

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application)
)
 of)
)
 MOLOKAI PUBLIC UTILITIES, INC.)
)
 For review and approval of rate)
 increases; revised rate schedules; and)
 revised rules.)
)
)

Docket No. 2009 0048

MOLOKAI PUBLIC UTILITIES, INC.'S APPLICATION

EXHIBITS MPU 1 THROUGH MPU 11

EXHIBIT MPU-T-100

VERIFICATION

and

CERTIFICATE OF SERVICE

PUBLIC UTILITIES
COMMISSION

2009 MAR -2 P 3: 18

FILED

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MOLOKAI PUBLIC UTILITIES, INC.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application)	
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APPLICATION

MOLOKAI PUBLIC UTILITIES, INC., a Hawaii corporation (“MPU” or “Applicant”), pursuant to Hawaii Revised Statutes (“HRS”) § 269-16, as amended, Hawaii Administrative Rules (“HAR”) Title 6, Chapter 61, and Ordering Paragraph 8 (Part III, subpart 8) of the Hawaii Public Utilities Commission’s (“Commission”) Order Approving Temporary Rate Relief for MPU and Wai`ola O Moloka`i, Inc. (“Wai`ola”), issued in Docket No. 2008-0115 on August 14, 2008 (“Temporary Rate Order”)¹, hereby submits this application (“Application”) requesting that the Commission:

1. Determine this Application to be complete, pursuant to HRS § 269-16(f), as amended, and HAR § 6-61-88;

¹ Pursuant to Ordering Paragraph 8 (Part III, subpart 8) of the Temporary Rate Order, the Commission directed MPU and Wai`ola to file an application or applications for a general rate increase within six months of the date of the Temporary Rate Order, if a third party is not found to take over the Utilities (as that term is defined in the Temporary Rate Order and *infra* in footnote 2). Because the Temporary Rate Order is dated August 14, 2008, the six-month period ended on February 17, 2009. On February 12, 2009, before expiration of the six-month period, MPU and Wai`ola jointly filed a letter with the Commission requesting an extension of the February 17, 2009 deadline to March 2, 2009. By its Order Approving Extension of Temporary Rate Relief and Request for an Extension to File General Rate Case Applications (“Order Approving Extension”), filed February 28, 2009 in Docket No. 2008-0115, the Commission granted the joint request and approved an extension of the six-month period until March 2, 2009. As such, this Application is timely filed.

2. Conduct a public hearing on the island of Molokai to consider this Application in accordance with HRS § 269-12, HRS § 269-16, and HAR § 6-61-30;
3. Find that Applicant's present rates and charges for its water customers are unjust and unreasonable and will not allow Applicant to recover all of its reasonably incurred expenses nor allow Applicant to earn a return on its prudently incurred investments in utility property;
4. Approve, pursuant to HRS § 269-16, the proposed increase in Applicant's rates and charges as set forth in Exhibit MPU 5, and authorize Applicant to put into effect the proposed rates and charges after the date of authorization by the Commission;
5. Conduct this proceeding via the expedited 6-month process for review of small public utilities, pursuant to HRS § 269-16(f), as amended, and complete its deliberations and issue a proposed decision and order within six (6) months following the filing of a completed Application, pursuant to HRS § 269-16(f)(3), as amended;
6. Approve the establishment of an Automatic Power Cost Adjustment Clause as proposed by Applicant in this proceeding;
7. Approve the establishment of a Purchased Fuel Adjustment Clause as proposed by Applicant in this proceeding;
8. Approve the proposed amendment to Rule XX of Applicant's Rules and Regulations (hereinafter referred to collectively as either "Tariff" or "Rules and Regulations") to increase its reconnection fee to \$150.00; and
9. Grant such other relief as may be just and reasonable under the circumstances.

In support of this Application, Applicant provides the following information:

I.

COMMUNICATIONS REGARDING THIS APPLICATION

All pleadings, correspondence and communications regarding this Application should be addressed as follows:

MR. PETER A. NICHOLAS
Molokai Public Utilities, Inc.
c/o Molokai Properties Limited
745 Fort Street Mall, Suite 600
Honolulu, Hawaii 96813

Copies of all pleadings, correspondence and communications regarding this Application should also be sent to Applicant's counsel as follows:

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II.

DESCRIPTION AND BACKGROUND OF APPLICANT

MPU is a Hawaii corporation whose business address is 745 Fort Street, Suite 600, Honolulu, Hawaii 96813.² MPU is a public utility authorized to provide water service in the Kaluakoi area on the west end of the island of Molokai since 1981, when it received its Certification of Public Convenience and Necessity from the Commission

² MPU is one of three affiliated entities under common ownership by Molokai Properties Limited ("MPL"). The other two entities are Wai'ola and MOSCO, Inc. ("Mosco"). MPU, Wai'ola, and Mosco are hereinafter collectively referred to as the "Utilities."

pursuant to Decision and Order No. 6384, filed on October 29, 1981, in Docket No. 4112. MPU currently provides potable and non-potable water service to the Kaluakoi Resort, Ke Nani Kai and Paniolo Hale Condominiums, Kaluakoi Villas, Papohaku Ranchlands, Moana Makani subdivisions, and Maui County parks. Additional information relating to Applicant's water utility service is further described in the testimony of Applicant's consultant, Mr. Robert L. O'Brien. See Exhibit MPU-T-100; see also Exhibit MPU 1.

Applicant provides service to its customers at current base rates, other than its water consumption rate, approved by the Commission pursuant to Decision and Order No. 20342, issued on July 18, 2003, in Docket No. 02-0371. Applicant's current water consumption rate was approved by the Commission as a temporary rate effective as of September 1, 2008, pursuant to the Temporary Rate Order, issued on August 14, 2008, in Docket No. 2008-0115.³

³ When MPL announced in March 2008 that it would cease all current business operations on Molokai, it informed the Commission that MPL would no longer be able to subsidize MPU and Wai'ola, both of which had incurred substantial losses in 2007. Although the Utilities had hoped that a third party would be interested in taking over the Utilities, none was immediately forthcoming. To address the Utilities' financial inability to continue utility services, the Commission initiated, sua sponte, a proceeding to provide temporary rate relief to the Utilities. See Order Instituting a Proceeding to Provide Temporary Rate Relief to Molokai Public Utilities, Inc., Wai'ola O Moloka'i, Inc., and MOSCO, Inc., issued June 16, 2008 in Docket No. 2008-0115.

As a result of the proceeding, the Commission issued the Temporary Rate Order, which, among other things, approved temporary rate increases for MPU and Wai'ola's water consumption charges. Pursuant to Ordering Paragraph 1 (Part III, subpart I) of the Temporary Rate Order, the Commission approved a temporary rate increase for MPU from \$3.18 per 1,000 gallons to \$6.04 per 1,000 gallons. Further, the Commission ordered that the temporary rate increases be effective from September 1, 2008 for a period of six months, terminating on February 28, 2009. See Temporary Rate Order at 19. Within this six-month period, the Commission anticipated that either a third-party would be found to take over the Utilities' systems or that the Utilities would file an application(s) for a general rate increase. See id. at 20. To date, a third-party successor to the Utilities' systems has not been found.

On October 29, 2008, the Utilities jointly filed a Motion to Extend Order Approving Temporary Rate Relief ("Motion") in Docket No. 2008-0115, requesting that the temporary rate increases for MPU and Wai'ola be extended from February 28, 2009 for an additional six months, or such time as may be necessary for the Utilities to obtain Commission approval of general rate increase application(s). The Commission granted the Utilities' Motion on February 24, 2009, and in Ordering Paragraph 2 (Part III, subpart 2) ordered that "the temporary rates approved in the Temporary Rate Order shall be extended until August 2009, or until the [C]ommission rules on the general rate case applications to be filed by the Utilities." Order Approving Extension at 7.

III.

BACKGROUND AND DESCRIPTION OF RATE RELIEF REQUESTED

A. Rate Relief Requested

In accordance with HAR § 6-61-88(3), Applicant seeks the review and approval of the Commission for a July 1, 2009 through June 30, 2010 test year ("2009-2010 test year") net revenue increase of \$562,550. See Exhibit MPU 6 (line 7, column 2). This amounts to an approximate 73.69% increase from the pro forma revenue amount of \$763,408 at present rates for the 2009-2010 test year, as shown on Exhibit MPU 6 (line 38, column 2, and line 7, column 1, respectively) attached hereto and as further described in Mr. O'Brien's testimony. See MPU-T-100. If approved, the proposed revenue increase will provide Applicant with a 2.0% rate of return on its prudently installed plant and on its prudently incurred system improvements, as shown on Exhibit MPU 6 (line 33, column 1).

B. Justification for Rate Relief Requested

Applicant's current rates do not now and will not in the foreseeable future produce sufficient revenues to allow it to recover its prudently incurred expenses and earn a return on its prudently incurred investments. At present rates, Applicant projects a 2009-2010 test year net operating loss of \$311,050 and a negative 31.33% rate of return on an average rate base of \$992,860. See Exhibits MPU 6 and MPU 9. The instant rate case is designed to eliminate these current ongoing losses and to allow Applicant to earn a small return on its prudently incurred investments for utility assets providing service to its customers. As described in Mr. O'Brien's testimony (Exhibit MPU-T-100); Applicant has based its revenue increase request on a rate of return of

2.00 percent in recognition of the impact of a fair return on its investment on its customers at this time. Moreover, to minimize the “rate shock” to customers from the proposed increase, Applicant is proposing a two stage phase-in of the new rates and charges.

As further described in Mr. O'Brien's testimony (Exhibit MPU-T-100), through this Application, Applicant is seeking to: (1) increase its rates and charges for its water service; (2) establish an Automatic Power Cost Adjustment Clause (“APCAC”), which permits adjustment for electric costs during the year; (3) establish a Purchased Fuel Adjustment Clause (“PFAC”) for the fuel component of its water costs; and (4) amend Rule XX of its Rules and Regulations to increase its reconnection charge.

IV.

FILING AND NOTICE OF INTENT REQUIREMENTS

In In re Kaupulehu Water Company, Docket No. 05-0124, Order No. 21906 (July 1, 2005) (“Order No. 21906”), the Commission declared that “HRS § 269-16(f) and HAR § 6-61-88 apply to public utilities that have *annual* gross revenues of less than \$2 million, rather than on a public utility's *pro forma* or proposed revenues stated in its general rate case application.” See Order No. 21906 at 9 (emphasis in original). In this Application, MPU's unaudited financial statements (Exhibit MPU 2, Schedule 4) for the fiscal year ending June 30, 2008 set forth MPU's annual gross revenues for 2008, which is the most recent calendar year upon which to calculate MPU's annual gross revenues. MPU's unaudited financial statements indicate that MPU's annual gross

revenues for the fiscal year ending 2008 was \$647,618 (Exhibit MPU 2, Schedule 4, page 2, line 8, column 4), which is approximately \$1.35 million below the \$2 million threshold set forth in HRS § 269-16(f), as amended, and HAR Chapter 61, Subchapter 8. Thus, the filing requirements of HAR § 6-61-88 (i.e., utilities with annual gross revenues of less than \$2 million) apply to this Application, and no notice of intent is required to be filed, pursuant to HAR § 6-61-85(a).

V.

PRESENT AND PROPOSED RATES AND CHARGES

As more fully described in Exhibits MPU 4, MPU 5, and MPU 6 of this Application, if Applicant's request for a rate increase is approved, the following rates and charges would increase as follows and would generate an additional \$562,550 in annual revenues, pro forma for the test year ended June 30, 2010. In recognition that the proposed increases in these rates and charges could result in "rate shock" to certain classes of customers, Applicant proposes a two stage phase-in of the proposed increases to its rates and charges to mitigate or reduce any potential "rate shock" to its customers.

Pursuant to HAR § 6-61-88, the following is a comparison of the present rates and charges to Applicant's customers, and the proposed rates and charges to be applied as part of the two stage phase-in implementation process:

USER CHARGES:

	Present Rate/Charge	Phase I Proposed Rate/Charge	Phase II Proposed Rate/Charge	Total Percent Increase
1. Deposit prior to commencement of services	\$ 50.00	\$ 100.00	\$ 100.00	100%
2. Water Consumption Charge per month per 1000 gallons	\$ 6.04*	\$ 8.6524	\$ 10.394	72.1%
3. Standby charge per month (per installed meter)				
5/8" or 3/4"	\$ 11.25	\$ 16.00	\$ 19.00	68.9%
1"	\$ 15.00	\$ 21.00	\$ 26.00	73.3%
1-1/2"	\$ 22.50	\$ 32.00	\$ 39.00	73.3%
2"	\$ 37.50	\$ 54.00	\$ 64.00	70.7%
3"	\$ 75.00	\$ 107.00	\$ 129.00	72.0%
4"	\$ 112.50	\$ 161.00	\$ 193.00	71.6%
6"	\$ 225.00	\$ 322.00	\$ 387.00	72.0%
8"	\$ 375.00	\$ 537.00	\$ 644.00	71.7%
4. Private fire protection rates per month:				
Per Hydrant	\$ 5.25	\$ 7.50	\$ 9.00	71.4%
Per Standpipe	\$ 3.00	\$ 4.30	\$ 5.20	73.3%
Others: Per in diameter of feed main	\$ 3.75	\$ 5.40	\$ 6.40	70.7%
5. Monthly water availability charge to each owner of each lot at which a service connection is possible but has not been applied for	\$ 3.00	\$ 4.30	\$ 5.20	73.3%
6. Contribution for tap-in				
5/8" or 3/4"	\$ 150.00	\$ 150.00	\$ 150.00	0%
1"	\$ 300.00	\$ 300.00	\$ 300.00	0%
1-1/2"	\$ 525.00	\$ 525.00	\$ 525.00	0%
2"	\$ 750.00	\$ 750.00	\$ 750.00	0%
3"	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	0%
4"	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	0%
6"	\$ 4,500.00	\$ 4,500.00	\$ 4,500.00	0%
8"	\$ 6,750.00	\$ 6,750.00	\$ 6,750.00	0%
7. Reconnection Fee	\$ 75.00	\$ 150.00	\$ 150.00	100%
8. Inspection fee where user installs tap-in and meter	Actual Cost**	Actual Cost**	Actual Cost**	0%
9. Bulk Water Sales per month per 1000 gallons (Kualapuu Bulk Sale Contract)	\$ 1.125	\$ 1.7906	\$ 2.151	91.2%
10. Temporary fire hydrant water use charge***				

* As discussed more fully in footnote 3, pursuant to the Temporary Rate Order and the Order Approving Extension, the consumption charge of \$3.18 per 1,000 gallons was temporarily increased to \$6.04 per 1,000 gallons.

** Not less than \$37.50.

*** For water taken on a temporary basis from a hydrant pursuant to the prior written permission of Applicant, the charge will be the highest consumption rate approved by the Commission in effect at the time of such use, plus, with regard to the need to meter the temporary water use, a meter charge equivalent to the monthly stand-by charge for the applicable meter size.

As noted above, Applicant is proposing a two stage phase-in implementation of the proposed increase of its rates and charges in order to mitigate or reduce the impact of the increased rates and charges on its customers. If approved by the Commission, Phase I is proposed to go into effect upon the issuance of the Commission's order approving the proposed increased rates and charges ("Phase I Effective Date"), and Phase II is proposed to go into effect six months after the Phase I Effective Date. This phase-in process delays the start of full revenue recovery by approximately six months for Applicant if the Commission approves the new, proposed revenue requirements requested by Applicant. Details of the proposed phased implementation noted above are also described and illustrated in Exhibit MPU 5 and MPU-T-100 of this Application.

VI.

PROPOSED AUTOMATIC POWER COST ADJUSTMENT CLAUSE

Applicant also hereby requests that it be authorized to establish an Automatic Power Cost Adjustment Clause (APCAC) which will allow Applicant to increase or decrease the rates it charges for water service based on any corresponding increase or decrease in the electricity cost charged to Applicant by Maui Electric Company, Ltd., in relation to the base cost of electricity established in this proceeding. Electric expense, as part of revenue, has ranged from 17% to 41% during the years 2004 to 2008 making it a significant item of cost for the Applicant and one over which the Applicant has little control. The proposed APCAC formula is further described in the testimony of Mr. O'Brien (see Exhibit MPU-T-100, pages 39-40) and is proposed as follows:

$$\left(\frac{\text{Current Month Electric Costs}}{\text{Current Month total metered TG}} - \$1.0774 \right) \times 1.068205 = \text{Rate per TG for each customer's current month bill}$$

TG = Thousand Gallons

Applicant notes that its proposed APCAC is consistent with other power cost adjustment clauses recently established by other small water and wastewater utilities and previously approved by the Commission. See, e.g., In re Kukio Utility Co., LLC, Docket No. 2007-0198, Decision and Order No. 24016, filed on February 6, 2008 (adopting Proposed Decision and Order No. 23975, filed on January 18, 2008); In re Laie Water Co., Inc., Docket No. 2006-0502, Decision and Order No. 23554, filed on July 20, 2007 (adopting Proposed Decision and Order No. 23522, filed on June 29, 2007); and In re Puhi Sewer & Water Co., Inc., Docket No. 2006-0423, Decision and Order No. 23412, filed on May 3, 2007 (adopting Proposed Decision and Order No. 23376, filed on April 20, 2007) ("In re Puhi"). Further, similar to prior Commission rulings in establishing power cost adjustment clauses for small water and wastewater utilities, Applicant contends that the requirements set forth under Act 162, 2006 Session Laws of Hawaii (as codified as HRS § 269-16(g)) relating to automatic fuel rate adjustment clauses are not applicable for purposes of obtaining Commission approval to establish an APCAC in this proceeding. See In re Puhi.

VII.

PURCHASED FUEL ADJUSTMENT CLAUSE

Applicant further requests, as described in the testimony of Mr. O'Brien (see Exhibit MPU-T-100, pages 25-27), that it be authorized to establish a Purchased Fuel Adjustment Clause (PFAC). A PFAC will permit Applicant to pass on to its customers changes in the fuel expenses incurred by Applicant to pump water from Well 17. Applicant's fuel expense, an item over which Applicant has little control, has ranged from 34% to 61% as a percent of revenues during the years 2005 to 2008. The

proposed PFAC formula is further described in the testimony of Mr. O'Brien (see Exhibit MPU-T-100, pages 25-27):

$$\frac{((\text{Current Month Fuel Costs} / \text{Current Month total metered TG}) - \$2.0473) \times 1.068205}{1} = \text{Rate per TG for each customer's current month bill}$$

TG = Thousand Gallons

Similar to the proposed APCAC above, the proposed PFAC is consistent with pass-through clauses for other power cost adjustment clauses recently established by other small water and wastewater utilities and previously approved by the Commission. See, e.g., In re Puhi. Moreover, the pass through-clauses for the electric companies in the State have provisions for the costs of the fuel and purchased energy used to produce kilowatt hours provided to customers, such as Applicant. Accordingly, Applicant contends that the proposed PFAC is consistent with and will provide the same functions currently enjoyed by electric utility companies in Hawaii, including Maui Electric Company, Ltd., Applicant's electricity provider.

VIII.

PROPOSED TARIFF CHANGE

Finally, Applicant hereby requests that it be authorized to amend Rule XX of its Rules and Regulations to increase its reconnection fee to \$150.00 to account for higher costs, as well as the labor and effort incurred in reconnecting a customer's water service. The proposed amendment is further described in the testimony of Mr. O'Brien. See Exhibit MPU-T-100. A copy of the proposed amendment or replacement Tariff, marked (or "black-lined") to show changes to the language of the existing tariff, is attached hereto as Attachment 1.

IX.

FINANCIAL INFORMATION AND WAIVER REQUEST

In accordance with HAR §§ 6-61-86 and 6-61-88⁴ and consistent with the Commission's standard form application guidelines⁵, Applicant hereby files and incorporates by reference the following exhibits:

Exhibit MPU 1 General Description of Applicant's Property, Plant and Equipment.

Exhibit MPU 2 Financial Statements.

Schedules

- (1) Stock Authorized and Outstanding.
- (2) Year-End Common Stock Outstanding (2004 - 2008).
- (3) Description of Security Agreements, Mortgages, and Deeds of Trust (None).
- (4) Unaudited Financial Statements as of June 30, 2008.
- (5) Unaudited Financial Statements (6 months ending December 31, 2008).
- (6) Description of Promissory Notes, Bonds and Other Indebtedness (None).

Exhibit MPU 3 Applicant's Plant and Accumulated Depreciation.

Exhibit MPU 4 Present Rate Schedule.

Exhibit MPU 5 Proposed Rate Schedule.

⁴ As previously discussed, because Applicant has annual gross revenues of less than \$2,000,000, the requirements set forth in HAR § 6-61-88 are applicable to this Application.

⁵ See Commission's letter regarding "Form Application for Rate Increases by Small Utilities," dated October 29, 2007.

Exhibit MPU 6	Rate of Return Summary at Present and Proposed Rates Pro Forma for the Test Year Ended June 30, 2010.
	Exhibit MPU 6.1 Revenue Requirements Support.
Exhibit MPU 7	Income Tax Expense for Test Year Ended June 30, 2010, Recorded at Present Rates and Pro Forma at Proposed Rates.
Exhibit MPU 8	Taxes Other Than Income Taxes for Test Year Ended June 30, 2010, Recorded at Present Rates and Pro Forma at Proposed Rates.
Exhibit MPU 9	Average Rate Base 2009-2010 Test Year.
	Exhibit MPU 9.1 Pro Forma Rate Base Support.
	Exhibit MPU 9.2 Plant In Service.
	Exhibit MPU 9.3 Accumulated Depreciation.
	Exhibit MPU 9.4 Depreciation Expense (Book).
	Exhibit MPU 9.5 Customer Deposits.
	Exhibit MPU 9.6 Accumulated Deferred Income Taxes.
	Exhibit MPU 9.7 Hawaii Capital Goods Excise Tax Credit (HCGETC).
	Exhibit MPU 9.8 Working Cash.
Exhibit MPU 10	Pro Forma Historical Summary.
	Exhibit MPU 10.1 Labor, Payroll Taxes & Benefits.
	Exhibit MPU 10.2 Fuel & Power Expense.
	Exhibit MPU 10.3 Rental/Service.
	Exhibit MPU 10.4 Cost of Sales.
	Exhibit MPU 10.5 Materials & Supplies.
	Exhibit MPU 10.6 Not Applicable.
	Exhibit MPU 10.7 Affiliated Charges.
	Exhibit MPU 10.8 Professional & Outside Services.
	Exhibit MPU 10.9 Repairs & Maintenance.
	Exhibit MPU 10.10 Not Applicable.
	Exhibit MPU 10.11 Insurance.
	Exhibit MPU 10.12 Regulatory Expense.
	Exhibit MPU 10.13 General & Administrative Expense.

- Exhibit MPU 11 Pro Forma Revenue Summary.
- Exhibit MPU 11.1 Customer Usage and Revenue
Summary.
- Exhibit MPU 11.2 Customer Usage and Revenue.
- Exhibit MPU 11.3 Customer Usage and Revenue.

- Exhibit MPU-T-100 Testimony of Robert L. O'Brien.

- Attachment 1 Proposed Revisions to Rules & Regulations
 - Workpapers
 - Adjustment Reconciliation Schedules

In addition, pursuant to HAR § 6-61-92, HAR, Applicant respectfully requests that its unaudited financial statements (Exhibit MPU 2) submitted with this Application be accepted in lieu of the audited financial statements otherwise required by HAR § 6-61-75. As a small utility with annual revenues substantially less than \$2,000,000, Applicant does not have audited annual financial reports. To have one prepared for this Application would delay the filing and would unjustly impose additional financial burdens on the Applicant. Applicant notes that the Commission has previously waived the audited financial statement requirement for other similarly situated utilities. See, e.g., HOH Utilities, LLC, Docket No. 05-0024; Pukalani STP Co., Ltd., Docket No. 05-0025; KRWC Corp., dba Kohala Ranch Water Co., Docket No. 05-0334; Puhi Sewer & Water Co., Inc., Docket No. 2006-0423; Miller & Lieb Water Co., Inc., Docket No. 2006-0442; Laie Water Co., Inc., Docket No. 2006-0502; and Kukio Utility Co., LLC, Docket No. 2007-0198.

X.

CONCLUSION

WHEREFORE Applicant respectfully requests as follows:

1. That this Application be deemed a completed Application under HRS § 269-16(f) and HAR § 6-61-88;
2. That a public hearing be conducted on the island of Molokai to consider this Application, all in accordance with HRS § 269-12, HRS § 269-16, and HAR § 6-61-30;
3. That the Commission find that Applicant's present rates and charges for its customers are unjust and unreasonable and will not allow Applicant to recover all of its reasonably incurred expenses nor allow Applicant to earn a return on its prudently incurred investments in utility property;
4. That the Commission approve, pursuant to HRS § 269-16, the proposed increase in Applicant's rates and charges as set forth above and in Exhibit MPU 5 of this Application, and authorize Applicant to put into effect the proposed rates and charges after the date of authorization by the Commission;
5. That the Commission conduct this proceeding pursuant to HRS § 269-16 (f), as amended, and complete its deliberations and issue a proposed decision and order within six (6) months following the filing of a completed Application;
6. That the Commission approve the establishment of the APCAC as proposed by Applicant in this proceeding;
7. That the Commission approve the establishment of the PFAC as proposed by Applicant in this proceeding;

8. That the Commission approve the proposed amendment to Rule XX of Applicant's Rules and Regulations to increase its reconnection fee; and

9. That the Commission grant such other and further relief, including any interim rate increase, as may be just and equitable.

DATED: Honolulu, Hawaii, March 2, 2009.



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MOLOKAI PUBLIC UTILITIES, INC.

MOLOKAI PUBLIC UTILITIES, INC.

Application Filed March 2009

EXHIBIT MPU 1

PROPERTY, PLANT AND EQUIPMENT

(3 Pages)

Molokai Public Utilities, Inc.

Property, Plant and Equipment

Molokai Public Utilities, Inc. ("MPU" or "Company"), is a wholly owned subsidiary of Kaluakoi Water, LLC, which is a wholly owned subsidiary of Kaluakoi Land, LLC, which is a wholly owned subsidiary of Molokai Properties, Limited, a Hawaii corporation. The Company was incorporated in 1981 under the laws of the State of Hawaii and provides water utility services to commercial establishments, residential condominiums and single-family homes. The Company currently has approximately 220 active customers, measured by monthly meter charges.

System

As of December 31, 2008, the Company had approximately \$6.6 million dollars of gross utility plant, approximately \$5 million of which was fully depreciated. The plant consists of a production well, including a diesel engine for pumping, open and enclosed reservoirs, transmission and distribution mains, an electric pump station, a water treatment facility, meters, and other equipment necessary to deliver water to its customers.

The Company's water source is Well 17, which is operated using a gas-powered pump. The Well 17 water is delivered into an enclosed storage tank at the well site. Water from the well storage tank is provided to Wai'ola O Moloka'i ("WOM") customers through a metered connection at Kualapuu, between Well 17 and the delivery

to the Molokai Irrigation System (“MIS”) storage and transportation system. The remaining water from the well storage tank is then delivered to MIS through a metered connection where it is mixed with MIS water in an open reservoir, for which MIS charges a monthly fee for use of its facilities and retains 10% of the water delivered to its system.

MIS delivers the water to a transmission main, which delivers the water to the Mahana pumping station through a metered connection. The water is then sent to the Puunana Water Reservoir where it is blended with the Mountain Water and delivered to the MPU Treatment facilities through a metered connection. The water is then treated and delivered through a Clear-Water holding facility to the Maunaloa Reservoir and then to MPU and WOM customers as follows:

1. Through the Maunaloa meter
 - a. WOM customers receive the treated water
 - b. MPU customers in Moana Makani also receive treated water
2. Through the Kaluakoi meter
 - a. MPU customers receive treated water

EQUIPMENT

Controls for Mahana Pumps	\$ 13,925
Solar System Puukole Tanks	29,121
Maintenance Equipment & Tools	7,285
Water Meters	2,621
Caterpillar Engine Model 3412E	87,221

WATER SYSTEM

Bypass Line for Moana Makani	\$ 65,000
HDPE Pipe for Papohaku Ranchlands	67,802
Papohaku Line Bypass	63,701
Mahana Pump Replacement	14,100
Meter Replacements	67,073
System Acquisition Costs	4,931,896
Puunana Treatment Plant Upgrade	1,012,378
Well 17 Repairwork	127,003

MOLOKAI PUBLIC UTILITIES, INC.

Application Filed March 2009

EXHIBIT MPU 2

SCHEDULE 1

STOCK AUTHORIZED AND OUTSTANDING

(1 Page)

Molokai Public Utilities, Inc.

Stock Authorized and Outstanding

December 31, 2008

<u>Description</u>	<u># of Shares Authorized</u>	<u># of Shares Issued</u>	<u>PAR Value Per Share</u>	<u>Total PAR Value</u>
Preferred Stock	None	None	N/A	N/A
Common Stock	1,000	1,000	\$1.00	\$1,000

MOLOKAI PUBLIC UTILITIES, INC.

Application Filed March 2009

EXHIBIT MPU 2

SCHEDULE 2

COMMON STOCK OUTSTANDING

(1 Page)

Molokai Public Utilities, Inc.

Common Stock Outstanding

Year End Common Stock Outstanding

<u>Year</u>	<u>Owner</u>	<u>Number of Shares Owned</u>
2004	Kaluakoi Water, LLC [a]	1,000
2005	Kaluakoi Water, LLC [a]	1,000
2006	Kaluakoi Water, LLC [a]	1,000
2007	Kaluakoi Water, LLC [a]	1,000
2008	Kaluakoi Water, LLC [a]	1,000

[a] MPU is a wholly owned subsidiary of Kaluakoi Water, LLC, which is a wholly owned subsidiary of Kaluakoi Land, LLC, which is a wholly owned subsidiary of Molokai Properties, Limited.

MOLOKAI PUBLIC UTILITIES, INC.

Application Filed March 2009

EXHIBIT MPU 2

SCHEDULE 3

**SECURITY AGREEMENTS, MORTGAGES
AND DEEDS OF TRUST**

(1 Page)

Molokai Public Utilities, Inc.

Security Agreements, Mortgages and Deeds of Trust

NONE

MOLOKAI PUBLIC UTILITIES, INC.

Application Filed March 2009

EXHIBIT MPU 2

SCHEDULE 4

UNAUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

(2 Pages)

Molokai Public Utilities, Inc.
Test Year Ending June 30, 2010

EXHIBIT MPU 2, Schedule 4
Application Filed March 2009

Unaudited Financial Statement
Year Ended June 30, 2008

WITNESS O'BRIEN
Page 1 of 2

BALANCE SHEET

Line #	Description	[1] Reference	[2] Amount	[3] Amount	[4] Total
ASSETS					
<u>CURRENT ASSETS</u>					
1	Cash			\$ 30,726	
2	Accounts Receivable			51,298	
3	Receivable From Associates				
4	TOTAL CURRENT ASSETS				\$ 82,024
5	<u>PROPERTY, PLANT & EQUIPMENT</u>				
6	Plant in Service			6,627,683	
7	Construction Work in Progress				
8	Accumulated Depreciation			(5,407,999)	
9	NET PLANT				1,219,684
<u>OTHER ASSETS</u>					
10	Due From Affiliates				
11					
12	Other				
13	TOTAL OTHER ASSETS				-
14	TOTAL ASSETS				<u>\$ 1,301,708</u>
LIABILITIES AND EQUITY					
<u>CURRENT LIABILITIES</u>					
15	Accounts Payable & Accruals			\$ 11,459	
16	Accrued Taxes				
17	Customer Deposits			6,875	
18	Other			11,402	
19	TOTAL LIABILITIES				\$ 29,736
20	Due To Affiliates			3,392,195	
21					
22	Net CIAC				3,392,195
23	Due to Shareholder				
<u>STOCKHOLDER'S EQUITY</u>					
24	Common Stock				
25	Additional Paid-in-Capital		40,520		
26	TOTAL STOCK AND PAID-IN-CAPITAL			40,520	
27	Retained Earnings (Deficit) Beginning of Year		(1,470,459)		
28	Current Year Earnings (Deficit)		(690,284)		
29	Retained Earnings (Deficit) To Date			(2,160,743)	
30	TOTAL STOCKHOLDER'S EQUITY				(2,120,223)
31	TOTAL LIABILITIES AND EQUITY				<u>\$ 1,301,708</u>

Molokai Public Utilities, Inc.
 Test Year Ending June 30, 2010

EXHIBIT MPU 2, Schedule 4
 Application Filed March 2009

WITNESS O'BRIEN

Page 2 of 2

Unaudited Financial Statement
 Year Ended June 30, 2008

INCOME STATEMENT

Line #	Description	[1] Reference	[2] Amount	[3] Amount	[4] Total
<u>REVENUES</u>					
1					
2	Revenue			646,615	
3					
4					
5	Finance Charge			1,003	
6					
7	Other				
8	TOTAL REGULATED REVENUES				\$ 647,618
<u>OPERATING EXPENSES</u>					
9	Cost of Service			231,442	
10	Salaries & Wages			40,546	
11	Employee Benefits			14,756	
12	Payroll Taxes			3,426	
13	Electricity			202,649	
14	Fuel			403,635	
15	MIS Rental Charges			130,097	
16	Repairs & Maintenance			73,703	
17	Materials & Supplies			3,712	
18	Legal			5,452	
19	Professional Services			9,987	
20	Insurance			7,987	
21	Administrative Expense			10,184	
22	Miscellaneous Expense			5,914	
23	O & M Expense			1,143,490	
24	Depreciation Expense			143,127	
25	Taxes Other Than Income Taxes			32,851	
26	TOTAL OPERATING EXPENSES				(1,319,468)
27	Other (Expense) Income			(18,434)	
28	Interest Expense				
29	Net Non-Regulatory Income				(18,434)
30	Net Income (Loss)				\$ (690,284)

MOLOKAI PUBLIC UTILITIES, INC.

Application Filed March 2009

EXHIBIT MPU 2

SCHEDULE 5

**UNAUDITED FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2008**

(2 Pages)

Molokai Public Utilities, Inc.
 Test Year Ending June 30, 2010

EXHIBIT MPU 2, Schedule 5
 Application Filed March 2009
 WITNESS O'BRIEN
 Page 1 of 2

Unaudited Financial Statement
 Six Months Ended December 31, 2008

BALANCE SHEET

Line #	Description	[1] Reference	[2] Amount	[3] Amount	[4] Total
ASSETS					
<u>CURRENT ASSETS</u>					
1	Cash			\$ 31,029	
2	Accounts Receivable			49,256	
3	Receivable From Associates				
4	TOTAL CURRENT ASSETS				\$ 80,285
5					
<u>PROPERTY, PLANT & EQUIPMENT</u>					
6	Plant in Service			6,627,267	
7	Construction Work in Progress				
8	Accumulated Depreciation			(5,478,050)	
9	NET PLANT				1,149,217
<u>OTHER ASSETS</u>					
10	Due From Affiliates				
11					
12	Other				
13	TOTAL OTHER ASSETS				-
14	TOTAL ASSETS				\$ 1,229,502
LIABILITIES AND EQUITY					
<u>CURRENT LIABILITIES</u>					
15	Accounts Payable & Accruals			\$ 36,864	
16	Accrued Taxes				
17	Customer Deposits			18,054	
18	Other				
19	TOTAL LIABILITIES				\$ 54,918
20	Due To Affiliates			3,646,968	
21					
22	Net CIAC				3,646,968
23	Due to Shareholder				
<u>STOCKHOLDER'S EQUITY</u>					
24	Common Stock				
25	Additional Paid-in-Capital		\$ 40,520		
26	TOTAL STOCK AND PAID-IN-CAPITAL			40,520	
27	Retained Earnings (Deficit) Beginning of Year		(2,160,744)		
28	Current Year Earnings (Deficit)		(352,160)		
29	Retained Earnings (Deficit) To Date			(2,512,904)	
30	TOTAL STOCKHOLDER'S EQUITY				(2,472,384)
31	TOTAL LIABILITIES AND EQUITY				\$ 1,229,502

Molokai Public Utilities, Inc.
 Test Year Ending June 30, 2010

EXHIBIT MPU 2, Schedule 5
 Application Filed March 2009
 WITNESS O'BRIEN
 Page 2 of 2

Unaudited Financial Statement
 Six Months Ended December 31, 2008

INCOME STATEMENT

Line #	Description	[1] Reference	[2] Amount	[3] Amount	[4] Total
<u>REVENUES</u>					
1					
2	Revenue			\$ 329,851	
3					
4					
5	Late Fees			1,046	
6					
7	Other				
8	TOTAL REGULATED REVENUES				\$ 330,897
<u>OPERATING EXPENSES</u>					
9	Cost of Service			108,557	
10	Salaries & Wages			33,296	
11	Employee Benefits			8,924	
12	Payroll Taxes			2,730	
13	Electricity			124,650	
14	Fuel			163,640	
15	MIS Rental Charges			71,490	
16	Repairs & Maintenance			14,121	
17	Materials & Supplies			4,657	
18	Legal			34,947	
19	Professional Services			5,429	
20	Insurance			2,253	
21	Administrative Expense			2,215	
22	Miscellaneous Expense			4,767	
23	O & M Expense			581,676	
24	Depreciation Expense			72,618	
25	Taxes Other Than Income Taxes			28,763	
26	TOTAL OPERATING EXPENSES				(683,057)
27	Other (Expense) Income				
28	Interest Expense				
29	Net Non-Regulatory Income				-
30	Net Income (Loss)				\$ (352,160)

MOLOKAI PUBLIC UTILITIES, INC.

Application Filed March 2009

EXHIBIT MPU 2

SCHEDULE 6

PROMISSORY NOTES, BONDS AND

OTHER INDEBTEDNESS

(1 Page)

Molokai Public Utilities, Inc.

Promissory Notes, Bonds and Other Indebtedness

NONE

MOLOKAI PUBLIC UTILITIES, INC.

Application Filed March 2009

EXHIBIT MPU 3

**PROPERTY AND EQUIPMENT
ACCUMULATED DEPRECIATION**

(2 Pages)

Plant and Accumulated Depreciation

Line #	Description	[1]	[2]	[3]	[4]
		Balance At 06/30/08	Year Ended 6-30-09		Balance At 06/30/09
			Additions	Retirements or Adjustment	
<u>PLANT IN SERVICE</u>					
1	Equipment & Facilities 3 year life	\$ 1,434			\$ 1,434
2	Equipment & Facilities 5 year life	179,692	40,000		219,692
3	Equipment & Facilities 7 year life	52,671			52,671
4	Equipment & Facilities 10 year life	119,731	20,000		139,731
5	Equipment & Facilities 15 year life	79,774	30,000		109,774
6	Equipment & Facilities 20 year life	1,059,138			1,059,138
7	Equipment & Facilities 30 year life	61,448			61,448
8					-
9					-
10	TOTAL	<u>\$ 1,553,887</u>	<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ 1,643,887</u>
<u>ACCUMULATED DEPRECIATION</u>					
1	Equipment & Facilities 3 year life	\$ 1,394	\$ 40		\$ 1,434
2	Equipment & Facilities 5 year life	143,754	39,936		183,691
3	Equipment & Facilities 7 year life	32,126	7,524		39,651
4	Equipment & Facilities 10 year life	29,463	12,973		42,436
5	Equipment & Facilities 15 year life	8,082	6,318		14,400
6	Equipment & Facilities 20 year life	148,554	52,957		201,511
7	Equipment & Facilities 30 year life	6,145	2,048		8,193
8		-			-
9		-			-
	121,796.998714				
10	TOTAL	<u>\$ 369,518</u>	<u>\$ 121,797</u>	<u>\$ -</u>	<u>\$ 491,315</u>

Molokai Public Utilities, Inc.
Test Year Ending June 30, 2010

Exhibit MPU 3
Application Filed March 2009
Witness O'Brien
Page 2 of 2

Plant and Accumulated Depreciation

Line #	Description	[1]	[2]	[3]	[4]
		Balance At 06/30/09	Year Ended 6-30-10		Balance At 06/30/10
			Additions	Retirements or Adjustment	
<u>PLANT IN SERVICE</u>					
1	Equipment & Facilities 3 year life	\$ 1,434			\$ 1,434
2	Equipment & Facilities 5 year life	219,692			219,692
3	Equipment & Facilities 7 year life	52,671			52,671
4	Equipment & Facilities 10 year life	139,731	10,500		150,231
5	Equipment & Facilities 15 year life	109,774	4,000		113,774
6	Equipment & Facilities 20 year life	1,059,138			1,059,138
7	Equipment & Facilities 30 year life	61,448			61,448
8	-	-			-
9	-	-			-
10	TOTAL	<u>\$ 1,643,887</u>	<u>\$ 14,500</u>	<u>\$ -</u>	<u>\$ 1,658,387</u>
<u>ACCUMULATED DEPRECIATION</u>					
1	Equipment & Facilities 3 year life	\$ 1,434	\$ -		\$ 1,434
2	Equipment & Facilities 5 year life	183,691	8,000		191,691
3	Equipment & Facilities 7 year life	39,651	7,524		47,175
4	Equipment & Facilities 10 year life	42,436	14,498		56,934
5	Equipment & Facilities 15 year life	14,400	7,452		21,852
6	Equipment & Facilities 20 year life	201,511	52,957		254,468
7	Treatment & Disposal	8,193	2,048		10,241
8	2009 Additions	-			-
9	-	-			-
10	TOTAL	<u>\$ 491,315</u>	<u>\$ 92,479</u>	<u>\$ -</u>	<u>\$ 583,795</u>

MOLOKAI PUBLIC UTILITIES, INC.

Application Filed March 2009

EXHIBIT MPU 4

PRESENT RATE SCHEDULE

(2 Pages)

**MOLOKAI PUBLIC UTILITIES, INC.
 PRESENT RATE SCHEDULE**

USER CHARGES:

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 1. Deposit prior to commencement of services | \$ 50.00 |
| 2. Water Consumption Charge per month
per 1000 gallons | \$ 6.04* |
| * Pursuant to the Temporary Rate Relief Order and the Order Granting Extension of Temporary Rate Relief, the consumption charge of \$3.18 per 1,000 gallons was temporarily increased to \$6.04 per 1,000 gallons. | |

Conservation Charge per month per 1000 gallons for each 1000 gallons above base level for each customer classification	\$ 4.70**
------------------------------------------------------------------------------------------------------------------------	-----------

**Customer classification/base levels:	Gallons Per Month
Hotel	2,015,000
West Molokai Association (Kaluakoi Villas)	2,225,000
Ke Nani Kai	2,139,000
Paniolo Hale	1,333,000
Golf Course	12,168,000
Beach Park	791,000
Residential (per unit)	150,000

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 3. Standby charge per month (per installed meter) | |
| 5/8" or 3/4" | \$ 11.25 |
| 1" | \$ 15.00 |
| 1-1/2" | \$ 22.50 |
| 2" | \$ 37.50 |
| 3" | \$ 75.00 |
| 4" | \$ 112.50 |
| 6" | \$ 225.00 |
| 8" | \$ 375.00 |
| 4. Private fire protection rates per month: | |
| Per Hydrant | \$ 5.25 |
| Per Standpipe | \$ 3.00 |
| Others: Per in diameter of feed main | \$ 3.75 |
| 5. Monthly water availability charge to each owner of each lot at which a service connection is possible but has not been applied for | \$ 3.00 |

6. Contribution for tap-in (meter size / inches)	
5/8" or 3/4"	\$ 150.00
1"	\$ 300.00
1-1/2"	\$ 525.00
2"	\$ 750.00
3"	\$1,500.00
4"	\$3,000.00
6"	\$4,500.00
8"	\$6,750.00
7. Reconnection Fee	\$ 75.00
8. Inspection fee where user installs the tap-in and meter	Actual cost, but not less than \$37.50
9. Bulk Water Sales per month per 1000 gallons (Kualapuu Bulk Sale Contract)	\$ 1.125

10. Temporary fire hydrant water use charge:

For water taken on a temporary basis from a hydrant pursuant to the prior written permission of MPU, the charge will be the highest consumption rate approved by the Commission in effect at the time of such use, plus, with regard to the need to meter the temporary water use, a meter charge equivalent to the monthly standby charge for the applicable meter size.

MOLOKAI PUBLIC UTILITIES, INC.

Application Filed March 2009

EXHIBIT MPU 5

PROPOSED RATE SCHEDULE

(2 Pages)

**MOLOKAI PUBLIC UTILITIES, INC.
 PROPOSED RATE SCHEDULE**

USER CHARGES:

1.	Deposit prior to commencement of services	\$ 100.00
2.	Water Consumption Charge per month per 1,000 gallons	
	Phase I (Effective upon Commission Order)	\$ 8.6524
	Phase II (Effective six-months after Phase I Effective Date)	\$10.3940
3.	Standby Charge per month (per installed meter)	
	Phase I (Effective upon Commission Order)	
	5/8" or 3/4"	\$ 16.00
	1"	\$ 21.00
	1-1/2"	\$ 32.00
	2"	\$ 54.00
	3"	\$107.00
	4"	\$161.00
	6"	\$322.00
	8"	\$537.00
	Phase II (Effective six-months after Phase I Effective Date)	
	5/8" or 3/4"	\$ 19.00
	1"	\$ 26.00
	1-1/2"	\$ 39.00
	2"	\$ 64.00
	3"	\$129.00
	4"	\$193.00
	6"	\$387.00
	8"	\$644.00
4.	Private fire protection rates per month	
	Phase I (Effective upon Commission Order)	
	Per Hydrant	\$ 7.50
	Per Standpipe	\$ 4.30
	Other	\$ 5.40

1 Preparation, Rate Case Management and Rate Case Model Design. Prior to
2 joining Rudden, I was employed by Citizens Communications Company
3 (formerly Citizens Utilities Company) ("Citizens") from 1975 to 1999, holding
4 the positions of Vice President, Strategic Planning and Regulatory Affairs for
5 Citizens' Public Utilities Sector (1997 to 1999) and Vice President, Corporate
6 Regulatory Affairs (1978 to 1997) and Manager of Special Studies (1975 to
7 1978). From 1967 to 1975, I was employed as a controller by companies in the
8 Printing, Educational, Financial and Communications industries. Prior to 1967, I
9 was employed by Ernst & Young and attained the status of Senior Auditor after
10 four years, including two years work experience during the 5-year work-study
11 program at the University of Cincinnati. I graduated from the University in 1965
12 with a Bachelor of Business Administration with a major in Accounting. I am a
13 Certified Public Accountant.

14 Q. Have you previously testified before the Commission or other regulatory
15 commissions?

16 A. Yes, I have testified before this Commission many times on behalf of Citizens'
17 Kauai Electric Division prior to 2000 and have presented testimony for 20 small
18 Hawaii water or wastewater utility companies since 2000. In all, I have testified
19 or presented testimony in over 200 proceedings before the state regulatory
20 commissions in Arizona, California, Colorado, Hawaii, Idaho, Illinois, Indiana,
21 Montana, Nevada, Ohio, Pennsylvania, Tennessee, Vermont and West Virginia
22 for utility operations of electric, natural gas, communications, water and sewer

1 utility companies. I have presented testimony in company specific proceedings
2 for general rate increases, commission ordered rate reviews, purchased energy
3 pass through proceedings, initial certification (aka CPCN) proceedings,
4 acquisitions and sales of utility companies, disaster relief requirements and
5 recovery of acquisition premiums. I have testified on the subjects of all rate base
6 elements including deferred income taxes and cash working capital and on
7 revenues, rate design and rate of return. In addition, I have testified regarding all
8 operating expenses including income taxes. Finally, I have testified in generic
9 proceedings related to income taxes, purchased energy pass through clauses and
10 changes in regulation of the communications and electric industries.

11 Q. What is the purpose of your testimony in this proceeding?

12 A. I will testify on behalf of MPU regarding:

- 13 1. The Company's organization, service territory, property and other matters;
- 14 2. The need for the revenue increase, the amount of the overall revenue
15 increase and other rate making matters;
- 16 3. The filing requirements;
- 17 4. The revenue requirement schedules;
 - 18 a. Overall Revenue Requirement;
 - 19 b. Rate base and related schedules;
 - 20 c. Revenues at present rates;
 - 21 d. Revenues at proposed rates;
 - 22 e. Operating expenses;

- 1 f. Depreciation expense;
- 2 g. Income Taxes;
- 3 h. Revenue and Other Taxes;
- 4 5. Rate of Return;
- 5 6. Rate Design;
- 6 7. Automatic Power Cost Adjustment Clause;
- 7 8. Fuel Cost Adjustment Clause; and
- 8 9. Revised Rules and Regulations.

9 I will also present testimony regarding operational and other areas impacted by
10 the rate case application including the reasons or justification for rate relief.

11

12 **ORGANIZATION, SERVICE TERRITORY, AND PROPERTY**

13 Q. Please provide a brief description of the Company's service territory.

14 A. MPU, a Hawaii corporation, is a public utility authorized by the Commission to
15 provide potable water service in the Kaluakoi area on the west end of the island of
16 Molokai, Hawaii. MPU is one of three affiliated entities under common
17 ownership by Molokai Properties Limited ("MPL"). MPU currently provides
18 potable water service to the Kaluakoi Resort, Ke Nani Kai and Paniolo Hale
19 Condominiums, Kaluakoi Villas, Papohaku Ranchlands and Moana Makani
20 subdivisions and Maui County parks. Applicant's authorized service territory is
21 set forth on Original Sheets 2A and 2B of MPU's "General Water Service Rules
22 and Regulations Covering the Supply of Water to Customers" issued on and

1 effective as of September 22, 2003, Decision and Order No. 20459 (hereinafter
2 referred to as either "Tariff" or "Rules and Regulations"). A summary description
3 of MPU's plant or property is provided in Exhibit MPU 1 and its most recent
4 financial statements are included in Exhibit MPU 2, Schedules 4 and 5. The
5 Company's current base rates, other than its water consumption rate, were
6 approved by the Commission by Decision and Order No. 20342, issued on
7 July 18, 2003, in Docket No. 02-0371 ("D&O No. 20342"). The Company's
8 current water consumption rate was authorized by the Commission in its Order
9 Approving Temporary Rate Relief for Molokai Public Utilities, Inc. and Wai'ola
10 O Moloka'i, Inc. in Docket No. 2008-0115 issued on August 14, 2008
11 ("Temporary Rate Order") as a temporary rate effective as of September 1, 2008.

12
13 **REVENUE INCREASE**

14 Q. Please describe the revenue increase the Company is requesting in this
15 proceeding.

16 A. As shown on Exhibit MPU 6, line 7, column 1, the total revenues for the test year
17 ended June 30, 2010 ("TY") at present rates are \$763,408 and the revenue
18 increase required is \$562,550 as shown on line 7, column 2. This results in a
19 revenue increase of approximately 73.69 percent as shown on line 38, which will
20 provide the Company with a recovery of its TY expenses and a return on its
21 average TY rate base of 2.00 percent.

22 Q. Is this the revenue increase the Company believes it is entitled to at this time?

1 A. No, the Company believes it is entitled to a return on its average TY rate base of
2 8.85 percent which has recently been used for settlement of recent rate cases and
3 approved by the Commission. If the 8.85 percent return on average TY rate base
4 were used, the Company would be requesting an increase in revenues in the
5 amount of approximately \$748,000 or approximately 98 percent.

6 Q. Why is the Company requesting a revenue increase that would provide it a return
7 on its average TY rate base of only 2.00 percent?

8 A. The Company recognizes that the revenue increase required to recover its
9 expenses by itself is significant, and wants to mitigate the impact on its customers
10 from this filing which follows closely with the temporary rate increase authorized
11 by the Commission in the Temporary Rate Order. The use of the 2.00 percent
12 rate of return will provide a small return to the Company on its investment to
13 provide service to its customers while reducing the overall revenue requirement
14 and revenue increase required in this proceeding.

15 Q. Is the Company proposing any other measures to mitigate the impact of this
16 revenue increase on its customers?

17 A. Yes, the Company is also proposing to phase-in the revenue increase over two
18 periods. As described later, the Company is proposing a two stage phase-in
19 allowing six months between the initial increase and the second increase. While
20 this will mean that the Company will not receive the full revenue increase
21 requested until the last phase proposed to be effective on March 1, 2010
22 (assuming the application is processed within the six-month period for small

1 utilities, which would make the first phase of the increase effective on or around
2 September 1, 2009), the Company again feels this is proper to allow its customers
3 to plan for the overall revenue increase.

4 Q. Why is the Company filing this request for a revenue increase at this time?

5 A. The Company's filing is in response to Ordering Paragraph 8 (Part III, subpart 8)
6 of the Temporary Rate Order. In addition, the Company is seeking to recover its
7 operating expenses and the 2.00 percent return on its investment for the TY ended
8 June 30, 2010.

9 Q. Is the Company requesting a rate increase of approximately 73.69 percent for all
10 of its currently approved rates?

11 A. Yes, it is. The Company has proposed an across the board increase in rates.

12

13 **FILING REQUIREMENTS**

14 Q. Please describe Exhibit MPU 1.

15 A. Exhibit MPU 1 contains 3 pages which include a brief description and listing of
16 the Company's property and equipment used to provide for the pumping,
17 treatment, and distribution of potable water to the Company's customers.

18 Q. Please describe Exhibit MPU 2.

19 A. This exhibit contains six schedules showing MPU's financial information.

20 Schedule 1 shows the Company's issued and outstanding stock. Schedule 2

21 presents the Common Stock outstanding as of the five years 2004 to 2008, while

1 Schedule 3 shows that the Company has no Security Agreements, Mortgages or
2 Deeds of Trust outstanding.

3 Q. Does the Company plan to execute any loans or other instruments of debt in the
4 near future?

5 A. No, the Company has no plans for such actions at this time.

6 Q. Please describe the remaining schedules in Exhibit MPU 2.

7 A. Schedule 4 presents the unaudited financial statements for the Company's fiscal
8 year ended June 30, 2008, which is the last available complete fiscal year for
9 MPU. Schedule 5 presents the unaudited financial statements for the Company
10 for the six months ended December 31, 2008, which are the latest available.

11 Finally, Schedule 6 shows that the Company does not currently have any
12 promissory notes, bonds, or other indebtedness.

13 Q. What is contained in Exhibit MPU 3?

14 A. Exhibit MPU 3 contains detail related to MPU's property and equipment and the
15 related accumulated depreciation at June 30, 2008, 2009 and 2010.

16 Q. Please describe Exhibits MPU 4 and MPU 5.

17 A. Exhibit MPU 4 shows the present rate schedule for MPU, while Exhibit MPU 5
18 sets forth the proposed rate schedule.

19

20 **REVENUE REQUIREMENT SUMMARY**

21 Q. Please describe Exhibit MPU 6.

1 A. This exhibit presents a summary of the results of operations at present and
2 proposed rates for the TY. In addition, it shows the rate of return at present rates,
3 the required revenue increase, and the resulting rate of return at the rates proposed
4 by the Company. The total revenue requirement of \$1,325,958 (line 7, column 3)
5 requires a revenue increase of \$562,550 (line 7, column 2), or approximately
6 73.69 percent (line 38), over the TY revenues at present rates of \$763,408 (line 7,
7 column 1).

8 Q. Please describe the difference of \$7 between the calculated revenue requirement
9 increase of \$562,543 on line 37 in column 1 and the \$562,550 on line 7 in column
10 2 of Exhibit MPU 6.

11 A. This small difference is due to the fact that the \$562,550 is calculated using
12 monthly rates that are rounded to the nearest \$0.01 and water use rates that are
13 also rounded as shown on Exhibit MPU 11 while the \$562,543 is a calculation
14 that does not require rounding by customer charge or monthly usage rate. There
15 will usually be a small rounding difference between the calculated revenue
16 requirement, the \$562,543, and the revenue determined by the monthly and
17 commodity rates, \$562,550.

18 Q. Please describe Exhibit MPU 6.1.

19 A. This exhibit shows the calculation of the Gross Revenue Conversion Factor
20 ("GRCF") on lines 1 to 15 that is used to establish the revenue increase required.
21 It provides for the expenses that have to be recovered from increased revenue to
22 provide the net operating income increase required to have the opportunity to

1 achieve the rate of return determined reasonable in this proceeding. As shown on
2 lines 2 to 9, these expenses include bad debts, revenue taxes and income taxes.
3 Each of these expenses will vary with revenue levels. As shown on line 10, after
4 each of those expenses are deducted from revenue, there is 57.9783 percent of
5 revenue remaining for net income. This is used to determine the GRCF shown on
6 line 15 of 1.72478. As discussed in connection with the income tax calculation on
7 Exhibit MPU 7, the GRCF used on Exhibit MPU 6, line 36, of 1.70 is slightly
8 lower than the GRCF calculated on line 15 of Exhibit MPU 6.1 because of the
9 operating loss for the Company at present rates in the TY.

10 Q. Please describe Exhibit MPU 7.

11 A. Exhibit MPU 7 shows the income tax expense calculation at present and proposed
12 rates. The Company has used the statutory rates applied to the taxable income in
13 its calculations. The income tax calculation is shown in columns 5 to 7 for the
14 revenue at present rates, the revenue increase and the revenue at proposed rates,
15 respectively. While each of the three calculations uses the taxable income
16 appropriate for the heading and the statutory rates, there is a small difference
17 between the total of the income taxes at present rates plus the income taxes on the
18 revenue increase and the calculated income taxes at proposed rates. Line 14
19 shows the state income taxes at present rates of (\$30,889) in column 5 and
20 \$32,454 for the revenue increase in column 6. The net total of these two
21 calculated state income tax amounts is \$1,565 which is \$489 higher than the
22 calculated state income taxes at proposed rates of \$1,076 shown in column 7 on

1 line 14. This is due to the fact that a greater portion of the taxable income for the
2 rate increase (columns 3 and 6) is included in the higher tax brackets than in the
3 calculation of revenues at proposed rates (columns 4 and 7). It is the negative
4 taxable income at present rates which creates the need for the larger revenue
5 increase to attain the target rate of return at proposed rates. A similar difference is
6 reflected in the calculation of the Federal income tax on line 22. The correct
7 income tax expense at proposed rates is the \$4,583 shown on line 23 in column 7
8 of Exhibit MPU 7. This is the same amount shown on Exhibit MPU 6, line 27,
9 column 3. In order to achieve this income tax expense at proposed rates and the
10 target rate of return of 2.00 percent, a GRCF of 1.70 (Exhibit MPU 6, line 36,
11 column 1) is used in place of the GRCF on Exhibit MPU 6.1, line 15 of 1.72478.

12 Q. Is the use of a GRCF that is slightly different from the calculated one reasonable
13 for the calculations in this proceeding?

14 A. Yes, I believe it is. The objective of the GRCF is to provide for the income taxes
15 at proposed rates to achieve the rate of return found reasonable in this proceeding.
16 This is necessary because of the anomaly created by the negative earnings at
17 present rates, and provides an accurate calculation for the net operating income at
18 proposed rates. In this instance, the GRCF on Exhibit MPU 6, line 36 is adjusted
19 to attain the rate of return of 2.00 percent used to determine the revenue
20 requirement and rate increase. The income tax calculation at proposed rates
21 provides confirmation that the GRCF is correct.

22 Q. What is contained on Exhibit MPU 8?

1 A. This exhibit shows the calculation of taxes on revenue pro forma at present and
2 proposed rates.

3 Q. Please describe Exhibit MPU 9?

4 A. Exhibit MPU 9 presents a summary of the rate base elements at June 30, 2009 and
5 2010 and the average rate base for the TY. The average rate base for the TY is
6 \$992,860 as shown on line 14, column 3. Each of these elements will be
7 discussed in connection with the separate schedules for each of the rate base
8 elements in Exhibit MPU 9.

9 Q. Please describe Exhibit MPU 9.1.

10 A. This exhibit shows the summary rate base calculations at June 30, 2009 and
11 June 30, 2010 with pro forma adjustments that are the basis for the summary
12 schedule presented in Exhibit MPU 9.

13 Q. Please describe Exhibit MPU 9.2.

14 A. Exhibit MPU 9.2 presents the plant-in-service detail at June 30, 2008 and for the
15 years ended June 30, 2009 and 2010 used to support the data presented on Exhibit
16 MPU 9.1. MPU's plant additions budgeted for the fiscal year 2009 are shown in
17 column 3 on lines 24, 28, and 30. These include an addition to the backwash
18 system (line 24), meter reading equipment and meters (line 28) and replacement
19 vehicles (line 30). The total budget for the meter reading equipment and meters
20 of \$50,000 was split 60 percent for MPU and 40 percent for Wai'ola O Moloka'i
21 ("WOM") which will be included in the rate base additions for WOM. The
22 vehicle additions are part of a replacement program where the vehicle additions

1 for 2009 are included as part of MPU plant and the vehicle additions for 2010 are
2 included as part of WOM plant additions for 2010. MPU's plant additions
3 budgeted for the fiscal year 2010 are shown in column 7 on lines 25 through 27,
4 and line 29.

5 Q. Please describe Exhibit MPU 9.3.

6 A. This exhibit shows the accumulated depreciation for the plant-in-service as shown
7 on line 32. The amounts for the beginning and end of the test year are in columns
8 6 and 10, respectively.

9 Q. What is contained on Exhibit MPU 9.4?

10 A. Exhibit MPU 9.4 contains the calculation of depreciation expense. The
11 depreciation expense for the test year is calculated in column 8 using the plant
12 balance in column 3 and the plant lives shown in column 4. The additions to
13 plant in the years ended June 30, 2009 and June 30, 2010 reflect one half year
14 depreciation in the year of acquisition. The total test year depreciation expense is
15 \$92,479 as shown on line 32 in column 8.

16 Q. Please describe Exhibit MPU 9.5.

17 A. This exhibit shows the Customer Deposits for the periods ending December 31,
18 2008 and 2009.

19 Q. What is contained on Exhibit MPU 9.6?

20 A. Exhibit MPU 9.6 shows the calculation of the accumulated deferred income taxes
21 ("ADIT") for the test year.

22 Q. What is ADIT?

1 A. The ADIT represents the Federal and State income tax on the difference between
2 the depreciation expense used in the calculation of income taxes on the
3 Company's income tax return ("tax depreciation") and the depreciation expense
4 calculated for financial statement purposes ("book depreciation"). In most
5 instances, the ADIT results in a reduction from rate base to reflect the fact that tax
6 depreciation results from accelerated depreciation methods and shorter
7 depreciable lives than those used for book depreciation.

8 Q. Does MPU file a separate Federal or State income tax return?

9 A. No, it does not. MPU is included in a consolidated Federal and State income tax
10 return filed by its parent company.

11 Q. What is the ADIT used in the rate base calculation for MPU?

12 A. The Company did not reflect any amount of ADIT in the calculation of the rate
13 base for MPU. As shown on Exhibit MPU 9.6, line 27 in columns 8 and 11, the
14 tax depreciation is less than the book depreciation reflected on line 28 which does
15 not result in any deferred income taxes and therefore no ADIT reduction to rate
16 base.

17 Q. What is contained on Exhibit MPU 9.7?

18 A. Exhibit MPU 9.7 shows the calculation of the Hawaii Capital Goods Excise Tax
19 Credit ("HCGETC") at the beginning and end of the TY, in columns 8 and 11
20 respectively. The unamortized amounts at June 30, 2009 and 2010 of \$207,371
21 and \$191,264 (line 22, columns 8 and 11) respectively are included in the

1 determination of the average TY rate base on Exhibits MPU 9.1 (line 9,
2 columns 1 and 3) and 9 (line 8, columns 1 and 2).

3 Q. Please describe Exhibit MPU 9.8.

4 A. This exhibit shows the calculation of the working capital using the formula
5 method which results in a working capital amount for the TY of \$96,649. This
6 method, which is used by the Commission for small utilities, uses one-twelfth of
7 the operating expenses as a surrogate for the working capital as shown on lines 17
8 to 19 of Exhibit MPU 9.8.

9 Q. What is working capital?

10 A. Working capital represents the funds that a utility must have to pay for the service
11 it provides to its customers before it receives payment from the customers for that
12 service.

13 Q. How can working capital be calculated?

14 A. There are several methods that can be used to determine the working capital
15 requirement for a utility. First, the method that is used mostly for small utilities,
16 such as MPU, is the formula method. Under this method, a factor is applied to
17 expenses and the result is used as an addition to rate base to represent the funds
18 provided by the investor. Another method is to conduct a lead-lag study which
19 measures the time it takes a customer to pay its bill for service and compares that
20 to the time it takes the utility to pay for providing the service. This process is
21 somewhat time consuming and generally not used for the smaller utilities.

1 Q. Does the formula method provide a reasonable amount of working cash for MPU
2 in this proceeding?

3 A. Yes, it does.

4 Q. What is contained on Exhibit MPU 10?

5 A. Exhibit MPU 10 presents a summary of the revenue and expense as recorded for
6 the years 2004 to 2008 and pro forma for 2010 at present rates. The Company has
7 provided only total revenue for the years 2004 to 2008 because the Company did
8 not maintain its historic records to easily provide the detail shown in Exhibits
9 MPU 11 to 11.2 with regard to revenue or customers and usage data. However, as
10 described in connection with Exhibit MPU 11.2 and the related workpapers, the
11 Company has provided individual customer usage detail for the years ended
12 June 30, 2007 and June 30, 2008 and has prepared a comparative schedule
13 showing the monthly usage data for those years.

14 Q. Has MPL changed its procedures for charging MPU and the other affiliated
15 entities' utility operations for operating expenses incurred on behalf of those
16 companies recently?

17 A. Yes, it has. Prior to December 2008, MPL recorded some of the expenses
18 required to provide service to the customers of MPU and the other utilities owned
19 by MPL on the accounting records of MPL, and then charged portions of those
20 expenses to each of the affiliated companies including the utilities monthly. The
21 monthly charges to MPU and other utility companies were included as Costs of
22 Sales on the MPU and other utilities' accounting records as appropriate. The

1 charges for MPU are shown for the years 2004 to 2008 on Exhibit MPU 10,
2 line 20 in columns 1 to 5. The Cost of Sales expenses for the TY, as shown in
3 column 6 on line 20, have been reduced to zero for this charge and the separate
4 expenses have been included on the schedule specifically associated with that
5 expense. For example, as shown on Exhibit MPU 10.1, the Salaries and Wages
6 ("S&W") previously included in the Cost of Sales are reflected on line 4 for the
7 years 2006 to 2008 and included in the pro forma amount for the TY on line 2.
8 For example, the TY total of \$145,601 which is calculated on Workpaper MPU
9 10.1 includes both the direct S&W shown on line 2 and the S&W included in the
10 Cost of Sales as shown on line 4 for the years 2006 to 2008. The TY numbers
11 include all S&W expense for the services provided in the past. This is also true
12 for the charges for Employee Benefits on lines 8 to 12 and line 14, and for Payroll
13 Taxes on lines 17 to 19 and line 21 of Exhibit MPU 10.1.

14 Q. Why did MPL change its procedures for charging these expenses to the utility
15 operations?

16 A. Since MPL ceased its non-utility operations on the island of Molokai, there was
17 no reason to charge certain costs to a centralized location and then distribute them
18 to utility and non-utility operations. All expenses are currently being directly
19 charged to each company with current operations on Molokai. If a charge needs
20 to be allocated, the allocation is completed before the charge is made to the
21 specific utility company. This procedure will reflect each expense in its category
22 and no expense in the Cost of Sales account.

1 Q. How will you show the historic expenses that were included in the Cost of Sales
2 as part of the expenses for the TY?

3 A. As shown on Exhibit MPU 10.4, I have segregated the Cost of Sales expense
4 amounts and listed each of the major expense categories. The charges for these
5 expense categories for the years 2004 to 2008 are shown in columns 2 to 6. There
6 is no charge included for the TY in column 7. Column 7 reflects the exhibit
7 number reference where those charges are included. Each of the charges will be
8 discussed in connection with the category expense schedule, such as for example,
9 S&W, Insurance and Communications.

10 Q. Please describe what is contained on Exhibit MPU 10.1.

11 A. Exhibit MPU 10.1 presents the S&W expense, payroll tax expense and employee
12 benefits expense for the years ended June 30, 2004 to 2008 and for the TY ended
13 June 30, 2010. The calculations of each expense for the TY are contained in
14 Workpaper MPU 10.1.

15 Q. Please describe the charges from MPL as shown on Exhibit MPU 10.1.

16 A. The S&W expense charged directly on MPU is shown on line 2 as Direct S&W
17 for the years 2004 to 2008 and for the TY in column 7. The S&W charged to
18 MPU through the Cost of Sales category is shown on line 4 for the years 2004 to
19 2008. There is no S&W charged to MPU through the Cost of Sales category in
20 the TY because all of the S&W is charged direct, as shown on Workpaper
21 MPU 10.1. The Employee Benefits charged direct are shown on lines 8 to 12
22 with the Employee Benefits charged through Cost of Sales shown on line 14. As

1 with the S&W, there are no Employee Benefit charges in Cost of Sales for the TY
2 on line 14, because they are all included in the direct charges on lines 8 to 12 as
3 calculated on Workpaper MPU 10.1. Finally, the Payroll Taxes reflect the same
4 treatment on lines 17 to 21. The charges through Cost of Sales are reflected on
5 line 21 only for the historic years and the TY reflects all direct charges for Payroll
6 Taxes as supported by the calculations on Workpaper MPU 10.1.

7 Q. Please describe Workpaper MPU 10.1.

8 A. This workpaper contains three pages. Page 1 shows the calculation of the total
9 S&W expense for the test year and the distribution of the total to MPU, WOM
10 and MOSCO, a wastewater utility affiliated with MPU ("MOSCO"). Page 2
11 shows the distribution of the payroll taxes and employee benefits charged to
12 MPU. The calculation of each of the components for the test year is shown on
13 page 3. The test year S&W calculation, shown on lines 11 to 19, is based on the
14 employees currently working on the three operating utilities (MPU, WOM and
15 MOSCO) distributed based on the employees' time sheets in 2008. The percent
16 assigned to each utility for each employee is shown in columns 5, 6 and 7 and the
17 resulting S&W distribution is shown in columns 8, 9 and 10 for MPU, WOM and
18 MOSCO respectively. The S&W for the test year was increased by 3.0 percent to
19 allow for a wage increase on July 1, 2009. In addition, provision was made for a
20 new employee hire effective July 1, 2009 who will work on needed maintenance
21 projects for each of the three utilities. The total S&W to MPU for the test year is

1 \$145,601 as shown on line 19 in column 8 on Workpaper MPU 10.1 and on
2 Exhibit MPU 10.1 on line 7, column 7.

3 Q. Is the pro forma TY amount for S&W for MPU reasonable?

4 A. Yes, the Company believes that the employee levels in 2009 and the TY are
5 required for the provision of safe and reliable service to the customers of MPU,
6 WOM and MOSCO and are accurately distributed based on the calculations
7 contained in Workpaper MPU 10.1. As shown on Exhibit MPU 10.1, line 7, the
8 total S&W has increased slightly over the total payroll for the year 2007, before
9 the reorganization was implemented. The total S&W for the TY is approximately
10 \$12,000 over the 2007 total S&W which is equal to an annual increase of
11 approximately 3.0 percent.

12 Q. Please describe the calculations of the test year payroll taxes and employee
13 benefits.

14 A. Those calculations are shown on page 3 of Workpaper MPU 10.1 by employee
15 and by type of tax or benefit. Lines 1 to 14 show the calculations for the year
16 ended June 30, 2009 and lines 16 to 30 show the calculations for the TY. The
17 Company has included an increase of 5.0 percent (line 15) for the medical and
18 dental costs. The amounts by employee for the TY shown on lines 22 to 29 of
19 page 3 were brought forward to page 2 on lines 1 to 8 and distributed to MPU on
20 lines 10 to 17 using the percent by employee shown in column 1 on page 2. The
21 totals on line 18 of page 2 were brought forward to Exhibit MPU 10.1, column 7.

1 The TY total of \$64,264 is shown on page 2 of Workpaper MPU 10.1, column 11,
2 line 18 and also on Exhibit MPU 10.1 column 7, line 23.

3 Q. Why have the medical and dental charges shown on Exhibit MPU 10.1 on line 8
4 in column 7 for the TY increased?

5 A. This is due to the reorganization which has shown that the total benefit costs have
6 not been correctly allocated to the utility operations in the past. As shown on
7 page 3 of Workpaper MPU 10.1, the monthly medical premiums for each
8 employee are being directly charged to the utility operations for the employees
9 working on utility operations. The TY charges reflect this direct charge while the
10 prior years reflected a corporate allocation and, as shown by the TY calculations,
11 did not correctly charge the utilities.

12 Q. What is the total pro forma expense for the TY?

13 A. As shown on Exhibit MPU 10.1, line 24, column 7, the total expense for S&W,
14 Employee Benefits and Payroll Taxes is \$209,865 which is reasonable for the TY
15 for MPU.

16 Q. How were the electric and fuel expenses shown on Exhibit MPU 10.2
17 determined?

18 A. Exhibit MPU 10.2 presents the electric and fuel expense for the historic and TY
19 periods. The electric expense that was directly charged to MPU is shown on
20 line 1 and the electric expense included in the Cost of Sales is shown on line 2
21 and is also shown on Exhibit MPU 10.4, line 9 in columns 4 to 6. The TY
22 amount for electric expense is calculated on pages 1 and 2 of Workpaper MPU

1 10.2 which consists of 5 pages in total. Pages 3 to 5 of Workpaper MPU 10.2
2 show the data for the fuel expense calculation for the TY.

3 Q. Referring to Workpaper MPU 10.2, pages 1 and 2, please describe how the
4 electric expense for the test year was determined.

5 A. As shown on Workpaper MPU 10.2, page 2, the Company used the historic
6 energy usage and costs to develop the pro forma amounts for the TY. The data in
7 columns 1 to 4 show the data for the 500 hp pump at Mahana, which represents
8 approximately 80 percent of the total electric costs. The data has shown a
9 decrease in kWh usage from July 2006 to December 2008, which supports the
10 decrease in customer usage described by the Company in connection with TY
11 water use and revenue calculations for the TY. Line 42 shows the TY estimates
12 for kWh (columns 2, 6 and 10) and also the cost per kWh from the December
13 2008 billings (columns 4, 8 and 12). These amounts are shown on Workpaper
14 MPU 10.2, page 1. Referring to page 1, estimates for the four meter locations are
15 shown on lines 1 to 10 and the total pro forma expense for the TY, \$231,067, is
16 shown on line 11 and brought forward to Exhibit MPU 10.2 in column 7 on line 1.
17 Lines 12 to 14 of page 1 of Workpaper MPU 10.2 show the calculation of the
18 expense per kWh that will serve as the base for the Automatic Power Cost
19 Adjustment Clause ("APCAC").

20 Q. Is the Company proposing to implement an APCAC in this proceeding?

21 A. Yes. The APCAC will be described later in my testimony.

1 Q. Please describe the calculation of the fuel expense shown on line 4 of Exhibit
2 MPU 10.2.

3 A. Workpaper MPU 10.2 shows the calculation of the fuel expenses on pages 3 to 5.
4 Page 3 is a summary of the fuel costs based on the pro forma water sales to
5 customers and the related pumping expense at Well 17 which produces the water
6 to be sold to customers. Pages 4 and 5 show the detail of the fuel purchased from
7 July 2006 through December 2008 including the gallons of fuel delivered, the cost
8 of each delivery, the monthly water produced by Well 17 and the number of
9 gallons sold to customers.

10 Q. Please describe page 3 of Workpaper MPU 10.2.

11 A. Page 3 of Workpaper MPU 10.2 uses the pro forma sales to customers,
12 138,000 thousand gallons ("TG") as the start for the calculation of the fuel costs
13 for the TY. Line 2 shows an increase in water required to provide for the lost and
14 unaccounted ("L&U") water, which is based on the 12 months ended March 2007.
15 The rate in column 2, 15.8 percent, represents the L&U as a percent of water
16 consumed by customers shown on line 1. This is equivalent to the 9.3 percent of
17 water produced which is the normal presentation relationship.

18 Q. Why do you use two percents for the L&U?

19 A. Since we are determining the amount of production we need based on customer
20 usage estimates, we use the percent relationship to the customer usage to
21 determine the L&U which is shown on line 2. However, because the historic
22 percent of L&U is based on the production, the second calculation is required for

1 that comparison. For example, the TY estimate for L&U of 21,804 TG is
2 15.8 percent as a percent of water consumption and is 9.3 percent as a percent of
3 production.

4 Q. What is a reasonable level for the L&U for a water utility?

5 A. An L&U percent in the 10 percent range, based on production, is normally an
6 acceptable level.

7 Q. Please continue with your description of the calculations on page 3 of
8 Workpaper MPU 10.2.

9 A. Lines 4 and 5 show the water usage estimated for the treatment process. Line 6
10 presents the water that remains for customer usage after the change in storage
11 levels, the retention of water by the Molokai Irrigation System ("MIS") and the
12 water delivered to Kualapuu of 190,992 TG. Line 7 shows that we have assumed
13 no change in the storage levels for this calculation. Lines 9 and 10 show the
14 retention by MIS, which is a portion of the agreement with MIS for the use of
15 their facilities requiring a 10 percent retention of the water delivered to their
16 system. Finally, lines 12 to 14 show the water delivered to Kualapuu. The total
17 water production required to provide 138,000 TG for MPU's customers is
18 233,813 shown on line 15. Based on the average relationship between the gallons
19 pumped from Well 17 and the gallons of fuel delivered for the period July 2006 to
20 December 2008 as shown on pages 4 and 5, column 10, the pro forma estimated
21 of gallons of fuel required is 77,158. This is the result of multiplying the
22 33.0 percent per TG of water as shown on lines 15 to 17 of page 3. Finally, the

1 Company has used the most recent price in December 2008 of \$3.6616 to
2 determine the TY fuel cost of \$282,524 as shown on lines 17 to 19 of page 3
3 which is also shown on Exhibit MPU 10.2, line 4.

4 Q. Please describe pages 4 and 5 of Workpaper MPU 10.2.

5 A. These pages show the fuel delivered, cost of fuel, water production from Well 17,
6 and water sales to customers by month for July 2006 to December 2008. The
7 average price per gallon of fuel is shown in column 4. The water pumped by
8 month is shown in column 8 and the customer usage shown in column 12. The
9 ratio of gallons of fuel per TG of water pumped is shown in column 10.

10 Q. Is the Company requesting that the Commission establish a pass through clause
11 for the purchased fuel expense in addition to the APCAC?

12 A. Yes, we are requesting that the Commission establish a Purchased Fuel
13 Adjustment Clause ("PFAC"), which would permit the Company to pass-through
14 increases or decreases in fuel prices to its customers in a manner similar to the
15 changes in electric costs.

16 Q. Please describe the PFAC the Company is proposing to establish for the fuel
17 expense incurred to pump water from Well 17?

18 A. The Company is requesting that the Commission establish a PFAC for the
19 changes in its fuel prices which would use the base cost per TG shown on line 20
20 of page 3 of Workpaper MPU 10.2.

21 Q. Please describe how the PFAC calculation would be made on a monthly basis.

1 A. The Company would calculate its fuel purchases for a month and divide that total
2 by the gallons of water billed to its customers for the same month. The resulting
3 current month cost per TG would be compared to the base cost per TG established
4 in this proceeding of \$2.0473 as shown on page 3 of Workpaper MPU 10.2 at
5 line 20. The difference between the current month's rate per TG would then be
6 multiplied by the revenue conversion factor of 1.068205 and the resulting rate per
7 TG would be applied to each customer's bill for the subsequent month. For
8 example, if the Current Month Fuel Cost is \$2.0000 per TG, the change would be
9 a decrease of \$0.0473 per TG which would be multiplied by the gross-up factor of
10 1.068205 and the resulting \$0.0525 would be applied to reduce the next monthly
11 customer bill. The monthly formula will be:

12
$$((\text{Current Month Fuel Costs} / \text{TG's}) - \$2.0473) * 1.068205).$$

13 Q. What is the 1.068205 factor?

14 A. The 1.068205 factor is the multiplier necessary for the Company to charge
15 customers for the PFAC and provide for the tax on gross revenues.

16 Q. Is this pass-through concept similar to the pass-through clauses for other power
17 cost adjustments in place for utilities and the changes in electric costs they incur?

18 A. Yes it is. The only difference is that the actual costs being adjusted are incurred
19 by the Company from a supplier of the commodity, which is not a regulated
20 company.

21 Q. Is there any precedent for an adjustment clause of this nature?

1 A. Yes. The pass-through clauses for the electric companies in the state have
2 provisions for the use of costs of the fuel and purchased energy used to produce
3 the kWh provided to customers, such as MPU. The Company believes the PFAC
4 will provide the same functions currently enjoyed by the electric utility
5 companies.

6 Q. How does this proposed PFAC differ from the APCAC being proposed by the
7 Company?

8 A. It does not differ in purpose. The PFAC, which is the same as the APCAC (i.e.,
9 pass-through of changes in the charges for the commodity used to provide service
10 to customers) will allow the Company to pass through changes in costs associated
11 with this major expense component to customers. The only difference is that it is
12 based on the costs of fuel delivered by the Company's fuel contractor, which is
13 similar to the source of the fuel components of the APCAC clauses currently used
14 by electric utilities in Hawaii, including Maui Electric Company, MPU's
15 electricity provider.

16 Q. Why do you think this pass-through PFAC should be adopted?

17 A. This PFAC would allow the Company to recover increases in fuel costs or pass
18 through decreases in fuel costs used to pump water to service customers back to
19 customers as those fuel costs change. As shown on Workpaper MPU 10.2,
20 pages 4 and 5 in column 4, those costs have increased substantially from
21 July 2006.

22 Q. Please describe Exhibit MPU 10.3.

1 A. This exhibit shows the annual cost for the services provided to MPU by the
2 Department of Agriculture related to the transportation of water from Well 17 to
3 the Company's Mahana pump station. The total costs for this service is the
4 \$12,038 monthly charge plus the 10 percent retainage of water described in
5 connection with Workpaper MPU 10.2, page 3. The annual amount related to the
6 monthly charge of \$12,038 is the \$144,456 shown in column 7 of
7 Exhibit MPU 10.3.

8 Q. What is contained on Exhibit MPU 10.4?

9 A. Exhibit MPU 10.4 shows the Cost of Sales expenses for the years 2004 to 2008
10 and also shows which schedules those costs have been included with in this
11 presentation in column 7, TY 6/30/10. As discussed earlier, MPL has closed its
12 non-utility operations on the island of Molokai and has changed its accounting
13 procedures to reflect direct charges for all expenses associated with the operations
14 of the utilities. The old procedures included some direct charges to specific
15 expenses accounts, such as S&W, and some distributions of charges through a
16 Cost of Sales category. MPL has eliminated the Cost of Sales procedure and,
17 since December 2008, is charging expenses directly to the operating utility, MPU,
18 WOM or MOSCO. In order to correctly reflect these expenses in the TY and to
19 ensure they are not double counted or missed, column 7 shows the related exhibit
20 where these costs have been calculated for the TY. Each expense category will be
21 discussed in connection with those exhibits.

22 Q. Please explain Exhibit MPU 10.5.

1 A. This exhibit shows the historical expense for Materials & Supplies for the years
2 ended June 30, 2004 to 2008 and pro forma for June 30, 2010 for the direct
3 charges on lines 1 to 4 with a TY amount of \$14,010 shown in column 7 on line 5.
4 These TY amounts were based on an average of the expenses for 2004 to 2008,
5 which should be used for the TY. The Materials & Supplies that were included in
6 the Cost of Sales are shown on lines 6 and 7 and reflect a TY amount of \$71,574
7 using an average for the three years 2006 to 2008. These two components result
8 in a total TY pro forma expense of \$85,583 shown on line 10 in column 7.

9 Q. What is contained on Exhibit MPU 10.6?

10 A. Exhibit MPU 10.6 is not used at this time.

11 Q. Please describe Exhibit MPU 10.7.

12 A. Exhibit MPU 10.7 shows the historical and pro forma amounts for affiliated
13 charges for the years ended June 30, 2004 to 2008. The TY amount reflects the
14 Company's historic level of charge for administrative services of \$800 per month.

15 Q. Is that level commensurate with the administrative services currently being
16 provided by MPL at this time?

17 A. No, it is not. The Company believes that the current level of support provided by
18 employees of MPL to MPU is greater than those provided in prior years and
19 should be increased. However, the Company does not have historic data to
20 support the current increased level of services for the TY and therefore is
21 maintaining the historical charge level instead of increasing it at this time.

22 Q. What is contained on Exhibit MPU 10.8?

1 A. Exhibit MPU 10.8 shows the legal, professional and outside service expenses pro
2 forma for the TY. An average of the historical level for legal expense directly
3 charged is shown on line 1 with a TY amount of \$4,786. An average of the
4 historical level for other professional services is shown on line 2 with a TY
5 amount of \$6,526. Both of these amounts are based on the average of the
6 expenses for the years ended June 30, 2004 to 2008. Professional services
7 expenses that were included in the Cost of Sales are shown on line 6 with a TY
8 amount of \$2,824 based on a three year average of the historic amounts.

9 Q. Does the Company expect to incur legal and other professional expenses
10 regarding current litigation and also for potential proceedings associated with the
11 production and transmission of water supplies?

12 A. Yes, it does.

13 Q. Please briefly describe those activities or proceedings.

14 A. The Company is currently involved in a proceeding before the Commission
15 brought by the County of Maui in Docket No. 2008-0116. In addition, the
16 Company could become involved in a permitting proceeding involving a water
17 use permit for Well 17 for withdrawing water from the Water Management Area,
18 as well as Department of Agriculture permitting related to the completion of a
19 transportation agreement through the MIS, which moves the water produced at
20 Well 17 to the Mahana pump station to be delivered to the Company's customers.

21 Q. Has the Company actually begun expending any funds related to these permitting
22 activities and other litigation?

1 A. Yes, the Company has been making expenditures regarding the County of Maui
2 litigation.

3 Q. Does MPU have any estimate of the total costs for these activities?

4 A. Yes. The Company believes that its expenditures on these proceedings will
5 escalate through and after the TY and is seeking to obtain Commission
6 authorization to defer these expenses for recovery in future rate cases.

7 Q. What is the total estimated expense for those activities and what is the current
8 estimate of the total litigation time?

9 A. The total expense estimate for all three cases ranges from approximately \$645,000
10 to \$970,000 with an estimate of 1 to 4 years for completion of these cases,
11 assuming there is no appeal or other related proceeding.

12 Q. Please describe the procedure the Company is recommending in this proceeding.

13 A. The Company is requesting that the Commission authorize the Company to defer
14 these expenses as they are incurred, and permit the Company to seek recovery of
15 the deferred expenses in a subsequent rate case.

16 Q. What is the pro forma TY expense for the legal and professional expense?

17 A. It is \$14,137 shown on line 9 in column 7 on Exhibit MPU 10.8.

18 Q. Please describe what is presented on Exhibit MPU 10.9.

19 A. This exhibit shows the historical and pro forma amounts for repairs and
20 maintenance ("R&M") expenses directly charged to MPU on lines 1 and 2 and the
21 amounts included in the Cost of Sales charges to MPU on line 5. Line 1 shows
22 the R&M expense for the utility plant and operating systems which have varied

1 significantly over the last five years. Based on the current R&M requirements at
2 MPU, the Company believes that an average of these five years, \$51,928 shown
3 in column 7 should be used for the TY. The Company would also use the same
4 five-year average for the vehicle maintenance, which results in an annual R&M
5 expense for vehicles of \$3,228 as shown on line 2. The R&M charges from MPL
6 which had been included in the Cost of Sales for the years 2006 to 2008 have
7 been included for the TY in the amount of \$10,657 as shown on line 5 with a total
8 R&M expense, pro forma for the TY of \$65,812.

9 Q. What is contained on Exhibit MPU 10.10?

10 A. Exhibit MPU 10.10 is not used.

11 Q. Please describe Exhibit MPU 10.11.

12 A. This exhibit shows the amount of insurance expense allocated to MPU for the
13 years 2004 to 2008 and the summary of the pro forma amount for the TY.

14 Q. How were the allocations determined for the TY?

15 A. The TY expenses were based on estimates for the 2010 TY.

16 Q. Please describe Exhibit MPU 10.12.

17 A. This exhibit reflects the total regulatory expense and the annual amortization for
18 the rate case expense. The expense for each phase was estimated for Rate Case
19 Consulting, Legal, Travel and Other. The estimates for each expense element
20 were based on the experience of the regulatory consultant and attorneys retained
21 by the Company to assist in processing this application. These costs will be
22 updated and replaced with actual expenses and updated estimates as the case

1 proceeds. In the event the parties reach a settlement in this case and there is no
2 need for the Hearings and Briefing phase, those estimated costs should be
3 removed during the determination of the settlement revenue requirement.

4 Q. What is the total estimated regulatory expense for this rate case?

5 A. The total estimate for expenditures for this application, as shown on line 25 of
6 Exhibit MPU 10.12, is \$165,000. If there is no need for hearings in this case, the
7 estimated total would be \$125,000 which would remove the \$40,000 estimated on
8 lines 17 to 24 for the Hearings and Briefing phase. However, those amounts
9 could increase or decrease based on the actual and updated expenses as processing
10 of this application proceeds.

11 Q. What is the amortization period recommended by the Company to recover the
12 regulatory expense?

13 A. The Company is recommending a three-year amortization period. The Company
14 plans to file more frequent rate cases to avoid significant rate increases.

15 Q. What is the amount of amortization that should be included in expense in this
16 proceeding?

17 A. That amount is \$55,000 as shown on Exhibit MPU 10.12, line 27.

18 Q. What is contained on Exhibit MPU 10.13?

19 A. This exhibit contains the general and administrative expenses, estimated at \$5,183
20 for the direct charges for the TY as shown on line 11. These expenses include
21 travel expenses, equipment rental, office supplies, communications, postage, etc.,
22 and are based on the level of costs in prior years and are shown for each of the

1 expense categories separately. Lines 12 to 16 show the administrative expense
2 amounts that were included in the Cost of Sales from Exhibit MPU 10.4 which
3 totals \$8,135 for the TY. The Company believes that the total of these expenses
4 as shown on line 18 in column 7 of \$13,318 is reasonable for the TY.

5 Q. Please describe Exhibit MPU 11.

6 A. This exhibit contains a summary of the Company's annual revenues at present and
7 proposed rates for the monthly customer charge and for the customer usage
8 charges. The revenue increase percent, determined on Exhibit MPU 6 is shown
9 on line 1 in column 6. This is the factor used to increase the present rates shown
10 in column 3 to the proposed rates in column 6. Lines 2 to 9 reflect the revenue
11 from the monthly customer charges at present rates by meter size in columns 3 to
12 5 and proposed rates in columns 6 to 8. The revenue from customer usage is
13 shown on lines 11 and 12 at present and proposed rates. The percent increase
14 factor for the usage charge shown on line 10 of 73.659 percent, is slightly
15 different from the 73.688 percent shown on line 1 because of the rounding of the
16 monthly customer charge. This slight difference in the percent establishing the
17 proposed rates permit full recovery of the required revenue levels.

18 Q. How were the customer bill and usage levels for the TY determined?

19 A. The customer billing and usage data was summarized by month for the period
20 July 2007 to December 2008 as shown by the data in Exhibit MPU 11.1. This
21 data was used to calculate the number of customers at each meter size and the

1 usage for all MPU customers and also for the water delivered to WOM for its
2 customers through the connection at Kualapuu.

3 Q. Please describe Exhibit MPU 11.1.

4 A. Exhibit MPU 11.1 contains 2 pages summarizing the customer usage for each 6
5 month period ending December 2007, June 2008 and December 2008. The data
6 supporting these summaries is contained in Exhibit MPU 11.2.

7 Q. Did the Company use the customer usage by meter size to project the usage for
8 the TY?

9 A. No, it did not. The Company summarized the customer usage into two categories.
10 First, as shown on lines 4 to 6, which is the meter providing water to WOM at the
11 Kualapuu connection, the Company used the average usage for those three six
12 month periods which resulted in a total of 26,000,000 gallons for the TY as shown
13 on line 4 in column 5. The Company then summarized the usage for the
14 remaining customers and calculated the TY amount in total. This is shown on
15 lines 31 to 33 of page 2.

16 Q. Why did the MPU group all of the remaining usage into one category for the TY
17 usage?

18 A. Effective with the September 1, 2008 temporary increase, all of the remaining
19 customers were billed at one rate no matter what meter size was being used by the
20 customer. The Company did not need to maintain records of water use by meter
21 size and therefore grouped all of the customer usage, other than the usage at the
22 Kualapuu connection, into one number.

1 Q. How did you calculate the TY usage for the remaining customers?

2 A. As shown on line 31 of page 2 of MPU Exhibit 11.1, there has been a consistent
3 decline in usage for each 6-month period in both total gallons used (line 31 from
4 95.6 million gallons to 77.4 million gallons to 59.2 million gallons) and in usage
5 per customer per month (line 33 from 78,000 gallons to 46,000 gallons). The
6 Company used the actual usage for the six months ended December 2008,
7 doubled that and reduced it by five percent. ($59,200,000 \text{ gallons} * 2 * 95\% =$
8 $112,000,000 \text{ gallons}$). The Company believes that this estimate is reasonable for
9 the TY for all customers other than the Kualapuu connection.

10 Q. How did you project the number of customers for the TY?

11 A. Lines 37 to 47 show the summary of customer bills for the same 6 month periods
12 by meter size. Since the customer levels have been relatively stable the Company
13 has retained the number of customers at a level equal to those billed during the six
14 months ended December 2008.

15 Q. How were these TY totals used in the determination of the revenue at present and
16 proposed rates?

17 A. The data from Exhibit MPU 11.1 was used on Exhibit MPU 11 to calculate the
18 revenues at present and proposed rates.

19 Q. Please describe Exhibit MPU 11.2.

20 A. Exhibit MPU 11.2 contains 4 pages which show the monthly customer water use
21 and customer bills by meter size for the period July 2007 to December 2008 that

1 was used for the summaries on Exhibit MPU 11.1 and the calculation of revenue
2 at present and proposed rates.

3

4

RATE OF RETURN

5 Q. Please describe the rate of return ("ROR") used by the Company in this filing.

6 A. The Company believes a ROR of at least 8.85 percent would be appropriate based
7 on a review of Commission approvals of recent settlements in other water and
8 wastewater utility general rate case applications. However, as discussed earlier in
9 my testimony, the Company is requesting revenue levels based on a ROR of
10 2.00 percent.

11 Q. Please briefly describe why the Company is requesting a ROR of 2.00 percent
12 when the Company believes a ROR of 8.85 percent is reasonable.

13 A. The Company wanted to mitigate the impact on its customers from this filing
14 which follows closely with the temporary rate increase authorized by the
15 Commission in the Temporary Rate Order. The use of the 2.00 percent rate of
16 return will provide a small return to the Company on its investment to provide
17 service to its customers while reducing the overall revenue requirement and
18 revenue increase required in this proceeding.

19 Q. What is the Company's position regarding reductions in revenue requirement
20 which would not be large enough to increase the ROR so that it exceeds the
21 8.85 percent the Company believes is reasonable?

1 A. The Company's position is that any changes in the Company's revenues, expenses
2 or rate base that would affect the ROR should not reduce the Company's revenue
3 requirement until those changes plus the requested revenue increase of \$562,550
4 exceeds the 8.85 percent ROR. For example, if this case is settled and the
5 regulatory expense amortization for the Hearings and Briefing stage is eliminated,
6 the Company's TY expenses would be reduced by \$13,333 and the 2.00 percent
7 ROR would be increased to 2.8 percent. This procedure would not penalize the
8 Company for its willingness to set its proposed rates at a lower ROR than is
9 supportable in Hawaii regulatory proceedings and allow it to have a revenue
10 increase that covers the Company's operating expenses and a small return on its
11 investment.

12
13 **RATE DESIGN**

14 Q. Have you prepared a cost study to establish the proposed rates and revenue
15 distributions?

16 A. No, I have not. The Company believes its existing rate structure which includes a
17 monthly fixed customer charge and a flat rate for water consumption is a
18 reasonable structure at this time.

19 Q. Is the Company proposing a phase-in of the requested revenue increase?

20 A. Yes, it is.

21 Q. Please describe the revenue increase phase-in the Company is proposing.

1 A. The Company is proposing a two-stage phase-in. The first phase would recover
2 60 percent of the total revenue increase, which is equal to an increase of
3 43.1 percent above revenues at present rates. The second phase, which would be
4 effective six months after the initial increase, would be for the remainder of the
5 increase, \$219,409

6 Q. Why has the Company selected these increase amounts for the phase-in?

7 A. The Company's proposal will permit the Company to recover most of its cash
8 expenses from the revenue increase in the first phase and then recover the
9 remaining expenses and the small return on investment from the remaining
10 increase in the second phase. This will provide the customers with a staged
11 increase, reducing rate shock and still provide the Company with sufficient
12 revenues to cover most of its cash operating expenditures from the initial increase.

13

14 **AUTOMATIC POWER COST ADJUSTMENT CLAUSE**

15 Q. Please describe the Company's proposal to establish an automatic power cost
16 adjustment clause (APCAC) to reflect changes in the cost of electric power from
17 the electric costs used to set base rates in this proceeding.

18 A. The Company proposes to establish an APCAC to recover increases or decreases
19 in electric costs incurred by the Company in providing water service to its
20 customers that uses the Company's actual electric costs and actual water sales to
21 customers. This procedure uses the electricity costs and the water usage for the
22 month to calculate the electricity cost per thousand gallons ("EC/TG") for a

1 current month ("Current Month Electric Cost"). The Base Electricity Cost, shown
2 on Exhibit MPU 10.2 of \$1.67440 per thousand gallons ("TG") is then deducted
3 from the monthly Current Month Electric Cost and the resulting amount is
4 multiplied by the gross-up factor to provide for the revenue taxes and that
5 resulting amount per TG is multiplied by each customer's monthly usage. For
6 example, if the Current Month Electric Cost is \$1.60000 per TG, the change
7 would be a decrease of \$0.07440 per TG which would be multiplied by the gross-
8 up factor of 1.068205 and the resulting \$0.07947 would be applied to reduce the
9 next monthly customer bill. The monthly formula will be:

10
$$((\text{Current Month Electric Costs} / \text{TG's}) - \$1.07740) * 1.068205).$$

11 Q. What is the 1.068205 factor?

12 A. The 1.068205 factor is the multiplier necessary for the Company to charge
13 customers for the APCAC and provide for the tax on gross revenues.

14
15 **REVISED RULES AND REGULATIONS**

16 Q. Is the Company proposing any changes to its Rules and Regulations?

17 A. Yes. In addition to proposed revisions to the Company's existing water rate
18 schedules to implement the proposed rate changes requested, as described in the
19 Application and Attachment 1, the Company proposes to amend or revise
20 Rule XX of its existing Rules and Regulations or Tariff to increase its service
21 reconnection fee to \$150.00.

22 Q. What is the reason for this change?

1 A. The existing reconnection fee is \$50.00 for reconnection during regular working
2 hours or, \$75.00 for reconnection at other than regular working hours. Both
3 amounts are too low to sufficiently allow the Company to recover its costs of
4 having to disconnect and then reconnect service. The proposed increase to
5 \$150.00 is intended to assist in defraying the costs associated with disconnecting
6 and reconnecting a customer's utility service.

7 Q. How did you come up with this new \$150.00 charge?

8 A. The \$150.00 charge was estimated by the Company to include the time for an
9 operations employee to physically visit the customer's premises twice, once to
10 disconnect and again to reconnect service plus the time for administrative
11 personnel to handle the necessary paperwork associated with the disconnection
12 and reconnection activity. In addition, the Company believes that the
13 reconnection could occur at a time when overtime rates would apply for the
14 operations personnel.

15 Q. How many customers have been charged the existing reconnection fee in the past
16 year?

17 A. To date, including during this past year, no customers of the Company have had
18 to be reconnected. However, in light of the recent economic downturn, the
19 Company recognizes the possibility that such reconnections may occur in the
20 future. Accordingly, the Company is seeking to increase this charge to an amount
21 that will at least allow the Company, as stated above, to partially offset the costs

1 that would be incurred as a result of disconnecting and reconnecting a customer's
2 utility service.

3 Q. Have you provided any calculations to show the increase in revenue that this
4 increase in charges would provide?

5 A. No. Because no reconnections have occurred, no revenues have been collected
6 for this charge. In addition, because the Company does not know that any
7 reconnections will occur in the future, no revenues from this fee have been
8 included for test year purposes.

9 Q. Does this complete your testimony at this time?

10 A. Yes, it does.

MOLOKAI PUBLIC UTILITIES, INC.

Application Filed March 2009

ATTACHMENT 1

**PROPOSED REVISIONS TO
RULES & REGULATION**

(2 Pages)

CHECK LIST SHEET

<u>SHEET</u>	<u>REVISION</u>
TITLE	FIRST REVISED
CHECK LIST SHEET	ORIGINAL
1	FIRST REVISED
2	FIRST REVISED
2A	ORIGINAL
2B	ORIGINAL
3	FIRST REVISED
4	FIRST REVISED
5	FIRST REVISED
6	FIRST REVISED
7	FIRST REVISED
8	FIRST REVISED
9	FIRST REVISED
10	FIRST REVISED
11	FIRST REVISED
12	FIRST REVISED
13	SECOND <u>FIRST</u> REVISED
14	FIRST REVISED
15	FIRST REVISED
16	ORIGINAL
17	ORIGINAL
18	ORIGINAL
19	ORIGINAL
20	FIRST REVISED
20A	ORIGINAL

EXPLANATION OF SYMBOLS

- (C) To signify a changed regulation.
- (D) To signify a discontinued rate or regulation.
- (I) To signify an increase in the rate shown.
- (N) To signify a new rate or regulation.
- (R) To signify a reduction in the rate shown.
- (T) To signify a change in or addition of text, but not change in rate or regulation.
- (L) To signify material relocated from or to another part of tariff, but no change in rate or regulation.

When additional symbols are used, they are identified at the bottom of the individual page.

The bonding jumper shall be installed in such a manner, as not to interfere with the installation or removal of any of the Company's facilities.

3. No grounding of direct current system to any portion of the water system shall be permitted.

4. No grounding other than as provided in paragraph 2 hereof shall be made to any portion of the water system without the Company's written approval.

5. The Company will not be responsible for the maintaining of a continuous metallic water piping system and reserves the right, without liability to public utility electric companies, electric consumers, or any other agency or individual, to create a physical break in its Service Connections and Mains, or to incorporate non-metallic pipes and appurtenances in its system and to make joints of any materials, without regard to their efficiency as conductors of electricity and without giving notice.

6. Whenever grounding fault occurs and causes electrical current to flow into the pipeline system, the Customer shall have the corrections made immediately. Corrections not made will be subject to discontinuance of water service to the Customer.

RULE XIX
RESALE OF WATER

Unless specifically agreed upon by the Company in writing, the Customer shall not resell any water received by him from the Company.

RULE XX
RESTORATION OF WATER SERVICE

~~A labor and service charge will be made of \$150.00 will be made for reinstalling the meter (if necessary) and reconnecting and/or turning on water of service, during regular working hours or, \$75.00 for reconnection of service at other than regular working hours when the Customer has requested that the reconnection be made at other than regular working hours~~

RULE XXI
INGRESS TO AND EGRESS FROM CUSTOMER'S PREMISES

Any authorized officer, employee, agent, or representative of the Company bearing proper credentials and identification shall have the right of ingress to

Issued: October 7, 2003
By: Harold Edwards, Senior Vice President

Effective: September 22, 2003
Decision and Order No. 9695
Decision and Order No. 20459 and
Decision ()

MOLOKAI PUBLIC UTILITIES, INC.

Application Filed March 2009

WORKPAPERS

(MPU 10.1 and 10.2)

(8 Pages)

Salaries & Wages Expense

Line #	Description	Factor Or Reference	Hourly Rate	# of Hours	ANNUAL Salary/Wage [2]*[3]	Percent Charged To			S & W Charged To		
						MPU [4]*[5]	WOM [4]*[6]	MOS [4]*[7]	MPU [4]*[5]	WOM [4]*[6]	MOS [4]*[7]
1	Employee # 1		\$ 28.85	2080	\$ 60,008	45%	45%	10%	\$ 27,004	\$ 27,003	\$ 6,001
2	Employee # 2		\$ 17.31	2080	\$ 36,005	43%	45%	12%	15,482	16,202	4,321
3	Employee # 3		\$ 13.45	2080	\$ 27,976	45%	40%	15%	12,589	11,191	4,196
4	Employee # 4		\$ 13.05	2080	\$ 27,144	45%	45%	10%	12,215	12,215	2,714
5	Employee # 5		\$ 11.37	2080	\$ 23,650	95%	5%	0%	22,488	1,182	-
6	Employee # 6		\$ 22.60	2080	\$ 47,008	70%	20%	10%	32,906	9,401	4,701
7	Employee # 7		\$ 14.00	2080	\$ 29,120	33%	34%	33%	9,610	9,900	9,610
8	Total	L 1 to L 7			\$ 250,911				\$ 132,274	\$ 87,094	\$ 31,543

L 8, C 8, C 9, C 10 / C 4

Percent Payroll To Company

Salaries & Wages - Year End 6/10

10	Percent Wage Increase Effective 7/1/09		3.0%						52.7%	34.7%	12.6%
11	Employee # 1	C 2, L 1 * L 32	\$ 29.72	2080	\$ 61,818	45%	45%	10%	\$ 27,818	\$ 27,818	\$ 6,182
12	Employee # 2	C 2, L 2 * L 32	\$ 17.83	2080	\$ 37,086	43%	45%	12%	15,947	16,689	4,450
13	Employee # 3	C 2, L 3 * L 32	\$ 13.85	2080	\$ 28,808	45%	40%	15%	12,964	11,523	4,321
14	Employee # 4	C 2, L 4 * L 32	\$ 13.44	2080	\$ 27,955	45%	45%	10%	12,580	12,579	2,796
15	Employee # 5	C 2, L 5 * L 32	\$ 11.71	2080	\$ 24,357	95%	5%	0%	23,139	1,218	-
16	Employee # 6	C 2, L 6 * L 32	\$ 23.28	2080	\$ 48,422	70%	20%	10%	33,895	9,685	4,842
17	Employee # 7	C 2, L 7 * L 32	\$ 14.42	2080	\$ 29,994	33%	34%	33%	9,898	10,198	9,898
18	Employee # 8		\$ 10.00	2080	\$ 20,800	45%	40%	15%	9,360	8,320	3,120
19	Total	Sum L 11 to L 18			\$ 279,240				\$ 145,601	\$ 98,030	\$ 35,609
20	Percent Payroll To Company	L 819, C 8, C 9, C 10 / C 4							52.1%	35.1%	12.8%

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
	Factor Or Reference	FICA	FUTA	SUI	Medical	Dental	Work Comp	TDI	LTDI	Group Life	Total	
							{4}*{5}	{4}*{6}	{4}*{7}			
1	Employee # 1	\$ 4,729.08	\$ 56.00	\$ 209.30	\$ 10,008.00	\$ 1,140.00	\$ 5,401.35	\$ 340.00	\$ 327.50	\$ 148.36	\$ 22,359.59	
2	Employee # 2	2,837.08	56.00	209.30	6,672.00	756.00	3,240.39	203.97	196.48	89.01	14,260.22	
3	Employee # 3	2,203.81	56.00	209.30	10,008.00	372.00	2,517.10	158.44	152.62	69.14	15,746.42	
4	Employee # 4	2,138.56	56.00	209.30	10,008.00	372.00	2,442.57	153.75	148.10	67.09	15,595.37	
5	Employee # 5	1,863.31	56.00	209.30	10,008.00	372.00	2,128.19	133.96	129.04	58.46	14,958.26	
6	Employee # 6	3,704.28	56.00	209.30	3,335.00	372.00	4,230.87	286.32	256.53	116.21	12,547.52	
7	Employee # 7	2,284.54	56.00	209.30	10,008.00	-	232.45	164.97	158.90	71.99	13,196.15	
8	0	1,591.20	56.00	209.30	10,008.00	756.00	1,817.40	114.40	110.20	49.92	14,712.42	
9	Total	\$ 21,362	\$ 448	\$ 1,674	\$ 70,056	\$ 4,140	\$ 22,010	\$ 1,536	\$ 1,479	\$ 670	\$ 123,376	

Distribution to MPU

10	Employee # 1	45%	2,128	25	94	4,504	2,431	153	147	67	10,062
11	Employee # 2	43%	1,220	24	90	2,869	1,393	88	84	38	6,131
12	Employee # 3	45%	992	25	94	4,504	1,133	71	69	31	7,086
13	Employee # 4	45%	962	25	94	4,504	1,099	69	67	30	7,017
14	Employee # 5	95%	1,770	53	199	9,508	2,022	127	123	56	14,211
15	Employee # 6	70%	2,593	39	147	2,335	2,962	186	180	81	8,783
16	Employee # 7	33%	757	18	69	3,303	77	54	52	24	4,354
17	Employee # 8	45%	716	25	94	4,504	818	51	50	22	6,620
18	Total		\$ 11,138	\$ 234	\$ 881	\$ 36,031	\$ 11,935	\$ 799	\$ 772	\$ 349	\$ 64,264

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
		Annual Wages	FICA	FUTA	SUI	Medical	Dental	Work Comp	TDI	LTDI	Group Life	Total	
Employee Benefits - Year Ended 6-30-09													
1	Factor, Months or Rate		6.20%	0.80%	1.61%	12	12	1.25	0.0055	6.36	0.24		
2	Rate or Limitation		0.0145	7,000	13,000			0.62		0.0833			
3	Rate or Limitation							6.99					
4	Family, per month					\$ 794	\$ 90						
5	Two insured, per month					\$ 529	\$ 60						
6	One insured, per month					\$ 265	\$ 30						
7	Employee # 1	\$ 60,008	\$ 4,590.61	\$ 56.00	\$ 209.30	\$ 9,527.76	\$ 1,081.80	\$ 5,243.20	\$ 330.04	\$ 317.92	\$ 144.02	\$ 21,500.65	
8	Employee # 2	36,005	2,754.38	56.00	209.30	6,351.84	716.16	3,145.94	188.03	190.75	86.41	13,708.81	
9	Employee # 3	27,976	2,140.16	56.00	209.30	9,527.76	358.08	2,444.40	153.87	148.21	67.14	15,104.93	
10	Employee # 4	27,144	2,076.52	56.00	209.30	9,527.76	358.08	2,371.71	149.29	143.81	65.15	14,857.61	
11	Employee # 5	23,650	1,809.23	56.00	209.30	9,527.76	358.08	2,086.42	130.08	125.29	56.76	14,336.91	
12	Employee # 6	47,008	3,596.11	56.00	209.30	3,175.92	358.08	4,107.32	258.54	249.04	112.82	12,123.14	
13	Employee # 7	29,120	2,227.68	56.00	209.30	9,527.76	358.08	2,255.68	180.16	154.27	69.89	12,630.74	
14	Total	\$ 250,911	\$ 19,195	\$ 392	\$ 1,465	\$ 57,167	\$ 3,230	\$ 19,605	\$ 1,380	\$ 1,329	\$ 602	\$ 104,365	

15 Percent increase in Benefits for Test Year Ended 6-30-10

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
		Annual Wages	FICA	FUTA	SUI	Medical	Dental	Work Comp	TDI	LTDI	Group Life	Total	
Employee Benefits - Year Ended 6-30-10													
16	Factor, Months or Rate		6.20%	0.80%	1.61%	12	12	1.25	0.0055	6.36	0.24		
17	Rate or Limitation		0.0145	7,000	13,000			0.62		0.0833			
18	Rate or Limitation							6.99					
19	Family, per month					\$ 834	\$ 95						
20	Two insured, per month					\$ 556	\$ 63						
21	One insured, per month					\$ 278	\$ 31						
22	Employee # 1	\$ 61,818	\$ 4,729.08	\$ 56.00	\$ 209.30	\$ 10,008.00	\$ 1,140.00	\$ 5,401.35	\$ 340.00	\$ 327.50	\$ 148.35	\$ 22,359.59	
23	Employee # 2	37,086	2,837.08	56.00	209.30	6,672.00	756.00	3,240.39	203.97	196.48	89.01	14,260.22	
24	Employee # 3	28,808	2,203.81	56.00	209.30	10,008.00	372.00	2,517.10	158.44	152.62	69.14	15,746.42	
25	Employee # 4	27,955	2,138.56	56.00	209.30	10,008.00	372.00	2,442.57	153.75	148.10	67.09	15,595.37	
26	Employee # 5	24,357	1,863.31	56.00	209.30	10,008.00	372.00	2,128.19	133.96	129.04	58.46	14,958.26	
27	Employee # 6	48,422	3,704.28	56.00	209.30	3,336.00	372.00	4,230.87	266.32	256.53	116.21	12,547.52	
28	Employee # 7	29,994	2,294.54	56.00	209.30	10,008.00	756.00	2,324.45	164.97	158.90	71.99	13,196.15	
29	Employee # 8	20,800	1,591.20	56.00	209.30	10,008.00	756.00	1,817.40	114.40	110.20	49.92	14,712.42	
30	Total	\$ 279,240	\$ 21,362	\$ 448	\$ 1,674	\$ 70,056	\$ 4,140	\$ 22,010	\$ 1,536	\$ 1,479	\$ 670	\$ 123,376	

ELECTRIC CHARGES

Line #	Description	[1] Factor Or Reference	[2] Amount	[3] Sub-Total	[4] Total
<u>Mahana 500 HP pump</u>					
1	Pro Forma kWh usage		600,000		
2	Total Cost Per kWh		\$ 0.31240		
3	Pro Forma Expense			\$ 187,440	
<u>Puunana</u>					
4	Pro Forma kWh usage		70,000		
5	Total Cost Per kWh		\$ 0.44712		
6	Pro Forma Expense			\$ 31,298	
<u>Palaau</u>					
7	Pro Forma kWh usage		25,000		
8	Total Cost Per kWh		\$ 0.47360		
9	Pro Forma Expense			\$ 11,840	
<u>Mahana 200 HP pump</u>					
10	Pro Forma Expense			\$ 489	
11	Total Pro Forma Electric Expense				\$ 231,067
12	Total Pro Forma Electric Expense		\$ 231,067		
13	Total kWh		695,000		
14	Total Cost Per kWh			\$ 0.3325	

ELECTRIC CHARGES

Line #	Description	Mahana 500 HP pump			Puunana			Palauu			Mahana 200 HP pump			TOTAL		
		# of Days	KWH Usage	Charge Per KWH	# of Days	KWH Usage	Charge Per KWH	# of Days	KWH Usage	Charge Per KWH	# of Days	KWH Usage	Charge Per KWH	Total	Total	Total
1	LARGEPOWER.RATE															
2	7/25/08	30	79,200	\$ 19,508												
3	8/25/08	30	79,200	19,500												
4	9/25/08	31	79,200	19,467												
5	10/25/08	30	61,600	14,946												
6	11/24/08	30	47,200	11,373												
7	12/26/08	32	62,400	14,085												
8	1/24/07	29	61,600	13,089												
9	2/23/07	30	68,000	14,445												
10	3/24/07	29	65,600	13,691												
11	4/25/07	32	80,800	16,848												
12	5/24/07	29	77,600	16,563												
13	6/25/07	32	68,000	14,757												
	Total 6-30-07		830,400	\$ 188,262												
14	7/25/07	30	37,600	8,765												
15	8/24/07	30	81,600	19,538												
16	9/25/07	32	83,200	20,301												
17	10/25/07	30	82,400	19,461												
18	11/26/07	32	74,400	17,847												
19	12/26/07	30	44,800	11,736												
20	1/25/08	30	49,600	13,702												
21	2/26/08	32	74,400	20,651												
22	3/26/08	29	73,600	20,376												
23	4/24/08	29	60,000	16,950												
24	5/27/08	33	58,200	17,655												
25	6/25/08	29	48,000	15,141												
26	Total 6-30-08		788,800	\$ 202,123												
27	7/25/08	30	50,400	17,398												
28	8/26/08	32	61,600	22,872												
29	9/25/08	30	37,600	14,784												
30	10/27/08	32	40,000	14,564												
31	11/25/08	29	31,200	10,648												
32	12/26/08	31	23,200	7,248												
33	1/25/09															
34																
35																
36																
37																
38																
39	Total 6-30-09		244,000	\$ 87,514												
40	Pro Forma 6-30-09		650,000	\$ 203,060												
41	Sum 12 months 6-30-09		600,000	\$ 187,440												
42	Pro Forma for 11															
43	Usage and Rate Expense															

PALAAU (previously charged to MPL)

PUNANA-Fole 11 (previously charged to MPL)

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Fuel Expense

Line #	Description	[1] Factor Or Reference	[2] Amount	[3] Sub-Total (000) gallons	[4] Total
Usage at Kaluakoi					
1	Kaluakoi pro forma test year water usage			138,000	
2	Lost & Unaccounted Water - Based on Billed Water Usage		<u>15.8%</u>	21,804	
3	Percent based on Total Production	<u>9.3%</u>			
4	Water Treatment Water Usage Percent of Customer Usage		<u>22.6%</u>	31,188	
5	Percent based on Total Production	<u>13.3%</u>			
6	Water before Storage and MIS & Kualapuu			190,992	
Change in Storage					
7	Change in Storage Facilities			-	
8	Total before MIS and Kualapuu			190,992	
MIS Retention					
9	MIS Retention at 10% of Water delivered to MIS		<u>11.111%</u>	21,221	
10	Percent based on Water Delivered to MIS	<u>10.0%</u>			
11	Water delivered to MIS			212,213	
Kualapuu Usage					
12	Kualapuu pro forma test year water usage			18,000	
13	Lost & Unaccounted Water - Based on Billed Water Usage		<u>20.00%</u>	3,600	
14	Percent Based on Total Water delivered to Kualapuu	<u>16.7%</u>			
15	Production Requirement from Well 17			233,813	
16	Gallons of fuel ratio to gallons of water produced			33.00%	
17	Gallons of Fuel Required for Test Year Production				77,158
18	Cost per gallon				\$ 3.66162
19	Pro forma Fuel Cost				\$ 282,524
20	Fuel Cost per 000 gallons sold	L 19 / L 1		<u>\$ 2.0473</u>	

MOLOKAI PUBLIC UTILITIES, INC.

Application Filed March 2009

ADJUSTMENT RECONCILIATION SCHEDULES

(5 Pages)

Application Filed March 2009
 Mokohai Public Utilities, Inc.
 Revenue Requirement IS Support-Water
 Test Year Ending June 30, 2010
 Direct Testimony
 2/28/2009

Revenue Related

Description of Adjustment	Source/Ref.	Monthly Customer Charge	Water Usage Charge	Other	Connection Fees	Late Fees	(add rev. item)	Labor Payroll Taxes & Employee Benefits	Fuel & Power Expense	Department of Agriculture Reimb./Service	Cost of Sales	Materials & Supplies	NOT USED
Company's Projection		\$53,228	\$708,980	\$0	\$0	\$1,200		\$209,865	\$613,591	\$144,458	\$0	\$85,583	\$0
Source of Co. amount													
Adjustments:													
Monthly Customer Charge													
Water Usage Charge													
Other													
Connection Fees													
Late Fees (add rev. item)													
Labor Payroll Taxes & Employee Benefits													
Fuel & Power Expense													
Department of Agri - Rental/Service													
Cost of Sales													
Materials & Supplies													
NOT USED													
Amortization													
Professional & Outside Services													
Repairs & Maintenance													
NOT USED													
Insurance													
Regulatory Expense													
General & Administrative													
Bad Debt Expense													
Additional line item													
Depreciation													
Amortization													
Taxes, Other Than Income													
Income Taxes													
Interest													
HCGETC Amortization													
[other adjustments]													
Subtotal		\$53,228	\$708,980	\$0	\$0	\$1,200		\$209,865	\$613,591	\$144,458	\$0	\$85,583	\$0
CA Projected Amount													

Application Filed March 2009
 Midkhai Public Utilities, Inc.
 Revenue Requirement IS Support-Water
 Test Year Ending June 30, 2010
 Direct Testimony
 2/28/2009

Description of Adjustment	Source/Ref.	Expense Related								
		Affiliated Charities - Outside Services	Professional & Maintenance	Repairs & Maintenance	NOT USED	Insurance	Regulatory Expense	General & Administrative	Bad Debt Expense - additional line item	Depreciation
Company's Projection		\$9,600	\$14,137	\$65,812	\$0	\$13,000	\$55,000	\$13,316	\$0	\$92,479
Source of Co. amount		\$0		###						
Adjustments:										
Monthly Customer Charge										
Water Usage Charge										
Other										
Connection Fees										
Late Fees										
Field (ex. item)										
Labor, Payroll Taxes & Employee Benefits										
Fuel & Power Expense										
Department of Agr. - Rental/Service										
Cost of Sales										
Materials & Supplies										
NOT USED										
Affiliated Charges										
Professional & Outside Services										
Repairs & Maintenance										
NOT USED										
Insurance										
Regulatory Expense										
General & Administrative										
Bad Debt Expense										
additional line item										
0										
0										
Depreciation										
Amortization										
Taxes, Other Than Income										
Income Taxes										
Interest										
HCCETC Amortization										
[other adjustments]										
subtotal		0	0	0	0	0	0	0	0	0
CA Projected Amount		\$9,600	\$14,137	\$65,812	\$0	\$13,000	\$55,000	\$13,316	\$0	\$92,479

Application Filed March 2009
 Midvale Public Utilities, Inc.
 Revenue Requirement IS Support-Water
 Test Year Ending June 30, 2010
 Direct Testimony
 2/28/2009

Description of Adjustment	Source/Ref.	Amortization	Taxes, Other Than Income	Income Taxes	Interest	HCCETC Amortization
Company's Projection Source of Co. amount			\$48,744			0
Adjustments:						
Monthly Customer Charge						
Water Usage Charge						
Other						
Connection Fees						
Late Fees (add rev. item)						
Labor, Payroll Taxes & Employee Benefits						
Fuel & Power Expense						
Depreciation of Equip. - Rental/Service						
Cost of Sales						
Materials & Supplies						
NOT USED						
Affiliated Charges						
Professional & Outside Services						
Repairs & Maintenance						
NOT USED						
Insurance						
Regulatory Expense						
General & Administrative						
Bad Debt Expense						
Additional line item						0
						0
Depreciation						
Amortization						
Taxes, Other Than Income						
Income Taxes						
Interest						
HCCETC Amortization						
[other adjustments]						
subtotal			0	0	0	0
CA Projected Amount			\$0	\$48,744	\$0	\$0

Application Filed March 2009
 Molekai Public Utilities, Inc.
 Adjustment Reconciliation
 Rate Base at:
 Test Year Ending June 30, 2010
 Direct Testimony
 2/26/2009

June 30, 2009

SourceRef

Description of Adjustment	Plant In Service	Accumulated Depreciation Reserve	Net Contributions in Aid of Construction	Customer Advances	Customer Deposits	Accumulated Deferred Taxes: Federal	Accumulated Deferred Taxes: State	Unamortized Hawaii General Excise Tax Credit	Working Capital	Retirements
Company's Projection	\$1,643,887	(\$491,315)	\$0	\$0	(\$18,054)	\$0		(\$207,371)	\$96,649	\$0
Source of Co. Projections										
Adjustments:										
Plant In Service										
Accumulated Depreciation										
Net Contribution to Aid of Construction										
Acc. Deferred Income Taxes-Fed										
Acc. Deferred Income Taxes-State										
Working Capital										
Hawaii General Excise Tax Credit										
subtotal of adj	0	0	0	0	0	0	0	0	0	0
CA Projected Amounts	\$1,643,887	(\$491,315)	\$0	\$0	(\$18,054)	\$0	\$0	(\$207,371)	\$96,649	\$0

Application Filed March 2009
 Molokai Public Utilities, Inc
 Adjustment Reconciliation
 Rate Base at
 Test Year Ending June 30, 2010
 Direct Testimony
 2/28/2009

June 30, 2010
 Source/Ret

Description of Adjustment	Plant In Service	Accumulated Depreciation Reserve	Net Contributions to Aid of Construction	Customer Advances	Customer Deposits	Accumulated Deferrals Federal	Accumulated Deferrals State	Unamortized Hawaii General Excise Tax Credit	Working Capital	Rebates	D
Company's Projection	\$1,658,387	(\$593,795)	\$0	\$0	(\$18,054)	\$0	\$0	(\$191,264)	\$90,649	\$0	\$0
Source of Co. projections											
Adjustments											
Plant In Service											
Accumulated Depreciation											
Net Contributions in Aid of Construction											
Accumulated Income											
Acc. Deferred Income Taxes State											
Hawaii General Excise Tax Credit											
Working Capital											
subtotal of adj	\$1,658,387	(\$593,795)	\$0	\$0	(\$18,054)	\$0	\$0	(\$191,264)	\$90,649	\$0	\$0
CA Projected Amounts											

VERIFICATION

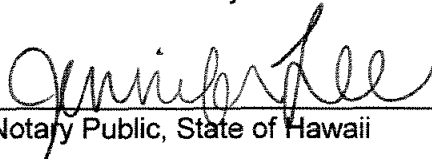
STATE OF HAWAII)
)
CITY AND COUNTY OF HONOLULU) SS.

MICHAEL H. LAU, being first duly sworn, deposes and says: That he is an attorney for Applicant in the above proceeding; that the officers of Applicant are not present within the City and County of Honolulu; that he has read the foregoing Application, and knows the contents thereof; and that the same are true of his own knowledge except as to those matters stated on information and belief, and that as to those matters he believes them to be true.



MICHAEL H. LAU

This 1 page Verification to Molokai Public Utilities, Inc.'s Application dated March 2, 2009 was subscribed and sworn to before me on March 2, 2009 in the First Circuit, State of Hawaii by Michael H. Lau

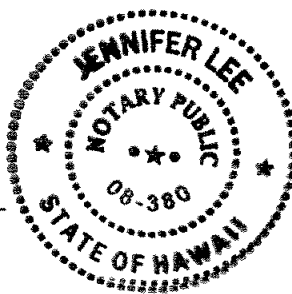


Notary Public, State of Hawaii

JENNIFER LEE

Printed Name of Notary Public

My commission expires: AUG 25 2012



CERTIFICATE OF SERVICE

I hereby certify that on this date, copies of the foregoing document were duly served on the following party, by having said copies delivered as set forth below:

DEPARTMENT OF COMMERCE and CONSUMER AFFAIRS
Division of Consumer Advocacy
335 Merchant Street
Room 326
Honolulu, Hawaii 96813

3 copies
Hand Delivered

Dated: Honolulu, Hawaii, March 2, 2009.



MICHAEL H. LAU
YVONNE Y. IZU
SANDRA L. WILHIDE

Morihara Lau & Fong LLP
Attorneys for Applicant
MOLOKAI PUBLIC UTILITIES, INC.