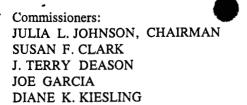
DIVISION OF WATER & THE COPY

Record + Reporting





WASTEWATER

(904) 413-6900

CHARLES HILL DIRECTOR

Public Service Commission

June 17, 1997

Ms. Elizabeth Sessa 3423 Umber Road Holiday, Florida 34691

RE: Application of Aloha Utilities, Inc. for a Limited Proceeding to Increase Water and Wastewater Rates - Docket No. 970536-WS

Dear Ms. Sessa:

We have received your letter dated June 5, 1997, regarding your concerns about the rates and services of Aloha Utilities, Inc. (Aloha). The Commission is investigating Aloha in a number of areas. Recently, the Commission approved Aloha's Reuse Water/ Wastewater Plan and Aloha's application for rate increase for the Seven Springs wastewater system. In this proceeding, the Commission voted to eliminate the flat rate for the Seven Springs wastewater ratepayers, and the new rates will be effective in the near future. Also, the Commission found the water quality for the Seven Spring's system was unsatisfactory and ordered Aloha to investigate other methods of providing quality water service to its ACK __customers.

On June 10, 1997, Aloha filed with the Commission its current plans to improve the quality of its water service. The staff is currently reviewing these plans on the necessary plant additions to improve Aloha's water quality. My staff will then prepare a CMU recommendation for the Commission's consideration in August or September. In addition, the Commission ordered an audit of Aloha's books and records. March 5, 1997, the Commission informed Aloha that it would perform this audit. The auditors will be looking into the reasonableness of the utility's investment in plant and its LIM expenses. Also, the auditors will be looking at the fairness of the transactions between Aloha and its related businesses. Aloha has subsequently filed a petition to challenge the OPO Commission's authority to do the audit. This challenge will probably not be resolved until - tate August, 1997. Once this challenge has been resolved, the limits, if any, of the audit will have been determined, and the audit will be performed. The Commission also accepted a settlement proposal by Aloha to reduce Aloha

Gardens' water rates on May 7, 1997. The settlement reduced the Aloha Gardens water

AFA

CAPITAL CIRCLE OFFICE CENTER ● 2540 SHUMARD OAK BLVD ● TALLAHASSEE, FL 32399-0850 Internet E-mail: CONTACT@PSC.STATE.FL.US Ms. Elizabeth Sessa June 17, 1997 Page Two

rates on a going forward basis by \$17,701 or \$0.12 per thousand gallons of water sold. This was a 3.56% reduction in the annual revenues to the Aloha Gardens water system and the lower rates will be effective in the near future. This reduction in rates reflects the lower costs of purchased water and/or wastewater costs to Aloha.

On May 6, 1997, Aloha filed the current limited proceeding application to increase its water and wastewater rates for its Aloha Gardens and Seven Springs customers. The utility requested additional revenues for Aloha's cost in the Florida Department of Transportation relocation of State Road 54 line project and the increase in costs to change to a two-part bill and envelopes. Only a small percentage of the increase in costs for the new bills and envelopes will possibly increase the rates of the Aloha Gardens' customers.

On June 12, 1997, the Commission's staff filed a recommendation that recommends that the Commission set aside Aloha's application for increased revenues in the limited proceeding until the challenge to the Commission's authority to do an audit has been resolved. Attached is a copy of the recommendation that the Commission will vote on at the June 24, 1997 Agenda. All interested parties may participate at the Agenda.

Sincerely,

Charles H. Hill

Director

Attachment

cc: Division of Water and Wastewater (Hill, Willis, Merchant, Kaproth, Starling)

Records and Reporting

Legal (Reyes)

Office of the Public Counsel

Aloha Utilities, Inc.