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August 19, 2003
VIA HAND DELIVERY

Tricia Merchant, CPA
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RECEIVED-FPSC
AUG 19 AM 10:10
COMMISSION
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Re: Aloha Utilities, Inc.; PSC Docket No. 010503-WU
Application for Increased Water Rates in Seven Springs System
Our File No. 26038.35

Dear Ms. Merchant:

After our meeting last Thursday, Aloha Utilities, Inc. has set out to perform the calculations to demonstrate whether revenues under interim rates exceeded those that would have been received under final rates, for the period since the entry since the Commission's Final Order on April 30, 2002. This was done in accordance with your instructions for making such a comparison.

Aloha was able to call in its programmer Friday and reprogram its computer to generate a calculation of the revenues that would have been received from May of 2002 through July of 2003, under the approved final rates. Mr. Nixon has prepared a schedule for these 15 months, showing the revenues that were collected under the interim rates versus those that would have been billed under the final rates.

By comparing the total of column 4 and column 8 of the attached schedule (plus the adjustment for indexing noted in the summary), it is clear that the interim revenues produced only 4.09% more revenue than final rates would have. As such, the 4.87% refund required by the Final Order, results in a lesser revenue level than would have been generated under the final rates, had they gone into effect at the time of the Final Order. Therefore, if in fact there is some theory that the Utility should be placed in the same position it would have been in, had it not unsuccessfully appealed, then the refund should be reduced from May 2002 forward to a refund percentage of 4.09%.

As we discussed in our meeting, the contention that there was somehow a "unjust enrichment" or "excess revenue collected" stems from the fact that some people are confusing the interim revenue requirement from one test year, with the final revenue requirement for a later test year. As we discussed, the majority of this

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Tricia Merchant
August 18, 2003
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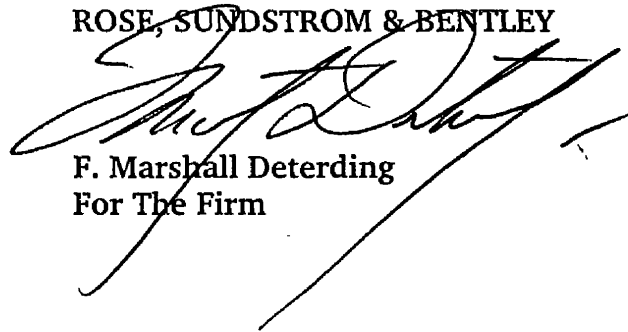
no doubt relates to the numerous adjustments made for interim and to the growth that has occurred in the projected test period and thereafter. The contention that the Commission's Final Order found that no increase was appropriate, relates to the projected test year revenue requirement and not the interim test year revenue requirement, as some are trying to suggest.

Given the clear findings of this analysis, we request that the Commission staff move forward immediately to finalize this matter, so that we can close this case and complete the related refunds and release of escrowed monies as quickly as possible, to avoid incurring further costs based upon the unique refund theories that have been raised in this case.

If you have any questions or need any further information in this regard, please let me know.

Sincerely,

ROSE, SUNDSTROM & BENTLEY



F. Marshall Deterding
For The Firm

FMD/tms

cc: Blanca S. Bayo
Marshall Willis, CPA
Ralph Jaeger, Esq.
Lorena Espinoza, Esq.
Bart Fletcher
Steve Burgess, Esq.
Stephen Watford
Robert Nixon, CPA

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Aloha Utilities, Inc.

**Revenue Collected Under Interim Rates VS. Revenue That Could Have Been Collected Under Final Rates
For The Period May 15, 2002 Through The End of The Refund Period - July 31, 2003
Recalculation of Each Bill**

	<u>Count</u>	<u>Orig Base</u>	<u>Gal Chrg</u>	<u>Orig Water Chrg</u>	<u>New Base</u>	<u>Gal Chrg</u> <u>10000<=</u>	<u>Gal Chrg</u> <u>10000></u>	<u>New Water Chrg</u>
May 2002	9967	\$ 89,094.11	\$ 100,526.41	\$ 189,620.52	\$ 43,482.33	\$ 93,116.35	\$ 49,810.21	\$ 186,408.89
June 2002	9994	88,995.09	119,251.92	208,247.01	43,596.90	97,590.98	65,876.71	207,064.59
July 2002	9993	88,948.41	76,248.84	165,197.25	43,631.07	84,545.11	30,459.72	158,635.90
August 2002	10044	89,941.79	56,377.17	146,318.96	44,137.59	76,470.40	16,905.15	137,513.14
September 2002	10085	90,361.74	56,596.45	146,958.19	44,330.55	76,700.49	17,036.35	138,067.39
October 2002	10148	90,924.36	56,005.77	146,930.13	44,555.67	76,356.92	16,804.04	137,716.63
November 2002	10186	91,513.64	78,389.74	169,903.38	44,742.60	87,158.90	31,552.97	163,454.47
December 2002	10254	92,394.33	73,657.55	166,051.88	45,112.44	85,422.00	28,535.72	159,070.16
January 2003	10269	92,409.91	50,466.18	142,876.09	45,088.32	75,327.58	13,295.98	133,711.88
February 2003	10283	92,885.10	68,785.50	161,670.60	45,285.30	85,812.06	23,207.52	154,304.88
March 2003	10288	92,824.38	54,796.96	147,621.34	45,249.12	78,217.47	15,617.07	139,083.66
April 2003	10322	93,080.07	61,828.17	154,908.24	45,379.77	82,987.88	19,184.39	147,552.04
May 2003	10386	93,617.74	85,738.07	179,355.81	45,729.51	92,613.44	34,783.31	173,126.26
June 2003	10471	94,317.98	110,133.95	204,451.93	46,129.50	101,487.02	53,412.01	201,028.53
July 2003	10484	95,423.56	66,750.15	162,173.71	46,149.60	84,105.57	21,279.20	151,534.37
Totals:	153174	\$ 1,376,732.21	\$ 1,115,552.83	\$ 2,492,285.04	\$ 672,600.27	\$ 1,277,912.17	\$ 437,760.35	\$ 2,388,272.79

Summary

Total Revenue Billed Under Interim Rates	(1)	<u>\$ 2,492,285</u>
Total That Could Have Been Billed Under Final Rates		<u>(2,388,273)</u>
Add back interim increase for July	(2)	<u>(2,091)</u>
		<u>\$ (2,390,364)</u>
Excess Revenue From Interim Rates Over Final Rates		<u>\$ 101,921</u>
Excess Revenue Percentage		<u>4.09%</u>
Actual Refund Made For Same Period		<u>\$ 121,006</u>
Actual Refund Percentage		<u>4.87%</u>
Excess of Actual Refund Made Over Calculated Refund		<u>\$ 19,085</u>

Notes: (1) The Interim And Final Revenues Shown Above Do Not Include Cumulative Adjustments Which Are Immaterial For These Calculations.

(2) July 2003 Interim Revenue Includes The Indexed Increase, While The Calculated Final Rates Revenue For July Does Not. Added Back Index Percentage To Calculated Revenues.