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Public Service Commission

December 3, 2001

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Re: Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.

Dear Parties:

Listed below are supplemental issues that staff believes come primarily from the audit report and the testimony of witnesses Aldridge and Deronne. Please review the issues and advise staff of any changes or additional issues that you believe are required.

Due to the large number of parties and witnesses, and to minimize the time required for the pre-prehearing conference, staff believes that it is very important to identify the issues prior to the filing of prehearing statements. Prehearing statements are due to be filed on December 7, 2001. Therefore, please respond by no later than December 5, 2001, with any suggested changes or additions.

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In addition, if you do not agree that a listed issue is appropriate, you should so state. However, pending the ruling of the prehearing officer, staff believes that parties should endeavor to take a position on each issue that is relevant to that party.

ADDITIONAL ISSUES FROM ALDRIDGE & DERONNE TESTIMONY

- a) Should items expensed by the utility during the test year ended December 31, 2000 be capitalized to plant?
- b) Should an adjustment be made to accumulated depreciation to reflect the appropriate depreciation of computer equipment?
- c) Should contributions in aid of construction be increased to reflect the appropriate amount of contributed property?
- d) Should deferred rate case expense related to Docket No. 991643-SU be excluded from working capital?
- e) Should working capital be reduced to reflect the amortization of regulatory commission expense associated with Docket No. 960545-WS?
- f) Should the annual amortization of issuing expense for the construction loan from Bank of America be reduced?
- g) Should all long-term debt issues be included in the calculation of the utility's cost of capital?
- h) Should projected test year revenues be increased to properly allocate interest income?
- i) Should projected test year revenues be increased to reflect the appropriate amount of revenues for residential vacation bills?
- j) Should an adjustment be made to pension expense to reflect additional liability obligations estimated by the utility's pension plan administrator?
- k) What is the appropriate amount of bad debt expense for the Seven Springs water system?

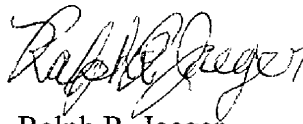
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- l) Should plant and land be reduced to properly allocate the utility's recent purchase of a new office building?

The pre-prehearing conference is scheduled for December 12, 2001, and will start at 9:30 a.m. in Room 309 of the Gunter Building here at the Commission. A notice will be sent out reminding everyone, and the notice will provide a "meet me" telephone number for anyone who will not be able to attend in person.

If you have any questions, or if I can be of any further assistance, please contact me at (850) 413-6234, or Lorena Espinoza at (850) 413-6185.

Sincerely,



Ralph R. Jaeger
Senior Attorney

RRJ:lw

cc: Representative Mike Fasano
Division of Regulatory Oversight (Vandiver)
Division of Economic Regulation (Fletcher, Wetherington, Lingo, Stallcup, Merchant, Willis)

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