

**AQUA PUHI, LLC, dba PUHI SEWER & WATER COMPANY**  
**RATE CASE APPLICATION**  
**DOCKET NO. 2017-0118**  
**FREQUENTLY ASKED QUESTIONS (FAQ)**

**Q. WHY IS AQUA PUHI, LLC, dba PUHI SEWER & WATER COMPANY (PSW) SEEKING TO RAISE ITS WASTEWATER RATES?**

A. As part of the conditions related to the purchase of the wastewater treatment facilities from Grove Farm, the utility was required to file a rate case with the State of Hawaii Public Utilities Commission (Commission). One of the purposes was to allow the Commission and the Division of Consumer Advocacy (aka, Consumer Advocate) the opportunity to review the operations of the utility under the new ownership. PSW is seeking to raise its wastewater rates to help PSW keep pace with rising operating costs and to cover expenses PSW incurs for necessary infrastructure and operational improvements so that PSW will be able to, among other things, ensure it can continue to provide safe and dependable wastewater service.

**Q. WHAT IS THE SCOPE OF PSW'S OPERATIONS?**

A. PSW provides wastewater collection and treatment services to residential, commercial, and industrial customers within PSW's service area on the island of Kauai. PSW also provides non-potable water service to certain commercial customers in the Puhi area on the island of Kauai.

**Q. WHEN WAS THE LAST TIME THE UTILITY'S WASTEWATER RATES WERE RAISED?**

A. The last increase in wastewater rates was approved by the Commission in May 2007.

**Q. HOW MUCH WILL THE RATE INCREASE BE?**

A. If approved by the Commission in this filing, rate increase for residential users will be from a flat monthly sewer charge of \$49.00 to a flat monthly sewer charge of \$61.00. The rate increases for commercial and industrial users will depend on the meter size and the amount of metered domestic water consumption. Please see the Commission's Notice of Public Hearing for all proposed rate changes (attached).

**Q. HOW DID PSW DETERMINE THE PROPOSED SEWER CHARGES?**

A. PSW retained a utility consultant to prepare a "cost of service" study, which allocates costs among the various customer classes based on the cost of providing service to that customer class. The study allocates investment costs and operating expenses to the collection, pumping, treatment, customer billing services. Once these cost allocations are determined, they are then utilized to develop how rates and charges should be established for each of PSW's customer classes—residential, commercial, and industrial.

**Q. HOW DO PSW'S RATES COMPARE TO OTHER SIMILAR WASTEWATER UTILITIES?**

A. In general, although we have not done a formal study comparing our rates to other similar wastewater utilities in the State, we believe that our rates are reasonably similar to rates of other wastewater utilities.

**Q. HOW DOES PSW'S WASTEWATER RATES COMPARE TO COUNTY OF KAUAI'S WASTEWATER RATES?**

A: We believe that our rates are within the zone of reasonableness as compared to the County of Kauai's wastewater rates. However, it is difficult to compare rates of a private utility to rates of municipalities as there are substantial differences between the two, such as the size of the customer base and possible subsidies that may be inherent within municipalities' rates.

**Q. WHY DOESN'T PSW SEEK SMALLER RATE INCREASES MORE FREQUENTLY?**

A. The current PSW management plans to have more frequent rate applications which should result in more frequent and lower revenue increases and also lower rate case processing costs. The Company cannot provide a reason why the prior management did not file for rate cases since 2006. Unlike the County of Kauai, which may raise rates at a smaller, constant amount each year, PSW is required by law to seek Commission approval for a rate increase by means of a costly application process.

**Q. WHO WILL DECIDE WHETHER OR NOT THE PROPOSED RATE INCREASE IS APPROVED?**

A. PSW is a public utility regulated by the Commission, which will investigate and ultimately decide whether PSW's proposals in the application are just and reasonable. In addition, the Division of Consumer Advocacy (aka, Consumer Advocate) will participate in the rate case proceeding where its role is to represent the interests of PSW's customers in the rate approval process. As a result, proposed rate increases and changes will be approved by the PUC after the discovery process.

**Q. WHERE CAN I VIEW THE PSW RATE CASE APPLICATION?**

A. The application is available for viewing on the PUC's website at: <http://dms.puc.hawaii.gov/dms/>, Docket Quick Link 2017-0118.

Copies of the application are also available for review by contacting:

State of Hawaii Public Utilities Commission  
465 South King Street, #103  
Honolulu, Hawaii 96813  
808-586-2020

Division of Consumer Advocacy  
King Kalakaua Building, 335 Merchant Street, Rm. 326  
Honolulu, Hawaii 96813  
808-586-2800

Aqua Puhī, LLC dba Puhī Sewer & Water Company,

c/o Aqua Engineers, Inc.  
3560 Koloa Road  
Kalaheo, Hawaii 96741

808-332-7381

**Q. WILL THERE BE A PUBLIC HEARING ON THIS PROPOSED RATE INCREASE?**

- A. Yes, the PUC has scheduled a public hearing on the application and the customer notices regarding this proposed rate increase are being mailed to all PSW customers. The public hearing will be held as follows:

Thursday, August 3, 2017, at 6:00 p.m.  
Lihue State Office Building  
3060 Eiwa Street, Room 209A, B. & C  
Lihue, HI 96766