

LAW OFFICES

ROSE, SUNDSTROM & BENTLEY, LLP

2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(850) 877-6555

ORIGINAL

CHRIS H. BENTLEY, P.A.
F. MARSHALL DETERDING
MARTIN S. FRIEDMAN, P.A.
JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
JOSEPH P. PATTON
DAREN L. SHIPPY, LL.M. TAX
WILLIAM E. SUNDSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON

MAILING ADDRESS
POST OFFICE BOX 1567
TALLAHASSEE, FLORIDA 32302-1567

TELECOPIER (850) 656-4029

ROBERT M. C. ROSE
OF COUNSEL

August 22, 2001
VIA HAND DELIVERY

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

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Re: Aloha Utilities, Inc.; PSC Docket No. 010503-WU
Our File No. 26038.35

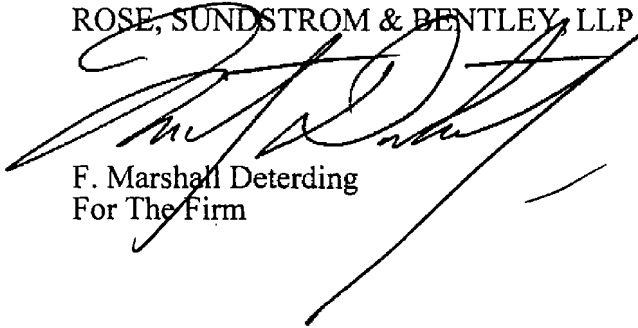
Dear Ralph:

As a follow-up to our discussions yesterday, I am writing to outline the status of the refunds in Docket No. 000737-WS. The concern is that the refunds may not be completed by the time interim rates are set in the new sewer rate case and, as such, the Utility will not be able to support a Corporate Undertaking as a method of security for interim rates in Docket No. 010503-WU. Based upon the current schedule, we fully expect to have all refunds completed in the overearnings investigation (Docket No. 000737-WS) well in advance of the date interim consideration is scheduled in Docket No. 010503-WU (10/02/2001 per current CASR).

I trust that with this information the staff can move forward with recognition that a Corporate Undertaking will be utilized and will be available to the Utility for securing the interim rates. I will provide you with additional information concerning the status of the refund as it becomes available. In the meantime, should you have any questions, please let me know.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

FMD\tmg
cc: Blanca S. Bayo, Director
Mr. Stephen G. Watford
Robert C. Nixon, CPA
aloha\35\3jaeger.ltr

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POST OFFICE BOX 1567
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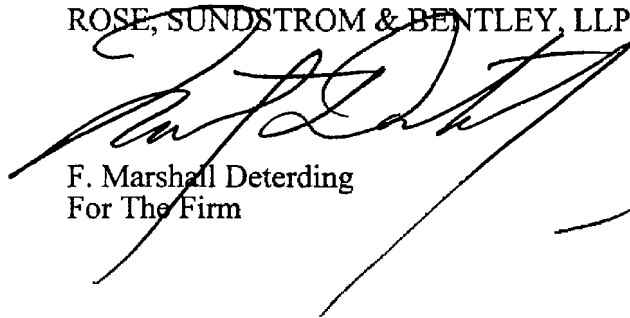
Dear Ralph:

Attached in accordance with the requirements of Commission Rule 25-22.0407 are the draft Synopsis and Customer Notice to be utilized in the above-referenced rate case proceeding. Please review these and let me know if you have any problems. We would like to begin distributing them as soon as possible.

If you have any questions, please let me know.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

FMD\tnmg
cc: Blanca S. Bayo, Director
Mr. Stephen G. Watford
Robert C. Nixon, CPA
David W. Porter, P.E.
aloha\35\4jaeger.ltr

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ALOHA UTILITIES, INC.

APPLICATION FOR INCREASE IN WATER RATES IN SEVEN SPRINGS SYSTEM

DOCKET NO. 010503-WU

SYNOPSIS

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I. Purpose

In accordance with the Florida Public Service Commission's Rule 25-22.0407 regarding Notice of and Public Information on General Rate Increase Requests; a synopsis of the rate request must be prepared and distributed by Aloha Utilities, Inc., in Pasco County. The following information will provide the background on the rate request and the rate case process in general.

II. Comparison of the Present and Proposed Interim and Final Rates

On August 10, 2001, Aloha Utilities, Inc. filed an application with the Florida Public Service Commission ("Commission") for increased water rates for its Seven Springs customers in Pasco County. The application is assigned Docket No. 010503-WU and August 10, 2001, was established as the official date of filing.

The utility has requested a permanent revenue increase for the Seven Springs water system of \$1,077,337 or 54.76%. The requested increase would produce annual revenues of \$3,044,811 for its operations. In addition to requesting an increase in its final rates, Aloha Utilities, Inc. has requested that the Commission approve interim rates designed to generate annual water revenues of \$1,982,068. This represents a proposed revenue increase of \$133,063 or 7.20%. If approved, the interim rates are subject to being refunded, provided the Commission finds that the utility was not entitled to collect such rates pending the final Commission decision. A schedule of the utility's present, and proposed interim and final rates follows:

SCHEDULE OF MONTHLY WATER RATES:

<u>Class/Meter Size</u>		<u>Present Rates (1)</u>	<u>Proposed Interim Rates</u>	<u>Proposed Final Rates</u>
Residential and General				
5/8" X 3/4"		\$7.32	\$7.85	\$9.23
1"		\$19.46	\$20.86	\$23.08
1 1/2"		\$36.49	\$39.12	\$46.15
2"		\$58.80	\$63.03	\$73.84
3"		\$116.83	\$125.24	\$147.68
4"		\$182.85	\$196.02	\$230.75
6"		\$282.76	\$303.12	\$461.50
8"		\$577.67	\$619.26	\$738.40
10"		\$841.62	\$902.22	\$1,338.35

Gallage Charge (per 1000 gallons)	\$1.32	\$1.42	\$2.24 up to 10,000 gallons & \$2.81 over 10,000 gallons
Note 1: Present rates reflect a 2001 Index Adjustment, effective July 24, 2001			

III. General Reasons for Rate Request

Aloha Utilities, Inc. requires a rate increase because the existing rates do not provide sufficient revenues to cover the required expenses of operations on a going-forward basis and a return on the utility's investment in used and useful property for public use. The last general rate increase for Aloha's Seven Springs water system was based on a 1976 calendar year. Since that time, the utility has been required to make substantial changes to its water operations and has incurred substantial additional operating costs as a result of those requirements.

IV. Major Rate Case Issues

It is impossible to anticipate all the issues that may develop during a rate case. However, the following issues are anticipated to be the major areas considered:

1. What is the test year rate base?
2. What is the test year net operating income?
3. What is the test year cost of capital?
4. What is the test year revenue requirement?

V. Description of the Ratemaking Process

Participants

Many people are involved in a utility rate case. The following is a list of some of the main participants:

1. The Commission is composed of five **Commissioners** appointed by the Governor. A panel of three Commissioners will hear this rate case. The Commissioners will make a final decision on all of the issues in the case.
2. The Commissioners are assisted by a **Commission Staff**, which includes attorneys, engineers, accountants, consumer affairs specialists, rate and financial analysts.
3. The **Public Counsel** is appointed by the Legislature to represent the citizens in rate cases before the Commission. Public Counsel also has a staff of attorneys, accountants, rate and

- financial analysts. The Public Counsel may monitor the case or may participate.
4. The **Utility's** officers and staff personnel may testify about the utility, its operation, revenue and expenses. The utility may also employ outside consultants as expert witnesses and an attorney or other specialists to assist them with the rate case. The accountants, rate analysts and engineers compile information in support of the rate increase request and testify at hearings.
 5. **Intervenors** representing organizations, local governments, consumer groups, and commercial organizations may participate. An intervenor is a party who legally intervenes in the rate case through petition to the Commission to represent a specific interest or point of view in the rate case. The intervenor has equal opportunity with other parties in the case to ask questions, present testimony, and cross examine witnesses.

Rate Case Requirements

A test year is requested by the utility, and when approved, is used as a measuring point to determine if a rate increase should be approved. The utility files an application pursuant to Commission rules (minimum filing requirements or MFRs). This application reflects the amount of money the utility has invested in its facilities to serve its customers. It also includes the utility's requested rate of return on its investment and the expenses the utility incurs to provide service for the test year. The data provides information about the operations of the company, supplies and expenses, taxes, construction, depreciation and all operating and financial matters that are crucial to a decision. The utility will also be requested to file additional information before the case is over. Among the things the Commission looks for are expenditures that could be considered unnecessary, improper, or imprudent. Expenditures of this kind are disallowed for ratemaking purposes.

The Commission and its staff review the application, and the Commission determines whether interim rates are appropriate to be collected during the pendency of the rate case. If interim rates are authorized and charged, those rates are subject to refund with interest pending the Commission's final decision in the case.

The Commission staff performs an audit of the utility's books and records to see if they match the utility's MFRs, and that the utility is in compliance with Commission rules and policies. The staff auditors issue a report of their findings which is filed with the Commission. The staff also performs other examinations and document requests of the utility's personnel and the utility's quality of service. This includes an engineering physical inspection of the utility's facilities and a review of records filed with other regulatory agencies regarding the utility.

Hearings

Aloha has requested that the Commission hold formal public hearings to decide this case. The hearings are governed by rules similar to those used by courts. Witnesses are sworn and subject to cross-examination, and the final decision must be based upon information presented to the Commission during the hearings. These hearings are scheduled in the local service area for the

customers' convenience. At this time, customer testimony is given regarding quality of service. The customers also may testify about rates and charges they consider improper or unfairly discriminatory.

The Public Counsel provides legal representation for consumers in matters before the Commission. The Public Counsel usually participates in major rate cases, has access to all the information filed by the utility, assists members of the public who wish to testify and may even provide expert witnesses on various issues in the case.

Witnesses from the utility, the Commission staff, the Public Counsel and intervenors present testimony and are cross-examined. There are official transcripts of all hearings. Court Reporters record the hearings, just as they do in a courtroom.

Completing the Rate Case

After the hearings are completed, briefs are usually filed by all parties to the case. The briefs summarize each party's position on the issues. The Commission staff then makes recommendations to the Commissioners on each issue of the case. When the Commission makes its final decision there will be a "vote sheet" which is a listing of all the issues requiring a vote by the Commissioners. There are many issues in a major water rate case, and it sometimes takes the Commissioners several hours to complete the final review of the case and to vote on each issue based on the evidence in the record.

Commission attorneys prepare a formal order containing the background of the case, the Commission decisions, the basis for the decisions, the new rates, and when they will be effective. After the Commission's order is issued, any party may ask the Commission to reconsider any decision on the issues. After reconsideration, the Public Counsel, the utility or any other party may appeal the Commission's decision to the courts.

VI. Aloha Utilities, Inc.'s Tentative Time Schedule

The following tentative schedule was established by the Commission for the remaining major events in Aloha's Seven Springs rate case:

<u>Schedule Item</u>	<u>Due Dates</u>
Staff Recommendation on Interim Rates	September 20, 2001
Agenda Conference on Interim Rates	October 2, 2001
Staff Audit Report	October 2, 2001
Order on Interim Rates	October 22, 2001

Intervenors Testimony Due	October 18, 2001
Staff Testimony Due	November 1, 2001
Rebuttal Testimony Due	November 14, 2001
Prehearing Conference	November 28, 2001
Technical and Service Hearings	December 10 - 12, 2001
Briefs Filed	January 17, 2002
Staff's Final Recommendation	March 7, 2002
Agenda Conference on Final Rates	March 19, 2002

VII. Location of MFRs for Review

All of the information on file at the Commission is open to the public and is available for review at the Commission offices in Tallahassee. The MFRs filed by the utility are also available for inspection at the utility's office as follows:

Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, Florida 34655
Telephone: (727) 372-0115
Office Hours: Monday - Friday, 8:30 a.m. to 4:00 p.m.

Customer comments concerning Aloha Utilities, Inc.'s service and its request for an increase in rates should be addressed to the Director of the Division of Records and Reporting at the Florida Public Service Commission, and a copy should be mailed to the utility at the following addresses:

Florida Public Service Commission
Director, Division of Records and Reporting
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, Florida 34655

Complaints regarding service may be made to the Commission's Division of Consumer Affairs at the following phone number 1-800-342-3552.

All comments should include reference to Commission Docket No. 010503-WU which has been assigned to this case.

Initial Customer Notice

Aloha Utilities, Inc.
PSC Docket No. 010503-WU

Date Issued: August __, 2001

1. Notice is hereby given, pursuant to Rule 25-22.0407, Florida Administrative Code, that Aloha Utilities, Inc. has filed a petition for a rate increase with the Florida Public Service Commission and the official date of filing for that Petition has now been established as August 10, 2001. That request for increased rates relates solely to the Utility's water customers within the Seven Springs service area and does not affect either the sewer system or the Aloha Garden service area. The general reason for the requested increase is that the Utility has been required by the Southwest Florida Water Management District to reduce pumpage from its wells and increase purchases of water from Pasco County at substantial cost to the Utility. Not only has the Utility been required to incur additional expenses and make investments, but the Water Management District has also mandated a change in rate structure to implement an inclining block rate structure. A rate increase is necessary in order for the Utility to be given an opportunity to recover those additional expenses and to earn a fair return on its investment.

2. Copies of the petition, minimum filing requirements, and rate case synopsis are available for inspection during normal office hours at the utility's office as follows:

Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL 34655
Phone: 727-372-0115

Business Hours: 8:30 a.m. - 4:00 p.m.
Monday through Friday

3. The initial tentative schedule established for the case, including dates, times and locations of hearings, is as follows:

- Commission Conference on interim rates - October 2, 2001
- Order Disposing of Request for Interim Rates - October 22, 2001
- Final Hearing on Rates - December 10 - 12, 2001
- Staff Recommendation due - March 7, 2002
- Commission Conference on Final Rates - March 19, 2002

4. Listed below are the Utility's present and final proposed water rates.

Class/Meter Size	Present Rates	Proposed Interim Rates		Proposed Final Rates
Residential and General Service				
5/8" X 3/4"	7.32	7.85	Minimum 3,000 gallons	9.23
1"	19.46	20.86	Minimum 8,000 gallons	23.08
1 1/2"	36.49	39.12	Minimum 15,000 gallons	46.15
2"	58.80	63.03	Minimum 24,000 gallons	73.84
3"	116.83	125.24	Minimum 48,000 gallons	147.68
4"	182.85	196.02	Minimum 75,000 gallons	230.75
6"	282.76	303.12	Minimum 150,000 gallons	461.50
8"	577.67	619.26	Minimum 240,000 gallons	738.40
10"	841.62	902.22	Minimum 345,000 gallons	1,338.35
Gallonage Charge (per 1,000 gallons in excess of minimum)	1.32	1.42	(Up to 10,000 gallons) (Over 10,000 gallons)	2.24 2.81

5. Any written comments regarding the Utility's service or the proposed rates and charges should be addressed to: Director, Division of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870 and should identify the Docket Number assigned to the proceeding. Complaints regarding service may be made to the Commission's Division of Consumer Affairs at the following toll free number: 1-800-342-3552.

6. The Utility has not requested a change in its Service Availability Charges as part of its rate request, however, the Commission will be reviewing the Utility Service Availability Charges in the pending separate case under Docket No. 010156-WU and the Commission may adjust those charges if the Commission deems that appropriate.