

## **NOTICE OF PUBLIC HEARING**

APPLICATION OF LANAI WATER COMPANY, INC.  
FOR REVIEW AND APPROVAL OF RATE INCREASES;  
REVISED RATE SCHEDULES; AND CHANGES TO ITS TARIFF

### **Docket No. 2019-0386**

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 LANAI WATER COMPANY, INC. ("LWC"), filed on December 30, 2019, for review and approval of rate increases, revisions of rate schedules, and changes to its tariff.

The public hearing will be held as follows:

**Monday, March 16, 2020, at 4:30 p.m.**

ILWU Local Hall  
840 Ilima Avenue  
Lana'i City, Hawaii 96763

LWC is a public utility authorized to provide potable water distribution service to the following areas on the island of Lanai: Lanai City, Koele, Kaumalapau, Manele-Hulopoe, and Lanai Airport. LWC is also authorized to provide non-potable (aka brackish) water distribution service to the Manele-Hulopoe area on the island of Lanai. In addition, LWC "currently provides potable water distribution services to Miki Basin and Palawai Basin, Kaupili Road and Upper Kaumalapau Highway, and Upper Manele on the island of Lanai." As of the date of the Application, LWC provides potable water distribution service to approximately 1,500 residential, commercial, and other customers within its authorized potable water service area, as well as non-potable water distribution service to approximately 50 customers within its authorized non-potable service area.

LWC requests commission approval of an overall net revenue increase of \$1,717,970 for its potable water distribution service and an increase of \$206,372 for its non-potable water distribution service, based on a 2020 calendar test year. For LWC's potable water distribution service, this proposal represents an increase of approximately 364% over the pro forma revenue amount of \$471,460 at present rates for the 2020 test year. For LWC's non-potable water distribution service, this proposal represents an increase of approximately 66% over the pro forma revenue amount of \$313,207 at present rates for the 2020 test year.

In addition to its proposed rate increase, LWC seeks approval to modify the existing rate designs for its potable and non-potable water distribution services based on its cost of service and rate design studies. Specifically, LWC proposes amending its "LWC Water Tariff No. 1 (Potable)" by creating two classes of potable water distribution services, "Non-Agricultural" and "Agricultural," each with its separate monthly flat rate service charge and monthly volumetric water charge. For its "LWC Water Tariff No. 2 (Non-Potable)," LWC proposes to change the criteria for determining customer classification for its volumetric charges from gallons of water used to meter size, in addition to adding a monthly flat rate service charge.

If approved, LWC proposes a 4-step phase-in of its proposed rate increases for both its potable and non-potable water distribution services to mitigate or reduce any potential "rate shock" to its customers.

LWC's present and proposed charges for its potable and non-potable water distribution services, as set forth in Exhibits LWC-P 12 and LWC-B12 to its Application, are as follows:

PRESENT CHARGES:

LWC WATER TARIFF NO. 1 (POTABLE)

<b>User Charge (2 month billing cycle)</b>	<b>Rate (per 1,000 gallons)</b>
First 25,000 gallons	\$1.10
Over 25,000 gallons	\$1.62

**Service Charge (meter reading) (charge per meter per two month billing cycle)**

<b>Meter Size</b>	<b>Rate</b>
5/8 inch	\$5.00
3/4 inch	\$5.00
1 inch	\$10.00
1 1/2 inch	\$10.00
2 inch	\$25.00
3 inch	\$50.00
4 inch	\$75.00
6 inch	\$150.00
8 inch	\$250.00
10 inch	\$250.00
Hydrant	\$80.00

**Tap in Charge per connection**

Single Family Unit	\$600.00
Multi-Family Unit	\$475.00
Commercial	
5/8 inch meter	\$600.00
3/4 inch meter	\$475.00
1 inch meter	\$5,400.00
1 1/2 inch meter	\$8,900.00
2 inch meter	\$17,800.00
3 inch meter	\$57,000.00
4 inch meter	\$89,100.00
6 inch meter	\$178,200.00
8 inch meter	\$285,100.00

Agriculture

5/8 inch meter	\$700.00
3/4 inch meter	\$1,000.00
1 inch meter	\$1,700.00
1 1/2 inch meter	\$3,500.00
2 inch meter	\$5,700.00

**LWC WATER TARIFF NO. 2 (NON-POTABLE)**

User Charge (2 month billing cycle)

Single Family (SF)

Tier 1	<1,000 per day per lot	\$3.57
Tier 2	>1,000 & <2,500 per day per lot	\$4.64
Tier 3	>2,500 per day per lot	\$5.72

Multi-Family (MF) (AOAO)

Tier 1	<1,000 per day per unit	\$3.57
Tier 2	>1,000 & <2,500 per day per unit	\$4.64
Tier 3	>2,500 per day per unit	\$5.72

Home Owners' Association (HOA)

Tier 1	<1,000 per day per acre	\$3.57
Tier 2	>1,000 & <2,500 per day per acre	\$4.64
Tier 3	>2,500 per day per acre	\$5.72

All Other

Tier 1	<1,000 per day per acre	\$3.57
Tier 2	>1,000 & <2,500 per day per acre	\$4.64
Tier 3	>2,500 per day per acre	\$5.72

Service Charge (meter reading) charge per meter per two month billing cycle)

<u>Meter Size (inches in decimal format)</u>	<u>Rate (every two months)</u>
0.625	\$5.00
0.750	\$5.00
1.000	\$10.00
1.500	\$10.00

2.000	\$25.00
3.000	\$50.00
4.000	\$75.00
6.000	\$150.00
8.000	\$250.00
10.000	\$250.00

PROPOSED CHARGES:

**LWC WATER TARIFF NO. 1 (POTABLE)  
NON-AGRICULTURAL MONTHLY FLAT RATE SERVICE CHARGE**

<u>Meter Size</u>	<u>Step 1 (effective upon approval)</u>	<u>Step 2 (effective 6 months after the effective date of Step 1)</u>	<u>Step 3 (effective 6 months after the effective date of Step 2)</u>	<u>Step 4 (effective 6 months after the effective date of Step 3)</u>
5/8"	\$3.46	\$4.85	\$6.91	\$9.85
1"	\$7.55	\$11.28	\$16.78	\$24.63
1.5"	\$10.75	\$19.16	\$31.55	\$49.25
2"	\$21.12	\$33.72	\$52.28	\$78.80
3"	\$40.96	\$64.28	\$98.65	\$147.75
4"	\$64.64	\$104.30	\$162.76	\$246.26
6"	\$129.28	\$208.60	\$325.51	\$492.51
8"	\$211.19	\$337.17	\$522.81	\$788.02
Hydrants/ Standpipes	\$54.01	\$74.48	\$104.65	\$147.75

**NON-AGRICULTURAL MONTHLY WATER CHARGE**

In addition to the Monthly Flat Rate Service Charge as noted above, there shall be a Monthly Water Usage Charge based on each 1,000 gallons of metered domestic water.

<u>Usage Level in Gallons</u>	<u>Step 1 (effective upon approval)</u>	<u>Step 2 (effective 6 months after the effective date of Step 1)</u>	<u>Step 3 (effective 6 months after the effective date of Step 2)</u>	<u>Step 4 (effective 6 months after the effective date of Step 3)</u>
0 to 5,000	\$1.22	\$1.39	\$1.65	\$2.02

5,001 to 12,500	\$1.41	\$1.87	\$2.55	\$3.51
12,501 to 50,000	\$2.32	\$3.34	\$4.85	\$7.00
50,001 to 400,000	\$2.58	\$3.98	\$6.05	\$9.00
Over 400,000	\$2.71	\$4.30	\$6.65	\$10.00

**AGRICULTURAL MONTHLY FLAT RATE WATER CHARGE**

<u>Meter Size</u>	<u>Step 1</u> <u>(effective</u> <u>upon</u> <u>approval)</u>	<u>Step 2</u> <u>(effective 6</u> <u>months after</u> <u>the effective</u> <u>date of Step 1)</u>	<u>Step 3</u> <u>(effective 6</u> <u>months after</u> <u>the effective</u> <u>date of Step 2)</u>	<u>Step 4</u> <u>(effective 6</u> <u>months after</u> <u>the effective</u> <u>date of Step 3)</u>
5/8"	\$3.46	\$4.85	\$6.91	\$9.85
1"	\$7.55	\$11.28	\$16.78	\$24.63
1.5"	\$10.75	\$19.16	\$31.55	\$49.25
2"	\$21.12	\$33.72	\$52.28	\$78.80
3"	\$40.96	\$64.28	\$98.65	\$147.75
4"	\$64.64	\$104.30	\$162.76	\$246.26

**AGRICULTURAL MONTHLY WATER CHARGE**

In addition to the Monthly Flat Rate Service Charge as noted above, there shall be a Monthly Water Usage Charge based on each 1,000 gallons of metered domestic water.

<u>Usage Level in</u> <u>Gallons</u>	<u>Step 1</u> <u>(effective</u> <u>upon</u> <u>approval)</u>	<u>Step 2</u> <u>(effective 6</u> <u>months after the</u> <u>effective date of</u> <u>Step 1)</u>	<u>Step 3</u> <u>(effective 6</u> <u>months after the</u> <u>effective date of</u> <u>Step 2)</u>	<u>Step 4</u> <u>(effective 6</u> <u>months after</u> <u>the effective</u> <u>date of Step 3)</u>
0 to 200,000	\$1.10	\$1.10	\$1.10	\$1.10
200,001 to 400,000	\$2.58	\$3.98	\$6.05	\$9.00
Over 400,000	\$2.71	\$4.30	\$6.65	\$10.00

**LWC WATER TARIFF NO. 2 (NON-POTABLE)**

**MONTHLY FLAT RATE METER SERVICE CHARGE**

<u>Customer Classification</u>	<u>Step 1 (effective upon approval)</u>	<u>Step 2 (effective 6 months after the effective date of Step 1)</u>	<u>Step 3 (effective 6 months after the effective date of Step 2)</u>	<u>Step 4 (effective 6 months after the effective date of Step 3)</u>
Residential - 5/8" Meter	\$6.86	\$11.22	\$15.58	\$19.93
Multi Group I – 1" Meter	\$16.21	\$27.42	\$38.63	\$49.83
Multi Group II – 1.5" Meter	\$28.66	\$52.32	\$75.98	\$99.65
Multi Group III – 2" Meter	\$49.24	\$85.98	\$122.72	\$159.44
Multi Group IV – 3" Meter	\$93.49	\$161.98	\$230.47	\$298.95
Multi Group V – 4" Meter	\$152.69	\$267.88	\$383.07	\$498.25

**MONTHLY WATER CHARGE**

In addition to the Monthly Flat Rate Meter Service Charge as noted above, there shall also be a Monthly Water Usage Charge based on each 1,000 gallons of metered domestic water usage.

<u>Customer Classification</u>	<u>Step 1 (effective upon approval)</u>	<u>Step 2 (effective 6 months after the effective date of Step 1)</u>	<u>Step 3 (effective 6 months after the effective date of Step 2)</u>	<u>Step 4 (effective 6 months after the effective date of Step 3)</u>
<u>Residential</u>				
0 to 50,000	\$4.51	\$4.34	\$4.17	\$4.00
50,001 to 100,000	\$5.01	\$5.34	\$5.67	\$6.00
100,001 to 300,000	\$5.51	\$6.34	\$7.17	\$8.00
Over 300,000	\$6.01	\$7.34	\$8.67	\$10.01
<u>Multi Group I</u>				
0 to 50,000	\$3.99	\$4.00	\$4.00	\$4.00
50,001 to 100,000	\$4.49	\$5.00	\$5.50	\$6.00
100,001 to 300,000	\$4.99	\$6.00	\$7.00	\$8.00
Over 300,000	\$5.50	\$7.00	\$8.50	\$10.01

Multi Group II

0 to 50,000	\$3.68	\$3.78	\$3.89	\$4.00
50,001 to 100,000	\$4.18	\$4.78	\$5.39	\$6.00
100,001 to 300,000	\$4.68	\$5.78	\$6.89	\$8.00
Over 300,000	\$5.18	\$6.79	\$8.40	\$10.01

Multi Group III

0 to 50,000	\$4.55	\$4.36	\$4.18	\$4.00
50,001 to 100,000	\$5.05	\$5.36	\$5.68	\$6.00
100,001 to 300,000	\$5.55	\$6.36	\$7.18	\$8.00
Over 300,000	\$6.05	\$7.37	\$8.69	\$10.01

Multi Group IV

0 to 50,000	\$4.04	\$4.02	\$4.01	\$4.00
50,001 to 100,000	\$4.54	\$5.02	\$5.51	\$6.00
100,001 to 300,000	\$5.04	\$6.02	\$7.01	\$8.00
Over 300,000	\$5.54	\$7.03	\$8.52	\$10.01

Multi Group V

0 to 50,000	\$3.74	\$3.82	\$3.91	\$4.00
50,001 to 100,000	\$4.24	\$4.82	\$5.41	\$6.00
100,001 to 300,000	\$4.74	\$5.82	\$6.91	\$8.00
Over 300,000	\$5.24	\$6.83	\$8.42	\$10.01

The Commission will investigate whether the proposals in LWC's Application, including revisions to its rates/charges and rate design, are just and reasonable. The total revenue requirement for the 2020 calendar test year will not exceed the \$1,717,970 amount over revenues at present rates for potable water distribution services or the \$206,372 amount over revenues at present rates for non-potable water distribution services that LWC requests. However, the increase in rates and charges to be finally approved by the Commission, if any, may be higher or lower than LWC's proposed rates and charges noted herein.



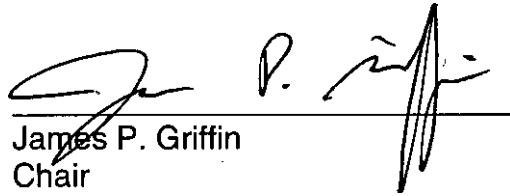
At the public hearing, the Commission will receive in-person testimony from the general public regarding LWC's Application and proposed general rate increase and revised rate schedules and tariff changes, pursuant to HRS §§ 269-12(c) and 269-16(f). All interested persons are invited to attend the public hearing to state their views on LWC'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](mailto:puc.comments@hawaii.gov). Written statements should reference Docket No. 2019-0386 and include the author's name and the entity or organization that the author represents, if any.

A copy of LWC's Application is available for public review through the Commission's electronic Document Management System, accessible at <http://dms.puc.hawaii.gov/dms/>, Docket Quick Link 2019-0386. In addition, copies of LWC's Application are also available for review by contacting the Commission's Maui office, (808) 984-8182, or the Department of Commerce and Consumer Affairs, 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 16, Chapter 601.

A motion to intervene or participate in this proceeding shall be filed with the Commission's Honolulu Office by March 26, 2020.



James P. Griffin  
Chair

Honolulu-Star Advertiser: February 21 and 28, 2020; March 6 and 14, 2020.  
Maui News: February 21 and 28, 2020; March 6 and 14, 2020.