



Public Service Commission

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DATE: JULY 24, 2003

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

FROM: DIVISION OF ECONOMIC REGULATION (WETCHER, MERCHANT) *ABS*
OFFICE OF THE GENERAL COUNSEL (JAEGER, HOLLEY) *JAM* *Walt* *W* *T*

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: 08/05/03 - REGULAR AGENDA - POST HEARING DECISION - PARTICIPATION IS LIMITED TO COMMISSIONERS AND STAFF

CRITICAL DATES: NONE

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 in Pasco County. The utility consists of two distinct service areas: Aloha Gardens and Seven Springs. On August 10, 2001, Aloha filed an application for an increase in rates for its Seven Springs water system. By Order No. PSC-01-2199-FOF-WU, issued November 13, 2001, the Commission approved interim rates subject to refund with interest, which increased rates by 15.95%. This 15.95% interim increase in rates has been secured by the utility's deposit of those funds in an escrow account.

The Commission issued its final order, Order No. PSC-02-0593-FOF-WU (Final Order), on April 30, 2002. Among other things, this order denied a revenue increase, set a two-tiered inclining block rate structure, increased plant capacity charges, required certain

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plant improvements, and required a 4.87% interim refund. The utility appealed this decision to the First District Court of Appeal (First DCA), and sought a stay while the decision was under appellate review. By Order No. PSC-02-1056-PCO-WU, issued August 5, 2002, the Commission granted in part and denied in part the utility's Motion for Stay. Among other things, the Commission stayed the setting of a new rate structure, the requirement of interim refunds, and the requirement for certain plant improvements.

The First DCA affirmed the Commission's Final Order and subsequently denied the utility's Motion for Rehearing. The First DCA's mandate was issued on June 30, 2003. As a result, the appellate review is complete and all provisions of the Final Order are now effective.

The utility has implemented the Commission approved rates and is in the process of making the refunds. However, because the last bills under the old interim rates did not go out until July, collections under the interim rate structure may not be completed until some time in August, and the refunds may not be completed until sometime after that. Therefore, by letter dated June 30, 2003, Aloha requested the release of escrowed funds that are in excess of the 4.87% interim refund required by the Final Order. The utility also stated it would prospectively deposit 4.87% of any monies collected under the interim rate structure.

This recommendation addresses the partial release of escrowed funds. The Commission has jurisdiction pursuant to Section 367.081, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant a partial release of escrowed funds to the utility?

RECOMMENDATION: Yes. The partial release of \$328,209 should be released to Aloha. Consistent with the Final Order, the utility should prospectively deposit 4.87% of any revenues collected under the interim rate structure. (FLETCHER, JAEGER)

STAFF ANALYSIS: By Order No. PSC-01-2199-FOF-WU, issued November 13, 2001, the Commission approved interim rates subject to refund with interest, which increased rates by 15.95%. On October 31, 2001, Aloha opened an escrow account to secure the funds collected subject to refund, and pursuant to the interim order, deposited 15.95% of all monthly revenues in the escrow account. In the Final Order, the Commission ordered a 4.87% refund of interim rates. As stated in the case background, the utility has requested the release of escrowed funds that are in excess of the 4.87% to make the interim refunds. Since the funds in excess of the required 4.87% are not necessary to secure the refunds to customers required by the Final Order, staff recommends that these excess funds be released to Aloha.

In its letter dated June 30, 2003, Aloha requested the release of escrowed funds in excess of \$136,000. In support of its request, the utility provided a refund calculation schedule which indicated that the interim refunds totaled \$135,411 through May 2003. Staff has discovered two minor typographical errors in Aloha's refund calculation. However, the net effect of those errors resulted in the same required interim refund of \$135,411 through May 2003.

Subsequent to the utility's request, Aloha has made another deposit in the amount of \$32,531 to the escrow account. With this additional deposit, staff has calculated interim refunds of \$145,411 through June 2003. According to the refund reports submitted to date, the utility has deposited \$473,620 in the escrow account. Based on the above, staff recommends that \$328,209 (\$473,620 less \$145,411) be released to Aloha. Further, consistent with the Final Order, staff recommends that the utility should prospectively deposit 4.87% of any revenues collected under the interim rate structure.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open until staff has verified that the utility has made the required interim refunds pursuant to the Final Order. Once staff has verified that the refunds have been made, the remaining funds in the escrow account may be released, and the escrow account and this docket should be closed. (FLETCHER, JAEGER)

STAFF ANALYSIS: This docket should remain open until staff has verified that the utility has made the required interim refunds pursuant to the Final Order. Once staff has verified that the refunds have been made, the remaining funds in the escrow account may be released, and the escrow account and this docket should be closed.