



JACK SHREVE
PUBLIC COUNSEL

STATE OF FLORIDA
OFFICE OF THE PUBLIC COUNSEL

c/o The Florida Legislature
111 West Madison St.
Room 812
Tallahassee, Florida 32399-1400
850-488-9330

ORIGINAL

RECORDS AND
REPORTING

00 JUL 31 PM 3:25

RECEIVED-FPSC

July 31, 2000

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0870

RE: Docket No. 991643-SU

Dear Ms. Bayó:

Enclosed are an original and fifteen copies of the Prefiled Testimony of Hugh Larkin, Jr. for filing in the above-referenced docket.

Also Enclosed is a 3.5 inch diskette containing the Prefiled Testimony of Hugh Larkin, Jr. in WordPerfect for Windows 6.1 format. Please indicate receipt of filing by date-stamping the attached copy of this letter and returning it to this office. Thank you for your assistance in this matter.

Sincerely,

Stephen C. Burgess
Deputy Public Counsel

SCB/dsb
Enclosures

- PP _____
- CAF _____
- CMB _____
- COM 3borg
- CTR _____
- ECR Merchant
- LEG _____
- OPC _____
- PAI _____
- RGO _____
- SEC _____
- SER _____
- OTH _____

RECEIVED & FILED
Man
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

09231 JUL 31 00

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Aloha Utilities, Inc.)
Petition for Wastewater Rate)
Increase for Its Seven Springs)
System Customers in Pasco)
County)
_____)

Docket No. 991643-SU
Filed: July 31, 2000

DIRECT TESTIMONY OF

HUGH LARKIN, JR.

Respectfully submitted,
Jack Shreve
Public Counsel

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

(850) 488-9330

Attorney for the Citizens
Of the State of Florida

1 DIRECT TESTIMONY OF HUGH LARKIN, JR.
2 ON BEHALF OF THE CITIZENS OF FLORIDA
3 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
4 ALOHA UTILITIES, INC.
5 DOCKET NO. 991643-SU
6

7 I. INTRODUCTION

8 Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?

9 A. My name is Hugh Larkin, Jr. I am a Certified Public Accountant licensed in the States of
10 Michigan and Florida and the senior partner in the firm of Larkin & Associates, PLLC,
11 Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan
12 48154.

13
14 Q. PLEASE DESCRIBE THE FIRM LARKIN & ASSOCIATES.

15 A. Larkin & Associates, PLLC, is a Certified Public Accounting and Regulatory Consulting
16 Firm. The firm performs independent regulatory consulting primarily for public
17 service/utility commission staffs and consumer interest groups (public counsels, public
18 advocates, consumer counsels, attorneys general, etc.). Larkin & Associates, PLLC, has
19 extensive experience in the utility regulatory field as expert witnesses in over 300
20 regulatory proceedings including numerous water and sewer, gas, electric, and telephone
21 utilities.
22
23

1 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA PUBLIC SERVICE
2 COMMISSION?

3 A. Yes. Over the last 25 years, I have testified before the Florida Public Service
4 Commission in numerous rate cases involving water and wastewater utilities.

5
6 Q. BY WHOM WERE YOU RETAINED, AND WHAT IS THE PURPOSE OF YOUR
7 TESTIMONY?

8 A. Larkin & Associates, PLLC, was retained by the Florida Office of Public Counsel (OPC)
9 to review the rate increase request by Aloha Utilities, Inc., for its Seven Springs
10 Wastewater Division. Accordingly, we are appearing on behalf of the Citizens of Florida
11 (“Citizens”).

12
13 Q. HOW WILL YOUR TESTIMONY BE ORGANIZED?

14 A. My testimony will discuss the schedules which are attached to my testimony. The
15 testimony will follow the numbering of the schedules starting with Schedule 1 and
16 continuing on through Schedule 7.

17
18 SCHEDULE 1

19
20 Q. WHAT DOES SCHEDULE 1 SHOW?

21 A. Schedule 1 shows the current position of the OPC as it relates to the revenue adjustments
22 which the OPC believes is appropriate for Seven Springs at this time. There are several

1 other issues that the OPC is pursuing either through discovery or will incorporate through
2 cross-examination which will impact the revenue calculation I have included on Schedule
3 1. However, at this time the Office of Public Counsel through myself and Ted L. Bidy
4 are recommending that the Commission find a revenue requirement appropriate for Seven
5 Springs Wastewater Division of no more than \$447,019. Schedule 1 is a summary
6 schedule and is supported by other Schedules (2 through 7) which show each adjustment
7 to expenses or rate base.

8
9 SCHEDULE 2

10
11 Q. WHAT DOES SCHEDULE 2 SHOW?

12 A. Schedule 2 shows the operating and maintenance expenses as proposed by the Company
13 for the test year ended September 30, 2001. The Company amount is shown in column 2
14 of Schedule 2, page 1 of 3. In the columns to the right of column 2 I am proposing
15 several adjustments to the operating expenses that either I am sponsoring or Mr. Bidy is
16 recommending. The adjustments I am sponsoring also include adjustments to expenses
17 which incorporate prior Commission decisions and the recent Staff audit; these are shown
18 in column 3. Audit disclosures and audit exception from the Staff audit are shown in
19 column 4.

20
21 Q. WOULD YOU PLEASE DISCUSS THE PRIOR COMMISSION DISALLOWANCES.

22 A. On lines 2 and 3 of Schedule 2, page 1 of 3, I have removed a portion of the salary and

1 employee benefits for Aloha Utilities' Vice President Lynnda Speer. This adjustment is
2 consistent with the Commission's decision in Order No. PSC-99-1917-PAA-WS. In that
3 docket the Commission concluded that Ms. Speer's salary and benefits were not justified
4 in relation to the salary and benefits received by the President, Mr. Watford. I agree with
5 that adjustment and am therefore adopting it as part of the OPC's position.
6

7 Q. THERE ARE ADJUSTMENTS ON LINES 10, 11 AND 12 ALSO IN THE COLUMN
8 RELATED TO DISALLOWANCES FROM PRIOR ORDERS. WOULD YOU
9 PLEASE EXPLAIN THOSE ADJUSTMENTS?

10 A. The Commission did not allow the Company to recover certain amounts of rate case
11 expense from a prior docket. The Company wrote off those expenses in the historical test
12 year September 30, 1999. They are, therefore, included within the base amount that the
13 Company used for projected expenses in the year end September 30, 2001. If these
14 expenses were allowed to be included in the projected test year the Company would
15 recover expenses already disallowed by the Commission and in addition would recover
16 them on an ongoing basis year after year. It is appropriate to remove them from the test
17 year balance.
18

19 On Schedule 2, page 2 of 3, I have also shown the adjustments for the officers' salary and
20 benefits and the disallowed rate case expense. The particular audit disclosure or audit
21 exception is also shown on that page of Schedule 2.
22

1 Q. WOULD YOU PLEASE DISCUSS THOSE ADJUSTMENTS YOU ARE
2 RECOMMENDING RELATED TO THE STAFF AUDIT DISCLOSURES.

3 A. Those adjustments are shown in column 4 of Schedule 2, page 1 of 3, and are also
4 detailed on Schedule 2, page 2 of 3. The first adjustment to account 718 - Chemicals
5 removes \$1,223 from the chemical account. In the Staff's audit, the Staff discovered that
6 the Company wrote off an amount to the chemical account and the material and supplies
7 account (\$1,087 to each account) related to an unreconcilable balance. This amount
8 should not be included in expenses for rate making purposes because it cannot be
9 determined whether it was an expense actually incurred for the benefit of ratepayers in
10 Seven Springs and is undeterminable as to what the item is. The escalation which the
11 Company calculated on this amount should also be removed.

12
13 The next expense adjustment removes \$14,295 from account 720 - Materials and
14 Supplies. This adjustment comprises the write-off I previously discussed related to a
15 similar amount in chemical expense (\$1,087) and \$11,616 of items which the Staff
16 discovered should have been capitalized rather than expensed. Both of these items have
17 been escalated by the Company and I have removed that escalation. The total of this
18 adjustment is shown on Schedule 2, page 2 of 3.

19
20 The next adjustment is to account 732 - Contractual Services-Legal. This adjustment
21 comprises two audit disclosures as shown on Schedule 2, page 2 of 3. Audit Disclosure 9
22 removes \$2,581 of legal expenses from Contractual Services-Legal. These legal expenses

1 were associated with obtaining a \$5.2 million loan from NationsBank and were not
2 expenses of the current test period and should be treated as prepaid loan fees.

3 Additionally, Audit Disclosure 6 removes \$27,400 from Contractual Services -Legal for
4 legal expenses associated with the treatment plant problems which brought the Company
5 in conflict with the Florida Department of Environmental Protection. Such costs should
6 be borne by stockholders because ratepayers have no influence over the Company's
7 operation of the plant or its discharge of effluent, which caused the conflict with the
8 Florida Department of Environmental Protection. It would be inappropriate for
9 ratepayers to pay this cost since the Company's stockholders and officers are responsible
10 for compliance with FDEP's regulations.

11
12 The last adjustment in column 4, Schedule 2, page 1 of 3, to account 775 - Miscellaneous
13 Expenses. This adjustment of \$20,244 removes from miscellaneous expenses the
14 \$18,400 paid to the DEP for settlement of alleged violations. Again, ratepayers should
15 not be held responsible for violations, either alleged or otherwise, associated with the
16 operation of the plant. Management and stockholders are directly responsible for the
17 operation of the plant and the discharge of effluents. To allow the recovery of legal fees
18 and payments associated with alleged violations moves the responsibility for the
19 appropriate operation of the plant, in compliance with DEP regulations, from the
20 Company's management to the Company's ratepayers. This is not an appropriate
21 function of regulation and should be rejected by the Commission.

1 Q. WOULD YOU PLEASE DISCUSS THE ADJUSTMENTS BEING PROPOSED BY
2 THE OPC.

3 A. The OPC is proposing several adjustments to various accounts projected by the Company.
4 The first of these adjustments is to account 701 - Salaries and Wages. On Schedule G-7,
5 page 2 of 18, the Company has shown the details of the salary and wages projected
6 through for the period ending September 30, 2001. Included within that projection is the
7 salary for an individual which the Company claims they were required to hire as a result
8 of the Consent Final Judgement. The Consent Final Judgement states that "the Company
9 must provide additional operators to staff the operation of the plant 24 hours a day." It
10 does not require any additional administrative employees be added to the Company's
11 employment rolls. I am removing from the projected salaries the administrative person
12 that the Company has added under the purported justification that it was a requirement of
13 the DEP. In addition, I have removed the employee's associated benefits from account
14 704.

15
16 The next adjustment the OPC is proposing is an adjustment to purchased power. OPC
17 witness Bidy supports this reduction in purchased power expense by \$57,604. Witness
18 Bidy indicates that the purchased power cost should be reduced by a factor which
19 reflects the reduction of inflow and infiltration (23.37%). Mr. Bidy is also sponsoring
20 the same type of adjustment to the chemicals account. Applying the same inflow and
21 infiltration factor to chemical costs results in a downward adjustment of \$9,755.
22

1 The next adjustment relates to the material and supplies account. The materials and
2 supplies account have increased drastically from 1998 to the test year ended September
3 30, 1999. It has increased approximately 62%. The Staff's audit and disclosures'
4 adjustments remove \$12,703 from this balance. However, the balance still increased by
5 approximately 36%, even with those adjustments. The Company has not accounted for
6 this dramatic increase. I am proposing that the Company's historical test year expense be
7 reduced to the 1998 level, increased by customer growth and inflation for the nine months
8 ended September 30, 1999. This amounts to an adjustment of \$15,266.

9
10 I have also removed the customer growth and inflation adjustment associated with this
11 amount through September 30, 2001. Unless and until the Company can account for the
12 dramatic increase in any account balance between historical data and the test year used to
13 project the 2001 test year, the increase should be disallowed. The Commission should
14 not allow any large increases which have not been justified by the Company.

15
16 Q. WHAT IS THE NEXT ADJUSTMENT YOU ARE SPONSORING?

17 A. I am sponsoring an adjustment to account 732 - Contractual Services-Accounting. The
18 Company has hired a new comptroller who has an accounting background. The addition
19 of the new comptroller should result in productivity gains related to keeping the
20 Company's books and records. In other words, they will not have to rely as extensively
21 as they have in the past on outside accounting services to maintain the books and records
22 and file reports with the Public Service Commission and other entities. As a result of

1 hiring the new comptroller, I have removed from contractual services-accounting an
2 estimate of productivity gains of 50% of the allocated salary of the comptroller to the
3 Seven Springs Division. This amounts to an adjustment of \$7,449.

4
5 Q. IS THERE ANY OTHER ADJUSTMENT YOU ARE PROPOSING TO
6 CONTRACTUAL SERVICES-ACCOUNTING?

7 A. Yes. The Company has included within contractual services-accounting an increase of
8 \$24,000 related to a required audit of Aloha Utilities, Inc. as a result of a bank loan. The
9 Company has allocated a portion of this bank loan to the other operating divisions of
10 Aloha in its capital structure allocation. This is done through the pro-rata allocation of
11 capital shown on Schedule D-2 (A), page 1 of 1, of the minimum filing requirements.
12 Since the benefit of the loan is being allocated in part to entities other than Seven Springs,
13 it would be appropriate to allocate part of the cost of the audit to these entities. The
14 portion of the loan that is allocated to the other operating divisions of Aloha is 14.35%. I
15 am proposing that the \$24,000 audit fee be allocated in the same proportion as the debt is
16 allocated. This results in a reduction to contractual services-accounting of \$3,444.

17
18 Q. WHAT IS THE NEXT ADJUSTMENT THAT IS BEING PROPOSED BY THE OPC?

19 A. The next adjustment is to account 736 - Contractual Services-Other. The Company has
20 added an estimated \$175,000 of maintenance expense for the maintenance of the new
21 facility. This adjustment is purported to be calculated by taking 5% of the cost of the new
22 plant as an estimate of maintenance expense. As OPC witness Bidy points out, the

1 manufacturer will guarantee the proper function of its installed equipment for a period of
2 one year. This plant is proposed to go into service in October 2000. Thus the Company
3 will not incur any repair costs which will not be paid for by the manufacturer or
4 contractor during the test year ended September 30, 2001. Currently, it would be
5 inappropriate to include these costs when they will not be incurred. If at some future
6 point in subsequent years the Company does incur maintenance expense a petition to the
7 Commission to review these costs can be initiated. However, it would not be appropriate
8 to allow the Company to overrecover in current rates any expense it will not actually
9 incur.

10
11 Q. WHAT IS THE NEXT ADJUSTMENT?

12 A. Historically, the Company has incurred approximately \$24,000 in account 775 -
13 Miscellaneous Expense. The average for the years 1996, 1997, and 1998 was \$23,666.
14 The balance in this account jumped to \$62,041 for the year ended December 31, 1999,
15 and was \$57,861 for the 12 months ended September 30, 1999, which was used as a base
16 for projecting the test year ended September 30, 2001. Part of this increase has been
17 removed in the Staff audit when the Staff discovered that the Company had charged the
18 DEP fine of \$18,400 to this account. After removing this amount the account balance is
19 still approximately 67% higher than the average for the prior three years ended December
20 31, 1996, 1997, and 1998. I am proposing to remove from account 775 - Miscellaneous
21 Expenses the amount over the historical average increased by inflation and customer
22 growth. The Company has not properly explained this increase and it should not be

1 incorporated in rates until an analysis is provided of the historical expenses compared to
2 the projection base of September 30, 1999, and a proper explanation given as to why
3 ratepayers should bear this 67% increase.

4
5 SCHEDULE 3

6
7 Q. WOULD YOU PLEASE EXPLAIN SCHEDULE 3?

8 A. Schedule 3 calculates the reduction in depreciation expense for the changes to the plant
9 accounts which myself or witness Ted Bidy are sponsoring. Column 2 is the
10 depreciation expense calculated by the Company. Column 3 represents the depreciation
11 rate related to the account being adjusted. Column 4 is the depreciation expense
12 associated with the invoices previously expensed that the Company capitalized and the
13 Commission subsequently disallowed. Column 5 is the result of the findings of the Staff
14 audit. The Staff audit found that the AFUDC rate was incorrectly used and that certain
15 items which were expensed should have been capitalized.

16
17 Column 6 is my adjustment to the plant accounts to reduce the CWIP balance used to
18 calculate the total AFUDC. Aloha had recorded a monthly amount of accounts payable
19 attributable to CWIP. The utility did not include these payables in computing working
20 capital. (MFR Sch. A-17) The fact is, however, that these payables provide a source of
21 capital to the utility. If they are not used to reflect a reduction in the working capital
22 requirement, the associated CWIP should not be included for accumulating AFUDC.

1 Column 7 is an adjustment to depreciation expense for the non-used and useful plant
2 adjustment sponsored by OPC witness Bidy. Additionally, on line 57 the amortization
3 of CIAC was reduced because a portion of the reuse transmission and distribution lines
4 are considered non-used and useful by Mr. Bidy, and the amortization of that CIAC
5 associated with those lines would be reduced in the current year. The result is a reduction
6 in net depreciation expense as proposed by the Company.

7
8 SCHEDULE 4

9
10 Q. PLEASE EXPLAIN SCHEDULE 4.

11 A. Schedule 4 changes the amortization of the contributed tax associated with Contributions
12 In Aid of Construction. The Company has amortized this balance over a 40-year period.
13 CIAC assets have a composite life of approximately 26.9 years as disclosed in the work
14 papers to the Staff audit. A more appropriate life for the amortization of this tax would
15 be the life over which the CIAC assets are amortized. I have changed the amortization to
16 coincide with life used to amortize the CIAC. This increases the Company's adjustment
17 for amortization of these taxes and increases the amortization by \$18,808.

18
19 SCHEDULE 5

20
21 Q. WHAT DOES SCHEDULE 5 SHOW?

22 A. Schedule 5 adjusts taxes other than income taxes for audit disclosures and the OPC's

1 adjustments to the plant accounts and depreciation reserve. On line 2 of Schedule 5 the
2 payroll taxes associated with the salary of the officer whose salary was disallowed in the
3 last Commission order is reversed. On line 3 is the property tax adjustment proposed in
4 audit disclosure 10 of the Commission Staff. This adjusts property taxes to the level that
5 the Company would have paid had it paid the minimum amount for property taxes when
6 due.

7
8 The last adjustment shown on line 4 removes from property taxes the effect of
9 adjustments to the plant accounts and reserve recommended by OPC. The calculation of
10 this amount is shown on Schedule 5, page 2 of 2. The plant subject to personal property
11 taxes has been reduced by the percentage of plant reduction that the OPC is proposing to
12 the Company's plant in service. This is the difference between the Company's 13 month
13 average and the OPC's 13-month average shown on Schedule 7, page 1 of 6. Similarly,
14 the accumulated depreciation and the land have been adjusted for the difference
15 (percentage wise) between the utility adjusted balance and the OPC adjusted balance as
16 shown on Schedule 7, page 1 of 6. The reduced taxable balance is shown on line 4 of
17 Schedule 5, page 2 of 2, to which I have applied the tax rate used by the Staff in
18 disclosure 10. The reduction to the personal property tax would be the amount shown on
19 line 6, Schedule 5, page 2 of 2, of \$67,347.

1 SCHEDULE 6

2
3 Q. PLEASE PROVIDE AN EXPLANATION OF SCHEDULE 6.

4 A. Schedule 6 adjusted the deferred income taxes for reduction in depreciation expense
5 resulting from the OPC's proposed plant adjustments and used to useful adjustments.
6 The book depreciation has been calculated on Schedule 3. The tax depreciation and
7 amortization have been adjusted down by the same percentage as the book depreciation
8 and amortization. The resulting difference after applying the state and federal tax rate
9 results in a reduction of deferred income tax expense of \$86,414. It is appropriate to
10 reduce the deferred taxes since the depreciation expense charged the ratepayers would be
11 reduced and also the tax depreciation and amortization associated with the reduced assets
12 would result in a lower deferred income tax expense recoverable from ratepayers.

13
14 SCHEDULE 7

15
16 Q. WHAT DOES SCHEDULE 7 DEPICT?

17 A. Schedule 7 depicts the rate base calculated by the OPC. On line 1 of Schedule 7, the
18 utility's plant in service is shown adjusted for the OPC adjustments. Page 2 of 6 shows
19 the OPC adjustments. On page 2 of 6 starting with column 2, which is the 13-month
20 average from the minimum filing requirements, I have adjusted for the following items.

21
22 In column 3 I have adjusted for the disallowance of previously expensed invoices as

1 discussed earlier in this testimony. In column 4 I have adjusted for the AFUDC and
2 O&M items which were discovered and detailed in the Staff audit. The next column,
3 column 5, removes AFUDC associated with Accounts Payable (CWIP) which should
4 have been used to adjust the balance on which AFUDC was calculated. In the final
5 column I have calculated the used and useful adjustment based upon the information
6 provided to me by OPC witness Bidy.

7
8 Line 2 of Schedule 7, page 1 of 6, shows the land and land rights. These are also detailed
9 on page 2 of 6 and reflect both used and useful adjustments and the correction of a
10 reallocation of land from the Commission's prior order.

11
12 The next line on Schedule 7, page 1 of 6, is accumulated depreciation. The adjustments
13 to this account are detailed on Schedule 7, page 3 of 6. In column 3 I remove the
14 accumulated depreciation associated with the invoices previously expensed which the
15 Commission removed in its previous order. Column 4 reflects the removal of
16 depreciation reserve associated with non-used and useful plant.

17
18 Q. PLEASE EXPLAIN SCHEDULE 7, PAGE 4 OF 6.

19 A. Schedule 7, page 4 of 6, adjusts Contributions In Aid of Construction for the
20 contributions received from the Southwest Florida Water Management District. Since
21 Ted Bidy has adjusted the reuse transmission and distribution system for used and
22 useful, the CIAC should also be adjusted to remove that portion of the CIAC received the

1 Southwest Florida Water Management District related to the reuse lines.

2
3 Q. PLEASE EXPLAIN SCHEDULE 7, PAGE 5 OF 6.

4 A. On Schedule 7, page 5 of 6, I have also adjusted the accumulated amortization of
5 contributions in aid of construction for the portion of the amortization associated with a
6 contribution from SWFWMD.

7
8 Q. WHAT IS SHOWN ON SCHEDULE 7, PAGE 6 OF 6?

9 A. These are the proposed adjustments to working capital. The utility's proposed working
10 capital is shown on line 1 of Schedule 7, page 6 of 6. On line 2 I have removed the
11 income tax deposit from working capital since the Company will not pay any income
12 taxes in the near future.

13
14 On line 3 I removed the cash balance from working capital consistent with the
15 Commission's last decision. The Company earns a rate of return on the cash balance and
16 to include the cash balance even with the interest included in the operating income, the
17 ratepayers would be subsidizing this investment. The Company has not shown that the
18 maintaining of a half million-dollar cash balance in the Company's bank is a requirement
19 of providing service to ratepayers. Unless and until the Company can demonstrate
20 providing services to ratepayers requires the maintenance of a bank account with a
21 \$500,000 balance it should not be included as working capital. Regardless of whether the
22 interest associated with this account is included in revenues, the customer would still be

1 subsidizing the balance because the interest return is less than the rate of return on rate
2 base.

3
4 Q. HAVE YOU ALSO REMOVED THE INTEREST EARNED ON THIS BANK
5 ACCOUNT FROM REVENUE IN THIS CASE?

6 A. Yes I have. I have removed \$9,572 of interest income associated with this working
7 capital adjustment. This is shown on Schedule 1, column 3, line 1.

8
9 The last item I have removed from working capital is an increase of \$25,000 in rate case
10 expense which the Company claims results from the Commission staff requiring that the
11 Company's minimum filing requirements be revised. The Staff found that the minimum
12 filing requirements did not meet the Commission's rules and therefore required the
13 Company to supplement and revise the filing. My review of the filing indicated to me
14 that any of the information that the Company subsequently provided was necessary for
15 the understanding of the Company's case. Ratepayers should not be required to incur
16 additional rate case expense associated with information that is necessary for the
17 complete analysis and understanding of a company's request for an increase. I have also
18 removed the \$25,000 from the amortization which the Company has requested in this
19 case.

20
21 Q. HAVE YOU ACCEPTED THE UTILITY'S PROPOSED CAPITAL STRUCTURE
22 AND RATE OF RETURN?

1 A. No, I have not. In Mr. Nixon's deposition on July 24, 2000, it was determined that the
2 Company had under projected customer deposits. This means that the Company's
3 proposed capital structure is not appropriate. In addition, the Staff's audit suggests that
4 the Company has not properly projected the equity balance on a 13-month average basis.
5 When the Company has corrected the capital structure for the miscalculation of customer
6 deposits, I will examine the proposed rate of return and determine if the OPC feels it is
7 appropriate for rate making purposes.

8
9 Q. ARE THERE ANY OTHER ISSUES THAT THE COMMISSION SHOULD
10 CONSIDER RELATED TO COMPANY'S PROPOSED RATE INCREASE?

11 A. The Office of the Public Counsel, through witness Bidy, has removed from the rate base
12 reuse facilities which he has determined to be non-used and useful. The Commission, in
13 Order No. PSC-97-0280-FOF-WS issued March 12, 1997, indicated that the Company
14 could expect to receive at least \$109,500 of revenues associated with the sale of reuse
15 water. In the current case, the Company has included reuse revenues in the amount
16 \$47,359. Less than half of the total revenues the Commission felt would be generated
17 from the reuse facilities. If the Commission does not accept Mr. Bidy's analysis of the
18 reuse issue, then in my opinion, it would be appropriate for the Commission to include
19 the additional revenues above what the Company has projected in the test year ended
20 September 30, 2001. That is an additional amount of reuse revenues of \$62,141 and
21 ought to be imputed to the current test year ($\$109,500 - \$47,359 = \$62,141$). This would be
22 appropriate since OPC witness Bidy has projected five years of customer growth in his

1 determination of the used and useful percentage. Since Florida statutes require
2 imputation of this additional growth, it would also be appropriate for the Commission to
3 impute additional sales associated with the reuse lines if it does not adopt Mr. Bidy's
4 adjustment for non-used and useful associated with the reuse lines.

5

6 Q. DOES THAT COMPLETE YOUR TESTIMONY?


7 A. Yes it does.

CERTIFICATE OF SERVICE
DOCKET NO. 991643-SU

I HEREBY CERTIFY that a copy of the foregoing Prefiled Testimony of Hugh Larkin, Jr. has been furnished by U.S. Mail or *hand-delivery to the following parties this 31st day of July, 2000.

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

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



Stephen C. Burgess
Deputy Public Counsel

ALOHA UTILITIES, INC.
 Seven Springs Wastewater Division
 Year Ended September 30, 2001

Docket No. 991643-SU
 Exhibit ____ (HL-1)
 Schedule 1

OPC Revenue Adjustments

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Line No.	Description	Utility Adjusted Test Year	OPC Adjustments	Adjusted Balance	Revenue Increase	Annual Revenue Requirement	Reference
1	OPERATING REVENUES	\$ 2,780,994	\$ (9,572)	\$ 2,771,422	\$ 447,019	\$ 3,218,441	
2	Operation & Maintenance	2,175,762	(412,975)	1,762,787	68,750	1,831,537	Schedule 2
3	Depreciation, net of CIAC Amortization	383,390	(159,826)	223,564		223,564	Schedule 3
4	Amortization (Contribution Taxes)	(38,622)	(18,808)	(57,430)		(57,430)	Schedule 4
5	Taxes Other Than Income	527,189	(92,558)	434,631	20,116	454,747	Schedule 5
6	Provision for Income Taxes	208,100	(86,414)	121,686		121,686	Schedule 6
7	OPERATING EXPENSES	3,255,819	(770,581)	2,485,238	88,866	2,574,104	
8	NET OPERATING INCOME	\$ (474,825)	\$ 761,009	\$ 286,184	\$ 358,153	\$ 644,337	
9	RATE BASE	\$ 10,519,148	\$(3,545,804)	\$ 6,973,344		\$ 6,973,344	Schedule 7
10	RATE OF RETURN					9.24%	

ALOHA UTILITIES, INC.
 Seven Springs Wastewater Division
 Year Ended September 30, 2001

Docket No. 991643-SU
 Exhibit ____ (HL-1)
 Schedule 2, Page 1 of 3

Adjustments to Operating and Maintenance Expenses

No.	(1) Account No. and Name	(2) Total Annual	(3) Remove Expense Disallowed in Prior Order	(4) Audit Disclosures & Exceptions	(5) OPC Adjustments	(6) Adjusted Expenses
1	701 Salaries & Wages - Employees	\$ 254,257			\$ (6,269)	\$ 247,988
2	703 Salaries & Wages - Officers, Etc.	67,677	\$ (15,507)			52,170
3	704 Employee Pensions & Benefits	110,423	(5,319)		(2,150)	102,954
4	710 Purchased Sewage Treatment	-				-
5	711 Sludge Removal Expense	671,351				671,351
6	715 Purchased Power	246,488			(57,604)	188,884
7	716 Fuel for Power Purchased	6,500				6,500
8	718 Chemicals	42,963		\$ (1,223)	(9,755)	31,985
9	720 Materials & Supplies	101,801		(14,295)	(17,179)	70,327
10	731 Contractual Services - Engr.	102,731	(10,467)			92,264
11	732 Contractual Services - Acct.	50,458	(10,467)		(10,893)	29,098
12	733 Contractual Services - Legal	66,333	(10,467)	(29,981)		25,885
13	734 Contractual Services - Mgmt. Fees	-				-
14	735 Contractual Services - Testing	29,072				29,072
15	736 Contractual Services - Other	308,386			(175,000)	133,386
16	741 Rental of Building/Real Prop.	6,122				6,122
17	742 Rental of Equipment	612				612
18	750 Transportation Expenses	20,095				20,095
19	756 Insurance - Vehicle	10,325				10,325
20	757 Insurance - General Liability	7,359				7,359
21	758 Insurance - Workman's Comp.	7,073				7,073
22	759 Insurance - Other	-				-
23	760 Advertising Expense	-				-
24	766 Reg. Comm. Exp. - Rate Case Amort.	-				-
25	767 Reg. Comm. Exp. - Other	750				750
26	770 Bad Debt Expense	-				-
27	775 Miscellaneous Expenses	64,986		(20,244)	(16,155)	28,587
28	TOTAL	\$ 2,175,762	\$ (52,227)	\$ (65,743)	\$ (295,005)	\$ 1,762,787

Adjustments to Expenses Disallowed in Prior Order and Audit Disclosures

No.	Account	Description	Reference	Amount
<u>Expenses Disallowed in Prior Order</u>				
1	703	Remove excess officers salary	(Audit Disclosure 4)	<u>\$ (15,507)</u>
2	704	Remove excess officers benefits	(Audit Disclosure 4)	<u>\$ (5,319)</u>
3	731	Contractual Services - Engr	(Audit Exception 4)	<u>\$ (10,467)</u>
4	732	Contractual Services - Acct	(Audit Exception 4)	<u>\$ (10,467)</u>
5	733	Contractual Services - Legal	(Audit Exception 4)	<u>\$ (10,467)</u>
<u>Audit Disclosures</u>				
6	718	Chemicals	(Audit Disclosure 5)	\$ (1,087)
7			Escalation	(136)
8		Total		<u>\$ (1,223)</u>
9	720	Materials & Supplies	(Audit Disclosure 5)	\$ (1,087)
10			(Audit Exception 3)	(11,616)
11			Escalation	(1,592)
12		Total		<u>\$ (14,295)</u>
13	733	Contractual Services - Legal	(Audit Disclosure 9)	\$ (2,581)
14			(Audit Disclosure 6)	(27,400)
15		Total		<u>\$ (29,981)</u>
16	775	Misc Expense	(Audit Disclosure 6)	\$ (18,400)
17			Escalation	(1,844)
18		Total		<u>\$ (20,244)</u>

Adjustments to Operating Expenses

Line No.	Description	Amount
<u>701 Salaries & Wages - Employee</u>		
1	Salary increase not required by consent final judgement	\$ 17,680
2	Allocation to Seven Springs	35.46%
3	Adjustment	<u>\$ 6,269</u>
<u>704 Employee Pensions & Benefits</u>		
4	Salary increase not required by consent final judgement	\$ 17,680
5	Benefit percentage	34.30%
6	Total benefits	6,064
7	Allocation to Seven Springs	35.46%
8	Adjustment	<u>\$ 2,150</u>
<u>715 Purchase Power</u>		
9	Purchase power	\$ 246,488
10	Less: Power needed as a result of I/I reduction	23.37%
11	Adjustment	<u>\$ 57,604</u>
<u>718 Chemicals</u>		
12	Chemicals	\$ 41,740
13	Less: Chemicals needed as a result of I/I reduction	23.37%
14	Adjustment	<u>\$ 9,755</u>
<u>720 Materials & Supplies</u>		
15	Historical test year 9/30/99 expense	\$ 78,582
16	Audit exceptions and disclosures	12,703
17	Net amount	65,879
18	1998 expense increased by customer growth and inflation for 9 months (\$48,406 + 2,207)	50,613
19	Adjustment	15,266
20	Customer growth and inflation through 9/30/01	1,913
21	Total	<u>\$ 17,179</u>
<u>732 Contractual Services - Acct.</u>		
22	Controller allocated salary to Seven Springs	\$ 14,899
23	50%	7,450
24	Adjustment	<u>\$ 7,449</u>
25	Audit fee	\$ 24,000
26	Percentage of debt allocated to other divisions	14.35%
27	Adjustment	<u>\$ 3,444</u>
28	Total adjustments to 732 - Contractual Services - Acct.	<u>\$ 10,893</u>
<u>775 Miscellaneous Expenses</u>		
29	Historical test year 9/30/99 expense	\$ 57,861
30	Audit disclosurer 6 DEP fine	18,400
31	Balance	39,461
32	Three year average plus 9 months customer growth and inflation (\$23,666 + 1,439)	25,105
33	Adjustment	14,356
34	Customer growth and inflation through 9/30/01	1,799
35	Total adjustment	<u>\$ 16,155</u>

Adjustment to Depreciation Expense

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line Account	Test Year	Depr	Remove	Audit findings	AFUDC on	Non-Used	
No. No. and Name	6/30/01	Rate	Depreciation	on AFUDC and	Accounts	& Useful	Total
	(MFR B-14(A))		in Previous Orders	O & M items	Payable	Adjustment	
1 INTANGIBLE PLANT							
2 351.1 Organization							
3 352.1 Franchises	\$ 77	0.025	\$ (77)				\$ (0)
4 389.1 Other Plant & Misc. Equipment							-
5 COLLECTION PLANT							-
6 354.2 Structures & Improvements	5,567						5,567
7 355.2 Power Generation Equipment							-
8 360.2 Collection Sewers - Force	71,624	0.030	(138)		(110)	(15,203)	56,173
9 361.2 Collection Sewers - Gravity	149,264	0.024			(39)		149,225
10 362.2 Special Collecting Structures							-
11 363.2 Services to Customers	3,537	0.029			(2)		3,535
12 364.2 Flow Measuring Devices	6,261	0.200			(5)	(1,333)	4,924
13 365.2 Flow Measuring Installations							-
14 389.2 Other Plant & Misc. Equipment	82	0.056		62			144
15 SYSTEM PUMPING PLANT							-
16 354.3 Structures & Improvements	16,333	0.015		(184)	(19)	(4,360)	11,770
17 355.3 Power Generation Equipment							-
18 370.3 Receiving Wells							-
19 371.3 Pumping Equipment	106,829	0.035	(79)	(985)	(110)	(28,559)	77,096
20 389.3 Other Plant & Misc. Equipment							-
21 TREATMENT AND DISPOSAL PLANT							-
22 354.4 Structures & Improvements	29,974	0.031	(51)			(8,088)	21,835
23 355.4 Power Generation Equipment							-
24 380.4 Treatment & Disposal Equipment	62,964	0.062	(5,949)	(1,236)	(4)	(15,076)	40,699
25 381.4 Plant Sewers	10,123	0.029		(382)		(2,633)	7,108
26 382.4 Outfall Sewer Lines	15,958	0.033	(48)			(4,300)	11,609
27 389.4 Other Plant & Misc. Equipment	609	0.042	(500)	285		(106)	287
28 RECLAIMED WATER TREATMENT PLANT							-
29 354.5 Structures & Improvements	6,821	0.014		(92)		(1,819)	4,910
30 355.5 Power Generation Equipment	16,865	0.025		(226)	(18)	(4,493)	12,129
31 371.5 Pumping Equipment							-
32 374.5 Reuse Distribution Reservoirs	8,349	0.020		(112)	(9)	(2,224)	6,004
33 380.5 Treatment & Disposal Equipment	23,266	0.016			(24)	(6,282)	16,959
34 381.5 Plant Sewers	14,258	0.014			(15)	(3,850)	10,393
35 389.5 Other Plant & Misc. Equipment							-
36 RECLAIMED WATER DISTRIBUTION PLANT							-
37 352.6 Franchises							-
38 354.6 Structures & Improvement	19,202	0.013		(257)	(20)	(5,115)	13,809
39 355.6 Power Generation Equipment							-
40 366.6 Reuse Services							-
41 367.6 Reuse Meters & Meter Installatio	7,959	0.027		(95)	(9)	(2,123)	5,732
42 371.6 Pumping Equipment							-
43 375.6 Reuse Transmission & Distributio	194,251	0.042			(164)	(52,462)	141,625
44 389.6 Other Plant & Misc. Equipment							-
45 GENERAL PLANT							-
46 354.7 Structures & Improvements	206	0.026			(14)		192
47 390.7 Office Furniture & Equipment	4,351	0.047			(3)		4,348
48 391.7 Transportation Equipment	9,285	0.069			(3)		9,282
49 392.7 Stores Equipment							-
50 393.7 Tools, Shop & Garage Equipmen	681	0.063	(385)		-		296
51 394.7 Laboratory Equipment	334						334
52 395.7 Power Operated Equipment	3,524						3,524
53 396.7 Communication Equipment	11						11
54 397.7 Miscellaneous Equipment	304	0.067			(1)		303
55 398.7 Other Tangible Plant	-						-
56 TOTAL	788,869		(7,227)	(3,224)	(568)	(158,026)	619,825
57 Less: Amorization of CIAC	(405,479)		-	-	-	9,218	(396,261)
58 Net Depreciation Expense - Sewer	\$ 383,390		\$ (7,227)	\$ (3,224)	\$ (568)	\$ (148,808)	\$ 223,564

ALOHA UTILITIES, INC.
Seven Springs Wastewater Division
Year Ended September 30, 2001

Docket No. 991643-SU
Exhibit ____ (HL-1)
Schedule 4

Adjustments to Amortization (Contributed Taxes)

No.	Description	Amount
1	Contributed taxes to be amortized	\$ 1,544,861
2	Amortized over 26.9 years composite rate for CIAC assets	<u>26.9</u>
3	Annual amortization	57,430
4	Company amortization	<u>(38,622)</u>
5	Adjustment	<u><u>\$ 18,808</u></u>

ALOHA UTILITIES, INC.
Seven Springs Wastewater Division
Year Ended September 30, 2001

Docket No. 991643-SU
Exhibit ____ (HL-1)
Schedule 5, Page 1 of 2

Adjustments to Taxes other than Income Taxes

No.	Description	Reference	Amount
1	Amount per utility		\$ 527,189
2	Payroll tax adjustment officer	(audit disclosure 4)	(1,392)
3	Property tax adjustment	(audit disclosure 10)	(23,819)
4	Effect of adjustment to plant assets and depreciation reserve	Schedule 5, Page 2 of 2	<u>(67,347)</u>
5	Adjustment		(92,558)
6	OPC adjusted balance		<u>\$ 434,631</u>

ALOHA UTILITIES, INC.
Seven Springs Wastewater Division
Year Ended September 30, 2001

Docket No. 991643-SU
Exhibit ____ (HL-1)
Schedule 5, Page 2 of 2

Adjustments to Personal Property Tax for OPC Adjustments

No.	Description	Reference		Percentage Adjustment	
1	Plant subject to personal property tax	(audit disclosure 10)	\$ 23,304,015	19.06%	\$ 4,441,745
2	Less: Accumulated Depreciation	(audit disclosure 10)	5,138,305	16.90%	(868,374)
3	Less: Land	(audit disclosure 10)	536,824	17.90%	<u>(96,091)</u>
4	Net taxable reduction in tax base				\$ 3,477,280
5	Tax rate				<u>0.0193677</u>
6	Tax reduction				<u>\$ 67,347</u>

ALOHA UTILITIES, INC.
 Seven Springs Wastewater Division
 Year Ended September 30, 2001

Docket No. 991643-SU
 Exhibit ____ (HL-1)
 Schedule 6

Adjustment to Deferred Income Taxes

Line No.	Description	Utility Adjusted	OPC Adjusted	OPC Deferred Tax
1	Timing Differences:			
2	Tax Depreciation and Amortization	\$ 936,407	\$ (388,844)	\$ 547,563
3	Book Depreciation and Amortization (Schedule 3)	383,390	(159,203)	224,187
4	Difference	553,017	(229,641)	323,376
5	Other Timing Differences (Itemize):			
6	Imputed Interest	-	-	-
7	CIAC gross up tax refund	-	-	-
8	Total Timing Differences	553,017	(229,641)	323,376
9	State Tax Rate	0.055	0.055	0.055
10	State Deferred Taxes	30,416	(12,630)	17,786
11	Timing Differences for Federal Taxes	522,601	(217,011)	305,590
12	Federal Tax Rate	0.34	0.34	0.34
13	Federal Deferred Taxes	177,684	(73,784)	103,901
14	Add: State Deferred Taxes	30,416	(12,630)	17,786
15	Total Deferred Tax Expense	\$ 208,100	\$ (86,414)	\$ 121,686

Rate Base

No.	(1) Description	(2) Adjusted Utility Balance (A)	(3) OPC Adjustments	(4) Adjusted Rate Base	(5) Reference
1	Utility Plant in Service	\$ 22,229,056	\$ (4,236,225)	\$ 17,992,831	Page 2 of 6
2	Utility Land & Land Rights	548,944	(98,029)	450,915	Page 2 of 6
3	Less: Non-Used & Useful Plant	-			
4	Construction Work in Progress				
5	Less: Accumulated Depreciation	(4,742,735)	802,176	(3,940,559)	Page 3 of 6
6	Less: CIAC	(11,337,945)	245,541	(11,092,404)	Page 4 of 6
7	Accumulated Amortization of CIAC	3,324,608	27,384	3,351,992	Page 5 of 6
8	Acquisition Adjustments				
9	Accum. Amort. of Acq. Adjustments				
10	Advances for Construction				
11	Working Capital Allowance	497,220	(286,651)	210,569	Page 6 of 6
12	Total Rate Base	<u>\$ 10,519,148</u>	<u>\$ (3,545,804)</u>	<u>\$ 6,973,344</u>	

(A) Minimum filing requirements schedule A-2(A)

Adjustment to Plant and Land Accounts

No.	(1) Line Account No. and Name	(2) 13 Month Average (A)	(3) Plant disallowed in Previous Orders	(4) Audit findings on AFUDC and O&M items	(5) AFUDC on Accounts Payable	(6) Used & Useful Adjustment	(7) Total
1	INTANGIBLE PLANT						-
2	351.1 Organization						-
3	352.1 Franchises	\$ 3,095	\$ (3,095)				\$ -
4	389.1 Other Plant & Misc. Equipment						-
5	COLLECTION PLANT						-
6	353.2 Land & Land Rights	208,414					208,414
7	354.2 Structures & Improvements	216,914					216,914
8	355.2 Power Generation Equipment						-
9	360.2 Collection Sewers - Force	2,347,040	(4,644)		(3,719)	(498,138)	1,840,539
10	361.2 Collection Sewers - Gravity	6,069,802			(1,597)		6,068,205
11	362.2 Special Collecting Structures						-
12	363.2 Services to Customers	121,702			(76)		121,626
13	364.2 Flow Measuring Devices	37,981			(24)	(8,085)	29,872
14	365.2 Flow Measuring Installations						-
15	389.2 Other Plant & Misc. Equipment	1,469		1,118			2,587
16	SYSTEM PUMPING PLANT						-
17	353.3 Land & Land Rights	10,580					10,580
18	354.3 Structures & Improvements	650,202		(12,106)	(1,225)	(172,146)	464,725
19	355.3 Power Generation Equipment						-
20	370.3 Receiving Wells						-
21	371.3 Pumping Equipment	2,079,036	(2,250)	(28,137)	(3,147)	(552,899)	1,492,603
22	389.3 Other Plant & Misc. Equipment						-
23	TREATMENT AND DISPOSAL PLANT						-
24	353.4 Land & Land Rights	329,950	(12,120)			(85,909)	231,921
25	354.4 Structures & Improvements	959,359	(1,622)			(258,876)	698,861
26	355.4 Power Generation Equipment						-
27	380.4 Treatment & Disposal Equipment	1,016,215	(96,011)	(19,955)	(66)	(243,319)	656,864
28	381.4 Plant Sewers	354,309		(13,375)		(92,154)	248,780
29	382.4 Outfall Sewer Lines	478,741	(1,443)			(129,014)	348,284
30	389.4 Other Plant & Misc. Equipment	14,614	(12,005)	6,837		(2,553)	6,893
31	RECLAIMED WATER TREATMENT PLANT						-
32	353.5 Land & Land Rights						-
33	354.5 Structures & Improvements	268,643		(6,749)		(70,790)	191,104
34	355.5 Power Generation Equipment	337,306		(9,041)	(709)	(88,538)	239,018
35	371.5 Pumping Equipment						-
36	374.5 Reuse Distribution Reservoirs	208,730		(5,595)	(439)	(54,789)	147,907
37	380.5 Treatment & Disposal Equipment	744,517			(1,564)	(200,820)	542,133
38	381.5 Plant Sewers	499,027			(1,049)	(134,603)	363,375
39	389.5 Other Plant & Misc. Equipment						-
40	RECLAIMED WATER DISTRIBUTION PLANT						-
41	352.6 Franchises						-
42	353.6 Land & Land Rights						-
43	354.6 Structures & Improvement	768,093		(20,373)	(1,614)	(201,672)	544,434
44	355.6 Power Generation Equipment						-
45	366.6 Reuse Services						-
46	367.6 Reuse Meters & Meter Installations	159,188		(3,530)	(335)	(41,984)	113,339
47	371.6 Pumping Equipment						-
48	375.6 Reuse Transmission & Distribution	4,545,472			(3,925)	(1,227,580)	3,313,967
49	389.6 Other Plant & Misc. Equipment						-
50	GENERAL PLANT						-
51	353.5 Land & Land Rights						-
52	354.5 Structures & Improvements	7,840			(529)		7,311
53	390.5 Office Furniture & Equipment	93,157			(57)		93,100
54	391.5 Transportation Equipment	153,501			(39)		153,462
55	392.5 Stores Equipment						-
56	393.5 Tools, Shop & Garage Equipment	10,889	(6,162)				4,727
57	394.5 Laboratory Equipment	5,898					5,898
58	395.5 Power Operated Equipment	53,239					53,239
59	396.5 Communication Equipment	18,513					18,513
60	397.5 Miscellaneous Equipment	4,564			(10)		4,554
61	398.5 Other Tangible Plant						-
63	TOTAL	\$ 22,778,000	\$ (139,352)	\$ (110,906)	\$ (20,124)	\$ (4,063,872)	\$ 18,443,746

(A) Minimum filing requirements schedule A-6(A)

Adjustment to Accumulated Depreciation

No.	(1) Line Account No. and Name	(2) 13 Month Average	(3) Remove Accumulated Depreciation Disallowed In Prior Order		(4) Used & Useful Adjustment	(5) Total
			\$	\$		
1	INTANGIBLE PLANT					
2	351.1 Organization					
3	352.1 Franchises	\$ 1,160	\$	(1,160)		\$ -
4	389.1 Other Plant & Misc. Equipment					-
5	COLLECTION PLANT					
6	354.2 Structures & Improvements	47,256				47,256
7	355.2 Power Generation Equipment					-
8	360.2 Collection Sewers - Force	232,876		(2,319)	\$ (49,109)	181,448
9	361.2 Collection Sewers - Gravity	1,617,388				1,617,388
10	362.2 Special Collecting Structures					-
11	363.2 Services to Customers	11,531				11,531
12	364.2 Flow Measuring Devices	29,679			(6,322)	23,357
13	365.2 Flow Measuring Installations					-
14	389.2 Other Plant & Misc. Equipment	388				388
15	SYSTEM PUMPING PLANT					
16	354.3 Structures & Improvements	61,909			(16,734)	45,175
17	355.3 Power Generation Equipment					-
18	370.3 Receiving Wells					-
19	371.3 Pumping Equipment	300,535		(1,378)	(80,862)	218,295
20	389.3 Other Plant & Misc. Equipment					-
21	TREATMENT AND DISPOSAL PLANT					
22	354.4 Structures & Improvements	556,886		(1,056)	(150,241)	405,589
23	355.4 Power Generation Equipment					-
24	380.4 Treatment & Disposal Equipment	371,516		(52,006)	(86,364)	233,146
25	381.4 Plant Sewers	49,103			(13,273)	35,830
26	382.4 Outfall Sewer Lines	343,595		(729)	(92,677)	250,189
27	389.4 Other Plant & Misc. Equipment	11,001		(10,210)	(214)	577
28	RECLAIMED WATER TREATMENT PLANT					
29	354.5 Structures & Improvements	8,792			(2,376)	6,416
30	355.5 Power Generation Equipment	16,865			(4,559)	12,306
31	371.5 Pumping Equipment					-
32	374.5 Reuse Distribution Reservoirs	8,349			(2,257)	6,092
33	380.5 Treatment & Disposal Equipment	23,266			(6,289)	16,977
34	381.5 Plant Sewers	14,258			(3,854)	10,404
35	389.5 Other Plant & Misc. Equipment					-
36	RECLAIMED WATER DISTRIBUTION PLANT					
37	352.6 Franchises					-
38	354.6 Structures & Improvement	19,402			(5,244)	14,158
39	355.6 Power Generation Equipment					-
40	366.6 Reuse Services					-
41	367.6 Reuse Meters & Meter Installations	8,584			(2,320)	6,264
42	371.6 Pumping Equipment					-
43	375.6 Reuse Transmission & Distribution	763,120			(206,271)	556,849
44	389.6 Other Plant & Misc. Equipment					-
45	GENERAL PLANT					
46	354.7 Structures & Improvements	2,518				2,518
47	390.7 Office Furniture & Equipment	53,417				53,417
48	391.7 Transportation Equipment	126,219				126,219
49	392.7 Stores Equipment					-
50	393.7 Tools, Shop & Garage Equipment	5,892		(4,354)		1,538
51	394.7 Laboratory Equipment	2,753				2,753
52	395.7 Power Operated Equipment	35,256				35,256
53	396.7 Communication Equipment	18,498				18,498
54	397.7 Miscellaneous Equipment	723				723
55	398.7 Other Tangible Plant					-
56	TOTAL	\$ 4,742,735	\$	(73,212)	\$ (728,964)	\$ 3,940,559

ALOHA UTILITIES, INC.
Seven Springs Wastewater Division
Year Ended September 30, 2001

Docket No. 991643-SU
Exhibit ____ (HL-1)
Schedule 7, Page 4 of 6

Adjustment to Contributions in Aid of Construction

Line No.	Description	Contributed Lines	Plant Capacity Fees	Total
1	Per utility	\$ 8,791,899	\$ 2,546,046	\$ 11,337,945
2	Used & Useful Adjustment	<u>(245,541) (A)</u>	<u>-</u>	<u>(245,541)</u>
3	Total	<u>\$ 8,546,358</u>	<u>\$ 2,546,046</u>	<u>\$ 11,092,404</u>

(A) \$908,403 SWFWMD CIAC not used & useful ($\$908,403 \times 27.03\% = \$245,541$)

ALOHA UTILITIES, INC.
 Seven Springs Wastewater Division
 Year Ended September 30, 2001

Docket No. 991643-SU
 Exhibit ____ (HL-1)
 Schedule 7, Page 5 of 6

Adjustment to Accumulated Amortization of Contributions in Aid of Construction

Line No.	Description	Contributed Lines	Plant Capacity Fees	Total
1	Per utility	\$ 2,426,644	\$ 897,964	\$ 3,324,608
2	Used & Useful Adjustment	(27,384) (A)	-	(27,384)
3	Total	<u>\$ 2,399,260</u>	<u>\$ 897,964</u>	<u>\$ 3,297,224</u>

(A) \$245,541 amortized over 26.9 years = \$9,127.91 per year estimated 3 year amortization

ALOHA UTILITIES, INC.
Seven Springs Wastewater Division
Year Ended September 30, 2001

Docket No. 991643-SU
Exhibit ____ (HL-1)
Schedule 7, Page 6 of 6

Adjustment to Working Capital Allowance

Line No.	Description	Amount
1	Utility Proposed Working Capital	\$ 497,220
2	Remove Income Tax Deposit from Working Capital	(7,789)
3	Remove Cash Balance from Working Capital	(266,362)
4	Remove Increase in Rate Case Expense	<u>(12,500)</u>
5	Adjusted Working Capital	<u><u>\$ 210,569</u></u>