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DIVISION OF CONSUMER ADVOCACY
Department of Commerce and
Consumer Affairs
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FILED
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PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of	)	
	)	
MOLOKAI PUBLIC UTILITIES, INC., WAI`OLA O MOLOKA`I, INC., and MOSCO, INC.	)	DOCKET NO. 2008-0115
	)	
For Temporary Rate Relief	)	

DIVISION OF CONSUMER ADVOCACY'S STATEMENT OF POSITION

By Order filed on June 16, 2008, the commission opened the instant proceeding to provide temporary rate relief to Molokai Public Utilities, Inc. ("MPUI"), Wai`ola O Moloka`I, Inc. ("Wao`ola"), and MOSCO, Inc. (hereinafter "Utilities") for a period of up to six months.[1] The temporary rate relief is intended to address the Utilities' alleged financial inability to continue utility services beyond August 2008[2] and provide additional time for the County of Maui or a third party to take over the Utilities' system.

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1 See Order at 13.

2 Id. at 12.

Based on currently available financial information for the Utilities-specifically the 2007 Annual Financial Reports filed with the Commission, the Commission proposed to implement the following increases on a temporary basis.

- MPUI may increase its monthly standby charge and user fee by 40.95% in order to produce sufficient revenues to cover MPUI's regulated operating expenses.[3]
- Wai`ola may increase its monthly service charge and user fee by 121.50% to provide sufficient revenues to cover Wai`ola's regulated operating expenses.[4]

Since MOSCO reported regulated net income, resulting in an operating ratio of 47.30%, which the Commission found to be reasonable, the Commission determined that it was not necessary to authorize a rate adjustment at this.[5]

The Commission named the Utilities, Molokai Properties, Limited, dba Molokai Ranch ("MPL"), the Consumer Advocate, an ex officio party to ever proceeding before the Commission, and the County of Maui ("County") as parties to this proceeding.[6] Furthermore, the Commission allowed the Parties to provide comments on the proposed temporary rate increases within five (5) days of the date of the Order.

The Consumer Advocate is responsible for representing, protecting, and advancing the interests of all consumers, including small businesses, of utility services.

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3 Id. 13-14.

4 Id. at 14-15.

5 Id. at 15.

6 Id. 15-16.

(See Haw. Rev. Stat. § 269-51.) Given these statutory responsibilities, the Consumer Advocate is in a very difficult situation with regards to the proposed temporary rate increases. On one hand, as the Commission acknowledged, the ratepayers of MPUI and Wai`ola may be hard pressed to pay the rates that will be imposed as a result of the proposed temporary rate increases, thereby impairing their ability to pay for the regulated water service from MPUI and Wai1ola. On the other hand, if the proposed temporary rate increases are not granted in a timely manner, the Utilities may very well terminate service due to their alleged financial hardship. In both situations, the ratepayers may be without a utility service that is deemed essential to public health and welfare.

The Utilities have informed the Commission that service will likely terminate at the end of August (i.e., in approximately two months) unless a public or private entity is located to take over the operations of the Utilities.[7] Therefore, while the Consumer Advocate would prefer to carefully review the proposed rate increase and ensure that the rates are just and reasonable, there is insufficient time to gather the data necessary to perform such review. The Consumer Advocate presently does not have information pertaining to the number of customers served, the volume of water use for each customer, and information to support the reasonableness of the operating expenses reported for 2007 and it is likely to take at least one to two months to gather such information, analyze the data, and develop a recommendation.

As a result, the Consumer Advocate reluctantly will not oppose the proposed temporary rate increases for MPUI and Wai`ola. Although the Consumer Advocate is

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7 See May 30, 2008 letter from the Utilities to the Commission.

extremely concerned about the ratepayers' ability to pay the increased rates, the Consumer Advocate recognizes that the proposed rate increases are expected to remain in effect for only six months. In addition, the Consumer Advocate believes that allowing the proposed rate increases to take effect as recommended by the Commission will help to ensure the continuation of the regulated water service beyond the targeted August 31, 2008 termination date and provide additional time to explore options for ensuring the continuation of the regulated utility service should the Utilities proceed with their plans to terminate their business operations.

During the six-month period that the increased rates are to remain in effect, the Consumer Advocate believes that monitoring the financial impacts resulting from the temporary rate increases is necessary and critical to ensuring that the Utilities' ratepayer interests are protected. As a result, the Consumer Advocate recommends that the Commission require the Utilities to submit on a monthly basis:

- the customer count for the month;
- copies of the billing records illustrating the volume of water consumed per customer, the revenues billed for such usage, and the payments made by each customers; and
- copies of the support for the operating expenses incurred to allow for an independent assessment of the quantity times price for the expense in order to determine the reasonableness of such expenses for rate setting purposes.

In summary, with grave reservations, the Consumer Advocate will not oppose the proposed temporary rate increases. The Consumer Advocate recommends that the

Commission order the Utilities to provide monthly data within seven calendar days after the end of each month to allow the Consumer Advocate and Commission to monitor and assess the financial impacts of the proposed rate increases on the Utilities and the Utilities' ratepayers.

DATED: Honolulu, Hawaii, June 23, 2008.

Respectfully submitted,

By Cheryl S Kikuta
for CATHERINE P. AWAKUNI
Executive Director

DIVISION OF CONSUMER ADVOCACY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **DIVISION OF CONSUMER ADVOCACY'S STATEMENT OF POSITION** was duly served upon the following parties, by personal service, hand delivery, and/or U.S. mail, postage prepaid, and properly addressed pursuant to HAR § 6-61-21(d).

P.A. NICHOLAS MOLOKAI PUBLIC UTILTIES, INC. WAI'OLA O MOLOKA'I, INC. MOSCO, INC. MOLOKAI PROPERTIES LIMITED d/b/a MOLOKAI RANCH 745 Fort Street Mall, Suite 600 Honolulu, HI 96813	1 copy by U.S. Mail
HONORABLE CHARMAINE TAVARES OFFICE OF THE MAYOR COUNTY OF MAUI 200 South High Street Wailuku, Hi 96793-2155	1 copy by U.S. Mail

DATED: Honolulu, Hawaii, June 23, 2008.