

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for sewer) DOCKET NO. 910540-SU
service rate adjustment in) ORDER NO. PSC-92-0578-FOF-SU
Aloha Gardens service area by) ISSUED: 06/29/92
ALOHA UTILITIES, INC. in)
Pasco County)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION

ORDER GRANTING FINAL RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Aloha Utilities, Inc. (Aloha or utility) is a Class A water and wastewater utility located in Pasco County. The utility consists of the Aloha Gardens water and wastewater systems and the Seven Springs water and wastewater systems. According to Aloha's 1990 annual report, the utility's total annual revenue was \$2,706,870. Its net income for 1990 was \$81,967. The utility serves a total of 9,120 water customers and 8,653 wastewater customers. The Aloha Gardens wastewater system, which is the only system under consideration in this proceeding, had revenues of \$472,629 for 1990.

On December 20, 1991, Aloha filed the instant application for a rate increase. We found this filing deficient and Aloha filed additional information to correct these deficiencies on January 15, 1992, and that date was established as the official date of filing. The test year for this docket is the projected twelve-month period ended December 31, 1992. In a separate limited proceeding, Docket No. 911146-SU, this Utility requested a revenue increase to recover

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anticipated costs and expenses related to the interconnection of the Aloha Gardens wastewater system to the Pasco County regional wastewater system. This Commission, by Order No. PSC-92-0127-FOF-SU, issued March 31, 1992, authorized temporary rates, subject to refund, designed to generate an annual revenue increase of \$491,316. In that Order, we held that any potential refund of these temporary rates would be addressed in the instant rate proceeding.

In its application, Aloha has requested final rates designed to generate annual wastewater revenues of \$1,114,125. These revenues exceed projected test year revenues by \$610,690, for an increase of 121 percent. Pursuant to Section 367.081(8), Florida Statutes, Aloha requested that this proceeding be processed as a Proposed Agency Action (PAA) procedure.

QUALITY OF SERVICE

Our analysis of the overall quality of service is based upon our evaluation of the utility's compliance with the Florida Department of Environmental Regulation (DER) standards and the requirements of other regulatory agencies, the quality of the wastewater treated by the utility, the operational conditions of the utility's plant, and customer satisfaction.

Aloha Gardens' two wastewater treatment plants and effluent disposal facilities are under a Consent Order, issued May 26, 1988, for failure to comply with DER standards. On July 17, 1991, an amended DER Consent Order was issued by the Circuit Court of the Sixth Judicial Circuit in Pasco County, Florida, requiring the utility to abandon the use of Aloha Gardens' wastewater treatment and effluent disposal facilities and interconnect with Pasco County's regional wastewater treatment and collection system. Therefore, we find that the quality of the treated wastewater will be satisfactory upon completion of the interconnection.

An on-site field investigation of the utility was conducted on February 28, 1992. The formal field inspection primarily included the field inspection of the two wastewater plants, the effluent polishing ponds, the lift stations and the service areas. The two wastewater treatment plants are scheduled to be dismantled once the Aloha Gardens system becomes a bulk customer of Pasco County. The utility also plans to backfill the polishing ponds which are currently used for effluent disposal. After the interconnection occurs, Pasco County will provide all wastewater treatment and effluent disposal. The on-site field inspection indicated that the

wastewater collection system was properly maintained and was in satisfactory operating condition.

On March 5, 1992, a customer meeting was conducted in the utility's service area in Holiday, Florida. Approximately 28 customers were in attendance. Twelve customers testified. The main concern of the customers was the significant increase in rates. Other concerns included lake pollution, water smell and sediments, fair rate of return, customers not getting notice, and rate case procedures.

Several customers also complained about the odor from the wastewater treatment plants and the odor surrounding two lift stations. Any odor problem caused by the treatment plants will be eliminated after the interconnection with Pasco County. However, the lift stations that are the subject of customers' complaints will not be abandoned after the interconnection. Therefore, to address these concerns, we find it appropriate to require the utility to inspect the lift stations more often and to repair the pumps, if necessary.

One customer also testified that a section of old force mains may have created some sink holes in front of his properties. We find it appropriate to require the utility to investigate this allegation and, if true, make any necessary repairs.

Upon consideration of the foregoing, we find that the quality of wastewater service provided by the utility is satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1-A, and our adjustments are itemized on Schedule No. 1-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Wastewater Treatment Plant-in-Service

Based on the amended Consent Order, Aloha is required to abandon its wastewater treatment plants and percolation ponds, and become a bulk customer of Pasco County. As a result, its treatment facilities will no longer be necessary. In order to interconnect with the county system, the utility will construct a master lift station and a force main across a canal. The utility proposes to

build a master lift station on a small part of the old plant. We find this to be a prudent, economic decision.

Based on the foregoing, we find it appropriate for both wastewater treatment plants to be retired, except for that portion of the former plant site to be used for the master lift station. Accordingly, as shown on Schedule No. 1-B, we have made the following adjustments to accounts to reflect the appropriate amounts related to the retirement of both plants: plant-in-service has been adjusted by \$(142,654); accumulated depreciation has been adjusted by \$68,730; contributions-in-aid-of-construction (CIAC) has been adjusted by \$59,437; amortization of CIAC has been adjusted by \$(40,588); test year amortization expense is adjusted by \$(549), and property taxes have been adjusted by \$(2,103). Also, depreciation expense has been reduced by \$549 to adjust an error in the utility's calculation of depreciation expense.

Used and Useful

Land - As previously discussed, the Amended Consent Order requires Aloha to abandon its wastewater treatment plants and percolation ponds after interconnecting with the Pasco County wastewater system. As a result of this interconnection, land currently used for treatment and disposal purposes will no longer be used and useful. Aloha's total land area measures approximately 13.4 acres and is valued at \$45,000, as reflected on the utility's books.

However, as discussed in an earlier part of this Order, some additional land is needed for plant related to the interconnection: a master lift station; a force main; and a warehouse. Upon review of the utility's service map, the site plan of the proposed lift station, and upon consideration of the foregoing, we find the appropriate area of land necessary for utility operations after interconnection to be approximately 3.2 acres. This represents approximately 23 percent of the utility's land. Accordingly, we have determined land to be 25 percent used and useful to allow the utility some flexibility in the use of the land.

Wastewater Treatment Plants - Pursuant to the Amended Consent Order, Aloha's two wastewater treatment plants and disposal facilities are required to be abandoned. Moreover, after the interconnection with Pasco County, the two wastewater treatment plants on-site will be demolished and retired from the plant-in-service accounts. Therefore, the used and useful for the wastewater treatment plants shall be zero.

In order to interconnect with the county system, Aloha proposes to build a master lift station on a small portion of the old plant structure. In addition, the utility asserts that equalization storage is required based on its bulk customer agreement with the county, and some empty concrete tanks should be reserved for that purpose.

Based on discussions with the county utility director and DER's permitting engineers, we find that the equalization storage is not required and is unnecessary.

According to the site plan of the proposed master lift station, approximately 8.2 percent of the non-retired plant structures will be utilized. We believe it is appropriate to reserve 10 percent of this plant for building the proposed master lift station. Therefore, we find this plant is 90 percent non-used and useful. Aggregating this 90 percent non-used and useful plant with the other fully retired plant in the plant-in-service account, the combined non-used and useful percentage of plant is 97 percent.

Therefore, we find the wastewater treatment plants are 97 percent non-used and useful.

Wastewater Collection System - The Aloha Gardens system was first constructed in 1969. Currently, the Aloha Gardens wastewater system serves approximately 2,685 equivalent residential connections (ERCs), or 2,823 accounts, in the southwestern areas of Pasco County. In its MFRs and its annual reports, the utility states the Aloha Gardens system has experienced no growth for wastewater customers in its service areas during the past five years. In addition, in its limited proceeding application, the utility asserted that the Aloha Gardens system is essentially built-out and it does not anticipate the number of customers served will increase in the foreseeable future. Therefore, we find that the wastewater collection system is 100 percent used and useful. Further, we find that the new master lift station and force main will also be 100 percent used and useful after the interconnection. Therefore, we find it appropriate to make no adjustments to the wastewater collection system.

Wastewater Plant-In-Service - Based on our finding in earlier portion of this Order, we found the land to be 25 percent used and useful. In its application the utility included \$45,000 of land in its rate base. Accordingly, we have increased non-used and useful plant by \$33,750 with a corresponding adjustment to property tax expense of \$498.

Working Capital

The utility used the formula method for calculating working capital which is based on one-eighth of test year operating and maintenance (O&M) expenses. However, as discussed in a subsequent portion of this Order, we have adjusted requested O&M expenses. Accordingly, using the formula method, we find the appropriate working capital allowance to be \$98,280. This represents a reduction of \$5,018.

Rate Base

Using average test year balances and based on our decisions and adjustments herein, we find that the appropriate test year rate base is \$796,295.

COST OF CAPITAL

Our calculation of the appropriate cost of capital is depicted on Schedule No. 2-A, and our adjustments are contained on Schedule No. 2-B.

Cost Rate Of Preferred Stock

The utility used a cost rate of 15.50 percent for its preferred stock. One share of cumulative preferred stock was issued in 1982 at a face value amount of \$600,000, to Tahitian Development, a related company. The interest rates were much higher during that period of time than they are at the present time and no dividends have been paid on the stock since its issuance in 1982. Based on the foregoing, we find that 15.50 percent does not reflect the true cost rate of the preferred stock. Accordingly, we find it appropriate to value the preferred stock as common equity.

Return on Equity

Commission practice is to use the leverage formula in effect at the time of our decision when establishing a return on equity. Therefore, using the midpoint of the current leverage formula contained in Order No. 24246, we find the appropriate return on equity is 12.69 percent, with a range of 11.69 percent to 13.69 percent.

Overall Rate of Return

Based on our decisions herein, and using the utility's adjusted capital structure with each item reconciled on a pro rata

basis, we find the appropriate overall cost of capital to be 10.85 percent, with a range of 10.41 to 11.29 percent.

NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedule No. 3-A, and our adjustments are itemized on Schedule No. 3-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Operation and Maintenance Expense (O&M)

Salaries and Wages - Officers - Our review of O&M expenses included a comparison of reported expenses with those approved in the utility's last rate case. Schedule No. B-8 of the MFRS requires the utility to explain why any increases in expenses exceed customer growth and inflation. Our review found that in several line items of expenses, the increased levels exceeded customer growth and inflation. On most of the line items the utility provided a detailed description of why the increases were above customer growth and inflation. We find these explanations to be reasonable. However, the utility failed to address the large increases in officers' salaries.

A review of the utility's 1990 tax return indicates that the president of the utility made \$87,000, but only spent 15 percent of his time working on utility business, attributable to both utility systems. However, we find that even this amount is excessive. Therefore, we have used the benchmark analysis in Schedule No. B-8 of the MFRS to make the reduction to officers' salaries. Accordingly, we have reduced officers' salaries by \$3,857. Payroll taxes and pensions have also been reduced by \$354 and \$1,288, respectively.

Salaries and Wages - Employees - Currently, the utility has an operational staff of six employees, including one full time and five partially allocated operators assigned to its Aloha Gardens wastewater system. The full time operator is employed for treatment plant operation, while another operator works part time performing maintenance work associated with the wastewater treatment facilities. The remaining employees' job duties include field supervision, lift station maintenance, and general maintenance.

We find it appropriate to remove the salaries and wages of the two operators whose work is directly related to the operation and maintenance of the wastewater treatment facilities which are to be dismantled. In consideration of the foregoing, we have reduced employees' salaries by \$18,107 with a corresponding reduction of \$1,662 to payroll taxes and \$6,048 to pensions.

Excess Infiltration - Although the utility has a history of excessive infiltration, we find, based on a field survey and review of the data flows, the infiltration problem improved after the utility repaired a major leak in the lift station in 1989. Therefore, we find that there is no excess infiltration in the Aloha Gardens wastewater system. However, because the utility's collection lines are located in a coastal area, which makes it more vulnerable to infiltration problems, we also find it appropriate for the utility to continue monitoring to prevent any excess infiltration problems in the future.

Purchased Power - In its MFRs, Aloha included in purchased power an amount for its estimate of extra electricity demand for aerating retained sewage in the equalization tank. However, in an earlier portion of this Order, we determined that equalization will not be required. Therefore, we find it appropriate to reduce the annual power expense by \$4,740.

Chemical Expenses - Subsequent to the filing of its MFRs, Aloha corrected its estimate of chemical expenses of 60 cents per pound to a more realistic figure of 37 cents per pound. We agree with this correction and have reduced chemical costs by \$1,224.

Contractual Services - The utility reduced the number of bills being sent out by 463 by eliminating individual billing to the customers of a condominium. We find that based on this change there will be a 16 percent reduction in the \$12,928 in annual billing costs. Accordingly, we have reduced contractual services by \$2,069.

Purchased Sewage Treatment

The utility estimated the annual cost of purchased sewage treatment based on the contracted service rate of \$4.12 per thousand gallons of wastewater treated and the total sewage treated by the utility's own wastewater plants in 1990. We find that the method Aloha used to calculate sewage treatment is reasonable. Accordingly, we find it appropriate to make no changes to the utility's requested purchased sewage amount.

Rate Case Expense

In its rate case application the utility requested total rate case expense of \$98,000. This amount included \$50,000 for accounting services, \$45,000 for legal fees, and \$3,000 for filing fees and other out of pocket costs, for both the limited proceeding and the rate case. The utility's updated request for rate case expense estimated the amount of rate case expense to complete the case through the issuance of this Order, and also included engineering fees. Based upon our review of the request and supporting documentation, we find several adjustments are necessary.

Legal Fees - The utility originally estimated its legal fees to be \$45,000. According to the utility's updated request for rate case expense, only \$32,716 has been actually incurred; the remainder is required to complete the processing of the case. The legal fees included \$797 for administrative litigation regarding the DER enforcement action. We find that the charges incurred in connection with the DER litigation should be removed because they involve charges unrelated to this docket. Accordingly, we find it appropriate to remove \$797 from the revised request of \$32,716.

Accounting Consultant Fees - The utility initially estimated that accounting consultant fees would be \$50,000. The utility's update indicated that accounting fees would be \$62,973 to complete this case.

Prior to this rate case, Aloha's wastewater customers in Seven Springs and Aloha Gardens were under uniform rates established in a 1976 rate case. The utility did not and was not required to keep separate general ledger account balances for the two systems. Part of the time spent by the accounting consultant in preparing the MFRs for this proceeding was spent separating the 1976 wastewater rate base components between Seven Springs and Aloha Gardens. We find that this was a benefit to the Seven Springs system as well as the Aloha Gardens system. Accordingly, we have reduced rate case expense by \$10,252, reflecting half of the expense related to separating the rate base components.

We have further reduced accounting fees by \$1,738 to reflect a discount given to the utility which was not reflected in the rate case expense estimate, and by \$1,095 for a charge related to a gross-up refund report.

Based on the above, we find that the appropriate amount of accounting fees attributable to rate case expense is \$49,888, a reduction of \$112 from the amount originally requested in the MFRs.

Engineering Fees - The utility did not include a request for engineering fees in the MFRs, but it did request \$3,863 for engineering fees in the updated request. These fees included services for the Seven Springs system as well as the Aloha Gardens system. Therefore, we have adjusted the requested amount by half, or \$1,932.

Miscellaneous - The utility included a \$3,000 provision for filing fees and other miscellaneous expenses. No adjustments have been made to this request.

Upon consideration of the foregoing, we find the appropriate amount of reasonable rate case expense to be \$86,739.

Guideline Depreciation Rates

In its MFRs, the utility used the guideline depreciation rate for the test year as reflected in Rule 25-30.140, Florida Administrative Code. Therefore, we find the guideline depreciation rates used by the utility to be appropriate.

Income Tax Expense

Based on the level of revenues and expenses which we have approved herein, we find that the appropriate provision for income tax expense is \$28,578.

Test Year Operating Income

Based on our previous adjustments, we find the appropriate level of test year operating income to be negative \$237,205.

REVENUE REQUIREMENT

Based upon our review of the utility's application and the adjustments discussed herein, we find that the appropriate annual revenue requirement is \$1,046,747. This revenue requirement represents an annual increase in revenue of \$543,312 or 107.92 percent. This revenue requirement will allow the utility to recover its operating expenses and the opportunity to earn a 10.85 percent return on its investment.

RATES AND CHARGES

The permanent rates requested by the utility are designed to produce annual revenues of \$1,114,125 for wastewater service, an increase of \$610,690. The utility also requested several changes in the structure of its rates: 1) to switch from flat rates to a base facility charge (BFC) structure for residential customers; 2) to charge the customer's base facility charge (BFC) while the customer is temporarily disconnected instead of charging the currently approved vacation rate of \$6.42; 3) to implement a 10,000 gallon cap on residential service; 4) to modify the general service rate structure to exclude the minimum gallons within the BFC.

We have calculated final rates for the utility which are designed to produce annual revenues of \$1,046,747, using the base facility charge rate structure. We find those rates to be fair, just and reasonable, and not unduly discriminatory.

Base Facility Charge

In its application, the utility requested to change to the BFC rate structure. We find this change to the BFC rate structure appropriate because it tracks the cost of providing service and gives the customers some control over their water and wastewater bills. In addition, each residential and general service customer, even if temporarily disconnected, pays his pro rata share of the related costs necessary to provide service upon request through the BFCs while the costs associated with treatment and disposal of wastewater are paid through the gallonage charge. We also find it appropriate to authorize the utility to charge the BFC in place of the previously approved vacation rate to ensure recovery of fixed operating costs.

Residential Wastewater Service Gallonage Cap

Presently, the utility bills its residential customers a flat rate of \$12.83 each month for wastewater service, regardless of the amount of water used. With its request for the BFC rate structure, the utility has requested a 10,000 gallon cap for residential wastewater service.

Using the utility's billing analysis and wastewater treatment plant flow data for the year ended December 31, 1990, a comparison of the water purchased by residential customers and water treated by the wastewater treatment plant indicated that approximately 82 percent of the water purchased by all customers is collected and treated by the wastewater treatment system, leaving approximately

18 percent as uncollected. Most uncollected water is usually used by residential customers for irrigation and other non-domestic uses. This is confirmed by the utility's billing analysis which reflects a number of residential customer water bills in excess of 25,000 gallons per month.

We find a gallonage cap on the residential wastewater rates to be appropriate to recognize the use of water for non-domestic purposes. The billing analysis indicates that 92 percent of the residential customers' water bills for this utility are less than 10,000 gallons per month. Also, we find industry standards reflect that a typical residential customer uses approximately 10,000 gallons per month. Accordingly, we find a 10,000 gallon cap on residential wastewater service to be reasonable and appropriate. Further, we find that a cap on general service customer bills is not appropriate because most of the water used by general service customers is usually collected and treated by the wastewater system.

Rates

The utility's original rates, its requested final rates, and the Commission approved final rates are set forth below for comparison.

	<u>WASTEWATER Monthly Rates</u>		
<u>Residential</u>	<u>Original Rates</u>	<u>Requested Final Rates</u>	<u>Utility Commission Approved Rates</u>
Flat Rate All Meter Sizes	\$ 12.83	---	---
Base Facility Charge All Meter Sizes	---	\$ 9.24	\$ 10.85
Gallonage Charge per 1,000 Gallons (Cap at 10,000 Gallons)		\$ 5.14	\$ 4.38

		<u>WASTEWATER</u> <u>Monthly Rates</u>		
		<u>Original</u> <u>Rates</u>	<u>Requested</u> <u>Final</u> <u>Rates</u>	<u>Utility</u> <u>Commission</u> <u>Approved</u> <u>Rates</u>
<u>General Service*</u>				
<u>Meter Size - Minimum Gallons</u>				
5/8" x 3/4" -	3,000	\$ 12.83	\$ 9.24	\$ 10.85
1" -	8,000	34.16	23.10	27.13
1 1/2" -	15,000	64.13	46.20	54.25
2" -	24,000	102.60	73.92	86.30
3" -	48,000	205.20	147.84	173.60
4" -	---	---	231.00	271.25
6" -	150,000	641.25	462.00	542.50
8" -	240,000	1,025.98	739.20	868.00

Gallonage Charge per
 1,000 Gallons, in excess
 of min. (No max.) \$ 1.65 --- ---

Gallonage Charge per
 1,000 Gallons
 (no min. or max.) --- \$ 6.17 \$ 5.26

* Original includes minimum gallons in the base facility charge. Final rates, both the requested and commission approved, do not include any minimum gallons.

Effective Date

The approved rates shall be effective for meter readings taken on or after thirty days from the stamped approval date of the revised tariff sheets. The utility shall submit revised tariff sheets and an adequate customer notice reflecting the Commission's decision. If no protest is timely filed to the proposed agency action Order, the revised tariff sheets will be approved upon staff's verification that the tariff sheets and the customer notice are acceptable and the utility system has interconnected with Pasco County's system.

Statutory Four-Year Rate Reduction

Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over a period of four years. The statute further requires that the utility rates be reduced immediately thereafter by the amount of rate case expense previously included in the rates. The revenue reduction for this utility, \$22,660, reflects the annual rate case expense that is

amortized (expensed) plus the gross-up for regulatory assessment fees.

The rates at the end of the four year period are set forth below. The utility shall file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Schedule of Commission Approved Rates and
Rate Decrease in Four Years

<u>WASTEWATER</u> <u>Monthly Rates</u>		
	<u>Commission</u> <u>Approved</u>	<u>Rate</u> <u>Decrease</u>
<u>Residential</u>		
Base Facility Charge: All Meter Sizes	\$ 10.85	\$ 0.23
Gallage Charge per 1,000 Gallons (Cap at 10,000 Gallons)	\$ 4.38	\$ 0.09

<u>WASTEWATER</u> <u>Monthly Rates</u>		
	<u>Commission</u> <u>Approved</u>	<u>Rate</u> <u>Decrease</u>
<u>General Service</u>		
Base Facility Charge:		
5/8"	\$ 10.85	\$ 0.23
1"	27.13	0.59
1 1/2"	54.25	1.17
2"	86.80	1.88
3"	173.60	3.76
4"	271.25	5.87
6"	542.50	11.74
8"	868.00	18.79
Gallage Charge per 1,000 Gallons	\$ 5.26	\$ 0.11

Miscellaneous Service Charges

The utility requested miscellaneous service charges that are at the level recommended in Staff Advisory Bulletin No. 13, Second Revised. The utility does not have approved miscellaneous service charges for the wastewater system, although the water system is authorized to collect a violation reconnection charge of \$20 during normal work hours and \$25 after normal working hours. No other miscellaneous service charges are approved for this utility.

The purpose of miscellaneous services charges is to provide a means by which the utility can recover its costs of providing miscellaneous services from those customers who require the services. Thus, these costs are borne by the cost causer rather than the general body of ratepayers.

For clarification, a description of each service for which there is a charge follows:

INITIAL CONNECTION - This charge would be levied for service initiation at a location where service did not exist previously.

NORMAL RECONNECTION - This charge would be levied for transfer of service to a new customer account at a previously serviced location, or reconnection of service subsequent to a customer requested disconnection.

VIOLATION RECONNECTION - This charge would be levied prior to reconnection of an existing customer disconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.

PREMISES VISIT CHARGE (IN LIEU OF DISCONNECTION) - This charge would be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The requested charges for each type of miscellaneous service charge are provided below.

<u>TYPE OF SERVICE</u>	<u>Charge</u>
Initial Connection	\$15.00
Normal Reconnection	\$15.00
Violation Reconnection	Actual Cost
Premises Visit (in Lieu of Disconnection)	\$10.00

We find that the above miscellaneous service charges are appropriate. Customers who receive both water and wastewater service from the utility will be charged the approved charges for both services only if multiple actions beyond the utility's control are required.

The utility shall file proposed tariff sheets reflecting the approved charges and an explanation of the charges. The charges shall be effective for service provided on or after the stamped approval date on the tariff sheets.

Service Availability Charges

The utility's existing service availability policy and charges were previously approved by Order No. 9711, issued January 13, 1981. The utility is authorized to collect a wastewater plant capacity charge of \$117.06 per ERC. The utility also collects a main tap-in fee based on actual cost.

The utility has not requested a change in its service availability policy nor do we find it appropriate to change the policy at this time. Although the contribution level as of December 31, 1992, was only 22.25 percent, the service area is largely built-out with approximately 10 vacant lots remaining. The establishment of a new policy at this time would not be effective in meeting the guidelines set out in Chapter 25-30.580, Florida Administrative Code. Accordingly, we find it appropriate to make no changes to the utility's current service availability policy.

Refund of Revenues

By Order No. PSC-92-0127-FOF-SU, in Docket No. 91146-SU, temporary rates were approved for the utility subject to refund, pursuant to Sections 367.081 and 367.082, Florida Statutes. The temporary increase of \$491,316 authorized the utility to recover

increased costs associated with the required interconnection with the county. Any refunds of the temporary rate increase were to be processed in this proceeding.

The revenue increase approved herein is \$543,312, which is greater than the temporary increase approved in the limited proceeding of \$491,316. Therefore, we find that no refund is necessary and the escrow account may be released.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Aloha Utilities, Inc.'s request for an increase in wastewater rates and charges in Pasco County is approved as set forth in the body of this Order. 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 body of this Order and in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that the provisions of this Order, are issued as Proposed Agency Action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of the Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the body of this Order. It is further

ORDERED that Aloha Utilities, Inc. is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

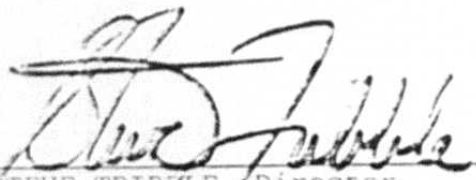
ORDERED that prior to its implementation of the rates and charges approved herein, Aloha Utilities, Inc. shall submit revised tariff pages and an adequate customer notice. If no protest is timely filed to the proposed agency action Order, the revised tariff sheets will be approved upon staff's verification that the tariff sheets and the customer notice are consistent with our decision herein, and after the utility system has interconnected with Pasco County's regional wastewater system. The approved rates shall be effective for meter readings taken on or after thirty days from the stamped approval date of the revised tariff sheets. It is further

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ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period, consistent with our decision herein. The utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall also file a customer notice. It is further

ORDERED that if a protest is not received within 21 days of issuance of this Proposed Agency Action Order, this Order shall become final. The docket may be closed upon the utility's filing of revised tariff sheets and staff's approval of them. It is further

By ORDER of the Florida Public Service Commission, this 29th day of June, 1992.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

CB/RG

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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.

The action proposed herein 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 at his office at 101 East Gaines Street,

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Tallahassee, Florida 32399-0870, by the close of business on July 20, 1992.

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 adversely 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, 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.

ALOHA UTILITIES, ALOHA GARDENS SYSTEM
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 1-A
 DOCKET NO. 910540

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 1,665,455	\$(139,643)	\$ 1,525,812	\$(142,654)	1,383,158
2 LAND	53,061	0	53,061	0	53,061
3 NON-USED & USEFUL COMPONENTS	0	0	0	(33,750)	(33,750)
4 CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0
5 ACCUMULATED DEPRECIATION	(731,573)	167,802	(563,771)	68,730	(495,041)
6 CIAC	(537,657)	153,634	(384,023)	59,437	(324,586)
7 AMORTIZATION OF CIAC	259,069	(103,308)	155,761	(40,588)	115,173
8 ACQUISITION ADJUSTMENT -NET	0	0	0	0	0
9 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
10 WORKING CAPITAL ALLOWANCE	0	103,298	103,298	(5,018)	98,280
RATE BASE	\$ 708,355	\$ 181,783	\$ 890,133	\$(93,843)	796,295

ALOHA UTILITIES, ALOHA GARDENS SYSTEM
 ADJUSTMENTS TO RATE BASE
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 1-B
 DOCKET NO. 910540

EXPLANATION	WATER	WASTEWATER
(1) UTILITY PLANT IN SERVICE		
----- Adjustment to retire treatment	\$ 0	\$ (142,654)
	=====	=====
(2) NON-USED AND USEFUL PLANT		
----- To adjust for exclusion of land	\$ 0	\$ (33,750)
	=====	=====
(3) ACCUMULATED DEPRECIATION		
----- To remove accumulated depreciation related to the retirement of the treatment plant	\$ 0	\$ 68,730
	=====	=====
(4) CIAC		
----- To remove CIAC related to plant retirement	\$ 0	\$ 59,437
	=====	=====
(5) ACCUMULATED DEPRECIATION OF CIAC		
----- To remove accumulated depreciation related to the retirement of the treatment plant	\$ 0	\$ (40,588)
	=====	=====
(6) WORKING CAPITAL		
----- To reflect adjustment of O&M	\$ 0	\$ (5,018)
	=====	=====

ALOHA UTILITIES, ALOHA GARDENS SYSTEM
 CAPITAL STRUCTURE
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 2-A
 DOCKET NO. 910540

DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	UTILITY WEIGHTED COST	COMMISSION RECONC. ADJ. TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST PER COMMISSION		
1 LONG TERM DEBT	\$ 1,069,345	51.45%	9.53%	4.90%	\$ (659,654)	\$ 409,691	51.45%	9.53%	4.90%		
2 SHORT-TERM DEBT	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%		
3 PREFERRED STOCK	600,000	28.87%	15.50%	4.47%	(600,000)	0	0.00%	15.50%	0.00%		
4 COMMON EQUITY	314,045	15.11%	13.11%	1.98%	36,147	350,192	43.98%	12.69%	5.58%		
5 CUSTOMER DEPOSITS	95,041	4.57%	8.00%	0.37%	(58,629)	36,412	4.57%	8.00%	0.37%		
7 ACCUM. DEFERRED INCOME TAX	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%		
8 OTHER (Explain)	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%		
9 TOTAL CAPITAL	\$ 2,078,431	100.00%		11.72%	(1,292,136)	786,295	100.00%		10.65%		
RANGE OF REASONABLENESS							LOW	HIGH			
RETURN ON EQUITY								11.69%	13.62%		
OVERALL RATE OF RETURN								10.41%	11.29%		

ALOHA UTILITIES, ALOHA GARDENS SYSTEM
 ADJUSTMENTS TO CAPITAL STRUCTURE
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 2-B
 DOCKET NO. 910540

DESCRIPTION	SPECIFIC ADJUSTMENT (1)	SPECIFIC ADJUSTMENT (2)	PRO RATA RECONCILE	NET ADJUSTMENT
1 LONG TERM DEBT	\$ 0	\$ 0	\$ (659,654)	\$ (659,654)
2 SHORT-TERM DEBT	0	0	0	0
3 PREFERRED STOCK	(600,000)	0	0	(600,000)
4 COMMON EQUITY	600,000	0	(563,853)	36,147
5 CUSTOMER DEPOSITS	0	0	(58,629)	(58,629)
6 ACCUM. DEFERRED INCOME TAX	0	0	0	0
7 OTHER (Explain)	0	0	0	0
8 TOTAL CAPITAL	\$ 0	\$ 0	\$ (1,282,136)	\$ (1,282,136)

ALOHA UTILITIES, ALOHA GARDENS SYSTEM
 STATEMENT OF WASTEWATER OPERATIONS
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 3-A
 DOCKET NO. 910540

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 503,435	\$ 610,690	\$ 1,114,125	\$(610,690)	\$ 503,435	\$ 543,312	\$ 1,046,747
OPERATING EXPENSES						107.92%	
2 OPERATION AND MAINTENANCE	\$ 801,885	\$ 24,500	\$ 826,385	\$(40,140)	\$ 786,237	\$	\$ 786,237
3 DEPRECIATION	38,550	(3,263)	35,287	1,484	36,771		36,771
4 AMORTIZATION	0	35,309	35,309	(1,608)	33,781		33,781
5 TAXES OTHER THAN INCOME	57,199	25,420	82,619	(32,098)	50,521	24,449	74,970
6 INCOME TAXES	0	32,257	32,257	(198,927)	(166,670)	195,248	28,578
7 TOTAL OPERATING EXPENSES	\$ 897,634	\$ 114,303	\$ 1,011,937	\$(271,297)	\$ 740,640	\$ 219,697	\$ 960,337
8 OPERATING INCOME	\$(394,199)	\$ 496,387	\$ 102,188	\$(339,393)	\$(237,205)	\$ 323,615	\$ 86,410
9 RATE BASE	\$ 708,355		\$ 890,138		\$ 796,295		\$ 796,295
RATE OF RETURN	-55.65%		11.48%		-29.79%		10.85%

ALOHA UTILITIES, ALOHA GARDENS SYSTEM
ADJUSTMENTS TO OPERATING STATEMENTS
TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 3-B
DOCKET NO. 910540
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EXPLANATION	WASTEWATER
(1) OPERATING REVENUES	

To remove the utility's test year revenue request	\$ (610,690)
	=====
(2) OPERATION & MAINTENANCE EXPENSE	

A. To reduce salaries of field personnel	\$ (18,107)
B. To reduce officers salaries	(3,857)
C. To decrease pension & benefits	(7,336)
D. To decrease purchase power	(4,740)
E. To reduce chemical expenses	(1,224)
F. To reduce data processing charges	(2,069)
G. To decrease rate case expense.	(2,815)

NET ADJUSTMENT	\$ (40,148)
	=====
(3) DEPRECIATION	

A. To correct depreciation expense	\$ (549)
B. To remove amortization for CIAC related plant retirement	2,033

NET ADJUSTMENT	\$ 1,484
	=====
(4) AMORTIZATION	

To reflect amortization for CIAC related to plant.	\$ (1,608)
	=====
(5) TAXES OTHER THAN INCOME	

A. To remove property taxes related to plant retirement	\$ (2,103)
B. To remove property taxes related to non used and useful plant	(498)
C. To remove payroll taxes related to reduction in salaries	(2,016)
D. To remove requested provision for RAF's	(27,481)

NET ADJUSTMENT	\$ (32,098)
	=====
(6) PROVISION FOR INCOME TAXES	

To remove income tax expense.	\$ (198,927)
	=====

ALOHA UTILITIES, ALOHA GARDENS SYSTEM
ADJUSTMENTS TO OPERATING STATEMENTS
TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 3-B
DOCKET NO. 910540
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EXPLANATION	WASTEWATER
(7) OPERATING REVENUES	
----- To adjust revenues to allow for a fair rate of return	\$ 543,312 =====
(8) TAXES OTHER THAN INCOME	
----- A. To reflect RAF's related to adjustment to revenues.	\$ 24,449 =====
(9) PROVISION FOR INCOME TAXES	
----- To reflect increased revenues	\$ 195,248 =====