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September 8, 2000
VIA HAND DELIVERY

ORIGINAL
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RECORDS AND REPORTING
SEP-8 AM 10:20
ROBERT M. C. ROSE
OF COUNSEL
FAX ORDER (850) 656-4029

Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0862

Re: Aloha Utilities, Inc.; PSC Docket No. 991643-SU
Application for Increase in Wastewater Rates to its Seven Springs System Customers in Pasco
County, Florida
Our File No. 26038.30

Dear Ms. Bayo:

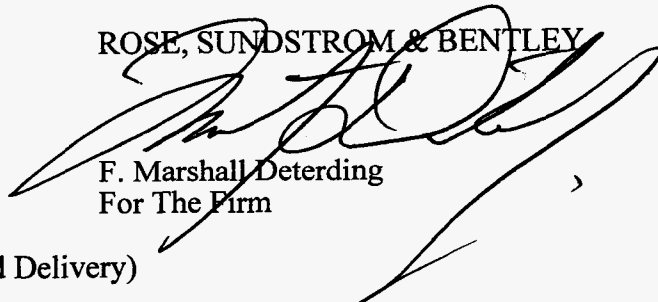
In accordance with Order No. PSC-00-0872-PLO-SU, as revised by Order No. PSC-00-1370-PLO-SU and our motion filed on Wednesday, September 6th, I am attaching hereto the original and 15 copies of the Prehearing Statement of Aloha Utilities, Inc..

We are attempting at this time to review the staff's Prehearing Statement and the issues contained therein in hopes of preparing a list of positions prior to the pre-prehearing on Monday. To the extent we are able to do so, we will provide those positions in electronic format to the staff for incorporation into the Prehearing Order on that day or as soon thereafter as is possible.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

ROSE, SUNDSTROM & BENTLEY



F. Marshall Deterding
For The Firm

APP _____
CAF _____
CMP FMD/jmt
COM cc: 3
CTR _____
ECR aloha\30\bayo letter of Sept. 8
LEG _____
OPC _____
PAI _____
RGO 2
SEC _____
SER _____
OTH _____

Ralph Jaeger, Esq. (Via Hand Delivery)

RECEIVED & FILED
Nov
FPSC BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

11140 SEP-88

FPSC-RECORDS/REPORTING

In re: Application for increase
in wastewater rates in Seven
Springs System in Pasco County
by Aloha Utilities, Inc.

DOCKET NO. 991643-SU

ALOHA UTILITIES, INC.'S PREHEARING STATEMENT

Pursuant to Order No. PSC-00-0872-PCO-SU, issued May 3, 2000, as revised by Order No. PSC-00-1370-PCO-SU, issued July 31, 2000, the Aloha Utilities, Inc., by and through its undersigned counsel, files its prehearing statement as follows:

A. All Known Witnesses

Aloha intends to call the following witnesses:

Bob Nixon of Cronin, Jackson, Nixon & Wilson, CPAs. He will testify on the issues of rate base, rate of return, operating expenses income, rates, rate case expense and revenue requirements and projections.

Stephen G. Watford, President of Aloha Utilities, Inc. He will testify on matters internal to the Utility and the requirements imposed upon it by regulatory authorities, as well as the issues related to internal operating costs, rate case expense, new building costs and investments for the company.

David Porter. He will testify on issues related to regulatory requirements, Aloha's construction costs, costs of additional facilities and expenses related thereto, used and useful, infiltration and inflow, and rate case expense.

F. Marshall Deterding. Attorney with Rose, Sundstrom & Bentley law firm. He will testify on legal rate case expenses.

DOCUMENT NUMBER-DATE

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ALOHA UTILITIES, INC.'S PREHEARING STATEMENT
DOCKET NO. 991643-SU

Aloha reserves the right to call additional witnesses, witnesses to respond to Commission inquiries not addressed in direct or rebuttal testimony and witnesses to address issues not presently designated but that may be designated by the Prehearing Officer at the prehearing conference on September 15, 2000.

B. All Known Exhibits

Aloha has identified and intends to sponsor the following exhibits:

David Porter will sponsor Schedules F-1 through F-10 of Aloha's application.

Bob Nixon will sponsor the financial, rate, and engineering schedules required as MFRs, including Exhibit 1, Exhibit 2, Exhibit 3, and Exhibit 4 of the MFRs.

Aloha has not yet filed its rebuttal testimony and reserves the right to file such rebuttal exhibits as appropriate. Additionally, Aloha may utilize other documents as exhibits at the time of hearing, either during cross examination or as further impeachment or rebuttal exhibits and the precise identification of such documents cannot be determined at this time.

C. Aloha's Statement of Basic Position

The utility is entitled to a rate increase as contained within its revised and final application and MFRs presented with the initial application and the increased wastewater revenues as specified therein.

D. Issues & Aloha's Respective Positions

The following are issues identified by Aloha and its positions on these issues.

QUALITY OF SERVICE

ISSUE 1: Is the quality of service satisfactory?

POSITION: Yes. The utility is providing service in conformance with all applicable standards, including full compliance with the requirements of the Consent Agreement entered into between the utility and DEP.

RATE BASE

ISSUE 2: What is the appropriate rate base for Aloha Utilities, Inc. Seven Springs Wastewater System?

POSITION: For the projected Test Year the final rate base for the Seven Springs Wastewater System is \$10,519,148.

COST OF CAPITAL

ISSUE 3: What is the overall cost of capital for Aloha for rate setting purposes in this proceeding?

POSITION: The overall cost of capital to be utilized for its projected test year ended September 30, 2001 is 9.24% as contained in its revised MFRs. To the extent the Commission's leverage formula return on equity changes between the time of the original filing in this case and the Final Order, the return on common equity should be updated to reflect the cost rate yielded by the most current leverage formula in effect at the time of that Final Order.

NET OPERATING INCOME

ISSUE 4: Should the Commission consider the new office building cost for the utility in this rate proceeding?

POSITION: Yes. The Commission should consider the fact that the utility is being required to vacate its main office building and that the new cost related to Aloha's obtaining new office space is substantially higher than that which it has been incurring in renting property from a related party. The utility is currently negotiating to purchase an office building for approximately \$800,000. This will have a net expense impact, including depreciation, taxes and insurance of \$58,522 in additional expense for the utility's office building cost.

ISSUE 5: What is the appropriate net operating income level of overall O&M expenses for Aloha based upon the projected test year ended September 30, 2001?

POSITION: The utility's rates should be established to generate a net operating income of \$971,969 based upon the rate base and rate of return as determined by the Commission, including any additional adjustments for known changes since the filing of the utility's original application.

REVENUE REQUIREMENT:

ISSUE 6: What is the appropriate revenue requirement?

POSITION: While this amount is subject to resolution based upon the outcome of the other issues, Aloha believes gross wastewater revenues of \$4,374,495 are the appropriate revenue requirement for the test year ended September 30, 2001 for its Seven Springs Wastewater System.

RATES

ALOHA UTILITIES, INC.'S PREHEARING STATEMENT
DOCKET NO. 991643-SU

ISSUE 7: What are the appropriate final wastewater rates?

POSITION: The appropriate final wastewater rates for Aloha's Seven Springs Wastewater System are those as contained on Schedule E-1 of the original MFRs as revised (page 109, Volume 1).

E. Stipulated Issues

There are no issues that have been stipulated at this time.

F. Pending Matters

There are no matters pending at this time.

G. Requirements That Cannot Be Complied With

There are no requirements of Orders Nos. PSC-00-0872-PCO-SU and PSC-00-1370-PCO-SU that cannot be complied with at this time.



F. Marshall Deterding
John L. Wharton
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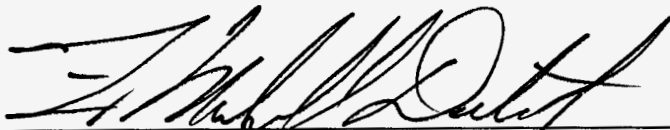
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase
in wastewater rates in Seven
Springs System in Pasco County
by Aloha Utilities, Inc.

DOCKET NO. 991643-SU
FILED: SEPTEMBER 5, 2000

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the **ALOHA'S PREHEARING STATEMENT** has been furnished to Steve Burgess, Esquire, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Suite 812, Tallahassee, Florida 32399-1400 and to Ralph R. Jaeger, Esquire, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850 by regular U.S. Mail, this 8th day of September, 2000.



F. Marshall Deterding

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(850) 877-6555

aloha\30\prehearing by fmd.smt