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STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
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June 13, 2008

Honorable Charmaine Tavares
Office of the Mayor
County of Maui
200 South High Street
Wailuku, Hawaii 96793-2155

Re: Wai`ola O Molokai ("Wai`ola"); Molokai Public Utilities, Inc. ("MPU"); Mosco, Inc.
("Mosco")

Dear Mayor Tavares:

By letter dated June 5, 2008, the State of Hawaii Public Utilities Commission ("Commission") informed Wai`ola, MPU, and Mosco (collectively, "Utilities") that they have a duty to continue to provide service to their customers until a third party is located to operate the Utilities. In response to the Commission, the Utilities, by letter dated June 12, 2008, continue to insist that they lack the financial ability to continue to provide water and wastewater services and insist that the County of Maui ("County") accept responsibility for the water and wastewater systems, as the provision of water and wastewater services is typically a County function.

To address the financial issues raised by the Utilities as the basis for their inability to continue operations, the Commission will be opening a docket on Monday to temporarily increase the water rates for MPU and Wai`ola, so that the Utilities would be able to provide uninterrupted water service, at least temporarily. This docket will likely result in substantial increases in rates to MPU and Wai`ola customers; rates that some customers may not be able to afford. While the Commission is concerned about the effect on all customers; in particular, it is aware that Wai`ola customers may be particularly hard hit as their rates have not been increased since Wai`ola was first granted a certificate of public convenience and necessity in 1993.

This rate increase proceeding, however, is only a short term solution. As a practical matter, the Commission cannot compel the Utilities to operate in perpetuity. Moreover, even if the Commission authorizes a temporary rate increase to enable the Utilities to continue operating, there is no guarantee that the Utilities will continue to do so. There is also no guarantee that ratepayers can afford the increased rates. As it is the County's responsibility to ensure that its citizens have access to basic water and wastewater service, the Commission urges the County to act expeditiously to do what is necessary to acquire the water and wastewater systems. While the Commission will do all it can within its authority to seek to ensure the continued provision of water and wastewater service for as long as possible, we ask that the County be ready to take these systems over when the Utilities eventually discontinue providing service.

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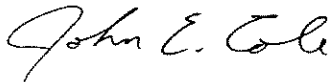
The Commission is ready to assist the County in whatever way it can. Please advise us of what the County requires from either the Commission or the Utilities to be able to operate the Utilities' systems.

In order for the Commission to devise a workable transition plan that will provide uninterrupted utility services to Molokai residents until the County is able to operate these systems, we ask that you please provide the Commission with a projected timeline for the County's acquisition of the Molokai water and wastewater systems (regulated and unregulated).

Sincerely,



Carlito P. Caliboso
Chairman



John E. Cole
Commissioner



Leslie H. Kondo
Commissioner

CPC:JC:LHK:SKD:eh

c: Honorable Linda Lingle
Honorable Laura Thielen
Honorable J. Kalani English
Honorable Mele Carroll
Honorable Danny Mateo
Division of Consumer Advocacy