



# **Lāna'i Water Company, Inc. Rate Case Application FAQs**

## **Q. Why is Lāna'i Water Company, Inc. ("LWC") filing a rate case application?**

A. LWC was required to file a rate case application as one of the conditions of the sale of LWC's potable and non-potable water facilities from Castle & Cooke to Pūlama Lāna'i in 2013. LWC needs to become an economical and self-sustaining water utility in order to provide reliable water distribution service that meets government regulations. The current authorized rates are not sufficient to recover the annual operating costs that LWC incurs to provide its services, resulting in annual losses of over \$1 million. LWC's proposed rate increase is necessary to keep up with rising operating costs and to cover the necessary existing operating expenses it incurs.

## **Q. Why is LWC filing its rate case application now?**

A. As part of the 2013 sale regulatory requirements (Docket No. 2012-0157), Pūlama Lāna'i was first required to complete a \$10 million investment to improve both the water and wastewater utilities by April 2019, and LWC was then required to file a rate case with the State of Hawai'i Public Utilities Commission (PUC) by no later than the end of 2019. LWC will not recover the \$10 million investment.

## **Q. What type of water distribution services does LWC provide on the island of Lāna'i?**

A. LWC currently provides potable (drinking) water distribution services to approximately 1,500 single and multi-family residential, commercial, agricultural and recreational customers in the Lāna'i City and the Mānele areas. In addition, LWC also provides non-potable (brackish) water distribution services to approximately 50 single and multi-family residential and commercial customers in the Mānele area.

## **Q. When did the PUC authorize LWC's existing potable and non-potable water distribution rates?**

A. The PUC authorized LWC to charge the current potable water distribution rates in 1996, and these rates have not been adjusted for approximately 25 years. The current non-potable water distribution rates for service in the Mānele area were authorized to be charged in 2009, and have not been adjusted in over a decade.

## **Q. What is the anticipated monthly bill impact for an average single family household based on the potable water distribution rate increase proposed by LWC in the recently filed rate application?**

A. Currently, an average single family household using 7,500 gallons per month pays \$10.75 per month for potable water service. If approved by the PUC, such single family household will pay \$28.73 per month following a 4 step increase (18 months after PUC approval of the rates).

**Q. Why is LWC proposing to provide a potable water agricultural rate?**

A. LWC is seeking to establish a new Agricultural Potable Water Rate (also known as an ag rate) for those "bona fide" agricultural customers in LWC's potable water service territory who can, among other things, certify that they are performing agricultural activities consistent with the requirements set forth under State law.

**Q. How did LWC determine the proposed potable and non-potable water distribution rates?**

A. LWC retained experienced rate case consultants who have worked on rate cases for other small water utilities in the State. The consultants determined the increase necessary to recover LWC's operating costs and the costs of providing service to customers in each customer class.

**Q. Is it reasonable to compare the rates charged by LWC to the rates charged by other privately owned water utilities regulated in the State of Hawaii?**

A. No, the rates charged by each privately owned water utilities regulated by the PUC should not be compared to one another since each utility incurs differing levels of operating costs and the customer base over which the utility recovers its operating costs differ. It is not an apples to apples comparison.

**Q. How do LWC's water rates compare to the County of Maui's water rates?**

A. The water rates of large municipalities such as the County of Maui differ from the rates charged by a small private water company such as LWC due to the differing costs and size of customer base. As a point of reference, County of Maui rates for monthly water usage for a single family household using 7,500 gallons results in a monthly bill of \$39.80 vs. \$28.73 for a monthly bill under LWC's proposed rates (28% less).

**Q. Why didn't LWC seek smaller rate increases more frequently?**

A. The PUC required LWC's current owner, Pūlama Lāna'i, to meet certain conditions before seeking a rate increase. One condition included the \$10 million infrastructure investment, which was completed in April 2019. Once this rate case is complete, LWC intends to file for rate increases when needed. LWC is not able to provide an explanation as to why the previous owner did not file any rate cases prior to Pūlama Lāna'i assuming control of LWC in 2013.

**Q. Who ultimately decides whether the proposed rate increase is approved?**

A. Since LWC is a public utility regulated by the PUC, the PUC will decide on the proposed rates and other requests noted in the rate case application. In addition, the Division of Consumer Advocacy, which is a separate and independent state agency established to protect and represent all customer interests before the PUC, will participate in the rate case proceeding. This dual review process ensures that any rate request before the PUC is thoroughly and carefully reviewed to make sure the request and its components are reasonable and in the best interest of the utility and its customers.

**Q. Where can I view the LWC rate case application?**

A. The application and subsequent filings in the proceeding can be viewed on the PUC's website at: <https://dms.puc.hawaii.gov/dms/>. Under Docket Search, search for Docket No. 2019-0386.

The application is available for review at LWC's website at: <https://www.lanaiwatercompany.com>.

The application is also be available for review during business hours at LWC's office at 949 Lanai Avenue, Lanai City, HI 96763.

In addition, 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

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

**Q. Where can I submit comments about the rate filing?**

A. Public comments can be submitted on the PUC website at: <https://puc.hawaii.gov/contact/public-comments/>. Under Docket Number, use 2019-0386.

Comments can also be submitted in writing via USPS mail:

State of Hawaii Public Utilities Commission  
465 South King Street, #103  
Honolulu, Hawaii 96813

**Q. Will there be a public hearing on this proposed rate increase?**

A. Yes, the PUC will schedule a public hearing on the application sometime this year. The date, time, and location has not been determined yet, but both the PUC and LWC will notify customers of this information via the newspaper and customer notices.