

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of )  
 )  
HAWAII WATER SERVICE COMPANY, INC. ) Docket No. 2022-0186  
 )  
For Approval of a General Rate Increase For )  
Its Pukalani Wastewater Division and Certain )  
Tariff Changes )  
 )  
\_\_\_\_\_ )

**APPLICATION**

**EXHIBITS HWSC 1 through HWSC 14**

**EXHIBIT HWSC-T-100 through HWSC-T-301**

**CONFIDENTIALITY LOG**

**and**

**VERIFICATION**

**CERTIFICATE OF SERVICE**

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Attorneys for Applicant  
HAWAII WATER SERVICE COMPANY,  
INC.

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In the Matter of the Application of )  
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**APPLICATION**

1  
2  
3  
4 HAWAII WATER SERVICE COMPANY, INC. (“**Hawaii Water**” or “**Applicant**”),  
5 by and through its attorneys, Watanabe Ing LLP, pursuant to Hawaii Revised Statutes  
6 (“HRS”) § 269-16, as amended, and Hawaii Administrative Rules (“HAR”) Title 16,  
7 Chapter 601, hereby submits this application (“Application”) requesting that the Hawaii  
8 Public Utilities Commission (“Commission”):

9 1. Determine this Application to be complete, pursuant to HRS § 269-16 and  
10 HAR § 16-601-87;

11 2. Conduct a public hearing on the island of Maui to consider this Application  
12 in accordance with HRS §§ 269-12 and 269-16, and HAR § 16-601-30;

13 3. Find that Applicant’s present rates for its customers are unjust and  
14 unreasonable, and will neither allow Applicant to recover all of its reasonably incurred  
15 expenses nor allow Applicant a reasonable opportunity to earn a fair return on its  
16 prudently incurred investments in utility property;

17 4. Approve, pursuant to HRS § 269-16, the sewer rates and charges proposed  
18 by Applicant as set forth in Exhibit HWSC 5, and authorize Applicant to put into effect  
19 the proposed rates after the date of authorization by the Commission;

20 5. Waive the requirement under HAR § 16-601-75 for audited financial  
21 statements and accept Applicant's unaudited financial statements filed herein;

22 6. Conduct this proceeding pursuant to HRS § 269-16(d), as amended, and  
23 complete its deliberations and issue a decision and order within nine (9) months  
24 following the filing of a complete Application, pursuant to HRS § 269-16(d), as  
25 amended;

26 7. Approve the proposed tariff changes including, without limitation, the  
27 applicable revised rate schedules as set forth in Exhibit HWSC 5, and supported by the  
28 applicable testimonies/exhibits, as previously discussed; and

29 8. Grant such other relief, including any interim rate increase, as may be just  
30 and reasonable under the circumstances.

31 In support of this Application, Applicant provides the following information:

32 I.

33 **COMMUNICATIONS REGARDING THIS APPLICATION**

34 All pleading, correspondence and communications regarding this Application  
35 should be addressed as follows:

36 JEFFREY T. ONO  
37 DAVID Y. NAKASHIMA  
38 KENDRICK S. CHANG  
39 Watanabe Ing LLP  
40 999 Bishop Street, Suite 1250  
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43 Emails: [jono@wik.com](mailto:jono@wik.com)  
44 [dnakashima@wik.com](mailto:dnakashima@wik.com)  
45 [kchang@wik.com](mailto:kchang@wik.com)  
46

47 **II.**

48 **DESCRIPTION AND BACKGROUND OF APPLICANT**

49 Hawaii Water is a Hawaii limited liability company with its business offices at 68 -  
50 1845 Waikoloa Rd., Unit 216, Waikoloa, Hawaii 96738, and its legal offices at 1720  
51 North First Street, San Jose, California 95112. Hawaii Water is a public utility that holds  
52 a CPCN to provide wastewater collection and treatment services in Pukalani, Maui.<sup>1</sup>

53 Hawaii Water's current Pukalani service territory includes approximately 1,009  
54 residential and commercial customers, located on the lower slopes of Haleakala.

55 Hawaii Water's Pukalani residential customer base consists of single-family dwellings  
56 and multi-family dwellings. There are approximately 784 single family customers and 6  
57 multi-family customers consisting of approximately 207 units. Hawaii Water's 18  
58 commercial customers include two shopping centers, a park, pool, County of Maui  
59 community center, and two schools (one a public elementary school). In addition,  
60 Pukalani's service territory includes the Kauhale Lani residential subdivision.

61 Hawaii Water's Pukalani system includes a network of sewer and force mains,  
62 including two sewage pump stations, to collect the wastewater, and a wastewater  
63 treatment plant (the "WWTP"). The WWTP produces R-1 quality effluent. The treated  
64 effluent is discharged into a two million gallon pond. The effluent is then pumped to the

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<sup>1</sup> Pursuant to the Decision and Order filed on June 12, 2008, in Docket No. 2007-0238, the Commission approved the transfer of Pukalan I STP., Ltd.'s ("Pukalani STP") CPCN to Hawaii Water.

65 adjacent Pukalani Country Club Golf Course for irrigation use. Hawaii Water is not  
66 proposing to increase its effluent rate in this proceeding.

67 Applicant also holds a CPCN to provide water service in Ka`anapali, Maui,<sup>2</sup> a  
68 CPCN to provide wastewater collection and treatment service in Pukalani, Maui,<sup>3</sup> and a  
69 CPCN to provide potable and non-potable water service and wastewater collection  
70 service in Kapalua, Maui.<sup>4</sup> Hawaii Water owns all the stock of Waikoloa Water  
71 Company, Inc., dba West Hawaii Water Company (“WHWC”), Waikoloa Sanitary Sewer  
72 Company, Inc., dba West Hawaii Sewer Company (“WHSC”), and Waikoloa Resort  
73 Utilities, Inc., dba West Hawaii Utility Company (“WHUC”), which provide water and  
74 wastewater services in the Waikoloa Village and Waikoloa Beach Resort areas in South  
75 Kohala on the island of Hawaii.<sup>5</sup> Hawaii Water also owns Kona Water Service  
76 Company, Inc. (“KWSC”), which provides water and wastewater services to certain  
77 areas in Kona on the island of Hawaii, and Kalaeloa Water Company, LLC, which  
78 provides water and wastewater services in Kalaeloa on the island of Oahu.<sup>6</sup> Further, on  
79 June 24, 2022, the Commission approved, subject to certain conditions, the sale and  
80 transfer of HOH Utilities, LLC’s (“HOH”) wastewater utility assets in Poipu, Kauai to

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<sup>2</sup> See Docket No. 3700, Decision and Order No. 6230, filed June 9, 1980.

<sup>3</sup> Pursuant to the Decision and Order filed on June 12, 2008, in Docket No. 2007-0238, the Commission approved the transfer of Pukalani STP Co., Ltd.’s (“Pukalani STP”) CPCN to Hawaii Water. The Commission also approved financing arrangements for the replacement of Pukalani STP’s wastewater treatment plant in order to accommodate the planned growth in the service area and to provide existing customers with reliable service.

<sup>4</sup> See Decision and Order No. 37822 in Docket No. 2020-0086.

<sup>5</sup> See Docket No. 2008-0018, Decision & Order, issued August 20, 2008, at 25-27.

<sup>6</sup> See Docket No. 2008-0109, Decision & Order, issued December 1, 2008, at 24-27; Docket No. 2019-0144. Decision & Order No. 37325. issued September 2, 2020, at 39.

81 Hawaii Water.<sup>7</sup> On October 11, 2022, the Commission also approved, subject to certain  
82 conditions, the sale and transfer of Keauhou Community Services, Inc.'s ("KCSI")  
83 wastewater utility assets in the Keauhou area of North Kona, Hawaii to Hawaii Water.<sup>8</sup>

84 Applicant is a wholly-owned subsidiary of California Water Service Group  
85 ("CWSG"), a holding company incorporated in Delaware which is traded on the New  
86 York Stock Exchange under the symbol "CWT." CWSG has provided high-quality water  
87 utility services through its subsidiaries since 1926. Besides Hawaii Water, CWSG's  
88 operating subsidiaries include California Water Service Company (water and  
89 wastewater service), New Mexico Water Service Company (water and wastewater  
90 services), Texas Water Service Company (wastewater service), Washington Water  
91 Service Company (water and wastewater services), and CWS Utility Services, a non-  
92 regulated subsidiary, and HWS Utility Services LLC, a nonregulated subsidiary. CWSG  
93 is a public company traded on the New York Stock Exchange under the symbol "CWT."  
94 CWSG's audited financial statements are available on the SEC's website.

### 95 III.

#### 96 **BACKGROUND AND DESCRIPTION OF RATE RELIEF REQUESTED**

##### 97 A. **Rate Relief Requested**

98 In accordance with HAR § 16-601-88(3), Applicant seeks the review and  
99 approval of the Commission for a January 1, 2023 through December 31, 2023 test year  
100 ("2023 Test Year" or "Test Year") overall net revenue increase of \$573,245 for its

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<sup>7</sup> See Docket No. 2021-0147, Decision & Order No. 38447, filed on June 24, 2022, at 54-55. As of the date of this Application, the sale and transfer of HOH's assets to Hawaii Water has not closed yet.

<sup>8</sup> See Docket No. 2021-0160, Decision and Order No. 38648, filed on October 11, 2022. The sale and transfer of KCSI's assets to Hawaii Water closed on December 15, 2022.

101 wastewater service. See Exhibit HWSC 6 (Line 10, column 2). This amounts to an  
102 approximate 39.53% increase from the pro forma revenue amount of \$1,449,970 at  
103 present rates for the 2023 Test Year, as shown on Exhibit HWSC 6 (Line 10, column 1),  
104 attached hereto and as further described in the testimony of Robert Stout (“Mr. Stout”).  
105 See Exhibit HWSC T-100. If approved, the proposed revenue increase will provide  
106 Applicant with a 7.48% overall rate of return on its prudently incurred system  
107 improvements. See Exhibit HWSC 10.

108 **B. Justification for Rate Relief Requested**

109 Applicant’s current rates do not now and will not in the foreseeable future  
110 produce sufficient revenues to allow it a reasonable opportunity to earn a fair rate of  
111 return on its prudently incurred investment. For calendar year 2021, Applicant had  
112 revenues of approximately \$1,394,523 and a -6.08% rate of return for its wastewater  
113 service. See Exhibit HWSC 9. For the 2023 Test Year, Applicant projects revenues of  
114 approximately \$1,449,970 and a -2.14% rate of return at present rates for its  
115 wastewater service. See Exhibit HWSC 6.

116 Moreover, Applicant has made significant capital improvements and plans to  
117 make additional capital improvements in the Test Year. These capital improvements,  
118 which are prudent and necessary to meet the current needs of Applicant’s customers,  
119 are discussed in the testimony of Mr. Julian Gandara in Exhibit HWSC-T-301.

120 In sum, the Commission’s approval of Applicant’s proposed revenue increase  
121 and revised rates will allow Applicant to earn a fair and reasonable return on its  
122 prudently incurred costs for utility assets that are used and useful for providing

123 wastewater service to its customers.

124 **IV.**

125 **NOTICE OF INTENT**

126 On September 12, 2022, Applicant filed its notice of intent to file its application  
127 after the expiration of two months (“Notice of Intent”), initiating this rate case proceeding  
128 in Docket No. 2022-0186, and served copies of the Notice of Intent on the Consumer  
129 Advocate and the Mayor of the City and County of Maui, pursuant to HAR § 16-601-  
130 85(a).

131 **V.**

132 **PRESENT AND PROPOSED RATES/RATE DESIGN**

133 The rates currently being charged by Applicant are set forth in Exhibit HWSC 4.  
134 Applicant respectfully requests Commission approval to charge the rates in the  
135 proposed schedule set forth in Exhibit HWSC 5. All of the requested rates are greater  
136 than Applicant's current rates. In addition to reflecting and passing through to  
137 customers increased costs to Applicant, the proposed increase reflects a reasonable  
138 rate of return of 7.48% on Applicant's prudently incurred system improvements, as  
139 discussed in Section III.A of the Application.

140 If Applicant's request for a rate increase is approved, its rates and charges would  
141 generate an additional \$573,245 in annual revenues for the Test Year.

142 Pursuant to HAR § 16-601-88, a comparison of the present and proposed  
143 rates/charges for Applicant's wastewater services (expressed in both dollars and by  
144 percentage for each class, to the extent applicable) are reflected in Exhibit HWSC 4 and  
145 5, respectively, and shown in the below table:



Monthly Sewer Fees	Present Rates	Proposed Rate Phase-in			
		Year 1		Year 2	
Residential	\$ 79.08	\$ 90.73	14.7%	\$ 102.76	13.3%
Commercial					
Fixed Charge by meter size					
5/8"	\$ 16.12	\$ 19.34	20.0%	\$ 22.49	16.3%
3/4"	\$ 16.12	\$ 19.34	20.0%	\$ 22.49	16.3%
1"	\$ 32.24	\$ 38.69	20.0%	\$ 44.99	16.3%
1 1/2"	\$ 48.36	\$ 58.03	20.0%	\$ 67.48	16.3%
2"	\$ 80.60	\$ 96.72	20.0%	\$ 112.47	16.3%
3"	\$ 274.05	\$ 328.85	20.0%	\$ 382.38	16.3%
4"	\$ 274.05	\$ 328.85	20.0%	\$ 382.38	16.3%
6"	\$ 274.05	\$ 328.85	20.0%	\$ 382.38	16.3%
Quantity Rate	\$ 15.2574	\$22.8418	49.7%	\$29.8497	30.7%
Public Authority					
Government/Education					
	Same as Commercial				
Government/Recreation	\$ 288.38	\$ 346.06	20.0%	\$ 402.39	16.3%
Effluent	\$ 0.55	\$ 0.55	0.0%	\$ 0.55	0.0%

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**VI.**

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**FINANCIAL INFORMATION AND DESCRIPTION OF EXHIBITS**

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In accordance with HAR §§ 16-601-86 and 16-601-88,<sup>9</sup> Applicant hereby files

150

and incorporates by reference the following exhibits:

Exhibit HWSC 1      General Description of Applicant's Property, Plant and Equipment

Exhibit HWSC 2      Financial Statements

Schedules

A. Amount and kinds of stock authorized by articles of incorporation and amount outstanding.

<sup>9</sup> As previously discussed, because Applicant has annual gross operating revenues of less than \$2,000,000, the requirements set forth in HAR § 16-601-88 are applicable to this Application.

- B. Terms of preference of preferred stock, whether cumulative or participate or on dividends of assets, or otherwise.
- C. Description of each security agreement, mortgage, and deed of trust on HWSC's property.
- D. Unaudited Financial Statements for the year ended December 31, 2021.
- E. Unaudited Financial Statements for the period ended September 30, 2022.
- F. Amount of bonds authorized and issued.
- G. Each note outstanding.
- H. Other indebtedness.
- I. Rate and amount of dividends paid during the five previous calendar years.
- J. The total earnings results for the total utility operations of Applicant. The earnings for the Pukalani service area are shown on Exhibits 6 and 8.
- K. Options Elected by HWSC in computing deferred taxes, investment tax credits, etc. in determining federal income tax payments.
- L. CWSG's last annual report to stockholders is available on its website, and is incorporated by reference.
- M. CWSG's last proxy statement sent to stockholders is available on its website, and is incorporated by reference.
- N. The latest form 10(k), Annual Report filed with the Securities and Exchange Commission is available on its website, and is incorporated by reference.
- O. Statement regarding whether or not the increase reflects and passes through to customers only increased costs to the Applicant for the services or commodities furnished by it.

Exhibit HWSC 3	Applicant's Property and Equipment and Accumulated Depreciation.
Exhibit HWSC 4	Present Rate Schedule
Exhibit HWSC 5	Proposed Rate Schedule
Exhibit HWSC 6	Rate of Return Summary at Present and Proposed Rates Pro Forma for the Test Year Ended December 31, 2023
	Exhibit HWSC 6.1 Revenue Requirement Support
Exhibit HWSC 7	Average Rate Base 2023 Test Year
	Exhibit HWSC 7.1 Plant in Service
	Exhibit HWSC 7.2 Plant in Service Additions (2022 – 2023)
	Exhibit HWSC 7.3 Accumulated Depreciation
	Exhibit HWSC 7.4 Depreciation Expense (Book)
	Exhibit HWSC 7.5 Accumulated Depreciation and Depreciation Expense Detail
	Exhibit HWSC 7.5.1 Accumulated Depreciation and Depreciation Expense Detail (No Cost of Removal)
	Exhibit HWSC 7.6 Allocated Plant Detail (Hawaii Water GO)
	Exhibit HWSC 7.7 Allocated Plant Detail (Maui)
	Exhibit HWSC 7.8 Contributions in Aid of Construction
	Exhibit HWSC 7.9 Amortization of Contributions in Aid of Construction
	Exhibit HWSC 7.10 Accumulated Deferred Income Taxes – Federal
	Exhibit HWSC 7.11 Accumulated Deferred Income Taxes – Federal (detail)

	Exhibit HWSC 7.12	Accumulated Deferred Income Taxes – State
	Exhibit HWSC 7.13	Accumulated Deferred Income Taxes – State (detail)
	Exhibit HWSC 7.14	Hawaii Capital Goods Excise Tax Credit
	Exhibit HWSC 7.15	Working Cash
Exhibit HWSC 8		Test Year Pro Forma Historical Summary
	Exhibit HWSC 8.1	Revenue Summary
	Exhibit HWSC 8.2	Sales and Production
	Exhibit HWSC 8.3	Inflation Factors
	Exhibit HWSC 8.4	Four-Factor Allocation
	Exhibit HWSC 8.5	Labor
	Exhibit HWSC 8.6	Fuel & Power
	Exhibit HWSC 8.7	Power Cost Charge
	Exhibit HWSC 8.8	Chemicals
	Exhibit HWSC 8.9	Materials & Supplies
	Exhibit HWSC 8.10	Waste/Sludge Disposal
	Exhibit HWSC 8.11	Affiliated Charges
	Exhibit HWSC 8.12	Outside Services
	Exhibit HWSC 8.13	Repairs and Maintenance
	Exhibit HWSC 8.14	Rental Expenses
	Exhibit HWSC 8.15	Insurance Expenses
	Exhibit HWSC 8.16	Regulatory Expenses
	Exhibit HWSC 8.17	Regulatory Expenses (Historical)

	Exhibit HWSC 8.18	General & Administrative Expenses
	Exhibit HWSC 8.19	Customer Accounts Expenses
	Exhibit HWSC 8.20	Taxes Other Than Income Taxes
	Exhibit HWSC 8.21	Income Taxes
Exhibit HWSC 9	Results of Operations Pro Forma December 31, 2021 at Present and Proposed Rates. Results of operations for calendar year 2019, 2020, and the test year are included on Exhibit 6 and 8.	
Exhibit HWSC 10	Rate of Return	
Exhibit HWSC 11	Phase-In Schedule	
Exhibit HWSC 12	Rate Design	
Exhibit HWSC 13	Rate Design Phase-in Year 1	
Exhibit HWSC 14	Rate Design Phase-in Year 2	
Exhibit HWSC T-100	Testimony of Robert Stout	
	Exhibit HWSC-T-101	Quote to Perform Audit of Financial Statements
	Exhibit HWSC-T-102	Testimony of David Healey
	Exhibit HWSC-T-103	PLR – 111389-21
	Exhibit HWSC-T-104	Schedule of Excess Net Deferred Tax Liabilities
	Exhibit HWSC-T-105	PLR – 148310-13
	Exhibit HWSC-T-106	PLR – 119381-16
	Exhibit HWSC-T-107	TCJA Surcredit
	Exhibit HWSC-T-108	COVID-19 Surcharge
	Exhibit HWSC-T-109	Tariff No. 1 – Clean Version
	Exhibit HWSC-T-110	Tariff No. 1 – Redlined Version

Exhibit HWSC T-200 Testimony of Anthony Carrasco

Exhibit HWSC T-300 Testimony of Julian Gandara

Exhibit HWSC-T-301 Capital Project Justifications

151

152 Pursuant to HAR § 16-601-92, Applicant respectfully requests that its unaudited  
153 financial statements (Exhibit HWSC 2, Schedules D and E) submitted with this  
154 Application be accepted in lieu of audited financial statements. Because Applicant is a  
155 small utility, requiring Applicant to file audited financial statements would result in a  
156 hardship. CWSG, Hawaii Water’s ultimate parent company, has received an estimate  
157 of approximately \$270,000 for its auditor, Deloitte & Touche, LLP, to conduct an  
158 independent audit of HWSC (Exhibit HWSC-T-101). If the Commission orders the  
159 financial statements to be routinely audited, Applicant will need additional expense  
160 recovery in rates to support that effort. CWSG is regularly audited by Delloitte &  
161 Touche, LLP. A copy of CWSG’s latest annual report showing audited financial  
162 statements is available on CWSG’s website,<sup>10</sup> and is incorporated herein by reference.

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## VII.

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### **PROPOSED TARIFF CHANGES**

165 Applicant also requests Commission approval of certain proposed revisions to its  
166 Tariff No. 1 (the “Tariff”). Applicant proposes to add a surcredit and surcharge and  
167 these proposed changes are described in the Testimony of Robert Stout (Exhibit  
168 HWSC-T-100) and the clean and redlined versions of the proposed revised Tariff pages,

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<sup>10</sup> See California Water Service Group, Annual Report (Form 10-K) (Feb. 24, 2022), available at <https://ir.calwatergroup.com/static-files/3fe1a55a-c95c-4c0c-a4cf-087b28bbba51>.

169 which are attached as Exhibit HWSC-T-109 (Tariff No. 1 Clean) and Exhibit HWSC-T-  
170 110 (Tariff No. 1 Redlined).

171 **VIII.**

172 **CONCLUSION**

173 WHEREFORE, Applicant respectfully prays as follows:

174 1. That this Application be deemed a complete Application under HRS  
175 § 269-16(f) and HAR § 16-601-88;

176 2. That a public hearing be conducted on the island of Maui to consider this  
177 Application, in accordance with HRS § 269-12, HRS § 269-16, and HAR § 16-601-30;

178 3. That the Commission find that Applicant's present rates for its customers  
179 are unjust and unreasonable and will not allow Applicant to recover all of its reasonably  
180 incurred expenses, nor allow Applicant to earn a fair return on its prudently incurred  
181 investments in utility property;

182 4. That the Commission approve, pursuant to HRS § 269-16, the applicable  
183 sewer rates proposed by Applicant as set forth above and in Exhibit HWSC 5 of this  
184 Application, and authorize Applicant to put into effect the respective proposed rates  
185 after the date of authorization by this Commission;

186 5. That the Commission waive the requirement under HAR § 16-601-75 for  
187 audited financial statements and accept Applicant's unaudited financial statements filed  
188 herein;

189 6. That the Commission conduct this proceeding pursuant to HRS  
190 § 269-16(d), as amended, and complete its deliberations and issue a decision and order  
191 within nine (9) months following the filing of a complete Application, pursuant to HRS

192 § 269-16(d), as amended;

193 7. That the Commission approve the proposed tariff changes including,  
194 without limitation, the applicable revised rate schedules as set forth in Exhibit HWSC 5,  
195 and supported by the applicable testimonies/exhibits, as previously discussed; and

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

198 DATED: Honolulu, Hawaii, December 30, 2022.

199

200 /s/ David Y. Nakashima  
201 JEFFREY T. ONO  
202 DAVID Y. NAKASHIMA  
203 KENDRICK S. CHANG

204  
205 Attorneys for Applicant  
206 HAWAII WATER SERVICE COMPANY, INC.



## **Hawaii Water Service Company, Pukalani Wastewater System**

### **General Description of Property and Equipment**

Hawaii Water Service Company Inc. (“HWSC”) is a wholly owned subsidiary of California Water Service Group, a holding company incorporated in Delaware. HWSC owns and operates several water systems throughout Maui and the Big Island, including waste water service in Pukalani, Maui. HWSC provides wastewater service to residential and commercial developments in its Pukalani service territory, which consists of several small businesses, two public schools, a community center, a golf course, and residential homes. The Maui office of HWSC is located at 2010 Honoapiilani Highway, Lahaina, Hawaii 96761.

HWSC’s Pukalani wastewater system is comprised of a collection system and a waste water treatment plant (“WWTP”). The collection system consists of approximately 10 miles of gravity collection line with associated manholes. The collection system also has two pumping stations, Lift Stations #1 and #2, with 2,000 feet of force main and associated valves. Both lift stations have emergency backup power generators. The treatment technology of the WWTP is flat-plate membrane bioreactor activated sludge. This type of membrane facility is particularly suited for applications where the footprint of the facility is a major factor in the overall design. Not only does the flat-plate membrane have the smallest footprint of equal-capacity membrane facilities, but it also is easily expanded by simple installation of additional membrane cassettes and minimal equipment without construction of additional tanks. The WWTP is currently designed to treat flows up to 200,000 gallons per day (“gpd”) with an option to expand to 400,000 gpd.

The facility includes a duplicate fine screen process, an equalization basin, and a waste activated sludge storage basin. The duplicate treatment trains consist of pre-anoxic, pre-aeration, and membrane filtration basins followed by ultraviolet disinfection before discharge to a storage pond. Waste activated sludge is dewatered in a

belt press before disposal at the County's composting operation. Effluent is disposed of in an effluent pond and is used for irrigation.

The equalization basin and pre-anoxic basins are equipped with associated pumps and/or mixers. The equalization, waste activated sludge, pre-aeration and membrane basins are equipped with aeration systems that diffuse oxygen into the basins for growth of the microorganisms and mixing of the basins. Each of the two (2) membrane bioreactor basins are equipped with three (3) filtration cassettes that each contain 200 flat-plate filtration membranes. Recycled water flows through the membranes by gravity during normal operation. Backup recycle water pumps are provided to temporarily assist filtration if necessary.

A common equipment room houses the blowers for the various aeration systems, back-up recycle water pumps, ultraviolet disinfection units, recycled water reuse pumps and a membrane cleaning system. A portion of the equipment room is enclosed for temperature control and contains electrical distribution equipment, motor control centers and the facility programmable logic controller.

Hawaii Water Service Company, Inc.  
Amount and Kinds of Stock Authorized by  
Articles of Incorporation and Amount Outstanding

<u>Description</u>	<u># of Shares Authorized</u>	<u># of Shares Issued</u>	<u>PAR Value Per Share</u>	<u>Total PAR Value</u>
Preferred Stock	None	None	N/A	N/A
Common Stock*	1000	1000	\$1.00	\$1,000.00

\*All shares of stock are owned by California Water Service Group

**Hawaii Water Service Company, Inc.**  
**Terms of Preference of Preferred Stock, Whether Cumulative of**  
**Participate or on Dividends of Assets, or Otherwise**

None

**Hawaii Water Service Company, Inc.**  
**Description of Each Security Agreement, Mortgage, and Deed of Trust**

None

**HAWAII WATER SERVICE CO.**  
**(PUKALANI)**  
**BALANCE SHEET**  
**FOR YEAR ENDED DECEMBER 31, 2021**

<u>ACCOUNT NUMBER</u>	<u>ASSETS &amp; OTHER DEBITS</u>	<u>BALANCE 12/31/2021</u>
	<u>UTILITY PLANT</u>	
303.	Land	65,185
101.	Utility Plant in Service	15,599,582
105.	Construction Work in Progress	16,788
108.	Accum. Depreciation of Utility Plant in Service	<u>(2,863,301)</u>
	Total Utility Plant Less Reserves	12,818,253
	<u>OTHER PROPERTY &amp; INVESTMENTS</u>	
121.	Nonutility Property	25,833
122.	Accum. Depreciation of Nonutility Plant	<u>0</u>
	Total Other Property & Investments	25,833
	<u>CURRENT &amp; ACCRUED ASSETS</u>	
131.	Cash	(1,917)
141.	Customer Accounts Receivable	87,243
142.	Accounts Receivable Other	0
143.	Accum. Provision for Uncollectible Accts - Contra	(44,303)
145.	Accounts Receivable From Associated Companies	3,283
151.	Other Materials & Supplies	76,597
162.	Prepayments	16,287
173.	Accrued Utility Revenues	16,998
174.	Miscellaneous Other Assets	<u>0</u>
	Total Current & Accrued Assets	154,187
	<u>DEFERRED DEBITS</u>	
184.	Clearing Accounts	0
186.	Miscellaneous Deferred Debits	<u>11,435</u>
	Total Deferred Debits	11,435
	<b>TOTAL ASSETS &amp; OTHER DEBITS</b>	<b><u>13,009,708</u></b>

**HAWAII WATER SERVICE CO.**  
**(PUKALANI)**  
**BALANCE SHEET**  
**FOR YEAR ENDED DECEMBER 31, 2021**

<u>ACCOUNT NUMBER</u>	<u>EQUITY CAPITAL &amp; LIABILITIES</u>	<u>BALANCE 12/31/2021</u>
	<u>STOCKHOLDER'S EQUITY</u>	
201.	Common Stock	5,164,208
211.	Other Paid-In-Capital	0
215.	Unappropriated Retained Earnings	(325,817)
435.	Balance Transferred from Income	(150,448)
438.	Dividends Declared - Common Stock	0
	Total Stockholder's Equity/(Deficit)	4,687,942
	<u>LONG TERM DEBT</u>	
223.	Advances from Associated Companies	2,460,800
224.	Other Long Term Debt	0
	Total Long Term Debt	2,460,800
	<u>CURRENT &amp; ACCRUED LIABILITIES</u>	
231.	Accounts Payable	9,923
233.	Accounts Payable to Associated Companies	2,935,819
234.	Notes Payable to Associated Companies	0
225.	Capitalized Lease Obligation	0
236.	Accrued Taxes Payable	143
239.	Matured Long Term Debt	0
241.	Other Liabilities	115,080
	Total Current & Accrued Liabilities	3,060,966
	<u>DEFERRED CREDITS</u>	
252.	Advances for Construction	0
253.	Other Deferred Credits	0
	Total Deferred Credits	0
	<u>OPERATING RESERVES</u>	
265.	Misc. Operating Reserves	0
	<u>CONTRIBUTIONS IN AID OF CONSTRUCTION</u>	
271.	Contributions in Aid of Construction	2,800,000
272.	Accum. Amortization of CIAC	0
	Total Contributions in Aid of Construction - Net	2,800,000
	<u>DEFERRED INCOME TAXES</u>	
283.	Accum. Deferred Income Taxes	0
	<b>TOTAL LIABILITIES &amp; OTHER CREDITS</b>	<b>13,009,708</b>

**HAWAII WATER SERVICE CO.****(PUKALANI)**

Unaudited Financial Statements for Period Ended Dec. 31, 2021

Witness: Stout

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**INCOME STATEMENT  
FOR YEAR ENDED DECEMBER 31, 2021**

<u>ACCOUNT NUMBER</u>		<u>CY 12/31/2021</u>
<b><u>OPERATING REVENUES</u></b>		
<b><u>WATER SALES:</u></b>		
460.	Unmetered Water Revenue	0
461.	Metered Water Revenue	0
462.	Fire Protection Revenue	0
465.	Sales to Irrigation Customers	0
<b><u>OTHER WATER REVENUES:</u></b>		
471.	Miscellaneous Service Revenues	(5,479)
474.	Other Water Revenues - Unbilled Rev Adj	0
<b><u>WASTEWATER SALES</u></b>		
521.	Flat Rate Revenues	962,356
522.	Measured Revenue	434,998
523.	Revenues from Public Authorities	0
524.	Revenues from Other Systems	0
<b><u>OTHER WASTEWATER REVENUES</u></b>		
531.	Sale of Sludge	0
536.	Other Wastewater Revenues	(15,661)
<b><u>RECLAIMED WATER SALES</u></b>		
540.	Flat Rate Reuse Revenues	0
541.	Measured Reuse Revenue	0
544.	Reuse Revenues from Other Systems	0
		<hr/>
	Total Operating Revenues	1,376,214



**HAWAII WATER SERVICE CO.****(PUKALANI)**

Unaudited Financial Statements for Period Ended Dec. 31, 2021

Witness: Stout

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**INCOME STATEMENT  
FOR YEAR ENDED DECEMBER 31, 2021****ACCOUNT  
NUMBER****CY  
12/31/2021****OPERATING EXPENSES - WATER**

610.1	Purchased Water	0
615.1	Purchased Power	0
601.1	Source of Supply - Salaries & Wages	0
616.1	Source of Supply - Fuel for Power Production	0
618.1	Source of Supply - Chemicals	0
631.1	Source of Supply - Contractual Svc - Engr	0
642.1	Source of Supply - Equipment Rental	0
675.1	Source of Supply - Misc Expense	0
601.2	Source of Supply - Maint - Salaries & Wages	0
620.2	Source of Supply - Maint - Materials & Supplies	0
675.2	Source of Supply - Maint - Misc Expense	0
601.3	Water Treatment - Salaries & Wages	0
618.3	Water Treatment - Chemicals	0
620.3	Water Treatment - Materials & Supplies	0
631.3	Water Treatment - Contractual Svc - Engr	0
635.3	Water Treatment - Contractual Svc - Testing	0
636.3	Water Treatment - Contractual Svc - Other	0
642.3	Water Treatment - Rental of Equipment	0
675.3	Water Treatment - Misc Expense	0
601.4	Water Treatment - Maint - Salaries & Wages	0
620.4	Water Treatment - Maint - Materials & Supplies	0
675.4	Water Treatment - Maint - Misc Expense	0
601.5	Trans & Distrib - Salaries & Wages	0
635.5	Trans & Distrib - Contractual Svc - Testing	0
642.5	Trans & Distrib - Rental of Equipment	0
675.5	Trans & Distrib - Misc Expense	0
601.6	Trans & Distrib - Maint - Salaries & Wages	0
675.6	Trans & Distrib - Maint - Misc Expense	0
	<b>Total Operating Expenses - Water</b>	<b>0</b>

**HAWAII WATER SERVICE CO.**

Unaudited Financial Statements for Period Ended Dec. 31, 2021

**(PUKALANI)**

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**INCOME STATEMENT  
FOR YEAR ENDED DECEMBER 31, 2021**

<u>ACCOUNT NUMBER</u>		<u>CY 12/31/2021</u>
<b><u>OPERATING EXPENSES - WASTEWATER</u></b>		
715.3	Purchased Power	204,910
701.2	Collection - Maint - Salaries & Wages	21,914
720.2	Collection - Maint - Materials & Supplies	0
735.2	Collection - Maint - Contractual Svc - Testing	20,683
775.2	Collection - Maint - Miscellaneous Expense	18,662
701.3	Pumping - Salaries & Wages	16,612
716.3	Pumping - Fuel for Power Production	2,896
718.3	Pumping - Chemicals	0
731.3	Pumping - Contractual Svc - Engr	0
735.3	Pumping - Contractual Svc - Testing	840
742.3	Pumping - Rental of Equipment	0
775.3	Pumping - Miscellaneous Expense	3,748
701.4	Pumping - Maint - Salaries & Wages	0
775.4	Pumping - Maint - Misc Expense	0
701.5	Treat & Disposal - Salaries & Wages	4,113
710.5	Treat & Disposal - Purchased WW Treatment	0
711.5	Treat & Disposal - Sludge Removal Expense	48,132
718.5	Treat & Disposal - Chemicals	38,474
720.5	Treat & Disposal - Materials & Supplies	12,783
731.5	Treat & Disposal - Contractual Svc - Engr	0
735.5	Treat & Disposal - Contractual Svc - Testing	10,240
736.5	Treat & Disposal - Contractual Svc - Other	21,535
742.5	Treat & Disposal - Rental of Equipment	0
750.5	Treat & Disposal - Transportation Expenses	0
775.5	Treat & Disposal - Miscellaneous Expense	55,868
701.6	Treat & Disposal - Maint - Salaries & Wages	0
720.6	Treat & Disposal - Maint - Materials & Supplies	119
735.6	Treat & Disposal - Maint - Contractual Svc - Test	11,751
775.6	Treat & Disposal - Maint - Misc Expense	32,781
701.9	Reclaimed Wtr Treat - Salaries & Wages	99,663
718.9	Reclaimed Wtr Treat - Chemicals	0
720.9	Reclaimed Wtr Treat - Materials & Supplies	840
750.9	Reclaimed Wtr Treat - Transportation Expense	297
758.9	Reclaimed Wtr Treat - Insurance - Wrk Comp	0
701.10	Reclaimed Wtr Treat - Maint - Salaries & Wages	0
720.10	Reclaimed Wtr Treat - Maint - Mtls & Supplies	1,319
720.11	Reclaimed Wtr Distr - Materials & Supplies	0
775.11	Reclaimed Wtr Distr - Miscellaneous Expense	0
	Total Operating Expenses - Wastewater	<u>628,182</u>
	Total Operating Expenses	628,182
	<b>NET OPERATING INCOME / (LOSS)</b>	<b>748,033</b>

**HAWAII WATER SERVICE CO.**

Unaudited Financial Statements for Period Ended Dec. 31, 2021

**(PUKALANI)**

Witness: Stout

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**INCOME STATEMENT  
FOR YEAR ENDED DECEMBER 31, 2021**

<u>ACCOUNT NUMBER</u>		<u>CY 12/31/2021</u>
<b><u>OTHER INCOME &amp; EXPENSES:</u></b>		
403.	Depreciation Expense	280,823
407.	Amortization Expense	0
408.	Taxes Other Than Income	119,452
415.	Revenues - Jobbing & Contract Work	0
416.	Costs & Expenses - Jobbing & Contract Work	0
419.	Interest and Dividend Income	0
421.	Nonutility Income	0
426.	Miscellaneous Nonutility Expenses	0
427.	Interest Expense / (Income)	<u>109,626</u>
	Total Other Income & Expenses	509,902
<b><u>GENERAL &amp; ADMINISTRATIVE EXPENSES:</u></b>		
601.7	Customer Accounts - Salaries & Wages	3,802
670.7	Customer Accounts - Bad Debt Expense	16,894
675.7	Customer Accounts - Misc Expense	21,081
601.8	Admin & General - Salaries & Wages	1,288
604.8	Admin & General - Empl Pensions & Benefits	111,006
620.8	Admin & General - Materials & Supplies	1,440
631.8	Admin & General - Contractual Svc - Engr	0
632.8	Admin & General - Contractual Svc - Acctg	0
633.8	Admin & General - Contractual Svc - Legal	73
636.8	Admin & General - Contractual Svc - Other	2,404
641.8	Admin & General - Building/Property Rental	0
657.8	Admin & General - Insurance - Gen Liab	32,576
658.8	Admin & General - Insurance - Worker's Comp	3,262
659.8	Admin & General - Insurance - Other	0
667.8	Admin & General - Regulatory Comm Expense	798
675.8	Admin & General - Misc Expense	<u>304,561</u>
	Total General & Administrative Expenses	<u>499,186</u>
	<b>NET INCOME/(LOSS) BEFORE INCOME TAXES</b>	<b>(261,055)</b>
409.	Income Tax Expense / (Benefit)	<u>(110,607)</u>
	<b>NET INCOME/(LOSS)</b>	<b><u><u>(150,448)</u></u></b>

**HAWAII WATER SERVICE CO.**  
**(PUKALANI)**  
**BALANCE SHEET**  
**FOR YTD ENDED SEPTEMBER 30, 2022**

<b>ACCOUNT NUMBER</b>	<b>ASSETS &amp; OTHER DEBITS</b>	<b>BALANCE 12/31/2021</b>
	<b><u>UTILITY PLANT</u></b>	
303.	Land	65,185
101.	Utility Plant in Service	15,643,059
105.	Construction Work in Progress	81,984
108.	Accum. Depreciation of Utility Plant in Service	<u>(3,006,940)</u>
	Total Utility Plant Less Reserves	12,783,288
	<b><u>OTHER PROPERTY &amp; INVESTMENTS</u></b>	
121.	Nonutility Property	25,833
122.	Accum. Depreciation of Nonutility Plant	<u>0</u>
	Total Other Property & Investments	25,833
	<b><u>CURRENT &amp; ACCRUED ASSETS</u></b>	
131.	Cash	(1,917)
141.	Customer Accounts Receivable	77,685
142.	Accounts Receivable Other	0
143.	Accum. Provision for Uncollectible Accts - Contra	(47,909)
145.	Accounts Receivable From Associated Companies	3,283
151.	Other Materials & Supplies	58,684
162.	Prepayments	19,131
173.	Accrued Utility Revenues	7,382
174.	Miscellaneous Other Assets	<u>0</u>
	Total Current & Accrued Assets	116,339
	<b><u>DEFERRED DEBITS</u></b>	
184.	Clearing Accounts	0
186.	Miscellaneous Deferred Debits	<u>(267)</u>
	Total Deferred Debits	(267)
	<b>TOTAL ASSETS &amp; OTHER DEBITS</b>	<b><u>12,925,194</u></b>

**HAWAII WATER SERVICE CO.**  
**(PUKALANI)**  
**BALANCE SHEET**  
**FOR YTD ENDED SEPTEMBER 30, 2022**

<u>ACCOUNT NUMBER</u>	<u>EQUITY CAPITAL &amp; LIABILITIES</u>	<u>BALANCE 12/31/2021</u>
	<u>STOCKHOLDER'S EQUITY</u>	
201.	Common Stock	5,164,208
211.	Other Paid-In-Capital	0
215.	Unappropriated Retained Earnings	(325,817)
435.	Balance Transferred from Income	(125,324)
438.	Dividends Declared - Common Stock	<u>0</u>
	Total Stockholder's Equity/(Deficit)	4,713,067
	<u>LONG TERM DEBT</u>	
223.	Advances from Associated Companies	2,454,452
224.	Other Long Term Debt	<u>0</u>
	Total Long Term Debt	2,454,452
	<u>CURRENT &amp; ACCRUED LIABILITIES</u>	
231.	Accounts Payable	13,804
233.	Accounts Payable to Associated Companies	2,834,389
234.	Notes Payable to Associated Companies	0
225.	Capitalized Lease Obligation	0
236.	Accrued Taxes Payable	1,544
239.	Matured Long Term Debt	0
241.	Other Liabilities	<u>107,939</u>
	Total Current & Accrued Liabilities	2,957,676
	<u>DEFERRED CREDITS</u>	
252.	Advances for Construction	0
253.	Other Deferred Credits	<u>0</u>
	Total Deferred Credits	0
	<u>OPERATING RESERVES</u>	
265.	Misc. Operating Reserves	0
	<u>CONTRIBUTIONS IN AID OF CONSTRUCTION</u>	
271.	Contributions in Aid of Construction	2,800,000
272.	Accum. Amortization of CIAC	<u>0</u>
	Total Contributions in Aid of Construction - Net	2,800,000
	<u>DEFERRED INCOME TAXES</u>	
283.	Accum. Deferred Income Taxes	0
	<b>TOTAL LIABILITIES &amp; OTHER CREDITS</b>	<b><u>12,925,195</u></b>

**HAWAII WATER SERVICE CO.**  
**(PUKALANI)** Unaudited Financial Statements for the Period Ended Sept. 30, 2022  
**INCOME STATEMENT**  
**FOR YTD ENDED SEPTEMBER 30, 2022**

Docket No. 2022-0186  
Exhibit HWSC 2 Schedule E  
Witness: Stout  
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<u>ACCOUNT NUMBER</u>		<u>CY 9/30/2022</u>
<b><u>OPERATING REVENUES</u></b>		
<b><u>WATER SALES:</u></b>		
460.	Unmetered Water Revenue	0
461.	Metered Water Revenue	0
462.	Fire Protection Revenue	0
465.	Sales to Irrigation Customers	0
<b><u>OTHER WATER REVENUES:</u></b>		
471.	Miscellaneous Service Revenues	2,661
474.	Other Water Revenues - Unbilled Rev Adj	0
<b><u>WASTEWATER SALES</u></b>		
521.	Flat Rate Revenues	722,230
522.	Measured Revenue	349,134
523.	Revenues from Public Authorities	0
524.	Revenues from Other Systems	0
<b><u>OTHER WASTEWATER REVENUES</u></b>		
531.	Sale of Sludge	0
536.	Other Wastewater Revenues	(41,279)
<b><u>RECLAIMED WATER SALES</u></b>		
540.	Flat Rate Reuse Revenues	0
541.	Measured Reuse Revenue	0
544.	Reuse Revenues from Other Systems	0
	<b>Total Operating Revenues</b>	<b>1,032,746</b>

**HAWAII WATER SERVICE CO.**  
**(PUKALANI)** Unaudited Financial Statements for the Period Ended Sept. 30, 2022  
**INCOME STATEMENT**  
**FOR YTD ENDED SEPTEMBER 30, 2022**

Docket No. 2022-0186  
 Exhibit HWSC 2 Schedule E  
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**ACCOUNT  
 NUMBER**

**CY 9/30/2022**

**OPERATING EXPENSES - WATER**

610.1	Purchased Water	0
615.1	Purchased Power	0
601.1	Source of Supply - Salaries & Wages	0
616.1	Source of Supply - Fuel for Power Production	0
618.1	Source of Supply - Chemicals	0
631.1	Source of Supply - Contractual Svc - Engr	0
642.1	Source of Supply - Equipment Rental	0
675.1	Source of Supply - Misc Expense	0
601.2	Source of Supply - Maint - Salaries & Wages	0
620.2	Source of Supply - Maint - Materials & Supplies	0
675.2	Source of Supply - Maint - Misc Expense	0
601.3	Water Treatment - Salaries & Wages	0
618.3	Water Treatment - Chemicals	0
620.3	Water Treatment - Materials & Supplies	0
631.3	Water Treatment - Contractual Svc - Engr	0
635.3	Water Treatment - Contractual Svc - Testing	0
636.3	Water Treatment - Contractual Svc - Other	0
642.3	Water Treatment - Rental of Equipment	0
675.3	Water Treatment - Misc Expense	0
601.4	Water Treatment - Maint - Salaries & Wages	0
620.4	Water Treatment - Maint - Materials & Supplies	0
675.4	Water Treatment - Maint - Misc Expense	0
601.5	Trans & Distrib - Salaries & Wages	0
635.5	Trans & Distrib - Contractual Svc - Testing	0
642.5	Trans & Distrib - Rental of Equipment	0
675.5	Trans & Distrib - Misc Expense	0
601.6	Trans & Distrib - Maint - Salaries & Wages	0
675.6	Trans & Distrib - Maint - Misc Expense	0
		0
Total Operating Expenses - Water		0

**HAWAII WATER SERVICE CO.**

Unaudited Financial Statements for the Period Ended Sept. 30, 2022

**(PUKALANI)**

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**INCOME STATEMENT  
FOR YTD ENDED SEPTEMBER 30, 2022**

<u>ACCOUNT NUMBER</u>		<u>CY 9/30/2022</u>
<b><u>OPERATING EXPENSES - WASTEWATER</u></b>		
715.3	Purchased Power	176,772
701.2	Collection - Maint - Salaries & Wages	12,913
720.2	Collection - Maint - Materials & Supplies	52
735.2	Collection - Maint - Contractual Svc - Testing	22,284
775.2	Collection - Maint - Miscellaneous Expense	10,993
701.3	Pumping - Salaries & Wages	10,005
716.3	Pumping - Fuel for Power Production	819
718.3	Pumping - Chemicals	0
731.3	Pumping - Contractual Svc - Engr	0
735.3	Pumping - Contractual Svc - Testing	1,900
742.3	Pumping - Rental of Equipment	0
775.3	Pumping - Miscellaneous Expense	394
701.4	Pumping - Maint - Salaries & Wages	0
775.4	Pumping - Maint - Misc Expense	0
701.5	Treat & Disposal - Salaries & Wages	5,133
710.5	Treat & Disposal - Purchased WW Treatment	0
711.5	Treat & Disposal - Sludge Removal Expense	29,899
718.5	Treat & Disposal - Chemicals	23,798
720.5	Treat & Disposal - Materials & Supplies	18,530
731.5	Treat & Disposal - Contractual Svc - Engr	0
735.5	Treat & Disposal - Contractual Svc - Testing	7,582
736.5	Treat & Disposal - Contractual Svc - Other	0
742.5	Treat & Disposal - Rental of Equipment	0
750.5	Treat & Disposal - Transportation Expenses	0
775.5	Treat & Disposal - Miscellaneous Expense	47,443
701.6	Treat & Disposal - Maint - Salaries & Wages	0
720.6	Treat & Disposal - Maint - Materials & Supplies	29
735.6	Treat & Disposal - Maint - Contractual Svc - Test	14,711
775.6	Treat & Disposal - Maint - Misc Expense	3,174
701.9	Reclaimed Wtr Treat - Salaries & Wages	72,145
718.9	Reclaimed Wtr Treat - Chemicals	0
720.9	Reclaimed Wtr Treat - Materials & Supplies	280
750.9	Reclaimed Wtr Treat - Transportation Expense	0
758.9	Reclaimed Wtr Treat - Insurance - Wrk Comp	0
701.10	Reclaimed Wtr Treat - Maint - Salaries & Wages	0
720.10	Reclaimed Wtr Treat - Maint - Matls & Supplies	1,389
720.11	Reclaimed Wtr Distr - Materials & Supplies	0
775.11	Reclaimed Wtr Distr - Miscellaneous Expense	0
	Total Operating Expenses - Wastewater	<u>460,246</u>
	Total Operating Expenses	460,246
	<b>NET OPERATING INCOME / (LOSS)</b>	<b>572,500</b>



**HAWAII WATER SERVICE CO.**  
 (PUKALANI) Unaudited Financial Statements for the Period Ended Sept. 30, 2022

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**INCOME STATEMENT**  
**FOR YTD ENDED SEPTEMBER 30, 2022**

<u>ACCOUNT NUMBER</u>		<u>CY 9/30/2022</u>
<b><u>OTHER INCOME &amp; EXPENSES:</u></b>		
403.	Depreciation Expense	211,581
407.	Amortization Expense	0
408.	Taxes Other Than Income	65,941
415.	Revenues - Jobbing & Contract Work	0
416.	Costs & Expenses - Jobbing & Contract Work	0
419.	Interest and Dividend Income	0
421.	Nonutility Income	0
426.	Miscellaneous Nonutility Expenses	0
427.	Interest Expense / (Income)	<u>73,838</u>
	Total Other Income & Expenses	351,360
<b><u>GENERAL &amp; ADMINISTRATIVE EXPENSES:</u></b>		
601.7	Customer Accounts - Salaries & Wages	3,277
670.7	Customer Accounts - Bad Debt Expense	3,555
675.7	Customer Accounts - Misc Expense	3,836
601.8	Admin & General - Salaries & Wages	1,567
604.8	Admin & General - Empl Pensions & Benefits	80,662
620.8	Admin & General - Materials & Supplies	655
631.8	Admin & General - Contractual Svc - Engr	0
632.8	Admin & General - Contractual Svc - Acctg	0
633.8	Admin & General - Contractual Svc - Legal	0
636.8	Admin & General - Contractual Svc - Other	2,901
641.8	Admin & General - Building/Property Rental	0
657.8	Admin & General - Insurance - Gen Liab	19,459
658.8	Admin & General - Insurance - Worker's Comp	1,912
659.8	Admin & General - Insurance - Other	0
667.8	Admin & General - Regulatory Comm Expense	8,812
675.8	Admin & General - Misc Expense	<u>220,748</u>
	Total General & Administrative Expenses	<u>347,383</u>
	<b>NET INCOME/(LOSS) BEFORE INCOME TAXES</b>	<b>(126,243)</b>
409.	Income Tax Expense / (Benefit)	<u>(920)</u>
	<b>NET INCOME/(LOSS)</b>	<b><u>(125,324)</u></b>

**Hawaii Water Service Company, Inc.**  
**Amount of Bonds Authorized and Issued**

None

**Hawaii Water Service Company, Inc.**  
**Each Note Outstanding**

Type	Promissory note with its holding company, California Water Service Group, to finance capital improvements.	
Amount		\$3,000,000.00
Interest Rate		5.50%
Term		30 years
Agreement Date		12/31/2011
Due Date		12/20/2041
Monthly Payment		\$17,033.67

**Hawaii Water Service Company, Inc.**  
**Other Indebtedness**

None

**Hawaii Water Service Company, Inc.**  
**Rate and Amount of Dividends Paid during the Five**  
**Previous Calendar Years\***

<b>YEAR</b>	<b><u>AMOUNT</u></b>
2022**	\$1,867,299
2021	\$1,176,870
2020	\$1,042,532
2019	\$617,212
2018	\$546,733

**\*All dividends were paid by HWSC to CWSG**

**\*\*This amount is as of September 2022**

**Hawaii Water Service Company, Inc.**  
**Earnings Results for HWSC**

The total earnings results for the total utility operations of Applicant. The earnings for HWSC are shown on Exhibits 6 and 8.

**Option Elected by HWSC In Computing Deferred Taxes, Investment Tax Credit and Depreciation Deduction in determining its Federal Income Tax Payments, and whether HWSC Has Used the Same Method In Calculating Federal Income Taxes for the Test Year for Ratemaking Purposes**

Deferred income taxes were based on depreciation provisions for federal income tax purposes under the Tax Cuts and Jobs Act of 2017. Under these statutes, state regulatory commissions calculate provision for federal income taxes at book rates, and then allow the utility to record the tax difference between book and federal and state depreciation as adjustments to rate base. For the test year, deferred taxes were estimated based on the recent recorded accruals and forecasted of the new plant in the test year. Details of deferred taxes are shown in Exhibits 7.10 through 7.13.

**Annual Report to Stockholders**

*See* California Water Service Group, 2021 Annual Report to Shareholders, available at <https://ir.calwatergroup.com/static-files/e5ca1336-4a97-43de-bfcd-bb13f8000ea9>.



**Latest Proxy Statement**

*See* California Water Service Group, 2021 Proxy Statement, available at  
<https://ir.calwatergroup.com/static-files/9d5255d8-81c1-4834-bf02-7ab81af6f28a>.

**Latest Form 10(k) Filed with Securities and Exchange Commission**

*See* California Water Service Group, Annual Report (Form 10-K) (Feb. 24, 2022), available at <https://ir.calwatergroup.com/static-files/3fe1a55a-c95c-4c0c-a4cf-087b28bbba51>.

**Statement Regarding Whether or Not the Increase Reflects and Passes Through to  
Customers Only Increased Costs to the Applicant for the Services or Commodities  
Furnished by It**

Applicant's proposed increases does not reflect and pass through to customers only increased costs to the applicant for the services or commodities furnished by it.

**Hawaii Water Service Company - Pukalani District  
 Schedule of Capital Repairs and Improvements  
 As of December 31, 2021**

Line No.	Utility Account	Property Description	In Service Date	Original Cost	Accumulated Depreciation 2021
1	103061	Land and Land Rights		\$ 65,185	\$ -
2	103540	Structures & Improvements - Transmission & Distribution		\$ 3,279,874	\$ 1,198,900
3	103240	Pumping Equipment		\$ 39,774	\$ 6,133
4	103241	System Control Computer Equipment		\$ 285,902	\$ 282,083
5	103510	Intangible		\$ 223,393	\$ 28,545
6	103701	Pumping Equipment - Sewer		\$ 611,710	\$ 329,756
7	103801	Treatment and Disposal Equipment		\$ 5,838,545	\$ 936,549
8	103610	Collection Sewers Gravity		\$ 2,847	\$ 134
9	103620	Special Collecting Structure		\$ 15,800	\$ 16,325
10	103640	Flow Measuring Devices		\$ 21,953	\$ 5,070
11	103550	Power Generation Equipment		\$ 131,805	\$ 32,837
12	103955	Office Furniture and Computer Equipment		\$ 938	\$ 521
13	103965	Transportation Equipment		\$ 2,505	\$ 1,484
14	103970	Miscellaneous Equipment		\$ 2,588	\$ 122
15	103930	Tools, Shop, & Garage Equipment		\$ 25,833	\$ 9,471
16	103940	Laboratory Equipment - General Plant		\$ 33,735	\$ 8,767
17	103960	Communication Equipment		\$ 76,656	\$ 6,815
18		<b>Grand Total</b>		<b>\$10,659,044</b>	<b>\$ 2,863,513</b>
19	<b>HAWAII GENERAL OFFICE</b>				
20		desks, conf tables, chairs	3/1/2010	\$ 3,060	\$ 3,060
21		phone system with 8 phones	3/1/2010	\$ 24,859	\$ 24,859
22		Cubicles	12/1/2010	\$ 5,650	\$ 5,650
23		Cherry Desk	12/1/2010	\$ 855	\$ 855
24		Drawer	12/1/2010	\$ 71	\$ 71
25		Credenza	12/1/2010	\$ 509	\$ 509
26		Corner Unit	12/1/2010	\$ 404	\$ 404
27		Library	12/1/2010	\$ 284	\$ 284
28		Chairs	12/1/2010	\$ 2,037	\$ 2,037
29		Desk Shell	12/1/2010	\$ 429	\$ 429
30		Credenza Shell	12/1/2010	\$ 793	\$ 793

**Hawaii Water Service Company - Pukalani District**  
**Schedule of Capital Repairs and Improvements**  
**As of December 31, 2021**

Line No.	Utility Account	Property Description	In Service Date	Original Cost	Accumulated Depreciation 2021
31		Keyboard Draw	12/1/2010	\$ 71	\$ 71
32		Executive Chair	12/1/2010	\$ 391	\$ 391
33		Desk Pedestal	12/1/2010	\$ 468	\$ 468
34		Shelf Unit	12/1/2010	\$ 308	\$ 308
35		Hutch	12/1/2010	\$ 487	\$ 487
36		Credenza	12/1/2010	\$ 333	\$ 333
37		Regency Desk	12/1/2010	\$ 709	\$ 709
38		Lateral File	12/1/2010	\$ 988	\$ 988
39		Lateral Files	12/1/2010	\$ 2,868	\$ 2,868
40		Desk Pedestal	12/1/2010	\$ 513	\$ 513
41		Lateral File	12/1/2010	\$ 567	\$ 567
42		Defibrillators	12/1/2010	\$ 7,161	\$ 7,161
43		License	12/1/2010	\$ 237	\$ 237
44		Ricoh Copier	12/1/2010	\$ 10,686	\$ 10,686
45		Monitors	12/1/2010	\$ 1,207	\$ 1,207
46		Telephone	12/1/2010	\$ 8,102	\$ 8,102
47		Software	12/1/2010	\$ 132,361	\$ 132,361
48		Kitchen Equip	12/1/2010	\$ 981	\$ 725
49		Fireproof safe	12/1/2011	\$ 2,386	\$ 2,386
50		Work Order Addition	12/1/2011	\$ 744	\$ 744
51		Video conferencing system	12/1/2011	\$ 37,185	\$ 37,185
52		Laser printer	12/1/2011	\$ 1,111	\$ 1,111
53		RMS Software	3/1/2014	\$ 92,429	\$ 18,101
54		Desktop-HIWKLCS40	12/1/2014	\$ 807	\$ 807
55		Desktop-HIWKLCS39	12/1/2014	\$ 807	\$ 807
56		Desktop-HIWKLCS37	12/1/2014	\$ 807	\$ 807
57		Desktop-HIWKLCS38	12/1/2014	\$ 807	\$ 807
58		Desktop-HIWKLCS36	12/1/2014	\$ 807	\$ 807
59		Desktop-HIWKLCS41	12/1/2014	\$ 807	\$ 807
60		Ricoh Aficio MP C3001	5/1/2015	\$ 3,044	\$ 507
61		790 Office Furniture	5/1/2015	\$ 631	\$ 105
62		790 Server & Server room upgrade	5/1/2015	\$ 17,650	\$ 16,810
63		Radio: mobile Motorola XPR5380	11/1/2015	\$ 1,635	\$ 1,635
64		Radios: portable Motorola XPR7580	11/1/2015	\$ 3,838	\$ 3,838
65		Laptop for CS Manager	9/1/2019	\$ 1,592	\$ 743
66		Laptop for Wastewater Manager	9/1/2019	\$ 1,644	\$ 767
67		Desktop for Wastewater Manager	9/1/2019	\$ 879	\$ 410
68		ClearSCADA HP260 Mini Desktop	12/1/2019	\$ 2,035	\$ 212
69		ClearSCADA Server	12/1/2019	\$ 75,826	\$ 7,899
70		ClearSCADA HPE Proliant DL360	12/1/2019	\$ 22,525	\$ 2,346
71		ClearSCADA SATA drives	12/1/2019	\$ 6,049	\$ 630
72		2019 Toyota 4Runner V218004	12/1/2019	\$ 44,521	\$ 13,250
73		Ricoh IMC4500	4/1/2020	\$ 8,684	\$ 3,039
74		AC Unit at Customer Service	8/1/2021	\$ 22,411	\$ 311
75		PeopleSoft Bank Reconciliation	8/1/2021	\$ 7,751	\$ 323
76		Office Furniture	9/1/2021	\$ 1,795	\$ 30
77		Temperature Kiosk - Big Island	12/1/2021	\$ 2,898	\$ 48
78		Temperature Kiosk - Maui	12/1/2021	\$ 2,898	\$ 48
79		Total		\$ 574,392	\$ 324,452
80		HAWAII GENERAL OFFICE ALLOCATIONS		%	
81		700 - Kaanapali	18.39%	\$ 105,646	\$ 59,676
82		<b>701 - Pukalani</b>	<b>5.53%</b>	<b>\$ 31,765</b>	<b>\$ 17,943</b>
83		704 - Kapalua Water	6.26%	\$ 35,970	\$ 20,318
84		705 - Kapalua Sewer	5.42%	\$ 31,135	\$ 17,587
85		706 - Kapalua Wells	0.19%	\$ 1,091	\$ 616
86		707 - Kapalua Ditch	0.55%	\$ 3,186	\$ 1,800
87		721 - Waikoloa Water	11.49%	\$ 65,990	\$ 37,275
88		722 - Waikoloa Sewer	7.98%	\$ 45,827	\$ 25,886
89		723 - Waikoloa Resort Water	10.82%	\$ 62,156	\$ 35,110
90		724 - Waikoloa Resort Sewer	14.02%	\$ 80,542	\$ 45,495
91		725 - Waikoloa Resort Irrigation	0.54%	\$ 3,105	\$ 1,754
92		726 - Kona Water	9.15%	\$ 52,569	\$ 29,694
93		727 - Kona Sewer	4.70%	\$ 27,014	\$ 15,259
94		742 - Kalaeloa Sewer	2.73%	\$ 15,694	\$ 8,865
95		743 - Kalaeloa Water	2.21%	\$ 12,700	\$ 7,174

**Hawaii Water Service Company - Pukalani District  
 Schedule of Capital Repairs and Improvements  
 As of December 31, 2021**

Line No.	Utility Account	Property Description	In Service Date	Original Cost	Accumulated Depreciation 2021
96	<b>MAUI OFFICE</b>				
97		Work Order Addition	4/1/2013	\$ 38	\$ 38
98		2 iPad 3 - Mgr. & Supt.	9/1/2013	\$ 918	\$ 918
99		Superintendent Office Furniture	10/1/2014	\$ 1,222	\$ 346
100		Defibrillator-Pukalani	6/1/2015	\$ 1,199	\$ 1,128
101		Defibrillator-Ka'anapali	6/1/2015	\$ 1,199	\$ 1,128
102		Laptop-Maui HKAALT01	6/1/2015	\$ 1,475	\$ 361
103		Video conferencing equipment	11/1/2016	\$ 530	\$ 391
104		Ricoh printer MPC3004	12/1/2016	\$ 6,024	\$ 4,405
105		2010 Jeep engine-V210200	10/1/2018	\$ 9,636	\$ 4,474
106		2019 Toyota 4Runner V218306	9/1/2019	\$ 44,480	\$ 14,827
107		Emergency Trailer, 6'x12' Cargo	9/1/2019	\$ 9,523	\$ 3,174
108		Emergency Trailer Generator, 5500w	9/1/2019	\$ 895	\$ 209
109		Emergency Trailer Air Compressor	9/1/2019	\$ 1,121	\$ 262
110		Emergency Trailer Tools	9/1/2019	\$ 5,901	\$ 1,377
111		Total		<u>\$ 84,160</u>	<u>\$ 33,036</u>
112	<b>MAUI OFFICE ALLOCATIONS</b>				
113		700 - Kaanapali	51.54%	\$ 43,376	\$ 17,027
114		<b>701 - Pukalani</b>	<b>15.41%</b>	<b>\$ 12,973</b>	<b>\$ 5,092</b>
115		704 - Kapalua Water	17.00%	\$ 14,303	\$ 5,615
116		705 - Kapalua Sewer	14.17%	\$ 11,927	\$ 4,682
117		706 - Kapalua Wells	0.48%	\$ 403	\$ 158
118		707 - Kapalua Ditch	1.40%	\$ 1,178	\$ 462

HAWAII WATER SERVICE COMPANY, INC.  
 PUKALANI WASTEWATER DISTRICT  
 Pukalani, Maui, Hawaii

Tariff No. 1  
 Second Revised Exhibit "B"  
 (Page 1)  
 Cancels First Revised Exhibit "B"  
 (Page 1)

HAWAII WATER SERVICE COMPANY, INC.  
 PUKALANI WASTEWATER DISTRICT  
 TARIFF SCHEDULE

SEWER ASSESSMENT FEES:

Monthly Sewer Fees	First Phase (Effective 10/18/17)	Second Phase (Effective 10/18/18)	Third Phase (Effective 10/18/19)	Fourth Phase (Effective 10/18/20)
<b>Residential</b> (per month per single family of multi-family unit)	\$ 52.52	\$ 61.35	\$ 70.21	\$ 79.08
<b>Commercial</b>				
Fixed Charge (by meter size per month)				
5/8"	\$ 16.12	\$ 16.12	\$ 16.12	\$ 16.12
3/4"	\$ 16.12	\$ 16.12	\$ 16.12	\$ 16.12
1"	\$ 32.24	\$ 32.24	\$ 32.24	\$ 32.24
1 1/2"	\$ 48.36	\$ 48.36	\$ 48.36	\$ 48.36
2"	\$ 80.60	\$ 80.60	\$ 80.60	\$ 80.60
3"	\$ 274.05	\$ 274.05	\$ 274.05	\$ 274.05
4"	\$ 274.05	\$ 274.05	\$ 274.05	\$ 274.05
6"	\$ 274.05	\$ 274.05	\$ 274.05	\$ 274.05
Quantity Rate (per 1,000 gallons of water used)	\$ 10.0484	\$ 11.7796	\$ 13.5165	\$ 15.2574
<b>Public Authority</b>				
Government/Education	Same as Commercial	Same as Commercial	Same as Commercial	Same as Commercial
Government/Recreation (per month)	\$ 201.33	\$ 230.34	\$ 259.36	\$ 288.38
<b>Effluent</b> (per 1,000 gallons)	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55

POWER COST CHARGE (PCC):

In addition to the sewer assessment fees listed above, a power cost factor (percentage change) shall be applied to a Customer's sewer assessment fee (not including effluent charge) per month. The amount will be shown as a Power Cost Charge on a Customer's bill. The power cost factor shall be calculated as follows:

$$\text{Power cost factor} = \frac{\text{previous month electricity cost}}{\text{previous month revenues less effluent revenues}} \times \text{tax factor}$$

Tax factor of 1.06385 to account for Revenue Taxes.

Issued: October 18, 2017  
 By: Paul Townsley, Vice President - Regulatory

Effective: October 18, 2017

HAWAII WATER SERVICE COMPANY, INC.  
PUKALANI WASTEWATER DISTRICT  
Pukalani, Maui, Hawaii

Original Exhibit "B"  
(Page 2)

OTHER:

CREDIT DEPOSIT:

RESIDENTIAL: \$50.00, 2% INTEREST PER YEAR,  
RETURNED ON GOOD CREDIT HISTORY, AFTER  
12 MONTHS CREDIT HISTORY

COMMERCIAL: \$250.00, 2% INTEREST PER YEAR,  
RETURNED ON GOOD CREDIT HISTORY, AFTER  
12 MONTHS CREDIT HISTORY

PUKALANI ELEMENTARY SCHOOL: NONE

PUKALANI COMMUNITY CENTER: NONE

SERVICE CONNECTION: \$500.00 DEPOSIT, SUBJECT TO REFUND IF  
GREATER THAN ACTUAL COST, OR SUBJECT  
TO ADDITIONAL PAYMENT IF LESSER THAN  
ACTUAL COST

**EXHIBIT "B"**



HAWAII WATER SERVICE COMPANY, INC.  
 PUKALANI WASTEWATER DISTRICT  
 Pukalani, Maui, Hawaii

Tariff No. 1 Witness: Stout  
 Third Revised Exhibit "B" Page 1 of 2

(Page 1)  
 Cancels Second Revised Exhibit "B"  
 (Page 1)

HAWAII WATER SERVICE COMPANY, INC.  
 PUKALANI WASTEWATER DISTRICT  
 TARIFF SCHEDULE

SEWER ASSESSMENT FEES:

Monthly Sewer Fees	Present Rates	Proposed Rate Phase-in			
		Year 1		Year 2	
Residential	\$ 79.08	\$ 90.73	14.7%	\$ 102.76	13.3%
Commercial					
Fixed Charge by meter size					
5/8"	\$ 16.12	\$ 19.34	20.0%	\$ 22.49	16.3%
3/4"	\$ 16.12	\$ 19.34	20.0%	\$ 22.49	16.3%
1"	\$ 32.24	\$ 38.69	20.0%	\$ 44.99	16.3%
1 1/2"	\$ 48.36	\$ 58.03	20.0%	\$ 67.48	16.3%
2"	\$ 80.60	\$ 96.72	20.0%	\$ 112.47	16.3%
3"	\$ 274.05	\$ 328.85	20.0%	\$ 382.38	16.3%
4"	\$ 274.05	\$ 328.85	20.0%	\$ 382.38	16.3%
6"	\$ 274.05	\$ 328.85	20.0%	\$ 382.38	16.3%
Quantity Rate	\$ 15.2574	\$ 22.8418	49.7%	\$ 29.8497	30.7%
Public Authority					
Government/Education	Same as Commercial				
Government/Recreation	\$ 288.38	\$ 346.06	20.0%	\$ 402.39	16.3%
Effluent	\$ 0.55	\$ 0.55	0.0%	\$ 0.55	0.0%

POWER COST CHARGE (PCC):

In addition to the sewer assessment fees listed above, a power cost factor (percentage change) shall be applied to a Customer's sewer assessment fee (not including effluent charge) per month. The amount will be shown as a Power Cost Charge on a Customer's bill. The power cost factor shall be calculated as follows:

$$\text{Power cost factor} = \frac{\text{previous month electricity cost}}{\text{previous month revenues less effluent revenues}} \times \text{tax factor}$$

Tax factor of 1.06385 to account for Revenue Taxes.

Issued:  
 By: Greg Milleman, Vice President - Rates and Regulatory Affairs

Effective:

HAWAII WATER SERVICE COMPANY, INC.  
PUKALANI WASTEWATER DISTRICT  
Pukalani, Maui, Hawaii

Tariff No. 1 Witness: Stout  
First Revised Exhibit "B" Page 2 of 2  
(Page 2)  
Cancels Original Exhibit "B"  
(Page 2)

OTHER:

CREDIT DEPOSIT:

RESIDENTIAL: \$50.00, 2% INTEREST PER YEAR,  
RETURNED ON GOOD CREDIT HISTORY, AFTER  
12 MONTHS CREDIT HISTORY

COMMERCIAL: \$250.00, 2% INTEREST PER YEAR,  
RETURNED ON GOOD CREDIT HISTORY, AFTER  
12 MONTHS CREDIT HISTORY

PUKALANI ELEMENTARY SCHOOL: NONE

PUKALANI COMMUNITY CENTER: NONE

SERVICE CONNECTION: \$500.00 DEPOSIT, SUBJECT TO REFUND IF  
GREATER THAN ACTUAL COST, OR SUBJECT  
TO ADDITIONAL PAYMENT IF LESSER THAN  
ACTUAL COST

TAX CUTS AND JOBS ACT CREDIT:

Pursuant to Order XXXXX, all customers will receive a flat monthly credit to their bills beginning [Month] [Date], 2023 and ending [Month] [Date], 2029.

All Customers – per metered connection	\$1.78	(N)
--	--------	-----

CORONAVIRUS DISEASE 2019 SURCHARGE:

Pursuant to Order XXXXX, all customers will receive a flat monthly surcharge to their bills beginning [Month] [Date], 2023 and ending [Month] [Date], 2024.

All Customers – per metered connection	\$3.47	(N)
--	--------	-----

**EXHIBIT "B"**

Issued:  
By: Greg Milleman, Vice President – Rates and Regulatory Affairs

Effective:

Hawaii Water Service Company  
 Revenue Requirements & Rate of Return Summary  
 Test Year Ending December 31, 2023

Line No.	(1)	(2)	(3)	Change in Revenues
	Present Rates	Additional Amount	Test Year Proposed Rates 7.48%	
1				
2				
3				39.5%
4 Residential	\$ 940,419	\$ 281,581	\$ 1,222,000	
5 Commercial	\$ 311,584	\$ 290,296	\$ 601,881	
6 Public Authority	\$ 3,461	\$ 1,368	\$ 4,829	
7 Effluent Rates	\$ -	\$ -	\$ -	
8 Power Charge Cost	\$ 194,506	\$ -	\$ 194,506	
9 Other revenues	\$ (2,831)	\$ 2,831	\$ -	
10 Total Operating Revenues	\$ 1,449,970	\$ 573,245	\$ 2,023,216	
11 Labor Expenses	\$ 550,893	\$ -	\$ 550,893	
12 Fuel & Power	\$ 184,933	\$ -	\$ 184,933	
13 Chemicals	\$ 56,125	\$ -	\$ 56,125	
14 Materials & Supplies	\$ 28,153	\$ -	\$ 28,153	
15 Waste/Sludge Disposal	\$ 47,870	\$ -	\$ 47,870	
16 Affiliated Charges	\$ 56,814	\$ -	\$ 56,814	
17 Professional and Outside Services	\$ 6,391	\$ -	\$ 6,391	
18 Repairs & Maintenance	\$ 160,166	\$ -	\$ 160,166	
19 Rental Expenses	\$ 4,873	\$ -	\$ 4,873	
20 Insurance Expenses	\$ 9,961	\$ -	\$ 9,961	
21 Regulatory Expenses	\$ 77,392	\$ -	\$ 77,392	
22 General & Administrative Expenses	\$ 35,732	\$ -	\$ 35,732	
23 Customer Accounts Expenses	\$ 49,309	\$ -	\$ 49,309	
24 Water Consumption License Fee	\$ -	\$ -	\$ -	
25 Total O&M Expenses	\$ 1,268,611	\$ -	\$ 1,268,611	
26 Taxes Other than Income Taxes	\$ 92,581	\$ 36,602	\$ 129,182	
27 Depreciation	\$ 259,672		\$ 259,672	
28 Amortization	\$ -		\$ -	
29 Income Taxes	\$ (78,347)	\$ 147,965	\$ 69,618	
30 Diff. due to changing factors		\$ (27,327)	\$ (27,327)	
31 Total Operating Expenses	\$ 1,542,517	\$ 157,239	\$ 1,699,757	
32 Operating Income	\$ (92,547)	\$ 416,006	\$ 323,459	
33 Average Rate Base	\$ 4,324,319	\$ -	\$ 4,324,319	
34 Return on Rate Base	-2.14%		7.48%	

Hawaii Water Service Company  
 Revenue Requirements Support  
 Test Year Ending December 31, 2023

Line No.				
1	Gross Revenue Factor			
2	Additional Revenue		1.000000	
3	Less:			
4	Bad Debts	0.000000		
5	PSCT	0.058850		
6	PUC Fee	0.005000		
7	Franchise	<u>0.000000</u>	<u>0.063850</u>	0.06385
8	Subject to Income Tax			
9	Less:		0.936150	
10	State Income Tax	0.014800		0.013855
11	Federal Income Tax	0.210000		0.196592
12		0.224800	<u>0.210447</u>	
13	Remaining for Net Income		<u>0.725703</u>	
14	Expense for each \$1 of Revenue		<u>0.274297</u>	
15	Factor for Moving Rate Base			
16	=	(1-Bad Debt%-Revenue Taxes-Income tax on Addl. Revenue)		
17			<u>0.7257034800</u>	
18	Revenue Factor		1.377973274	
19	<u>Additional Revenue Requirements</u>			
20	Proposed rate of return			7.48%
21	Multiply rate base @ present rates by the above proposed ROR			323,459
22	Subtract the net income @ present rates from the above net income			416,006
23	Divide the above difference by the moving rate base factor to			
24	determine the additional revenue requirements @ the proposed ROR			573,245
25	Multiply the add'l revenues by the bad debt factor			0
26	Multiply the add'l revenues by the revenue tax factor			36602
27	Multiply the add'l revenues by the inc tax on add'l revenue			120637
28	Total Expenses at Proposed Rates			1,699,757
29	Subtract total expense from total revenues @ proposed rates			323,459
30	Subtract NI before WC change from NI after WC change			0.0
31	Divide change in NI by desired rate of return			0.0
32	Calculate change in rate base			4,324,319
33	Test - Divide NI by rate base			7.48%

Hawaii Water Service Company  
 Average Rate Base  
 Test Year Ending December 31, 2023

Line No.	Description	At 12/31/2022	At 12/31/2023	Average
3	Plant In Service	\$ 9,858,718	\$ 10,147,422	\$ 10,003,070
4	Accumulated Depreciation Reserve	\$ 3,266,379	\$ 3,621,398	\$ 3,443,889
5	Net Plant-in-Service	\$ 6,592,339	\$ 6,526,024	\$ 6,559,182
6	Deduct:			
7	Contributions in Aid of Construction	\$ (2,936,971)	\$ (2,936,971)	\$ (2,936,971)
8	Accumulated Amortization of Contributions in Aid of Construction	\$ 1,181,975	\$ 1,277,466	\$ 1,229,721
9	Accumulated Deferred Taxes: Federal	\$ (337,658)	\$ (345,524)	\$ (341,591)
10	Accumulated Deferred Taxes: State	\$ (58,199)	\$ (62,008)	\$ (60,103)
11	Unamortized Hawaii Capital Goods Excise Tax Credit	\$ (226,229)	\$ (219,888)	\$ (223,058)
12	Net Salvage Adjustment	\$ -	\$ -	\$ (7,484)
13	TCJA Deferred Tax Adjustment	\$ -	\$ -	\$ (1,094)
14				
15				
16	subtotal	\$ (2,377,081)	\$ (2,286,924)	\$ (2,340,581)
17	Add:			
18	Working Capital	\$ 105,718	\$ 105,718	\$ 105,718
19	subtotal	\$ 105,718	\$ 105,718	\$ 105,718
20	Subtotal	\$ 4,320,976	\$ 4,344,817	
21	Rate Base at Proposed Rates			\$ 4,324,319

Hawaii Water Service Company  
 Plant In Service  
 Test Year Ending December 31, 2023

Line No.	Utility Account Description	Balance as of 12/31/2021	Additions 1/1/2022 to 12/31/2022	Retirements 1/1/2022 to 12/31/2022	Adjustments 1/1/2022 to 12/31/2022	Balance as of 12/31/2022	Additions 1/1/2023 to 12/31/2023	Retirements 1/1/2023 to 12/31/2023	Adjustments 1/1/2023 to 12/31/2023	Test Year Balance as of 12/31/2023
5	103061 Land and land rights	\$ 65,185	\$ -	\$ -	\$ -	\$ 65,185	\$ -	\$ -	\$ -	\$ 65,185
6	103240 Pumping Equipment	\$ 39,774	\$ -	\$ -	\$ -	\$ 39,774	\$ -	\$ -	\$ -	\$ 39,774
7	103241 System control computer equipment	\$ 250,240	\$ -	\$ -	\$ -	\$ 250,240	\$ -	\$ -	\$ -	\$ 250,240
8	103510 Intangible	\$ 223,393	\$ -	\$ -	\$ -	\$ 223,393	\$ -	\$ -	\$ -	\$ 223,393
9	103540 Structures & Improvements	\$ 2,851,764	\$ -	\$ -	\$ -	\$ 2,851,764	\$ 26,214	\$ -	\$ -	\$ 2,877,978
10	103550 Power/Generation Equipment	\$ 132,799	\$ -	\$ -	\$ -	\$ 132,799	\$ -	\$ -	\$ -	\$ 132,799
11	103610 Collection Sewers Gravity	\$ 2,847	\$ -	\$ -	\$ -	\$ 2,847	\$ -	\$ -	\$ -	\$ 2,847
12	103620 Special Collecting Structures	\$ 15,800	\$ -	\$ -	\$ -	\$ 15,800	\$ -	\$ -	\$ -	\$ 15,800
13	103640 Flow Measuring Devices	\$ 21,953	\$ -	\$ -	\$ -	\$ 21,953	\$ -	\$ -	\$ -	\$ 21,953
14	103701 Pumping Equipment - Sewer	\$ 528,229	\$ 25,047	\$ -	\$ -	\$ 553,277	\$ -	\$ -	\$ -	\$ 553,277
15	103730 Transportn Equipment - General Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	103780 Tools, Shop & Garage Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	103801 Treatment & Disposal Equipment	\$ 5,316,037	\$ 157,718	\$ -	\$ -	\$ 5,473,755	\$ 140,521	\$ -	\$ -	\$ 5,614,276
18	103890 Other Miscellaneous Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	103930 Tools, Shop & Garage Equipment	\$ 25,833	\$ -	\$ -	\$ -	\$ 25,833	\$ -	\$ -	\$ -	\$ 25,833
20	103940 Laboratory Equipment - General Plant	\$ 30,667	\$ 4,088	\$ -	\$ -	\$ 34,756	\$ 47,169	\$ -	\$ -	\$ 81,925
21	103955 Office Furniture & Computer Equipment	\$ 1,690	\$ -	\$ -	\$ -	\$ 1,690	\$ -	\$ -	\$ -	\$ 1,690
22	103960 Communication Equipment	\$ 101,295	\$ 12,940	\$ -	\$ -	\$ 114,235	\$ 74,800	\$ -	\$ -	\$ 189,035
23	103965 Transporation Equipment	\$ 2,505	\$ -	\$ -	\$ -	\$ 2,505	\$ -	\$ -	\$ -	\$ 2,505
24	103970 Miscellaneous Equipment	\$ 2,588	\$ -	\$ -	\$ -	\$ 2,588	\$ -	\$ -	\$ -	\$ 2,588
25	Maui Allocation	\$ 13,817	\$ -	\$ -	\$ -	\$ 13,817	\$ -	\$ -	\$ -	\$ 13,817
26	Hawaii Water GO Allocation	\$ 30,307	\$ 2,088	\$ -	\$ -	\$ 32,395	\$ -	\$ -	\$ -	\$ 32,395
27	Wastewater Administration	\$ 112	\$ -	\$ -	\$ -	\$ 112	\$ -	\$ -	\$ -	\$ 112
28	Total	\$ 9,656,837	\$ 201,881	\$ -	\$ -	\$ 9,858,718	\$ 288,704	\$ -	\$ -	\$ 10,147,422

Hawaii Water Service Company  
 Plant Additions from 1/01/2022 to 12/31/2023  
 Test Year Ending December 31, 2023

Line No.	Department	Utility Account	Utility Account Description	Work Order No.	Work Order Description	In-service Date	Cost	Retirement	Adjustments
1	701 - Pukalani	103801	Treatment & Disposal Equipment	126376	Screw Press Compactor Washer	12/31/2022	\$ 64,557	\$ -	\$ -
2	701 - Pukalani	103801	Treatment & Disposal Equipment	128480	Fine Screen Gearbox Motor	12/1/2022	\$ 3,746	\$ -	\$ -
3	701 - Pukalani	103701	Pumping Equipment - Sewer	128768	Non-Potable Water Pump Manifold	12/1/2022	\$ 10,588		
4	701 - Pukalani	103960	Communication Equipment	129076	Pukalani SCADA Upgrade 2022	2/28/2023	\$ 74,800		
5	701 - Pukalani	103960	Communication Equipment	129082	SPS#2 HMI Replacement	12/1/2022	\$ 11,189		
6	701 - Pukalani	103801	Treatment & Disposal Equipment	128157	MBR1 Membrane Replacement	8/31/2022	\$ 87,958		
7	701 - Pukalani	103801	Treatment & Disposal Equipment	128484	Water Bath Testing Equipment	8/31/2022	\$ 1,457		
8	701 - Pukalani	103940	Laboratory Equip-Gen Plant	128485	BOD Respirometric Testing Equipment	8/31/2022	\$ 4,088		
9	701 - Pukalani	103960	Communication Equipment	128745	AUMA Butterfly Valve PLC Card	12/31/2022	\$ 1,750		
10	701 - Pukalani	103701	Pumping Equipment - Sewer	128898	Anoxic Basin #2 Sludge Mixer	8/31/2022	\$ 3,760		
11	701 - Pukalani	103540	Structures & Improvements	128358	SPS#1 Security Fencing	12/31/2023	\$ 9,040		
12	701 - Pukalani	103540	Structures & Improvements	128359	SPS#1 Erosion Control	12/31/2023	\$ 17,173		
13	701 - Pukalani	103940	Laboratory Equip-Gen Plant	128360	Influent/Effluent Refrigeration Samplers	12/31/2023	\$ 47,169		
14	701 - Pukalani	103801	Treatment & Disposal Equipment	128364	Membrane Filter Cassettes	7/31/2023	\$ 56,299		
15	701 - Pukalani	103801	Treatment & Disposal Equipment	128366	Rewire Control Wiring WWTP	7/31/2023	\$ 39,409		
16	701 - Pukalani	103801	Treatment & Disposal Equipment	128367	Auma Valve Replacement	3/31/2023	\$ 44,814		
17	701 - Pukalani	103701	Pumping Equipment - Sewer	118141	Backflow for Pump Stations	7/31/2022	\$ 4,172		
18	701 - Pukalani	103701	Pumping Equipment - Sewer	126181	Non-Potable Water Pump #1	1/31/2022	\$ 2,912		
19	701 - Pukalani	103701	Pumping Equipment - Sewer	127424	SPS #2 Pump #1 Soft Starter	4/30/2022	\$ 3,616		

Hawaii Water Service Company  
 Accumulated Depreciation and Amortization of Intangibles  
 Test Year Ending December 31, 2023

Line  
 No.

Line No.	Utility Account	Description	Balance as of 12/31/2021	Dep. Exp. 1/1/2022 to 12/31/2022	Retirements 1/1/2022 to 12/31/2022	Adjustments 1/1/2022 to 12/31/2022	Balance as of 12/31/2022	Dep. Exp. 1/1/2023 to 12/31/2023	Retirements 1/1/2023 to 12/31/2023	Adjustments 1/1/2023 to 12/31/2023	Test Year Balance as of 12/31/2023
5	103061	Land and land rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	103240	Pumping Equipment	\$ 6,133	\$ 2,299	\$ -	\$ -	\$ 8,432	\$ 2,299	\$ -	\$ -	\$ 10,731
7	103241	System control computer equipment	\$ 282,083	\$ -	\$ -	\$ -	\$ 282,083	\$ -	\$ -	\$ -	\$ 282,083
8	103510	Intangible	\$ 28,545	\$ 22,339	\$ -	\$ -	\$ 50,884	\$ 22,339	\$ -	\$ -	\$ 73,223
9	103540	Structures & Improvements	\$ 1,198,900	\$ 89,260	\$ -	\$ -	\$ 1,288,160	\$ 90,081	\$ -	\$ -	\$ 1,378,241
10	103550	Power/Generation Equipment	\$ 32,837	\$ 4,475	\$ -	\$ -	\$ 37,312	\$ 4,475	\$ -	\$ -	\$ 41,787
11	103610	Collection Sewers Gravity	\$ 134	\$ 24	\$ -	\$ -	\$ 158	\$ 24	\$ -	\$ -	\$ 181
12	103620	Special Collecting Structures	\$ 16,325	\$ -	\$ -	\$ -	\$ 16,325	\$ -	\$ -	\$ -	\$ 16,325
13	103640	Flow Measuring Devices	\$ 5,070	\$ 880	\$ -	\$ -	\$ 5,951	\$ 880	\$ -	\$ -	\$ 6,831
14	103701	Pumping Equipment - Sewer	\$ 329,756	\$ 47,582	\$ -	\$ -	\$ 377,338	\$ 47,582	\$ -	\$ -	\$ 424,920
15	103730	Transportn Equipment - General Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	103780	Tools, Shop & Garage Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	103801	Treatment & Disposal Equipment	\$ 936,549	\$ 151,623	\$ -	\$ -	\$ 1,088,172	\$ 155,515	\$ -	\$ -	\$ 1,243,688
18	103890	Other Miscellaneous Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	103930	Tools, Shop & Garage Equipment	\$ 9,471	\$ 1,878	\$ -	\$ -	\$ 11,349	\$ 1,878	\$ -	\$ -	\$ 13,227
20	103940	Laboratory Equipment - General Plant	\$ 8,767	\$ 2,579	\$ -	\$ -	\$ 11,346	\$ 6,079	\$ -	\$ -	\$ 17,425
21	103955	Office Furniture & Computer Equipment	\$ 521	\$ 150	\$ -	\$ -	\$ 671	\$ 150	\$ -	\$ -	\$ 820
22	103960	Communication Equipment	\$ 6,815	\$ 11,423	\$ -	\$ -	\$ 18,239	\$ 18,903	\$ -	\$ -	\$ 37,142
23	103965	Transporation Equipment	\$ 1,484	\$ 321	\$ -	\$ -	\$ 1,805	\$ 321	\$ -	\$ -	\$ 2,126
24	103970	Miscellaneous Equipment	\$ 122	\$ 259	\$ -	\$ -	\$ 381	\$ 259	\$ -	\$ -	\$ 640
25		Maui Allocation	\$ 12,973	\$ 5,092	\$ -	\$ -	\$ 18,065	\$ 2,244	\$ -	\$ -	\$ 20,310
26		Hawaii Water GO Allocation	\$ 31,765	\$ 17,943	\$ -	\$ -	\$ 49,708	\$ 1,990	\$ -	\$ -	\$ 51,698
27		Wastewater Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28		Total	<u>\$ 2,908,251</u>	<u>\$ 358,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,266,379</u>	<u>\$ 355,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,621,398</u>



Hawaii Water Service Company  
 Depreciation Expense (Book)  
 Test Year Ending December 31, 2023

Line No.	Utility Account	Description	Dep. Exp. 1/1/2022 to 12/31/2022	Acc. Amort. 1/1/2022 to 12/31/2022	Net Dep. Exp. 12/31/2022	Dep. Exp. 1/1/2023 to 12/31/2023	Acc. Amort. 1/1/2023 to 12/31/2023	Test Year Net Dep. Exp. 12/31/2023
1								
2								
3								
4	103061	Land and land rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	103240	Pumping Equipment	\$ 2,299	\$ -	\$ 2,299	\$ 2,299	\$ -	\$ 2,299
6	103241	System control computer equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	103510	Intangible	\$ 22,339	\$ -	\$ 22,339	\$ 22,339	\$ -	\$ 22,339
8	103540	Structures & Improvements	\$ 89,260	\$ (1,016)	\$ 88,244	\$ 90,081	\$ (832)	\$ 89,249
9	103550	Power/Generation Equipment	\$ 4,475	\$ -	\$ 4,475	\$ 4,475	\$ -	\$ 4,475
10	103610	Collection Sewers Gravity	\$ 24	\$ -	\$ 24	\$ 24	\$ -	\$ 24
11	103620	Special Collecting Structures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	103640	Flow Measuring Devices	\$ 880	\$ -	\$ 880	\$ 880	\$ -	\$ 880
13	103701	Pumping Equipment - Sewer	\$ 47,582	\$ -	\$ 47,582	\$ 47,582	\$ -	\$ 47,582
14	103730	Transportn Equipment - General Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	103780	Tools, Shop & Garage Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	103801	Treatment & Disposal Equipment	\$ 151,623	\$ (94,660)	\$ 56,963	\$ 155,515	\$ (94,660)	\$ 60,856
17	103890	Other Miscellaneous Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	103930	Tools, Shop & Garage Equipment	\$ 1,878	\$ -	\$ 1,878	\$ 1,878	\$ -	\$ 1,878
19	103940	Laboratory Equipment - General Plant	\$ 2,579	\$ -	\$ 2,579	\$ 6,079	\$ -	\$ 6,079
20	103955	Office Furniture & Computer Equipment	\$ 150	\$ -	\$ 150	\$ 150	\$ -	\$ 150
21	103960	Communication Equipment	\$ 11,423	\$ -	\$ 11,423	\$ 18,903	\$ -	\$ 18,903
22	103965	Transporation Equipment	\$ 321	\$ -	\$ 321	\$ 321	\$ -	\$ 321
23	103970	Miscellaneous Equipment	\$ 259	\$ -	\$ 259	\$ 259	\$ -	\$ 259
24		Maui Allocation	\$ 2,244	\$ -	\$ 2,244	\$ 2,185	\$ -	\$ 2,185
25		Hawaii Water GO Allocation	\$ 1,990	\$ -	\$ 1,990	\$ 2,194	\$ -	\$ 2,194
26		Wastewater Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
27								
28		Total	\$ 339,326	\$ (95,675)	\$ 243,651	\$ 355,164	\$ (95,491)	\$ 259,672

Hawaii Water Service Company  
 Accumulated Depreciation and Depreciation Expense Detail

Test Year Ending December 31, 2023

Line No.	Account	Description	Plant Balance as of 12/31/2021	Accumulated Depreciation Reserve 12/31/2021	Additions from 1/01/2022 to 12/31/2022	Retirements from 1/01/2022 to 12/31/2022	Adjustments from 1/01/2022 to 12/31/2022	Plant Balance 12/31/2022	Present Rate	Proposed Rate	Depreciation Expense (Present Rate)	Depreciation Expense (Proposed Rate)	Accumulated Depreciation Reserve 12/31/2022	Additions from 1/01/2023 to 12/31/2023	Retirements from 1/01/2023 to 12/31/2023	Adjustments from 1/01/2023 to 12/31/2023	Plant Balance 12/31/2023	Depreciation Expense (Present Rate)	Depreciation Expense (Proposed Rate)	Accumulated Depreciation Reserve 12/31/2023	
1		<b>Pukalani</b>																			
2	103061	Land and land rights	\$ 65,185	\$ -	\$ -	\$ -	\$ -	\$ 65,185	0.00%	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,185	\$ -	\$ -	\$ -	
3	103240	Pumping Equipment	\$ 39,774	\$ 6,133	\$ -	\$ -	\$ -	\$ 39,774	5.78%	5.78%	\$ 2,299	\$ 2,299	\$ 8,432	\$ -	\$ -	\$ -	\$ 39,774	\$ 2,299	\$ 2,299	\$ 10,731	
4	103241	System control computer equipment	\$ 250,240	\$ 282,083	\$ -	\$ -	\$ -	\$ 250,240	9.83%	9.83%	\$ -	\$ -	\$ 250,240	\$ -	\$ -	\$ -	\$ 250,240	\$ -	\$ -	\$ 250,240	
5	103510	Intangible	\$ 223,393	\$ 28,545	\$ -	\$ -	\$ -	\$ 223,393	10.00%	10.00%	\$ 22,339	\$ 22,339	\$ 50,884	\$ -	\$ -	\$ -	\$ 223,393	\$ 22,339	\$ 22,339	\$ 73,223	
6	103540	Structures & Improvements	\$ 2,851,764	\$ 1,198,900	\$ -	\$ -	\$ -	\$ 2,851,764	3.13%	3.13%	\$ 89,260	\$ 89,260	\$ 1,288,160	\$ 26,214	\$ -	\$ -	\$ 2,877,978	\$ 90,081	\$ 90,081	\$ 1,378,241	
7	103550	Power/Generation Equipment	\$ 132,799	\$ 32,837	\$ -	\$ -	\$ -	\$ 132,799	3.37%	3.37%	\$ 4,475	\$ 4,475	\$ 37,312	\$ -	\$ -	\$ -	\$ 132,799	\$ 4,475	\$ 4,475	\$ 41,787	
8	103610	Collection Sewers Gravity	\$ 2,847	\$ 134	\$ -	\$ -	\$ -	\$ 2,847	0.83%	0.83%	\$ 24	\$ 24	\$ 158	\$ -	\$ -	\$ -	\$ 2,847	\$ 24	\$ 24	\$ 181	
9	103620	Special Collecting Structures	\$ 15,800	\$ 16,325	\$ -	\$ -	\$ -	\$ 15,800	0.83%	0.83%	\$ -	\$ -	\$ 15,800	\$ -	\$ -	\$ -	\$ 15,800	\$ -	\$ -	\$ 15,800	
10	103640	Flow Measuring Devices	\$ 21,953	\$ 5,070	\$ -	\$ -	\$ -	\$ 21,953	4.01%	4.01%	\$ 880	\$ 880	\$ 5,951	\$ -	\$ -	\$ -	\$ 21,953	\$ 880	\$ 880	\$ 6,831	
11	103701	Pumping Equipment - Sewer	\$ 528,229	\$ 329,756	\$ 25,047	\$ -	\$ -	\$ 553,277	8.60%	8.60%	\$ 47,582	\$ 47,582	\$ 377,338	\$ -	\$ -	\$ -	\$ 553,277	\$ 47,582	\$ 47,582	\$ 424,920	
12	103730	Transportn Equipment - General Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
13	103780	Tools, Shop & Garage Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	11.91%	11.91%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
14	103801	Treatment & Disposal Equipment	\$ 5,316,037	\$ 936,549	\$ 157,718	\$ -	\$ -	\$ 5,473,755	2.77%	2.77%	\$ 151,623	\$ 151,623	\$ 1,088,172	\$ 140,521	\$ -	\$ -	\$ 5,614,276	\$ 155,515	\$ 155,515	\$ 1,243,688	
15	103890	Other Miscellaneous Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	10.00%	10.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
16	103930	Tools, Shop & Garage Equipment	\$ 25,833	\$ 9,471	\$ -	\$ -	\$ -	\$ 25,833	7.27%	7.27%	\$ 1,878	\$ 1,878	\$ 11,349	\$ -	\$ -	\$ -	\$ 25,833	\$ 1,878	\$ 1,878	\$ 13,227	
17	103940	Laboratory Equipment - General Plant	\$ 30,667	\$ 8,767	\$ 4,088	\$ -	\$ -	\$ 34,756	7.42%	7.42%	\$ 2,579	\$ 2,579	\$ 11,346	\$ 47,169	\$ -	\$ -	\$ -	\$ 81,925	\$ 6,079	\$ 6,079	\$ 17,425
18	103955	Office Furniture & Computer Equipment	\$ 1,690	\$ 521	\$ -	\$ -	\$ -	\$ 1,690	8.85%	8.85%	\$ 150	\$ 150	\$ 671	\$ -	\$ -	\$ -	\$ 1,690	\$ 150	\$ 150	\$ 820	
19	103965	Communication Equipment	\$ 101,295	\$ 6,815	\$ 12,940	\$ -	\$ -	\$ 114,235	10.00%	10.00%	\$ 11,423	\$ 11,423	\$ 18,239	\$ 74,800	\$ -	\$ -	\$ -	\$ 189,035	\$ 18,903	\$ 18,903	\$ 37,142
20	103965	Transportation Equipment	\$ 2,505	\$ 1,484	\$ -	\$ -	\$ -	\$ 2,505	12.80%	12.80%	\$ 321	\$ 321	\$ 1,805	\$ -	\$ -	\$ -	\$ 2,505	\$ 321	\$ 321	\$ 2,126	
21	103970	Miscellaneous Equipment	\$ 2,588	\$ 122	\$ -	\$ -	\$ -	\$ 2,588	10.00%	10.00%	\$ 259	\$ 259	\$ 381	\$ -	\$ -	\$ -	\$ 2,588	\$ 259	\$ 259	\$ 640	
22		<b>Total</b>	<u>\$ 9,612,601</u>	<u>\$ 2,863,513</u>	<u>\$ 199,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,812,394</u>			<u>\$ 335,092</u>	<u>\$ 335,092</u>	<u>\$ 3,166,238</u>	<u>\$ 288,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,101,098</u>	<u>\$ 350,785</u>	<u>\$ 350,785</u>	<u>\$ 3,517,023</u>	

Hawaii Water Service Company  
 Accumulated Depreciation and Depreciation Expense Detail, No Cost of Removal

Test Year Ending December 31, 2023

Line No.	Account	Description	Plant Balance as of 12/31/2021	Accumulated Depreciation Reserve 12/31/2021	Additions from 1/01/2022 to 12/31/2022	Retirements from 1/01/2022 to 12/31/2022	Adjustments from 1/01/2022 to 12/31/2022	Plant Balance 12/31/2022	Present Rate	Proposed Rate	Depreciation Expense (Present Rate)	Depreciation Expense (Proposed Rate)	Accumulated Depreciation Reserve 12/31/2022	Additions from 1/01/2023 to 12/31/2023	Retirements from 1/01/2023 to 12/31/2023	Adjustments from 1/01/2023 to 12/31/2023	Plant Balance 12/31/2023	Depreciation Expense (Present Rate)	Depreciation Expense (Proposed Rate)	Accumulated Depreciation Reserve 12/31/2023
1		<b>Pukalani</b>																		
2	103061	Land and land rights	\$ 65,185	\$ -	\$ -	\$ -	\$ -	\$ 65,185	0.00%	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,185	\$ -	\$ -	\$ -
3	103240	Pumping Equipment	\$ 39,774	\$ 6,133	\$ -	\$ -	\$ -	\$ 39,774	11.76%	11.76%	\$ 4,677	\$ 4,677	\$ 10,811	\$ -	\$ -	\$ -	\$ 39,774	\$ 4,677	\$ 4,677	\$ 15,488
4	103241	System control computer equipment	\$ 250,240	\$ 282,083	\$ -	\$ -	\$ -	\$ 250,240	12.61%	12.61%	\$ -	\$ -	\$ 250,240	\$ -	\$ -	\$ -	\$ 250,240	\$ -	\$ -	\$ 250,240
5	103510	Intangible	\$ 223,393	\$ 28,545	\$ -	\$ -	\$ -	\$ 223,393	10.00%	10.00%	\$ 22,339	\$ 22,339	\$ 50,884	\$ -	\$ -	\$ -	\$ 223,393	\$ 22,339	\$ 22,339	\$ 73,223
6	103540	Structures & Improvements	\$ 2,851,764	\$ 1,198,900	\$ -	\$ -	\$ -	\$ 2,851,764	2.82%	2.82%	\$ 80,420	\$ 80,420	\$ 1,279,320	\$ 26,214	\$ -	\$ -	\$ 2,877,978	\$ 81,159	\$ 81,159	\$ 1,360,479
7	103550	Power/Generation Equipment	\$ 132,799	\$ 32,837	\$ -	\$ -	\$ -	\$ 132,799	3.34%	3.34%	\$ 4,435	\$ 4,435	\$ 37,272	\$ -	\$ -	\$ -	\$ 132,799	\$ 4,435	\$ 4,435	\$ 41,708
8	103610	Collection Sewers Gravity	\$ 2,847	\$ 134	\$ -	\$ -	\$ -	\$ 2,847	0.00%	0.00%	\$ -	\$ -	\$ 134	\$ -	\$ -	\$ -	\$ 2,847	\$ -	\$ -	\$ 134
9	103620	Special Collecting Structures	\$ 15,800	\$ 16,325	\$ -	\$ -	\$ -	\$ 15,800	0.00%	0.00%	\$ -	\$ -	\$ 15,800	\$ -	\$ -	\$ -	\$ 15,800	\$ -	\$ -	\$ 15,800
10	103640	Flow Measuring Devices	\$ 21,953	\$ 5,070	\$ -	\$ -	\$ -	\$ 21,953	3.99%	3.99%	\$ 876	\$ 876	\$ 5,946	\$ -	\$ -	\$ -	\$ 21,953	\$ 876	\$ 876	\$ 6,822
11	103701	Pumping Equipment - Sewer	\$ 528,229	\$ 329,756	\$ 25,047	\$ -	\$ -	\$ 553,277	8.58%	8.58%	\$ 47,471	\$ 47,471	\$ 377,227	\$ -	\$ -	\$ -	\$ 553,277	\$ 47,471	\$ 47,471	\$ 424,698
12	103730	Transportn Equipment - General Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	103780	Tools, Shop & Garage Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	11.21%	11.21%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	103801	Treatment & Disposal Equipment	\$ 5,316,037	\$ 936,549	\$ 157,718	\$ -	\$ -	\$ 5,473,755	2.77%	2.77%	\$ 151,623	\$ 151,623	\$ 1,088,172	\$ 140,521	\$ -	\$ -	\$ 5,614,276	\$ 155,515	\$ 155,515	\$ 1,243,688
15	103890	Other Miscellaneous Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	10.00%	10.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	103930	Tools, Shop & Garage Equipment	\$ 25,833	\$ 9,471	\$ -	\$ -	\$ -	\$ 25,833	6.96%	6.96%	\$ 1,798	\$ 1,798	\$ 11,269	\$ -	\$ -	\$ -	\$ 25,833	\$ 1,798	\$ 1,798	\$ 13,067
17	103940	Laboratory Equipment - General Plant	\$ 30,667	\$ 8,767	\$ 4,088	\$ -	\$ -	\$ 34,756	7.02%	7.02%	\$ 2,440	\$ 2,440	\$ 11,207	\$ 47,169	\$ -	\$ -	\$ 81,925	\$ 5,751	\$ 5,751	\$ 16,958
18	103955	Office Furniture & Computer Equipment	\$ 1,690	\$ 521	\$ -	\$ -	\$ -	\$ 1,690	-12.22%	-12.22%	\$ (207)	\$ (207)	\$ 314	\$ -	\$ -	\$ -	\$ 1,690	\$ (207)	\$ (207)	\$ 108
19	103960	Office Communication Equipment	\$ 101,295	\$ 6,815	\$ 12,940	\$ -	\$ -	\$ 114,235	10.00%	10.00%	\$ 11,423	\$ 11,423	\$ 18,239	\$ 74,800	\$ -	\$ -	\$ 189,035	\$ 18,903	\$ 18,903	\$ 37,142
20	103965	Transportation Equipment	\$ 2,505	\$ 1,484	\$ -	\$ -	\$ -	\$ 2,505	12.86%	12.86%	\$ 322	\$ 322	\$ 1,807	\$ -	\$ -	\$ -	\$ 2,505	\$ 322	\$ 322	\$ 2,129
21	103970	Miscellaneous Equipment	\$ 2,588	\$ 122	\$ -	\$ -	\$ -	\$ 2,588	10.00%	10.00%	\$ 259	\$ 259	\$ 381	\$ -	\$ -	\$ -	\$ 2,588	\$ 259	\$ 259	\$ 640
22		<b>Total</b>	<u>\$ 9,612,601</u>	<u>\$ 2,863,513</u>	<u>\$ 199,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,812,394</u>			<u>\$ 327,878</u>	<u>\$ 327,878</u>	<u>\$ 3,159,024</u>	<u>\$ 288,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,101,098</u>	<u>\$ 343,301</u>	<u>\$ 343,301</u>	<u>\$ 3,502,324</u>

Hawaii Water Service Company  
 Allocated Plant Detail (Hawaii Water GO)  
 Test Year Ending December 31, 2023

Line No	Description	In Service	Useful Life in Mos	Plant Balance as of 12/31/2021	Accumulated Depreciation Reserve 12/31/2021	Additions from 1/01/2022 to 12/31/2022	Retirements from 1/01/2022 to 12/31/2022	Plant Balance 12/31/2022	Present Rate	Depreciation Expense	Accumulated Depreciation Reserve 12/31/2022	Additions from 1/01/2023 to 12/31/2023	Retirements from 1/01/2023 to 12/31/2023	Plant Balance 12/31/2023	Depreciation Expense	Accumulated Depreciation Reserve 12/31/2023
<b>EXISTING PLANT</b>																
1	desks, conf tables, chairs	3/1/2010	120	\$ 3,060	\$ 3,060	\$ -	\$ -	\$ 3,060	10.00%	\$ -	\$ 3,060	\$ -	\$ -	\$ 3,060	\$ -	\$ 3,060
2	phone system with 8 phones	3/1/2010	60	\$ 24,859	\$ 24,859	\$ -	\$ -	\$ 24,859	20.00%	\$ -	\$ 24,859	\$ -	\$ -	\$ 24,859	\$ -	\$ 24,859
3	Cubicles	12/1/2010	120	\$ 5,650	\$ 5,650	\$ -	\$ -	\$ 5,650	10.00%	\$ -	\$ 5,650	\$ -	\$ -	\$ 5,650	\$ -	\$ 5,650
4	Cherry Desk	12/1/2010	120	\$ 855	\$ 855	\$ -	\$ -	\$ 855	10.00%	\$ -	\$ 855	\$ -	\$ -	\$ 855	\$ -	\$ 855
6	Drawer	12/1/2010	120	\$ 71	\$ 71	\$ -	\$ -	\$ 71	10.00%	\$ -	\$ 71	\$ -	\$ -	\$ 71	\$ -	\$ 71
7	Credenza	12/1/2010	120	\$ 509	\$ 509	\$ -	\$ -	\$ 509	10.00%	\$ -	\$ 509	\$ -	\$ -	\$ 509	\$ -	\$ 509
8	Corner Unit	12/1/2010	120	\$ 404	\$ 404	\$ -	\$ -	\$ 404	10.00%	\$ -	\$ 404	\$ -	\$ -	\$ 404	\$ -	\$ 404
9	Library	12/1/2010	120	\$ 284	\$ 284	\$ -	\$ -	\$ 284	10.00%	\$ -	\$ 284	\$ -	\$ -	\$ 284	\$ -	\$ 284
10	Chairs	12/1/2010	120	\$ 2,037	\$ 2,037	\$ -	\$ -	\$ 2,037	10.00%	\$ -	\$ 2,037	\$ -	\$ -	\$ 2,037	\$ -	\$ 2,037
11	Desk Shell	12/1/2010	120	\$ 429	\$ 429	\$ -	\$ -	\$ 429	10.00%	\$ -	\$ 429	\$ -	\$ -	\$ 429	\$ -	\$ 429
12	Credenza Shell	12/1/2010	120	\$ 793	\$ 793	\$ -	\$ -	\$ 793	10.00%	\$ -	\$ 793	\$ -	\$ -	\$ 793	\$ -	\$ 793
13	Keyboard Draw	12/1/2010	120	\$ 71	\$ 71	\$ -	\$ -	\$ 71	10.00%	\$ -	\$ 71	\$ -	\$ -	\$ 71	\$ -	\$ 71
14	Executive Chai	12/1/2010	120	\$ 391	\$ 391	\$ -	\$ -	\$ 391	10.00%	\$ -	\$ 391	\$ -	\$ -	\$ 391	\$ -	\$ 391
15	Desk Pedestal	12/1/2010	120	\$ 468	\$ 468	\$ -	\$ -	\$ 468	10.00%	\$ -	\$ 468	\$ -	\$ -	\$ 468	\$ -	\$ 468
16	Shell Unit	12/1/2010	120	\$ 308	\$ 308	\$ -	\$ -	\$ 308	10.00%	\$ -	\$ 308	\$ -	\$ -	\$ 308	\$ -	\$ 308
17	Hutch	12/1/2010	120	\$ 487	\$ 487	\$ -	\$ -	\$ 487	10.00%	\$ -	\$ 487	\$ -	\$ -	\$ 487	\$ -	\$ 487
18	Credenza	12/1/2010	120	\$ 333	\$ 333	\$ -	\$ -	\$ 333	10.00%	\$ -	\$ 333	\$ -	\$ -	\$ 333	\$ -	\$ 333
19	Regency Desk	12/1/2010	120	\$ 709	\$ 709	\$ -	\$ -	\$ 709	10.00%	\$ -	\$ 709	\$ -	\$ -	\$ 709	\$ -	\$ 709
20	Lateral File	12/1/2010	120	\$ 988	\$ 988	\$ -	\$ -	\$ 988	10.00%	\$ -	\$ 988	\$ -	\$ -	\$ 988	\$ -	\$ 988
21	Lateral Files	12/1/2010	120	\$ 2,868	\$ 2,868	\$ -	\$ -	\$ 2,868	10.00%	\$ -	\$ 2,868	\$ -	\$ -	\$ 2,868	\$ -	\$ 2,868
22	Desk Pedestal	12/1/2010	120	\$ 513	\$ 513	\$ -	\$ -	\$ 513	10.00%	\$ -	\$ 513	\$ -	\$ -	\$ 513	\$ -	\$ 513
23	Lateral File	12/1/2010	120	\$ 567	\$ 567	\$ -	\$ -	\$ 567	10.00%	\$ -	\$ 567	\$ -	\$ -	\$ 567	\$ -	\$ 567
24	Defibrillators	12/1/2010	60	\$ 7,161	\$ 7,161	\$ -	\$ -	\$ 7,161	20.00%	\$ -	\$ 7,161	\$ -	\$ -	\$ 7,161	\$ -	\$ 7,161
25	License	12/1/2010	60	\$ 237	\$ 237	\$ -	\$ -	\$ 237	20.00%	\$ -	\$ 237	\$ -	\$ -	\$ 237	\$ -	\$ 237
26	Ricoh Copier	12/1/2010	60	\$ 10,686	\$ 10,686	\$ -	\$ -	\$ 10,686	20.00%	\$ -	\$ 10,686	\$ -	\$ -	\$ 10,686	\$ -	\$ 10,686
27	Monitors	12/1/2010	60	\$ 1,207	\$ 1,207	\$ -	\$ -	\$ 1,207	20.00%	\$ -	\$ 1,207	\$ -	\$ -	\$ 1,207	\$ -	\$ 1,207
28	Telephone	12/1/2010	60	\$ 8,102	\$ 8,102	\$ -	\$ -	\$ 8,102	20.00%	\$ -	\$ 8,102	\$ -	\$ -	\$ 8,102	\$ -	\$ 8,102
29	Software	12/1/2010	60	\$ 132,361	\$ 132,361	\$ -	\$ -	\$ 132,361	20.00%	\$ -	\$ 132,361	\$ -	\$ -	\$ 132,361	\$ -	\$ 132,361
30	Kitchen Equip	12/1/2010	180	\$ 981	\$ 725	\$ -	\$ -	\$ 981	6.67%	\$ 65	\$ 790	\$ -	\$ -	\$ 981	\$ 65	\$ 856
31	Fireproof safe	12/1/2011	120	\$ 2,386	\$ 2,386	\$ -	\$ -	\$ 2,386	10.00%	\$ -	\$ 2,386	\$ -	\$ -	\$ 2,386	\$ -	\$ 2,386
32	Work Order Addition	12/1/2011	60	\$ 744	\$ 744	\$ -	\$ -	\$ 744	20.00%	\$ -	\$ 744	\$ -	\$ -	\$ 744	\$ -	\$ 744
33	Video conferencing system	12/1/2011	60	\$ 37,185	\$ 37,185	\$ -	\$ -	\$ 37,185	20.00%	\$ -	\$ 37,185	\$ -	\$ -	\$ 37,185	\$ -	\$ 37,185
34	Laser printer	12/1/2011	60	\$ 1,111	\$ 1,111	\$ -	\$ -	\$ 1,111	20.00%	\$ -	\$ 1,111	\$ -	\$ -	\$ 1,111	\$ -	\$ 1,111
35	RMS Software	3/1/2014	480	\$ 92,429	\$ 18,101	\$ -	\$ -	\$ 92,429	2.50%	\$ 2,311	\$ 20,411	\$ -	\$ -	\$ 92,429	\$ 2,311	\$ 22,722
36	Desktop-HIWKLCS40	12/1/2014	84	\$ 807	\$ 807	\$ -	\$ -	\$ 807	14.29%	\$ -	\$ 807	\$ -	\$ -	\$ 807	\$ -	\$ 807
37	Desktop-HIWKLCS39	12/1/2014	84	\$ 807	\$ 807	\$ -	\$ -	\$ 807	14.29%	\$ -	\$ 807	\$ -	\$ -	\$ 807	\$ -	\$ 807
38	Desktop-HIWKLCS37	12/1/2014	84	\$ 807	\$ 807	\$ -	\$ -	\$ 807	14.29%	\$ -	\$ 807	\$ -	\$ -	\$ 807	\$ -	\$ 807
39	Desktop-HIWKLCS38	12/1/2014	84	\$ 807	\$ 807	\$ -	\$ -	\$ 807	14.29%	\$ -	\$ 807	\$ -	\$ -	\$ 807	\$ -	\$ 807
40	Desktop-HIWKLCS36	12/1/2014	84	\$ 807	\$ 807	\$ -	\$ -	\$ 807	14.29%	\$ -	\$ 807	\$ -	\$ -	\$ 807	\$ -	\$ 807
41	Desktop-HIWKLCS41	12/1/2014	84	\$ 807	\$ 807	\$ -	\$ -	\$ 807	14.29%	\$ -	\$ 807	\$ -	\$ -	\$ 807	\$ -	\$ 807
42	Ricoh Aficio MP C3001	5/1/2015	480	\$ 3,044	\$ 507	\$ -	\$ -	\$ 3,044	2.50%	\$ 76	\$ 583	\$ -	\$ -	\$ 3,044	\$ 76	\$ 659
43	790 Office Furniture	5/1/2015	480	\$ 631	\$ 105	\$ -	\$ -	\$ 631	2.50%	\$ 16	\$ 121	\$ -	\$ -	\$ 631	\$ 16	\$ 136
44	790 Server & Server room upgrade	5/1/2015	84	\$ 17,650	\$ 16,810	\$ -	\$ -	\$ 17,650	14.29%	\$ 2,521	\$ 19,331	\$ -	\$ -	\$ 17,650	\$ -	\$ 19,331
45	Radio: mobile Motorola XPR5380	11/1/2015	60	\$ 1,635	\$ 1,635	\$ -	\$ -	\$ 1,635	20.00%	\$ -	\$ 1,635	\$ -	\$ -	\$ 1,635	\$ -	\$ 1,635
46	Radios: portable Motorola XPR7580	11/1/2015	60	\$ 3,838	\$ 3,838	\$ -	\$ -	\$ 3,838	20.00%	\$ -	\$ 3,838	\$ -	\$ -	\$ 3,838	\$ -	\$ 3,838
47	Laptop for CS Manager	9/1/2019	60	\$ 1,592	\$ 743	\$ -	\$ -	\$ 1,592	20.00%	\$ -	\$ 1,062	\$ -	\$ -	\$ 1,592	\$ 318	\$ 1,390
48	Laptop for Wastewater Manager	9/1/2019	60	\$ 1,644	\$ 767	\$ -	\$ -	\$ 1,644	20.00%	\$ -	\$ 1,096	\$ -	\$ -	\$ 1,644	\$ 329	\$ 1,425
49	Desktop for Wastewater Manager	9/1/2019	60	\$ 879	\$ 410	\$ -	\$ -	\$ 879	20.00%	\$ 178	\$ 586	\$ -	\$ -	\$ 879	\$ 178	\$ 762
50	ClearSCADA HP260 Mini Desktop	12/1/2019	240	\$ 2,035	\$ 212	\$ -	\$ -	\$ 2,035	5.00%	\$ 102	\$ 314	\$ -	\$ -	\$ 2,035	\$ 102	\$ 416
51	ClearSCADA Server	12/1/2019	240	\$ 75,826	\$ 7,899	\$ -	\$ -	\$ 75,826	5.00%	\$ 3,791	\$ 11,690	\$ -	\$ -	\$ 75,826	\$ 3,791	\$ 15,481
52	ClearSCADA HPE ProLiant DL360	12/1/2019	240	\$ 22,525	\$ 2,346	\$ -	\$ -	\$ 22,525	5.00%	\$ 1,126	\$ 3,472	\$ -	\$ -	\$ 22,525	\$ 1,126	\$ 4,599
53	ClearSCADA SATA drives	12/1/2019	240	\$ 6,049	\$ 630	\$ -	\$ -	\$ 6,049	5.00%	\$ 302	\$ 933	\$ -	\$ -	\$ 6,049	\$ 302	\$ 1,235
54	2019 Toyota 4Runner V218004	12/1/2019	84	\$ 44,521	\$ 13,250	\$ -	\$ -	\$ 44,521	14.29%	\$ 6,360	\$ 19,611	\$ -	\$ -	\$ 44,521	\$ 6,360	\$ 25,971
55	Ricoh IMC4500	4/1/2020	60	\$ 8,684	\$ 3,039	\$ -	\$ -	\$ 8,684	20.00%	\$ 1,737	\$ 4,776	\$ -	\$ -	\$ 8,684	\$ 1,737	\$ 6,513
56	AC Unit at Customer Service	8/1/2021	360	\$ 22,411	\$ 311	\$ -	\$ -	\$ 22,411	3.33%	\$ 747	\$ 1,058	\$ -	\$ -	\$ 22,411	\$ 747	\$ 1,805
57	PeopleSoft Bank Reconciliation	9/1/2021	120	\$ 7,751	\$ 323	\$ -	\$ -	\$ 7,751	10.00%	\$ 775	\$ 1,098	\$ -	\$ -	\$ 7,751	\$ 775	\$ 1,873
58	Office Furniture	9/1/2021	240	\$ 1,795	\$ 30	\$ -	\$ -	\$ 1,795	5.00%	\$ 90	\$ 120	\$ -	\$ -	\$ 1,795	\$ 90	\$ 209
59	Temperature Kiosk - Big Island	12/1/2021	60	\$ 2,898	\$ 48	\$ -	\$ -	\$ 2,898	20.00%	\$ 580	\$ 628	\$ -	\$ -	\$ 2,898	\$ 580	\$ 1,208
60	Temperature Kiosk - Maui	12/1/2021	60	\$ 2,898	\$ 48	\$ -	\$ -	\$ 2,898	20.00%	\$ 580	\$ 628	\$ -	\$ -	\$ 2,898	\$ 580	\$ 1,208
61	Total			\$ 574,392	\$ 324,452	\$ -	\$ -	\$ 574,392		\$ 22,002	\$ 346,454	\$ -	\$ -	\$ 574,392	\$ 19,481	\$ 365,935
<b>PLANT ADDITIONS</b>																
62	Server Rack Upgrade	12/31/2022	60	\$ -	\$ -	\$ 24,311	\$ -	\$ 24,311	20.00%	\$ 4,862	\$ 4,862	\$ -	\$ -	\$ 24,311	\$ 4,862	\$ 9,724
64	Baseryard Manual Trsftr Switch	12/31/2022	120	\$ -	\$ -	\$ 16,490	\$ -	\$ 16,490	10.00%	\$ 1,649	\$ 1,649	\$ -	\$ -	\$ 16,490	\$ 1,649	\$ 3,298
65	Office Improvements	11/30/2023	120	\$ -	\$ -	\$ -	\$ -	\$ -	10.00%	\$ -	\$ -	\$ 61,833	\$ -	\$ 61,833	\$ 6,183	\$ 6,183
66	CCC Specialist Vehicle	12/31/2022	60	\$ -	\$ -	\$ 36,231	\$ -	\$ 36,231	20.00%	\$ 7,246	\$ 7,246	\$ -	\$ -	\$ 36,231	\$ 7,246	\$ 14,492
67	Total			\$ -	\$ -	\$ 77,032	\$ -	\$ 77,032		\$ 13,757	\$ 13,757	\$ 61,833	\$ -	\$ 138,665	\$ 19,941	\$ 33,698
<b>HAWAII GENERAL OFFICE ALLOCATIONS</b>																
68	700 - Kaunapali		18.39%	\$ 105,646	\$ 59,676	\$ 14,608	\$ -	\$ 123,530		\$ 6,781	\$ 68,307	\$ 11,726	\$ -	\$ 135,256	\$ 7,476	\$ 75,783
69	701 - Pukalani		5.53%	\$ 31,765	\$ 17,943	\$ 4,287	\$ -	\$ 36,250		\$ 1,990	\$ 20,045	\$ 3,441	\$ -	\$ 39,690	\$ 2,194	\$ 22,238
70	704 - Kapalua Water		6.28%	\$ 35,970	\$ 20,318	\$ 3,927	\$ -	\$ 33,205		\$ 1,823	\$ 18,361	\$ 3,152	\$ -	\$ 36,357	\$ 2,009	\$ 20,371
72	705 - Kapalua Sewer		5.42%	\$ 31,135	\$ 17,587	\$ 2,144	\$ -	\$ 18,132		\$ 995	\$ 10,026	\$				

Hawaii Water Service Company  
 Allocated Plant Detail (Maui)  
 Test Year Ending December 31, 2023

Line No	Description	In Service	Useful Life in Mos	Plant Balance as of 12/31/2021	Accumulated Depreciation Reserve 12/31/2021	Additions from 1/01/2022 to 12/31/2022	Retirements from 1/01/2022 to 12/31/2022	Plant Balance 12/31/2022	Present Rate	Depreciation Expense	Accumulated Depreciation Reserve	Additions from 1/01/2023 to 12/31/2023	Retirements from 1/01/2023 to 12/31/2023	Plant Balance 12/31/2023	Depreciation Expense	Accumulated Depreciation Reserve 12/31/2023
1	<b>Maui</b>															
2	Work Order Addition	4/1/2013	84	\$ 38	\$ 38	\$ -	\$ -	\$ 38	14.29%	\$ -	\$ 38	\$ -	\$ -	\$ 38	\$ -	\$ 38
3	2 iPad 3 - Mgr. & Supt.	9/1/2013	84	\$ 918	\$ 918	\$ -	\$ -	\$ 918	14.29%	\$ -	\$ 918	\$ -	\$ -	\$ 918	\$ -	\$ 918
4	Superintendent Office Furniture	10/1/2014	360	\$ 1,222	\$ 346	\$ -	\$ -	\$ 1,222	3.33%	\$ 41	\$ 387	\$ -	\$ -	\$ 1,222	\$ 41	\$ 427
5	Defibrillator-Pukalani	6/1/2015	84	\$ 1,199	\$ 1,128	\$ -	\$ -	\$ 1,199	14.29%	\$ 171	\$ 1,299	\$ -	\$ -	\$ 1,199	\$ -	\$ 1,299
6	Defibrillator-Ka'anapali	6/1/2015	84	\$ 1,199	\$ 1,128	\$ -	\$ -	\$ 1,199	14.29%	\$ 171	\$ 1,299	\$ -	\$ -	\$ 1,199	\$ -	\$ 1,299
7	Laptop-Maui HIKAAALT01	6/1/2015	360	\$ 1,475	\$ 361	\$ -	\$ -	\$ 1,475	3.33%	\$ 49	\$ 410	\$ -	\$ -	\$ 1,475	\$ 49	\$ 459
8	Video conferencing equipment	11/1/2016	84	\$ 530	\$ 391	\$ -	\$ -	\$ 530	14.29%	\$ 76	\$ 467	\$ -	\$ -	\$ 530	\$ 76	\$ 543
9	Ricoh printer MPC3004	12/1/2016	84	\$ 6,024	\$ 4,405	\$ -	\$ -	\$ 6,024	14.29%	\$ 861	\$ 5,265	\$ -	\$ -	\$ 6,024	\$ 861	\$ 6,126
10	2010 Jeep engine-V210200	10/1/2018	84	\$ 9,636	\$ 4,474	\$ -	\$ -	\$ 9,636	14.29%	\$ 1,377	\$ 5,850	\$ -	\$ -	\$ 9,636	\$ 1,377	\$ 7,227
11	2019 Toyota 4Runner V218306	9/1/2019	84	\$ 44,480	\$ 14,827	\$ -	\$ -	\$ 44,480	14.29%	\$ 6,354	\$ 21,181	\$ -	\$ -	\$ 44,480	\$ 6,354	\$ 27,535
12	Emergency Trailer, 6'x12' Cargo	9/1/2019	84	\$ 9,523	\$ 3,174	\$ -	\$ -	\$ 9,523	14.29%	\$ 1,360	\$ 4,535	\$ -	\$ -	\$ 9,523	\$ 1,360	\$ 5,895
13	Emergency Trailer Generator, 5500w	9/1/2019	120	\$ 895	\$ 209	\$ -	\$ -	\$ 895	10.00%	\$ 90	\$ 298	\$ -	\$ -	\$ 895	\$ 90	\$ 388
14	Emergency Trailer Air Compressor	9/1/2019	120	\$ 1,121	\$ 262	\$ -	\$ -	\$ 1,121	10.00%	\$ 112	\$ 374	\$ -	\$ -	\$ 1,121	\$ 112	\$ 486
15	Emergency Trailer Tools	9/1/2019	120	\$ 5,901	\$ 1,377	\$ -	\$ -	\$ 5,901	10.00%	\$ 590	\$ 1,967	\$ -	\$ -	\$ 5,901	\$ 590	\$ 2,557
16	Total			\$ 84,160	\$ 33,036	\$ -	\$ -	\$ 84,160		\$ 11,252	\$ 44,288	\$ -	\$ -	\$ 84,160	\$ 10,909	\$ 55,197
17	<b>PLANT ADDITIONS</b>															
18	Metal Detector	7/31/2022	60	\$ -	\$ -	\$ 949	\$ -	\$ 949	20.00%	\$ 190	\$ 190	\$ -	\$ -	\$ 949	\$ 190	\$ 380
19	iPad Replacement	12/31/2022	60	\$ -	\$ -	\$ 723	\$ -	\$ 723	20.00%	\$ 145	\$ 145	\$ -	\$ -	\$ 723	\$ 145	\$ 289
20	Container for Storage	5/31/2022	60	\$ -	\$ -	\$ 7,140	\$ -	\$ 7,140	20.00%	\$ 1,428	\$ 1,428	\$ -	\$ -	\$ 7,140	\$ 1,428	\$ 2,856
21	Total			\$ -	\$ -	\$ 8,812	\$ -	\$ 8,812		\$ 1,762	\$ 1,762	\$ -	\$ -	\$ 8,812	\$ 1,762	\$ 3,525
22	<b>MAUI ALLOCATIONS</b>															
23	700 - Kaanapali		51.54%	\$ 43,376	\$ 17,027	\$ 5,039	\$ -	\$ 53,168		\$ 7,442	\$ 26,335	\$ -	\$ -	\$ 53,168	\$ 7,246	\$ 33,581
24	701 - Pukalani		15.41%	\$ 12,973	\$ 5,092	\$ 1,520	\$ -	\$ 16,034		\$ 2,244	\$ 7,942	\$ -	\$ -	\$ 16,034	\$ 2,185	\$ 10,127
25	704 - Kapalua Water		17.00%	\$ 14,303	\$ 5,615	\$ 1,388	\$ -	\$ 14,649		\$ 2,051	\$ 7,256	\$ -	\$ -	\$ 14,649	\$ 1,997	\$ 9,252
26	705 - Kapalua Sewer		14.17%	\$ 11,927	\$ 4,682	\$ 744	\$ -	\$ 7,853		\$ 1,099	\$ 3,890	\$ -	\$ -	\$ 7,853	\$ 1,070	\$ 4,960
27	706 - Kapalua Wells		0.48%	\$ 403	\$ 158	\$ 51	\$ -	\$ 535		\$ 75	\$ 265	\$ -	\$ -	\$ 535	\$ 73	\$ 338
28	707 - Kapalua Ditch		1.40%	\$ 1,178	\$ 462	\$ 69	\$ -	\$ 733		\$ 103	\$ 363	\$ -	\$ -	\$ 733	\$ 100	\$ 463
29	Total			\$ 84,160	\$ 33,036	\$ 8,812	\$ -	\$ 92,971		\$ 13,014	\$ 46,050	\$ -	\$ -	\$ 92,971	\$ 12,671	\$ 58,722

Hawaii Water Service Company  
 Contributions in Aid of Construction  
 Test Year Ending December 31, 2023

Line  
 No.

Line No.	Utility Account	Description	Balance as of	Additions	Retirements	Adjustments	Balance as of	Additions	Retirements	Adjustments	Test Year
			12/31/2021	1/1/2022 to 12/31/2022	1/1/2022 to 12/31/2022	1/1/2022 to 12/31/2022	12/31/2022	1/1/2023 to 12/31/2023	1/1/2023 to 12/31/2023	1/1/2023 to 12/31/2023	Balance as of 12/31/2023
5	103061	Land and land rights	\$ (65,185)	\$ -	\$ -	\$ -	\$ (65,185)	\$ -	\$ -	\$ -	\$ (65,185)
6	103240	Pumping Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	103241	System control computer equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	103510	Intangible	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	103540	Structures & Improvements	\$ (32,000)	\$ -	\$ -	\$ -	\$ (32,000)	\$ -	\$ -	\$ -	\$ (32,000)
10	103550	Power/Generation Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	103610	Collection Sewers Gravity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	103620	Special Collecting Structures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	103640	Flow Measuring Devices	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	103701	Pumping Equipment - Sewer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	103730	Transportn Equipment - General Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	103780	Tools, Shop & Garage Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	103801	Treatment & Disposal Equipment	\$ (2,839,786)	\$ -	\$ -	\$ -	\$ (2,839,786)	\$ -	\$ -	\$ -	\$ (2,839,786)
18	103890	Other Miscellaneous Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	103930	Tools, Shop & Garage Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	103940	Laboratory Equipment - General Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	103955	Office Furniture & Computer Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22	103960	Communication Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23	103965	Transporation Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	103970	Miscellaneous Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25		Total	\$ (2,936,971)	\$ -	\$ -	\$ -	\$ (2,936,971)	\$ -	\$ -	\$ -	\$ (2,936,971)

Hawaii Water Service Company  
 Amortization of Contributions in Aid of Construction

Test Year Ending December 31, 2023

Line No.	Account	Description	Balance as of 12/31/2021	Accumulated Amortization 12/31/2021	Additions from 1/01/2022 to 12/31/2022	Retirements from 1/01/2022 to 12/31/2022	Adjustments from 1/01/2022 to 12/31/2022	Balance 12/31/2022	Useful Life in years	Amortization	Accumulated Amortization 12/31/2022	Additions from 1/01/2023 to 12/31/2023	Retirements from 1/01/2023 to 12/31/2023	Adjustments from 1/01/2023 to 12/31/2023	Balance 12/31/2023	Amortization	Accumulated Amortization 12/31/2023
1																	
2	103061	Land and land rights	\$ (65,185)	\$ -	\$ -	\$ -	\$ -	\$ (65,185)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (65,185)	\$ -	\$ -
3	103240	Pumping Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	103241	System control computer equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	103510	Intangible	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	103540	Structures & Improvements	\$ (32,000)	\$ (30,152)	\$ -	\$ -	\$ -	\$ (32,000)	31.5	\$ (1,016)	\$ (31,168)	\$ -	\$ -	\$ -	\$ (32,000)	\$ (832)	\$ (32,000)
7	103550	Power/Generation Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	103610	Collection Sewers Gravity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	103620	Special Collecting Structures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	103640	Flow Measuring Devices	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	103701	Pumping Equipment - Sewer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	103730	Transportn Equipment - General Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	103780	Tools, Shop & Garage Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	103801	Treatment & Disposal Equipment	\$ (2,839,786)	\$ (1,056,147)	\$ -	\$ -	\$ -	\$ (2,839,786)	30	\$ (94,659.53)	\$ (1,150,807)	\$ -	\$ -	\$ -	\$ (2,839,786)	\$ (94,659.53)	\$ (1,245,466)
15	103890	Other Miscellaneous Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	103930	Tools, Shop & Garage Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	103940	Laboratory Equipment - General Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	103955	Office Furniture & Computer Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	103960	Communication Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	103965	Transportation Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	103970	Miscellaneous Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22		<b>Total Pukalani Water Plant</b>	<b>\$ (2,936,971)</b>	<b>\$ (1,086,299)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,936,971)</b>		<b>\$ (95,675)</b>	<b>\$ (1,181,975)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,936,971)</b>	<b>\$ (95,491)</b>	<b>\$ (1,277,466)</b>

Hawaii Water Service Company  
 Accumulated Deferred Income Taxes - Federal  
 Test Year Ending December 31, 2023

Line No.	Utility Account Description	Balance as of 11/30/2022	Dep. Exp.	Adjustments	Plant Additions 12/31/2022	Dep. Exp.	Adjustments	Test Year Plant Additions 12/31/2023
4	103061 Land and land rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	103240 Pumping Equipment	\$ (1,857)	\$ -	\$ -	\$ (1,857)	\$ -	\$ -	\$ (1,857)
6	103241 System control computer equipment	\$ 71,666	\$ -	\$ -	\$ 71,666	\$ -	\$ -	\$ 71,666
7	103510 Intangible	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	103540 Structures & Improvements	\$ 820,959	\$ -	\$ -	\$ 820,959	\$ 524	\$ -	\$ 821,483
9	103550 Power/Generation Equipment	\$ 39,909	\$ -	\$ -	\$ 39,909	\$ -	\$ -	\$ 39,909
10	103610 Collection Sewers Gravity	\$ 1,281	\$ -	\$ -	\$ 1,281	\$ -	\$ -	\$ 1,281
11	103620 Special Collecting Structures	\$ (3,929)	\$ -	\$ -	\$ (3,929)	\$ -	\$ -	\$ (3,929)
12	103640 Flow Measuring Devices	\$ 7,820	\$ -	\$ -	\$ 7,820	\$ -	\$ -	\$ 7,820
13	103701 Pumping Equipment - Sewer	\$ 155,906	\$ 287	\$ -	\$ 156,193	\$ 574	\$ -	\$ 156,767
14	103730 Transportn Equipment - General Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	103780 Tools, Shop & Garage Equipment	\$ 556	\$ -	\$ -	\$ 556	\$ -	\$ -	\$ 556
16	103801 Treatment & Disposal Equipment	\$ 803,290	\$ 1,366	\$ -	\$ 804,657	\$ 5,543	\$ -	\$ 810,199
17	103890 Other Miscellaneous Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	103930 Tools, Shop & Garage Equipment	\$ 8,515	\$ -	\$ -	\$ 8,515	\$ -	\$ -	\$ 8,515
19	103940 Laboratory Equipment - General Plant	\$ 10,295	\$ 584	\$ -	\$ 10,879	\$ 7,742	\$ -	\$ 18,621
20	103955 Office Furniture & Computer Equipment	\$ 731	\$ -	\$ -	\$ 731	\$ -	\$ -	\$ 731
21	103960 Communication Equipment	\$ 43,516	\$ 1,849	\$ -	\$ 45,365	\$ 13,858	\$ -	\$ 59,223
22	103965 Transporation Equipment	\$ 42,952	\$ -	\$ -	\$ 42,952	\$ -	\$ -	\$ 42,952
23	103970 Miscellaneous Equipment	\$ 1,149	\$ -	\$ -	\$ 1,149	\$ -	\$ -	\$ 1,149
24	Subtotal	\$ 2,002,759	\$ -	\$ -	\$ 2,006,845	\$ -	\$ -	\$ 2,035,085
25	Deferred Tax Liability at 21%	\$ 420,579			\$ 421,437			\$ 427,368
26	Less NOL	\$ 87,130			\$ 87,130			\$ 87,130
27	Pukaliani 701 Total Net Deferred Tax Liability	\$ 333,449			\$ 334,307			\$ 340,238
28	Allocated Maui 710 Net Deferred Tax Liability at 17.25%	\$ 944	\$ 246	\$ -	\$ 1,190	\$ 394	\$ -	\$ 1,584
29	Allocated Hawaii Water GO 790 Net Deferred Tax Liability at 5.56%	\$ 1,548	\$ 613	\$ -	\$ 2,160	\$ 1,541	\$ -	\$ 3,702
30	Grand Total	\$ 335,941			\$ 337,658			\$ 345,524



Hawaii Water Service Company  
 Accumulated Deferred Income Taxes - Federal (Detail) from 1/01/2022 to 12/31/2023  
 Test Year Ending December 31, 2023

Line No.	Utility Account	Utility Account Description	Work Order No.	Work Order Description	In-service Date	Tax Cost	Tax Period	Year 1 Tax Amortization	Year 2 Tax Amortization
1	103801	Treatment & Disposal Equipment	126376	Screw Press Compactor Washer	12/31/2022	\$ 64,557	25	\$ 1,291	\$ 2,582
2	103801	Treatment & Disposal Equipment	128480	Fine Screen Gearbox Motor	12/1/2022	\$ 3,746	25	\$ 75	\$ 150
3	103701	Pumping Equipment - Sewer	128768	Non-Potable Water Pump Manifold	12/1/2022	\$ 10,588	25	\$ 212	\$ 424
4	103960	Communication Equipment	129076	Pukalani SCADA Upgrade 2022	2/28/2023	\$ 74,800	7	\$ -	\$ 10,689
5	103960	Communication Equipment	129082	SPS#2 HMI Replacement	12/1/2022	\$ 11,189	7	\$ 1,599	\$ 2,740
6	103940	Laboratory Equip-Gen Plant	128485	BOD Respirometric Testing Equipment	8/31/2022	\$ 4,088	7	\$ 584	\$ 1,001
7	103960	Communication Equipment	128745	AUMA Butterfly Valve PLC Card	12/31/2022	\$ 1,750	7	\$ 250	\$ 429
8	103701	Pumping Equipment - Sewer	128898	Anoxic Basin #2 Sludge Mixer	8/31/2022	\$ 3,760	25	\$ 75	\$ 150
9	103540	Structures & Improvements	128358	SPS#1 Security Fencing	12/31/2023	\$ 9,040	25	\$ -	\$ 181
10	103540	Structures & Improvements	128359	SPS#1 Erosion Control	12/31/2023	\$ 17,173	25	\$ -	\$ 343
11	103940	Laboratory Equip-Gen Plant	128360	Influent/Effluent Refrigeration Samplers	12/31/2023	\$ 47,169	7	\$ -	\$ 6,740
12	103801	Treatment & Disposal Equipment	128364	Membrane Filter Cassettes	7/31/2023	\$ 56,299	25	\$ -	\$ 1,126
13	103801	Treatment & Disposal Equipment	128366	Rewire Control Wiring WWTP	7/31/2023	\$ 39,409	25	\$ -	\$ 788
14	103801	Treatment & Disposal Equipment	128367	Auma Valve Replacement	3/31/2023	\$ 44,814	25	\$ -	\$ 896
<b>15 Allocated Plant</b>									
<b>16 Hawaii Water</b>									
17	103721	Office-Electronic Equipment	125615	Server Rack Upgrade	12/31/2022	\$ 24,311	7	\$ 3,474	\$ 5,954
18	103780	Tools, Shop & Garage Equip	129205	Baseyard Manual Trsfr Switch	12/31/2022	\$ 16,490	7	\$ 2,356	\$ 4,038
25	103720	Office Furn & Equip-Gen Plant	128427	Office Improvements	11/30/2023	\$ 61,833	7	\$ -	\$ 8,636
26	103780	Tools, Shop & Garage Equip	122358	CCC Specialist Vehicle	12/31/2022	\$ 36,231	7	\$ 5,177	\$ 8,873
27		Total				\$ 138,865		\$ 11,008	\$ 27,701
<b>HAWAII GENERAL OFFICE ALLOCATIONS</b>									
28		700 - Kaanapali			18.96%	\$ 26,333		\$ 2,087	\$ 5,253
30		701 - Pukalani			5.56%	\$ 7,727		\$ 613	\$ 1,541
31		704 - Kapalua Water			5.10%	\$ 7,078		\$ 561	\$ 1,412
32		705 - Kapalua Sewer			2.78%	\$ 3,865		\$ 306	\$ 771
33		706 - Kapalua Wells			0.19%	\$ 263		\$ 21	\$ 52
34		707 - Kapalua Ditch			0.26%	\$ 362		\$ 29	\$ 72
35		721 - Waikoloa Water			11.38%	\$ 15,799		\$ 1,252	\$ 3,152
36		722 - Waikoloa Sewer			8.02%	\$ 11,138		\$ 883	\$ 2,222
37		723 - Waikoloa Resort Water			11.31%	\$ 15,701		\$ 1,245	\$ 3,132
38		724 - Waikoloa Resort Sewer			15.31%	\$ 21,259		\$ 1,685	\$ 4,241
39		725 - Waikoloa Resort Irrigation			0.51%	\$ 706		\$ 56	\$ 141
40		726 - Kona Water			9.10%	\$ 12,641		\$ 1,002	\$ 2,522
41		727 - Kona Sewer			4.56%	\$ 6,337		\$ 502	\$ 1,264
42		742 - Kalaeloa Sewer			2.99%	\$ 4,148		\$ 329	\$ 827
43		743 - Kalaeloa Water			3.97%	\$ 5,509		\$ 437	\$ 1,099
44		Total				\$ 138,865		\$ 11,008	\$ 27,701
<b>45 Maui</b>									
46	103730	Transportation Equip-Gen Plant	128397	Container for Storage	5/31/2022	\$ 7,140	5	\$ 1,428	\$ 2,285
47		Total				\$ 7,140		\$ 1,428	\$ 2,285
<b>48 MAUI ALLOCATIONS</b>									
49		700 - Kaanapali			57.19%	\$ 4,083		\$ 817	\$ 1,307
50		701 - Pukalani			17.25%	\$ 1,231		\$ 246	\$ 394
51		704 - Kapalua Water			15.76%	\$ 1,125		\$ 225	\$ 360
52		705 - Kapalua Sewer			8.45%	\$ 603		\$ 121	\$ 193
53		706 - Kapalua Wells			0.57%	\$ 41		\$ 8	\$ 13
54		707 - Kapalua Ditch			0.79%	\$ 56		\$ 11	\$ 18
55		Total				\$ 7,140		\$ 1,428	\$ 2,285

Hawaii Water Service Company  
 Accumulated Deferred Income Taxes - State  
 Test Year Ending December 31, 2023

Line No.	Utility Account	Description	Balance as of 11/30/2022	Dep. Exp.	Adjustments	Plant Additions 12/31/2022	Dep. Exp.	Adjustments	Test Year Balance as of 12/31/2023
4	103061	Land and land rights	\$ 2	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ 2
5	103240	Pumping Equipment	\$ (329)	\$ -	\$ -	\$ (329)	\$ -	\$ -	\$ (329)
6	103241	System control computer equipment	\$ 13,743	\$ -	\$ -	\$ 13,743	\$ -	\$ -	\$ 13,743
7	103510	Intangible	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	103540	Structures & Improvements	\$ 177,711	\$ -	\$ -	\$ 177,711	\$ 503	\$ -	\$ 178,215
9	103550	Power/Generation Equipment	\$ 4,340	\$ -	\$ -	\$ 4,340	\$ -	\$ -	\$ 4,340
10	103610	Collection Sewers Gravity	\$ 317	\$ -	\$ -	\$ 317	\$ -	\$ -	\$ 317
11	103620	Special Collecting Structures	\$ (1,841)	\$ -	\$ -	\$ (1,841)	\$ -	\$ -	\$ (1,841)
12	103640	Flow Measuring Devices	\$ 836	\$ -	\$ -	\$ 836	\$ -	\$ -	\$ 836
13	103701	Pumping Equipment - Sewer	\$ 25,641	\$ 275	\$ -	\$ 25,917	\$ 551	\$ -	\$ 26,468
14	103730	Transportn Equipment - General Plant	\$ 2	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ 2
15	103780	Tools, Shop & Garage Equipment	\$ 562	\$ -	\$ -	\$ 562	\$ -	\$ -	\$ 562
16	103801	Treatment & Disposal Equipment	\$ 404,306	\$ 3,000	\$ -	\$ 407,306	\$ 8,698	\$ -	\$ 416,005
17	103890	Other Miscellaneous Equipment	\$ 1	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 1
18	103930	Tools, Shop & Garage Equipment	\$ 2,172	\$ -	\$ -	\$ 2,172	\$ -	\$ -	\$ 2,172
19	103940	Laboratory Equipment - General Plant	\$ 3,394	\$ 561	\$ -	\$ 3,955	\$ 7,432	\$ -	\$ 11,387
20	103955	Office Furniture & Computer Equipment	\$ 781	\$ -	\$ -	\$ 781	\$ -	\$ -	\$ 781
21	103960	Communication Equipment	\$ 55,021	\$ 1,775	\$ -	\$ 56,796	\$ 13,304	\$ -	\$ 70,099
22	103965	Transporation Equipment	\$ (7,019)	\$ -	\$ -	\$ (7,019)	\$ -	\$ -	\$ (7,019)
23	103970	Miscellaneous Equipment	\$ 1,511	\$ -	\$ -	\$ 1,511	\$ -	\$ -	\$ 1,511
24		Subtotal	<u>\$ 681,151</u>	<u>\$ 5,612</u>	<u>\$ -</u>	<u>\$ 686,763</u>	<u>\$ 30,488</u>	<u>\$ -</u>	<u>\$ 717,251</u>
25		Pukalani 701 Total Net Deferred Tax Liability at 6.40%	<u>\$ 43,594</u>			<u>\$ 43,953</u>			<u>\$ 45,904</u>
26		Allocated Maui 710 Net Deferred Tax Liability at 17.25%	\$ 4,661	\$ 236	\$ -	\$ 4,898	\$ 378	\$ -	\$ 5,276
27		Allocated Hawaii Water GO 790 Net Deferred Tax Liability at 5.56%	\$ 8,760	\$ 588	\$ -	\$ 9,348	\$ 1,480	\$ -	\$ 10,828
28		Grand Total	<u>\$ 57,015</u>			<u>\$ 58,199</u>			<u>\$ 62,008</u>

Hawaii Water Service Company  
 Accumulated Deferred Income Taxes - State (Detail) from 1/01/2022 to 12/31/2023  
 Test Year Ending December 31, 2023

Line No.	Utility Account	Utility Account Description	Work Order No.	Work Order Description	In-service Date	Tax Cost	Tax Period	Year 1 Amortization	Year 2 Amortization
1	103801	Treatment & Disposal Equipment	126376	Screw Press Compactor Washer	12/31/2022	\$ 61,974	25	\$ 1,239	\$ 2,479
2	103801	Treatment & Disposal Equipment	128480	Fine Screen Gearbox Motor	12/1/2022	\$ 3,596	25	\$ 72	\$ 144
3	103701	Pumping Equipment - Sewer	128768	Non-Potable Water Pump Manifold	12/1/2022	\$ 10,164	25	\$ 203	\$ 407
4	103960	Communication Equipment	129076	Pukalani SCADA Upgrade 2022	2/28/2023	\$ 71,808	7	\$ -	\$ 10,261
5	103960	Communication Equipment	129082	SPS#2 HMI Replacement	12/1/2022	\$ 10,742	7	\$ 1,535	\$ 2,631
6	103801	Treatment & Disposal Equipment	128157	MBR1 Membrane Replacement	8/31/2022	\$ 84,439	25	\$ 1,689	\$ 3,378
7	103940	Laboratory Equip-Gen Plant	128485	BOD Respirometric Testing Equipment	8/31/2022	\$ 3,925	7	\$ 561	\$ 961
8	103960	Communication Equipment	128745	AUMA Butterfly Valve PLC Card	12/31/2022	\$ 1,680	7	\$ 240	\$ 411
9	103701	Pumping Equipment - Sewer	128898	Anoxic Basin #2 Sludge Mixer	8/31/2022	\$ 3,610	25	\$ 72	\$ 144
10	103540	Structures & Improvements	128358	SPS#1 Security Fencing	12/31/2023	\$ 8,679	25	\$ -	\$ 174
11	103540	Structures & Improvements	128359	SPS#1 Erosion Control	12/31/2023	\$ 16,486	25	\$ -	\$ 330
12	103940	Laboratory Equip-Gen Plant	128360	Influent/Effluent Refrigeration Samplers	12/31/2023	\$ 45,282	7	\$ -	\$ 6,471
13	103801	Treatment & Disposal Equipment	128364	Membrane Filter Cassettes	7/31/2023	\$ 54,047	25	\$ -	\$ 1,081
14	103801	Treatment & Disposal Equipment	128366	Rewire Control Wiring WWTP	7/31/2023	\$ 37,833	25	\$ -	\$ 757
15	103801	Treatment & Disposal Equipment	128367	Auma Valve Replacement	3/31/2023	\$ 43,021	25	\$ -	\$ 860
<b>16 Allocated Plant</b>									
17	Hawaii Water								
18	103721	Office-Electronic Equipment	125615	Server Rack Upgrade	12/31/2022	\$ 23,338	7	\$ 3,335	\$ 5,716
19	103780	Tools, Shop & Garage Equip	129205	Baseyard Manual Trsrfr Switch	12/31/2022	\$ 15,830	7	\$ 2,262	\$ 3,877
20	103720	Office Furn & Equip-Gen Plant	128427	Office Improvements	11/30/2023	\$ 59,360	7	\$ -	\$ 8,483
21	103780	Tools, Shop & Garage Equip	122358	CCC Specialist Vehicle	12/31/2022	\$ 34,782	7	\$ 4,970	\$ 8,518
22		Total				<u>\$ 133,311</u>		<u>\$ 10,568</u>	<u>\$ 26,593</u>
<b>HAWAII GENERAL OFFICE ALLOCATIONS</b>									
23		700 - Kaanapali			18.96%	\$ 25,280		\$ 2,004	\$ 5,043
24		701 - Pukalani			5.56%	\$ 7,418		\$ 588	\$ 1,480
25		704 - Kapalua Water			5.10%	\$ 6,795		\$ 539	\$ 1,356
26		705 - Kapalua Sewer			2.78%	\$ 3,711		\$ 294	\$ 740
27		706 - Kapalua Wells			0.19%	\$ 252		\$ 20	\$ 50
28		707 - Kapalua Ditch			0.26%	\$ 348		\$ 28	\$ 69
29		721 - Waikoloa Water			11.38%	\$ 15,167		\$ 1,202	\$ 3,025
30		722 - Waikoloa Sewer			8.02%	\$ 10,692		\$ 848	\$ 2,133
31		723 - Waikoloa Resort Water			11.31%	\$ 15,073		\$ 1,195	\$ 3,007
32		724 - Waikoloa Resort Sewer			15.31%	\$ 20,408		\$ 1,618	\$ 4,071
33		725 - Waikoloa Resort Irrigation			0.51%	\$ 678		\$ 54	\$ 135
34		726 - Kona Water			9.10%	\$ 12,135		\$ 962	\$ 2,421
35		727 - Kona Sewer			4.56%	\$ 6,083		\$ 482	\$ 1,213
36		742 - Kalaeloa Sewer			2.99%	\$ 3,982		\$ 316	\$ 794
37		743 - Kalaeloa Water			3.97%	\$ 5,288		\$ 419	\$ 1,055
38		Total				<u>\$ 133,311</u>		<u>\$ 10,568</u>	<u>\$ 26,593</u>
39									
<b>MAUI ALLOCATIONS</b>									
40	Maui								
41	103730	Transportation Equip-Gen Plant	128397	Container for Storage	5/31/2022	\$ 6,854	5	\$ 1,371	\$ 2,193
42		Total				<u>\$ 6,854</u>		<u>\$ 1,371</u>	<u>\$ 2,193</u>
43									
<b>MAUI ALLOCATIONS</b>									
44		700 - Kaanapali			57.19%	\$ 3,920		\$ 784	\$ 1,254
45		701 - Pukalani			17.25%	\$ 1,182		\$ 236	\$ 378
46		704 - Kapalua Water			15.76%	\$ 1,080		\$ 216	\$ 346
47		705 - Kapalua Sewer			8.45%	\$ 579		\$ 116	\$ 185
48		706 - Kapalua Wells			0.57%	\$ 39		\$ 8	\$ 13
49		707 - Kapalua Ditch			0.79%	\$ 54		\$ 11	\$ 17
50		Total				<u>\$ 6,854</u>		<u>\$ 1,371</u>	<u>\$ 2,193</u>

Hawaii Water Service Company  
Hawaii Capital Goods Excise Tax Credit  
Test Year Ending December 31, 2023

Line No.	Utility Account	Property Description	In Service Date	Federal Tax Cost	State Tax Cost	HCGETC	Amortization Period	Annual Amortization	Accumulated Amortization												Unamortized HCGETC				
									2017	2018	2019	2020	2021	2022	2023	2021	2022	2023	2021	2022	2023				
1	103540 Building	PLANT IN SERVICE	1/1/1988	\$ 32,000	\$ 30,720	\$ 1,280	25	\$ 51	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ (0)	\$ (0)
2	103061 Land		1/1/1988	\$ 65,185	\$ 62,578	\$ 2,607	25	\$ 104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ (0)	\$ (0)
3	103520 Diesel tank downpayment		1/1/1999	\$ 15,800	\$ 15,168	\$ 632	25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 0
4	103081 PVC Piping		12/1/2010	\$ 6,573	\$ 6,310	\$ 263	25	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 116
5	103081 PVC Piping		12/1/2010	\$ 1,565	\$ 1,502	\$ 63	25	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 28
6	103081 PVC Piping		12/1/2010	\$ 3,599	\$ 3,455	\$ 144	25	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 63
7	103081 PVC Piping		12/1/2010	\$ 15,180	\$ 14,573	\$ 607	25	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 267
8	103081 DI Piping		12/1/2010	\$ 1,095	\$ 1,052	\$ 44	25	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 19
9	103081 DI Piping		12/1/2010	\$ 45,383	\$ 43,568	\$ 1,815	25	\$ 73	\$ 73	\$ 73	\$ 73	\$ 73	\$ 73	\$ 73	\$ 73	\$ 73	\$ 73	\$ 73	\$ 73	\$ 73	\$ 73	\$ 73	\$ 73	\$ 73	\$ 799
10	103081 PVC Piping		12/1/2010	\$ 15,649	\$ 15,023	\$ 626	25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 275
11	103081 PVC Piping		12/1/2010	\$ 61,846	\$ 59,372	\$ 2,474	25	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 1,088
12	103081 DI Piping		12/1/2010	\$ 56,338	\$ 54,084	\$ 2,254	25	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 992
13	103081 DI Piping		12/1/2010	\$ 23,474	\$ 22,535	\$ 939	25	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 413
14	103081 PVC Piping		12/1/2010	\$ 23,474	\$ 22,535	\$ 939	25	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 413
15	103081 PVC Piping		12/1/2010	\$ 6,416	\$ 6,160	\$ 257	25	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 113
16	103081 PVC Piping		12/1/2010	\$ 10,116	\$ 9,711	\$ 405	25	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 178
17	103081 PVC Piping		12/1/2010	\$ 16,432	\$ 15,775	\$ 657	25	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 289
18	103081 PVC Piping		12/1/2010	\$ 1,135	\$ 1,089	\$ 45	25	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 20
19	103081 PVC Piping		12/1/2010	\$ 5,947	\$ 5,709	\$ 238	25	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 105
20	103081 PVC Piping		12/1/2010	\$ 1,252	\$ 1,202	\$ 50	25	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 22
21	103240 4' check valve		12/1/2010	\$ 2,027	\$ 1,946	\$ 81	25	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 36
22	103081 DI Piping		12/1/2010	\$ 6,729	\$ 6,460	\$ 269	25	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 11	\$ 118
23	103081 DI Piping		12/1/2010	\$ 10,642	\$ 10,216	\$ 426	25	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 182
24	103081 PVC Piping		12/1/2010	\$ 9,546	\$ 9,164	\$ 382	25	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 168
25	103081 DI Piping		12/1/2010	\$ 53,208	\$ 51,079	\$ 2,128	25	\$ 85	\$ 85	\$ 85	\$ 85	\$ 85	\$ 85	\$ 85	\$ 85	\$ 85	\$ 85	\$ 85	\$ 85	\$ 85	\$ 85	\$ 85	\$ 85	\$ 85	\$ 936
26	103081 DI Piping		12/1/2010	\$ 76,882	\$ 73,614	\$ 3,067	25	\$ 123	\$ 123	\$ 123	\$ 123	\$ 123	\$ 123	\$ 123	\$ 123	\$ 123	\$ 123	\$ 123	\$ 123	\$ 123	\$ 123	\$ 123	\$ 123	\$ 123	\$ 1,350
27	103081 DI Piping		12/1/2010	\$ 113,458	\$ 108,919	\$ 4,538	25	\$ 182	\$ 182	\$ 182	\$ 182	\$ 182	\$ 182	\$ 182	\$ 182	\$ 182	\$ 182	\$ 182	\$ 182	\$ 182	\$ 182	\$ 182	\$ 182	\$ 182	\$ 1,997
28	103081 DI Piping		12/1/2010	\$ 15,023	\$ 14,422	\$ 601	25	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 24	\$ 264
29	103081 PVC Piping		12/1/2010	\$ 4,851	\$ 4,657	\$ 194	25	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 85
30	103081 DI Piping		12/1/2010	\$ 1,095	\$ 1,052	\$ 44	25	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 19
31	103081 DI Piping		12/1/2010	\$ 70,422	\$ 67,605	\$ 2,817	25	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 1,239
32	103081 DI Piping		12/1/2010	\$ 62,597	\$ 60,093	\$ 2,504	25	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 1,102
33	103081 DI Piping		12/1/2010	\$ 12,169	\$ 11,619	\$ 550	25	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 223
34	103081 PVC Piping		12/1/2010	\$ 7,825	\$ 7,512	\$ 313	25	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 138
35	103081 PVC Piping		12/1/2010	\$ 12,519	\$ 12,019	\$ 501	25	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 220
36	CIAC		12/1/2010	\$(2,819,971)	\$(2,819,971)	\$(117,479)	30.75	\$(3,820)	\$(3,820)	\$(3,820)	\$(3,820)	\$(3,820)	\$(3,820)	\$(3,820)	\$(3,820)	\$(3,820)	\$(3,820)	\$(3,820)	\$(3,820)	\$(3,820)	\$(3,820)	\$(3,820)	\$(3,820)	\$(3,820)	\$ -
37	103540 Concrete Work		12/1/2010	\$ 1,357,462	\$ 1,303,164	\$ 54,298	25	\$ 2,172	\$ 2,172	\$ 2,172	\$ 2,172	\$ 2,172	\$ 2,172	\$ 2,172	\$ 2,172	\$ 2,172	\$ 2,172	\$ 2,172	\$ 2,172	\$ 2,172	\$ 2,172	\$ 2,172	\$ 2,172	\$ 2,172	\$ 23,891
38	103081 Conveyor		12/1/2010	\$ 5,352	\$ 5,138	\$ 214	25	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 94
39	103540 Elec. Bldg.		12/1/2010	\$ 935,733	\$ 898,304	\$ 37,429	25	\$ 1,497	\$ 1,497	\$ 1,497	\$ 1,497	\$ 1,497	\$ 1,497	\$ 1,497	\$ 1,497	\$ 1,497	\$ 1,497	\$ 1,497	\$ 1,497	\$ 1,497	\$ 1,497	\$ 1,497	\$ 1,497	\$ 1,497	\$ 16,469
40	103081 EQ Blowers		12/1/2010	\$ 10,871	\$ 10,436	\$ 435	25	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 191
41	103081 Diffusers		12/1/2010	\$ 2,341	\$ 2,248	\$ 94	25	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 41
42	103081 Diffusers		12/1/2010	\$ 30,105	\$ 28,900	\$ 1,204	25	\$ 48	\$ 48	\$ 48	\$ 48	\$ 48	\$ 48	\$ 48	\$ 48	\$ 48	\$ 48	\$ 48	\$ 48	\$ 48	\$ 48	\$ 48	\$ 48	\$ 48	\$ 530
43	103081 Tank		12/1/2010	\$ 83,765	\$ 80,414	\$ 3,351	25	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134	\$ 1,474
44	103540 Leach Field		12/1/2010	\$ 158,082	\$ 151,759	\$ 6,323	25	\$ 253	\$ 253	\$ 253	\$ 253	\$ 253	\$ 253	\$ 253	\$ 253	\$ 253	\$ 253	\$ 253	\$ 253	\$ 253	\$ 253	\$ 253	\$ 253	\$ 253	\$ 2,782
45	103081 MBR Blowers		12/1/2010	\$ 3,293	\$ 3,162	\$ 132	25	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 58
46	103081 Screen		12/1/2010	\$ 193,701	\$ 185,952	\$ 7,748	25	\$ 310	\$ 310	\$ 310	\$ 310	\$ 310	\$ 310	\$ 310	\$ 310	\$ 310	\$ 310	\$ 310	\$ 310	\$ 310	\$ 310	\$ 310	\$ 310	\$ 310	\$ 3,409
47	103081 Mixers		12/1/2010	\$ 52,395	\$ 50,299	\$ 2,096	25	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84	\$ 922
48	103081 Other T&D Eq		12/1/2010	\$ 60,927	\$ 58,490	\$ 2,437	25	\$ 97	\$ 97	\$ 97	\$ 97	\$ 97	\$ 97	\$ 97	\$ 97	\$ 97	\$ 97	\$ 97	\$ 97	\$ 97	\$ 97	\$ 97	\$ 97	\$ 97	\$ 1,072
49	103540 Other		12/1/2010	\$ 270,475	\$ 259,656	\$ 10,819	25	\$ 433	\$ 433	\$ 433	\$ 433	\$ 433	\$ 433	\$ 433	\$ 433	\$ 433	\$ 433	\$ 433	\$ 433	\$ 433	\$ 433	\$ 433	\$ 433	\$ 433	\$ 4,760
50	103081 PA Blowers		12/1/2010	\$ 9,533	\$ 9,152	\$ 381	25	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 168
51	103701 Pumps		12/1/2010	\$ 21,770	\$ 20,899	\$ 871	25	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 383
52	103701 Pumps		12/1/2010	\$ 3,862	\$ 3,707	\$ 154	25	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 68
53	103540 Tank		12/1/2010	\$ 56,028	\$ 53,787																				



Hawaii Water Service Company  
Hawaii Capital Goods Excise Tax Credit  
Test Year Ending December 31, 2023

Line No.	Utility Account	Property Description	In Service Date	Federal Tax Cost	State Tax Cost	HCGETC	Amortization Period	Annual Amortization	Accumulated Amortization										Unamortized HCGETC								
									2017	2018	2019	2020	2021	2022	2023	2021	2022	2023									
164	103540 AC, Daikin		8/1/2021	\$ 4	\$ 4	\$ 0	25	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0					
165	103540 AC, Daikin		8/1/2021	\$ 3,950	\$ 3,792	\$ 158	25	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 13	\$ 19	\$ 152	\$ 145					
166	103801 Air Hydropneumatic Tank Rebuild		8/1/2021	\$ 3,890	\$ 3,735	\$ 156	25	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 12	\$ 19	\$ 149	\$ 143					
167	103801 Air Hydropneumatic Tank Rebuild		8/1/2021	\$ (5)	\$ (5)	\$ (0)	25	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)					
168	103801 Digital pH Sensor		8/1/2021	\$ 1,394	\$ 1,338	\$ 56	25	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 4	\$ 7	\$ 54	\$ 51	\$ 49					
169	103801 Digital pH Sensor		8/1/2021	\$ (3)	\$ (3)	\$ (0)	25	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)					
170	103701 Equalization Basin Mixer #1 Rebuild		8/1/2021	\$ 10,410	\$ 9,993	\$ 416	25	\$ 17	\$ -	\$ -	\$ -	\$ -	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 33	\$ 50	\$ 400	\$ 383	\$ 366					
171	103701 Equalization Basin Mixer #1 Rebuild		8/1/2021	\$ (5)	\$ (5)	\$ (0)	25	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)					
172	103955 Furniture		8/1/2021	\$ 0	\$ 0	\$ 0	7	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0					
173	103955 Furniture		8/1/2021	\$ 428	\$ 410	\$ 17	7	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 5	\$ 7	\$ 15	\$ 12	\$ 10					
174	103955 HP Printer		8/1/2021	\$ 0	\$ 0	\$ 0	7	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0					
175	103955 HP Printer		8/1/2021	\$ 325	\$ 312	\$ 13	7	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 4	\$ 6	\$ 11	\$ 9	\$ 7					
176	103801 SC200 Universal Controller		8/1/2021	\$ (33)	\$ (32)	\$ (1)	25	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)					
177	103801 SC200 Universal Controller		8/1/2021	\$ 13,399	\$ 12,863	\$ 536	25	\$ 21	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ 21	\$ 21	\$ 21	\$ 21	\$ 43	\$ 64	\$ 515	\$ 493	\$ 472					
178	103801 Sludge Press 8" Roller		12/1/2021	\$ (6)	\$ (6)	\$ (0)	25	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)					
179	103801 Sludge Press 8" Roller		12/1/2021	\$ 29,322	\$ 28,149	\$ 1,173	25	\$ 47	\$ -	\$ -	\$ -	\$ -	\$ 47	\$ 47	\$ 47	\$ 47	\$ 47	\$ 94	\$ 141	\$ 1,126	\$ 1,079	\$ 1,032					
180	103701 Backflow 3/4" Watts at SPS#1		7/1/2022	\$ 2,126	\$ 2,041	\$ 85	25	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 7	\$ 11	\$ 82	\$ 82	\$ 78					
181	103701 Backflow 3/4" Watts at SPS#1		7/1/2022	\$ (40)	\$ (38)	\$ (2)	25	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)					
182	103701 Backflow 3/4" Watts at SPS#2		7/1/2022	\$ (40)	\$ (38)	\$ (2)	25	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)					
183	103701 Backflow 3/4" Watts at SPS#2		7/1/2022	\$ 2,126	\$ 2,041	\$ 85	25	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 7	\$ 11	\$ 82	\$ 82	\$ 78					
184	103701 Pump #1 Starter & Circuit Breaker		7/1/2022	\$ (6)	\$ (6)	\$ (0)	25	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)					
185	103701 Pump #1 Starter & Circuit Breaker		7/1/2022	\$ 2,918	\$ 2,801	\$ 117	25	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 9	\$ 14	\$ 112	\$ 112	\$ 107					
186	103701 SPS#2 Pump #1 Soft Starter		7/1/2022	\$ (45)	\$ (43)	\$ (2)	25	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)					
187	103701 SPS#2 Pump #1 Soft Starter		7/1/2022	\$ 3,661	\$ 3,514	\$ 146	25	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 12	\$ 18	\$ 141	\$ 141	\$ 135					
188	103801 Water Bath		7/1/2022	\$ (33)	\$ (32)	\$ (1)	25	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)					
189	103801 Water Bath		7/1/2022	\$ 1,490	\$ 1,431	\$ 60	25	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 5	\$ 8	\$ 57	\$ 57	\$ 55					
190	103801 Membrane Cartridge		8/1/2022	\$ (1,425)	\$ (1,368)	\$ (57)	25	\$ (2)	\$ -	\$ -	\$ -	\$ -	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (57)	\$ (57)	\$ (57)	\$ (57)	\$ (57)	\$ (57)					
191	103801 Membrane Cartridge		8/1/2022	\$ 81,516	\$ 78,256	\$ 3,261	25	\$ 130	\$ -	\$ -	\$ -	\$ -	\$ 130	\$ 130	\$ 130	\$ 130	\$ 130	\$ 261	\$ 392	\$ 3,130	\$ 3,130	\$ 3,000					
192	subtotal			\$ 7,829,892	\$ 7,516,696	\$ 313,196		\$ 13,984	\$ 12,599	\$ 12,783	\$ 12,794	\$ 13,366	\$ 13,627	\$ 13,625	\$ 13,197	\$ 78,081	\$ 95,528	\$ 112,548	\$ 231,362	\$ 217,667	\$ 200,647						
193	PLANT ADDITIONS																										
194	103801	Screw Press Compacto Washer	12/31/2022	\$ 64,557	\$ 61,974	\$ 2,582	25	\$ 103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103	\$ 103	\$ -	\$ 103	\$ 207	\$ -	\$ 2,479	\$ 2,376	\$ 2,376					
195	103801	Fine Screen Gearbox Motor	12/1/2022	\$ 3,746	\$ 3,596	\$ 150	25	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 12	\$ 12	\$ 144	\$ 144	\$ 138					
196	103701	Non-Potable Water Pump Manifold	12/1/2022	\$ 10,588	\$ 10,164	\$ 424	25	\$ 17	\$ -	\$ -	\$ -	\$ -	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 34	\$ 34	\$ 407	\$ 407	\$ 390					
197	103960	Pukalani SCADA Upgrade 2022	2/28/2023	\$ 74,800	\$ 71,808	\$ 2,992	25	\$ 120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120	\$ 120	\$ -	\$ 120	\$ -	\$ -	\$ -	\$ -	\$ 2,872					
198	103960	SPS#2 HMI Replacement	12/1/2022	\$ 11,189	\$ 10,742	\$ 448	25	\$ 18	\$ -	\$ -	\$ -	\$ -	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 36	\$ 36	\$ 430	\$ 430	\$ 412					
199	103801	MBR1 Membrane Replacement	8/31/2022	\$ 87,958	\$ 84,439	\$ 3,518	25	\$ 141	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 141	\$ 141	\$ -	\$ 141	\$ 281	\$ -	\$ 3,378	\$ 3,237	\$ 3,237					
200	103801	Water Bath Testing Equipment	8/31/2022	\$ 1,457	\$ 1,399	\$ 58	25	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 5	\$ 5	\$ 56	\$ 56	\$ 54					
201	103940	BOD Respirometric Testing Equipment	8/31/2022	\$ 4,088	\$ 3,925	\$ 164	25	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 13	\$ 13	\$ 157	\$ 157	\$ 150					
202	103960	AUMA Butterfly Valve PLC Card	12/31/2022	\$ 1,750	\$ 1,680	\$ 70	25	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 6	\$ 6	\$ 67	\$ 67	\$ 64					
203	103701	Anoxic Basin #2 Sludge Mixer	8/31/2022	\$ 3,760	\$ 3,610	\$ 150	25	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 12	\$ 12	\$ 144	\$ 144	\$ 138					
204	103540	SPS#1 Security Fencing	12/31/2023	\$ 9,040	\$ 8,679	\$ 362	25	\$ 14	\$ -	\$ -	\$ -	\$ -	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 28	\$ 28	\$ 347	\$ 347	\$ 347					
205	103540	SPS#1 Erosion Control	12/31/2023	\$ 17,173	\$ 16,486	\$ 687	25	\$ 27	\$ -	\$ -	\$ -	\$ -	\$ 27	\$ 27	\$ 27	\$ 27	\$ 27	\$ 54	\$ 54	\$ 659	\$ 659	\$ 659					
206	103940	Influent/Effluent Refrigeration Samplers	12/31/2023	\$ 47,169	\$ 45,282	\$ 1,887	25	\$ 75	\$ -	\$ -	\$ -	\$ -	\$ 75	\$ 75	\$ 75	\$ 75	\$ 75	\$ 150	\$ 150	\$ 1,811	\$ 1,811	\$ 1,811					
207	103801	Membrane Filter Cassettes	7/31/2023	\$ 56,299	\$ 54,047	\$ 2,252	25	\$ 96	\$ -	\$ -	\$ -	\$ -	\$ 96	\$ 96	\$ 96	\$ 96	\$ 96	\$ 192	\$ 192	\$ 2,162	\$ 2,162	\$ 2,162					
208	103801	Rewire Control Wiring WWTP	7/31/2023	\$ 39,409	\$ 37,833	\$ 1,576	25	\$ 63	\$ -	\$ -	\$ -	\$ -	\$ 63	\$ 63	\$ 63	\$ 63	\$ 63	\$ 126	\$ 126	\$ 1,513	\$ 1,513	\$ 1,513					
209	103801	Auma Valve Replacement	3/31/2023	\$ 44,814	\$ 43,021	\$ 1,793	25	\$ 72	\$ -	\$ -	\$ -	\$ -	\$ 72	\$ 72	\$ 72	\$ 72	\$ 72	\$ 144	\$ 144	\$ 1,721	\$ 1,721	\$ 1,721					
210	103701	Backflow for Pump Stations	7/31/2022	\$ 4,172	\$ 4,005	\$ 167	25	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 14	\$ 14	\$ 160	\$ 160	\$ 154					
211	103701	Non-Potable Water Pump #1	1/31/2022	\$ 2,912	\$ 2,796	\$ 116	25	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 9	\$ 9	\$ 112	\$ 112	\$ 107					
212	103701	SPS #2 Pump #1 Soft Starter	4/30/2022	\$ 3,616	\$ 3,471	\$ 145	25	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 12	\$ 12	\$ 139	\$ 139	\$ 133					
213	subtotal			\$ 488,497	\$ 468,957	\$ 19,540		\$ 782	\$ -	\$ -	\$ -	\$ -	\$ 782	\$ 782	\$ 782	\$ 782	\$ 782	\$ 1,564	\$ 1,564	\$ 18,439	\$ 18,439	\$ 18,439					
214	Total Pukalani Plant			\$ 8,318,389	\$ 7,985,654	\$ 332,736		\$ 14,766	\$ 12,599	\$ 12,783	\$ 12,794	\$ 13,366	\$ 13,627	\$ 13,944	\$ 13,978	\$ 78,081	\$ 95,848	\$ 113,650	\$ 231,362	\$ 225,339	\$ 219,086						
215	HAWAII GENERAL OFFICE																										
216	PLANT IN SERVICE																										
216	103720 desks, conf tables, chairs		3/1/2010	\$ 3,060	\$ 2,938	\$ 122	7	\$ 17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17	\$ 17	\$ 17	\$ 17	\$ 34	\$ 34	\$ (0)	\$ (0)	\$ (0)					
217	103760 phone system with 8 phones		3/1/2010	\$ 24,859	\$ 23,864	\$ 994	7	\$ 142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142	\$ 142	\$ 142	\$ 142	\$ 284	\$ 284	\$ (0)	\$ (0)	\$ (0)					
218	103720 Cubicles		12/1/2010	\$ 5,650	\$ 5,424	\$ 226	7	\$ 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32	\$ 32	\$ 32	\$ 32	\$ 64	\$ 64	\$ (0)	\$ (0)	\$ (0)					
219	103720 Cherry Desk		12/1/2010	\$ 855	\$ 821	\$ 34	7	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 5	\$ 5	\$ 5	\$ 10	\$								

Hawaii Water Service Company  
Hawaii Capital Goods Excise Tax Credit  
Test Year Ending December 31, 2023

Line No.	Utility Account	Property Description	In Service Date	Federal Tax Cost	State Tax Cost	HCGETC	Amortization Period	Annual Amortization											Accumulated Amortization			Unamortized HCGETC		
								2017	2018	2019	2020	2021	2022	2023	2021	2022	2023	2021	2022	2023				
242	103721 Telephone		12/1/2010	\$ 8,102	\$ 7,778	\$ 324	7	\$ 46	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 324	\$ 324	\$ 324	\$ -	\$ -	\$ -		
243	103722 Software		12/1/2010	\$ 132,361	\$ 127,067	\$ 5,294	3	\$ 1,765	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,294	\$ 5,294	\$ 5,294	\$ -	\$ -	\$ -		
244	103790 Kitchen Equip		12/1/2010	\$ 981	\$ 941	\$ 39	7	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39	\$ 39	\$ 39	\$ 0	\$ 0	\$ 0		
245	103720 Fireproof safe		12/1/2011	\$ 2,386	\$ 2,291	\$ 95	7	\$ 14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95	\$ 95	\$ 95	\$ -	\$ -	\$ -		
246	103721 Work Order Addition		12/1/2011	\$ 744	\$ 714	\$ 30	7	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30	\$ 30	\$ 30	\$ 0	\$ 0	\$ 0		
247	103721 Video conferencing system		12/1/2011	\$ 37,185	\$ 35,698	\$ 1,487	7	\$ 212	\$ 212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,487	\$ 1,487	\$ 1,487	\$ 0	\$ 0	\$ 0		
248	103721 Laser printer		12/1/2011	\$ 1,111	\$ 1,066	\$ 44	7	\$ 6	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44	\$ 44	\$ 44	\$ -	\$ -	\$ -		
249	103722 RMS Software		3/1/2014	\$ 92,429	\$ 88,732	\$ 3,697	3	\$ 1,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,697	\$ 3,697	\$ 3,697	\$ -	\$ -	\$ -		
250	103721 Desktop-HIWKLCS40		12/1/2014	\$ 807	\$ 774	\$ 32	7	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ -	\$ -	\$ -	\$ 32	\$ 32	\$ 32	\$ -	\$ -	\$ -		
251	103721 Desktop-HIWKLCS39		12/1/2014	\$ 807	\$ 774	\$ 32	7	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ -	\$ -	\$ -	\$ 32	\$ 32	\$ 32	\$ -	\$ -	\$ -		
252	103721 Desktop-HIWKLCS37		12/1/2014	\$ 807	\$ 774	\$ 32	7	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ -	\$ -	\$ -	\$ 32	\$ 32	\$ 32	\$ -	\$ -	\$ -		
253	103721 Desktop-HIWKLCS38		12/1/2014	\$ 807	\$ 774	\$ 32	7	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ -	\$ -	\$ -	\$ 32	\$ 32	\$ 32	\$ -	\$ -	\$ -		
254	103721 Desktop-HIWKLCS36		12/1/2014	\$ 807	\$ 774	\$ 32	7	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ -	\$ -	\$ -	\$ 32	\$ 32	\$ 32	\$ -	\$ -	\$ -		
255	103721 Desktop-HIWKLCS41		12/1/2014	\$ 807	\$ 774	\$ 32	7	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ -	\$ -	\$ -	\$ 32	\$ 32	\$ 32	\$ -	\$ -	\$ -		
256	103720 Ricoh Aficio MP C3001		5/1/2015	\$ 3,044	\$ 2,923	\$ 122	7	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ -	\$ -	\$ -	\$ 122	\$ 122	\$ 122	\$ 0	\$ 0	\$ 0		
257	103720 790 Office Furniture		5/1/2015	\$ 631	\$ 606	\$ 25	7	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ -	\$ -	\$ -	\$ 25	\$ 25	\$ 25	\$ 0	\$ 0	\$ 0		
258	103721 790 Server & Server room upgrade		5/1/2015	\$ 17,650	\$ 16,944	\$ 706	7	\$ 101	\$ 101	\$ 101	\$ 101	\$ 101	\$ 101	\$ -	\$ -	\$ -	\$ 706	\$ 706	\$ 706	\$ -	\$ -	\$ -		
259	103760 Radio: mobile Motorola XPR5380		11/1/2015	\$ 1,635	\$ 1,570	\$ 65	7	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ -	\$ -	\$ -	\$ 65	\$ 65	\$ 65	\$ (0)	\$ (0)	\$ (0)		
260	103760 Radios: portable Motorola XPR7580		11/1/2015	\$ 3,838	\$ 3,685	\$ 154	7	\$ 22	\$ 22	\$ 22	\$ 22	\$ 22	\$ 22	\$ -	\$ -	\$ -	\$ 154	\$ 154	\$ 154	\$ (0)	\$ (0)	\$ (0)		
261	103721 Laptop for CS Manager		9/1/2019	\$ 1,592	\$ 1,529	\$ 64	7	\$ 9	\$ -	\$ -	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 27	\$ 36	\$ 45	\$ 36	\$ 27	\$ 18		
262	103721 Laptop for Wastewater Manager		9/1/2019	\$ 1,644	\$ 1,578	\$ 66	7	\$ 9	\$ -	\$ -	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 28	\$ 38	\$ 47	\$ 38	\$ 28	\$ 19		
263	103721 Desktop for Wastewater Manager		9/1/2019	\$ 879	\$ 844	\$ 35	7	\$ 5	\$ -	\$ -	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 15	\$ 20	\$ 25	\$ 20	\$ 15	\$ 10		
264	103241 ClearSCADA HP260 Mini Desktop		12/1/2019	\$ 2,035	\$ 1,954	\$ 81	25	\$ 3	\$ -	\$ -	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 10	\$ 13	\$ 16	\$ 7	\$ 8	\$ 65		
265	103241 ClearSCADA Server		12/1/2019	\$ 75,826	\$ 72,793	\$ 3,033	25	\$ 121	\$ -	\$ -	\$ 121	\$ 121	\$ 121	\$ 121	\$ 121	\$ 121	\$ 364	\$ 485	\$ 607	\$ 2,669	\$ 2,548	\$ 2,426		
266	103241 ClearSCADA HPE Proliant DL360		12/1/2019	\$ 22,525	\$ 21,624	\$ 901	25	\$ 36	\$ -	\$ -	\$ 36	\$ 36	\$ 36	\$ 36	\$ 36	\$ 36	\$ 108	\$ 144	\$ 180	\$ 793	\$ 757	\$ 721		
267	103241 ClearSCADA SATA drives		12/1/2019	\$ 6,049	\$ 5,807	\$ 242	25	\$ 10	\$ -	\$ -	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 29	\$ 39	\$ 48	\$ 213	\$ 203	\$ 194		
268	103730 2019 Toyota 4Runner V218004		12/1/2019	\$ 44,521	\$ 42,740	\$ 1,781	5	\$ 356	\$ -	\$ -	\$ 356	\$ 356	\$ 356	\$ 356	\$ 356	\$ 356	\$ 1,069	\$ 1,425	\$ 1,781	\$ 712	\$ 356	\$ -		
269	103721 Ricoh IMC4500		4/1/2020	\$ 8,684	\$ 8,337	\$ 347	7	\$ 50	\$ -	\$ -	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 99	\$ 149	\$ 198	\$ 248	\$ 198	\$ 149		
270	103710 AC Unit at Customer Service		8/1/2021	\$ 22,411	\$ 21,515	\$ 896	25	\$ 36	\$ -	\$ -	\$ 36	\$ 36	\$ 36	\$ 36	\$ 36	\$ 36	\$ 36	\$ 72	\$ 108	\$ 144	\$ 81	\$ 825	\$ 789	
271	103722 PeopleSoft Bank Reconciliation		8/1/2021	\$ 7,751	\$ 7,441	\$ 310	3	\$ 103	\$ -	\$ -	\$ 103	\$ 103	\$ 103	\$ 103	\$ 103	\$ 103	\$ 103	\$ 207	\$ 310	\$ 414	\$ 207	\$ 103	\$ -	
272	103720 Office Furniture		9/1/2021	\$ 1,795	\$ 1,724	\$ 72	7	\$ 10	\$ -	\$ -	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 21	\$ 31	\$ 41	\$ 62	\$ 51	\$ 41	
273	103721 Temperature Kiosk - Big Island		12/1/2021	\$ 2,898	\$ 2,782	\$ 116	7	\$ 17	\$ -	\$ -	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 33	\$ 50	\$ 67	\$ 99	\$ 83	\$ 66	
274	103721 Temperature Kiosk - Maui		12/1/2021	\$ 2,898	\$ 2,782	\$ 116	7	\$ 17	\$ -	\$ -	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 33	\$ 50	\$ 67	\$ 99	\$ 83	\$ 66	
275	subtotal			\$ 574,392	\$ 551,416	\$ 22,976		\$ 4,626	\$ 418	\$ 181	\$ 731	\$ 781	\$ 936	\$ 783	\$ 783		\$ 16,847	\$ 17,829	\$ 18,411	\$ 6,129	\$ 5,346	\$ 4,564		
276	PLANT ADDITIONS																							
277	103721 Server Rack Upgrade		12/31/2022	\$ 24,311	\$ 23,338	\$ 972	7	\$ 139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139	\$ 139	\$ -	\$ 139	\$ 278	\$ -	\$ 834	\$ 695		
278	103780 Basepad Manual Trsr Switch		12/31/2022	\$ 16,490	\$ 15,830	\$ 660	7	\$ 94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94	\$ 94	\$ -	\$ 94	\$ 188	\$ -	\$ 565	\$ 471		
279	103720 Office Improvements		11/30/2023	\$ 61,833	\$ 59,360	\$ 2,473	7	\$ 353	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 353	\$ -	\$ -	\$ 353	\$ -	\$ -	\$ -	\$ 2,120		
280	103780 CCC Specialist Vehicle		12/31/2022	\$ 36,231	\$ 34,782	\$ 1,449	7	\$ 207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 207	\$ 207	\$ -	\$ 207	\$ 414	\$ -	\$ 1,242	\$ 1,035		
281	subtotal			\$ 138,865	\$ 133,311	\$ 5,555		\$ 794	\$ 418	\$ 181	\$ 731	\$ 781	\$ 936	\$ 1,223	\$ 1,576		\$ 16,847	\$ 18,069	\$ 19,645	\$ 6,129	\$ 7,988	\$ 8,885		
282	Total Hawaii Water Allocated Plant			\$ 713,257	\$ 684,727	\$ 28,530		\$ 5,419	\$ 836	\$ 362	\$ 1,462	\$ 1,562	\$ 1,871	\$ 2,005	\$ 2,359		\$ 33,694	\$ 35,699	\$ 38,057	\$ 12,257	\$ 13,334	\$ 13,449		
283	700 - Kaaanapali	18.39%	\$ 131,188	\$ 126,940	\$ 5,248		\$ 997	\$ 154	\$ 67	\$ 269	\$ 287	\$ 344	\$ 369	\$ 434		\$ 6,197	\$ 6,770	\$ 7,217	\$ 2,254	\$ 2,529	\$ 2,550			
284	701 - Pukalani	5.53%	\$ 39,445	\$ 37,867	\$ 1,578		\$ 300	\$ 46	\$ 20	\$ 81	\$ 86	\$ 103	\$ 111	\$ 130		\$ 1,863	\$ 1,987	\$ 2,118	\$ 678	\$ 742	\$ 748			
285	704 - Kapalua Water	6.26%	\$ 44,666	\$ 42,879	\$ 1,787		\$ 339	\$ 52	\$ 23	\$ 92	\$ 98	\$ 117	\$ 126	\$ 148		\$ 2,110	\$ 1,820	\$ 1,840	\$ 768	\$ 680	\$ 686			
286	705 - Kapalua Sewer	5.42%	\$ 38,662	\$ 37,115	\$ 1,546		\$ 294	\$ 45	\$ 20	\$ 79	\$ 85	\$ 101	\$ 109	\$ 128		\$ 1,826	\$ 994	\$ 1,059	\$ 664	\$ 371	\$ 374			
287	706 - Kapalua Wells	0.19%	\$ 1,354	\$ 1,300	\$ 54		\$ 10	\$ 2	\$ 1	\$ 3	\$ 3	\$ 4	\$ 4	\$ 4		\$ 64	\$ 68	\$ 72	\$ 23	\$ 25	\$ 25			
288	707 - Kapalua Ditch	0.55%	\$ 3,957	\$ 3,798	\$ 158		\$ 30	\$ 5	\$ 2	\$ 8	\$ 9	\$ 10	\$ 11	\$ 13		\$ 187	\$ 93	\$ 99	\$ 68	\$ 35	\$ 35			
289	721 - Waikoloa Water	11.49%	\$ 81,944	\$ 78,667	\$ 3,278		\$ 623	\$ 96	\$ 42	\$ 168	\$ 179	\$ 215	\$ 230	\$ 271		\$ 3,871	\$ 4,061	\$ 4,330	\$ 1,408	\$ 1,517	\$ 1,530			
290	722 - Waikoloa Sewer	7.98%	\$ 56,906	\$ 54,630	\$ 2,276		\$ 432	\$ 67	\$ 29	\$ 117	\$ 125	\$ 149	\$ 160	\$ 188		\$ 2,688	\$ 2,863	\$ 3,052	\$ 978	\$ 1,069	\$ 1,079			
291	723 - Waikoloa Resort Water	10.82%	\$ 77,183	\$ 74,096	\$ 3,087		\$ 586	\$ 90	\$ 39	\$ 158	\$ 169	\$ 203	\$ 217	\$ 255		\$ 3,646	\$ 4,036	\$ 4,303	\$ 1,326	\$ 1,508	\$ 1,521			
292	724 - Waikoloa Resort Sewer	14.02%	\$ 100,014	\$ 96,014	\$ 4,001		\$ 760	\$ 117	\$ 51	\$ 205	\$ 219	\$ 262	\$ 281	\$ 331		\$ 4,725	\$ 5,465	\$ 5,826	\$ 1,719	\$ 2,041	\$ 2,059			
293	725 - Waikoloa Resort Irrigation	0.54%	\$ 3,856	\$ 3,701	\$ 154		\$ 29	\$ 5	\$ 2	\$ 8	\$ 8	\$ 10	\$ 11	\$ 13		\$ 182	\$ 181	\$ 193	\$ 66	\$ 68	\$ 68			
294	726 - Kona Water	9.15%	\$ 65,278	\$ 62,667	\$ 2,611		\$ 486	\$ 76	\$ 33	\$ 134	\$ 143	\$ 171	\$ 184	\$ 216		\$ 3,084	\$ 3,250	\$ 3,464	\$ 1,122	\$ 1,214	\$ 1,224			
295	727 - Kona Sewer	4.70%	\$ 33,545	\$ 32,203	\$ 1,342		\$ 255	\$ 39	\$ 17	\$ 69	\$ 73	\$ 88	\$ 94	\$ 111		\$ 1,585	\$ 1,629	\$ 1,737	\$ 576	\$ 608	\$ 614			
296	742 - Kalalea Water	2.73%	\$ 19,488	\$ 18,709	\$ 780		\$ 148	\$ 23	\$ 10	\$ 40	\$ 43	\$ 51	\$ 55	\$ 64		\$ 921	\$ 1,066	\$ 1,137	\$ 335	\$ 398	\$ 402			
297	743 - Kalalea Sewer	2.21%	\$ 15,771	\$ 15,140	\$ 631		\$ 120	\$ 18	\$ 8	\$ 32	\$ 35	\$ 41	\$ 44	\$ 52		\$ 745	\$ 1,416	\$ 1,510	\$ 271	\$ 219	\$ 534			
298	Total		\$ 713,257	\$ 684,727	\$ 28,530		\$ 5,419	\$ 836	\$ 362	\$ 1,462	\$ 1,562	\$ 1,871	\$ 2,005	\$ 2,359		\$ 33,694	\$ 35,699	\$ 38,057	\$ 12,257	\$ 13,334	\$ 13,449			
299	MAUI																							
300	PLANT IN SERVICE																							
301	103721 Work Order Addition		4/1/2013	\$ 38	\$ 36	\$ 2	7	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2	\$ 2	\$ 2	\$ -	\$ -	\$ -			
302	103721 2 iPad 3+ - Mgr. & Supt.		9/1/2013	\$ 918	\$ 881	\$ 37	7	\$ 5	\$ 5	\$ 5	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ 37	\$ 37	\$ 37	\$ -	\$ -	\$ -			
303	103720 Superintendent Office Furniture		10/1/2014	\$ 1,222	\$ 1,173	\$ 49	7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ -	\$ -	\$ 49</								

Hawaii Water Service Company  
 Hawaii Capital Goods Excise Tax Credit  
 Test Year Ending December 31, 2023

Line No.	Utility Account	Property Description	In Service Date	Federal Tax Cost	State Tax Cost	HCGETC	Amortization Period	Annual Amortization	2017-2023							Accumulated Amortization			Unamortized HCGETC			
									2017	2018	2019	2020	2021	2022	2023	2021	2022	2023	2021	2022	2023	
318	103721	iPad Replacement	12/31/2022	\$ 723	\$ 694	\$ 29	7	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 4	\$ -	\$ 4	\$ 8	\$ -	\$ 25	\$ 21
319	103730	Container for Storage	5/31/2022	\$ 7,140	\$ 6,854	\$ 286	5	\$ 57	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57	\$ 57	\$ -	\$ 57	\$ 114	\$ -	\$ 228	\$ 171
320		subtotal		\$ 8,812	\$ 8,459	\$ 352		\$ 67	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67	\$ 67	\$ -	\$ 67	\$ 133	\$ -	\$ 286	\$ 219
321		Total Maui Allocated Plant		\$ 92,971	\$ 89,253	\$ 3,719		\$ 693	\$ 72	\$ 149	\$ 626	\$ 621	\$ 614	\$ 659	\$ 544	\$ 2,207	\$ 2,865	\$ 3,409	\$ 1,160	\$ 854	\$ 310	
322		MAUI ALLOCATIONS																				
323		700 - Kaanapali	51.54%	\$ 47,918	\$ 46,001	\$ 1,917		\$ 357	\$ 37	\$ 77	\$ 323	\$ 320	\$ 317	\$ 339	\$ 280	\$ 1,137	\$ 1,639	\$ 1,950	\$ 598	\$ 488	\$ 177	
324		701 - Pukalani	15.41%	\$ 14,331	\$ 13,758	\$ 573		\$ 107	\$ 11	\$ 23	\$ 97	\$ 96	\$ 95	\$ 102	\$ 84	\$ 340	\$ 494	\$ 588	\$ 179	\$ 147	\$ 53	
325		704 - Kapalua Water	17.00%	\$ 15,801	\$ 15,169	\$ 632		\$ 118	\$ 12	\$ 25	\$ 106	\$ 106	\$ 104	\$ 112	\$ 92	\$ 375	\$ 451	\$ 537	\$ 197	\$ 134	\$ 49	
326		705 - Kapalua Sewer	14.17%	\$ 13,176	\$ 12,649	\$ 527		\$ 98	\$ 10	\$ 21	\$ 89	\$ 88	\$ 87	\$ 93	\$ 77	\$ 313	\$ 242	\$ 288	\$ 164	\$ 72	\$ 26	
327		706 - Kapalua Wells	0.48%	\$ 445	\$ 428	\$ 18		\$ 3	\$ 0	\$ 1	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 11	\$ 16	\$ 20	\$ 6	\$ 5	\$ 2	
328		707 - Kapalua Ditch	1.40%	\$ 1,301	\$ 1,249	\$ 52		\$ 10	\$ 1	\$ 2	\$ 9	\$ 9	\$ 9	\$ 9	\$ 8	\$ 31	\$ 23	\$ 27	\$ 16	\$ 7	\$ 2	
329		Total		\$ 92,971	\$ 89,253	\$ 3,719		\$ 693	\$ 72	\$ 149	\$ 626	\$ 621	\$ 614	\$ 659	\$ 544	\$ 2,207	\$ 2,865	\$ 3,409	\$ 1,160	\$ 854	\$ 310	
330		TOTALS		\$ 8,372,165	\$ 8,037,279	\$ 334,887		\$ 15,172	\$ 12,656	\$ 12,826	\$ 12,972	\$ 13,548	\$ 13,825	\$ 14,157	\$ 14,193	\$ 80,284	\$ 98,329	\$ 116,355	\$ 232,218	\$ 226,229	\$ 219,888	



Hawaii Water Service Company  
Working Cash  
Test Year Ending December 31, 2023

Line No.			
1	Labor Expenses	\$	550,893
2	Fuel & Power	\$	184,933
3	Chemicals	\$	56,125
4	Materials & Supplies	\$	28,153
5	Waste/Sludge Disposal	\$	47,870
6	Affiliated Charges	\$	56,814
7	Professional and Outside Services	\$	6,391
8	Repairs & Maintenance	\$	160,166
9	Rental Expenses	\$	4,873
10	Insurance Expenses	\$	9,961
11	Regulatory Expenses	\$	77,392
12	General & Administrative Expenses	\$	35,732
13	Customer Accounts Expenses	\$	49,309
14	Water Consumption License Fee	\$	-
15	subtotal	\$	1,268,611
16	Working Cash factor		<u>12</u>
17	Working Cash	\$	<u><u>105,718</u></u>

Hawaii Water Service Company  
 Historical Summary  
 Test Year Ending December 31, 2023

Line No.		Test Year					Test Year	Test Year
		2017	2018	2019	2020	2021	Present Rates Jan 1, 2023 to Dec 31, 2023	Proposed Rates Jan 1, 2023 to Dec 31, 2023
3	Revenues							
4	Waste Water							
5	Residential							
6	Single-family							
7	Fixed revenue	\$ 543,047	\$ 512,305	\$ 596,628	\$ 681,833	\$ 749,104	\$ 743,985	\$ 966,749
8	Quantity Revenue*	\$ 7,576	\$ (1,624)	\$ 53	\$ (40)	\$ (78)	\$ -	\$ -
9	Power Cost Charge	\$ 10,459	\$ 105,209	\$ 92,871	\$ 106,649	\$ 109,629	\$ 115,264	\$ 102,826
10	subtotal	\$ 561,083	\$ 615,890	\$ 689,552	\$ 788,442	\$ 858,654	\$ 859,249	\$ 1,069,575
11	Multi-Family							
12	Fixed revenue	\$ 75,692	\$ 95,176	\$ 137,823	\$ 159,889	\$ 196,435	\$ 196,435	\$ 255,251
13	Quantity Revenue*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	Power Cost Charge	\$ 2,059	\$ 19,548	\$ 21,501	\$ 25,008	\$ 28,729	\$ 30,433	\$ 27,149
15	subtotal	\$ 77,751	\$ 114,724	\$ 159,323	\$ 184,897	\$ 225,164	\$ 226,868	\$ 282,400
16	Commerical							
17	Fixed revenue	\$ -	\$ 10,301	\$ 14,725	\$ 14,054	\$ 13,357	\$ 13,734	\$ 19,164
18	Quantity Revenue*	\$ 268,270	\$ 237,404	\$ 291,397	\$ 241,974	\$ 255,546	\$ 297,850	\$ 582,716
19	Power Cost Charge	\$ 281	\$ 53,210	\$ 49,149	\$ 39,822	\$ 40,666	\$ 48,273	\$ 64,018
20	subtotal	\$ 268,551	\$ 300,915	\$ 355,271	\$ 295,849	\$ 309,570	\$ 359,857	\$ 665,898
21	Public Authority							
22	Fixed revenue	\$ 8,767	\$ 2,582	\$ 2,835	\$ 3,183	\$ 3,461	\$ 3,461	\$ 4,829
23	Quantity Revenue*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	Power Cost Charge	\$ -	\$ 603	\$ 442	\$ 498	\$ 506	\$ 536	\$ 514
25	subtotal	\$ 8,767	\$ 3,185	\$ 3,277	\$ 3,681	\$ 3,967	\$ 3,997	\$ 5,342
26	Effluent Revenue	\$ 2,973	\$ 2,106	\$ 234	\$ -	\$ -	\$ -	\$ -
27	Miscellaneous	\$ 5,435	\$ 5,959	\$ 6,655	\$ 6,407	\$ (5,479)	\$ -	\$ -
28	Adjustments	\$ (12,984)	\$ 48	\$ 40,493	\$ (26,191)	\$ 2,648	\$ -	\$ -
29	Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30	TOTAL REVENUES	\$ 911,576	\$ 1,042,827	\$ 1,254,805	\$ 1,253,086	\$ 1,394,523	\$ 1,449,970	\$ 2,023,216
31	Expenses							
32	Labor Expenses	\$ 648,379	\$ 689,030	\$ 700,605	\$ 722,849	\$ 729,986	\$ 550,893	\$ 550,893
33	Fuel & Power	\$ 164,834	\$ 184,397	\$ 179,646	\$ 182,876	\$ 185,395	\$ 184,933	\$ 184,933
34	Chemicals	\$ 49,272	\$ 54,183	\$ 49,964	\$ 65,456	\$ 38,453	\$ 56,125	\$ 56,125
35	Materials & Supplies	\$ 30,319	\$ 6,844	\$ 47,711	\$ 15,337	\$ 12,902	\$ 28,153	\$ 28,153
36	Waste/Sludge Disposal	\$ 35,958	\$ 46,585	\$ 48,556	\$ 35,239	\$ 48,132	\$ 47,870	\$ 47,870
37	Affiliated Charges	\$ 70,175	\$ 85,234	\$ 78,231	\$ 72,910	\$ 77,487	\$ 56,814	\$ 56,814
38	Professional and Outside Services	\$ 33,471	\$ 3,839	\$ 4,234	\$ 6,657	\$ 6,830	\$ 6,391	\$ 6,391
39	Repairs & Maintenance	\$ 679,916	\$ 136,390	\$ 130,124	\$ 145,446	\$ 167,440	\$ 160,166	\$ 160,166
40	Rental Expenses	\$ 5,953	\$ 4,646	\$ 4,308	\$ 2,284	\$ 1,909	\$ 4,873	\$ 4,873
41	Insurance Expenses	\$ 207	\$ 351	\$ 1,757	\$ 883	\$ 85	\$ 9,961	\$ 9,961
42	Regulatory Expenses	\$ 111,390	\$ 19,400	\$ 135	\$ 2,839	\$ 3,189	\$ 77,392	\$ 77,392
43	General & Administrative Expenses	\$ 56,446	\$ 42,508	\$ 39,423	\$ 27,202	\$ 31,467	\$ 35,732	\$ 35,732
44	Customer Accounts Expenses	\$ 45,887	\$ 25,936	\$ 30,124	\$ 31,329	\$ 42,074	\$ 49,309	\$ 49,309
45	Water Consumption License Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
46	Taxes Other than Income Taxes	\$ 72,970	\$ 81,456	\$ 92,689	\$ 97,502	\$ 103,662	\$ 92,581	\$ 129,182
47	Depreciation	\$ 286,143	\$ 267,802	\$ 268,176	\$ 272,649	\$ 280,823	\$ 259,672	\$ 259,672
48	Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
49	Income Taxes	\$ (539,465)	\$ (135,435)	\$ (84,524)	\$ (97,069)	\$ (72,588)	\$ (78,347)	\$ 69,618
49	TOTAL EXPENSES	\$ 1,751,856	\$ 1,513,166	\$ 1,591,162	\$ 1,584,388	\$ 1,657,247	\$ 1,542,517	\$ 1,727,084
50	NET INCOME/(LOSS)	\$ (840,280)	\$ (470,339)	\$ (336,356)	\$ (331,302)	\$ (262,723)	\$ (92,547)	\$ 296,132

Hawaii Water Service Company  
 Revenue Summary  
 Test Year Ending December 31, 2023

Line No.		2017	2018	2019	2020	2021	Test Year Present Rates Jan 1, 2023 to Dec 31, 2023	Test Year Proposed Rates Jan 1, 2023 to Dec 31, 2023
1								
2	Sewer							
3	Residential							
4	Single-family customers							
5	Fixed revenue	\$ 543,047	\$ 512,305	\$ 596,628	\$ 681,833	\$ 749,104	\$ 743,985	\$ 966,749
6	Quantity Revenue*	\$ 7,576	\$ (1,624)	\$ 53	\$ (40)	\$ (78)	\$ -	\$ -
7	Power Cost Charge	\$ 10,459	\$ 105,209	\$ 92,871	\$ 106,649	\$ 109,629	\$ 115,264	\$ 102,826
8	subtotal	\$ 561,083	\$ 615,890	\$ 689,552	\$ 788,442	\$ 858,654	\$ 859,249	\$ 1,069,575
9	Multi-family							
10	Fixed revenue	\$ 75,692	\$ 95,176	\$ 137,823	\$ 159,889	\$ 196,435	\$ 196,435	\$ 255,251
11	Quantity Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Power Cost Charge	\$ 2,059	\$ 19,548	\$ 21,501	\$ 25,008	\$ 28,729	\$ 30,433	\$ 27,149
13	subtotal	\$ 77,751	\$ 114,724	\$ 159,323	\$ 184,897	\$ 225,164	\$ 226,868	\$ 282,400
14	Commercial							
15	Fixed revenue	\$ -	\$ 10,301	\$ 14,725	\$ 14,054	\$ 13,357	\$ 13,734	\$ 19,164
16	Quantity Revenue	\$ 268,270	\$ 237,404	\$ 291,397	\$ 241,974	\$ 255,546	\$ 297,850	\$ 582,716
17	Power Cost Charge	\$ 281	\$ 53,210	\$ 49,149	\$ 39,822	\$ 40,666	\$ 48,273	\$ 64,018
18	subtotal	\$ 268,551	\$ 300,915	\$ 355,271	\$ 295,849	\$ 309,570	\$ 359,857	\$ 665,898
19	Public Authority							
20	Fixed revenue	\$ 8,767	\$ 2,582	\$ 2,835	\$ 3,183	\$ 3,461	\$ 3,461	\$ 4,829
21	Quantity Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22	Power Cost Charge	\$ -	\$ 603	\$ 442	\$ 498	\$ 506	\$ 536	\$ 514
23	subtotal	\$ 8,767	\$ 3,185	\$ 3,277	\$ 3,681	\$ 3,967	\$ 3,997	\$ 5,342
24	Effluent							
25	Fixed revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Quantity Revenue	\$ 2,973	\$ 2,106	\$ 234	\$ -	\$ -	\$ -	\$ -
27	Power Cost Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28	subtotal	\$ 2,973	\$ 2,106	\$ 234	\$ -	\$ -	\$ -	\$ -
29	Miscellaneous	\$ 5,435	\$ 5,959	\$ 6,655	\$ 6,407	\$ (5,479)	\$ -	\$ -
30	Unbilled Revenue / Adjustments	\$ (12,984)	\$ 48	\$ 40,493	\$ (26,191)	\$ 2,648	\$ -	\$ -
31	Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32	TOTAL	\$ 911,576	\$ 1,042,827	\$ 1,254,805	\$ 1,253,086	\$ 1,394,523	\$ 1,449,970	\$ 2,023,216

\*residential customers are not billed on a volumetric basis. revenue for this customer class is classified incorrectly in the billing system

Hawaii Water Service Company  
 Sales and Production  
 Test Year Ending December 31, 2023

Line No.		2017	2018	2019	2020	2021	Test Year Present Rates	Test Year Proposed Rates
1	<b>Customer Count / Volumetric measurements</b>							
2								
4	<b>Single-family customers</b>							
5	No. of customers	781	780	782	784	784	784	784
6	subtotal	781	780	782	784	784	784	784
7	<b>Multi-family</b>							
8	No. of customers	146	146	185	185	207	207	207
9	subtotal	146	146	185	185	207	207	207
10	<b>Business</b>							
11	No. of customers	11	14	17	17	17	17	17
12	subtotal	11	14	17	17	17	17	17
13	Billed Sewer Flows	32,416	19,486	24,192	17,624	16,749	19,522	19,522
14	subtotal	32,416	19,486	24,192	17,624	16,749	19,522	19,522
15	<b>Public Authority</b>							
16	No. of customers							
17	Education	1	0	0	0	0	0	0
18	Recreation	1	1	1	1	1	1	1
19	subtotal	2	1	1	1	1	1	1
20	<b>Effluent Sales</b>							
21	No. of customers	1	1	1	1	1	1	1
22	subtotal	1	1	1	1	1	1	1
23	Metered Usage	709	3,829	425	0	0	0	0
24	subtotal	709	3,829	425	0	0	0	0
25	<b>Totals</b>							
26	Residential Customers	927	926	967	969	991	991	991
27	Commercial Customers	12	15	18	18	18	18	18
28	Billed Sewer Flows (000s gallons)	32,416	19,486	24,192	17,624	16,749	19,522	19,522
29	Public Authority Customers	2	1	1	1	1	1	1
30	Total Effluent Sales	709	3,829	425	0	0	0	0

Hawaii Water Service Company  
Inflation Factors  
Test Year Ending December 31, 2023

Inflation Year	Percentage	Notes
2018->2019	1.6%	
2019->2020	1.6%	
2020->2021	3.8%	
2021->2022	6.3%	(based on Department of Business, Economic Development and Tourism Forecast)
2022-> 2023	3.2%	(based on Department of Business, Economic Development and Tourism Forecast)

References:

2017 - 2021 data source:

[https://data.bls.gov/pdq/SurveyOutputServlet?data\\_tool=dropmap&series\\_id=CUURS49FSA0,CUUSS49FSA0](https://data.bls.gov/pdq/SurveyOutputServlet?data_tool=dropmap&series_id=CUURS49FSA0,CUUSS49FSA0)

2022 - 2023 data source: <http://dbedt.hawaii.gov/economic/qser/outlook-economy/>



Hawaii Water Service Company  
 Labor Expense  
 Test Year Ending December 31, 2023

Line No.		2017	2018	2019	2020	2021	Test Year Jan 1, 2023 to Dec 31, 2023
3	<b>Expenses</b>						
4	Payroll:						
5	Operating Labor	\$ 305,640	\$ 287,611	\$ 279,698	\$ 287,805	\$ 264,011	\$ 312,552
6	Total Payroll	\$ 305,640	\$ 287,611	\$ 279,698	\$ 287,805	\$ 264,011	\$ 312,552
7	<b>Employee Benefits</b>						
8	Health Care Benefits (Medical and Dental)	\$ 191,435	\$ 157,059	\$ 152,775	\$ 168,843	\$ 139,824	\$ 88,929
9	Workers Compensation	\$ 8,492	\$ 6,368	\$ 11,905	\$ (4,179)	\$ 4,072	\$ 8,845
10	Pension	121,901	214,985	232,482	245,722	\$ 298,676	\$ 98,207
11	Total Employee Benefits	\$ 321,828	\$ 378,412	\$ 397,162	\$ 410,386	\$ 442,572	\$ 195,981
12	<b>Payroll Taxes</b>						
13	FICA	\$ 20,604	\$ 22,662	\$ 23,421	\$ 24,178	\$ 22,601	\$ 27,551
14	FUTA	\$ 143	\$ 166	\$ 144	\$ 145	\$ 133	\$ 1,753
15	SUTA	\$ 164	\$ 180	\$ 181	\$ 334	\$ 669	\$ 13,056
16	Total payroll taxes	\$ 20,911	\$ 23,008	\$ 23,745	\$ 24,657	\$ 23,403	\$ 42,360

Hawaii Water Service Company  
 Fuel & Power  
 Test Year Ending December 31, 2023

Line No.	2017	2018	2019	2020	2021	Test Year Jan 1, 2023 to Dec 31, 2023
3	<b>Expenses [\$]</b>					
4	Electricity					
5	\$ 153,116	\$ 6,064	\$ 166,968	\$ 170,587	\$ 172,410	\$ 171,896
6	\$ 6,477	\$ 7,467	\$ 6,575	\$ 6,282	\$ 6,746	\$ 5,665
7	\$ 5,241	\$ 170,866	\$ 6,103	\$ 6,007	\$ 6,238	\$ 5,271
8	\$ 164,834	\$ 184,397	\$ 179,646	\$ 182,876	\$ 185,395	\$ 182,833
9	\$ -	\$ 987	\$ -	\$ 1,304	\$ 2,896	\$ 2,100
10	\$ 164,834	\$ 184,397	\$ 179,646	\$ 182,876	\$ 185,395	\$ 184,933
11	<b>Units of consumption [kWh]</b>					
12	Electricity					
13	561,750	16,728	533,500	585,500	560,750	559,917
14	20,400	20,960	18,000	18,480	18,880	18,453
15	16,134	551,750	16,644	17,608	17,256	17,169
16	598,284	589,438	568,144	621,588	596,886	595,539
17	\$ 0.2755	\$ 0.3128	\$ 0.3162	\$ 0.2942	\$ 0.3106	\$ 0.3070



Hawaii Water Service Company  
Power Cost Charge  
Test Year Ending December 31, 2023

Line  
No.

1		Present Rate	TY Expense [\$]
2	Power Cost	\$ 182,833	\$ 182,833
3	Revenue Tax	\$ 11,674	\$ 11,674
4	Revenues w/o PCC	\$ 1,255,464	\$ 1,828,709
5	Power Cost + Revenues	\$ 1,449,970	\$ 2,023,216
6	Present Rate Calculation		
7	Revenue Tax Factor	1.06385	
8	Power Cost Charge Factor	15.49%	
9	PCC Revenue	\$ 194,506	
10	Proposed Rate Calculation		
11	Revenue Tax Factor	1.06385	
12	Power Cost Charge Factor	10.64%	
13	PCC Revenue	\$ 194,506	

Hawaii Water Service Company  
 Chemicals  
 Test Year Ending December 31, 2023

Line  
 No.

1	Description	2017	2018	2019	2020	2021	Test Year Jan 1, 2023 to Dec 31, 2023
2	Chemicals	49,272	54,183	49,964	65,456	38,453	\$ 51,291
3	subtotal	<u>\$49,272</u>	<u>\$ 54,183</u>	<u>\$ 49,964</u>	<u>\$ 65,456</u>	<u>\$ 38,453</u>	<u>\$ 51,291</u>
4	In 2023 Dollars						
5	Chemicals	\$ 57,903	\$ 62,655	\$ 56,883	\$ 71,807	\$ 39,684	\$ 56,125
6	Total	<u>\$ 57,903</u>	<u>\$ 62,655</u>	<u>\$ 56,883</u>	<u>\$ 71,807</u>	<u>\$ 39,684</u>	<u>\$ 56,125</u>

Hawaii Water Service Company  
 Materials & Supplies  
 Test Year Ending December 31, 2023

Line No.	Description	2017	2018	2019	2020	2021	Test Year Jan 1, 2023 to Dec 31, 2023
2	Direct Charge to Pukalani						
3	Treatment and Disposal	\$ 26,490	\$ 6,641	\$ 17,701	\$ 15,106	\$ 12,902	\$ 15,237
4	Water Treatment and Water Quality	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Transmission & Distribution	\$ -	\$ 21	\$ 30,010	\$ -	\$ -	\$ 10,003
6	Collection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Pumping	\$ 3,829	\$ 183	\$ -	\$ 231	\$ -	\$ 77
8	subtotal	\$ 30,319	\$ 6,844	\$ 47,711	\$ 15,337	\$ 12,902	\$ 25,317
9	Allocated From HWSC to Pukalani						
10	Treatment and Disposal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	Water Treatment and Water Quality	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Transmission & Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	Collection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	subtotal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	Direct and Allocated Professional & Outside Services						
17	Treatment and Disposal	\$ 26,490	\$ 6,641	\$ 17,701	\$ 15,106	\$ 12,902	\$ 15,237
18	Water Treatment and Water Quality	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	Transmission & Distribution	\$ -	\$ 21	\$ 30,010	\$ -	\$ -	\$ 10,003
20	Collection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	Pumping	\$ 3,829	\$ 183	\$ -	\$ 231	\$ -	\$ 77
22	subtotal	\$ 30,319	\$ 6,844	\$ 47,711	\$ 15,337	\$ 12,902	\$ 25,317
23	In 2023 Dollars						
24	Treatment and Disposal	\$ 31,130	\$ 7,679	\$ 20,152	\$ 16,572	\$ 13,315	\$ 16,680
25	Water Treatment and Water Quality	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Transmission & Distribution	\$ -	\$ 24	\$ 34,166	\$ -	\$ -	\$ 11,389
27	Collection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28	Pumping	\$ 4,500	\$ 212	\$ -	\$ 254	\$ -	\$ 85
29	Total	\$ 35,630	\$ 7,915	\$ 54,318	\$ 16,825	\$ 13,315	\$ 28,153

Hawaii Water Service Company  
 Waste/Sludge Disposal  
 Test Year Ending December 31, 2023

Line No.	Description	2017	2018	2019	2020	2021	Test Year Jan 1, 2023 to Dec 31, 2023
2	Sludge Removal	\$ 35,958	\$ 46,585	\$ 48,556	\$ 35,239	\$ 48,132	\$ 43,975
3	subtotal	\$ 35,958	\$ 46,585	\$ 48,556	\$ 35,239	\$ 48,132	\$ 43,975
4	In 2023 Dollars						
5	Sludge Removal	\$ 42,256	\$ 53,869	\$ 55,280	\$ 38,657	\$ 49,672	\$ 47,870
6	Total	\$ 42,256	\$ 53,869	\$ 55,280	\$ 38,657	\$ 49,672	\$ 47,870

Hawaii Water Service Company  
 Affiliated Charges  
 Test Year Ending December 31, 2023

Line No.	Description	2017	2018	2019	2020	2021	Test Year Jan 1, 2023 to Dec 31, 2023
1	PubCo	\$ 70,175	\$ 85,234	\$ 78,231	\$ 72,910	\$ 77,487	\$ 56,814
3	Total	<u>\$70,175</u>	<u>\$85,234</u>	<u>\$78,231</u>	<u>\$72,910</u>	<u>\$77,487</u>	<u>\$ 56,814</u>
4	Allocated to Hawaii Water Service Co						
5	PubCo	\$ 1,021,249	\$ 1,091,861	\$ 1,201,657	\$ 1,397,832	\$ 1,401,146	\$ 1,333,545
6	PubCo Allocation	\$ 70,175	\$ 85,234	\$ 78,231	\$ 72,910	\$ 77,487	\$ 74,207
7	Adjustment for Account 791000	\$ (4,006)	\$ (4,868)	\$ (8,524)	\$ (4,354)	\$ (7,158)	\$ (6,679)
8	Adjusted Allocation	\$ 66,170	\$ 80,366	\$ 69,707	\$ 68,556	\$ 70,329	\$ 67,529
9	Insurance Expense (PubCo)	\$ 3,414,335	\$ 3,146,310	\$ 4,593,462	\$ 6,385,049	\$ 7,952,231	
10	Allocation factor to Hawaii Water	2.95%	3.10%	2.94%	3.05%	3.00%	
11	Allocated to Hawaii Water	\$ 100,723	\$ 97,536	\$ 135,048	\$ 194,744	\$ 238,567	
12	Allocated to Pukalani	\$ 6,921	\$ 7,614	\$ 8,792	\$ 10,158	\$ 13,193	\$ 10,714
13	Allocation less allocated insurance (line 8 minus line 12)	\$ 59,249	\$ 72,752	\$ 60,915	\$ 58,398	\$ 57,135	\$ 56,814

Hawaii Water Service Company  
 Professional and Outside Services  
 Test Year Ending December 31, 2023

Line No.	Description	2017	2018	2019	2020	2021	Test Year Jan 1, 2023 to Dec 31, 2023
2	Direct Charge to Pukalani						
3	Legal Expense	\$ 919	\$ -	\$ 7,665	\$ (322)	\$ 73	\$ 2,472
4	Other Outside Services	\$ 29,939	\$ 2,157	\$ 3,587	\$ 2,854	\$ 2,404	\$ 2,948
5	Training Consultants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	subtotal	\$ 30,858	\$ 2,157	\$ 11,252	\$ 2,531	\$ 2,477	\$ 5,420
7	Allocated From HWSC to Pukalani						
8	Legal Expense	\$ 2,320	\$ 548	\$ 380	\$ 1,834	\$ 865	\$ 1,026
9	Other Outside Services	\$ 294	\$ 1,134	\$ (7,397)	\$ 2,292	\$ 3,489	\$ (539)
10	Training Consultants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	Auditors and Consultants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	subtotal	\$ 2,614	\$ 1,683	\$ (7,017)	\$ 4,126	\$ 4,353	\$ 487
13	Direct and Allocated Professional & Outside Services						
14	Legal Expense	\$ 3,238	\$ 548	\$ 8,045	\$ 1,512	\$ 938	\$ 3,498
15	Other Outside Services	\$ 30,233	\$ 3,291	\$ (3,810)	\$ 5,145	\$ 5,893	\$ 2,409
16	Training Consultants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	Auditors and Consultants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	subtotal	\$ 33,471	\$ 3,839	\$ 4,234	\$ 6,657	\$ 6,830	\$ 5,907
19	In 2023 Dollars						
20	Legal Expense	\$ 3,806	\$ 634	\$ 9,159	\$ 1,658	\$ 968	\$ 3,928
21	Other Outside Services	\$ 35,529	\$ 3,805	\$ (4,338)	\$ 5,645	\$ 6,081	\$ 2,463
22	Training Consultants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23	Auditors and Consultants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	Total	\$ 39,334	\$ 4,439	\$ 4,821	\$ 7,303	\$ 7,049	\$ 6,391

Hawaii Water Service Company  
 Repairs & Maintenance  
 Test Year Ending December 31, 2023

Line No.	Description	2017	2018	2019	2020	2021	Test Year Jan 1, 2023 to Dec 31, 2023
2	Direct Charge to Pukalani						
3	Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Pumping	\$ 99,851	\$ 35,040	\$ 43,058	\$ 41,682	\$ 24,877	\$ 36,539
5	Treatment and Disposal	\$ 639,052	\$ 138,524	\$ 160,830	\$ 169,964	\$ 181,010	\$ 170,601
6	Transmission & Distribution	\$ 23,853	\$ 19,537	\$ 40,987	\$ 14,169	\$ 21,576	\$ 25,578
7	A&G	\$ -	\$ 180	\$ -	\$ 667	\$ 3,055	\$ 1,240
8	Mileage	\$ 21,737	\$ 32,099	\$ 18,107	\$ 19,921	\$ 24,357	\$ 20,795
9	less chemicals	\$ (49,272)	\$ (54,183)	\$ (49,964)	\$ (65,456)	\$ (38,453)	\$ (51,291)
10	less materials & supplies	\$ (30,319)	\$ (6,844)	\$ (47,711)	\$ (15,337)	\$ (12,902)	\$ (25,317)
11	less waste disposal	\$ (35,958)	\$ (46,585)	\$ (48,556)	\$ (35,239)	\$ (48,132)	\$ (43,975)
12	subtotal	\$ 668,945	\$ 117,767	\$ 116,751	\$ 130,371	\$ 155,388	\$ 134,170
13	Allocated From HWSC to Pukalani						
14	Source of Supply	\$ 12	\$ (13)	\$ -	\$ -	\$ -	\$ -
15	Pumping	\$ -	\$ -	\$ -	\$ 129	\$ 186	\$ 105
16	Treatment and Disposal	\$ 67	\$ 60	\$ 1	\$ 0	\$ 265	\$ 89
17	Transmission & Distribution	\$ 294	\$ 1,369	\$ 1,564	\$ (217)	\$ 3,290	\$ 1,545
18	A&G	\$ 1,827	\$ 2,309	\$ 1,579	\$ 446	\$ 130	\$ 718
19	Mileage	\$ 8,772	\$ 14,896	\$ 10,229	\$ 14,717	\$ 8,181	\$ 11,042
20	less materials & supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	subtotal	\$ 2,200	\$ 1,417	\$ 1,565	\$ (88)	\$ 3,741	\$ 1,740
22	Direct and Allocated Repairs & Maintenance						
23	Source of Supply	\$ 12	\$ (13)	\$ -	\$ -	\$ -	\$ -
24	Pumping	\$ 99,851	\$ 35,040	\$ 43,058	\$ 41,812	\$ 25,063	\$ 36,644
25	Treatment and Disposal	\$ 639,119	\$ 138,584	\$ 160,831	\$ 169,964	\$ 181,276	\$ 170,690
26	Transmission & Distribution	\$ 24,147	\$ 20,906	\$ 42,551	\$ 13,951	\$ 24,866	\$ 27,123
27	A&G	\$ 1,827	\$ 2,489	\$ 1,579	\$ 1,112	\$ 3,184	\$ 1,959
28	Mileage	\$ 30,509	\$ 46,995	\$ 28,336	\$ 34,639	\$ 32,538	\$ 31,837
29	less chemicals	\$ (49,272)	\$ (54,183)	\$ (49,964)	\$ (65,456)	\$ (38,453)	\$ (51,291)
30	less materials & supplies	\$ (30,319)	\$ (6,844)	\$ (47,711)	\$ (15,337)	\$ (12,902)	\$ (25,317)
31	less waste disposal	\$ (35,958)	\$ (46,585)	\$ (48,556)	\$ (35,239)	\$ (48,132)	\$ (43,975)
32	subtotal	\$ 679,916	\$ 136,390	\$ 130,124	\$ 145,446	\$ 167,440	\$ 147,670
33	In 2023 Dollars						
34	Source of Supply	\$ 14	\$ (15)	\$ -	\$ -	\$ -	\$ -
35	Pumping	\$ 117,342	\$ 40,519	\$ 49,021	\$ 45,868	\$ 25,865	\$ 40,251
36	Treatment and Disposal	\$ 751,072	\$ 160,253	\$ 183,103	\$ 186,454	\$ 187,077	\$ 185,545
37	Transmission & Distribution	\$ 28,377	\$ 24,175	\$ 48,444	\$ 15,305	\$ 25,662	\$ 29,804
38	A&G	\$ 2,147	\$ 2,878	\$ 1,798	\$ 1,220	\$ 3,286	\$ 2,101
39	Mileage	\$ 35,853	\$ 54,343	\$ 32,260	\$ 37,999	\$ 33,579	\$ 34,613
40	less chemicals	\$ (57,903)	\$ (62,655)	\$ (56,883)	\$ (71,807)	\$ (39,684)	\$ (56,125)
41	less materials & supplies	\$ (35,630)	\$ (7,915)	\$ (54,318)	\$ (16,825)	\$ (13,315)	\$ (28,153)
42	less waste disposal	\$ (42,256)	\$ (53,869)	\$ (55,280)	\$ (38,657)	\$ (49,672)	\$ (47,870)
43	Total	\$ 799,015	\$ 157,715	\$ 148,144	\$ 159,557	\$ 172,798	\$ 160,166





Hawaii Water Service Company  
 Insurance Expenses  
 Test Year Ending December 31, 2023

Line No.	Description	2017	2018	2019	2020	2021	Test Year Jan 1, 2023 to Dec 31, 2023
2	Direct Charge to Pukalani						
3	Liability Insurance - General, Auto, Umbrella, and etc	\$ -	\$ 260	\$ 743	\$ 412	\$ 8	
4	subtotal	\$ -	\$ 260	\$ 743	\$ 412	\$ 8	\$ -
5	Allocated From HWSC to Pukalani						
6	Liability Insurance - General, Auto, Umbrella, and etc	\$ 207	\$ 91	\$ 1,014	\$ 471	\$ 78	
7	subtotal	\$ 207	\$ 91	\$ 1,014	\$ 471	\$ 78	\$ -
8	Direct and Allocated Insurance						
9	Liability Insurance - General, Auto, Umbrella, and etc	\$ 207	\$ 351	\$ 1,757	\$ 883	\$ 85	\$ 9,961
10	Total	\$ 207	\$ 351	\$ 1,757	\$ 883	\$ 85	\$ 9,961
11	(1) Test year expense based on Marsh Insurance quotation and allocated to Pukalani using a four-factor allocation methodology						
12	Total Company Ins. Quote	\$ 5,249,381					
13	4-factor allocation to Hawaii	3.41%					
14	4-factor allocation to Pukalani	5.56%					
	Total (12 x 13 x 14)	\$ 9,961					

Hawaii Water Service Company  
 Regulatory Expenses  
 Test Year Ending December 31, 2023

Line No.	Description	Test Year
1		
2	Description	
3	PREPARATION AND FILING	
4	Regulatory Labor	\$ 23,680
5	Legal	\$ 39,000
6	Consultant	\$ -
7	Other non-labor	\$ -
8	subtotal	\$ 62,680
9	DISCOVERY AND SETTLEMENT	
10	Regulatory Labor	\$ 29,896
11	Legal	\$ 149,000
12	Travel	\$ 7,500
13	Consultant	\$ -
14	subtotal	\$ 186,396
15	HEARINGS AND BRIEFING	
16	Regulatory Labor	\$ 10,000
17	Legal	\$ 45,000
18	Travel	\$ 5,490
19	Consultant	\$ -
20	subtotal	\$ 60,490
21	Total	\$ 309,566
22	Amortization Period	4
23	Test Year expense (Ln21/Ln22)	\$ 77,392

Hawaii Water Service Company  
 Regulatory Expenses  
 Test Year Ending December 31, 2023

Line No.	Description	2017	2018	2019	2020	2021	Test Year Jan 1, 2023 to Dec 31, 2023
2	Direct Charge to Pukalani						
3	Regulatory Expense	\$ 110,515	\$ 19,400	\$ 39	\$ 1,032	\$ 798	\$ 77,392
4	subtotal	\$ 110,515	\$ 19,400	\$ 39	\$ 1,032	\$ 798	\$ 77,392
5	Allocated From HWSC to Pukalani						
6	Regulatory Expense	\$ 876	\$ -	\$ 96	\$ 1,807	\$ 2,391	
7	subtotal	\$ 876	\$ -	\$ 96	\$ 1,807	\$ 2,391	\$ -
8	Direct and Allocated Regulatory						
9	Regulatory Expense	\$ 111,390	\$ 19,400	\$ 135	\$ 2,839	\$ 3,189	\$ 77,392
10	Total	\$ 111,390	\$ 19,400	\$ 135	\$ 2,839	\$ 3,189	\$ 77,392

Hawaii Water Service Company  
 General & Administrative Expenses  
 Test Year Ending December 31, 2023

Line No.	Description	2017	2018	2019	2020	2021	Test Year Jan 1, 2023 to Dec 31, 2023
2	Direct Charge to Pukalani						
3	Office Supplies	\$ 37,915	\$ 23,709	\$ 21,351	\$ 16,077	\$ 16,713	\$ 18,047
4	Misc G&A	\$ 720	\$ 82	\$ 34	\$ 261	\$ 1,012	\$ 436
5	subtotal	\$ 38,635	\$ 23,792	\$ 21,386	\$ 16,339	\$ 17,725	\$ 18,483
6	Allocated from HWSC to Pukalani						
7	Office Supplies	\$ 15,913	\$ 15,850	\$ 15,310	\$ 9,959	\$ 13,401	\$ 12,890
8	Misc G&A	\$ 1,898	\$ 2,866	\$ 2,727	\$ 904	\$ 341	\$ 1,324
9	subtotal	\$ 17,811	\$ 18,716	\$ 18,038	\$ 10,863	\$ 13,742	\$ 14,214
10	Direct and Allocated General & Administrative						
11	Office Supplies	\$ 53,828	\$ 39,559	\$ 36,662	\$ 26,036	\$ 30,114	\$ 30,937
12	Misc G&A	\$ 2,618	\$ 2,948	\$ 2,762	\$ 1,165	\$ 1,353	\$ 1,760
13	Total General & Administrative	\$ 56,446	\$ 42,508	\$ 39,423	\$ 27,202	\$ 31,467	\$ 32,697
14	In 2023 Dollars						
15	Office Supplies	\$ 63,257	\$ 45,745	\$ 41,739	\$ 28,562	\$ 31,078	\$ 33,793
16	Misc G&A	\$ 3,077	\$ 3,409	\$ 3,144	\$ 1,278	\$ 1,396	\$ 1,939
17	Total	\$ 66,334	\$ 49,154	\$ 44,883	\$ 29,841	\$ 32,474	\$ 35,732

Hawaii Water Service Company  
 Customer Accounts Expenses  
 Test Year Ending December 31, 2023

Line No.	Description	2017	2018	2019	2020	2021	Test Year Jan 1, 2023 to Dec 31, 2023
2	Direct Charge to Pukalani						
3	Customer Accounts Exp.	\$ 35,404	\$ 14,380	\$ 22,107	\$ 25,871	\$ 37,975	\$ 28,651
4	subtotal	<u>\$35,404</u>	<u>\$ 14,380</u>	<u>\$ 22,107</u>	<u>\$ 25,871</u>	<u>\$ 37,975</u>	<u>\$ 28,651</u>
5	less uncollectible	\$ 27,563	\$ 4,100	\$ 7,788	\$ 11,160	\$ 16,894	\$ 11,947
6	subtotal	<u>\$7,841</u>	<u>\$ 10,280</u>	<u>\$ 14,319</u>	<u>\$ 14,712</u>	<u>\$ 21,081</u>	<u>\$ 11,947</u>
7	Allocated From HWSC to Pukalani						
8	Customer Accounts Exp.	\$ 10,483	\$ 11,556	\$ 8,017	\$ 5,458	\$ 4,099	\$ 5,858
9	subtotal	<u>\$ 10,483</u>	<u>\$ 11,556</u>	<u>\$ 8,017</u>	<u>\$ 5,458</u>	<u>\$ 4,099</u>	<u>\$ 5,858</u>
10	Direct and Allocated Customer Accounts						
11	Customer Accounts Exp.	\$ 45,887	\$ 25,936	\$ 30,124	\$ 31,329	\$ 42,074	\$ 34,509
12	Total Customer Accounts	<u>\$ 45,887</u>	<u>\$ 25,936</u>	<u>\$ 30,124</u>	<u>\$ 31,329</u>	<u>\$ 42,074</u>	<u>\$ 34,509</u>
13	In 2023 Dollars						
14	Customer Accounts Exp.	\$ 53,925	\$ 29,991	\$ 34,296	\$ 34,368	\$ 43,420	\$ 37,362
15	add estimated uncollectible for test year						\$ 11,947
16	Total	<u>\$ 53,925</u>	<u>\$ 29,991</u>	<u>\$ 34,296</u>	<u>\$ 34,368</u>	<u>\$ 43,420</u>	<u>\$ 49,309</u>

Hawaii Water Service Company  
 Taxes Other Than Income Taxes  
 Test Year Ending December 31, 2023

Line No.		Revenues at Present Rates	Revenues at Proposed Rates	Tax Rates	Taxes at Present Rates	Taxes at Proposed Rates
3	<u>Revenue Taxes</u>					
5	Public Company Service Tax (Pursuant to HRS § 239)	\$ 1,449,970	\$ 2,023,216	5.885%	\$ 85,331	\$ 119,066
7	Public Utility Fee (Pursuant to HRS § 269-30)	\$ 1,449,970	\$ 2,023,216	0.500%	\$ 7,250	\$ 10,116
9	Total Revenue Taxes				<u>\$ 92,581</u>	<u>\$ 129,182</u>
10	Total Taxes Other Than Income Taxes				<u>\$ 92,581</u>	<u>\$ 129,182</u>

Hawaii Water Service Company  
 Income Tax Expense  
 Test Year Ending December 31, 2023

Line No.			At Present Rates	At Proposed Rates
1	Total Revenues		\$ 1,449,970	\$ 2,023,216
2	Total Operations & Maintenance Expenses		\$ 1,268,611	\$ 1,268,611
3	Depreciation		\$ 259,672	\$ 259,672
4	Amortization		\$ -	\$ -
5	Taxes Other than Income Taxes		\$ 92,581	\$ 129,182
6	Total Operating Expenses		\$ 1,620,864	\$ 1,657,466
7	Operating Income before Income Taxes		\$ (170,893)	\$ 365,750
8	Interest Expenses		\$ 51,742	\$ 51,742
9	State taxable Income		\$ (222,635)	\$ 314,009
10	State income Tax	Less:		
		Tax Rates		
11	less than \$25K	4.4000%	\$ (1,100)	\$ 1,100
12	Over \$25K, but less than \$100K	5.4000%	\$ (4,050)	\$ 4,050
13	Over \$100K	6.4000%	\$ (20,649)	\$ 13,697
14	Less Hawaii Capital Goods Excise Tax Credit		\$ (14,193)	\$ (14,193)
15	Federal taxable income		\$ (182,644)	\$ 309,355
16	Federal income tax			
17	Over \$1	21.0%	\$ (38,355)	\$ 64,964
18	<b>Total Federal and State income taxes</b>		<b>\$ (78,347)</b>	<b>\$ 69,618</b>
19	Effective Tax Rate		35.191%	22.171%
20	State		17.963%	1.482%
21	Federal		21.0000%	21.0000%

Hawaii Water Service Company  
 Results of Operations for Recorded 2021 at Present and Proposed Rates  
 Test Year Ending December 31, 2023

Line No.	( 1 ) Present Rates	( 2 ) Proposed Increase	( 3 ) Proposed Rates (7.48%)
1	Pro Forma for Year Ended December 31, 2021		
2			
3			
4 Residential	\$ 945,460	\$ 276,540	\$ 1,222,000
5 Commercial	\$ 268,903	\$ 332,977	\$ 601,881
6 Public Authority	\$ 3,461	\$ 1,368	\$ 4,829
7 Effluent Rates	\$ -	\$ -	\$ -
8 Other	\$ (2,831)	\$ 2,831	\$ -
9 Power Charge Cost	\$ 179,530	\$ 14,976	\$ 194,506
10 Total Operating Revenues	\$ 1,394,523	\$ 628,692	\$ 2,023,216
11 Labor Expenses	\$ 729,986	\$ -	\$ 729,986
12 Fuel & Power	\$ 185,395	\$ -	\$ 185,395
13 Chemicals	\$ 38,453	\$ -	\$ 38,453
14 Materials & Supplies	\$ 12,902	\$ -	\$ 12,902
15 Waste/Sludge Disposal	\$ 48,132	\$ -	\$ 48,132
16 Affiliated Charges	\$ 77,487	\$ -	\$ 77,487
17 Professional and Outside Services	\$ 6,830	\$ -	\$ 6,830
18 Repairs & Maintenance	\$ 167,440	\$ -	\$ 167,440
19 Rental Expenses	\$ 1,909	\$ -	\$ 1,909
20 Insurance Expenses	\$ 85	\$ -	\$ 85
21 Regulatory Expenses	\$ 3,189	\$ -	\$ 3,189
22 General & Administrative Expenses	\$ 31,467	\$ -	\$ 31,467
23 Customer Accounts Expenses	\$ 42,074	\$ -	\$ 42,074
24 Water Consumption License Fee	\$ -	\$ -	\$ -
25 Total O&M Expenses	\$ 1,345,350	\$ -	\$ 1,345,350
26 Taxes Other than Income Taxes	\$ 103,662	\$ -	\$ 103,662
27 Depreciation	\$ 280,823	\$ -	\$ 280,823
28 Amortization	\$ -	\$ -	\$ -
29 Income Taxes	\$ (72,588)	\$ 172,262	\$ 99,674
30 Diff. due to changing factors	\$ -	\$ -	\$ -
31 Total Operating Expenses	\$ 1,657,247	\$ 172,262	\$ 1,829,508
32 Operating Income	\$ (262,723)	\$ 456,431	\$ 193,707
33 Average Rate Base	\$ 4,324,319	\$ -	\$ 4,324,319
34 Return on Rate Base	-6.08%		4.48%



HAWAII WATER SERVICE COMPANY  
PROJECTED RATE OF RETURN

Line  
No.

	<i>PRO FORMA AVERAGE CAPITAL</i>			<i>RATE OF</i>	
	<i>AMOUNT</i>	<i>RATIO</i>	<i>EFF. RATE</i>	<i>RETURN</i>	
1					
2					
3					
4	<b><i>Estimated Average Rate of Return 2021</i></b>				
5	Long-Term Debt	\$ 2,015,132	46.6%	5.51%	2.57%
6	Common Stock	2,309,186	53.4%	9.20%	4.91%
7		4,324,319	100.00%		<b>7.48%</b>

Hawaii Water Service Company  
Phase-in Schedule  
Test Year Ending December 31, 2023

Line No.	<u>Revenue Requirement</u>	<u>Present Rates</u>	<u>Incremental</u>	<u>Proposed Rates</u>	<u>% Increase</u>
1					
2	No Phase-in	\$ 1,449,970	\$ 573,245	\$ 2,023,216	39.5%
3	Year 1 (2023)	\$ 1,449,970	\$ 289,994	\$ 1,739,964	20.00%
4	Year 2 (2024)	\$ 1,739,964	\$ 283,251	\$ 2,023,216	16.28%

Hawaii Water Service Company  
 Rate Design  
 Test Year Ending December 31, 2023

Line No.	Revenue Requirement	Split	Present	Incremental	Proposed Revenue	+/- Rev Req	% Increase
1	Residential	74.9%	\$ 940,419	\$ 281,581	\$ 1,222,000	\$0	29.9%
2	Commercial	24.8%	\$ 311,584	\$ 290,296	\$ 601,881	\$0	93.2%
3	Public Authority	0.3%	\$ 3,461	\$ 1,368	\$ 4,829	\$0	39.5%
4	Effluent	0.0%	\$ -	\$ -	\$ -	\$0	
5	Power Cost Charge		\$ 194,506	\$ -	\$ 194,506		
6	<b>Total</b>		<b>\$ 1,449,970</b>	<b>\$ 573,245</b>	<b>\$2,023,216</b>		<b>39.53%</b>

7 **Residential**

	%	Revenue
9 Residential Allocation	67.00%	\$ 1,222,000

10	Present Rates	Proposed Rates	Present Customer Count	Proposed Customer Count	Present Revenue	Proposed Revenue
11	Number of Services					
12	\$ 79.08	\$102.76	784	784	\$ 743,985	\$ 966,749
13	\$ 79.08	\$102.76	207	207	\$ 196,435	\$ 255,251
14	<b>Total</b>					<b>\$ 1,222,000</b>

15 **Commercial**

	%	Revenue
17 Commercial Allocation	33.00%	\$ 601,881

18 Fixed Revenue

19	Monthly Unit Cost
20	\$ 16.12

Hawaii Water Service Company  
 Rate Design  
 Test Year Ending December 31, 2023

21	Meter Size	Meter Count	Equivalent Residential Unit Factor	Present Monthly Fixed Charge	Proposed Monthly Fixed Charge	Present Revenue	Proposed Annual Revenue
22	5/8"	2.00	1.00	\$ 16.12	\$ 22.49	\$ 386.88	\$ 539.83
23	3/4"	1.00	1.00	\$ 16.12	\$ 22.49	\$ 193.44	\$ 269.92
24	1"	4.00	2.00	\$ 32.24	\$ 44.99	\$ 1,547.52	\$ 2,159.33
25	1 1/2"	7.00	3.00	\$ 48.36	\$ 67.48	\$ 4,062.24	\$ 5,668.24
26	2"	1.00	5.00	\$ 80.60	\$ 112.47	\$ 967.20	\$ 1,349.58
27	3"	1.00	17.00	\$ 274.04	\$ 382.38	\$ 3,288.48	\$ 4,588.58
28	4"	0.00	17.00	\$ 274.04	\$ 382.38	\$ -	\$ -
29	6"	1.00	17.00	\$ 274.04	\$ 382.38	\$ 3,288.48	\$ 4,588.58
30	Total	17.00				\$ 13,734	\$ 19,164

31 Quantity Revenue \$ 582,716

32	Present	Proposed
33 Billed Sewer Flows	19,522	19,522
34 Quantity Rates	\$ 15.2574	\$ 29.8497
35 Total	\$ 297,850	\$ 582,716

36 Public Authority	Present	Proposed				
37 Government/Education	\$ 274.05	\$ -	0	0	\$ -	\$ -
38 Government/Recreation	\$ 288.38	\$ 402.39	1	1	\$ 3,461	\$ 4,829
39 Total			1	1	\$ 3,461	\$ 4,829

40 Effluent Revenue	Present	Proposed
41 Sales (Kgal)	0	0
42 Quantity Rates	\$ 0.5500	\$ 0.5500
43 Total Quantity Revenue	\$ -	\$ -

Hawaii Water Service Company  
Rate Design  
Test Year Ending December 31, 2023

	Present	Proposed
44 Power Cost Charge		
45 Electricity Cost	\$ 182,833	\$ 182,833
46 Revenue Tax	\$ 11,674	\$ 11,674
47 Total Revenue less Effluent	\$ 1,255,464	\$ 1,828,709
48 Power Cost + Revenues	\$ 1,449,970	\$ 2,023,216
49 PCC Factor	15.49%	10.64%

Hawaii Water Service Company  
 Rate Design  
 Test Year Ending December 31, 2023

Line No.	Revenue Requirement	Split	Present	Incremental	Proposed Revenue	+/- Rev Req	% Increase
1	Residential	74.9%	\$ 940,419	\$ 138,494	\$ 1,078,914	\$0	14.7%
2	Commercial	24.8%	\$ 311,584	\$ 150,808	\$ 462,392	\$0	48.4%
3	Public Authority	0.3%	\$ 3,461	\$ 692	\$ 4,153	\$0	20.0%
4	Effluent	0.0%	\$ -	\$ -	\$ -	\$0	
5	Power Cost Charge		\$ 194,506	\$ -	\$ 194,506		
6	<b>Total</b>		<b>\$ 1,449,970</b>	<b>\$ 289,994</b>	<b>\$1,739,964</b>		<b>20.00%</b>

7 **Residential**

	%	Revenue
9 Residential Allocation	70.00%	\$ 1,078,914

10	Present Rates	Proposed Rates	Present Customer Count	Proposed Customer Count	Present Revenue	Proposed Revenue
11	Number of Services					
12	\$ 79.08	\$90.73	784	784	\$ 743,985	\$ 853,550
13	\$ 79.08	\$90.73	207	207	\$ 196,435	\$ 225,363
14	<b>Total</b>					<b>\$ 1,078,914</b>

15 **Commercial**

	%	Revenue
17 Commercial Allocation	30.00%	\$ 462,392

18 **Fixed Revenue**

	Monthly Unit Cost
20	\$ 16.12

Hawaii Water Service Company  
 Rate Design  
 Test Year Ending December 31, 2023

21	Meter Size	Meter Count	Equivelent Residential Unit Factor	Present Monthly Fixed Charge	Proposed Monthly Fixed Charge	Present Revenue	Proposed Annual Revenue
22	5/8"	2.00	1.00	\$ 16.12	\$ 19.34	\$ 386.88	\$ 464.26
23	3/4"	1.00	1.00	\$ 16.12	\$ 19.34	\$ 193.44	\$ 232.13
24	1"	4.00	2.00	\$ 32.24	\$ 38.69	\$ 1,547.52	\$ 1,857.02
25	1 1/2"	7.00	3.00	\$ 48.36	\$ 58.03	\$ 4,062.24	\$ 4,874.69
26	2"	1.00	5.00	\$ 80.60	\$ 96.72	\$ 967.20	\$ 1,160.64
27	3"	1.00	17.00	\$ 274.04	\$ 328.85	\$ 3,288.48	\$ 3,946.18
28	4"	0.00	17.00	\$ 274.04	\$ 328.85	\$ -	\$ -
29	6"	1.00	17.00	\$ 274.04	\$ 328.85	\$ 3,288.48	\$ 3,946.18
30	Total	17.00				\$13,734	\$ 16,481

31 Quantity Revenue \$ 445,911

32	Present	Proposed
33 Billed Sewer Flows	19,522	19,522
34 Quantity Rates	\$ 15.2574	\$ 22.8418
35 Total	\$ 297,850	\$ 445,911

36 Public Authority	Present	Proposed				
37 Government/Education	\$ 274.05	\$ -	0	0	\$ -	\$ -
38 Government/Recreation	\$ 288.38	\$ 346.06	1	1	\$ 3,461	\$ 4,153
39 Total			1	1	\$ 3,461	\$ 4,153

40 Effluent Revenue	Present	Proposed
41 Sales (Kgal)	0	0
42 Quantity Rates	\$ 0.5500	\$ 0.5500
43 Total Quantity Revenue	\$ -	\$ -

Hawaii Water Service Company  
Rate Design  
Test Year Ending December 31, 2023

	Present	Proposed
44 Power Cost Charge		
45 Electricity Cost	\$ 182,833	\$ 182,833
46 Revenue Tax	\$ 11,674	\$ 11,674
47 Total Revenue less Effluent	\$ 1,255,464	\$ 1,545,458
48 Power Cost + Revenues	\$ 1,449,970	\$ 1,739,964
49 PCC Factor	15.49%	12.59%



Hawaii Water Service Company  
 Rate Design  
 Test Year Ending December 31, 2023

Line No.	Revenue Requirement	Split	Present	Incremental	Proposed Revenue	+/- Rev Req	% Increase
1	Residential	69.8%	\$ 1,078,914	\$ 143,086	\$ 1,222,000	\$0	13.3%
2	Commercial	29.9%	\$ 462,392	\$ 139,489	\$ 601,881	\$0	30.2%
3	Public Authority	0.3%	\$ 4,153	\$ 676	\$ 4,829	\$0	16.3%
4	Effluent	0.0%	\$ -	\$ -	\$ -	\$0	
5	Power Cost Charge		\$ 194,506	\$ -	\$ 194,506		
6	<b>Total</b>		<b>\$ 1,739,964</b>	<b>\$ 283,251</b>	<b>\$2,023,216</b>		<b>16.28%</b>

7 **Residential**

	%	Revenue
9 Residential Allocation	67.00%	\$ 1,222,000

10	Present Rates	Proposed Rates	Present Customer Count	Proposed Customer Count	Present Revenue	Proposed Revenue
11 Number of Services						
12 Residential	\$ 90.73	\$102.76	784	784	\$ 853,550	\$ 966,749
13 Multi-Family	\$ 90.73	\$102.76	207	207	\$ 225,363	\$ 255,251
14 Total						\$ 1,222,000

15 **Commercial**

	%	Revenue
17 Commercial Allocation	33.00%	\$ 601,881

18 Fixed Revenue

19	Monthly Unit Cost
20	\$ 19.34

Hawaii Water Service Company  
 Rate Design  
 Test Year Ending December 31, 2023

21	Meter Size	Meter Count	Equivelent Residential Unit Factor	Present Monthly Fixed Charge	Proposed Monthly Fixed Charge	Present Revenue	Proposed Annual Revenue
22	5/8"	2.00	1.00	\$ 19.34	\$ 22.49	\$ 464.26	\$ 539.83
23	3/4"	1.00	1.00	\$ 19.34	\$ 22.49	\$ 232.13	\$ 269.92
24	1"	4.00	2.00	\$ 38.69	\$ 44.99	\$ 1,857.02	\$ 2,159.33
25	1 1/2"	7.00	3.00	\$ 58.03	\$ 67.48	\$ 4,874.69	\$ 5,668.24
26	2"	1.00	5.00	\$ 96.72	\$ 112.47	\$ 1,160.64	\$ 1,349.58
27	3"	1.00	17.00	\$ 328.85	\$ 382.38	\$ 3,946.18	\$ 4,588.58
28	4"	0.00	17.00	\$ 328.85	\$ 382.38	\$ -	\$ -
29	6"	1.00	17.00	\$ 328.85	\$ 382.38	\$ 3,946.18	\$ 4,588.58
30	Total	17.00				\$16,481	\$ 19,164

31 Quantity Revenue \$ 582,716

32	Present	Proposed
33 Billed Sewer Flows	19,522	19,522
34 Quantity Rates	\$ 22.8418	\$ 29.8497
35 Total	\$ 445,911	\$ 582,716

36 Public Authority	Present	Proposed				
37 Government/Education	\$ 274.05	\$ -	0	0	\$ -	\$ -
38 Government/Recreation	\$ 346.06	\$ 402.39	1	1	\$ 4,153	\$ 4,829
39 Total			1	1	\$ 4,153	\$ 4,829

40 Effluent Revenue	Present	Proposed
41 Sales (Kgal)	0	0
42 Quantity Rates	\$ 0.5500	\$ 0.5500
43 Total Quantity Revenue	\$ -	\$ -

Hawaii Water Service Company  
Rate Design  
Test Year Ending December 31, 2023

	Present	Proposed
44 Power Cost Charge		
45 Electricity Cost	\$ 182,833	\$ 182,833
46 Revenue Tax	\$ 11,674	\$ 11,674
47 Total Revenue less Effluent	\$ 1,545,458	\$ 1,828,709
48 Power Cost + Revenues	\$ 1,739,964	\$ 2,023,216
49 PCC Factor	12.59%	10.64%

**Exhibit HWSC-T-100**  
**Direct Testimony of Robert Stout**



**Hawaii Water Service Company General Rate Case**  
**Docket No. 2022-0186**  
**December 2022**

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1                   **HAWAII WATER SERVICE COMPANY, INC. GENERAL RATE CASE**  
2                   **DIRECT TESTIMONY OF ROBERT STOUT**

3  
4   **Introduction**

5   **Q.     Please state your name, position, and business address.**

6   A.     My name is Robert Stout. I am the Accounting Manager of Hawaii Water Service  
7   Company, Inc. (“Hawaii Water”). My business mailing address is P. O. Box 384809, Waikoloa,  
8   Hawaii, 96738.

9  
10   **Q.     Please summarize your educational background and professional experience.**

11   A.     I hold a Bachelor of Science Degree in Finance from California State University, Chico.  
12   I spent 25 years in the hospitality industry, the final seven as Controller of a Hawaii Island  
13   Resort. I have thirteen years with Hawaii Water and have served as the Accounting Manager  
14   since January 2013.

15  
16   **Q.     What is the purpose of your testimony in this proceeding?**

17   A.     The purpose of my testimony in this proceeding is to explain the details of the revenue  
18   requirements for Hawaii Water for the test year beginning January 1, 2023 and ending December  
19   31, 2023 (“Test Year”). Additionally, I will address sales and revenue estimates, estimates of  
20   certain expenses, calculation of rate base, rate of return, the phase-in of rates, proposed tariff  
21   revisions, and the proposed rate design for Hawaii Water.

22  
23   **Q.     Please summarize the financial exhibits supporting this application.**

24   A.     Exhibit HWSC-2 Schedule D shows the 2021 balance sheet and income statement as of  
25   December 31, 2021 as reported to the Hawaii Public Utilities Commission (the “Commission”)  
26   in Hawaii Water’s annual reports. Exhibit HWSC-2 Schedule E shows Hawaii Water’s balance  
27   sheet and income statement as of September 30, 2022. The other financial exhibits supporting the  
28   Application are listed in Section VI of the Application.

29  
30   **Q.     Please explain the use of Unaudited Financial Statements.**

1 A. Hawaii Water requests that the Commission waive the requirement to provide audited  
2 financial statements. The Commission granted this request in Hawaii Water’s most recent  
3 general rate case filings for Kalaeloa Water Company, LLC (“KWC”)<sup>1</sup> and Kona Water Service  
4 Company Inc. (“KWSC”).<sup>2</sup> The estimated cost to hire a third party to perform an audit is at least  
5 \$270,000. This would be an undue burden to the ratepayers. A copy of an estimate for an  
6 independent audit of Hawaii Water from Deloitte & Touche, California Water Service Group’s  
7 (“CWSG”) auditor is attached as Exhibit HWSC-T-101. CWSG, Hawaii Water’s parent  
8 company, has audited financial statements, which include all of its subsidiaries. A copy of  
9 CWSG’s latest audited statement is included in CWSG’s Form 10K, which is located on  
10 CWSG’s website.<sup>3</sup> Also included in this application are the consolidated revenue requirement  
11 and rate base for Hawaii Water.<sup>4</sup>  
12

13 **Revenue Requirement**

14 **Q. Please describe the summary of earnings.**

15 A. The summary of earnings exhibit shows the revenue requirement and rate of return  
16 summary at present and proposed rates for the Test Year.<sup>5</sup> These exhibits show all of the expense  
17 categories estimated in the work papers, the average rate base for the Test Year, and the rate of  
18 return at present and proposed rates. Most of the expenses and capital additions are described in  
19 detail in Mr. Carrasco’s and Mr. Gandara’s testimonies. My testimony addresses the calculation  
20 of the revenue requirement, Test Year revenue estimates, certain expense estimates, calculation  
21 of rate base, capital structure, and rate of return.  
22

---

<sup>1</sup> See Order No. 38002 *Regarding Kalaeloa Water Company, LLC’s Completed Application and Other Initial Matters*, filed on October 10, 2021, in Docket No. 2021-0005.

<sup>2</sup> See Order No. 36298 *Regarding Kona Water Service Company Inc.’s Completed Application and Other Initial Matters*, filed on May 08, 2019, in Docket No. 2018-0388.

<sup>3</sup> <https://ir.calwatergroup.com/financial-reports/sec-filings>.

<sup>4</sup> See Exhibits HWSC 3 and HWSC 4.

<sup>5</sup> The summary of earnings exhibit is listed in Table 101 below.

1 **Q. What are the total revenue requirements that Hawaii Water is requesting for the**  
2 **test year?**

3 A. The following table summarizes revenue at present rates, incremental increases, revenue  
4 at proposed rates and the requested percentage increases for Hawaii Water’s sewer operations in  
5 the Test Year:

Revenue at Present Rates	Incremental	Revenue at Proposed Rates	% Increase	Exhibit Reference
\$1,449,970	\$573,245	\$2,023,216	39.53%	Exhibit HWSC 6

6 **Table 101. Test Year Revenue Requirements.**

7  
8 Details of revenue requirements can be found in the corresponding Exhibit listed in the table  
9 above.

10  
11 **Test Year Revenues**

12 **Q. Please describe how revenues were estimated at present and proposed rates.**

13 A. Revenue for Hawaii Water at present rates was calculated for residential customers using  
14 present adopted rates, multiplied by the estimated customer count for the Test Year. Revenue at  
15 present rates was calculated for commercial customers using present adopted rates, multiplied by  
16 estimated commercial billed sewer flows for the Test Year. “Billed sewer flows” for commercial  
17 customers are defined as billed metered water usage. Commercial customers provide Hawaii  
18 Water with their County of Maui water bills. Certain commercial customers have irrigation  
19 meters, so their sewer flows are calculated by subtracting the irrigation reading from billed  
20 metered water use. Revenue at proposed rates was calculated for residential customers using  
21 proposed rates, multiplied by the estimated customer count for the Test Year. Revenue at  
22 proposed rates was calculated for commercial customers using proposed rates, multiplied by the  
23 estimated commercial sewer flows and customer count.

24 PCC revenue is calculated using the power cost factor multiplied by the estimated  
25 revenue in the respective customer class for the Test Year. The following table summarizes  
26 revenue at present rates for Hawaii Water:

27



Residential Revenue	Commercial Revenue <sup>6</sup>	PCC Revenue	Total	Exhibit Reference
\$940,419	\$315,045	\$194,506	\$1,449,970	Exhibit HWSC 8.1

**Table 102. Revenue at Present Rates.**

Details of revenue at present and proposed rates can be found in the corresponding Exhibit listed in the table above.

**Sales, Services, and Production**

**Q. Please discuss the Exhibits in which recorded and forecasted customer counts are shown.**

A. Exhibit HWSC 8.2 shows the recorded customer counts by customer class, recorded billed sewer flows for commercial customers, and recorded effluent sales. Hawaii Water has one customer that used effluent sales for irrigation: the Pukalani Country Club Golf Course (“Golf Course”). The Golf Course has not purchased effluent from Hawaii Water since 2019. Hawaii Water does not expect them to resume and therefore projects no effluent sales in the Test Year. The Exhibit also shows the forecasted customer counts by customer class, forecasted sewer flows for commercial customers, and forecasted effluent sales in the Test Year.

**Q. How were customer counts estimated for the test year?**

A. Generally, customer counts for the test year are estimated by using the actual 2021 customer count as of December 31, 2021. Hawaii Water has observed relatively steady customer counts in most customer classes and believes the recorded 2021 customer counts are a reasonable forecast for customer counts in the Test Year.

Hawaii Water forecasted its public authority customer count for the test year using the actual 2021 customer count. Hawaii Water does not expect any growth in this customer category. There is only one effluent sales customer in the Pukalani district. Hawaii Water does not expect

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<sup>6</sup> Includes Public Authority.

1 any growth in this customer category either. The following table summarizes customer counts by  
 2 customer class for Hawaii Water forecasted for the Test Year:

Residential	Commercial		Total	Exhibit Reference
	Business	Public Authority		
991	18	1	1,010	Exhibit HWSC 8.2

**Table 103. Customer Count.**

4  
 5  
 6 Details of customer counts can be found in the corresponding Exhibit listed in the table above.

7  
 8 **Q. How were billed sewer and effluent sales forecasted for the test year?**

9 A. “Billed sewer flows” is defined as the amount of potable-metered water use that is used  
 10 as a proxy for sewer flows and this is measured in thousands of gallons (“TG”). One of Hawaii  
 11 Water’s major commercial customers, Kamehameha School, installed an irrigation meter. We  
 12 deduct the irrigation meter usage from the metered water consumption since billed sewer flows  
 13 are based on potable-metered water use. The school uses a significant amount of water for  
 14 irrigation, which has led to Hawaii Water seeing a large decrease in our overall billed sewer  
 15 flows. As a result, we are proposing to revise the rate design as discussed below in the Rate  
 16 Design section. Billed sewer flows were estimated using a three-year average of recorded data  
 17 from 2019 to 2021. Effluent sales are no longer expected and therefore have been put at 0. The  
 18 following table summarizes billed sewer flows in TG by customer class for Hawaii Water  
 19 forecasted for the Test Year:

Business	Effluent	Total	Exhibit Reference
19,522	0	19,522	Exhibit HWSC 8.2

**Table 104. Billed Sewer Flows in Thousands of Gallons.**

20  
 21  
 22 Details of billed sewer flows and effluent sales can be found in the corresponding Exhibit listed  
 23 in the table above.

1 **Expense Estimates**

2 **Q. Which expense estimates are you testifying to in this proceeding?**

3 A. I am testifying on the expense allocation methodology, depreciation expenses, and  
4 income taxes.

5

6 **Four-factor Allocation**

7 **Q. Please explain which expenses are allocated from Hawaii Water to Pukalani**  
8 **District.**

9 A. Hawaii Water has several operating units and subsidiaries: Waikoloa Village Water and  
10 Sewer, Waikoloa Resort Water, Sewer and Irrigation, Pukalani Wastewater, Ka'anapali Water,  
11 Kapalua Water, Sewer, Wells and Ditch, Kalaeloa Water and Sewer, and Kona Water and Sewer.  
12 Hawaii Water incurs certain expenses which apply to more than one of its operating units, which  
13 are allocated among the various operating units. These expenses include payroll, rent, insurance,  
14 and employee benefits. The details of these expenses are discussed in the testimony of Anthony  
15 Carrasco (Exhibit HWSC-T-200).

16 As this Application and supporting financial exhibits were being prepared it was unclear  
17 when the Keauhou Community Services, Inc.'s ("KCSI") wastewater system transaction would  
18 close. At this point, re-doing these documents would be an onerous and expensive proposition to  
19 revise them before the application is submitted by December 30, 2022. Therefore, Hawaii Water  
20 proposes to update the four-factor information during discovery.

21

22 **Q. Why must these expenses be allocated?**

23 A. When employees are engaged in directly supporting a specific operating unit, they charge  
24 their time directly to the appropriate operating unit. For example, when Hawaii Water employees  
25 perform work on the Ka'anapali water system, the employees charge their time directly to the  
26 Ka'anapali operating unit (Dept. 700). However, certain other expenses benefit more than one  
27 operating unit. These expenses must be allocated to the operating units to which they apply.

28

29 **Q. Can you explain how charges for expense for the different ratemaking areas are**  
30 **allocated?**

1 A. The payroll for the positions assigned to Hawaii Water’s General Office department  
2 (Dept. 790), as well as indirect expense charges, are allocated to the six operations departments  
3 on Maui (Ka’anapali, Pukalani, Kapalua Water, Kapalua Sewer, Kapalua Wells O&M, and  
4 Kapalua Ditch O&M), seven departments on the Big Island (Waikoloa Water, Waikoloa  
5 Wastewater, Waikoloa Resort Water, Waikoloa Resort Wastewater, Waikoloa Resort Irrigation,  
6 Kona Water, and Kona Wastewater), and two operations departments on Oahu (Kalaeloa  
7 Wastewater and Kalaeloa Water) based on a four-factor methodology. Payroll for the positions  
8 dedicated to Hawaii Water’s Maui operations (Dept. 710), as well as indirect labor and expenses,  
9 are allocated between the six Maui departments as determined by the four-factor method.  
10 Finally, payroll for Hawaii Water’s Wastewater Administration (Dept. 796), as well as indirect  
11 expense charges, are allocated to Hawaii Water’s wastewater systems.

12 Additionally, there are charges allocated from California Water Service Company (“Cal  
13 Water”) to the five regulated subsidiaries it provides service to: Cal Water districts, Hawaii  
14 Water, Washington Water Service Company, Texas Water Service Company and New Mexico  
15 Water Service Company. These charges are applied to Hawaii Water’s General Office. Details of  
16 this allocation are included in the direct testimony of Anthony Carrasco.

17

18 **Q. Please describe the four-factor methodology and the rationale for using it.**

19 A. Hawaii Water uses an internal four-factor methodology to allocate general operations  
20 costs among its regulated utility companies. The four factors used to determine the allocation  
21 include the number of customer equivalents, gross plant in service, direct operations and  
22 maintenance expenses, and direct gross payroll. Customer equivalents are used because of the  
23 correlation between the number of customers in a system, and the billing and service costs  
24 associated with those customers. This is also a good indicator of the size of the system. Plant in  
25 service is used because many general costs are related to the level of capital investment used in a  
26 system, and there is a general relationship between the amount of this capital investment and the  
27 general costs allocated to effectively operate that infrastructure. Additionally, direct operation  
28 and maintenance expenses are also good indicators of the size of the system. Finally, direct gross  
29 payroll is used because it represents the number of employees working in the system that are  
30 served by various general office departments. These four factors can vary between systems, but

1 by not equally weighting all four, individual systems are not penalized in their general allocation  
2 for any one factor that is higher than the other systems.

3

4 **Q. Is Hawaii Water proposing to revise the four-factor allocations to its operating units**  
5 **in this proceeding?**

6 A. Yes. As explained above, there are several factors that affect the allocation to Hawaii  
7 Water’s operating units. These factors change from time to time. In this proceeding, Hawaii  
8 Water revised the four-factor allocations from its General Office (“GO”), Maui Operation, and  
9 Wastewater Administration to its operating units. Hawaii Water used the same methodology it  
10 has used in the past to calculate the four-factor allocation. The following table shows the Test  
11 Year four-factor allocations to Pukalani from Hawaii Water GO and Maui operations,  
12 respectively<sup>7</sup>:

Hawaii Water GO (790)	Maui (710)	Wastewater Admin. (796)	Exhibit Reference
5.56%	17.25%	13.75%	Exhibit HWSC 8.4

13

**Table 105. Four-factor Allocations.**

14

15 **Q. Is the four-factor methodology widely accepted in the water industry?**

16 A. Yes. Companies use a factor allocation when a more direct method is unavailable or  
17 would be impractical. The four-factor methodology is a widely accepted technique used to  
18 determine proper allocation of general costs to specific business units. This is the method used  
19 by many state regulatory commissions, and has been accepted by the Hawaii Public Utilities  
20 Commission in the recent rate cases filed for Hawaii Water’s Waikoloa Resort, KWSC, and  
21 KWC.<sup>8</sup>

22

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<sup>7</sup> The 2022 four-factor allocations are used for the Test Year. The factors for 2023 will be used once they are available.

<sup>8</sup> See Decision and Order No. 38602, filed on September 12, 2022, in Docket No. 2021-0005 (the “KWC D&O”); see Decision and Order No. 37124, filed on May 1, 2020, in Docket No. 2018-0388 (the “KWSC D&O”); see Decision and Order No. 36045, filed on January 7, 2019, in Docket No. 2017-0350 (the “WHUC D&O”).

1 Depreciation Expense

2 **Q. How were the depreciable lives determined?**

3 A. Hawaii Water is proposing to use the group depreciation for its plant, property, and  
4 equipment that was previously approved in Pukalani's last rate case.<sup>9</sup> It was based on a report  
5 that was completed by AUS Consultants. There has not been any major changes in plant so  
6 Hawaii Water is proposing to use the same depreciation rates that were previously approved. For  
7 several utility accounts, no group depreciation rate was approved or developed, including  
8 intangibles (103510), miscellaneous equipment (103970), communication equipment (103960),  
9 other miscellaneous equipment (103890), and collection sewers gravity (103610). Hawaii Water  
10 is proposing to use the useful life and convert that into a depreciation rate for intangibles,  
11 miscellaneous equipment, communication equipment, and other miscellaneous equipment.<sup>10</sup>  
12 Special collecting structures (103620) is a similar asset to collection sewers gravity. Therefore,  
13 Hawaii Water is proposing to use the same depreciation rate.<sup>11</sup>

14

15 **Q. Why is group depreciation being proposed in this case?**

16 A. When numerous property units exist within a utility's operating property, the units are  
17 typically grouped into similar depreciation categories as opposed to being depreciated on an  
18 individual unit basis. This is known as group depreciation. While the items within a specific  
19 group may serve the same or similar function, they typically do not have identical service lives.  
20 Their useful lives are dispersed over a range of time. Some items may last longer than the  
21 expected service life, while others may last less than the expected useful service life. The  
22 application of group depreciation rates allows for uniform depreciation to groups of similar  
23 property instead of performing extensive depreciation calculations on an item-by-item basis.  
24 The proposal to use group depreciation is consistent with Pukalani's last rate case.<sup>12</sup>

---

<sup>9</sup> See Proposed Decision and Order No. 34822, filed on September 15, 2017, in Docket No. 2015-0236 (the "Hawaii Water PD&O").

<sup>10</sup> 1/10 = 10%.

<sup>11</sup> 0.83%.

<sup>12</sup> Hawaii Water PD&O at 38-41.

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**Q. How was depreciation expense estimated?**

A. As discussed above, a group depreciation method is being proposed to calculate depreciable lives of groups of assets. However, in general, depreciation expense is calculated by multiplying the prior year’s ending plant balance by the group depreciation rate. The following table summarizes test year depreciation expense for Hawaii Water:

Depreciation Expense	Depreciation Expense Exhibit Reference	Depreciation Group Detail Exhibit Reference
\$ 355,164	Exhibit HWSC 7.4	Exhibit HWSC 7.5

**Table 106. Depreciation Expense.**

Details of depreciation expense and depreciation groups can be found in the corresponding Exhibits listed in the table above. Exhibit 7.6 shows detailed depreciation expense calculations for Hawaii Water General Office. Exhibit 7.7 shows detailed depreciation expense calculations for Maui Operations. Exhibit 7.4 shows the Wastewater Administration as a line item with a \$0 since Hawaii Water no longer uses this department and the one asset is fully depreciated.

Income Tax Expense

**Q. How were income taxes at present and proposed rates calculated?**

A. Federal income taxes at present and proposed rates were calculated using the 21% corporate rate, net of the effective Hawaii State Income Tax rate since state income tax is a deduction from federal tax. State income taxes at present and proposed rates are calculated using the corporate Hawaii State Income Tax rate of 6.4%. State income tax expense was reduced by the test year’s amortized expense for the Hawaii Capital Goods Excise Tax Credit (“HCGETC”). Book depreciation was used as deductions for both federal and state income taxes. The difference between book and federal tax depreciation is reflected in rate base as deferred taxes. The following table summarizes test year income tax expense for Hawaii Water:

Income Tax Expense	Exhibit Reference
\$ 51,742	Exhibit HWSC 8.21

**Table 107. Income Tax Expense.**

1 Details of income tax expense can be found in the corresponding Exhibit listed in the table  
2 above.

3

4 **Rate Base**

5 **Q. How was rate base estimated?**

6 A. An average rate base was used to calculate the Test Year revenue requirement.

7

8 **Q. What components make up the proposed rate base?**

9 A. Rate base consists of plant in service with deductions for accumulated depreciation  
10 reserve, contributions in aid of construction (“CIAC”), deferred income taxes, unamortized  
11 HCGETC, net salvage adjustment, and the Tax Cuts and Jobs Act deferred tax adjustment.  
12 Additions to rate base include working capital and a proration of Hawaii Water General Office  
13 and Maui Operations rate base. The details of the impact of the Tax Cuts and Job Act are further  
14 discussed in the testimony of David Healey (Exhibit HWSC-T-102).

15

16 **Q. How was plant in service estimated?**

17 A. Plant in service used recorded plant for the period ending December 31, 2021 as the  
18 starting point. Utility plant acquired or constructed during the period from January 1, 2022  
19 through December 31, 2022 was added and any assets removed from service during the same  
20 period were deducted. Utility plant expected to be in service during the test year was added and  
21 any expected retirements were deducted. The following table summarizes Hawaii Water’s plant  
22 balance as of December 31, 2021, December 31, 2022, and December 31, 2023:

Plant Balance 12/31/2021	Plant Balance 12/31/2022	Plant Balance 12/31/2023	Exhibit Reference
\$ 9,656,837	\$ 9,858,718	\$ 10,147,422	Exhibit HWSC 7.1

23

**Table 108. Plant in Service.**

24



1 Details of plant in service can be found in the corresponding Exhibit listed in the table above.  
2 Consistent with the most recent rate case for the Pukalani District, Hawaii Water is excluding  
3 plant “oversizing costs” and “WWTP Additional Costs.”<sup>13</sup>

4 Plant additions from January 1, 2022 – December 31, 2023 for Hawaii Water are  
5 summarized in the table below:

Plant Additions 2022	Plant Additions 2023	Exhibit Reference
\$199,793	\$ 288,704	Exhibit HWSC 7.2

6 **Table 109. Plant Additions**

7  
8 Details of plant additions can be found in the corresponding Exhibit listed in the table above.  
9 Project justifications for projects greater than \$50,000 that have been completed since Hawaii  
10 Water’s last rate case, and that will be completed before December 31, 2023 are discussed in Mr.  
11 Gandara’s direct testimony (Exhibit HWSC-T-300).

12  
13 **Q. How was accumulated depreciation reserve estimated?**

14 A. Accumulated depreciation reserve used the recorded accumulated depreciation reserve  
15 balance as of December 31, 2021 as the starting point. Depreciation accruals were then added to  
16 this balance. The methodology for determining the depreciation accruals is discussed above. The  
17 following table summarizes Hawaii Water’s accumulated depreciation reserves as of December  
18 31, 2021, December 31, 2022, and December 31, 2023:

Reserve Balance 12/31/2021	Reserve Balance 12/31/2022	Reserve Balance 12/31/2023	Exhibit Reference
\$ 2,908,251	\$ 3,266,379	\$ 3,621,398	Exhibit HWSC 7.3

19 **Table 110. Accumulated Depreciation Reserve.**

20  
21 Details of accumulated depreciation reserve can be found in the corresponding Exhibit listed in  
22 the table above.

<sup>13</sup> Hawaii Water PD&O at 49 and 52 – 60.

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**Q. What is the net salvage adjustment and why is it included in the rate base calculation?**

A. The net salvage adjustment represents a reduction to rate base due to the collection of net salvage through depreciation. The adjustment is calculated by taking the difference of depreciation expense with net salvage and without net salvage. In the most recent rate cases for KWSC and KWC, Hawaii Water and the Consumer Advocate agreed to use group depreciation on the condition that a net salvage adjustment be included in the rate base calculation. This adjustment was approved by the Commission in its decisions for the KWSC and KWC rate cases.<sup>14</sup> The same adjustment is being proposed for Hawaii Water in this case.

**Q. How were contributions in aid of construction estimated?**

A. CIAC was calculated using the latest recorded information for contributions as of December 31, 2021. Contributions are amortized over periods that would estimate the useful lives of the assets they were used to acquire. The following table shows the Exhibits where details of contributions can be found for Hawaii Water:

CIAC	CIAC Amortization
Exhibit HWSC 7.8	Exhibit HWSC 7.9

**Table 111. Contributions in Aid of Construction.**

**Q. How were deferred income taxes estimated?**

A. Deferred income taxes were based on depreciation provisions for federal income tax purposes by the Tax Cuts and Jobs Act of 2017 (“TCJA”). Under these statutes, state regulatory commissions calculate provision for federal income taxes at book rates, and then allow the utility to record the tax difference between book and federal and state depreciation as adjustments to rate base. For the test year, deferred income taxes were estimated based on the recent recorded accruals and forecasts of the new plant in the test year. Hawaii Water is including re-measured amounts based on the outcome of the TCJA. Hawaii Water proposes to include a deferred tax

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<sup>14</sup> See KWC D&O at 74-76 and See KWSC D&O at 133-136.

1 asset in rate base as a reduction to its deferred income tax liabilities. This is also discussed in the  
2 testimony of David Healey (Exhibit HWSC-T-102). The following table shows the Exhibits  
3 where details of deferred income taxes can be found for Hawaii Water:

Deferred Income Taxes Exhibits  

---

Exhibit HWSC 7.10 - 7.13

4 **Table 112. Deferred Income Taxes.**

5

6 **Q. How was working cash calculated?**

7 A. The Commission has established a policy of providing utilities an allowance for working  
8 capital, also known as working cash, in the determination of rate base. For this proceeding,  
9 working cash was calculated using the 1/12<sup>th</sup> method, which is generally accepted by state  
10 regulatory commissions for determining working cash for smaller utilities. This method uses  
11 1/12<sup>th</sup> of the annual operating expenses as a proxy for determining the amount of cash that is  
12 dedicated to utility service (paying bills prior to receiving customer revenues). The result is  
13 counted as an addition to rate base. The following table summarizes working cash for Hawaii  
14 Water for the test year:

Working Cash	Exhibit Reference
\$ 105,718	Exhibit HWSC 7.15

15

**Table 113. Working Cash.**

16

17 Details of working cash can be found in the corresponding Exhibit listed in the table above.

18

19 **Rate of Return**

20 **Q. What capital structure is Applicant requesting in this case?**

21 A. A capital structure of 46.6% debt to 53.4% equity is being requested in this case. This is  
22 based on the overall capital structure that Hawaii Water's affiliate, Cal Water, currently uses.  
23 Equity is calculated as 53.4% of the proposed average test year rate base. The proposed capital  
24 structure is shown in Exhibit 10.

25

26 **Q. What rate of return is Applicant proposing and why?**

1 A. Applicant is requesting a 7.48% rate of return (“ROR”) based on a 46.6% debt to 53.4%  
2 equity capital structure. The requested ROR is the same as the ROR that was approved for the  
3 most recent rate case of the KWSC.<sup>15</sup>

4 Applicants are proposing a 5.51% cost of debt and a 9.20% return on equity. The 5.51%  
5 cost of debt is the actual interest rate under the long-term note payable by Hawaii Water to  
6 CWSG.<sup>16</sup> Therefore, the 5.51% cost of debt is an appropriate forecast for the current proceeding.

7 The requested ROE of 9.20% maintains the 7.48% ROR that was approved in the recent  
8 rate case described above. Investors in CWSG equity will expect the company and its  
9 subsidiaries to make rational allocations of capital to meet the facilities needs of their service  
10 areas. In CPUC Decision (D.) 18-03-035, the most recent proceeding approving a return on  
11 equity (“ROE”) for Hawaii Water’s affiliate, Cal Water, Cal Water was allowed a 9.20% ROE  
12 for the period 2017-2020.<sup>17</sup> Applicants believe it is reasonable to request the same ROE as their  
13 affiliate, Cal Water (i.e., 9.20%) because investors in CWSG expect consistency among CWSG’s  
14 subsidiary companies with similar economic returns across operating areas.

15

16 **Proposed Tariff Revisions**

17 **Please describe the revisions Hawaii Water is proposing to its tariff.**

18 A. Hawaii Water proposes to refund the 2018-2023 income tax expense over-collection over  
19 a 72-month period as a surcredit to customers’ bills. Hawaii Water 's proposed monthly surcredit  
20 is calculated as follows: 2018 Refund, 2019 Refund, 2020 Refund, 2021 Refund, 2022 Refund,<sup>18</sup>  
21 and 2023 Refund<sup>19</sup> divided by the number of customers, further divided by the surcredit period  
22 of 72 months. As such, customers will receive a total refund of \$129,416 over a 72-month period  
23 or monthly surcredit of \$1.78. Details of the surcredit can be found in Exhibit HWSC-T-107.

---

<sup>15</sup> See KWSC D&O at 147-150.

<sup>16</sup> See Letter to the Commission dated April 26, 2013 in Docket No. 2008-0109.

<sup>17</sup> At the time of filing, this is still the current approved ROE for Cal Water.

<sup>18</sup> Amount for 2022 is as of September 2022.

<sup>19</sup> Amount for 2023 was set equal to the amount known as of September 2022.

1 Hawaii Water also proposes to collect the Coronavirus Disease 2019 (“COVID”)  
2 expenses the Commission allowed Hawaii Water to record as a surcharge to customers’ bills.<sup>20</sup>  
3 Hawaii Water's proposed monthly surcharge is calculated as follows: 2020 and 2021 record  
4 COVID expenses<sup>21</sup> divided by the number of customers, further divided by the surcharge period  
5 of 12 months. As such, Hawaii Water would collect a total of \$42,069 over a 12-month period or  
6 monthly surcharge of \$3.47. Details of the surcharge can be found in Exhibit HWSC-T-108.

7  
8 **Phase-in of Rate Increases**

9 **Q. Are there any proposals for phase-in rate implementation?**

10 A. Yes. The proposed revenue increase is roughly 39.5%. Hawaii Water recognizes the  
11 burden this places on customers. As a result, Hawaii Water proposes to phase-in its requested  
12 revenue increase over 2 years. In an effort to further, mitigate rate shock for all customer classes  
13 Hawaii Water is proposing to take a lower percentage of revenues in the first year than the  
14 maximum suggested by the Consumer Advocate. In year 1, the phase-in is being proposed at  
15 20% or \$289,994 of the total requested increase.<sup>22</sup> In year 2, the phase-in would be the difference  
16 between the originally requested increase and the increases that had been implemented in the  
17 previous year. The proposed phase-in amounts are shown on Exhibit HWSC 11. Exhibits HWSC  
18 13 and 14 show proposed rates from year 1 and year 2. I will discuss the details of rate design  
19 later in my testimony.

20 Hawaii Water is proposing a 2-year phase-in to mitigate rate shock. However, the  
21 proposed 2-year phase-in is based on the revenue increase requested in this Application. If the  
22 adopted revenue increase is less than requested in this Application, Hawaii Water requests that  
23 the first-year revenue increase be equal to 20% of the total increase, and that the rest of the  
24 revenue increase be phased in equally until revenue at proposed rates is fully phased-in.  
25 Additionally, Hawaii Water’s proposal to phase in the revenue increase is not intended to

---

<sup>20</sup> See Decision and Order No. 37291, filed on August 31, in Docket No. 2020-0091.

<sup>21</sup> COVID expenses for Department 710 and 790 were allocated to Pukalani using the four-factor allocation for the corresponding year.

<sup>22</sup> \$1,449,970 x 20% = \$289,994.

1 preclude it from filing another rate case before the proposed revenues in this case are fully  
2 phased-in.

3

4 **Power Cost Charge**

5 **Q. Does Hawaii Water propose to make any changes to the PCC?**

6 A. No. Hawaii Water does not propose to revise the power cost factor used in the PCC  
7 calculation for its sewer operations. The following formula is used to calculate the PCC for  
8 Hawaii Water:

9

10 *Power Cost Factor*

11 
$$= \frac{\textit{Previous Month's Electrical Cost (\$)}}{\textit{Previous Month's revenues less effluent revenues}} \times \textit{revenue tax factor}$$

12

13 where the revenue tax factor is 1.06385. Hawaii Water is not proposing any changes to the PCC  
14 for Hawaii Water. Setting PCC revenue equal to the power cost in the Test Year multiplied by  
15 the revenue tax factor ensures that no power expenses are included in base rates.

16 For the purposes of this proceeding, Hawaii Water has included a calculation of estimated  
17 revenues resulting from the PCC, which is shown on the following table:

<u>PCC Revenue</u>	<u>Exhibit Reference</u>
\$ 194,506	Exhibit HWSC 8.7

18

**Table 114. PCC Revenue.**

19

20 Details of the PCC revenues can be found in the corresponding Exhibit listed in the table above.  
21 The PCC revenues presented in this application are based on the electricity cost in the Test Year  
22 multiplied by the revenue tax factor and are meant to demonstrate how the PCC works. The  
23 actual PCC passed through to customers varies month to month depending on the power  
24 consumed and sales that month.

25

26 **Rate Design**

27 **Q. Please describe Exhibit HWSC 12.**

1 A. Exhibit HWSC 12 shows the proposed rate design for the current proceeding. As  
2 discussed above, Hawaii Water is proposing a revenue phase-in for the current proceeding.  
3 Exhibit HWSC 12 shows the proposed rates if there is no revenue phase-in.  
4

5 **Q. Is Hawaii Water proposing any changes to its rate designs in this proceeding?**

6 A. Yes. Hawaii Water is proposing to revise the rate design, as described in more detail  
7 below.  
8

9 **Q. What is Hawaii Water's rate design proposal in this proceeding?**

10 A. Hawaii Water is proposing to revise its current rate design away from the customer  
11 allocation developed in the cost of service analysis in the last rate case. Hawaii Water proposes  
12 to adjust its existing rate design to a 67.00% Residential and 33.00% Commercial allocation.  
13

14 **Q. Please describe the proposed rate design.**

15 A. Hawaii Water proposes to modify the current rate design, which was based on the cost of  
16 service study completed in the last rate case. The cost of service analysis categorized Hawaii  
17 Water's customers into 2 major customer classes: 1) Residential and 2) Commercial. The  
18 customer class allocations of the revenue requirement from the cost of service study concluded a  
19 51.58% and 48.42%, respectively. Hawaii Water's current rate design no longer accurately  
20 depicts this customer allocation since one of Hawaii Water's major commercial customers,  
21 Kamehameha School, installed an irrigation meter which has greatly reduced the commercial  
22 billed sewer flows. Therefore, Hawaii Water proposes to adjust its existing rate design to a  
23 67.00% Residential and 33.00% Commercial allocation.<sup>23</sup>  
24

25 **Q. How did Hawaii Water calculate its proposed rates?**

---

<sup>23</sup> In an effort to mitigate rate shock for all customer classes this proposed allocation would be phased in starting with a 70% Residential and 30% Commercial allocation in the year 1. In year 2 the 67.00% Residential and 33.00% Commercial allocation would start.

1 A. I will discuss the procedures used to calculate proposed rates below. Details of the  
2 calculated rates are shown on Exhibit HWSC 12. The following procedure describes how rates  
3 were calculated if there were no phase-in.  
4

5 Effluent

6 Hawaii Water proposes no change from the current effluent rate at \$0.55/TG. The golf  
7 course continues to use water from the golf course's well instead of effluent from Hawaii Water.  
8 Accordingly, Hawaii Water expects no revenues from effluent sales.  
9

10 Public Authority

11 Hawaii Water has one public authority customer: Hannibal Tavares Community Center.  
12 Hawaii Water rate design for its public authority customer is calculated by charging a fixed rate.  
13 Hawaii Water calculated rates for its public authority customer by increasing the existing rates  
14 by the proposed revenue increase, which resulted in a monthly bill of \$402.39. Hawaii Water  
15 determined that the Community center should continue to be billed using the existing rate design.  
16 Details of this calculation are shown on Exhibit HWSC 12, lines 37 – 39.  
17

18 Residential

19 As discussed above, Hawaii Water proposes to change the existing rate design for  
20 residential customers. To calculate the proposed rate, Hawaii Water first calculated the amount  
21 of revenue to be collected from residential customers. Hawaii Water calculated this amount by  
22 subtracting the PCC revenue, effluent, and public authority revenue from the total revenue  
23 requirement. Next, this amount was multiplied by the proposed residential allocation factor of  
24 67.00%. Hawaii Water calculated the residential revenue at \$1,222,000, as shown below:  
25

26 
$$\text{residential revenue} = \$2,023,216 - \$194,506 - \$0 - \$4,829 = \$1,823,881$$
  
27 
$$\$1,823,881 \times 67.00\% = \$1,222,000$$
  
28

29 where \$2,023,216 is the revenue requirement, \$194,506 is PCC revenue, \$0 is effluent revenue,  
30 and \$4,829 is revenue from the Community Center public authority customer.



1 Next, this amount was divided by the number of residential customers in the test year and  
2 again divided by 12 to obtain the fixed monthly charge, as shown below. Details of this  
3 calculation are shown on Exhibit HWSC 12, lines 9 – 14.  
4

$$5 \quad \text{monthly residential charge} = \frac{\$1,222,000}{991 \text{ customers}} = \frac{\$1,233}{12 \text{ months}} = \$102.76$$

6  
7 Commercial

8 Hawaii Water proposes a fixed and volumetric rate for its commercial customers. First,  
9 Hawaii Water calculated the amount of revenue to be collected from commercial customers.  
10 Hawaii Water calculated this amount by subtracting the PCC revenue, effluent, and public  
11 authority revenue from the total revenue requirement. Next, this amount was multiplied by the  
12 proposed commercial allocation factor of 33.00%. Hawaii Water calculated the commercial  
13 revenue at \$601,881, as shown below:  
14

$$15 \quad \text{commercial revenue} = \$2,023,216 - \$194,506 - \$0 - \$4,829 = \$1,823,881$$
$$16 \quad \$1,823,881 \times 33.00\% = \$601,881$$

17  
18 where \$2,023,216 is the revenue requirement, \$194,506 is PCC revenue, \$0 is effluent revenue,  
19 and \$4,829 is revenue from the public authority customer.

20 Next, Hawaii Water calculated the monthly fixed charge. In order to allocate this revenue  
21 by meter size, Hawaii Water calculated the number of equivalent residential units. Hawaii Water  
22 calculated the number of equivalent residential units by multiplying the number of meters in each  
23 meter size by the corresponding equivalent residential unit factor from the previous rate case.  
24 The number of equivalent residential units is 71. The monthly unit cost was determined by  
25 increasing the existing monthly unit cost by the proposed revenue increase.

26 Finally, the monthly unit cost was multiplied by the number of equivalent residential  
27 units for a meter size to determine the monthly fixed cost by meter size. Details of this  
28 calculation are shown on Exhibit HWSC 12, lines 22 – 30.

1           Once the fixed revenue component was determined, the quantity revenue was calculated.  
2 Hawaii Water calculated this amount by subtracting the fixed revenue from the commercial  
3 revenue allocation. The amount of revenue collected through quantity rates is \$582,716.  
4

$$5 \qquad \qquad \textit{commercial quantity revenue} = \$601,881 - \$19,164 = \$582,716$$

6

7 The quantity rate was calculated by dividing this amount by the forecasted billed sewer flows in  
8 the test year. The quantity rate is \$29.8497 per TG. Details of this calculation are shown on  
9 Exhibit HWSC 12, lines 31 – 35.  
10

11 **Q.    How did Hawaii Water calculate phase-in rates?**

12 A.    In the first phase-in year, the incremental revenue for year 1 from Exhibit HWSC 11 was  
13 added to revenue at present rates. In an effort to mitigate rate shock for all customer classes  
14 Hawaii Water followed the same procedure described above to calculate rates in year 1 except  
15 the Residential Allocation was 70.00% and the Commercial Allocation was 30.00%. In the  
16 second phase-in year, the incremental revenue for year 2 from Exhibit HWSC 11 was added to  
17 revenue at the first phase-in year. Hawaii Water then followed the same procedure described  
18 above to calculate rates for the proposed rates to be fully phased-in. Phase-in rates are calculated  
19 on Exhibits HWSC 13 and 14.  
20

21 **Q.    Does this conclude your testimony?**

22 A.    Yes it does.



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December 9, 2022

Mr. Thomas F. Smegal III  
California Water Service Group  
1720 North First Street  
San Jose, CA 95112-4598

Dear Tom,

As a follow up to our conversation regarding a stand-alone audit for the Pukalani District financial statements, our estimated fee is \$270,000 plus expenses. This fee estimate would be for the performance of the audits as of and for the year ended December 31, 2021 and for the nine-month period ended September 30, 2022. The estimated fees outlined herein are only an estimate for fees associated with performing the audit. This estimate does not contemplate requests for information or any procedures that would need to be performed in connection with any such request. Should Deloitte & Touche LLP agree to perform such procedures, fees for such procedures would be subject to the mutual agreement of the Company and Deloitte & Touche LLP, and subject to approval by the California Water Service Group's Audit Committee.

Please let me know if you require anything further on this audit fee quote and if you would like us to begin this engagement.

Best regards,

A handwritten signature in cursive script that reads "Joe Young".

Partner – Audit Services  
Deloitte & Touche LLP

**Table of Contents**

**Introduction..... 1**  
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1                   **HAWAII WATER SERVICE COMPANY GENERAL RATE CASE**  
2                   **DIRECT TESTIMONY OF DAVID HEALEY**

3  
4           **Introduction**

5           **Q.     Please state your name, position, and business address.**

6           A.     My name is David Healey. I am the Vice President, Corporate Controller, Assistant  
7           Treasurer, and Principal Accounting Officer for California Water Service Group, a publicly  
8           traded water utility, providing high-quality water and wastewater services to about two million  
9           people through five regulated utility subsidiaries located in California, Hawaii, Washington,  
10          Texas and New Mexico. My business address is 1720 North First Street, San Jose, CA, 95112.

11  
12          **Q.     Please summarize your educational background and professional experience.**

13          A.     I graduated from the University of San Francisco with a Bachelor of Science degree in  
14          Business Administration, with an emphasis in accounting in 1979. I am a Certified Public  
15          Accountant, licensed in the state of California, and a Certified Management Accountant. I have  
16          more than 17 years of experience as a public company corporate controller, which includes ten  
17          years as corporate controller for California Water Service Group. My corporate controller  
18          experience includes compliance with public company Securities and Exchange Commission  
19          (SEC) quarterly and annual financial statement filing requirements and accounting principles  
20          generally accepted in the United States of America (GAAP), establishing and maintaining  
21          adequate internal control over financial reporting (as defined in SEC Rule 13a-15(f) and 15d-  
22          15(f)), compliance with federal and state corporate income tax regulations, and providing  
23          financial information for regulated utility general rate case filings.

24  
25          **Q.     What is the purpose of your testimony in this proceeding?**

26          A.     I am testifying on behalf of Hawaii Water Service Company (“Hawaii Water”), a 100  
27          percent owned subsidiary of California Water Service Group. Hawaii Water’s regulated water  
28          and wastewater services started in 2003. The purpose of my testimony is to (1) summarize the  
29          Internal Revenue Service (“IRS”) private letter ruling submitted into the record of the Kona  
30          Water Service Company, Inc. (“KWSC”) 2019 general rate case (“GRC”), Docket No. 2018-

1 0388,<sup>1</sup> and (2) explain the changes to Pukalani District’s accumulated deferred tax balances from  
2 the Tax Cuts and Jobs Act (“TCJA”), enacted on December 22, 2017, which decreased the  
3 federal corporate income tax rate from 35% to 21%.

4  
5 **Summary of the IRS’s private letter ruling**

6 **Q. Can you please describe the IRS’s private letter ruling (“PLR”) in the Kona Water**  
7 **Service Company, Inc. GRC?**

8 A. Pursuant to Order No. 37494 *Addressing Kona Water Service Company, Inc.’s Motion*  
9 *for Stay and, if Necessary, Reconsideration of Decision and Order N. 37125, and Approval of*  
10 *Interim Rates During Pendency of Review*, filed on December 15, 2020 in Docket No. 2018-  
11 0388, California Water Services Group (“Taxpayer”) requested a PLR from the IRS on behalf of  
12 its subsidiary, Hawaii Water/KWSC, seeking clarification as to the proper treatment of the  
13 deferred tax asset (“DTA”) generated as a result of net operating loss (“NOL”) carryforwards  
14 under the tax normalization rules (i.e., IRC § 167(l) and Treas. Reg. § 1.167(l)-1(h)(1)(iii)).  
15 More specifically, under the Taxpayer’s facts and circumstances, does a normalization violation  
16 occur if Hawaii Water’s NOL DTA is not allocated among its ratemaking districts and  
17 considered, to the extent it is attributable to accelerated depreciation, in calculating the deferred  
18 tax liability (“DTL”) used to offset rate base?

19  
20 In the PLR issued on November 16, 2021, a copy of which is attached as Exhibit HWSC-T-103,  
21 the IRS concluded that the failure to consider the portion of NOL’s attributable to accelerated  
22 depreciation in calculating the DTL used to offset rate base would be inconsistent with the  
23 normalization rules. In its analysis, the IRS supported its conclusion through specific reference to  
24 the relevant portions of the normalization rule framework, including Treas. Reg. § 1.167(l)-1(h),  
25 which provides that a utility must maintain a reserve that reflects the DTL resulting from the use  
26 of different depreciation methods used for tax and ratemaking purposes. A taxpayer does not use  
27 a normalization method of regulated accounting if, for ratemaking purposes, the amount of this  
28 reserve for deferred taxes excluded from its rate base is not offset by the portion of NOL’s

---

<sup>1</sup> In response to KWSC’s application for a general rate increase in Docket No. 2018-0388, the Hawaii Public Utilities Commission (“HPUC”) issued Decision and Order No. 37124 on May 1, 2020. On December 15, 2022, however, the HPUC issued Final Decision and Order No. 38767 approving final rates for KWSC.

1 attributable to accelerated depreciation. The IRS specifically highlighted that to the extent that a  
2 NOL carryforward is attributable to accelerated depreciation, it must be included in the  
3 calculation.

4  
5 The IRS went on to explain that because a DTL only serves as an offset to rate base to the extent  
6 it is a “cost-free” source of capital which only occurs to the extent there is an actual deferral of  
7 tax liability, an NOL represents an unfunded portion of a DTL as there is no economic effect  
8 until the NOL offsets taxable income in a future period. As a result, the rate base reduction  
9 stemming from the DTL generated because of the corporate rate reduction from 35% to 21%,  
10 without regard to a consolidated NOL DTA is inconsistent with normalization rules. Further, the  
11 allocation of the consolidated Taxpayer’s NOL among its subsidiaries is required to comply with  
12 the normalization rules, and this computation is appropriately done using a separate return  
13 methodology. Finally, where a subsidiary’s rate making districts are subject to separate rate  
14 filings, the consolidated NOL appropriately attributed to the subsidiary must be allocated among  
15 the rate making districts. Performing this allocation based on the ratio of division taxable income  
16 to the separate company during the period of losses is consistent with normalization rules.

17  
18 Based on the PLR, the HPUC stated in Final Decision and Order No. 38767 that “...because net  
19 operating losses offset Excess Accumulated Deferred Income Taxes (EADIT), there is no  
20 EADIT, and thus there is no corresponding surcredit to refund the amortization of protected and  
21 unprotected EADIT.”<sup>2</sup>

22  
23 Before the TCJA re-measurement, Hawaii Water’s GAAP consolidated regulated operations had  
24 a net DTA of \$1.9 million, consisting of a DTA of \$6.3 million and a DTL of \$4.3 million as of  
25 December 31, 2017.<sup>3</sup> The Pukalani ratemaking district NOL’s attributable to accelerated  
26 depreciation exceeded its DTL’s as of December 31, 2017 and therefore does not have any  
27 excess deferred income taxes due to its customers. Pukalani has the same excess DTL tax  
28 position as KWSC resulting from the TCJA.

---

<sup>2</sup> Final Decision and Order No. 38767 at 31.

<sup>3</sup> Before the TCJA re-measurement, Hawaii Water’s GAAP consolidated regulated and non-regulated operations had a net DTA of \$2.1 million, consisting of a DTA of \$8.4 million and a DTL of \$6.3 million as of December 31, 2017.

1  
2 Hawaii Water accounted for income taxes using the asset and liability method. DTAs and DTLs  
3 were recognized for the future tax consequences attributable to differences between the financial  
4 statement carrying amounts of existing assets and liabilities and their respective tax basis.  
5 Measurement of the DTAs and DTLs was at enacted tax rates expected to apply to taxable  
6 income in the years in which those temporary differences are expected to be recovered or settled.  
7 The effect on DTAs and DTLs of a change in tax rates is recognized in the period that includes  
8 the enactment date. TCJA required Hawaii Water to re-measure DTAs and DTLs to reflect the  
9 reduction in the federal tax rate from 35% to 21% as of December 31, 2017. Hawaii Water  
10 adjusted and recorded the impacts of TCJA in accordance with rules issued by the SEC in Staff  
11 Accounting Bulletin No. 118. The re-measured deferred tax balances resulted in a net refund to  
12 ratepayers in certain Hawaii Water districts totaling \$412,320 and an increase in certain district  
13 ratemaking rate base values of \$3.2 million for NOL attributed to excess depreciation. *See*  
14 Exhibit HWSC-T-104.

15  
16 Publicly traded water and wastewater utilities must comply with SEC financial statement filing  
17 regulations and GAAP. Under GAAP, a provision for deferred taxes is required to account for  
18 the tax effects of temporary differences. In the utility industry, this practice is referred to as  
19 normalization. The term normalization evolved with respect to utilities because income taxes  
20 computed on the normalization basis caused reported net income to appear normal in contrast to  
21 an approach based on the cash liability reported on the tax return. Under the deferred tax or  
22 normalization concept, the taxes that would have been payable if temporary book/tax differences  
23 were ignored, are merely deferred, not saved permanently. For example, in the early years of the  
24 life of an asset, accelerated depreciated creates larger tax deductions than book expenses. In this  
25 instance, the related deferred taxes are debited to an income tax expense account with a  
26 corresponding credit to a DTL account. In later years, when the book/tax differences created by  
27 depreciation reverse, the higher taxes payable are mitigated by reversing the DTL account.

28  
29 GAAP income tax accounting requires (1) recognition of income tax assets, liabilities, and  
30 expenses; (2) measurement and classification of income tax accounts; (3) recognition and



1 classification of NOL and tax credit carryforwards and carrybacks; (4) presentation and  
2 disclosure of income tax items in financial statements; (5) special areas such as business  
3 combinations, changes in tax laws, rates or status, tax planning strategies; and (6) special rules  
4 for regulated utilities such as the use of regulatory assets and liabilities. The GAAP for regulated  
5 utilities is set forth in Accounting Standards Codification 980-740 “Income Taxes for Regulated  
6 Operations.”

7

8 **Normalization method of accounting**

9 **Q. Please describe why Congress requires a public utility to use the normalization**  
10 **method of accounting.**

11 A. In 1954, Congress passed legislation that created accelerated depreciation. The primary  
12 reason for accelerated depreciation was to provide a permanent investment incentive. Because  
13 federal income tax expense is included in a utility’s cost of service for ratemaking purposes,  
14 some regulatory agencies reduced the federal tax expense included in cost of service to reflect  
15 the reduction in a utility’s tax liability caused by accelerated depreciation, i.e., some regulators  
16 “flowed through” the tax benefit associated with accelerated depreciation to ratepayers. As a  
17 result, the accelerated depreciation became a massive federal utility subsidy to ratepayers as  
18 opposed to an investment incentive for the utility. Moreover, the flow through of the benefits of  
19 accelerated depreciation to ratepayers resulted in a loss of federal income tax revenues because  
20 the flow-through reduced utility profits. To ensure that accelerated depreciation achieved its  
21 stated purpose, Congress adopted the normalization rules in 1969, which permit a utility to claim  
22 accelerated depreciation only if the utility complies with the normalization rules.

23

24 Congress mandated the use of the normalization method of accounting.

25

26 IRC Sec. 168(f)(2) provides that “public utility property” does not qualify for accelerated  
27 depreciation if the taxpayer does not use a “normalization method of accounting.” IRC Sec.  
28 168(i)(10)’s definition of “public utility property” includes property used predominantly in the  
29 trade or business of the furnishing or sale of water and sewerage services through a local  
30 transmission and distribution system, if a public utility commission or other similar body

1 establishes the rates for such services. Therefore, while the IRC does not mandate any particular  
2 rate treatment, it does limit the ability to use accelerated depreciation unless the utility uses the  
3 normalization method of accounting.

4  
5 **Q. Please provide the definition of the normalization method of accounting.**

6 A. IRC Sec. 168(i)(9) defines the general requirements a taxpayer must meet to be  
7 considered as using the normalization method of accounting. First, the taxpayer must use the  
8 same method of depreciation to compute both its tax expense and its depreciation expense to  
9 establish its cost of service for ratemaking purposes and to reflect operating results in its  
10 regulated books of accounting, and (ii) a recovery period that is no shorter than the useful life is  
11 used in determining depreciation for ratemaking purposes. Second, the difference between the  
12 actual tax expense computed using tax depreciation and the tax expense determined for  
13 ratemaking purposes must be reflected in a deferred tax reserve. Third, in determining the rate of  
14 return of a public utility, the public utility commission may not exclude from the rate base an  
15 amount that exceeds the addition to the deferred tax reserve for the period used in determining  
16 the tax expense for ratemaking purposes. Fourth, the utility may not use an “inconsistent”  
17 procedure or adjustment. A procedure or adjustment is “inconsistent” if it employs an estimate or  
18 projection with respect to a utility’s tax expense, depreciation expense, or reserve for deferred  
19 taxes, unless such estimate or projection is also used with respect to the other two items and rate  
20 base. If a taxpayer fails to satisfy any one of these requirements, it ceases to qualify for  
21 accelerated depreciation, and must compute depreciation using the straight method over the  
22 asset’s regulatory life.

23  
24 **Q. Please describe how the normalization method of accounting applies in ratemaking.**

25 A. A utility’s federal income tax expense is an element of the utility’s cost of service. The  
26 first requirement of the normalization rules requires the utility to calculate the federal income tax  
27 expense included in its cost of service using the same method of depreciation it uses for financial  
28 statement purposes, i.e., straight-line depreciation. The difference between the utility’s actual  
29 federal income tax expense and the federal income tax expense included in its cost of service  
30 related to the use of accelerated depreciation for federal income tax purposes is tracked in a

1 deferred income tax reserve account. Typically, the use of accelerated depreciation results in a  
2 deferred income tax expense and a corresponding deferred income tax liability, i.e., the current  
3 federal income tax payable is less than the total federal income tax expense included in cost of  
4 service, which includes both current and deferred income taxes. The deferred tax expense  
5 associated with accelerated depreciation is equivalent to ratepayer-funded cost-free capital, until  
6 the deferred tax is owed to the IRS. Because a utility may not earn a rate of return on the  
7 ratepayer-funded capital, the deferred tax liability reduces the utility's rate base.  
8

9 **Q. Please describe what happens when the use of accelerated depreciation results in a**  
10 **federal net operating loss?**

11 A. When the use of accelerated depreciation results in a NOL, the NOL creates a deferred  
12 income tax benefit and a corresponding DTA. In that instance, the federal income tax expense  
13 included in cost of service includes the current federal income tax expense and includes deferred  
14 income tax expense reduced by the NOL. There is no deferred tax benefit associated with  
15 accelerated depreciation until the utility uses the NOL. Therefore, until the utility uses the NOL  
16 and realizes the deferred tax benefit associated with accelerated depreciation, the deferred tax  
17 asset is equivalent to an unfunded source of capital. Because the utility cannot invest the  
18 unfunded capital until it receives the funds, the utility must make additional investments using its  
19 own equity. Thus, the DTA increases the utility's rate base.  
20

21 **Q. Please describe how normalization rules address the DTA associated with an NOL**  
22 **created by the use of accelerated depreciation.**

23 A. The normalization method of accounting requires the utility to include the DTA  
24 associated with an NOL created by the use of accelerated depreciation in the deferred tax reserve  
25 and, therefore, in the rate base. In this instance, the utility is required to net the DTA with the  
26 DTL related to the use of accelerated depreciation in prior years, i.e., the DTA reduces the DTL  
27 that is used as a rate base offset.  
28

1 **Q. Please describe what specific sections of the normalization rules mandate the**  
2 **inclusion of the DTA associated with a NOL created by the use of accelerated depreciation**  
3 **in rate base.**

4 A. Treas. Reg. Sec. 1.167(i)-(1)(h)(1)(iii) states that NOLs associated with the use of  
5 accelerated depreciation must be considered when applying the normalization rules. Treas. Reg.  
6 Sec. 1.167(i)-(1)(h)(6)(i), the third normalization requirement I mentioned earlier, prohibits the  
7 public utilities commission from excluding an amount from the rate base that exceeds the  
8 addition to the deferred tax reserve for the period used in determining the tax expense for  
9 ratemaking purposes. Because the deferred tax reserve reduces rate base, excluding a NOL  
10 attributable to accelerated depreciation from the deferred tax reserve would cause the public  
11 utilities commission to exclude an amount from rate base that exceeds the maximum allowed as  
12 a rate base offset, thereby causing a normalization violation. Thus, a NOL attributable to  
13 accelerated depreciation must be taken into account in calculating the amount of the deferred tax  
14 reserve, if the utility wishes to claim accelerated depreciation.

15

16 **Q. Please describe if the IRS<sup>4</sup> require the use of a specific method to determine the**  
17 **amount of the DTA included in rate base, i.e., the portion of a NOL related to the**  
18 **difference between accelerated depreciation and financial statement depreciation.**

19 A. Treas. Reg. Sec. 1.167(i)-(1)(h)(1)(iii) requires the consideration of a NOL associated  
20 with the use of accelerated depreciation when applying the normalization rules, but it does not  
21 specify a method for including the NOLs in rate base. Rather, it states that the amount and time  
22 of the deferral of tax liability related to NOLs shall be taken into account in such appropriate  
23 time and manner as is satisfactory to the district director. Nevertheless, for the past several years,  
24 the IRS has consistently ruled that a taxpayer should use the “with and without” method to  
25 determine the portion of a NOL associated with the use of accelerated depreciation that a utility  
26 should include in its rate base. Moreover, in PLRs 148310-13 and 119381-16, attached as  
27 Exhibits HWSC-T-105 and HWSC-T-106, the IRS explicitly stated that “any method other than  
28 the ‘with and without’ method would not provide the same level of certainty that the benefits of

---

<sup>4</sup> As noted in the recent IRS November 16, 2021 PLR obtained for Kona Water Service Company, Inc., Docket No. 2018-0388.

1 acceleration would not be flowed-through to ratepayers and therefore the use of any other  
2 methodology is inconsistent with the normalization rules.” Thus, the “with and without” is the  
3 appropriate method to determine the portion of a NOL associated with the use of accelerated  
4 depreciation that a utility should include in its rate base.

5

6 **Q. Please describe how a utility determines the portion of an NOL that relates to the**  
7 **difference between accelerated depreciation and financial statement depreciation using the**  
8 **“with and without” method.**

9 A. Under the “with and without” methodology, a NOL is attributable to accelerated  
10 depreciation to the extent of the lesser of the accelerated depreciation or the NOL. In other  
11 words, if the NOL exceeds the amount of accelerated depreciation, the portion of the NOL  
12 attributable to accelerated depreciation is equal to the amount of accelerated depreciation. If the  
13 NOL is less than the amount of accelerated depreciation, the entire NOL is considered  
14 attributable to accelerated depreciation.

15

16 **Q. Please describe what are the consequences of a normalization violation?**

17 A. If the utility fails to use the normalization method of accounting, the utility may not claim  
18 accelerated depreciation on any of its public utility property. Congress intentionally made the  
19 consequences of a normalization violation severe to both the utility and the ratepayers to deter  
20 regulators from attempting to flow through the benefit of accelerated depreciation to ratepayers.  
21 If a utility commits a normalization violation, the utility must revert to the same method of  
22 depreciation it uses to prepare its regulated books of account from the date of the violation until  
23 the utility remedies the violation. The effect of reverting to book depreciation is that the income  
24 tax expense in a utility’s rates will be based upon the utility’s actual income tax. Therefore, no  
25 amount of income tax is treated as ratepayer-funded capital and there is no reduction to rate base  
26 for DTLs.

27

28 **Q. Does this conclude your testimony?**

29 A. Yes, it does.

**FAX COVER SHEET****OFFICE OF CHIEF COUNSEL, IRS**

<b>Date Sent:</b> November 18, 2021	<b>Pages Sent:</b> 29
<b>Deliver To:</b> Richard D. Fultz	<b>Fax Number:</b> 866-296-1327
<b>Organization:</b> Ernst & Young, LLP	<b>Phone Number:</b>
<b>Sender:</b> Martha M. Garcia	<b>Fax Number:</b>
<b>Office:</b> Office of Chief Counsel	<b>Phone Number:</b>
<b>Sent By:</b> Kayla.E.Myers@irscounsel.treas.gov	
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**COMMENTS:**

**Internal Revenue Service****Department of the Treasury**

Washington, DC 20224

Index Number: 168.24-01

Third Party Communication: None

Date of Communication: Not Applicable

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Person To Contact:

**Martha M. Garcia, ID No. 0630922**

Telephone Number:

**(202) 317-6853**

Refer Reply To:

**CC:PSI:B06****PLR-111389-21**

Date:

**November 16, 2021**

Re: California Water Service Group

Dear Mr. Fultz:

The enclosed copy of a letter is sent to you under the provisions of a power of attorney and declaration of representative, or other proper authorization, currently on file with the Internal Revenue Service.

Sincerely yours,

*Patrick S. Kirwan*

Patrick S. Kirwan

Chief, Branch 6

Office of Associate Chief Counsel

(Passthroughs and Special Industries)

Enclosure:

Copy of letter ruling

Copy for § 6110 purposes

**Internal Revenue Service****Department of the Treasury**

Washington, DC 20224

Index Number: 168.24-01

Third Party Communication: None

Date of Communication: Not Applicable

Dave Healey  
 Vice President, Control  
 California Water Service Group  
 1720 North First Street  
 San Jose, CA 95112  
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Martha M. Garcia, ID No. 0630922

Telephone Number:

(202) 317-6853

Refer Reply To:

CC:PSI:B06

PLR-111389-21

In Re: Ruling Request under the  
 Normalization Rules

Date:

November 16, 2021

**LEGEND:**

Subsidiary	=	Hawaii Water Service Company, Inc. ("HWSC")
Taxpayer "Parent")	=	California Water Service Group ("CWSG", "Taxpayer", or
Division 1	=	Kona Water
Division 2	=	Kona Wastewater
Combined Division	=	Kona Water Service Company ("KWSC")
Commission	=	Public Utilities Commission of the State of Hawaii
Docket	=	Docket No. 2018-0012
Order 1	=	Order No. 35241 in Docket No. 2018-0012
Order 2	=	Order No. 37494 in Docket No. 2018-0388
State A	=	California
State B	=	Hawaii
<u>a</u>	=	660,216
<u>b</u>	=	12.3
<u>c</u>	=	5,348,358
<u>d</u>	=	452,560
<u>e</u>	=	12.8
<u>f</u>	=	207,656
<u>g</u>	=	11.4
<u>h</u>	=	7.48
<u>i</u>	=	3,291,746
<u>j</u>	=	3.59
<u>k</u>	=	1,738,423
<u>l</u>	=	13.51
<u>m</u>	=	3,528,828
<u>n</u>	=	3.44
<u>o</u>	=	1,891,531



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<u>p</u>	=	4.38
<u>q</u>	=	8,432,453
<u>r</u>	=	6,464,715
<u>s</u>	=	713,059
<u>t</u>	=	145,450
<u>u</u>	=	142,021
<u>v</u>	=	14,525
Month	=	February
Date 1	=	July 1, 2014
Date 2	=	June 30, 2015
Date 3	=	February 25, 2019
Date 4	=	February 28, 2019
Date 5	=	April 2, 2019
Date 6	=	January 1, 2019
Date 7	=	December 31, 2019
Date 8	=	January 26, 2018
Date 9	=	December 31, 2017
Year 1	=	2019
Year 2	=	2020
Year 3	=	2018
Year 4	=	2008
Year 5	=	2017

Dear Mr. Healey:

Your representatives requested a ruling on behalf of Subsidiary, a subsidiary of Taxpayer regarding the application of deferred tax assets ("DTA") for net operating loss ("NOL") carryforwards under the tax normalization rules of § 167(l) of the Internal Revenue Code of 1986, as amended ("Code") and § 1.167(l)-1(h)(1)(iii) of the Income Tax Regulations (collectively, "Normalization Rules") to certain accounting and regulatory procedures which are described in detail hereafter.

Taxpayer is headquartered in State A and includes Subsidiary, among other companies (collectively referred to as the "Group"). The Group operates its own regulated water and wastewater systems and provides non-regulated water and wastewater services to other companies, municipalities, and agencies.

Subsidiary is a public utility that provides water service in State B. Subsidiary has several divisions including Division 1 and Division 2. Division 1 and Division 2 combined represent Combined Division to which this request relates.

Combined Division's existing utility rates and charges are based on its Date 1 through Date 2 test year rate case which represents Combined Division's most recent rate case.

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On Date 3, the Commission granted Combined Division's motion to waive the requirement to utilize mid-year Year 1 through Year 2 test year data in support of its Application. As a result, the Commission authorized Combined Division to utilize Year 1 calendar year test year financial data in its Application. On Date 4, Combined Division filed its Month Application with amended material filed on Date 5 (collectively, "Application"). Pursuant to the rules of State B, Combined Division sought review and approval by the Commission of a Date 6 through Date 7 test year ("Test Year") net overall revenue increase of \$a for its consolidated operations which Combined Division represents is approximately a b% increase from its pro forma revenue amount of \$c at present rates for the Test Year. More specifically, Combined Division's requested increase is comprised of proposed increases of (1) \$d, or approximately e%, for water service; and (2) \$f, or approximately g% for sewer service. Combined Division represented that, if approved, the requested increase would provide Combined Division "with a h% rate of return" on its prudently incurred system improvements. In support of its requested rate increase, Combined Division states that:

- (1) "[its] current rates do not now and will not in the foreseeable future produce sufficient revenues to allow it a reasonably opportunity to earn a fair rate of return on its prudently incurred investment [,]"
- (2) it "has made significant capital improvements and plans to make additional capital improvements in the Test Year [,]" and
- (3) "[its] operating expenses have increased since its last rate case."

For calendar year Year 3, on a pro forma basis, Combined Division represents that it had: (1) revenues of approximately \$i and a j% rate of return for its water service and revenues of approximately \$k and a l% rate of return for its sewer service. For the Test Year, Combined Division "projects revenues of approximately \$m and a n% rate of return at present rates for its water service, and revenues of approximately \$o and a p% rate of return at present rates for its sewer service.

The rate case uses calendar year Year 1, and rates are intended to go into effect in Year 2 which represents a historic tax period. During the course of the rate case, a Consumer Advocate opposed certain rate case positions and computations. The Commission adopted the Consumer Advocate's position on certain rate case positions and computations of which Combined Division is concerned could result in a violation of Normalization Rules. As a result, Combined Division has proposed and adopted an interim rate adjustment to the Commission adopted rates until it is determined through this ruling request that the positions adopted by the Commission are consistent with the Normalization Rules. If there is an adverse ruling request, the rates will be adjusted to comply with this ruling and become final at that point.

On December 22, 2017, the President signed the Tax Cuts and Jobs Act ("TCJA") into law, effective January 1, 2018. On Date 8, the Commission opened a Docket to investigate the impacts of the TJCA and named Combined Division as a party to the proceedings. Among other matters, the TCJA significantly reduced the federal

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corporate income tax rate from 34% to 21%. As such, on Date 8, the Commission issued Order 1, naming all regulated utilities as parties to the docket, and ordered them to (1) immediately begin tracking the impacts of the TCJA, as of January 1, 2018; and (2) use deferred regulatory account practices, such as the use of regulatory assets and liabilities, to record the differences resulting from the TCJA and what would have been recorded if the TCJA did not go into effect. The Commission also stated that further direction would be provided regarding the final utility rate adjustments as a result of the TCJA through subsequent orders in dockets outside of Docket (that is, in rate cases or order to show cause proceedings).

Taxpayer maintains its books and records on a consolidated basis but can compute its books and records on a separate company basis, or what would have been reported to the IRS had Taxpayer been required to file a separate company return. The separate company books and records indicate that Combined Division would have a NOL DTA of \$g and a deferred tax liability ("DTL") of \$r. The NOL presented on a separate company basis for Subsidiary is allocated back to individual divisions based on their respective contribution to the taxable loss from Year 4 to Year 5. The dispute between Taxpayer and the Commission is based on the allocation of the separate company NOL DTAs to the divisions and the availability of those to offset DTLs.

At the Taxpayer consolidated level, there is a NOL. However, for State B purposes the NOL attributable to Subsidiary is computed on a separate company basis consistent with how financial items are treated for ratemaking purposes in State B. The Subsidiary separate company NOL is then allocated among those districts that have contributed based on their individually calculated division taxable losses. The Commission's position is that no NOL DTA is necessary to be allocated to the individual Subsidiary divisions for ratemaking purposes.

#### *Treatment of Excess Accumulated Deferred Income Taxes ("EADIT")*

Subsidiary has established a deferred liability for the EADIT that would result from the reduction in the federal income tax rate resulting from the TCJA. Subsidiary maintains its books and records on a separate company basis for regulatory reporting. As of Date 9, Subsidiary's books reflected \$r in deferred income tax which represents the DTL. Additionally, there was a DTA of \$g which represented the NOL from Year 4 to Year 5. When a utility records a NOL, the Normalization Rules mandate it be offset against deferred income tax liabilities to the extent it is attributable to accelerated depreciation. Since Subsidiary keeps its books and records on a separate company basis, the \$g NOL was allocated back to individual divisions based on their respective contribution to the taxable loss from Year 4 to Year 5. Next, excess DTL was calculated for each division. If the allocated NOL that is attributable to accelerated depreciation was greater than the DTL for the respective company/divisions, there is no excess DTL. If the NOL was less than the DTL, the NOL was offset against the DTL and the adjusted DTL was remeasured. The difference between the adjusted DTL and remeasured DTL represented excess DTL. Based on the analysis there was no excess DTL for Division

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1 or Division 2. Stated alternatively, Combined Division would have sufficient NOL attributes to offset the reversal of DTL balances which indicates that a NOL would have occurred regardless of the temporary adjustments.

*Dispute between Combined Division and Consumer Advocate*

Combined Division proposed that the NOL DTA should be used to reduce the DTL offset to rate base. This is based upon the belief that a DTL represents a cost-free source of capital in which the utility has recovered from ratepayers both current and deferred taxes, although deferred taxes shall be remitted to a taxing authority in a future tax year. The DTL shall serve as an offset to rate base to the extent it is a cost-free source of capital and only then until the DTL reverses and taxes are renumerated. A NOL represents an unfunded portion of a DTL in which there shall be no economic effect until the NOL offsets taxable income and reduces a tax liability in a future tax period. The cost-free source of capital only occurs to the extent a true deferral of tax liability occurs, which does not occur when accelerated tax deductions result in a NOL.

Combined Division believes that if a NOL DTA balance exceeds the DTL balance, that current taxes have been brought to zero dollars and does not burden the ratepayer. Also, Combined Division believes that deferred taxes that have been brought to zero because a NOL DTA balance exceeding the DTL balance indicates that pre-tax book income was a negative balance and results in zero current or deferred taxes burdening the ratepayer.

Therefore, Combined Division believes that to the extent a DTL is fully offset or exceeded by a NOL DTA that is attributable to accelerated depreciation, which Combined Division believes is the case using the "with or without" method, then the ratepayer has not been burdened by a tax liability since the NOL DTA will not have economic substance until it offsets taxable income in the future. Under this treatment, the deferred tax adjustment to offset rate base shall equal the DTL balance plus the NOL DTA balance attributable to accelerated depreciation.

In the present case, Combined Division represents through their rate proceeding a \$s NOL DTA for Division 1 and \$t NOL DTA for Division 2 compared to a DTL balance of \$u and \$y respectfully. Therefore, Combined Division represents there is a zero excess DTL balance to offset rate base. The NOL DTA represents an allocation from Subsidiary to each division and the DTL balance is reflective of temporary differences booked to the individual divisions.

The Consumer Advocate contended that Combined Division's proposed treatment of EADIT allows regulated treatment of Combined Division's parent company's unrelated loss that results in ratepayers not receiving any of the excess amounts already collected by Combined Division that should be returned to customers.

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*Commission's Discussion, Findings, and Conclusions Regarding EADIT*

The Commission adopted the treatment and computation of EADIT consistent with the Consumer Advocate's position. As a result, the Commission determined that Combined Division would have to treat EADIT in the following manner:

1. Combined Division shall reduce rate base by the amount of EADIT for water and sewer operations to reflect the TCJA deferred tax adjustment [reduce rate base by only the DTL disregarding the NOL DTA] consistent with the Consumer Advocate's position regarding the treatment of EADIT, as adopted by the Commission.
2. Combined Division shall refund, as a monthly surcredit, the total amortization of protected and unprotected EADIT to customers. Once Combined Division provides the necessary support for the various amounts shown in its calculation of EADIT between the two categories (protected and unprotected), there should be a reconciliation of the amounts returned to customers and the verified EADIT. Any difference would be subject to interest.
3. Combined Division shall recalculate EADIT, TCJA deferred tax adjustment, and the amortization of protected and unprotected EADIT for both water and sewer operations, consistent with the Consumer Advocate's position on the treatment of EADIT adopted by the Commission, with the terms of the relevant order.

Combined Division is aware of the potential of a violation of Normalization Rules specific to the methodology of excluding the NOL DTA balance to offset rate base. Therefore, Combined Division has proposed an interim rate adjustment to the Commission. The Commission has approved the interim rate adjustment in Order 2.

**RULINGS REQUESTED**

The Taxpayer requests the following guidance:

- 1) Is Commission's determination of EADIT without regard to a consolidated NOL DTA consistent with the Normalization Rules?
- 2) Is Combined Division's position with regard to a consolidated NOL DTA being required to be allocated to its members consistent with the Normalization Rules?
- 3) Under Taxpayer's facts, must the NOL of a consolidated group be allocated to its subsidiaries for purposes of complying with the Normalization Rules?
- 4) Is the computation of a NOL attributable to a subsidiary taxpayer of a consolidated group on a separate return methodology consistent with the Normalization Rules?
- 5) Under Taxpayer's facts, must the consolidated NOL appropriately attributable to Subsidiary be allocated to Subsidiary's multiple divisions (including Combined Division) when those divisions are subject to separate rate filings?

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- 6) Is it consistent with the Normalization Rules that the separate company NOL be allocated to divisions based on the ratio of division taxable income to the separate company during the period of losses from Taxpayer's records?
- 7) Is the allocable portion of a NOL deduction associated with accelerated depreciation determined on a "with or without" basis consistent with the Normalization Rules?
- 8) Under the Taxpayers facts, including Taxpayer's allocation of the NOL to separate divisions, would the failure to account for the portion of the NOL related to accelerated tax depreciation in calculating the amount of DTL to offset rate base of Combined Division be inconsistent with the Normalization Rules?

### LAW AND ANALYSIS

Section 168(f)(2) of the Code provides that the depreciation deduction determined under § 168 shall not apply to any public utility property (within the meaning of § 168(i)(10)) if the taxpayer does not use a normalization method of accounting.

In order to use a normalization method of accounting, § 168(i)(9)(A)(i) of the Code requires the taxpayer, in computing its tax expense for establishing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, to use a method of depreciation with respect to public utility property that is the same as, and a depreciation period for such property that is not shorter than, the method and period used to compute its depreciation expense for such purposes. Under § 168(i)(9)(A)(ii), if the amount allowable as a deduction under § 168 differs from the amount that would be allowable as a deduction under § 167 using the method, period, first and last year convention, and salvage value used to compute regulated tax expense under § 168(i)(9)(A)(i), the taxpayer must make adjustments to a reserve to reflect the deferral of taxes resulting from such difference.

Section 168(i)(9)(B)(i) of the Code provides that one way the requirements of § 168(i)(9)(A) will not be satisfied is if the taxpayer, for ratemaking purposes, uses a procedure or adjustment which is inconsistent with such requirements. Under § 168(i)(9)(B)(ii), such inconsistent procedures and adjustments include the use of an estimate or projection of the taxpayer's tax expense, depreciation expense, or reserve for deferred taxes under § 168(i)(9)(A)(ii), unless such estimate or projection is also used, for ratemaking purposes, with respect to all three of these items and with respect to the rate base.

Former § 167(l) of the Code generally provided that public utilities were entitled to use accelerated methods for depreciation if they used a "normalization method of accounting." A normalization method of accounting was defined in former § 167(l)(3)(G) in a manner consistent with that found in § 168(i)(9)(A). Section 1.167(l)-1(a)(1) of the Regulations provides that the normalization requirements for public utility property pertain only to the deferral of federal income tax liability resulting from the use of an accelerated method of depreciation for computing the allowance for depreciation under

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§ 167 and the use of straight-line depreciation for computing tax expense and depreciation expense for purposes of establishing cost of services and for reflecting operating results in regulated books of account. These regulations do not pertain to other book-tax timing differences with respect to state income taxes, F.I.C.A. taxes, construction costs, or any other taxes and items.

Section 1.167(l)-1(h)(1)(i) provides that the reserve established for public utility property should reflect the total amount of the deferral of federal income tax liability resulting from the taxpayer's use of different depreciation methods for tax and ratemaking purposes.

Section 1.167(l)-1(h)(1)(iii) provides that the amount of federal income tax liability deferred as a result of the use of different depreciation methods for tax and ratemaking purposes is the excess (computed without regard to credits) of the amount the tax liability would have been had the depreciation method for ratemaking purposes been used over the amount of the actual tax liability. This amount shall be taken into account for the taxable year in which the different methods of depreciation are used. If, however, in respect of any taxable year the use of a method of depreciation other than a subsection (l) method for purposes of determining the taxpayer's reasonable allowance under § 167(a) results in a NOL carryover to a year succeeding such taxable year which would not have arisen (or an increase in such carryover which would not have arisen) had the taxpayer determined his reasonable allowance under § 167(a) using a subsection (l) method, then the amount and time of the deferral of tax liability shall be taken into account in such appropriate time and manner as is satisfactory to the district director.

Section 1.167(1)-1(h)(2)(i) provides that the taxpayer must credit this amount of deferred taxes to a reserve for deferred taxes, a depreciation reserve, or other reserve account. This regulation further provides that, with respect to any account, the aggregate amount allocable to deferred tax under § 167(l) shall not be reduced except to reflect the amount for any taxable year by which Federal income taxes are greater by reason of the prior use of different methods of depreciation. That section also notes that the aggregate amount allocable to deferred taxes may be reduced to reflect the amount for any taxable year by which federal income taxes are greater by reason of the prior use of different methods of depreciation under § 1.167(l)-1(h)(1)(i) or to reflect asset retirements or the expiration of the period for depreciation used for determining the allowance for depreciation under § 167(a).

Section 1.167(l)-(h)(6)(i) provides that, notwithstanding the provisions of subparagraph (1) of § 1.167(l)-(h), a taxpayer does not use a normalization method of regulated accounting if, for ratemaking purposes, the amount of the reserve for deferred taxes under § 167(l) which is excluded from the base to which the taxpayer's rate of return is applied, or which is treated as no-cost capital in those rate cases in which the rate of return is based upon the cost of capital, exceeds the amount of such reserve for

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deferred taxes for the period used in determining the taxpayer's expense in computing cost of service in such ratemaking.

Section 1.167(l)-(h)(6)(ii) provides that, for the purpose of determining the maximum amount of the reserve to be excluded from the rate base (or to be included as no-cost capital) under subdivision (i) of § 1.167(l)-(h)(6), above, if solely an historical period is used to determine depreciation for Federal income tax expense for ratemaking purposes, then the amount of the reserve account for that period is the amount of the reserve (determined under § 1.167(l)-1(h)(2)(i)) at the end of the historical period. If such determination is made by reference both to an historical portion and to a future portion of a period, the amount of the reserve account for the period is the amount of the reserve at the end of the historical portion of the period and a pro rata portion of the amount of any projected increase to be credited or decrease to be charged to the account during the future portion of the period.

Therefore, § 1.167(l)-1(h) requires that a utility must maintain a reserve reflecting the total amount of the deferral of federal income tax liability resulting from the taxpayer's use of different depreciation methods for tax and ratemaking purposes.

Section 1.167(l)-(h)(6)(i) provides that a taxpayer does not use a normalization method of regulated accounting if, for ratemaking purposes, the amount of the reserve for deferred taxes which is excluded from the base to which the taxpayer's rate of return is applied, or which is treated as no-cost capital in those rate cases in which the rate of return is based upon the cost of capital, exceeds the amount of such reserve for deferred taxes for the period used in determining the taxpayer's expense in computing cost of service in such ratemaking. Section 1.167(l)-1(h)(1)(iii) makes clear that the effects of an NOLC must be taken into account for normalization purposes. Further, while that section provides no specific mandate on methods, it does provide that the Service has discretion to determine whether a particular method satisfies the normalization requirements. Rev. Proc. 2020-39, 2020-36 I.R.B. 546, provides, in part, in section 4.02 that, "[w]hile § 1.167(l)-1(h)(1)(iii) is the relevant general authority, there is not one single methodology provided for determination of the portion of an NOLC that is attributable to depreciation. Section 1.167(l)-1(h)(1)(iii) instead informs taxpayers that the amount and time of the deferral of tax attributable to depreciation when there is an NOLC should be taken into account in such 'appropriate time and manner as is satisfactory to the district director.' Regulating commissions have expertise in this area, and any reasonable method for determining the portion of the NOLC attributable to depreciation should generally be respected provided such method does not clearly violate normalization requirements." Use of a "with and without" methodology in this case is a reasonable method that provides certainty and prevents the possibility of "flow through" of the benefits of accelerated depreciation to ratepayers.

Subsidiary has established a deferred liability for the excess deferred income taxes that would result from the reduction in the federal income tax rate. The DTL serves as an offset to rate base to the extent it is a cost-free source of capital. A NOL



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represents an unfunded portion of a DTL in which there is no economic effect until the NOL offsets taxable income and reduces a tax liability in a future tax period. This offset, and therefore the economic effect of the DTL as a cost-free source of capital only occurs to the extent an actual deferral of tax liability occurs. A deferral does not occur when accelerated tax deductions result only in a NOL. Because the EADIT account reduces rate base, it is clear that the portion of an NOLC that is attributable to accelerated depreciation must be taken into account in calculating the EADIT account. Therefore, in this case, Taxpayer knows the amount of NOL DTA that is attributable to accelerated depreciation for its subsidiaries including Combined Division. A DTL shall serve as an offset to rate base to the extent it is a cost-free source of capital. The ratepayers of Combined Division have not been burdened by a tax liability since the NOL DTA will not have economic substance until it offsets taxable income in the future.

Because Taxpayer has this information at the division level for Combined Division, it must use this information to ensure its method correctly calculates the amount of the NOLC attributable to accelerated depreciation and thus prevents the possibility of flow through. Taxpayer's failure to take into account a portion of NOLs attributable to accelerated depreciation in calculating the amount of DTL would be inconsistent with the Normalization Rules.

#### CONCLUSION

Based on the foregoing, we conclude as follows:

- 1) The Commission's determination of EADIT without regard to a consolidated NOL DTA is inconsistent with the Normalization Rules.
- 2) Combined Division's position with regard to a consolidated NOL DTA being required to be allocated to its members is consistent with the Normalization Rules.
- 3) Under Taxpayer's facts, the NOL of a consolidated group must be appropriately allocated among its subsidiaries for purposes of complying with the Normalization Rules.
- 4) The computation of a NOL attributable to a subsidiary taxpayer of a consolidated group on a separate return methodology is consistent with the Normalization Rules.
- 5) Under Taxpayer's facts, the consolidated NOL appropriately attributable to Subsidiary must be allocated to Subsidiary's multiple divisions (including Combined Division) when those divisions are subject to separate rate filings.
- 6) It is consistent with the Normalization Rules that the separate company NOL be allocated to divisions based on the ratio of division taxable income to the separate company during the period of losses from Taxpayer's records.
- 7) The allocable portion of a NOL deduction associated with accelerated depreciation determined on a "with or without" basis is consistent with the Normalization Rules.

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- 8) Under the Taxpayers facts, including Taxpayer's allocation of the NOL to separate divisions, the failure to account for the portion of the NOL related to accelerated tax depreciation in calculating the amount of DTL to offset rate base of Combined Division would be inconsistent with the Normalization Rules.

Except as specifically set forth above, no opinion is expressed or implied concerning the federal income tax consequences of the above described facts under any other provision of the Code or regulations.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

This ruling is based upon information and representations submitted by Taxpayer and accompanied by penalty of perjury statements executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,  
Patrick S.

Kirwan

Patrick S. Kirwan

Chief, Branch 6

Office of the Associate Chief Counsel  
(Passthroughs and Special Industries)

Digitally signed by Patrick  
S. Kirwan

Date: 2021.11.17 10:27:33  
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Enclosure:

Copy for § 6110 purposes

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- cc: Michael J. Reno  
Ernst & Young, LLP  
1101 New York Avenue, NW  
Washington, DC 20005  
FAX: (202) 327-6800
  
- cc: Richard D. Fultz  
Ernst & Young, LLP  
1101 New York Avenue, NW  
Washington, DC 20005  
FAX: (866) 296-1327
  
- cc: Melanie Chivers, LB&I Policy Office



**Mailing Date:**  
11/18/2021

**Last date to request IRS review:**  
12/08/2021

**Last date to request delay:**  
01/14/2022

**Last date to petition Tax Court:**  
02/11/2022

**Date open to public inspection:**  
02/11/2022

**Person to contact:**  
Chief, Disclosure Support Branch

**Contact telephone number:**  
202-317-6840

### **Notice of Intention to Disclose**

In accordance with Section 6110 of the Internal Revenue Code, we intend to make the enclosed copy of your ruling (with deletions) open to public inspection.

Section 6110 provides that copies of certain rulings, technical advice memoranda, and determination letters will be open to public inspection after deletions are made. These written determinations will be open to public inspection online in the Freedom of Information Act (FOIA) Reading Room at [www.irs.gov/privacy-disclosure/foia-library](http://www.irs.gov/privacy-disclosure/foia-library).

We made the deletions indicated in accordance with Section 6110(c), which requires us to delete:

1. The names, addresses, and other identifying details of the person the ruling pertains to, and of any other person identified in the ruling [other than a person making a "third party communication" (see back of this notice)].
2. Information specifically authorized under criteria established by an Executive Order to be kept secret in the interest of national defense or foreign policy, and which is in fact properly classified under such Executive Order.
3. Information specifically exempted from disclosure by any statute (other than the Internal Revenue Code) which is applicable to the Internal Revenue Service.
4. Trade secrets and commercial or financial information obtained from a person that are privileged or confidential.
5. Information which would constitute a clearly unwarranted invasion of personal privacy.
6. Information contained in or related to examination, operating, or condition reports prepared by, or for use of, an agency that regulates or supervises financial institutions.
7. Geological and geophysical information and data (including maps) concerning wells.

These are the only grounds for deleting material. We made the indicated proposed deletions after considering any suggestions for deletions you may have made prior to issuance of the ruling.

#### **If you agree with the proposed deletions**

You do not need to take any further action. We will place the deleted copy in the online FOIA Reading Room on the "Date open to public inspection" shown on this notice.

**If you disagree with the proposed deletions**

Please return the copy and show, in brackets, any additional information you believe should be deleted. Include a statement supporting your position. Only material falling within the seven categories listed above may be deleted. Your statement should specify which of these seven categories is applicable with respect to each additional deletion you propose. Mail or fax your deleted copy and statement to:

**Internal Revenue Service**

Attention: Chief, CC:PA:LPD:DS

Ben Franklin Station

Post Office Box 7604

Washington, DC 20044

Fax: 855-592-8978

It must be faxed or postmarked no later than the "Last date to request IRS review" shown on this notice. We will give your submission careful consideration. If we determine we cannot make any or all of the additional deletions you suggest, we will so advise you not later than 20 days after we receive your submission. You will then have the right to file a petition in the United States Tax Court if you disagree with us. Your petition must be filed no later than the "Last date to petition Tax Court" shown on this notice, which is 60 days after the mailing date of this notice. If a petition is filed in the Tax Court, the disputed portion(s) of the ruling will not be placed in the Reading Room until after a court decision becomes final.

If no petition is filed in the Tax Court, the deleted copy of your ruling will be made open to public inspection on the date shown on this notice. If the transaction to which the ruling relates will not be completed by then, you may request a delay of public inspection.

**Request for delay of public inspection**

You may request a delay of public inspection of up to 90 days, or 15 days after the transaction is completed, whichever is later. The request for delay must be received by the IRS no later than the "Last date to request delay" shown on this notice, which is 60 days after the mailing date of this notice. Mail or fax your request for delay to:

**Internal Revenue Service**

Attention: Chief, CC:PA:LPD: DS

Ben Franklin Station

Post Office Box 7604

Washington, DC 20044

Fax: 855-592-8978

You may request a second delay of up to an additional 180 days (or 15 days after the completion of the transaction, whichever is earlier) if the transaction is not completed by the end of the original delay period and if good cause exists for additional delay. We must receive a request for a second delay at the above address at least 30 days before the original delay period ends.

**Requests for additional disclosure**

After the copy of your ruling, with deletions, is placed in our online FOIA Reading Room, any person may request us to make additional portions of the ruling open to public inspection. If we receive a request that involves disclosure of names, addresses, or taxpayer identifying numbers, we will deny the request and you will not be contacted. If that request involves disclosure of anything other than names, addresses, or taxpayer identifying numbers, we will contact you before taking action.

**Third party communication**

The enclosed copy of your ruling may contain the notation "Third Party Communication." This indicates that IRS received a communication (written or oral) regarding your ruling request from a person outside the IRS (other than you or your authorized representative). The date of the communication and the category of the person making the contact (such as "Congressional" or "Trade Association") will be indicated.

If you have any questions regarding this notice, please call us at 202-317-6840.



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Dear \_\_\_\_\_ :

Your representatives requested a ruling on behalf of Subsidiary, a subsidiary of Taxpayer regarding the application of deferred tax assets ("DTA") for net operating loss ("NOL") carryforwards under the tax normalization rules of § 167(l) of the Internal Revenue Code of 1986, as amended ("Code") and § 1.167(l)-1(h)(1)(iii) of the Income Tax Regulations (collectively, "Normalization Rules") to certain accounting and regulatory procedures which are described in detail hereafter.

Taxpayer is headquartered in State A and includes Subsidiary, among other companies (collectively referred to as the "Group"). The Group operates its own regulated water and wastewater systems and provides non-regulated water and wastewater services to other companies, municipalities, and agencies.

Subsidiary is a public utility that provides water service in State B. Subsidiary has several divisions including Division 1 and Division 2. Division 1 and Division 2 combined represent Combined Division to which this request relates.

Combined Division's existing utility rates and charges are based on its Date 1 through Date 2 test year rate case which represents Combined Division's most recent rate case.



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On Date 3, the Commission granted Combined Division's motion to waive the requirement to utilize mid-year Year 1 through Year 2 test year data in support of its Application. As a result, the Commission authorized Combined Division to utilize Year 1 calendar year test year financial data in its Application. On Date 4, Combined Division filed its Month Application with amended material filed on Date 5 (collectively, "Application"). Pursuant to the rules of State B, Combined Division sought review and approval by the Commission of a Date 6 through Date 7 test year ("Test Year") net overall revenue increase of \$a for its consolidated operations which Combined Division represents is approximately a b% increase from its pro forma revenue amount of \$c at present rates for the Test Year. More specifically, Combined Division's requested increase is comprised of proposed increases of (1) \$d, or approximately e%, for water service; and (2) \$f, or approximately g% for sewer service. Combined Division represented that, if approved, the requested increase would provide Combined Division "with a h% rate of return" on its prudently incurred system improvements. In support of its requested rate increase, Combined Division states that:

- (1) "[its] current rates do not now and will not in the foreseeable future produce sufficient revenues to allow it a reasonably opportunity to earn a fair rate of return on its prudently incurred investment [,]"
- (2) it "has made significant capital improvements and plans to make additional capital improvements in the Test Year [,]" and
- (3) "[its] operating expenses have increased since its last rate case."

For calendar year Year 3, on a pro forma basis, Combined Division represents that it had: (1) revenues of approximately \$i and a j% rate of return for its water service and revenues of approximately \$k and a l% rate of return for its sewer service. For the Test Year, Combined Division "projects revenues of approximately \$m and a n% rate of return at present rates for its water service, and revenues of approximately \$o and a p% rate of return at present rates for its sewer service.

The rate case uses calendar year Year 1, and rates are intended to go into effect in Year 2 which represents a historic tax period. During the course of the rate case, a Consumer Advocate opposed certain rate case positions and computations. The Commission adopted the Consumer Advocate's position on certain rate case positions and computations of which Combined Division is concerned could result in a violation of Normalization Rules. As a result, Combined Division has proposed and adopted an interim rate adjustment to the Commission adopted rates until it is determined through this ruling request that the positions adopted by the Commission are consistent with the Normalization Rules. If there is an adverse ruling request, the rates will be adjusted to comply with this ruling and become final at that point.

On December 22, 2017, the President signed the Tax Cuts and Jobs Act ("TCJA") into law, effective January 1, 2018. On Date 8, the Commission opened a Docket to investigate the impacts of the TJCA and named Combined Division as a party to the proceedings. Among other matters, the TCJA significantly reduced the federal

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corporate income tax rate from 34% to 21%. As such, on Date 8, the Commission issued Order 1, naming all regulated utilities as parties to the docket, and ordered them to (1) immediately begin tracking the impacts of the TCJA, as of January 1, 2018; and (2) use deferred regulatory account practices, such as the use of regulatory assets and liabilities, to record the differences resulting from the TCJA and what would have been recorded if the TCJA did not go into effect. The Commission also stated that further direction would be provided regarding the final utility rate adjustments as a result of the TCJA through subsequent orders in dockets outside of Docket (that is, in rate cases or order to show cause proceedings).

Taxpayer maintains its books and records on a consolidated basis but can compute its books and records on a separate company basis, or what would have been reported to the IRS had Taxpayer been required to file a separate company return. The separate company books and records indicate that Combined Division would have a NOL DTA of \$g and a deferred tax liability ("DTL") of \$r. The NOL presented on a separate company basis for Subsidiary is allocated back to individual divisions based on their respective contribution to the taxable loss from Year 4 to Year 5. The dispute between Taxpayer and the Commission is based on the allocation of the separate company NOL DTAs to the divisions and the availability of those to offset DTLs.

At the Taxpayer consolidated level, there is a NOL. However, for State B purposes the NOL attributable to Subsidiary is computed on a separate company basis consistent with how financial items are treated for ratemaking purposes in State B. The Subsidiary separate company NOL is then allocated among those districts that have contributed based on their individually calculated division taxable losses. The Commission's position is that no NOL DTA is necessary to be allocated to the individual Subsidiary divisions for ratemaking purposes.

#### *Treatment of Excess Accumulated Deferred Income Taxes ("EADIT")*

Subsidiary has established a deferred liability for the EADIT that would result from the reduction in the federal income tax rate resulting from the TCJA. Subsidiary maintains its books and records on a separate company basis for regulatory reporting. As of Date 9, Subsidiary's books reflected \$r in deferred income tax which represents the DTL. Additionally, there was a DTA of \$g which represented the NOL from Year 4 to Year 5. When a utility records a NOL, the Normalization Rules mandate it be offset against deferred income tax liabilities to the extent it is attributable to accelerated depreciation. Since Subsidiary keeps its books and records on a separate company basis, the \$g NOL was allocated back to individual divisions based on their respective contribution to the taxable loss from Year 4 to Year 5. Next, excess DTL was calculated for each division. If the allocated NOL that is attributable to accelerated depreciation was greater than the DTL for the respective company/divisions, there is no excess DTL. If the NOL was less than the DTL, the NOL was offset against the DTL and the adjusted DTL was remeasured. The difference between the adjusted DTL and remeasured DTL represented excess DTL. Based on the analysis there was no excess DTL for Division

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1 or Division 2. Stated alternatively, Combined Division would have sufficient NOL attributes to offset the reversal of DTL balances which indicates that a NOL would have occurred regardless of the temporary adjustments.

*Dispute between Combined Division and Consumer Advocate*

Combined Division proposed that the NOL DTA should be used to reduce the DTL offset to rate base. This is based upon the belief that a DTL represents a cost-free source of capital in which the utility has recovered from ratepayers both current and deferred taxes, although deferred taxes shall be remitted to a taxing authority in a future tax year. The DTL shall serve as an offset to rate base to the extent it is a cost-free source of capital and only then until the DTL reverses and taxes are renumerated. A NOL represents an unfunded portion of a DTL in which there shall be no economic effect until the NOL offsets taxable income and reduces a tax liability in a future tax period. The cost-free source of capital only occurs to the extent a true deferral of tax liability occurs, which does not occur when accelerated tax deductions result in a NOL.

Combined Division believes that if a NOL DTA balance exceeds the DTL balance, that current taxes have been brought to zero dollars and does not burden the ratepayer. Also, Combined Division believes that deferred taxes that have been brought to zero because a NOL DTA balance exceeding the DTL balance indicates that pre-tax book income was a negative balance and results in zero current or deferred taxes burdening the ratepayer.

Therefore, Combined Division believes that to the extent a DTL is fully offset or exceeded by a NOL DTA that is attributable to accelerated depreciation, which Combined Division believes is the case using the "with or without" method, then the ratepayer has not been burdened by a tax liability since the NOL DTA will not have economic substance until it offsets taxable income in the future. Under this treatment, the deferred tax adjustment to offset rate base shall equal the DTL balance plus the NOL DTA balance attributable to accelerated depreciation.

In the present case, Combined Division represents through their rate proceeding a \$s NOL DTA for Division 1 and \$t NOL DTA for Division 2 compared to a DTL balance of \$u and \$y respectfully. Therefore, Combined Division represents there is a zero excess DTL balance to offset rate base. The NOL DTA represents an allocation from Subsidiary to each division and the DTL balance is reflective of temporary differences booked to the individual divisions.

The Consumer Advocate contended that Combined Division's proposed treatment of EADIT allows regulated treatment of Combined Division's parent company's unrelated loss that results in ratepayers not receiving any of the excess amounts already collected by Combined Division that should be returned to customers.

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*Commission's Discussion, Findings, and Conclusions Regarding EADIT*

The Commission adopted the treatment and computation of EADIT consistent with the Consumer Advocate's position. As a result, the Commission determined that Combined Division would have to treat EADIT in the following manner:

1. Combined Division shall reduce rate base by the amount of EADIT for water and sewer operations to reflect the TCJA deferred tax adjustment [reduce rate base by only the DTL disregarding the NOL DTA] consistent with the Consumer Advocate's position regarding the treatment of EADIT, as adopted by the Commission.
2. Combined Division shall refund, as a monthly surcredit, the total amortization of protected and unprotected EADIT to customers. Once Combined Division provides the necessary support for the various amounts shown in its calculation of EADIT between the two categories (protected and unprotected), there should be a reconciliation of the amounts returned to customers and the verified EADIT. Any difference would be subject to interest.
3. Combined Division shall recalculate EADIT, TCJA deferred tax adjustment, and the amortization of protected and unprotected EADIT for both water and sewer operations, consistent with the Consumer Advocate's position on the treatment of EADIT adopted by the Commission, with the terms of the relevant order.

Combined Division is aware of the potential of a violation of Normalization Rules specific to the methodology of excluding the NOL DTA balance to offset rate base. Therefore, Combined Division has proposed an interim rate adjustment to the Commission. The Commission has approved the interim rate adjustment in Order 2.

**RULINGS REQUESTED**

The Taxpayer requests the following guidance:

- 1) Is Commission's determination of EADIT without regard to a consolidated NOL DTA consistent with the Normalization Rules?
- 2) Is Combined Division's position with regard to a consolidated NOL DTA being required to be allocated to its members consistent with the Normalization Rules?
- 3) Under Taxpayer's facts, must the NOL of a consolidated group be allocated to its subsidiaries for purposes of complying with the Normalization Rules?
- 4) Is the computation of a NOL attributable to a subsidiary taxpayer of a consolidated group on a separate return methodology consistent with the Normalization Rules?
- 5) Under Taxpayer's facts, must the consolidated NOL appropriately attributable to Subsidiary be allocated to Subsidiary's multiple divisions (including Combined Division) when those divisions are subject to separate rate filings?

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- 6) Is it consistent with the Normalization Rules that the separate company NOL be allocated to divisions based on the ratio of division taxable income to the separate company during the period of losses from Taxpayer's records?
- 7) Is the allocable portion of a NOL deduction associated with accelerated depreciation determined on a "with or without" basis consistent with the Normalization Rules?
- 8) Under the Taxpayers facts, including Taxpayer's allocation of the NOL to separate divisions, would the failure to account for the portion of the NOL related to accelerated tax depreciation in calculating the amount of DTL to offset rate base of Combined Division be inconsistent with the Normalization Rules?

### LAW AND ANALYSIS

Section 168(f)(2) of the Code provides that the depreciation deduction determined under § 168 shall not apply to any public utility property (within the meaning of § 168(i)(10)) if the taxpayer does not use a normalization method of accounting.

In order to use a normalization method of accounting, § 168(i)(9)(A)(i) of the Code requires the taxpayer, in computing its tax expense for establishing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, to use a method of depreciation with respect to public utility property that is the same as, and a depreciation period for such property that is not shorter than, the method and period used to compute its depreciation expense for such purposes. Under § 168(i)(9)(A)(ii), if the amount allowable as a deduction under § 168 differs from the amount that would be allowable as a deduction under § 167 using the method, period, first and last year convention, and salvage value used to compute regulated tax expense under § 168(i)(9)(A)(i), the taxpayer must make adjustments to a reserve to reflect the deferral of taxes resulting from such difference.

Section 168(i)(9)(B)(i) of the Code provides that one way the requirements of § 168(i)(9)(A) will not be satisfied is if the taxpayer, for ratemaking purposes, uses a procedure or adjustment which is inconsistent with such requirements. Under § 168(i)(9)(B)(ii), such inconsistent procedures and adjustments include the use of an estimate or projection of the taxpayer's tax expense, depreciation expense, or reserve for deferred taxes under § 168(i)(9)(A)(ii), unless such estimate or projection is also used, for ratemaking purposes, with respect to all three of these items and with respect to the rate base.

Former § 167(l) of the Code generally provided that public utilities were entitled to use accelerated methods for depreciation if they used a "normalization method of accounting." A normalization method of accounting was defined in former § 167(l)(3)(G) in a manner consistent with that found in § 168(i)(9)(A). Section 1.167(l)-1(a)(1) of the Regulations provides that the normalization requirements for public utility property pertain only to the deferral of federal income tax liability resulting from the use of an accelerated method of depreciation for computing the allowance for depreciation under

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§ 167 and the use of straight-line depreciation for computing tax expense and depreciation expense for purposes of establishing cost of services and for reflecting operating results in regulated books of account. These regulations do not pertain to other book-tax timing differences with respect to state income taxes, F.I.C.A. taxes, construction costs, or any other taxes and items.

Section 1.167(l)-1(h)(1)(i) provides that the reserve established for public utility property should reflect the total amount of the deferral of federal income tax liability resulting from the taxpayer's use of different depreciation methods for tax and ratemaking purposes.

Section 1.167(l)-1(h)(1)(iii) provides that the amount of federal income tax liability deferred as a result of the use of different depreciation methods for tax and ratemaking purposes is the excess (computed without regard to credits) of the amount the tax liability would have been had the depreciation method for ratemaking purposes been used over the amount of the actual tax liability. This amount shall be taken into account for the taxable year in which the different methods of depreciation are used. If, however, in respect of any taxable year the use of a method of depreciation other than a subsection (l) method for purposes of determining the taxpayer's reasonable allowance under § 167(a) results in a NOL carryover to a year succeeding such taxable year which would not have arisen (or an increase in such carryover which would not have arisen) had the taxpayer determined his reasonable allowance under § 167(a) using a subsection (l) method, then the amount and time of the deferral of tax liability shall be taken into account in such appropriate time and manner as is satisfactory to the district director.

Section 1.167(1)-1(h)(2)(i) provides that the taxpayer must credit this amount of deferred taxes to a reserve for deferred taxes, a depreciation reserve, or other reserve account. This regulation further provides that, with respect to any account, the aggregate amount allocable to deferred tax under § 167(l) shall not be reduced except to reflect the amount for any taxable year by which Federal income taxes are greater by reason of the prior use of different methods of depreciation. That section also notes that the aggregate amount allocable to deferred taxes may be reduced to reflect the amount for any taxable year by which federal income taxes are greater by reason of the prior use of different methods of depreciation under § 1.167(l)-1(h)(1)(i) or to reflect asset retirements or the expiration of the period for depreciation used for determining the allowance for depreciation under § 167(a).

Section 1.167(l)-(h)(6)(i) provides that, notwithstanding the provisions of subparagraph (1) of § 1.167(l)-(h), a taxpayer does not use a normalization method of regulated accounting if, for ratemaking purposes, the amount of the reserve for deferred taxes under § 167(l) which is excluded from the base to which the taxpayer's rate of return is applied, or which is treated as no-cost capital in those rate cases in which the rate of return is based upon the cost of capital, exceeds the amount of such reserve for

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deferred taxes for the period used in determining the taxpayer's expense in computing cost of service in such ratemaking.

Section 1.167(l)-(h)(6)(ii) provides that, for the purpose of determining the maximum amount of the reserve to be excluded from the rate base (or to be included as no-cost capital) under subdivision (i) of § 1.167(l)-(h)(6), above, if solely an historical period is used to determine depreciation for Federal income tax expense for ratemaking purposes, then the amount of the reserve account for that period is the amount of the reserve (determined under § 1.167(l)-1(h)(2)(i)) at the end of the historical period. If such determination is made by reference both to an historical portion and to a future portion of a period, the amount of the reserve account for the period is the amount of the reserve at the end of the historical portion of the period and a pro rata portion of the amount of any projected increase to be credited or decrease to be charged to the account during the future portion of the period.

Therefore, § 1.167(l)-1(h) requires that a utility must maintain a reserve reflecting the total amount of the deferral of federal income tax liability resulting from the taxpayer's use of different depreciation methods for tax and ratemaking purposes.

Section 1.167(l)-(h)(6)(i) provides that a taxpayer does not use a normalization method of regulated accounting if, for ratemaking purposes, the amount of the reserve for deferred taxes which is excluded from the base to which the taxpayer's rate of return is applied, or which is treated as no-cost capital in those rate cases in which the rate of return is based upon the cost of capital, exceeds the amount of such reserve for deferred taxes for the period used in determining the taxpayer's expense in computing cost of service in such ratemaking. Section 1.167(l)-1(h)(1)(iii) makes clear that the effects of an NOLC must be taken into account for normalization purposes. Further, while that section provides no specific mandate on methods, it does provide that the Service has discretion to determine whether a particular method satisfies the normalization requirements. Rev. Proc. 2020-39, 2020-36 I.R.B. 546, provides, in part, in section 4.02 that, "[w]hile § 1.167(l)-1(h)(1)(iii) is the relevant general authority, there is not one single methodology provided for determination of the portion of an NOLC that is attributable to depreciation. Section 1.167(l)-1(h)(1)(iii) instead informs taxpayers that the amount and time of the deferral of tax attributable to depreciation when there is an NOLC should be taken into account in such 'appropriate time and manner as is satisfactory to the district director.' Regulating commissions have expertise in this area, and any reasonable method for determining the portion of the NOLC attributable to depreciation should generally be respected provided such method does not clearly violate normalization requirements." Use of a "with and without" methodology in this case is a reasonable method that provides certainty and prevents the possibility of "flow through" of the benefits of accelerated depreciation to ratepayers.

Subsidiary has established a deferred liability for the excess deferred income taxes that would result from the reduction in the federal income tax rate. The DTL serves as an offset to rate base to the extent it is a cost-free source of capital. A NOL

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represents an unfunded portion of a DTL in which there is no economic effect until the NOL offsets taxable income and reduces a tax liability in a future tax period. This offset, and therefore the economic effect of the DTL as a cost-free source of capital only occurs to the extent an actual deferral of tax liability occurs. A deferral does not occur when accelerated tax deductions result only in a NOL. Because the EADIT account reduces rate base, it is clear that the portion of an NOLC that is attributable to accelerated depreciation must be taken into account in calculating the EADIT account. Therefore, in this case, Taxpayer knows the amount of NOL DTA that is attributable to accelerated depreciation for its subsidiaries including Combined Division. A DTL shall serve as an offset to rate base to the extent it is a cost-free source of capital. The ratepayers of Combined Division have not been burdened by a tax liability since the NOL DTA will not have economic substance until it offsets taxable income in the future.

Because Taxpayer has this information at the division level for Combined Division, it must use this information to ensure its method correctly calculates the amount of the NOLC attributable to accelerated depreciation and thus prevents the possibility of flow through. Taxpayer's failure to take into account a portion of NOLs attributable to accelerated depreciation in calculating the amount of DTL would be inconsistent with the Normalization Rules.

#### CONCLUSION

Based on the foregoing, we conclude as follows:

- 1) The Commission's determination of EADIT without regard to a consolidated NOL DTA is inconsistent with the Normalization Rules.
- 2) Combined Division's position with regard to a consolidated NOL DTA being required to be allocated to its members is consistent with the Normalization Rules.
- 3) Under Taxpayer's facts, the NOL of a consolidated group must be appropriately allocated among its subsidiaries for purposes of complying with the Normalization Rules.
- 4) The computation of a NOL attributable to a subsidiary taxpayer of a consolidated group on a separate return methodology is consistent with the Normalization Rules.
- 5) Under Taxpayer's facts, the consolidated NOL appropriately attributable to Subsidiary must be allocated to Subsidiary's multiple divisions (including Combined Division) when those divisions are subject to separate rate filings.
- 6) It is consistent with the Normalization Rules that the separate company NOL be allocated to divisions based on the ratio of division taxable income to the separate company during the period of losses from Taxpayer's records.
- 7) The allocable portion of a NOL deduction associated with accelerated depreciation determined on a "with or without" basis is consistent with the Normalization Rules.



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- 8) Under the Taxpayers facts, including Taxpayer's allocation of the NOL to separate divisions, the failure to account for the portion of the NOL related to accelerated tax depreciation in calculating the amount of DTL to offset rate base of Combined Division would be inconsistent with the Normalization Rules.

Except as specifically set forth above, no opinion is expressed or implied concerning the federal income tax consequences of the above described facts under any other provision of the Code or regulations.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

This ruling is based upon information and representations submitted by Taxpayer and accompanied by penalty of perjury statements executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

/s/

Patrick S. Kirwan  
Chief, Branch 6  
Office of the Associate Chief Counsel  
(Passthroughs and Special Industries)

Enclosure:

Copy for § 6110 purposes

PLR-111389-21

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cc:

cc:

cc:

		1 (GL)	2	3	4= 1 -2 -3	5 (Power tax)	6= 5 -2 -3	7 (smaller of 6 or 1)	8 = 6 - 7	9 (40.75%/26.06%)	10 = 8 - 9
District name	Distict #	Total DTA-NOL	Non Regulated - not in Rates	Non Regulated - not in Rates	Regulated DTA-NOL in Rates	Total DTL	Regulated DTL in Rates	Applied DTA-NOL to DTL attributed to accelerated depreciation	Regulated DTL adjustment	Regulated re-measurement	Regulated Excess DTL to refund to customers
Kaanapali Water	700	451,173	220	36	450,917	807,649	807,393	451,173	356,221	227,807	128,414
Pukalani Wastewater	701	1,842,920			1,842,920	992,483	992,483	992,483	-	-	-
MAUI DISTRICT	710	6,437			6,437	4,287	4,287	4,287	-	-	-
BIG ISLAND DISTRICT	720	244,530			244,530	367,047	367,047	244,530	122,517	78,351	44,166
Waikoloa Village Water	721	1,531,152	374,486	2083	1,154,584	964,912	588,343	588,343	-	-	-
Waikoloa Village Wastewater	722	2,857,780	1,033,273	7635	1,816,872	2,332,621	1,291,713	1,291,713	-	-	-
Waikoloa Resort Water	723	320,575	482,461	2683	(164,569)	1,349,900	864,755	320,575	544,180	348,008	196,172
Waikoloa Resort Wastewater	724	-	200,035	32863	(232,898)	(445,390)	(678,288)	(678,288)	-	-	-
Waikoloa Resort Irrigation	725	118,108			118,108	187,458	187,458	118,108	69,350	44,350	25,000
Kona Water (Kukio)	726	713,059			713,059	(142,021)	(142,021)	(142,021)	-	-	-
Kona Wastewater (Kukio)	727	145,450			145,450	(14,525)	(14,525)	(14,525)	-	-	-
General Office Hawaii	790	8,592			8,592	60,097	60,097	8,592	51,505	32,938	18,567
Waste Water Administration	796	192,531			192,531	196	196	196	-	-	-
		\$ 8,432,453	\$ 2,090,475	\$ 45,300	\$ 6,296,678	\$ 6,464,715	\$ 4,328,940	\$ 3,185,167	\$ 1,143,773	\$ 731,453	\$ 412,320

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

Docket No. 2022-0186  
Exhibit HWSC-T-105  
PLR-148310-13  
Witness: Healey  
Page 1 of 7

Number: **201436037**  
Release Date: 9/5/2014  
Index Number: 167.22-01

Third Party Communication: None  
Date of Communication: Not Applicable

Person To Contact:  
, ID No.

Telephone Number:

Refer Reply To:  
CC:PSI:B06  
PLR-148310-13

Date:  
May 22, 2014

LEGEND:

- Taxpayer =
- Parent =
- State A =
- State B =
- State C =
- Commission A =
- Commission B =
- Commission C =
- Year A =
- Year B =
- Date A =
- Date B =
- Date C =
- Case =
- Director =

Dear :

This letter responds to the request, dated November 25, 2013, of Taxpayer for a ruling on the application of the normalization rules of the Internal Revenue Code to certain accounting and regulatory procedures, described below.

The representations set out in your letter follow.

Taxpayer is a regulated public utility incorporated in State A and State B. It is wholly owned by Parent. Taxpayer is engaged in the transmission, distribution, and supply of electricity in State A and State C. Taxpayer is subject to the regulatory jurisdiction of Commission A, Commission B, and Commission C with respect to terms and conditions of service and particularly the rates it may charge for the provision of service. Taxpayer's rates are established on a rate of return basis. Taxpayer takes accelerated depreciation, including "bonus depreciation" where available and, for each year beginning in Year A and ending in Year B, Taxpayer individually (as well as the consolidated return filed by Parent) has or expects to, produce a net operating loss (NOL). On its regulatory books of account, Taxpayer "normalizes" the differences between regulatory depreciation and tax depreciation. This means that, where accelerated depreciation reduces taxable income, the taxes that a taxpayer would have paid if regulatory depreciation (instead of accelerated tax depreciation) were claimed constitute "cost-free capital" to the taxpayer. A taxpayer that normalizes these differences, like Taxpayer, maintains a reserve account showing the amount of tax liability that is deferred as a result of the accelerated depreciation. This reserve is the accumulated deferred income tax (ADIT) account. Taxpayer maintains an ADIT account. In addition, Taxpayer maintains an offsetting series of entries – a "deferred tax asset" and a "deferred tax expense" - that reflect that portion of those 'tax losses' which, while due to accelerated depreciation, did not actually defer tax because of the existence of an net operating loss carryover (NOLC). Taxpayer, for normalization purposes, calculates the portion of the NOLC attributable to accelerated depreciation using a "with or without" methodology, meaning that an NOLC is attributable to accelerated depreciation to the extent of the lesser of the accelerated depreciation or the NOLC.

Taxpayer filed a general rate case with Commission B on Date A (Case). The test year used in the Case was the 12 month period ending on Date B. In computing its income tax expense element of cost of service, the tax benefits attributable to accelerated depreciation were normalized in accordance with Commission B policy and were not flowed thru to ratepayers. The data originally filed in Case included six months of forecast data, which the Taxpayer updated with actual data in the course of proceedings. In establishing the rate base on which Taxpayer was to be allowed to earn a return Commission B offset rate base by Taxpayer's ADIT balance, using a 13-month average of the month-end balances of the relevant accounts. Taxpayer argued that the ADIT balance should be reduced by the amounts that Taxpayer calculates did not actually defer tax due to the presence of the NOLC, as represented in the deferred tax asset account. Testimony by various other participants in Case argued against Taxpayer's proposed calculation of ADIT. One proposal made to Commission B was, if Commission B allowed Taxpayer to reduce the ADIT balance as Taxpayer proposed, then Taxpayer's income tax expense element of service should be reduced by that same amount.

Commission B, in an order issued on Date C, allowed Taxpayer to reduce ADIT by the amount that Taxpayer calculates did not actually defer tax due to the presence of the NOLC and ordered Taxpayer to seek a ruling on the effects of an NOLC on ADIT. Rates went into effect on Date C.

Taxpayer proposed, and Commission B accepted, that it be permitted to annualize, rather than average, its reliability plant additions and to extend the period of anticipated reliability plant additions to be included in rate base for an additional quarter. Taxpayer also proposed, and Commission B accepted, that no additional ADIT be reflected as a result of these adjustments inasmuch as any additional book and tax depreciation produced by considering these assets would simply increase Taxpayer's NOLC and thus there would be no net impact on ADIT.

Taxpayer requests that we rule as follows:

1. Under the circumstances described above, the reduction of Taxpayer's rate base by the full amount of its ADIT account balances offset by a portion of its NOLC-related account balance that is less than the amount attributable to accelerated depreciation computed on a "with or without" basis would be inconsistent with the requirements of § 168(i)(9) and § 1.167(l)-1 of the Income Tax regulations.
2. The imputation of incremental ADIT on account of the reliability plant addition adjustments described above would be inconsistent with the requirements of § 168(i)(9) and § 1.167(l)-1.
3. Under the circumstances described above, any reduction in Taxpayer's tax expense element of cost of service to reflect the tax benefit of its NOLC would be inconsistent with the requirements of § 168(i)(9) and § 1.167(l)-1.

### Law and Analysis

Section 168(f)(2) of the Code provides that the depreciation deduction determined under section 168 shall not apply to any public utility property (within the meaning of section 168(i)(10)) if the taxpayer does not use a normalization method of accounting.

In order to use a normalization method of accounting, section 168(i)(9)(A)(i) of the Code requires the taxpayer, in computing its tax expense for establishing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, to use a method of depreciation with respect to public utility property that is the same as, and a depreciation period for such property that is not shorter than, the method and period used to compute its depreciation expense for such purposes. Under section 168(i)(9)(A)(ii), if the amount allowable as a deduction under section 168 differs from the amount that would be allowable as a deduction under section 167 using the method, period, first and last year convention, and salvage value used to compute

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regulated tax expense under section 168(i)(9)(A)(i), the taxpayer must make adjustments to a reserve to reflect the deferral of taxes resulting from such difference.

Section 168(i)(9)(B)(i) of the Code provides that one way the requirements of section 168(i)(9)(A) will not be satisfied is if the taxpayer, for ratemaking purposes, uses a procedure or adjustment which is inconsistent with such requirements. Under section 168(i)(9)(B)(ii), such inconsistent procedures and adjustments include the use of an estimate or projection of the taxpayer's tax expense, depreciation expense, or reserve for deferred taxes under section 168(i)(9)(A)(ii), unless such estimate or projection is also used, for ratemaking purposes, with respect to all three of these items and with respect to the rate base.

Former section 167(l) of the Code generally provided that public utilities were entitled to use accelerated methods for depreciation if they used a "normalization method of accounting." A normalization method of accounting was defined in former section 167(l)(3)(G) in a manner consistent with that found in section 168(i)(9)(A). Section 1.167(1)-1(a)(1) of the Income Tax Regulations provides that the normalization requirements for public utility property pertain only to the deferral of federal income tax liability resulting from the use of an accelerated method of depreciation for computing the allowance for depreciation under section 167 and the use of straight-line depreciation for computing tax expense and depreciation expense for purposes of establishing cost of services and for reflecting operating results in regulated books of account. These regulations do not pertain to other book-tax timing differences with respect to state income taxes, F.I.C.A. taxes, construction costs, or any other taxes and items.

Section 1.167(l)-1(h)(1)(i) provides that the reserve established for public utility property should reflect the total amount of the deferral of federal income tax liability resulting from the taxpayer's use of different depreciation methods for tax and ratemaking purposes.

Section 1.167(1)-1(h)(1)(iii) provides that the amount of federal income tax liability deferred as a result of the use of different depreciation methods for tax and ratemaking purposes is the excess (computed without regard to credits) of the amount the tax liability would have been had the depreciation method for ratemaking purposes been used over the amount of the actual tax liability. This amount shall be taken into account for the taxable year in which the different methods of depreciation are used. If, however, in respect of any taxable year the use of a method of depreciation other than a subsection (1) method for purposes of determining the taxpayer's reasonable allowance under section 167(a) results in a net operating loss carryover to a year succeeding such taxable year which would not have arisen (or an increase in such carryover which would not have arisen) had the taxpayer determined his reasonable allowance under section 167(a) using a subsection (1) method, then the amount and time of the deferral of tax

liability shall be taken into account in such appropriate time and manner as is satisfactory to the district director.

Section 1.167(1)-1(h)(2)(i) provides that the taxpayer must credit this amount of deferred taxes to a reserve for deferred taxes, a depreciation reserve, or other reserve account. This regulation further provides that, with respect to any account, the aggregate amount allocable to deferred tax under section 167(1) shall not be reduced except to reflect the amount for any taxable year by which Federal income taxes are greater by reason of the prior use of different methods of depreciation. That section also notes that the aggregate amount allocable to deferred taxes may be reduced to reflect the amount for any taxable year by which federal income taxes are greater by reason of the prior use of different methods of depreciation under section 1.167(1)-1(h)(1)(i) or to reflect asset retirements or the expiration of the period for depreciation used for determining the allowance for depreciation under section 167(a).

Section 1.167(1)-(h)(6)(i) provides that, notwithstanding the provisions of subparagraph (1) of that paragraph, a taxpayer does not use a normalization method of regulated accounting if, for ratemaking purposes, the amount of the reserve for deferred taxes under section 167(l) which is excluded from the base to which the taxpayer's rate of return is applied, or which is treated as no-cost capital in those rate cases in which the rate of return is based upon the cost of capital, exceeds the amount of such reserve for deferred taxes for the period used in determining the taxpayer's expense in computing cost of service in such ratemaking.

Section 1.167(1)-(h)(6)(ii) provides that, for the purpose of determining the maximum amount of the reserve to be excluded from the rate base (or to be included as no-cost capital) under subdivision (i), above, if solely an historical period is used to determine depreciation for Federal income tax expense for ratemaking purposes, then the amount of the reserve account for that period is the amount of the reserve (determined under section 1.167(1)-1(h)(2)(i)) at the end of the historical period. If such determination is made by reference both to an historical portion and to a future portion of a period, the amount of the reserve account for the period is the amount of the reserve at the end of the historical portion of the period and a pro rata portion of the amount of any projected increase to be credited or decrease to be charged to the account during the future portion of the period.

Section 1.167(l)-1(h) requires that a utility must maintain a reserve reflecting the total amount of the deferral of federal income tax liability resulting from the taxpayer's use of different depreciation methods for tax and ratemaking purposes. Taxpayer has done so. Section 1.167(1)-(h)(6)(i) provides that a taxpayer does not use a normalization method of regulated accounting if, for ratemaking purposes, the amount of the reserve for deferred taxes which is excluded from the base to which the taxpayer's rate of return is applied, or which is treated as no-cost capital in those rate cases in which the rate of return is based upon the cost of capital, exceeds the amount



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of such reserve for deferred taxes for the period used in determining the taxpayer's expense in computing cost of service in such ratemaking. Section 56(a)(1)(D) provides that, with respect to public utility property the Secretary shall prescribe the requirements of a normalization method of accounting for that section.

In Case, Commission B has reduced rate base by Taxpayer's ADIT account, as modified by the account which Taxpayer has designed to calculate the effects of the NOLC. Section 1.167(1)-1(h)(1)(iii) makes clear that the effects of an NOLC must be taken into account for normalization purposes. Further, while that section provides no specific mandate on methods, it does provide that the Service has discretion to determine whether a particular method satisfies the normalization requirements. Section 1.167(1)-(h)(6)(i) provides that a taxpayer does not use a normalization method of regulated accounting if, for ratemaking purposes, the amount of the reserve for deferred taxes which is excluded from the base to which the taxpayer's rate of return is applied, or which is treated as no-cost capital in those rate cases in which the rate of return is based upon the cost of capital, exceeds the amount of such reserve for deferred taxes for the period used in determining the taxpayer's expense in computing cost of service in such ratemaking. Because the ADIT account, the reserve account for deferred taxes, reduces rate base, it is clear that the portion of an NOLC that is attributable to accelerated depreciation must be taken into account in calculating the amount of the reserve for deferred taxes (ADIT). Thus, the order by Commission B is in accord with the normalization requirements. The "with or without" methodology employed by Taxpayer is specifically designed to ensure that the portion of the NOLC attributable to accelerated depreciation is correctly taken into account by maximizing the amount of the NOLC attributable to accelerated depreciation. This methodology provides certainty and prevents the possibility of "flow through" of the benefits of accelerated depreciation to ratepayers. Under these facts, any method other than the "with and without" method would not provide the same level of certainty and therefore the use of any other methodology is inconsistent with the normalization rules.

Regarding the second issue, § 1.167(1)-(h)(6)(i) provides, as noted above, that a taxpayer does not use a normalization method of regulated accounting if, for ratemaking purposes, the amount of the reserve for deferred taxes which is excluded from the base to which the taxpayer's rate of return is applied exceeds the amount of such reserve for deferred taxes for the period used in determining the taxpayer's expense in computing cost of service in such ratemaking. Increasing Taxpayer's ADIT account by an amount representing those taxes that would have been deferred absent the NOLC increases the ADIT reserve account (which will then reduce rate base) beyond the permissible amount.

Regarding the third issue, reduction of Taxpayer's tax expense element of cost of service, we believe that such reduction would, in effect, flow through the tax benefits of accelerated depreciation deductions through to rate payers even though the Taxpayer has not yet realized such benefits. This would violate the normalization provisions.

We rule as follows:

1. Under the circumstances described above, the reduction of Taxpayer's rate base by the full amount of its ADIT account balances offset by a portion of its NOLC-related account balance that is less than the amount attributable to accelerated depreciation computed on a "with or without" basis would be inconsistent with the requirements of § 168(i)(9) and § 1.167(l)-1 of the Income Tax regulations.
2. The imputation of incremental ADIT on account of the reliability plant addition adjustments described above would be inconsistent with the requirements of § 168(i)(9) and § 1.167(l)-1.
3. Under the circumstances described above, any reduction in Taxpayer's tax expense element of cost of service to reflect the tax benefit of its NOLC would be inconsistent with the requirements of § 168(i)(9) and § 1.167(l)-1.

This ruling is based on the representations submitted by Taxpayer and is only valid if those representations are accurate. The accuracy of these representations is subject to verification on audit.

Except as specifically determined above, no opinion is expressed or implied concerning the Federal income tax consequences of the matters described above.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides it may not be used or cited as precedent. In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representative. We are also sending a copy of this letter ruling to the Director.

Sincerely,

Peter C. Friedman  
Senior Technician Reviewer, Branch 6  
(Passthroughs & Special Industries)

cc:

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

Docket No. 2022-0186  
Exhibit HWSC-T-106  
PLR-119381-16  
Witness: Healey  
Page 1 of 7

Number: **201709008**  
Release Date: 3/3/2017  
Index Number: 167.22-01

Third Party Communication: None  
Date of Communication: Not Applicable

Person To Contact:  
, ID No.

Telephone Number:

Refer Reply To:  
CC:PSI:B06  
PLR-119381-16  
Date:  
December 02, 2016

**LEGEND:**

- Taxpayer =
- Parent =
- State =
- Commission A =
- Commission B =
- Date 1 =
- Date 2 =
- Date 3 =
- Date 4 =
- Date 5 =
- Case =
- Year 1 =
- Year 2 =
- Director =

Dear :

This letter responds to the request, dated June 15, 2016, submitted by Parent on behalf of Taxpayer for a ruling on the application of the normalization rules of the Internal Revenue Code to certain accounting and regulatory procedures, described below.

The representations set out in your letter follow.

Taxpayer is an integrated electric utility headquartered in State. Taxpayer is a wholly owned subsidiary of Parent and is included in Parent's consolidated federal income tax return. Taxpayer employs the accrual method of accounting and reports on a calendar year basis.

Taxpayer's business includes retail electric utility operations regulated within State by Commission A and Taxpayer is subject to the regulatory jurisdiction of Commission B with respect to terms and conditions of its wholesale electric

transmission service and as to the rates it may charge for the provision of such services. Taxpayer's rates are established on a cost of service basis.

On Date 1, Taxpayer filed a rate case application (Case) with Commission B requesting authorization to change from charging stated rates for wholesale electric transmission service to a formula rate mechanism pursuant to which rates for wholesale transmission service are calculated annually in accordance with an approved formula. The proposed formula consisted of updating cost of service components, including investment in plant and operating expenses, based on information contained in Taxpayer's annual financial report filed with Commission B, as well as including projected transmission capital projects to be placed into service in the following year. The projections included are subject to true-up in the following year's formula rate.

In computing its income tax expense element of cost of service, the tax benefits attributable to accelerated depreciation were normalized and were not flowed thru to ratepayers.

In its rate case filing, Taxpayer anticipated that it would claim accelerated depreciation, including "bonus depreciation" on its tax returns to the extent that such depreciation was available. Taxpayer incurred a net operating loss (NOL) in each of Year 1 through Year 2 due to Taxpayer's claiming bonus depreciation, producing a net operating loss carryover (NOLC).

On its regulatory books of account, Taxpayer "normalizes" the differences between regulatory depreciation and tax depreciation. This means that, where accelerated depreciation reduces taxable income, the taxes that a taxpayer would have paid if regulatory depreciation (instead of accelerated tax depreciation) were claimed constitute "cost-free capital" to the taxpayer. A taxpayer that normalizes these differences, like Taxpayer, maintains a reserve account showing the amount of tax liability that is deferred as a result of the accelerated depreciation. This reserve is the accumulated deferred income tax (ADIT) account. Taxpayer maintains an ADIT account. In addition, Taxpayer maintains an offsetting series of entries – a "deferred tax asset" and a "deferred tax expense" – that reflect that portion of those 'tax losses' which, while due to accelerated depreciation, did not actually defer tax because of the existence of a NOLC.

In the setting of utility rates by Commission B, a utility's rate base is offset by its ADIT balance. In its rate case filing, Taxpayer maintained that the ADIT balance should be reduced by the amounts that Taxpayer calculates did not actually defer tax due to the presence of the NOLC, as represented in the deferred tax asset account. Thus, Taxpayer argued that the rate base should be reduced by its federal ADIT balance net of the deferred tax asset account attributable to the federal NOLC. It based this position on its determination that this net amount represented the true measure of federal income taxes deferred on account of its claiming accelerated tax depreciation

deductions and, consequently, the actual quantity of “cost-free” capital available to it. It also asserted that the failure to reduce its rate base offset by the deferred tax asset attributable to the federal NOLC would be inconsistent with the normalization rules.

On Date 2, Commission B issued an order accepting Taxpayer’s revisions to its rates. On Date 3, new rates went into effect, subject to refund. Several intervenors submitted challenges to the rate case and on Date 4, Taxpayer and those intervenors entered into a Settlement Agreement, which was filed with Commission B. On Date 5, Commission B issued an order accepting the Settlement Agreement, which allows for the inclusion of the ADIT related to the NOLC asset in rate base.

Commission B further stated in the order that it is the intent of Commission B that Taxpayer comply with the normalization method of accounting and tax normalization regulations. The order also requires Taxpayer to seek a private letter ruling (PLR) from the Service regarding Taxpayer’s treatment of the ADIT related to the NOLC asset. Commission B also noted that after the Service issues a PLR, Taxpayer shall adjust, to the extent necessary, its ratemaking treatment of the ADIT related to the NOLC asset prospectively from the date of the PLR.

Taxpayer requests that we rule as follows:

1. In order to avoid a violation of the normalization requirements of § 168(i)(9) and Treasury Regulation § 1.167(l)-1, it is necessary to include in rate base the Accumulated Deferred Income Tax (ADIT) asset resulting from the Net Operating Loss Carryforward (NOLC), given the inclusion in rate base of the full amount of the ADIT liability resulting from accelerated tax depreciation.
2. The exclusion from rate base of the entire ADIT asset resulting from the NOLC, or the inclusion in rate base of a portion of that ADIT asset that is less than the amount attributable to accelerated tax depreciation, computed on a “with and without” basis, would violate the normalization requirements of § 168(i)(9) and § 1.167(l)-1.

### Law and Analysis

Section 168(f)(2) of the Code provides that the depreciation deduction determined under § 168 shall not apply to any public utility property (within the meaning of § 168(i)(10)) if the taxpayer does not use a normalization method of accounting.

In order to use a normalization method of accounting, § 168(i)(9)(A)(i) requires the taxpayer, in computing its tax expense for establishing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, to use a method of depreciation with respect to public utility property that is the same as, and a depreciation period for such property that is not shorter than, the method and period used to compute its depreciation expense for such purposes. Under

§ 168(i)(9)(A)(ii), if the amount allowable as a deduction under § 168 differs from the amount that would be allowable as a deduction under § 167 using the method, period, first and last year convention, and salvage value used to compute regulated tax expense under § 168(i)(9)(A)(i), the taxpayer must make adjustments to a reserve to reflect the deferral of taxes resulting from such difference.

Section 168(i)(9)(B)(i) provides that one way the requirements of § 168(i)(9)(A) will not be satisfied is if the taxpayer, for ratemaking purposes, uses a procedure or adjustment which is inconsistent with such requirements. Under § 168(i)(9)(B)(ii), such inconsistent procedures and adjustments include the use of an estimate or projection of the taxpayer's tax expense, depreciation expense, or reserve for deferred taxes under § 168(i)(9)(A)(ii), unless such estimate or projection is also used, for ratemaking purposes, with respect to all three of these items and with respect to the rate base.

Former § 167(l) generally provided that public utilities were entitled to use accelerated methods for depreciation if they used a "normalization method of accounting." A normalization method of accounting was defined in former § 167(l)(3)(G) in a manner consistent with that found in § 168(i)(9)(A). Section 1.167(l)-1(a)(1) provides that the normalization requirements for public utility property pertain only to the deferral of federal income tax liability resulting from the use of an accelerated method of depreciation for computing the allowance for depreciation under § 167 and the use of straight-line depreciation for computing tax expense and depreciation expense for purposes of establishing cost of services and for reflecting operating results in regulated books of account. These regulations do not pertain to other book-tax timing differences with respect to state income taxes, F.I.C.A. taxes, construction costs, or any other taxes and items.

Section 1.167(l)-1(h)(1)(i) provides that the reserve established for public utility property should reflect the total amount of the deferral of federal income tax liability resulting from the taxpayer's use of different depreciation methods for tax and ratemaking purposes.

Section 1.167(l)-1(h)(1)(iii) provides that the amount of federal income tax liability deferred as a result of the use of different depreciation methods for tax and ratemaking purposes is the excess (computed without regard to credits) of the amount the tax liability would have been had the depreciation method for ratemaking purposes been used over the amount of the actual tax liability. This amount shall be taken into account for the taxable year in which the different methods of depreciation are used. If, however, in respect of any taxable year the use of a method of depreciation other than a subsection (1) method for purposes of determining the taxpayer's reasonable allowance under § 167(a) results in a net operating loss carryover to a year succeeding such taxable year which would not have arisen (or an increase in such carryover which would not have arisen) had the taxpayer determined his reasonable allowance under § 167(a) using a subsection (1) method, then the amount and time of the deferral of tax liability

shall be taken into account in such appropriate time and manner as is satisfactory to the district director.

Section 1.167(l)-1(h)(2)(i) provides that the taxpayer must credit this amount of deferred taxes to a reserve for deferred taxes, a depreciation reserve, or other reserve account. This regulation further provides that, with respect to any account, the aggregate amount allocable to deferred tax under § 167(1) shall not be reduced except to reflect the amount for any taxable year by which Federal income taxes are greater by reason of the prior use of different methods of depreciation. That section also notes that the aggregate amount allocable to deferred taxes may be reduced to reflect the amount for any taxable year by which federal income taxes are greater by reason of the prior use of different methods of depreciation under § 1.167(l)-1(h)(1)(i) or to reflect asset retirements or the expiration of the period for depreciation used for determining the allowance for depreciation under § 167(a).

Section 1.167(l)-1(h)(6)(i) provides that, notwithstanding the provisions of subparagraph (1) of that paragraph, a taxpayer does not use a normalization method of regulated accounting if, for ratemaking purposes, the amount of the reserve for deferred taxes under § 167(l) which is excluded from the base to which the taxpayer's rate of return is applied, or which is treated as no-cost capital in those rate cases in which the rate of return is based upon the cost of capital, exceeds the amount of such reserve for deferred taxes for the period used in determining the taxpayer's expense in computing cost of service in such ratemaking.

Section 1.167(l)-1(h)(6)(ii) provides that, for the purpose of determining the maximum amount of the reserve to be excluded from the rate base (or to be included as no-cost capital) under subdivision (i), above, if solely an historical period is used to determine depreciation for Federal income tax expense for ratemaking purposes, then the amount of the reserve account for that period is the amount of the reserve (determined under § 1.167(l)-1(h)(2)(i)) at the end of the historical period. If such determination is made by reference both to an historical portion and to a future portion of a period, the amount of the reserve account for the period is the amount of the reserve at the end of the historical portion of the period and a pro rata portion of the amount of any projected increase to be credited or decrease to be charged to the account during the future portion of the period.

Section 1.167(l)-1(h) requires that a utility must maintain a reserve reflecting the total amount of the deferral of federal income tax liability resulting from the taxpayer's use of different depreciation methods for tax and ratemaking purposes. Taxpayer has done so. Section 1.167(l)-1(h)(6)(i) provides that a taxpayer does not use a normalization method of regulated accounting if, for ratemaking purposes, the amount of the reserve for deferred taxes which is excluded from the base to which the taxpayer's rate of return is applied, or which is treated as no-cost capital in those rate cases in which the rate of return is based upon the cost of capital, exceeds the amount

of such reserve for deferred taxes for the period used in determining the taxpayer's expense in computing cost of service in such ratemaking. Section 56(a)(1)(D) provides that, with respect to public utility property the Secretary shall prescribe the requirements of a normalization method of accounting for that section.

Regarding the first issue, § 1.167(l)-1(h)(6)(i) provides that a taxpayer does not use a normalization method of regulated accounting if, for ratemaking purposes, the amount of the reserve for deferred taxes which is excluded from the base to which the taxpayer's rate of return is applied, or which is treated as no-cost capital in those rate cases in which the rate of return is based upon the cost of capital, exceeds the amount of such reserve for deferred taxes for the period used in determining the taxpayer's expense in computing cost of service in such ratemaking. Because the reserve account for deferred taxes (ADIT), reduces rate base, it is clear that the portion of the net operating loss carryover (NOLC) that is attributable to accelerated depreciation must be taken into account in calculating the amount of the ADIT account balance. Thus, the order by Commission to include in rate base the ADIT asset resulting from the NOLC, given the inclusion in rate base of the full amount of the ADIT liability resulting from accelerated tax depreciation is in accord with the normalization requirements.

Regarding the second issue, § 1.167(l)-1(h)(1)(iii) makes clear that the effects of an NOLC must be taken into account for normalization purposes. Section 1.167(l)-1(h)(1)(iii) provides generally that, if, in respect of any year, the use of other than regulatory depreciation for tax purposes results in an NOLC carryover (or an increase in an NOLC which would not have arisen had the taxpayer claimed only regulatory depreciation for tax purposes), then the amount and time of the deferral of tax liability shall be taken into account in such appropriate time and manner as is satisfactory to the district director. The "with or without" methodology employed by Taxpayer is specifically designed to ensure that the portion of the NOLC attributable to accelerated depreciation is correctly taken into account by maximizing the amount of the NOLC attributable to accelerated depreciation. This methodology provides certainty and prevents the possibility of "flow through" of the benefits of accelerated depreciation to ratepayers. Under these specific facts, any method other than the "with or without" method would not provide the same level of certainty and therefore the use of any other methodology in computing the portion of the ADIT asset attributable to accelerated depreciation is inconsistent with the normalization rules.

We rule as follows:

1. In order to avoid a violation of the normalization requirements of § 168(i)(9) and Treasury Regulation § 1.167(l)-1, it is necessary to include in rate base the Accumulated Deferred Income Tax (ADIT) asset resulting from the Net Operating Loss Carryforward (NOLC), given the inclusion in rate base of the full amount of the ADIT liability resulting from accelerated tax depreciation.



PLR-119381-16

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2. The exclusion from rate base of the entire ADIT asset resulting from the NOLC, or the inclusion in rate base of a portion of that ADIT asset that is less than the amount attributable to accelerated tax depreciation, computed on a “with and without” basis, would violate the normalization requirements of § 168(i)(9) and § 1.167(l)-1.

This ruling is based on the representations submitted by Taxpayer and is only valid if those representations are accurate. The accuracy of these representations is subject to verification on audit.

Except as specifically determined above, no opinion is expressed or implied concerning the Federal income tax consequences of the matters described above.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides it may not be used or cited as precedent. In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representative. We are also sending a copy of this letter ruling to the Director.

Sincerely,

Patrick S. Kirwan  
Chief, Branch 6  
Office of the Associate Chief Counsel  
(Passthroughs & Special Industries)

cc:

**Pukalani's over collected income tax expense**

Number of Customers	1,009
Surcredit Period [mo]	72

Year	Refund [\$]
2018	\$ 11,561
2019	\$ 12,644
2020	\$ 23,576
2021	\$ 18,309
2022*	\$ 31,663
2023**	\$ 31,663
<b>Total</b>	<b>\$ 129,416</b>

<b>Monthly Surcredit</b>	<b>\$ 1.78</b>
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\*This amount is as of September 2022

\*\*Estimated on 2022 amount

### Pukalani's Allocated COVID-19 Recorded Expenses

Number of Customers	1,009
Surcharge Period [mo]	12

Department	Year - 2020	Year - 2021	Total
Pukalani (701)	\$ 15,433	\$ 16,549	\$ 31,982
Allocations from Maui (710)	\$ 5,235	\$ 2,178	\$ 7,413
Allocations from Hawaii General Office (790)	\$ 2,591	\$ 83	\$ 2,674
<b>Grand Total</b>			<b>\$ 42,069</b>

<b>Monthly Surcharge</b>	<b>\$ 3.47</b>
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HAWAII WATER SERVICE COMPANY, INC.  
PUKALANI WASTEWATER DISTRICT  
Pukalani, Maui, Hawaii

Tariff No. 1 Witness: Stout  
Fifth Revised Check List, Part A  
Cancels Fourth Revised Check List, Part A  
Page 1 of 4

CHECK LIST SHEET

<u>Sheet</u>	<u>Revision</u>
Title Page	Original
Table of Contents, Part A	First
Table of Contents, Part B	Original
Check List, Part A	Fourth
Check List, Part B	Third
1	Original
2	First
3	First
4	First
5	First
6	First
7	First
8	Original
9	Original
10	Original
11	First
12	First
13	First
14	Original
15	Original
16	Original
17	First
18	Second
19	Second
20	First
20A	Original
21	Original
22	Original
23	Original
24	Original
25	Original
26	Original
27	Original
28	Original
29	First
30	Original
31	First
32	First
33	First
34	First
35	First
36	First

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Issued:  
By: Greg Milleman, Vice President - Rates and Regulatory Affairs

Effective:

HAWAII WATER SERVICE COMPANY, INC.  
PUKALANI WASTEWATER DISTRICT  
Pukalani, Maui, Hawaii

Tariff No. 1 Witness: Stout  
Fourth Revised Check List, Part B  
Cancels Third Revised Check List, Part B  
Page 2 of 4

<u>Sheet</u>	<u>Revision</u>
37	Original
38	Original
39	Original
40	Original
41	Original
42	Original
43	Original
44	Original
45	Original
46	Original
47	Original
48	Original
49	Original
50	Original
Exhibit "A"	First
Exhibit "B" (Page 1)	Third
Exhibit "B" (Page 2)	First

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Issued:  
By: Greg Milleman, Vice President - Rates and Regulatory Affairs

Effective:

HAWAII WATER SERVICE COMPANY, INC.  
 PUKALANI WASTEWATER DISTRICT  
 Pukalani, Maui, Hawaii

Tariff No. 1 Witness: Stout  
 Third Revised Exhibit "B" Page 3 of 4  
 (Page 1)  
 Cancels Second Revised Exhibit "B"  
 (Page 1)

HAWAII WATER SERVICE COMPANY, INC.  
 PUKALANI WASTEWATER DISTRICT  
 TARIFF SCHEDULE

SEWER ASSESSMENT FEES:

Monthly Sewer Fees	Proposed First Phase	Proposed Second Phase
<b>Residential</b> (per month per single family of multi-family unit)	\$ 90.73	\$ 102.76
<b>Commercial</b>		
Fixed Charge (by meter size per month)		
5/8"	\$ 19.34	\$ 22.49
3/4"	\$ 19.34	\$ 22.49
1"	\$ 38.69	\$ 44.99
1 1/2"	\$ 58.03	\$ 67.48
2"	\$ 96.72	\$ 112.47
3"	\$ 328.85	\$ 382.38
4"	\$ 328.85	\$ 382.38
6"	\$ 328.85	\$ 382.38
Quantity Rate (per 1,000 gallons of water used)	\$ 22.8418	\$ 29.8497
<b>Public Authority</b>		
Government/Education	Same as Commercial	Same as Commercial
Government/Recreation (per month)	\$ 346.06	\$ 402.39
<b>Effluent</b> (per 1,000 gallons)	\$ 0.55	\$ 0.55

POWER COST CHARGE (PCC):

In addition to the sewer assessment fees listed above, a power cost factor (percentage change) shall be applied to a Customer's sewer assessment fee (not including effluent charge) per month. The amount will be shown as a Power Cost Charge on a Customer's bill. The power cost factor shall be calculated as follows:

$$\text{Power cost factor} = \frac{\text{previous month electricity cost}}{\text{previous month revenues less effluent revenues}} \times \text{tax factor}$$

Tax factor of 1.06385 to account for Revenue Taxes.

Issued:  
 By: Greg Milleman, Vice President - Rates and Regulatory Affairs

Effective:

HAWAII WATER SERVICE COMPANY, INC.  
PUKALANI WASTEWATER DISTRICT  
Pukalani, Maui, Hawaii

Tariff No. 1 Witness: Stout  
First Revised Exhibit "B" Page 4 of 4  
(Page 2)  
Cancels Original Exhibit "B"  
(Page 2)

OTHER:

CREDIT DEPOSIT:

RESIDENTIAL: \$50.00, 2% INTEREST PER YEAR,  
RETURNED ON GOOD CREDIT HISTORY, AFTER  
12 MONTHS CREDIT HISTORY

COMMERCIAL: \$250.00, 2% INTEREST PER YEAR,  
RETURNED ON GOOD CREDIT HISTORY, AFTER  
12 MONTHS CREDIT HISTORY

PUKALANI ELEMENTARY SCHOOL: NONE

PUKALANI COMMUNITY CENTER: NONE

SERVICE CONNECTION: \$500.00 DEPOSIT, SUBJECT TO REFUND IF  
GREATER THAN ACTUAL COST, OR SUBJECT  
TO ADDITIONAL PAYMENT IF LESSER THAN  
ACTUAL COST

TAX CUTS AND JOBS ACT CREDIT:

Pursuant to Order XXXXX, all customers will receive a flat monthly credit to their bills beginning [Month] [Date], 2023 and ending [Month] [Date], 2029.

All Customers – per metered connection	\$1.78	(N)
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CORONAVIRUS DISEASE 2019 SURCHARGE:

Pursuant to Order XXXXX, all customers will receive a flat monthly surcharge to their bills beginning [Month] [Date], 2023 and ending [Month] [Date], 2024.

All Customers – per metered connection	\$3.47	(N)
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**EXHIBIT "B"**

Issued:  
By: Greg Milleman, Vice President – Rates and Regulatory Affairs

Effective:

HAWAII WATER SERVICE COMPANY, INC.  
PUKALANI WASTEWATER DISTRICT  
Pukalani, Maui, Hawaii

~~Third~~<sup>Fifth</sup>~~Fourth~~ Revised Check List, Part A  
Cancels ~~Third~~<sup>Fifth</sup>~~Fourth~~ Revised Check List, Part A

CHECK LIST SHEET

<u>Sheet</u>	<u>Revision</u>
Title Page	Original
Table of Contents, Part A	First
Table of Contents, Part B	Original
Check List, Part A	<del>Third</del> <sup>Fourth</sup>
Check List, Part B	<del>Second</del> <sup>Third</sup>
1	Original
2	First
3	First
4	First
5	First
6	First
7	First
8	Original
9	Original
10	Original
11	First
12	First
13	First
14	Original
15	Original
16	Original
17	First
18	Second
19	Second
20	First
20A	Original
21	Original
22	Original
23	Original
24	Original
25	Original
26	Original
27	Original
28	Original
29	First
30	Original
31	First
32	First
33	First
34	First
35	First
36	First

Issued: ~~October 18, 2017~~

Effective: ~~October 18, 2017~~

By: ~~Paul Townsley~~<sup>Greg Milleman</sup>, Vice President - ~~Rates and~~ Regulatory ~~Affairs~~



HAWAII WATER SERVICE COMPANY, INC.  
PUKALANI WASTEWATER DISTRICT  
Pukalani, Maui, Hawaii

Tariff No. 1 Witness: Stout  
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~~Third-Fourth~~ Revised Check List, Part B  
Cancels ~~Second-Third~~ Revised Check List, Part B

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37	Original
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Exhibit "A"	First
Exhibit "B" (Page 1)	<del>Second</del> <u>Third</u>
Exhibit "B" (Page 2)	<del>Original</del> <u>First</u>

HAWAII WATER SERVICE COMPANY, INC.  
 PUKALANI WASTEWATER DISTRICT  
 Pukalani, Maui, Hawaii

Tariff No. 1 Witness: Stout  
 Page 3 of 4

~~Third~~ ~~Second~~ Revised Exhibit "B"  
 (Page 1)

Cancels ~~Second~~ ~~First~~ Revised Exhibit "B"  
 (Page 1)

HAWAII WATER SERVICE COMPANY, INC.  
 PUKALANI WASTEWATER DISTRICT  
 TARIFF SCHEDULE

SEWER ASSESSMENT FEES:

Monthly Sewer Fees	<del>Proposed</del> First Phase <del>(Effective 10/18/17)</del>	<del>Proposed</del> Second Phase <del>(Effective 10/18/18)</del>	<del>Third</del> Phase <del>(Effective 10/18/19)</del>	<del>Fourth</del> Phase <del>(Effective 10/18/20)</del>
<b>Residential</b> (per month per single family of multi-family unit)	\$ <del>90.7352</del> <u>52</u>	\$ <del>102.7664</del> <u>35</u>	\$ <del>70.21</del>	\$ <del>79.08</del>
<b>Commercial</b>				
Fixed Charge (by meter size per month)				
5/8"	\$ <del>19.34</del> <u>46.12</u>	\$ <del>22.49</del> <u>46.12</u>	\$ <del>16.12</del>	\$ <del>16.12</del>
3/4"	\$ <del>19.34</del> <u>46.12</u>	\$ <del>22.49</del> <u>46.12</u>	\$ <del>16.12</del>	\$ <del>16.12</del>
1"	\$ <del>38.69</del> <u>32.24</u>	\$ <del>44.99</del> <u>32.24</u>	\$ <del>32.24</del>	\$ <del>32.24</del>
1 1/2"	\$ <del>58.03</del> <u>48.36</u>	\$ <del>67.48</del> <u>48.36</u>	\$ <del>48.36</del>	\$ <del>48.36</del>
2"	\$ <del>96.72</del> <u>80.60</u>	\$ <del>112.47</del> <u>80.60</u>	\$ <del>80.60</del>	\$ <del>80.60</del>
3"	\$ <del>328.85</del> <u>274.05</u>	\$ <del>382.38</del> <u>274.05</u>	\$ <del>274.05</del>	\$ <del>274.05</del>
4"	\$ <del>328.85</del> <u>274.05</u>	\$ <del>382.38</del> <u>274.05</u>	\$ <del>274.05</del>	\$ <del>274.05</del>
6"	\$ <del>328.85</del> <u>274.05</u>	\$ <del>382.38</del> <u>274.05</u>	\$ <del>274.05</del>	\$ <del>274.05</del>
Quantity Rate (per 1,000 gallons of water used)	\$ <del>22.8418</del> <u>10.0484</u>	\$ <del>29.8497</del> <u>11.7796</u>	\$ <del>13.5165</del>	\$ <del>15.2574</del>
<b>Public Authority</b>				
Government/Education	Same as Commercial	Same as Commercial	Same as Commercial	Same as Commercial
Government/Recreation (per month)	\$ <del>346.06</del> <u>201.33</u>	\$ <del>402.39</del> <u>230.34</u>	\$ <del>259.36</del>	\$ <del>288.38</del>
<b>Effluent</b> (per 1,000 gallons)	\$ 0.55	\$ 0.55	\$ <del>0.55</del>	\$ <del>0.55</del>

POWER COST CHARGE (PCC):

In addition to the sewer assessment fees listed above, a power cost factor (percentage change) shall be applied to a Customer's sewer assessment fee (not including effluent charge) per month. The amount will be shown as a Power Cost Charge on a Customer's bill. The power cost factor shall be calculated as follows:

$$\text{Power cost factor} = \frac{\text{previous month electricity cost}}{\text{previous month revenues less effluent revenues}} \times \text{tax factor}$$

Tax factor of 1.06385 to account for Revenue Taxes.

Issued: ~~October 18, 2017~~

Effective: ~~October 18, 2017~~

By: ~~Paul Townsley~~ Greg Milleman, Vice President - Rates and Regulatory Affairs

HAWAII WATER SERVICE COMPANY, INC.  
PUKALANI WASTEWATER DISTRICT  
Pukalani, Maui, Hawaii

Tariff No. 1 Witness: Stout  
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Cancels Original Exhibit "B"  
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Tariff No. 1  
Original Exhibit "B"  
(Page 2)

OTHER:

CREDIT DEPOSIT:

RESIDENTIAL: \$50.00, 2% INTEREST PER YEAR,  
RETURNED ON GOOD CREDIT HISTORY, AFTER  
12 MONTHS CREDIT HISTORY

COMMERCIAL: \$250.00, 2% INTEREST PER YEAR,  
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TAX CUTS AND JOBS ACT CREDIT:

Pursuant to Order XXXXX, all customers will receive a flat monthly credit to their bills beginning [Month] [Date], 2023 and ending [Month] [Date], 2029.

<u>All Customers – per metered connection</u>	<u>\$1.78</u>	<u>(N)</u>
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CORONAVIRUS DISEASE 2019 SURCHARGE:

Pursuant to Order XXXXX, all customers will receive a flat monthly surcharge to their bills beginning [Month] [Date], 2023 and ending [Month] [Date], 2024.

<u>All Customers – per metered connection</u>	<u>\$3.47</u>	<u>(N)</u>
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**EXHIBIT "B"**

**Exhibit HWSC-T-200**  
**Direct Testimony of Anthony Carrasco**



**Hawaii Water Service Company General Rate Case**  
**Docket No. 2022-0186**  
**December 2022**

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HAWAII WATER SERVICE COMPANY GENERAL RATE CASE  
DIRECT TESTIMONY OF ANTHONY CARRASCO

**Introduction**

**Q. Please state your name, position, and business address.**

A. My name is Anthony Carrasco. My business mailing address is 69-180 Waikoloa Beach Drive Unit N3, Waikoloa, Hawaii, 96738. I am the General Manager of Hawaii Water Service Company, Inc. (“Hawaii Water”).

**Q. Please summarize your educational background and professional experience.**

A. I have attended numerous courses in water treatment, water distribution and utility management at the University of California, Sacramento and through the Hawaii Water Rural Association. My Operators Certifications include: Hawaii Department of Health Water Distribution Operator IV and Treatment Operator IV certifications. I also have California State Water Resource Control Board Distribution Operator V and Treatment Operator IV certifications.

I am a veteran who served in the United States Navy Seabees from January 1983 to 1986, receiving an Honorable Discharge with an R-1 reenlistment rating. From 1986 to 1989, I worked as a Construction Foreman for an underground utility construction company. I worked for California Water Service Company (“Cal Water”) as an Operator from 1989 to 2000, a Superintendent from 2000 to 2004, a District Manager from 2004 to 2016, and Director of Field Operations in 2016. I have been in my current position as General Manager since 2016.

**Q. What is the purpose of your testimony in this proceeding?**

A. The purpose of my testimony in this proceeding is to explain the details of the 2023 test year expense estimates and inflation methodology for Hawaii Water.

**Q. Please describe the general methodology in determining test year expense estimates.**

A. An average of the most recent three-year actual recorded expenses (2019-2021) was used as the basis for most administrative, operational, and maintenance expenses in the test year.

1 A three-year average from 2019 to 2021 is a reasonable starting point to forecast test year  
2 expenses and reflects normal operations of the district. Payroll, employee benefits, rents,  
3 insurance, and regulatory expenses have been estimated using different methodologies, as  
4 described in more detail in my testimony.

5 In addition, certain expenses include both direct charges and allocated expenses. Hawaii  
6 Water has fourteen business units, some of which are directly owned by Hawaii Water and some  
7 of which are owned by subsidiaries of Hawaii Water. Each business unit is treated separately for  
8 rate making purposes. For the most part, each business unit functions independently from one  
9 another. However, there are several functions which are shared among the local business units to  
10 maximize economies of scale. These functions include project management and engineering  
11 work, operations and business management, and customer service management. Prior to 2013,  
12 expenses for Hawaii Water were allocated to each business unit using the four-factor allocation  
13 method and recorded as an expense in each business unit under the corresponding expense  
14 category. Beginning in 2013, certain expenses that were allocated to specific administrative,  
15 operational, and maintenance accounts from Hawaii Water General Office (“Hawaii Water  
16 GO”), Maui operations, and Wastewater Administration were allocated as a single line item. For  
17 trending and analysis purposes, expenses that were allocated to Pukalani from Hawaii Water GO,  
18 Maui, and Wastewater Administration from 2019 to 2021 are shown as separate line items and  
19 then added to expenses directly charged to Pukalani. An average of the sum of direct and  
20 allocated charges was used to determine test year expenses.

21 Recorded expenses were adjusted with a Consumer Price Index (“CPI”) factor to account  
22 for changes in prices of goods and services from the averaging period up to the test year. This  
23 was done using a two-step process. First, the annual recorded expenses were adjusted to 2021  
24 dollars using Honolulu CPI and then a three-year average of the adjusted figures was calculated.  
25 Published U.S. Department of Labor Bureau of Labor and Statistics data was used to adjust  
26 recorded expenses.<sup>1</sup> Since federal CPI data is not available for neighbor islands, the best  
27 available data, which was for Honolulu, was used.<sup>2</sup> This is an appropriate index for Hawaii and  
28 Maui operations. Details of inflation factors are shown on Exhibit HWSC 8.3.

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<sup>1</sup> [https://data.bls.gov/pdq/SurveyOutputServlet?data\\_tool=dropmap&series\\_id=CUURS49FSA0.CUUSS49FSA0](https://data.bls.gov/pdq/SurveyOutputServlet?data_tool=dropmap&series_id=CUURS49FSA0.CUUSS49FSA0).

<sup>2</sup> <http://dbedt.hawaii.gov/economic/qser/outlook-economy/>.

1 The methodology of adjusting certain recorded expenses by CPI is reasonable for rate  
2 making because it better represents forecasted costs during the test year. The inclusion of a CPI  
3 inflation factor acknowledges the fact that the purchasing power of a dollar diminishes over time.  
4 If a CPI factor was not used to adjust recorded expenses, obsolete costs would be used to  
5 determine test year expenses, and a reasonable opportunity to recover forecasted expenses during  
6 the test year would not exist. This is amplified since Hawaii Water is proposing a 2-year phase-  
7 in of the test year revenue requirement.

8 Estimated operating and maintenance expenses for the test year are described and  
9 discussed below.

10  
11 **Labor**

12 Hawaii Water's labor costs are shared among the various companies and systems  
13 operated by Hawaii Water in Hawaii, and each system's share of the labor cost is based on a  
14 four-factor allocation methodology. The four-factor allocation methodology is discussed in more  
15 detail in the Direct Testimony of Robert Stout (Exhibit HWSC-T-100). Labor expense is based  
16 on the cost of total labor, including wages, benefits and payroll taxes. The complete breakdown  
17 of Hawaii Water's payroll expense as allocated by the proposed four-factor percentages is shown  
18 on Confidential Exhibit HWSC-T-201. As this exhibit contains employee names and payroll, this  
19 exhibit will be submitted pursuant to a protective order to be issued in this docket. Payroll for  
20 2023 was calculated by escalating the estimated 2022 payroll by 5.0%, which is the expected  
21 increase in payroll. In order to reflect actual operating costs, the estimated 2023 payroll figures  
22 will be updated with actual 2023 payroll figures once they become available.

23 Consistent with Hawaii Water's subsidiaries' recent rate case, Hawaii Water accepts the  
24 Consumer Advocate's position that pension costs should be included in test year expenses, but  
25 401k employer matching expenses should be excluded.<sup>3</sup> Although Hawaii Water believes that it  
26 is appropriate for 401k employer matching expenses to be recovered in rates as a part of total  
27 compensation costs for its employees, consistent with Hawaii Water's acceptance of the  
28 Consumer Advocate's position in the recent rate case for Hawaii Water's subsidiary, Hawaii

---

<sup>3</sup> See Decision and Order No. 37124 filed on May 01, 2020 in Docket No. 2018-0388 (the "KWSC D&O").



1 Water is including pension costs and excluding 401k employer matching expenses in this rate  
2 case. The total labor estimate for Hawaii Water is summarized in the table below:

**Hawaii Water Service Company**

Payroll	Benefits	Taxes	Total	Exhibit Reference
\$312,552	\$195,981	\$42,360	\$550,983	HWSC 8.5

3 **Table 201. Labor Expense.**

4  
5 Details of labor expense can be found in the corresponding Exhibit listed in the table above.

6 Benefits expense is based on a study conducted by E&Y regarding estimates for Pension  
7 and Retiree Healthcare, and is exclusive of 401k employer matching expenses. Active employee  
8 healthcare is based on actual healthcare premiums for Hawaii Water’s employees. The portion  
9 allocated to Pukalani is estimated using a four-factor allocation method. The test year calculation  
10 is based on the 2021 figures for pension and benefits because 2022 figures were not available at  
11 the time it prepared its application. The calculation will be updated with 2022 figures once they  
12 are available.

13  
14 **Fuel and Power**

15 Purchased power expense varies with the amount of wastewater pumped from lift stations  
16 and treated at the wastewater treatment plant (“WWTP”). This expense was estimated by  
17 calculating a unit cost [\$ / kWh] of power for the test year and multiplying it by the expected  
18 kWh usage in the test year. A unit cost for purchased power was calculated by taking the ratio of  
19 recorded power cost and recorded power use for each year. The unit cost for the test year was  
20 estimated by taking a three-year average from 2019 to 2021 of the calculated unit cost. Projected  
21 power use for the test year was estimated by taking a three-year average from 2019 to 2021 of  
22 recorded power use. Fuel for power production expense was estimated by taking a three-year  
23 average of recorded fuel for production. This expense reflects the cost of fuel used for the  
24 emergency generators. The generators need to be run periodically to ensure they run properly in  
25 case of emergency. The following table summarizes the projected energy consumption, energy  
26 expense, unit cost of power, and fuel for power production expense for the test year for Hawaii  
27 Water:

Energy Consumption [kWh]	Energy Expense [\$]	Unit Cost [\$ / kWh]	Fuel for Power Production	Total Fuel and Power	Exhibit Reference
595,539	\$182,833	\$0.3070	\$2,100	\$184,933	HWSC 8.6

1 **Table 202. Fuel and Power Expense.**

2  
 3 Details of fuel and power expense can be found in the corresponding Exhibit listed in the table  
 4 above.

5  
 6 **Chemicals**

7 Chemicals are purchased for wastewater operations to treat wastewater pumped to the  
 8 WWTP. Chemical purchased include hypochlorite, sodium carbonate, and flocculants, and other  
 9 materials relating to the WWTP.

10 The test year chemical expense was estimated by taking a three-year average from 2019 –  
 11 2021 of CPI-adjusted recorded expenses. The following table summarizes chemical expense for  
 12 Hawaii Water:

Chemicals	Exhibit Reference
\$56,125	HWSC 8.8

13 **Table 203. Chemical Expense.**

14  
 15 Details of chemicals expense can be found in the corresponding Exhibit listed in the table above.

16  
 17 **Materials and Supplies**

18 Materials and supplies expense is grouped using the following categories: treatment and  
 19 disposal, water treatment and water quality, transmission and distribution, collection, and  
 20 pumping.

21 The test year materials and supplies expense for Hawaii Water is calculated by taking a  
 22 three-year average from 2019 – 2021 of CPI-adjusted recorded expenses. In 2020 and 2021, the

1 overall materials and supplies expense was relatively constant. Therefore, Hawaii Water believes  
2 it should be included in the 3-year recorded average used to forecast the test year estimate.

3 The following table summarizes materials and supplies expense for Hawaii Water:

Materials and Supplies	Exhibit Reference
\$28,153	HWSC 8.9

4 **Table 204. Materials and Supplies Expense.**

5  
6 Details of materials and supplies expense can be found in the corresponding Exhibit listed in the  
7 table above.

8  
9 **Waste Disposal**

10 Waste disposal expense consists of fees for the removal and disposal of dewatered sludge  
11 from the WWTP. The test year waste disposal expense was estimated by taking a three year  
12 average from 2019 – 2021 of CPI-adjusted recorded expenses. The following table summarizes  
13 waste disposal expense for HWSC:

Waste Disposal	Exhibit Reference
\$47,870	HWSC 8.10

14 **Table 205. Waste Disposal Expense.**

15  
16 Details of waste disposal expense can be found in the corresponding Exhibit listed in the table  
17 above.

18  
19 **Affiliated Charges**

20 California Water Service Group (“CWSG”) includes several subsidiaries which include  
21 Hawaii Water, Cal Water, Washington Water Service Company, Texas Water Service Company,  
22 and New Mexico Water Service Company. CWSG’s expenses are allocated to its subsidiaries  
23 based on relative proportions of work being performed. A large portion of the work resides in  
24 Customer Support Services (“CSS”) of Cal Water. Within CSS, there are a number of

1 departments that provide support services for its subsidiaries. These include corporate  
2 governance (CEO, CFO, Corporate Secretary, etc.), audit, accounting and finance, information  
3 technology, human resources, and communications. These functions are provided centrally at  
4 CSS because it is more cost effective to do so than to hire the specific expertise needed for each  
5 particular subsidiary. This centralized service model has been shown to result in lower costs  
6 than staffing up locally for all necessary back-office expertise such as noted above.

7 CSS departments incur capital project and operating costs each month. These costs are  
8 allocated to the appropriate business units each month to determine the business units' operating  
9 results, plant in service, regulatory assets, regulatory liabilities, and other balance sheet accounts.  
10 CSS department costs are allocated to business units using one of two methods: 1) direct charge  
11 method or 2) pooled cost method.

12 The direct charge method is used whenever CSS employees are assigned to specific  
13 business unit capital or operating projects. Using the direct charge method, CSS department  
14 employees' direct labor, benefits, business travel, and/or any other costs incurred are charged  
15 directly to business unit capital and expense projects each month. However, when it is not  
16 possible to use the direct charge method, the pooled cost method is used. The direct charge  
17 method cannot be used for services provided by CSS department employees that benefit two or  
18 more business units. These indirect CSS department costs are allocated to business units using  
19 the four-factor allocation method.

20 Prior to 2013, the four-factor cost (non-direct charged) affiliated expenses were allocated  
21 to the respective business units on a department-by-department basis. Thus, there were  
22 allocations from each of the shared functions departments previously mentioned. Beginning in  
23 2013, a department called Public Company ("PubCo") was created to accumulate the respective  
24 expenses of the different CSS departments which are then allocated as a line item to the  
25 respective business units. Thus, the PubCo department provides the line item detail visibility  
26 while Hawaii Water receives one monthly expense entry. This is allocated to the individual  
27 business units using the four-factor allocation method.

28 The CSS departments' whose expenses are allocated through PubCo to CWSG's  
29 subsidiaries provide a direct benefit to the subsidiaries by reducing overall operating costs.

- 1 Many of the centralized functions that are shared among the subsidiaries are shown on the table  
 2 below:

<b>Group Functions/Departments</b>	<b>Group's Corporate and/or Shared Service Function Responsibility</b>
General Office	Corporate costs including BOD fees, property and liability insurance, audit fees, RSA, SEC, common stock fees, etc.
Treasurer, CFO	Establishes, maintains and enforces Corporate Financial Governance including strategy, policy, standards, practices and programs as well as Investor Relations, Internal and Management Reporting, Financial Planning and Forecasting, Corporate Policy for Treasury, Cash Management, Risk Management, Corp Borrowings, Stock, Pensions, Process Improvement, etc. All corporations must have a Treasurer.
Internal Audit	Establishes, maintains and enforces Corporate Audit Governance including audit policy and procedures, SOX Compliance and reporting, coordination of all external and 3rd party audit services for entire enterprise. Provides a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
Legal	Establishes, maintains and enforces various legal activities including budget, strategy, and case management for the entire enterprise.
Controller and Financial Reporting and Accounting shared services	Establishes, maintains and enforces External Financial Reporting Governance including Corporate Policy and Controls, Enterprise Accounting Operations, Corporate Consolidations, SEC Reporting, External Audit coordination, Payroll, etc.
CEO, President	Sets and oversees the execution the Corporate vision and strategy, Corporate governance and plans, Investor Relations. Manages Corporate Directors, Subsidiary General Managers, etc. All corporations must have a President.
Corporate Secretary	Leads the Company's compliance efforts with respect to legislative and regulatory developments affecting corporate governance. Responsible for anticipating and addressing corporate governance/reputation risks, develops independent standards for the Board of Directors and their committees, develops Company's governance principles and policies. All corporations must have a Corporate Secretary.
Continuous Improvement	Supports the Continuous Improvement process for the entire enterprise.
IT Security and Compliance	Responsible for all IT cyber security, SOX compliance, Data Room configurations, and ensuring company is compliance with various standards such as NIST, PCI, etc.
IT Infrastructure	Responsible for all IT network architecture to ensure goal of 99.999% uptime of hardware, servers, phone lines, etc.
Finance	Supports the enforcement of Corporate Financial Governance, includes risk management, treasury, planning and analysis activities.
Management Development	Establishes, maintains and enforces Management Development governance including strategy, policy, standards, practices and programs for entire enterprise. Ensures the enterprise has active program that identifies or attracts, develops and retains resources for future key position within the enterprise.
Community Affairs and Government Relations	Oversees efforts to engage local community stakeholders and to build and maintain effective, professional relationships with these constituencies.
Safety	Handles workers' compensation claims for the company, injury reports, employee fitness assessment and physical security of the campuses
IT Technical Support	Responsible for IT User trouble shooting, help desk, phones, websites, etc.
Human Resource Administration	Establishes, maintains and enforces Human Resource governance including policy, standards, practices and programs for entire enterprise.
IT Governance /Administration	Establishes, maintains and enforces IT Governance policy, standards, practices and programs for the entire enterprise.
Corp Communications	Establishes maintains and enforces all Corporate Communication governance including policy, standards and procedures leading to the design, development and approval of content whether verbal, written or display material for entire enterprise.

1 In Hawaii Water’s most recent case for Kalaeloa Water Company, LLC (“KWC”)<sup>4</sup> and  
2 Kona Water Service Company Inc. (“KWSC”)<sup>5</sup> Hawaii Water and the Consumer Advocate  
3 agreed to remove incentive compensation as well as certain other expenses from account 791000  
4 from the overall allocation of affiliated charges to the district. While Hawaii Water believes that  
5 incentive compensation is an important part of a regular compensation package that retains  
6 talented individuals in a competitive market, this adjustment was applied in this rate case to  
7 affiliated charges that are allocated to Pukalani, consistent with the stipulation that the  
8 Commission adopted from the KWC and KWSC cases. Hawaii Water reserve the right to revisit  
9 this issue in future rate cases.

10 The test year affiliated charges expense is based on a three-year average from 2019 –  
11 2021 of the adjusted allocation. The following table summarizes affiliated charges expense for  
12 Hawaii Water:

Affiliated Charges	Exhibit Reference
\$56,814	HWSC 8.11

13 **Table 206. Affiliated Charges Expense.**

14  
15 Details of affiliated charges expense can be found in the corresponding Exhibit listed in the table  
16 above.

17  
18 **Outside Services**

19 Outside services expense is organized using the following categories: legal expense, other  
20 outside services, and training consultants. Outside services is comprised of technical fees, legal  
21 fees, and other consulting services. Outside services expense was estimated for the test year by  
22 taking a three-year average from 2019 – 2021 of CPI-adjusted recorded expenses. The following  
23 table summarizes outside services expense for Hawaii Water:

---

<sup>4</sup> See Order No. 38002 *Regarding Kalaeloa Water Company, LLC’s Completed Application and Other Initial Matters*, filed on October 10, 2021, in Docket No. 2021-0005.

<sup>5</sup> See Order No. 36298 *Regarding Kona Water Service Company Inc. ’s Completed Application and Other Initial Matters*, filed on May 08, 2019, in Docket No. 2018-0388.

Outside Services	Exhibit Reference
\$6,391	HWSC 8.12

**Table 207. Outside Services Expense.**

Details of outside services expense can be found in the corresponding Exhibit listed in the table above.

**Repairs and Maintenance**

Repairs and maintenance expense is organized using the following categories: source of supply, pumping, water treatment, transmission and distribution, other production and distribution, and administrative and general. In Hawaii Water’s accounting system, certain expenses are grouped with repairs and maintenance: chemicals, materials and supplies, waste disposal. These amounts are deducted from the total repairs and maintenance expense so that these expenses are not double counted. Repairs and maintenance expense is estimated for the test year by taking a three-year average from 2019 – 2021 of CPI-adjusted recorded expenses. The following table summarizes outside services expense for Hawaii Water:

Repairs and Maintenance	Exhibit Reference
\$161,166	HWSC 8.13

**Table 208. Repairs and Maintenance Expense.**

Details of repairs and maintenance expense can be found in the corresponding Exhibit listed in the table above.

**Rents**

Rents expense consists of expenses related to existing leases. The actual amounts payable under existing property leases for the administrative offices in the Waikoloa Highlands Shopping Center in Waikoloa were allocated to Pukalani. The Waikoloa Highlands Shopping Center’s current lease is not set to the calendar year and instead increases each year on February

1 1. Therefore, Hawaii Water annualized the monthly cost of the lease for the purposes of the rate  
2 case.

3 The Pukalani district has no other lease agreements. The following table summarizes  
4 rents expense for Hawaii Water:

Rents	Exhibit Reference
\$4,873	HWSC 8.14

5 **Table 209. Rents Expense.**

6

7 Details of rental expense can be found in the corresponding Exhibit listed in the table above.

8

9 **Insurance**

10 Insurance expense is estimated using costs allocated from Cal Water to Hawaii Water GO  
11 Department 790. These costs are then allocated to the Hawaii business units using the four-  
12 factor methodology. The test year insurance expense is based on a quote from Marsh Risk &  
13 Insurance for 2021/22. The 2022/23 quote was not available when the application was prepared.  
14 The test year insurance estimate will be revised once the 2022/23 figure is available. The  
15 following table summarizes insurance expense for Hawaii Water:

Insurance	Exhibit Reference
\$9,961	HWSC 8.15

16 **Table 210. Insurance Expense.**

17

18 Details of insurance expense can be found in the corresponding Exhibit listed in the table above.

19

20 **Regulatory**

21 Regulatory expense includes expected work and activities related to completing this rate  
22 case. These functions include preparation and filing expense, discovery and settlement expense,  
23 and hearings and briefing expense. The total rate case expense is estimated to be \$309,566 for  
24 Hawaii Water. In order to plan and make the best use of its resources, Hawaii Water proposes a



1 four-year amortization period for regulatory expenses, which is based on a four-year rate cycle.<sup>6</sup>

2 The following table summarizes regulatory expense for HWSC:

Regulatory	Exhibit Reference
\$77,392	HWSC 8.16

3 **Table 211. Regulatory Expense.**

4  
5 Details of regulatory expense can be found in the corresponding Exhibit listed in the table above.

6  
7 **General and Administrative**

8 General and administrative expense is organized using the following categories: office  
9 expense and miscellaneous general and administrative expense. Office supplies expense consists  
10 of expenses related to postage, telephone expenses, stationary and printing, bank fees, travel and  
11 incidental expense, meals during travel, training and seminars, conferences, and internal projects.  
12 Test year general and administrative expense was estimated by taking a three-year average from  
13 2019 – 2021 of CPI-adjusted recorded expenses. The following table summarizes general and  
14 administrative expense for Hawaii Water:

General and Administrative	Exhibit Reference
\$35,732	HWSC 8.18

15 **Table 212. General and Administrative Expense.**

16  
17 Details of general and administrative expense can be found in the corresponding Exhibit listed in  
18 the table above.

19

---

<sup>6</sup> An increase in rates was last approved in 2017 in Decision and Order No. 34885 filed on October 18, 2017 in Docket No. 2015-0236, and the rates to be approved in the present rate case are expected to become effective in 2023.

1 **Customer Accounts**

2 Customer accounts expenses includes customer records, other stationary and print,  
3 telephone expenses, other utilities and janitor expense, and uncollectible accounts expense. The  
4 increase seen from 2020 to 2021 was due to leaks at the plant and the leak has since been  
5 repaired. The test year customer accounts expense was estimated by taking a three year average  
6 from 2019 – 2021 of CPI-adjusted recorded expenses. The following table summarizes customer  
7 accounts expense for Hawaii Water:

Customer Accounts	Exhibit Reference
\$49,309	HWSC 8.19

8 **Table 213. Customer Accounts Expense.**

9

10 Details of customer accounts expense can be found in the corresponding Exhibit listed in the  
11 table above.

12

13 **Q. Does this conclude your testimony?**

14 A. Yes, it does.

CONFIDENTIAL INFORMATION  
Deleted Pursuant to Protective Order No. \_\_\_\_\_

Docket No. 2022-0186  
Confidential Exhibit HWSC-T-201

Confidential Exhibit HWSC-T-201 is being redacted in its entirety for the reasons set forth in the attached Confidentiality Log.

# **Exhibit HWSC-T-300**

## **Direct Testimony of Julian Gandara**

**CAPITAL INVESTMENT PROJECTS OF HAWAII WATER SERVICE COMPANY,  
PUKALANI DISTRICT**



**Hawaii Water Service Company**

**General Rate Case**

**Docket 2022-0186**

**December 2022**

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1                                   **HAWAII WATER SERVICE COMPANY GENERAL RATE CASE**  
2                                   **DIRECT TESTIMONY OF JULIAN GANDARA**  
3                                   **CAPITAL INVESTMENT PROJECTS OF HAWAII WATER SERVICE COMPANY,**  
4                                   **PUKALANI DISTRICT**  
5

6    **Introduction**

7    **Q.     Please state your name, position, and business address.**

8    A.     My name is Julian Gandara. I am the Manager, Technical and Regulatory Matters of Hawaii  
9            Water Service Company, Inc. (“Hawaii Water”). In my role, I am responsible for engineering,  
10           capital planning, water quality, environmental compliance, and rate making. My business  
11           mailing address is P.O. Box 384809, Waikoloa, Hawaii, 96738.

12  
13   **Q.     Please summarize your educational background and professional experience.**

14   A.     I received a Bachelor of Science in Mechanical Engineering in 2007 and a Master of Science in  
15            Environmental Engineering in 2020, both from the University of California, Riverside. I hold a  
16            Professional Engineering License in Mechanical Engineering in the States of Hawaii and  
17            California. My Operators Certifications include California State Water Resource Control Board  
18            Distribution Operator 2 and Treatment Operator 2 certifications.

19  
20            I worked as a Utilities Engineer for the California Public Utilities Commission from 2012 to  
21            2013. From 2013 to 2021, I worked with Hawaii Water’s parent company, California Water  
22            Service Company (“Cal Water”), as a Regulatory Program Manager. I have been in my current  
23            position as Manager, Technical and Regulatory Matters since February 2021.

24  
25   **Q.     What is the purpose of your testimony in this proceeding?**

26   A.     The purpose of my testimony in this proceeding is to support capital investment projects  
27            completed by Hawaii Water in its Pukalani District from 2018 through 2022. I am also  
28            supporting capital investment projects Hawaii Water plans to complete in 2023.

1 **Capital Improvement Projects and System Descriptions**

2

3 **Q. Please describe the capital improvements that have been made by Hawaii Water since its**  
4 **last general rate case.**

5 A. Hawaii Water has made a number of capital improvements for its Pukalani wastewater system  
6 since the conclusion of its last general rate case, Docket No. 2015-0236, in 2017. All of  
7 Hawaii Water's investments in these capital improvements were prudently made and are used  
8 and useful in providing wastewater services to its customers. Exhibit HWSC-T-301 provides a  
9 description and justification for each capital improvement project greater than \$50,000.

10

11 **Q. Please describe Hawaii Water's Pukalani wastewater system.**

12 A. A detailed description of the Pukalani wastewater collection and treatment system is presented  
13 in Exhibit 1 of the present application. The description provided applies to the capital  
14 improvement projects described in Exhibit HWSC-T-301.

15

16 **Q. Does this conclude your testimony?**

17 A. Yes, it does.

**Project Justifications for Capital Projects Greater Than \$50,000**

**Table of Contents**

<b>WO 50148 Pukalani WW Collection System.....</b>	<b>1</b>
<b>WO 119300 Pukalani Pond Access &amp; Rehab.....</b>	<b>4</b>
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**WO 50148 Pukalani WW Collection System**

**Project Cost: \$223,393**

**Problem Statement**

Several sewer gravity mains in the Pukalani collection system have existing maintenance issues including low flow velocity and solids deposition, which results in backups and surcharging. As a result, Waterworks Engineers (WWE) was contracted to develop a wastewater collection system hydraulic model, complete a condition assessment of known problem areas, identify deficiencies under current and future flows, and produce a capital improvement program with specific prioritized projects that enhance current and future reliability.

**Project Justification**

WWE was contracted to develop a wastewater collection system hydraulic model, complete a condition assessment of known problem areas, identify deficiencies under current and future flows, and produce a capital improvement program with specific prioritized projects that enhance current and future reliability. Several sewer gravity mains in the collection system have existing maintenance issues including low flow velocity and solids deposition, which results in backups and surcharging. The areas include:

- Manholes E-7a and E8 near the 14<sup>th</sup> fairway of the Pukalani Golf Course
- Manhole B-20 on Nalani Street near the 11<sup>th</sup> fairway
- Manhole B-29 on Palani Street between the 17<sup>th</sup> and 2<sup>nd</sup> fairways

Several manholes accumulate excessive amounts of sludge which requires increased maintenance. The manholes include E-7, E-7a, E-17, E-18, E-19, and B-18.

A GIS based hydraulic model was set up for the analysis. Sewer manhole and sewer main GIS shape files were created in order to set up the hydraulic model of existing and future flows to the Pukalani Wastewater Reclamation Facility (WWRF). WWE used Innovyze InfoSewer hydraulic modeling software.

Using the modeling software, WWE modeled several scenarios in the Pukalani collection system

- |   |   |   |
|---|---|---|
| • Existing dry weather flow                       | • Future lower bound dry weather flow                       | • Future upper bound dry weather flow                       |
| • Existing 5-year, 24 hour storm wet weather flow | • Future lower bound 5-year, 24 hour storm wet weather flow | • Future upper bound 5-year, 24 hour storm wet weather flow |
| • Existing maui county standard wet weather flow  | • Future lower bound maui county standard wet weather flow  | • Future upper bound maui county standard wet weather flow  |

- Future upper bound maui county standard wet weather flow improvements

Four capital projects were identified from the analysis. The table below summarizes the projects.

Project Priority	Notes
#1 – Manhole E-7 to E-9 Area	<p>Surcharge Occurrence: Daily during existing conditions dry weather</p> <p>Available Freeboard During WetWeather Events: Approximately 2’</p> <p>Frequency of Required O&amp;M: Monthly</p> <p>Notes: Open cut construction methodology recommended pending further survey/site investigation.</p>
#2 – Manhole B-19 to B-22 Area	<p>Surcharge Occurrence: Daily during existing conditions dry weather</p> <p>Available Freeboard During WetWeather Events: Approximately 6’</p> <p>Frequency of Required O&amp;M: Monthly</p> <p>Notes: realignment option recommended pending further survey/site investigation.</p>
#3 – Manhole B-28 to B-30 Area	<p>Surcharge Occurrence: Daily during existing conditions dry weather</p> <p>Available Freeboard During WetWeather Events: Approximately 6’</p> <p>Frequency of Required O&amp;M: Quarterly to semi-annually</p> <p>Notes: The flow to this section of the pipe will be reduced if realignment option under Project #2 is selected. Monitor site during wet weather conditions after construction of Project #2.</p>
#4 – Manhole L-4 to L-7 and L-10 to L-12 Areas	<p>Surcharge Occurrence: Only during projected future wet weather flows if more than 385 lots are developed in proposed developments.</p> <p>Available Freeboard During WetWeather Events: Approximately 5’</p> <p>Notes: Fund construction with development fees.</p>

### Alternative Analysis

1. Complete wastewater collection system analysis
  - The collection system analysis is the preferred solution. It provides a systematic flow analysis and prioritized capital improvement recommendation.
2. Do Nothing

- Do nothing is not an acceptable solution. Without a system analysis, it is a challenge to identify particular problem areas, project future flows, and prioritize capital improvement recommendations.

### **Recommended Solution**

Develop a wastewater collection system hydraulic model, complete a condition assessment of known problem areas, identify deficiencies under current and future flows, and produce a capital improvement program.

### **Customer Benefits**

Customer benefits include:

- Properly functioning wastewater collection system
- Avoided costs of misplaced investment in collection system
- Reduced risk of wastewater spill

### **Cost Details**

The project was completed in 2016 at a cost of \$223,393.

**WO 119300 Pukalani Pond Access & Rehab**

**Project Cost: \$220,034**

**Problem Statement**

The Department of Health Wastewater Branch (DOHWWB) directed Hawaii Water to install a liner in the effluent storage pond because it was leaking and believed to be unlined. DOHWWB also directed Hawaii Water to divert flows to the leach field until the effluent pond was repaired.

**Project Justification**

The existing effluent storage pond is approximately 100-feet wide by 170 feet long at the top of the pond, which is at ground level. The pond depth is approximately 19 feet below finished grade. Pond side slopes are variable. A chain link fence runs around the pond perimeter. The pond sides were originally lined with shotcrete and a coating of roofing cement or tar. Roofing felt and epoxy were used for patching. The bottom of the pond is smooth concrete. There are construction joints which run along the length and width of the bottom of the pond.

DOHWWB directed Hawaii Water to install a liner in the effluent pond before reinstating flow to the effluent pond. The pond bottom is believed to be unlined, and DOHWWB views the operation of the pond effectively an infiltration basin. DOHWWB requires a primary effluent disposal method and a secondary effluent disposal method. Under normal conditions, the Pukalani WWRF produces R-1 recycled water, which is primarily used for irrigation of the Pukalani Country Club golf course. A leach field at the WWRF serves as a back-up disposal system. The effluent storage pond equalizes and stores WWTP effluent before being pumped to the golf course or sent to the leach field. Because the effluent pond could not be used as the primary disposal method, the Pukalani WWRF would be in violation of DOHWWB requirements.

Hawaii Water retained the services of Brown and Caldwell (BC) to consult and advise on the condition of the effluent pond. BC conducted a visual and hammer tap assessment of the shotcrete liner and marked suspected areas. The scope of work consisted of pond surface visual inspection for deficiency. Where existing coatings were easily moveable, BC personnel checked for cracks behind the coatings.

Hammer tapping was used to identify areas of delaminated concrete. Delaminated areas produce a hollow sound when tapped, which is different from solid and sound concrete. This could indicate compromised concrete. Hollow sounding concrete could also indicate loss of soil behind the concrete due to water movement behind the concrete. Water could be present either as ground water or by leakage from the pond. Where deficiencies were visually or audibly observed, BC inspection personnel marked the area with orange or green fluorescent marking paint. After assessment of the existing pond,

BC recommended that HWSC hire a qualified and experience pond repair contractor to complete the repairs.

Tropical Innovations was selected as the contractor to repair the effluent pond. They demonstrated the technical ability to perform the project and also had numerous positive references. In addition to Tropical Innovations, Valley Isle Pumping was contracted to empty the effluent pond before the repair work could be completed. After the effluent pond was repaired, BC completed a leak test.

### Alternative Analysis

1. Repair cracks and install new liner
  - This is the only viable solution because DOHWWB directed Hawaii Water to complete the work. If Hawaii Water did not comply with DOHWWB directive, the result would have been a violation and fines.
2. “Do Nothing”
  - This option was not considered because of the regulatory compliance aspect of the project

### Recommended Solution

Repair cracks and install new liner.

### Detailed Project Scope

BC

- Condition assessment
- Project management
- Leak testing

Tropical Innovations

- Strip damaged coating off of cracks
- Open small cracks mechanically
- Pressure wash and remove debris from cracks
- Fill lower depth of cracks with expanding foam
- Fill remaining crack depth with expansion joint caulking
- Dig out existing joint material to bare concrete
- Strip remaining residue off concrete surfaces
- Saw cut vertical edges
- Apply contoured backer rod/bond breaker tape to joint bottom
- Apply Sika 2c to all floor joints
- Remove all loose material to provide solid substrate
- Pressure wash to create clean bondable surface

- Apply Miracote epoxy primer to all surfaces to be repaired
- Apply first coat of Miracote Membrane C
- Apply poly fabric and second coat of Miracote Membrane C

Valley Isle Pumping

- Pump effluent pond using standard 3000 gallon pump truck
- Vactor truck may be needed to remove solids for final 2 loads

**Customer Benefits**

Customers benefit from this project by having a regulatory compliant wastewater treatment plant. Other customer benefits include avoided repair and maintenance cost of the primary disposal method of effluent produced by the wastewater treatment plant.

**Cost Details**

The project was completed in September 2020 at a cost of \$220,034.

**WO 128157 MBR1 Membrane Replacement**

**Project Cost: \$87,958**

**Problem Statement**

The performance of membrane bio reactor (MBR) 1 has decreased. MBR1 needs to be replaced in order to restore the performance.

**Project Justification**

Membrane permeability for MBR1 has decreased. This is observed through more frequent membrane cleaning. Each membranes life span will diminish much faster without proper inspection and cleaning. Although the membrane cassette will be replaced in WO 128643, the need to replace individual membranes arose sooner. Membrane performance is monitored through trans membrane pressure. An increase in cleaning frequency indicates an acceleration in membrane fouling rate.

In order to replace the membranes, the basin must be completely drained. A pumper truck must be used to remove sludge and remaining liquid from the bottom of the basin. A crane must be used to remove and reinstall the membranes from the basin.

**Alternative Analysis**

1. Replace MBR1 Membrane
  - This is the preferred solution. More frequent membrane cleaning takes operators away from other tasks at the WRF. It also results in higher costs. Bio fouling causes spikes in turbidity and suspended solids which could lead to a violation with DOHWWB.
2. “Do Nothing”
  - This is not an acceptable solution and was not considered. Doing nothing would result in a build-up of microorganisms in the membranes, leading to bio fouling which would result in poor effluent quality.

**Recommended Solution**

Replace MBR1 membranes.

**Detailed Project Scope**

- Empty MBR1 basin
  - remove excess sludge and liquid from bottom of basin
- remove membrane unit from MBR1 basin using crane
- inspect, clean, and replace membranes
- clean headworks

- re-install membrane unit using crane

### **Customer Benefits**

Customers benefit from the project twofold: 1) efficiently operating membranes result in higher effluent quality which can be used for irrigation; 2) top quality effluent remains in compliance with DOHWB standards and avoids a violation.

### **Cost Details**

The project was completed in August 2022 at a cost of \$87,958.



**WO 126376 Screw Press Compactor Washer**

**Project Cost: \$64,557**

**Description:**

**Problem Statement**

The current head work screw press compactor needs to be rebuilt or replaced due to operational normal wear & tear.

**Project Justification**

The current head work screw press compactor has been in operation since the Pukalani WRF was upgraded in 2010. The drain screen, trough liner and shaft-less screw is bent causing misalignment for the shaft-less screw during its rotation. This causes inefficient dewatering processing of waste solids before it goes into the waste bin for disposal.

The processed waste solids must be dewatered satisfactorily so that it can be accepted for disposal at the local county landfill. If the sludge does not pass a paint filter test, the county landfill will not accept the sludge and less efficient methods such as sludge dewatering bags will be used. Tipping fees at the landfill are based on weight. The more water that is contained in the sludge, the more tipping fees cost. An effectively operating compactor will remove more liquid, resulting in a lighter end product.

**Alternative Analysis**

1. Replace current compactor
  - This is the optimal solution because it results in a restoration of the original operation on the existing screw press compactor. More liquid will be removed from sludge, resulting in lower tipping fees and less costly repairs in the future.
2. Replace existing sludge dewatering system with a different dewatering system
  - This solution was not considered due to the significant cost in replacing the existing screw press. Additionally, a screw press is one of the most effective sludge dewatering processes. The compactor has a small footprint, which is ideal at the space constrained facility.
3. “Do Nothing”
  - This is the least ideal solution and was not considered.

**Recommended Solution**

Replace existing screw press compactor.

### **Detailed Project Scope**

- Procure replacement equipment
- After a complete cycle of the existing compactor, take compactor out of service and replace with new equipment
- Test operation of new equipment

### **Customer Benefits**

Completing this project avoids more expensive repairs in the future. It also reduces tipping fees.

### **Cost Details**

The project will be completed in December 2022 at an estimated cost of \$64,557.

**WO 129076 Pukalani SCADA Upgrade 2022**

**Project Cost: \$74,800**

**Description:**

**Problem Statement**

The Dell desktop computer in Pukalani that has been hosting the SCADA system has failed. The computer has reached the end of its useful life and must be replaced. The replacement will run ClearSCADA because the enterprise is moving toward ClearSCADA.

**Project Justification**

The SCADA system provides: remote monitoring, operational control, historic data collection, and data reporting. The SCADA system includes equipment that transmits lift station and wastewater treatment plant data to the field office. SCADA equipment provides real time data and has the ability to report emergency levels and variances to the operator. It gives the operator the ability to check the system remotely by laptop. All lift stations and other key sites are connected to the system. Benefits of SCADA to the wastewater system include decreasing the number of service interruptions and a strategy to measure and reduce wastewater spills. The SCADA system provides advanced warning of potential problems so that corrective action can be implemented to increase operational reliability.

An upgrade to ClearSCADA also patches security vulnerabilities with the existing SCADA system. The SCADA system must be evaluated regularly for security vulnerabilities. This will prevent a potentially massive cyber security breach that would compromise vast amounts of sensitive data. Additionally, this project put Hawaii Water in closer alignment with the NIST 800-53 framework that the company is trying to follow. The project allows Hawaii Water to quickly detect and fix vulnerabilities and will prevent a reportable breach, litigation and/or fines.

The enterprise SCADA Manager and IT security team completed an evaluation of the existing SCADA network in May and August of 22. The result of their evaluation is an 8 phase plan to upgrade the existing SCADA system. Pukalani was originally scheduled for Phase 6, but due to the eminent failure of the Dell desktop computer, it was decided to upgrade it sooner.

The Pukalani SCADA system uses a Wonderware system which is currently running on Windows 7. Windows 7 is no longer supported by Microsoft. The WWTP is a highly industrial type site with inadequate facilities to host standard server equipment. A rugged sever system will installed in the plant MCC in a secure enclosure. The Pukalani SCADA upgrade includes the purchase of a ZTC250I, ClearSCADA license, SDWAN equipment (velocloud), and internal labor.

### Alternative Analysis

1. Purchase new server, ClearSCADA license, Velocloud to upgrade existing system
  - This is the preferred option because the Wonderware system runs on Windows 7 which is no longer supported by Microsoft. When the existing system inevitably fails, there will be no way for operators to receive alarms, status, or any other information about the plant remotely. The upgraded ClearSCADA system will provide operators improved remote access to the plant while also allowing remote support of the SCADA system by the enterprise SCADA team.
  
2. “Do Nothing”
  - This is not a viable option. The existing SCADA system is on the brink of failure and any delay has the potential to cause a wastewater spill. A wastewater spill will result in fines, tarnished reputation, and loss of confidence in the company.

### Recommended Solution

The recommended solution is to proceed with the replacement of the existing Wonderware system with a new ClearSCADA solution.

### Detailed Project Scope

- Identify hardware and software that needs to be purchased
- Send SCADA Tech along with support from enterprise SCADA/IT to Pukalani to install server and SDWAN equipment

### Customer Benefits

There are several benefits to customers including but not limited to the following:

- Up to date SCADA system which allows improved response time to emergencies
- Removal of obvious cybersecurity threats
- Improved customer service
- Smoothly operating WWTP

### Cost Details

The project will be completed in February 2023 at an estimated cost of \$74,800.

**WO 128634 Membrane Filter Cassettes**

**Project Cost: \$56,299**

**Description:**

**Problem Statement**

The two membrane cassettes at the Pukalani Wastewater Reclamation Facility (WWRF) are now going on 12 years in operation. Although many of the filters within the cassette have been replaced, a majority of the filters are still original, installed in 2010. Because of their age they are showing signs of degradation which is apparent by the turbidity spikes that occur when the plant goes into relaxed mode and between stop and start of permeation. In addition, fouling occurs on a more frequent basis requiring increased chemical cleaning processes, drastically reducing reliability.

**Project Justification**

The problem is the filters are no longer efficient and reliable and must be changed out. The reduction in efficiency and reliability in the long-term increases energy, maintenance, and individual cartridge replacement cost. In operations, this translates into higher downtime of the system reducing our ability to treat process flow water and potentially reducing our actual treatment capacity due to 12 years of fouling. The potential risk of not completing the project is a reduction in process flow capabilities rendering us unable to process incoming flows leading to wastewater spills.

**Alternative Analysis**

1. Replace membrane filter cassettes
  - This is the preferred solution because it results in optimal operations of the plant. Additionally, the reliability and operating costs of the plant are reduced through less chemical cleaning, lower energy costs and higher quality effluent.
2. Replace filters within cassettes
  - Filters within cassettes have been replaced since the plant was placed in service. This practice is acceptable for some time. However, the overall efficiency and processing capabilities of the plant have decreased over time and a full cassette replacement is needed.
3. “Do Nothing”
  - Doing nothing will result in a decrease of our overall processing capabilities.

**Recommended Solution**

Replace the two membrane cassettes at the Pukalani WWRF.

**Customer Benefits**

Customer benefits indirectly as a reduction in annual maintenance will reduce the one-to-one cost expenditures. Additionally, the Pukalani WWRF will be able to produce quality reuse water 365 days a year

**Cost Details**

The project will be completed in July 2023 at an estimated cost of \$56,299.

**DOCKET NO. 2022-0186**

**In re Application of Hawaii Water Service Company, Inc. for Approval of a General Rate Increase for Pukalani Wastewater Division**

**CONFIDENTIALITY LOG**

<b>Document Name/Reference</b>	<b>Page Number; Line Number(s) or Section Redacted</b>	<b>Designation</b>	<b>Identification</b>	<b>Basis of Confidentiality</b>	<b>Cognizable Harm</b>
Confidential Exhibit HWSC-T-201	Entire exhibit	Confidential	Employees' payroll information	<p>The redacted information contains confidential employee information that if, disclosed, would constitute a clearly unwarranted invasion of personal privacy, pursuant to the “<b>privacy exception</b>” of the Uniform Information Practices Act (“UIPA”). Pursuant to HRS § 92F-13(1), the Commission may withhold access to a record if disclosure of the record would constitute a “clearly unwarranted invasion of personal privacy[.]” See Office of Information Practices, Open Records: Guide to Hawaii’s Uniform information Practices Act, at 18 (August 2019), available at <a href="https://oip.hawaii.gov/wp-content/uploads/2021/11/August-2019-UIPA-Manual-pdf.pdf">https://oip.hawaii.gov/wp-content/uploads/2021/11/August-2019-UIPA-Manual-pdf.pdf</a> (“The UIPA lists some specific examples of the types of information in which an individual has a significant privacy interest. The list includes information about an individual’s . . . (6) [f]inancial information of that individual[.]”).</p> <p>The redacted employee information is also protected from public disclosure, pursuant to the “<b>frustration of legitimate government function</b>” exception of the UIPA. Pursuant to HRS § 92F-13(3), the Commission may withhold “records that, by their nature,</p>	Public disclosure of payroll information may disadvantage Hawaii Water Service Company, Inc. (“Hawaii Water”) in future employment negotiations and provide competitors with an unearned advantage that may impair Hawaii Water’s ability to retain current employees.

				must be confidential in order for the government to avoid the frustration of a legitimate government function[.]” The redacted customer information meets the frustration exception under UIPA because the contents contain confidential business/commercial information where public disclosure would likely result in substantial competitive harm.	
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VERIFICATION

I, Greg Milleman, do declare and state as follows: That I am the Vice President of Rates and Regulatory Affairs for Hawaii Water Service Company, Inc.; that I have read the foregoing documents, and know the contents thereof; that I am authorized to make this verification on behalf of Hawaii Water Service Company, Inc. and do hereby verify the contents of the foregoing filing, and that the same are true to the best of my knowledge, information, and belief.

I declare under penalty of law that the foregoing is true and correct. Executed this 30th day of December, 2022.

/s/ Greg Milleman

Name: GREG MILLEMAN  
Title: Vice President, Rates and  
Regulatory Affairs  
Hawaii Water Service  
Company, Inc.

## **CERTIFICATE OF SERVICE**

I hereby certify that on this date a copy of the foregoing document, together with this Certificate of Service, were duly served upon the following entities electronically to the email address shown below pursuant to HAR § 16-601-21(d), as modified by Order No. 38270 *Setting Forth Public Utilities Commission Emergency Filing and Service Procedures*, filed on March 14, 2022:

MR. DEAN NISHINA  
EXECUTIVE DIRECTOR  
DIVISION OF CONSUMER ADVOCACY  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
335 Merchant Street, Room 326  
Honolulu, Hawaii 96813  
[consumeradvocate@dcca.hawaii.gov](mailto:consumeradvocate@dcca.hawaii.gov)  
[dnishina@dcca.hawaii.gov](mailto:dnishina@dcca.hawaii.gov)

Via E-Mail

DATED: Honolulu, Hawaii, December 30, 2022

/s/ David Y. Nakashima

JEFFREY T. ONO  
DAVID Y. NAKASHIMA  
KENDRICK S. CHANG

Attorneys for Applicant  
HAWAII WATER SERVICE COMPANY, INC.

## THE HAWAII PUBLIC UTILITIES COMMISSION ACKNOWLEDGES RECEIPT OF YOUR SUBMITTAL.

Form:	Hawaii PUC eFile Docketed
Entity:	Hawaii Water Service Company, Inc.
Confirmation Number:	DNAK22101126476
Date and Time Received:	Dec 30 2022 10:11 AM
Date Filed:	Dec 30 2022

**NOTICE OF ELECTRONIC FILING:** Your electronic filing has been accepted. Submittals received after 4:30 p.m. shall be deemed filed the next business day. The mere fact of filing shall not waive any failure to comply with [Hawaii Administrative Rules Chapter 6-61, Rules of Practice and Procedure Before the Public Utilities Commission](#), or any other application requirements, and the Hawaii PUC may entertain timely motions in connection with your filing or require you to amend your filing.

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