

Commissioners:
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DIVISION OF WATER & WASTEWATER
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ORIGINAL
FILE COPY

Public Service Commission

June 17, 1997

Ms. Elizabeth Sessa
3423 UMBER ROAD
HOLIDAY, FLORIDA 34691

RE: Application of Aloha Utilities, Inc. for a Limited Proceeding to Increase Water and Wastewater Rates - Docket No. 970536-WS

Dear Ms. Sessa:

We have received your letter dated June 5, 1997, regarding your concerns about the rates and services of Aloha Utilities, Inc. (Aloha). The Commission is investigating Aloha in a number of areas. Recently, the Commission approved Aloha's Reuse Water/Wastewater Plan and Aloha's application for rate increase for the Seven Springs wastewater system. In this proceeding, the Commission voted to eliminate the flat rate for the Seven Springs wastewater ratepayers, and the new rates will be effective in the near future. Also, the Commission found the water quality for the Seven Spring's system was unsatisfactory and ordered Aloha to investigate other methods of providing quality water service to its customers.

ACK _____
AFA _____
APP _____ On June 10, 1997, Aloha filed with the Commission its current plans to improve the quality of its water service. The staff is currently reviewing these plans on the necessary plant additions to improve Aloha's water quality. My staff will then prepare a recommendation for the Commission's consideration in August or September.

CTR _____
EAG _____ In addition, the Commission ordered an audit of Aloha's books and records. On March 5, 1997, the Commission informed Aloha that it would perform this audit. The auditors will be looking into the reasonableness of the utility's investment in plant and its expenses. Also, the auditors will be looking at the fairness of the transactions between Aloha and its related businesses. Aloha has subsequently filed a petition to challenge the Commission's authority to do the audit. This challenge will probably not be resolved until late August, 1997. Once this challenge has been resolved, the limits, if any, of the audit will have been determined, and the audit will be performed.

WAS _____
DTH _____ The Commission also accepted a settlement proposal by Aloha to reduce Aloha Gardens' water rates on May 7, 1997. The settlement reduced the Aloha Gardens water

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rates on a going forward basis by \$17,701 or \$0.12 per thousand gallons of water sold. This was a 3.56% reduction in the annual revenues to the Aloha Gardens water system and the lower rates will be effective in the near future. This reduction in rates reflects the lower costs of purchased water and/or wastewater costs to Aloha.

On May 6, 1997, Aloha filed the current limited proceeding application to increase its water and wastewater rates for its Aloha Gardens and Seven Springs customers. The utility requested additional revenues for Aloha's cost in the Florida Department of Transportation relocation of State Road 54 line project and the increase in costs to change to a two-part bill and envelopes. Only a small percentage of the increase in costs for the new bills and envelopes will possibly increase the rates of the Aloha Gardens' customers.

On June 12, 1997, the Commission's staff filed a recommendation that recommends that the Commission set aside Aloha's application for increased revenues in the limited proceeding until the challenge to the Commission's authority to do an audit has been resolved. Attached is a copy of the recommendation that the Commission will vote on at the June 24, 1997 Agenda. All interested parties may participate at the Agenda.

Sincerely,



Charles H. Hill
Director

Attachment

cc: Division of Water and Wastewater (Hill, Willis, Merchant, Kaproth, Starling)
Records and Reporting
Legal (Reyes)
Office of the Public Counsel
Aloha Utilities, Inc.