one segment, produces bulk raw sugar, specialty food grade sugars, and molasses; markets and distributes specialty food-grade sugars; provides general trucking services, mobile equipment maintenance, and repair services in Hawaii; leases agricultural land to third parties; charters the MV Moku Pahu during the sugar off-season; and generates and sells electricity to the extent not used in A&B's Agribusiness operations.

Natural Materials and Construction: On October 1, 2013, the Company consummated its previously announced acquisition of Grace, a Hawaii-based natural materials and infrastructure construction company. The total merger consideration was approximately 5.4 million shares of A&B common stock and approximately $35.25 million in cash, as adjusted based on Grace Holdings' shareholders' equity at closing. Pursuant to the Merger Agreement, the aggregate number of shares of A&B common stock issued in the Merger was determined b) dividing $199.75 million, which was 85% of the total merger consideration prior to any post-closing adjustments, by $36.7859, which was the volume weighted average of the trading prices of A&B common stock on the New York Stock Exchange for the 20 consecutive trading days ending on the third trading day prior to the closing of the Merger. Of the $35.25 million cash portion of the acquisition price, $28.2 million (the "Holdback Amount") has been withheld pro rata from Grace Holdings shareholders and retained by A&B to secure any final adjustments to the merger consideration and certain indemnification obligations of Grace Holdings shareholders pursuant to the Merger Agreement. These funds will be released by A&B in accordance with the terms set forth in the Merger Agreement. In addition, an amount o cash equal to $1 million of the merger consideration otherwise deliverable to Grace Holdings shareholders has been delivered to the shareholders' representative to cover the costs and expenses incurred by him in performing his duties as provided in the Merger Agreement. Any amounts not used, or retained for future use, by the shareholders' representative will be paid to Grace Holdings shareholders upon the release of any and all remaining portions of the Holdback Amount.

Grace mines, processes, and sells basalt aggregate; imports sand and aggregates for sale and use; imports and markets liquid asphalt; manufactures and markets asphaltic concrete; performs asphalt paving as prime contractor and subcontractor; manufactures and supplies precast/prestressed concrete products; and provides various construction- and traffic- related services.

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated – Third quarter of 2013 compared with 2012

	Quarter Ended September 30,		
(dollars in millions)	**2013**	2012	Change
Operating revenue	**72.2**	91.3	(20.9)%
Operating costs and expenses	**64.7**	72.4	(10.6)%
Operating income	**7.5**	18.9	(60.3)%
Other income and (expense)	**(7.6)**	(4.6)	65.2 %
Income (loss) from continuing operations before income taxes	**(0.1)**	14.3	(100.7)%
Income tax expense	**0.8**	1.5	(46.7)%
Discontinued operations (net of income taxes)	**5.3**	0.6	9X
Net income	**$ 4.4**	13.4	(67.2)%
Basic earnings per share	**$ 0.10**	$ 0.31	(67.7)%
Diluted earnings per share	**$ 0.10**	$ 0.31	(67.7)%

Consolidated operating revenue for the third quarter of 2013 decreased $19.1 million, or 20.9 percent, compared to the third quarter of 2012 This reduction was principally due to $32.0 million in lower Agribusiness revenues, partially offset by $10.0 million in higher Real Estate Development and Sales revenue (excluding revenue from discontinued operations) and $2.9 million in higher Real Estate Leasing revenue (excluding revenue from discontinued operations). The reasons for the revenue changes are described below, by business segment, in the Analysis of Operating Revenue and Profit by Segment.

Consolidated operating costs and expenses for the third quarter of 2013 decreased $7.7 million, or 10.6 percent, compared to the third quarter of 2012, due principally to $24.2 million in lower Agribusiness costs and $0.7 million of Separation costs recorded in 2012. The reduction in operating costs and expenses were partially offset by $3.2 million in higher Real Estate Development and Sales costs (excluding costs from discontinued operations), $3.1 million in higher selling, general and administrative costs due primarily to $2.0 millior of costs related to the acquisition of Grace and $1.6 million in due diligence costs related to the acquisition of Pearl Highlands Center. The reasons for the operating cost and expense changes are described below, by business segment, in the Analysis of Operating Revenue and Profit by Segment.

Other income (expense) was $(7.6) million in the third quarter of 2013 compared to $(4.6) million in the third quarter of 2012. The change in other income (expense) was primarily due to a $6.3 million non-cash write down related to the Company's taking control and consolidation of The Shops at Kukui'ula project on Kauai and $0.6 million in higher interest expense. These expenses were partially offset by a $1.7 million improvement in joint venture results in 2013 that more than offset joint venture operating costs, $1.3 million in gain from insurance proceeds, and $1.2 million in higher interest and other income.

Income taxes for the third quarter of 2013 were lower compared to the third quarter of 2012 due principally to a loss from continuin operations in 2013 as compared to income in 2012. The effective tax rate for the third quarter of 2013 was higher than 2012 due to non deductible acquisition expenses incurred in 2013 and tax benefits recognized in 2012 associated with the Company's solar project on Kauai.

Consolidated – First nine months of 2013 compared with 2012

	Nine months ended September 30,		
(dollars in millions)	**2013**	2012	Change
Operating revenue	**182.1**	202.1	(9.9)%
Operating costs and expenses	**157.3**	173.7	(9.4)%
Operating income	**24.8**	28.4	(12.7)%
Other income and (expense)	**(13.6)**	(20.1)	(32.3)%
Income from continuing operations before income taxes	**11.2**	8.3	34.9 %
Income tax expense	**5.7**	0.6	10X
Discontinued operations (net of income taxes)	**8.9**	4.1	117.1 %
Net income	**14.4**	11.8	22.0 %
Basic earnings per share	$ **0.33**	0.28	17.9 %
Diluted earnings per share	$ **0.33**	$ 0.28	17.9 %

Consolidated operating revenue for the first nine months of 2013 was $20.0 million or 9.9 percent lower compared to the first nine months of 2012. Agribusiness revenue decreased $27.3 million. This decrease was partially offset by $4.9 million in higher Real Estate Leasing revenue and $2.4 million in higher Real Estate Development revenue, after excluding leasing revenue from assets classified as discontinued operations. The reasons for the revenue change are described below, by business segment, in the Analysis of Operating Revenue and Profit by Segment.

Consolidated operating costs and expenses for the first nine months of 2013 decreased $16.4 million, or 9.4 percent, compared to the first nine months of 2012, due principally to $21.4 million in lower Agribusiness costs, $6.8 million of professional fees recognized in 2012 related to the Separation, $5.1 million in non-cash impairment charges recorded in 2012, and $0.6 million in lower Real Estate Developmen and Sales segment costs in 2013. These decreases were partially offset by $4.5 million of costs related to the acquisition of Grace and $1.6 million in costs related to the acquisition of Pearl Highlands Center. The reasons for the operating cost and expense changes are described below, by business segment, in the Analysis of Operating Revenue and Profit by Segment.

Other income (expense) was $(13.6) million in the first nine months of 2013 compared with $(20.1) million in the first nine months of 2012 The change in other income and (expense) was principally due to $5.5 million in higher joint venture operating income, $1.6 million in higher interest and other income, and $1.3 million of gains from insurance proceeds. These increases were partially offset by $1.9 million o higher impairment charges in 2013.

Income taxes in the first nine months of 2013 were higher than the first nine months of 2012 due to higher income from continuing operations in 2013 as compared to 2012. The effective tax rate for the first nine months of 2013 was higher than 2012 due to non-deductible acquisition costs incurred in 2013 and certain tax benefits recognized in 2012 related to the Company's solar project on Kauai.

ANALYSIS OF OPERATING REVENUE AND PROFIT BY SEGMENT

REAL ESTATE INDUSTRY

Real Estate Development and Sales and Real Estate Leasing revenue and operating profit are analyzed before subtracting amounts related to discontinued operations. This is consistent with how A&B generates earnings and how A&B's management evaluates performance and makes decisions regarding capital allocation for A&B's real estate businesses. A discussion of discontinued operations for the real estate business is included separately.

Effect of Property Sales Mix on Operating Results: Direct year-over-year comparison of the real estate development and sales results may not provide a consistent, measurable indicator of future performance because results from period to period are significantly affected by the mix and timing of property sales. Operating results, by virtue of each project's asset class, geography and timing are inherently episodic. Earnings from joint venture investments are not included in segment revenue, but are included in operating profit. The mix of real estate sales in any year or quarter can be diverse and can include developed residential real estate, commercial properties, developable subdivision lots, undeveloped land, and property sold under threat of condemnation. The sale of undeveloped land and vacant parcels in Hawaii generally provides higher margins than does the sale of developed and commercial property, due to the low historical-cost basis of A&B's Hawaii land. Consequently, real estate sales revenue trends, cash flows from the sales of real estate, and the amount of real estate held for sale on the balance sheets do not necessarily indicate future profitability trends for this segment. Additionally, the operating profit reported in each quarter does not necessarily follow a percentage of sales trend because the cost basis of property sold can differ significantly between transactions.

Real Estate Leasing – Third quarter of 2013 compared with 2012

	Quarter Ended September 30,		
(dollars in millions)	**2013**	2012	Change
Real estate leasing segment revenue	**$ 27.5**	$ 24.9	10.4 %
Real estate leasing segment operating costs and expenses	**(15.9)**	(14.4)	10.4 %
Selling, general and administrative	**(0.5)**	(0.5)	— %
Other income	**0.1**	0.2	(50.0)%
Real estate leasing operating profit	**$ 11.2**	$ 10.2	9.8 %
Operating profit margin	**40.7%**	41.0%	
Net Operating Income*	**$ 17.5**	$ 16.0	9.4 %
Leasable Space (million sq. ft.) — Improved			
Mainland	**5.9**	6.5	
Hawaii	**2.2**	1.4	

* Refer to page 22 for a discussion of management's use of a non-GAAP financial measure and the required reconciliation of non-GAAP measures to GAAP measures.

Real Estate leasing segment revenue for the third quarter of 2013, before subtracting amounts presented as discontinued operations, was 10.4 percent higher than 2012, primarily due to sales and acquisition activity (shown in the table that follows).

Operating profit for the third quarter of 2013, before subtracting amounts presented as discontinued operations, was 9.8 percent higher than 2012 for the reasons previously cited for the revenue increase. Tenant improvement costs and leasing commissions were $1.5 million and $2.2 million for the three months ended September 30, 2013 and 2012, respectively.

Net operating income for the quarter increased by 9.4 percent due to the expansion of the Hawaii portfolio with the addition of Waianae Mall in February 2013, Napili Plaza in May 2013 and Pearl Highlands Center in September 2013, partially offset by the sales of Northpoint Industrial in January 2013 and Centennial Plaza and Issaquah Office Center in September 2013.

The Company's commercial portfolio's weighted average occupancy summarized by geographic location and property type for the quarter ended September 30, 2013 was as follows:

Weighted average occupancy - percent	Hawaii	Mainland	Total
Industrial	96	99	99
Office	84	88	87
Retail	93	88	91
Total	93	96	95

Leasable space increased in the third quarter of 2013 compared with the third quarter of 2012, principally due to the following activity between October 1, 2012 and September 30, 2013:

Dispositions			Acquisitions		
Date	Property	Leasable sq. ft	Date	Property	Leasable sq. ft
1-13	Northpoint Industrial	119,400	1-13	Waianae Mall	170,300
9-13	Centennial Plaza	244,000	5-13	Napili Plaza	45,100
9-13	Issaquah Office Center	146,900	9-13	Pearl Highlands Center	415,000
			9-13	The Shops at Kukui'ula	78,900
	Total Dispositions	510,300		Total Acquisitions	709,300

Same store occupancy in 2013 was 95%, compared to 93% in 2012, due primarily to higher Mainland occupancies at two industrial properties and two office properties. "Same store" refers to properties that were owned throughout the entire duration of both periods under comparison, including stabilized properties. Stabilized properties refer to commercial properties developed by the Company that have achieved 80 percent economic occupancy in each of the periods presented for comparison.

Real Estate Leasing – First Nine Months of 2013 compared with 2012

	Nine months ended September 30,		
(dollars in millions)	**2013**	2012	Change
Real estate leasing segment revenue	$ **80.0**	$ 75.9	5.4 %
Real estate leasing segment operating costs and expenses	**(46.1)**	(43.2)	6.7 %
Selling, general and administrative	**(1.4)**	(1.5)	(6.7)%
Other income	**0.2**	0.2	— %
Real estate leasing operating profit	$ **32.7**	$ 31.4	4.1 %
Operating profit margin	**40.9%**	41.4%	
Net Operating Income*	$ **50.6**	$ 47.6	6.3 %
Leasable Space (million sq. ft.) — Improved			
Mainland	**5.9**	6.5	
Hawaii	**2.2**	1.4	

* Refer to page 22 for a discussion of management's use of a non-GAAP financial measure and the required reconciliation of non-GAAP measures to GAAP measures.

Real Estate Leasing segment revenue for the nine months ended September 30, 2013, before subtracting amounts presented as discontinued operations, was 5.4 percent higher than 2012, primarily due to sales and acquisition activity (shown in the previous table).

Operating profit for the nine months ended September 30, 2013, before subtracting amounts presented as discontinued operations, was 4.1 percent higher than 2012 for the reasons previously cited for the revenue increase. Tenant improvement costs and leasing commissions were $5.4 million and $4.8 million for the nine months ended September 30, 2013 and 2012, respectively.

Net operating income increased 6.3 percent primarily due to the expansion of the Hawaii portfolio with the addition of Waianae Mall in February 2013 and Pearl Highlands Center in September 2013, partially offset by the sale of Northpoint Industrial in January 2013.

The Company's commercial portfolio's weighted average occupancy summarized by geographic location and property type for the nine months ended September 30, 2013 was as follows:

Weighted average occupancy - percent	Hawaii	Mainland	Total
Industrial	97	98	98
Office	81	89	88
Retail	92	88	90
Total	92	95	95

Same store occupancy increased to 95% in 2013, compared to 93% in 2012, for the same reasons cited for the quarter.

Use of Non-GAAP Financial Measures

The Company presents net operating income ("NOI"), which is a non-GAAP measure derived from real estate revenues (determined in accordance with GAAP, less straight-line rental adjustments) minus property operating expenses (determined in accordance with GAAP). NOI does not have any standardized meaning prescribed by GAAP, and therefore, our definition of NOI may differ from definitions of NOI used by other companies. NOI should not be considered as an alternative to net income (determined in accordance with GAAP) as an indicator of the Company's financial performance, or as an alternative to cash flow from operating activities as a measure of the Company's liquidity. NOI is commonly used as a measure of operating performance because it is an indicator of the return on property investment, and provides a method of comparing property performance over time. NOI excludes general and administrative expenses, straight-line rental adjustments, interest income, interest expense, depreciation and amortization, and gains on sales of interests in real estate. The Company believes that the real estate leasing segment's operating profit after discontinued operations is the most directly comparable GAAP measurement to NOI. A reconciliation of real estate leasing operating profit to real estate leasing segment NOI is as follows:

Reconciliation of Real Estate Leasing Operating Profit to NOI
(In Millions, Unaudited)

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
	2013	2012	**2013**	2012
Real estate leasing segment operating profit before discontinued operations	**$ 11.2**	$ 10.2	**$ 32.7**	$ 31.4
Less amounts reported in discontinued operations (pre-tax)	**(0.7)**	(1.0)	**(2.4)**	(2.9)
Real estate leasing segment operating profit after subtracting discontinued operations	**10.5**	9.2	**30.3**	28.5
Adjustments:				
Depreciation and amortization	**6.0**	5.5	**17.8**	16.6
Straight-line lease adjustments	**(0.5)**	(0.4)	**(2.2)**	(2.7)
General and administrative expenses	**0.8**	0.7	**2.3**	2.3
Discontinued operations	**0.7**	1.0	**2.4**	2.9
Real estate leasing segment NOI	**$ 17.5**	$ 16.0	**$ 50.6**	$ 47.6

Real Estate Development and Sales – Third quarter and first nine months of 2013 compared with 2012

(dollars in millions)	Quarter Ended September 30, 2013	2012	Change
Improved property sales revenue	$ **37.3**	$ —	— %
Development sales revenue	**4.4**	—	— %
Unimproved/other property sales revenue	**5.7**	8.4	(32.1)%
Total real estate development and sales segment revenue	**47.4**	8.4	6X
Cost of real estate development and sales	**(33.1)**	(1.1)	30X
Operating expenses	**(4.8)**	(2.9)	65.5 %
Write down of The Shops at Kukui'ula joint venture investment	**(6.3)**	—	— %
Earnings (loss) from joint ventures	**0.7**	(1.1)	NM
Other income	**0.7**	—	— %
Total real estate development and sales operating profit	$ **4.6**	$ 3.3	39.4 %
Real estate development and sales operating profit margin	**9.7%**	39.3%	

(dollars in millions)	Nine months ended September 30, 2013	2012	Change
Improved property sales revenue	$ **52.2**	$ 5.0	10X
Development sales revenue	**4.4**	8.1	(45.7)%
Unimproved/other property sales revenue	**7.6**	13.7	(44.5)%
Total real estate development and sales segment revenue	**64.2**	26.8	139.6 %
Cost of real estate development and sales	**(44.1)**	(10.2)	4X
Operating expenses	**(10.4)**	(8.8)	18.2 %
Impairment and equity loss related to joint venture investments	**(6.3)**	(9.8)	(35.7)%
Earnings (loss) from joint ventures	**1.8**	(3.7)	NM
Other income	**1.1**	—	— %
Total real estate development and sales operating profit (loss)	$ **6.3**	$ (5.7)	NM
Real estate development and sales operating profit margin	**9.8%**	NM	

Third quarter 2013: Real Estate Sales revenue, before subtracting amounts presented as discontinued operations, was $47.4 million and wa related primarily to the sales of Centennial Plaza (UT) and Issaquah Office Center (WA), a 209-acre non-core Maui parcel, and a residential parcel on Oahu. Operating income was $4.6 million and also included development fees, interest income, and net joint venture resort residential sales of two lots on Kauai, one unit on Maui, and four units on Hawaii island, partially offset by a $6.3 million non-cash writedown recorded in connection with the consolidation of The Shops at Kukui'ula and $1.7 million of due diligence costs related to acquisition activities.

First nine months 2013: Real Estate Sales revenue and operating profit, before subtracting amounts presented as discontinued operations, were $64.2 million and $6.3 million, respectively, and in addition to the sales, development fees, and interest income described above, included the sale of a California industrial property and a 29-acre non-core Maui parcel. Operating profit also included the sales of joint venture resort residential units, including five lots and two cottages on Kauai, six units on Maui, and eight units on Hawaii Island, partially offset by the writedown previously referenced, $2.2 million of due diligence costs related to acquisition activities, and joint venture expenses.

Third quarter 2012: Revenue from Real Estate Development and Sales was $8.4 million and was principally related to the gain on the sale of 286 acres of agricultural-zoned land on Maui. Operating profit also included joint venture sales of a residential lot and two cottages on Kauai and a residential unit on the island of Hawaii, which was offset by joint venture expenses.

First nine months 2012: Revenue for the first nine months of 2012, before subtracting amounts presented as discontinued operations, was $26.8 million and, in addition to the sales described above, included the sales of a 4.1-acre parcel at Maui Business Park II, two leased fee parcels on Maui, two residential units on Oahu, a California office property, a 79-acre non-core land parcel on Maui, and joint venture sales of a parcel and a cottage on Kauai and four residential units on the island of Hawaii. The margin on the sales described above was partially offset by $9.8 million of impairment charges in the second quarter of 2012, related to the Company's Santa Barbara and Bakersfield development projects in California, resulting from the Company's change in its development strategy to focus on development projects in Hawaii, as well as joint venture expenses.

Real Estate Discontinued Operations – 2013 compared with 2012

Income from discontinued operations consisted of the following (in millions):

	Quarter Ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
Proceeds from the sale of income-producing properties	$ **37.3**	$ —	$ **52.2**	$ 8.9
Real Estate Leasing revenue	$ **1.3**	$ 1.6	$ **4.0**	$ 4.8
Gain on sale of income-producing properties	**7.8**	—	**12.0**	3.9
Real Estate Leasing operating profit	**0.7**	1.0	**2.4**	2.9
Total operating profit before taxes	**8.5**	1.0	**14.4**	6.8
Income tax expense	**3.2**	0.4	**5.5**	2.7
Income from discontinued operations	$ **5.3**	$ 0.6	$ **8.9**	$ 4.1

***2013*:** The revenues and expenses related to the sales of Northpoint Industrial, an industrial property in California, Centennial Plaza, an industrial property in Utah, and Issaquah Office Center, an office building in Washington, have been classified as discontinued operations. Additionally, the revenues and expenses related to Republic Distribution Center, an industrial property in Texas sold on October 4, 2013, was classified as discontinued operations.

***2012*:** The revenue and expenses related to the sale and operations of the Firestone Boulevard Building (an office property in California) an two leased fee properties in Maui were classified as discontinued operations.

The results of operations from these properties in prior periods were reclassified from continuing operations to discontinued operations to conform to the current period's accounting presentation. Proceeds from the sales of property treated as discontinued operations are deposite in escrow accounts for tax-deferred reinvestment in accordance with Section 1031 of the Internal Revenue Code if the replacement property is purchased after the sale, or alternatively, proceeds are received by the Company if the replacement property is purchased before the sale.

AGRIBUSINESS

The quarterly results of the Agribusiness segment are subject to fluctuations from a number of factors, including the timing of sugar deliveries, which typically commence after the first quarter of each year. Additionally, each delivery is generally priced independently, which could result in significant variations in margins between deliveries. Accordingly, quarterly results are not indicative of the results tha may be achieved for a full year.

Agribusiness – Third quarter of 2013 compared with 2012

(dollars in millions)		Quarter Ended September 30, 2013		2012	Change
Revenue	$	**35.9**	$	67.9	(47.1)%
Operating profit	$	**2.2**	$	9.1	(75.8)%
Operating profit margin		**6.1%**		13.4%	
Tons sugar produced		**64,000**		78,200	(18.2)%
Tons sugar sold (raw and specialty sugar)		**35,800**		72,400	(50.6)%

Agribusiness revenue for the third quarter of 2013 decreased $32.0 million, or 47.1 percent, compared to the third quarter of 2012. The decrease was primarily due to $26.1 million in lower raw sugar revenue resulting from one less sugar voyage in the third quarter of 2013 compared to 2012, as well as lower prices, $1.6 million lower power revenue due to lower volume and prices, $1.4 million lower trucking revenue due to scaled-down operations on Kauai, $1.0 million lower specialty sugar sales from lower volume and prices, and $1.0 million lower molasses sales from lower volume sold in the quarter due to timing of sales.

Operating profit for the third quarter of 2013 decreased $6.9 million compared to the third quarter of 2012. The decrease was principally due to $4.0 million lower raw sugar margin resulting from one less voyage at lower prices, $1.7 million lower power margin from lower volume and pricing of power sold, and $0.7 million lower molasses sales margin due to lower volume sold due to timing of sales.

Sugar production for the third quarter of 2013 was 18.2 percent lower than the third quarter of 2012 due to a lower number of acres harvested during the quarter, partially offset by higher yields. Sugar volume sold was 50.6 percent lower for the same period due to one completed sugar voyage in the quarter as compared to two raw sugar voyages delivered in the third quarter of 2012.

Agribusiness – First nine months of 2013 compared with 2012

(dollars in millions)		Nine months ended September 30, 2013		2012	Change
Revenue	$	**94.1**	$	121.4	(22.5)%
Operating profit	$	**14.3**	$	19.6	(27.0)%
Operating profit margin		**15.2%**		16.1%	
Tons sugar produced		**138,600**		137,500	0.8 %
Tons sugar sold (raw and specialty sugar)		**72,200**		108,400	(33.4)%

Agribusiness revenue for the first nine months of 2013 decreased $27.3 million, or 22.5, compared with the first nine months of 2012. The decrease was due to $25.8 million in lower raw sugar revenue due to the delivery one less sugar voyage at lower prices in 2013 a compared to 2012, $2.2 million lower trucking revenue due to terminated operations on Kauai, $1.9 million in lower specialty sugar sales from lower volume and pricing, $1.2 million lower molasses revenue from lower volume, and $0.6 million in lower power revenue from lower volume sold and lower prices, partially offset by $4.4 million in higher charter revenue from the completion of an outside charter.

Operating profit for the first nine months of 2013 decreased $(5.3) million compared to the first nine months of 2012. The decrease was primarily due to $4.7 million in lower raw sugar margin due to the completion of one less sugar voyage in 2013 as compared to 2012, $0.9 million in lower power margins from lower volume [and prices], and $0.8 million lower molasses margin from lower volume, partially offset by $1.5 million higher charter margin from the completion of an outside charter.

Year-to-date sugar production was modestly higher, compared to 2012. Tons of sugar sold were 33.4% lower in 2013 than in 2012 due principally two sugar voyages completed in 2013 as compared to three completed sugar voyages in 2012.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary liquidity needs have historically been to support working capital requirements and fund capital expenditures and real estate developments. A&B's principal sources of liquidity have been cash flows provided by operating activities, available cash and cash equivalent balances, and borrowing capacity under its various credit facilities.

A&B's operating income is generated by its subsidiaries. There are no restrictions on the ability of A&B's subsidiaries to pay dividends or make other distributions to A&B. A&B regularly evaluates investment opportunities, including development projects, joint venture investments, share repurchases, business acquisitions and other strategic transactions to increase shareholder value. A&B cannot predict whether or when it may enter into acquisitions or joint ventures or what impact any such transactions could have on A&B's results of operations, cash flows or financial condition. A&B's cash flows from operations, borrowing availability and overall liquidity are subject to certain risks and uncertainties, including those described in the section entitled "Risk Factors" of the Company's 2012 Annual Report on Form 10-K.

On January 22, 2013, A&B completed the purchase of Waianae Mall, a 170,300 square-foot, 10-building retail center in Leeward Oahu, for $10.1 million in cash and the assumption of a $19.7 million loan (the "Loan"). The Promissory Note for the Loan is secured by a Mortgage, Assignment of Leases and Rents and Security Agreement, bears interest at 5.39 percent, and requires monthly payments of principal and interest totaling $100,000 million. A final balloon payment of $18.5 million is due on October 5, 2015. In connection with the loan assumption, the Company has also provided a limited guaranty for the payment of all obligations under the Loan. The guaranty is limited to 10 percent of the outstanding principal balance of the Loan upon the occurrence of an event of default, plus any cost incurred by the lender.

On September 17, 2013, A & B Properties, Inc. ("A&B Properties"), a wholly owned subsidiary of the Company, closed the purchase of Pearl Highlands Center, a 415,000 square-foot, fee simple retail center in Pearl City, Oahu (the "Property"), for $82.2 million in cash and the assumption of a $59.3 million mortgage loan (the "Pearl Loan"), pursuant to the terms of the Real Estate Purchase and Sale Agreement, dated April 9, 2013, between PHSC Holdings, LLC and A&B Properties. The Pearl Loan, which is currently held by The Northwestern Mutual Life Insurance Company (the "Lender"), is secured by a Mortgage and Security Agreement, bears interest at 5.9 percent, and requires monthly payments of principal and interest totaling $0.4 million. A final balloon payment of $56.2 million is due on September 15, 2016.

On September 24, 2013, KDC LLC ("KDC"), a wholly owned subsidiary of A&B and a 50 percent member of Kukui'ula Village LLC ("Village"), entered into an Amended and Restated Limited Liability Company Agreement of Kukui'ula Village ("Agreement") with DMB Kukui'ula Village LLC ("DMB"), a Delaware limited liability company, as a member, and KKV Management LLC, a Hawaii limited liability company, as the manager and a member. Village owns and operates The Shops at Kukui'ula, a commercial retail center on the Sout shore of Kauai.

Under the Agreement KDC assumed control of Village. Accordingly, A&B consolidated Village's assets and liabilities at fair value, which includes secured loans totaling approximately $51.2 million. The first loan, totaling $41.8 million (the "Real Estate Loan"), is secured by The Shops at Kukui'ula and 45 acres of land owned by Kukui'ula Development Company (Hawaii), LLC ("Kukui'ula"), in which KDC is a member. The Real Estate Loan currently bears interest at the greater of (i) LIBOR plus 4.0 percent or (ii) 4.5 percent. The second loan, totaling $9.4 million (the "Term Loan"), is secured by a letter of credit, and bears interest at LIBOR plus 2.0 percent.

The Real Estate Loan and Term Loan were scheduled to mature on September 28, 2013. On September 25, 2013, Village entered into an agreement to extend the maturities of the loans to November 5, 2013, in order to finalize refinancing negotiations with the lender. In connection with the loan extensions, Village made a $5 million principal payment on the Real Estate Loan.

On November 5, 2013, the Company refinanced $44.0 million of secured loans related to The Shops at Kukui'ula with new three-year term loans. The first loan, totaling $34.6 million, is secured by The Shops at Kukui'ula, 45 acres of land owned by Kukui'ula, in which KDC is a member, and an A&B guaranty. The loan bears interest at LIBOR plus 2.85 percent and requires principal amortization of $0.9 million per quarter. The second loan, totaling $9.4 million, is interest only, secured by a letter of credit, and bears interest at LIBOR plus 2.0 percent. The first loan contains guarantor covenants that mirror the covenants in A&B's $260 million revolving credit agreement.

On October 1, 2013, the Company consummated its previously announced acquisition of GPC Holdings, Inc. ("Grace Holdings" or "Grace"), a Hawaii-based natural materials and infrastructure construction company. The total merger consideration was approximately 5.4 million shares of A&B common stock and approximately $35.25 million in cash, as adjusted based on Grace Holdings' shareholders' equity at closing. Approximately 12 percent of the purchase price was withheld by A&B to secure any final adjustments to the merger consideration and certain indemnification obligations of Grace Holdings shareholders pursuant to the Merger Agreement. These funds will be released by A&B in accordance with the terms set forth in the Merger Agreement. In addition, an amount of cash equal to $1 million of the merger consideration otherwise deliverable to Grace Holdings shareholders has been delivered to the shareholders' representative to cover the costs and expenses incurred by him in performing his duties as provided in the Merger Agreement. The cash portion of the purchase price will be funded through a combination of cash on hand and borrowings under the Company's credit facilities.

On October 1, 2013, A&B's Board of Directors announced a fourth-quarter 2013 dividend of $0.04 per share, payable on December 5, 2013 to shareholders on record as of the close of business on November 7, 2013.

Cash Flows: Cash flows used in operating activities totaled $109.4 million for the first nine months of 2013, compared with $12.8 million for the first nine months of 2012. This increase in cash used in operating activities was due primarily to higher expenditures for real estate development inventory, which principally included the purchase of 27 Kahala residential lots on Oahu, as well as properties in Windward Oahu and on Maui for $98 million.

Cash flows used in investing activities totaled $132.9 million for the first nine months of 2013, compared with $39.8 million in the first nine months of 2012. The increase in net cash used in investing activities was due primarily to $82.2 million used for the cash portion of the purchase of Pearl Highlands Center under a reverse 1031 exchange transaction and a $19.4 million investment in the One Ala Moana condominium project.

Capital expenditures for the first nine months of 2013 totaled $102.9 million compared with $34.4 million for the first nine months of 2012. Net cash flows used in investing activities for capital expenditures were as follows:

	Nine months ended September 30,		
(dollars in millions)	**2013**	2012	Change
Acquisition of property	$ **82.4**	$ 2.9	28X
Real estate redevelopment/renovations	**8.6**	2.8	3X
Tenant improvements	**3.6**	2.9	24.1 %
Agribusiness and other	**8.3**	25.8	(67.8)%
Total capital expenditures*	$ **102.9**	$ 34.4	199.1 %

* Capital expenditures for real estate developments to be held and sold as real estate development inventory are classified in condensed consolidated statement of cash flows as operating activities.

The $102.9 million reported in capital expenditures on the condensed consolidated statement of cash flows for 2013 excludes $25.3 million of tax-deferred real estate purchases under Section 1031 of the IRS code since the Company did not actually take control of the cash during the exchange period. Capital expenditures for property acquisitions increased $79.5 million due primarily to the reverse 1031 acquisition of Pearl Highlands Center. Capital expenditures for Agribusiness and other decreased by $17.5 million due principally to 2012 expenditures related to the Company's Port Allen solar project.

Cash flows provided by financing activities were $245.3 million for the first nine months of 2013, compared with $45.0 million during the first nine months of 2012. The increase in cash flows from financing activities was principally due to net proceeds of $244.7 million from credit facilities in 2013, as compared to $146.0 million of net capital contributions from Holdings in 2012 related to the Separation, partially offset by a $112.6 million reduction in debt in 2012.

The Company believes that funds generated from results of operations, available cash and cash equivalents, and available borrowings under credit facilities will be sufficient to finance the Company's business requirements for the next fiscal year, including working capital, capital expenditures, and potential acquisitions and stock repurchases. There can be no assurance, however, that the Company will continue to generate cash flows at or above current levels or that it will be able to maintain its ability to borrow under its available credit facilities.

Sources of Liquidity: Additional sources of liquidity for the Company, consisting of cash and cash equivalents, receivables, and sugar inventory, totaled $50.9 million at September 30, 2013, an increase of $37.9 million from December 31, 2012. The increase was due primarily to a $34.8 million increase in sugar inventories and $3.0 million in higher cash balances.

The Company also has various revolving credit and term facilities that provide additional sources of liquidity for working capital requirements or investment opportunities on a short-term as well as longer-term basis. The total debt as of September 30, 2013 was $614.2 million compared to $235.5 million at the end of 2012. The increase in debt during the first nine months of 2013 was principally due to investments, which included the purchase of the Kahala properties for $98.0 million, the assumption of a $59.3 million mortgage related to the $141.5 million acquisition of Pearl Highlands Center, the consolidation of $51.2 million of debt related to the consolidation of The Shops at Kukui'ula, the assumption of a $19.7 million mortgage related to the $29.8 million acquisition of Waianae Mall, and investments i One Ala Moana, Maui Business Park II, Kukui'ula, and commercial portfolio capital expenditures. As of September 30, 2013, available capacity under the Company's revolving credit facility and its Prudential shelf facility totaled $81.2 million. The Company's borrowing capacity stood at a low level at quarter end due to the timing of 1031 property sales, the proceeds of which were not received as of quarter end. Subsequent to quarter end the Company received $32.6 million in proceeds from the sales of Centennial Plaza, Issaquah Office Center, and Republic Distribution Center.

Balance Sheet: The Company had working capital of $62.2 million at September 30, 2013, compared to a working capital deficit of $6.2 million at the end of 2012. The change in working capital is principally due to higher short-term notes receivables that represent pending 1031 exchange proceeds related to the sales of Centennial Plaza and Issaquah Office Center, higher sugar and molasses inventory related to the timing of voyages, and higher real estate development inventory classified in current assets, partially offset an increase in the current portion of notes payable and long-term debt.

Property-net increased by $170.6 million, principally due to the acquisitions of Pearl Highlands Center in September 2013 for $82.2 million in cash and the assumption of a $59.3 million mortgage note, Waianae Mall in January 2013 for $10.1 million in cash and the assumption o a $19.7 million loan, and the consolidation of The Shops at Kukui'ula, a retail commercial center on Kauai.

At September 30, 2013, the Company believes it was in compliance with all of its covenants under its credit facilities. While there can be n assurance that the Company will remain in compliance with its covenants, the Company expects that it will remain in compliance.

Tax-Deferred Real Estate Exchanges: *Sales* - During the third quarter of 2013, approximately $23.1 million of proceeds from the sales of Centennial Plaza, Issaquah Office Center, and 209 acres of non-core land on Maui qualified for tax-deferral treatment under Internal Revenue Code Section 1031. During the third quarter of 2012, approximately $8.2 million of proceeds from the sale of 286 acres of agricultural-zoned land on Maui qualified for tax-deferral treatment under Internal Revenue Code Section 1031.

Purchases - During the third quarter of 2013, the Company purchased Pearl Highlands Center, a retail center on Oahu, under a reverse 1031 transaction. During the third quarter of 2012, the Company made no 1031 acquisitions.

The proceeds from 1031 tax-deferred sales are held in escrow pending future use to purchase new real estate assets. The proceeds from 103 condemnations are held by the Company until the funds are redeployed. As of September 30, 2013, there were $1.9 million in proceeds fro tax-deferred sales that had not been reinvested.

The funds related to 1031 transactions are not included in cash flows from investing activities in the condensed consolidated statement of cash flows but are disclosed as non-cash activities. For "reverse 1031" transactions, the Company purchases a property in anticipation of receiving funds from a future property sale. Funds used for reverse 1031 purchases are included as capital expenditures on the Condensed Consolidated Statement of Cash Flows and the related sales of property, for which the proceeds are linked, are included as property sales in the Statement.

Commitments, Contingencies and Off-balance Sheet Arrangements: A description of other commitments, contingencies, and off-balance sheet arrangements at September 30, 2013, and herein incorporated by reference, is included in Note 3 to the condensed consolidated financial statements of Item 1 in this Form 10-Q.

OUTLOOK

All of the forward-looking statements made herein are qualified by the inherent risks of the Company's operations and the markets it serves as more fully described on pages 18 to 28 of the Company's 2012 Form 10-K and other filings with the SEC.

There are two primary sources of periodic economic forecasts and data for the State of Hawaii: The University of Hawaii Economic Research Organization (UHERO) and the state's Department of Business, Economic Development and Tourism

(DBEDT). Much of the economic information included herein has been derived from economic reports available on UHERO's and DBEDT's websites that provide more complete information about the status of, and forecast for, the Hawaii economy. Information below oı Oahu residential re-sales is published by the Honolulu Board of Realtors and Title Guaranty of Hawaii, Incorporated. Information below on the Oahu commercial real estate market is provided by Colliers International (Hawaii). Bankruptcy filing information cited below is published by the U.S. Bankruptcy Court District of Hawaii.

The Company's overall outlook assumes steady growth for the U.S. and Hawaii economies. The Hawaii economy is projected to produce real growth of 2.6 percent in 2013, and is expected to continue to grow at a moderate pace for the next several years. The primary driver of growth is tourism, which set the state's all-time record for visitor expenditures and arrivals in 2012. Through September 2013, visitor expenditures and arrivals were up 4.1 percent and 5.1 percent, respectively, compared to last year. Visitor arrivals and expenditures were down modestly in September from uncertainty surrounding the federal government shutdown; however, wholesale travel bookings from December 2013 through August 2014 are reported to be strong.

The state continues to see positive trends in other economic indicators. Unemployment at the end of August 2013 was 4.3 percent, down from 5.7 percent in August 2012, and well below the national August unemployment rate of 7.3 percent. Bankruptcy filings year-to-date through October 2013 were down by 17 percent compared to the same period last year. Through September 2013, the median resale price for a home on Oahu was $640,000, up 3.3 percent compared to the same period last year, and the median resale price of an Oahu condominium was up 5.4 percent at $332,000. For the month of September, the median resale price for a home on Oahu was $675,000, up 6.0 percent compared to the same period in 2012, and the median resale price of an Oahu condominium was up 8.9 percent at $348,000. At the end of September 2013, months of available inventory-2.8 months for Oahu homes and 3.0 months for Oahu condos-remained low in both absolute terms and relative to the 2012 full-year average of 3.6 months for homes and 4.1 months for condos. Residential re-sales on the neighbor islands are beginning to see improvement.

Oahu retail and industrial vacancies continued to decline and were 4.1% and 2.6%, respectively, for the third quarter of 2013. Retail and industrial rents have increased. Office vacancy and rents have remained relatively stable. Current Oahu market vacancies and rents are as follows:

Property Type	Mid Year 2013 Vacancy Rate	Average Asking Rent Per Square Foot Per Month (NNN) at September 30, 2013
Retail	4.1%	$3.40
Industrial	2.6%	$1.02
Office	12.9%	$1.57

Through August 2013, the value of construction permits has increased by 6 percent compared to last year primarily due to significant increases in residential permits on Oahu. UHERO projects annual growth in construction jobs in the 7- to 11-percent range between 2013 and 2015. Hawaii construction revenue is expected to be $7.5 billion in 2013, up 8 percent over 2012, and increase to $8.5 billion in 2014. Honolulu's mayor has proposed spending between $120 and $150 million a year on the repaving and maintenance of Oahu roadways over the next 5 years and $120 million was approved in the 2014 fiscal year budget, a 20 percent increase over the amount included in the 2013 fiscal year budget.

On October 1, the Company completed its acquisition of Grace Pacific. Due to the impact of inclement weather and major holidays on available paving days, Grace will typically exhibit seasonal highs and lows in its operating results, with the first and fourth quarters of each calendar year posting modestly lower results as compared to the second and third quarters. Based on Grace's prior results, the Company would anticipate approximately 20 percent to 25 percent of annual EBITDA generation occurring in each of the first and fourth calendar quarters, and 25 percent to 30 percent occurring in each of the second and third calendar quarters.

Agribusiness operating profit is dependent upon a variety of factors, including prices in effect at the time sugar is priced; total sugar production, which is affected by the availability of water and weather; the volume, price and timing of molasses sales; and the volume and prices at which the Company sells power to the local electric utilities.

In September 2013, Matson, Inc. suspended shipments of molasses from Hawaii due to a molasses spill at Honolulu Harbor that month. As result, the Company is utilizing alternative methods to ship its molasses to its buyers, which will result in lower molasses margins for the fourth quarter. The Company is working to identify a better long-term shipping solution; however, in the near term this situation will have a modestly negative impact on Agribusiness results. Partly because of this reason, but primarily because of low sugar pricing, the Company continues to expect that Agribusiness will generate an operating loss in the fourth quarter of 2013, resulting in breakeven performance for the second half of 2013.

The Company has forward priced approximately 22 percent of the 2014 crop at prices below breakeven, but above current market. Sugar prices have increased modestly since the beginning of the third quarter from 19.1 cents per ton at June 28, 2013 to 21.6 cents at November 5. The Company can price sugar up until the time of each delivery to the buyer, which for a typical crop is spread between May and December. Given recent trends in pricing, the Company expects to be patient in pricing additional volumes and remains hopeful that prices will continue to trend upward. With myriad variables affecting Agribusiness profitability, projecting future earnings is always difficult, but the Company expects to provide an update for 2014 in its next earnings conference call and Form 10-K.

OTHER MATTERS

Significant Accounting Policies: The Company's significant accounting policies are described in Note 2 to the consolidated financial statements included in Item 8 of the Company's 2012 Form 10-K.

Critical Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, upon which the Management's Discussion and Analysis is based, requires that management exercise judgment when making estimates and assumptions about future events that may affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty and actual results will, inevitably, differ from those critical accounting estimates. These differences could be material. The most significant accounting estimates inherent in the preparation of A&B's financial statements were described in *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained in the Company's 2012 Form 10-K.

Dividends: On October 1, 2013, A&B's Board of Directors announced a fourth-quarter 2013 dividend of $0.04 per share, payable on December 5, 2013 to shareholders on record as of the close of business on November 7, 2013.

Share Repurchase Authorization: On October 29, 2013, A&B's Board of Directors authorized A&B to repurchase up to two million shares of its common stock beginning on January 1, 2014. The authorization expires on December 31, 2015 and will replace a current authorization that expires on December 31, 2013.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information concerning market risk is incorporated herein by reference to Item 7A of the Company's Form 10-K for the fiscal year ended December 31, 2012. There has been no material change in the quantitative and qualitative disclosures about market risk since December 31, 2012.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

(b) Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
Jul 1 - 31, 2013	--	$—	—	—
Aug 1 - 31, 2013	12,148 (1)	$40.09	—	—
Sep 1 - 30, 2013	--	$—	—	—

(1) Represents shares accepted for the exercise of options and/or in satisfaction of tax withholding obligations arising upon option exercises or the vesting of restricted stock units.

ITEM 6. EXHIBITS

2.1 Agreement and Plan of Merger by and among Alexander & Baldwin, Inc., A&B II, LLC, Grace Pacific Corporation, GPC Holdings, Inc. and Davide C. Hulihee, dated June 6, 2013 (incorporated by reference to Annex A to Amendment No. 2 to Form S-4 filed on August 20, 2013).

10.a.(xviii) Modification to Amended and Restated Note Purchase and Private Shelf Agreement among Alexander & Baldwin, LLC, Alexander & Baldwin, Inc., Prudential Investment Management, Inc. and the other purchasers party thereto, dated as of September 27, 2013.

10.a.(xxii) Loan Assumption and Amendment to Loan Documents, among PHSC Holdings, LLC, ABP Pearl Highlands LLC, Pearl Highlands LLC, and The Northwestern Mutual Life Insurance Company, dated September 17, 2013.

10.a.(xxiii) Form of Lock-Up Agreement by and among Alexander & Baldwin, Inc., A&B II, LLC and the shareholder, dated June 6, 2013 (incorporated by reference to Exhibit 10.2 to Form S-4 filed July 5, 2013).

31.1 Certification of Chief Executive Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following information from Alexander & Baldwin, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Income for the three months ended September 30, 2013, and September 30, 2012, (ii) Condensed Consolidated Statement of Comprehensive Income for the nine months ended September 30, 2013, and September 30, 2012 (iii) Condensed Consolidated Balance Sheets at September 30, 2013 and December 31, 2012, (iv) Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2013, and September 30, 2012, and (v) the Notes to the Condensed Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALEXANDER & BALDWIN, INC.
(Registrant)

Date: November 8, 2013

/s/ Paul K. Ito
Paul K. Ito
Senior Vice President,
Chief Financial Officer, Treasurer
and Controller

Waiale Reservoir – pre IIFS

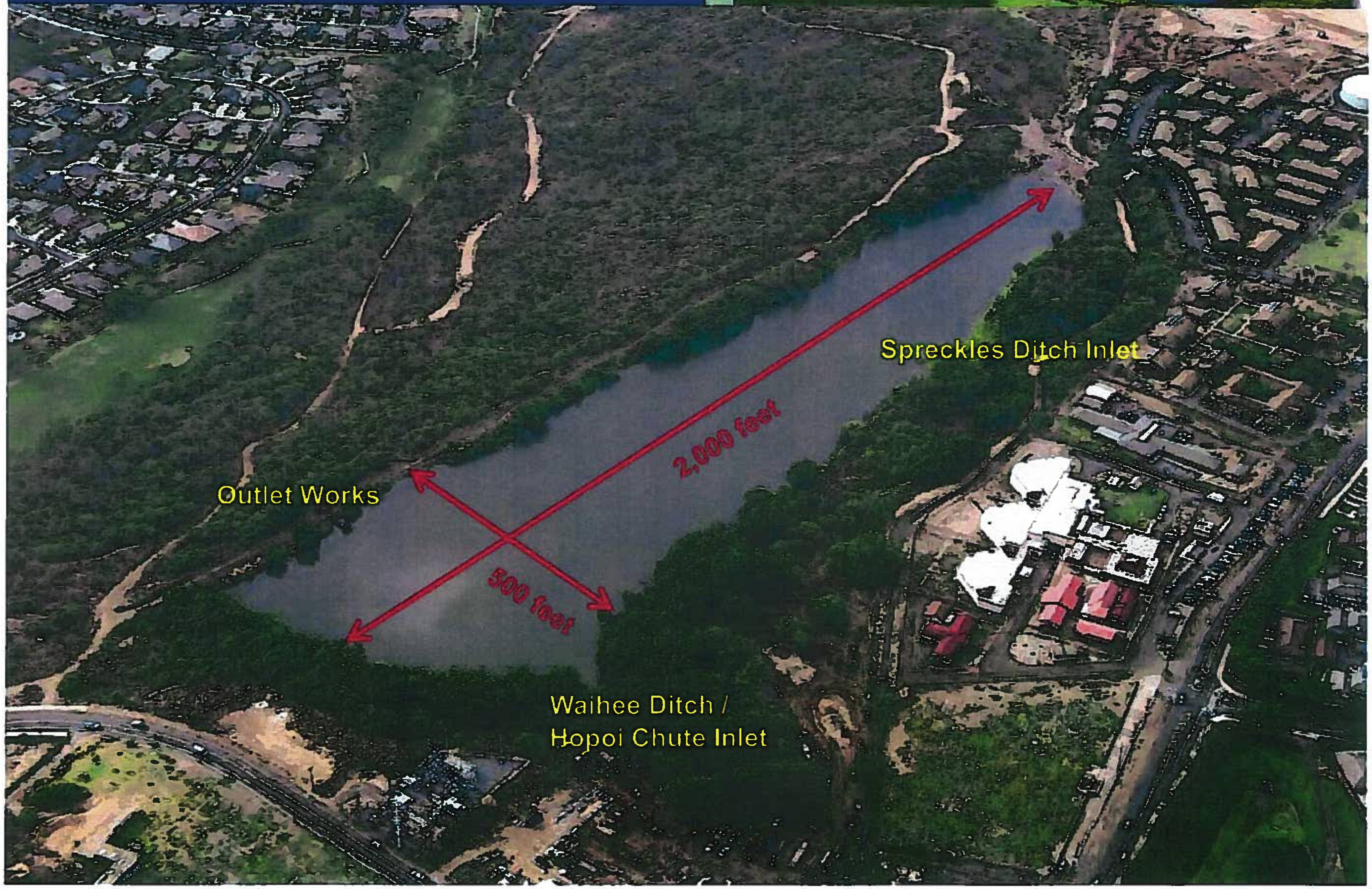
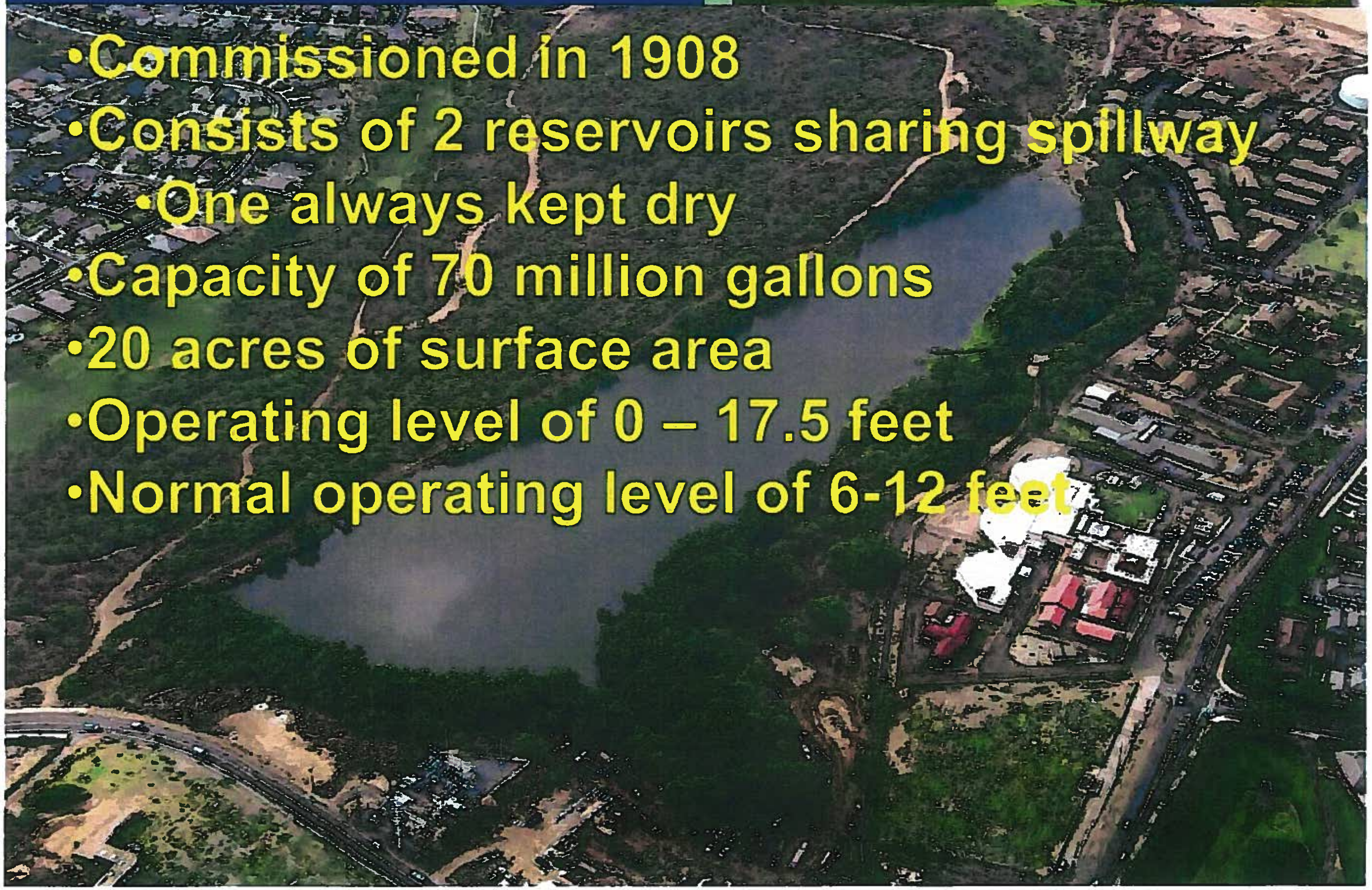
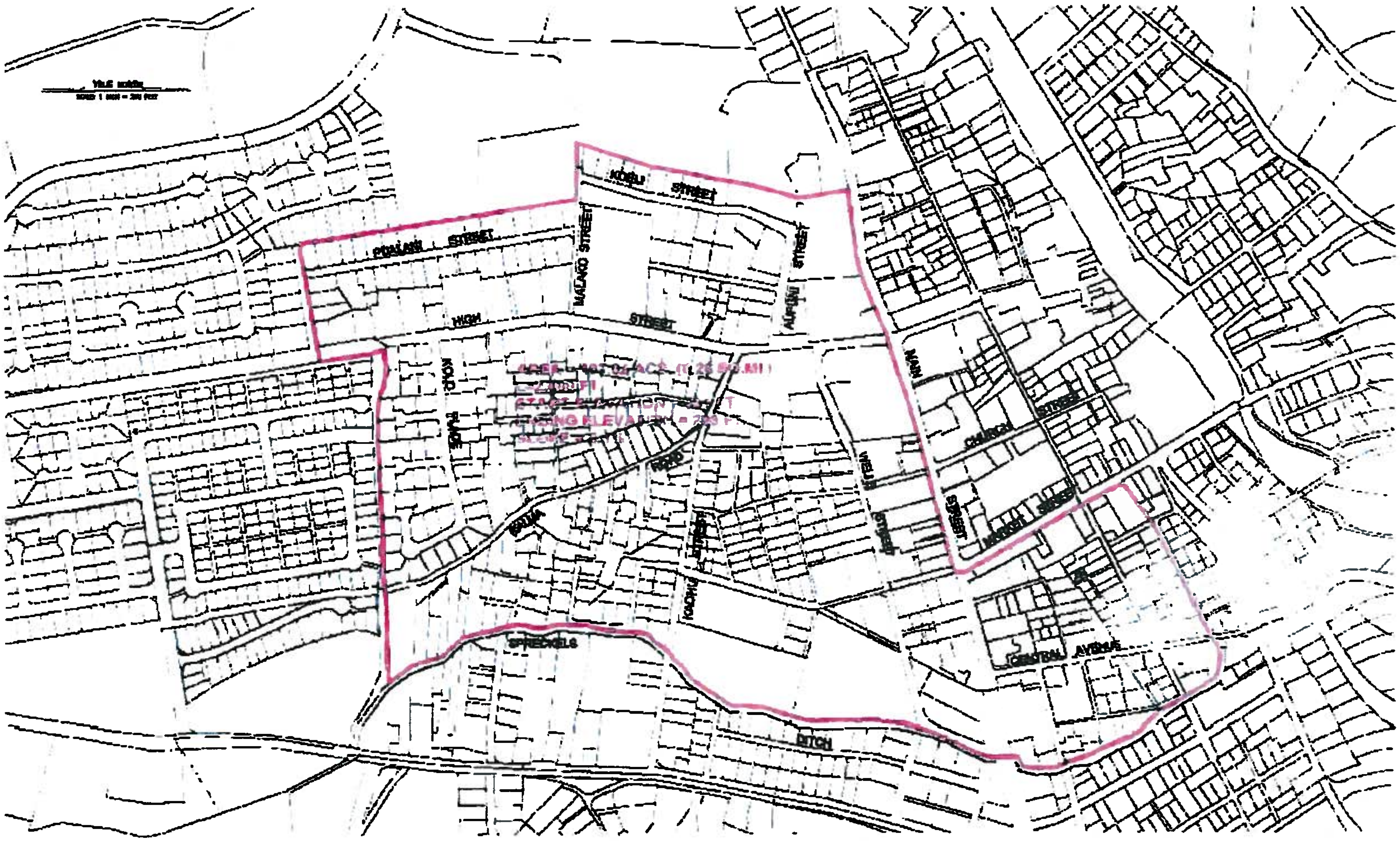


EXHIBIT C-R 16

Waiale Reservoir Overview

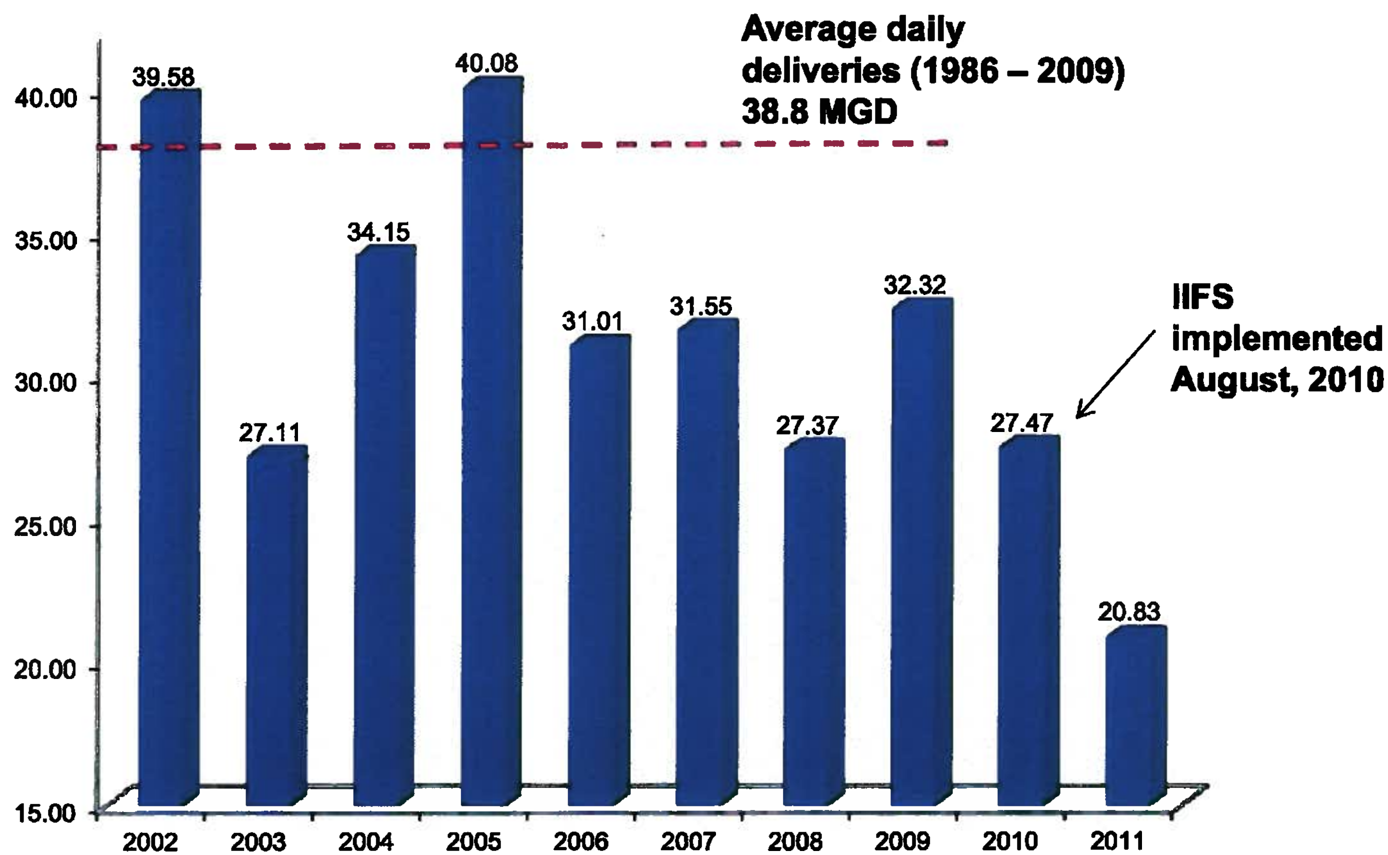


Storm Water Runoff Analysis



Reservoir Inflow Analysis

Average Daily Waiale Reservoir Deliveries (MGD)



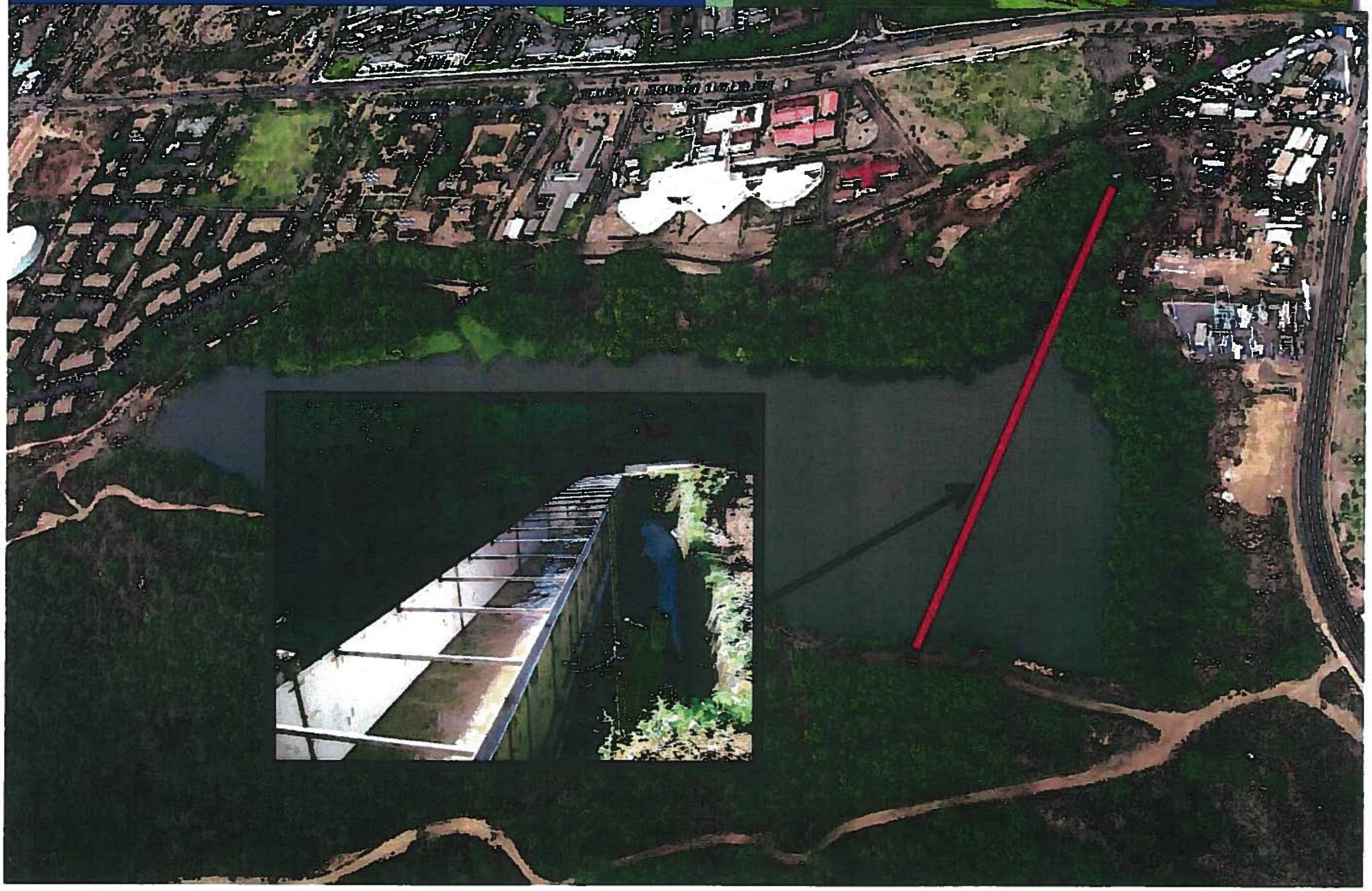
Waiale Reservoir – post IIFS

Loss Mitigation Options

- Lining of existing reservoir
  - Concrete
  - HDPE
- Lining of smaller configuration
- Bypass existing reservoir
  - Flume through reservoir 73
  - Ditch through reservoir 74

Lining Options - Partial

Bypass Option



Bypass Option

IIFS Timeline Compliance

Date	Action
June 2010	CWRM issues Decision and Order on IIFS for Na Wai Eha Streams
August 2010	HC&S implements IIFS for Waihee and South Waiehu Streams within 2 months as specified by the D&O
August 2010	Stipulation and Order for South Waiehu Stream, IIFS suspended for 60 days
November 2010	Second Stipulation and Order for South Waiehu Stream, IIFS suspended for 60 days
December 2010	Third Stipulation and Order for South Waiehu Stream, IIFS suspended for a one year period
January 2011 to present	HC&S transmits monthly ground water reports to Commission for Well 7 which includes groundwater levels and salinity measurements
February 2011 to present	HC&S installs water meter to measure actual quantity of water being consumed under the existing use from the Iao Tunnel
April 2011	HC&S meets with Division of Aquatic Resources and Commission Staff in the field to discuss and agree upon specific diversion modifications to achieve biological connectivity for streams in Na Wai Eha
June 2011	HC&S submits to Commission draft implementation plan for the proposed diversion modification work
July 2011	HC&S completes proposed diversion modification work on the Iao stream Spreckels Ditch diversion
November 2011	DAR and Commission Staff conducts field trip to inspect and approve diversion modifications

Next Steps

- Groundwater baseline data collection
  - ongoing
- Engage engineering/design consultant
  - January 2012
- Conduct cost/benefit analysis
  - March 2012
- Selection of loss mitigation measure
  - April 2012
- Begin permitting and approval process
  - July 2012

ESTIMATED USE OF WATER IN THE UNITED STATES IN 2000

By Susan S. Hutson, Nancy L. Barber, Joan F. Kenny, Kristin S. Linsey, Deborah S. Lumia, and Molly A. Maupin

U.S. Geological Survey Circular 1268

U.S. Department of the Interior
U.S. Geological Survey

EXHIBIT C-R 17

U.S. Department of the Interior
Gale A. Norton, Secretary

U.S. Geological Survey
Charles G. Groat, Director

U.S. Geological Survey, Reston, Virginia: 2004

For sale by U.S. Geological Survey, Information Services
Box 25286, Denver Federal Center
Denver, CO 80225

For more information about the USGS and its products:
Telephone: 1-888-ASK-USGS
World Wide Web: http://www.usgs.gov/

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Foreword

Since 1950, the U.S. Geological Survey (USGS) has compiled data at five-year intervals on amounts of water used in homes, businesses, industries, and on farms throughout the United States, and has described how that use has changed with time. Water-use data, combined with other USGS information, have facilitated a unique understanding of the effects of human activity on the Nation's water resources. As water availability continues to emerge as an important issue in the 21st century, the need for consistent, long-term water-use data will increase to support wise use of this essential natural resource.

This Circular documents water use in 2000 and identifies important changes in water use that have occurred over the past 50 years. The early part of this history (1950 to 1980) showed a steady increase in water use. During this time, the expectation was that as population increased, so would water use. Contrary to expectation, reported water withdrawals declined in 1985 and have remained relatively stable since then. Changes in technology, in State and Federal laws, and in economic factors, along with increased awareness of the need for water conservation, have resulted in more efficient use of the water from the Nation's rivers, lakes, reservoirs, and aquifers.

Robert M. Hirsch
Associate Director for Water

More detailed water-use information is available on the Internet at
http://water.usgs.gov/watuse

Contents

Conversion Factors

Multiply	By	To obtain
	Area	
acre	43,560	square foot (ft^2)
	4,047	square meter (m^2)
	0.001562	square mile (mi^2)
	Flow rate	
gallon per day (gal/d)	3.785	liter per day
million gallons per day (Mgal/d)	1.121	thousand acre-feet per year
	0.001547	thousand cubic feet per second
	0.6944	thousand gallons per minute
	0.003785	million cubic meters per day
	1.3815	million cubic meters per year
billion gallons per day (Bgal/d)	1.3815	billion cubic meters per year
thousand acre-feet day per year	0.8921	million gallons per day
	0.001380	thousand cubic feet per second
	0.6195	thousand gallons per minute
	0.003377	million cubic meters per day

Some water relations in inch-pound units are shown below	
1 gallon (gal)	8.34 pounds
1 million gallons (Mgal)	3.07 acre-feet
1 cubic foot (ft^3)	62.4 pounds
	7.48 gallons
1 acre-foot (acre-ft)	325,851 gallons
	43,450 cubic feet
1 inch of rain	17.4 million gallons per square mile
	27,200 gallons per acre
	100 tons per acre

Estimated Use of Water in the United States in 2000

By Susan S. Hutson, Nancy L. Barber, Joan F. Kenny, Kristin S. Linsey, Deborah S. Lumia, and Molly A. Maupin

Abstract

Estimates of water use in the United States indicate that about 408 billion gallons per day (one thousand million gallons per day, abbreviated Bgal/d) were withdrawn for all uses during 2000. This total has varied less than 3 percent since 1985 as withdrawals have stabilized for the two largest uses—thermoelectric power and irrigation. Fresh ground-water withdrawals (83.3 Bgal/d) during 2000 were 14 percent more than during 1985. Fresh surface-water withdrawals for 2000 were 262 Bgal/d, varying less than 2 percent since 1985.

About 195 Bgal/d, or 48 percent of all freshwater and saline-water withdrawals for 2000, were used for thermoelectric power. Most of this water was derived from surface water and used for once-through cooling at power plants. About 52 percent of fresh surface-water withdrawals and about 96 percent of saline-water withdrawals were for thermoelectric-power use. Withdrawals for thermoelectric power have been relatively stable since 1985.

Irrigation remained the largest use of freshwater in the United States and totaled 137 Bgal/d for 2000. Since 1950, irrigation has accounted for about 65 percent of total water withdrawals, excluding those for thermoelectric power. Historically, more surface water than ground water has been used for irrigation. However, the percentage of total irrigation withdrawals from ground water has continued to increase, from 23 percent in 1950 to 42 percent in 2000. Total irrigation withdrawals were 2 percent more for 2000 than for 1995, because of a 16 percent increase in ground-water withdrawals and a small decrease in surface-water withdrawals. Irrigated acreage more than doubled between 1950 and 1980, then remained constant before increasing nearly 7 percent between 1995 and 2000. The number of acres irrigated with sprinkler and microirrigation systems has continued to increase and now comprises more than one-half the total irrigated acreage.

Public-supply withdrawals were more than 43 Bgal/d for 2000. Public-supply withdrawals during 1950 were 14 Bgal/d. During 2000, about 85 percent of the population in the United States obtained drinking water from public suppliers, compared to 62 percent during 1950. Surface water provided 63 percent of the total during 2000, whereas surface water provided 74 percent during 1950.

Self-supplied industrial withdrawals totaled nearly 20 Bgal/d in 2000, or 12 percent less than in 1995. Compared to 1985, industrial self-supplied withdrawals declined by 24 percent. Estimates of industrial water use in the United States were largest during the years from 1965 to 1980, but during 2000, estimates were at the lowest level since reporting began in 1950. Combined withdrawals for self-supplied domestic, livestock, aquaculture, and mining were less than 13 Bgal/d for 2000, and represented about 3 percent of total withdrawals.

California, Texas, and Florida accounted for one-fourth of all water withdrawals for 2000. States with the largest surface-water withdrawals were California, which had large withdrawals for irrigation and thermoelectric power, and Texas, which had large withdrawals for thermoelectric power. States with the largest ground-water withdrawals were California, Texas, and Nebraska, all of which had large withdrawals for irrigation.

Introduction

This report, "Estimated use of water in the United States in 2000," marks 50 years of water-use data compiled by the U.S. Geological Survey (USGS). Data on water withdrawals by State, source of water, and category of use have been compiled at 5-year intervals since 1950. Data from this Circular and other USGS water-use Circulars can be used along with information on the availability of ground water and surface water to assess water-resource management needs in the face of changing demands for water. Reliable water-use data are essential to many organizations and individuals in support of research and policy decisions.

Since 1950, water supplies and their uses have been affected by population growth, economic trends, legal decisions, and periodic droughts. In response to constraints on water supplies, communities have expanded their water-supply infrastructures or instituted water-conservation measures, farmers have changed crops or agricultural practices, and industries have reused or reclaimed process water. Population changes affecting water use during the time period from 1950 to 2000 include an overall growth of 90 percent, with a shift in the population of the United States from rural areas to urban areas and a continuing shift of the mean geographic center of population west and south (Hobbs and Stoops, 2002). In some geographic areas, the availability of water and improved technology have resulted in increases in irrigated acreage and irrigation water use. In other areas, increased costs and reduced water availability have led to more efficient irrigation practices and a reduction in irrigation water use. Changes in production, technology, and economic conditions have affected industrial water use. Periodic droughts have drawn attention to limits in the reliability of local and regional water supplies and influenced short-term water use for all users.

Climatic fluctuations affect water withdrawals, particularly for irrigation, power generation, public supply, and self-supplied domestic water use. However, effects of extremes in temperature and precipitation often are difficult to isolate from other factors that affect water use; thus, climatic effects cannot be identified readily based on the aggregated data contained in this report.

The year 2000 was one of climatic extremes. Weather in the Midwest and Northeast was characterized by prolonged periods of cooler and wetter than normal conditions. During the summer months (June–August), precipitation was above average in 15 States throughout this region. The South and West experienced severe drought as a result of below-normal precipitation and above-normal temperatures. Alabama, Florida, Georgia, Louisiana, and Mississippi had the driest May–October period on record during 2000. Streams and reservoirs dropped to record low levels, and some cities imposed drought restrictions. The driest July–September period was recorded in Arkansas, Kansas, Louisiana, Mississippi, Oklahoma, and Texas. Much of the western United States also was in severe drought—including Arizona, Colorado, Idaho, Montana, New Mexico, Utah, and Wyoming. By August 2000, 36 percent of the United States was in severe to extreme drought, leading to widespread wildfires and other drought-related damages (National Oceanic and Atmospheric Administration, 2001; U.S. Department of Agriculture, 2000).

Purpose and Scope

This report presents consistent and current water-use estimates by source and by State for the States, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands (referred to in the text as States or United States for brevity). The USGS has compiled similar national estimates every 5 years since 1950 (MacKichan, 1951, 1957; MacKichan and Kammerer, 1961; Murray, 1968; Murray and Reeves, 1972, 1977; and Solley and others, 1983, 1988, 1993, 1998). This series of water-use reports serves as one of the few sources of information about regional or national trends in water withdrawals. The report provides information on eight categories of water use—public supply, domestic, irrigation, livestock, aquaculture, industrial, mining, and thermoelectric power. This report contains a section on total water use for 2000, followed by more detailed discussions for each category. The final section presents a discussion on trends in water use from 1950 to 2000.

Terminology

The terms and units used in this report are similar to those used in previous USGS water-use Circulars and are defined in the Glossary (at the end of the report). For 2000, water use was defined as water withdrawals rather than as water withdrawals plus deliveries from public supplies. Saline water, defined as water that contains 1,000 milligrams per liter or more of dissolved solids, was tabulated for the industrial, mining, and thermoelectric-power categories. All public-supply, self-supplied domestic, irrigation, and livestock withdrawals were considered freshwater in this report. For aquaculture, only freshwater withdrawals were reported for 2000.

Annual water-use data are expressed in terms of million gallons per day (abbreviated as Mgal/d) and thousand acre-feet per year in this report. The term *billion gallons per day* (one-thousand million gallons per day, abbreviated as Bgal/d) is used in the Abstract and Trends sections of this report to more simply express large numbers. Units of million gallons per day or billion gallons per day are used to indicate an average daily rate of usage, and do not represent actual daily rates. For example, irrigation water is applied only part of each year and at variable rates; therefore, the actual rate of application at any given time during the growing season would be more than the average daily rate expressed as million gallons per day or as billion gallons per day.

The water-use data in this report are rounded to three significant figures. All values are rounded independently; therefore, the sums of individual rounded numbers may not equal the totals. The percentage changes discussed in the text are calculated from the unrounded data and expressed as integers. All population data are rounded to three significant figures.

Changes for the 2000 Report

The number of reported categories and the data elements collected were reduced for 2000, and some States collected data for only certain core categories. Emphasis was placed on ensuring the quality of data that were collected, rather than attempting to provide all categories and data elements on a national scale. Additional water-use data were collected for some States as part of a broader water-use data-collection program.

For 2000, self-supplied water withdrawals for the core categories of public supply, domestic, irrigation, industrial, and thermoelectric power were compiled for all States. Self-supplied water withdrawals for livestock, aquaculture, and mining were compiled for selected States that represented most of the total water withdrawals for these categories during 1995. Data not reported for 2000 included self-supplied commercial withdrawals, deliveries from public supply for domestic, commercial, industrial, and thermoelectric-power purposes, and instream use for hydroelectric power. Also not reported were consumptive use, irrigation conveyance loss, reclaimed wastewater, number of wastewater facilities, and wastewater returns. The amount of power generated by thermoelectric- or hydroelectric-power plants was not reported for 2000.

Although some States did not compile data for some categories for 2000, most of the water withdrawals are likely to be accounted for in the water-use estimates in this report. During 1995, 97 percent of total water withdrawals were used for public supply, domestic, irrigation, industrial, and thermoelectric power. All States collected and reported data for these categories for 2000. The remaining 3 percent was used for livestock, animal specialties, mining, and commercial purposes. States that accounted for the majority of the water withdrawals for livestock, aquaculture, and mining uses for 1995 collected and reported data for 2000.

Other changes for 2000 involved the reclassification of data within the thermoelectric-power and livestock categories. Thermoelectric-power water use was subdivided by cooling type (once-through or closed-loop) rather than by fuel type as in previous reports. Cooling-system type is the primary determinant of consumptive use relative to withdrawals at power plants. Most of the water withdrawn for once-through cooling is returned to the source and, therefore, generally results in a relatively smaller consumptive use. Water withdrawn for closed-loop cooling is recirculated with a large part lost to evaporation, resulting in a larger consumptive use relative to withdrawals.

For 2000, the livestock category was no longer subdivided into livestock and animal specialties. Withdrawals for some animals that formerly were reported in the animal-specialties subcategory were included in the livestock category. The aquaculture category, new for 2000, combined withdrawals for fish farms, formerly reported in the animal-specialties category, and fish hatcheries, formerly reported as self-supplied withdrawals in the commercial category.

Sources of Data and Methods of Analysis

The USGS, in cooperation with State and local agencies, compiled water-use estimates for 2000 for each county in the United States, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. The USGS National Water Use Information Program—implemented in 1978 to provide uniform, current, and reliable information on water use—coordinated the compilation effort. Water-use estimates and ancillary data were entered into a State aggregate water-use database in each USGS State office, and reviewed within the USGS and cooperating agencies. All water-use data compiled for this report are stored in the USGS Aggregate Water-Use Data System. Data collected for this report are available by county and State on the Internet at *http://water.usgs.gov/watuse/*.

Sources of information vary and are discussed for each category in subsequent parts of this report. Guidelines for preparing USGS water-use estimates for 2000 were developed and distributed to water-use study chiefs in each State office, and are available on the Internet site identified above. The following national data were available to each State: U.S. Environmental Protection Agency (USEPA) Safe Drinking Water Information System (SDWIS); U.S. Census Bureau, population; U.S. Department of Agriculture (USDA) Farm and Ranch Irrigation Survey; USDA Census of Agriculture; USDA, national agricultural statistics; and U.S. Department of Energy–Energy Information Administration (USDOE–EIA), steam-electric plant statistics. Each USGS study chief was responsible for determining the most reliable sources of information available for estimating water use for their State.

Each USGS study chief compiled and analyzed information from various sources, made estimates of missing data, and prepared documentation that identified the sources of water-use information and methods used to determine water use for their State. Many States published reports on water use as part of the National Water Use Information Program. A list of these publications is available on the Internet at *http://water.usgs.gov/watuse/*.

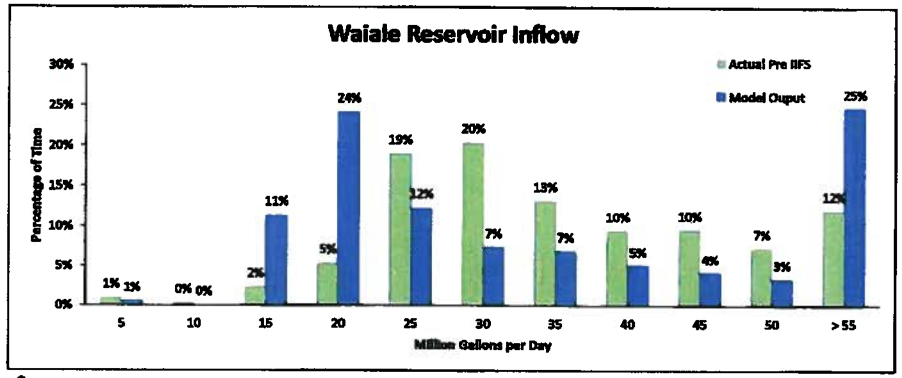
Acknowledgments

The authors gratefully acknowledge the USGS study chiefs in each State who compiled the data for this report and the assistance provided by the many State and local agencies that shared data and expertise with the USGS. In many States, personnel from cooperating agencies worked as full partners with the USGS in this compilation effort. Cooperators include State agencies that manage water resources, operate data-collection programs, and administer regulations on water use and natural resources. The USGS water-use points of contact for each State are identified on the Internet at *http://water.usgs.gov/watuse/*.

Scenario

Inputs/Assumptions

Waihee IIFS @ Waihee Ditch	0	MGD	Q90 = 24
Waihee IIFS @ Spreckels Ditch	0	MGD	
Iao IIFS @ Iao Waikapu Ditch	0	MGD	Q90 = 18
Iao IIFS @ Spreckels Ditch	0	MGD	
Waihee-Hopoi Fields Daily Requirement + Losses	33.37	MGD	
Iao Waikapu Fields Daily Requirement	7.67	MGD	
County Water Treatment Plant	1.5	MGD	
WWCo Customers, Kuleana Users and Losses	2.7	MGD	
Contribution from Waikapu Stream	2	MGD	Q90 = 3.3 - 4.6 (est.)



Summary

			actual ditch deliveries	
			pre IIFS	post IIFS
Average Daily Flow				
Waihee Ditch @ Hopoi Chute	20.45	MGD	35.94	11.74
Spreckels Ditch @ Mill Street	11.58	MGD	17.50	12.68
Total inflows to Waiale Reservoirs	32.04	MGD	53.44	24.41
Median Daily Flow				
Waihee Ditch @ Hopoi Chute	20.31	MGD	15.02	10.06
Spreckels Ditch @ Mill Street	5.82	MGD	15.88	10.89
Total inflows to Waiale Reservoirs	26.12	MGD	30.43	22.10

			to meet daily requirement
Well 7 Water Pumped (MGD)			6.75
Operating Cost To Run Well 7 (annually)		$	459,818
Amortized Cost of Well 7 Improvements		$	105,705
		$	565,523
Total Revenue Shortfall Due to Less Than	Iao Waikapu	$	24,279
Daily Water Requirements	Waihee-Hopoi	$	663,407
Total Financial Impact (Additional Costs + Lost Revenue)		$	1,253,209

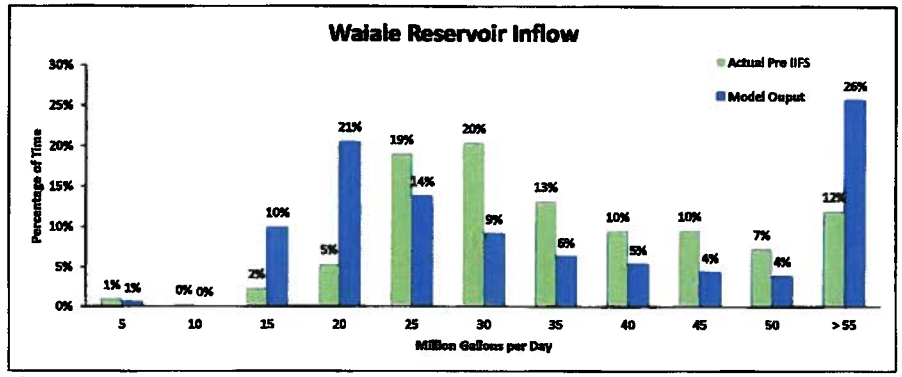
Inflows to Waiale Reservoirs			
Zero Days (Annualized)	2	Days	1%
County Water Treatment Plant			
Zero Days (Annualized)	0	Days	0%
Less than 1.5 MGD Available	0	Days	0%
Iao Waikapu Fields			
Zero Days (Annualized)	0	Days	0%
Less than Daily Requirement Available	1	Days	0%
Annual Water Shortfall	20	MG	
Waihee-Hopoi Fields			
Less than Daily Requirement Available	223	Days	61%
Less than Daily Requirement Available with Well 7 Pumping	43	Days	12%
Annual Water Shortfall	553	MG	

EXHIBIT C-R 18

Scenario

Inputs/Assumptions

Waihee IIFS @ Waihee Ditch	0	MGD	*Q90 = 24*
Waihee IIFS @ Spreckels Ditch	0	MGD	
Iao IIFS @ Iao Waikapu Ditch	0	MGD	*Q90 = 13*
Iao IIFS @ Spreckels Ditch	0	MGD	
Waihee-Hopoi Fields Daily Requirement + Losses	23.75	MGD	
Iao Waikapu Fields Daily Requirement	5.9	MGD	
County Water Treatment Plant	1.5	MGD	
WWCo Customers, Kuleana Users and Losses	2.7	MGD	
Contribution from Waikapu Stream	2	MGD	*Q90 = 3.9 - 4.6 (est.)*



Summary

			actual ditch deliveries pre IIFS	*post IIFS*
Average Daily Flow				
Waihee Ditch @ Hopoi Chute	20.45	MGD	15.94	11.74
Spreckels Ditch @ Mill Street	12.46	MGD	17.50	12.68
Total inflows to Waiale Reservoirs	32.91	MGD	33.44	24.41
Median Daily Flow				
Waihee Ditch @ Hopoi Chute	20.31	MGD	15.02	10.06
Spreckels Ditch @ Mill Street	7.59	MGD	15.86	10.89
Total Inflows to Waiale Reservoirs	27.89	MGD	30.43	21.10

		to meet daily requirement
Well 7 Water Pumped (MGD)		1.75
Operating Cost To Run Well 7 (annually)		$ 118,994
Amortized Cost of Well 7 Improvements		$ 105,705
		$ 224,699
Total Revenue Shortfall Due to Less Than	*Iao Waikapu*	$ 2,229
Daily Water Requirements	*Waihee-Hopoi*	$ 817
Total Financial Impact (*Additional Costs + Lost Revenue*)		$ 227,744

Inflows to Waiale Reservoirs			
Zero Days (Annualized)	2	Days	0%
County Water Treatment Plant			
Zero Days (Annualized)	0	Days	0%
Less than 1.5 MGD Available	0	Days	0%
Iao Waikapu Fields			
Zero Days (Annualized)	0	Days	0%
Less than Daily Requirement Available	0	Days	0%
Annual Water Shortfall	2	MG	
Waihee-Hopoi Fields			
Less than Daily Requirement Available	154	Days	42%
Less than Daily Requirement Available with Well 7 Pumping	2	Days	1%
Annual Water Shortfall	1	MG	

EXHIBIT C-R 19

ORIGINAL

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COMMISSION ON WATER RESOURCE MANAGEMENT

STATE OF HAWAI`I

`Iao Ground Water Management Area High-Level Source Water Use Permit Applications and Petition to Amend Interim Instream Flow Standards of Waihe`e, Waiehu, `Iao, & Waikapū Streams Contested Case Hearing	Case No. CCH-MA06-01 **CERTIFICATE OF SERVICE**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this date I caused true and correct copies of the following documents to be served on the following persons by facsimile, hand-delivery or U.S. mail, postage prepaid (as indicated below) to their respective addresses:

1. Office of Hawaiian Affairs' Responsive Brief;

2. Office of Hawaiian Affairs' Amended Exhibit List and Exhibits C-R 14 to C-R 19

	HAND-DELIVERED	FAXED	MAILED
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PAUL R. MANCINI Mancini, Welch & Geiger LLP 305 E. Wakea Avenue, Suite 200 Kahului, HI 96732 Attorney for Wailuku Water Company LLC	☐	☐	☒
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DATED: Honolulu, Hawai`i, January 28, 2014.

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