



Public Service Commission

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DATE: SEPTEMBER 20, 2001

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (FLETCHER, JONES, *SBF*)
MERCHANT) *ML* DIVISION OF LEGAL SERVICES (ESPINOSA, JAEGER) *PL* *PT* *TS*

RE: DOCKET NO. 010503-WU - APPLICATION FOR INCREASE IN WATER RATES FOR SEVEN SPRINGS SYSTEM IN PASCO COUNTY BY ALOHA UTILITIES, INC.
COUNTY: PASCO

AGENDA: 10/02/01 - REGULAR AGENDA - DECISION ON SUSPENSION OF REQUESTED FINAL RATES - PARTICIPATION IS LIMITED TO COMMISSIONERS AND STAFF

CRITICAL DATES: 60-DAY SUSPENSION DATE: OCTOBER 9, 2001

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\010503.RCM

CASE BACKGROUND

Aloha Utilities, Inc. (Aloha or utility), is a Class A water and wastewater utility located in Pasco County. The utility consists of two distinct service areas, Aloha Gardens and Seven Springs. This recommendation relates to the Seven Springs water system. The utility's service area is located within the Northern Tampa Bay Water Use Caution Area as designated by the Southwest Florida Water Management District (SWFWMD). Critical water supply concerns have been identified by SWFWMD within this area.

In its 2000 annual report, Aloha reported operating revenues of \$2,298,460 and \$3,694,106 for water and wastewater, respectively. In 2000, the utility served 12,732 water and 12,112 wastewater customers. Rate base was last established for Aloha's

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Seven Springs water system by Order No. PSC-01-1374-PAA-WS, issued June 27, 2001, in Docket No. 000737-WS. That Order was consummated by Order No. PSC-01-1672-AS-WS, issued August 16, 2001.

On August 10, 2001, Aloha filed an application for an increase in rates for its Seven Springs water system. Since the utility's application was complete as filed, the official filing date was established as August 10, 2001, pursuant to Section 367.083, Florida Statutes.

The utility's requested test year for the setting of final rates is the projected year ended December 31, 2001. Also, the utility requested that this application be directly set for hearing. The case has been set for hearing in Pasco County on January 9 through 11, 2002. In its minimum filing requirements (MFRs), the utility has requested for final consideration, total water revenues of \$3,044,811. This represents a revenue increase of \$1,077,337 (or 54.76%). The final revenues are based on the utility's request for an overall rate of return of 9.07%.

Aloha initially requested a test year for interim purposes for the historical year ended December 31, 2000. However, on September 10, 2001, Aloha filed an Amended Application for an Interim Increase in Water Rates, in which it requested that interim rates be determined using the historic test year ended June 30, 2001. Aloha's amended request was for annual revenues of \$2,027,224. This represents a revenue increase of \$290,138 (or 16.70%) for interim purposes.

The sixty-day statutory deadline for the Commission to suspend the utility's requested final rates is October 9, 2001. This recommendation addresses the suspension of Aloha's requested final rates. Staff will file, as expeditiously as possible and prior to the sixty-day statutory deadline of November 9, 2001, a recommendation to address the utility's amended interim rate request.

The Commission has jurisdiction pursuant to Section 367.081, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the utility's proposed final rates be suspended?

RECOMMENDATION: Yes. Aloha's proposed final water rates should be suspended. The docket should remain open pending the Commission's final action on the utility's requested rate increase. (FLETCHER)

STAFF ANALYSIS: Section 367.081(6), Florida Statutes, provides that the rates proposed by the utility shall become effective within sixty days after filing unless the Commission votes to withhold consent to the implementation of the requested rates. Further, the above referenced statute permits the proposed final rates to go into effect, under bond, escrow or corporate undertaking, eight months after filing unless final action has been taken by the Commission.

Staff has reviewed the filing and has considered the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. Staff believes that it is reasonable and necessary to require further amplification and explanation regarding this data, and to require production of additional and/or corroborative data. This further examination will include on-site investigations by staff accountants and engineers. Based on the foregoing, staff recommends that it is appropriate to suspend the utility's proposed final rate increase.

The docket should remain open pending the Commission's final action on the utility's requested rate increase.