

ORIGINAL



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November 8, 2001

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0870

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COMMISSION
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RE: Docket No. 010503-EI

Dear Ms. Bayó:

In our filing of the testimony of Donna DeRonne on November 7, 2001, we inadvertently omitted Schedules A and B, which should have been attached to the testimony. In addition, the original testimony exhibits were not sequentially paginated. Accordingly, I am re-submitting (attached herewith) a full, corrected version of all exhibits to be attached to Ms. DeRonne's testimony. I apologize for any inconvenience.

Please indicate receipt of filing by date-stamping the attached copy of this letter and returning it to this office. Thank you for your assistance in this matter.

Sincerely,

Stephen C. Burgess
Deputy Public Counsel

APP _____ cc: All parties with attachments
CAF _____
CMP _____
COM 5/28 SCB/dsb
CTR _____ Enclosures
ECR _____
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14229 NOV-80
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ALOHA UTILITIES, INC.
 Seven Springs Water Division
 Test Year Ended December 31, 2001

Docket No. 010503-WU
 Exhibit__(DD-1)
 Schedule A

Calculation of Revenue Requirement

Line No.	(1) Description	(2) Utility Adjusted Amount	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	1,967,474	(88,121)	1,879,353	635,169	2,514,522	Schedule B
2	Operation & Maintenance	2,450,404	(470,018)	1,980,386		1,980,386	Schedule B
3	Depreciation, Net of CIAC Amort.	75,736	613	76,349		76,349	Schedule B
4	Amortization (Contributed Taxes)	(30,691)		(30,691)		(30,691)	
5	Taxes Other Than Income	286,108		286,108	28,583	314,691	
6	Provision for Income Taxes	49,564		49,564		49,564	
7	OPERATING EXPENSES	<u>2,831,121</u>		<u>2,361,716</u>		<u>2,390,299</u>	
8	NET OPERATING INCOME	(863,647)		(482,363)		124,223	
9	RATE BASE	1,821,490	(388,416)	1,433,074		1,433,074	Schedule C
10	RATE OF RETURN					8.67%	Schedule D

DOCUMENT NUMBER-DATE

14229 NOV-85

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ALOHA UTILITIES, INC.
 Seven Springs Water Division
 Test Year Ended December 31, 2001

Docket No. 010503-WU
 Exhibit__(DD-1)
 Schedule B

Schedule of Adjustments to Operating Income

Line No.	Description	Amount	
<u>Adjustments to Revenue:</u>			
1	Adjustment to Revenue for Reduced Consumption	(\$99,787)	Schedule B-1
2	Correction to Interest Income	7,490	OPC Interrog. 53, Testimony
3	Correction to Include Residential Vacation Bill Revenue	4,176	OPC Interrog. 45, Testimony
4	Total Revenue Adjustments	<u>(\$88,121)</u>	
<u>Adjustments to O&M Expense:</u>			
5	Remove Items that Should Have Been Capitalized	(12,396)	Schedule B-2
6	Bad Debt Expense - Correction & Reallocation	1,237	Schedule B-3
7	Remove Amortization of Current Rate Case Expense	(111,625)	OPC Witness Larkin
8	Correction to Pension Expense for Company Error	40,509	OPC Interrog. 12, Testimony
9	Salaries & Wages - Remove Open Positions	(107,850)	MFR Sch. B-3(A)
10	Remove Benefits for Open Positions (\$107,850 x 12.29%)	(13,255)	MFR Sch. B-3(A)
11	Correction to Salary & Wage Annualization	(21,268)	Schedule B-4
12	Officers Salary & Wages - Remove Double Count	(8,769)	Schedule B-5
13	Reduction to Purchase Water Expense	(222,910)	Schedule B-6
14	Reduction to Chemical Expense	(8,303)	Schedule B-7
15	Reduction to Purchase Power Expense	(5,389)	Schedule B-8
16	Total O&M Expense Adjustments	<u>(470,018)</u>	
<u>Adjustments to Depreciation:</u>			
17	Depreciation on Items that Should Have Been Capitalized	613	Schedule B-2
18	Total Depreciation Expense Adjustments	<u>613</u>	

Adjustment to Revenue for Reduced Consumption

Line No.	Description	Company Amount	OPC Amount
		(1)	(2)
1	Projected 2001 Gallons Sold (Thousands)	1,105,068	998,492 (A)
2	Divide by 2000 Test Year Gallons (Thousands)	<u>1,018,746</u>	<u>1,018,746</u>
3	Projection Factor for Gallons	1.08473	0.98012
4	Total Historic Test Year Consumption Projection Factor is Applied to (Sch. E-13, p.1, lines 4 and 23)	<u>722,614</u>	<u>722,614</u>
5	Projected Test Year Consumption \$1.32 Rate is Applied to (Line 3 x Line 4)	783,844	708,248
6	Present Rate	<u>\$1.32</u>	<u>\$1.32</u>
7	Projected Consumption Revenues	<u>\$1,034,674</u>	<u>\$934,887</u>
8	Reduction to Projected Test Year Revenue		<u><u>(\$99,787)</u></u>

Source/Notes:

The above schedule uses the same methodology used by the Company on Schedule E-13 in calculating the projected test year revenues associated with consumption.

Per Company amounts from Schedule E-13, page 1 of 2.

(A) Amount recommended by OPC Witness Steven Stewart

ALOHA UTILITIES, INC.
 Seven Springs Water Division
 Test Year Ended December 31, 2001

Docket No. 010503-WU
 Exhibit __ (DD-1)
 Schedule B-2

Adjustments for Items that Should Have Been Capitalized

Line No.	Description	Amount
	<u>Increase to Plant in Service:</u>	
1	Pumping Equipment, Acct. 311	9,440
2	Office Furniture, Acct. 340	2,112
3	Increase to Plant in Service	<u>11,552</u>
	<u>Impact on Accumulated Depreciation: (1)</u>	
4	Pumping Equipment (5% Depreciation Rate)	472
5	Office Furniture (6.67% Depreciation Rate)	141
6	Increase in Accumulated Depreciation	<u>613</u>
	<u>Impact on Depreciation Expense:</u>	
7	Pumping Equipment (5% Depreciation Rate)	472
8	Office Furniture (6.67% Depreciation Rate)	141
9	Increase in Depreciation Expense	<u>613</u>
	<u>Impact on O&M Expense:</u>	
10	Reduction to Historic TY O&M Expense, Acct. 620	(11,552)
11	Growth Factor Applied by Utility to Acct. 620	1.04688
12	Inflation Factor Applied by Utility to Acct. 620	1.02500
13	Reduction to Pro Forma O&M Expense	<u>(12,396)</u>

Source:

FPSC Staff Audit Report, Audit Disclosure No. 2

(1) Average pro forma test year balance, assuming plant was added at mid-point of 2000, consistent with audit disclosure.

ALOHA UTILITIES, INC.
 Seven Springs Water Division
 Test Year Ended December 31, 2001

Docket No. 010503-WU
 Exhibit__(DD-1)
 Schedule B-3

Adjustment to Bad Debt Expense

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
1	Corrected Seven Springs Bad Debt Expense, per Company	11,090	OPC Interrogatory 1
2	Per OPC Allocation to Water Operations	<u>40.27%</u>	Line A.4, below
3	Corrected Bad Debt Expense, per OPC	4,466	
4	Bad Debt Expense (Acct. 670) Included in MFRs	<u>3,229</u>	MFR Sch. B-5(A)
5	Adjustment to Bad Debt Expense	<u><u>1,237</u></u>	

Calculation of Allocation to Water Operations

A.1	2000 Water Revenues, per Annual Report	1,794,660
A.2	2000 Wastewater Revenues, per Annual Report	2,661,547
A.3	Total Seven Springs Revenues	<u>4,456,207</u>
A.4	Percentage Applicable to Water	<u><u>40.27%</u></u>

ALOHA UTILITIES, INC.
Seven Springs Water Division
Test Year Ended December 31, 2001

Docket No. 010503-WU
Exhibit__(DD-1)
Schedule B-4

Correction to Salary & Wage Annualization

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	Amount Allocated to Seven Springs Water Division for Utility Operations Supervisor (100%)	34,029
2	Percentage that Should have been Allocated	<u>37.5%</u>
3	Corrected Allocation to Seven Springs Water	<u>12,761</u>
4	Reduction to Salary & Wage Expense	<u><u>(21,268)</u></u>

Source/Notes:

Position reflected on MFR Schedule G-8, page 1, line 42. The schedule indicates that the salary for this position (held by Charles Painter) should have been allocated 37.5% to Seven Springs water, yet the schedule allocates 100% to the Seven Springs water division.

ALOHA UTILITIES, INC.
 Seven Springs Water Division
 Test Year Ended December 31, 2001

Docket No. 010503-WU
 Exhibit__(DD-1)
 Schedule B-5

Officers Salary & Wages - Remove Double Count

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
1	President's Current Salary (Steve Watford)	128,752	OPC Interrog. 23
2	Vice President's Allowed Salary (Lynnnda Speers)	<u>25,750</u>	Line 1 x 20%
3	Subtotal	154,502	
4	Percentage Allocated to Seven Springs Water Division	<u>37.5%</u>	
5	Projected Test Year Officer Salary and Wages, per OPC	57,938	
6	Amount Included in Filing (Acct. 603)	<u>66,707</u>	MFR Sch. G-7, p.1
7	Reduction to Officers Salary and Wage Expense	<u><u>(8,769)</u></u>	

Source/Notes:

According to the Company's response to OPC Interrogatory No. 23, the Company's calculation of Officer Salary & Wage expense of \$66,707 includes employees other than the President and Vice-President. However, the other employees (Connie Kurish and Marion Vineyard) were included in the Company's payroll annualization on MFR Schedule G-8. The above adjustment removes the double-counting of employee payroll.

Adjustment to Purchase Water Expense

Line No.	Description	Amount Included in MFRs (1)	Amount Per OPC* (2)	Alternative Based on Ted Biddy's Recommendation (3)
1	Water Projected to be Sold in 2001	1,105,067,967	998,492,175 (A)	994,044,000
2	Water Required with Treatment & System Losses - Company amount at 10%, OPC amount at 9.20%	1,227,853,297	1,099,660,986 (B)	1,094,762,115
3	Water Available Under Consumptive Use Permits Water Required to be Purchased from Pasco County	<u>744,600,000</u>	<u>744,600,000</u>	<u>744,600,000</u>
4	Prior to Company's Repression Adjustment	483,253,297	355,060,986	350,162,115
5	Less 5% Repression of Total Water Needs, per Company	<u>(61,393,000)</u>	<u>(54,983,049)</u>	<u>(54,738,106)</u>
6	Water to be Purchased from Pasco, after Repression	<u>421,860,297</u>	<u>300,077,936</u>	<u>295,424,009</u>
7	Rate per Thousand Gallons	<u>\$2.20</u>	<u>\$2.35 (C)</u>	<u>\$2.35</u>
8	Cost of Water to be Purchased from Pasco County	<u>\$928,093</u>	<u>\$705,183</u>	<u>\$694,246</u>
9	Reduction to Purchase Water Expense		<u>(\$222,910)</u>	

Source/Notes:

* This column, based on OPC Witness Stewart's recommended gallons sold, flows through the revenue requirement and the other schedules in this exhibit. Column (3) is provided for illustrative purposes.

Col. (1): Amounts from MFR Schedule G-9, pages 3 and 4

(A) Total gallons to be sold, per OPC Witness Steven Stewart.

(B) Amount calculated based on actual historic test year unaccounted for water percentage of 9.20%.
 (Line 1 / (1-.092))

(C) Current rate charged by Pasco County, which reflects an increase above the \$2.20 rate used by the Company in the MFRs.

ALOHA UTILITIES, INC.
Seven Springs Water Division
Test Year Ended December 31, 2001

Docket No. 010503-WU
Exhibit__(DD-1)
Schedule B-7

Chemical Expense - Account 618

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference:</u>
1	Historic Test Year Chemical Expense	89,344	MFR Sch. G-7, p. 2
2	Per OPC Projection Factor for Gallons Sold	<u>0.98012</u>	Schedule B-1
3	Projected 2001 Chemical Expense, per OPC	87,568	
4	Projected 2001 Chemical Expense, per Company	<u>95,871</u>	MFR Sch. G-7, p.2
5	Reduction to Chemical Expense	<u><u>(8,303)</u></u>	

ALOHA UTILITIES, INC.
Seven Springs Water Division
Test Year Ended December 31, 2001

Docket No. 010503-WU
Exhibit__(DD-1)
Schedule B-8

Purchase Power Expense - Acct. 615

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference:</u>
1	Historic Test Year Purchase Power Expense	80,713	MFR Sch. G-7, p. 2
2	Per OPC Projection Factor for Gallons Sold	<u>0.98012</u>	Schedule B-1
3	Projected 2001 Purchase Power Expense, per OPC	79,108	
4	Projected 2001 Purchase Power Expense, per Company	<u>84,497</u>	MFR Sch. G-7, p.2
5	Reduction to Purchase Power Expense	<u><u>(5,389)</u></u>	

ALOHA UTILITIES, INC.
 Seven Springs Water Division
 Test Year Ended December 31, 2001

Docket No. 010503-WU
 Exhibit__(DD-1)
 Schedule C
 Page 1 of 2

Rate Base

Line No.	Description	Utility Adjusted Balance (A)	OPC Adjustments	Adjusted Rate Base
1	Utility Plant in Service	9,937,171	11,552	9,948,723
2	Utility Land & Land Rights	42,898		42,898
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(2,328,109)	(2,875)	(2,330,984)
6	Less: CIAC	(8,479,418)	(27,236)	(8,506,654)
7	Accumulated Amortization CIAC	1,923,349		1,923,349
8	Deferred Taxes (Net)	835,318		835,318
9	Contributed Taxes	(1,175,890)		(1,175,890)
10	Accum Amort of Contrib Tax	222,201	(10,877)	211,324
11	Working Capital Allowance	843,970	(358,980)	484,990
12	Total Rate Base	<u>1,821,490</u>		<u>1,433,074</u>

Source/Notes:

(A) MFR Schedule A-1(A)

OPC Adjustments are presented on page 2.

Schedule of Adjustments to Rate Base

Line No.	Description	Amount	Reference:
<u>Adjustments to Plant in Service</u>			
1	- Items that Should Have Been Capitalized (Staff Audit Disclosure No. 2)	11,552	Schedule B-2
2	Total Adjustments to Plant in Service	<u>11,552</u>	
<u>Adjustments to Accumulated Depreciation:</u>			
3	- Accumulated Depreciation Related to Computers (Staff Audit Disclosure No. 1)	2,262	
4	- Items that Should Have Been Capitalized	613	Schedule B-2
5	Total Adjustments to Accumulated Depreciation	<u>2,875</u>	
<u>Adjustments to CIAC:</u>			
6	- Correction to CIAC Additions in MFRs (\$39,341 x 9/13ths)	<u>27,236</u>	OPC Interrog. 3, Testimony
<u>Adjustments to Working Capital:</u>			
7	- Remove Cost of This Proceeding	(223,250)	MFR Sch. A-3(A)
8	- Reduction to Pilot Plant Project Amount	(135,730)	Schedule C-1
9	Total Adjustments to Working Capital	<u>(358,980)</u>	
<u>Adjustments to Accum. Amort. Of Contributed Taxes:</u>			
10	- Correction to MFR Amount	<u>(10,877)</u>	Schedule C-2

ALOHA UTILITIES, INC.
 Seven Springs Water Division
 Test Year Ended December 31, 2001

Docket No. 010503-WU
 Exhibit__ (DD-1)
 Schedule C-1

Pilot Plant Project Costs to Include in Working Capital

Line No.	Description	Monthly Increase	Month-End Balance
<u>Actual Balances:</u>			
1	December-00		3,826
2	January-01	160	3,986
3	February-01	2,789	6,775
4	March-01	15,466	22,241
5	April-01	11,013	33,254
6	May-01	17,886	51,140
7	June-01	6,439	57,579
8	July-01	6,750	64,329
9	August-01	10,417	74,746
10	Average Monthly Increase	<u>8,865</u>	
<u>Estimated Balances:</u>			
11	September-01	8,865	83,611
12	October-01	8,865	92,476
13	November-01	8,865	101,341
14	December-01	8,865	<u>110,206</u>
15	Estimated 13-Month Average Balance		54,270
16	Amount Included in MFRs (Sch. A-3(A))		<u>190,000</u>
17	Reduction to Working Capital		<u>(135,730)</u>

Source:

December 2000 through August 2001 amounts obtained from the Company's General Ledger for Account 105-02-00 - W/W Pilot Plant, provided in response to OPC POD 9.

ALOHA UTILITIES, INC.
Seven Springs Water Division
Test Year Ended December 31, 2001

Docket No. 010503-WU
Exhibit__(DD-1)
Schedule C-2

Accumulated Amortization of Contributed Taxes

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>	
1	Utility Adjusted Average Historic Test Year Balance of Accumulated Amortization of Contributed Taxes	180,633	MFR Sch. A-1(B)
2	Annual Allowed Amortization of Contributed Taxes, per Order No. PSC-01-1374-PAA-WS	<u>30,691</u>	Referenced Order and MFR. Sch. B-1(A)
3	Correct Average Projected Test Year Balance of Accumulated Amortization of Contributed Taxes	211,324	
4	Average Projected Test Year Balance Included in MFRs	<u>222,201</u>	MFR Sch. A-1(A)
5	Reduction to Accumulated Amortization of Contributed Taxes	<u><u>(10,877)</u></u>	

ALOHA UTILITIES, INC.
 Seven Springs Water Division
 Test Year Ended December 31, 2001

Docket No. 010503-WU
 Exhibit__(DD-1)
 Schedule D
 Page 1 of 3

Rate of Return

Line No.	Description	Per OPC	Cost Rate	Weighted
		Capital Ratio	per OPC	Cost
		(1)	(2)	(3)
1	Long-Term Debt	77.12%	8.53%	6.58%
2	Short-Term Debt			
3	Preferred Stock	4.99%	9.93%	0.50%
4	Customer Deposits	4.68%	6.00%	0.28%
5	Common Equity	13.21%	9.93%	1.31%
6	Total	<u>100.00%</u>		<u>8.67%</u>

Source/Notes:

Col. (1): Adjusted to include all debt components, see page 2 for calculation.
 Col. (2): Amounts from MFR Schedule D-1, page 1, with the exception of the weighted long-term debt rate, which is calculated on page 3.

ALOHA UTILITIES, INC.
 Seven Springs Water Division
 Test Year Ended December 31, 2001

Docket No. 010503-WU
 Exhibit__ (DD-1)
 Schedule D
 Page 2 of 3

Rate of Return
 Revised Capital Ratio

Line No.	Description	Amount Per Utility (1)	Adjustment (2)	Adjusted Amount (3)	Adjusted Ratio (4)
1	Debt	3,525,036	5,742,933	9,267,969	77.12%
2	Preferred Stock	600,000		600,000	4.99%
3	Common Equity	1,587,440		1,587,440	13.21%
4	Customer Deposits	562,205		562,205	4.68%
5	Total	6,274,681		12,017,614	100.00%

Source/Notes:

Col. (1): MFR Schedule D-2, page 1.

Col. (2): The debt balance used by the Company only included the debt with the owner, L. L. Speers and excluded the remaining debt. The adjustment incorporates the 13-month average balance of the remaining debt from MFR Schedule D-5(A).

ALOHA UTILITIES, INC.
 Seven Springs Water Division
 Test Year Ended December 31, 2001

Docket No. 010503-WU
 Exhibit__ (DD-1)
 Schedule D
 Page 3 of 3

Rate of Return

Calculation of Long-Term Debt Cost Rate

Line No.	Description	Coupon Rate	13-Month Avg. Amt. Outstanding	Unamort. Issuing Expense	Annual Amort. of Discount	Interest	Total Interest Cost	Effective Cost Rate
		(1)	(2)	(3)	(4)	(5) = (1)x(2)	(6)=(4)+(5)	(7)=(6)/((2)-(3))
1	Bank of America -15yrs.	9.00%	5,108,717	51,399	4,224 (A)	459,785	464,009	9.17%
2	Vehicle Notes - 3yrs.	4.90%	20,252			992	992	4.90%
3	Vehicle Note - 3yrs.	9.25%	7,707			713	713	9.25%
4	Bank of America (Bldg)	9.00%	606,270			54,564	54,564	9.00%
5	L.L. Speer (Line of Credit)	7.50% (B)	2,983,159	13,773	562	223,737	224,299	7.55%
6	L.L. Speer (DOT)	7.50% (B)	541,877			40,641	40,641	7.50%
7	Total		9,267,982	65,172	4,786	780,432	785,218	<u>8.53%</u>

Source/Notes:

Unless noted otherwise, the above amounts are from MFR Schedule D-5(A).

(A) Amount included in MFR for this items was \$5,984 and consisted of 17 months of amortization instead of 12 months. The above amount consists of 12 months amortization.

(B) The two loans from the owner of the utility are set at prime plus 3%, changing biannually based on prime.

In past cases, the Commission has allowed the interest expense based on prime plus 2%. As of November 2, 2001, prime was 5.50%, consequently, the above schedule allows for interest at 7.50% (current prime plus 2%).

ALOHA UTILITIES, INC.
 Seven Springs Water Division
 Test Year Ended December 31, 2001

Docket No. 010503-WU
 Exhibit __ (DD-2)

Differential Associated with Exceeding CUP Limits

Line No.	Description	Actual Gallons Jan - Sept. (1)	Maximum Daily CUP Pumpage (2)	Nine-Months CUP Allowed Pumpage (3) = (2)x273	Amount Exceeding CUP Allowed (4)=(3)-(1)	Rate Differential (per 1000 g) (5)	Excess Amount (6)=(4)x(5)
1	Well #1 (Mitchell)	188,069,000	449,000	122,577,000	(65,492,000)	\$2.25	147,357
2	Wells 2, 3, 4, 6 & 7	348,169,600	1,100,000	300,300,000	(47,869,600)	\$2.03	97,175
3	Wells 8 & 9	211,725,741	491,000	134,043,000	(77,682,741)	\$2.35	182,554
4		747,964,341	2,040,000	556,920,000	(191,044,341)		<u>\$427,087</u>
5	Excess amount that would have been collected had rates been established for the period assuming Consumptive Use Permit requirements were met						<u>\$427,087</u>

Source/Notes:

- Col. (1): Response to Staff Interrogatory No. 25, as updated November 1, 2001.
- Col. (2): Consumptive Use Permits provided in response to OPC POD 15 and MFR Schedule G-9, page 4.
- Col. (4): Based on Pasco County rate of \$2.35, Mitchell royalty rate of \$.10 and affiliate royalty rate of \$.32.