

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application )

of )

WAI'OLA O MOLOKA'I, INC. )

For review and approval of rate )  
increases; revised rate schedules; and )  
revised rules. )

Docket No. 2009-0049

**WAI'OLA O MOLOKA'I, INC.'S APPLICATION**

**EXHIBITS WOM 1 THROUGH WOM 11**

**EXHIBIT WOM-T-100**

**VERIFICATION**

**and**

**CERTIFICATE OF SERVICE**

**FILED**  
2009 MAR -2 P 3:58  
PUBLIC UTILITIES  
COMMISSION

MORIHARA LAU & FONG LLP

MICHAEL H. LAU, ESQ.  
YVONNE Y. IZU, ESQ.  
SANDRA L. WILHIDE, ESQ.  
Davies Pacific Center  
841 Bishop Street, Suite 400  
Honolulu, Hawaii 96813  
Telephone: (808) 526-2888

Attorneys for Applicant  
WAI'OLA O MOLOKA'I, INC.

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application )  
 )  
 of )  
 ) Docket No. \_\_\_\_\_  
 WAI'OLA O MOLOKA'I, INC. )  
 )  
 For review and approval of rate )  
 increases; revised rate schedules; and )  
 revised rules. )  
 )

I:\MLF\MOLOKAI RANCHI\WAIOLA RATE CASE\APPLICATION\FINAL\APPLICATION (FINAL)(2009\_03-02).DOC

**APPLICATION**

WAI'OLA O MOLOKA'I, INC., a Hawaii corporation ("WOM" or "Applicant"), pursuant to Hawaii Revised Statutes ("HRS") § 269-16, as amended, Hawaii Administrative Rules ("HAR") Title 6, Chapter 61, and Order Paragraph 8 (Part III, subpart 8) of the Hawaii Public Utilities Commission's ("Commission") Order Approving Temporary Rate Relief for Molokai Public Utilities, Inc. ("MPU") and WOM ("Temporary Rate Order")<sup>1</sup>, issued in Docket No. 2008-0115 on August 14, 2008, 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;

---

<sup>1</sup> Pursuant to Ordering Paragraph 8 (Part III, subpart 8) of the Temporary Rate Order, the Commission directed MPU and WOM 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 WOM 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 WOM 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 proposed request to establish an Automatic Power Cost Adjustment Clause as proposed by Applicant in this proceeding;
7. Approve the proposed amendment to Rule 20 of Applicant's Rules and Regulations (hereinafter referred to collectively as either "Tariff" or "Rules and Regulations") to increase its reconnection fee to \$100.00; and
8. 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  
Wai'ola O Moloka'i, 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:

MICHAEL H. LAU, ESQ.  
YVONNE Y. IZU, ESQ.  
SANDRA L. WILHIDE, ESQ.  
Moriwara Lau & Fong LLP  
841 Bishop Street  
Suite 400  
Honolulu, Hawaii 96813

II.

**DESCRIPTION AND BACKGROUND OF APPLICANT**

WOM is a Hawaii corporation whose business address is 745 Fort Street Mall, Suite 600, Honolulu, Hawaii 96813.<sup>2</sup> WOM is a public utility authorized to provide water utility services to residential, commercial and agricultural customers, pursuant to Decision and Order No. 12125, filed on January 13, 1993, in Docket No. 7122.

---

<sup>2</sup> WOM is one of three affiliated entities under common ownership by Molokai Properties Limited ("MPL"). The other two entities are MPU and MOSCO, Inc. ("Mosco"). WOM, MPU, and Mosco are hereinafter collectively referred to as "Utilities."

WOM currently provides water utility service to businesses, residences, churches and Maui County parks located in Maunaloa, Kualapuu, Kipu, Manawainui, and the Molokai Industrial Park areas on the island of Molokai. A map of Applicant's existing service territory is found in Exhibit A of its Rules and Regulations. 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 WOM-T-100; see also Exhibit WOM 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. 12125, issued on July 13, 1993 in Docket No. 7122. Applicant's current water consumption rate was approved by the Commission as a temporary rate effective as of September 1, 2009, pursuant to the Temporary Rate Order, issued on August 14, 2008, in Docket No. 2008-0115.<sup>3</sup>

---

<sup>3</sup> 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 WOM and MPU, 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 increase for WOM and MPU'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 WOM from \$1.85 per 1,000 gallons to \$5.15 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 WOM and MPU 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 \$308,781. See Exhibit WOM 6 (line 7, column 2). This amounts to an approximate 106.97% increase from the pro forma revenue amount of \$288,660 at present rates for the 2009-2010 test year, as shown on Exhibit WOM 6 (line 7, column 1) attached hereto and as further described in Mr. O'Brien's testimony (see Exhibit WOM-T-100). If approved, the proposed revenue increase will provide Applicant with an approximately 2.0% rate of return on its prudently installed plant and on its prudently incurred system improvements, as shown on Exhibit WOM 6 (line 33, column 3).

##### **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 fair return on its prudently incurred investments. At present rates, Applicant projects a 2009-2010 test year net operating loss of \$162,846 and a negative 11.63% rate of return on an average rate base of \$1,399,699. See Exhibits WOM 6 and WOM 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 in utility assets providing service to its customers. As described in Mr. O'Brien's testimony (Exhibit WOM-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 WOM-T-100), though 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; and (3) amend Rule 20 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, WOM’s unaudited financial statements (Exhibit WOM 2, Schedule 4) for the fiscal year ending June 30, 2008 set forth WOM’s annual gross revenues for 2008, which is the most recent calendar year upon which to calculate WOM’s annual gross revenues. WOM’s unaudited financial statements indicate that WOM’s annual gross revenues for the fiscal year ending 2008 was \$122,309 (Exhibit WOM 2, Schedule 4,

page 2, line 8, column 4), which is approximately \$1.87 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 WOM 4, WOM 5, and WOM 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 \$308,781 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:



	Present Rate/Charge	Phase I Proposed Rate/Charge	Phase II Proposed Rate/Charge	Total Percent Increase
User Charge per 1000 gallons	\$ 5.15*	\$ 7.76	\$ 10.69	107.6%
Deposit	\$ 50.00	\$ 50.00	\$ 50.00	0%
Service Charge – Meter Reading				
5/8"+	\$ 5.00	\$ 8.00	\$ 10.00	100%
3/4"	\$ 5.00	\$ 8.00	\$ 10.00	100%
1"	\$ 10.00	\$ 15.00	\$ 21.00	110%
1-1/2"	\$ 10.00	\$ 15.00	\$ 21.00	110%
2"	\$ 25.00	\$ 38.00	\$ 52.00	108%
3"	\$ 50.00	\$ 75.00	\$ 102.00	104%
4"	\$ 75.00	\$ 113.00	\$ 127.00	69.3%
6"	\$ 150.00	\$ 226.00	\$ 254.00	69.3%
8"	\$ 250.00	\$ 377.00	\$ 517.00	106.8%
Tap-in-Charge per connection:				
Single Family Unit	\$ 100.00	\$ 100.00	\$ 100.00	0%
Multi Family Unit	\$ 100.00	\$ 100.00	\$ 100.00	0%
Commercial – meter size				
5/8"	\$ 600.00	\$ 600.00	\$ 600.00	0%
3/4"	\$ 900.00	\$ 900.00	\$ 900.00	0%
1"	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	0%
1-1/2"	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	0%
2"	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	0%
3"	\$ 16,000.00	\$ 16,000.00	\$ 16,000.00	0%
4"	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	0%
6"	\$ 65,000.00	\$ 65,000.00	\$ 65,000.00	0%
8"	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	0%
Agriculture – meter size				
5/8"	\$ 500.00	\$ 500.00	\$ 500.00	0%
3/4"	\$ 800.00	\$ 800.00	\$ 800.00	0%
1"	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	0%
1-1/2"	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	0%
2"	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	0%
3"	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	0%
4"	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	0%
6"	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	0%
8"	\$ 70,000.00	\$ 70,000.00	\$ 70,000.00	0%
Private Fire Protection Charges				
Per Hydrant	\$ 3.50	\$ 5.30	\$ 7.20	105.7%
Per Standpipe	\$ 2.50	\$ 3.80	\$ 5.20	108%
Others: Per in diameter of feeder main	\$ 2.50	\$ 3.80	\$ 5.20	108%
Reconnection Charge	\$ 50.00	\$ 100.00	\$ 100.00	100%
Inspection Charge	\$ 30.00	\$ 30.00	\$ 30.00	0%
Late Charge	1% per month	1% per month	1% per month	0%
Dishonored Check Fee	\$ 10.00	\$ 10.00	\$ 10.00	0%
Penalty	\$ 500.00	\$ 500.00	\$ 500.00	0%

\* As discussed more fully in footnote 3, pursuant to the Temporary Rate Order and the Order Approving Extension, the consumption charge of \$1.85 per 1,000 gallons was temporarily increased to \$5.15 per 1,000 gallons.

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 WOM 5 and WOM-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. The proposed APCAC formula is further described in the testimony of Mr. O'Brien (see Exhibit WOM-T-100, pages 32-33) and is proposed as follows:

$$\left( \frac{\text{Current Month Electric Costs}}{\text{Current Month total metered TG}} - \$0.2131 \right) \times 1.068205 = \text{Rate per TG for each customer's current month bill}$$

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.

### **PROPOSED TARIFF CHANGE**

Finally, Applicant hereby requests that it be authorized to amend Rule 20 of its Rules and Regulations to increase its reconnection fee from \$50.00 to \$100.00 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 WOM-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.

## VIII.

### FINANCIAL INFORMATION AND WAIVER REQUEST

In accordance with HAR §§ 6-61-86 and 6-61-88<sup>4</sup> and consistent with the Commission's standard form application guidelines,<sup>5</sup> Applicant hereby files and incorporates by reference the following exhibits:

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

Exhibit WOM 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 WOM 3      Applicant's Plant and Accumulated Depreciation.

Exhibit WOM 4      Present Rate Schedule.

---

<sup>4</sup> 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.

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

Exhibit WOM 5	Proposed Rate Schedule.
Exhibit WOM 6	Rate of Return Summary at Present and Proposed Rates Pro Forma for the Test Year Ended June 30, 2010.
	Exhibit WOM 6.1 Revenue Requirements Support.
Exhibit WOM 7	Income Tax Expense for Test Year Ended June 30, 2010, Recorded at Present Rates and Pro Forma at Proposed Rates.
Exhibit WOM 8	Taxes Other Than Income Taxes for Test Year Ended June 30, 2010, Recorded at Present Rates and Pro Forma at Proposed Rates.
Exhibit WOM 9	Average Rate Base 2009-2010 Test Year.
	Exhibit WOM 9.1 Pro Forma Rate Base Support.
	Exhibit WOM 9.2 Plant In Service.
	Exhibit WOM 9.3 Accumulated Depreciation.
	Exhibit WOM 9.4 Depreciation Expense (Book).
	Exhibit WOM 9.5 Customer Deposits.
	Exhibit WOM 9.6 Accumulated Deferred Income Taxes.
	Exhibit WOM 9.7 Hawaii Capital Goods Excise Tax Credit (HCGETC).
	Exhibit WOM 9.8 Working Cash.
Exhibit WOM 10	Pro Forma Historical Summary.
	Exhibit WOM 10.1 Labor, Payroll Taxes & Benefits.
	Exhibit WOM 10.2 Fuel & Power Expense.
	Exhibit WOM 10.3 Cost of Sales.
	Exhibit WOM 10.4 Treatment Charges & Chemicals.
	Exhibit WOM 10.5 Materials & Supplies.
	Exhibit WOM 10.6 Not Applicable.
	Exhibit WOM 10.7 Affiliated Charges.
	Exhibit WOM 10.8 Professional & Outside Services.
	Exhibit WOM 10.9 Repairs & Maintenance.
	Exhibit WOM 10.10 Rents.
	Exhibit WOM 10.11 Insurance.
	Exhibit WOM 10.12 Regulatory Expense.
	Exhibit WOM 10.13 General & Administrative Expense.

Exhibit WOM 11 Pro Forma Revenue Summary.

Exhibit WOM 11.1 Customer Usage and Revenue  
Summary.

Exhibit WOM 11.2 Customer Usage and Revenue.

Exhibit WOM-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 WOM 2, Schedules 4 and 5) 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.

IX.

**CONCLUSION**

Applicant respectfully prays 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 fair 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 WOM 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 proposed amendment to Rule 20 of Applicant's Rules and Regulations to increase its reconnection fee; and

8. 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.



---

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

Morihara Lau & Fong LLP  
Attorneys for Applicant  
WAI'OLA O MOLOKA'I, INC.



**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**EXHIBIT WOM 1**

**PROPERTY, PLANT AND EQUIPMENT**

( 2 Pages )

**Wai'ola O Moloka'i**  
**Property, Plant and Equipment**

Wai'ola O Moloka'i ("WOM" or "Company"), 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, residential condominiums and single-family homes. The Company currently has approximately 550 active customers, measured by monthly meter charges plus an additional 13 unoccupied lots which represent potential customers.

**System**

As of December 31, 2008, the Company had approximately \$3.6 million dollars of utility plant consisting of distribution systems, transmission facilities, reservoirs, meters and other equipment necessary to deliver water to its customers. Water is collected in several Mountain reservoirs and delivered to the Puunana Raw Water Reservoirs through a metered connection where it is blended with Well 17 water and delivered to the MPU Treatment facilities. Water from the Mountain reservoirs is delivered to Agricultural use customers through a metered connection between the Mountain reservoirs and the Puunana Raw Water Reservoir. Water is treated and delivered through a Clear-Water holding facility to the Maunaloa Reservoir. In addition to the above facilities, WOM customers in Kipu receive water provided by the Department of Hawaiian Homelands.

**Property, Plant and Equipment**

Cubic Utility Billing System	\$ 8,578
Utility Data System	11,958
Kalae Kualapuu Ag Line	8,776
4" Line from Kualapuu Reservoir to Kipu	141,908
Maunaloa Reservoir (2.2 MG)	588,347
Kualapuu Reservoir (.23 MG)	219,944
Water Meters	61,158
Maunaloa Village Water System	2,091,948
Water Transmission System to Kualapuu	110,800
Kipu System Improvements	33,571
Kualapuu Water Tie & Booster	77,374
Maunaloa 12" Water Main	247,636

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**EXHIBIT WOM 2**  
**SCHEDULE 1**

**STOCK AUTHORIZED AND OUTSTANDING**

( 1 Page )

Wai'ola O Moloka'i

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

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**EXHIBIT WOM 2**  
**SCHEDULE 2**

**COMMON STOCK OUTSTANDING**

( 1 Page )

**Wai'ola O Moloka'i**  
**Common Stock Outstanding**  
**Year End Common Stock Outstanding**

<u>Year</u>	<u>Owner</u>	<u>Number of Shares Owned</u>
2004	Molokai Properties Limited	1,000
2005	Molokai Properties Limited	1,000
2006	Molokai Properties Limited	1,000
2007	Molokai Properties Limited	1,000
2008	Molokai Properties Limited	1,000

[ a ] WOM 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.

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**EXHIBIT WOM 2**

**SCHEDULE 3**

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

( 1 Page )



**Wai'ola O Moloka'i**

**Security Agreements, Mortgages and Deeds of Trust**

**NONE**

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**EXHIBIT WOM 2**  
**SCHEDULE 4**

**UNAUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

( 2 Pages )

BALANCE SHEET

Line #	Description	[ 1 ] Reference	[ 2 ] Amount	[ 3 ] Amount	[ 4 ] Total
<b>ASSETS</b>					
<u>CURRENT ASSETS</u>					
1	Cash			\$ 48,374	
2	Accounts Receivable			8,685	
3	Receivable From Associates				
4	TOTAL CURRENT ASSETS				\$ 57,059
5					
<u>PROPERTY, PLANT &amp; EQUIPMENT</u>					
6	Plant in Service			3,611,306	
7	Construction Work in Progress				
8	Accumulated Depreciation			(1,982,822)	
9	NET PLANT				1,628,484
<u>OTHER ASSETS</u>					
10	Due From Affiliates				
11					
12	Other				
13	TOTAL OTHER ASSETS				-
14	<b>TOTAL ASSETS</b>				<u>\$ 1,685,543</u>
<b>LIABILITIES AND EQUITY</b>					
<u>CURRENT LIABILITIES</u>					
15	Accounts Payable & Accruals			\$ 1,069	
16	Accrued Salaries & Benefits			14,267	
17	Customer Deposits			29,231	
18	Other			9,150	
19	TOTAL LIABILITIES				\$ 53,717
20	Due To Affiliates			5,421,441	
21					
22	Net CIAC				5,421,441
23	Due to Shareholder				
<u>STOCKHOLDER'S EQUITY</u>					
24	Common Stock				
25	Additional Paid-in-Capital		454,416		
26	TOTAL STOCK AND PAID-IN-CAPITAL			454,416	
27	Retained Earnings (Deficit) Beginning of Year		(3,931,877)		
28	Current Year Earnings (Deficit)		(312,154)		
29	Retained Earnings (Deficit) To Date			(4,244,031)	
30	TOTAL STOCKHOLDER'S EQUITY				(3,789,615)
31	<b>TOTAL LIABILITIES AND EQUITY</b>				<u>\$ 1,685,543</u>

INCOME STATEMENT

Line #	Description	[ 1 ] Reference	[ 2 ] Amount	[ 3 ] Amount	[ 4 ] Total
<b><u>REVENUES</u></b>					
1					
2	Revenue			122,169	
3					
4					
5	Late Fees			140	
6					
7	Other				
8	TOTAL REGULATED REVENUES				\$ 122,309
<b><u>OPERATING EXPENSES</u></b>					
9	Cost of Service			123,577	
10	Salaries & Wages			31,481	
11	Employee Benefits			11,669	
12	Payroll Taxes			2,671	
13	Electricity			12,291	
14	Fuel			5,245	
15	Rental Charges			29,053	
16	Repairs & Maintenance			11,091	
17	Materials & Supplies			5,342	
18	Legal				
19	Professional Services			11,312	
20	Insurance			5,029	
21	Administrative Expense			21,778	
22	Miscellaneous Expense			4,277	
23	O & M Expense			274,816	
24	Depreciation Expense			136,774	
25	Taxes Other Than Income Taxes			6,026	
26	TOTAL OPERATING EXPENSES				(417,616)
27	Other (Expense) Income			(16,847)	
28	Interest Expense				
29	Net Non-Regulatory Income				(16,847)
30	Net Income (Loss)				\$ (312,154)

**MOLOKAI PUBLIC UTILITIES, INC.**

**Application Filed March 2009**

**EXHIBIT WOM 2**

**SCHEDULE 5**

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

( 2 Pages )

Unaudited Financial Statement  
Six Months Ended December 31, 2008

BALANCE SHEET

Line #	Description	[ 1 ] Reference	[ 2 ] Amount	[ 3 ] Amount	[ 4 ] Total
<b>ASSETS</b>					
<u>CURRENT ASSETS</u>					
1	Cash			\$ 12,421	
2	Accounts Receivable			19,761	
3	Receivable From Associates				
4	TOTAL CURRENT ASSETS				\$ 32,182
5					
<u>PROPERTY, PLANT &amp; EQUIPMENT</u>					
6	Plant in Service			3,611,306	
7	Construction Work in Progress				
8	Accumulated Depreciation			(2,049,464)	
9	NET PLANT				1,561,842
<u>OTHER ASSETS</u>					
10	Due From Affiliates				
11					
12	Other				
13	TOTAL OTHER ASSETS				-
14	<b>TOTAL ASSETS</b>				<u>\$ 1,594,024</u>
<b>LIABILITIES AND EQUITY</b>					
<u>CURRENT LIABILITIES</u>					
15	Accounts Payable & Accruals			\$ 12,827	
16	Accrued Payroll & Benefits			6,277	
17	Customer Deposits			38,080	
18	Other				
19	TOTAL LIABILITIES				\$ 57,184
20	Due To Affiliates			5,705,530	
21					
22	Net CIAC				5,705,530
23	Due to Shareholder				
<u>STOCKHOLDER'S EQUITY</u>					
24	Common Stock				
25	Additional Paid-in-Capital		454,416		
26	TOTAL STOCK AND PAID-IN-CAPITAL			454,416	
27	Retained Earnings (Deficit) Beginning of Year		(4,244,031)		
28	Current Year Earnings (Deficit)		(379,075)		
29	Retained Earnings (Deficit) To Date			(4,623,106)	
30	TOTAL STOCKHOLDER'S EQUITY				(4,168,690)
31	<b>TOTAL LIABILITIES AND EQUITY</b>				<u>\$ 1,594,024</u>

Unaudited Financial Statement  
Six Months Ended December 31, 2008

INCOME STATEMENT

Line #	Description	[ 1 ] Reference	[ 2 ] Amount	[ 3 ] Amount	[ 4 ] Total
<b><u>REVENUES</u></b>					
1					
2	Revenue			107,195	
3					
4					
5	Late Fees			1,842	
6					
7	Other				
8	TOTAL REGULATED REVENUES				\$ 109,037
<b><u>OPERATING EXPENSES</u></b>					
9	Cost of Service			118,025	
10	Salaries & Wages			25,447	
11	Employee Benefits			6,704	
12	Payroll Taxes			2,039	
13	Electricity			6,156	
14	Fuel			3,358	
15	Rental Charges			203,496	
16	Repairs & Maintenance			4,535	
17	Materials & Supplies			1,323	
18	Legal			28,293	
19	Professional Services			4,045	
20	Insurance			1,531	
21	Administrative Expense			5,306	
22	Miscellaneous Expense			2,442	
23	O & M Expense			412,700	
24	Depreciation Expense			68,153	
25	Taxes Other Than Income Taxes			7,259	
26	TOTAL OPERATING EXPENSES				(488,112)
27	Other (Expense) Income				
28	Interest Expense				
29	Net Non-Regulatory Income				-
30	Net Income (Loss)				\$ (379,075)

**MOLOKAI PUBLIC UTILITIES, INC.**

**Application Filed March 2009**

**EXHIBIT WOM 2**

**SCHEDULE 6**

**PROMISSORY NOTES, BONDS**

**AND OTHER INDEBTEDNESS**

( 1 Page )



**Wai'ola O Moloka'i**

**Promissory Notes, Bonds and Other Indebtedness**

**NONE**

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**EXHIBIT WOM 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	
<b><u>PLANT IN SERVICE</u></b>					
1	Facilities & Equipment - 5 Year Life	\$ -			\$ -
2	Facilities & Equipment - 7 Year Life	9,792			9,792
3	Facilities & Equipment - 10 Year Life	-			-
4	Facilities & Equipment - 15 Year Life	63,641	20,000		83,641
5	Facilities & Equipment - 20 Year Life	274,945			274,945
6	Facilities & Equipment - 25 Year Life	2,620,364			2,620,364
7	Facilities & Equipment - 30 Year Life	365,071			365,071
8					-
9					-
10	<b>TOTAL</b>	<u>\$ 3,333,813</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 3,353,813</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>					
1	Facilities & Equipment - 5 Year Life	\$ -	\$ -		\$ -
2	Facilities & Equipment - 7 Year Life	9,792	0		9,792
3	Facilities & Equipment - 10 Year Life	-	-		-
4	Facilities & Equipment - 15 Year Life	47,852	4,910		52,762
5	Facilities & Equipment - 20 Year Life	168,809	12,060		180,869
6	Facilities & Equipment - 25 Year Life	1,226,505	104,814		1,331,319
7	Facilities & Equipment - 30 Year Life	252,508	12,169		264,677
8		-			-
9		-			-
10	<b>TOTAL</b>	<u>\$ 1,705,465</u>	<u>\$ 133,953</u>	<u>\$ -</u>	<u>\$ 1,839,418</u>

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	
<b><u>PLANT IN SERVICE</u></b>					
1	Facilities & Equipment - 5 Year Life	\$ -	\$ 20,000		\$ 20,000
2	Facilities & Equipment - 7 Year Life	9,792			9,792
3	Facilities & Equipment - 10 Year Life	-			-
4	Facilities & Equipment - 15 Year Life	83,641			83,641
5	Facilities & Equipment - 20 Year Life	274,945			274,945
6	Facilities & Equipment - 25 Year Life	2,620,364			2,620,364
7	Facilities & Equipment - 30 Year Life	365,071			365,071
8	-	-			-
9	-	-			-
10	TOTAL	<u>\$ 3,353,813</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 3,373,813</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>					
1	Facilities & Equipment - 5 Year Life	\$ -	\$ 2,000		\$ 2,000
2	Facilities & Equipment - 7 Year Life	9,792	-		9,792
3	Facilities & Equipment - 10 Year Life	-	-		-
4	Facilities & Equipment - 15 Year Life	52,762	5,576		58,338
5	Facilities & Equipment - 20 Year Life	180,869	12,060		192,929
6	Facilities & Equipment - 25 Year Life	1,331,319	104,814		1,436,133
7	Facilities & Equipment - 30 Year Life	264,677	12,169		276,846
8	-	-			-
9	-	-			-
10	TOTAL	<u>\$ 1,839,418</u>	<u>\$ 136,619</u>	<u>\$ -</u>	<u>\$ 1,976,037</u>

**MOLOKAI PUBLIC UTILITIES, INC.**

**Application Filed March 2009**

**EXHIBIT WOM 4**

**PRESENT RATE SCHEDULE**

( 2 Pages )

**WAI'OLA O MOLOKA'I, INC.**  
**Water Rate Schedule**

User Charge (per 1000 gallon): \*\$5.15

\*Pursuant to the Temporary Rate Order  
 and the Order Approving Extension,  
 the Consumption Charge of \$1.85 per  
 1,000 gallons was temporarily increased  
 to \$5.15 per 1,000 gallons.

Deposit \$50.00

Service Charge - Meter Reading:

Meter Size	5/8"	\$5.00
Meter Size	3/4"	\$5.00
Meter Size	1"	\$10.00
Meter Size	1 1/2"	\$10.00
Meter Size	2"	\$25.00
Meter Size	3"	\$50.00
Meter Size	4"	\$75.00
Meter Size	6"	\$150.00
Meter Size	8"	\$250.00

Tap-in-Charge per connection:

Single Family Unit		\$100.00
Multi Family Unit		\$100.00
Commercial		
Meter Size	5/8"	\$600.00
Meter Size	3/4"	\$900.00
Meter Size	1"	\$2,000.00
Meter Size	1 1/2"	\$4,000.00
Meter Size	2"	\$8,000.00
Meter Size	3"	\$16,000.00
Meter Size	4"	\$40,000.00
Meter Size	6"	\$65,000.00
Meter Size	8"	\$150,000.00

Agriculture

Meter Size	5/8"	\$500.00
Meter Size	3/4"	\$800.00
Meter Size	1"	\$1,500.00
Meter Size	1 1/2"	\$3,000.00

**Application Filed March 2009**  
**Exhibit WOM 4**  
**Present Rate Schedule**  
**Witness: O'Brien**

Agriculture (Con't)

Meter Size	2"	\$5,000.00
Meter Size	3"	\$10,000.00
Meter Size	4"	\$20,000.00
Meter Size	6"	\$35,000.00
Meter Size	8"	\$70,000.00

Private Fire Protection Charges

Hydrant - per hydrant per month	\$3.50
Standpipes - per standpipe per month	\$2.50
Others - per month per inch diameter of feeder main	\$2.50

Reconnection Charge: \$50.00

Inspection Charge: \$30.00

Late Charge: 1% per month

Dishonored Check Fee: \$10.00

Penalty: \$500.00

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**EXHIBIT WOM 5**

**PROPOSED RATE SCHEDULE**

( 2 Pages )



**WAI'OLA O MOLOKA'I, INC.**  
**Water Rate Schedule**

Deposit		\$50.00
User Charge (per 1,000 gallons):		
Phase I (Effective upon Commission Order)		\$7.76
Phase II (Effective six-months after Phase I Effective Date)		\$10.69
Monthly Service Charge - Meter Reading:		
Phase I (Effective upon Commission Order)		
Meter Size	5/8"	\$8.00
Meter Size	3/4"	\$8.00
Meter Size	1"	\$15.00
Meter Size	1 1/2"	\$15.00
Meter Size	2"	\$38.00
Meter Size	3"	\$75.00
Meter Size	4"	\$113.00
Meter Size	6"	\$226.00
Meter Size	8"	\$377.00
Phase II (Effective six-months after Phase I Effective Date)		
Meter Size	5/8"	\$10.00
Meter Size	3/4"	\$10.00
Meter Size	1"	\$21.00
Meter Size	1 1/2"	\$21.00
Meter Size	2"	\$52.00
Meter Size	3"	\$102.00
Meter Size	4"	\$127.00
Meter Size	6"	\$254.00
Meter Size	8"	\$517.00
Tap-in-Charge per connection:		
Single Family Unit		\$100.00
Multi Family Unit		\$100.00
Commercial		
Meter Size	5/8"	\$600.00
Meter Size	3/4"	\$900.00
Meter Size	1"	\$2,000.00

**Application Filed March 2009**  
**Exhibit WOM 5**  
**Proposed Rate Schedule**  
**Witness: O'Brien**

Commercial (Con't)		
Meter Size	1 1/2"	\$4,000.00
Meter Size	2"	\$8,000.00
Meter Size	3"	\$16,000.00
Meter Size	4"	\$40,000.00
Meter Size	6"	\$65,000.00
Meter Size	8"	\$150,000.00
Agriculture		
Meter Size	5/8"	\$500.00
Meter Size	3/4"	\$800.00
Meter Size	1"	\$1,500.00
Meter Size	1 1/2"	\$3,000.00
Meter Size	2"	\$5,000.00
Meter Size	3"	\$10,000.00
Meter Size	4"	\$20,000.00
Meter Size	6"	\$35,000.00
Meter Size	8"	\$70,000.00

Private Fire Protection Charges  
Phase I (Effective upon Commission Order)

Hydrant - per hydrant per month	\$5.30
Standpipes - per standpipe per month	\$3.80
Others - per month per inch diameter of feeder main	\$3.80

Phase II (Effective six-months after Phase I Effective Date)

Hydrant - per hydrant per month	\$7.20
Standpipes - per standpipe per month	\$5.20
Others - per month per inch diameter of feeder main	\$5.20

Reconnection Charge:	\$100.00
Inspection Charge:	\$30.00
Late Charge:	1% per month
Dishonored Check Fee:	\$10.00
Penalty:	\$500.00

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**EXHIBIT WOM 6**

**TEST YEAR ENDED JUNE 30, 2010**  
**RATE OF RETURN SUMMARY AT**  
**PRESENT AND PROPOSED RATES**

( 2 Pages )

Waiola O Molokai  
Revenue Requirements & Rate of Return Summary  
Test Year Ending June 30, 2010

Line #		Present Rates	Additional Amount	Proposed Rates at 2.00%
1	Monthly Customer Charge	\$30,860	\$31,676	\$62,536
2	Water Usage Charges	257,500	277,105	534,605
3	Other	0		0
4	Connection Fees	0		0
5	Late Fees	300		300
6				
7	Total Operating Revenues	<u>288,660</u>	<u>308,781</u>	<u>597,441</u>
8	Labor, PR Taxes & Employee Benefits	141,449		141,449
9	Fuel & Power	10,656		10,656
10	Cost of Sales	106,926		106,926
11	Treatment Charges & Chemicals	0		0
12	Materials & Supplies	13,581		13,581
13	NOT USED	0		0
14	Affiliated Charges	18,000		18,000
15	Professional & Outside Services	3,598		3,598
16	Repairs & Maintenance ("R & M")	17,088		17,088
17	Rents	0		0
18	Insurance	16,000		16,000
19	Regulatory Expense	55,000		55,000
20	General & Administrative	5,855		5,855
21	Bad Debts	0		0
22	Other	0		0
23	Total O&M Expenses	<u>388,153</u>	<u>0</u>	<u>388,153</u>
24	Taxes, Other Than Income	18,431	19,716	38,147
25	Depreciation	136,619		136,619
26	Amortization	0		0
27	Income Taxes	(91,697)	98,247	6,550
28	Diff. due to changing factors			0
29	Total Operating Expenses	<u>451,506</u>	<u>117,963</u>	<u>569,469</u>
30	Operating Income	<u>(\$162,846)</u>	<u>\$190,818</u>	<u>\$27,972</u>
31	Average Rate Base	<u>\$1,399,699</u>		<u>\$1,399,699</u>
32	Return on Rate Base	-11.63%		<u>2.00%</u>
33	Target ROR	<u>2.00%</u>		
34	Increase in ROR	<u>-13.63%</u>		
35	Increase in NOI	190,840		
36	GRCF	<u>1,61800</u>		
37	Increase in Revenues	<u>\$308,780</u>	<u>(\$1)</u>	
38	Percent Increase in Revenue		<u>106.97%</u>	

Waiola O Molokai  
 Revenue Requirements Support  
 Test Year Ending June 30, 2010

Line No.				
	Gross Revenue Factor			
1	Additional Revenue		1.000000	
	Less:			
2	Bad Debts	0.000000		
3	Public Service Company Tax	0.058850		
4	PUC Fee	0.005000		
5	Franchise	<u>0.000000</u>	<u>0.063850</u>	0.06385
6	Subject to Income Tax		0.936150	
	Less:			
7	State Income Tax	0.059676		0.055865
8	Federal Income Tax	0.319710		0.299297
9	Composite Income Tax Rate	0.379386	<u>0.355162</u>	
10	Remaining for Net Income		<u>0.580988</u>	
11	Expense for each \$1 of Revenue		<u>0.419012</u>	
12	Factor for Moving Rate Base			
13	=	(1-Bad Debt%-Revenue Taxes-Income tax on Addl. Revenue)		
14	Factor	L 10	<u>0.5809878</u>	
15	Revenue Factor		1.721206477	

Additional Revenue Requirements

16	CA's proposed rate of return	2.00%
17	Multiply rate base @ present rates by the above proposed ROR	27,994
18	Subtract the net income @ present rates from the above net income	190,840
19	Divide the above difference by the moving rate base factor to	
20	determine the additional revenue requirements @ the CA's ROR	328,475
21	Multiply the add'l revenues by the bad debt factor	0
22	Multiply the add'l revenues by the revenue tax factor	20973
23	Multiply the add'l revenues by the inc tax on add'l revenue	116662
24		
25	Total Expenses at Proposed Rates	569,469
26	Subtract total expense from total revenues @ proposed rates	27,972
27	Subtract NI before WC change from NI after WC change	
28	Divide change in NI by desired rate of return	0.0
29	Calculate change in rate base	1,399,699
30	Test - Divide NI by rate base	2.00%

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**EXHIBIT WOM 7**

**INCOME TAX EXPENSE**  
**TEST YEAR ENDED JUNE 30, 2010**  
**RECORDED AT PRESENT AND PRO FORMA**  
**AT PROPOSED RATES**

( 1 Page )

Waiala O Molokai  
 Income Tax Expense  
 Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
		Tax Rates	Present Rates	Revenue Increase	Proposed Rates	Present Rates	Income Taxes Revenue Increase	Proposed Rates	Difference in Income Tax Calculations [4]+[5]-[6]
1	Total Revenues					288,660	308,781	597,441	
2	Total Operations & Maintenance Expenses					388,153	0	388,153	
3	Depreciation					136,619	0	136,619	
4	Amortization					0	0	0	
5	Taxes Other than Income Taxes					18,431	19,716	38,147	
6	Total Operating Expenses					543,203	19,716	562,919	
7	Operating Income before Income Taxes					(254,543)	289,065	34,522	
8	Interest Expenses					0	0	0	
9	State taxable income					(254,543)	289,065	34,522	
	Less:								
10	State income Tax					(1,100)	1,100	1,100	
11	less than \$25K	4.4%	(25,000)	25,000	25,000	(4,050)	4,050	514	
12	Over \$25K, but less than \$100K	5.4%	(75,000)	75,000	9,522	(9,891)	12,100	0	
13	Over \$100K	6.4%	(154,543)	189,065		(15,041)	17,250	1,614	585
14	Federal taxable income					(239,502)	271,815	32,908	
	Less:								
15	Federal income tax					(7,500)	7,500	4,936	
16	less than \$50K	15.0%	(50,000)	50,000	32,908	(6,250)	6,250	0	
17	Over \$50K, but less than \$75K	25.0%	(25,000)	25,000		(8,500)	8,500	0	
18	Over \$75K, but less than \$100K	34.0%	(25,000)	25,000		(9,406)	9,165	0	
19	Over \$100K, but less than \$335K	39.0%	(138,502)	235,000		(76,656)	(21,483)		
20	Over \$335K	34.0%	(63,185)	(63,185)			92,417	4,936	10,825
21	Federal Income Taxes					(91,697)	\$109,667	\$6,550	\$11,420
22	Total Federal and State income taxes					36,024%	37,9386%	18,9745%	
23	Effective Tax Rate					5,909%	5,968%	4,6756%	
24	State					30,115%	31,971%	14,2986%	
	Federal								

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**EXHIBIT WOM 8**

**INCOME TAX EXPENSE**  
**TEST YEAR ENDED JUNE 30, 2010**  
**RECORDED AT PRESENT AND PRO FORMA**  
**AT PROPOSED RATES**

( 1 Page )



Waioala O Molokai  
 Taxes Other Than Income Taxes  
 Test Year Ending June 30, 2010

Line #	Description	[1] Revenues at Present Rates	[2] Revenues at Proposed Rates	[3] Tax Rates	[4] Taxes at Present Rates	[5] Taxes at Proposed Rates
<u>Revenue Taxes</u>						
1	Public Company Service Tax (Pursuant to HRS § 239)	\$288,660	\$597,441	5.885%	\$16,988	\$35,159
2	Public Utility Fee (Pursuant to HRS § 269-30)	288,660	597,441	0.500%	1,443	2,987
3	Franchise Tax (applicable to electric companies only) (Pursuant to HRS § 240)			2.500%		
4	Total Revenue Taxes				18,431	38,147
<u>Other Taxes</u>						
5	Name					0
6	Total Other Taxes				0	0
7	Total Taxes Other Than Income Taxes				\$18,431	\$38,147

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**EXHIBIT WOM 9**

**AVERAGE RATE BASE**  
**2009-2010 TEST YEAR**

( 9 Pages )

Waiola O Molokai  
 Average Rate Base  
 Test Year Ending June 30, 2010

Line #	Description	[ 1 ] At June.30, 2009	[ 2 ] At June. 30, 2010	[ 3 ] Average
	Plant In Service			
1	Accumulated Depreciation Reserve	\$3,353,813	\$3,373,813	
2	Net Plant-in-Service	<u>1,839,418</u> <u>1,514,395</u>	<u>1,976,037</u> <u>1,397,776</u>	
<b>Deduct:</b>				
3	Net Contributions in Aid of Construction	0	0	
4	Customer Advances	0	0	
5	Customer Deposits	(38,080)	(38,080)	
6	Accumulated Deferred Taxes: Federal	(51,277)	(51,229)	
7	Accumulated Deferred Taxes: State	0	0	
8	Unamortized Hawaii General Excise Tax Credit	(985)	(886)	
9	subtotal	<u>(90,342)</u>	<u>(90,195)</u>	
<b>Add:</b>				
10	Working Capital	33,882	33,882	
11	Retirements	0	0	
12	subtotal	<u>33,882</u>	<u>33,882</u>	
13	Total at End of Year	<u>\$1,457,935</u>	<u>\$1,341,463</u>	
14	Average Rate Base For Test Year			<u><u>\$1,399,699</u></u>

Waiola O Molokai  
 Rate Base Support  
 Test Year Ending June 30, 2010

Line #	Description	[ 1 ] Waiola O Molokai	[ 2 ] Adjustments	[ 3 ] Pro Forma
<u>Rate Base @ June.30. 2009</u>				
1	Plant In Service	\$3,353,813	\$0	\$3,353,813
2	Accumulated Depreciation Reserve	(1,839,418)	0	(1,839,418)
3	Net Plant-in-Service	1,514,395	0	1,514,395
<u>Deduct:</u>				
4	Net Contributions in Aid of Construction	0	0	0
5	Customer Advances	0	0	0
6	Customer Deposits	(38,080)	0	(38,080)
7	Accumulated Deferred Taxes: Federal	(51,277)	0	(51,277)
8	Accumulated Deferred Taxes: State	0	0	0
9	Unamortized Hawaii General Excise Tax Credit	(985)	0	(985)
10	subtotal	(90,342)	0	(90,342)
<u>Add:</u>				
11	Working Capital	33,882	0	33,882
12	Retirements	0	0	0
13				
14	subtotal	\$33,882	\$0	\$33,882
<u>Rate Base @ June. 30, 2010</u>				
15	Plant In Service	\$3,373,813	\$0	\$3,373,813
16	Accumulated Depreciation Reserve	(1,976,037)	0	(1,976,037)
17	Net Plant-in-Service	1,397,776	0	1,397,776
<u>Deduct:</u>				
18	Net Contributions in Aid of Construction	0	0	0
19	Customer Advances	0	0	0
20	Customer Deposits	(38,080)	0	(38,080)
21	Accumulated Deferred Taxes: Federal	(51,229)	0	(51,229)
22	Accumulated Deferred Taxes: State	0	0	0
23	Unamortized Hawaii General Excise Tax Credit	(886)	0	(886)
24	subtotal	(90,195)	0	(90,195)
<u>Add:</u>				
25	Working Capital	33,882	0	33,882
26	Retirements	0	0	0
27				
28	subtotal	\$33,882	\$0	\$33,882

Waioala O Moioikai  
 Plant In Service  
 Test Year Ending June 30, 2010

Line #	Description	Ref.	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
			Balance as of 6/30/08	6/30/09 Additions	6/30/09 Retirements	Adjust	Balance as of 6/30/09	6/30/10 Additions	6/30/10 Retirements	Adjust	Test Year Balance as of 6/30/10	
1	Kipu System Improvements	1982	33,751				\$33,751				\$33,751	
2	Water System - Maunaloa	1987	365,071				365,071				365,071	
3	Reservoir Improvements	1988	16,045				16,045				16,045	
4	Reservoir Improvements	1989	41,398				41,398				41,398	
5	Reservoir Improvements	1990	11,854				11,854				11,854	
6	Reservoir Improvements	1991	4,600				4,600				4,600	
7	Mipa 12" Waterline	1992	309,323				309,323				309,323	
8	Lialali Reservoir	1996	83,423				83,423				83,423	
9	Potable Water System	1996	81,912				81,912				81,912	
10	Maunaloa Village Water System	1996	1,639,674				1,639,674				1,639,674	
11	Data System	1997	56,799				56,799				56,799	
12	Maunaloa 12" Water Main	1997	247,636				247,636				247,636	
13	Water Meters	1997	5,365				5,365				5,365	
14	ML Reservoir Repair	1997	149,438				149,438				149,438	
15	Kualapuu Ranch	1998	1,068				1,068				1,068	
16	Kaiae Kualapuu Ag	1999	8,776				8,776				8,776	
17	Water Meter	2000	1,732				1,732				1,732	
18	Replace Kualapuu Reservoir Roof	2001	124,503				124,503				124,503	
19	Waioala Pipeline Replacement	2001	6,414				6,414				6,414	
20	Kipu Pipeline Replacement	2001	1,646				1,646				1,646	
21	4" Pipeline Kualapuu reservoir - Kipu	2001	141,908				141,908				141,908	
22	Water Meters	2005	1,477				1,477				1,477	
23	Meter Reading Equipment & Meters			20,000			20,000				20,000	
24				0			0				0	
25	Vehicles			0			0	20,000			20,000	
26				0			0				0	
27	Total		\$3,333,813	\$20,000	\$0	\$0	\$3,353,813	\$20,000	\$0	\$0	\$3,373,813	

Waioala O Molokai  
 Accumulated Depreciation  
 Test Year Ending June 30, 2010

Line #	Description	Ref.	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
			Balance as of 6/30/08	6/30/08 Dep. Exp.	6/30/08 Retirements	Adjust	Balance as of 6/30/09	6/30/10 Dep. Exp.	6/30/10 Retirements	Adjust	Test Year Balance as of 6/30/10	
1	Kipu System Improvements	1982	\$33,751	\$0			\$33,751	\$0			\$33,751	
2	Water System - Maunaloa	1987	252,508	12,169			264,677	12,169			276,846	
3	Reservoir Improvements	1988	13,317	642			13,959	642			14,601	
4	Reservoir Improvements	1989	22,455	1,656			24,111	1,656			25,767	
5	Reservoir Improvements	1990	4,400	474			4,874	474			5,348	
6	Reservoir Improvements	1991	3,128	184			3,312	184			3,496	
7	Mipa 12" Waterline	1992	198,998	12,373			211,371	12,373			223,744	
8	Lialili Reservoir	1996	40,876	3,337			44,213	3,337			47,550	
9	Potable Water System	1996	50,150	4,096			54,246	4,096			58,342	
10	Maunaloa Village Water System	1996	759,667	65,587			825,254	65,587			890,841	
11	Data System	1997	43,546	3,787			47,333	3,787			51,120	
12	Maunaloa 12" Water Main	1997	111,436	9,905			121,341	9,905			131,246	
13	Water Meters	1997	3,994	358			4,352	358			4,710	
14	ML Reservoir Repair	1997	80,323	7,472			87,795	7,472			95,267	
15	Kualapuu Ranch	1998	526	53			579	53			632	
16	Kalae Kualapuu Ag	1999	4,060	439			4,499	439			4,938	
17	Water Meter	2000	1,732	0			1,732	0			1,732	
18	Replace Kualapuu Reservoir Roof	2001	34,861	4,960			39,841	4,960			44,821	
19	Waioala Pipeline Replacement	2001	6,414	(0)			6,414	0			6,414	
20	Kipu Pipeline Replacement	2001	1,646	0			1,646	0			1,646	
21	4" Pipeline Kualapuu reservoir - Kipu	2001	37,369	5,676			43,045	5,676			48,721	
22	Water Meters	2005	312	98			410	98			508	
23	Meter Reading Equipment & Meters		0	667			667	1,333			2,000	
24	Vehicles		0	0			0	0			0	
25			0	0			0	2,000			2,000	
26			0	0			0	0			0	
27	Total		\$1,705,465	\$133,953	\$0	\$0	\$1,839,418	\$136,619	\$0	\$0	\$1,976,037	

Waioala O Molokai  
 Depreciation Expense (Book)  
 Test Year Ending June 30, 2010

Line #	Description	[1] Ref.	[2] In-service date	[3] Total Cost	[4] Estimated Useful Life	[5] Acc. Dep. Balance At 6/30/08	[6] Year Ended 6/30/09 Dep. Exp.	[7] Acc. Dep. Balance At 6/30/09	[8] Year Ended 6/30/10 Dep. Exp.	[9] Test Year Acc. Dep. Balance as of 6/30/10
1	Kipu System Improvements		1982	33,751	20	33,751	0	33,751	0	33,751
2	Water System - Maunaloa		1987	365,071	30	252,508	12,169	264,677	12,169	276,846
3	Reservoir Improvements		1988	16,045	25	13,317	642	13,959	642	14,601
4	Reservoir Improvements		1989	41,398	25	22,455	1,656	24,111	1,656	25,767
5	Reservoir Improvements		1990	11,854	25	4,400	474	4,874	474	5,348
6	Reservoir Improvements		1991	4,600	25	3,128	184	3,312	184	3,496
7	Mipa 12" Waterline		1992	309,323	25	198,998	12,373	211,371	12,373	223,744
8	Lialali Reservoir		1996	83,423	25	40,876	3,337	44,213	3,337	47,550
9	Potable Water System		1996	81,912	20	50,150	4,086	54,246	4,086	58,342
	Maunaloa Village Water System		1996	1,639,674	25	759,667	65,587	825,254	65,587	890,841
10	Data System		1997	56,799	15	43,546	3,787	47,333	3,787	51,120
11	Maunaloa 12" Water Main		1997	247,636	25	111,436	9,905	121,341	9,905	131,246
12	Water Meters		1997	5,365	15	3,994	358	4,352	358	4,710
13	ML Reservoir Repair		1997	149,438	20	80,323	7,472	87,795	7,472	95,267
14	Kualapuu Ranch		1998	1,068	20	526	53	579	53	632
15	Kalae Kualapuu Ag		1999	8,776	20	4,060	439	4,499	439	4,938
16	Water Meter		2000	1,732	7	1,732	0	1,732	0	1,732
17	Replace Kualapuu Reservoir Roof		2001	124,503	25	34,861	4,980	39,841	4,980	44,821
18	Waiola Pipeline Replacement		2001	6,414	7	6,414	0	6,414	0	6,414
19	Kipu Pipeline Replacement		2001	1,646	7	1,646	0	1,646	0	1,646
20	4" Pipeline Kualapuu reservoir - Kipu Water Meters		2005	141,908	25	37,369	5,676	43,045	5,676	48,721
				1,477	15	312	98	410	98	508
21	Meter Reading Equipment & Meters		2009	20,000	15	0	667	667	1,333	2,000
22				0		0		0		
23	Vehicles		2010	20,000	5	0	0	0	2,000	2,000
24				0		0		0		
25	Total			\$3,373,813		\$1,705,465	\$133,953	\$1,839,418	\$136,619	\$1,976,037

Waiola O Moloikai  
 Customer Deposits  
 Test Year Ending June 30, 2010

Line #	Description	Ref:	[ 1 ]	[ 2 ]	[ 3 ]	[ 4 ]	[ 5 ]	[ 6 ]	[ 7 ]	[ 8 ]
			Balance as of 6/30/08	Balance as of 6/30/08	6/30/08 Additions	6/30/08 Adjustments	Balance as of 6/30/09	6/30/10 Additions	6/30/10 Adjustments	Test Year Balance as of 6/30/10
1	Balance		\$29,231				\$ 38,080			\$ 38,080
2	Total		\$29,231	\$0	\$0	\$0	\$38,080	\$0	\$0	\$38,080



Waiola O Moloikai  
 Accumulated Deferred Income Taxes  
 Test Year Ending June 30, 2010

Line #	Description	Life in years	In-service date	Total Cost	Tax Depreciation Method	Acc. Tax Dep. Balance as of 6/30/06	6/30/09 Tax Dep. Exp.	6/30/09 Adjustments	Acc. Tax Dep. Balance as of 6/30/09	6/30/10 Tax Dep. Exp.	6/30/10 Adjustments	Acc. Tax Dep. Balance as of 6/30/10	Test-Year Balance as of 6/30/10
1	Kipu System Improvements		1982	\$ 33,751		\$31,493			\$31,493			\$31,493	\$31,493
2	WIP Kualapuu Reservoir		1990	10,949		9,727	489		10,216	489		10,705	10,705
3	Maunaloa Reservoir		1991	1,821		1,534	81		1,615	81		1,696	1,696
4	MILPA 12" Water line		1992	309,323		247,137	13,790		260,927	13,790		274,717	274,717
5	Water Transmission		1995	42,967		28,221	1,916		30,137	1,916		32,053	32,053
6	Automate Kualapuu BO		1995	6,745		6,745			6,745			6,745	6,745
7	Kualapuu County Water		1995	70,829		45,141	3,149		48,290	3,149		51,439	51,439
8	Potable Water System		1996	57,802		37,509	2,577		40,086	2,577		42,663	42,663
9	Kualapuu Reservoir		1996	83,423		54,134	3,719		57,853	3,719		61,572	61,572
10	Office Equipment		1997	7,697		7,697			7,697			7,697	7,697
11	Maunaloa Water System		1997	1,637,898		1,016,758	73,067		1,089,825	73,067		1,162,892	1,162,892
12	Badger Water System		1997	88,519		42,532	3,057		45,589	3,057		48,646	48,646
13	36 Water Meters		1997	5,365		3,329	239		3,568	239		3,807	3,807
14	Maunaloa Reservoir		1997	149,438		77,524	6,668		84,192	6,668		90,860	90,860
15	Maunaloa 12" Water Main		1997	247,636		153,725	11,047		164,772	11,047		175,819	175,819
16	Zold 135 Kualapuu RA		1998	1,068		568	48		616	48		664	664
17	WA 116		1999	8,776		4,520	391		4,911	391		5,302	5,302
18	Water Meter		2000	1,732		1,732	0		1,732	0		1,732	1,732
19	Waiola Pipeline		2001	6,414		1,155	164		1,319	164		1,483	1,483
20	Kipu Pipeline		2001	1,646		296	42		338	42		380	380
21	Kualapuu Reservoir		2001	124,503		22,477	3,192		25,669	3,192		28,861	28,861
22	Water System Equip		2001	141,027		56,000	6,893		62,893	6,893		69,786	69,786
23	Water System Equip		2005	1,478		216	59		275	59		334	334
24													
25													
26	Meter Reading Equipment & Meters	15	2009	20,000			1,000		1,000	1,900		2,900	2,900
27													
28	Vehicles	5	2010	20,000			0		0	4,000		4,000	4,000
29													
30													
31	Total			\$3,060,607		\$1,650,170	\$131,586	\$0	\$1,981,756	\$136,486	\$0	\$2,118,246	\$2,118,246
32	Accumulated Book Depreciation								1,839,418			1,976,037	1,976,037
33	Tax Depreciation (Over) Under Book								(142,340)			(142,209)	(142,209)
34	Composite Income Tax Rate								36.024%			36.024%	36.024%
35	ADIT								(\$51,277)			(\$51,279)	(\$51,279)

Waialea O Molokai  
 Hawaii Capital Goods Excise Tax Credit  
 ("HCGETC")  
 Test Year Ending June 30, 2010

Line #	Description	Ref:	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
			In-service date	Total Credit Amount	Amortization Rate	Acc. Amort. Balance as of 6/30/08	6/30/09 Amortization	6/30/09 Adjustments	Acc. Amort. Balance as of 6/30/09	6/30/10 Amortization	6/30/10 Adjustments	Test Year Acc. Amort. Balance as of 6/30/10	
1	Assets Added in		2005	\$1,478	6.6700%	\$394	\$99		\$493	\$99		592	
2									0			0	
3									0			0	
4									0			0	
5									0			0	
6									0			0	
7									0			0	
8									0			0	
9									0			0	
10									0			0	
11									0			0	
12									0			0	
13									0			0	
14									0			0	
15									0			0	
16									0			0	
17									0			0	
18									0			0	
19									0			0	
20	Total			\$ 1,478		\$ 394	\$ 99	\$ -	\$ 493	\$ 99	\$ -	\$ 592	
	Unamortized HCGETC Balance					\$ 965			\$ 965			\$ 886	

Waiola O Molokai  
Working Cash  
Test Year Ending June 30, 2010

[ 1 ]

<u>Line #</u>	<u>Description</u>	<u>Amount</u>
1	Labor, PR Taxes & Employee Benefits	141,449
2	Fuel & Power	10,656
3	Cost of Sales	106,926
4	Treatment Charges & Chemicals	0
5	Materials & Supplies	13,581
6	NOT USED	0
7	Affiliated Charges	18,000
8	Professional & Outside Services	3,598
9	Repairs & Maintenance ("R & M")	17,088
10	Rents	0
11	Insurance	16,000
12	Regulatory Expense	55,000
13	General & Administrative	5,855
14	Bad Debts	0
15		0
16	Taxes, Other Than Income	<u>18,431</u>
17	subtotal	406,584
18	Working Cash factor	<u>12</u>
19	Working Cash	<u><u>33,882</u></u>

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**EXHIBIT WOM 10**

**PRO FORMA HISTORICAL SUMMARY**

( 14 Pages )

Waiala O Molokai  
Historical Summary  
Test Year Ending June 30, 2010

Line #	Description	[1] 6/30/04	[2] 6/30/05	[3] 6/30/06	[4] 6/30/07	[5] 6/30/08	[6] Test Year 6/30/10
<b>Revenues</b>							
1	Monthly Customer Charges	\$0	\$0	\$0	\$0	\$0	\$30,860
2	Customer Usage Charges	160,050	161,111	99,374	131,597	122,169	257,500
3							
4							
5		160,050	161,111	99,374	131,597	122,169	288,360
6	Late Fees	1,254	739	389	343	139	300
7	Connection Fees						
8	<b>TOTAL WATER REVENUES</b>	<b>\$161,304</b>	<b>\$161,850</b>	<b>\$99,763</b>	<b>\$131,940</b>	<b>\$122,308</b>	<b>\$288,660</b>
<b>Expenses</b>							
9	Labor, PR Taxes & Employee Benefits	\$ 63,322	\$ 69,750	\$ 170,694	\$ 127,325	\$ 107,121	\$ 141,449
10	Fuel & Power	6,035	7,032	8,009	8,961	12,507	10,656
11	Cost of Sales	186,095	181,844	131,280	133,291	152,546	106,926
12	Treatment Charges & Chemicals	843	6,361	(592)	0	0	0
13	Materials & Supplies	6,357	5,375	13,403	13,770	17,229	13,581
14	NOT USED	0	0	0	0	0	0
15	Affiliated Charges	19,528	18,913	19,606	22,911	21,502	18,000
16	Professional & Outside Services	6,260	310	62	48	11,313	3,598
17	Repairs & Maintenance ("R & M")	4,934	4,072	11,006	11,376	15,310	17,088
18	Rents	1,683	160	0	0	0	0
19	Insurance	3,672	11,207	26,223	20,317	12,128	16,000
20	Regulatory Expense						55,000
21	General & Administrative	3,379	3,991	5,201	5,359	5,991	5,855
22	Bad Debts	0	0	0	0	0	0
23	Taxes Other than Income Taxes	8,269	7,142	5,221	5,617	6,000	18,431
24	Depreciation	153,977	151,747	136,823	136,802	136,092	136,619
25	Amortization						
26	Income Taxes						
27	<b>TOTAL EXPENSES</b>	<b>\$ 464,354</b>	<b>\$ 467,904</b>	<b>\$ 526,936</b>	<b>\$ 485,777</b>	<b>\$ 497,739</b>	<b>\$ 543,203</b>
28	<b>NET INCOME/(LOSS)</b>	<b>\$(303,050)</b>	<b>\$(306,054)</b>	<b>\$(427,173)</b>	<b>\$(353,837)</b>	<b>\$(375,431)</b>	<b>\$(254,543)</b>

Waiola O Molokai  
Labor, PR Taxes & Employee Benefits  
Test Year Ending June 30, 2010

Line #	Description	[1] Ref:	[2] 6/30/04	[3] 6/30/05	[4] 6/30/06	[5] 6/30/07	[6] 6/30/08	[7] Test Year 6/30/10
<b>Expenses</b>								
1	<u>Salaries &amp; Wages</u>							
2	Direct S&W		\$47,504	\$54,902	\$52,730	\$62,967	\$48,337	\$98,030
3								
4	S&W Charged Thru Cost of Sales				33,721	29,701	30,281	
5								
6								
7	Total S&W		47,504	54,902	86,451	92,668	78,618	98,030
<u>Employee Benefits</u>								
8	Medical & Dental		2,480	2,902	4,642	8,697	6,659	26,150
9	Workers Compensation		8,164	6,344	27,667	5,733	4,808	7,753
10	TDI		284	343	354	127	146	539
11	Group Life		89	74	84	27	0	235
12	LTDI		112	146	149	120	57	518
13								
14	Benefits Charged Thru Cost of Sales				43,388	11,924	11,551	
15								
16	Total Employee Benefits		11,129	9,809	76,284	26,628	23,221	35,195
<u>Payroll Taxes</u>								
17	FICA		3,617	4,108	3,908	4,736	2,347	7,499
18	FUTA		115	129	129	133	96	152
19	SUTA		957	802	730	381	227	573
20								
21	Payroll Tax Charged Thru Cost of Sales				3,192	2,779	2,612	
22	Total Payroll Taxes		4,689	5,039	7,959	8,029	5,282	8,224
23	Total PR Taxes & Benefits		15,818	14,848	84,243	34,657	28,503	43,419
24	Total All		\$ 63,322	\$ 69,750	\$ 170,694	\$ 127,325	\$ 107,121	\$ 141,449

Waiola O Molokai  
 Fuel & Power  
 Test Year Ending June 30, 2010

Line #	Description	[1] Ref:	[2] 6/30/04	[3] 6/30/05	[4] 6/30/06	[5] 6/30/07	[6] 6/30/08	[7] Test Year 6/30/10
<b>Expenses</b>								
Electricity								
1	Kualapuu Booster Pump		3,391	4,437	4,904	4,755	6,971	6,399
2	Kualapuu Reservoir		392	474	440	431	853	584
3	DHHL Booster		2,045	1,917	2,173	2,680	4,314	3,673
4	Other - Allocation		207	204	204	807	153	
5	MLP Charges to WOM in Cost of Sales				288	288	216	
6	subtotal		6,035	7,032	8,009	8,961	12,507	10,656
Fuel								
7	None						0	0
8								
9	subtotal		0	0	0	0	0	0
10	Total Expense		\$6,035	\$7,032	\$8,009	\$8,961	\$12,507	\$10,656
<b>Units of consumption</b>								
Electricity								
11	Kualapuu Booster Pump							
12	Other - Allocation							
13								
14	[add]							
14	subtotal		0	0	0	0	0	0
Fuel								
15	account #1							
16	[add]							
17	subtotal		0	0	0	0	0	0

Waiola O Molokai  
 Cost of Sales  
 Test Year Ending June 30, 2010

Line #	Description	[1] Ref:	[2] 6/30/04	[3] 6/30/05	[4] 6/30/06	[5] 6/30/07	[6] 6/30/08	[7] Test Year 6/30/10
<b><u>WOM Direct Expense</u></b>								
1	Well 17 to Waiola		\$ 30,573	\$ 33,292	\$ 31,057	\$ 26,511	\$ 26,612	\$55,926
2	DHHL to Wailoa at Kalae		14,662	9,893	9,018	23,715	39,671	42,000
3	Potable at Waiola at Puunana		140,860	138,659	85,343	39,084	8,516	9,000
4	Use of Mountain Facilities						28,969	0
	Sub-Total		<u>186,095</u>	<u>181,844</u>	<u>125,418</u>	<u>89,310</u>	<u>103,768</u>	
<b><u>MPL Charges for WOM - a/c # 615</u></b>								
5	Salaries & Wages				33,721	29,701	30,281	Exh 10.1
6	Employee Benefits				43,388	11,924	11,551	Exh 10.1
7	Payroll Taxes				3,192	2,779	2,612	Exh 10.1
8	Electricity				288	288	216	Exh 10.2
9	Repair & Maintenance				7,011	3,646	4,219	Exh 10.9
10	Vehicle Fuel				6,241	5,791	6,561	Exh 10.5
11	Insurance				15,350	11,893	7,099	Exh 10.11
12	Communications				1,229	1,081	689	Exh 10.13
13	Administrative				484	706	391	Exh 10.13
14	Other Expense				1,531	1,521	397	Exh 10.13
15	Charges to Other Operations		0	0	(106,573)	(25,349)	(15,238)	
16	Sub-Total		<u>0</u>	<u>0</u>	<u>5,862</u>	<u>43,981</u>	<u>48,778</u>	
17	TOTAL		<u>\$ 186,095</u>	<u>\$ 181,844</u>	<u>\$ 131,280</u>	<u>\$ 133,291</u>	<u>\$ 152,546</u>	<u>\$ 106,926</u>



Waiola O Molokai  
 Treatment Charges & Chemicals  
 Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
Line #	Description	Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
1	Chemicals & Testing		\$619	\$5,776	(\$592)			\$0
2								
3	Treatment Expense		224	585				0
4								
5								
6	Total		\$843	\$6,361	(\$592)	\$0	\$0	\$0

0

Waiola O Molokai  
 Materials & Supplies  
 Test Year Ending June 30, 2010

Line #	Description	[1] Ref:	[2] 6/30/04	[3] 6/30/05	[4] 6/30/06	[5] 6/30/07	[6] 6/30/08	[7] Test Year 6/30/10
<b>WOM Direct Expense</b>								
1	Supplies for Operations		\$2,943	\$593	\$1,878	\$2,383	\$5,324	\$2,624
2	Uniforms		233			393	0	
3	Fuel for Vehicles		3,097	4,580	5,058	4,968	5,245	4,590
4	Cleaning		84	202	226	235	99	169
5	Sub-Total		<u>6,357</u>	<u>5,375</u>	<u>7,162</u>	<u>7,979</u>	<u>10,668</u>	<u>7,383</u>
<b>WOM Direct Charges Previously Charged from MPL thru a/c # 615</b>								
6	Fuel For Vehicles				6,241	5,791	6,561	6,198
7								
8	Sub-Total		<u>0</u>	<u>0</u>	<u>6,241</u>	<u>5,791</u>	<u>6,561</u>	
9	Total		<u>\$6,357</u>	<u>\$5,375</u>	<u>\$13,403</u>	<u>\$13,770</u>	<u>\$17,229</u>	<u>\$13,581</u>

Waiola O Molokai  
 NOT USED  
 Test Year Ending June 30, 2010

Line #	Description	[1] Ref:	[2] 6/30/04	[3] 6/30/05	[4] 6/30/06	[5] 6/30/07	[6] 6/30/08	[7] Test Year 6/30/10
1	Item 1							0
2	[add'l items]							
3								
4								
5	Total		\$0	\$0	\$0	\$0	\$0	\$0

Waiola O Molokai  
 Affiliated Charges  
 Test Year Ending June 30, 2010

Line #	Description	[1] Ref.	[2] 6/30/04	[3] 6/30/05	[4] 6/30/06	[5] 6/30/07	[6] 6/30/08	[7] Test Year 6/30/10
1	Finance Dept Allocation		\$19,528	\$18,913	\$ 19,606	\$ 22,911	\$ 21,502	
2	Pro Forma For TY							\$ 18,000
3								
4								
5	Total		<u>\$19,528</u>	<u>\$18,913</u>	<u>\$19,606</u>	<u>\$22,911</u>	<u>\$21,502</u>	<u>\$18,000</u>

Waiola O Molokai  
 Professional & Outside Services  
 Test Year Ending June 30, 2010

Line #	Description	[1] Ref:	[2] 6/30/04	[3] 6/30/05	[4] 6/30/06	[5] 6/30/07	[6] 6/30/08	[7] Test Year 6/30/10
1	Engineering/Technical Services							
2								
3								
4	Legal Services		6,256	304	62			
5								
6								
7	Other Professional		4	5		48	11,313	
8								
9	Test Year Pro Forma							\$3,598
10	Total Professional and Outside Services		\$6,260	\$309	\$62	\$48	\$11,313	\$3,598

Waiola O Molokai  
 Repairs & Maintenance ("R & M")  
 Test Year Ending June 30, 2010

	[ 1 ]	[ 2 ]	[ 3 ]	[ 4 ]	[ 5 ]	[ 6 ]	[ 7 ]	
Line #	Description	Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
<b>WOM Direct Charges</b>								
1	Plant		\$2,847	\$1,957	\$1,530	\$5,479	\$10,160	\$10,160
2	Vehicles		2,087	2,115	2,465	2,251	931	1,970
3								
4	Sub-Total		<u>4,934</u>	<u>4,072</u>	<u>3,995</u>	<u>7,730</u>	<u>11,091</u>	<u>12,130</u>
<b>WOM Direct Charges Previously Charged from MPL thru a/c # 615</b>								
5	R & M Charges				7,011	3,646	4,219	4,959
6								
7								
8	Sub-Total		<u>0</u>	<u>0</u>	<u>7,011</u>	<u>3,646</u>	<u>4,219</u>	
9	TOTAL		<u>\$4,934</u>	<u>\$4,072</u>	<u>\$11,006</u>	<u>\$11,376</u>	<u>\$15,310</u>	<u>\$17,088</u>

Waiola O Molokai  
 Rents  
 Test Year Ending June 30, 2010

#	Description	Ref:	[2]	[3]	[4]	[5]	[6]	[7]
Line			6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
1	Property rental							
2	Rent Expense							\$0
3	Vehicle & equipment rental		\$1,683	\$160				0
4								
5	Total		\$1,683	\$160	\$0	\$0	\$0	\$0

Waiola O Molokai  
 Insurance  
 Test Year Ending June 30, 2010

Line #	Description	[1] Ref:	[2] 6/30/04	[3] 6/30/05	[4] 6/30/06	[5] 6/30/07	[6] 6/30/08	[7] Test Year 6/30/10
<b><u>WOM Direct Expense</u></b>								
1	Insurance		\$3,672	\$11,207	\$10,873	\$8,424	\$5,029	\$8,000
2								
3								
4	Sub-Total		<u>3,672</u>	<u>11,207</u>	<u>10,873</u>	<u>8,424</u>	<u>5,029</u>	<u>8,000</u>
<b><u>WOM Direct Charges Previously Charged from MPL thru a/c # 615</u></b>								
5	Insurance				15,350	11,893	7,099	8,000
6								
7								
8	Sub-Total		<u>0</u>	<u>0</u>	<u>15,350</u>	<u>11,893</u>	<u>7,099</u>	
9	Total		<u>\$3,672</u>	<u>\$11,207</u>	<u>\$26,223</u>	<u>\$20,317</u>	<u>\$12,128</u>	<u>\$16,000</u>



Waiola O Molokai  
 Regulatory Expense  
 Test Year Ending June 30, 2010

Line #	Description	[ 1 ] Ref:	[ 2 ] Amount	[ 2 ] Total
<b>PREPARATION AND FILING</b>				
1	Rate case consulting			
2	Regulatory		40,000	
3	Engineering			
4	Other			
5	Legal		20,000	
6	Travel		1,000	
7	Other non-labor		1,000	
8	Sub-Total			62,000
<b>DISCOVERY AND SETTLEMENT</b>				
9	Rate case consulting			
10	Regulatory		25,000	
11	Engineering			
12	Other			
13	Legal		35,000	
14	Travel		2,000	
15	Other non-labor		1,000	
16	Sub-Total			63,000
<b>HEARINGS AND BRIEFING</b>				
17	Rate case consulting			
18	Regulatory		10,000	
19	Engineering			
20	Other			
21	Legal		25,000	
22	Travel		3,000	
23	Other non-labor		2,000	
24	Sub-Total			40,000
25	Total			165,000
26	Amortization Period			3
27	Test Year expense			<u>\$55,000</u>

Waiola O Molokai  
 General & Administrative  
 Test Year Ending June 30, 2010

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	
Line #	Description	Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
<b>WOM Direct Expense</b>								
1	Travel		\$0	\$812	\$0	\$118	\$1,777	
2	Equipment Rental		20	68	75	69	84	
3	Admin & Off Supplies		576	1,243	684	500	277	
4	Telephone		22	85	39	61	49	
5	Cellular		1,113	903	832	704	439	
6	Postage		1,629	849	327	515	1,532	
7	Training					84	157	
8	Other		19	31			199	
9	Sub-Total		<u>3,379</u>	<u>3,991</u>	<u>1,957</u>	<u>2,051</u>	<u>4,514</u>	\$3,178
<b>WOM Direct Charges Previously Charged from MPL thru a/c # 615</b>								
10	Communications				1,229	1,081	689	1,000
11	Administrative				484	706	391	527
12	Other Expense				1,531	1,521	397	1,150
13	Sub-Total		<u>0</u>	<u>0</u>	<u>3,244</u>	<u>3,308</u>	<u>1,477</u>	
14	Total		<u>\$3,379</u>	<u>\$3,991</u>	<u>\$5,201</u>	<u>\$5,359</u>	<u>\$5,991</u>	<u>\$8,855</u>

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**EXHIBIT WOM 11**

**PRO FORMA REVENUE SUMMARY**

( 4 Pages )



Waiola O Moikakai  
Sales, Usage, and Customer Counts  
Test Year Ending June 30, 2010

Line #	Description	[ 1 ]	[ 2 ]	[ 3 ]	[ 4 ]	[ 5 ]
		Six Months Ended				Year Ended
		12/31/07	6/30/08	12/31/08	6/30/09	6/30/10
<b><u>5/8" meter (200)</u></b>						
1	Gallons billed in 000 gallons	27,239	20,845	25,258	-	
2	# of customers for Usage Billing	<u>2,351</u>	<u>2,152</u>	<u>2,246</u>	<u>0</u>	
3	Average Usage per Customer (000) (L 1 / L 2)	<u>11.6</u>	<u>9.7</u>	<u>11.2</u>	<u>-</u>	
<b><u>1.0" meter (201)- MIS</u></b>						
4	Gallons billed in 000 gallons	2,043	1,405	1,632	-	
5	# of customers for Usage Billing	<u>7</u>	<u>6</u>	<u>3</u>	<u>0</u>	
6	Average Usage per Customer (000) (L 4 / L 5)	<u>291.9</u>	<u>234.2</u>	<u>543.8</u>	<u>-</u>	
<b><u>1.0" meter (202)</u></b>						
7	Gallons billed in 000 gallons	1,635	943	994	-	
8	# of customers for Usage Billing	<u>58</u>	<u>51</u>	<u>41</u>	<u>0</u>	
9	Average Usage per Customer (000) (L 7 / L 8)	<u>28.2</u>	<u>18.5</u>	<u>24.2</u>	<u>-</u>	
<b><u>TOTAL ALL</u></b>						
10	Gallons billed in 000 gallons	30,917	23,193	27,884	-	50,000
11	# of customers for Usage Billing	<u>2,416</u>	<u>2,209</u>	<u>2,290</u>	<u>0</u>	<u>4,580</u>
12	Average Usage per Customer (000) (L 10 / L 11)	<u>12.8</u>	<u>10.5</u>	<u>12.2</u>	<u>-</u>	<u>10.9</u>
<b><u>Number of Customers for Monthly Charge</u></b>						
13	# of Customers (151) MRC	2,178	1,979	2,048	-	4,096
14	# of Customers (152) MRC	26	24	24	-	48
15	# of Customers (153) MRC	111	102	102	-	204
16	# of Customers (154) MRC	110	102	102	-	204
17	# of Customers (158) MRC	7	6	6	-	12
18	# of Customers (190) TPI	5	-	-	-	-
19	# of Customers (241) KHY	6	6	6	-	12
20	# of Customers (200) KWA	-	-	2	-	4
21	Total Customers For Monthly Charge	<u>2,443</u>	<u>2,219</u>	<u>2,290</u>	<u>-</u>	<u>4,580</u>



Winitia O Moiokeai  
Sales, Usage, and Customer Counts  
Test Year Ending June 30, 2010

Line #	Description	2008												Fiscal Year Ended 6/30/08
		[1] July	[2] Aug	[3] Sept	[4] Oct	[5] Nov	[6] Dec	[7] Jan	[8] Feb	[9] Mar	[10] Apr	[11] May	[12] June	
<b>WA (100)</b>														
1	Gallons billed in 000 gallons	4,462	5,141	4,027	5,288	4,500	3,821	3,240	3,217	3,503	3,374	3,600	3,911	46,084
2	# of customers for Usage Billing	578	365	357	354	350	357	355	360	358	358	360	361	4,503
3	Average Usage per Customer (000) (L 1 / L 2)	7.7	14.5	11.3	14.9	12.9	10.7	9.1	8.9	9.8	9.4	10.0	10.8	10.7
<b>WA (115)</b>														
4	Gallons billed in 000 gallons	240	852	244	265	260	182	-	380	252	269	260	244	3,448
5	# of customers for Usage Billing	2	1	1	1	1	1	1	1	1	1	1	1	13
6	Average Usage per Customer (000) (L 4 / L 5)	120.0	852.0	244.0	265.0	260.0	182.0	-	380.0	252.0	269.0	260.0	244.0	265.2
<b>AG (130)</b>														
7	Gallons billed in 000 gallons	374	219	283	345	345	69	84	91	135	197	200	236	2,576
8	# of customers for Usage Billing	17	10	10	10	1	10	10	10	10	10	1	10	109
9	Average Usage per Customer (000) (L 7 / L 8)	22.0	21.9	28.3	34.5	345.0	6.9	8.4	9.1	13.5	19.7	200.0	23.6	23.7
<b>TOTAL ALL</b>														
10	Gallons billed in 000 gallons	5,076	6,212	4,554	5,898	5,105	4,072	3,324	3,698	3,880	3,840	4,060	4,381	54,110
11	# of customers for Usage Billing	597	366	368	365	352	368	366	371	369	369	362	372	4,625
12	Average Usage per Customer (000) (L 31 / L 32)	8.5	17.0	12.4	16.2	14.5	11.1	9.1	9.9	10.5	10.4	11.2	11.8	11.7
<b>Number of Customers for Monthly Charge</b>														
13	# of Customers (151) MRC	541	327	330	326	326	328	327	332	329	329	329	333	4,157
14	# of Customers (152) MRC	6	4	4	4	4	4	4	4	4	4	4	4	50
15	# of Customers (153) MRC	26	17	17	17	17	17	17	17	17	17	17	17	212
16	# of Customers (154) MRC	25	17	17	17	17	17	17	17	17	17	17	17	13
17	# of Customers (158) MRC	2	1	1	1	1	1	1	1	1	1	1	1	5
18	# of Customers (190) TPI	1	1	1	1	1	1	1	1	1	1	1	1	12
19	# of Customers (241) KHY	1	1	1	1	1	1	1	1	1	1	1	1	2
20	Total Customers For Monthly Charge	602	368	371	367	367	368	367	372	369	369	369	373	4,449
21	# of Customers (200) KNY	-	-	1	1	1	1	1	1	1	1	1	1	2
22	Total Customers For Monthly Charge	657	405	409	405	404	404	403	408	405	405	405	409	5,119

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**EXHIBIT WOM-T-100**

**DIRECT TESTIMONY - ROBERT O'BRIEN**

( 35 Pages )



**DIRECT TESTIMONY OF ROBERT L. O'BRIEN**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

- Q. Please state your name and business address.
- A. My name is Robert O'Brien and my business address is 1753 Via Mazatlan, Rio Rico, Arizona 85648.
- Q. By whom are you employed and what is your position?
- A. I am the sole member of O'Brien Innovative Regulatory Solutions, LLC.
- Q. Please describe your role in this proceeding.
- A. I have been retained to assist Wai'ola O Moloka'i ("WOM" or the "Company") with the preparation and filing of their request for, among other things, general rate relief before the Public Utilities Commission of the State of Hawaii ("Commission") in this Docket.
- Q. Please summarize your professional experience and educational background that relate to your presentation in this proceeding.
- A. I formed O'Brien Innovative Regulatory Solutions in January 2008 on my retirement from Black & Veatch Corporation ("B&V"). Prior to January 2008, I was employed by B&V in its separate operating sector of the Enterprise Management Solutions as a Principal Consultant since January 2005 when B&V acquired R.J. Rudden Associates ("Rudden") where I was employed as a Vice President since January 2000. In my positions with B&V and Rudden, I have provided services to clients in the areas of Strategic Planning, State Regulatory Operations, Financial Planning, Administrative Cost Allocations, Rate Case

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 WOM 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; and
- 7 8. Revised Rules and Regulations.

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

10

11 **ORGANIZATION, SERVICE TERRITORY, AND PROPERTY**

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

13 A. WOM, a Hawaii corporation, is a public utility authorized by the Commission to  
14 provide water utility service to residential, commercial and agricultural  
15 customers. WOM is one of three affiliated entities under common ownership by  
16 Molokai Properties, Limited ("MPL"). WOM serves businesses, residences,  
17 churches and Maui County parks located in Maunaloa, Kualapuu, Kipu,  
18 Manawainui and the Molokai Industrial Park areas on the island of Molokai. A  
19 map of Applicant's authorized service territory is set forth on Exhibit A of  
20 WOM's "General Water Service Rules and Regulations Covering the Supply of  
21 Water to Consumers" issued on and effective as of January 13, 1993, pursuant to  
22 Decision and Order No. 12125 (hereinafter referred to as either "Tariff" or "Rules

1 and Regulations"). A summary description of WOM's plant or property is  
2 provided in Exhibit WOM 1 and its most recent financial statements are included  
3 in Exhibit WOM 2, Schedules 4 and 5. The Company's current base rates, other  
4 than its water consumption rate, were approved by the Commission by Decision  
5 and Order No. 12125, filed on January 13, 1993 in Docket No. 7122. The  
6 Company's water consumption rate was authorized by the Commission in its  
7 Order Approving Temporary Rate Relief for Molokai Public Utilities, Inc. and  
8 Wai'ola O Moloka'i, Inc. in Docket No. 2008-0115, issued on August 14, 2008  
9 ("Temporary Rate Order") as a temporary rate effective as of September 1, 2008.

10  
11 **REVENUE INCREASE**

12 Q. Please describe the revenue increase the Company is requesting in this  
13 proceeding.

14 A. As shown on Exhibit WOM 6, line 7, column 1, the total revenues for the test  
15 year ended June 30, 2010 ("TY") at present rates are \$288,660 and the revenue  
16 increase required is \$308,781 as shown on line 7, column 2. This results in a  
17 revenue increase of approximately 106.97 percent as shown on line 38, which will  
18 provide the Company with a recovery of its TY expenses and a return on its  
19 average TY rate base of 2.00 percent.

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

21 A. No, the Company believes it is entitled to a return on its average TY rate base of  
22 8.85 percent, which has recently been used for settlement of recent rate cases and

1 approved by the Commission. If the 8.85 percent return on average TY rate base  
2 were used, the Company would be requesting an increase in revenues in the  
3 amount of approximately \$484,000 or approximately 168 percent.

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

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

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

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

1           September 1, 2009), the Company again feels this is proper to allow its customers  
2           to plan for the overall revenue increase.

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

4    A.    The Company's filing is in response to Ordering Paragraph 8 (Part III, subpart 2)  
5           of the Temporary Rate Order. In addition, the Company is seeking to recover its  
6           operating expenses and a return on its investment for the TY ended June 30, 2010.

7    Q.    Is the Company requesting a rate increase of 106.97 percent for all of its currently  
8           approved rates?

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

10

11

**FILING REQUIREMENTS**

12   Q.    Please describe Exhibit WOM 1.

13   A.    Exhibit WOM 1 contains 2 pages which include a brief description and listing of  
14           the Company's property and equipment used to provide for the pumping,  
15           treatment, and distribution of potable water to the Company's customers.

16   Q.    Please describe Exhibit WOM 2.

17   A.    This exhibit contains six schedules showing WOM's financial information.

18           Schedule 1 shows the Company's issued and outstanding stock. Schedule 2  
19           presents the Common Stock outstanding as of the five years 2004 to 2008, while  
20           Schedule 3 shows that the Company has no Security Agreements, Mortgages or  
21           Deeds of Trust outstanding.

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

3 A. No, the Company has no plans at this time.

4 Q. Please describe the remaining schedules in Exhibit WOM 2.

5 A. Schedule 4 presents the unaudited financial statements for the year ended June 30,  
6 2008, which is the last available complete fiscal year for WOM. Schedule 5  
7 presents the unaudited financial statements for the six months ended  
8 December 31, 2008 which are the latest available. Finally, Schedule 6 shows that  
9 the Company does not currently have any promissory notes, bonds, or other  
10 indebtedness.

11 Q. What is contained in Exhibit WOM 3?

12 A. Exhibit WOM 3 contains detail related to WOM's property and equipment and  
13 the related accumulated depreciation at June 30, 2008, 2009 and 2010.

14 Q. Please describe Exhibits WOM 4 and WOM 5.

15 A. Exhibit WOM 4 shows the present rate schedule for WOM, while Exhibit WOM  
16 5 sets forth the proposed rate schedule.

17

18 **REVENUE REQUIREMENT SUMMARY**

19 Q. Please describe Exhibit WOM 6.

20 A. This exhibit presents a summary of the results of operations at present and  
21 proposed rates for the TY. In addition, it shows the rate of return at present rates,  
22 the required revenue increase, and the resulting rate of return at the rates proposed



1 by the Company. The total revenue requirement of \$597,441 (line 7, column 3)  
2 requires a revenue increase of \$308,781 (line 7, column 2), or approximately  
3 106.97 percent (line 38), over the TY revenues at present rates of \$288,660  
4 (line 7, column 1).

5 Q. Please describe the difference of (\$1) between the calculated revenue requirement  
6 increase of \$308,780 on line 37 in column 1 and the \$308,781 on line 7 in  
7 column 2 of Exhibit WOM 6.

8 A. This small difference is due to the fact that the \$308,781 is calculated using  
9 monthly rates that are rounded to the nearest \$0.01 and water use rates that are  
10 also rounded as shown on Exhibit WOM 11 while the \$308,780 is a calculation  
11 that does not require rounding by customer charge or monthly usage rate. There  
12 will usually be a small rounding difference between the calculated revenue  
13 requirement, the \$308,780, and the revenue determined by the monthly and  
14 commodity rates, \$308,781.

15 Q. Please describe Exhibit WOM 6.1.

16 A. This exhibit shows the calculation of the Gross Revenue Conversion Factor  
17 ("GRCF") on lines 1 to 15 that is used to establish the revenue increase required.  
18 It provides for the expenses that have to be recovered from increased revenue to  
19 provide the net operating income increase required to have the opportunity to  
20 achieve the rate of return determined reasonable in this proceeding. As shown on  
21 lines 2 to 9, these expenses include bad debts, revenue taxes and income taxes.  
22 Each of these expenses will vary with revenue levels. As shown on line 10, after

1 each of those expenses are deducted from revenue, there is 58.0988 percent of  
2 revenue remaining for net income. This is used to determine the GRCF shown on  
3 line 15 of 1.72121. As discussed in connection with the income tax calculation on  
4 Exhibit WOM 7, the GRCF used on Exhibit WOM 6, line 36 of 1.6180, is lower  
5 than the GRCF calculated on line 15 of Exhibit WOM 6.1 because of the  
6 operating loss for the Company at present rates in the TY.

7 Q. Please describe Exhibit WOM 7.

8 A. Exhibit WOM 7 shows the income tax expense calculation at present and  
9 proposed rates. The Company has used the statutory rates applied to the taxable  
10 income in its calculations. The income tax calculation is shown in columns 5 to 7  
11 for the revenue at present rates, the revenue increase and the revenue at proposed  
12 rates, respectively. While each of the three calculations use the taxable income  
13 appropriate for the heading and the statutory rates, there is a small difference  
14 between the total of the income taxes at present rates plus the income taxes on the  
15 revenue increase and the calculated income taxes at proposed rates. Line 13  
16 shows the state income taxes at present rates of (\$15,041) in column 5 and  
17 \$17,250 for the revenue increase in column 6. The net total of these two  
18 calculated state income tax amounts is \$2,209 which is \$595 higher than the  
19 calculated state income taxes at proposed rates of \$1,614 shown in column 7 on  
20 line 13. This is due to the fact that a greater portion of the taxable income for the  
21 rate increase (columns 3 and 6) is included in the highest tax bracket than in the  
22 calculation of revenues at proposed rates (columns 4 and 7). It is the negative

1 taxable income at present rates which creates the need for the larger revenue  
2 increase to attain the target rate of return at proposed rates. A similar difference is  
3 reflected in the calculation of the Federal income tax on line 20. The correct  
4 income tax expense at proposed rates is the \$6,550 shown on line 21 in column 7  
5 of Exhibit WOM 7. This is the same amount shown on Exhibit WOM 6, line 27,  
6 column 3. In order to achieve this income tax expense at proposed rates and the  
7 target rate of return of 2.00 percent, a GRCF of 1.6180 (Exhibit WOM 6, line 36,  
8 column 1) is used in place of the GRCF on Exhibit WOM 6.1, line 15 of 1.72121.

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

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

19 Q. What is contained on Exhibit WOM 8?

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

22 Q. Please describe Exhibit WOM 9?

1 A. Exhibit WOM 9 presents a summary of the rate base elements at June 30, 2009  
2 and 2010 and the average rate base for the TY. The average rate base for the TY  
3 is \$1,399,699 as shown on line 14, column 3. Each of these elements will be  
4 discussed in connection with the separate schedules for each of the rate base  
5 elements in Exhibit WOM 9.

6 Q. Please describe Exhibit WOM 9.1.

7 A. This exhibit shows the summary rate base calculations at June 30, 2009 and June  
8 30, 2010 with pro forma adjustments that are the basis for the summary schedule  
9 presented in Exhibit WOM 9.

10 Q. Please describe Exhibit WOM 9.2.

11 A. Exhibit WOM 9.2 presents the plant-in-service detail at June 30, 2008 and for the  
12 years ended June 30, 2009 and 2010 used to support the data presented on Exhibit  
13 WOM 9.1. WOM's plant additions budgeted for the fiscal year 2009 is shown in  
14 column 3 on lines 23 to 25 which includes an addition to the meter reading  
15 equipment. WOM's plant additions budgeted for the fiscal year 2010 is shown in  
16 column 7 on line 25 and is comprised of a replacement vehicle. The total budget  
17 for the meter reading equipment and meters of \$50,000 was split 60 percent for  
18 Molokai Public Utilities, Inc. ("MPU") which will be included in the rate base  
19 additions for MPU and 40 percent WOM. The vehicles are part of a replacement  
20 program where the additions for 2009 are included as part of MPU and the  
21 additions for 2010 are included as part of the WOM rate base.

22 Q. Please describe Exhibit WOM 9.3.

1 A. This exhibit shows the accumulated depreciation for the plant-in-service as shown  
2 on line 27. The amounts for the beginning and end of the test year are in columns  
3 6 and 10, respectively.

4 Q. What is contained on Exhibit WOM 9.4?

5 A. Exhibit WOM 9.4 contains the calculation of depreciation expense. The  
6 depreciation expense for the test year is calculated in column 8 using the plant  
7 balance in column 3 and the plant lives shown in column 4. The additions to  
8 plant in the years ended June 30, 2009 and June 30, 2010 reflect a half of one year  
9 in depreciation in the year of acquisition. The total test year depreciation expense  
10 is \$136,619 as shown on line 25 in column 8.

11 Q. Please describe Exhibit WOM 9.5.

12 Q. Exhibit WOM 9.5 shows the customer deposits for the test year, which are used as  
13 a reduction to rate base.

14 Q. What is contained on Exhibit WOM 9.6?

15 A. Exhibit WOM 9.6 shows the calculation of the accumulated deferred income  
16 taxes ("ADIT") for the test year. The excess tax depreciation over book  
17 depreciation is shown on line 33 at the beginning and end of the TY in columns 8  
18 and 11. Using the composite Federal and State income tax rates from Exhibit  
19 WOM 7 at present rate revenue, the ADIT shown on line 35 is used to reduce rate  
20 base on Exhibits WOM 9 and WOM 9.1.

21 Q. Please describe Exhibit WOM 9.7.

1 A. This exhibit shows the Hawaii Capital Goods Excise Tax Credit ("HCGETC") for  
2 the periods ending December 31, 2008 and 2009.

3 Q. Please describe Exhibit WOM 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 \$33,882. 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 WOM 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 WOM, 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 WOM  
2 in this proceeding?

3 A. Yes, it does.

4 Q. What is contained on Exhibit WOM 10?

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

14 Q. Has MPL changed its procedures for charging WOM 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 WOM and the other utilities  
19 owned by MPL on the accounting records of MPL, and then charged portions of  
20 those expenses to the utilities monthly. The monthly charges to WOM were  
21 included as Costs of Sales on the WOM and other utilities' accounting records as  
22 appropriate. The charges for WOM are shown for the years 2004 to 2008 on

1 Exhibit WOM 10.3, lines 5 to 16 in columns 2 to 6. The expenses for the TY, as  
2 shown in column 7 of Exhibit WOM 10.3, have been reduced to zero and those  
3 expenses have been included on the schedule specifically associated with that  
4 expense. For example, as shown on Exhibit WOM 10.1, the Salaries and Wages  
5 previously included in the Cost of Sales are reflected on line 4 for the years 2006  
6 to 2008 and included in the pro forma amount of \$98,030 for the TY on line 1.  
7 This is also true for the charges for Employee Benefits on lines 8 to 12 and line  
8 14, and for Payroll Taxes on lines 17 to 19 and line 21.

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

11 A. Since MPL ceased its non-utility operations on the island of Molokai, there was  
12 no reason to charge certain costs to a centralized location and then distribute them  
13 to utility and non-utility operations. All expenses are currently being directly  
14 charged to each company. If a charge needs to be allocated, the allocation is  
15 completed before the charge is made to the specific company.

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

18 A. As shown on Exhibit WOM 10.3, I have segregated the Cost of Sales expense  
19 amounts and listed each of the major expense categories. The charges for these  
20 expense categories for the years 2006 to 2008 are shown in columns 4 to 6. There  
21 is no charge included for the TY in column 7. Column 7 reflects the exhibit  
22 where those charges are included. Each of the charges will be discussed in



1 connection with the category expense schedule, such as for example Salaries and  
2 Wages, Insurance and Communications.

3 Q. Please describe what is contained on Exhibit WOM 10.1.

4 A. Exhibit WOM 10.1 presents the salaries and wages ("S&W") expense, payroll tax  
5 expense and employee benefits expense for the years ended June 30, 2004 to 2008  
6 and for the TY ended June 30, 2010. The calculations of each expense for the TY  
7 are contained in Workpaper WOM 10.1.

8 Q. Please describe the charges from MPL as shown on Exhibit WOM 10.1.

9 A. The S&W expense charged directly on WOM is shown on line 2 as Direct S&W  
10 for the years 2004 to 2008 and for the TY in column 7. The S&W charged to  
11 WOM through the Cost of Sales is shown on line 4 for the years 2004 to 2008.  
12 There is no S&W charged to WOM through the Cost of Sales in the TY because  
13 all of the S&W is charged direct on line 2. The calculations of the S&W are  
14 contained on Workpaper WOM 10.1 The Employee Benefits charged direct are  
15 shown on lines 8 to 12 with the Employee Benefits charged through Cost of Sales  
16 shown on line 14. As with the S&W, there are no Employee Benefit charges in  
17 Cost of Sales for the TY on line 14, because they are all included in the direct  
18 charges on lines 8 to 12 of Exhibit WOM 10.1 as calculated on Workpaper WOM  
19 10.1. Finally, the Payroll Taxes reflect the same treatment on lines 17 to 21 of  
20 Exhibit WOM 10.1. The charges through Cost of Sales are reflected on line 21  
21 only for the historic years and the TY reflects all direct charges for Payroll Taxes  
22 as supported by the calculations on Workpaper WOM 10.1.

1 Q. Please describe Workpaper WOM 10.1.

2 A. This workpaper contains three pages. Page 1 shows the calculation of the total  
3 S&W expense for the test year and the distribution of the total to WOM, MPU  
4 and MOSCO, Inc. ("MOSCO"), a wastewater utility affiliated with WOM.  
5 Page 2 of Workpaper WOM 10.1 shows the distribution of the payroll taxes and  
6 employee benefits charged to WOM. The calculation of each of the components  
7 for the TY is shown on page 3. The TY S&W calculation, shown on lines 11 to  
8 19 of page 1 of Workpaper WOM 10.1, is based on the employees currently  
9 working on the three operating utilities (WOM, MPU and MOSCO), and is  
10 distributed based on the employees' time sheets in 2008. The percent assigned to  
11 each utility for each employee is shown in columns 5, 6 and 7 and the resulting  
12 S&W distribution is shown in columns 8, 9 and 10 for MPU, WOM and MOSCO,  
13 respectively. The S&W for the test year was increased by 3.0 percent to allow for  
14 a wage increase on July 1, 2009. In addition, a provision was made for a new  
15 employee (Employee # 8) effective July 1, 2009, who will work on needed  
16 maintenance projects for each of the three utilities. The total S&W to WOM for  
17 the test year is \$98,030 as shown on line 19 in column 9 of page 1 of Workpaper  
18 WOM 10.1 and on Exhibit WOM 10.1 on line 7, column 7.

19 Q. Is the pro forma TY amount for S&W for WOM reasonable?

20 A. Yes, the Company believes that the employee levels in 2009 and the test year are  
21 required for the provision of safe and reliable service to the customers of MPU,  
22 WOM and MOSCO, and are accurately distributed based on the calculations

1 contained in Workpaper WOM 10.1. As shown on Exhibit WOM 10.1, line 7, the  
2 total S&W has increased slightly over the total payroll for the year 2007, before  
3 the reorganization was implemented. The total S&W for the TY is approximately  
4 \$5,400 over the 2007 total S&W which is equal to an annual increase of  
5 approximately 3.0 percent.

6 Q. Please describe the calculations of the test year payroll taxes and employee  
7 benefits.

8 A. Those calculations are shown on page 3 of Workpaper WOM 10.1 by employee  
9 and by type of tax or benefit. Lines 1 to 14 show the calculations for the year  
10 ended June 30, 2009 and lines 16 to 30 show the calculations for the TY. The  
11 *Company has included an increase of 5.0 percent (line 15) for medical and dental*  
12 *costs. The amounts by employee for the TY shown on lines 22 to 29 of page 3*  
13 *were brought forward to page 2 of the Workpaper on lines 1 to 8, and distributed*  
14 *to WOM on lines 10 to 17 using the percent by employee shown in column 1 on*  
15 *page 2. The totals on line 18 of page 2 were brought forward to Exhibit*  
16 *WOM 10.1, column 7. The TY total of \$43,419 is shown on page 2 of*  
17 *Workpaper WOM 10.1, column 11, line 18 and also on Exhibit WOM 10.1*  
18 *column 7, line 23.*

19 Q. Why have the medical and dental charges shown on Exhibit WOM 10.1 on line 8  
20 in column 7 for the TY increased?

21 A. This is due to the reorganization which has shown that the total benefit costs have  
22 not been correctly allocated to the utility operations in the past. As shown on

1 page 3 of Workpaper WOM 10.1, the monthly medical premiums for each  
2 employee are being directly charged to the utility operations for the employees  
3 working on utility operations. The TY charges reflect this direct charge while the  
4 prior years reflected a corporate allocation and, as shown by the TY calculations,  
5 were not correctly charged to the utilities.

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

7 A. As shown on Exhibit WOM 10.1, line 24, column 7, the total expense for S&W,  
8 Employee Benefits and Payroll Taxes is \$141,449 which is reasonable for the TY  
9 for WOM.

10 Q. How were the electric expenses shown on Exhibit WOM 10.2 determined?

11 A. Exhibit WOM 10.2 presents the electric expense for the historic and TY periods.  
12 The TY amount for electric expense is calculated on page 1 of Workpaper WOM  
13 10.2 which consists of 2 pages in total.

14 Q. Please describe how the electric expense for the test year was determined.

15 A. As shown on page 2 of Workpaper WOM 10.2, the Company used the historic  
16 energy usage and costs to develop the pro forma amounts for the TY. The data in  
17 columns 1 to 4 show the data for the Kualapuu Pump, which represents  
18 approximately 70 percent of the total electric costs, has shown a decrease in kWh  
19 usage from July 2006 to December 2008, which supports the decrease in customer  
20 usage described by the Company in connection with TY water use and revenue  
21 calculations for the TY. Line 42 shows the TY estimates for kWh (columns 2, 6  
22 and 10) and also the cost per kWh from the December 2008 billings (columns 4, 8

1 and 12). These amounts are shown on page 1 of Workpaper WOM 10.2.  
2 Referring to page 1, estimates for the three meter locations are shown on lines 1 to  
3 9 and the total pro forma expense for the TY, \$10,656, is shown on line 10.  
4 These amounts have been brought forward to Exhibit WOM 10.2 in column 7 on  
5 lines 1, 2 and 3. Lines 11 to 13 of page 1 of Workpaper WOM 10.2 show the  
6 calculation of the electric expense per thousand gallons of water sales that will  
7 serve as the base for the automatic power cost adjustment clause ("APCAC").

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

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

10 Q. Please describe Exhibit WOM 10.3.

11 A. Exhibit WOM 10.3 shows the Cost of Sales expenses for the years 2004 to 2008  
12 and also shows, where applicable, which schedules those costs have been  
13 included with in this presentation in column 7, TY 6/30/10. As discussed earlier,  
14 MPL has closed its non-utility operations on the island of Molokai and has  
15 changed its accounting procedures to reflect direct charges for all expenses  
16 associated with the operations of the utilities. The old procedures included some  
17 direct charges to specific expenses accounts, such as S&W, and some  
18 distributions of charges through a Cost of Sales category. MPL has eliminated the  
19 Cost of Sales procedure and, since December 2008, is charging expenses directly  
20 to the operating utility, MPU, WOM or MOSCO. In order to correctly reflect  
21 these expenses in the TY and to ensure they are not double-counted or missed,

1 column 7 shows the related exhibit where these costs have been calculated for the  
2 TY. Each expense category will be discussed in connection with those exhibits.

3 Q Please describe the Cost of Sales expenses shown on lines 1 to 4 of Exhibit  
4 WOM 10.3 that have been and continued to be directly charged to and recorded  
5 on WOM's accounting records

6 A. Line 1 shows the charges for the water delivered to WOM through the MPU  
7 connection at Kualapuu. These charges are based on the measured water flow  
8 through the meter at a fixed rate, which is lower than the rate charged to MPU's  
9 retail customers.

10 Q. Why is the rate charged to WOM lower than the rate charged to MPU's retail  
11 customers?

12 A. The main reason is that the water delivered to WOM at the Kualapuu meter is  
13 delivered directly from Well 17, which is prior to the delivery to Molokai  
14 Irrigation System ("MIS") and also prior to the pumping activity at Mahana and  
15 the treatment process at Puunana. The lower cost to WOM at the Kualapuu meter  
16 reflects the fact that MPU does not incur those pumping and treatment costs, and  
17 therefore should not include them in the rate charged to WOM at that location.

18 Q. Why has the cost for this water increased so significantly from the \$26,612 for the  
19 year ended June 30, 2008 to the \$55,926 for the TY?

20 A. The 2008 amount is based on the rate of \$1.25 per thousand gallons of water,  
21 which is the rate that has been in effect since 1993 when WOM's rates were

1 initially set, while the TY amount is based on the proposed rates included in the  
2 application filed by MPU with this Commission.

3 Q. Please explain the expense shown on line 2 of Exhibit WOM 10.3.

4 A. This expense is for the water delivered to WOM's customers at Kalae. The  
5 Department of Hawaiian Homelands ("DHHL") provides water through a meter  
6 to WOM's customers in Kalae, and charges WOM directly for that water.

7 Q. What are the charges for the Potable Water at Puunana?

8 A. These charges reflect the fact that the mountain water provided for the WOM  
9 customers is treated by MPU at the Puunana facility prior to being delivered at the  
10 Maunaloa connection.

11 Q. How are those charges determined?

12 A. Those charges were estimated based on the charges for the fiscal year ended June  
13 30, 2008.

14 Q. Please describe the charges on line 4.

15 A. The charges on line 4 of Exhibit WOM 4 represent rental charges which were  
16 initiated in 2008 for the use of MLP's mountain facilities for the collection and  
17 transportation of water used by the customers of WOM.

18 Q. Are any charges for the use of these facilities included in this rate application?

19 A. No. MPL has not developed a charge for the use of these facilities and therefore  
20 has not included a charge to WOM in the expenses in this application.

21 Q. How are these facilities being maintained?

1 A. The existing employees are maintaining the facilities to ensure the continued  
2 supply of water for WOM customers. The charges for the employees' services  
3 are included in the S&W expense reflected in Exhibit WOM 10.1 and charges for  
4 repair and maintenance activities and materials and supplies are included in the  
5 charges on Exhibits WOM 10.9 and WOM 10.5, respectively.

6 Q. Please describe the remaining data on Exhibit WOM 10.3, lines 5 to 16.

7 A. Those lines reflect the categories of charges included in the MPL distributions for  
8 the years 2006 to 2008 and reflect the exhibits where those charges are included  
9 for the TY in column 7.

10 Q. Please explain the charges to other operations shown on line 15.

11 A. These charges were part of the costs for the delivery of the mountain water that  
12 were charged to other operations in prior years. Since those operations do not  
13 currently exist, those charges are not distributed to those operations in the TY.

14 Q. What is contained on Exhibit WOM 10.4?

15 A. This exhibit shows the charges for chemicals and treatment for the historic years  
16 and also shows that there are no separate charges for the TY.

17 Q. Please explain Exhibit WOM 10.5.

18 A. This exhibit shows the historic expense for Materials & Supplies for the years  
19 ended June 30, 2004 to 2008 and pro forma for June 30, 2010 for the direct  
20 charges on lines 1 to 4 with the TY amounts shown in column 7 on lines 1 and 3  
21 which were based on an average of the expenses for 2004 to 2008, which should  
22 be used for the TY. The Materials & Supplies that were included in the Cost of



1 Sales are shown on lines 6 and 7 and reflect a TY amount of \$6,198 as shown in  
2 column 7, for a total TY pro forma expense of \$13,581.

3 Q. What is contained on Exhibit WOM 10.6?

4 A. Exhibit WOM 10.6 is not used at this time.

5 Q. Please describe Exhibit WOM 10.7.

6 A. Exhibit WOM 10.7 shows the historic and pro forma amounts for affiliated  
7 charges for the years ended June 30, 2004 to 2008. The TY amount reflects the  
8 Company's historic level of charge for administrative services of \$1,500 per  
9 month.

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

12 A. No, it is not. The Company believes that the current level of support provided by  
13 employees of MPL is greater than those provided in prior years and should be  
14 increased. However, the Company does not have historic data to support the level  
15 of services at this time and therefore is maintaining the historic charge level  
16 instead of increasing it at this time.

17 Q. What is contained on Exhibit WOM 10.8?

18 A. Exhibit WOM 10.8 shows the legal, professional and outside service expenses pro  
19 forma for the TY. The Company has estimated an amount for the TY of \$3,598  
20 which is the average of the five historic years.

21 Q. Please describe what is presented on Exhibit WOM 10.9.

1 A. This exhibit shows the historic and pro forma amounts for repairs and  
2 maintenance ("R&M") expenses. Line 1 shows the R&M expense for the utility  
3 plant and operating systems which have varied significantly over the last five  
4 years. Based on the current R&M requirements at WOM, the Company believes  
5 that an average of these five prior years is not reasonable for the test year. The  
6 Company believes that the level incurred in 2008, \$10,160 will be more in line  
7 with maintenance in fiscal year ended June 30, 2009 and the TY. The Company  
8 has used the five-year average for the vehicle maintenance, which results in an  
9 annual R&M expense for vehicles of \$1,970 as shown on line 2. Based on those  
10 amounts, the Company estimates direct R&M expense for the TY of \$12,130.  
11 The additional R&M charges which were included in the Cost of Sales from  
12 Exhibit WOM 10.4, results in an additional R&M expense of \$4,959 as shown on  
13 line 5. The total R&M expense for the TY is \$17,088 as shown on line 9 in  
14 column 7.

15 Q. What is contained on Exhibit WOM 10.10?

16 A. Exhibit WOM 10.10 shows that there are no charges for rent expense for the TY.

17 Q. Please describe Exhibit WOM 10.11.

18 A. This exhibit shows the amount of insurance expense allocated to WOM for the  
19 years 2004 to 2008 and the summary of the pro forma amount for the TY.

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

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

22 Q. Please describe Exhibit WOM 10.12.

1 A. This exhibit reflects the total regulatory expense and the annual amortization for  
2 the rate case expense. The expense for each phase was estimated for Rate Case  
3 Consulting, Legal, Travel and Other. The estimates for each expense element  
4 were based on the experience of the regulatory consultant and attorneys retained  
5 by the Company to assist in processing this application. These costs will be  
6 updated and replaced with actual expenses and updated estimates as the case  
7 proceeds. In the event the parties reach a settlement in this case, and there is no  
8 need for the Hearings and Briefing phase, those estimated costs should be  
9 removed during the determination of the settlement revenue requirement.

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

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

17 Q. What is the amortization period recommended by the Company to recover the  
18 regulatory expense?

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

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

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

2 Q. What is contained on Exhibit WOM 10.13?

3 A. This exhibit contains the general and administrative expenses, estimated at \$3,178  
4 for the direct charges for the TY as shown on line 9. These expenses include  
5 travel expenses, equipment rental, office supplies, communications, postage, etc.,  
6 and are based on the level of costs in prior years and are shown for each of the  
7 expense categories separately. Lines 10 to 12 show the administrative expense  
8 that were included in the Cost of Sales from Exhibit WOM 10.3 which totals  
9 \$2,677 for the TY. The Company believes that the total of these expenses as  
10 shown on line 14 in column 7 of \$5,855 is reasonable for the TY.

11 Q. Please describe Exhibit WOM 11.

12 A. This exhibit contains a summary of the Company's annual revenues at present and  
13 proposed rates for the monthly customer charge and for the customer usage  
14 charges. The revenue increase percent, determined on Exhibit WOM 6 is shown  
15 on line 1 in column 6. This is the factor used to increase the present rates shown  
16 in column 3 to the proposed rates in column 6. Lines 2 to 9 reflect the revenue  
17 from the monthly customer charges at present rates by meter size in columns 3 to  
18 5 and proposed rates in columns 6 to 8. The revenue from customer usage is  
19 shown on line 12 at present and proposed rates. The percent increase factor for  
20 the usage charge shown on line 11 of 107.613 percent, is slightly different from  
21 the 106.970 percent shown on line 1 because of the rounding of the monthly  
22 customer charge. This slight difference establishes the proposed rates permit full

1 recovery of the required revenue levels. The total revenue at present rates is  
2 shown in column 5 on line 14 with the total at proposed rates shown in column 8.  
3 The revenue increase shown on line 15 is brought forward to Exhibit WOM 6 in  
4 column 2.

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

6 A. The customer bills and customer usage for the TY were based on the number of  
7 customer bills for the six months ended December 2008. These amounts are  
8 shown on Exhibit WOM 11.1.

9 Q. Please describe Exhibit WOM 11.1.

10 A. Exhibit WOM 11.1 shows the number of customer bills and usage by meter size  
11 summarized by six month periods ended December 2007, June 2008 and  
12 December 2008. This data is summarized on lines 10 to 12 for the usage and  
13 lines 13 to 20 for the customer charges.

14 Q. How did you determine the level of customer usage for the TY?

15 A. The Company used the actual water used for the six month period ended  
16 December 2008, doubled for a full year and reduced by 10 percent to reflect  
17 recent reductions in usage. The customer usage for the comparable six months  
18 ended December from 30.9 million gallons in 2007 to 27.9 million gallons in  
19 2008, which is an approximately 3.0 million gallons or approximately 10 percent.

20 Q. How did you determine the number of customer bills for the TY?

21 A. As can be seen by comparing columns 5 and 3 on Exhibit WOM 11.1, I used the  
22 number of customer bills for the six months ended December 2008 times two on

1 the assumption that the number of customers would not change from December  
2 2008 through the TY.

3 Q. Please describe Exhibit WOM 11.2.

4 A. This exhibit shows the monthly data that was summarized on Exhibit WOM 11.1.  
5 The monthly data shown on this exhibit is from the actual monthly billing  
6 summaries retained by the Company.

7

8

**RATE OF RETURN**

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

10 A. The Company believes a ROR of at least 8.85 percent would be appropriate based  
11 on a review of Commission approvals of recent settlements in other water and  
12 wastewater utility general rate case applications. However, as discussed earlier in  
13 my testimony, the Company is requesting revenue levels based on a ROR of  
14 2.00 percent.

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

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

1 Q. What is the Company's position regarding reductions in revenue requirement  
2 which would not be large enough to increase the ROR so that it exceeds the  
3 8.85 percent the Company believes is reasonable?

4 A. The Company's position is that any changes in the Company's revenues, expenses  
5 or rate base that would affect the ROR should not reduce the Company's revenue  
6 requirement until those changes plus the requested revenue increase of \$308,781  
7 exceed the 8.85 percent ROR. For example, if this case is settled and the  
8 regulatory expense amortization for the Hearings and Briefing stage is eliminated,  
9 the Company's TY expenses before income taxes would be reduced by \$13,333  
10 and the 2.00 percent ROR would be increased to 2.09 percent. This procedure  
11 would not penalize the Company for its willingness to set its proposed rates at a  
12 lower ROR than is supportable in Hawaii regulatory proceedings and allow it to  
13 have a revenue increase that covers the Company's operating expenses and  
14 provides a small return on its investment.

15 **RATE DESIGN**

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

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

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

22 A. Yes, it is.

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

2 A. The Company is proposing a two-stage phase-in, each equal to one-half of the  
3 revenue increase requirement. The first phase would be for an increase of  
4 \$154,390 or approximately 51 percent above present rates. The second phase,  
5 which would be effective six-months after the initial increase would be for an  
6 additional increase of \$154,391 for a total increase of 308,781.

7 Q. Why has the Company selected equal amounts for the phase-in?

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

14

15 **AUTOMATIC POWER COST ADJUSTMENT CLAUSE**

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

19 A. The Company proposes to establish an APCAC to recover increases or decreases  
20 in electric costs incurred by the Company in providing water service to its  
21 customers that uses the same procedure recently approved for another water  
22 company. This procedure uses the electricity costs and the water usage for the



1 month to calculate the electricity cost per thousand gallons ("EC/TG") for a  
2 current month ("Current Month Electric Cost"). The Base Electricity Cost, shown  
3 on Workpaper WOM 10.2, line 13 of \$0.2131 per thousand gallons ("TG") is then  
4 deducted from the monthly Current Month Electric Cost and the resulting amount  
5 is multiplied by the gross-up factor to provide for the revenue taxes and that  
6 resulting amount per TG is multiplied by each customer's monthly usage. For  
7 example, if the Current Month Electric Cost is \$0.21000 per TG, the change  
8 would be a decrease of \$0.0031 per TG which would be multiplied by the gross-  
9 up factor of 1.068205 and the resulting \$0.0032 would be applied to reduce the  
10 next monthly customer bill. The monthly formula will be:

11 
$$((\text{Current Month Electric Costs} / \text{TG's}) - \$0.2131) * 1.068205).$$

12 Q. What is the 1.068205 factor?

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

15

16 **REVISED RULES AND REGULATIONS**

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

18 A. Yes. In addition to proposed revisions to the Company's existing water rate  
19 schedules to implement the proposed rate changes requested, as described in the  
20 Application and Attachment 1, the Company proposes to amend or revise Rule 20  
21 of its existing Rules and Regulations or Tariff to increase its service reconnection  
22 fee from \$50.00 to \$100.00.

1 Q. What is the reason for this change?

2 A. The existing \$50.00 reconnection fee, which was established in 1993, is too low  
3 to sufficiently allow the Company to recover its costs of having to disconnect and  
4 then reconnect service. The proposed increase to \$100.00 is intended to assist in  
5 defraying the costs associated with disconnecting and reconnecting a customer's  
6 utility service.

7 Q. How did you come up with this new \$100.00 charge?

8 A. The \$100.00 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.

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**ATTACHMENT 1**

**PROPOSED REVISIONS TO**  
**RULES & REGULATION**

( 1 Page )

RULE 20  
RESTORATION OF WATER SERVICE

If water service is discontinued because of failure to pay a bill, for violation of any of the Rules and Regulations of the Company, or for other reasons, all outstanding accounts owed by the Consumer to the Company, plus a reconnection charge of \$10050.00, must be paid before water service will be restored.

RULE 21  
INGRESS TO AND EGRESS FROM CONSUMER'S PREMISES

Any authorized officer, employee, agent, or representative of the Company bearing proper credentials and identification shall have the right of ingress to and egress from the Consumer's premises at all reasonable hours for any purpose reasonably connected with the furnishing of water or other service to said premises and the exercise of any and all rights secured to it by law or these Rules and Regulations. In case any such person is refused admittance to any premises, or being admitted shall be hindered or prevented from carrying out his duties, the Company may cause the water to be turned off to said premises after giving twenty—four (24) hours' written notice to the owner or occupant of said premises of its intention to do so.

RULE 22  
NON-POTABLE SERVICE

In addition to the application of all other Rules where appropriate, the following Rules apply specifically to the service of non-potable Irrigation water:

22.1 Water Quality. No claim is made as to the suitability of the water for the irrigation of specific crops. The Company assumes no liability for the changing characteristics of the water or damage to crops or irrigation systems caused by the water.

22.2 Water Quantity. The Company will use all reasonable means for providing a uniform and adequate supply of water and distributing it in an equitable manner but cannot be held liable for damage to crops associated with inadequacies in supply.

22.3 Damage to Mainlines and Valves. All irrigation systems will be operated in such a manner as not to cause damage or accelerated wear on mainlines, valves, and other devices in the Company's system. This is related to, but not limited to, the use of slow closing valves which in the opinion of the Company limit peak water hammer pressures to acceptable valves. Any damage to the Company's system caused by the

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**WORKPAPERS**

(WOM 10.1 and 10.2)

( 5 Pages )

Line #	Description	Factor Or Reference	[1]	[2]	[3]	Hourly Rate	# of Hours	ANNUAL Salary/Wage [2]*[3]	Percent Charged To			S. & W Charged To		
									[4]	[5]	[6]	[7]	[8]	[9]
									MPU	WOM	MOSCO	MPU	WOM	MOSCO
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%	40%	10%	12,215	12,215	2,714
5	Employee # 5			\$ 11.37	2080			23,650	95%	5%	0%	22,468	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

9 Percent Payroll To Company L8, C8, C9, C10 / C4

52.7% 34.7% 12.6%

**Salaries & Wages - Year End 6/10**

10 Percent Wage Increase Effective 7/1/09

3.0%

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	\$ 96,030	\$ 35,609

20 Percent Payroll To Company L819, C8, C9, C10 / C4

52.1% 35.1% 12.8%

Employee Benefit & Payroll Tax Expense

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]*[6]	[4]*[5]	[4]*[7]	[4]*[6]	[4]*[7]	[4]*[6]	[4]*[7]	[4]*[7]	[4]*[6]	[4]*[7]	
1	RK	\$ 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	SR	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	MK	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	CA	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	BJ	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	MR	3,704.28	56.00	209.30	3,336.00	372.00	4,230.87	266.32	256.53	116.21	12,547.52	
7	KB	2,294.54	56.00	209.30	10,008.00	-	232.45	164.97	158.90	71.99	13,196.15	
8	New	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 WOM

10	RK	45%	2,128	25	94	4,504	513	2,431	147	67	10,062
11	SR	45%	1,277	25	94	3,002	340	1,458	88	40	6,416
12	MK	40%	862	22	84	4,003	149	1,007	61	28	6,299
13	CA	45%	962	25	94	4,504	167	1,099	67	30	7,017
14	BJ	5%	93	3	10	500	19	106	6	3	747
15	MR	20%	741	11	42	667	74	846	51	23	2,508
16	KB	34%	780	19	71	3,403	-	79	54	24	4,486
17	New	40%	636	22	84	4,003	302	727	44	20	5,884
18	Total		\$ 7,499	\$ 152	\$ 573	\$ 24,566	\$ 1,564	\$ 7,753	\$ 518	\$ 235	\$ 43,419



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	
<b>Employee Benefits - Year Ended 6-30-09</b>													
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	Family, per month					\$ 794	\$ 90	6.99					
4	Two Insured, per month					\$ 529	\$ 60						
5	One Insured, per month					\$ 265	\$ 30						
7	RK	\$ 60,008	\$ 4,591	\$ 56	\$ 209	\$ 9,528	\$ 1,082	\$ 5,243	\$ 330	\$ 318	\$ 144	\$ 21,501	
8	SR	36,005	2,754	56	209	6,352	716	3,146	198	191	86	13,709	
9	MK	27,976	2,140	56	209	9,528	358	2,444	154	148	67	15,105	
10	CA	27,144	2,077	56	209	9,528	358	2,372	149	144	65	14,958	
11	BJ	23,650	1,809	56	209	9,528	358	2,066	130	125	57	14,339	
12	MR	47,008	3,596	56	209	3,176	358	4,107	259	249	113	12,123	
13	KB	29,120	2,228	56	209	9,528		228	160	154	70	12,631	
14	Total	\$ 250,911	\$ 19,195	\$ 392	\$ 1,465	\$ 57,167	\$ 3,230	\$ 19,605	\$ 1,380	\$ 1,329	\$ 602	\$ 104,365	
<b>Employee Benefits - Year Ended 6-30-10</b>													
15	Percent increase in Benefits for Test Year Ended 6-30-10					5.0%	5.0%						
<b>Employee Benefits - Year Ended 6-30-10</b>													
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	Family, per month					\$ 834	\$ 95	6.99					
19	Two Insured, per month					\$ 556	\$ 63						
20	One Insured, per month					\$ 278	\$ 31						
22	RK	\$ 61,818	\$ 4,729	\$ 56	\$ 209	\$ 10,008	\$ 1,140	\$ 5,401	\$ 340	\$ 328	\$ 148	\$ 22,360	
23	SR	37,086	2,837	56	209	6,672	756	3,240	204	196	89	14,260	
24	MK	28,808	2,204	56	209	10,008	372	2,517	158	153	69	15,746	
25	CA	27,955	2,139	56	209	10,008	372	2,443	148	148	67	15,595	
26	BJ	24,357	1,863	56	209	10,008	372	2,128	134	129	58	14,958	
27	MR	48,422	3,704	56	209	3,336	372	4,231	266	257	116	12,548	
28	KB	29,994	2,295	56	209	10,008		232	165	159	72	13,196	
29	New	20,800	1,591	56	209	10,008	756	1,817	114	110	50	14,712	
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
<b><u>Kualapuu Pump</u></b>					
1	Pro Forma kWh usage		12,000		
2	Total Cost Per kWh		\$ 0.53321		
3	Pro Forma Expense			\$ 6,399	
<b><u>Kalae Booster Pump</u></b>					
4	Pro Forma kWh usage		6,000		
5	Total Cost Per kWh		\$ 0.61213		
6	Pro Forma Expense			\$ 3,673	
<b><u>Kualapuu Reservoir</u></b>					
7	Pro Forma kWh usage		1,000		
8	Total Cost Per kWh		\$ 0.58444		
9	Pro Forma Expense			\$ 584	
10	Total Pro Forma Electric Expense				\$ <u>10,656</u>
11	Total Pro Forma Electric Expense		\$ 10,656		
12	Total TY Sales in 000 Gallons		50,000		
13	Total Cost Per kWh			\$ <u>0.2131</u>	

ELECTRIC CHARGES

Line #	Description	Kualapuup Pump			Kalaie Booster Pump			Kualapuup Reservoir			TOTAL			
		# of Days	KWH Usage	Charge Per KWH	# of Days	KWH Usage	Charge Per KWH	# of Days	KWH Usage	Charge Per KWH	Total Charge	Total Charge	Charge Per KWH	
1	7/25/06	32	1,037	\$ 450	32	1,140	38.1400	32	45	0.8922	40	528	\$ 528	0.4874
2	8/24/06	30	1,400	598	30	1,530	0.4252	30	106	0.8119	65	1,314	1,314	0.4327
3	9/22/06	29	1,491	634	29	480	0.4720	29	54	0.8119	44	904	904	0.4466
4	10/24/06	32	1,432	603	32	470	0.4682	32	6	4.5167	39	850	850	0.4453
5	11/22/06	29	765	333	29	220	0.5426	29	43	0.9056	39	491	491	0.4779
6	12/22/06	30	672	385	30	390	0.4684	30	5	5.4200	27	498	498	0.4671
7	1/23/07	32	954	385	32	480	0.4374	32	49	0.8192	635	40	40	0.4279
8	2/22/07	30	1,217	481	30	350	0.4625	30	6	4.5167	27	670	670	0.4258
9	3/23/07	29	1,260	492	29	440	0.4393	29	47	0.8340	39	724	724	0.4146
10	4/24/07	32	1,282	502	32	1,120	0.3953	32	6	4.5167	27	972	972	0.4036
11	5/23/07	29	1,500	588	29	540	0.4316	29	90	0.6156	55	877	877	0.4117
12	6/22/07	30	638	271	30	1,430	0.3959	30	5	5.4200	27	864	864	0.4168
13	Total 6-30-07		13,648	\$ 5,625		7,451	\$ 3,244		462	0.9914	458	21,561	\$ 9,327	0.4328
14	7/23/07	30	1,618	674	30	700	0.4437	30	50	0.8200	41	1,026	1,026	0.4333
15	8/23/07	32	1,767	743	32	980	0.4355	32	49	0.8525	42	1,212	1,212	0.4333
16	9/24/07	30	1,589	659	30	750	0.8383	30	49	0.8449	41	1,330	1,330	0.5568
17	10/27/07	30	1,585	661	30	720	0.4424	30	372	0.4557	170	1,149	1,149	0.4283
18	11/29/07	31	703	323	31	530	0.4746	31	5	5.4680	27	602	602	0.4860
19	12/24/07	31	916	436	31	580	0.4985	31	5	5.7880	29	754	754	0.5025
20	1/24/08	31	1,024	491	31	460	0.5216	31	457	0.4983	227	958	958	0.4933
21	2/25/08	32	1,244	588	32	290	0.4726	32	187	0.5703	107	859	859	0.4990
22	3/25/08	29	1,245	592	29	315	0.5666	29	40	1.1375	46	816	816	0.5098
23	4/22/08	30	1,428	695	30	470	0.5374	30	6	4.8233	29	977	977	0.5131
24	5/23/08	32	1,339	672	32	450	0.5543	32	34	1.1688	40	962	962	0.5275
25	6/24/08		14,458	\$ 6,535		6,245	\$ 3,310		1,254	0.6360	798	21,957	\$ 10,643	0.4847
26	Total 6-30-08		6,610	\$ 3,727		2,800	\$ 1,665		1,302	0.594580	845	10,712	\$ 6,236	0.582180
27	7/24/08	30	1,414	752	30	660	0.5601	30	5	5.7840	29	1,150	1,150	0.5532
28	8/25/08	32	1,445	890	32	480	0.6092	32	188	0.6609	124	1,307	1,307	0.6185
29	9/24/08	30	1,261	729	30	650	0.6044	30	911	0.5758	525	1,646	1,646	0.5834
30	10/24/08	30	1,139	632	30	420	0.6071	30	5	5.7840	29	916	916	0.5858
31	11/24/08	31	878	471	31	360	0.5948	31	6	4.8200	29	714	714	0.5743
32	12/24/08	30	473	252	30	230	0.6121	30	187	0.5844	109	502	502	0.5644
33	1/24/09													
34														
35														
36														
37														
38														
39	Total 6-30-09		6,610	\$ 3,727		2,800	\$ 1,665		1,302	0.648910	845	10,712	\$ 6,236	0.582180
40	Pro Forma 6-30-09 Sum 12 months 12-31-08		13,000	\$ 5,332.10		6,000	\$ 3,673		1,000	0.584440	584	11,561	\$ 11,561	
41	Pro Forma Expense			\$ 6,932			\$ 3,673							
42	Pro Forma for FY Usage and Rate		12,000	\$ 5,332.10		6,000	\$ 3,673		1,000	0.584440	584	11,561	\$ 11,561	
43	Expense			\$ 6,399			\$ 3,673							

**WAI`OLA O MOLOKA`I, INC.**  
**Application Filed March 2009**

**ADJUSTMENT RECONCILIATION SCHEDULES**

( 5 Pages )

Application Filed March 2009  
 Waialea C Mokoiki  
 Revenue Requirement IS Support-Water  
 Test Year Ending June 30, 2010  
 Direct Testimony  
 2/27/2009

Revenue Related

Description of Adjustment	Source/Ref	Monthly Customer Charge	Water Usage Charge	Industrial	Competition Fees	Late Fees	Other (rev. item)	Labour P/R Taxes & Employee Benefits	Fuel & Power	Cost of Sales	Treatment Charges & Chemicals	Materials & Supplies	NOT LABELED
Company's Projection		\$30,860	\$257,500	\$0	\$0	\$300		\$10,868	\$10,868	\$106,926	\$0	\$13,581	\$0
Source of Co. amount													
<b>Adjustments:</b>													
Monthly Customer Charge													
Water Usage Charge													
Industrial													
Competition Fees													
Late Fees (add rev. item)													
Labour, P/R Taxes & Employee Benefits													
Fuel & Power													
Cost of Sales													
Treatment Charges & Chemicals													
Materials & Supplies													
NOT LABELED													
Affiliated Charges													
Professional & Outside Services													
Repairs & Maintenance (P/R & M)													
Rents													
Insurance													
Regulatory Expense													
General & Administrative													
Bad Debts													
additional line item													
Depreciation													
Amortization													
Taxes, Other Than Income													
Income Taxes													
Interest													
HGGETC Amortization													
[other adjustments]													
subtotal:		\$0	\$257,500	\$0	\$0	\$300		\$10,868	\$10,868	\$106,926	\$0	\$13,581	\$0
CA Projected Amount		\$30,860	\$257,500	\$0	\$0	\$300		\$10,868	\$10,868	\$106,926	\$0	\$13,581	\$0

Application Filed March 2009  
 Watole O Molkai  
 Revenue Requirement IS Support-Water  
 Test Year Ending June 30, 2010  
 Direct Testimony  
 2/27/2009

Description of Adjustment	Source/Ref.	Expense Related						Disposition			
		Affiliated Charges - Outside Services	Professional & Maintenance (P & M)	Repairs & Maintenance (R & M)	Rents	Insurance	Regulatory Expenses		General & Administrative	Bad Debts	Additional Item
Company's Projection		\$18,000	\$3,598	\$17,088	\$0	\$18,000	\$55,000	\$5,655	\$0	\$0	\$136,619
Source of Co. amount		\$0									
<b>Adjustments:</b>											
Verify Customer Charge											
Water Usage Charge											
Industrial											
Connection Fees											
Late Fees											
(add rev. item)											
Labor, PR Taxes & Employee Benefits											
Fuel & Power											
Cost of Sales											
Treatment Charges & Chemicals											
Materials & Supplies											
NOT USED											
Artificial Charges											
Professional & Outside Services											
Repairs & Maintenance (R & M)											
Rents											
Insurance											
Regulatory Expense											
General & Administrative											
Bad Debts											
additional line item											
Depreciation											
Amortization											
Taxes, Other Than Income											
Income Taxes											
Interest											
HCCETC Amortization											
[other adjustments]											
subtotal		\$18,000	\$3,598	\$17,088	\$0	\$18,000	\$55,000	\$5,655	\$0	\$0	\$0
CA Projected Amount		\$18,000	\$3,598	\$17,088	\$0	\$18,000	\$55,000	\$5,655	\$0	\$0	\$136,619

Application Filed March 2009  
 Wailea O Mokolai  
 Revenue Requirement IS Support-Water  
 Test Year Ending June 30, 2010  
 Direct Testimony  
 2/27/2009

Description of Adjustment	Source/Ref.	Amortization	Taxes Other Than Income	Income Taxes	Interest	HCGETC Amortization
Company's Projection						0
Source of Co. amount			\$18,431			\$0
<b>Adjustments:</b>						
Monthly Customer Charge						
Water Usage Charge						
Industrial						
Construction Fees						
Late Fees						
[add rev. item]						
Labor PR Taxes & Employee Benefits						
Fuel & Power						
Cost of Sales						
Treatment Charges & Chemicals						
Materials & Supplies						
NOT USED						
Affiliated Charges						
Professional & Outside Services						
Repairs & Maintenance (PR & M)						
Plants						
Insurance						
Regulatory Expense						
General & Administrative						
Bad Debts						
Additional line item						
						0
						0
Depreciation						
Amortization						
Taxes, Other Than Income						
Income Taxes						
Interest						
HCGETC Amortization						
[other adjustments]						
subtotal			0	0	0	0
CA Projected Amount			\$18,431	\$0	\$0	\$0

Application Filed March 2009  
 Waialea O Molokai  
 Adjustment Reconciliation  
 Rate Base at:  
 Test Year Ending June 30, 2010  
 Direct Testimony  
 2/27/2009

June 30, 2008

Source/Ref

Description of Adjustment	Plant In Service	Accumulated Depreciation Reserve	Net Contributions to Aid of Construction	Customer Advances	Customer Deposits	Accumulated Deferred Taxes: Federal	Accumulated Deferred Taxes: State	Unamortized Hawaii General Excise Tax Credit	Working Capital	Reserve/Ret
Company's Projection	\$3,353,813	(\$1,839,418)	\$0	\$0	(\$38,080)	(\$51,277)		(\$685)	\$33,852	\$0
Source of Co. Projections										
Adjustments:										
Plant In Service	0	0	0	0	0	0	0	0	0	0
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	\$3,353,813	(\$1,839,418)	\$0	\$0	(\$38,080)	(\$51,277)	\$0	(\$685)	\$33,852	\$0



Application Filed March 2009  
 Waialea O Moikaka  
 Adjustment Reconciliation  
 Rate Base at:  
 Test Year Ending June 30, 2010  
 Direct Testimony  
 2/27/2009

June 30, 2010  
 Source/Ref

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	Unrecaptured Hawaii General Excise Tax Credit	Working Capital	Retirements	
Company's Projection Source of Co. projections	\$3,373,813	(\$1,976,037)	\$0	\$0	(\$38,080)	(\$51,228)	\$0	(\$886)	\$13,852	0	\$0
<b>Adjustments</b>											
Plant in Service											
Accumulated Depreciation											
Net Contributions in Aid of Construction											
Accumulated Income Taxes Fed											
Acc. Deferred Income Taxes State											
Hawaii General Excise Tax Credit											
Working Capital											
subtotal of adj	0	0	0	0	0	0	0	0	0	0	0
CA Projected Amounts	\$3,373,813	(\$1,976,037)	\$0	\$0	(\$38,080)	(\$51,228)	\$0	(\$886)	\$13,852	\$0	\$0

VERIFICATION

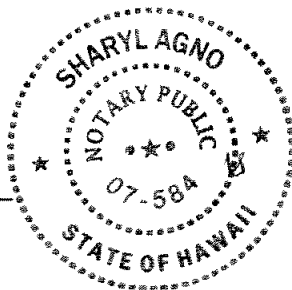
STATE OF HAWAII )  
 ) SS.  
CITY AND COUNTY OF HONOLULU )

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 Wai'ola O Moloka'i, 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  
SHARYL AGNO



Printed Name of Notary Public

My commission expires: 11-18-11

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	3 copies
Division of Consumer Advocacy	Hand Delivered
335 Merchant Street	
Room 326	
Honolulu, Hawaii 96813	

Dated: Honolulu, Hawaii, March 2, 2009.



---

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

Morihara Lau & Fong LLP  
Attorneys for Applicant  
WAI'OLA O MOLOKA'I, INC.