

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

Aloha: *This is a fallout number based upon resolution of other issues.*

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

Aloha: *1,105,068,967 gallons, as projected by Mr. Porter utilizing 500 GPD for each new ERC which equates to an average for all customers of 287 GPD/ERC.*

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

Aloha: *The appropriate projected number of purchased water gallons from Pasco County is the total projected amount of water sold, minus 5% conservation program repression, plus unaccounted for, and flushing, minus the water use permit limits.*

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)?

Aloha: *No. Monitoring of this cost of operation is not necessary and is no more appropriate than monitoring of any other costs within the Utility's control. In any case, the Utility cannot possibly pump precisely at its "permit limits," as per SWFWMD's position stated in the Prehearing Order.*

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?

Aloha: *If the Commission proposes to retain jurisdiction to monitor water purchased versus pumped, then it also must retain jurisdiction to make up any shortfall resulting from usage outside the levels projected by the repression models, which are much more likely to result than overpumping, given SWFWMD's threatened fines.*

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

Aloha: *The amounts projected by Mr. Porter and Mr. Nixon should be used. Chemical expense will actually increase over test year levels because of differences in County water chemistry and re-pumping and re-chlorination expenses.*

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

Aloha: *No. All positions, other than the Utility Director, have been filled as of the date of hearing, and are necessary for the continued provision of quality water service and operation of the system. The Utility Director position will be filled by the time of the Commission's final vote.*

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

Aloha: *This issue was stipulated at hearing.*

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

Aloha: *An adjustment to correct a recording error and to reflect additional liability obligations is necessary. This is an increase of \$40,509 with new and open employee benefits' percentage applied at 22.10% of salary, for an additional cost of \$10,580.*

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

Aloha: *No adjustment is appropriate. The staff proposed adjustment is immaterial and contrary to allowances of over 15% recognized by the Commission in several previous cases.*

ISSUE 15: Should an adjustment be made for related-party purchased water transactions?

Aloha: *No. This is not only a cost and methodology previously approved by the Commission, but is also the cheapest alternative available to the Utility for needed water. The alternative is purchases of 100% of Aloha's water from Pasco County at a rate substantially higher than the cost from related parties.*

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

Aloha: *The total per the rebuttal update provided at hearing, and as provided in the testimonies of Nixon, Watford, Porter, and Deterding.*

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

Aloha: *All of the conservation programs agreed to between the Utility and SWFWMD should be recognized and included in rates. The Utility cannot implement these conservation programs unless the estimated annual cost of \$155,000 is recognized. Expenditure of these costs are required by the SWFWMD.*

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

Aloha: *The appropriate amount is subject to the resolution of other issues in this case.*

ISSUE 19: What is the appropriate revenue requirement?

Aloha: *The appropriate amount is subject to the resolution of other issues in this case.*

ISSUE 20: What is the appropriate rate structure for this utility?

Aloha: *A two-tiered inclining block rate structure per the SWFWMD requirements and as stated in the MFRs.*

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?

Aloha: *Repression is likely to occur and is best predicted by the Water Rate Model developed by Dr. Whitcomb. However, because repression forecasts are subject to many variables and

uncertain at best, consumption charges must be based exclusively on variable costs or revenue stability risk may increase substantially.*

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

Aloha: *The appropriate monthly rates for service are subject to resolution of other issues. However, the Commission must not shift fixed costs to the gallonage charge anymore than proposed by the Utility in its original filing. Such shifts are unprecedented and will create substantial additional risk on the Utility.*

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

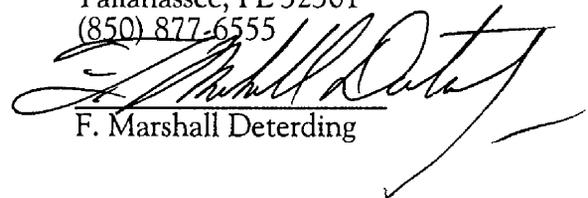
Aloha: *No change in these charges is appropriate in this case. Those charges are being considered in a separate proceeding currently pending before the PSC and awaiting clarification of the intended changes to the treatment process expected in the future.*

ISSUE 24: Should this docket be closed?

Aloha: *After granting the requests proposed in the MFRs, this docket should be closed.*

Respectfully submitted this
12th day of February, 2002, by:

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