

**Amendment to January 4, 2001 Recommendation
For Docket No. 991643-SU
Item No. 18 of the January 16, 2001 Agenda Conference**

Summary of Effects on Recommendation

<u>Issue No.</u>	<u>Effect on Issue</u>																																																						
14	Decreases Rate Base by \$3,003 (from \$9,552,096 to \$9,549,093).																																																						
16	Decreases Cost of Capital Rate by 21 Basis Points (from 9.92% to 9.71%).																																																						
17	Decreases Allowance for Funds Used During Construction (AFUDC) Rate by 21 Basis Points (from 9.92% to 9.71%) and Decreases Monthly AFUDC rate from .826185% to .808755%.																																																						
34	Decreases Test Year Operating Income Before Any Revenue Increase by \$8,128 (from \$131,673 to \$123,545).																																																						
35	Decreases Revenue Requirement by \$20,416 (from \$4,095,504 to \$4,075,088).																																																						
36	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center;"><u>Previously Recommended Rates</u></th> <th style="text-align: center;"><u>Corrected Recommended Rates</u></th> </tr> </thead> <tbody> <tr> <td colspan="3"><u>Residential Service</u></td> </tr> <tr> <td colspan="3">Base Facility Charge:</td> </tr> <tr> <td>Meter Size - 5/8"X3/4"</td> <td style="text-align: right;">\$14.06</td> <td style="text-align: right;">\$13.99</td> </tr> <tr> <td colspan="3">Gallonge Charge:</td> </tr> <tr> <td>Per 1000 Gallons</td> <td style="text-align: right;">\$3.43</td> <td style="text-align: right;">\$3.41</td> </tr> <tr> <td colspan="3"><u>General Service</u></td> </tr> <tr> <td colspan="3">Base Facility Charge:</td> </tr> <tr> <td>Meter Size - 5/8"X3/4"</td> <td style="text-align: right;">\$14.06</td> <td style="text-align: right;">\$13.99</td> </tr> <tr> <td style="padding-left: 20px;">1"</td> <td style="text-align: right;">\$35.14</td> <td style="text-align: right;">\$34.97</td> </tr> <tr> <td style="padding-left: 20px;">1 1/2"</td> <td style="text-align: right;">\$70.25</td> <td style="text-align: right;">\$69.93</td> </tr> <tr> <td style="padding-left: 20px;">2"</td> <td style="text-align: right;">\$112.45</td> <td style="text-align: right;">\$111.89</td> </tr> <tr> <td style="padding-left: 20px;">3"</td> <td style="text-align: right;">\$224.90</td> <td style="text-align: right;">\$223.79</td> </tr> <tr> <td style="padding-left: 20px;">4"</td> <td style="text-align: right;">\$351.41</td> <td style="text-align: right;">\$349.66</td> </tr> <tr> <td style="padding-left: 20px;">6"</td> <td style="text-align: right;">\$702.83</td> <td style="text-align: right;">\$699.33</td> </tr> <tr> <td style="padding-left: 20px;">8"</td> <td style="text-align: right;">\$1,124.52</td> <td style="text-align: right;">\$1,118.93</td> </tr> <tr> <td colspan="3">Gallonge Charge:</td> </tr> <tr> <td>Per 1000 Gallons</td> <td style="text-align: right;">\$4.12</td> <td style="text-align: right;">\$4.10</td> </tr> </tbody> </table>		<u>Previously Recommended Rates</u>	<u>Corrected Recommended Rates</u>	<u>Residential Service</u>			Base Facility Charge:			Meter Size - 5/8"X3/4"	\$14.06	\$13.99	Gallonge Charge:			Per 1000 Gallons	\$3.43	\$3.41	<u>General Service</u>			Base Facility Charge:			Meter Size - 5/8"X3/4"	\$14.06	\$13.99	1"	\$35.14	\$34.97	1 1/2"	\$70.25	\$69.93	2"	\$112.45	\$111.89	3"	\$224.90	\$223.79	4"	\$351.41	\$349.66	6"	\$702.83	\$699.33	8"	\$1,124.52	\$1,118.93	Gallonge Charge:			Per 1000 Gallons	\$4.12	\$4.10
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**ALOHA UTILITIES, INC. - SEVEN SPRINGS SYSTEM
 SCHEDULE OF WASTEWATER RATE BASE
 FINAL 13-MONTH AVERAGE TEST YEAR ENDED 09/30/01**

**SCHEDULE NO. 1-A
 DOCKET 991643-SU**

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$22,229,056	\$0	\$22,229,056	(\$244,164)	\$21,984,892
2 LAND	\$548,944	\$0	\$548,944	(\$12,120)	\$536,824
3 NON-USED & USEFUL	\$0	\$0	\$0	\$0	\$0
4 ACCUMULATED DEPRECIATION	(\$4,742,735)	\$0	(\$4,742,735)	\$77,644	(\$4,665,091)
5 CIAC	(\$11,337,945)	\$0	(\$11,337,945)	(\$1,646,425)	(\$12,984,370)
6 AMORTIZATION OF CIAC	\$3,324,608	\$0	\$3,324,608	\$299,631	\$3,624,239
7 DEFERRED INCOME TAXES	\$0	\$0	\$0	\$506,367	\$506,367
8 WORKING CAPITAL ALLOWANCE	<u>\$0</u>	<u>\$497,220</u>	<u>\$497,220</u>	<u>\$49,012</u>	<u>\$546,232</u>
RATE BASE	<u>\$10,021,928</u>	<u>\$497,220</u>	<u>\$10,519,148</u>	<u>(\$970,055)</u>	<u>\$9,549,093</u>

ALOHA UTILITIES, INC. - SEVEN SPRINGS SYSTEM
 ADJUSTMENTS TO RATE BASE
 FINAL 13-MONTH AVERAGE TEST YEAR ENDED 09/30/01

DOC. 991643-SU
 SCH. NO. 1-B

EXPLANATION	WASTEWATER
<u>PLANT IN SERVICE</u>	
1 Reduce plant for items capitalized prior to the test year. (Issue 4)	(\$127,232)
2 To reduce for using incorrect AFUDC rate. (Audit Excep. No. 2) (Stip. 2)	(\$122,524)
3 Reclassify items expensed that should be capitalized. (Audit Ex. No. 3) (Stip. 3)	\$11,616
4 To recognize 30-day zero cost of accounts payables on CWIP. (Stip. 11)	(\$20,124)
5 To reflect the utility's capitalization of materials and supplies. (Issue 28)	\$14,100
Total	<u>(\$244,164)</u>
<u>LAND</u>	
Correct error made in Order No. PSC-99-1917-PAA-WS. (Audit Dis. No. 1) (Stip 8)	<u>(\$12,120)</u>
<u>NON-USED AND USEFUL</u>	
None	<u>\$0</u>
<u>ACCUMULATED DEPRECIATION</u>	
1 Reduce plant for items capitalized prior to the test year. (Issue 4)	\$73,211
2 To reduce for using incorrect AFUDC rate. (Audit Excep. No. 2) (Stip. 2)	\$8,159
3 Reclassify items expensed that should be capitalized. (Audit Ex. No. 3) (Stip. 3)	(\$1,291)
4 To recognize 30-day zero cost of accounts payables on CWIP. (Stip. 11)	\$568
5 To reflect the appropriate depreciation rate for computer equipment. (Stip. 17)	<u>(\$3,003)</u>
Total	<u>\$77,644</u>
<u>CIAC</u>	
1 Reflect appropriate treatment of CTs & DTAs. (Issue 10)	(\$1,544,865)
2 Reduce to reflect the appropriate growth rate. (Issue 18)	\$7,387
3 To reflect increase in plant capacity charges. (Issue 40)	<u>(\$108,947)</u>
Total	<u>(\$1,646,425)</u>
<u>ACCUM. AMORT. OF CIAC</u>	
1 Reflect appropriate treatment of CTs & DTAs. (Issue 10)	\$295,878
2 Reduce to reflect the appropriate growth rate. (Issue 18)	(\$273)
3 To reflect increase in plant capacity charges. Issue 40)	<u>\$4,026</u>
Total	<u>\$299,631</u>
<u>DEFERRED INCOME TAXES</u>	
Reflect appropriate treatment of CTs & DTAs. (Issue 10)	<u>\$506,367</u>
<u>WORKING CAPITAL</u>	
To reflect the appropriate working capital. (Issues 11, 12, 13, & Stip. 9)	<u>\$49,012</u>

**ALOHA UTILITIES, INC. - SEVEN SPRINGS WASTEWATER SYSTEM
CAPITAL STRUCTURE
FINAL 13-MONTH AVERAGE TEST YEAR ENDED 09/30/01**

**SCHEDULE NO. 2-A
DOCKET 991643-SU**

DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN)	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
PER UTILITY AVERAGE							
1 LONG TERM DEBT	\$8,614,742	\$0	(\$1,236,366)	\$7,378,376	70.14%	9.84%	6.90%
2 SHORT-TERM DEBT	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
3 PREFERRED STOCK	\$600,000	\$0	(\$86,005)	\$513,995	4.89%	10.12%	0.49%
4 COMMON EQUITY	\$2,188,637	\$0	(\$314,069)	\$1,874,568	17.82%	10.12%	1.80%
5 CUSTOMER DEPOSITS	\$93,295	\$0	\$0	\$93,295	0.89%	6.00%	0.05%
6 DEFERRED INCOME TAXES	<u>\$770,040</u>	<u>\$0</u>	<u>(\$111,126)</u>	<u>\$658,914</u>	<u>6.26%</u>	0.00%	<u>0.00%</u>
7 TOTAL CAPITAL	<u>\$12,266,714</u>	<u>\$0</u>	<u>(\$1,747,566)</u>	<u>\$10,519,148</u>	<u>100.00%</u>		<u>9.25%</u>
PER STAFF AVERAGE							
8 LONG TERM DEBT	\$8,614,742	\$0	(\$1,347,892)	\$7,264,565	76.08%	9.84%	7.49%
9 SHORT-TERM DEBT	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
10 PREFERRED STOCK	\$600,000	\$0	(\$93,878)	\$505,963	5.30%	9.93%	0.53%
11 COMMON EQUITY	\$2,188,637	(\$517,923)	(\$261,406)	\$1,408,865	14.75%	9.93%	1.47%
12 CUSTOMER DEPOSITS	\$93,295	\$345,117	(\$68,595)	\$369,700	3.87%	6.00%	0.23%
13 DEFERRED INCOME TAXES	<u>\$770,040</u>	<u>(\$770,040)</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>
14 TOTAL CAPITAL	<u>\$12,266,714</u>	<u>(\$942,846)</u>	<u>(\$1,771,772)</u>	<u>\$9,549,093</u>	<u>100.00%</u>		<u>9.71%</u>
						LOW	HIGH
						<u>8.93%</u>	<u>10.93%</u>
						<u>9.56%</u>	<u>9.86%</u>

**ALOHA UTILITIES, INC. - SEVEN SPRINGS SYSTEM
STATEMENT OF WASTEWATER OPERATIONS
FINAL 13-MONTH AVERAGE TEST YEAR ENDED 09/30/01**

**SCHEDULE NO. 3-A
DOCKET 991643-SU**

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	<u>\$2,780,994</u>	<u>\$1,593,501</u>	<u>\$4,374,495</u>	<u>(\$1,648,580)</u>	<u>\$2,725,915</u>	<u>\$1,349,173</u> 49.49%	<u>\$4,075,088</u>
OPERATING EXPENSES							
2 OPERATION &	\$2,175,762	\$75,000	\$2,250,762	(\$111,995)	\$2,138,767	\$0	\$2,138,767
3 DEPRECIATION	\$383,390	\$0	\$383,390	(\$11,387)	\$372,003	\$0	\$372,003
4 AMORTIZATION	(\$38,622)	\$0	(\$38,622)	(\$8,651)	(\$47,273)	\$0	(\$47,273)
5 TAXES OTHER THAN	\$527,189	\$71,707	\$598,896	(\$89,896)	\$509,000	\$60,713	\$569,713
6 INCOME TAXES	<u>\$208,100</u>	<u>\$0</u>	<u>\$208,100</u>	<u>(\$578,228)</u>	<u>(\$370,128)</u>	<u>\$484,847</u>	<u>\$114,720</u>
7 TOTAL OPERATING	<u>\$3,255,819</u>	<u>\$146,707</u>	<u>\$3,402,526</u>	<u>(\$800,156)</u>	<u>\$2,602,370</u>	<u>\$545,560</u>	<u>\$3,147,930</u>
8 OPERATING INCOME	<u>(\$474,825)</u>	<u>\$1,446,794</u>	<u>\$971,969</u>	<u>(\$848,424)</u>	<u>\$123,545</u>	<u>\$803,612</u>	<u>\$927,158</u>
9 RATE BASE	<u>\$10,021,928</u>		<u>\$10,519,148</u>		<u>\$9,549,093</u>		<u>\$9,549,093</u>
10 RATE OF RETURN	<u>-4.74%</u>		<u>9.24%</u>		<u>1.29%</u>		<u>9.71%</u>

**ALOHA UTILITIES, INC. - SEVEN SPRINGS SYSTEM
ADJUSTMENTS TO OPERATING INCOME
FINAL 13-MONTH AVERAGE TEST YEAR ENDED 09/30/01**

**SCH. NO. 3-B
DOC. 991643-SU**

EXPLANATION	WASTEWATER
<u>OPERATING REVENUES</u>	
1 Remove utility requested revenue increase.	(\$1,593,501)
2 To reduce projected revenues at current rates based on staff's recommended factor for bills and consumption. (Issue 19)	(\$36,194)
3 To reflect the appropriate reuse revenue. (Issue 20)	<u>(18,885)</u>
Total	<u>(\$1,648,580)</u>
<u>OPERATION & MAINTENANCE EXPENSE</u>	
1 Reduce expense accounts to reflect the appropriate growth rate. (Issue 19)	(\$32,883)
2 Reduce vice-president's salary. (Issue 21)	(15,507)
3 Reduce pensions & benefits associated w/ disallowed VP's salary. (Issue 21)	(5,319)
4 To reclassify items expensed that should be capitalized. (Audit Ex. #. 3) (Stip. 3)	(13,072)
5 Reduce O&M that should be allocated to other systems. (A. Dis. # 6) (Stip. 6)	(2,446)
6 Reclassify legal expense as prepaid bank loan costs. (Audit Dis. No. 9) (Stip. 7)	(2,581)
7 To remove excess rate case expense of Doc. # 950615-SU. (Audit Ex. # 4) (Stip. 10)	(31,401)
8 Reduce Contractual Services - Acctg acct. for non-recurring costs. (Issue 24)	(1,113)
9 Reduce O&M expenses associated w/ DEP Enforcement Action. (Issue 26)	(34,726)
10 Reduce for disallowed transportation expense. (Stipulation 5)	(287)
11 Reduce Miscell. exp. for non-recurring exp. & misclassification error. (Issue 30)	(7,755)
12 To reflect the appropriate amount of current rate expense. (Issue 31)	<u>35,095</u>
Total	<u>(\$111,995)</u>
<u>DEPRECIATION EXPENSE-NET</u>	
1 Reduce depreciation expense for disallowed plant. (Issue 4)	(\$6,675)
2 To reduce for using incorrect AFUDC rate. (Audit Ex. No. 2) (Stip. 2)	(5,903)
3 Reclassify items expensed that should be capitalized. (Audit Ex. No. 3) (Stip. 3)	645
4 To recognize 30-day zero cost of accounts payables on CWIP. (Stip 11)	(568)
5 To reflect the appropriate depreciation rate for computer equipment. (Stip. 17)	<u>1,114</u>
Total	<u>(\$11,387)</u>
<u>AMORTIZATION EXPENSE</u>	
To reflect the appropriate amortization rate of contributed taxes. (Issue 32)	<u>(\$8,651)</u>
<u>TAXES OTHER THAN INCOME</u>	
1 RAFs on corrected test year revenues.	(\$74,186)
2 Reduce payroll taxes. (Issue 21)	(1,392)
3 Reflect appropriate millage rate for tangible estate property taxes. (Stip. 14)	<u>(14,318)</u>
Total	<u>(\$89,896)</u>
<u>INCOME TAXES</u>	
To adjust to test year income tax expense.	<u>(\$578,228)</u>

ALOHA UTILITIES, INC. - SEVEN SPRINGS SYSTEM EM
 WASTEWATER MONTHLY SERVICE RATES
 FINAL 13-MONTH AVERAGE TEST YEAR ENDED 09/30/01

SCH. NO. 4
 DOCKET 991643-SU

		Rates As of 01/18/2000	Utility Requested Final	Staff Recomm. Final
<u>Residential</u>				
Base Facility Charge:				
Meter Size				
5/8"X3/4"	5	\$8.99	\$14.54	\$13.99
Gallage Charge - Per 1,000 gallons (10,000 gallon cap)		\$2.32	\$3.65	\$3.41
<u>General Service</u>				
Base Facility Charge:				
Meter Size				
5/8"X3/4"	5	\$8.99	\$14.54	\$13.99
1"	1	\$22.48	\$36.35	\$34.97
1 1/2"	1	\$44.96	\$72.70	\$69.93
2"	2	\$71.94	\$116.32	\$111.89
3"	3	\$143.88	\$218.10	\$223.79
4"	4	\$224.75	\$363.50	\$349.66
6"	6	\$449.62	\$727.00	\$699.33
8"	8	\$719.39	\$1,163.20	\$1,118.93
Gallage Charge, per 1,000 Gallons		\$2.78	4.26	\$4.10
<u>Reclaimed Water</u>				
Mitchell Property		\$0.00	\$0.00	\$0.00
Follow Hollow Golf Course		\$0.25	\$0.25	\$0.00
All Others		\$0.25	\$0.25	\$0.29
5/8" Meter Size				
3,000 Gallons		\$15.95	\$25.49	\$24.23
5,000 Gallons		\$20.59	\$32.79	\$31.06
10,000 Gallons		\$32.19	\$51.04	\$48.13
(Wastewater Gallage Cap - 10,000 Gallons)				

ALOHA UTILITIES, INC. - SEVEN SPRINGS SYSTEM								DOCKET 991643-SU		
SCHEDULE OF PROJECTED TEST YEAR RESIDENTIAL & GENERAL SERVICE REVENUES AT STAFF'S RECOMMENDED FINAL RATES										
FINAL 13-MONTH AVERAGE TEST YEAR ENDED 09/30/01										
Line No.	Class/Meter Size	Historical Year Bills	Staff's Project Factor	Projected Test Year Bills	Test Year Consumption (000)	Staff's Project Factor	Projected TY Consumption (000)	Staff's Recommend Final Rates	Staff's Projected Revenues Requirement	
1	Residential									
2	5/8" X 3/4"	101,095	1.07093	108,266				\$13.99	\$1,514,637	
3	M Gallons				591,149	1.07093	633,079	3.41	2,161,591	
4	Total Residential	<u>101,095</u>		<u>108,266</u>	<u>591,149</u>		<u>633,079</u>		<u>\$3,676,228</u>	
5	General Service									
6	5/8" X 3/4"	975	1.07093	1,044				13.99	14,608	
7	M Gallons				9,544	1.07093	10,221	4.10	41,878	
8	1"	255	1.07093	273				34.97	9,550	
9	M Gallons				4,288	1.07093	4,592	4.10	18,815	
10	1 1/2"	108	1.07093	116				69.93	8,088	
11	M Gallons				4,459	1.07093	4,775	4.10	19,566	
12	2"	168	1.07093	180				111.89	20,131	
13	M Gallons				20,295	1.07093	21,735	4.10	89,053	
14	3"	12	1.07093	13				223.79	2,876	
15	M Gallons				1,335	1.07093	1,430	4.10	5,858	
16	4"	24	1.07093	26				349.66	8,987	
17	M Gallons				2,707	1.07093	2,899	4.10	11,878	
18	6"	42	1.07093	45				699.33	31,455	
19	M Gallons				15,099	1.07093	16,170	4.10	66,253	
20	Total General Service	<u>1,584</u>		<u>1,696</u>	<u>57,727</u>		<u>61,822</u>		<u>\$348,996</u>	
21	Total Projected Residential and General Service Revenues, per staff (Issue 19)									<u>\$4,025,224</u>
22	Total Projected Residential and General Service Revenues, per utility (Schedule E-13(A))									<u>\$4,305,036</u>
23	RESIDUAL OF UTILITY'S PROJECTED REVENUE AND STAFF'S PROJECTED REVENUES									<u>(\$279,812)</u>
24	Refund Percentage ((\$4,305,036 less \$4,025,224) divided by \$4,305,036)									<u>6.50%</u>