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February 8, 2002

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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 fifteen copies of the Southwest Florida Water Management District's Post-Hearing 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

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Enclosures
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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: February 8, 2002

SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT'S
POST-HEARING STATEMENT

Intervenor, SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT (the District), by and through its undersigned representative, hereby files this post-hearing statement. A transcript of the proceedings was filed on January 25, 2002. References to the transcript of the hearing are identified as (T. __).

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. (T. 561) Aloha is currently in violation of the Permit, and Aloha and the District are involved in an enforcement action concerning the violation. (T. 546, 562) Aloha has withdrawn more water than is authorized by the Permit continuously since December 1997.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

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more than 744,000 gallons per day, or more than 36% over its permitted quantities. (T. 557) It is necessary that Aloha come into compliance with its Permit as soon as possible. (T. 420, 546)

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. (T. 420, 546-547, 558, 563-564) 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. (T. 558) Due to Aloha's violation of the Permit, and its location within the NTBWUCA and the Wellfield Impact Area, 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 the Permit. (T. 493, 559, 566-567, 612-623)

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. (T. 609, 612-617) The District also requests 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. The only alternative source of water available to Aloha in the short term is the purchase of water from Pasco County. (T. 420, 546, 558, 567-568, 602-604, 836, 988) Although Pasco County also obtains groundwater from wellfields within the NTBWUCA, there is a benefit to the environment and the public in requiring Aloha to purchase water from Pasco County. (T. 558, 602-604, Exhibit 18)*

Issues and positions

Quality of Service

Issue 1: Is the quality of service satisfactory?

District's Position: *No position.*

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

District's Position: ***No**, even if the Commission finds the utility is providing poor quality of service to its customers, a rate **increase** would support the District's ongoing efforts regarding water supply planning and resource protection. Interagency cooperation of this sort should be encouraged. (T. 566-567, 1081-1083, 1127-1128)*

Issue 3: What is the appropriate cost of the Commission ordered pilot project to include in working capital for the Seven Springs water system?

District's Position: *No position.*

Issue 4: What is the appropriate working capital allowance?

District's Position: *No position.*

Issue 5: What is the appropriate projected rate base?

District's Position: *No position.*

Issue 6: What is the appropriate projected cost rate for variable-cost related party debt?

District's Position: *No position.*

Issue 7: What is the appropriate projected weighted average cost of capital for the projected test year ending December 31, 2001?

District's Position: *No position.*

Issue 8: What are the appropriate number of gallons sold for the projected 2001 test year?

District's Position: *No position.*

Issue 9(a): What is the appropriate projected number of purchased water gallons from Pasco County, and what is the resulting expense?

District's Position: *Aloha must comply with the Permit. The only alternative source currently available is the purchase of needed quantities in excess of the Permit's quantities from Pasco County. Continued violation of the Permit could result in substantial fines for Aloha, and affect the renewal of the Permit in 2004. (T. 420, 491-492, 546, 565, 836, 988)*

Issue 9(b): Should a provision be made to monitor whether the gallons pumped from Aloha's wells differs from the maximum permitted quantity on an annual average basis under the Water Use Permit (WUP)?

District's Position: *Aloha must pump no more water from its wells than the quantity authorized by its WUP. Continued violation of the Permit after resolution of this rate case and approval by the Commission of Aloha's purchase of water would result in enforcement action by the District, which could include substantial fines. (T. 565)*

Issue 9(c): What provision should the Commission make within rate setting for the potential shortfall or excess if usage by customers differs from that included in the rate setting?

District's Position: *No position.*

Issue 10: Should projected chemicals and purchased power be adjusted?

District's Position: *No position.*

Issue 11: Should an adjustment be made to employee salaries and wages for open positions?

District's Position: *No position.*

Issue 12: Should an adjustment be made to employee salaries and wages to correct the annualized salary of the utility operations supervisor?

District's Position: *No position.*

Issue 13: What adjustments should be made to pension expense?

District's Position: *No position.*

Issue 14: Does the utility have excessive unaccounted for water, and if so, what adjustments should be made?

District's Position: *Aloha's unaccounted for water does not violate any District standards. (T. 571-80, 637-640)*

Issue 15: Should an adjustment be made for related party purchased water

transactions?

District's Position: *No position.*

Issue 16: What is the appropriate amount of rate case expense?

District's Position: *No position.*

Issue 17: What conservation programs, and associated expenses, are appropriate for this utility at this time?

District's Position: *Given Aloha's location and violation of the Permit, water conservation measures are necessary and appropriate. Such programs can reduce water use, benefitting the public and the environment. (T. 420, 547, 1032, 1034, 1083, 1092, 1096, 1117) Customer education, implementation of operational and incentive water conservation measures applicable to its customers, and pursuit of partnerships with Pasco County are encouraged. (T. 566-568, 612-623, 630-632, 635-637, 644-645, Exhibit 9)*

Issue 18: What is the test year operating income before any revenue increase?

District's Position: *No position.*

Issue 19: What is the appropriate revenue requirement?

District's Position: *No position.*

Issue 20: 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 the Permit, the District strongly advocates the implementation of a water-conservation oriented inclining block rate structure for Aloha. (T. 452-453, 547, 567, 1011-1024, 1031)*

Issue 21: 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, the District would anticipate a repression of consumption. The Waterrate 2001 Model price elasticity algorithm appropriately calculates repression. (T. 547-548, 1024-1025, 1048-1049, 1051-1052, 1089, 1091-1092, 1106, 1108, 1127) It may also be appropriate to apportion repression in the short term as described in the Waterrate manual. (T. 1047, 1090, Exhibit 19-JBW 2)*

Issue 22: What are the appropriate monthly rates for service?

District's Position: *No position.*

Issue 23: What are the appropriate service availability charges for the Seven Springs water system?

District's Position: *No position.*

Issue 24: Should this docket be closed?

District's Position: *No position.*

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 8th day of February 2002:

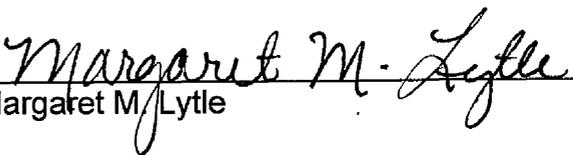
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Margaret M. Lytle