

Authority-Dwelling of approximately 11.26% from the rates currently charged to the City and County of Honolulu (City) for treating wastewater that the City collects and Hawaii American Water treats in the areas of Kuliouou, Paiko, Portlock and other areas served by the City's collection system. For Public Authority-Other, which involves services to certain City and State of Hawaii (State) facilities (including parks, schools and the fire station) and Lunalilo Home, Hawaii American Water proposes a rate increase of approximately 16.46% from the rates it currently believes it is entitled (but which is currently the subject of a pending dispute between Hawaii American Water, the State and City). The following summarizes Hawaii American Water's proposed rate increases and adjustments by customer class:

Customer Class	Current Rates	Proposed Rates	Percentage Change
<b>Single-Family Residential Unit</b> (monthly service charge per dwelling unit)	\$54.55	\$63.65	16.68%
<b>Multi-Family Residential Unit</b> (monthly service charge per dwelling unit)	\$45.75	\$53.40	16.72%
<b>Commercial (Non-Residential) Units:</b>			
Food Service Operation	\$13.10 per Thousand Gallons of Water Consumed	\$14.24 per Thousand Gallons of Water Consumed	8.70%
Non-Food Service Operation (including Public Authority - Other) <sup>1</sup>	\$7.90 per Thousand Gallons of Water Consumed	\$9.20 per Thousand Gallons of Water Consumed	16.46%
Public Authority - Dwelling <sup>2</sup>	\$2.93 per Thousand Gallons of Wastewater Produced	\$3.26 per Thousand Gallons of Wastewater Produced	11.26%
<sup>1</sup> The current rate of \$7.90 per 1,000 gallons for Public Authority - Other and \$2.93 per 1,000 gallons for Public Authority - Dwelling are based on HAWC's positions as to the rates it believes it is entitled but which is currently the subject of a pending dispute between the State and City as mentioned above. However, and as acknowledged by HAWC in its application, the actual ratemaking treatment for the Public Authority - Other and Public Authority - Dwelling class has not yet been determined by the Commission as a result of an unresolved dispute between HAWC, the City and the State. A further discussion of the current rates utilized by HAWC for purposes of this application and the pending dispute is contained within HAWC's application. <sup>2</sup> Id.			

Hawaii American Water's last rate case filing was in 2005. Although the PUC approved interim rates as part of that last rate case filing, final rates have not yet been obtained. However, Hawaii American Water does not expect that the final rates to be approved as part of that last rate case filing will differ from the current rates set forth in the chart above. The proposed rate increase is needed to help us keep pace with rising operating costs and to provide improved infrastructure in our community. Pursuant to the application, Hawaii American Water, in effect, is seeking PUC approval of a rate increase of approximately \$1,324,488, or about 15.90%, over total revenues at present rates utilizing a 2008 calendar test year.

The PUC will review all of Hawaiian American Water's requests described in its application and other supporting materials and render a decision after receiving input from the Consumer Advocate's office, which is statutorily responsible to represent, protect and advance the interest of all customers.

As mentioned above, the PUC has scheduled a second public hearing on this proposed rate increase to allow Hawaii American Water customers to state their views to this quasi-judicial body. Hawaii American Water customers are invited to attend this public hearing to find out more about the proposed rate increase and raise any questions.

### 2nd Public Hearing To Be Held April 14, 2008

The PUC's second public hearing on the proposed rate increase will be held as follows:

**DATE:** Monday, April 14, 2008  
**LOCATION:** Hahaione Elementary School Cafeteria  
 595 Pepeekeo Street  
 Honolulu, Hawaii 96825  
**TIME:** 7:00 p.m.

We encourage all of our customers to attend. Copies of the proposed rate increase application are available for public viewing at our office, 6700 Kalaniana'ole Highway, #206, or at our website, [www.hawaterco.com](http://www.hawaterco.com).

### Why the Proposed Rate Increase is Needed

Hawaii American Water has worked hard to reduce costs while improving service during recent years. However, a rate increase at this time is necessary to allow us to continue to invest in system improvements. While recently we have experienced higher operational costs, the majority of our requested rate increase is for our capital improvement program. In the past several years, this program has allowed us to actively refurbish several miles of old sewer lines and upgrade treatment plant processes.

We have more system upgrades planned to make sure we are offering the best service to our customers, meeting all regulatory requirements and doing the most we can to protect our environment and keep Hawaii Kai, and our beautiful ocean and beaches, the best in the world.

While we know that no increase is ever welcomed, we are proud of the work we have done to maintain and even improve service and quality of treatment. Relative to the consumer price index or inflation, we believe we have continued to keep our cost increases low and reasonable for our customers.

### We're Here for You

Hawaii American Water is here to serve you. We believe this proposed rate increase will allow us to better serve the Hawaii Kai community. This proposed rate increase notice is being submitted to all of our customers in the Hawaii Kai community in accordance with Hawaii Revised Statutes Section 269-12(c).

If you have questions about the proposed rate increase, or any questions about your wastewater service, please call us at (808) 394-1280. Mahalo.

