

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: November 26, 2001
TO: Division of the Commission Clerk and Administrative Services
FROM: Ralph R. Jaeger, Senior Attorney
RE: Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.

Please include the following attached pages with the testimonies indicated below. Each of these pages were inadvertently left out when filed on November 20, 2001:

Exhibit JRD-1 of the Direct Testimony of Richard Durbin;

Page 8 of the Direct Testimony of Stephen Bart Fletcher; and

Page 2 of the Direct Testimony of Van Hoofnagle.

RRJ/dm

cc: Division of Regulatory Oversight (McPherson, Vandiver)
Division of Economic Regulation (Fletcher, Jones, Lingo, Merchant,
Stallcup, Wetherington, Willis)
Division of Legal Services (Espinoza)

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1 | transactions is whether those transactions exceed the going market rate or are
2 | otherwise inherently unfair.

3 | Because the agreement with Mitchell was an arms-length transaction, the
4 | Commission found that the \$0.10 per thousand gallon rate was the market rate
5 | for raw water for Aloha's related party transactions. As such, the related
6 | party rates of \$0.32 per thousand gallons were reduced to \$0.10 per thousand
7 | gallons.

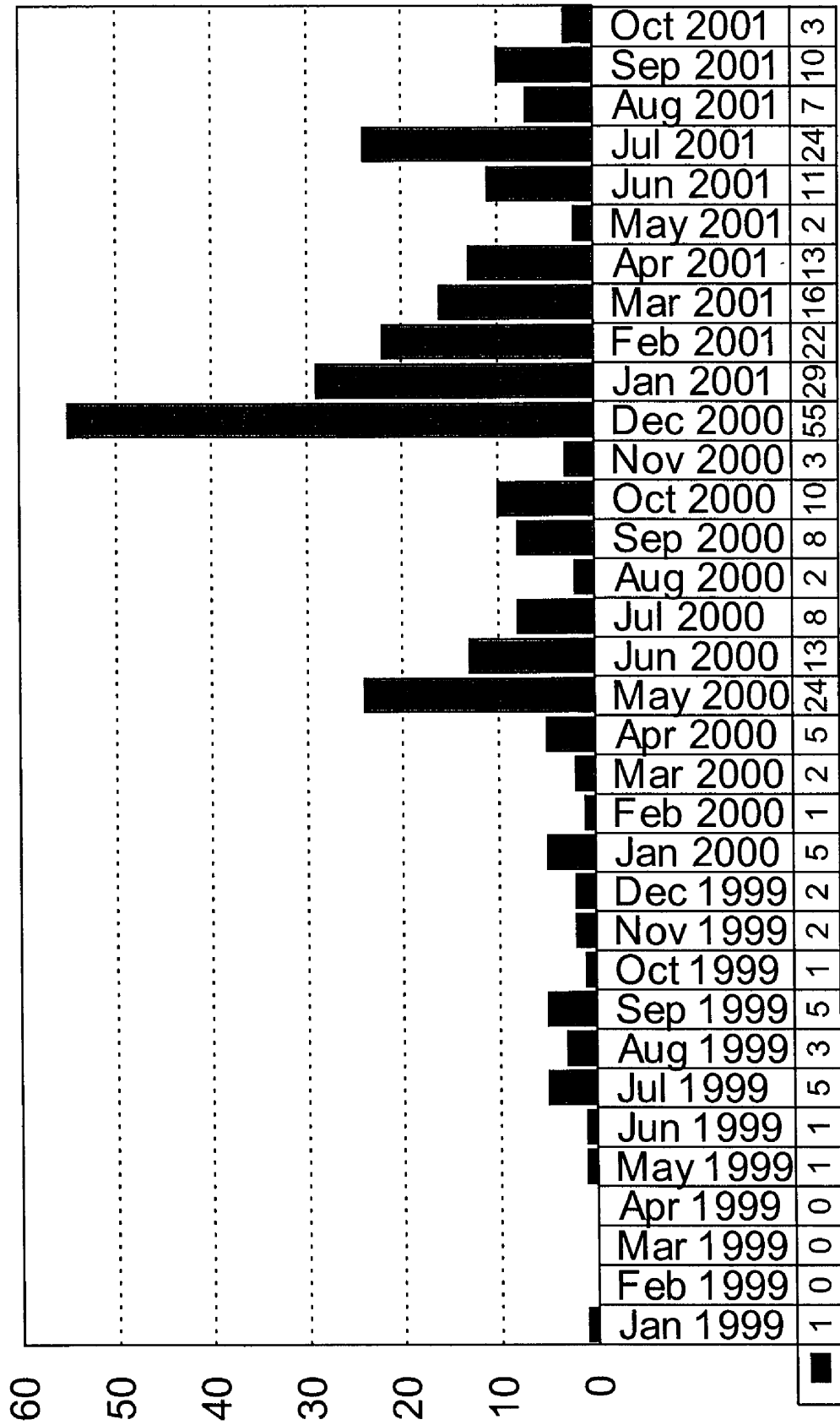
8 | The Commission ordered that the issue regarding the reasonableness of the
9 | rates charged by Mitchell, Tahitian, and Interphase be addressed in this rate
10 | case for the Seven Springs water system. The Commission concluded that it was
11 | not precluded from finding that the \$0.10 per thousand gallons charge for
12 | purchased raw water is appropriate for the calculation of final rates in this
13 | rate case if Aloha fails to meet its burden of proof.

14 | Q. Do you have any other comments regarding the purchased water agreements
15 | with Mitchell, Tahitian, and Interphase?

16 | A. Yes. Based on the utility's response to a staff interrogatory, I
17 | conducted an analysis of Aloha's royalty agreements with Mitchell, Tahitian,
18 | and Interphase. This analysis is identified as Exhibit SBF-3. The Mitchell
19 | property is a 6,700 acre parcel of land on which Aloha has a right to locate
20 | its wells and a 10-acre water plant site anywhere on the property. The only
21 | restriction is that each well site has a minimum circumference of approximately
22 | one acre. Under the agreement with Tahitian, the utility can extract water on
23 | a 30-acre parcel of land with the one-acre restriction discussed above. Under
24 | the agreement with Interphase, Aloha can extract water on any location of a 638
25 | acre tract, subject to the one-acre restriction.

Aloha Utilities, Inc.

Total Consumer Contacts



1999 - October 2001

Source: Consumer Activity Tracking System

DIRECT TESTIMONY OF VAN HOOFNAGLE

1
2 Q. Please state your name and business address.

3 A. My name is Van Robert Hoofnagle and my business address is Florida
4 Department of Environmental Protection (DEP), 2600 Blair Stone Road,
5 Tallahassee, FL 32399-2400.

6 Q. Please give a brief description of your educational background and
7 experience.

8 A. I received a B.S. in Civil Engineering from the University of Washington,
9 Seattle; a Master of Engineering in Civil Engineering from the University of
10 Virginia, Charlottesville. I also attended the United States Military Academy
11 for 1-½ years. My experience includes 2 years in the U.S. Army, 2 years in
12 the Peace Corps where I worked as a civil engineer for the Costa Rican
13 National Park Service. I was an assistant project engineer with Gannett
14 Fleming Engineers in Harrisburg, PA working in the wastewater and facility
15 planning division of that consulting firm. For the last 21 years I have
16 worked for the Florida DEP; for the first 11 years in the Construction Grants
17 and later SRF Program and for the last 10 years I have been the Administrator
18 of the Department's Drinking Water Program.

19 Q. By whom are you presently employed?

20 A. As stated above I am now employed by the DEP.

21 Q. How long have you been employed by DEP and in what capacity?

22 A. As stated above I have been with DEP for 21 years and as the Administrator
23 of the Drinking Water Section for the last 10 years.

24 Q. What are your general responsibilities at DEP?

25 A. As Administrator of the Drinking Water Program I have general oversight of

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase
in water rates for Seven Springs
System in Pasco County by Aloha
Utilities, Inc.

DOCKET NO. 010503-WU

FILED: November 26, 2001

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of Exhibit JRD-1 of the Direct Testimony of Richard Durbin, page 8 of the Direct Testimony of Steven Bart Fletcher, and page 2 of the Direct Testimony of Van Hoofnagle, have been furnished to **Ms. Margaret Lytle**, 2379 Broad Street, Brooksville, Florida 34604-6899, **F. Marshall Deterding, Esquire**, Rose, Sundstrom & Bentley, LLP, 2548 Blairstone Pines Drive, Tallahassee, Florida 32301, and **Steve Burgess, Esquire**, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street #812, Tallahassee, Florida 32399-1400 by facsimile transmittal and regular U.S. Mail, and to **Mr. Edward Wood**, 1043 Daleside Lane, New Port Richey, Florida 34655-4293 by Airborne Express overnight mail on this 26th day of November, 2001.



RALPH R. JAEGER, Senior Attorney

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