



An Equal Opportunity Employer

Southwest Florida Water Management District

ORIGINAL

2379 Broad Street, Brooksville, Florida 34604-6899
(352) 796-7211 or 1-800-423-1476 (FL only)
SUNCOM 628-4150 TDD only 1-800-231-6103 (FL only)
On the Internet at: WaterMatters.org

Tampa Service Office
7601 Highway 301 North
Tampa, Florida 33637-6759
(813) 985-7481 or
1-800-836-0797 (FL only)
SUNCOM 578-2070

Bartow Service Office
170 Century Boulevard
Bartow, Florida 33830-7700
(863) 534-1448 or
1-800-492-7862 (FL only)
SUNCOM 572-6200

Sarasota Service Office
6750 Fruitville Road
Sarasota, Florida 34240-9711
(941) 377-3722 or
1-800-320-3503 (FL only)
SUNCOM 531-6900

Lecanto Service Office
3600 West Sovereign Path
Suite 226
Lecanto, Florida 34461-8070
(352) 527-8131
SUNCOM 667-3271

Ronnie E. Duncan
Chair, Pinellas

Thomas G. Dabney, II
Vice Chair, Sarasota

Janet D. Kovach
Secretary, Hillsborough

Watson L. Haynes, II
Treasurer, Pinellas

Edward W. Chance
Manatee

Monroe "Al" Coogler
Citrus

Maggie N. Dominguez
Hillsborough

Pamela L. Fentress
Highlands

Ronald C. Johnson
Polk

Heidi B. McCree
Hillsborough

John K. Renke, III
Pasco

E. D. "Sonny" Vergara
Executive Director

Gene A. Heath
Assistant Executive Director

William S. Bilenky
General Counsel

December 5, 2001

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

Subject: Docket No. 010503-WU

Dear Ms. Bayó:

Enclosed are an original and seven copies of the Southwest Florida Water Management District's Prehearing Statement for filing in the above-referenced docket.

Thank you for your attention to this matter. Please contact me at the District's Brooksville headquarters, at extension 4660, if you have any questions about this matter.

Sincerely,

Margaret M. Lytle
Assistant General Counsel

MML

Enclosures

S:\MyFiles\MargLtr\AlohaPSCPrehrState.wpd

DISTRIBUTION CENTER
01 DEC -6 AM 9:26

- APP _____
- CAF _____
- CMP _____
- COM _____
- CTR _____
- ECR _____
- LEG _____
- OPC _____
- PAI _____
- RGO _____
- SEC _____
- SER _____
- OTH _____

Cover pg

Protecting *Your* Water Resources

DOCUMENT NUMBER-DATE

15253 DEC-6

COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase
in water rates for Seven Springs
System in Pasco County by
Aloha Utilities, Inc.

DOCKET NO. 010503-WU

DATED: December 5, 2001

SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT'S
PREHEARING STATEMENT

Intervenor, SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT (the District), by and through its undersigned representative, hereby file this prehearing statement.

Witnesses

The District will sponsor testimony by the following witnesses who prefiled testimony and exhibits:

- Dr. John B. Whitcomb: water-conservation rate structure issues.
- Jay W. Yingling: water-conservation rate structure issues.
- John W. Parker: regulatory issues.
- Lois A. Sorensen: water conservation issues.

Exhibits

- Maps of Northern Tampa Bay Water Use Caution Area and Wellfield Impact Area.
- Graphs of Aloha Utilities, Inc., groundwater withdrawals.
- WUP 2011771.000, the "Consolidated Permit" for Tampa Bay Water Wellfields.
- The Northern Tampa Bay New Water Supply and Ground Water Withdrawal Reduction Agreement, aka the "Partnership Agreement".

DOCUMENT NUMBER-DATE

15253 DEC-6 01

FPSC-COMMISSION CLERK

- Water Use Permit Information Manual.
- Chapters 40D-8 and 40D-80, F.A.C.
- Any exhibits attached to depositions or interrogatories, or provided in response to requests for production.

Statement of Basic Position

The District is charged with the responsibility to conserve, protect, manage and control water resources within its geographic boundaries and to administer and enforce Chapter 373, Florida Statutes, and the rules promulgated thereunder as Chapter 40D, Florida Administrative Code (F.A.C.). As part of its responsibilities, the District regulates consumptive uses of water.

Aloha Utilities, Inc. (Aloha), holds Water Use Permit (WUP) No. 203182.004 (the Permit) from the District for the public water supply system which is the subject of this docket. Aloha is currently in violation of the Permit, and Aloha and the District are involved in an enforcement action concerning the violation. Aloha has withdrawn more water than is authorized by the Permit continuously since December 1997. Over the last year, Aloha has overpumped its permit by an average of more than 744,000 gallons per day, or more than 36% over its permitted quantities.

Aloha is located in Pasco County, in the Northern Tampa Bay Water Use Caution Area (NTBWUCA), an area delineated by Rule 40D-2.801(3)(c), F.A.C., to address groundwater withdrawals that have resulted in the lowering of lake levels, destruction or deterioration of wetlands, reduction in streamflow and salt water intrusion. Aloha is also within an area that is informally known the Wellfield Impact Area, where the cumulative impacts of ground water withdrawals are causing harm to wetlands and lakes, where water levels at adopted Minimum Wetland Levels sites remain below the adopted levels, and where certain ground water withdrawals are

already subject to an agreement for scheduled reductions in order to reduce impacts and facilitate recovery of water levels to meet the adopted minimum flows and levels. Within an area of adverse cumulative impacts such as the Wellfield Impact Area, new withdrawals of ground water from the affected aquifer systems are not available to supply Aloha's water needs. Due to Aloha's violation of the Permit, and its location within the NTBWUCA, the District strongly advocates that Aloha take certain measures to conserve water and reduce demand, and to secure an available source of water in sufficient quantity to allow Aloha to comply with the limitations of its Water Use Permit..

The District requests that the Commission approve a water-conservation oriented inclined block rate structure for Aloha, and approve funding for other water conservation and demand management measures the District requires Aloha to implement, or that, while not explicitly required, would contribute to Aloha's ability to manage demand in its service area as a means of returning to compliance with its Water Use Permit. The District also request that the Commission approve costs necessary to secure an available source of water in sufficient quantity to allow Aloha to comply with the limitations of its Water Use Permit.

Issues and positions

Quality of Service

Issue 1: Is the quality of service satisfactory?

District's Position: No position at this time.

Issue 2: Should the utility's rate increase request be denied due to poor quality of service?

District's Position: Even if the Commission finds the utility is providing poor quality of service to its customers, the Commission should consider this rate increase as a means

of supporting the District's ongoing efforts to implement its legislative authority regarding water supply planning and resource protection.

Rate Base

Issue 3: What are the used and useful percentages for the water treatment plant and the water distribution system?

District's Position: No position at this time.

Issue 4: Does the utility have excessive unaccounted for water, and if so, what adjustments should be made?

District's Position: No position at this time.

Issue 5: What is the appropriate projected accumulated amortization of contributed taxes?

District's Position: No position at this time.

Issue 6: What is the appropriate cost of the Commission ordered pilot project to be included in working capital?

District's Position: No position at this time.

Issue 7: What is the appropriate working capital allowance?

District's Position: No position at this time.

Issue 8: What is the appropriate projected rate base?

District's Position: No position at this time.

Cost of Capital

Issue 9: What is the appropriate projected cost rate for variable related party debt?

District's Position: No position at this time.

Issue 10: What is the appropriate projected weighted average cost of capital for the projected test year ending December 31, 2001?

District's Position: No position at this time.

Net Operating Income

Issue 11: What is the appropriate method of projecting customers and consumption for the projected test year ending December 31, 2001, and what are the resulting projected numbers of customers and consumption for the 2001 projected test year before any adjustments are made?

District's Position: No position at this time.

Issue 12: What adjustments, if any, are necessary to the 2001 projected test year revenues and expenses to reflect the appropriate number of water customers, bills, and consumption?

District's Position: No position at this time.

Issue 13: What is the appropriate projected number of purchased water gallons from Pasco County, and what is the resulting expense?

District's Position: Aloha must cease its violation of its WUP. One means for Aloha to do so is to purchase any needed quantities of water in excess of its permitted quantities from Pasco County. Aloha's use of the interconnect with Pasco County is reasonable and necessary. Failure to come into compliance with its WUP could result in substantial monetary penalties for Aloha, and could affect the renewal of Aloha's WUP in 2004.

Issue 14: Should an adjustment be made to employee salaries and wages for open positions?

District's Position: No position at this time.

Issue 15: Should any additional adjustment be made to employee salaries and wages to remove the double counting of certain employees?

District's Position: No position at this time.

Issue 16: Is the utility's 44.83% allocation of pension expenses to the Seven Springs water system appropriate?

District's Position: No position at this time.

Issue 17: Should an adjustment be made to chemicals and purchased power to remove the escalation of inflation and customer growth?

District's Position: No position at this time.

Issue 18: Should an adjustment be made for related party purchased water transactions?

District's Position: No position at this time.

Issue 19: What is the appropriate amount of rate case expense?

District's Position: No position at this time.

Issue 20: Are conservation programs appropriate for this utility, and if so, what are the resulting conservation expenses and the anticipated gallons conserved?

District's Position: Given the location of this utility within an area where the water resource is severely stressed, and the utility's failure to comply with its WUP, the District believes that additional water conservation measures are both necessary and appropriate. While continuing and enhancing customer education efforts, the utility should also implement operational and incentive water conservation measures applicable to its customer demographics. The utility should pursue partnerships with Pasco County on these measures, and on regulatory measures that are the purview of Pasco County, which may reduce the utility's potential expenses and increase the number of gallons that are conserved.

Issue 21: What is the test year operating income before any revenue increase?

District's Position: No position at this time.

Issue 22: What is the appropriate revenue requirement?

District's Position: The revenue requirement should include purchased water as necessary to ensure compliance with the WUP.

Rates and Rate Structure

Issue 23: What is the appropriate rate structure for this utility?

District's Position: Given the location of this utility within an area where the water resource is severely stressed, and the utility's failure to comply with its WUP, the District strongly advocates the implementation of a water-conservation oriented inclining block rate structure for Aloha.

Issue 24: Is repression of consumption likely to occur, and, if so, what is the appropriate adjustment and the resulting consumption to be used to calculate consumption charges?

District's Position: If there is a significant increase in marginal water and sewer prices as a result of this rate case, the District would anticipate a repression of consumption. For the purposes of calculating repression the District believes that the Waterate 2001 Model price elasticity algorithm is appropriate. It may also be appropriate to apportion repression in the short term as described in the Waterate manual.

Issue 25: What are the appropriate monthly rates for service?

District's Position: No position at this time.

Issue 26: What are the appropriate service availability charges for the Seven Springs water system?

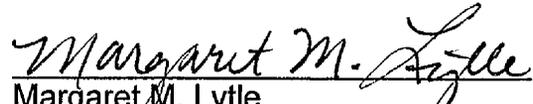
District's Position: No position at this time.

Issue 27: Should this docket be closed?

District's Position: No position at this time.

The District has also received a letter dated December 3, 2001, identifying additional issues a) through l). The District has no position at this time on issues a) through l).

Respectfully submitted,


Margaret M. Lytle
Assistant General Counsel
Florida Bar No. 975702
SOUTHWEST FLORIDA WATER
MANAGEMENT DISTRICT
2379 Broad Street
Brooksville, Florida 34604-6899
(352) 796-7211, Ext. 4660
Attorney for Intervenor

CERTIFICATE OF SERVICE

I certify that a true copy of the foregoing was sent by U.S. Mail to the following persons on this 5th day of December 2001:

Ralph Jaeger, Esquire
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

F. Marshall Deterding, Esquire
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301

Stephen C. Burgess
Deputy Public Counsel
Office of Public Counsel
111 West Main Street, Room 812
Tallahassee, FL 32399-1400

Mr. Edward Wood
1043 Daleside Lane
New Port Richey, FL 34655-4293


Margaret M. Lytle