

LAW OFFICES  
**ROSE, SUNDBSTROM & BENTLEY, LLP**  
2548 BLAIRSTONE PINES DRIVE  
TALLAHASSEE, FLORIDA 32301  

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**(850) 877-6555**

MAILING ADDRESS  
POST OFFICE BOX 1567  
TALLAHASSEE, FLORIDA 32302-1567

TELECOPIER (850) 656-4029

March 29, 2001  
**VIA HAND DELIVERY**

ROBERT M. C. ROSE  
OF COUNSEL

CHRIS H. BENTLEY, P.A.  
F. MARSHALL DETERDING  
MARTIN S. FRIEDMAN, P.A.  
JOHN R. JENKINS, P.A.  
STEVEN T. MINDLIN, P.A.  
JOSEPH P. PATTON  
DAREN L. SHIPPY, LL.M. TAX  
WILLIAM E. SUNDBSTROM, P.A.  
DIANE D. TREMOR, P.A.  
JOHN L. WHARTON

Blanca S. Bayo, Director  
Division of Records & Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0862

Re: Aloha Utilities, Inc.  
Request for New Class of Service  
Our File No. 26038.01

010372-1111

Dear Ms. Bayo:

In accordance with the provisions of Section 367.091(5), Florida Statutes and Rule 25-9.005(4), Florida Administrative Code, I am filing this Application for Approval of a New Class of Service for Aloha Utilities, Inc.

Aloha received authorization to begin public access distribution of reuse water from the applicable environmental regulatory authorities in recent months. Immediately following that approval, the Utility began the provision of reuse service, or the negotiation for the provision of reuse service, with several commercial customers as outlined to the Commission in Docket No. 950615-SU. It is now apparent that the Utility will, in the very near future, start receiving requests from potential customers for reuse service who are residential in nature. Lines are in place in at least two neighborhoods where new homes will likely benefit from and seek reuse services from Aloha on a residential basis.

By Order No. PSC-97-0280-FOF-WS(DocketNo. 950615-SU), the Commission established a charge per thousand gallons for reuse service of \$.25. That rate has been proposed for adjustment to \$.29 per thousand gallons pursuant to Order No. PSC-01-0326-FOF-SU (Docket No. 991643-SU). While that Order is not final because of pending requests for reconsideration, none of those pending requests address the reuse rate and, as such, it is likely that this rate will become final in the very near future. However, when the Commission and the parties to the current rate proceeding (Docket No. 991643-SU) and the previous reuse project proceeding (Docket No. 950615-SU), were discussing reuse services no mention whatsoever was made of residential reuse services. All discussions of potential customers, and appropriate rates revolved around general service or commercial reuse customers. The Utility now finds itself in a position where it must begin providing reuse service to residential customers and it is the Utility's intention to begin marketing those services immediately. However, the simple charge per thousand gallons with no base charge, does not reasonably relate to residential reuse customers and does not adequately address the differences

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between residential and general service reuse customers. As such, the Utility is seeking a new class of service for residential reuse customers herein.

Residential reuse customers are very different than commercial or general service reuse customers. They use significantly less water on average, and the meter cost, meter maintenance, meter reading, accounting, and billing costs and labor are substantial in relation to the revenue generated. Aloha has also determined that because reuse service would require the billing of customers based upon a second consumption level (reuse water consumption versus potable water usage) that the Utility's billing program, as it currently exists, would have to be reprogrammed at substantial expense in order to accommodate the calculation of a consumptive based reuse service bills, based upon this separate consumption reading. However, a flat rate for this service can be accommodated within the existing billing system. While this is also true for commercial or general service customers, they are few in number as compared to residential customers who will exist within a month or two, much less within the coming years. Therefore, the commercial customers can be accommodated without reprogramming of the Utility's billing system. Pasco County in its provision of reuse service to residential customers, has resolved these problems in part by employing a flat rate reuse rate of \$6.34 per month for unlimited residential reuse service. The Commission has, in the past, fashioned the rates charged for reuse service based in part on the charges utilized by Pasco County. While the Utility did not necessarily agree with all such comparisons, we do believe Pasco County's use of a flat rate for residential reuse service is an appropriate pricing mechanism, will further use of reuse services, and should be followed here.

In order to avoid the cost of requiring an investment in a meter for each customer (and a meter installation fee) which will discourage the use of reuse service, and in order to avoid costs relating to meter maintenance, meter reading, billing calculation (based upon usage), computer programming costs, and billing and collection issues, Aloha hereby proposes to establish a new class of service for residential reuse, utilizing the same monthly flat charge as is utilized by Pasco County for the provision of such services.

Aloha estimates that immediately upon approval of the new class of service rate of \$6.34 per month per residential customer, provision of reuse services will quickly grow in the number of customers utilizing the services and, therefore, in total revenue achieved pursuant to this tariff charge. Given the fact that the Utility currently has one subdivision which already has reuse lines in the ground and in which there are existing homes receiving water and sewer service, we anticipate the growth to be approximately 10 homes per month increase in residential reuse customers in the first year. There is also a second subdivision where reuse lines have recently been installed, but few if any homes currently exist within that subdivision, and growth in reuse customers therein is expected to be affected primarily by growth in the number of homes occupied within the new area. This is expected to be a much smaller figure than that within the existing neighborhood where reuse lines, facilities, and residents already exist.

Based upon the above, the Utility estimates that the revenue to be generated within the next year from residential reuse service utilizing the proposed new class of service rates will be approximately \$5,500 based upon the growth factors as outlined above.

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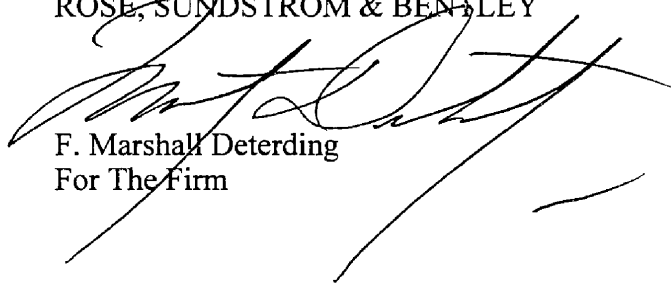
We are attaching hereto a proposed tariff to implement this new class of service as **Exhibit "A"** hereto.

Aloha Utilities, Inc. would like to begin a concerted effort to market residential reuse services to those customers who are eligible for such services, and who have ready access to the facilities necessary for the provision of such services. Therefore, the Utility requests that the Commission staff move expeditiously to approve this new class of service for the provision of residential reuse service as quickly as possible, so that the Utility can begin marketing the service and thereby dispose of effluent and generate additional revenues for the benefit of all customers.

Should you or any members of the staff have any questions in this regard, please let me know.

Sincerely,

ROSE, SUNDSTROM & BENTLEY



F. Marshall Deterding  
For The Firm

FMD/tmg  
cc: Ralph Jaeger, Esquire  
Stephen G. Watford, President  
Robert C. Nixon, CPA  
David W. Porter, P.E.  
aloha\2bayo.fmd

ALOHA UTILITIES, INC.  
Request for New Class of Service

Proposed Tariff Sheet

Exhibit A

Seven Springs System

RESIDENTIAL RECLAIMED WATER SERVICE

RATE SCHEDULE

AVAILABILITY - Available to all areas where reuse infrastructure exists within the certificated service territory of the service company.

APPLICABILITY - To the extent of its capacity and wastewater flows, the Utility shall provide irrigation quality water using treated wastewater effluent.

LIMITATIONS - Subject to all the rules and regulations of this tariff and general rules and regulations of the Commission.

\$6.34 per month - Flat Rate

EFFECTIVE DATE - \_\_\_\_\_, 2001

STEPHEN G. WATFORD  
ISSUING OFFICER

TYPE OF FILING - New Class of Service

PRESIDENT  
TITLE