

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)

LAIE WATER COMPANY, INC.)

DOCKET NO. 2016-0229

For Review and Approval of Rate)
Increases; Revised Rate Schedules;)
and Changes to its Tariff.)

DECISION AND ORDER NO. 34460

PUBLIC UTILITIES
COMMISSION

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Decision and Order No. **34460**

DECISION AND ORDER

By this Decision and Order, the commission adopts Proposed Decision and Order No. 34428, filed on February 27, 2017, as its Decision and Order in this proceeding. In so doing, the commission: (1) approves an increase of \$737,258, or approximately 63.74 percent over revenues at present rates, for LAIE WATER COMPANY, INC. ("LWC"), based on a total test year revenue requirement of \$1,893,937 for the 2017 calendar test year ("Test Year"); and (2) adopts its four-step, eighteen-month phase-in of LWC's water utility rates.¹

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

The commission-approved rate design, among other factors: (1) provides for a gradual phasing-in of LWC's water utility rates, thereby mitigating some of the initial "rate shock" resulting from the increases in water utility rates for residential customers; and (2) balances the interests of ratepayers, overall, and that of LWC, and provides ratepayers with several months to adjust to the overall increase in revenues over present rates approved by the commission today.

Consistent with LWC's request, its revised tariff sheets, which include the four-step, eighteen-month phase-in of LWC's water utility rates, shall take effect from April 15, 2017.

I.

Background

On February 27, 2017, the commission timely issued Proposed Decision and Order No. 34428: (1) in response to LWC's complete application, filed on September 1, 2016;² and (2) in accordance with HRS § 269-16(f)(3), which provides that subject to certain conditions precedent, the commission shall make

²Application; Exhibits LWC 1 to LWC 14; Exhibits LWC-T-100 to LWC-T-400; Workpapers; Verification; and Certificate of Service, filed on September 1, 2016 (collectively, "Application"). See Order No. 33967, filed on October 7, 2016, at 1-2, 8, and 11 (the filing date of LWC's complete application is September 1, 2016).

every effort to complete its deliberations and issue a proposed decision by March 1, 2017, i.e., within six months from the filing date of LWC's Application.

The commission: (1) approved an increase of \$737,258, or approximately 63.74 percent over revenues at present rates, for LWC, based on a total Test Year revenue requirement of \$1,893,937; and (2) adopted a four-step, eighteen-month phase-in of LWC's water utility rates.

The commission also instructed: (1) LWC to promptly file its revised tariff sheets for the commission's review and approval; and (2) the Parties to timely notify the commission as to whether they accept, in toto, or do not accept, in whole or in part, Proposed Decision and Order No. 34428, as mandated by HRS § 269-16(f)(3).

The exhibits attached to Proposed Decision and Order No. 34428 consist of the commission's results of operation schedules and its four-step, eighteen-month phase-in rate design.

By letter dated March 3, 2017, LWC: (1) notifies the commission of the water utility's acceptance, in toto, of Proposed Decision and Order No. 34428; and (2) states its intent to file its revised tariff sheets and rate schedules for the commission's review and approval, "shortly."

Thereafter, by letter dated March 9, 2017, the Consumer Advocate states in part:

[T]he Consumer Advocate urges LWC to provide as much support in its next rate case direct testimony for expenses related to Shared Administrative Services and Salaries & Wages to assist the Commission and the Consumer Advocate in efficiently assessing the reasonableness of such costs. Such additional support should include, but not be limited to actual direct costs and charged hours by LWC and affiliates of Hawaii Reserves, Inc. recorded on timesheets to help better support future test year estimates.

The Consumer Advocate will not object to the Proposed Decision and Order.

Consumer Advocate's letter, dated March 9, 2017, at 2.

Subsequently, by transmittal letter dated March 13, 2017, LWC filed its revised tariff sheets for the commission's review and approval.

LWC, by its transmittal letter, states:

1. LWC's revised tariff sheets include its revised Tariff Rule 7.6, Automatic Power Cost Adjustment Charge ("APCAC"), which: (A) incorporates an updated electricity cost of \$0.4661 per thousand gallons ("TG"); and (B) is consistent with the terms of Proposed Decision and Order No. 34428.

2. Specifically, LWC calculated its updated electricity cost as follows: \$114,640 in Test Year electricity costs/245,942 TG in Test Year water sales (excluding the water supplied to LWC's single flat-rate customer) = \$0.466126 per TG.

3. LWC requests that the commission "immediately issue its final decision and order in this proceeding adopting the Proposed Decision and Order and approving the revised tariff sheets and rate schedules with an effective date of April 15, 2017."³

4. LWC calculates its customers' bills based on a customer's monthly water usage from one mid-month point to the next mid-month point. Thus, "LWC believes that an April 15, 2017 (i.e., mid-month) effective date will minimize any potential customer confusion about the new approved rates/charges."⁴

II.

Discussion

The Parties have accepted Proposed Decision and Order No. 34428. Accordingly, the Parties are not entitled to a contested case hearing, and HRS § 269-15.5, governing the appeal of commission decisions,⁵ does not apply (see HRS § 269-16(f)(3)).

³LWC's transmittal letter, dated March 13, 2017, at 1-2 (footnote and text therein omitted).

⁴LWC's transmittal letter, dated March 13, 2017, at 2, n.4.

⁵See also HRS § 269-15.51 (direct appeal to the Hawaii Supreme Court from contested case proceedings).

The commission hereby adopts Proposed Decision and Order No. 34428 as its Decision and Order in this proceeding, subject to its discussion, below, of two matters raised by the Parties in their post-proposed decision and order filings.

First, the Consumer Advocate's comments regarding LWC's shared and allocated expense accounts pertain to LWC meeting its requisite burdens of proof and persuasion as part of its future general rate cases. Thus, no commission action is necessary in LWC's present 2017 test year rate case.

Second, LWC, in the text of its Application, did not specifically request to revise Tariff Rule 7.6, APCAC. Nor was such a request included as part of LWC's proposed revisions to its existing tariff rules (see Application, Exhibit 14).

Nonetheless, the commission notes that LWC's proposal to incorporate into Tariff Rule 7.6 its updated electricity cost of \$0.4661 per TG is consistent in principle with its consultant's direct testimony attached to the Application. There, based on LWC's original estimates of its Test Year electricity expense and water sales at present rates, LWC's consultant calculated a base Test Year electricity cost for LWC's APCAC, subject to the proviso that "[t]his amount could be adjusted if the final order

contains a different cost for electricity or a different annual gallons billed."⁶

In turn, the Test Year estimates of LWC's electricity expense and water sales at present rates ultimately found to be reasonable by the commission and adopted herein by this Decision and Order, differ from the original estimates set forth in LWC's Application. LWC, in effect, utilized the commission-approved estimates in deriving the electricity cost of \$0.4661 per TG, as set forth in its revised Tariff Rule 7.6.

Lastly, the commission finds that LWC's revised tariff sheets, filed on March 13, 2017, comply overall with the applicable provisions of Proposed Decision and Order No. 34428, taking into account the commission's discussion of LWC's revision to Tariff 7.6, APCAC, above. The commission, thus, approves LWC's revised tariff sheets, including the revisions to Tariff Rule 7.6.

Consistent with LWC's request, its revised tariff sheets shall take effect from April 15, 2017.

⁶Application, Exhibit LWC-T-100, Automatic Power Cost Adjustment Clause section, at 39.

III.

Orders

THE COMMISSION ORDERS:

1. Proposed Decision and Order No. 34428, filed on February 27, 2017, is adopted as the commission's Decision and Order in this proceeding.

2. LWC may increase its water utility charges to produce a total annual revenue increase of \$737,258, or approximately 63.74 percent over revenues at present rates, as reflected in the results of operation schedules attached to Proposed Decision and Order No. 34428, representing an increase in LWC's total Test Year revenue requirement to \$1,893,937.


3. LWC's revised tariff sheets, filed on March 13, 2017, are approved, and shall take effect from April 15, 2017. LWC shall promptly file its commission-approved tariff sheets, with the applicable issued and effective dates.

4. The failure to comply with Ordering Paragraph No. 3, above, may constitute cause to void this Decision and Order, and may result in further regulatory action as authorized by State of Hawaii law.

5. Upon the filing of LWC's commission-approved tariff sheets with the applicable issued and effective dates, this docket shall be considered closed, unless ordered otherwise by the commission.

DONE at Honolulu, Hawaii MAR 20 2017.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Randall Y. Iwase, Chair

By 
Lorraine H. Akiba, Commissioner

By 
Thomas C. Gorak, Commissioner

APPROVED AS TO FORM:


Michael Azama
Commission Counsel

2016-0229.ljk

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail,
postage prepaid, and properly addressed to the following parties:

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