

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** February 16, 2006

**TO:** Director, Division of the Commission Clerk & Administrative Services (Bayó)

**FROM:** Office of the General Counsel (Melson)  
Division of Economic Regulation (Rendell)

**RE:** Docket No. 060122-WU – Joint petition for approval of stipulation on procedure by Aloha Utilities, Inc. and Office of Public Counsel.

**AGENDA:** 02/28/06 – Regular Agenda – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\GCL\WP\060122.RCM.DOC

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### Case Background

Aloha Utilities, Inc. (Aloha or utility) is a Class A water and wastewater utility located in Pasco County. The utility consists of two distinct service areas: Aloha Gardens and Seven Springs. There are a number of active dockets, appeals or other cases involving Aloha's Seven Springs service area and the Commission. In Docket Number 050018-WU, the Commission has initiated deletion proceedings for a portion of the Seven Springs service area based on a number of problems that ultimately stem from the presence of hydrogen sulfide in the water.

On August 17, 2005, the Commission deferred consideration of staff's recommendation to accept a comprehensive Offer of Settlement submitted by Aloha in an effort to resolve Docket Number 050018-WU and all other outstanding matters. At that time, the Commission decided to hold the deletion proceeding in abeyance and directed staff to undertake negotiations with Aloha,

the Office of Public Counsel (OPC), customer representatives, and other interested parties in an attempt to reach a resolution that is satisfactory to all parties. Staff and the parties subsequently have held six negotiating meetings and have made substantial progress toward reaching a settlement agreement. Staff expects that a settlement agreement will involve the installation of anion exchange treatment facilities at several Aloha water plants to remove hydrogen sulfide from the water.

It appears that Aloha needs to purchase approximately 1.5 million gallons of water per day in order to meet the needs of current and future customers. Aloha has contracted to purchase this water from Pasco County, and expects there will be significant costs associated with the purchase of this water and the installation and operation of related chloramination facilities.

As part of the negotiations between the parties, on February 13, 2006, OPC and Aloha filed a Joint Petition to Approve Stipulation on Procedure. The Stipulation on Procedure formalizes an agreement between Aloha and OPC regarding the procedure to be followed and the issues to be addressed in the event Aloha files a future limited proceeding to recover the costs of purchasing water from Pasco County, and the cost of installing and operating related chloramination facilities. The Commission has jurisdiction pursuant to Sections 120.569 and 367.0822, Florida Statutes.

### **Discussion of Issues**

**Issue 1:** Should the Commission approve the Stipulation on Procedure, filed February 13, 2006, between Aloha and the Office of Public Counsel regarding the procedures to be followed in the event Aloha files a limited proceeding to recover the costs of purchasing water from Pasco County and installing and operating related chloramination facilities?

**Recommendation:** Yes. The Stipulation on Procedure should be approved. (Melson, Rendell)

**Staff Analysis:** In order to facilitate further negotiations, Aloha and the Office of Public Counsel have entered into a Stipulation on Procedure (Attachment A) which details certain procedures to be followed in the event Aloha files a limited proceeding to recover the costs of purchasing water from Pasco County and installing and operating related chloramination facilities. This Stipulation on Procedure was filed February 13, 2006, and Aloha and OPC are joint petitioners in asking the Stipulation be approved.

The Stipulation is clear that it will only be effective if approved by the Commission without modification, and if an overall settlement agreement is ultimately reached to resolve the deletion proceeding and related issues. Staff believes that the issues to be considered and the timetables enumerated in the Stipulation are reasonable. In addition, approval of the Stipulation should facilitate the ultimate goal of the parties reaching a global agreement to resolve the outstanding issues between them and with the Commission. Accordingly, staff recommends that the Commission approve the Stipulation on Procedure.

**Issue 2:** Should this docket be closed?

**Recommendation:** No. (Melson, Rendell)

**Staff Analysis:** This docket should remain open to allow Aloha the opportunity to file a Petition for Limited Proceeding. If the parties fail to negotiate a comprehensive settlement agreement, or the Limited Proceeding is otherwise not filed, this docket should be closed.