

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation of rates of Aloha Utilities, Inc. in Pasco County for possible overearnings for the Aloha Gardens water and wastewater systems and the Seven Springs water system.

DOCKET NO. 000737-WS  
ORDER NO. PSC-01-0101-PCO-WS  
ISSUED: January 12, 2001

The following Commissioners participated in the disposition of this matter:

E. LEON JACOBS, JR., Chairman  
J. TERRY DEASON  
LILA A. JABER  
BRAULIO L. BAEZ  
MICHAEL A. PALECKI

ORDER REQUIRING UTILITY TO PROVIDE ADDITIONAL SECURITY

BY THE COMMISSION:

BACKGROUND

Aloha Utilities, Inc. (Aloha or utility), is a Class A water and wastewater utility 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. 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 1999 annual report, Aloha reported the following:

<u>System</u>	<u>Water Customers</u>	<u>Wastewater Customers</u>	<u>Water Operating Revenues</u>	<u>Wastewater Operating Revenues</u>
Aloha Gardens	3,103	2,822	\$517,032	\$1,009,285
Seven Springs	<u>9,242</u>	<u>8,866</u>	<u>\$1,726,029</u>	<u>\$2,518,899</u>
Total Company	<u>12,345</u>	<u>11,688</u>	<u>\$2,243,061</u>	<u>\$3,528,184</u>

DOCUMENT NUMBER-DATE

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FPSC-REGULATORY REPORTING

In the utility's last rate proceeding, rate base was established for each of the utility's systems by Order No. PSC-99-1917-PAA-WS, issued September 28, 1999, in Dockets Nos. 970536-WS and 980245-WS. The order was consummated by Order No. PSC-99-2083-CO-WS, issued October 21, 1999.

On March 21, 2000, our staff initiated an undocketed earnings investigation by submitting an audit service request to the Division of Auditing & Financial Analysis. The purpose of the audit was to compile and audit the utility's Aloha Gardens water, Aloha Gardens wastewater, and Seven Springs water systems' rate base, capital structure and net operating income for the test year ended December 31, 1999. By Order No. PSC-00-1289-FOF-WS, issued July 18, 2000, we initiated an investigation of the rates and charges of the utility's Aloha Gardens water and wastewater systems and Seven Springs water system.

The utility's Seven Springs wastewater system is not included in this docket because Aloha filed an application for an increase in rates for that system. Docket No. 991643-SU was established to process that application. We held a hearing in Docket No. 991643-SU on October 2 and 3, 2000, in Pasco County. The hearing was continued on November 2, 2000, in Tallahassee. Our ruling on the issues in Docket No. 991643-SU is scheduled for the January 16, 2001 agenda conference.

We have jurisdiction pursuant to Section 367.082(2)(b), Florida Statutes.

ADDITIONAL SECURITY

By Order No. PSC-00-1289-FOF-WS, we held the following amounts subject to refund:

<u>System</u>	<u>Test Year Revenues</u>	<u>Amount Subject To Refund</u>	<u>% Subject To Refund</u>
Aloha Gardens Water	\$519,976	\$133,977	25.77%
Aloha Gardens Wastewater	\$1,001,716	\$84,076	8.39%
Seven Springs Water	\$1,723,085	\$52,378	3.04%

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Further, based on a 7-month time frame, we ordered the utility to provide a corporate undertaking in the amount of \$161,140 as a guarantee of any potential refund of water and wastewater revenues collected subject to refund. The \$161,140 amount included an interest component in the amount of \$3,389.

As stated above, Docket No. 991643-WS was established to process Aloha's current rate case application pending for its Seven Springs wastewater system. There are several issues in Docket No. 991643-SU that will also be addressed in this earnings docket. Some of these issues are controversial, such as the appropriate treatment of contributed and deferred taxes and of capitalized invoices previously expensed. Because the rate case docket has been through an administrative hearing, we find it appropriate to address this earnings docket after our vote on the rate case. This will allow our staff to incorporate our decisions on several issues in this earnings investigation. In addition, the utility recently purchased a new office building for \$765,000. We plan to evaluate this purchase for any potential impact on the earnings level of the utility's Aloha Gardens water and wastewater systems and the Seven Springs water system. Further, due to the time constraints of the utility's pending rate case for its Seven Springs wastewater system, the utility requested and our staff agreed to allow the utility more time to respond to our data requests in this earnings investigation.

Pursuant to Section 367.082(2)(b), Florida Statutes, in an interim decrease proceeding, the utility shall be authorized to continue collecting its previously authorized rates provided that the revenues held subject to refund are secured. The amount held subject to refund with interest shall be placed under bond, escrow, letter of credit or corporate undertaking pending our final action in the docket. Pursuant to Section 367.082(2)(c), we shall determine whether escrow, letter of credit, or corporate undertaking may be filed in lieu of a bond. The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund.

The 1997, 1998, and 1999 annual reports were used to determine

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the financial condition of Aloha. Based on our analysis, we find that a corporate undertaking signed by Aloha is sufficient to protect the potential refund. Therefore, the corporate undertaking approved in Order No. PSC-00-1289-FOF-WS, shall be increased by \$70,910, resulting in a total amount of \$232,050 as a guarantee of any potential refund of water and wastewater revenues collected under the interim conditions. This \$232,050 guaranteed amount represents a 10-month time frame, including a 90-day period for the utility to administer any potential refunds.

Further, the utility shall keep an accurate and detailed account of all monies received. By no later than the 20th day of each month, the utility shall file a report showing the amount of revenues collected each month subject to refund. Should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

In no instance shall maintenance and administrative costs associated with any refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Aloha Utilities, Inc. shall increase the corporate undertaking approved in Order No. PSC-00-1289-FOF-WS by \$70,910, resulting in a total amount of \$232,050 as a guarantee of any potential refund of water and wastewater revenues collected under the interim conditions. It is further

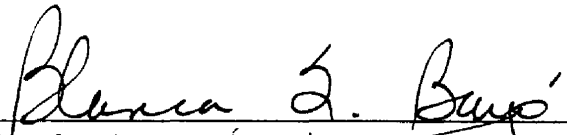
ORDERED that no later than the 20th of each month, Aloha Utilities, Inc. shall file monthly reports consistent with the requirements set forth in the body of this Order. It is further

ORDERED in no instance shall maintenance and administrative costs associated with any refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. It is further

ORDERED that this docket shall remain open.

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By ORDER of the Florida Public Service Commission this 12th  
day of January, 2001.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

JKF

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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida

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Administrative Code, if issued by the Commission; or (3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.