

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation of utility
rates of Aloha Utilities, Inc.
In Pasco County.

DOCKET NO. 960545-WS
ORDER NO. PSC-97-1512-FOF-WS
ISSUED: November 26, 1997

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
SUSAN F. CLARK
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION ORDER REQUIRING SURVEY

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

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. As of December 31, 1996, Aloha was serving 8,474 equivalent residential connections in its Seven Springs service area.

On April 30, 1996, Mr. James Goldberg, President of the Wyndtree Master Community Association, filed a petition, signed by 262 customers within Aloha's Seven Springs service area, requesting that the Commission investigate the utility's rates and water quality. The petition and request were assigned Docket No. 960545-WS.

For the purposes of hearing, Docket No. 960545-WS was consolidated with Docket No. 950615-SU (Aloha's reuse case). The hearing was held on September 9-10, 1996 in New Port Richey, and concluded on October 28, 1996, in Tallahassee. Customer testimony

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about quality of service was taken on September 9, 1997. Both customer testimony sessions were attended by over 500 customers, fifty-six of whom provided testimony which included the following quality of service problems: black water, pressure, odor, and customer service related problems. The customers also provided many samples of discolored black water.

After evaluation of the evidence taken during the hearing, we rendered our decision by Order No. PSC-97-0280-FOF-WS (Final Order), issued on March 12, 1997. In that Final Order, we determined that the quality of service provided by Aloha's water system was unsatisfactory. Since the evidence indicated that the water quality problems were related to the presence of hydrogen sulfide in Aloha's source water and the cost of treatment might be expensive, we ordered that Aloha prepare a report which evaluated the costs and efficiencies of several different treatment options for the removal of hydrogen sulfide from its source water.

On March 27, 1997, Aloha filed its Motion for Reconsideration. On April 8, 1997, the Office of Public Counsel (OPC) filed its Response and Cross-Motion. Aloha filed its timely Response to Cross-Motion for Reconsideration on April 21, 1997. Also, on April 15, 1997, Aloha filed a Motion for Stay of Order No. PSC-97-0280-FOF-WS.

By Order No. PSC-97-0549-FOF-WS, issued May 13, 1997, we denied Aloha's Petition for Reconsideration on the finding that the quality of service was unsatisfactory. By Order No. PSC-97-0658-FOF-SU, issued on June 9, 1997, we denied Aloha's Petition for Reconsideration and granted OPC's Cross-Motion for Reconsideration with regard to the reuse docket. That Order also recognized that a stay of the refund requirements of the Final Order was in effect pending the determination on reconsideration. The refund was included as a credit in the September bill.

On June 10, 1997, Aloha filed its report with this Commission, recommending that it be allowed to continue adjusting the corrosion inhibitor dosage level in an ongoing effort to eliminate the black water problem. Aloha also recommended that if hydrogen sulfide treatment facilities are required, then the option of constructing three central water treatment plants which utilize Packed Tower Aeration should be approved. Aloha has estimated that construction

and operation of these plants would increase customer rates by 398 percent.

This Order addresses what actions, at this time, we should require Aloha to take to improve the quality of its water service.

ACTIONS TO BE TAKEN

Our staff reviewed the June 12, 1997 utility report, a thesis entitled "Sulfide-Induced Corrosion of Copper in Drinking Water", and the evidence presented at hearing. Also, our staff conducted additional research, consulted with other professionals, and made field inspections of both the utility's facilities and some customers' homes. Based on this research and analysis, our staff reached certain conclusions, and presented its recommendations to us at the November 4, 1997 Agenda Conference.

In their recommendation, staff recommended the following:

Aloha should be required to immediately begin planning for the installation of treatment facilities to increase the water's pH. Aloha should be required to notify all customers who are experiencing problems with black water that this is an indication that their copper pipes are deteriorating and that the only quick solution for both eliminating the black water and preventing a copper pipe failure is to repipe their homes with CPVC. Aloha should also be required to inform all builders and plumbers within the local area of the problems which its customers who have copper plumbing have experienced. Staff further recommends that Aloha should survey each of its customers to determine if they are willing to pay for new treatment facilities that are not required by any current DEP or EPA rule and which will increase their water rates. This survey should also attempt to determine how many customers are currently experiencing problems with black water. The survey should be approved by staff prior to being sent to the customers. Aloha should also be put on notice that a courteous response to customer concerns is expected and the Commission will specifically explore this issue in future proceedings.

ORDER NO. PSC-97-1512-FOF-WS
DOCKET NO. 960545-WS
PAGE 4

However, upon our own review, and after hearing additional presentations by the utility and customers at the November 4, 1997 Agenda Conference, we find that, except for the idea of conducting a survey, it is appropriate to deny staff's recommendations at this time.

The presentations made by some customers at agenda raised concerns about the extent of the problem, the expense involved for the remedies suggested, and the effectiveness of the remedies. We believe further investigation by the Commission is warranted. To that end, we will pursue a customer survey and site visits to selected homesites.

We shall require Aloha to survey its customers to determine how many customers have quality of service problems, and the full nature of the problems they might be having with black water, odor, taste, and pressure. The survey shall be in writing and shall be approved by our staff before mailing. The survey shall be a separate mailing and not part of a bill insert. Further, it shall state that the survey shall be returned to our staff for processing and evaluating. The survey shall also give a deadline for a response. In drafting the survey, our staff shall work with the utility, other parties to this case, the OPC, and staff of the Department of Environmental Protection (DEP).

Once the results have been tabulated, we will conduct visits at selected homesites. Also, DEP will be invited to participate in all aspects of the survey and site visits.

Based on the foregoing, it is,

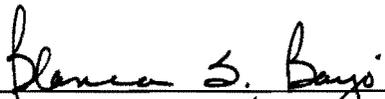
ORDERED that Aloha Utilities, Inc., shall survey its customers in the Seven Springs service area as set out in the body of this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth

ORDER NO. PSC-97-1512-FOF-WS
DOCKET NO. 960545-WS
PAGE 5

in the "Notice of Further Proceedings or Judicial Review" attached hereto.

By ORDER of the Florida Public Service Commission this 26th day of November, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-

ORDER NO. PSC-97-1512-FOF-WS
DOCKET NO. 960545-WS
PAGE 6

22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 17, 1997.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.