

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M RECEIVED

JUN 10 2002

DATE: June 10, 2002
TO: Chairman Jaber
FROM: Timothy J. Devlin, Director, Division of Economic Regulation
Adrienne Vining, Attorney, Office of the General Counsel
RE: Docket No. 020408-SU - Application for Rate Increase in Seminole County by Alafaya Utilities, Inc. - Test Year Approval

Florida Public Service C
CHAIRMAN JAB

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By letter dated May 9, 2002, Alafaya Utilities, Inc. (AUI or utility) has requested approval to use a historical test year ended December 31, 2001. This rate increase application will be for general rate relief for its wastewater-only system in Seminole County. The Company is also requesting that it be allowed to file its MFRs on or before September 13, 2002. The utility has stated that it will seek interim rate relief using the year ended December 31, 2001 as a test year. Further, the utility stated that it will file its application using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes.

The utility has indicated that the proposed test year ended December 31, 2001 is representative of the current operations. AUI also believes that the historical test year will be a representative period to measure the cost of service and establish new rates. AUI states that there is no material growth in the system, the expenses incurred by the utility are typical, and this test year is the most current year for which financial information is available. AUI has not previously had a rate case. The utility's last rate proceeding was a reuse project plan approved in Order No. PSC-98-0391-FOF-SU, issued March 16, 1998, in Docket No. 960288-SU. AUI states that the rate increase is being sought because of increased operating costs and because of the length of time since rates were last set. Further, the utility states that it plans to include pro forma improvements to its reuse system in this rate case.

Staff believes that the requested test year will be representative because of the reasons stated above. Staff has reviewed the utility's annual reports for the calendar years 1999 through 2001. Based on our review, we believe that the requested test year should be approved. Receipt of the application by October 14, 2002, will be acceptable.

The test year letter filename is S:\psc\ecr\wp\alafaya_tya.wpd.

- c: Dr. Mary Bane, Executive Director
Division of Economic Regulation (Willis, Merchant, Kyle, Revell)
Division of Auditing and Safety (Vandiver)
Division of the Commission Clerk and Administration
Jackie Edwards

DOCUMENT NUMBER-DATE

06120 JUN 12 02

FPSC-COMMISSION CLERK

LILA A. JABER
CHAIRMAN

STATE OF FLORIDA



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2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
(850) 413-6044

Public Service Commission

June 10, 2002

Mr. Martin S. Friedman
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301

Re: Docket No. 020408-SU, Application for rate increase in Seminole County by Alafaya Utilities, Inc.

Dear Mr. Friedman:

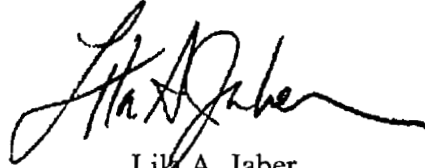
We have received your letter dated May 9, 2002 requesting test year approval for Alafaya Utilities, Inc. (AUI). Your correspondence states that the utility is requesting to use a historical test year ended December 31, 2001. AUI is also requesting that it be allowed to file its minimum filing requirements (MFRs) on or before September 13, 2002. In your correspondence, you state that the utility intends to seek interim rate relief using the year ended December 31, 2001 as a test year. Further, you state that the utility intends to file its application using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes. The utility's test year request as outlined above is hereby approved.

For administrative purposes only, Docket No. 020408-SU has been assigned to the forthcoming case. Your petition will be deemed filed on the date that the Division of the Commission Clerk & Administrative Services receives the complete petition, the MFRs, and the filing fee. To minimize any regulatory lag that may occur, we request that you file the above no later than September 30, 2002.

Under the file and suspend law, the time period for processing the request will begin on the date that all of the required data is completely filed. If not complete, the official filing date will be the date the complete corrections to the deficiencies are filed. The utility is instructed to file all information with its original filing that it wishes the Commission to consider. Because of the time limitations contained in Section 367.081, Florida Statutes, and the lengthy auditing and investigation required, there is a possibility that information filed at a later time will not be considered. Lastly, the utility should be prepared to justify its requested test year operation and maintenance expenses, particularly those which have increased above the level of customer growth and inflation, for the period of December 31, 1996 through December 31, 2000.

Mr. Martin S. Friedman
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Sincerely,

A handwritten signature in black ink, appearing to read "Lila A. Jaber", with a long horizontal flourish extending to the right.

Lila A. Jaber
Chairman

LAJ:jbr

cc: Dr. Mary Bane, Executive Director
Division of The Commission Clerk & Administrative Services
Division of Economic Regulation (Willis, Merchant, Kyle, Revell)
Office of the General Counsel (Vining)
Division of Auditing and Safety (Vandiver)