

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application)
)
 of) Docket No. 2024-0038
)
 HAWAII-AMERICAN WATER COMPANY)
)
 For Approval of Rate Increases and)
 Revised Rate Schedules and Rules.)
_____)

APPLICATION
EXHIBITS 1 THROUGH 14
ATTACHMENTS
VERIFICATION
and
CERTIFICATE OF SERVICE

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APPLICATION

To the HONORABLE PUBLIC UTILITIES COMMISSION OF THE STATE OF
HAWAII:

1. Applicant’s full name and business mailing address are as follows:

HAWAII-AMERICAN WATER COMPANY
6700 Kalaniana’ole Highway
Suite 206
Honolulu, HI 96825

2. All pleadings, correspondence, notices and other communications

concerning this Application¹ are to be addressed to:

JEFFREY T. ONO
DAVID Y. NAKASHIMA
KENDRICK S. CHANG
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999 Bishop Street, Suite 1250
Honolulu, Hawaii 96813

¹ Pursuant to Hawaii Administrative Rules (“HAR”) § 16-601-91(a), as modified by Order No. 37043 Setting Forth Public Utilities Commission Emergency Filing and Service Procedures Related to COVID-19, issued on March 13, 2020, Applicant will electronically serve this Application on the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs (“Consumer Advocate”), an *ex officio* party to this proceeding pursuant to HAR § 16-601-62, as well as on the Mayor of the City and County of Honolulu and the Mayor of the County of Hawaii (i.e., the mayor of the county affected by the rate increase proposed in this Application).

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Attorneys for Applicant
HAWAII-AMERICAN WATER COMPANY

3. Applicant, HAWAII-AMERICAN WATER COMPANY (“Applicant” or “HAWC”), is a public utility authorized by the Commission since 1974 to provide:
- a. Wastewater collection, treatment, and disposal service to the residences, condominiums, commercial and other establishments and facilities in the Hawaii Kai community on the island of Oahu, State of Hawaii (“Hawaii Kai”);
 - b. Wastewater services to the residents, occupants, homeowner associations, hotels and commercial establishments at the Mauna Lani Resort area on the island of Hawaii (“Mauna Lani”);² and
 - c. Wastewater services to the residential, commercial and other customers in the Waimea area on the island of Hawaii (“Waimea”).³

Applicant is a Nevada corporation, with its principal place of business in Hawaii at 6700 Kalanianaʻole Highway, Suite 206, Honolulu, Hawaii 96825. Applicant’s sole shareholder is American Water Works Company, Inc., a Delaware corporation.⁴

² See *In re Mauna Lani STP, Inc. and Hawaii-American Water Company*, Docket No. 05-0229, Decision and Order No. 22299, issued on February 28, 2006.

³ See *In re Waimea Wastewater Company, Inc. and Hawaii-American Water Company*, Docket No. 2019-0039, Decision and Order No. 36962, issued on January 22, 2020 (“Decision and Order No. 36962”).

⁴ HAWC was formerly known as East Honolulu Community Services, Inc. (“EHCSI”). In January 1998, the Commission approved American Water Works Company, Inc.’s acquisition of all of the issued and outstanding shares of EHCSI. See *In re Maunalua Assoc., Inc.*, Docket No. 97-0339, Decision and Order No. 16175, issued on January 27, 1998.

4. Since the last general rate increase for each of Hawaii Kai, Mauna Lani and Waimea, Applicant's operating costs have substantially increased. In addition, Applicant has made annual investments in plant and equipment for its operations that are necessary for the safe and reliable provision of Applicant's regulated service. Customer base and resulting operating revenues have remained relatively constant for Hawaii Kai, and have increased for Mauna Lani and Waimea, but not at a pace to offset the rising costs. The general rate increase requested by this application is therefore necessary to provide Applicant with a reasonable opportunity to receive sufficient revenues to cover expenses and taxes and provide a fair rate of return on utility property that are deemed used or useful for public utility purposes. At present rates, Applicant projects as follows:

- For Hawaii Kai,⁵ a rate of return of 5.21 percent (5.21%), based on a net operating income of \$2,182,579 and an average rate base of \$41,923,230. See Hawaii Kai Exhibit 7 (lines 32, 30 and 31 respectively, column (a)).
- For Mauna Lani,⁶ a rate of return of 0.43 percent (0.43%), based on a net operating income of \$38,859 and an average rate base of \$8,961,080. See Mauna Lani Exhibit 7 (lines 32, 30 and 31 respectively, column (a)).

⁵ Applicant's current rates for its Hawaii Kai operations are based on rates that were approved and became effective on July 1, 2022, pursuant to Decision and Order No. 38424, issued on June 16, 2022 ("Hawaii Kai 2022 Rate Case Decision and Order"), and Order No. 38475 *Approving Revised Tariff Sheets*, issued on June 29, 2022, both in Docket No. 2021-0063. In the Hawaii Kai 2022 Rate Case Decision and Order, the Commission approved an increase of \$1,710,920 in additional revenues for the test year ending December 31, 2022, which represented an increase of approximately 17.17% over revenues at the then present rates. For purposes of the instant Application, Applicant's Hawaii Kai present or current rates referred to herein refer to the rates approved in the Hawaii Kai 2022 Rate Case Decision and Order.

⁶ Applicant's current rates for its Mauna Lani operations are based on rates that were approved and became effective on September 12, 2003, pursuant to Decision and Order No. 20405,

- For Waimea,⁷ a rate of return of 1.16 percent (1.16%), based on a net operating income of \$25,216 and an average rate base of \$2,167,740. See Waimea Exhibit 7 (lines 32, 30 and 31 respectively, column (a)).

5. Pursuant to Hawaii Revised Statutes (“HRS”) § 269-16, as amended, Applicant seeks the approval of the Commission for rate increases and adjustments as set forth in Exhibit 4. Applicant seeks:

- For Hawaii Kai, an increase in total revenues of \$1,382,060 or approximately 11.45 percent (11.45%), over total revenues at present rates. See Exhibit 7 (line 7, columns (b) and (d), respectively) and the testimony of Stephen (Wes) Owens (Exhibit No. 14T-100).
- For Mauna Lani, an increase in total revenues of \$897,060 or approximately 64.90 percent (64.90%), over total revenues at present rates. See Exhibit 7 (line 8, columns (b) and (d), respectively) and the testimony of Stephen (Wes) Owens (Exhibit No. 14T-100).
- For Waimea, an increase in total revenues of \$194,450 or approximately 32.60 percent (32.60%), over total revenues at present rates. See Exhibit

issued on August 29, 2003 (“2003 Mauna Lani Rate Case Decision and Order”) in Docket No. 2002-0392. In the 2003 Mauna Lani Rate Case Decision and Order, the Commission approved an increase of \$360,258 in additional revenues for the test year ending December 31, 2003, which represented an increase of approximately 70.1% over revenues at then present rates.

⁷ Applicant’s current rates for its Waimea operations are based on rates that were approved and became effective on May 18, 2009, pursuant to Decision and Order issued on May 18, 2009 (“Waimea 2009 Rate Case Decision and Order”) in Docket No. 2008-0261. In the Waimea 2009 Rate Case Decision and Order, the Commission approved an increase of \$293,610 in additional revenues for the test year ending December 31, 2009, which represented an increase of approximately 128.5% over revenues at then present rates. For purposes of the instant Application, Applicant’s Waimea present or current rates referred to herein refer to the rates approved in the Waimea 2009 Rate Case Decision and Order.

7 (line 8, columns (b) and (d), respectively) and the testimony of Stephen (Wes) Owens (Exhibit No. 14T-100).

The justification and reasons for the proposed rate increases/adjustments are contained in the testimonies, exhibits, and attachments to this Application.

6. Consistent with the Schedule of Present and Proposed Rates set forth as part of Exhibit 4, the following chart is a comparison of the present and proposed rates:

Hawaii Kai			
Customer Class	Current	Proposed	%age Change
<u>Residential Units:</u>			
Single-Family Residential Unit (monthly service charge per dwelling unit)	\$79.21	\$88.28	11.45%
Multi-Family Residential Unit (monthly service charge per dwelling unit)	\$67.40	\$75.12	11.45%
<u>Commercial (Non-Residential) Units:</u>			
Food Service Operation	\$18.98 per 1,000 gallons of water used	\$21.15 per 1,000 gallons of water used	11.43%
Non-Food Service Operation	\$11.65 per 1,000 gallons of water used	\$12.98 per 1,000 gallons of water used	11.42%
Public Authority–Other ⁸	\$11.65 per 1,000 gallons of water used	\$12.98 per 1,000 gallons of water used	11.42%

⁸ The Public Authority–Other class refers to the sewerage services provided by HAWC to the City and County of Honolulu (“City”), the State of Hawaii and other facilities (including parks, schools, fire station, and Lunalilo Home). HAWC’s existing rate schedules filed with the Commission currently combine Non-Food Service Operation and Public Authority–Other. Because Non-Food Service Operation and Public Authority–Other involve a different group of customers, HAWC is presenting each separately for purposes of this Application.

Public Authority–Dwelling ⁹	\$4.40 per 1,000 gallons of wastewater treated	\$4.90 per 1,000 gallons of wastewater treated	11.36%
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Mauna Lani

Customer Class	Current	Proposed	%age Change
<u>Residential Units:</u>			
Residential Condos (monthly service charge per dwelling unit)	\$45.78	\$75.49	64.90%
HOA (monthly service charge per dwelling unit)	\$45.78	\$75.49	64.90%
<u>Commercial (Non-Residential) Units:</u>			
Commercial Sewer (monthly service charge per equivalent unit)	\$45.78	\$75.49	64.90%
Commercial Hotel (monthly service charge per hotel room unit)	\$45.78	\$75.49	64.90%

Waimea

Customer Class	Current	Proposed	%age Change
<u>Residential Units:</u>			
Single-Family Unit	\$108.47	\$143.83	32.60%

⁹ The Public Authority–Dwelling class refers to the services provided by HAWC to the City for the City’s residential customers in Hawaii Kai, including Kuliouou Valley, Portlock, Paiko, and other areas, which fall outside of HAWC’s service territory, but which are served directly by the City’s sewerage system and then connected to HAWC’s wastewater system for distribution and processing.

(monthly flat-rate charge)

Multi-Family Unit (monthly flat-rate charge)	\$108.47	\$143.83	32.60%
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Commercial (Non-Residential) Units:

All Other Facilities (including commercial, recreational, schools, churches, etc)	\$14.41 per 1,000 gallons of water used	\$19.10 per 1,000 gallons of water used	32.55%
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7. In accordance with HAR § 16-601-86 and/or HAR § 16-601-87,¹⁰ Applicant hereby files and incorporates by reference the following exhibits and attachments:

Exhibit Number	Exhibit Description
Exhibit 1	<p>Financial statement under HAR § 16-601-75. Applicable to all of HAWC's service areas.</p> <p><u>Schedules</u></p> <ul style="list-style-type: none"> (a) Stock Authorized and Outstanding (Schedule 1) (b) Terms of Preferred Stock (Schedule 2) (c) Security Agreements, Mortgages, and Deeds of Trust on Applicant's Property (Schedule 3) (d) Bonds Authorized and Issued (Schedule 4) (e) Notes Outstanding (Schedule 5) (f) Other Financial Information/Indebtedness (Schedule 6) (g) Rate & Amount of Dividends Paid (Schedule 7) (h) Unaudited Financial Statements as of

¹⁰ On June 21, 2024, the HPUC issued Order No. 40855, Granting Motion for Approval to Consolidate General Rate Case Applications for Hawaii Kai, Mauna Lani and Waimea. Hawaii Kai has annual gross operating revenues in excess of \$2,000,000, while Mauna Lani and Waimea do not. Consistent with the requirements of Order No. 40855, HAWC is proceeding under HRS Section 269-16(d) for all three districts and waives the six-month procedural schedule and related filing requirements for small utilities under HRS Section 269-16(f) as it relates to HAWC's Mauna Lani and Waimea Operations. As such, the requirements set forth in HAR § 16-601-87 are applicable to this Application.

Exhibit Number	Exhibit Description
	(i) December 31, 2023 and 2022 (Schedule 8) ¹¹ Unaudited Financial Statements (6-months ended June 30, 2024) (Schedule 9) ¹²
Exhibit 2	General description of Applicant’s property and equipment for its operations at Hawaii Kai, Mauna Lani and Waimea
Exhibit 3	Statement of original cost of Applicant’s property and equipment, together with applicable depreciation reserve for Hawaii Kai, Mauna Lani and Waimea
Exhibit 4	Schedule of Present and Proposed Rates for Hawaii Kai, Mauna Lani and Waimea
Exhibit 5	Reserved
Exhibit 6	Results of Operations 2023-2025 at Present Rates for Hawaii Kai, Mauna Lani and Waimea
Exhibit 7 Hawaii Kai Exhibit 7 Manua Lani Exhibit 7 Waimea	Revenue Requirement, operating revenues and expenses, depreciation, and taxes that support the request for changed rates based on pro forma results of operations for the test year ended December 31, 2025, recorded at present rates and at proposed rates including applicable supporting workpapers (Exhibits 7 to 7-19; 6 workpapers) ¹³
Exhibit 8 Hawaii Kai	Pro Forma Rate Base Schedules including applicable supporting workpapers

¹¹ On June 7, 2024, HAWC filed its Motion to Waive Requirement for Audited Financial Statements (“Motion to Waive Audited Financial Statements”) in the subject docket, wherein HAWC requested a waiver to submit unaudited financial statements in lieu of audited financial statements. On June 26, 2024, the Commission issued Order No. 40863 (“Order No. 40863”) in the subject docket, which granted the Motion to Waive Audited Financial Statements, provided that HAWC makes available for review by the Commission and the Consumer Advocate for review, documentation in support of HAWC’s financial statements, including its books and records. See Order No. 40863 at 5-6.

¹² *Id.*

¹³ Pursuant to Protective Order No. 40856, issued on June 21, 2024 in the subject docket (“Protective Order”), Confidential Workpapers 7-2, 7-12 and 7-18 and Confidential Attachment JM 201 cited by Mr. Morse and Mr. Mansfield and/or prepared in support of the Application are designated confidential for the reasons set forth in the attached confidentiality log and are subject to the Protective Order.

Exhibit Number	Exhibit Description
Exhibit 8 Mauna Lani Exhibit 8 Waimea	(Exhibits 8 to 8-6; 2 workpapers)
Exhibit 9	Rate of Return
Exhibit 10	Statement regarding Internal Revenue Code of 1986
Exhibit 11	Latest Annual Report to Stockholders and Latest Form 10(k), Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 filed with the Securities and Exchange Commission
Exhibit 12	Latest Proxy Statement provided to Stockholders by Applicant or its parent company
Exhibit 13 Hawaii Kai Exhibit 13 Mauna Lani Exhibit 13 Waimea	Proposed Changes to HAWC's Rules and Regulations: HAWC Tariff No. 1 ¹⁴ (Hawaii Kai) HAWC Tariff No. 2 (Mauna Lani) HAWC Tariff No. 3 (Waimea)
Exhibit 14	Written direct testimonies (1) Testimony of Stephen (Wes) Owens (Exhibit No. 14-T-100) a. 5 attachments (SWO 101 to 105) (2) Testimony of Jonathan Morse (Exhibit No. 14-T-200) a. 3 attachments (JM 201 to 203) (3) Testimony of Matthew E. Lasecki (Exhibit No. 14-T-300)

¹⁴ Exhibit 13 consists of: (1) a “clean” version of Applicant’s revised tariff sheets incorporating its proposed changes to its Rules and Regulations; and (2) a “blacklined” version showing in tracked change format these changes as compared to the language in Applicant’s existing tariff sheets on file with the Commission.

Exhibit Number	Exhibit Description
	<p style="text-align: center;">a. 37 attachments (MEL H301 to H311; MEL M301 to M320; and MEL W301 to W306)</p> <p>(4) Testimony of Lee A. Mansfield (Exhibit No. 14-T-400)</p> <p style="padding-left: 40px;">a. 1 attachment (LAM 401)</p> <p>(5) Testimony of Jared Deason (Exhibit No. 14-T-500)</p> <p style="padding-left: 40px;">a. 5 attachments (JD 501 to 505)</p>

8. The proposed increased rates reflect and pass through to customers increased costs to Applicant of furnishing wastewater service, including cost of capital.

9. Applicant believes that its proposed rates for its customers are justified and that they are just and reasonable.

10. In addition to the above, pursuant to HRS § 269-16(b) and HAR § 16--601--87, Applicant seeks the approval of the Commission to make certain revisions or modifications to its Rules and Regulations set forth in HAWC Tariff No. 1, HAWC Tariff No. 2, and HAWC Tariff No. 3 as reflected in Exhibit 13 and the testimonies of Stephen (Wes) Owens (Exhibit No. 14-T-100), Jonathan Morse (Exhibit No. 14-T-200) and Lee A. Mansfield (Exhibit No. 14-T-400). The following is a summary of the substantive revisions being proposed by Applicant,¹⁵ as further discussed in Mr. Owens, Mr. Morse and Mr. Mansfield's testimonies:

¹⁵ HAWC is also proposing certain non-substantive revisions, namely, the deletion of the "explanation of symbols" key on the Check List Sheet as being unnecessary and no longer consistent with common practice with respect to tariffs. The discontinuation of the use of these symbols will make revising tariffs more efficient.

HAWC Tariff No. 1 (Hawaii Kai)

(a) Insert a new Original Sheet 15F to add a new Rule XIX for a Catastrophic Event Tracking Mechanism (“CETM”) to address cost recovery related to the restoration, repairs, replacement, and compliance with government agency orders resulting from declared disasters.

(b) Insert a new Original Sheet 15D to add a new Rule XVIII for a Capital Infrastructure Surcharge Mechanism (“CISM”) that facilitates smaller, more gradual rate increases by annually updating eligible capital expenditures completed in the prior calendar year and implement a surcharge to recover HAWC’s return and related revenue requirement on those investments.

(c) Amend and replace Sheet 18 with a revised Schedule of Wastewater Rates for residential, commercial and public authority customers to reflect the rates and rate structure proposed by Applicant in this proceeding (Exhibit 4) to reflect HAWC’s requested Hawaii Kai revenue requirement.

HAWC Tariff No. 2 (Mauna Lani)

(a) Amend and replace Original Sheets 1, 2 and 3 to reflect updated definitions to the terms “Customer”, “Building Sewer,” and “Service Extension Charge” and to include definitions for “Notice of discontinuance,” “Residential Dwelling Unit” and “Condominium Residential Dwelling Unit.”

(b) Insert a new Original Sheet 23A to add a new Section 15 for an Automatic Power Cost Adjustment Clause to address power cost recovery.¹⁶

¹⁶ As discussed in the testimony of Jonathan Morse (Exhibit No. 14-T-200), the intent is that under the proposed Automatic Power Cost Adjustment Clause, the Base Year data will be updated after the Commission’s issuance of a decision establishing HAWC’s revenue

(c) Insert a new Original Sheet 23D to add a new Section 17 for a CETM to address cost recovery related to the restoration, repairs, replacement, and compliance with government agency orders resulting from declared disasters.

(d) Insert a new Original Sheet 23B to add a new Section 16 for a CISM that facilitates smaller, more gradual rate increases by annually updating eligible capital expenditures completed in the prior calendar year and implement a surcharge to recover HAWC's return and related revenue requirement on those investments.

(e) Amend and replace Sheet 26 with a revised Schedule of Wastewater Rates for residential, commercial and public authority customers to reflect the rates and rate structure proposed by Applicant in this proceeding (Exhibit 4) to reflect HAWC's requested Mauna Lani revenue requirement.

HAWC Tariff No. 3 (Waimea)

(a) Amend and replace HAWC Tariff No. 3 to align the Waimea tariff language – which was not changed with HAWC's acquisition – to HAWC's most recently Commission-approved tariffs for Hawaii Kai. The proposed revisions include substantive and non-substantive changes, all of which are intended to promote uniformity and consistency among HAWC's operations throughout its districts.

(b) Insert a new Original Sheet 34A to add a new Rule XIV for an Automatic Power Cost Adjustment Clause to address power cost recovery.¹⁷

requirement in the subject docket to reflect the resulting test year kWh usage, and the Measurement Year will cover the 12-month period from December to November of each year following the 2025 test year.

¹⁷ *Id.*

(c) Insert a new Original Sheet 34D to add a new Rule XVI for a CETM to address cost recovery related to the restoration, repairs, replacement, and compliance with government agency orders resulting from declared disasters.

(d) Insert a new Original Sheet 34B to add a new Rule XV for a CISM that facilitates smaller, more gradual rate increases by annually updating eligible capital expenditures completed in the prior calendar year and implement a surcharge to recover HAWC's return and related revenue requirement on those investments.

(e) Amend and replace Sheet 5 with a revised Schedule of Wastewater Rates for residential, commercial and public authority customers to reflect the rates and rate structure proposed by Applicant in this proceeding (Exhibit 4) to reflect HAWC's requested Waimea revenue requirement.

WHEREFORE, Applicant prays as follows:

1. That, pursuant to HAR § 16-601-87, this Application be deemed a completed Application under HRS § 269-16, as amended.

2. That a public hearing be conducted on (a) the island of Oahu to consider this Application as to Hawaii Kai, (b) the island of Hawaii as to Mauna Lani, and (c) the island of Hawaii as to Waimea (three separate public hearings), all in accordance with HRS §§ 269-12, 269-16 and HAR § 16-601-30.

3. That the Commission find that Applicant's present rates for its customers are unjust and unreasonable and will not provide Applicant with a reasonable opportunity to receive sufficient revenues to cover expenses and taxes nor provide a fair rate of return to Applicant on utility property that are deemed used or useful for public utility purposes.

4. That the Commission approve the following:
 - a. For Hawaii Kai: (1) increases in the monthly service rates/charges for single-family residential units and multi-family residential units to \$88.28 and \$75.12 per dwelling unit, respectively; (2) increase the commercial (non-residential) monthly service rate/charge for food service operations to \$21.15 per 1,000 gallons of water used; (3) increase the commercial (non-residential) monthly service rate/charge for non-food service operations to \$12.98 per 1,000 gallons of water used; (4) increase the Public Authority-Other monthly service rate/charge to \$12.98 per 1,000 gallons of water used; and (5) increase the Public Authority-Dwelling monthly service rate to \$4.90 per 1,000 gallons of wastewater treated.
 - b. For Mauna Lani: (1) increases in the monthly service rates/charges for residential condos units and HOA units to \$75.49 per dwelling unit; (2) increase the commercial (non-residential) monthly service rate/charge for commercial sewer and commercial hotel service operations to \$75.49 per equivalent unit.
 - c. For Waimea: (1) increases in the monthly service rates/charges for single-family residential units and multi-family residential units to \$143.83 per unit. (2) increase the commercial (all other facilities including commercial, recreational, schools, churches, etc.) monthly service rate/charge to \$19.10 per 1,000 gallons of wastewater treated.

5. That the Commission approve the proposed revisions/modifications to HAWC's Rules and Regulations (HAWC Tariff No. 1, HAWC Tariff No. 2 and HAWC Tariff No. 3) as described in Paragraph 10 above and the supporting testimonies and exhibits hereto.

6. That Applicant be granted such other and further relief, including any interim rate increase, as may be just and equitable.

DATED: Honolulu, Hawaii, August 2, 2024.

/s/ David Y. Nakashima
JEFFREY T. ONO
DAVID Y. NAKASHIMA
KENDRICK S. CHANG
Attorneys for Applicant
HAWAII-AMERICAN WATER COMPANY