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October 19, 2001
VIA HAND DELIVERY

ROBERT M. C. ROSE
OF COUNSEL

Lorena Espinoza
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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


Dear Lorena:

In accordance with our agreement at the depositions, I am attaching those portions of the exhibits currently available from Aloha and its consultants.

Please review the attached summary of information provided, and let me know if you or the technical staff have any questions.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY, LLP


F. Marshall Deterding
For The Firm

FMD/tmg
Enclosure

cc: Blanca S. Bayo
Ralph Jaeger, Esquire
David W. Porter, P.E.
Stephen G. Watford
Robert C. Nixon, CPA

APP _____
CAF _____
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DOCUMENT NUMBER-DATE
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<u>Witness</u>	<u>Exhibit No.</u>	<u>Deposition Exhibit Due</u>	<u>Page No.</u>
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Porter

1.	Subdivisions included in consumption projection calculation	10
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Please see Attachment 1.

2.	Subdivisions greater than and less than 10 years	10
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Please see Attachment 2.

3.	Calculations including average demand per named subdivision that result in the 500 gpd per ERC projection	11
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Please see Attachment 1.

4.	General service customers by meter size by subdivision	12
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General service customers rarely exist within subdivisions, but for the most part are separate from them. In addition, the Utility does not keep records of commercial customers by the subdivision in which they are located, to the extent that situation does exist. Try to identify the few commercial customers who can be associated with subdivisions and making such calculations would be time consuming and meaningless.

5.	Same calculation methodology which yielded the projected consumption figure of 500 gpd per ERC but for each calendar year ended 1995 through 2000	12
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Because of the difficulties in putting this voluminous amount of information together, and the fact that much of this data may be gone (given the fact that the Utility has changed computer systems twice since the earliest date of information requested in this Exhibit), the staff was going to review this request and determine whether or not this information was necessary given the difficulties, time, and cost considerations inherent in preparing this information. If the staff needs this information, we will review and see whether or not it is accessible.

6.	Same calculation which yielded the projected consumption figure of 500 gpd per ERC but based on subdivisions built within the past five years of 12/31/00, versus subdivisions built prior to five years ago	13
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Please see Attachment 3.

Nixon

1.	Vacation rate tariff sheet	8
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Please see Attachment 4.

2.	Revised residential billing analysis	9
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Please see Attachment 5.

3. Packet showing calculations of the 82.5% 19

Provided at Deposition.

Watford

1. Names of each subdivision within Aloha's service area that has not reached build-out 7

See response to Staff Interrogatory No. 22.

2. A list of the available alternatives that were reviewed 21

See the information provided as part of the answer to Request for Production of Document No. 6, which the staff will review at the Utility Accountant's offices on Monday, October 23, 2001.

3. Any notes, correspondence, or minutes of meetings documenting each alternative that was reviewed 21

None. See the response to Request for Production of Document No. 6, available for review by the staff on October 23, 2001 at the Utility's accountant's office.

4. Documents regarding the District's recommended conservation programs for Aloha 33

Attached are excerpts from an early draft of a proposed conservation plan submitted to the Water Management District. None of the proposed plans have yet been agreed to by the District as the appropriate plan for Aloha. However, much of what is included in this Utility draft proposal has been developed as a result of discussions with the Water Management District staff. As such, we expect the great majority of it to be utilized as part of the overall conservation plan. See Attachment 6 for details.

5. Discussions with the District regarding alternative water sources 37

While there have been numerous discussions with the Southwest Florida Water Management District concerning alternative water sources, no viable alternatives have been offered by the District or discussed, other than the construction of a reverse osmosis treatment facility which would utilize brackish water as a source. No documents have delineated, with any specificity, details surrounding this, much less any other alternatives. The Utility is seriously discussing that as a possible alternative source of supply, with the District during meetings currently underway.

- AVG. PER CUSTOMER WATER DEMAND

7839 GAL/MO/EA AAMD

258 GAL/DAY/EA ADD

INC. ALL CUST - OLD/NEW - ETC.

- NEWER (10 yrs)

GAL/MO (AAMD
ADD
INC)

CHELSEA PLACE -

17085

CYPRESS LAKES

12520

FOX HOLLOW

18055

FOXWOOD

16892

MILLPOND

10276

NATURA

11997

NATURES HIDEAWAY

9708

PLANTATION

13491

RIVERA

32926

THOUSAND OAKS

16678

TRINITY OAKS

17128

WYNDREE

9648

167,404 TOTAL/MO

15,200 GAL/EA
MO

500 GAL/DAY AAS
ETC



Aloha Utilities, Inc.
Seven Springs Water System
Demographic Based Water Demand Projection

Developed by David W. Porter, PE, C.O.

1. Total Water Sold to Customers in Subdivisions Created < 10 Years Ago

Period 7/1/00 to 6/30/01

Annual Average Monthly Demand/ERC 15,200 Gallons/Month

Annual Average Daily Demand/ERC 500 Gallons/Day

2. Total Water Sold To Customers in Subdivisions Created > 10 Years Ago

Period 7/1/00 to 6/30/01

Annual Average Monthly Demand/ERC 5,149 Gallons/Month

Annual Average Daily Demand/ERC 169 Gallons/Day

3. Total Water Sold To Customers in All Subdivisions

Period 7/1/00 to 6/30/01

Annual Average Monthly Demand/ERC 7,839 Gallons/Month

Annual Average Daily Demand/ERC 258 Gallons/Day

The data shows that the average water demand per ERC of 258 gallons/day is not representative of the demands being placed on the system by new customers. This is mainly due to the demographic shift from retirement households to younger households with children and larger homes with larger lots.

The older retirement households demand far less water (169 gallons/day) than the younger households (500 gallons/day). This skews the average demand and causes the average demand to be non-representative of going-forward basis.

The majority of future connections to the Seven Springs Water System will be in those subdivisions created within the last 10 years. Therefore, on a going-forward basis, 500 gallons/ERC should be used when predicting water demands (Average Annual Daily Demand).

Note: The data shown represents only water sold to customers and does not include additional quantities needed for treatment loss and system losses which are traditionally 10% of the amount sold to customers.



(Continued from Sheet No. 11.0)

by the Company without the simultaneous or concurrent payment of any sewer service bill rendered by the Company. If the charges for water service are not so paid, the Company may discontinue both sewer service and water service to the Customer's premises for nonpayment of the water service charges or if the charges for sewer service are not so paid the Company may discontinue both water service and sewer service to the Customer's premises for nonpayment of the sewer service charge. The Company shall not re-establish or reconnect sewer service and water service or either of such services until such time as all sewer service charges and water service charges and all other expenses or charges established or provided for by these Rules and Regulations are paid.

- 18.0 TEMPORARY DISCONTINUANCE OF SERVICE - At any time that service is not being furnished to the premises for at least one complete month, as confirmed by the Company, furnishing said service, upon application to the Company by the Customer, a standby charge of 1/2 the minimum charge will be made.
- If service is terminated and resumed at the same address to the same Customer, within 12 months from the date of the termination, an amount equal to the standby charge for the period of the service termination will be collected as a condition precedent to restoration of service.
- 19.0 TAX CLAUSE - Rates and/or charges may be increased or a surcharge added in the amount of the applicable proportionate part of any taxes and assessments imposed by any governmental authority in excess of those in effect after the approval of this rule which are assessed on the basis of meters or customers or the price of or revenues from water sold, not including income taxes.
- 20.0 CHANGE OF OCCUPANCY - When change of occupancy takes place on any premises supplied by the Company with water service, WRITTEN NOTICE thereof shall be given at the office of the Company not less than three (3) days prior to the date of change by the outgoing Customer, who will be held responsible for all water service used on such premises until such written notice is so received and the Company has had reasonable time to discontinue water service. However, if such written notice has not been received, the application of a succeeding occupant for water service will automatically terminate the prior account. Customer's deposit may be transferred from one service location to

(Continued to Sheet No. 13.0)

EFFECTIVE DATE: January 26, 197Jo Ann Pippin
Secretary-Treasurer

Billing Analysis Schedules

Florida Public Service Commission

Company: Aloha Utilities, Inc. - Seven Springs Division
 Docket No.: 010503-WU
 Test Year Ended: December 31, 2000
 Water [X] or Sewer []
 Customer Class: Residential (non-vacation)
 Meter Size: 5/8" X 3/4"

Schedule: E-14
 Page 2 of 25
 Preparer: CJNW

Explanation: Provide a billing analysis for each class of service by meter size. For applicants having master metered multiple dwellings, provide the number of bills at each level by meter size or number of bills categorized by the number of units. Round consumption to nearest 1,000 gallons & begin at zero. If a rate change occurred during the test year, provide a separate billing analysis which coincides with each period.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Consumpt. Level	Number of Bills	Cumulative Bills	Gallons Consumed (1)x(2)	Cumulative Gallons	Reversed Bills	Consolidated Factor [(1)x(6)]+(5)	Percentage of Total
0	7,264	7,264	0	0	101,747	0	0.00%
1	6,559	13,823	6,559	6,559	95,188	101,747	10.99%
2	10,436	24,259	20,872	27,431	84,752	196,935	21.27%
3	11,094	35,353	33,282	60,713	73,658	281,687	30.42%
4	10,275	45,628	41,100	101,813	63,383	355,345	38.38%
5	8,579	54,207	42,895	144,708	54,804	418,728	45.22%
6	7,122	61,329	42,732	187,440	47,682	473,532	51.14%
7	5,894	67,223	41,258	228,698	41,788	521,214	56.29%
8	4,799	72,022	38,392	267,090	36,989	563,002	60.80%
9	4,188	76,210	37,692	304,782	32,801	599,991	64.80%
10	3,659	79,869	36,590	341,372	29,142	632,792	68.34%
11	3,099	82,968	34,089	375,461	26,043	661,934	71.49%
12	2,852	85,820	34,224	409,685	23,191	687,977	74.30%
13	2,483	88,303	32,279	441,964	20,708	711,168	76.81%
14	2,201	90,504	30,814	472,778	18,507	731,876	79.04%
15	1,955	92,459	29,325	502,103	16,552	750,383	81.04%
16	1,729	94,188	27,664	529,767	14,823	766,935	82.83%
17	1,530	95,718	26,010	555,777	13,293	781,758	84.43%
18	1,360	97,078	24,480	580,257	11,933	795,051	85.87%
19	1,214	98,292	23,066	603,323	10,719	806,984	87.16%
20	1,042	99,334	20,840	624,163	9,677	817,703	88.31%
21	963	100,297	20,223	644,386	8,714	827,380	89.36%
22	871	101,168	19,162	663,548	7,843	836,094	90.30%
23	798	101,966	18,354	681,902	7,045	843,937	91.15%
24	735	102,701	17,640	699,542	6,310	850,982	91.91%
25	687	103,388	17,175	716,717	5,623	857,292	92.59%
26	578	103,966	15,028	731,745	5,045	862,915	93.20%
27	544	104,510	14,688	746,433	4,501	867,960	93.74%
28	442	104,952	12,376	758,809	4,059	872,461	94.23%
29	402	105,354	11,658	770,467	3,657	876,520	94.67%
30	369	105,723	11,070	781,537	3,288	880,177	95.06%



Nixon Late Filed Exhibit No 2
 Page 1 of 5

Billing Analysis Schedules

Florida Public Service Commission

Company: Aloha Utilities, Inc. - Seven Springs Division
 Docket No.: 010503-WU
 Test Year Ended: December 31, 2000
 Water [X] or Sewer []
 Customer Class: Residential (non-vacation)
 Meter Size: 5/8" X 3/4"

Schedule: E-14
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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Consupt. Level	Number of Bills	Cumulative Bills	Gallons Consumed (1)x(2)	Cumulative Gallons	Reversed Bills	Consolidated Factor [(1)x(6)]+(5)	Percentage of Total
31	322	106,045	9,982	791,519	2,966	883,465	95.42%
32	299	106,344	9,568	801,087	2,667	886,431	95.74%
33	211	106,555	6,963	808,050	2,456	889,098	96.02%
34	216	106,771	7,344	815,394	2,240	891,554	96.29%
35	228	106,999	7,980	823,374	2,012	893,794	96.53%
36	189	107,188	6,804	830,178	1,823	895,806	96.75%
37	151	107,339	5,587	835,765	1,672	897,629	96.94%
38	134	107,473	5,092	840,857	1,538	899,301	97.13%
39	116	107,589	4,524	845,381	1,422	900,839	97.29%
40	99	107,688	3,960	849,341	1,323	902,261	97.45%
41	108	107,796	4,428	853,769	1,215	903,584	97.59%
42	95	107,891	3,990	857,759	1,120	904,799	97.72%
43	101	107,992	4,343	862,102	1,019	905,919	97.84%
44	94	108,086	4,136	866,238	925	906,938	97.95%
45	77	108,163	3,465	869,703	848	907,863	98.05%
46	61	108,224	2,806	872,509	787	908,711	98.14%
47	49	108,273	2,303	874,812	738	909,498	98.23%
48	39	108,312	1,872	876,684	699	910,236	98.31%
49	42	108,354	2,058	878,742	657	910,935	98.38%
50	45	108,399	2,250	880,992	612	911,592	98.45%
51	37	108,436	1,887	882,879	575	912,204	98.52%
52	40	108,476	2,080	884,959	535	912,779	98.58%
53	25	108,501	1,325	886,284	510	913,314	98.64%
54	28	108,529	1,512	887,796	482	913,824	98.69%
55	28	108,557	1,540	889,336	454	914,306	98.75%
56	24	108,581	1,344	890,680	430	914,760	98.80%
57	21	108,602	1,197	891,877	409	915,190	98.84%
58	22	108,624	1,276	893,153	387	915,599	98.89%
59	25	108,649	1,475	894,628	362	915,986	98.93%
60	16	108,665	960	895,588	346	916,348	98.97%
61	21	108,686	1,281	896,869	325	916,694	99.00%

Billing Analysis Schedules

Florida Public Service Commission

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Consumpt. Level	Number of Bills	Cumulative Bills	Gallons Consumed (1)x(2)	Cumulative Gallons	Reversed Bills	Consolidated Factor [(1)x(6)]+(5)	Percentage of Total
62	18	108,704	1,116	897,985	307	917,019	99.04%
63	16	108,720	1,008	898,993	291	917,326	99.07%
64	13	108,733	832	899,825	278	917,617	99.10%
65	12	108,745	780	900,605	266	917,895	99.13%
66	10	108,755	660	901,265	256	918,161	99.16%
67	6	108,761	402	901,667	250	918,417	99.19%
68	5	108,766	340	902,007	245	918,667	99.22%
69	8	108,774	552	902,559	237	918,912	99.24%
70	8	108,782	560	903,119	229	919,149	99.27%
71	10	108,792	710	903,829	219	919,378	99.29%
72	5	108,797	360	904,189	214	919,597	99.32%
73	9	108,806	657	904,846	205	919,811	99.34%
74	4	108,810	296	905,142	201	920,016	99.36%
75	5	108,815	375	905,517	196	920,217	99.38%
76	8	108,823	608	906,125	188	920,413	99.41%
77	6	108,829	462	906,587	182	920,601	99.43%
78	7	108,836	546	907,133	175	920,783	99.45%
79	1	108,837	79	907,212	174	920,958	99.46%
80	10	108,847	800	908,012	164	921,132	99.48%
81	3	108,850	243	908,255	161	921,296	99.50%
82	7	108,857	574	908,829	154	921,457	99.52%
83	9	108,866	747	909,576	145	921,611	99.54%
84	5	108,871	420	909,996	140	921,756	99.55%
85	6	108,877	510	910,506	134	921,896	99.57%
86	5	108,882	430	910,936	129	922,030	99.58%
87	3	108,885	261	911,197	126	922,159	99.59%
88	3	108,888	264	911,461	123	922,285	99.61%
89	7	108,895	623	912,084	116	922,408	99.62%
90	7	108,902	630	912,714	109	922,524	99.63%
91	4	108,906	364	913,078	105	922,633	99.65%
92	6	108,912	552	913,630	99	922,738	99.66%

Nixon Late Filed Exhibit No 2
 Page 3 of 5

Billing Analysis Schedules

Florida Public Service Commission

Company: Aloha Utilities, Inc. - Seven Springs Division

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Page 5 of 25

Test Year Ended: December 31, 2000

Preparer: CJNW

Water [X] or Sewer []

Customer Class: Residential (non-vacation)

Meter Size: 5/8" X 3/4"

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Consumpt. Level	Number of Bills	Cumulative Bills	Gallons Consumed (1)x(2)	Cumulative Gallons	Reversed Bills	Consolidated Factor [(1)x(6)]+(5)	Percentage of Total
93	3	108,915	279	913,909	96	922,837	99.67%
94	4	108,919	376	914,285	92	922,933	99.68%
95	2	108,921	190	914,475	90	923,025	99.69%
96	2	108,923	192	914,667	88	923,115	99.70%
97	5	108,928	485	915,152	83	923,203	99.71%
98	5	108,933	490	915,642	78	923,286	99.72%
99	1	108,934	99	915,741	77	923,364	99.72%
100	3	108,937	300	916,041	74	923,441	99.73%
102	2	108,939	204	916,245	72	923,589	99.75%
103	4	108,943	412	916,657	68	923,661	99.76%
104	4	108,947	416	917,073	64	923,729	99.76%
105	3	108,950	315	917,388	61	923,793	99.77%
106	1	108,951	106	917,494	60	923,854	99.78%
107	2	108,953	214	917,708	58	923,914	99.78%
108	1	108,954	108	917,816	57	923,972	99.79%
109	2	108,956	218	918,034	55	924,029	99.80%
110	2	108,958	220	918,254	53	924,084	99.80%
111	2	108,960	222	918,476	51	924,137	99.81%
112	3	108,963	336	918,812	48	924,188	99.81%
113	3	108,966	339	919,151	45	924,236	99.82%
114	3	108,969	342	919,493	42	924,281	99.82%
115	3	108,972	345	919,838	39	924,323	99.83%
118	2	108,974	236	920,074	37	924,440	99.84%
120	1	108,975	120	920,194	36	924,514	99.85%
122	1	108,976	122	920,316	35	924,586	99.86%
123	2	108,978	246	920,562	33	924,621	99.86%
125	1	108,979	125	920,687	32	924,687	99.87%
126	1	108,980	126	920,813	31	924,719	99.87%
127	1	108,981	127	920,940	30	924,750	99.87%
128	1	108,982	128	921,068	29	924,780	99.88%
129	2	108,984	258	921,326	27	924,809	99.88%

Billing Analysis Schedules

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Consumpt. Level	Number of Bills	Cumulative Bills	Gallons		Reversed Bills	Consolidated	
			Consumed (1)x(2)	Cumulative Gallons		Factor [(1)x(6)]+(5)	Percentage of Total
132	2	108,986	264	921,590	25	924,890	99.89%
134	2	108,988	268	921,858	23	924,940	99.89%
135	1	108,989	135	921,993	22	924,963	99.90%
137	1	108,990	137	922,130	21	925,007	99.90%
140	1	108,991	140	922,270	20	925,070	99.91%
143	1	108,992	143	922,413	19	925,130	99.92%
145	3	108,995	435	922,848	16	925,168	99.92%
146	1	108,996	146	922,994	15	925,184	99.92%
151	1	108,997	151	923,145	14	925,259	99.93%
152	1	108,998	152	923,297	13	925,273	99.93%
159	2	109,000	318	923,615	11	925,364	99.94%
161	1	109,001	161	923,776	10	925,386	99.94%
166	1	109,002	166	923,942	9	925,436	99.95%
170	1	109,003	170	924,112	8	925,472	99.95%
174	1	109,004	174	924,286	7	925,504	99.96%
193	1	109,005	193	924,479	6	925,637	99.97%
203	1	109,006	203	924,682	5	925,697	99.98%
206	1	109,007	206	924,888	4	925,712	99.98%
217	1	109,008	217	925,105	3	925,756	99.98%
224	1	109,009	224	925,329	2	925,777	99.98%
285	1	109,010	285	925,614	1	925,899	100.00%
302	1	109,011	302	925,916	0	925,916	100.00%

ALOHA UTILITIES, INC.

DEMAND SIDE WATER CONSERVATION MEASURES

The Compliance Plan which Aloha must submit to the SWFWMD is currently in the early stages of development. In the final plan, the Utility must include both supply side and demand side measures to be undertaken. However, because the supply side issues are in the early stages of development, we have outlined below the demand side proposals that the Utility has made through the SWFWMD and which are expected to be placed into effect immediately upon approval and recognition and rate setting by the PSC.

A. Customer Direct Mail Billing Inserts

As a result of the change to envelope billing, Aloha Utilities, Inc. now has the capability to provide billing inserts to its customers with each monthly customer bill. The Company has utilized the billing inserts to notify customers of various issues concerning utility service. Principal among these issues is the Company's efforts to educate customers about water supply and use including the current drought conditions, methods and devices for conserving water, and the importance of compliance with watering restrictions. The Company began this practice at the very end of 2000, and has continued through the current date. The approximate additional annual cost for developing, copying, and including these bill inserts is approximately \$5,000 per year.

B. Customer Conservation Programs

Conserving water provides a low-cost alternative to development of alternative water sources. The Company proposes to implement the following customer conservation programs to educate consumers, curtail additional increases in consumption, and achieve long term reductions in usage on an individual basis:

1. Retrofit Kit: The Company will initiate a program to make retrofit kits available to interested customers at no charge. The kit will include such items as low flow showerheads, low flow faucet aerators, leak detection tablets, replacement flapper valves, and educational materials regarding conservation. Customers will be informed of the program through billing inserts and other means. Annual Budgeted Cost: \$25,000.

2. Water Conservation Pilot Program: The Company will develop and implement a program to make available high efficiency water heaters and low flow toilets to utility customers. The program will provide for, or offer credits or other financial incentive toward, a selection of such devices to customers, monitor the water use of participants, and report to the District regarding the effectiveness of the program. An initial report concerning implementation of such program will be made within 60 days of implementation, a preliminary report within six months and a final report within one year of implementation. Annual Budgeted Cost: \$30,000.



3. Mixed Media Conservation Messages: Through radio, television and billing inserts, the Company will budget monthly for media advertising to promote conservation. Such advertising budget will be allocated 50% for billing inserts, 25% for radio and 25% for television mediums. Annual Budgeted Cost: \$15,000.

4. Water Auditor: A full time staff position will be created to interact directly with customers, perform water audits, irrigation audit and recommend and promote water conservation measures. Audits will initially target large volume users in which improvements in overall water use efficiencies will have the greatest impact on Utility water withdrawals. Annual Budgeted Cost: \$38,000.

5. Additional Staffing: Initially, the Company will budget for one new staff member to implement and promote consumer conversation programs. Budgeted Annual Cost: \$30,000.

6. Web Site: The Company is in the process of developing a web site to provide information to the general public about the Utility. The web site will include a section on conservation providing general information on the topic, specific information on Utility programs, and links to other useful sites. Budgeted Annual Cost: \$12,000.

The Company will, within 30 days of the date of the Consent Order, meet to refine the details of this consumer conversation program in conjunction with the District's water shortage coordinator. The total cost of the program is estimated to be \$150,000 annually. It is anticipated that these conservation measures will result in an approximately 5% reduction in water demand in the service area.

The conservation program is to be paid for from revenues generated by the conservation rates implemented pursuant to Waterate 2001 discussed below. The Company will develop these programs in the fourth quarter of 2001 and should be in a position to implement them by March 31, 2002. These programs will proceed unless the Public Service Commission denies recognition of the funding for these programs as proposed by the Company in its pending rate case. The Company will nevertheless be required to comply with water conservation requirements of the WUP. Aloha will use its best efforts to secure PSC approval of water conservation programs in this §2. In the event funding for these programs is recognized, but Conservation Revenues in a given year based on Waterate 2001 are less than projected, adjustments to the program budgets will be made accordingly.

C. Implementation of Conservation Rates

The Utility's rates and charges are established by the Florida Public Service Commission. Rates and charges cannot be modified without the prior consent of the Commission. Historically, the Commission has done very little to promote the use of conservation rates, having approved such rates for less than ten utilities statewide. As a

result of several issues arising from District WUP enforcement, including the purchase of water from Pasco County and the implementation of a conservation rate structure, the Public Service Commission is conditioning rate relief for the Company on the filing of a full rate case.

On April 2, 2001, representatives of Aloha attended the Waterate 2001 Workshop hosted by the District. At that time, the District provided information and training on software designed to assist in establishing a conservation or inverted block rate structure, the goal of which is to reduce water usage by at least 5% in the Company's service area. The Company utilized this software in preparing a conservation rate structure for its Application for Increase in Water Rates which was filed with the PSC on August 10, 2001.

The time frame required for completing of a rate case through completion is 13-19 months, as discussed in more detail below. At such time as the PSC authorizes a change in Aloha's rates, the Company will implement the conservation rate structure. According to the Waterate 2001 model, the Company can expect a substantial reduction in potable water use, estimated at 28%, over the use which would otherwise be expected for the same period. Unlike traditional rate setting in the water industry in Florida, use of a conservation rate structure will cause greater variability in system revenues. The Company estimates that, based on the District's model, revenues may exceed the approved revenue requirement by up to \$288,900 annually ("Conservation Revenues"). The Company has proposed to the PSC that, to the extent they occur, the Company should use such Conservation Revenues to further the conservation programs, with the balance going toward costs associated with the development of the reverse osmosis water treatment facility, or such other alternative water source project or objective as the Company may determine, subject to District approval, which approval shall not be unreasonably withheld.

D. Wastewater Reuse System

Aloha has been a front runner in implementation of a reuse system, has aggressively sought customers for that system, and has expended millions of dollars to that end. In addition, the Utility has a longstanding policy to requiring developers to install reuse facilities where feasible.

Aloha believes that investment in its reclaimed water facility and reuse transmission system was the single most effective means available to offset groundwater withdrawals for customer irrigation needs and mitigate environmental and water resource impacts caused by groundwater withdrawals for direct customer consumption. Acknowledgment by the District of the benefits of this program can be seen in the continued cooperative funding provided since the original Agreement. Aloha has sought, and continues to seek recognition by the District of the benefits of this program and the mitigation of groundwater withdrawals in the Company's service area in the North Tampa Bay WUCA.