



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: June 20, 2000
TO: Bart Fletcher, (Rate Case Section) *JJ* *ca* 000737-415
FROM: David Draper, (Finance and Tax Section)
RE: Requirement for Corporate Undertaking - Aloha Gardens Water & Wastewater, Aloha Utilities Inc.

Aloha Gardens Water & Wastewater a division of Aloha Utilities Inc. (AUI), requires a corporate undertaking in the amount of \$163,827. The criteria for a corporate undertaking includes sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. The 1997, 1998 and 1999 annual reports of AUI were used to determine the financial condition of the Company. As the attached schedule shows, AUI has minimal liquidity for 1999, but has shown a steady level of liquidity in previous years. In addition, the schedule shows that AUI has continuously increased its equity ratio over the three year period. AUI also has sufficient interest coverage and profitability for same three year period. Base upon this analysis, staff recommends that AUI can support a corporate undertaking in the amount of \$163,827.

This brief financial analysis is only appropriate for deciding if the utility can support a corporate undertaking in the amount proposed and should not be considered a finding regarding staff's position on other issues in the rate case.

cc: Andrew Maurey
 Division of Legal Services
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FPSC-RECORDS/REPORTING

ALOHA GARDENS WATER & WASTEWATER, ALOHA UTILITIES, INC.
 FINANCIAL ANALYSIS FOR CORPORATE UNDERTAKING

CORPORATE UNDERTAKING AMOUNT	\$163,827		
	1999	1998	1997
Current Assets	1,129,064	1,168,069	1,209,990
Current Liabilities	1,275,811	959,586	986,965
Working Capital	(\$146,747)	\$208,483	\$223,025
Current Ratio	0.88	1.22	1.23
Equity	\$2,462,274	\$2,378,646	\$2,198,476
Investor Capital	2,848,837	3,580,535	3,618,905
Total Capital	5,311,111	5,959,181	5,817,381
Equity Ratio	46.4%	39.9%	37.8%
Interest	420,850	428,596	473,048
Income Taxes	0	0	0
Net Income	248,801	180,170	419,072
EBIT	669,651	608,766	892,120
Interest Coverage	1.59	1.42	1.89
Net Income (loss)	\$248,801	\$180,170	\$419,072
ROE	10.10%	7.57%	19.06%

Source: The Company's annual reports for 1999, 1998 & 1997
 NMF = No Meaningful Figure