

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Response to Commission
order to show cause by Aloha
Utilities, Inc. in Pasco County.

DOCKET NO. 961419-WS
ORDER NO. PSC-97-0682-FOF-WS
ISSUED: June 11, 1997

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
SUSAN F. CLARK
J. TERRY DEASON
JOE GARCIA
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING SETTLEMENT PROPOSAL OF
ALOHA UTILITIES, INC.

AND

ORDER RESOLVING SHOW CAUSE PROCEEDING

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein approving Aloha Utilities, Inc.'s offer of settlement and requiring no refund is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Section 367.081(4)(b), Florida Statutes, provides that the approved rates of any utility which receives all or any portion of its utility service from a governmental authority or from a water or wastewater utility regulated by the Commission and which redistributes that service to its utility customers shall be automatically increased or decreased without hearing, upon verified notice to the Commission 45 days prior to its implementation of the

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increase or decrease that the rates charged by the governmental authority or other utility have changed.

On December 12, 1995, after a public hearing, the Pasco County Board of County Commissioners approved a rate change for all customers encompassing the period of January 1, 1996 through September 30, 1999. As a result of this rate change, the rates for all bulk water and/or wastewater customers were decreased effective January 1, 1996. On December 20, 1995, the Commission staff received from Pasco County copies of the notices it sent to utilities regulated by the Florida Public Service Commission (PSC), advising the utilities of the bulk water and/or wastewater rate change. There are nine PSC regulated utilities which purchase water and/or wastewater from Pasco County. According to the notice, Pasco County extended the January 1, 1996 effective date until April 1, 1996 in order to allow the utilities sufficient time to contact the Commission and/or incorporate the new charges into its rate structure.

The bulk water and/or wastewater rate change approved by Pasco County qualifies for a pass-through rate adjustment for PSC regulated utilities pursuant to Section 367.081(4)(b), Florida Statutes. Section 367.081(4)(e), Florida Statutes, provides that a utility may not adjust its rates under this subsection more than two times in any 12 month period. Therefore, on March 29, 1996, staff sent letters to the nine affected utilities regarding the Pasco County rate change advising them that because Pasco County approved two rate changes in 1996, the utilities had the option of using the pass through statute to adjust their rates accordingly. Specifically, staff informed the utilities that one of the rate changes could be filed as a pass-through in conjunction with an index and the other pass-through adjustment could be filed separately to be effective for October 1, 1996.

Only three of the nine (Utilities Inc. of Florida, Betmar Utilities, Inc. and Jasmine Lakes Utilities Corporation) filed for a pass-through rate reduction. Another utility, Virginia City Utilities, Inc. (Virginia City) had a staff assisted rate case in Docket No. 960625-WU, through which the county's decreased rates were incorporated. By Order No. PSC-96-1226-FOF-WS, issued September 27, 1996, in Docket No. 960878-WS, the remaining five utilities, Hudson Utilities, Inc., d/b/a, Hudson Bay Company

(Hudson); Forest Hills Utilities, Inc. (Forest Hills); Mad Hatter Utilities, Inc. (MHU); Aloha Utilities, Inc. (Aloha or utility); and Southern States Utilities, Inc. (SSU) were ordered to show cause in writing why their rates should not be adjusted, effective April 1, 1996, to reflect the reduction in purchased water and/or wastewater costs to bulk water and/or wastewater customers in Pasco County. Order No. PSC-96-1226-FOF-WS also required the utilities to file the information required by Rule 25-30.425(1)(a) through (f), Florida Administrative Code, along with a calculation of the rate reduction. By Order No. PSC-97-0458-FOF-SU, issued April 22, 1997, in Docket No. 961417-SU, we ordered that no refund was appropriate for Hudson Utilities, Inc. Further, by Order No. PSC-97-0457-FOF-WU, issued April 22, 1997, in Docket No. 961428-SU, we ordered that no reduction in rates was required for Forest Hills. However, to date, no decision has been made in the cases of MHU, Aloha, and SSU.

On October 17, 1996, Aloha filed its response to the show cause order. In its response, Aloha requested a waiver of that provision of the order requiring it to file the information required by Rule 25-30.425(1)(a) through (f), Florida Administrative Code, along with a calculation of the rate reduction. In addition, to the extent that we propose to require a refund for a system other than Aloha Gardens water system and to the extent we propose to retroactively apply any reduction based upon the reduced cost of purchased water, Aloha requested a hearing in order to address the legal and factual issues underlying any such proposed reduction.

At the April 1, 1997 agenda conference, after much discussion, we deferred this item to allow additional time for review of the settlement proposal offered by the utility in its October 17, 1996 response to the show cause order. In addition, the utility was required to provide separate rate base and net operating income statement information for 1995 for its Aloha Gardens and Seven Springs water and wastewater systems, in order for us to determine the achieved rate of return separately for each system. On April 16, 1997, the utility provided a revised settlement proposal which included rate base and operating income statement calculations for the Aloha Gardens water and wastewater systems for 1995 and actual 1996 purchases of water from Pasco County for the Aloha Gardens water system.

Aloha is a Class A water and wastewater utility providing service in Pasco County. The utility consists of two distinct service areas, Aloha Gardens and Seven Springs. These service areas are physically divided by U.S. Highway 19, the major north/south highway through Pinellas and Pasco Counties. According to Aloha's 1995 annual report, the utility serves approximately 10,710 water and 10,207 wastewater customers for both service areas. The utility's gross annual operating revenue for both service areas was \$1,755,387 and \$2,236,585 for the water and wastewater systems, respectively. The utility reported net operating revenue of \$85,106 for the water system and \$6,758 for the wastewater system.

REQUEST FOR WAIVER

In its written response to the show cause order, Aloha contends that the second ordering paragraph of Order No. PSC-96-1226-FOF-WS, which requires each utility to file the information required by Rule 25-30.425(1)(a) through (f), Florida Administrative Code, along with a calculation of the rate reduction, is contrary to the our decision at agenda and the filing of that information prior to a determination of what, if any, rate reduction is appropriate is premature and a waste of the utility's time, resources, and consulting fees. Further, the utility requested a waiver of that provision of the Order until such time as a determination is made as to the amount, if any, of a rate reduction for the utility's systems. However, because we were able to obtain the necessary and pertinent information from other independent sources, we find that this issue is now moot, and a decision regarding the utility's request is no longer required.

THE UTILITY'S OFFER OF SETTLEMENT

Aloha operates the Seven Springs water and wastewater systems and the Aloha Gardens water and wastewater systems. These systems operate under separate sets of rates and totally separate physical operations within Pasco County. As stated earlier, on October 17, 1996, Aloha filed its response to Order No. PSC-96-1226-FOF-WS. In its response, the utility provided a narrative assessment of each system, proposing to reduce its rates for the Aloha Gardens water system on a prospective basis. No reduction was proposed for the Seven Springs water and Aloha Gardens wastewater systems. The

Seven Springs wastewater system does not purchase any bulk wastewater treatment from Pasco County.

The utility asserts in its response that it disagrees with the proposition that this Commission has the statutory authority to require a decrease in rates of a regulated utility based upon a decrease in the cost of bulk service received from a governmental provider. The utility further asserts that it does not believe this Commission may reduce rates under Section 367.081(4)(b), Florida Statutes, or any other statutory section without first determining that overearnings exist.

We believe, however, that this Commission is vested with the authority to order a reduction in rates when the utility fails to initiate a decrease pursuant to Section 367.081(4)(b), Florida Statutes. We further believe that it is appropriate for this Commission to require pass-through decreases in the event that the utility meets or exceeds the minimum of its authorized range of return on equity to reflect the reduction in purchased water and/or wastewater costs to bulk water and/or wastewater customers in Pasco County. This is consistent with our decisions in the cases of Hudson Utilities, Inc., Docket No. 961417-SU, Order No. PSC-97-0458-FOF-SU and Forest Hills Utilities, Inc., Docket No. 961428-SU, Order No. PSC-97-0457-FOF-WU, both issued April 22, 1997.

In the absence of the utility filing the information required by Rule 25-30.425 (1)(a) through (f), Florida Administrative Code, we originally used information obtained from the Pasco County Utility Department (Pasco County) and the utility's 1995 annual report to develop an approximate calculation of the reduction. As stated earlier, at the April 1, 1997 agenda conference, we deferred this item to allow additional time for review of the settlement proposal offered by the utility in its October 17, 1996 response to the show cause order. In addition, the utility was required to file separate rate base and net operating income statements for its Aloha Gardens and Seven Springs water and wastewater systems for 1995 in order for us to determine the achieved return on equity separately for each system.

On April 16, 1997, the utility filed a revised settlement proposal which included actual purchased water costs for the Aloha Gardens water system for 1996 and a rate base and net operating

income statement for the Aloha Gardens water and wastewater system. Based on the information provided, we were able to determine the utility's achieved return on equity for each system for 1995. Our analysis of each of the systems is set forth below.

Seven Springs Water System

The utility did not provide any new or updated information on this system in its April 16, 1997 settlement proposal. However, in its October 17, 1996 response, the utility presented the following arguments regarding why its rates should not be reduced for the Seven Springs system. According to the utility, the Seven Springs water system purchases only a small portion of its water from Pasco County. The utility stated that in 1995 the utility's purchases increased to 61 million gallons for the calendar year, by far the highest level ever purchased by the utility. Further, the utility stated that as a result of the addition of two additional source of supply wells by the Seven Springs water system in late 1995, the utility purchased only 2,086,000 gallons of water from Pasco County in the first eight months of 1996. The utility expected the 1996 level of purchased water to be continued on a prospective basis. In addition, the utility stated that on an annualized basis Aloha, therefore, will purchase no more than approximately 3 million gallons of water from Pasco County yearly.

The utility also stated that even with the reduction in water costs effective October 1, 1996, (\$.16 from the rate in effect in 1995) the total impact of the reduction at 3 million gallons a year will be only \$480 on an annual basis. The utility stated that the reduction under any such pass-through, therefore, would be so immaterial as not to affect rates at all and surely cost more to process than the total reduction to be passed-through. Furthermore, the utility stated that it should be noted that the cost of water purchased from Pasco County has never been recognized in the rates of the Seven Springs water system. Finally, the utility stated that the interconnection was made only in recent years in order to allow for emergency purchases during peak periods, but those purchases were anticipated to be immaterial on a going forward basis because of the addition of two new supply wells in late 1995. Based on these facts, the utility stated that no pass-through reduction of purchased water costs for the Seven Springs water system was appropriate.

As previously stated, in the absence of the utility filing the information required by Rule 25-30.425 (1)(a) through (f), Florida Administrative Code, we used information obtained from Pasco County and the utility's 1995 annual report to develop an approximate calculation of the reduction. We calculated the decreased cost in purchased water using the most recent purchases from Pasco County for the twelve month period October, 1995 to September, 1996. For the period October, 1995 to March, 1996, the utility purchased 5,104,000 gallons of water, and for the period April 1, 1996, to September, 1996, the utility purchased 3,632,000 gallons of water from Pasco County. Therefore, for the period October, 1995 to September 1996, the utility purchased a total of 8,736,000 gallons of water from Pasco County. We did not have consumption data for the period October, 1995 to September, 1996; therefore, we used the total gallons of water sold during 1995 as a reasonable proxy. The utility's 1995 annual report indicates that 730,584,000 gallons of water was sold during 1995.

On April 1, 1996, Pasco County's bulk water rate was reduced from \$2.31 to \$2.18 per thousand gallons. On October 1, 1996, the rate was further reduced to \$2.15. Therefore, on a prospective basis, Pasco County's bulk water rate was reduced by \$.16. We calculated the decrease in purchased water cost to be the difference in the purchased water cost at the old rate ($5,104 \times \$2.31$ plus $3,632 \times \$2.18$), or \$19,708; and the purchased water cost at the new rate ($8,736 \times \$2.15$), or \$18,782. As a result, the decrease in purchased water cost was calculated to be \$926. The decreased purchased water cost was then divided by the expansion factor for regulatory assessment fees (.955) to determine the total decrease of \$970. The revenue decrease was divided by the gallons of water sold ($\$970/730,584$) to determine the dollar decrease to the gallonage charge of less than \$.01, or \$.001 per thousand gallons of water sold. Our calculation is shown on Schedule No. 1.

As stated earlier, we believe that a utility's rates should be reduced to reflect a reduction in purchased water and/or wastewater costs in the event that the utility meets or exceeds the minimum of its authorized range of return on equity. This system's last authorized rate of return on equity was established as 10%, by Order No. 9278, issued March 11, 1980, in Docket No. 770720-WS.

The utility's 1995 annual report reflects an achieved rate of return of 9.91%, with an achieved return on equity of 12.73%, on a combined system basis for Aloha's water systems for 1995; however, this information was not provided separately for each water system. At the April 1, 1997 agenda conference, we required the utility to file separate rate base and net income statements for the Seven Springs system in order for us to determine its achieved rate of return on equity. On April 16, 1997, the utility provided a separate rate base and net income calculation for the Aloha Gardens water system. However, this information was not provided for the Seven Springs water system. But, by comparing the separate information provided for the Aloha Gardens water system to the combined system total in the utility's 1995 annual report, we were able to determine that the Seven Springs water system achieved a rate of return of 10.07% for 1995. Based on this rate of return, the utility's achieved return on equity was calculated to be 13.10%.

Since the utility's achieved return on equity exceeds the minimum of its authorized range of return on equity, a reduction in rates would be required. However, we find that the calculated reduction of \$970 is immaterial and will have no effect on rates even if implemented. Therefore, we hereby approve the utility's settlement proposal that no reduction be required for the Seven Springs water system.

In addition, we note that the utility states that the cost of water from Pasco County has never been recognized in the rates of Seven Springs. While it appears that there has not been a rate proceeding in which the Pasco County purchased water costs have been included in the rate calculation, we believe that to the extent that the utility is earning its authorized rate of return on equity for the Seven Springs water system, those costs are effectively being recovered through the utility's rates. Further, since it appears that the utility may be exceeding the range of its last authorized rate of return on equity for this system, we will review the utility's 1996 annual report to determine if a reduction should be made in the overall rates for the utility.

Aloha Gardens Water System

In its October 17, 1996 response, the utility stated that the Aloha Gardens water system purchases approximately 2/3 of its water from Pasco County. In addition, the utility stated that during 1995, the utility experienced a return of 5.5% on its rate base. Further, the utility stated that because the Aloha Gardens water system has a relatively small rate base, the cost reduction on an annualized basis for purchased water would result in a \$16,000 savings based on 1995 purchases. The utility, therefore, stated that while the utility believes that the pass-through statute does not authorize this Commission to require such a reduction, the utility does agree that there is a potential for overearnings in 1996 as a result of this decrease in costs. Finally, the utility stated that it is apparent, however, that some portion of this reduced costs will only bring the utility closer to, or up to, its authorized rate of return; however, in order to avoid responding to detailed inquiries and litigation in this matter and the costs occasioned thereby, the utility is willing to reduce rates on a prospective basis only for the entire cost reduction based upon the 1995 purchases of water in its Aloha Gardens water system. The utility stated that this would constitute a reduction of approximately \$16,000 to \$18,000 in annual revenue.

In its April 16, 1997 settlement proposal, the utility revised or updated its proposed offer of settlement based upon actual information for 1996. The utility provided actual 1996 purchases of water from Pasco County and a calculation of the actual 1996 costs savings from April 1, 1996 to December, 1996 and the annualized cost savings resulting from the reduced cost to the utility of the purchased water. In addition, the utility provided a rate base and net income statement calculation for the Aloha Gardens water system. The information showed that the utility purchased 105,638,000 gallons of water from Pasco County in 1996. On April 1, 1996, Pasco County's bulk water rate was reduced from \$2.31 to \$2.18 per thousand gallons. On October 1, 1996, the rate was further reduced to \$2.15. The utility calculated the proposed reduction of \$17,701 by multiplying the total thousands of gallons purchased (105,638) by \$.16, the difference in the old purchased water rate and the new rate (\$2.31 - \$2.15). The result was a reduction of \$16,904. This amount was then adjusted for regulatory assessment fees at 4.5%, resulting in a total reduction of \$17,701.

The utility sold 142,122,000 gallons of water. As a result, the proposed rate decrease was calculated to be \$.12 per thousand gallons (\$17,701/142,122). We agree with the utility's calculation. Our calculation is reflected on Schedule No. 2.

As stated previously, we believe that a utility's rates should be reduced to reflect a reduction in purchased water and/or wastewater costs in the event that the utility meets or exceeds the minimum of its authorized range of return on equity. This system's last authorized rate of return on equity was established as 10% by Order No. 9256, issued February 20, 1980, in Docket No. 790027-WS. The utility's 1995 annual report reflects an achieved rate of return of 9.91%, with an achieved return on equity of 12.73%, on a total company basis for the water systems for 1995; however, this information was not provided separately for each water division. However, as previously stated, at the April 1, 1997 agenda conference, we required the utility to file a separate rate base and net income statement for the Aloha Gardens water system in order to determine its achieved rate of return on equity. This information was provided in the utility's April 16, 1997 settlement proposal. The information provided indicates that the Aloha Gardens water system achieved a rate of return of 5.45% for 1995. Based on this rate of return, we calculate that the utility achieved a return on equity of 2.52%. Because the utility does not meet or exceed the minimum of its authorized range of return on equity, no reduction would be required.

However, as previously stated, the utility indicated that the water system, while earning below its authorized rate of return, has the potential to overearn with even relatively small changes in expenses because of its small rate base. Therefore, in order to avoid responding to detailed inquiries and litigation in this matter and the costs occasioned thereby, the utility proposes to reduce the Aloha Gardens' water rates by the entire cost reduction of \$17,701 or \$.12 per thousand gallons on a going-forward basis. The utility was not able to provide detailed 1996 information for the Aloha Gardens water system at this time to determine the actual amount of overearnings for 1996. That information will be provided in the filing of the utility's 1996 annual report on May 30, 1997.

We have reviewed the information provided by the utility in its April 16, 1997 settlement proposal and concur with the utility's calculation of cost savings and the rate reduction. We, therefore, find it appropriate to approve the utility's settlement proposal to reduce the rates for the Aloha Gardens water system by \$17,701 or \$.12 per thousand gallons on a going-forward basis.

In addition to adjusting its water rates, the utility shall file revised tariff sheets along with a proposed customer notice reflecting the appropriate rates and the reason for the reduction. The rates shall be effective for service rendered as of the stamped approval date on the tariff sheets provided the customers have received notice. The tariff sheets shall be approved upon staff's verification that the tariffs are consistent with our decision and that the customer notice is adequate. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rates may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on or after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date.

Aloha Gardens Wastewater System

The utility did not provide updated information for this system in its settlement proposal of April 16, 1997. However, the utility stated in its October 17, 1996 response that the Aloha Gardens wastewater system purchases all of its wastewater treatment from Pasco County; however, that system is operating at a 21% loss for calendar year 1995. In addition, the utility stated that even with the reduction in costs occasioned by the reduced cost of purchased wastewater treatment, the system will still operate at a 4% loss on a prospective basis. Further, the utility stated that not only is the utility not achieving its authorized rate of return, it is not even breaking even and will not break even based upon the reduction in costs of purchased wastewater treatment from Pasco County. Finally, the utility stated that the rates

established for this utility are presumed reasonable until demonstrated otherwise, and the utility stated that neither the pass-through mechanism or any other mechanism can serve to reduce a utility's rates so that it is kept in the same loss position as existed prior to a reduction in costs. Additionally, the utility stated that this cannot be the conclusion reached by this Commission either as a result of the reading of the plain wording of the pass-through or other statutory sections of Chapter 367 or of general regulatory theory. Therefore, based on the above facts, the utility stated that no negative pass-through is appropriate for the Aloha Gardens wastewater system.

As previously stated, in the absence of the utility filing the information required by Rule 25-30.425(1)(a) through (f), Florida Administrative Code, we used information obtained from Pasco County and the utility's 1995 annual report to develop an approximate calculation of the reduction. Using the most recent purchases from Pasco County for the twelve month period ended December 31, 1995, we have calculated the decreased cost in purchased wastewater treatment. For the period ended December 31, 1995, the utility purchased 188,230,000 gallons of wastewater treatment from Pasco County. The utility sold 188,230,000 gallons of wastewater treatment for the same time period. On April 1, 1996, Pasco County's bulk wastewater rate was reduced from \$3.11 to \$2.20. On October 1, 1996, the rate was increased to \$2.23. Therefore, on a prospective basis, Pasco County's bulk wastewater rate was reduced by \$.88.

We have calculated the decrease in purchased wastewater treatment cost to be the difference in the purchased wastewater treatment cost at the old rate ($188,230 \times \$3.11$) and the purchased wastewater treatment cost at the new rate ($188,230 \times \$2.23$). As a result, the decrease in purchased wastewater treatment cost was calculated to be \$165,642 ($\$585,395 - \$419,753$). The decreased purchased wastewater treatment cost was then divided by the expansion factor for regulatory assessment fees (.955) to determine the total decrease of \$173,447. The revenue decrease was divided by the gallons of wastewater treatment sold ($\$173,447/188,230$) to determine the dollar decrease to the gallonage charge of \$.92.

We believe that a utility's rates should be reduced to reflect a reduction in purchased water and/or wastewater costs in the event that the utility meets or exceeds the minimum of its last authorized range of return on equity. This system's last authorized rate of return on equity was established as 12.69%, with a range of 11.69% to 13.69%, by Order No. PSC-92-0578-FOF-SU, issued June 29, 1992, in Docket No. 910540-SU. The utility's 1995 annual report reflects an achieved rate of return of .73%, with an achieved return on equity of a negative 8.29%, on a total company basis for the wastewater systems for 1995; however, this information was not provided separately for each wastewater system.

However, as previously stated, at the April 1, 1997 agenda conference, we required the utility to file a separate rate base and net income statement for the Aloha Gardens wastewater system in order to determine its achieved return on equity. This information was provided in the utility's April 16, 1997 settlement proposal. The information provided indicates that the Aloha Gardens wastewater system achieved a negative rate of return of 21.14% for 1995. Based on this rate of return, we calculate that the utility achieved a negative return on equity of 58.04%. Therefore, because the utility does not meet or exceed the minimum of its authorized range of return on equity, we find that no reduction is necessary. Further, we note that even if no reduction is made, based on 1995 data, the system's overall rate of return would be 7.10%, with a 6.29% return on equity. As such, the utility still would not meet or exceed the minimum of its authorized rate of return on equity, and no reduction would be appropriate.

Based on the above, we find it appropriate to approve the utility's settlement proposal that no reduction be required for the Aloha Gardens wastewater system.

REFUND

The amount of revenue potentially subject to refund for the Seven Springs Water system in this case is \$970 on an annualized basis. This is the amount of reduced expense that results from the reduction in purchased water costs from Pasco County. As noted earlier, this amount would only translate to a \$.001 rate reduction; therefore, we have determined that no rate reduction is necessary.

We believe the rate reduction issue and the question of refunds are separate issues. However, in this case the conclusions are the same, i.e., that no refund should be made.

A hypothetical example could be constructed that would make the total dollars in question much larger but still not be large enough to effect rates. In such a case, either a refund or some adjustment such as a one time credit to CIAC could be made. In the instant case, it would most likely be more costly to account for it than to simply recognize it as immaterial.

In rate setting, it is not possible to exactly achieve the revenue requirement because the gallons consumed and rounding rates to the penny does not allow that level of precision. We calculate rates as close as possible to the revenue requirement (the difference may not exceed 1%), and the customers or the utility receive the benefit of that imprecision. Generally, we consider these amounts to be immaterial, and no further adjustment need be made. In this case, an expense has decreased, and the utility enjoys the benefit of that decrease. However, we view \$970 over the course of a year to be an immaterial amount and in the same vein as rounding errors; therefore, we find that no refund is appropriate. We will review the utility's annual report for 1996 and future years to assure that overearnings is not occurring.

The Aloha Gardens water and wastewater system earned less than the minimum of its last authorized rate of return on equity. Therefore, we determined that no reduction was appropriate; accordingly, we find that no refund is appropriate.

CLOSING OF DOCKET

Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, and upon verification that the utility has reduced its rates to reflect the reduction in purchased water costs to bulk water customers in Pasco County and upon the utility's filing of and staff's approval of the proposed customer notice and the revised tariff sheets, this docket shall be closed.

Based on the foregoing, it is

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ORDERED by the Florida Public Service Commission that the offer of settlement of Aloha Utilities, Inc. proposing no reduction in rates for the Seven Springs water system to reflect the decrease in purchased water costs to bulk water customers in Pasco County is hereby approved. It is further

ORDERED that the offer of settlement of Aloha Utilities, Inc. proposing no reduction in rates for the Aloha Gardens wastewater system to reflect the decrease in purchased wastewater costs to bulk wastewater customers in Pasco County is hereby approved. It is further

ORDERED that the offer of settlement of Aloha Utilities, Inc. to reduce the rates for the Aloha Gardens water system on a prospective basis by \$17,701 or \$.12 per thousand gallons of water is hereby approved. It is further

ORDERED that the rate decrease approved herein shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets. It is further

ORDERED that, prior to implementation of the rate decrease approved herein, Aloha Utilities, Inc. shall submit a proposed customer notice explaining the decreased rates and the reasons therefor. It is further

ORDERED that, prior to the implementation of the rate decrease approved herein, Aloha Utilities, Inc. shall submit and have approved revised tariff sheets. The revised tariff sheets will be approved upon staff's verification that they are consistent with this Commission's decision and that the proposed customer notice is adequate. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the schedules attached hereto are incorporated herein by reference. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036,

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Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that upon expiration of the protest period, if a timely protest is not received from a substantially affected person, and upon verification that the utility has reduced its rates to reflect the reduction in purchased water costs to bulk water customers in Pasco County and upon the utility's filing of and staff's approval of the proposed customer notice and the revised tariff sheets, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 11th day of June, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

BLR

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein approving Aloha Utilities, Inc.'s offer of settlement and requiring no refund is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 2, 1997.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order,

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pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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Schedule No. 1

**ALOHA UTILITIES, INC.
SEVEN SPRINGS WATER DIVISION**

PURE GALLONAGE CHARGE PASS THROUGH CALCULATION

<u>PURCHASED WATER COST CALCULATION</u>	<u>WATER</u>
PURCHASED WATER COSTS AT OLD RATE	\$ 19,708
LESS PURCHASED WATER COSTS AT NEW RATE	<u>(18,782)</u>
DECREASE IN PURCHASED WATER COSTS	926
DIVIDE BY EXPANSION FACTOR FOR RAF	<u>.955</u>
DECREASE IN PURCHASED WATER COSTS	\$ 970
DIVIDE BY GALLONS SOLD	<u>730,584</u>
DOLLAR CHANGE TO GALLONAGE CHARGE ONLY	\$ 0.00

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Schedule No. 2

ALOHA UTILITIES, INC.
ALOHA GARDENS WATER DIVISION

PURE GALLONAGE CHARGE PASS THROUGH CALCULATION

<u>PURCHASED WATER COST CALCULATION</u>	<u>WATER</u>
PURCHASED WATER COSTS AT OLD RATE	\$244,024
LESS PURCHASED WATER COSTS AT NEW RATE	<u>(227,120)</u>
DECREASE IN PURCHASED WATER COSTS	16,904
DIVIDE BY EXPANSION FACTOR FOR RAF	<u>.955</u>
DECREASE IN PURCHASED WATER COSTS	\$17,701
DIVIDE BY GALLONS SOLD	<u>142,122</u>
DOLLAR CHANGE TO GALLONAGE CHARGE ONLY	\$ 0.12