

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a) DOCKET NO. 911146-SU
limited proceeding to increase)
wastewater service rates for) ORDER NO. PSC-92-0127-FOF-SU
Aloha Gardens Wastewater System))
in Pasco County by ALOHA) ISSUED: 3/31/92
UTILITIES, INC.)
_____)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

ORDER GRANTING TEMPORARY RATES SUBJECT TO REFUND

BY THE COMMISSION:

BACKGROUND

Aloha Utilities, Inc. (Aloha or utility) is a Class A water and wastewater utility operating in Pasco County. The utility consists of the Aloha Gardens water and wastewater systems and the Seven Springs water and wastewater systems. Total annual revenues, as reported in the 1990 annual report were \$2,706,870. The utility showed a net income of \$81,967 in 1990. Aloha serves 9,120 water customers and 8,653 wastewater customers. The Aloha Gardens wastewater system, which is the only system under consideration in this limited proceeding, has approximately 2,824 customers, and based on information filed in its request for a limited proceeding had 1990 revenues of \$472,629 and a net income of \$100,564.

The Aloha Gardens wastewater treatment plant and effluent disposal system are under a Consent Order, issued May 26, 1988, for failure to comply with the Florida Department of Environmental Regulation's (DERs) environmental standards. On July 17, 1991, an Amendment to the Consent Final Judgment was issued by the Pasco County Circuit Court to update the Judgment to reflect changed circumstances. Under the amended Consent Order, Aloha is required to abandon the use of the Aloha Gardens percolation ponds, although it may provide for retention of inactive ponds for emergency

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disposal purposes. The court's amended Order also required Aloha to enter into a bulk wastewater service agreement with Pasco County to divert all the flow from the Aloha Gardens plant to the County's system. Aloha was given a deadline of January 1, 1992, or as soon as the County had the available capacity, to interconnect with the county's lines.

Aloha's rates were last adjusted in a 1990 pass-through and price index, effective on November 17, 1990. On June 4, 1991, Aloha received test year approval for a rate case for the Aloha Gardens wastewater system and met the minimum filing requirements on January 15, 1992. The rate case is being processed in Docket No. 910540-SU.

On November 20, 1991, Aloha filed this limited proceeding for increased costs expected to be incurred as a result of the required interconnection of the Aloha Gardens wastewater collection system to the sewer system of Pasco County. The proposed rates were suspended by Order No. 25682, issued February 3, 1992.

The utility estimates that the interconnection will require additional revenues of \$499,076. In addition, Aloha estimated the additional annual sewage treatment expense, which will be charged by Pasco County, to be \$565,861. Its estimate for this additional wastewater treatment expense was based on 137,345,000 gallons of wastewater that was treated and disposed of by the Aloha Gardens system for the 12-month period ended December 31, 1990.

Further, the utility requested an increase in its Operation and Maintenance expenses of \$502,927. The utility also requested that salaries, insurance, and other expense items be increased for 1992 by the amount of its 1991 index. In general, we find, Aloha's request for temporary rates in the nature of interim rates, subject to refund, to be appropriate. This is because the utility has established that it will experience a substantial increase in its costs related to its interconnection with Pasco County. However, because we believe that the utility should only be allowed the expenses directly related to the interconnection with Pasco County, we have reduced the utility's revenue request by \$7,759. Therefore, based on the adjustments discussed above and on the information available to us, we find that the utility should be authorized, on a temporary basis and, subject to refund, to receive a revenue increase of \$491,316. This results in an increase to

rates of 95.64%. The calculation of the rate increase is shown on Schedule No. 1 attached to this Order.

Therefore, we hereby authorize Aloha to collect the rates set forth below on a temporary basis, in the nature of interim rates, subject to refund. Any potential refund of these temporary rates will be addressed in the pending rate case, Docket No. 910540-SU. Any substantially affected person will have the opportunity to contest the appropriateness of these temporary rates in Docket No. 910540-SU.

WASTEWATER

Monthly Rates

<u>RESIDENTIAL</u>	<u>Current Rates</u>	<u>Utility Requested Rates</u>	<u>Commission Approved Temporary Rates</u>
Flat rate, all meter sizes	\$ 12.83	\$ 25.29	\$ 25.10

GENERAL SERVICE

Meter Size:

5/8"x3/4" (3,000 G. min.)	\$ 12.83	\$ 25.29	\$ 25.10
1" (8,000 G. min.)	\$ 34.16	\$ 67.35	\$ 66.83
1-1/2" (15,000 G. min.)	\$ 64.13	\$ 126.43	\$ 125.46
2" (24,000 G. min.)	\$ 102.60	\$ 202.28	\$ 200.73
3" (48,000 G. min.)	\$ 205.20	\$ 404.55	\$ 401.45
6" (150,000 G. min.)	\$ 641.25	\$1,264.22	\$1,254.54
8" (240,000 G. min.)	\$1,025.98	\$2,022.72	\$2,007.23
Gallonge Charge per 1,000 G. in excess of min. (No max.)	\$ 1.65	\$ 3.25	\$ 3.23

APPROPRIATE SECURITY

Pursuant to Section 367.082, Florida Statutes, the increase in revenues as a result of the temporary rate increase should be collected subject to refund with interest. Our review of the utility's financial statements indicates that the utility cannot support a corporate undertaking for \$208,800. The utility submitted financial information for the years 1988 through 1990, that indicate the utility has poor liquidity, equity and coverage ratios. We are also concerned with \$600,000 in preferred stock which has a 15.5% cost rate for which dividends are not being paid. Within 30 days of the date of this Order, the utility should file security for a potential refund in the amount of \$208,800. The security should be a bond, a letter of credit, or an escrow agreement with an independent financial institution pursuant to a written agreement.

If the security provided is an escrow account, said account should be established between the utility and an independent financial institution pursuant to a written escrow agreement. This Commission should be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement should state the following: a) that the account is established at the direction of this Commission for the purpose set forth above; b) that no withdrawals of funds should occur without the prior approval of this Commission through the Director of the Division of Records and Reporting; c) that the account should be interest bearing; d) that information concerning the escrow account should be available from the institution to the Commission or its representative at all times; and e) and that, pursuant to Consentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

If Aloha chooses to utilize an escrow agreement as security, Aloha should deposit the funds to be escrowed, \$41,760, into the escrow account each month, pending the completion of the rate case proceeding, Docket No. 910540-SU. If a refund to the customers is required, all interest earned by the escrow account should be distributed to the customers. If a refund to the customers is not required, the interest earned by the escrow account should revert to the utility.

If the security provided is a bond or a letter of credit, said instrument should be in the amount of \$208,800. If the utility

chooses a bond as security, the bond should state that it will be released or should terminate upon subsequent Order of this Commission addressing overearnings or requiring a refund. If the utility chooses to provide a letter of credit as security, the letter of credit should state that it is irrevocable for the period it is in effect and that it will be in effect until a final Commission order is rendered addressing overearnings or requiring a refund.

Irrespective of the type of security provided, the utility should keep an accurate and detailed account of all monies it receives. By no later than the 20th day after each monthly billing, the utility should file a report showing the amount of revenues collected that month and the amount of revenues collected to date in excess of the revenue requirement approved herein. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

In no instance should maintenance and administrative costs associated with any refund be borne by the customers. These costs are the responsibility of, and should be borne by, the utility.

The utility shall file revised tariff sheets reflecting the temporary rates approved herein and a proposed notice to the customers. Aloha is authorized to implement these temporary rates only after the Aloha Gardens wastewater system is connected to Pasco County's system and after providing the above discussed security and appropriate customer notice. The temporary rates will become effective for meter readings on or after 30 days after the stamped approval date on the tariff sheets.

Because our final determination of all issues related to the appropriateness of these temporary rates, as well as, the final rate relief requested by Aloha, will be made in the pending rate case, in Docket No. 910540-SU. This docket may be closed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the petition of Aloha Utilities, Inc., for a limited proceeding to increase wastewater rates for the Aloha Gardens System is hereby granted on a temporary basis, subject to refund, pending a final

ORDER NO. PSC-92-0127-FOF-SU
DOCKET NO. 911146-SU
PAGE 6

order in Docket No. 910540-SU, as set forth in the body of this Order. It is further

ORDERED that Aloha Utilities, Inc. is authorized to charge the rates set forth in the body of this Order on a temporary basis, in the nature of interim rates, subject to refund. It is further

ORDERED that these temporary rates shall be effective for service rendered on or after 30 days after the stamped approval date on the tariff sheets. It is further

ORDERED that the tariff sheets will be approved upon the verification of the interconnection between the utility and Pasco County, and the utility's filing of the required security and an adequate customer notice and Staff's verification that they are consistent with our decision herein. It is further

ORDERED that, within 30 days of the date of this Order, Aloha Utilities Inc., shall file, as set forth in the body of this Order, either a letter of credit, a bond, or an escrow agreement in the amount of \$208,800. It is further

ORDERED that, since the final determination of the appropriateness of these temporary rates will be made in the rate case in Docket No. 910540-SU, this docket shall be closed upon the filing and approval of revised tariff sheets.

BY ORDER of the Florida Public Service Commission, this 31st day of March, 1992.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

**DOCKET NO. 911146-SU
 ALOHA UTILITES, INC
 ALOHA GARDENS WASTEWATER SYSTEM**

SCHEDULE NO. 1

DESCRIPTION	ITEM AMOUNT
<hr style="border-top: 1px dashed black;"/>	
A. OPERATION & MAINTENANCE EXPENSES ADDED:	
1. PURCHASED SEWAGE TREATMENT	\$ 565,861
2. CHEMICALS	1,818
B. OPERATION & MAINTENANCE EXPENSES DELETED:	
1. SLUDGE REMOVAL EXPENSE	(23,934)
2. PURCHASED POWER	(7,423)
3. MATERIALS AND SUPPLIES	(1,099)
4. CONTRACTUAL SERVICES	(38,206)
TOTAL	<hr style="border-top: 1px dashed black;"/> 497,017
LESS: UTILITY'S ADJUSTMENT TO REFLECT OVEREARNINGS	(27,810)
NET ADJUSTMENT	<hr style="border-top: 1px dashed black;"/> 469,207
EXPANSION FACTOR FOR RAF	95.5%
TOTAL EFFECT ON REVENUE REQUIREMENT	<hr style="border-top: 1px dashed black;"/> \$ 491,316
DIVIDE BY ANNUALIZED REVENUE	<hr style="border-top: 3px double black;"/> \$ 513,717
PERCENTAGE INCREASE TO RATES	<hr style="border-top: 3px double black;"/> 95.64% <hr style="border-top: 3px double black;"/>