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January 23, 2001  
VIA HAND DELIVERY

Jason Fudge, Esquire  
Division of Legal Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0873

Re: Aloha Utilities, Inc.; Docket No. 000737-WS  
Investigation of Rates in Pasco County for Possible Overearnings  
Our File No. 26038.31

Dear Jason:

In my letter to you of December 15, 2000 concerning recent changes in costs that should be considered in the staff's earnings analysis of the year 1999, I made an error that was not caught until recently. That error is of substantial magnitude and, as such, I am writing you to make the necessary corrections.

If you will refer to Item No. 3(b) on Page 2 of my December 15, 2000 letter, I discussed the fact that Aloha Utilities, Inc. was recently ordered by the Southwest Florida Water Management District to reduce pumping from its Seven Springs wells. As a result, the Utility was required to obtain additional purchased water from its only other available source, bulk purchases from Pasco County. Attached to that letter as Exhibit "D" was a calculation of the increased cost related to these increased water purchases. Unfortunately, during my reading of this and preparation of the lead schedule calculating the annual cost of this change, I inadvertently transposed twelve months of average daily gallonage figures and used the total as though it were a yearly total. A detailed review of the subordinate schedules attached to Exhibit "D" will clarify this for you. The net result is a substantial understatement of the amount of water that the Utility will have to bulk purchase from Pasco County, in order to come into compliance with its water use permit. Instead of 9,806,775 gallons on an annual basis that will have to be purchased, the actual figure should be 298,322,095 gallons (approximately 30 times the original calculation). The annual cost of this increased purchased water is \$655,810 at the County's current bulk rate charge to Aloha Utilities, Inc., rather than the \$21,575.40 calculated and shown on the cover to Exhibit "D" to my December 15, 2000 letter.

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PASCO COUNTY REPORTING

Jason Fudge, Esquire

January 23, 2001

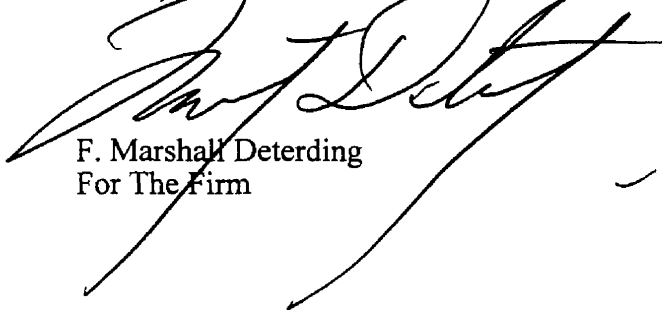
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The Utility has not yet received its December bill from Pasco County for bulk water purchases. However, as a result of monitoring its well pumpage, the Utility has determined that it reduced its pumping from the wells down to the maximum allowed under its permits. During that period of time, the Utility has also read the bulk meters utilized for bulk purchases from Pasco Count, and has determined that it utilized 31,317,000 gallons of water through those bulk purchase meters. This results in an additional cost for this one month alone, of \$68,900 in purchased water. Given this experience in the first month, we anticipate that the estimated \$655,000 annual increase in purchased water cost, is a very conservative estimate of the increased cost that the Utility will incur.

If you have any questions concerning this additional cost that should be considered in the staff's analysis of earnings for the Seven Springs water system, please do not hesitate to contact me. Otherwise, I trust that the staff will consider this known change in cost of operations in any analysis performed by technical staff.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP



F. Marshall Deterding  
For The Firm

FMD\tnmg

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