

NOTICE OF PUBLIC HEARING

APPLICATION OF AQUA PUHI, LLC, dba PUHI SEWER & WATER COMPANY
FOR REVIEW AND APPROVAL OF RATE INCREASES; REVISED RATE
SCHEDULES; AND CHANGES TO ITS TARIFF

Docket No. 2017-0118

The PUBLIC UTILITIES COMMISSION of the STATE OF HAWAII ("Commission"), pursuant to Hawaii Revised Statutes ("HRS") §§ 269-12 and 269-16, HEREBY GIVES NOTICE that it will hold a public hearing relating to the Application of AQUA PUHI, LLC, dba PUHI SEWER & WATER COMPANY ("PSW"), filed on May 15, 2017, for review and approval of rate increases, revisions of rate schedules, and changes to its tariff.

The public hearing will be held as follows:

Thursday, August 3, 2017, at 6:00 p.m.

Lihue State Office Building
3060 Eiwa Street, Rooms 209A, B, & C
Lihue, Hawaii 96766

PSW is a public utility authorized by the Commission to provide wastewater collection and treatment services to the residential, commercial, and industrial customers within its authorized service territory on the island of Kauai. In addition, PSW provides non-potable water services to certain commercial customers in its authorized non-potable water service territory. PSW also provides R-1 quality effluent to the Puakea Golf Course and non-regulated septage dumping service to local septage haulers.

In connection with its wastewater collection and treatment services, PSW's existing rate design provides for three customer classes: (1) residential; (2) commercial; and (3) industrial. PSW's existing rate design consists of: (1) a fixed minimum monthly service charge for residential, commercial, and industrial customers; and (2) a monthly

sewer treatment charge for commercial and industrial customers that is based on each thousand gallons of metered domestic water utilized by the customer.

PSW's existing rate design is as follows:

MINIMUM MONTHLY SERVICE CHARGES

<u>Customer Class</u>	<u>Present Rate</u>
Residential	\$49.00 per month
Commercial (all meter sizes)	\$275.00 per month
Industrial (all meter sizes)	\$286.00 per month

MONTHLY SEWER TREATMENT CHARGES

<u>Customer Class</u>	<u>Present Rate</u>
Commercial	\$4.37 per 1,000 gallons
Industrial	\$7.18 per 1,000 gallons

In connection with its non-potable water and R-1 quality effluent services, PSW's approved tariff rates/charges also include: (1) a monthly non-potable consumption charge of \$1.55 for each thousand gallons of non-potable water utilized; and (2) a monthly effluent charge of \$0.50 for each thousand gallons of effluent delivered to the Puakea golf course. Based on the information set forth in PSW's Application, PSW currently provides non-potable water to only three commercial customers. Similarly, PSW only provides effluent to the Puakea Golf Course for irrigation purposes. PSW is not seeking any changes to its non-potable water and effluent tariff rates/charges.

PSW seeks the Commission’s approval of a net revenue increase of \$332,320 for its combined wastewater and non-potable operations based on a 2018 calendar test year. This proposal represents an increase of approximately 19.68% over the pro forma revenue amount of \$1,688,296 at present rates. PSW alleges that the proposed revenue increase would provide PSW with the opportunity to earn a 7.75% rate of return on its prudently incurred costs for utility assets and recovery of its prudently incurred expenses.

In addition to requesting a revenue increase, PSW seeks to modify its rate design by: (1) combining the commercial and industrial customer classes into a single customer class; and (2) replacing the fixed minimum monthly service charge with a minimum monthly service charge schedule that is based on the commercial/industrial customers’ applicable water meter size (5/8”, 3/4”, 1”, 1 1/2”, 2” and 3”).

If approved, PSW proposes to phase in its recommended rates/charges in a three-step increase. In its final phase, PSW’s proposed rates/charges for its wastewater collection and treatment services, incorporating its requested revenue increase, are as follows:

MINIMUM MONTHLY SERVICE CHARGES

<u>Customer Class</u>	<u>Proposed Rate</u>
Residential	\$61.00 per month
Commercial/Industrial – 5/8” Meter	\$258.33 per month
Commercial/Industrial – 3/4” Meter	\$341.67 per month
Commercial/Industrial – 1” Meter	\$466.67 per month
Commercial/Industrial – 1.5” Meter	\$550.00 per month
Commercial - 2” Meter	\$675.00 per month
Commercial - 3” Meter	\$1,008.33 per month

MONTHLY SEWER TREATMENT CHARGES

Customer Class

Proposed Rate

Commercial/Industrial

\$6.00 per 1,000 gallons of water usage

As reflected above, PSW's commercial and industrial customers would be combined into a single customer class, which would be subject to a progressive minimum monthly service charge schedule based on water meter size (i.e., inches in diameter). Additionally, as a combined customer class, existing commercial and industrial customers would be subject to the same monthly sewer treatment charge, based on volume (i.e., per thousand gallons of water utilized).

PSW additionally requests that the Commission approve proposed revisions to its wastewater tariff (PSWC Tariff No. 1) by, among other things: (1) changing the sewer rate schedules; (2) updating its Automatic Power Cost Adjustment Clause for wastewater services; (3) establishing a flat service connection fee (instead of deposit) of not less than \$125; and (4) increasing the returned check charge from \$20.00 to \$25.00. PSW is not proposing any changes to its non-potable tariff (PSWC Tariff No. 2) at this time.

The Commission will investigate whether the proposals in PSW's Application, including revisions to its rates/charges and rate design, are just and reasonable. The total revenue requirement for the 2018 calendar test year will not exceed the \$332,320 amount over revenues at present rates that PSW requests. However, the increase in rates and charges to be finally approved by the Commission, if any, may be higher or lower than PSW's proposed rates and charges noted herein.

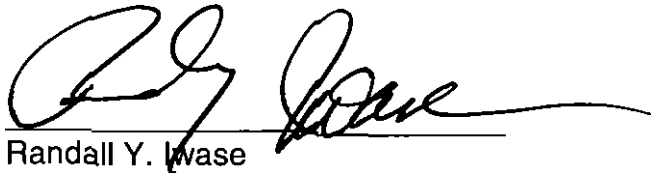
At the public hearing, the Commission will receive in-person testimony from the general public regarding PSW's Application and proposed general rate increase and revised rate schedules and tariff changes, pursuant to HRS §§ 269-12(c) and 269-16(f). All interested persons are invited to attend the public hearing to state their views on PSW's Application verbally, in writing, or both. So that all in attendance will have the opportunity to speak at the public hearing, the Commission may impose time limits for each person's testimony. Special accommodations for persons with disabilities can be made if requested reasonably in advance by contacting the Commission's Honolulu Office.

In addition, written statements may be mailed to the Commission at 465 South King Street, Room 103, Honolulu, Hawaii, 96813, or sent by electronic mail to puc.comments@hawaii.gov. Written statements should reference Docket No. 2017-0118 and include the author's name and the entity or organization that the author represents, if any.

Copies of PSW's Application are available for public review through the Commission's electronic Document Management System, accessible at <http://dms.puc.hawaii.gov/dms/>, Docket Quick Link 2017-0118, or at Puhi Sewer & Water Company [3560 Koloa Road, Kalaheo, HI 96741, (808) 332-7381]. In addition, copies of PSW's Application are also available for review by contacting the Commission's Kauai office [(808) 274-3232] or the Division of Consumer Advocacy [(808) 586-2800].

Any motions to intervene or participate in this proceeding must comply with the applicable provisions of the Commission's *Rules of Practice and Procedure Before the Public Utilities Commission*, Hawaii Administrative Rules, Title 6, Chapter 61.

A motion to intervene or participate in this proceeding shall be filed with the Commission's Honolulu Office by August 14, 2017.

A handwritten signature in black ink, appearing to read 'R. Iwase', written over a horizontal line.

Randall Y. Iwase
Chair

The Garden Island
July 12, 19, and 26, 2017; and August 2, 2017.