

VOTE SHEET

DATE: APRIL 1, 1997

RE: DOCKET NO. 961419-WS - Response to Commission order to show cause by Aloha Utilities, Inc. in Pasco County.

Issue 1: Should Aloha Utilities, Inc.'s request for a waiver of that provision set forth in Order No. PSC-96-1226-FOF-WS requiring the utility to file the information required by Rule 25-30.425(1)(a) through (f), F.A.C., along with a calculation of the rate reduction, be granted?

Recommendation: No. Aloha Utilities, Inc.'s request for a waiver should be denied. Pursuant to Order No. PSC-96-1226-FOF-WS, the utility should have filed the information required by Rule 25-30.425(1)(a) through (f), F.A.C., along with a calculation of the rate reduction. The Commission should reach a decision regarding the proposed decrease based on the information presently available.

**DEFERRED**

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

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REMARKS/DISSENTING COMMENTS:

PSC/RAR33(5/90) *Staff to advise*

DOCUMENT NUMBER-DATE

03489 APR-4 97

FPSC-RECORDS/REPORTING

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**Issue 2:** Does the Commission have the authority to reduce Aloha Utilities, Inc.'s rates to reflect a reduction in purchased water and/or wastewater costs?

**Recommendation:** The Commission has the authority to reduce Aloha Utilities, Inc.'s rates to reflect a reduction in purchased water and/or wastewater costs only if the utility meets or exceeds the minimum of its authorized range of return on equity.

**Alternative Recommendation:** Yes, the Commission has the authority to reduce Aloha Utilities, Inc.'s rates because Section 367.081(4)(b), F.S., requires a utility's rates to be reduced to reflect a reduction in purchased water and/or wastewater costs.

**Issue 3:** Should Aloha Utilities, Inc.'s rates be reduced to reflect a reduction in purchased water and wastewater treatment costs to bulk water and wastewater customers in Pasco County?

**Recommendation:** A utility's rates should be reduced to reflect a reduction in purchased water and/or wastewater costs in the event the utility meets or exceeds the minimum of its authorized range of return on equity. The reduction for the Seven Springs water system was calculated to be \$970 or less than \$.01 (\$.001) per thousand gallons of water sold. This reduction will have no effect on rates even if made; therefore, no reduction should be required.

The reduction for the Aloha Gardens water system was calculated to be \$17,661 or \$.13 per thousand gallons of water sold. Although it appears the utility does not meet or exceed the minimum of its authorized rate of return on equity, the utility indicated it believes there is a potential for overearnings in 1996 as a result of the decrease in the cost of purchased water. However, staff is not able to confirm or verify whether a refund should be made because the utility did not provide the information needed to determine the system's earnings position. Therefore, based on the utility's belief that an earnings situation may exist, a reduction of \$17,661 for the Aloha Gardens water system should be made, resulting in a decrease of \$.13 per thousand gallons of water sold. Further, the utility should file revised tariff sheets and a proposed customer notice reflecting the appropriate rates and the reason for the reduction. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until proof of notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

The reduction for the Aloha Gardens wastewater system was calculated to be \$173,447 or \$.92 per thousand gallons of wastewater treated. Based on information provided in the utility's response, it appears this system does not meet or exceed the minimum of its authorized rate of return on equity; however, staff is not able to determine whether a refund should be made because the utility did not provide the information needed to verify the system's earning position and rate of return. Therefore, in order to determine whether a reduction should be made, the utility should be required to file the rate base and operating income calculations for the Aloha Gardens wastewater system for 1995 within 15 days of the Commission's vote on this matter so that the system's earnings position and rate of return can be determined. Further, upon review of the information filed by the utility, if staff determines that the utility does not meet or exceed the minimum of its last authorized rate of return on equity, no reduction should be required.

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**Alternative Recommendation:** Section 367.081(3)(b), F.S., requires a utility's rates to be reduced to reflect a reduction in purchased water and/or wastewater costs. However, the reduction for the Seven Springs water system was calculated to be \$970 or less than \$.01 (\$.001) per thousand gallons of water sold. This reduction will have no effect on rates even if made; therefore, no reduction should be required.

The utility's Aloha Garden water and wastewater system rates should be reduced by \$.13 per thousand gallons or \$17,661 for the water system and reduced by \$.92 per thousand gallons or \$173,447 for the wastewater system to reflect a reduction in Pasco County's purchased water and wastewater treatment cost.

The utility should file revised tariff sheets and a proposed customer notice reflecting the appropriate rates and the reason for the reduction. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until proof of notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

**Issue 4:** Does the Commission have the authority to require Aloha Utilities, Inc. to refund excess purchased water and wastewater costs collected from April 1, 1996 to the effective date of the new rates?

**Recommendation:** Yes, the Commission has the authority to require Aloha Utilities, Inc. to refund excess purchased water and wastewater costs collected from April 1, 1996 to the effective date of the new rates.

**Issue 5:** Should Aloha Utilities, Inc. be required to refund excess purchased water and wastewater costs collected from April 1, 1996 to the effective date of the new rates?

**Recommendation:** If the Commission approves staff's alternative recommendation in Issue 2 and approves staff's alternative recommendation in Issue 4, the utility should refund excess purchased water and wastewater costs collected from April 1, 1996 to the effective date of the new rates for the Aloha Gardens water and wastewater systems. Staff calculates a decrease of \$173,447 for purchased wastewater cost which results in a \$.92 gallonage charge decrease for the Aloha Gardens wastewater system. In addition, staff calculates a decrease of \$17,661 for purchased water cost, which results in a \$.13 gallonage charge decrease for the Aloha Gardens water system.

If the Commission approves staff's primary recommendation in Issue 2 and approves staff's primary recommendation in Issue 4, staff cannot determine whether a refund should be made for the Aloha Gardens wastewater system until the utility files the information required in Issue 3, and it is determined whether a reduction in rates should be made. However, for the Aloha Gardens water system a reduction of \$17,661, or a decrease of \$.13 per thousand gallons of water sold, is recommended. Therefore, a refund should be required.

If the Commission votes yes to either the primary or alternative recommendation in Issue 2, and approves either staff's primary or alternative recommendation in Issue 4, the Seven Springs water system should not be required to refund the \$970 windfall resulting from the reduction in purchased water expense.

The utility should calculate the refund due customers based on the difference in the cost of the gallons of water sold or wastewater treated at the old rate and the new rate. The utility should also submit a schedule showing by month the actual water gallons sold or wastewater gallons treated for the period April 1, 1996, through the date the utility implements the new rates and a schedule showing the calculation of the refund per customer.

The refunds should be made with interest, as required by Section 25-30.360(4), F.A.C., within 90 days of the effective date of the order. The utility should be required to submit the proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. Staff does not have the consumption data at this time to calculate the amount of the refunds. Therefore, Aloha should be ordered to provide actual consumption data for its Aloha Gardens water and wastewater systems.

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**Issue 6:** Should this docket be closed?

**Recommendation:** Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, and upon verification that the utility has reduced its rates to reflect the reduction in purchased water and wastewater costs to bulk water and wastewater customers in Pasco County and has refunded the excess purchased water and wastewater costs collected from April 1, 1996 to the effective date of the new rates, and upon the utility's filing of and staff's approval of the proposed customer notice and the revised tariff sheets, this docket should be closed administratively. If the Commission votes that no reduction or refund is required, then the docket should be closed upon expiration of the protest period.