

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 ALOHA UTILITIES, INC.

3 SEVEN SPRINGS WATER DIVISION

4 DOCKET NO. 010503-WU

5 REBUTTAL TESTIMONY OF ROBERT C. NIXON, C.P.A.

6 Q. Please state your name and professional address.

7 A. Robert C. Nixon, C.P.A., a partner in the accounting firm of Cronin, Jackson, Nixon &
8 Wilson, P.A., 2560 Gulf-To-Bay Boulevard, Suite 200, Clearwater, Florida 33765.

9 Q. Have you been retained by Aloha Utilities, Inc. to provide documentary information and
10 testimony in that company's application for increased rates for its Seven Springs Water
11 Division?

12 A. Yes.

13 Q. Have you previously provided direct testimony in this case?

14 A. Yes.

15 Q. What is the purpose of this testimony?

16 A. To respond to the various issues raised in the direct testimony of witnesses for the Office
17 of Public Counsel (OPC) and the Commission Staff.

18 Q. How is your rebuttal testimony organized?

19 A. I will indicate each witness's name and then address the issues raised by the respective
20 witnesses in their testimony.

21 Hugh Larkin, Jr.

22 Q. What is the gist of Mr. Larkin's testimony?

23 A. No increase should be granted to Aloha Utilities, Inc. because it has failed to meet a
24 competitive standard for service, based on his assertions that the quality of Aloha's
25 water is below that available from comparable "competitive" water companies.

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1 Q. Do you believe this to be a serious proposal by Mr. Larkin?

2 A. No. He provides absolutely no facts to support his contention that there is any difference
3 in the quality of water or services provided, much less that any regulatory body has, or
4 could legally enact such a theory. While he is proposing no rate increase, his Associate,
5 Donna DeRonne, is recommending an increase of at least \$635,169, if Mr. Larkin's
6 theory is not accepted. In other words, he is trying to have it both ways.

7 Q. What is this "competitive standard for service" theory proposed by Mr. Larkin?

8 A. Mr. Larkin testifies that regulation is a substitute for competition and in a competitive
9 market, the quality of the water delivered should be similar among other water utilities
10 in the market. If, in his view, the quality of a company's water is less than that available
11 from other companies in the market, Aloha or any other utility would not be able to raise
12 its prices in an unregulated and competitive market.

13 Q. Has Mr. Larkin provided any support for his theory?

14 A. No. He quotes from a 1961 text written by James C. Bonbright as set forth in his
15 testimony on Page 3, Lines 19 – 23. However, the quoted Bonbright excerpt is dealing
16 solely with rates and charges. At his deposition on November 27, 2001, Mr. Larkin
17 provided a copy of the chapters from Mr. Bonbright's text from which he quoted. The
18 quote comes from Chapter VI, which is titled "Competitive Price as a Norm of Rate
19 Regulation".

20 Q. What other topics are in that chapter concerning price?

21 A. On Page 95, there is a discussion under the heading "Association of Competitive Price
22 with Replacement Cost". On Page 97 is a discussion under the heading "The Standard
23 of Pure or Strict Competition".

24 Q. Based on the text material provided, does Mr. Bonbright believe in the quotation
25 provided in the testimony of Mr. Larkin?

1 A. Only partially. He agrees that regulation is indeed a substitute for competition but does
2 not believe it is a closely imitative substitute. On Page 107, towards the end of his
3 chapter on Competitive Price, Mr. Bonbright writes the following:

4 Regulation, then, as I conceive it, is indeed a substitute for competition;
5 and it is even a partly imitative substitute. But so is a diesel locomotive a
6 partly imitative substitute for a steam locomotive, and so is a telephone
7 message a partly imitative substitute for a telegraph message. What I am
8 trying to emphasize by these crude analogies is that the very nature of a
9 monopolistic public utility is such as to preclude an attempt to make the
10 emulation of competition very close. The fact, for example, that theories
11 of pure competition leave no room for rate discrimination, while
12 suggesting a reason for viewing the practice with skepticism, does not
13 prove that discrimination should be outlawed. A similar statement would
14 apply alike to the use of an original-cost or a fair-value rate base, neither
15 of which is defensible under the theory or practice of competitive pricing.
16 (Emphasis supplied)

17 This chapter has been written under the assumption that the utility
18 subject to regulation enjoys a monopoly, so that any emulation of
19 competitive-price behavior would have to be imposed by governmental
20 authority or adopted as a matter of policy. But this assumption is never
21 strictly valid. (Emphasis supplied)

22 Q. Is there anything else in the Bonbright material provided by Mr. Larkin?

23 A. We were furnished the first page of Chapter VII, titled "Social Principles of Rate
24 Making".

25 Q. Is there anything on that page which contradicts Mr. Larkin's theory?

1 A. Yes, in the last sentence of the first paragraph Mr. Bonbright writes the following:

2 Regulation can still be regarded as a substitute for competition-
3 probably as an inferior substitute. (Emphasis supplied)

4 I have attached the excerpts from Mr. Bonbright's text as Exhibit RCN ___1.

5 Q. From Mr. Larkin's own quotation on Page 3 of his testimony as well as the other writings
6 of Mr. Bonbright you have noted, is there any mention of competitive "quality"
7 standards?

8 A. Not that I can see.

9 Q. Who sets the water quality standards for Aloha and every other water supplier in the
10 state?

11 A. The regulators, primarily the Florida Department of Environmental Regulation (DEP)
12 and the Federal Environmental Protection Agency (EPA).

13 Q. Do they provide the water quality standards through rules and regulations as part of the
14 Florida Administrative Code?

15 A. Yes.

16 Q. Do they have the power to enforce water quality standards?

17 A. Yes.

18 Q. Are these standards applied equally to all potable water providers in Florida?

19 A. Yes.

20 Q. Then these regulators would be one of the substitutes for quality competition mentioned
21 by Mr. Bonbright?

22 A. Yes.

23 Q. Is Aloha in violation of any of these standards?

24 A. No. This is according to the direct testimony, filed in the case, of Gerald Foster from the
25 DEP.

1 Q. What is the Florida Public Service Commission's (PSC) role in water quality?

2 A. The Commission makes quality of service findings based on the standards of DEP but
3 is also empowered determine customer service associated with the product.

4 Q. Has the Commission previously considered these matters as they relate to Aloha?

5 A. Yes. During the period from approximately 1996 through July 2000, the Commission
6 investigated the quality of service, the "black water" issue, and customer satisfaction.

7 Q. Did that investigation result in a final order?

8 A. Yes. On July 14, 2000, the Commission issued Order No. PSC-00-1285-FOF-WF in
9 Docket No. 960545-WS.

10 Q. Did the Commission issue a finding with regard to the standards set by DEP?

11 A. Yes. On Page 14 of that Order the Commission found as follows:

12 The record supports the conclusion that the quality of the water meets
13 all applicable State and Federal standards.

14 Q. How about the Commission's determination concerning customer satisfaction with the
15 water?

16 A. The Order found that customers were not satisfied with the product they received,
17 however, on Page 16, the Commission found as follows:

18 However, because a significant portion of the customers are clearly
19 dissatisfied with Aloha's overall quality of service, we find that Aloha's
20 customer satisfaction must be considered marginal.

21 Q. Did that Order direct that certain actions be taken by the Utility and the Staff of the PSC?

22 A. Yes. The Order required the Company to begin a pilot project to determine the best
23 method for removing hydrogen sulfide from its water and to file monthly reports with
24 the Commission on the progress of that project. The Commission Staff was ordered to
25 conduct a Management Audit concentrating on the area of customer satisfaction. In

1 addition, the Commission stated it would initiate a Coordinated Agency Action to
2 address the black water problem.

3 Q. Did the Commission Staff conduct a Management Audit?

4 A. Yes. The Commission Staff initiated such an audit during 2000, culminating in a report
5 issued March 2001. I have attached a copy of that report to my testimony as Exhibit
6 RCN____2.

7 Q. What was the overall opinion of that audit?

8 A. The overall opinion can be found on Page 4 of the “Executive Summary”, as follows:

9 However, based upon employee interviews, documents, survey results,
10 and Aloha’s new customer database, the degree of satisfaction with
11 Aloha’s overall customer service function seems to be high. Additionally,
12 customer problems reflected in inquiries to the Commission have stabilized
13 in recent years. BR review did not identify any significant customer
14 service inadequacies. (Emphasis supplied)

15 Q. The finding you just quoted mentioned a survey result. Where is that found in the
16 report?

17 A. The results of that survey are found on Page 21 as Exhibit 5.

18 Q. What were the overall results of that survey?

19 A. The last question in that survey was “overall, in your personal experiences, how would
20 you rate Aloha in providing customer service?” According to the survey, 17.5% rated
21 the service poor while 82.5% rated overall service as fair to excellent.

22 Q. Assuming for the moment that you accepted Mr. Larkin’s theory of a competitive
23 standard applied to a regulated market, what do the findings of Order No. PSC-00-1285-
24 FOF-WS and the Management Audit demonstrate?

25 A. Those two documents, as well as the testimony of Mr. Foster, demonstrate that the

1 quality of Aloha's water and quality of customer service is not below comparable service
2 from other competing water companies. Thus, his conclusion that Aloha should not be
3 granted a rate increase or otherwise be able to raise prices is invalid under his own
4 theory.

5 Q. Speaking of Mr. Larkin's theory, has it ever been applied in the State of Florida that you
6 know of?

7 A. No.

8 Q. Why do you suppose that is?

9 A. Because the State of Florida through its legislative process has long ago determined that
10 the price for water service as well as certain other utility services are subject to economic
11 regulation, quality of service, and environmental regulation. This determination has
12 been codified in Chapter 367 FS, Section 25-30 F.A.C. and other applicable sections of
13 Florida law with regard to the powers and functions of DEP and the Water Management
14 Districts.

15 Q. On Page 5 of his testimony, Mr. Larkin states that it is a well-established principle of
16 regulation that the regulatory process should act as a surrogate for a competitive market.
17 Is this a well-established principle?

18 A. No. As I mentioned above, even Mr. Bonbright, who was quoted by Mr. Larkin does not
19 believe that this is the case. In addition, I am unaware of any case law or orders issued
20 by the PSC which establish such a principle. Although Mr. Larkin can state the logic for
21 his theory, he fails to present any legal precedent even though he states he can do so.

22 Q. On Page 6, Lines 5 and 6, Mr. Larkin states that if Aloha faced any competition, it would
23 lose customers in droves – even at the current rates. Has he presented any facts to
24 support that statement?

25 A. No, this is simply opinion, although his statement does imply that Aloha's customers

1 currently must enjoy low rates, as compared to other “competitive” utilities.

2 Q. On Page 6, Line 15, Mr. Larkin states that Aloha is trying to “manipulate the regulatory
3 process”. How do you respond?

4 A. I believe Mr. Larkin is the one trying to manipulate the regulatory process by substituting
5 an unfound theory for the law and rules established in this State to regulate the rates and
6 quality of service for a utility.

7 Q. Does Mr. Larkin’s position make any sense in light of the “poor quality of the water
8 service provided” discussed on Page 4, Lines 4 through 18 of his testimony?

9 A. No. The primary reason for this rate case is to obtain rates which will enable Aloha to
10 purchase water from Pasco County. Since Mr. Larkin seems to believe that the County’s
11 water is superior to Aloha’s, I would think he would support this increase in order to
12 improve the quality of water.

13 Q. On Page 7, Mr. Larkin testifies that rate case expense should be denied in its entirety.
14 What is the basis for his recommendation?

15 A. Mr. Larkin believes that this water rate case should have been filed with the wastewater
16 rate case (Docket No. 99-1643-SU), filed in February 2000. His testimony is that if that
17 had occurred, there would have been some presumed efficiencies and a second rate case
18 would not have been necessary.

19 Q. Why is Mr. Larkin wrong?

20 A. There are several reasons. The first is that at the time that case was filed, Aloha had no
21 basis for requesting an increase in rates. Had Aloha done so, I am quite certain that any
22 rate case expense associated with filing the water portion would have been disallowed
23 since Aloha or its consultants should have known that a water rate increase could not be
24 supported.

25 Q. Why do you say that Aloha could not have supported a rate case at that time?

1 A. On May 6, 1997, and February 13, 1998, Aloha filed limited proceedings to obtain
2 recognition of costs associated with Seven Springs water and wastewater line relocations
3 on State Road 54 and Little Road. On September 16, 1998, the Commission Staff began
4 its audit of the books and records of all systems operated by Aloha. To determine
5 whether any rate increases were warranted, the test year ended December 31, 1998 was
6 used. On September 28, 1999, the Commission issued Order No. PSC-99-1917-PAA-
7 WS in Dockets No. 970536-WS and 980245-WS. That Order denied any rate increases
8 for the Seven Springs Water Division. Even after consideration of the additional water
9 line relocation costs, the rates were found to be slightly excessive (\$1,289), but the
10 Commission declined to reduce rates, based on materiality. Therefore, based on a test
11 year ended December 31, 1998, there was no reason to believe that filing a full revenue
12 requirements rate case would result in any different outcome, especially since conditions
13 had not changed at that time.

14 Q. What was the date of that Order?

15 A. September 28, 1999, just 2 days prior to the close of the test year utilized in the
16 wastewater rate case filing.

17 Q. What else indicates that it would have been imprudent for Aloha to file a rate case at that
18 time?

19 A. On July 18, 2000, the Commission opened Docket No. 000737-WS to investigate the
20 rates and charges of the Aloha Gardens water and wastewater systems and the Seven
21 Springs water system, based on the utility's 1999 Annual Report. Aloha underwent a
22 second full Commission Staff audit for the test year ended December 31, 1999. On June
23 27, 2001, the Commission issued Order No. PSC-01-1374-PAA-WS in Docket No.
24 000737-WS. Because of the passage of time, the year ended December 31, 2000 was
25 used as a test year to recognize customer growth and the Staff's finding that no major

1 changes had occurred to investment during that time. Although the Commission Staff
2 was advised on January 23, 2001, that Aloha would need to begin purchasing water from
3 Pasco County and that \$655,810 of such costs should be recognized in that proceeding,
4 the issue was not even mentioned in the final Order. In fact, the Order found that Aloha
5 was overearning by \$15,559. Although the Commission declined to reduce rates based
6 on immateriality, the amount of overearnings was deferred and has been used to reduce
7 the interim revenue increase in this Docket.

8 Q. So what you are saying is that from 1998 through 2000, a rate increase for the Seven
9 Springs Water Division could not have been supported, except for the request for
10 recognition of purchased water costs you just mentioned?

11 A. That is right.

12 Q. When did Aloha learn that it was faced with large purchased water increases from Pasco
13 County?

14 A. I believe this was sometime around November 2000. Mr. Watford has provided
15 testimony on this matter in his rebuttal testimony.

16 Q. What else did Aloha do to minimize regulatory costs associated with the purchase of
17 water from Pasco County?

18 A. On February 5, 2001, Aloha filed a limited proceeding to recover additional purchased
19 water costs from Pasco County. At the time the limited proceeding was filed,
20 SWFWMD had not issued its emergency order requiring utilities to implement water
21 conservation inclining block rate structures. When that order came out on March 20,
22 2001, two days before the Staff recommendation, the Commission declined to consider
23 the Company's limited proceeding. In fact, Staff recommended that yet another full
24 review of Aloha's Seven Springs Water earnings was required, despite the fact that there
25 was an ongoing investigation in Docket No. 000727-WS.

1 Q. Assume that Aloha could have filed a rate request back in 1999 with its wastewater case,
2 would the customers somehow have benefited?

3 A. No. Assuming that a rate increase similar in magnitude to the one requested in this case
4 had been combined and granted with the wastewater case, the customers certainly would
5 have been paying much higher interim and final rates from approximately May of 2000
6 to the present. It is obvious that the rates that would have been paid by the customers,
7 including additional rate case expense for the water portion, would have been much
8 greater than the cost of this case, amortized over four years.

9 Q. How about the issue of a conservation oriented inclining block rate structure?

10 A. It is not clear whether this issue would have been addressed at the time the wastewater
11 rate case was filed. Certainly, I agree that Order No. PSC-97-0280-FOF-WS put Aloha
12 on notice that a rate restructuring would be necessary. However, it is not clear if such
13 a restructuring would simply be a base facility charge and a single block gallonage
14 charge. If rates had been so restructured, we would still be back before the Commission
15 seeking an inclining block rate structure in a full rate case. I would note that since the
16 date of that Order, Staff has conducted two separate over earnings investigations and
17 audits and has not addressed the rate restructuring issue at all.

18 Q. Is it your opinion that Aloha's customers have actually benefited by not combining a
19 water rate case with the wastewater case?

20 A. Yes, for the reasons I have discussed above.

21 Donna Deronne

22 Q. Do you have a general comment about Ms. Deronne's testimony?

23 A. Well, I am somewhat confused as to the legal issues since I am not an attorney.

24 Q. Why is that?

25 A. Although her schedules result in a rate increase of \$635,169, she states on Page 4, Line

1 9 that she does not recommend an increase. Again, on Lines 15 and 16 of Page 4, she
2 states that, as discussed by Mr. Larkin, the OPC strongly feels that no increase in rates
3 is appropriate at this time. As a result, I don't know if all of the testimony and appended
4 exhibits supporting the \$635,169 rate increase is moot or not.

5 Q. Assuming that these are questions for the lawyers to sort out, are there issues contained
6 in her testimony with which Aloha agrees and could be the basis for several stipulations
7 in this case?

8 A. Yes.

9 Q. Could you please list those issues?

10 A. These issues are as follows:

- 11 1. Interest income should be increased by \$7,490.
- 12 2. Vacation bills should be extended resulting in additional test year
13 revenue of \$4,176.
- 14 3. Contributions In Aid of Construction (CIAC) should be increased by
15 \$39,341 for the months of April through December 2001, resulting in
16 additional 13-month average CIAC of \$27,236.
- 17 4. \$11,552 of items expensed in Account 620 should be capitalized and
18 accumulated depreciation and depreciation expense should be increased
19 by \$613. For the projected test year, operation and maintenance expense
20 should be decreased by \$12,396.
- 21 5. Bad debt expense should be increased by \$1,079.
- 22 6. Salaries and wages should be reduced by \$21,268 to reflect an allocation
23 of the time of Charles Painter and \$8,769 for the double counting of
24 officer salaries in annualized expense.
- 25 7. Employee pension and benefits should be increased by \$40,509 to

1 correct the allocation of expense to Seven Springs Water and recognize
2 2001 pension expense as determined by the plan administrator.

3 8. Accumulated depreciation related to computer equipment should be
4 increased by \$2,262.

5 9. Accumulated amortization of contributed taxes should be reduced by
6 \$10,877.

7 10. The amount of debt in the capital structure should be increased to
8 include all debt components.

9 11. The annual amortization of debt discount on the Bank of America
10 construction loan should be corrected to reflect 12 months of
11 amortization, resulting in a reduction of \$1,760.

12 12. The interest rate on the variable rate loans from L.L. Speer should be
13 based on the prime rate plus 2% as of the latest prime rate available
14 before completion of this case.

15 Q. On Pages 13 and 14 of her testimony, Ms. Deronne recommends disallowing in total,
16 the salaries and employee benefits of the 5 new positions and 5 open positions. Is this
17 reasonable?

18 A. No. Utility rates are set on a going forward basis necessary to provide safe and efficient
19 service. Aloha has traditionally had a high turnover rate due in part to low salaries.
20 Salary scales were increased effective July 9, 2001, which should greatly reduce
21 turnover. Thus it is unreasonable to deny a provision for salaries of those existing
22 positions which may be open from time to time. Mr. Watford is testifying on this in
23 detail and has actively been recruiting and filling the open positions. With regard to the
24 5 new positions, Aloha believes these are necessary for continuing to provide good
25 customer service. In particular, the addition of a utility director will enable the

1 Company to improve its long and short range planning by freeing up some time for Mr.
2 Watford and Ms. Kurish. At present, each of these employees works long hours on
3 various matters better delegated to a new position. The current workload structure
4 leaves little time to adequately address the recommendations contained in the Staff
5 Management Audit (Exhibit RCN ___2). I am aware that Mr. Watford had recruited
6 a person for this position who was employed by a client of mine. Due to circumstances
7 I don't need to cover here, the recruited individual backed out at the last minute. I am
8 also aware that the search for a qualified utility director is continuing, as well as for the
9 other new positions requested.

10 Q. Assuming some or all of the new and open positions are approved, is any adjustment to
11 employee benefits related to these positions required?

12 A. Yes. The stipulated adjustments to pension expense increases the employee benefits
13 percentage applicable to these positions. I have attached Exhibit RCN___10 which
14 shows that the benefits percentage should be changed from 12.29% to 22.10%. This
15 results in an increase in pension and benefits for requested proforma salaries of \$10,580.

16 Q. At Ms. Deronne's deposition, she mentioned that she was concerned about a statement
17 in the letter from the Stanton Group (pension administrator), furnished as a late filed
18 Exhibit, which advised Aloha that pension expense would increase to \$101,949 for
19 2001. What was the basis of her concern?

20 A. I furnished a copy of that letter to OPC as late filed Exhibit 1, to my deposition on
21 October 29, 2001. The letter was dated July 26, 2001 and contained the following
22 statement:

23 "We have also enclosed a copy of a letter prepared by John Arveson on
24 March 5, 1999 regarding benefits for Roy Speer. Please review and take
25 special note of the items John pointed out at the end of his letter".

1 I believe Ms. Deronne wants assurance that none of the current service cost
2 included in 2001 pension expense, as set forth in the Stanton Group letter of
3 July 26, 2001, relates to Roy Speer, a former employee.

4 Q. Can you provide such assurance?

5 A. Yes. Mr. Roy Speer was an employee of Aloha and a member of their defined benefit
6 plan from March 1970 until his employment termination on August 27, 1993. The Plan
7 document stipulates the normal retirement age to be 65. Mr. Speer's normal retirement
8 date was July 1, 1997. At this date Mr. Speer was eligible to begin receiving a monthly
9 benefit. As of March 5, 1999, the date of John Arveson's letter to Richard Baker, Mr.
10 Speer had not chosen to begin receiving a monthly benefit. Mr. Arveson's letter is
11 pointing out that Mr. Speer's monthly benefit amount does not increase if he chooses
12 to delay receiving these benefits. As of December 2001, Mr. Speer has not received
13 retirement benefits from this Plan.

14 Since Mr. Speer was not an employee in 2001, none of the \$101,949 pension expense
15 calculated by the Stanton Group includes current service costs associated with providing
16 past, current, or future benefits to Roy Speer. I have attached a copy of the March 5,
17 1999 letter referred to above as Exhibit RCN ___ 11.

18 Q. Please address Ms. Deronne's adjustment to purchased water expense.

19 A. Ms. Deronne's calculations are based on those of OP witness, Stephen Stewart. Except
20 for the percentage for unaccounted for water, Ms. Deronne has properly made the
21 mathematical calculations. Thus, if the Commission does not adopt the projected
22 gallons proposed by Mr. Stewart, Ms. Deronne's calculation would change, according
23 to the number adopted by the Commission.

24 Q. What unaccounted for water percentage did Ms. Deronne use?

25 A. 9.2%. This compares with the 10% factor I used in the Company filing.

1 Q. Why did you use 10%?

2 A. I used 10% for a couple of reasons. First, 10% is the acceptable limit for unaccounted
3 for water used by the Commission for many years. Second, the unaccounted for water
4 shown on Schedule F-1, Page 100 of the MFR's indicated two months where the
5 Company sold more water than it had pumped and purchased. I believe that this
6 "negative" unaccounted for water distorted the percentage. If gallons pumped and sold
7 are assumed to be equal during these two months, then the unaccounted for water
8 percentage is approximately 10.8%. Thus, I believe use of a 10% unaccounted for water
9 percentage is reasonable, since we are attempting to normalize the test year for going
10 forward expenses.

11 Q. Could the Company accept the unaccounted for water percentage used by Ms. Deronne?

12 A. Yes.

13 Q. On Page 20, Lines 12 through 21, Ms. Deronne calculates a reduction to projected test
14 revenue of \$99,787. Is the appropriate?

15 A. Only if the Commission accepts OPC's projection of 2001 gallons to be sold. The
16 original projection estimates that the Company will sell less water in 2001 than it did
17 during the 2000 historic test year. Ms. Deronne has therefore reduced the gallonage
18 revenue by the percentage decrease in gallons sold. I agree that an adjustment to
19 projected test year revenue will need to be made to the extent the Commission accepts
20 a lower figure than Aloha's for projected 2001 gallons sold and have no problem with
21 the methodology used by Ms. Deronne.

22 Q. On Page 21, Lines 4 through 17, Ms. Deronne expresses concerns that the Company did
23 not purchase water from Pasco County beyond March 2001. Do you understand her
24 concern as expressed in her testimony?

25 A. No. Aloha simply could not afford to purchase any more water than it did because it had

1 no cost recovery imbedded in its rates. In fact, purchasing the water it did during
2 January through March is the primary reason the Company has a net loss of
3 approximately \$198,000 as of October 31, 2001. This has put Aloha in violation of at
4 least one of the financial ratios required in the loan covenants with Bank of America,
5 and has led to numerous inquiries and discussions with that bank concerning the
6 financial condition of Aloha.

7 Q. On Page 22, beginning at Line 9 and continuing through Page 25, Line 18, Ms. Deronne
8 suggests that if the Company exceeds its consumptive use permit allowance after rates
9 are set in this proceeding, the Company will receive a large windfall profit and goes on
10 to suggest a reporting and deferral mechanism to insure that Aloha does not receive
11 windfall profits. How do you respond?

12 A. First, the possibility of windfall profits by continued over pumping after this case is
13 completed, is not grounded in reality. The reality of the situation is that the Southwest
14 Florida Water Management District (SWFWMD) is proposing a huge penalty in the
15 mid-six figure range for Aloha's past and present over pumping. Believe me when I say
16 the Company would not want to be subject to continued penalties and fines for over
17 pumping. Monthly reports are furnished by the Company to DEP and SWFWMD who
18 will continue to closely monitor Aloha's pumping. Secondly, Aloha files an Annual
19 Report with the Commission which is used to monitor the earnings of the Company. In
20 fact, such monitoring has resulted in two recent overearnings investigations and two full
21 Commission audits. Believe me when I say that the Company has no desire to
22 continually remain embroiled in proceedings before this Commission. The windfall
23 profit of \$427,087 calculated by Ms. Deronne on Page 25 would result in a rate of return
24 of over 30%. This would definitely attract the attention of the Commission in the year
25 such earnings were reported in an Annual Report. In summary, it is simply not realistic

1 to believe that this would ever occur, once Aloha has rates to cover the cost of
2 purchased water from Pasco County.

3 Q. Did Ms. Deronne make provision for any estimated costs of the reporting mechanism
4 she has proposed?

5 A. No.

6 Q. On Pages 26 and 27, Ms. Deronne recommends adjustments to chemicals and purchased
7 power expense. Please discuss these adjustments.

8 A. Ms. Deronne makes an adjustment on two grounds. First, she disagrees with using
9 projected ERC growth as a basis to project these expenses and also does not believe that
10 an inflation factor should be used in the projection of chemical expense. With regard
11 to the growth rate, she believes that a more appropriate basis would be the amount of
12 water treated and pumped. Since OPC's witness, Steve Stewart, originally projected
13 less water to be sold in 2001 than was the case in the historic test year 2000, her
14 proposed reductions are based on the decrease in consumption. If the Commission
15 determines that projected consumption will be greater than 2000 consumption, then I
16 presume an increase would be necessary. However, Mr. Stewart's projections are for
17 consumption and not gallons treated and pumped.

18 Q. Why did you use ERC's?

19 A. ERC's were used to project base year chemicals and purchased power in the Company's
20 recently completed wastewater rate case, and were accepted by the Commission in that
21 case. Thus, there is some precedent for such an approach. Second, the projected ERC's
22 are based on gallons sold as shown on Schedule F-9, Page 105 of the MFR's. The use
23 of ERC's to project these two expenses assumes that each new customer will consume
24 an additional amount of water for which the Company will incur an additional
25 incremental expense. Therefore, I believe that for these reasons, using the projected

1 ERC growth rate is a reasonable means to project these two variable expenses.

2 Q. Are there other reasons to believe that the projection of these expenses is reasonable?

3 A. Yes. David Porter, P.E. will outline in his rebuttal testimony the reasons why both of
4 these expenses are expected to increase above projected 2001 test year levels, regardless
5 of the methodology used to project these expenses.

6 Q. Is an inflation factor appropriate to use in projecting chemical costs?

7 A. Yes. Ms. Deronne indicates that no price increases have occurred for the last 18 months
8 and believes this is a reason not to provide for inflation. Because rates are set on a
9 going forward basis, I believe that an inflation factor is appropriate, despite the fact
10 there have been no recent increases. Sooner or later, Aloha will experience a price
11 increase to the chemicals it purchases and I believe it is reasonable to provide for that
12 eventuality in setting going forward rates. Use of an inflation factor is similar to the
13 Commission's indexed rate increase procedures. All eligible operation and maintenance
14 expenses are increased by the current GNP Price Deflator Index, without a showing on
15 a line by line basis whether an actual increase has occurred.

16 Q. On Pages 29 and 30, Ms. Deronne discusses her adjustment to working capital for the
17 pilot plant project. Is this adjustment appropriate?

18 A. No. We included half of the estimated cost of the pilot project (\$380,000) in working
19 capital, consistent with the Commission's treatment in the recently completed over
20 earnings investigation of Seven Springs Water System. The project was ordered by the
21 Commission in Order No. PSC-00-1285-FOF-WS, issued July 14, 2000. Because this
22 project was ordered by the Commission, I believe the intent of the treatment in the
23 recent over earnings investigation was to allow proforma recovery of the carrying costs
24 related thereto without any out of pocket costs of this project in rates. Using Ms.
25 Deronne's suggested overall rate of return of 8.67%, \$190,000 in working capital yields

1 approximately \$16,500 in revenue per year. This compares to the actual out of pocket
2 costs through August 2001 of approximately \$75,000. Thus, it would take
3 approximately 4 ½ years to recover the costs incurred through August 2001. This is
4 hardly a windfall for the utility when compared to the actual and future costs of the pilot
5 project.

6 Q. Why does Ms. Deronne eliminate this proforma adjustment approved in Order No. PSC-
7 01-1374-PAA-WS issued June 27, 2001 and not finalized until August 16, 2001?

8 A. I don't know for certain. She does not provide any explanation or justification. I
9 believe her position was influenced by the testimony of OPC witness, Ted Bidy, who
10 believes that the project is substantially complete or she somehow believes that the total
11 project cost of \$380,000 should have been substantially incurred by now. Mr. Porter
12 and Mr. Watford are providing testimony to demonstrate that this project is far from
13 complete.

14 Q. What adjustment has Ms. Deronne made to rate case expense?

15 A. She has relied on the testimony of OPC witness, Hugh Larkin, Jr., and removed the
16 Company's estimate in its entirety. As noted above, this is unsubstantiated and
17 unreasonable.

18 Q. On Pages 35 and 36, Ms. Deronne expresses her concerns about the rate design proposed
19 by Aloha in this case. What is her concern?

20 A. Ms. Deronne is concerned about the manner in which the Company requested funds for
21 conservation programs and the risk of higher water bills from Pasco County.

22 Q. Are her concerns justified?

23 A. No. With regard to revenues to fund conservation programs, the Company did not have
24 any estimate of what the actual cost of such conservation programs would be at the time
25 this case was filed. No specific program had been finalized in negotiations with

1 SWFWMD for a Consent Order. However, the costs proposed through the rebuttal
2 testimony of Mr. Watford have been discussed in detail with the Water Management
3 District Staff and they have agreed as to the appropriateness of all of them. It was
4 certain that such costs will be mandated at some point in the very near future. I believe
5 that the Company's proposal to provide for this eventuality in the rates proposed was
6 reasonable.

7 Q. What is the risk to Aloha related to higher costs of purchased water from Pasco County
8 and conservation measures?

9 A. There are three. First, Aloha is aware that Pasco County is in the process of considering
10 massive rate increases to promote conservation, along the lines of those adopted by
11 Sarasota County. Second, there is a substantial risk if the projection of gallons to be
12 purchased from Pasco County is understated or the estimated repression does not occur.
13 This risk occurs because each new connection added to Aloha's system and each
14 additional gallon of water sold will be expensive water purchased from Pasco County.
15 The demographics of such new customers indicates that they will use much more water
16 than has historically been the case for the majority of Aloha's customers. At the same
17 time, Staff is proposing a 2001 projection of gallons sold, which is less than actual sales
18 during the historic test year of 2000. The OPC witness is proposing a small increase,
19 but hasn't taken the demographics of Aloha's new customers into account. Third,
20 Aloha's discussions with SWFWMD indicate that it will be required to spend
21 substantial amounts of money developing an alternative water resource. As a result, I
22 believe that there are significant risks to the Company and that the proposed rate
23 structure and rates at least may ameliorate these risks. Mr. Porter and Mr. Watford have
24 addressed these risks in detail in their testimony.

25 Q. Will the rate structure proposed by Aloha effectively eliminate risk to the Company at

1 the expense of the rate payers, as stated by Ms. Deronne on Page 36, Lines 15 through
2 17?

3 A. Not at all. As shown in the testimony of Mr. Watford, the costs associated with the risks
4 I outlined above, far exceed the \$288,918 provided for in the rates proposed by the
5 Company.

6 Q. On Page 36, Lines 23 through Line 5 on Page 37, Ms. Deronne seems to indicate that
7 an estimate of the actual cost of conservation programs should be addressed in this
8 proceeding in place of the amount provided for through the rates proposed by Aloha.
9 Do you agree with this approach and are such estimates available?

10 A. I would not object to this approach, since Aloha now has a fairly good idea of what the
11 conservation programs will cost. These costs are outlined in detail in the rebuttal
12 testimony of Mr. Watford. However, there are other costs associated with the risks
13 outlined above, which should also be addressed before replacing the amount provided
14 for in the rates proposed by Aloha.

15 Stephen A. Stewart

16 Q. What "model" has Mr. Stewart used to project consumption for 2001?

17 A. He has simply averaged the data in Column (6) shown on Schedule F-9, Page 105 of the
18 MFR's and multiplied that average by the Company's projection of ERC's.

19 Q. What is the impact of this approach?

20 A. The impact of this simple averaging approach is to reduce consumption per ERC to 265
21 gallons per day, which is approximately the same level consumed in 1997 and 1998.

22 Q. How does the simple averaging approach compare to more recent consumption?

23 A. As shown on Schedule F-9 of the MFR's, annual consumption per ERC was
24 approximately 101,000 gallons in 1999 and 2000. This equates to approximately 276
25 gallons per day per ERC. Thus, the impact of Mr. Stewart's calculation is to reduce

1 consumption per ERC below that actually experienced by the Company for the past two
2 years. His calculation is not representative of the usage per ERC on a going forward
3 basis.

4 Q. Is there consistency to Mr. Stewart's approach?

5 A. No. His "model" is very inconsistent.

6 Q. Please explain.

7 A. On the one hand, Mr. Stewart uses a simple average to determine the gallons sold per
8 ERC and on the other, applies his result to projected ERC's based on six-year linear
9 regression, as used by Aloha on Schedule F-9. Since the data in Column (8) on
10 Schedule F-9 is derived from Columns (6) and (7) and then regressed over 6 years, his
11 approach is very inconsistent.

12 Q. What else has Mr. Stewart ignored?

13 A. He has ignored the demographic shift and the characteristics of new customers presently
14 being added to Aloha's system. Aloha's new customers are generally more affluent,
15 homes and lots are larger, and many are families. Traditionally, Aloha's customer base
16 has included retirees and retirement sized homes with two or less persons per household.
17 Mr. Porter and Mr. Watford will address this issue in more detail in their testimony.

18 Stephen B. Fletcher

19 Q. First, describe the nature of Mr. Fletcher's testimony.

20 A. Mr. Fletcher's testimony deals solely with related party purchases of raw water in an
21 effort to determine if these purchases are reasonable at their current cost of \$.32 per
22 thousand gallons.

23 Q. When were the agreements to purchase raw water entered into?

24 A. The original agreement with Tahitian was in 1977 and the agreement with Interphase
25 was entered into in 1978. At that time, both of these agreements were based on a price

1 of \$.10 per thousand gallons, which was identical to a similar third-party agreement
2 with Jack Mitchell, entered into in 1975.

3 Q. Was the \$.10 per thousand gallons required under the Mitchell agreement ever approved
4 by the Commission?

5 A. Yes. In the 1976 Aloha Rate Case Order, the cost of purchased water from Mitchell was
6 recognized at \$.10 per thousand gallons.

7 Q. What is Mr. Fletcher proposing?

8 A. Mr. Fletcher wants to go back 24 years in the case of the Tahitian agreement and 23
9 years in the case of the Interphase agreement and second-guess the prudence of the
10 decision to purchase raw water from these related parties at that time. He proposes that
11 the regulatory 1977 and 1978 original cost and rate of return model be used to assess the
12 fairness of the charges today.

13 Q. Has the Commission been made aware of these purchases of raw water from related
14 parties through the years?

15 A. Yes. These purchases have been disclosed in the annual reports filed with the
16 Commission since at least 1978.

17 Q. Has the Commission ever objected to these transactions?

18 A. Not until Docket No. 000737-WS, which was initiated on July 18, 2000.

19 Q. Was this an issue in the Commission's audit and rate investigation which culminated
20 in Order No. PSC-99-1917-PAA-WS, issued September 28, 1999 and based on the test
21 year ended December 31, 1998?

22 A. No. In fact, the Commission Audit Report dated December 14, 1998 contained
23 Disclosure No. 6 related to purchased water. In that disclosure, covering the year 1997,
24 the cost per gallon for related party purchases, as well as unit costs per gallon after
25 factoring in pumping and chemical costs, were presented. Since this disclosure was not

1 utilized or made into an issue in Order No. PSC-99-1917-PAA-WS, one can only
2 presume that the related party costs for purchased water were deemed reasonable, by the
3 Commission. I have enclosed a copy of the cover page and this disclosure as Exhibit
4 RCN ____ 12.

5 Q. What principle should come into play here?

6 A. I believe the principle of regulatory finality needs to be exercised in this case. Certainly,
7 going back as far as 24 years at this time, to second guess the prudence and cost
8 effectiveness of Aloha's 1977 and 1978 decisions, when the Commission has not
9 objected to those decisions, is unreasonable and certainly unfair. Particularly, when one
10 considers the alternatives available to Aloha to replace this water as discussed by Mr.
11 Watford in his testimony.

12 Q. What is Mr. Fletcher proposing?

13 A. On Page 10, beginning at Lines 15 through Page 11, Line 2, he is suggesting that the
14 \$.32 per thousand gallons be reduced to \$.10 per thousand gallons, resulting in an
15 adjustment to purchased water of \$88,330. This adjustment would reduce the price of
16 water purchased from related parties to the same price charged under the 1975
17 agreement with Mitchell, a third party.

18 Q. In proposing this adjustment, what has Mr. Fletcher overlooked?

19 A. I believe he has overlooked the concept of present value and the time value of money
20 from the standpoint of the suppliers of raw water. Obviously, a dollar or \$.10 today is
21 worth less than that same dollar or \$.10 was worth 23 or 24 years in the past. In my
22 opinion, that is why the related party agreements contained an escalation clause. The
23 related party holders of the water rights wanted some mechanism to insure that the \$.10
24 per thousand gallon price originally agreed to retained a value of \$.10 despite the
25 passage of time.

1 Q. If the current related party price of \$.32 is discounted back to 1977 and 1978 for the
2 respective agreements, what are the related parties receiving in terms of 1977 and 1978
3 dollars?

4 A. The \$.32 received by Tahitian amounts to \$.03 in 1977 dollars and the Interphase price
5 equates to \$.04 in 1978 dollars. I have attached Exhibit RCN ____13 showing the
6 calculation.

7 Q. What discount rate is used on your Exhibit?

8 A. I have used a discount rate of 10%, since that was the overall rate of return established
9 in the 1976 rate case when the 1975 agreement with Mitchell was recognized by the
10 Commission. That approved rate of return of 10% was in effect for Seven Springs
11 Water until it was changed on September 28, 1999 by Order No. PSC-99-1917-PAA-
12 WS.

13 Q. What else does Exhibit RCN ____13 show?

14 A. I have shown what the prices under the two contracts should be today, in order to
15 preserve the \$.10 per thousand gallon value called for in the Original Agreements.

16 Q. What are those prices?

17 A. The prices today would need to be \$.98 and \$.90 per thousand gallons for Tahitian and
18 Interphase, respectively, to equate to the original price of \$.10.

19 Q. What discount rate applied to the current price of \$.32 would result in the inception price
20 of \$.10?

21 A. The effective discount rate is approximately 5%. This is shown on Page 2 of Exhibit
22 RCN____13 and is indicative of what has really occurred.

23 Vincent C. Aldridge

24 Q. Have you read Mr. Aldridge's testimony and the Commission Audit Report Appended
25 to his testimony?

1 A. Yes.

2 Q. Does Aloha agree?

3 A. Yes. Aloha is willing to accept each of the adjustments contained in his testimony and
4 audit report.

5 Paul W. Stallcup

6 Q. What issues does Mr. Stallcup cover in his testimony?

7 A. His testimony deals primarily with projected customer growth, projected gallons sold,
8 and proposed rate structure.

9 Q. What has he concluded concerning the customer growth projection?

10 A. Mr. Stallcup has accepted the Company's projection of 473 new ERC's, which equates
11 to a growth rate of 4.6888%.

12 Q. What methodology did the Company use to project ERC's and growth?

13 A. The Company used linear regression as shown on Schedule F-9 of the MFR's.

14 Q. Did Aloha use linear regression of the data on Schedule F-9 to project gallons sold?

15 A. No.

16 Q. Why didn't Aloha use this approach?

17 A. On April 10, 2001, the Commission Staff and Aloha had an informal meeting to discuss
18 the parameters of a rate case filing. The conference was held shortly after the
19 Commission declined to consider a rate increase for the increased costs of purchased
20 water from Pasco County in a limited proceeding. The purpose of the meeting was to
21 determine an acceptable test year and any special requirements Staff would be looking
22 for in the filing. One of the things Aloha was advised of was that in projecting the
23 gallons sold for 2001, the projection should include the impact of increased usage by
24 new customers added to Aloha's system. Staff was aware of the demographic shift
25 whereby new customers were using more water, as indicated by the wastewater case in

1 Docket No. 991643-SU. As a result, Mr. Porter developed the methodology contained
2 in his testimony, which recognized the increased usage by Aloha's new customers.

3 Q. Briefly describe the methodology used by Mr. Porter.

4 A. Mr. Porter determined the average daily use for new customers added to Aloha's system
5 in subdivisions created less than 10 years ago for the period July 1, 2000 through June
6 30, 2001. The result was 500 gallons per day per ERC. This usage was multiplied by
7 the projected 473 new ERC's to be added to the system and added to the actual 2000
8 gallons sold of 1,018,747 gallons (000). This resulted in projected going forward water
9 sales for 2001 of 1,105,068 gallons (000), before any provision for unaccounted for
10 water.

11 Q. What did Aloha's projection equate to in terms of gallons per day per ERC?

12 A. An average demand of 286 gallons per day per ERC.

13 Q. How does this compare with the average gallons per day per ERC in 1999 and 2000?

14 A. Per Schedule F-9 of the MFR's (Page 105) Column 6 shows the annual gallons used per
15 ERC in thousands. As indicated, average annual usage was 101,000 gallons in these
16 years. When divided by 365 days, average usage per ERC for both 1999 and 2000
17 amounted to 276 gallons per day (GPD).

18 Q. What method has Mr. Stallcup used?

19 A. He has used a model based on multiple linear regression using quarterly data from
20 January 1996 through June 2001. The model uses a moisture deficit variable, a current
21 quarter and four-quarter lagged consumption driver and three binary variables. Mr.
22 Porter and Mr. Watford will address the technical aspects of his model and the
23 appropriateness of its use to project test year consumption on a going forward basis.

24 Q. Are you aware of any other cases where the Commission has accepted the results of Mr.
25 Stallcup's model, utilizing the variables you just mentioned?

1 A. None that I am aware of. In fact, Mr. Stallcup stated in his deposition (Page 101, Lines
2 8 – 18) that he was not aware of any other case where the particular variables used in
3 his model were utilized by the Commission.

4 Q. What were the results of Mr. Stallcup’s projection of consumption?

5 A. His model projects 1,001,022 gallons (000) for the projected test year.

6 Q. What does his projection equate to in gallons per day per ERC?

7 A. 260 gallons per day per ERC.

8 Q. How does his projection compare with the gallons per day per ERC derived from
9 Schedule F-9 of the MFR’s?

10 A. As previously noted, actual consumption in 1999 and 2000 was 276 GPD per ERC. One
11 has to go back to 1996 to find average daily consumption of 260 GPD.

12 Q. Then the forecast produced by Mr. Stallcup’s model, no matter how valid statistically,
13 results in usage per ERC experienced by Aloha in 1996?

14 A. Yes.

15 Q. Does this seem reasonable to you?

16 A. No. The data on Schedule F-9 indicates that daily consumption per ERC was 246 GPD
17 in 1995 and has steadily risen to 276 GPD by the end of 1999 and 2000. His result is
18 simply counter intuitive, especially when one considers the shift in demographics which
19 has resulted in each new customer using much more water than has been used by
20 Aloha’s older customer base.

21 Q. Did Mr. Stallcup do any “sanity check” with regard to the forecast produced by his
22 model?

23 A. Yes. During his deposition (Page 32, Lines 11 – 16) he stated that the model was
24 forecasting very accurately for the first six months of the 2001 test year, because he had
25 actual data available.

1 Q. What's wrong with that?

2 A. During the first six months of 2001, the service area was under the most severe watering
3 restrictions in history. Irrigation was limited to one day per week, fines of \$250 for first
4 violation and water police were in the area to enforce these restrictions. At the same
5 time, there were some periods in which high rainfall was experienced. There has only
6 been recent discussion that these restrictions will be lifted. These restrictions were not
7 accounted for in Mr. Stallcup's model and may explain why the gallons per day usage
8 per ERC is so low. Mr. Porter and Mr. Watford will discuss this anomaly in greater
9 detail in their rebuttal testimony.

10 Q. Did Aloha do its own "sanity check" of the projected gallons shown in the MFR's?

11 A. Yes. The Company performed a linear regression of the data on Schedule F-9, Column
12 (6). This resulted in projected annual usage per ERC of 104,000 gallons. When divided
13 by 365 days, this approach forecast daily use per ERC of 285 GPD. As I mentioned
14 above, Mr. Porter's projection as contained in the MFR's, resulted in an average daily
15 use of 287 GPD per ERC. Mr. Porter will discuss this linear regression in further detail
16 in his rebuttal testimony. In any case, Mr. Porter's original result and the linear
17 regression of gallons sold per ERC are virtually identical.

18 Q. Is the linear regression of gallons sold per ERC consistent with the method used to
19 project total ERC's which has been accepted by all parties in this proceeding?

20 A. Yes.

21 Q. What type of analysis does the MFR's require?

22 A. Certainly, the Commission's preference is for linear regression and I believe it is now
23 a requirement. Consistent with the data on Schedule F-9 of the MFR's, I believe that
24 regression of the data on Schedule F-9 is what is intended for the projection of ERC's
25 as well as gallons. To require utilities to project consumption based on a model such as

1 Mr. Stallcup's would drastically increase the cost of preparing MFR's and rate case
2 expense. In my opinion, this is an undue refinement for the water and wastewater
3 industry.

4 Q. What is Mr. Stallcup's objection to linear regression of gallons per ERC, gallons, or
5 ERC's as shown on Schedule F-9 of the MFR's?

6 A. He believes that use of linear regression applied to this data produces a forecast
7 explained only by the passage of time and believes a more sophisticated approach
8 should be used.

9 Q. Is his concern valid?

10 A. Not entirely. While it is true that the data on F-9 changes with time, implied in such
11 change are all the effects of weather, changing demographics and all other factors which
12 affected the actual increase in ERC's, usage per ERC and total gallons sold over the past
13 six years. So I don't believe the explanatory mechanism is simply the passage of time.

14 Q. How has the Commission traditionally used the data on Schedule F-9 to project ERC's
15 and gallons?

16 A. The Commission has used linear regression of the data on F-9 for these projections. In
17 fact, Rule 25-30.431 requires use of linear regression applied to average ERC's on MFR
18 Schedules F-9 and F-10 for purposes of computing a 5-year margin of reserve.

19 Q. Why is it vitally important to Aloha that the projected gallons in this case not be
20 understated on a going forward basis?

21 A. This case was filed primarily to obtain rates sufficient to cover the cost of purchased
22 water from Pasco County so Aloha could meet the limitations of its Consumptive Use
23 Permits (CUP). Since Aloha will utilize water from its wells to the maximum extent
24 allowed by its CUP permits, each new customer added to the system will be using water
25 purchased from Pasco County at a high marginal cost. If the gallons are understated on

1 a going forward basis, Aloha will not have sufficient revenues to pay the incremental
2 costs of purchasing water from Pasco County.

3 Q. Why did Aloha propose a two-block inclining rate structure?

4 A. Adoption of an inclining block rate structure was ordered by SWFWMD to promote
5 conservation. A two-block structure was recommended to Mr. Watford by SWFWMD's
6 consultant, Dr. Whitcomb.

7 Q. Did you compute two-block inclining rates using the traditional Commission approach?

8 A. Yes. Once the revenue requirement was determined, I calculated such rates using 8,000
9 and 10,000 gallon capped blocks, with revenue recovery spread over the Base Facility
10 Charge (BFC) and all gallons. Factors considered as a multiple for the second block
11 were 1.25 and 1.50. In addition, BFC's were based on 38% and 35% recovery of the
12 revenue requirement.

13 Q. Did you model these rates using SWFWMD's water rate model developed by Dr.
14 Whitcomb and what were the results?

15 A. Yes. In each case, the model predicted revenue shortfalls. These shortfalls ranged from
16 approximately \$(139,000) to as much as \$(228,000), before consideration of revenue
17 for conservation programs. Therefore, they were considered unacceptable.

18 Q. What rate structure is Mr. Stallcup recommending?

19 A. He is recommending a BFC designed to recover 25% of the revenue requirement and
20 three usage blocks. These blocks are 0 to 8,000 gallons, 8,000 gallons to 15,000 gallons
21 and over 15,000 gallons.

22 Q. Is a 25% allocation of revenue to the BFC sufficient to cover Aloha's fixed costs?

23 A. No. I have attached Exhibit RCN _____ 15, which shows that Aloha's fixed costs are
24 approximately \$1,375,000 and represent approximately 46% of the requested revenues
25 in this case.

1 Q. Does the Commission have a rule concerning what is to be recovered in the BFC?

2 A. Yes. Rule 25-30.437 (6) states as follows: “The base facility charge incorporates fixed
3 expenses of the utility and is a flat monthly charge. This charge is applicable as long
4 as a person is a customer of the utility, regardless of whether there is any usage.”

5 Q. How does Mr. Stallcup get around this rule?

6 A. On Page 24 beginning at Line 22 and continuing through Page 27, Line 4, he believes
7 that the appropriate BFC should be one that permits the utility to recover a significant
8 portion of its fixed cost, while at the same time sending customers pricing signals to
9 encourage them to control water usage. While admitting that this may place the utility
10 at risk for greater revenue instability, he believes that the base line level of water sold
11 to customers in the first block, together with the BFC and water sold to general service
12 customers is sufficient for recovery of Aloha’s fixed costs. Thus, he concludes it is not
13 necessary for Aloha to recover 100% of its fixed costs through the BFC.

14 Q. What is wrong with this proposal?

15 A. In addition to being contrary to the rule noted above, I believe this proposal puts Aloha
16 at risk for recovery of its fixed costs, given the high marginal cost of Pasco County
17 water and Staff’s projection of gallons, which puts them back at a consumption level per
18 ERC experienced in 1996. This is particularly risky when Aloha can document that all
19 of the customers added on a going forward basis will use approximately 500 GPD per
20 ERC. In addition, a big unknown is the amount of actual repression which may result
21 in the first block of consumption. As noted by Mr. Stallcup in his testimony on Page
22 23, Line 22, consumption in the first block to 8,000 gallons captures 61% of total
23 consumption.

24 Q. On Page 26, Lines 4 through 10, Mr. Stallcup mentions that the Company’s rate
25 proposal resulted in 31% of revenues recovered through the BFC. Is this accurate?

1 A. It is mathematically correct from the calculations derived from Schedule E-13.
2 However, The 31% is misleading since the Company requested total recovery of its
3 revenue requirement in the first block of consumption. Thus, all of the revenue derived
4 from the second block is revenue which dilutes the BFC percentage. If the revenue
5 from the second block is excluded from the calculation, the BFC proposed by Aloha
6 actually recovers slightly over 40% of the total revenue requirement.

7 Q. Why did Aloha choose to use a 40% level of revenue recovery in the BFC?

8 A. This percentage was derived from Table 2-2 of "Recommendations For Defining Water
9 Conserving Rate Structures, August 1999", published by SWFWMD, and written by
10 John B. Whitcomb, PhD. In that Table, fixed charges recovering 40% of revenues
11 produced approximately a 16.7% reduction in water use. Based on this Table, which
12 we furnished to Staff during discovery, I believe that the 40% revenue recovery in the
13 base charge was reasonable.

14 Q. At his deposition, Mr. Stallcup indicated that although his rate design proposal might
15 be risky, he did not believe that the level of risk was any greater than the risk of a
16 company earning a rate of return on investment. Do you agree?

17 A. No. It is one thing for utility owners to risk earning a rate of return on their investment,
18 but quite another to risk shortfalls in revenue to cover fixed costs, and in this case, the
19 high marginal cost of purchased water from Pasco County. The risk that a company
20 should breakeven should be minimal, especially when rates are being established in a
21 rate proceeding such as this one.

22 Q. Mr. Stallcup's recommended rate structure is shown on Exhibit FJL-11, Page 6 of 6.
23 What are the 4 columns of rate factors shown on that exhibit?

24 A. These are the multiples applied to the gallonage charge for the first block (8,000
25 gallons).

1 Q. Has Mr. Stallcup recommended an appropriate set of rate factors multiples?

2 A. No.

3 Q. Beginning on Page 27, Line 15 and continuing through Page 28, Line 5, Mr. Stallcup
4 discusses repression and price elasticities. What is Mr. Stallcup recommending?

5 A. He is recommending that 50% of the price elasticities set forth in the SWFWMD “Water
6 Price Elasticity Study”, revised August 1999, by Dr. John B. Whitcomb Ph.D be used
7 to determine repression in the first year.

8 Q. What are those elasticities?

9 A. Per Page ES-4 of the Water Price Elasticity Study (ES), the elasticities recommended
10 by Mr. Stallcup are as follows: gallonage prices below \$1.50 per thousand gallons, -
11 0.398; between \$1.50 and \$3.00, - 0.682 and over \$3.00, - 0.247.

12 Q. What does Dr. Whitcomb recommend in his testimony?

13 A. Dr. Whitcomb recommends use of the price elasticity algorithm contained in the Water
14 Rate Model or use of constant unit price elasticity of -0.5 over the long run. (Page 7,
15 Lines 14 – Page 8, Line 8, Page 3, Lines 14 – 16). Also, he agrees that the only half
16 (50%) of the long term elasticity impact will occur in the first year. Thus, the
17 appropriate elasticity recommended by Dr. Whitcomb is -0.25 .

18 Q. Has Aloha been furnished any calculations by Staff to indicate how repression would
19 be determined, using the price elasticities adopted by Mr. Stallcup in his testimony?

20 A. Yes. On Friday, December 14, 2001, Aloha took the deposition of Mr. Stallcup and he
21 was asked to provide late filed Exhibit No. 7, which would calculate rates using the rate
22 structure he is proposing on Exhibit FJL-11, 6 of 6. We asked that the rates be
23 calculated on a pre-repression and post-repression basis, assuming the revenue
24 requirement requested by Aloha. I want to thank Mr. Stallcup and his Staff for
25 preparing this Exhibit and can appreciate the work involved on short notice. We

1 received that information on December 19, 2001 and I have attached it as Exhibit as
2 RCN ____16.

3 Q. What was the purpose of requesting the information contained in that Exhibit?

4 A. First, to learn an order of magnitude estimate of the rates Staff would be proposing and
5 the methodology employed; second, to see how repression would be calculated; and
6 third, to input the Staff developed rates into the SWFWMD water rate model developed
7 by Dr. Whitcomb.

8 Q. With regard to repression, what price elasticity did Staff use?

9 A. Staff used 50% of the long run elasticity of -0.682 , or -0.341 , as shown near the lower
10 middle portion of Page 2 of Exhibit RCN ____16. This compares to -0.25 recommended
11 by Dr. Whitcomb, as I discussed above.

12 Q. What would be the impact of substituting Dr. Whitcomb's recommended elasticity?

13 A. The repression of gallons sold (000) to residential customers would drop from 138,092
14 to 100,185, a decrease of (37,907) or 27.45%.

15 Q. What else would decrease by using Dr. Stallcup's recommended elasticity?

16 A. Page 2 of Exhibit RCN ____16 contains Staff's pre-repression calculations and Page 3
17 the post-repression calculations. The second effect is shown in the lower middle section
18 of Page 3 and relates to the avoided purchased water costs from Pasco County, due to
19 repression. As one can see the repressed gallons (using Staff's elasticity) outlined above
20 is multiplied by the Pasco County charge per 1,000 gallons to arrive at avoided
21 purchased water costs of \$303,803. By using the repressed gallons noted above under
22 Dr. Whitcomb's recommendation, (100,185) avoided costs would drop from \$303,803
23 to \$220,407, a decrease \$(83,396) or 27.45%.

24 Q. Why is this important?

25 A. Staff's use of the higher elasticity reduces the revenue requirement and the resulting

1 gallonage charge. If repression does not occur as predicted by Staff, and is similar to
2 the repression produced using Dr. Whitcomb's recommended elasticity, Aloha will need
3 to purchase 37,907 gallons (000) of water at a cost of \$2.35 totaling \$89,081, for which
4 no recovery is included in the revenue requirement or rates.

5 Q. I notice Staff used \$2.20 per thousand gallons instead of the current price of \$2.35. Is
6 this a problem?

7 A. Not for the informational purposes of the Exhibit I discussed above. The MFR's contain
8 a cost of \$2.20 per thousand and we asked Staff to prepare rates using the revenue
9 requested. However, as I pointed out in my direct testimony, that cost was anticipated
10 to increase, and the known cost should be used in setting final rates. That cost is now
11 known to be \$2.35 per 1,000 gallons and I believe all parties agree that this new rate
12 should be used in setting the revenue requirement and rates in this proceeding. In any
13 case the impact would still be \$(89,081) for the calculated differences in repression
14 related to purchased water, in the calculation of final rates based on the final revenue
15 requirement established in this case.

16 Q. Looking at Page 2 of the Exhibit, Line 4, what is the 34% "conservation and
17 miscellaneous revenue adjustment" of \$(391,792)?

18 A. This adjustment lowers the BFC revenue recovery percentage from 38% (as contained
19 in the development of the BFC proposed by Aloha) to 25% as recommended by Mr.
20 Stallcup and shifts the \$391,292 to the gallonage charge.

21 Q. Is this really a conservation adjustment?

22 A. Only to the extent that increasing the gallonage charge may tend to encourage
23 conservation, as indicated in Mr. Stallcup's testimony. It is not a true "conservation"
24 adjustment such as repression or recovery of conservation program costs.

25 Q. As a result of this shift in BFC revenue to gallonage revenue, what is the amount of BFC

1 revenue recovered in the BFC as proposed by Staff?

2 A. \$760,538 as shown on Page 2, Line 5, Part 2 of the Exhibit.

3 Q. How does this compare to Aloha's actual fixed costs?

4 A. As shown on Exhibit RCN____15, Aloha's actual fixed costs are approximately
5 \$1,375,000, or \$614,462 higher.

6 Q. What rates result from the calculations shown on Page 2?

7 A. Staff has calculated a BFC of \$6.09; a general service gallonage charge of \$2.28; and
8 inclining block rates of \$1.77, \$1.66, and \$3.54 for the respective blocks. The rates for
9 the respective blocks are based on block multiples of 1.00 (8,000K), 1.50 (8K – 15K)
10 and 2.00 (over 15K). These rates and factors are shown in the top section of the page
11 under the headings "Part 3" and "Part 1", respectively.

12 Q. How does Staff's calculated BFC of \$6.09 compare with Aloha's existing BFC?

13 A. Aloha's BFC before the interim rate increase was \$7.32.

14 Q. Does Staff's calculated BFC conflict with Mr. Stallcup's testimony?

15 A. Yes. On Page 25, Lines 7 – 9, he states that "due to revenue stability concerns, the BFC
16 allocation percentage should not be decreased to the point that the new BFC is less than
17 the current BFC" (emphasis supplied).

18 Q. Does it matter that Aloha's current BFC includes a 3,000-gallon minimum?

19 A. No. Aloha's current BFC is charged whether a customer uses zero gallons or 3,000
20 gallons. Thus, 100% of the revenue from BFC's is a fixed source of revenue to cover
21 Aloha's fixed costs.

22 Q. What is the "Revenue Stability Analysis" shown to the left side of Part 4, in the middle
23 of Page 2 of your Exhibit?

24 A. This appears to be an attempt to alleviate concerns regarding the ability of Aloha to
25 recover its average monthly cash outflows, using the rates calculated by Staff.

1 Q. Is the analysis accurate?

2 A. No. First, cash flow is not an appropriate basis on which to gauge the sufficiency or
3 stability of rates. Using this approach eliminates recovery of depreciation expense,
4 which is capital recovery over the useful life of a utility's assets. It also eliminates the
5 opportunity to earn a fair rate of return. Recovery of both these items is required by
6 Chapter 367.081(2)(a).

7 Q. Mechanically, why does the cash flow approach, as depicted on this page, over state the
8 cash flow estimate and what is the result of the cash flow estimate?

9 A. The minimum monthly gallons sold (000) of 70,000 gallons appears to be total repressed
10 gallons shown on Page 3 of the exhibit (left side under Part 1, middle of page) divided
11 by 12 months ($862,929/12 = 71,911$) and rounded to 70,000 gallons. This can't be an
12 accurate estimate, since it assumes that 100% of projected gallons sold will be available
13 as a minimum source of cash flow. Together with 100% of BFC revenue, the analysis
14 indicates that the minimum cash flow that can be expected is \$(13,254) short of Aloha's
15 monthly requirements, and \$(159,048) short on an annual basis.

16 Q. I want to go back to the elimination of depreciation and the rate of return from Staff's
17 analysis. Isn't there a real cash outflow related to each of these items?

18 A. Absolutely. The rate of return is based on the weighted cost of debt and equity. That
19 return is intended to provide revenue to pay the monthly/annual interest expense related
20 to the debt component. Depreciation expense provides the cash to cover a portion of the
21 monthly/annual cash outlay for repayment of the principal portion of debt.

22 Q. I notice that the gallonage charge used to calculate minimum gallonage revenue is \$2.28.
23 What is this, and what has been overlooked?

24 A. The \$2.28 is the general service rate before factoring the residential gallons for
25 calculation of block residential rates and before any repression. It represents the average

1 rate for all customer classes. What has been overlooked is that repression will cause
2 shifts in customer usage downward to lower blocks with lower gallonage charges.
3 Although the SWFWMD non-linear Water Rate Model developed by Dr. Whitcomb
4 captures this effect at every consumption level, and is therefore more accurate, the linear
5 application used by Staff does not capture these effects. As a result, I believe the use
6 of the \$2.28 gallonage charge is overstated. This would make the cash flow shortfall
7 even greater than depicted by the Staff analysis.

8 Q. Moving to Page 3 of Exhibit RCN ___16, the “post repression calculations”, are your
9 comments concerning those calculations generally the same as those you have made for
10 the “pre-repression” calculations shown on Page 2?

11 A. Yes, but there are a few differences I would like to point out. First, the percentage of
12 BFC revenue has been increased from 25% to 28% (Line 4). This results in an
13 additional \$11,523 to be recovered in the BFC. The BFC increases from \$6.09 to \$6.18.
14 The impact of this change is immaterial.

15 Second, the gallonage charges remain the same. This occurs because the reduction in
16 revenue for avoided purchased water costs from Pasco County was based on \$2.20 per
17 1,000 gallons and the reduction in gallons sold for repression is made at an average cost
18 of \$2.28, which is not a big difference. Together with the \$11,523 shift in BFC revenue,
19 the net increase in gallonage revenue would only be \$477. This would not change the
20 residential gallonage rates as originally calculated on Page 2.

21 Q. Any additional comments regarding the revenue stability analysis in Part 4 on Page 3
22 of the Exhibit?

23 A. Yes. The cash flow shortfall on Page 2 has turned into a cash flow excess of \$12,999
24 on a monthly basis and \$155,988 on an annual basis. This occurs because the revenue
25 requirement has dropped for the impact of \$303,803 in avoided costs of purchased water

1 from Pasco County. At the same time, the minimum monthly gallons sold and
2 gallonage rate used in the analysis on Page 2 has not changed and has the same
3 overstatement of cash flow previously discussed. The removal of depreciation and rate
4 of return is inappropriate for the reasons discussed above related to the calculation on
5 Page 2.

6 Q. Mr. Nixon, you do understand that the Staff calculations on Exhibit RCN ___16 are
7 illustrative and do not represent the rates that will be proposed by Staff pending
8 determination of the final revenue requirement in this proceeding, do you not?

9 A. Absolutely. My concern is with the methodology presented in this exhibit and its
10 application to the revenues established in this case to develop final rates.

11 Q. Do you see an inherent difference between the methodology used by Staff and the
12 methodology employed in the Water Rate Model developed by Dr. Whitcomb?

13 A. Yes. The Staff approach is linear, but attempts to obtain results similar to the approach
14 developed by Dr. Whitcomb in his model. For example, the Staff approach attempts to
15 forecast repression on a linear basis using a constant unit price elasticity of -0.682 . This
16 fails to account for non-linear shifts in usage at each consumption level along the price
17 elasticity curve used in Dr. Whitcomb's model. I have discussed this previously, but
18 would note that the -0.682 used by Staff is at the Apex of the elasticity curve developed
19 by Dr. Whitcomb. In other words, Staff has used the highest elasticity on the curve and
20 applied it uniformly to all consumption to predict repression. As I mentioned
21 previously, if Aloha does not experience the repression predicted by Staff, it will not
22 have the revenue needed to pay for purchased water from Pasco County.

23 Q. Has Aloha modeled the Staff calculated rates in Exhibit RCN ___16 in the water rate
24 model?

25 A. Yes.

1 Q. What were the results?

2 A. The water rate model indicates a shortfall in revenue the first year of \$(81,930), which
3 increases to \$(203,350) in the second year. Mr. Watford will discuss this in detail in his
4 rebuttal testimony.

5 Q. Do you have anything further to add?

6 A. I have one other important observation concerning the illustrative rates developed by
7 Staff. The average gallonage rate of \$2.28 is less than the present Pasco County bulk
8 water rate of \$2.35. Thus, I believe Aloha would experience a revenue shortfall almost
9 immediately, if these rates were implemented.

10 Q. One more question. How unique is this case in your experience?

11 A. I believe it is a one of a kind case. The Commission has not had a long history of
12 developing conservation rates such as are now required by SWFWMD. To my
13 knowledge no rules have been developed to implement procedures for determining
14 conservation rates. Conservation rates of one form or another have probably been set
15 in less than a dozen cases by the Commission. At the same time, Aloha will incur a
16 huge increase in the variable cost of purchased water. Compounding the problem is the
17 shift from a minimum gallons base charge to a gallonage charge for every gallon used.
18 All of these factors combine to make this case uniquely complex and probably the only
19 one of its kind ever considered by the Commission. If the risks to Aloha are not
20 reasonably minimized, Aloha will be back before this Commission within a year or
21 possibly less, at a high and unnecessary cost to Aloha's customers.

22 Q. How can this risk be minimized?

23 A. I recommend that the final revenue requirement and rates developed by Staff be input
24 in the SWFWMD Water Rate Model developed by Dr. Whitcomb. To the extent a
25 revenue deficiency is predicted, the gallonage rates should be adjusted upward to reach

1 the point where the revenue surplus/shortfall is zero in the first year. I believe this is a
2 reasonable approach which does not offer any guarantees to Aloha, but is the best
3 “guess” of what is likely to occur, using the most sophisticated tool currently available
4 to the Commission and all parties in this case.

5 Rate Case Expense

6 Q. Is there anything else you need to address in your rebuttal testimony at this time?

7 A. Yes. I need to address the issue of actual and estimated rate case expense at this time.

8 Total actual and estimated rate case expense as of the date this testimony was filed is
9 \$443,443. I have prepared Exhibit RCN _____ 14, which shows the actual and
10 estimated expense at this time. Although the total rate case expense is in line with the
11 estimate shown in the MFR’s, final expense may be substantially higher depending on
12 the extent to which the Company must provide answers to discovery over and above the
13 original 100 interrogatories established as a limit in this case and the number of
14 depositions required, including 3 separate depositions of utility witnesses. In addition,
15 the number of witnesses is unusually large compared to other cases Aloha been involved
16 in, which has required more extensive discovery (depositions) and rebuttal. In
17 accordance with general Commission practice and procedures, we will furnish an
18 updated exhibit of actual and estimated rate case expense as a late filed exhibit after
19 hearing.

20 Q. Do you have anything further to add at this time?

21 A. No.

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by JAMES C. BONBRIGHT



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EXHIBIT RCN 8
PAGE 2 OF 11

VALUE OF SERVICE

idently incurred; and thus, with some exceptions, a "fair rate of return" is allowed only on those capital outlays still embodied in properties "used and useful in the public service."¹³ The refusal of public utility law to guarantee against losses, combined with the absence of an opportunity to earn a reasonable profit for successful taking, are also related, though in a very crude way, to the principle of payment for benefit received and not merely for costs incurred. Finally, the tendency of commissions to base the allowance for these capital outlays on the original construction costs of plant and equipment, even if the properties have later been sold to the present accounting company at higher or lower prices, is on the principle that the only capital entitled to compensation is the capital usefully devoted to the service of the public.

pp. 173 and 214. *infra*. For a brilliant exposition of the relationship between the principle of rate making and a value, or service-rendered, principle, see Jackson's dissenting opinion in *Federal Power Commission v. Hope Natural Gas*, 320 U.S. 591, 628-660 (1944).

VI

COMPETITIVE PRICE AS A NORM OF RATE REGULATION

Before turning in the next chapter to those unorthodox principles of rate making often called "social theories," we may consider the merits of a general standard of reasonable rates that has received at least verbal support both from public service commissions¹ and from public utility spokesmen.² This is the standard of the hypothetical competitive price. Regulation, it is said, is a substitute for competition. Hence its objective should be to compel a regulated enterprise, despite its possession of complete or partial monopoly, to charge rates approximating those which it would charge if free from regulation but subject to the market forces of competition. In short, regulation should be not only a substitute for competition, but a closely imitative substitute:

¹ "The purpose of regulatory policy, in the protection which it is designed to afford the consumer, is to simulate and substitute the effects of competition and give the consumer the benefit which he would derive from a system of competition." From National Association of Railroad and Utility Commissioners, Report of the Committee on Progress in Public Utility Regulation, *Proceedings of the 53rd Convention* (Washington, D.C., 1942), p. 369. Many commission opinions and a number of judicial dicta could be cited to the same effect.

² "The justification for the regulation of utility rates being the absence of competition, regulation should aim to produce the same results as competition would do if competition were economically desirable and feasible—neither more nor less." Brief for the New York Telephone Company in a case insisting upon its right, under the New York statutes, to receive the benefit of a "fair value" rate base that gives weight to reproduction costs. *New York Telephone Co. v. Public Service Commission*, 142 N.Y. Supp. 569 (1956). The brief cites, as supporting a competitive-price standard of reasonable pricing, Walter A. Morton, "Rate of Return and the Value of Money in Public Utilities," 28 *Land Economics* 91-131 (1952) and Arthur H. Dean, "Provision for Capital Exhaustion under Changing Price Levels," 65 *Harvard Law Review* 1339 (1954). See also C. P. Guercken, "An Economic Appraisal of the Private Electric Utility Industry," 55 *Public Utilities Fortnightly* 739-754 (1955).

is a most intriguing proposition in view of the contention, dear to economists, that competitive prices are optimum prices. One of its possible virtues is that it may offer definite answers to two identifiable sets of questions raised in the preceding chapters: first, questions as to the relevant definitions of "cost of service" and "value of service"; and second, questions as to the respective roles of cost factors and of value or demand factors in price determination. Should "cost," for example, be taken to mean original cost, replacement cost, marginal cost or average cost, sunk cost or imputed cost? Let these and similar questions be resolved by a consideration of the types of costs that govern competitive-price determination. Should differences in rates of charge for different classes of services be based entirely on cost differences or should they depend in part on "value" differences (differences in the price elasticity and demand for the respective services)? Again, let the answer depend on the question whether firms producing multiple products under competition can and do practice price discrimination. And so on with respect to all of the other debated issues of rate-making policy. During the postwar years of inflated price levels, the defense of a competitive-price standard has come largely from spokesmen for consumer interests or for the public utility companies, who object to the original-cost rule of rate making on the ground that it unduly deprives utility stockholders of the hedges against inflation which can be enjoyed by the owners of equities in unregulated enterprises. This is a forcible objection, the merits of which will be discussed in the chapters on the rate base and the "fair rate of return." But one may surmise that the alternative of a competitive-price norm would lose its charm for many of these writers were they to face the full implications of its adoption. In a dynamic economy, unrestrained competition is supposed to be a pretty rough game, often leading to individual or corporate bankruptcy.³ "Business," in the sense of protection against the loss of hard-earned money, is not one of its many virtues. Be that as it may, the view that a regulated monopoly should be induced or coerced to charge rates which would prevail under competition is so frequently expressed, and so plausible in its appeal to economists, that it deserves

no war, no strike, no depression, can so completely destroy an established enterprise or its profits, as new and better methods, equipment and materials in the hands of an enlightened competitor." From a statement by the Society for the Advancement of Management, repeatedly quoted in the issues of the *magazines*.

sharp analysis. By way of introduction, let us therefore assume its acceptance and ask what rules of rate control would be required in order to put it into effect.

ASSOCIATION OF COMPETITIVE PRICE WITH REPLACEMENT COST

The popular conception of a competitive-price standard of rate making is much more primitive than any of its more sophisticated modern versions. But it is worth a brief exposition, since it probably still reflects the views of most practical rate makers who invoke the standard. It is derived from a simple exposition of the forces of competitive price determination to be found in the earlier textbooks on economics.

Under competition, then, prices are supposed to be determined approximately by the forces of supply and demand, and at a point set at the intersection of the curves representing these two offsetting forces. At any given time, the competitive market price may be much higher or much lower than the unit cost of production, and especially the unit *normal* cost. But any such discrepancy indicates a state of disequilibrium, which will tend to be corrected, even if the rate of demand for the product remains the same, by the expansion or contraction of output on the part of producers, acting under the attraction of profits or under the discouragement of deficits. Thus, there is a tendency for a competitive price to come into correspondence with normal cost of production; and this normal cost is sometimes said to represent the "normal value" of the product as distinct from its current market value.

Under the competitive-price standard of rate regulation, in its popular form, the object of regulation is deemed to be that of making the prices charged for public utility services conform to normal costs or normal values. But under regulation, just as under competition, these normal costs are not set by the actual or historical costs incurred by any given company by virtue of the prices paid in the past for the construction or acquisition of plant and equipment. On the contrary, the relevant costs are supposed to be the current and prospective replacement costs, since these are the only costs that would guide the action of competitive producers in their future decisions to expand or contract their output.

Thus, the competitive-price norm is brought to the support of

cial version of the cost-price principle of rate making—a replacement-cost version that came to be closely associated, even though not completely identified, with the “fair-value” rule of regulation discussed at length in Part Two of this book. In the academic field, its most vigorous supporter has been Professor Harry Gunnison Brown of the University of Missouri, who for years led a valiant fight on its behalf in the economic journals and against Justice Brandeis’s increasingly popular “prudent-investment” principle.⁴

Properly qualified, the above-noted view of the nature of a competitive price, which led Brown and others to associate it with a price measured by replacement cost, cannot be said to have been contradicted by modern price theory. But this theory has undergone developments that throw grave doubt on the relevance of a replacement-cost basis of rate control in its familiar sense.

Among these developments has been one which distinguishes important types of competition and which therefore destroys the earlier, simple distinctions between competitive and monopolistic pricing. The modern defense of any competitive-price norm of rate making therefore faces the necessity of defining the competition which it seeks to emulate. Is the proposed model that of “pure” or “perfect” competition? Or is it one of those mixed kinds of practical or “workable” competition typical of large-scale industry in this country?

Although few writers outside of academic economics have yet recognized the necessity of answering this question, those public utility representatives and public service commissioners who express approval of a competitive standard almost certainly have in mind a type of competition associated with fairly large-scale industrial companies, and not a type approximating the economist’s concept of pure competition. Nevertheless, it will be worth while to consider the implications of the standard of *pure* competition—competition bereft of monopoly elements—since this type is the only one that has been claimed by economists to offer a level of optimum pricing.

See pp. 226–236, *infra*.

THE STANDARD OF PURE OR STRICT COMPETITION

For present purposes, pure competition may be defined as competition under which there exists no collusion among producers and under which no single producer controls a portion of the potential supply sufficiently large to give him any appreciable influence over the market price of his product.⁵ It is “competition among the many.” Here, unlike the situation of “competition among the few,” each producer must accept the market price of his product as “given”; he has no opportunity to practice a “price policy.”

The principles of price determination under assumed conditions of pure competition, as set forth in the modern textbooks,⁶ are fairly complex, and I shall not here undertake even a brief summary. Instead, I propose to consider what rate-making criteria seem to be required by an attempt to make the rates that are in fact charged by a monopolized enterprise behave as if they were determined solely by the market forces of competitive supply and demand.

RATES SHOULD CORRESPOND TO PRODUCTION COSTS ONLY UNDER CONDITIONS OF EQUILIBRIUM

It is an elementary principle of competitive-price theory that the influence on price of cost of production is indirect and that the cost-price relationship states merely a condition of static equilibrium. At any given time, prices are set by the offsetting forces

* The terms “pure” and “perfect” competition are used sometimes as mere synonyms but sometimes with distinctions. Those who draw a distinction use the former term to denote any competition completely devoid of monopoly elements, reserving the latter for competition which, in addition to its purity, has other attributes of “perfection,” notably, perfect two-way mobility of the factors of production (including contractability and expansibility of plant capacity in immediate response to changes in demand), and perfect foresight (itself a dubious concept). See Edward Chamberlin, *The Theory of Monopolistic Competition*, 6th ed. (Cambridge, Mass., 1950), p. 6; John Maurice Clark, “Toward a Concept of Workable Competition,” 30 *American Economic Review* 241–256 (1940). As a norm of regulated monopoly pricing, “perfect competition” would make no sense. The objective of sound competitive rate-making policy should be to make the best use of whatever plant happens to be available in view of its noncollapsibility. And there is no point in assuming a greater degree of foresight than intelligent people can hope to enjoy at the time of a rate case.

⁶ See, e.g., George J. Stigler, *The Theory of Price*, rev. ed. (New York, 1952), Part I.

supply and demand and are likely to be materially above or below their normal production costs.⁷ While they are *tending* in the direction of these costs, the adjustment of prices takes time and harmonizes with an adjustment of output. This lag in the adjustment process is not thought of as a defect of competition. On the contrary, a temporary disparity between cost and price is an essential device whereby the forthcoming supply of the commodity adjusts into harmony with the demand.

It follows that a revision of the orthodox principles of rate regulation would be called for in any strict application of a competitive-price philosophy. Instead of the principle that utility rate levels should be raised or lowered so as to yield operating expenses plus a normal rate of profit, year after year, there must be substituted a rule of rate making which more closely emulates the competitive forces of supply and demand—forces under which rates yield highly abnormal profits when there is a shortage of plant capacity, and under which rates will fall to mere normal incremental or marginal costs of service when plant capacity is temporarily redundant. This objective can no more be accomplished under a replacement-cost or "fair-value" rule of rate making in its traditional form than under an original-cost or prudence-investment rule.

The drastic import of this aspect of a strictly competitive-price standard of public utility regulation will be apparent if we consider its probable consequences, first, in a period of severe business depression and, secondly, in a period in which the growth of plant capacity has failed to keep pace with the demand for the service resulting at "normal" rates of charge. During a depression, the absence of competitive supply and demand, if operating under conditions of strict competition, would soon bring rates down to temporary, marginal costs so low that the resulting revenues would render many bankrupt companies capitalized in the manner typical of public utility capital structures. On the other hand, during a period of plant shortage, rates might need to be raised drastically in order to preclude the necessity for rationing or in order to avoid a long waiting list of unsatisfied potential consumers.

e.g., Alfred Marshall, *Principles of Economics*, 6th ed. (London, 1910).

At pp. 401-402 of this great classic is an interesting comment on the validity of the assumption that, under competition, the market price at any time will be likely to approximate reproduction cost.

IF MARKET-CLEARING RATES YIELD EXCESS PROFITS,
A COMMISSION SHOULD COMPEL THE EXPEDITIOUS
ENHANCEMENT OF PLANT CAPACITY

Under the prevailing rules of public utility regulation, decisions as to the proper policies of plant expansion are seldom made by the regulating agency. Instead, they are made by the management of the public utility company, motivated partly by the expectation that the investment in the larger plant will at least pay for itself, but partly by the legal obligation to supply, without unreasonable delay, all services demanded at the scheduled rates of charge.

This regulatory policy of leaving the responsibility for plant expansion in the hands of the corporate management would need to be abandoned, or at least modified, in an effort to make monopoly pricing behave like competitive pricing. For as long as plant capacity is inadequate, competitive rates will yield excess profits—profits that will fall to normal (or to zero under *some* definitions of profits) as soon as the plant has been enlarged to proper size. As trustees for investor interests, corporate managements would therefore be under impelling pressure to retard plant expansion in order to continue the sale of services at their high, market-clearing prices. Nor would the obligation to satisfy all prevailing demand suffice as an offsetting pressure; for this very demand will be kept from becoming embarrassingly heavy by the establishment of the market-clearing prices.

Thirty years ago, the point that the enforcement of a competitive standard of rate making must take place primarily through governmental control of the *investment* activities of a public utility company, rather than directly through control of rates under the rule of a "fair rate of return," was developed by Professor Bruce W. Knight in an article entitled "Why Not Regulate Investment Instead of Return?"⁸ In a commentary on this article, published in the same periodical, I took issue with Knight's contention that such a change in the rules of regulation would be desirable and feasible. But there can be little doubt that control of investment would be required by a strict, competitive-price rule of rate making.

⁸ *Public Utilities Fortnightly* 406-419 (1930). Compare the proposals by Lerner and others for competitive-price simulation under outright socialism. A. P. Lerner, *The Economics of Control* (New York, 1947), especially Chaps. 5 to 7.

ES WOULD BE REQUIRED TO EQUAL BOTH
 AVERAGE COSTS AND MARGINAL COSTS

Under conditions of competition, both the prices and the outputs of commodities are supposed to tend to reach an equilibrium position in which the prices are equal to average unit costs of production. But, in this same position, they are also supposed to equal their marginal or incremental costs—the additional unit costs of producing them at enhanced rates of output. That is to say, under competitive equilibria, average costs and marginal costs coincide.⁹ But this requirement of correspondence of prices alike to average and to marginal cost presents a dilemma under monopoly or public utility regulation. For, if the monopoly is operating under conditions of decreasing cost with increasing size—a condition often met to be characteristic of the public utility industries—it will be impossible to bring rates into accord with the average costs of service without making *some* of these rates, at least, higher than their marginal costs. One might as well attempt to draw a square circle! Hence, the very type of cost behavior that precludes the maintenance of *actual* competition in the public utility industries also preclude the application of a standard of *hypothetical* competition.

RELEVANT COSTS WOULD BE FUTURE COSTS,
 "SUNK" COSTS

Here we have the basis for the popular assumption that the competitive-price standard of public utility regulation calls for fixation of rates at replacement costs rather than at levels that would yield a fair rate of return on the original costs of the utility investments. Under the assumed conditions of pure competition, the only forces that govern the actions of competing producers in their decisions to increase or decrease output are those costs that are still

under the leadership of the great British economist Alfred Marshall, competitive-price theory has developed the concept of multiple equilibria, under which the earlier simple division between short-run (or virtually instantaneous) long-run price determinants has been superseded by a recognition of a series of short, longer, and still longer runs, depending on the time required for more or less complete readjustments of plant capacity and of rate of plant output demanded to meet prevailing demands. This complication will not be introduced in the present chapter, although it is important for utility-rate theory, especially so in discussing the question whether the relevant marginal costs are long-run or short-run marginal costs. See Chap. XVII.

under the producers' control. A competitive price has no tendency to rise and fall in such a way as to cover costs of production already irretrievably incurred—not, that is, unless these sunk costs happen to coincide with anticipated escapable costs.

However, this principle of competitive pricing, characterized by the aphorism that "in commerce by-gones are forever by-gones," by no means supports the replacement-cost or "fair-value" basis of rate making in its orthodox, American sense. For, in the first place, replacement cost has here been identified with the estimated cost of a substantially identical plant rather than with the estimated cost of replacing the service by the most economical modern substitute. And in the second place, the replacement-cost or "fair-value" principle of rate making, in undertaking to make total corporate revenues equal total replacement costs of service including a fair rate of return, ignores the other requirement of competitive-price equilibria—that the specific rates should equal the marginal costs of the specific services.

ALL RATE DISCRIMINATION WOULD BE OUTLAWED

According to the treatises on price theory, the practice of price differentiation based on "value" or demand-elasticity differences rather than on cost differences would be impossible under conditions of strict or pure competition. This practice constitutes discrimination; and the power of a seller to discriminate, with profit to himself, is held to be limited to sellers possessing at least some degree of monopoly power.

Even under existing regulation of railways and public utilities, the law places limits on the right of a company to practice rate discrimination. But what the law forbids is merely certain types or degrees of discrimination which, for one reason or another, are deemed adverse to the public interest; for example, so-called "personal discrimination." No such distinction between just and unjust forms of discrimination could persist in a thoroughgoing attempt to apply competitive-price theory to railway and utility rates. The whole practice of rate fixing based even in part on "what the traffic will bear" would have to be outlawed.

RATES OF RETURN SHOULD CORRESPOND TO THE PROFIT-
LOSS DIFFERENTIALS OF A COMPETITIVE ECONOMY

In a dynamic economy, the function of competition is by no means limited to that of bringing about a more or less gradual adjustment of prices to costs of production. An even more important function is that of stimulating innovations and improvements in products and in techniques of production.¹⁰ To this end, competitive business is not business conducted strictly at cost, nor is it at cost plus a "fair" profit. Instead, it is business transacted at prices temporarily yielding very high rates of profit under efficient or lucky promotion and management and yielding substandard returns or even operating deficits under inefficient or unfortunate operation.

Under any regulation designed to make the prices charged by regulated monopolies perform in the manner in which competitive prices are supposed to perform over the years, public service commissions would face the problem of setting these prices so as to approach the differential profit-and-loss status of competitive industry and so as to break away from the fairly standardized "normal profit" status of orthodox regulation. This is a truly formidable assignment, and one which, to the best of my knowledge, has never been accomplished effectively. To be sure, schemes of differential returns, designed to reward highly efficient or highly successful performance, have been tried out from time to time, occasionally with fair success during periods of stable price levels. But when in experience with these schemes had been such as to warrant general adoption, their acceptance would provide a very weak imitation of the behavior of actual competition in a period of rapid technological development. Something far more radical would be posed by the standard of simulated competition.

During his chairmanship of the Federal Power Commission, Leland Olds stressed this function of a competitive price and suggested that commissions should undertake to emulate it. "Regulation," he wrote, "if it is to be a worthy substitute for competition, must similarly be able continuously to make it impossible for a public utility to charge prices higher than it could charge if an efficient and economic competitor could reasonably be expected to enter the field and capture the market." *20th Annual Report of the Federal Power Commission* (1950), p. 13. As a means toward the accomplishment of this objective, Mr. Olds looked sympathetically on the use of Tennessee Valley Authority rates and other public-plant rates as "yardstick rates."

Incomplete as is the foregoing summary of the major implications of a purely competitive-price standard of public utility rate making, it should suffice to indicate what drastic changes in the established principles of rate regulation would be called for by any thoroughgoing attempt to embody the standard in practice. Certainly the standard does not comport with an original-cost or net-investment basis of rate control. But neither does it comport with the use of a fair-value or replacement-cost rate base in any familiar or legally accepted sense of these terms. The popular assumption that a strictly competitive price is a price equal to replacement cost must be rejected, even as a rough approximation.

But what about a possible contention that all of our orthodox systems of regulation, whether of the original-cost or of the replacement-cost variety, should be discarded in favor of a scheme of rate control designed to simulate the forces of a competitive market? Such a contention has been made; but it must face formidable objections. In the first place, there is the dilemma presented by the fact that a condition of competitive-price equilibrium is one in which the price is simultaneously equal to average cost and to marginal cost (not to mention long-run and short-run varieties of each of these costs). In the second place, there are the serious practical problems to be faced by a commission if required to dictate how far and how fast a company must go in expanding its plant—a necessity noted in an earlier paragraph. In the third place, there are the difficulties of corporation finance presented by any scheme of rate making yielding the highly variable rates of profit and loss characteristic of competitive industry in a dynamic economy. And in the fourth place, there are the problems that would be faced by consumers of public utility services in adapting themselves to the frequent and rapid changes in rates imposed by competitive responses to changes in current demand and supply.

What these difficulties suggest is that the very characteristics of a public utility business which rule out reliance on actual competition as an automatic price regulator also rule out attempts closely to emulate the behavior of competition in the control of monopoly prices. Indeed, so far as concerns pure or strict competition, which is the standard now under review, modern economists seem to be in general agreement that this "atomistic" type of competitive behavior is not even applicable to the large indus-

l companies. Here, the competition which must serve as an alternative to regulation or to public ownership is that of a mixed one, which Professor John Maurice Clark has called "workable competition."¹¹

*THE ALTERNATIVE STANDARD OF
"WORKABLE" COMPETITION*

ndful of the serious objections to a competitive-price standard rate control when defined as a standard of strict or pure competition, we may now turn to the alternative standard of "realistic" "workable" competition—the type of competition that prevails in real life and that characterizes industries which, because of their size and their relatively heavy capital investments, would seem to be most nearly comparable to the large public utility companies. As economists have pointed out, competition of this nature is far from "workable," since all large industrial companies possess important attributes of monopoly status.

There is at least a fair prospect that, at some future time—say within the next two decades—standards of socially acceptable "workable competition," covering, among other things, rules of competitive price determination, may have been developed to the extent at which they can serve, with important qualifications, as standards of public service regulation. This stage, however, has not yet been reached, nor does its attainment appear to be just around the corner. There are three related reasons for this cautious conclusion.

In the first place, too little is known today as to the nature of price determination by unregulated industrial companies. It is generally agreed that the "administered prices" of large-scale in-

"Toward a Concept of Workable Competition," 30 *American Economic Review* 241-256 (1940). Paradoxical as it may seem, there is good reason to contend that, both with the public utilities and with heavy industry, a closer approach to strictly competitive price determination could be attained under outright public ownership than under private ownership. Indeed, one school of socialists, the so-called "market socialists," has defended government ownership as making possible the realization of a system of "optimum prices" similar to that which economists have associated with pure competition. See, e.g., A. P. Lerner, *The Economics of Control*, Chap. 7. These contentions, however, involve a dubious assumption: that the ideology of a socialist state and the attitudes of the aggressive types of people who would probably control such a state would be friendly to the principle of consumer sovereignty.

dustry are far less volatile and far less responsive to the forces of short-run supply and demand than would be their behavior under pure competition. But this is a negative conclusion; as to the positive factors in price determination, the subject remains highly controversial.

In the second place, enough is known about modern industrial price policies to belie the assumption that these policies can be reflected by the adoption of any simple, feasibly administered, rule of rate making such as the rule that rates should be based on replacement cost of service. Indeed, these policies do not conform to any single theory of price determination, coordinate with pricing under pure competition. They are the outcome of a whole range of inter-firm relationships intermediate between strict competition and strict monopoly. When modern economists, in attempting to rationalize the price strategy of "competition among the few," are led into an elaborate mathematical analysis called "the theory of games,"¹² their findings do not offer very promising material for decisions in rate cases!

And in the third place, since the competition of the type supposed to govern unregulated industrial pricing has no claim for recognition as resulting in the socially optimum prices, emulation on the part of a regulating commission would be of doubtful wisdom even if a fair job of mimicry were feasible.¹³ One must remember that the attempts by current economists to develop standards of workable competition for the purpose of antitrust law administration are not attempts to create standards of optimum pricing. On the contrary, they are attempts to secure types of com-

¹¹ John Von Neumann and Oskar Morgenstern, *The Theory of Games* (Princeton, 1944); J. D. Williams, *The Compleat Strategyst* (New York, 1954). The different price policies prevailing in different types of unregulated industry are presented and compared in Professor Walton Hamilton's book, *Price and Price Policies* (New York, 1938). In his *Managerial Economics* (New York, 1951), pp. 400-401, Professor Joel Dean notes important differences in price policies, not just among different companies or industries but even in the same company with different products. He cites the pricing of the various DuPont products as a conspicuous example. The highly controversial nature of the theory of imperfect or impure forms of competition is illustrated in the discussion of "Concepts of Competition and Monopoly" by Messrs. Clark, Weintraub, Machlup, Gordon, and Ackley at the Dec., 1954, annual meeting of the American Economic Association, published in 45 *American Economic Review, Proceedings* 450-490 (May, 1955).

¹² On the other hand, as long as nonutility prices fail to represent pure competitive prices, the fixation of public utility rates at such prices could not be claimed to yield optimum results.

Competitive pricing good enough to render price control unnecessary. Since the competitive-price standard of rate regulation has so often been identified with the acceptance of a replacement-cost or "fair-value" principle of rate control, one may raise the question to what extent the types of competition characteristic of large-scale industrial companies have actually brought prices into rough correspondence with current costs of production plus a normal rate of profit on the depreciated replacement costs of plant and equipment. This question is unanswerable in the absence of wide-scale and careful appraisals of industrial plant and equipment comparable to the tremendously expensive "physical valuations" of the American railroads made by the Interstate Commerce Commission under the Valuation Act of 1913. I think it almost certain, however, that the correspondence would not be close.¹⁴

Lest the reader of this chapter gain the impression that it is intended to deny the relevance of any tests of reasonable rates derived from the theory or the behavior of competitive prices, let me state my conviction that no such conclusion would be warranted. On the contrary, a study of price behavior both under assumed conditions of pure competition and under actual conditions of mixed competition is essential to the development of sound principles

¹⁴During the years since the Second World War, prior to the time of the recent stock-market boom, the stocks of many of the best-known industrial companies sold at market prices below their book values, values in turn presumably well below depreciated replacement costs. The steel industry offers a conspicuous example. In testimony before the Senate Banking and Currency Committee in 1955, Mr. Benjamin F. Fairless, chairman of the United States Steel Corporation, is reported to have stated that the current cost of building fully integrated steel-plant capacity from mines to finished product was on the order of \$300 per ton, whereas the investor valuation of the plants, as measured by current security prices, was only \$56 per ton for the ten largest steel companies, on the average. In its 1954 Annual Report to Stockholders, the Marquette Cement Manufacturing Company stated that, in 1953, it had earned 9.6 per cent on its "original-cost value" but that these earnings represented a return of only 3.6 per cent on estimated reproduction cost (after adjustments for additional depreciation charges at this higher cost). No doubt these and other examples of substandard returns based on replacement-cost tests could be matched by examples of superstandard returns.

The Feb., 1955, issue of *The Exchange*, a monthly publication of the New York Stock Exchange, reported that a study of 1,053 listed common stocks disclosed that 42 per cent were selling at less than their latest available book values. At the same time among the separately noted industrial stocks, Armour and Company common was selling at 68 per cent below book value, whereas International Business Machines common was selling at 588 per cent above book value.

of utility rate control. Not only that: any good program of public utility rate making must go a certain distance in accepting competitive-price principles as guides to monopoly pricing. For rate regulation must necessarily try to accomplish the major objectives that unregulated competition is designed to accomplish; and the similarity of purpose calls for a considerable degree of similarity of price behavior.

Regulation, then, as I conceive it, is indeed a substitute for competition; and it is even a partly imitative substitute. But so is a Diesel locomotive a partly imitative substitute for a steam locomotive, and so is a telephone message a partly imitative substitute for a telegraph message. What I am trying to emphasize by these crude analogies is that the very nature of a monopolistic public utility is such as to preclude an attempt to make the emulation of competition very close. The fact, for example, that theories of pure competition leave no room for rate discrimination, while suggesting a reason for viewing the practice with skepticism, does not prove that discrimination should be outlawed. And a similar statement would apply alike to the use of an original-cost or a fair-value rate base, *neither* of which is defensible under the theory or practice of competitive pricing.

This chapter has been written under the assumption that the utility subject to regulation enjoys a monopoly, so that any emulation of competitive-price behavior would have to be imposed by governmental authority or adopted as a matter of policy. But this assumption is never strictly valid; and in the field of intercity transport, the degree of railroad monopoly has now become so limited because of road, water, and air competition, that the acceptance of a competitive-price standard of rate control, in some sense of competition, would cease to be the acceptance of a mere make-believe. While the complete abandonment of rate regulation is even here out of the question, the development of new and less rigid standards of rate control seems necessary. In this development, more is to be said for standards suggested by modern ideas of "workable competition" than can be claimed for such standards with the more nearly monopolized utility companies.

So far as concerns the electric power utilities, competition in the sense of rate making by a comparison of the performance of other utility enterprises, including public "yardstick" plants, has been

3
 ored by spokesmen for consumer interests. This is not compe-
 on as the term is used in economics; but it has promising pos-
 ilities for limited and cautious use, and both the promises and
 : limitations will be noted in Chapter XV, on the fair rate of re-
 n.

VII

SOCIAL PRINCIPLES OF RATE MAKING

Despite the failure of the familiar rules of public utility regulation to result in the same rates that might be expected to emerge "automatically" under actual competition, this failure does not necessarily imply a fundamental difference between the objectives of rate regulation and the recognized functions of a competitive price. In large measure, at least, the different results are imposed by technical obstacles in the way of any attempt to compel natural monopolies to behave contrary to their nature.¹ Regulation can still be regarded as a substitute for competition—probably as an inferior substitute.

But the statement that regulation is a substitute for competition would be accepted only with qualifications by any writers aware of its full implications, whereas it would be rejected sharply by a minority of writers on the ground that "public policy," and not merely technological or administrative difficulties, justifies deliberate departures from "commercial" standards of reasonable utility rates.² Both the qualifications and the wholesale rejection are based

¹ But regulation is deterred by notions of *fair prices* and *fair profits* from going even as far as technical difficulties would permit it to go in emulating the somewhat ruthless forces of competition.

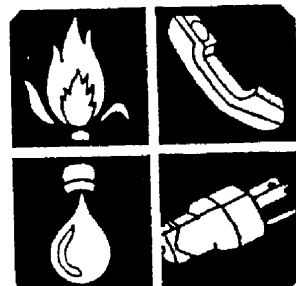
² For a strong defense of this minority position, see the article by Professor Horace M. Gray entitled "The Passing of the Public Utility Concept," noted on pp. 24-25, *supra*. A similar point of view was expressed by Mr. Louis P. Goldberg, former member of the New York City Council, in a letter to the *New York Times* opposing further increases in subway fares designed to make the riders pay the full costs of transit. *Times*, Feb. 8, 1952. Subway service, he contended, is a "social service"—even more completely so than education, health, housing, libraries, etc. The costs of supplying this service, he concluded, should therefore be apportioned on social principles.

I do not include among the advocates of "social" rate making those economists who contend that public utility rates should be set at *marginal costs* even if the resulting revenues would fail to cover total costs (see Chap. XX). For these econo-

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Management Review Specialist

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RR-00-07-002

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1.0 EXECUTIVE SUMMARY

1.0 Executive Summary

1.1 Objectives

On July 14, 2000, the Florida Public Service Commission (FPSC or the Commission) issued final Order No. PSC-00-1285-FOF-WS directing the Division of Regulatory Oversight's Bureau of Regulatory Review (BRR) to conduct a customer service audit of Aloha Utilities, Inc. (Aloha). To comply with the Commission Order, BRR has identified the following review objectives:

- ◆ Document the processes used within all customer service procedures with particular emphasis on customer complaints.
- Determine the current state of relations between the company and its customers and the adequacy of the customer service function.
- ◆ Recommend measures to augment responsiveness to customer concerns if applicable.

1.2 Scope

The scope of this review will be focused specifically on Aloha's customer service functions. Chapter 2 presents a brief background of recent events and dockets involving Aloha. However, in compliance with the Commission Order, this review is limited to management functions that affect the customer service operation. Specifically this review included evaluation of:

- ◆ Company organization
- ◆ Policies and procedures
- ◆ Customer deposits, payments and revenue recovery
- ◆ Customer information systems
- ◆ Customer applications
- Complaints, inquiries, surveys, and education

1.3 Methodology

Information regarding Aloha's customer service operations was gathered through responses to staff's document requests and through on-site interviews with management and front-line employees. Once an overall analysis was concluded, a draft report was written and provided for the company to verify accuracy and address issues related to the use of potentially confidential material in the report.

1.4 Overall Opinion

The management philosophy at Aloha and the policies and procedures for customer service have been reviewed by BRR staff. Staff has identified several areas for improvement that pertain to Aloha's procedures and customer service policy. The following recommendations for improvement are further detailed in Chapter 4.

- ◆ Staff has found that Aloha lacks formal written long- and short-term business plans. Lack of planning may affect all segments of company operations, which includes customer service. Staff encourages Aloha to draft and formalize written business plans and goals.
- ◆ Aloha lacks a complete policy and procedures manual. Staff noted several areas such as customer service, employee training, and database activities that had little or no procedures for employee guidance.
- More documentation of the customer information is encouraged including the posting of more data on customer inquiries, continual updating of the database, and extracting reports for management use.
- ◆ Aloha needs to consistently educate its customers with systematic communications that address current problems, the perceived solutions, and future plans the company is considering.

BRR has attempted to separate the water quality issues from the customer service issue and to determine if any problems exist. Although any customer experiencing a water quality problem will not be satisfied until it is resolved, staff's intent was to independently focus on the customer service processes and to determine if these processes were adequate.

As a result of the hydrogen sulfide problem, Aloha, in the short term, simply cannot satisfy some customers' concerns regardless of what customer service approach is used. Thus, until the water issue is resolved, customers will continue to complain. Aloha appears to have suffered image problems as a result of ongoing press coverage and organized efforts of neighborhood associations and political groups. However, a survey of a judgement sample of Aloha customers conducted by staff indicates general satisfaction with the company's customer service function.

Although tarnished with other customer issues, it is BRR staff's opinion that customer relations appear to be positive with the greater percentage of Aloha's customer base. During the Commission service hearings, several hundred customers attended and approximately 50 customers voiced substantial dissatisfaction specifically with Aloha's water quality. Of these, eight customers stated that Aloha was unresponsive to their needs. However, based upon employee interviews, documents, survey results, and Aloha's new customer database, the degree of satisfaction with Aloha's overall customer service function seems to be high. Additionally, customer problems reflected in inquiries to the Commission have stabilized in recent years. BRR staff's review did not identify any significant customer service inadequacies.

2.0 BACKGROUND AND PERSPECTIVE

2.0 Background and Perspective

Founded in 1970, Aloha Utilities, Inc., is a Class A water and wastewater utility located in Pasco County, Florida. The utility possesses both water and wastewater certificates serving two distinct service areas — Aloha Gardens and Seven Springs. As of December 31, 2000, Aloha was serving approximately 12,745 water customers within the two service areas and had 27 employees. **Exhibit 1** presents pertinent statistics for Aloha for the period of January 1996 through December 2000.

In the customer service area, Aloha has been involved in Docket No. 960545-WS for four years. This docket resulted from a petition signed by 262 customers within Aloha's Seven Springs service area requesting the Commission investigate the utility's rates and water quality.

The first hearing was held in New Port Richey, Florida, on September 9 and 10, 1996, and concluded in Tallahassee, Florida, on October 28, 1996. Customer testimony concerning quality of service was taken on September 9, 1996. Customer testimony sessions were attended by more than 500 customers, 56 of whom provided testimony about quality of service problems including: black water, low pressure, odor, and customer service-related problems.

Aloha Utilities General Statistics					
	1996	1997	1998	1999	2000
Number of Customers	11,148	11,568	11,896	12,397	12,745
Avg. Residential Customer Monthly Bill-Water & Sewer	\$32.77	\$35.28	\$35.91	\$36.56	\$37.14
Gross Revenues-Water and Sewer (000)	\$4,698	\$5,163	\$5,387	\$5,771	\$5,970
Operations/Maintenance Expenses (000)	\$4,196	\$4,594	\$5,036	\$5,060	\$5,562
Number of Employees	28	29	24	29	27
Number of Customers per Employee	398	399	496	427	472

EXHIBIT 1

Source: Annual Reports & Document Request 1-10 & 2-2.

After evaluation of the evidence taken during the first hearing, the Commission rendered a final decision on March 12, 1997, in Order No. PSC-97-0280-FOF-WS. In that Order, the Commission determined that the quality of service provided by Aloha's water system was unsatisfactory. It found the quality of the utility's water to be unsatisfactory and ordered Aloha to evaluate the treatment alternatives for removal of hydrogen sulfide from its water. Additionally, it found that the utility's attempts to address customer satisfaction and its responses to customer complaints were unsatisfactory.

In addition to finding the quality of the utility's water to be unsatisfactory, the Commission found that "the utility's attempts to address customer satisfaction and its responses to customer complaints are unsatisfactory. These management practices of Aloha concern us, and will be further addressed in Docket No. 960545-WS, which is to be kept open."

On November 26, 1997, by Order No. PSC-97-1512-FOF-WS, the Commission concluded that further investigation was needed to determine if the customers were willing to pay for new treatment facilities. These treatment facilities are not required by any current Department of Environmental Protection (DEP) or Environmental Protection Agency (EPA) rule and would result in an increase of water rates.

In a letter to the Commission dated June 5, 1998, Aloha stated that it was willing to begin construction of three centrally located packed tower aeration treatment facilities to remove hydrogen sulfide from the source water. Aloha was willing to proceed with this upgrade to address customer quality of service concerns and to comply with future EPA regulations. However, before commencing construction of these water treatment facilities, Aloha requested that the Commission issue an order declaring that it was prudent for Aloha to construct these facilities. This request was considered at the December 15, 1998 Agenda Conference. Also, the Commission again considered whether there was a water quality problem in Aloha's Seven Springs service area and, if so, what further actions were required.

Pursuant to the decisions at that agenda conference, on January 7, 1999, the Commission issued Proposed Agency Action Order No. PSC-99-0061-FOF-WS, determining that the Commission should take no further actions in regards to quality of service in this docket and closing the docket. Also, by final action the Commission denied the utility's request for an order declaring it to be prudent to begin construction of three central water treatment facilities. By that Order, the Commission required any protests to be filed by January 28, 1999, in order to be timely.

Subsequently, a member of the Florida House of Representatives and two other customers filed timely protests to the Order and requested a formal hearing. Based on these protests, another formal hearing (Second Hearing) was scheduled for September 30 and October 1, 1999. However, the Second Hearing was rescheduled several times and Prehearing Conferences were held on November 15, 1999 and March 22, 2000. The Second Hearing was held on March 29-30, 2000, in New Port Richey, Florida. Several hundred customers attended each session and approximately 50 customers testified. The technical portion of the hearing began on March 30, 2000, in New Port Richey, Florida and was continued and concluded on April 25, 2000, in Tallahassee, Florida.

All testimony and evidence resulted in Final Order PSC-00-1285-FOF-WS, which directed BRR to conduct a customer service audit as described in Chapter 1 of this report. Within the Order, the Commission defined quality of service and separated it into three categories: operational conditions of the plant, quality of the product, and customer satisfaction. The order stated “Based on the customer testimony and the survey results, Aloha does not appear to be in violation of any of our rules concerning customer relations. However, because a significant portion of the customers are clearly dissatisfied with Aloha’s overall quality of service, we find that Aloha’s customer satisfaction must be considered marginal.”

This report will address only the element of customer satisfaction. The subsequent sections in this chapter will introduce the company organization and an overview of the customer service function.

2.1 Company and Customer Service Function Organization

Aloha is a small utility in both operations and management. It is a Florida corporation with three directors. One director serves as the president, one as vice-president, and one as the general manager. Additionally, other management employees include a superintendent of field operations, a controller, a billing manager, and a water quality manager who also acts as the customer service manager. The vice-president is only available to the organization 20 percent of the time. Currently, she works one day a week, attends officer meetings, and provides other administrative assistance. Aloha’s organizational structure is split into administration and field operations as shown in **Exhibit 2**.

Aloha’s upper management does not have a strategic plan in place nor any long- or short-term goals to augment day-to-day or long-term operations. Management points to the increasing planning role played by the Florida Department of Environmental Protection as meeting some of these needs. Aloha states that, generally, management’s major goal is conforming to all state and federal guidelines. The company needs to have a formal written process in place. Aloha is adding 300 to 400 customers a year. If no plans are in place to accommodate those customers in areas such as infrastructure, staffing, emergencies, and equipment, then the company may not be adequately prepared for this growth. Additionally, Aloha produces a very basic annual budget, typically consisting of the previous budget plus an assumed escalation factor.

2.1.1 Customer Service Support Staff

Field operations employees work closely with the customer service department and are managed by the superintendent, who oversees all technical aspects such as service calls, water plant, and wastewater operations. The company’s customer service function is overseen by the water quality manager. The manager and one customer service representative handle all customer telephone inquiries, walk-ins, and the teller window transactions. These services range from answering questions regarding billing problems, handling service complaints, arranging connects/disconnects of accounts, and processing payments. Aloha is currently in the process of hiring an additional customer service representative.

ALOHA UTILITIES, INC. 2000 ORGANIZATIONAL CHART

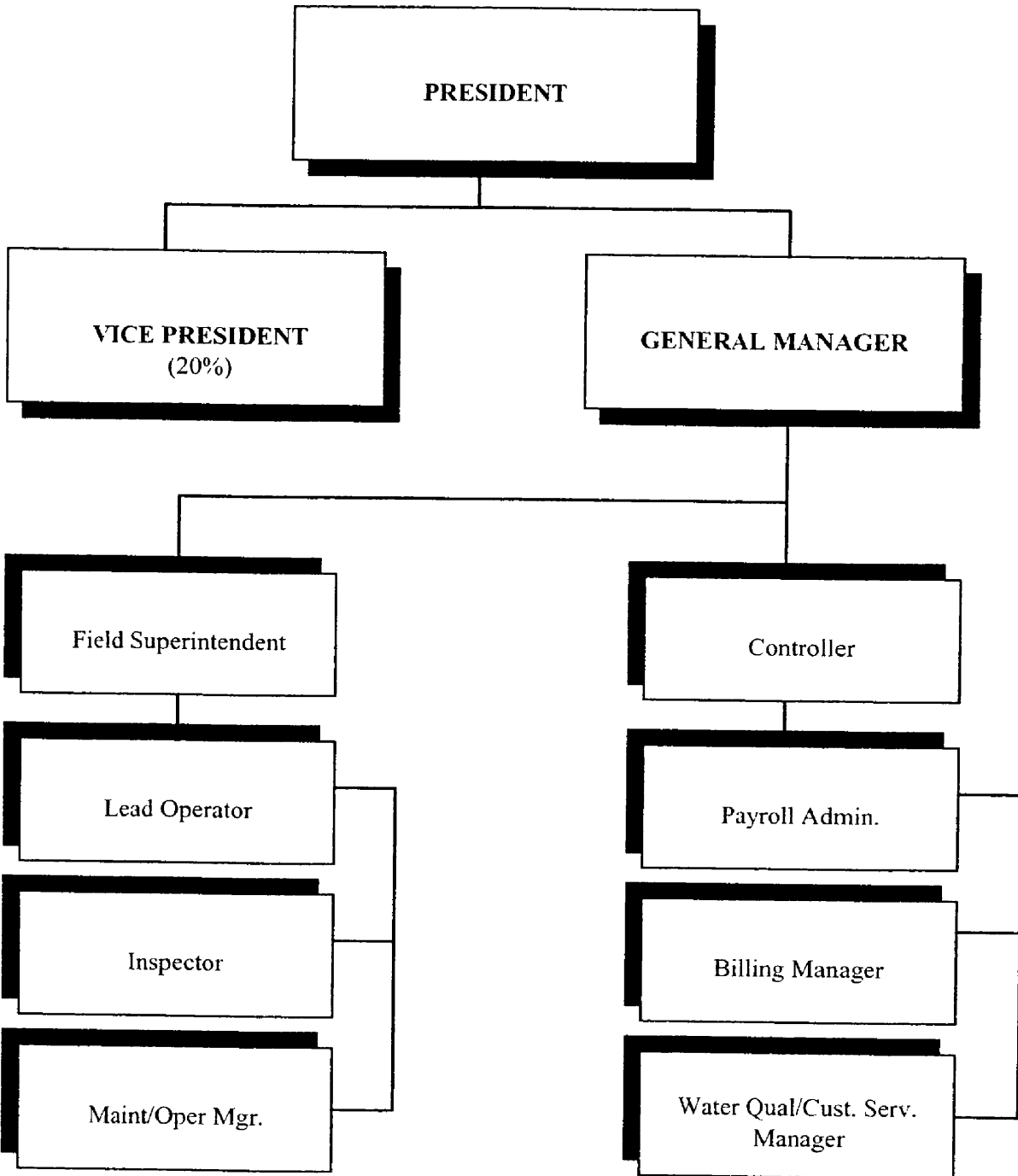


EXHIBIT 2

Source: Document Request 1-1

During audit interviews, Aloha management expressed a concern with the lack of administration office work space. According to the company, the lack of work space has prohibited Aloha from hiring additional employees who are needed to support customer service and billing. At the end of 2000, Aloha physically relocated to a new building, which should resolve the space limitation issue. Geographically, it has moved to the east side of U.S. 19 in the Seven Springs area where 75 percent of Aloha's customer base is located.

The move is planned to coincide with the hiring of two new customer service employees and an additional billing employee. BRR staff concurs that the additional employees will enable middle managers to have more time to effectively manage resources.

2.2 Policies and Procedures

Aloha has two written internal procedure documents that it provides to its employees. The formalized one is the new employees' handbook. The second is a set of customer service policies consisting of eleven loose-leaf pages neither titled nor in booklet form. The employees' handbook contains one paragraph with guidelines on how employees should interface with customers. The loose-leaf pages contain sixteen procedures, of which eleven relate to the customer service function and five to accounts payable and payroll procedures. The eleven procedures describe the necessary entries to the FoxPro database to accomplish each task and what steps are to be followed. These customer service procedures address:

- ◆ New service for existing connections
- ◆ New service for new connections
- ◆ Service orders
- ◆ Service disconnection
- ◆ Utility/cable location calls
- ◆ Builders impact fees
- ◆ Non-payment late notice
- ◆ Close service orders
- ◆ Cash receipts
- ◆ Meter reads
- ◆ NSF check handling

Employee training is an important factor in the customer service area for two reasons. First, if the new employee is not trained, he/she learns by trial and error and his/her actions may not reflect company policy. Second, current employees benefit by gaining new skills and knowledge that are needed because of changing demands. Another important factor in dealing with customers is sensitivity to their needs and how to handle difficult situations. This type of training is essential and should start with top management and include all employees who deal with customers. Aloha has provided documents that employee training is an ongoing program that includes on-the-job training, tapes and books, seminars, and meetings. However, staff suggests that Aloha institute policies for

conducting and monitoring employee training. All needs should be evaluated and documented so that each employee receives an appropriate amount of instruction hours each year.

In other related policy documentation, Aloha has external auditors who examine all financial statements and assure compliance to all state and federal rules and regulations. Staff found no other documentation that aids customer service. The company does provide customers an informational pamphlet produced by the FPSC regarding water and wastewater service. This is issued to new customers as required by Commission rules. New customers are also given a rate sheet during the application process.

2.3 Customer Deposits, Payments and Revenue Recovery

Customer deposits are based upon anticipated customer usage and the credit standing of the business or homeowner applicant. The average residential deposit collected for initial service is \$108, which is based upon an average monthly bill of \$37.00. The deposit is returned as a credit in 23 months if a customer pays their bills on time. Additionally, there is a nonrefundable connect fee set by meter size. Based on a 3/4 inch meter, the typical initial residential connection fee is \$15.

As a customer courtesy, on behalf of Pasco County, Aloha bills and collects payment for garbage service and street lighting in its monthly bill. Customers in the Seven Springs area and the Aloha Gardens area both pay \$10.77 for refuse collection and street lights.

Once Aloha issues a bill, a customer has 20 days to render payment as required by Rule 25-30.320 (2) (g). If payment is not received within the 20-day window, a five-day notice is mailed. This notice informs the customer that the payment is overdue and that services will be terminated. According to written procedures, if payment is not received following the five-day notice, a service order is originated to terminate service and to pull the customer's meter. Payments can be made by mail, drive-through teller window, and walk-in teller windows.

Revenue recovery has not been an issue for the company. After 25 days, service will be cut off and the deposit, in most instances, is adequate to cover the balance. The company's computer system did not properly record bad debt expense for the years of 1995 through 1998. Aloha claims that its new computer system, implemented in 1998, now correctly records bad debt. For 1999, the expense was recorded as \$30,868 for commercial and residential account write-offs combined. This amounts to .61 percent of total revenue and would not be considered an out-of-range factor according to generally accepted accounting procedures that govern small business bad-debt ratios.

2.4 Customer Information Systems

Aloha's information system consists solely of its customer billing system. The system is a new PC-based program that was implemented in 1998 to replace a dated mainframe, batch-type computer. The new system is a FoxPro database, with a Windows-driven system that can bill the customer, produce service orders, and extract data as needed. A problem in the new system has temporarily caused Aloha to stop the use of the automated meter reading devices known as STARS, due to interfacing problems. Aloha management has stated that an outside contractor will be hired, and the problem will be rectified by the first quarter of 2001. Staff agrees that the STARS system should be reintegrated as soon as possible because manual input of meter readings is labor intensive and results may include data input errors that could cause customer inquiries or complaints.

2.4.1 Billing Database System

The billing portion of Aloha's system is split into two segments or cycles. Cycle one covers part of the Seven Springs service area. Cycle two is all of the Aloha Gardens area and the remaining section of Seven Springs. In either cycle, the billing manager updates all service orders, enters all payments, then prints and distributes the meter reader sheets to the meter readers.

Within the two cycles, the meter readings are split into approximately 55 routes read each month by three meter readers. After the fifth day of the month, the readings are due to the billing manager for manual input into the billing database. During this five-day period, the manager continues updating service orders. After all readings and updates are loaded into the database, the billing cycle is run. According to Aloha, the FoxPro database can produce one entire billing cycle in 12-14 days.

After the bills are calculated, they are edited by the billing manager for accuracy and any errors are corrected. Any high or abnormal bills are flagged to be reread by the meter readers. After all corrections, delinquent payments, and rereads are reentered, the final run is executed. The system produces a postcard bill and sorts by zip code. Payments are due within 20 days of the date bills are generated and mailed.

2.4.2 Other Database Uses

As mentioned above, the FoxPro database is used primarily for billing and storing customer information. As part of the system, the customer database information page has a note field to record various notes pertinent to a customer's history. This is useful if a customer has a recurring problem that did not require a service order. The database can also be used to extract various reports that are useful to management.

Within the database, Aloha enters a two or three digit code on the service order page that is used to identify the complaint or action to be taken. For example, when a customer calls in with a high bill complaint, it is entered as an "RR" for a reread. If a customer applies for new service, it is entered as "CWS". A note field is available for further clarification on each order. The database has the capability to summarize the codes based upon user selection criteria and produce them as either

reports, graphs, or in spreadsheet format. In total, Aloha utilizes 56 separate reports to aid in customer services. At present, some frequently used summaries that Aloha extracts are: customer histories, water complaints, deposits, service orders, billings, and accounts payable.

When staff received various documents that were extracted from the database, it was noted that customer information was not up-to-date. Specifically customer telephone numbers were incorrect and there were incomplete notes in the note field. Further, it was found that historical service order data from year-to-year was not standard in coding, nor was the note field being utilized as much as possible. Aloha maintains that the note fields in the service orders are utilized. These issues are further discussed in Chapter 4.0.

3.0 Customer Relations

3.0 Customer Relations

Several aspects of customer relations can be assessed to reflect how a company is performing for, and interacting with, its consumers. Evaluation of the handling of customer applications is qualitative in nature and involves a person-to-person interface. Customer and company attitudes are another area that calls for some conclusions from staff as to whether relations are good or need improvement. These areas can be quantified to some extent by utilizing a customer survey. Areas such as customer complaints and inquiries can be measured by historical data.

3.1 Customer Applications

For new service, a customer's application can be mailed, faxed, or completed in the office. In the application process, a new customer must provide identification to be verified by the company. Aloha's current application form appears adequate for customer information gathering if the need arises for collection purposes. After the application is manually processed, the information is then entered into the computer database. Finally, all customers must remit a connection fee and the appropriate deposit charge.

As described in Section 2.4.1, Aloha has two separate service areas and each has its own rate structure. New customers applying for service are given information rate sheets listing water, sewer, garbage, and street lighting charges in their district. According to Aloha, once the application has been processed, typically the customer's water will be turned on that same day.

3.2 Customer Complaints, Inquiries, Surveys and Education

A means of measuring an organization's customer relations is the historical data on inquiries and complaints. Complaints are typically handled directly by the company and the majority are resolved locally. However, since Aloha is a Commission-regulated company, a customer not satisfied with the company resolution has an option to contact the Commission's Consumer Affairs Division.

In the following sections, complaints to the company and Commission inquiries are separated into common problem categories. Data is provided for the years of 1997 through October of 2000. From its database, Aloha provided data for internally handled water quality complaints, billing problems, low-pressure, and several other service order categories.

3.2.1 Internally Handled Complaints

Aloha's largest category for customer complaints has been water quality. As noted in Exhibit 3, Aloha customers registered 715 internal water quality complaints during 1997. In 1998, water

quality complaints filed with the company declined by 46 percent to 392. In 1999, these complaints dropped another 22 percent and totaled 306. According to the company, this decline resulted in a return to 1996 complaint levels.

The company explains the high number of complaints in 1997 was due to the participation of homeowners associations, the ongoing hearings held by the Commission, and the high volume of press coverage. Overall, it appears that two of the three complaint categories have declined since 1998.

Aloha Utilities Company Reported Complaints by Year and Type				
Complaint	1997	1998	1999	Oct-2000
High/Improper Bill	28	53	33	N/A*
Water Quality	715	392	306	283
Low Pressure	185	186	184	138
Totals	928	631	523	421

EXHIBIT 3

Source: Document Request 1-17, 2-3 & 2-6.

**In 2000, Aloha started recording billing complaints more specifically, such as rereads or meter tests.*

In the area of customer complaints and concerns, in Docket 960545-WU, Aloha's management testified as follows:

We have also taken additional measures to ensure that all customer complaints and inquiries are properly processed and that all are addressed and that there is appropriate record-keeping. Since the last hearing, we have added a new computer system that allows us to track customer complaints more effectively, efficiently, and precisely. We are also able to trace much more quickly and readily the results of our investigation of all customer complaints in the data base and to program the computer to recognize frequently occurring complaints, or complaints within a given area so that we can recognize trends and possible problems more quickly.

In addition, we made a change to make sure that all water quality complaints go through a single customer service representative, once it is determined that is the nature of the complaint. In this way, no customers are left in a position of having talked to two or three different people at different times, and possibly receive answers that seem, to the customer at least, to have been different for the same problems. [Watford, direct testimony.]

Also, it appears that Aloha has taken steps to improve customer relations. The issue of Aloha staff responding to customer concerns was directly answered:

As noted above, we have reviewed our existing procedures and have incorporated some additional procedures which we believe have substantially aided us too properly responding to customer concerns. After the hearing, at which some customers raised concern about the way they were treated by Aloha's personnel, we have undertaken to discuss with all of our staff members their responsibility to treat all customers with courtesy and dignity and to ensure that all of their complaints are thoroughly checked to determine what, if anything, Aloha can do to resolve the problems. We have undertaken to have regular staff meetings to discuss recurring concerns and problems and how to deal with them to ensure that the customers receive a satisfactory answer, and that the problems are resolved to the best of our ability. [Watford direct testimony]

3.2.2 FPSC Customer Inquiries

The data in **Exhibit 4** provides a summation of customer inquiries filed with the Commission's Division of Consumer Affairs for the period of 1997 through 2000. The major customer complaint category in 1997 was water quality. Any inquiries registered from September through November 1997 regarding water quality were categorized by Consumer Affairs as being associated with Docket No. 960545. Inquiry totals were low in both 1998 and 1999.

In 2000, the number of high/improper bill complaints escalated. Aloha reports that water usage has increased, which subsequently leads to high usage customer complaints. Usage was confirmed when comparing 1998 and 1999 annual reports. The average customer used 87,023 gallons in 1998 but usage increased in 1999 to 92,364 gallons per household. This results in an annual increase of over 5,000 gallons or a rise of 6.1 percent. Additionally, as reported in Section 2.4, meter reading is currently a manual process, and one explanation in the increase of complaints may be the manual application and the lack of customer follow-up by Aloha as noted in Section 3.2.3.

3.2.3 Customer Satisfaction Surveys

Staff sought to further quantify customer interaction with Aloha in areas such as employee attitudes, service response, and their overall perception of the company. **Exhibit 5** reflects the results of staff's customer satisfaction survey on customers who had a recent telephone or personal contact with Aloha employees. The four-question survey was a snapshot of one week of service requests originated during the week of September 26 through October 2, 2000. Staff randomly contacted a judgement sample of 37 of the 209 customers having interaction with Aloha during the designated period. The service orders involving these customers included: nine requests for vacation disconnects/connects, nine miscellaneous repairs, eight new customer connections, four high bill complaints, three water leaks, two black water complaints, one non-payment disconnect, and one office payment.

Aloha Utilities PSC Inquiries by Year and Type				
Complaint	1997	1998	1999	2000
High/Improper Bill	0	3	8	31
Water Quality	7	3	15	5
Related to Docket #960545	110	0	2	2
Other*	19	18	26	34
Totals	136	24	51	72

EXHIBIT 4

Source: FPSC CATS Database.

**Other is a combination of inquiries associated with outages, deposits, low pressure, referrals, and unclassified.*

As shown in Exhibit 5, of the 37 customers surveyed, a total of 14 percent rated customer service employee professionalism and courtesy as either fair or poor, while 86 percent rated the employees good or excellent. On the second question regarding timeliness for completing the request, 86 percent of the customers rated Aloha good or excellent but 14 percent believed that Aloha's timeliness was poor. The third question regarding the overall results of each request showed 71 percent rated the outcome as good or excellent and 29 percent fair or poor. Four customers commented that Aloha neglected to follow-up what the problem may have been on rereads and high bill complaints.

The last question asked longstanding customers to offer an overall opinion of Aloha's past and present performance. As noted, 72.5 percent evaluated the company's customer service as good or excellent, while 27.5 percent rated Aloha's past or current service as fair or poor. Of the sample, eight were new customers who did not have a historical opinion and were not included in the percentages.

While staff's survey sample size falls short of being statistically valid, staff believes some generalizations can be made. The overall survey results indicated that Aloha's customers are generally satisfied with Aloha's customer service, the timeliness of response, and the overall handling of various customer requests.

Aloha Customer Service Satisfaction Survey				
	Total percent of customers			
	Poor	Fair	Good	Excellent
You have recently had personal contact with Aloha Utilities staff. Please rate the employee's actions in regards to being professional and courteous.	6%	8%	51%	35%
Was your request acted upon in a timely manner?	14%	0%	50%	36%
How would you rate the outcome of your request?	23%	6%	31%	40%
Overall, in your personal experiences, how would you rate Aloha in providing customer service?	17.5%	10%	55%	17.5%

EXHIBIT 5

Source: Document Request 2-10 and compiled survey results.

3.2.4 Customer Education

Currently, Aloha originates periodic press releases, such as addressing a letter to the newspaper editor, and provides new customers with an informational pamphlet on water and wastewater service that is produced by the Commission. Also, it provides all customers with a copy of the annual water quality report that is filed with the DEP and state agencies. Aloha does not furnish bill inserts. In the past, Aloha has sent out a customer newsletter on an "as-needed" basis. This issue is discussed further in Chapter 4.0.

4.0 Recommended Improvements

4.0 Recommended Improvements

BRR staff identified four issues for improvement as summarized in Section 1.4. This chapter provides a more detailed discussion of each issue as compared to accepted standards. Staff believes that Aloha's customer service and the entire company operation will benefit by addressing the issues identified.

Each *issue* begins with a statement identifying a concern or problem. The *condition* describes the current situation taking place within the companies reviewed. The *standard* explains what should be happening. Standards are derived from existing laws and regulations, contractual terms, generally accepted policies, procedures and company established management criteria. In addition standards may also be derived from prudent business practice or comparisons with other utilities. The *conclusion* describes actions that should correct or prevent the problem situation from recurring.

Issue 1

The company has no formal long- or short-range strategic business plans, goals, or objectives.

Condition - (What is happening?)

BRR staff found that Aloha has no formal plans in place for present or future company preparedness. The company is growing in customer base, which may require future funding, additional personnel, or a change of operation.

Standard - (What should be happening?)

In general, plans assist management in preparing a business for future allocation of resources. According to Longenecker's *Small Business Management*, the need for formal planning causes the company to think through the issues and increase productivity. Second, it provides a focus for the firm, and third it provides credibility with external forces.

Conclusion

Aloha should develop a formal business plan, establish goals, and set objectives. The plan should include (but not be limited to) a budget, the establishment of corporate communications, and the development of an emergency disaster plan. The lack of a formal plan affects all facets of the operation, which includes customer service.

Issue 2

The company lacks sufficient formal written policies and procedures.

Condition - (What is happening?)

The company's policies and procedures are lacking in detail and need to be formalized. New policies need to be originated.

Standard - (What should be happening?)

Policies serve as guides for managerial decision making. Procedures, which are more specific, deal with methodology or simply how something is to be done. Aloha should document existing procedures for customer service deemed to be adequate, while others may need to be updated, deleted, or created.

Conclusion

Aloha should develop a comprehensive policy and procedure manual. These procedures should address (but not be limited to) customer service and employee training. Staff suggests that Aloha institute policies for conducting and monitoring of employee training. All training needs should be evaluated and documented so that each employee receives an appropriate amount of instruction hours each year. All policies must be predicated on current and future needs.

Issue 3

Aloha should revise its database with up-to-date and complete information and organize the data into viable management information.

Condition - (What is happening?)

Aloha's records and database lack some current information. The company needs to be more diligent in maintaining currency of the data base.

Standard - (What should be happening?)

Records create a historical database that can be used to trend results, look for improvements, augment legal issues, and justify expenditures. Without such records, a company cannot document the actions it has taken nor justify actions it takes in the future.

Conclusion

Over a period of time, the customer database records should be verified for accuracy, purged of errors, and checked for validity. Further, the database should be programmed to produce useful reports that can be used as management decision-making tools. The reports and other end products the system can create (such as trend reports on complaints) can assist management in taking a proactive stance. Recognizing trends today can prevent problems in the future.

Issue 4

Aloha does not proactively furnish a periodic means of customer communication.

Condition - (What is happening?)

Aloha's corporate image has been harmed in recent years as a result of problems with water quality in its service area. These problems have been discussed extensively by regulatory bodies, political groups, and the press. The result is an overall negative perception on the part of customers. Aloha's is not proactively trying to manage customer perception through communication and education.

Standard - (What should be happening?)

Regarding current issues, Aloha should attempt to educate and inform customers on how the company plans to deal with them. Using media resources, Aloha needs to actively communicate its concern to its customers the difficulties regarding various problems, the proposed solutions, and current efforts underway.

Conclusion

Aloha should educate and inform customers about current issues and how the company plans to deal with them. The company needs to be proactive in its approach to customer education. Therefore, Aloha is encouraged to select a means to periodically communicate with its customers regarding topics such as service issues, future improvements, and planned changes. Aloha should consider bill inserts, a newsletter, or other periodic means of customer communication. Communication and a successful marketing campaign, which expresses the positive side of Aloha's future plans, are critical. This can be accomplished when Aloha drafts its long- and short-term plans. Part of these plans should include a marketing plan and, within that, a corporate communications business policy.

5.0 Company Responses

5.0 Company Responses

This chapter includes company responses of agreement or disagreement and their comments to the issues as presented in Chapter 4.0.

Recommendation 1

Aloha should develop a formal long- and short-term business plans and establish goals and objectives.

Company Response Agree Disagree

Company Comments

Aloha Utilities, Inc., believes that the PSC should find all of the costs of implementing this recommendation as prudent and allow full recovery in rates.

Recommendation 2

Aloha should develop a comprehensive policies and procedures manual.

Company Response Agree Disagree

Company Comments

Aloha Utilities, Inc., believes that the PSC should find all of the costs of implementing this recommendation as prudent and allow full recovery in rates.

Recommendation 3

Customer database records should be verified for accuracy, programmed to prepare useful reports, and used as a tool for management decision making.

Company Response Agree Disagree

Company Comments

Aloha Utilities, Inc., believes that the PSC should find all of the costs of implementing this recommendation as prudent and allow full recovery in rates.

Recommendation 4

Aloha should educate and inform customers on current issues and how the company plans to deal with them.

Company Response Agree [X] Disagree []

Company Comments

The FPSC auditing staff has written that Aloha Utilities is not proactively trying to manage customer perception through communication and education. While in fact, Aloha executives have made several efforts to meet with customers and homeowner associations. In addition, Aloha has mailed out newsletters to keep the lines of communication open with its customers. This will be an on-going endeavor to ensure that our customers are kept apprised of what affects their water and sewer service.

Aloha is in complete agreement with those efforts listed in the staff's conclusion would be well worth implementing. This would however, require the Commission to approve such efforts as being prudent and allow in rates for the additional administrative personnel that would be required to help facilitate the suggestions listed in the management audit that would ultimately improve communications with our customers.

Aloha Utilities, Inc.
Docket No. 010503-WU
Exhibit RCN_10
Employee Benefits Correction

I. Benefits Percentage

Employee benefits as corrected - 1st 6 months of 2001	<u>\$ 45,139</u>
Divide by salaries - 1st 6 months of 2001 (MFR's G-7)	<u>\$ 204,246</u>
Employee benefits percentage	<u>22.10%</u>

II. Stipulated Correction

Total 2001 salaries (MFR's G-7)	\$412,930
Corrected employee benefits percentage per above	<u>22.10%</u>
Corrected 2001 employee benefits	91,258
Projected employee benefits before correction (MFR's G-7)	<u>(50,749)</u>
Stipulated correction to employee benefits	<u><u>\$40,509</u></u>

III. Adjustment for new employees

Total annualized employee salaries	\$ 107,850
Benefits percentage	<u>22.10%</u>
Proforma annualized benefits	23,835
Total per MFR's (\$107,850 x 12.29%)	<u>13,255</u>
Increase required	<u><u>\$ 10,580</u></u>



Your Partner in Benefits and Compensation Solutions

March 5, 1999

CONFIDENTIAL

Mr. Richard Baker
Certified Public Accountant
Aloha Utilities, Inc.
2535 Success Drive
Odessa, FL 33556

Re: Aloha Utilities Defined Benefit Pension Plan

Dear Richard:

This letter is in response to your February 17, 1999 letter (copy enclosed) pertaining to the benefit for Mr. Roy Speer from the above-named plan. Clarification of the valuation report exhibits enclosed with your letter is needed, as well as some discussion of Mr. Speer's benefit.

As I have tried to emphasize in our telephone conversations in the past, there is no "account" in a defined benefit plan the way there is in a defined contribution plan. The benefit is instead defined as a monthly amount payable, starting at a certain date, over some time period, often over a participant's lifetime. For a terminated participant, the monthly benefit amount payable at the participant's normal retirement date (age 65) generally does not change. If the participant starts payments early, the benefit is reduced to reflect a longer payout period. The Aloha plan document does not currently have the benefit increase if a terminated participant delays the payment date.

One of the payment options allowed by the Aloha Utilities plan is a lump sum payment. The amount of the lump sum payment option is determined by the age of the participant, the interest rates specified in the plan, and interest rates that change monthly and are specified by the government. An increase in the government interest rates can result in a decrease in the lump sum amount.

The numbers specified in your letter as being Mr. Speer's "account" are from a valuation report exhibit labeled "VALUATION DETAIL". The column labeled "Allocated Assets" is related to the monthly benefit, but is not the same as the lump sum payment option. The Allocated Assets represent one step in determining the contribution for the plan each year under the cost method used.

13100 Wayzata Boulevard
Minnetonka, MN 55305-1840

No DOC

EXHIBIT RCN
PAGE 1 OF 2

11

Mr. Richard Baker
March 5, 1999
Page 2

The decrease in the Allocated Assets for Mr. Speer is due to his delayed retirement. Mr. Speer's monthly benefit amount has not changed from the January 1, 1997 to the January 1, 1998 valuation. His monthly benefit amount is listed in Exhibit 6 (see enclosures) of each report and is \$5,102.71 payable immediately over his life, and upon his death, to his surviving spouse for her life.

The \$5,102.71 monthly benefit was first available to Mr. Speer at age 65 (July 1, 1997). It is now payable immediately any time he chooses to start payments. As stated above, the \$5,102.71 amount does not currently increase due to delaying his retirement.

For valuation (determination of contribution) purposes, the value of this monthly benefit has decreased since he is past his normal retirement date and did not take the payments that he could have taken from his age 65 to January 1, 1998.

However, the lump sum payment option has continued to increase due to the decline in the interest rates required by the government. The lump sum payment option for Mr. Speer is currently over \$800,000. We did several calculations for you at the end of 1997 and discontinued our monthly calculations when you sent an email (copy enclosed) to me telling me to put a permanent hold on the calculations. You also returned the invoice for these calculations unpaid.

The important items to realize for Mr. Speer at present are:

- 1) If there is no change in the plan and Mr. Speer wishes to take the monthly payment option, then he should start receiving this payment as soon as possible.
- 2) If Mr. Speer wishes to take the monthly payment option in the future, the plan should be changed as soon as possible to provide for actuarial equivalent increases for delayed retirements.
- 3) If Mr. Speer wishes to be paid the lump sum option, the amount will increase (within government-set limits) as long as interest rates decline, but will decrease if interest rates rise.
- 4) If Mr. Speer is paid the lump sum option under current interest rates, it is estimated that the contribution requirement for the plan would increase by at least 20% in following years.
- 5) There is a restriction which may prevent Mr. Speer from taking the lump sum option. This restriction would be based on the funding status of the plan after the lump sum would be paid. While it appears that this restriction will not apply, it will need to be checked carefully if Mr. Speer would like the lump sum option.

Please call me at (612) 541-7576 or Doug Anderson at (612) 512-6741 if you have any questions

Sincerely,

John C. Arveson

John C. Arveson
Actuarial Analyst

JCA:jca
Enclosures

cc: Douglas A Anderson, DCA

State of Florida

Commissioners
JULIA L JOHNSON CHAIRMAN
J TERRY DLASON
SUSAN F CLARK
JOE GARCIA
E LEON JACOBS JR



TIMOTHY DEVLIN, Director
Auditing & Financial Analysis
(850) 413-6480

Public Service Commission

December 14, 1998

Aloha Utilities, Inc.
Stephen G. Watford
2514 Aloha Place
Holiday, FL 34691-3499

Dear Mr. Watford:

Undocketed - Aloha Utilities, Inc.
Audit Report - Earnings Investigation
Audit Control # 97-064-2-1

The enclosed audit report is forwarded for your review. Any company response filed with this office within fifteen (15) work days of the above date will be forwarded for consideration by the staff analyst evaluating this report. Please refer to the Audit Control Number referenced above in any correspondence regarding this audit.

Thank you for your cooperation. If you have any questions, please call me at (850) 413-6487.

Sincerely,

Denise N Vandiver
Chief, Bureau of Auditing

DNV/sp

Enclosure

cc Mary A Bane, Deputy Executive Director/Technical
Division of Auditing & Financial Analysis (Devlin/Causseaux)
Division of Water and Wastewater (Fletcher)

Tampa District Office (Jim McPherson)
Office of Public Counsel
Research and Regulatory Review (Harvey)



FLORIDA PUBLIC SERVICE COMMISSION

**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING**

TAMPA DISTRICT OFFICE


ALOHA UTILITIES, INC.

EARNINGS INVESTIGATION

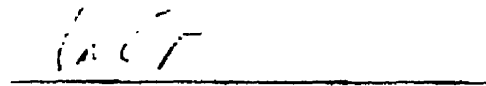
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1997

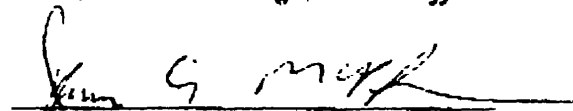
Undocketed

Audit Control No. 97-064-2-1


Thomas E. Stambaugh, Audit Manager


Joseph W. Rohrbacher, Audit Staff


Vincent C. Aldridge, Audit Staff


James A. McPherson, Audit Supervisor

DISCLOSURE NO. 6

SUBJECT: Purchased Water Expense

STATEMENT OF FACT: During 1997 the utility purchased water in the quantities indicated from the following sources:

<u>Supplier</u>	<u>Quantity in Gallons</u>	<u>Cost Per Gallon</u>	<u>Total Cost</u>
Pasco County	129,788,000	\$.00210123	\$272,714
Mr. Jack Mitchell	233,383,000	\$.0001	\$23,388
Interphase, Inc.	213,794,000	\$.00032	\$68,414
Tahitian Development	140,612,888	\$.00032	\$44,996

OPINION: Using the utility's 1997 general ledger, vendor invoices, and the utility's 1997 annual report, the following are per unit costs for purchased water when pumping and chemical costs are factored in:

Pasco County average for 1997:	\$.00210123
Pasco County as of 12/31/97:	\$.00199
Mr. Jack Mitchell:	\$.00029319
Interphase, Inc.:	\$.00051319
Tahitian Development:	\$.00051319

CONCLUSION: The above is provided for informational purposes

Aloha Utilities
 Exhibit RCN_13
 Docket No. 010503-WU
 Present and Future Value of Purchased Water Prices

	<u>Interphase</u>	<u>Tahitian</u>	<u>Mitchell</u>
<u>Data</u>			
Today's Contract Price	<u>\$ 0.32</u>	<u>\$ 0.32</u>	<u>\$ 0.10</u>
Original Contract Price	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>
Interest rate	<u>10%</u>	<u>10%</u>	<u>10%</u>
Periods (Year since contract inception)	<u>23</u>	<u>24</u>	<u>26</u>
Value of today's rate at date of inception	<u>\$ 0.04</u>	<u>\$ 0.03</u>	<u>\$ 0.01</u>
Restated inception price in today's dollars	<u>\$ 0.90</u>	<u>\$ 0.98</u>	<u>\$ 1.19</u>

Formula

Present Value $F \cdot (1/(1+i)^n)$

Future Value $P \cdot (1+i)^n$

F=future value

P=Present Value

i=interest rate

n=number of periods

Calculations

Value of today's rate at date of inception (present value)

P =	\$ 0.32	\$ 0.32	\$ 0.10
i =	10%	10%	10%
n =	23	24	26

$(1/(1+i)^n) =$ 0.111678 0.101526 0.083905

Multiply by present rate \$ 0.32 \$ 0.32 \$ 0.10

Value for today's rate at date of inception \$ 0.04 \$ 0.03 \$ 0.01

Value of rate at inception in today's dollars (future value)

P =	\$ 0.10	\$ 0.10	\$ 0.10
i =	10%	10%	10%
n =	23	24	26

$(1+i)^n =$ 8.954302 9.849733 11.918177

Multiply by future amount \$ 0.10 \$ 0.10 \$ 0.10

Value of inception rate in today's dollars \$ 0.90 \$ 0.98 \$ 1.19

Aloha Utilities
 Exhibit RCN__13
 Docket No. 010503-WU
 Present and Future Value of Purchased Water Prices

	<u>Interphase</u>	<u>Tahitian</u>	<u>Mitchell</u>
<u>Data</u>			
Today's Contract Price	<u>\$ 0.32</u>	<u>\$ 0.32</u>	<u>\$ 0.10</u>
Original Contract Price	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>
Interest rate	<u>5%</u>	<u>5%</u>	<u>5%</u>
Periods (Year since contract inception)	<u>23</u>	<u>24</u>	<u>26</u>
Value of today's rate at date of inception	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.03</u>
Restated inception price in today's dollars	<u>\$ 0.31</u>	<u>\$ 0.32</u>	<u>\$ 0.36</u>

Formula

Present Value $F \cdot (1/(1+i)^n)$

Future Value $P \cdot (1+i)^n$

F=future value

P=Present Value

i=interest rate

n=number of periods

Calculations

Value of today's rate at date of inception (present value)

P =	\$ 0.32	\$ 0.32	\$ 0.10
i =	5%	5%	5%
n =	23	24	26

$(1/(1+i)^n) =$	0.325571	0.310068	0.281241
Multiply by present rate	<u>\$ 0.32</u>	<u>\$ 0.32</u>	<u>\$ 0.10</u>

Value for today's rate at date of inception	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.03</u>
---	----------------	----------------	----------------

Value of rate at inception in today's dollars (future value)

P =	\$ 0.10	\$ 0.10	\$ 0.10
i =	5%	5%	5%
n =	23	24	26

$(1+i)^n =$	3.071524	3.225100	3.555673
Multiply by future amount	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>

Value of inception rate in today's dollars	<u>\$ 0.31</u>	<u>\$ 0.32</u>	<u>\$ 0.36</u>
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ALOHA UTILITIES, INC.
EXHIBIT RCN___14
DOCKET NO. 010503 - WU
ACTUAL AND ESTIMATED RATE CASE EXPENSE THROUGH HEARING

LEGAL - ROSE, SUNDSTROM & BENTLEY	\$276,136
ACCOUNTING - CRONIN, JACKSON, NIXON & WILSON CPA'S	169,962
ENGINEERING - DAVID W. PORTER, P.E., C.O.	31,915
COMPANY EXPENSE (FILING FEES \$4,500 + NOTICES \$356)	<u>9,100</u>
TOTAL	<u><u>\$487,113</u></u>

ALOHA UTILITIES, INC.
EXHIBIT RCN 14
DOCKET NO. 010503 - WU
ACTUAL AND ESTIMATED RATE CASE EXPENSE THROUGH HEARING
LEGAL EXPENSE

<u>ROSE, SUNDSTROM & BENTLEY</u>	INVOICE				
	DATE	HOURS	FEES	COSTS	TOTAL
BILLED EXPENSES:					
APRIL, 2001	May-01	23.90	\$4,780	\$171	\$4,951
MAY, 2001	Jun-01	15.50	3,100	36	3,136
JULY, 2001	Aug-01	17.00	3,400	169	3,569
AUGUST, 2001	Sep-01	51.40	10,280	355	10,635
SEPTEMBER, 2001	Oct-01	66.90	13,380	1,872	15,252
OCTOBER, 2001	01-Nov	140.70	28,140	2,783	30,923
NOVEMBER, 2001	Dec-01	177.20	35,440	6,230	41,670
TOTAL ACTUAL EXPENSE BILLED		492.60	98,520	11,616	110,136
ESTIMATE TO COMPLETE (ATTACHED)		790.00	158,000	8,000	166,000
TOTAL EXPENSE THROUGH NOVEMBER 2001		<u>1,282.60</u>	<u>256,520</u>	<u>19,616</u>	<u>276,136</u>

ALOHA UTILITIES, INC.
PSC Docket No. 010503-SU
Seven Springs Water Rate Case
Legal Services Estimate to Complete
December 17, 2001

Review of Testimonies, Preparation of Rebuttal through Prehearing

Review testimony of Intervenors; organize discovery; respond to interrogatories and requests for production of documents from Staff and OPC; file objections, re: same; participation and preparation for at least six additional days of depositions of each individual or expert who will or may testify in the case; work with our witnesses in preparation for their depositions and deposition of OPC and staff witnesses; review staff testimony; work with engineer, accountant, and company on preparation of rebuttal testimony; prepare, finalize and file rebuttal testimony with exhibits; engage in motion practice; research and review of documentation, re: same; research issues both substantive and procedural; prepare prehearing statements; participate in pre-hearing; participate in prehearing; review draft prehearing order; review notice of prehearing

250 hours at \$200/hour + \$3,000 in costs

Hearing Preparation through Late-Filed Exhibits

Preparation for hearing including review of all testimony, documentation, deposition exhibits, discovery answers, relevant prior testimony and other documents; researching all issues which will arise or which are likely to arise at the time of hearing; prepare for motions to be presented just before hearing ore tenus at hearing; draft and respond to motions; attendance at hearing; meetings with client; organize exhibits and cross-examination; participate in 3 day hearing; correspondence with client, engineer, and accountant re: late-filed exhibits and additional information needed; assist in preparation of additional information.

250 hours at \$200/hour + \$3,000 in costs

Review of Transcripts through Final Order

Review transcripts and make notes in detail; organize outlines and prepare brief and revise. Discussions with engineer, accountants, and client re: same; research issues both substantive and procedural; finalize and submit brief; review brief from OPC in detail; extensive correspondence with client re: same; telephone conferences with staff; review staff recommendation in detail; research, re: same; discussions with client and experts re: same; prepare for and attend final agenda conference; review final order and correspondence with client re: same; advise client re: reconsideration and appeal options; work with client re: final notices.

200 hours at \$200/hour + \$1,500 in costs

Reconsideration

Review order and discussions with client re: reconsideration request; draft reconsideration petition; research, re: same; review various case law and research re: same and previous Commission cases, case law, statutory law and rules re: same; submit petition for reconsideration; review cross-petition for reconsideration; discussions with client re: same; preparation for oral argument; meetings with client; participate in oral argument; obtain and review staff recommendation on reconsideration discussions with client re: same; prepare for and attend agenda conference re: reconsideration; review final order on reconsideration and discussions with client re: same and correspondence to client re: same

90 hours at \$200/hour + \$500 in costs

<u>Fees</u>	<u>Costs</u>	<u>Total</u>
\$158,000	\$8,000	\$166,000

Total Estimated to Complete: \$166,000

aloha\35\2legalestimate.sch

LAW OFFICES

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TALLAHASSEE, FLORIDA 32302-1567

(850) 877-6555

PLEASE REFER TO INVOICE NUMBER
WHEN REMITTING

F.E.I # 59-2783535

ALOHA UTILITIES, INC
6915 PERRINE RANCH RD
NEW PORT RICHEY, FL 34655

INVOICE # 23665
MAY 18, 2001
FILE # 26038-0035

PAGE 1

MATTER 2001 SEVEN SPRINGS WATER RATE CASE

04/03/01	MEETING WITH WATFORD; TELEPHONE CONFERENCES WITH NIXON AND WATFORD RE: PLANNING FOR NEXT STEP FOR RATE CASE AFTER COMMISSION ACTION.	1.60
04/03/01	CONFERENCE WITH CLIENT RE: RATE CASE ISSUES AND WATER MANAGEMENT DISTRICT ENFORCEMENT ACTION RE: SAME.	0.50
04/05/01	CONFERENCE CALL WITH NIXON, WATFORD, PORTER AND JENKINS; REVIEW VARIOUS DOCUMENTS; TELEPHONE CONFERENCES WITH JAEGER AND WILLIS; ADDITIONAL TELEPHONE CONFERENCES WITH WILLIS, JAEGER AND WATFORD; ADDITIONAL TELEPHONE CONFERENCE	3.90
04/05/01	WITH NIXON RE: MEETING SETUP; TELEPHONE CONFERENCE WITH GERVASI RE: SAME.	0.00
04/09/01	REVIEW NOTICE OF MEETING ON TEST YEAR; TELEPHONE CONFERENCE WITH NIXON AND WATFORD RE: SAME; REVIEW RULES AND STATUTES RE: SAME; REVIEW INFORMATION RE: REUSE RATE AND GENERAL PREPARATION FOR MEETING WITH STAFF.	1.40
04/10/01	INTRA-OFFICE CONFERENCE RE: RATE CASE ISSUES; CONTACT WITH DEP RE: DEPT. POSITION ON RESIDENTIAL REUSE RATE ISSUE AND FOLLOW-UP RE: SAME.	0.60
04/10/01	REVIEW INFORMATION ON FINAL PREPARATION FOR MEETING WITH STAFF ON TEST YEAR; TELEPHONE CONFERENCE WITH NIXON AND WATFORD; GO TO PSC FOR MEETING AND RETURN; TELEPHONE CONFERENCE WITH NIXON AND WATFORD RE: OUTCOME OF SAME.	3.50
04/11/01	WORK ON RATE CASE ISSUES RE: EFFLUENT REUSE CHARGE.	0.70
04/11/01	TELEPHONE CONFERENCE WITH NIXON; TELEPHONE CONFERENCE WITH CONNIE KURISH	1.20

EXHIBIT RCN 14
PAGE 4 OF 77

RT WARD

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(850) 877-8555

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ALOHA UTILITIES, INC

INVOICE # 23665
MAY 18, 2001
FILE # 26038-0035

PAGE 2

	RE: TEST YEAR DISCUSSIONS; REVIEW TEST YEAR RULE; TELEPHONE CONFERENCE WITH LINGO AND JAEGER.		
04/12/01	REVIEW VARIOUS DOCUMENTS; BEGIN WORK ON TEST YEAR LETTER.	1.20	
04/13/01	REVIEW RULE AND ISSUES AND VARIOUS DOCUMENTS RE: SAME; PREPARE FIRST DRAFT OF TEST YEAR REQUEST LETTER.	3.30	
04/16/01	REVIEW NEW DOCUMENTS; PREPARE ANALYSIS OF ADDITIONAL LABOR AND OTHER COSTS; TELEPHONE CONFERENCE WITH NIXON AND CONNIE KURISH; REVISE, FINALIZE AND FILE TEST YEAR LETTER.	2.90	
04/23/01	REVIEW INFORMATION FROM BRAMLETT; LETTER TO BRAMLETT RE: PURCHASED WATER AND PLANS FOR RATE CASE AND INCLINING BLOCK; REVISE LETTER TO BRAMLETT AND SWFWMD; INTRA-OFFICE CONFERENCE RE: SAME; TELEPHONE CONFERENCE WITH CONNIE RE: SAME.	1.60	
04/24/01	TELEPHONE CONFERENCE WITH CONNIE KURISH RE: LEFT OFF REPORT; OBTAIN, REVIEW AND SEND WITH COVER LETTER TO STAFF ATTORNEY; FINALIZE LETTER TO BRAMLETT AND VERCARA AND FILE.	1.10	
04/27/01	REVIEW CORRESPONDENCE RE: UTILITY RATE CASE AS RE: WATER MANAGEMENT DISTRICT'S ACTIONS AND PROVIDE COMMENT.	0.40	
		23.90	
			4,780.00
	LONG DISTANCE CALLS	59.24	
	TELECOPIER	31.50	
	PHOTOCOPIES	30.75	
	LEXIS SERVICE	50.00	

TOTAL COSTS ADVANCED

171.49

TOTAL STATEMENT

\$4,951.49
EXHIBIT RCN 14
PAGE 5 OF 77

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F.E.I. # 59-2783536

ALOHA UTILITIES, INC

INVOICE # 23665
MAY 18, 2001
FILE # 26038-0035

PAGE 3

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FEI # 59-2783638

ALOHA UTILITIES, INC
6915 PERRINE RANCH RD
NEW PORT RICHEY, FL 34655

INVOICE # 23702
JUNE 13, 2001
FILE # 26038-0035

PAGE 1

MATTER 2001 SEVEN SPRINGS WATER RATE CASE

05/03/01	OBTAIN AND REVIEW STAFF LETTER ON TEST YEAR APPROVAL; SEND WITH COVER LETTER TO WATFORD; TELEPHONE CONFERENCE WITH WATFORD; TELEPHONE CONFERENCE WITH NIXON; TELEPHONE CONFERENCE WITH RALPH JAEGER; FINALIZE LETTER TO WATFORD.	1.70
05/18/01	TELEPHONE CONFERENCE WITH NIXON; TELEPHONE CONFERENCE WITH WATFORD RE: RATE INVESTIGATION, INDEX, AND SEVEN SPRINGS EARNINGS; REVIEW VARIOUS DOCUMENTS; TELEPHONE CONFERENCE WITH STAFF RE: IMPLEMENTATION OF RATES AND SCHEDULE FOR OTHER CASES IN EFFECT.	2.90
05/18/01	REVIEW LETTER FROM VERGARA; DRAFT RESPONSE AND SEND WITH COVER LETTER TO WATFORD; TELEPHONE CONFERENCE WITH WATFORD AND INTRA-OFFICE CONFERENCE RE: SAME.	0.00
05/21/01	TELEPHONE CONFERENCE WITH WATFORD RE: LETTER TO VERGARA; REVISE FROM JENKINS' COMMENTS AND SEND REVISED VERSION TO WATFORD; ADDITIONAL TELEPHONE CONFERENCE WITH WATFORD; FINALIZE AND SEND; CONFERENCE CALL RE: LETTER.	2.40
05/23/01	TELEPHONE CONFERENCE WITH WATFORD; INTRA-OFFICE CONFERENCE AND SEND THIRD DRAFT TO ALL; TELEPHONE CONFERENCE WITH STAFF ATTORNEY AND PORTER.	2.30
05/30/01	TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PSC STAFF MEMBERS RE: STAFF	1.90
05/31/01		1.40
05/31/01		2.90

EXHIBIT RCN 14
PAGE 7 OF 77

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ALOHA UTILITIES, INC

INVOICE # 23702
JUNE 13, 2001
FILE # 26038-0035

PAGE 2

RECOMMENDATION; OBTAIN ALL THREE
RECOMMENDATIONS; SEND TO WATFORD; REVIEW
SAME BRIEFLY; TELEPHONE CONFERENCE WITH
WATFORD RE: BASIC ISSUES.

15.50
3,100.00

LONG DISTANCE CALLS 30.33
TELECOPIER 3.00
PHOTOCOPIES 2.50

TOTAL COSTS ADVANCED 35.83

TOTAL STATEMENT \$3,135.83

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FEI # 59-2783538

ALOHA UTILITIES, INC
6915 PERRINE RANCH RD
NEW PORT RICHEY, FL 34655

INVOICE # 23999
AUGUST 15, 2001
FILE # 26038-0035

PAGE 1

MATTER 2001 SEVEN SPRINGS WATER RATE CASE

07/19/01	TELEPHONE CONFERENCE WITH WATFORD; TELEPHONE CONFERENCE WITH JAEGER OF PSC STAFF RE: SCHEDULING; DRAFT LETTER TO WATFORD RE: SAME.	1.20
07/23/01	REVIEW PRIOR ORDERS; BEGIN WORK WITH WATFORD RE: DRAFT TESTIMONY FOR WATFORD; TELEPHONE CONFERENCE WITH NIXON RE: RATE CASE EXPENSE; REVIEW FILE RE: SAME.	2.10
07/24/01	FINISH FIRST DRAFT OF WATFORD TESTIMONY AND SEND WITH COVER LETTER; TELEPHONE CONFERENCE WITH WATFORD AND NIXON RE: SAME AND OTHER ISSUES.	2.50
07/25/01	WORK ON PLEADING FOR RATE CASE; TELEPHONE CONFERENCE WITH WATFORD AND NIXON RE: RATE CASE STATUS AND RATE CASE EXPENSE AND EXTENSION; TELEPHONE CONFERENCE WITH JAEGER AND MERCHANT; ADDITIONAL TELEPHONE CONFERENCE WITH JAEGER AND MERCHANT RE: STATUS; DRAFT LETTER TO PSC RE: EXTENSION TO FILE CASE; TELEPHONE CONFERENCE WITH WATFORD AND NIXON RE: SAME.	4.60
07/25/01	TELEPHONE CONFERENCE WITH PORTER; REVIEW DRAFT TESTIMONY; FINISH FIRST DRAFT OF PLEADING AND LETTER TO WATFORD RE: SAME.	0.00
07/26/01	REVIEW LETTER FROM PSC RE: AUDIT DOCU- MENTS AND INFORMATION NEEDED; TELEPHONE CONFERENCE WITH STAFF ATTORNEY AND ACCOUNTANT RE: EXTENSION OF TIME TO FILE MFR'S; TELEPHONE CONFERENCE WITH WATFORD RE: SAME; SEND LETTER TO WATFORD;	2.60
07/30/01	TELEPHONE CONFERENCE WITH NIXON; ADDITIONAL TELEPHONE CONFERENCE RE: EXTENSION; TELEPHONE CONFERENCE WITH WATFORD RE: TESTIMONY CHANGES	2.90
07/30/01		0.00

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ALOHA UTILITIES, INC

INVOICE # 23999
AUGUST 15, 2001
FILE # 26038-0035

PAGE 2

07/31/01	REVIEW TESTIMONY AND PLEADINGS; TELEPHONE CONFERENCE WITH WATFORD RE: SAME; SEND REVISED VERSION TO WATFORD.	1.10 17.00	3,400.00
	LONG DISTANCE CALLS	3.39	
	TELECOPIER	40.00	
	PHOTOCOPIES	95.50	
	LEXIS SERVICE	30.00	
	TOTAL COSTS ADVANCED		168.89
	TOTAL STATEMENT		\$3,568.89

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FEI # 59-2763638
ALOHA UTILITIES, INC
6915 PERRINE RANCH RD
NEW PORT RICHEY, FL 34655

INVOICE # 24158
SEPTEMBER 17, 2001
FILE # 26038-0035

PAGE 1

MATTER 2001 SEVEN SPRINGS WATER RATE CASE

08/01/01	TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE: RATE CASE FILING AND VARIOUS ISSUES; REVIEW RATES AND WORK ON DRAFT PLEADING; INTRA-OFFICE CONFERENCE RE: SAME.	1.10
08/06/01	TELEPHONE CONFERENCE WITH WATFORD AND NIXON RE: RATES AND ISSUES; REVIEW FAXES FROM WATFORD AND NIXON; FINISH REVIEW OF RULES AND STATUTE.	1.40
08/07/01	SEVERAL TELEPHONE CONFERENCES AND CONFERENCE CALL WITH NIXON, WATFORD AND PORTER RE: RATES, ISSUES AND SWFWMD ISSUES; INTRA-OFFICE CONFERENCE RE: SAME.	4.10
08/08/01	CONTINUE REVIEW OF NIXON FAXES AND WATFORD FAXES RE: RATES AND ALTERNATIVE FOR SAME AND EFFECT OF SAME; WORK ON TESTIMONY AND PLEADING; TELEPHONE CONFERENCE WITH BOTH NIXON AND WATFORD RE: SAME.	4.30
08/09/01	CONTINUE REVIEW OF VARIOUS DOCUMENTS; TELEPHONE CONFERENCE WITH WATFORD AND NIXON RE; MFR'S AND RATE ISSUES; DRAFT REVISED TESTIMONY TO WATFORD AND REVISE PLEADING RE: RATE ISSUE; TELEPHONE CONFERENCE WITH NIXON, PORTER AND WATFORD RE: TESTIMONY AND REVISIONS TO SAME; REVIEW RULES AND STATUTES RE: COMPLIANCE WITH FILING REQUIREMENTS.	6.10
08/09/01	DRAFT REVISED PLEADING AND TESTIMONY FOR WATFORD BASED ON CHANGE IN COUNTY RATES; TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE: PREPARATION FOR FILING; ORGANIZE ALL EXHIBITS AND FILE CASE WITH COVER LETTER; REVIEW CASR AND SEND TO	0.00
08/10/01		5.70

Continued

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TALLAHASSEE FLORIDA 32302-1567

(850) 877-6555

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WHEN REMITTING

FE # 69-2783536
ALPHA UTILITIES, INC

INVOICE # 24158
SEPTEMBER 17, 2001
FILE # 26038-0035

PAGE 2

08/10/01	WATFORD WITH COVER LETTER; TELEPHONE CONFERENCE WITH COUNTY OFFICES RE: RATE ISSUES.	0.00
08/13/01	INTRA-OFFICE CONFERENCE RE: MEETING WITH SWFWMD; REVIEW LETTER FROM SWFWMD; TELEPHONE CONFERENCE WITH WATFORD RE: SAME; TELEPHONE CONFERENCE WITH STAFF ATTORNEY RE: APPLICATION TO WOODS; INTRA-OFFICE CONFERENCE RE: SAME; REVIEW	2.10
08/13/01	RULE ON SAME AND SEND MFR'S WITH CERTIFICATE OF SERVICE TO WOODS.	0.00
08/14/01	REVIEW RATE SCHEDULE FROM BRAMLETT; SEND WITH COVER LETTER TO WATFORD.	1.90
08/15/01	TELEPHONE CONFERENCE WITH WATFORD, PORTER AND JENKINS RE: OUTCOME OF MEETING AND NEED TO DISCUSS ISSUES RELATED TO WATER SOURCE AND TREATMENT.	0.80
08/16/01	REVIEW RULE ON CUSTOMER NOTICE AND TELEPHONE CONFERENCE WITH STAFF ATTORNEY RE: MR. WOODS; INTRA-OFFICE CONFERENCE RE: ISSUES RELATED TO WATER TREATMENT ALTERNATIVES; CONFERENCE CALL WITH WATFORD AND JENKINS RE: SAME; WORK ON	6.10
08/16/01	DRAFT SYNOPSIS AND CUSTOMER NOTICE; REVIEW RULES RE: SAME AND RE: NOTICING REQUIREMENTS; SEND DRAFT OF BOTH TO WATFORD WITH COVER LETTER RE: NOTICING REQUIREMENTS AND TIMING.	0.00
08/17/01	TELEPHONE CONFERENCE WITH PORTER; TELEPHONE CONFERENCE WITH WATFORD; REVISE PLEADING AND SEND WITH COVER LETTER; REVIEW LETTER FROM PSC RE: MFR'S MET; REVIEW RULE RE: NEED TO PLACE APPLICATION AT LIBRARY AND COUNTY COMMISSIONER AND OTHER NOTICING	2.90
08/17/01	REQUIREMENTS AND MFR'S APPROVAL LETTER WITH COVER LETTER TO WATFORD.	0.00
08/20/01	OBTAIN AND REVIEW PROCEDURE ORDER AND SEND WITH COVER LETTER TO WATFORD;	2.30

Continued

EXHIBIT RCN 14
PAGE 12 OF 77

LAW OFFICES

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P O BOX 1567
TALLAHASSEE, FLORIDA 32302-1567

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WHEN REMITTING

FEI # 58-2783538
ALOHA UTILITIES, INC

INVOICE # 24158
SEPTEMBER 17, 2001
FILE # 26038-0035

PAGE 3

08/20/01	REVIEW NEW SCHEDULE AND CASR; TELEPHONE CONFERENCE WITH PORTER AND WATFORD AND SEND WITH COVER LETTER; REVIEW WEBSITE; TELEPHONE CONFERENCE WITH WATFORD RE: INFORMATION ON ASSIGNMENTS OF STAFF AND COMMISSIONERS.	0.00
08/21/01	TELEPHONE CONFERENCE WITH JAEGER RE: CORPORATE UNDERTAKING AND OVERTURNINGS REFUND VERSUS NEW INTERIM RATES AND APPLICABILITY OF CORPORATE UNDERTAKING TO INTERIM RATES; LETTER TO WATFORD;	3.70
08/21/01	TELEPHONE CONFERENCE WITH WATFORD; TELEPHONE CONFERENCE WITH JURGUTIS; DRAFT LETTER TO PSC RE: SAME; TELEPHONE CONFERENCE WITH CONNIE RE: CUSTOMER NOTICE AND SYNOPSIS; TELEPHONE CONFERENCE WITH WATFORD RE: SAME;	0.00
08/21/01	TELEPHONE CONFERENCE WITH JURGUTIS RE: SAME; FINALIZE SAME AND SEND WITH COVER LETTER TO STAFF.	0.00
08/22/01	FINALIZE SECOND DRAFT OF CUSTOMER NOTICE AND SYNOPSIS AND SEND TO JAEGER AT PSC WITH COVER LETTER.	1.30
08/24/01	TELEPHONE CONFERENCE RE: CHANGES IN HEARING DATE AND FAX NOTIFICATION TO WATFORD, NIXON AND PORTER RE: SAME.	0.50
08/29/01	REVIEW OPC NOTICE OF INTERVENTION AND PSC ORDER GRANTING INTERVENTION; REVIEW OPC INTERVENTION IN LEVERAGE FORMULA; REVIEW ORDER ON PROCEDURE AND CONTROLLING DATES; DRAFT LETTER TO WATFORD RE: ALL.	3.30
08/30/01	REVIEW CASR AND SEND WITH COVER LETTER; TELEPHONE CONFERENCE WITH WATFORD RE: STATUS OF INTERIM CUSTOMER NOTICE AND SYNOPSIS; REVIEW COMMENTS BY STAFF ATTORNEY RE: SAME AND BEGIN TO INCORPORATE CHANGES.	1.50
08/31/01	TELEPHONE CONFERENCE WITH JURGUTIS; REVIEW FAXED CHANGES; REVISE AND	2.20

Continued

EXHIBIT RCN 14
PAGE 13 OF 77

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WHEN REMITTING

FF-1 # 587783538
ALOHA UTILITIES, INC

INVOICE # 24158
SEPTEMBER 17, 2001
FILE # 26038-0035

PAGE 4

08/31/01	FINALIZE SYNOPSIS AND CUSTOMER NOTICE SECOND DRAFT PER STAFF ATTORNEY AND CLIENT COMMENTS; TELEPHONE CONPERENCE WITH NIXON, PORTER AND WATFORD; FINALIZE AND SEND TO STAFF WITH COVER LETTER.	0.00	
		51.40	10,280.00
	TELECOPIER	189.00	
	PHOTOCOPIES	126.99	
	COPIES OF MAPS	38.52	
	TOTAL COSTS ADVANCED		354.51
	TOTAL STATEMENT		\$10,634.51

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(850) 877-8555

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FEI # 59-2783538

ALOHA UTILITIES, INC
6915 FERRINE RANCH RD
NEW PORT RICHEY, FL 34655

INVOICE # 24210
OCTOBER 12, 2001
FILE # 26038-0035

PAGE 1

MATTER	2001 SEVEN SPRINGS WATER RATE CASE	
09/05/01	TWO TELEPHONE CONFERENCES WITH STAFF ATTORNEY RE; INTERROGATORIES SENT OUT; TELEPHONE CONFERENCE WITH WATFORD AND NIXON RE: SAME; SEND OUT SYNOPSIS AND CUSTOMER NOTICE IN FINAL FORM.	1.70
09/06/01	TELEPHONE CONFERENCE WITH WATFORD, MERCHANT AND NIXON RE: INTERIM; BEGIN WORK ON PLEADING; ADDITIONAL TELEPHONE CONFERENCE WITH MERCHANT AND WATFORD RE: INTERIM.	1.90
09/07/01	TELEPHONE CONFERENCE WITH WATFORD RE: DISCOVERY AND INITIAL REVIEW OF OPC'S FIRST DISCOVERY AND SEND WITH COVER LETTER TO WATFORD, NIXON AND PORTER; TELEPHONE CONFERENCE WITH STAFF ATTORNEY, WATFORD AND NIXON RE: REVISED INTERIM REQUEST; REVIEW ADDITIONAL REQUEST; ADDITIONAL TELEPHONE CONFERENCE WITH STAFF ATTORNEY AND ANALYST.	3.40
09/07/01	REVIEW OF DISCOVERY; CALCULATION OF OBJECTION DATES; REVIEW OF POSSIBLE OBJECTION.	0.00
09/10/01	REVIEW SCHEDULES FROM NIXON RE: NEW INTERIM REQUEST; TELEPHONE CONFERENCE WITH WATFORD AND NIXON RE: SAME; DRAFT COVER LETTER AND NEW PLEADING; REVISE TARIFFS AND SEND DRAFT OF ALL TO WATFORD, NIXON AND PORTER; TELEPHONE CONFERENCE RE: SAME; REVISE, FINALIZE AND SEND; REVIEW CUSTOMER NOTICE AND SYNOPSIS RE: CHANGES FOR INTERIM; REVISE SAME.	1.00
09/10/01	TELEPHONE CONFERENCE WITH STAFF ATTORNEY RE; INITIAL CUSTOMER NOTICE AND SYNOPSIS AND REVISION TO SAME; FINALIZE AND SEND	5.90
09/11/01		0.00
		2.10

Continued

FMD 10180.00
RLW 3200.00

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ALOHA UTILITIES, INC

INVOICE # 24210
OCTOBER 12, 2001
FILE # 26038-0035

PAGE 2

	SYNOPSIS TO COUNTY AND CLIENT WITH COVER LETTER RE: DISTRIBUTION OF CUSTOMER NOTICE; TELEPHONE CONFERENCE WITH STAFF ATTORNEY RE: DEPOSITION DATES AND LOCATION; TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE: SAME AND RE: NOTICE.	0.00
09/11/01		
09/12/01	REVIEWING DISCOVERY RECEIVED FROM OPC FOR POSSIBILITY OF OBJECTION.	1.90
09/12/01	TELEPHONE CONFERENCE WITH JAEGER AND ESPINOZA RE: ISSUES FOR DEPOSITION AND AGREEMENT PROPOSAL; OBTAIN, REVIEW AND SEND ISSUES WITH COVER LETTER TO WATFORD; TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER; ADDITIONAL TELEPHONE CONFERENCE WITH STAFF ANALYST AND ATTORNEY RE: MISSING SCHEDULES FROM INTERIM REQUEST; REVIEW FILE COPY AND RESUBMIT MISSING SCHEDULE WITH COVER LETTER; TELEPHONE CONFERENCE WITH STAFF ATTORNEY RE: WORKING CAPITAL CALCULATION; TELEPHONE CONFERENCE WITH NIXON AND WATFORD RE: SAME; REVIEW SAME AND FORWARD WORKPAPER WITH COVER LETTER TO STAFF.	4.10
09/12/01		0.00
09/12/01		0.00
09/13/01	BRIEFLY REVIEW STAFF DISCOVERY; INTRA-OFFICE CONFERENCE RE: SAME; TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE: INTERIM ISSUES, DEPOSITION SCHEDULE; TELEPHONE CONFERENCE WITH STAFF ATTORNEY RE: SAME; FORWARD TO WATFORD, NIXON AND PORTER.	3.20
09/13/01		0.00
09/14/01	TELEPHONE CONFERENCE WITH STEVE WATFORD; SETTING UP CONFERENCE CALL RE: DISCOVERY OBJECTIONS; REVIEWING DISCOVERY AND PROCEDURE ORDER IN CASE RE: POSSIBILITY OF OBJECTIONS.	2.10
09/14/01	TELEPHONE CONFERENCE WITH STAFF ATTORNEYS RE: DEPOSITIONS AND INTERIM RATES; TELEPHONE CONFERENCE WITH WATFORD	1.10

Continued

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	RE: SAME; TELEPHONE CONFERENCE WITH NIXON RE: ALL.	
09/17/01	INTRA-OFFICE CONFERENCE RE: OUTSTANDING DISCOVERY IN CASE; TELEPHONE CONFERENCE WITH CLIENT AND EXPERTS RE: DISCOVERY.	5.00
09/17/01	FINISH REVIEW OF OPC DISCOVERY; INTRA-OFFICE CONFERENCE RE: SAME; TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE: SAME AND RE: INTERIM SCHEDULE; TELEPHONE CONFERENCE WITH STAFF RE: INTERIM ISSUES AND DEPOSITIONS; ADDITIONAL TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE: SAME.	5.90
09/17/01	LENGTHY CONFERENCE CALL WITH CLIENT AND EXPERTS RE: DISCOVERY; REVIEW OF DISCOVERY AND POTENTIAL OBJECTIONS RE: SAME.	0.00
09/18/01	REVIEW STAFF INTERROGATORIES AND REQUEST FOR PRODUCTION; MAKE NOTES; INTRA-OFFICE CONFERENCE RE: SAME; PARTICIPATE IN CONFERENCE CALL RE: SAME.	3.90
09/18/01	TELEPHONE CONFERENCE WITH STAFF RE: TIMING OF DEPOSITIONS; TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE: SAME; REVIEW VARIOUS DOCUMENTS AND ADDITIONAL TELEPHONE CONFERENCE WITH STAFF.	4.50
09/19/01	TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE: FINALIZATION OF DEPOSITIONS; DRAFT LETTER TO STAFF ATTORNEY RE: AGREEMENT AND SCHEDULE RE: SAME.	1.10
09/20/01	TELEPHONE CONFERENCE WITH WATFORD AND NIXON RE: DEPOSITION; TELEPHONE CONFERENCE WITH PORTER RE: SAME; TELEPHONE CONFERENCE WITH BURGESS RE: SAME AND POTENTIAL CHANGES TO SCHEDULE; ADDITIONAL TELEPHONE CONFERENCE WITH WATFORD AND NIXON; TELEPHONE CONFERENCE	1.80
09/24/01		2.10
09/24/01		0.00

Continued

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OCTOBER 12, 2001
FILE # 26038-0035

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09/25/01	WITH CONNIE KURISH RE: NOTICES. TELEPHONE CONFERENCE WITH WATFORD AND NIXON RE: DEPOSITION; TELEPHONE CONFERENCE WITH PORTER RE: SCHEDULE; TELEPHONE CONFERENCE WITH BURGESS RE: SCHEDULE AND OPC POSITION; REVIEW STAFF LETTER; REVIEW STAFF RECOMMENDATION ON	4.40	
09/25/01	SUSPENSION OF RATES; SEND WITH COVER LETTER TO WATFORD; REVIEW DEPOSITION NOTICE AND SEND WITH ATTACHMENTS; REVIEW LETTER FROM PSC AND CUSTOMER NOTICE FROM MARWICK WITH ATTACHMENTS; TELEPHONE CONFERENCE WITH WATFORD AND PORTER RE:	0.00	
09/25/01	SAME.	0.00	
09/26/01	REVIEW MOTION TO INTERVENE; SEND TO WATFORD WITH COVER LETTER; TELEPHONE CONFERENCE WITH WATFORD; REVIEW LETTER FROM PSC RE: DEPOSITION AGREEMENT.	1.80	
09/27/01	TELEPHONE CONFERENCE WITH WATFORD AND NIXON; TELEPHONE CONFERENCE WITH PORTER RE: DEPOSITION DATES; TELEPHONE CONFERENCE WITH JAEGER AND TELEPHONE CONFERENCE WITH BURGESS RE: ALL AND AGREEMENT AS TO SCOPE; TELEPHONE CONFERENCE RE: DISCOVERY.	2.80	
09/27/01	WORK ON DISCOVERY MATTERS; REVIEWING PREHEARING ORDER AND POSSIBLE BASIS FOR ALL OBJECTION.	0.00	
09/27/01		2.10	
09/28/01	REVIEW OPC 2ND SET OF INTERROGATORIES; TELEPHONE CONFERENCE WITH BURGESS RE: SAME AND RE: DEPOSITION; TELEPHONE CONFERENCE WITH NIXON AND WATFORD; DRAFT LETTER TO JAEGER RE: CUSTOMER COMPLAINTS AND SEND TO WATFORD IN DRAFT FORM; TELEPHONE CONFERENCE RE: SAME.	3.10	
09/28/01		0.00	
		66.90	13,380.00
	FEDERAL EXPRESS	35.35	
	TRAVEL EXPENSE	479.66	

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OCTOBER 12, 2001
FILE # 26038-0035

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TELECOPIER	169.50	
PHOTOCOPIES	191.11	
PHOTOCOPIES	996.75	
TOTAL COSTS ADVANCED		1,872.37
TOTAL STATEMENT		\$15,252.37

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NOVEMBER 15, 2001
FILE # 26038-0035

PAGE 1

MATTER 2001 SEVEN SPRINGS WATER RATE CASE

10/01/01	TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE: DISCOVERY RESPONSES AND DEPOSITIONS; WORK ON ORGANIZING DISCOVERY RESPONSE INFORMATION RECEIVED.	4.20
10/02/01	TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE: INTERROGATORIES, REQUEST FOR PRODUCTION AND DEPOSITIONS; CONTINUE ORGANIZING INFORMATION RECEIVED RE: RESPONSES TO OPC'S FIRST SET OF INTERROGATORIES; CONFERENCE CALL WITH ALL WITNESSES RE; DISCOVERY; ORGANIZE SECOND DRAFT OF RESPONSES TO OPC'S FIRST SET OF INTERROGATORIES AND RE: DEPOSITIONS; ORGANIZE FILES FOR TRAVEL TO TAMPA AND DEPOSITIONS; DRAFT LETTER TO JAEGER RE: CUSTOMER COMPLAINTS AND CONCERNS RE: SAME; REVIEW OPC'S SECOND SET OF INTERROGATORIES RECEIVED.	5.40
10/02/01	DEALING WITH DISCOVERY ISSUES; RESEARCH RE: SAME; SEVERAL TELEPHONE CONFERENCES RE: SAME.	0.00
10/02/01	TRAVEL TO TAMPA TO NIXON'S OFFICE; PARTICIPATE IN DISCUSSIONS RE: DEPOSITION PREPARATION AND INTERROGATORY RESPONSES AND GENERAL ISSUES; DISCUSS DRAFT LETTER TO JAEGER RE: CUSTOMER COMPLAINTS.	0.00
10/02/01	DEALING WITH DISCOVERY ISSUES; RESEARCH RE: SAME; SEVERAL TELEPHONE CONFERENCES RE: SAME.	2.80
10/03/01	TRAVEL TO TAMPA TO NIXON'S OFFICE; PARTICIPATE IN DISCUSSIONS RE: DEPOSITION PREPARATION AND INTERROGATORY RESPONSES AND GENERAL ISSUES; DISCUSS DRAFT LETTER TO JAEGER RE: CUSTOMER COMPLAINTS.	8.60
10/04/01	FINALIZE PREPARATION FOR DEPOSITION OF PORTER, NIXON AND WATFORD AND PARTICIPATE IN DEPOSITION; TELEPHONE CONFERENCE WITH OFFICE RE: REVISIONS TO INTERROGATORIES; FINALIZE LETTER TO JAEGER RE: COMPLAINTS AND SEND TO PSC; RETURN TRAVEL TO TALLAHASSEE; BEGIN REVIEW OF INTERIM RECOMMENDATION	7.10
10/04/01	REVIEW OF INTERIM RECOMMENDATION	0.00

Continue

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 FILE # 26038-0035

PAGE 2

	RECEIVED.	
10/04/01	REVIEWING DISCOVERY; REVIEWING PROCEDURE ORDER; RESEARCH RE: OBJECTION.	2.10
10/05/01	REVIEW DISCOVERY RESPONSE INFORMATION FROM NIXON, PORTER AND WATFORD; REVIEW REDRAFT AND REVISE RESPONSES; ADDITIONAL TELEPHONE CONFERENCE WITH ALL; FINALIZE RESPONSES AND NOTICES; REVIEW INTERIM RECOMMENDATION IN DETAIL; LETTER TO WATFORD RE: SAME; TELEPHONE CONFERENCE WITH WATFORD AND NIXON RE: SAME; FINISH REVIEW OF OPC'S SECOND SET; TELEPHONE CONFERENCE RE: OBJECTIONS TO OPC AND INTRA-OFFICE CONFERENCE RE: SAME.	6.10
10/05/01	REVIEWING DISCOVERY MATTERS; RESEARCH AND REVIEW OF PRELIMINARY ORDERS RE: SAME.	0.00
10/05/01	FINALIZE OPC FIRST SET OF INTERROGATORY ANSWERS; REVIEW DOCUMENTS FROM NIXON AND WATFORD RE: STAFF'S FIRST SET; TELEPHONE CONFERENCE RE: INTERIM RECOMMENDATION AND STAFF ERRORS AND CONCERNS RE: SAME AND RE: THE STAFF DISCOVERY; REVIEW OPC'S THIRD SET OF INTERROGATORIES; INTRA-OFFICE CONFERENCE AND TELEPHONE CONFERENCE RE: SAME; ORGANIZE RESPONSE RE: RATE CASE EXPENSE; REVIEW EMAILS RE: INTERROGATORY ANSWERS; FILE OPC'S FIRST SET.	1.40
10/08/01	GENERAL PREPARATION FOR ISSUES IN CASE; DISCOVERY IN CASE; FINALIZE AND FILE OBJECTIONS TO ONE SET OF DISCOVERY AND RESPONSES TO ANOTHER SET OF DISCOVERY.	4.60
10/08/01	ADDITIONAL TELEPHONE CONFERENCE RE: INTERIM ISSUES AND POSITIONS; DRAFT LETTER TO STAFF RE: CONCERNS AND ISSUES; CONTINUE WORK ON STAFF'S FIRST SET OF INTERROGATORIES; CONFERENCE CALL RE: INTERIM LETTER; FINALIZE AND SEND SAME.	0.00
10/08/01	SEVERAL TELEPHONE CONFERENCES RE:	3.40
10/09/01		4.20
10/09/01		1.00

Continued

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FILE # 26038-0035

PAGE 3

DATE	DESCRIPTION	AMOUNT
10/10/01	PENDING ISSUES.	
10/10/01	CONTINUE REVIEW OF STAFF INTERROGATORY RESPONSES AND INFORMATION RECEIVED; SEVERAL TELEPHONE CONFERENCES WITH WATFORD AND NIXON RE: SAME AND ORGANIZE RESPONSES.	4.90
10/10/01	REVIEW OF DISCOVERY; SETTING UP DEPOSITION SCHEDULE; TELEPHONE CONFERENCE WITH STEVE BURGESS RE: SAME; MEMO RE: SAME.	1.40
10/11/01	CONTINUE WORK ON STAFF'S FIRST SET OF INTERROGATORIES; WORK ON RATE CASE EXPENSE ESTIMATE TO COMPLETE.	3.30
10/11/01	REVIEWING DISCOVERY; RESEARCH RE: POSSIBLE OBJECTIONS RE: SAME.	1.50
10/12/01	REVIEW ALL INFORMATION RECEIVED RE: INTERROGATORY RESPONSES TO STAFF'S FIRST SET; ORGANIZE ALL RESPONSES; DRAFT PLEADINGS RE: ANSWERS TO INTERROGATORIES AND REQUESTS FOR PRODUCTION; TELEPHONE CONFERENCE WITH JAEGER; SEVERAL TELEPHONE CONFERENCES WITH STAFF ATTORNEY, WATFORD, NIXON AND PORTER.	5.10
10/12/01	FINALIZE STAFF'S FIRST SET OF INTERROGATORY RESPONSES AND FILE; SEVERAL TELEPHONE CONFERENCES WITH STAFF ATTORNEY, WATFORD AND NIXON RE: INTERIM RECOMMENDATION AND DEFERRAL; INTRA-OFFICE CONFERENCE RE: OBJECTIONS TO OPC.	0.00
10/13/01	DRAFT AND FILE OBJECTIONS TO OPC'S DISCOVERY.	6.10
10/13/01	PARTICIPATE IN CONFERENCE CALL RE: WMD COMPLIANCE PLAN AND CONSERVATION MEASURES AND EFFECTS ON PSC CASE;	1.50
10/16/01	INTRA-OFFICE CONFERENCE RE: SAME; REVIEW FILES RE: SAME.	2.90
10/17/01	REVIEW STAFF INTERROGATORY RESPONSES; TELEPHONE CONFERENCE WITH STAFF ATTORNEY RE: CORRECTION; SEVERAL TELEPHONE CONFERENCES WITH WATFORD AND NIXON RE:	2.10

Continued

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NOVEMBER 15, 2001
FILE # 26038-0035

PAGE 4

SAME AND RE: DEPOSITIONS AND OTHER ISSUES.

10/18/01	TELEPHONE CONFERENCE WITH WATFORD AND NIXON RE: VARIOUS ISSUES, INCLUDING LATE-FILED EXHIBITS TO FIRST DEPOSITION; REVIEW VARIOUS DOCUMENTS RE: SAME AND MAKE LIST AND FAX LIST; REVIEW PREVIOUS ORDER; TELEPHONE CONFERENCE WITH STAFF ATTORNEY AND ANALYST RE: AUDIT;	3.60
10/18/01	TELEPHONE CONFERENCE WITH NIXON RE: SAME; PARTICIPATE IN CONFERENCE CALL RE: VARIOUS ISSUES, INCLUDING DISCOVERY RESPONSES.	0.00
10/19/01	TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE: DISCOVERY RESPONSES; DRAFT LANGUAGE AND REVIEW DOCUMENTS FROM WATFORD, PORTER AND NIXON; REVIEW VARIOUS CORRESPONDENCE AND CONSERVATION PLAN AND FINALIZE CHANGES; SEND TO WATFORD; TELEPHONE CONFERENCE RE: SAME;	5.20
10/19/01	FINALIZE AND LETTER TO PSC RE: SAME AND ORGANIZE EXHIBITS AND FILE; TELEPHONE CONFERENCE WITH AUDIT MANAGER OF STAFF; TELEPHONE CONFERENCE WITH NIXON AND CRONIN; OBTAIN AUDIT REPORT; TELEPHONE CONFERENCE WITH STAFF ATTORNEY RE: DOCUMENT PRODUCTION; TELEPHONE CONFERENCE WITH NIXON AND WATFORD RE: SAME.	0.00
10/19/01	TELEPHONE CONFERENCE WITH CRONIN RE: DOCUMENT PRODUCTION; REVIEW SAME; DRAFT OUTLINE RE: SAME AND SEND TO CRONIN; TELEPHONE CONFERENCE WITH WATFORD; ADDITIONAL TELEPHONE CONFERENCE WITH CRONIN AND WATFORD.	2.90
10/22/01	INITIAL REVIEW OF DISCOVERY; NOTICES OF DEPOSITION DT; RESEARCH RE: SAME.	1.00
10/23/01	TELEPHONE CONFERENCE WITH STAFF ATTORNEY AND ANALYST RE: INTERIM INFORMATION; TELEPHONE CONFERENCE WITH NIXON AND	3.50

Continued

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NOVEMBER 15, 2001
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DATE	DESCRIPTION	AMOUNT
10/23/01	WATFORD RE: SAME; ADDITIONAL TELEPHONE CONFERENCE WITH STAFF RE: ISSUES; TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE: OPC DOCUMENT AVAILABILTY; TELEPHONE CONFERENCE WITH WATFORD RE: SAME AND REVIEW TAX RECORDS.	0.00
10/23/01	TELEPHONE CONFERENCE RE: OUTSTANDING DISCOVERY AND DOCUMENTS; GENERAL PREPARATION FOR TRIAL.	2.10
10/23/01	REVIEWING DISCOVERY; CONSIDER AND RESEARCH OBJECTIONS.	1.10
10/24/01	TELEPHONE CONFERENCE WITH WATFORD, PORTER AND NIXON RE: VARIOUS ISSUES; TELEPHONE CONFERENCE WITH PORTER RE: EXHIBIT MISSING PAGE; TELEPHONE CONFERENCE WITH PSC RE: SAME; LETTER TO PSC RE: SAME; REVIEW NOTES AND CORRESPONDENCE AND PSC INTERROGATORIES;	4.10
10/24/01	DRAFT LETTER TO PSC RE: RESPONSES AND SUPPORTING DOCUMENTATION AND SUPPLEMENTS TO PREVIOUS INTERROGATORIES.	0.00
10/25/01	REVIEW AUDIT REPORT OBTAINED; STAFF RECOMMENDATION ON INTERIM AND REVIEW; TELEPHONE CONFERENCE WITH WATFORD AND NIXON RE: INTERIM AND AUDIT REPORT; ORGANIZE INFORMATION AND RESPONSE TO DISCOVERY; TELEPHONE CONFERENCE RE: SAME; CONFERENCE ALL RE: CONSERVATION PLAN AND BUILD-OUT DATA.	4.20
10/25/01	DRAFTING RESPONSES TO DISCOVERY;	0.50
10/26/01	TELEPHONE CONFERENCE RE: SAME. TELEPHONE CONFERENCE WITH NIXON, WATFORD AND PORTER RE: DEPOSITION AND RE: SUPPLEMENT TO DISCOVERY RESPONSES; OBTAIN COPIES OF TAX BILLS AND SEND WITH OTHER INFORMATION AND ATTACHMENTS AND LETTER TO STAFF.	3.60
10/26/01	TELEPHONE CONFERENCE RE: OUTSTANDING DISCOVERY.	0.40
10/28/01	ORGANIZE FILES AND TRAVEL TO CLEARWATER;	7.00

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10/29/01	MEETING WITH WATFORD, NIXON AND PORTER IN PREPARATION FOR DEPOSITIONS AND DOCUMENT DELIVERY; REVIEW TRANSCRIPTS OF PRIOR DEPOSITIONS AND GENERAL PREPARATION FOR NEXT DAY'S DEPOSITIONS. REVIEW VARIOUS FILES AND NOTICE AND DOCUMENT REQUEST; PARTICIPATE IN DEPOSITION.	11.40
10/29/01	DRAFT AND FILE OBJECTIONS AFTER TELEPHONE CONFERENCE AND REVIEW OF DISCOVERY RE: SAME.	0.80
10/30/01	TELEPHONE CONFERENCE WITH WATFORD AND NIXON; REVIEW NOTES RE: DEPOSITION; TELEPHONE CONFERENCE WITH PORTER; PREPARE LIST OF DEPOSITION EXHIBITS AND SEND TO WATFORD; REVIEW NIXON EMAILS AND KURISH FAX; LETTER TO OPC ACCOUNTANT RE: ADDITIONAL DOCUMENTS AND SEND.	4.90
10/30/01	IN-HOUSE CONFERENCE REGARDING POTENTIAL ENFORCEMENT ACTION BY SWFWMD, AND IMPACTS UPON PSC RATE PROCEEDINGS; REVIEW RULES.	0.00
10/30/01		2.20
10/31/01	TELEPHONE CONFERENCE WITH WATFORD RE: DISCOVERY AND DEPOSITION EXHIBITS AND LIST OF SAME; REVIEW NIXON'S SUGGESTIONS RE: SAME.	2.00
10/31/01	TELEPHONE CONFERENCE RE: OUTSTANDING DISCOVERY ISSUES.	0.50
		140.70
		28,140.0
	LONG DISTANCE CALLS	69.25
	FEDERAL EXPRESS	37.08
	TRAVEL EXPENSE	291.07
	TELECOPIER	238.00
	PHOTOCOPIES	1,256.75
	TRANSCRIPT OF DEPOSITION	532.50
	COPY OF TRANSCRIPT	283.65
	LEXIS SERVICE	75.00

Continue

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NOVEMBER 15, 2001
FILE # 26038-0035

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TOTAL COSTS ADVANCED	2,783.3
TOTAL STATEMENT	\$30,923.3

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6915 PERRINE RANCH RD
NEW PORT RICHEY, FL 34655

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DECEMBER 17, 2001
FILE # 26038-0035

PAGE 1

MATTER

2001 SEVEN SPRINGS WATER RATE CASE

11/01/01	TELEPHONE CONFERENCE WITH TRICIA MERCHANT RE: INTERIM; REVIEW FILE AND VARIOUS DOCUMENTS; TELEPHONE CONFERENCE WITH NIXON AND WATFORD RE: TAX ISSUE AND INTERIM.	1.40
11/02/01	TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE: LATE-FILED DEPOSITION EXHIBIT; WORK ON RATE CASE EXPENSE UPDATE.	2.60
11/05/01	REVIEW VARIOUS DOCUMENTS FROM NIXON, WATFORD AND PORTER; TELEPHONE CONFERENCE WITH EACH; REVISE RESPONSES; FINALIZE AND SEND ALL; DRAFT LETTER TO CLERK RE: AUDIT RESPONSE; REVIEW PRIOR DISCOVERY; TELEPHONE CONFERENCE WITH CONNIE KURISH AND WATFORD; DRAFT COVER LETTER.	4.00
11/05/01	PREPARE CUSTOMER NOTICE AND TARIFFS RE:	0.00
11/06/01	INTERIM; REVIEW STAFF RECOMMENDATION; PREPARE FOR AGENDA; GO TO PSC; DISCUSSIONS WITH STAFF; RETURN; TELEPHONE CONFERENCE WITH WATFORD; ADDITIONAL TELEPHONE CONFERENCE WITH STAFF; RETURN FOR MAIN AGENDA CONFER- ENCE; ADDITIONAL TELEPHONE CONFERENCE WITH WATFORD RE: OUTCOME; THIRD TELEPHONE CONFERENCE WITH WATFORD RE: INTERIM AND CUSTOMER NOTICE; TELEPHONE CONFERENCE WITH JAEGER RE: SAME.	6.20
11/06/01	REVIEW STAFF RECOMMENDATION APPROVED AT INTERIM AGENDA; TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE: AGENDA OUTCOME AND INTERIM RATES, ORDER AND CUSTOMER NOTICE; DRAFT CUSTOMER NOTICE AND TARIFF; SEND BY FAX TO	0.00
11/07/01		6.40

ROSE, SUNDSTROM & BENTLEY, LLP

P. O. BOX 1567
TALLAHASSEE, FLORIDA 32302-1567

(850) 877-6555

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F.E.I # 59-2783536

ALOHA UTILITIES, INC

INVOICE # 24418
DECEMBER 17, 2001
FILE # 26038-0035

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DATE	DESCRIPTION	AMOUNT
11/07/01	CONFERENCE WITH JAEGER AND WATFORD RE: SAME; TELEPHONE CONFERENCE WITH JAEGER RE: RATES AND TARIFFS; TELEPHONE CONFERENCE WITH WATFORD RE: CONFERENCE CALL REQUIRED; TELEPHONE CONFERENCE WITH CLERK'S OFFICE RE: OPC TESTIMONY AVAILABILITY; OBTAIN OPC TESTIMONY AND BEGIN REVIEW OF SAME.	0.00
11/08/01	INITIAL REVIEW OF PREFILED TESTIMONY.	3.90
11/08/01	TELEPHONE CONFERENCE WITH WATFORD AND JAEGER RE: CUSTOMER NOTICE AND CHANGES, TARIFFS, AND EFFECTIVE DATE; TELEPHONE CONFERENCE WITH STAFF ANALYST RE: SAME AND RE: FINALIZING NOTICE AND TARIFFS; REVIEW PROPOSED NEW RULE DOCKET RE:	6.10
11/08/01	RATE CASE EXPENSE AND REVIEW STATUTE CHANGES; DRAFT ESCROW AGREEMENT; SEND TO KURISH; TELEPHONE CONFERENCE WITH KURISH AND WATFORD RE: ALL AND RE: ORGANIZING FOR INTERIM IMPLEMENTATION.	0.00
11/09/01	REVIEWING PREFILED TESTIMONY OF OPC; INTRA-OFFICE CONFERENCE RE: DEPOSITION SCHEDULES.	4.10
11/09/01	CONTINUE REVIEW OF OPC TESTIMONY; TELEPHONE CONFERENCE WITH FLETCHER; REVISE TARIFFS AND CUSTOMER NOTICE; REVIEW ESCROW AGREEMENT AND DOCUMENTS AND SEND WITH COVER LETTER TO CLERK.	4.10
11/10/01	CONTINUE REVIEW OF OPC TESTIMONY; TELEPHONE CONFERENCE WITH WATFORD AND PORTER RE: SAME AND RE: INTERIM DEPOSITIONS.	2.10
11/11/01	GENERAL PREPARATION FOR TRIAL; INTRA-OFFICE CONFERENCE RE: DEPOSITIONS AND PREFILED TESTIMONY; LENGTHY TELEPHONE CONFERENCE RE: OUTSTANDING MATTERS.	3.10
11/12/01	REVIEWING TESTIMONY AND PREPARING FOR DEPOSITIONS.	2.90
11/13/01	REVIEWING PREFILED TESTIMONY; PREPARING	4.10

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Continu

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11/13/01	FOR DEPOSITIONS AND DISCOVERY; NUMEROUS TELEPHONE CONFERENCES RE: SAME. REVIEW INFORMATION FROM PSC RE: ESCROW; TELEPHONE CONFERENCE WITH STAFF RE; TARIFFS; SEND ALL TO CLIENT WITH COVER LETTER AND CONTINUE REVIEW OF TESTIMONIES FILED.	2.80
11/14/01	LENGTHY CONFERENCE RE: DEPOSITION SCHEDULE, PREFILED TESTIMONY AND OUTSTANDING ISSUES; REVIEWING TESTIMONY FILED; RESEARCH RE: SAME.	4.10
11/14/01	TELEPHONE CONFERENCE WITH DECHARIO RE: RESPONSE TO OPC TESTIMONY AND PREPARATION FOR DEPOSITION; REVIEW DOCUMENTS FROM WATER QUALITY CASE AND SEND TO DECHARIO AS REQUESTED; WORK ON REVIEW OF OPC TESTIMONY AND SWFWMD TESTIMONY;	4.20
11/14/01	INTRA-OFFICE CONFERENCE AND TELEPHONE CONFERENCE RE: VARIOUS RATE CASE ISSUES.	0.00
11/15/01	GENERAL PREPARATION FOR HEARING; SEVERAL TELEPHONE CONFERENCES RE: SAME.	1.80
11/15/01	CONTINUE REVIEW OF DOCUMENTS AND TESTIMONY OF OPC AND SWFWMD; INTRA-OFFICE CONFERENCE AND TELEPHONE CONFERENCE WITH WATFORD AND PORTER RE: VARIOUS ISSUES AND SWFWMD ISSUES.	2.40
11/16/01	REVIEWING TESTIMONY OF OPC AND EXHIBITS ATTACHED THERETO.	4.80
11/16/01	REVIEW STAFF DISCOVERY TO SWFWMD; LETTER TO WATFORD RE: SAME; TELEPHONE CONFERENCE WITH WATFORD RE; SAME; TELEPHONE CONFERENCE WITH STAFF RE; DEPOSITION SETUP AND TELEPHONE CONFERENCE WITH BURGESS RE: SAME.	2.40
11/19/01	PREPARATION FOR DEPOSITIONS; GENERAL PREPARATION FOR TRIAL; SETTING UP NOTICE OF DEPOSITIONS; SEVERAL TELEPHONE CONFERENCES WITH OTHER PARTIES RE: SAME.	2.10
11/19/01	SEVERAL TELEPHONE CONFERENCES WITH STAFF AND OPC RE: DEPOSITION SCHEDULING AND	2.70

Contin
CONTINUED

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DECEMBER 17, 2001
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	TESTIMONY DUE DATES; TELEPHONE		
	CONFERENCE WITH WATFORD RE: ALL AND RE:		
	DEPOSITION SCHEDULE ORGANIZATION;		
	TELEPHONE CONFERENCE WITH PORTER RE:		
11/19/01	SAME; INTRA-OFFICE CONFERENCES RE: SAME.	0.00	
11/20/01	REVIEWING BIDDY'S TESTIMONY AND	5.10	
	EXHIBITS; PREPARATION FOR BIDDY		
	DEPOSITION; REVIEWING TESTIMONY OF OTHER		
	WITNESSES; SETTING UP DEPOSITIONS IN		
	CASE; INTRA-OFFICE CONFERENCE RE: BEST		
	WAY TO PROCEED; TELEPHONE CONFERENCE		
11/20/01	RE: RESPONSIVE TESTIMONY AND OPC	0.00	
	TESTIMONY CONTENT; GENERAL PREPARATION		
	FOR HEARING; PREPARATION FOR TOMORROW'S		
	TRIP TO SEE DAVID PORTER IN CLAY COUNTY.		
11/20/01	PREPARE MOTION FOR EXTENSION OF TIME TO	6.90	
	FILE TESTIMONY; SEVERAL TELEPHONE		
	CONFERENCES WITH STAFF ATTORNEY RE:		
	SAME; TELEPHONE CONFERENCE WITH BURGESS,		
	WOOD AND LYTLER RE: SAME; FINALIZE AND		
	FILE MOTION FOR EXTENSION OF TIME;		
11/20/01	TELEPHONE CONFERENCE WITH ALL RE:	0.00	
	DEPOSITION SETUP AND TESTIMONY; OBTAIN		
	PART OF TESTIMONY FROM STAFF AND PREPARE		
	DEPOSITION NOTICES AND SEND; LETTER TO		
	WATFORD RE: ALL; TELEPHONE CONFERENCE		
	WITH WATFORD, NIXON AND PORTER.		
11/21/01	MEETING WITH DAVE PORTER IN CLAY COUNTY	7.50	
	RE: DEPOSITION OF TED BIDDY; REVIEW OF		
	DOCUMENTS IN PREPARATION FOR DEPOSITION;		
	TRAVEL TO CLAY COUNTY AND RETURN TO		
	TALLAHASSEE.		
11/21/01	BEGIN REVIEW OF STAFF TESTIMONIES;	5.80	
	SEVERAL TELEPHONE CONFERENCES WITH		
	NIXON, PORTER AND WATFORD; SEVERAL		
	TELEPHONE CONFERENCES WITH STAFF RE:		
	OBTAINING SAME; LETTER TO WATFORD;		
	REVIEW OPC DISCOVERY AND STAFF DISCOVERY		
11/21/01	AND SEND; BEGIN REVIEW OF TESTIMONY FOR	0.00	
	STAFF AND OPC FOR DEPOSITION; OBTAIN		

Continued

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	SECOND SET OF STAFF TESTIMONY AND SEND TO WATFORD, NIXON AND PORTER; TELEPHONE CONFERENCE WITH EACH RE: SENDING SAME AND CONTENTS OF SAME.	
11/25/01	PREPARING FOR THIS WEEK'S DEPOSITIONS.	2.90
11/25/01	REVIEW OPC AND STAFF TESTIMONY; BEGIN PREPARATION OF FIRST DRAFT OF DEPOSITION OUTLINES.	5.90
11/26/01	VARIOUS TELEPHONE CONFERENCES RE: DEPOSITION PREPARATION WITH WITNESSS AND WATFORD; INTRA-OFFICE CONFERENCE RE: ALL; FINISH DEPOSITION OUTLINES FOR LARKIN AND DERONNE; TELEPHONE CONFERENCE WITH WATFORD, NIXON AND PORTER RE:	7.90
11/26/01	SAME; GENERAL PREPARATION FOR DEPOSITIONS; FILE REVISED NOTICE RE: DURBIN DEPOSITION; TELEPHONE CONFERENCE WITH STAFF ATTORNEY RE: SAME AND RE: OTHER ISSUES.	0.00
11/26/01	PREPARATION FOR DEPOSITIONS; TELEPHONE CONFERENCES RE: SCHEDULING; REVIEWING OUTSTANDING DISCOVERY MATTERS; REVIEWING TESTIMONY OF STEWART; REVIEW OF STEWART'S EXHIBIT; ATTEMPT TO UNDERSTAND HIS METHODOLOGY.	4.80
11/27/01	TELEPHONE CONFERENCE AND INTRA-OFFICE CONFERENCE RE: FINAL PREPARATION FOR DEPOSTIION; CONTINUE WORK ON STAFF WITNESS DEPOSITION OUTLINES; MEETING WITH NIXON AND WATFORD; TAKE DEPOSITION OF OPC WITNESSES; REVIEW INTERIM TARIFFS AND SEND TO WATFORD; INTRA-OFFICE CONFERENCE RE: BIDDY DEPOSITION AND PREPARATION.	7.80
11/27/01	AND SEND TO WATFORD; INTRA-OFFICE CONFERENCE RE: BIDDY DEPOSITION AND PREPARATION.	0.00
11/27/01	LENGTHY TELEPHONE CONFERENCE; PREPARATION FOR TED BIDDY'S DEPOSITION; REVIEW OF DOCUMENTATION; REVIEW OF PRIOR BIDDY TESTIMONY; GENERAL PREPARATION FOR HEARING; TELEPHONE CONFERENCE RE: DISCOVERY ISSUES.	5.10

Continue

ROSE, SUNDSTROM & BENTLEY, LLP

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ALOHA UTILITIES, INC

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11/28/01	PREPARE FOR AND PARTICIPATE IN BIDDY DEPOSITION; WORK ON PREPARATION FOR STAFF DEPOSITION; TELEPHONE CONFERENCE WITH WATFORD AND NIXON RE: SAME.	6.10
11/28/01	DEPOSITION OF TED BIDDY; MEETING WITH CLIENTS RE: SAME; PREPARATION FOR SAME.	8.90
11/29/01	WORK ON REVIEW OF LINGO AND STEWART TESTIMONIES AND DEPOSITION OUTLINES; INTRA-OFFICE CONFERENCE RE: ISSUES AND DEPOSITION PREPARATION; FINISH DEPOSITION PREPARATION FOR FLETCHER AND DURBIN AND PARTICIPATE IN CONFERENCE	6.20
11/29/01	CALL RE: ALL.	0.00
11/29/01	PREPARATION FOR DEPOSITION OF LINGO; PREPARATION FOR DEPOSITION OF STEWART.	4.90
11/30/01	FINAL PREPARATION FOR DURBIN AND FLETCHER DEPOSITIONS; GO TO PSC; PARTICIAPTE IN DEPOSITIONS; CONFERENCES WITH CLIENT RE: SAME; PARTICIPATE IN DEPOSITION OF STEWART; RETURN; INTRA-OFFICE CONFERENCES; TELEPHONE CONFERENCE WITH WATFORD; TELEPHONE CONFERENCE WITH STAFF RE: SETUP OF DEPOSITIONS; BEGIN REVIEW OF DOCUMENTS RECEIVED FROM DEPOSITION.	8.20
11/30/01	DEPOSITION OF STEWART; PREPARATION FOR DEPOSITION OF BIDDY; MEETING WITH CLIENTS RE: SAME.	0.00
11/30/01		4.90
		177.20

35,440.0

LONG DISTANCE CALLS	90.00
FEDERAL EXPRESS	175.26
TRAVEL EXPENSE	150.68
TELECOPIER	330.00
PHOTOCOPIES	501.84
PHOTOCOPIES	2,060.50
EXTRA CLERICAL SUPPORT	44.70
ENTERTAINMENT/MEAL	93.50

LAW OFFICES

ROSE, SUNDBSTROM & BENTLEY, LLP

P O BOX 1567
TALLAHASSEE, FLORIDA 32302-1567

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TRANSCRIPT OF DEPOSITION

2,784.00

TOTAL COSTS ADVANCED

6,230.48

TOTAL STATEMENT

\$41,670.48

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ALOHA UTILITIES, INC.
EXHIBIT RCN 14
DOCKET NO 010503
ACTUAL AND ESTIMATED RATE CASE EXPENSE THROUGH HEARING
ACCOUNTING EXPENSE

<u>CRONIN, JACKSON, NIXON & WILSON CPA'S,P.A.</u>	<u>INVOICE</u>		<u>OUT OF</u>	
<u>MONTH OF SERVICE.</u>	<u>DATE</u>	<u>FEES</u>	<u>POCKET</u>	<u>TOTAL</u>
APRIL, 2001	05/30/2001	\$1,155		\$1,155
MAY, 2001	06/18/2001	1,590		1,590
JUNE, 2001	07/27/2001	9,598	\$104	9,702
JULY, 2001	08/10/2001	41,083	1,544	42,627
AUGUST, 2001	09/27/2001	14,183	1,672	15,855
SEPTEMBER, 2001	10/16/2001	27,420	622	28,042
OCTOBER, 2001	11/28/2001	24,989	850	25,839
TOTAL ACTUAL BILLED THROUGH OCTOBER 30, 2001				
		120,018	4,792	124,810
<u>UNBILLED TIME - NOVEMBER, 2001:</u>				
	<u>HOURS</u>	<u>RATE</u>		
R C NIXON				
PREPARE LATE FILED DEPO EXHIBITS	7	\$165	1,155	1,155
READ TESTIMONY - OPC WITNESSES	8.5	165	1,403	1,403
REVIEW DECHARIO RESEARCH ON LARKIN TESTIMONY & PREPARE NOTES FOR REBUTTAL	2	165	330	330
READ STAFF TESTIMONY	2	165	330	330
PREPARE QUESTIONS FOR LARKIN & DERONNE DEPOSITIONS	11	165	1,815	1,815
ATTEND OPC DEPOS IN TALLAHASSEE	8	165	1,320	1,320
PREPARE DEPO QUESTIONS FOR LINGO & FLETCHER	10	165	1,650	1,650
ATTEND OPC & STAFF DEPOS IN TALLAHASSEE	8	165	1,320	1,320
P DECHARIO			9,323	9,323
RESEARCH & OUTLINE LARKIN TESTIMONY	16	90	1,440	1,440
REVIEW & PROOF DERONNE EXHIBITS	8	90	720	720
RESEARCH ON RESID CONSUMPTION	2	90	180	180
J CRONIN			2,340	2,340
REVIEW OPC INTERR & DOC REQ - PENSION EXP	2	165	330	330
CLERICAL	9.5	30	285	285
FED-X, PHONE, COPIES, AIRFARE & TRAVEL (EST)			1,149	1,149
TOTAL UNBILLED FOR NOVEMBER, 2001			12,278	13,427
TOTAL ACTUAL BILLED & UNBILLED TO 11-30-01			132,296	138,237
<u>ESTIMATE TO COMPLETE</u>				
R C NIXON				
PREPARE REBUTTAL & EXHIBITS FOR 6 WITNESSES	64	165	10,560	10,560
PARTICIPATE IN J LINGO DEPO BY PHONE	6	165	990	990
ASSIST ATTORNEYS IN STIPULATIONS & POSITION ON ISSUES FOR PREHEARING ORDER	8	165	1,320	1,320
CONFERENCES WITH MGT & ATTORNEYS RE CASE	8	165	1,320	1,320
REVIEW FOR HEARING	12	165	1,980	1,980
ATTEND HEARING - 3 DAYS	24	165	3,960	3,960
REVIEW TRANSCRIPTS & STAFF RECOMMENDATION	10	165	1,650	1,650
CONFERENCES WITH MGT. & ATTORNEYS RE RECOMMENDATION	8	165	1,320	1,320
REVIEW FINAL ORDER	6	165	990	990
MISCELLANEOUS FOR DISCOVERY & ADDITIONAL EXHIBITS	16	165	2,640	2,640
			26,730	26,730
J CRONIN				
RESEARCH PENSION EXPENSE PER OPC DISCOVERY	3	165	495	495
P DECHARIO				
PREPARE EXHIBITS FOR REBUTTAL	12	90	1,080	1,080
PROOF FINAL RATES	5	90	450	450
MISCELLANEOUS RESEARCH - DISCOVERY	8	90	720	720
			2,250	2,250
CLERICAL/TYPING	25	30	750	750
ESTIMATED OUT OF POCKET COSTS			1,500	1,500
TOTAL ESTIMATE TO COMPLETE			30,225	31,725
TOTAL ACTUAL & ESTIMATED COSTS THROUGH HEARING			\$162,521	\$169,962

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
CHRISTINE R. CHRISTIAN, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
JEANETTE SUNG, C.P.A.
HOLLY M. TOWNER, C.P.A.
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2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 33765-4419
(727) 791-4020
FACSIMILE
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e-Mail
cpas@cjnw.net

INVOICE

May 30, 2001

Aloha Utilities, Inc.
Attn: Marion, Accounts Payable
6915 Perrine Ranch Rd.
New Port Richey, FL 34655

#110

For professional services rendered during April 2001, as follows:

1. Work completed on the audited financial statements for the year ended December 31, 2000	\$ 9,647.50
2. Prepare schedule of rate case expense for rate investigation, review staff recommendation in earnings investigation	907.50
3. Conferences related to the forth coming Seven Springs water rate case	1,155.00
4. Partial billing for preparation of the PSC Annual Report	4,687.50
5. Review and comment on draft letter to SWFWMD outlining steps to comply with water use permit	165.00
6. Telephone, postage, copies, and Federal Express charges	<u>255.21</u>
Total	<u>\$ 16,817.71</u>

Client: 110 ALOHA UTILITIES, INC.
 Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)							
Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals		
Work In Process-Balance Forward						15,901.63	
121 YEAR END FIELD WORK (AUD)							
JOHN H. CRONIN JR.	JHC	319337	4/04/01	165.00	1.00	165.00	
JOHN H. CRONIN JR.	JHC	319325	4/12/01	165.00	3.00	495.00	
JOHN H. CRONIN JR.	JHC	319326	4/13/01	165.00	2.00	330.00	
JOHN H. CRONIN JR.	JHC	319347	4/24/01	165.00	3.00	495.00	
JOHN H. CRONIN JR.	JHC	319352	4/25/01	165.00	4.50	742.50	
Totals:					13.50	2,227.50	
123 RESEARCH (AUD)							
JOHN H. CRONIN JR.	JHC	319328	4/01/01	165.00	7.00	1,155.00	
126 REVIEW (AUD)							
JOHN H. CRONIN JR.	JHC	319367	4/16/01	165.00	6.00	990.00	
JOHN H. CRONIN JR.	JHC	319371	4/17/01	165.00	4.00	660.00	
JOHN H. CRONIN JR.	JHC	319373	4/18/01	165.00	8.00	1,320.00	
JOHN H. CRONIN JR.	JHC	319374	4/19/01	165.00	1.00	165.00	
ROBERT C. NIXON	RCN	319255	4/12/01	165.00	1.50	247.50	
RONALDAS G. JURGUTIS	RGJ	315349	4/20/01	105.00	9.00	945.00	
RONALDAS G. JURGUTIS	RGJ	315350	4/21/01	105.00	5.00	525.00	
RONALDAS G. JURGUTIS	RGJ	315351	4/22/01	105.00	6.00	630.00	
Totals:					40.50	5,482.50	
127 OTHER (AUD)							
RONALDAS G. JURGUTIS	RGJ	315356	4/26/01	105.00	6.00	630.00	
.97 TYPING (MISC)							
CAROL L. HOUGHTON	CLH	311328	4/05/01	40.00	0.25	10.00	
DORIS I. JONES	DIJ	311556	4/11/01	30.00	0.25	7.50	
DORIS I. JONES	DIJ	311455	4/12/01	30.00	0.25	7.50	
DORIS I. JONES	DIJ	311449	4/13/01	30.00	0.25	7.50	
DORIS I. JONES	DIJ	311412	4/16/01	30.00	0.25	7.50	
DORIS I. JONES	DIJ	311494	4/24/01	30.00	0.50	15.00	
DORIS I. JONES	DIJ	311490	4/25/01	30.00	0.75	22.50	
DORIS I. JONES	DIJ	311460	4/26/01	30.00	0.50	15.00	
Totals:					3.00	92.50	
.98 MISCELLANEOUS (MISC)							
DORIS I. JONES	DIJ	311536	4/02/01	30.00	0.25	7.50	
DORIS I. JONES	DIJ	311503	4/04/01	30.00	0.25	7.50	
DORIS I. JONES	DIJ	311444	4/11/01	30.00	0.25	7.50	
DORIS I. JONES	DIJ	311437	4/12/01	30.00	0.25	7.50	
DORIS I. JONES	DIJ	311453	4/13/01	30.00	0.25	7.50	
DORIS I. JONES	DIJ	311464	4/25/01	30.00	0.25	7.50	
GAIL B. WALUNAS	GBW	311905	4/09/01	30.00	0.25	7.50	
GAIL B. WALUNAS	GBW	311883	4/13/01	30.00	0.25	7.50	
Totals:					2.00	60.00	
00 PSC RATE INVESTIGATION (UTIL)							
ROBERT C. NIXON	RCN	319288	4/26/01	165.00	1.50	247.50	

Rate Investigation

Client: 110 ALOHA UTILITIES, INC.
 Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)							
Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals		
Work In Process-Balance Forward						25,796.63	
<i>Swamp rate case</i>							
02 CONFERENCE (UTIL)							
ROBERT C. NIXON	RCN	319359	4/02/01	165.00	4.00	660.00	
ROBERT C. NIXON	RCN	319267	4/05/01	165.00	2.00	330.00	
ROBERT C. NIXON	RCN	319247	4/10/01	165.00	1.00	165.00	
				Totals:	7.00	1,155.00	
09 ANNUAL REPORTS (UTIL)							
PAUL E. DeCHARIO	PED	311365	4/26/01	90.00	0.75	67.50	
RONALDAS G. JURGUTIS	RGJ	315370	4/09/01	105.00	10.00	1,050.00	
RONALDAS G. JURGUTIS	RGJ	315371	4/10/01	105.00	10.00	1,050.00	
RONALDAS G. JURGUTIS	RGJ	315352	4/23/01	105.00	10.00	1,050.00	
RONALDAS G. JURGUTIS	RGJ	315353	4/24/01	105.00	10.00	1,050.00	
RONALDAS G. JURGUTIS	RGJ	315357	4/26/01	105.00	4.00	420.00	
				Totals:	44.75	4,687.50	
10 OTHER (UTIL)							
ROBERT C. NIXON	RCN	319295	4/13/01	165.00	1.00	165.00	
<i>Exhibit 20 Fund</i>							
45 REVIEW STAFF RECOMMENDATN (UTIL)							
ROBERT C. NIXON	RCN	319286	4/25/01	165.00	4.00	660.00	
<i>Earnings Investig</i>							
01 TELEPHONE (EXP.)							
ROBERT C. NIXON	RCN	319009	4/30/01	17.25	1.00	17.25	
02 POSTAGE (EXP.)							
ROBERT C. NIXON	RCN	315393	4/30/01	4.76	1.00	4.76	
04 XEROX (EXP.)							
ROBERT C. NIXON	RCN	310758	4/30/01	0.20	10.00	2.00	
ROBERT C. NIXON	RCN	310766	4/30/01	0.20	60.00	12.00	
ROBERT C. NIXON	RCN	312473	4/30/01	0.20	877.00	175.40	
				Totals:	947.00	189.40	
05 FEDERAL EXPRESS (EXP.)							
RONALDAS G. JURGUTIS	RGJ	310754	4/26/01	8.42	1.00	8.42	
09 FAXES (EXP.)							
ROBERT C. NIXON	RCN	319217	4/30/01	35.38	1.00	35.38	
Billing (Inv. # 36189)			4/30/01			-15,901.63	

5/16/01 5:18 pm Current Work In Process Page 3
 TB Date: 4/30/01 Cronin Jackson, Nixon & Wilson, C 's
 Period 4/01/01 to 4/30/01 Clearwater, FL 33765

Client: 110 ALOHA UTILITIES, INC. Client FYE: 12/31
 Resp. Partner: RCN ROBERT C. NIXON

Work Performed (Work Code, Desc, Billing Code)

Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals
Work In Process-Balance Forward					16,817.71

909 FAXES (EXP.) (Cont.)

Ending Work In Process Balance 16,817.71

Total Current Month		Work In Process Aging (\$)	
Time (Hrs)	Item Charges	Last 2 Months Ago	>2 Months Ago
130.25	\$16,562.50 \$ 255.21	16,817.71	0.00
Year-To-Date W-I-P Activity (\$)		0.00	0.00
Work Charged	Adjustments	Current Month Accounts Receivable (\$)	
45,671.05	-3,000.00	15,901.63	0.00
	Billings	Finance Charge	Sales Tax
	53,493.02	0.00	0.00
Credit Memo		Ending Balance	
Write-off	0.00	Receipts	15,901.63
		37,591.39	

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

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JEANETTE SUNG, C.P.A.
HOLLY M. TOWNER, C.P.A.
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2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 33765-4419
(727) 791-4020
FACSIMILE
(727) 797-3602
e-Mail
cpas@cjnw.net

INVOICE

June 18, 2001

Aloha Utilities, Inc.
Attn: Marion, Accounts Payable
6915 Perrine Ranch Rd.
New Port Richey, FL 34655

#110

For professional services rendered during May 2001, as follows:

1. Preparation and review of the audited financial statements for the year ended December 31, 2000	\$ 7,950.00
2. Work related to the PSC rate investigation for Aloha Gardens and Seven Springs including preparation of information requested by staff (Fletcher) related to office building costs, contributed tax amortization rates and deferred income tax schedules	1,732.50
3. Preparation of the 2001 Indexed Rate Adjustment	1,185.00
4. Work related to the Seven Springs water rate case as follows: Prepare a list of information needed and letter to client; assemble financial data at utility's office and conference with Management concerning rate case Mfr's and potential proforma adjustments (Marion set up new deferred account)	1,590.00
5. Preparation and review of the 2000 PSC Annual Report	4,125.00
6. Telephone, postage, copies, Federal Express charges, and mileage	<u>236.06</u>
Total	<u>\$ 16,818.56</u>

Client: 110 ALOHA UTILITIES, INC. Client FYE: 12/31
 Resp. Partner: RCN ROBERT C. NIXON

Work Performed (Work Code, Desc, Billing Code)							
Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals		
Work In Process-Balance Forward							16,817.71
.21 YEAR END FIELD WORK (AUD)							
JOHN H. CRONIN JR.	JHC	319596	5/01/01	165.00	2.00	<i>Audit</i>	330.00
.22 REPORTS (AUD)							
JOHN H. CRONIN JR.	JHC	319594	5/01/01	165.00	6.00		990.00
JOHN H. CRONIN JR.	JHC	319592	5/02/01	165.00	7.00		1,155.00
JOHN H. CRONIN JR.	JHC	319590	5/03/01	165.00	8.00		1,320.00
JOHN H. CRONIN JR.	JHC	330012	5/04/01	165.00	7.00		1,155.00
JOHN H. CRONIN JR.	JHC	330010	5/07/01	165.00	8.00		1,320.00
RONALDAS G. JURGUTIS	RGJ	331571	5/07/01	105.00	8.00		840.00
Totals:					44.00		6,780.00 <i>Audit</i>
.27 OTHER (AUD)							
ROBERT C. NIXON	RCN	330965	5/03/01	165.00	1.00		165.00
ROBERT C. NIXON	RCN	330962	5/04/01	165.00	2.00		330.00
Totals:					3.00		495.00 <i>Audit</i>
.97 TYPING (MISC)							
DORIS I. JONES	DIJ	312379	5/01/01	30.00	0.50		15.00
DORIS I. JONES	DIJ	312382	5/01/01	30.00	0.50		15.00
DORIS I. JONES	DIJ	312457	5/02/01	30.00	1.50		45.00
DORIS I. JONES	DIJ	312451	5/03/01	30.00	2.00		60.00
DORIS I. JONES	DIJ	319587	5/07/01	30.00	0.50		15.00
DORIS I. JONES	DIJ	319579	5/09/01	30.00	0.50		15.00
DORIS I. JONES	DIJ	321560	5/22/01	30.00	0.25		7.50
DORIS I. JONES	DIJ	328385	5/31/01	30.00	3.00		90.00
Totals:					8.75		262.50 <i>Audit</i>
98 MISCELLANEOUS (MISC)							
DORIS I. JONES	DIJ	312383	5/01/01	30.00	1.25		37.50
DORIS I. JONES	DIJ	319586	5/07/01	30.00	0.75		22.50
DORIS I. JONES	DIJ	319584	5/08/01	30.00	0.50		15.00
DORIS I. JONES	DIJ	321561	5/22/01	30.00	0.25		7.50
Totals:					2.75		82.50 <i>Audit</i>
00 PSC RATE INVESTIGATION (UTIL)							
ROBERT C. NIXON	RCN	330938	5/02/01	165.00	4.00		660.00
ROBERT C. NIXON	RCN	330959	5/08/01	165.00	0.50		82.50
ROBERT C. NIXON	RCN	330955	5/09/01	165.00	2.00		330.00
ROBERT C. NIXON	RCN	330921	5/14/01	165.00	3.00		495.00
ROBERT C. NIXON	RCN	330910	5/21/01	165.00	1.00		165.00
Totals:					10.50		1,732.50
02 CONFERENCE (UTIL)							
RONALDAS G. JURGUTIS	RGJ	331556	5/22/01	105.00	3.00	<i>SSW - Rate case</i>	315.00
03 INDEX-PASS THROUGH ADJ. (UTIL)							
ROBERT C. NIXON	RCN	330937	5/22/01	165.00	4.00		660.00

Client: 110 ALOHA UTILITIES, INC. Client FYE: 12/31
 Resp. Partner: RCN ROBERT C. NIXON

Work Performed (Work Code, Desc, Billing Code)							
Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals		
Work In Process-Balance Forward							27,475.21
003 INDEX-PASS THROUGH ADJ. (UTIL) (Cont.)							
RONALDAS G. JURGUTIS	RGJ	331555	5/22/01	105.00	5.00	525.00	
					Totals:	9.00	1,185.00
005 RATE CASE FIELD WORK (UTIL) <i>SS. water rate case</i>							
RONALDAS G. JURGUTIS	RGJ	331558	5/24/01	105.00	9.00	945.00	
008 RATE CASE ADMIN. (UTIL) <i>SS. water rate case</i>							
ROBERT C. NIXON	RCN	330967	5/03/01	165.00	2.00	330.00	
009 ANNUAL REPORTS (UTIL)							
ROBERT C. NIXON	RCN	330942	5/01/01	165.00	3.00	495.00	
ROBERT C. NIXON	RCN	330944	5/01/01	165.00	1.00	165.00	
ROBERT C. NIXON	RCN	330946	5/01/01	165.00	2.00	330.00	
ROBERT C. NIXON	RCN	330949	5/01/01	165.00	6.50	1,072.50	
ROBERT C. NIXON	RCN	330909	5/21/01	165.00	1.00	165.00	
RONALDAS G. JURGUTIS	RGJ	331564	5/01/01	105.00	9.00	945.00	
RONALDAS G. JURGUTIS	RGJ	331565	5/01/01	105.00	5.00	525.00	
					Totals:	27.50	3,697.50
<i>Annual Report</i>							
010 OTHER (UTIL)							
PAUL E. DeCHARIO	PED	321531	5/09/01	90.00	1.50	135.00	
PAUL E. DeCHARIO	PED	321537	5/11/01	90.00	2.00	180.00	
PAUL E. DeCHARIO	PED	321520	5/19/01	90.00	1.25	112.50	
					Totals:	4.75	427.50
<i>Annual Report</i>							
001 TELEPHONE (EXP.)							
ROBERT C. NIXON	RCN	323298	5/13/01	11.82	1.00	11.82	
ROBERT C. NIXON	RCN	323242	5/31/01	2.29	1.00	2.29	
					Totals:	2.00	14.11
002 POSTAGE (EXP.)							
ROBERT C. NIXON	RCN	328291	5/31/01	4.08	1.00	4.08	
003 TRAVEL (EXP.)							
JOHN H. CRONIN JR.	JHC	329540	5/31/01	18.29	1.00	18.29	
004 XEROX (EXP.)							
ROBERT C. NIXON	RCN	326025	5/31/01	0.20	150.00	30.00	
ROBERT C. NIXON	RCN	328449	5/31/01	0.20	317.00	63.40	
					Totals:	467.00	93.40
005 FEDERAL EXPRESS (EXP.)							
ROBERT C. NIXON	RCN	323262	5/01/01	13.18	1.00	13.18	
ROBERT C. NIXON	RCN	323263	5/01/01	11.15	1.00	11.15	
ROBERT C. NIXON	RCN	323264	5/01/01	14.87	1.00	14.87	
ROBERT C. NIXON	RCN	323280	5/01/01	8.42	1.00	8.42	
ROBERT C. NIXON	RCN	323281	5/01/01	12.33	1.00	12.33	

Client: 110 ALOHA UTILITIES, INC. Client FYE: 12/31
 Resp. Partner: RCN ROBERT C. NIXON

Work Performed (Work Code, Desc, Billing Code)							
Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals		
Work In Process-Balance Forward						33,590.04	
905 FEDERAL EXPRESS (EXP.) (Cont.)							
ROBERT C. NIXON	RCN	327834	5/08/01	17.00	1.00	17.00	
					Totals:	6.00	76.95
909 FAXES (EXP.)							
ROBERT C. NIXON	RCN	328286	5/31/01	29.23	1.00	29.23	
Billing (Inv. # 36523)			5/31/01			-16,817.71	
Ending Work In Process Balance						<u>16,818.56</u>	

Total Current Month			Work In Process Aging (\$)			
Time (Hrs)	Time Charges	Item Charges	Current Month	Last Month	2 Months Ago	>2 Months Ago
126.25	\$16,582.50	\$ 236.06	13,241.10	3,577.46	0.00	0.00
Year-To-Date W-I-P Activity (\$)			Current Month Accounts Receivable (\$)			
Work Charged	Adjust-ments	Billings	Beginning Balance	Billings	Finance Charge	Sales Tax
62,489.61	-3,000.00	70,310.73	15,901.63	16,817.71	0.00	0.00
			Write-off	Credit Memo	Receipts	Ending Balance
			0.00	0.00	15,901.63	16,817.71

Cronin, Jackson, Nixon & Wilson

CERTIFIED PUBLIC ACCOUNTANTS, P.A.

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CLEARWATER, FLORIDA 33765-4419
(727) 791-4020
FACSIMILE
(727) 797-3602
e-Mail
cpas@cjrwnet

INVOICE

July 27, 2001

Aloha Utilities, Inc.
Attn: Marion, Accounts Payable
6915 Perrine Ranch Rd.
New Port Richey, FL 34655

#110

For professional services rendered during June 2001, as follows:

1. Preparation of monthly DEP reports on new connections added in Seven Springs service area	\$ 660.00
2. Review of monthly statements	247.50
3. Review Staff recommendation for Seven Springs water rate investigation and conference with Management and attorney regarding agenda conference	825.00
4. Preparation of the 2001 Indexed Rate Adjustment	742.50
5. Preparation of federal and state income tax extensions	32.50
6. Work completed on preparation of the MFR's for Seven Springs water rate case as set forth on the attached work in process summary	9,597.50
7. Telephone, postage, copies, and Federal Express charges	<u>103.64</u>
Total	<u>\$ 12,208.64</u>

7/19/01 10:48 am

Current Work In Process

Page 1

TB Date: 6/30/01 Cronin, Jackson, Nixon & Wilson, CPA's
Period 6/01/01 to 6/30/01 Clearwater, FL 33765

Client: 110 ALOHA UTILITIES, INC.
Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)

Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals
Work In Process-Balance Forward					16,818.56

110 SPECIAL REPORTS (MGMT)

JOHN H. CRONIN JR.	JHC	338222	6/11/01	165.00	1.00	165.00
JOHN H. CRONIN JR.	JHC	338202	6/21/01	165.00	3.00	495.00
Totals:					4.00	660.00

181 WRITE-UP AND REVIEW (COMP)

JOHN H. CRONIN JR.	JHC	338196	6/18/01	165.00	1.00	165.00
JOHN H. CRONIN JR.	JHC	338249	6/28/01	165.00	0.50	82.50
Totals:					1.50	247.50

197 TYPING (MISC)

DORIS I. JONES	DIJ	333690	6/01/01	30.00	3.00	90.00
DORIS I. JONES	DIJ	333693	6/02/01	30.00	6.00	180.00
DORIS I. JONES	DIJ	333670	6/03/01	30.00	3.50	105.00
DORIS I. JONES	DIJ	333671	6/04/01	30.00	6.00	180.00
DORIS I. JONES	DIJ	333675	6/05/01	30.00	6.00	180.00
DORIS I. JONES	DIJ	333677	6/06/01	30.00	2.00	60.00
DORIS I. JONES	DIJ	333461	6/11/01	30.00	0.50	15.00
DORIS I. JONES	DIJ	335456	6/19/01	30.00	1.50	45.00
DORIS I. JONES	DIJ	335481	6/20/01	30.00	2.50	75.00
DORIS I. JONES	DIJ	335477	6/21/01	30.00	0.75	22.50
Totals:					31.75	952.50

198 MISCELLANEOUS (MISC)

CAROL L. HOUGHTON	CLH	333658	6/01/01	40.00	0.25	10.00
CAROL L. HOUGHTON	CLH	333659	6/04/01	40.00	3.00	120.00
CAROL L. HOUGHTON	CLH	333660	6/05/01	40.00	2.75	110.00
CAROL L. HOUGHTON	CLH	333665	6/06/01	40.00	0.50	20.00
DORIS I. JONES	DIJ	333457	6/08/01	30.00	0.50	15.00
DORIS I. JONES	DIJ	335473	6/21/01	30.00	0.25	7.50
Totals:					7.25	282.50

202 CONFERENCE (UTIL)

ROBERT C. NIXON	RCN	341451	6/08/01	165.00	1.00	165.00
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Conf. Re Agenda Conf. - Over savings invest

203 INDEX-PASS THROUGH ADJ. (UTIL)

ROBERT C. NIXON	RCN	341472	6/18/01	165.00	3.50	577.50
ROBERT C. NIXON	RCN	341466	6/21/01	165.00	1.00	165.00
Totals:					4.50	742.50

208 RATE CASE ADMIN. (UTIL)

ROBERT C. NIXON	RCN	341430	6/25/01	165.00	1.00	165.00
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Rate Case SSW
Meet with Ron & Paul - DISK'S MFR'S

214 REVIEW DRAFT MFR'S (UTIL)

PAUL E. DeCHARIO	PED	337515	6/25/01	90.00	1.00	90.00
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Rate Case

223 SHORT & LONG VAR DEBT (UTIL)

RONALDAS G. JURGUTIS	RGJ	341434	6/26/01	105.00	8.00	840.00
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Rate Case

EXHIBIT RCN 14

PAGE 37 OF 77

7/19/01 10:49 am

Current Work In Process

TB Date: 6/30/01 Cronin, Jackson, Nixon & Wilson, C.'s
Period 6/01/01 to 6/30/01 Clearwater, FL 33765

Client: 110 ALOHA UTILITIES, INC.
Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)	Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals
Work In Process-Balance Forward						20,963.56

223 SHORT & LONG VAR DEBT (UTIL) (Cont.)						
RONALDAS G. JURGUTIS	RGJ	341433	6/27/01	105.00	2.00	210.00
				Totals:	10.00	1,050.00

Rate Case

224 CUSTOMER DEPOSITS (UTIL)						
RONALDAS G. JURGUTIS	RGJ	341432	6/27/01	105.00	6.00	630.00

225 NET OPERATING INC-W & S (UTIL)						
RONALDAS G. JURGUTIS	RGJ	341431	6/28/01	105.00	8.00	840.00

230 ADJ & COMPARATIVE O&M-W&S (UTIL)						
PAUL E. DeCHARIO	PED	337509	6/27/01	90.00	0.75	67.50

240 W & S RATE BASE & ADJ'MTS (UTIL)						
PAUL E. DeCHARIO	PED	337543	6/04/01	90.00	9.50	855.00
PAUL E. DeCHARIO	PED	337542	6/05/01	90.00	9.50	855.00
PAUL E. DeCHARIO	PED	337534	6/11/01	90.00	6.75	607.50
PAUL E. DeCHARIO	PED	337533	6/12/01	90.00	0.50	45.00
PAUL E. DeCHARIO	PED	337498	6/18/01	90.00	2.25	202.50
				Totals:	28.50	2,565.00

45 REVIEW STAFF RECOMMENDATN (UTIL)						
ROBERT C. NIXON	RCN	341461	6/01/01	165.00	4.00	660.00

SSW overearnings investigation

55 MT'LY BILLING SCH-CUST (UTIL)						
PAUL E. DeCHARIO	PED	337499	6/18/01	90.00	5.50	495.00
ROBERT C. NIXON	RCN	341471	6/18/01	165.00	4.50	742.50
RONALDAS G. JURGUTIS	RGJ	341436	6/25/01	105.00	2.00	210.00
RONALDAS G. JURGUTIS	RGJ	341437	6/25/01	105.00	2.00	210.00
				Totals:	14.00	1,657.50

Rate Case

62 PROJ T/YR BLS CNS-REVCALC (UTIL)						
RONALDAS G. JURGUTIS	RGJ	341435	6/25/01	105.00	3.00	315.00

63 BILLING ANALYSIS (UTIL)						
RONALDAS G. JURGUTIS	RGJ	341438	6/25/01	105.00	3.00	315.00

65 GAL-WASTE WATER TREATED (UTIL)						
ROBERT C. NIXON	RCN	341427	6/26/01	165.00	2.00	330.00

72 ERC'S-WATER (UTIL)						
PAUL E. DeCHARIO	PED	337512	6/26/01	90.00	3.75	337.50

43 TAX RETURN EXTENSION (TAX)						
CHRISTINE R. CHRISTIAN CRC		335402	6/18/01	65.00	0.50	32.50

01 TELEPHONE (EXP.)						
ROBERT C. NIXON	RCN	336415	6/13/01	14.77	1.00	14.77

Client: 110 ALOHA UTILITIES, INC. Client FYE: 12/31
 Resp. Partner: RCN ROBERT C. NIXON

Work Performed	Employee Name	Work Code, Desc, Billing Code	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals
Work In Process-Balance Forward							28,938.33
902 POSTAGE (EXP.)	ROBERT C. NIXON		346640	6/30/01	4.84	1.00	4.84
904 XEROX (EXP.)	ROBERT C. NIXON		346722	6/30/01	0.20	100.00	20.00
905 FEDERAL EXPRESS (EXP.)	ROBERT C. NIXON		346635	6/01/01	12.33	1.00	12.33
	ROBERT C. NIXON		346636	6/01/01	8.42	1.00	8.42
	ROBERT C. NIXON		346599	6/21/01	9.19	1.00	9.19
			Totals:			3.00	29.94
909 FAXES (EXP.)	ROBERT C. NIXON		346800	6/30/01	34.09	1.00	34.09
Billing (Inv. # 36602)				6/30/01			-16,818.56
Ending Work In Process Balance							<u>12,208.64</u>

Total Current Month		Work In Process Aging (\$)	
Time (Hrs)	Charges	Last Month	>2 Months Ago
135.50	\$12,105.00	12,208.64	0.00
		0.00	0.00
Year-To-Date W-I-P Activity (\$)		Current Month Accounts Receivable (\$)	
Work Charged	74,698.25	Beginning Balance	16,817.71
Adjustments	-3,000.00	Billings	16,818.56
	87,129.29	Finance Charge	0.00
		Sales Tax	0.00
		Write-off	0.00
		Credit Memo	0.00
		Receipts	33,636.27
		Ending Balance	0.00

Cronin, Jackson, Nixon & Wilson

CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
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INVOICE

August 10, 2001

Aloha Utilities, Inc.
Attn: Marion, Accounts Payable
6915 Perrine Ranch Rd.
New Port Richey, FL 34655

#110

For professional services rendered during July 2001, as follows:

1. Prepare DEP reports on new connections added in Seven Springs Wastewater System	\$ 330.00
2. Review client's monthly statements and general ledger and prepare adjusting entries	1,155.00
3. Work completed preparing the MFR's for the Seven Springs Water System rate case as set forth on the attached work-in-process summary	41,082.50
4. Miscellaneous tax research	288.75
5. Telephone, postage, and copies	<u>1,543.74</u>
Total	<u>\$ 44,399.99</u>

8/09/01 4:12 pm

Current Work In Process

Page 1

TB Date: 7/31/01

Cronin, Jackson, Nixon & Wilson, C.A.'s

Period 7/01/01 to 7/31/01

Clearwater, FL 33765

Client: 110 ALOHA UTILITIES, INC.

Client FYE: 12/31

Resp. Partner: RCN ROBERT C. NIXON

Work Performed (Work Code, Desc, Billing Code)

Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals
Work In Process-Balance Forward					12,208.64

107 SPECIAL PROJECTS (MGMT)

JOHN H. CRONIN JR.	JHC	349246	7/02/01	165.00	1.00	165.00
JOHN H. CRONIN JR.	JHC	349252	7/05/01	165.00	1.00	165.00
				Totals:	2.00	330.00

137 REVIEW CLIENT STMT'S (R/C)

JOHN H. CRONIN JR.	JHC	349262	7/26/01	165.00	2.00	330.00
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131 WRITE-UP AND REVIEW (COMP)

JOHN H. CRONIN JR.	JHC	349271	7/18/01	165.00	2.00	330.00
JOHN H. CRONIN JR.	JHC	354979	7/27/01	165.00	3.00	495.00
				Totals:	5.00	825.00

137 TYPING (MISC)

DORIS I. JONES	DIJ	348013	7/09/01	30.00	2.00	60.00
DORIS I. JONES	DIJ	348016	7/11/01	30.00	0.50	15.00
DORIS I. JONES	DIJ	348096	7/17/01	30.00	0.25	7.50
DORIS I. JONES	DIJ	348110	7/19/01	30.00	0.25	7.50
DORIS I. JONES	DIJ	355011	7/31/01	30.00	4.00	120.00
LINDA A. CONAUGHTY	LAC	342573	7/02/01	30.00	0.25	7.50
				Totals:	7.25	217.50

Rate Case ADDIT. Engineer 11/11/01

138 MISCELLANEOUS (MISC)

CAROL L. HOUGHTON	CLH	342611	7/05/01	40.00	0.50	20.00
DORIS I. JONES	DIJ	349484	7/23/01	30.00	4.00	120.00
DORIS I. JONES	DIJ	349486	7/24/01	30.00	6.00	180.00
DORIS I. JONES	DIJ	349490	7/25/01	30.00	5.00	150.00
DORIS I. JONES	DIJ	349472	7/26/01	30.00	4.00	120.00
DORIS I. JONES	DIJ	354921	7/27/01	30.00	3.00	90.00
DORIS I. JONES	DIJ	355009	7/31/01	30.00	1.00	30.00
JUDY L. GROGAN	JLG	349332	7/25/01	30.00	0.75	22.50
JUDY L. GROGAN	JLG	349316	7/26/01	30.00	1.00	30.00
				Totals:	25.25	762.50

Rate Case ADDIT. Engineer 11/11/01

135 RATE CASE FIELD WORK (UTIL)

RONALDAS G. JURGUTIS	RGJ	355280	7/19/01	105.00	4.00	420.00
RONALDAS G. JURGUTIS	RGJ	355275	7/26/01	105.00	3.00	315.00
RONALDAS G. JURGUTIS	RGJ	355270	7/31/01	105.00	8.00	840.00
				Totals:	15.00	1,575.00

12 DIRECT TESTIMONY & EXH. (UTIL)

ROBERT C. NIXON	RCN	355250	7/31/01	165.00	2.00	330.00
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16 MFR-SUPP ENGINEER INFO (UTIL)

ROBERT C. NIXON	RCN	355322	7/21/01	165.00	2.00	330.00
ROBERT C. NIXON	RCN	355314	7/24/01	165.00	2.00	330.00
RONALDAS G. JURGUTIS	RGJ	355251	7/01/01	105.00	8.00	840.00
RONALDAS G. JURGUTIS	RGJ	355252	7/02/01	105.00	8.00	840.00

Client: 110 ALOHA UTILITIES, INC.
 Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)
Employee Name Emp Ref. Num. Date Rate Hrs/Itms Totals
 Work In Process-Balance Forward 18,918.64

216 MFR-SUPP ENGINEER INFO (UTIL) (Cont.)
 RONALDAS G. JURGUTIS RGJ 355259 7/11/01 105.00 8.00 840.00
 Totals: 28.00 3,180.00

221 O&M EXPENSE-WATER + SEWER (UTIL)
 PAUL E. DeCHARIO PED 354852 7/28/01 90.00 4.50 405.00
 ROBERT C. NIXON RCN 355321 7/21/01 165.00 3.50 577.50
 ROBERT C. NIXON RCN 355320 7/23/01 165.00 1.00 165.00
 ROBERT C. NIXON RCN 355312 7/25/01 165.00 4.00 660.00
 ROBERT C. NIXON RCN 355310 7/26/01 165.00 8.00 1,320.00
 Totals: 21.00 3,127.50

223 SHORT & LONG VAR DEBT (UTIL)
 RONALDAS G. JURGUTIS RGJ 355255 7/05/01 105.00 8.00 840.00

229 REVENUE - WATER & SEWER (UTIL)
 PAUL E. DeCHARIO PED 354748 7/18/01 90.00 2.00 180.00

248 REVIEW/REVISE SECT F MFRS (UTIL)
 ROBERT C. NIXON RCN 355307 7/27/01 165.00 5.00 825.00
 ROBERT C. NIXON RCN 355262 7/31/01 165.00 1.00 165.00
 Totals: 6.00 990.00

253 B/S-ASSET & LIAB & OWN EQ (UTIL)
 PAUL E. DeCHARIO PED 354749 7/18/01 90.00 5.50 495.00
 PAUL E. DeCHARIO PED 354750 7/19/01 90.00 8.50 765.00
 PAUL E. DeCHARIO PED 354751 7/20/01 90.00 8.50 765.00
 PAUL E. DeCHARIO PED 354752 7/23/01 90.00 9.25 832.50
 PAUL E. DeCHARIO PED 354753 7/24/01 90.00 9.75 877.50
 PAUL E. DeCHARIO PED 354754 7/25/01 90.00 9.00 810.00
 PAUL E. DeCHARIO PED 354756 7/26/01 90.00 9.00 810.00
 PAUL E. DeCHARIO PED 354853 7/27/01 90.00 10.75 967.50
 ROBERT C. NIXON RCN 355315 7/24/01 165.00 3.00 495.00
 Totals: 73.25 6,817.50

254 RATES PRESENT & PROPOSED (UTIL)
 ROBERT C. NIXON RCN 355290 7/17/01 165.00 8.00 1,320.00
 ROBERT C. NIXON RCN 355288 7/19/01 165.00 8.00 1,320.00
 ROBERT C. NIXON RCN 355287 7/20/01 165.00 8.00 1,320.00
 Totals: 24.00 3,960.00

256 REVIEW/REVISE SECT E MFRS (UTIL)
 ROBERT C. NIXON RCN 355267 7/30/01 165.00 1.00 165.00

251 REVIEW/REVISE SECT G MFRS (UTIL)
 ROBERT C. NIXON RCN 355260 7/31/01 165.00 8.50 1,402.50
 ROBERT C. NIXON RCN 355261 7/31/01 165.00 3.00 495.00
 ROBERT C. NIXON RCN 355266 7/31/01 165.00 11.00 1,815.00
 Totals: 22.50 3,712.50

Client: 110 ALOHA UTILITIES, INC.
 Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)						
Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals	
Work In Process-Balance Forward					39,551.14	
264 GAL-W-PMP SOLD & UNACC'ED (UTIL)						
ROBERT C. NIXON	RCN	355292	7/16/01	165.00	5.00	825.00
272 ERC'S-WATER (UTIL)						
ROBERT C. NIXON	RCN	355291	7/16/01	165.00	3.00	495.00
274 REVIEW/REVISE SECT A MFRS (UTIL)						
PAUL E. DeCHARIO	PED	354851	7/30/01	90.00	9.00	810.00
PAUL E. DeCHARIO	PED	354847	7/31/01	90.00	12.00	1,080.00
PAUL E. DeCHARIO	PED	354850	7/31/01	90.00	1.00	90.00
ROBERT C. NIXON	RCN	355306	7/28/01	165.00	10.00	1,650.00
Totals:					32.00	3,630.00
275 FED/ST INC TAX SECT. C. (UTIL)						
PAUL E. DeCHARIO	PED	354848	7/31/01	90.00	10.25	922.50
276 DEFERRED TAXES -FED & ST. (UTIL)						
PAUL E. DeCHARIO	PED	354764	7/09/01	90.00	3.50	315.00
PAUL E. DeCHARIO	PED	354765	7/10/01	90.00	10.00	900.00
PAUL E. DeCHARIO	PED	354766	7/11/01	90.00	9.75	877.50
PAUL E. DeCHARIO	PED	354767	7/12/01	90.00	9.00	810.00
PAUL E. DeCHARIO	PED	354768	7/13/01	90.00	9.25	832.50
PAUL E. DeCHARIO	PED	354745	7/16/01	90.00	7.00	630.00
PAUL E. DeCHARIO	PED	354746	7/17/01	90.00	7.25	652.50
PAUL E. DeCHARIO	PED	354747	7/18/01	90.00	0.75	67.50
ROBERT C. NIXON	RCN	355265	7/31/01	165.00	2.00	330.00
Totals:					58.50	5,415.00
77 REVIEW/REVISE SECT B MFRS (UTIL)						
PAUL E. DeCHARIO	PED	354849	7/31/01	90.00	10.50	945.00
ROBERT C. NIXON	RCN	355305	7/30/01	165.00	9.00	1,485.00
ROBERT C. NIXON	RCN	355264	7/31/01	165.00	3.00	495.00
Totals:					22.50	2,925.00
31 REVIEW/REVISE SECT D MFRS (UTIL)						
PAUL E. DeCHARIO	PED	354763	7/09/01	90.00	5.75	517.50
ROBERT C. NIXON	RCN	355268	7/30/01	165.00	1.00	165.00
ROBERT C. NIXON	RCN	355263	7/31/01	165.00	2.00	330.00
Totals:					8.75	1,012.50
09 RESEARCH (TAX)						
ROBERT H. JACKSON	RHJ	347953	7/10/01	165.00	1.75	288.75
01 TELEPHONE (EXP.)						
ROBERT C. NIXON	RCN	352264	7/13/01	11.05	1.00	11.05
02 POSTAGE (EXP.)						
ROBERT C. NIXON	RCN	354144	7/31/01	4.62	1.00	4.62
04 XEROX (EXP.)						
ROBERT C. NIXON	RCN	352275	7/31/01	0.20	7460.00	1,492.00

Rate Case
 Rate Case
 EXHIBIT RCN 14
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 Rate Case

8/09/01 4:12 pm Current Work In Process
 TB Date: 7/31/01 Cronin, Jackson, Nixon & Wilson, CPA's
 Period 7/01/01 to 7/31/01 Clearwater, FL 33765

Client: 110 ALOHA UTILITIES, INC.
 Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)							Totals	
Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms				
Work In Process-Balance Forward							56,572.56	
309 FAXES (EXP.)								
ROBERT C. NIXON	RCN	354721	7/31/01	36.07	1.00	36.07	<i>late case</i>	
Billing (Inv. # 36748)							7/31/01	-12,208.64
Ending Work In Process Balance							<u>44,399.99</u>	

Total Current Month			Work In Process Aging (\$)			
Time (Hrs)	Time Charges	Item Charges	Current Month	Last Month	2 Months Ago	>2 Months Ago
386.00	\$42,856.25	\$ 1,543.74	42,381.24	2,018.75	0.00	0.00
Year-To-Date W-I-P Activity (\$)			Current Month Accounts Receivable (\$)			
Work Charged	Adjust-ments	Billings	Beginning Balance	Billings	Finance Charge	Sales Tax
119093.24	-3,000.00	99,337.93	0.00	12,208.64	0.00	0.00
			Write-off	Credit Memo	Receipts	Ending Balance
			0.00	0.00	0.00	12,208.64

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
CHRISTINE R. CHRISTIAN, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
JEANETTE SUNG, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. WILSON, C.P.A.

2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 33765-4419
(727) 791-4020
FACSIMILE
(727) 797-3602
e-Mail
cpas@cjnw.net

INVOICE

September 27, 2001

Aloha Utilities, Inc.
Attn: Marion, Accounts Payable
6915 Perrine Ranch Rd.
New Port Richey, FL 34655

#110

For professional services rendered during August, 2001, as follows:

1. Review client Financial Statements for the 2 nd quarter of 2001.	\$ 1,230.00
2. On going work related to the Rate Case as set forth on the attached Work-In-Process Summary.	14,182.50
3. Partial billing for preparation of the 2000 State and Federal Income Tax Returns.	1,202.50
4. Rate Case out-of-pocket expense for telephone, postage, copies and Federal Expense Charges.	<u>1,672.29</u>
Total	<u>\$ 18,287.29</u>

Client: 110 ALOHA UTILITIES, INC.
 Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)
Employee Name Emp Ref. Num. Date Rate Hrs/Itms Totals
 Work In Process-Balance Forward 44,399.99

10 NON-CHARGE PROFESSIONAL (NONB)
 RONALDAS G. JURGUTIS RGJ 364723 8/16/01 5.00

1 ~~136~~ *Renew Client* PERSONAL FINANCIAL STMT'S (R/C)
 RONALDAS G. JURGUTIS RGJ 364706 8/22/01 105.00 1.00 105.00

1 137 REVIEW CLIENT STMT'S (R/C)
 JOHN H. CRONIN JR. JHC 364509 8/23/01 165.00 3.00 495.00
 RONALDAS G. JURGUTIS RGJ 364724 8/16/01 105.00 3.00 315.00
 RONALDAS G. JURGUTIS RGJ 364701 8/20/01 105.00 3.00 315.00
 Totals: 9.00 1,125.00

197 TYPING (MISC)
 DORIS I. JONES DIJ 358633 8/07/01 30.00 6.00 180.00
 DORIS I. JONES DIJ 358635 8/08/01 30.00 6.00 180.00
 DORIS I. JONES DIJ 358637 8/09/01 30.00 0.75 22.50
 DORIS I. JONES DIJ 358627 8/14/01 30.00 0.25 7.50 *Rate Case*
 DORIS I. JONES DIJ 360013 8/20/01 30.00 0.25 7.50
 DORIS I. JONES DIJ 359976 8/21/01 30.00 0.25 7.50
 DORIS I. JONES DIJ 363194 8/24/01 30.00 0.25 7.50
 DORIS I. JONES DIJ 363317 8/30/01 30.00 0.25 7.50
 Totals: 14.00 420.00

198 MISCELLANEOUS (MISC)
 DORIS I. JONES DIJ 358603 8/03/01 30.00 3.00 90.00
 DORIS I. JONES DIJ 358605 8/06/01 30.00 2.00 60.00
 DORIS I. JONES DIJ 358638 8/09/01 30.00 1.00 30.00
 DORIS I. JONES DIJ 358738 8/14/01 30.00 0.25 7.50
 DORIS I. JONES DIJ 359984 8/20/01 30.00 1.00 30.00
 DORIS I. JONES DIJ 359978 8/21/01 30.00 0.25 7.50
 JUDY L. GROGAN JLG 358440 8/07/01 30.00 1.00 30.00 *Rate Case*
 LINDA A. CONAUGHTY LAC 358519 8/08/01 30.00 4.25 127.50
 Totals: 12.75 382.50

208 RATE CASE ADMIN. (UTIL) *Rate Case*
 ROBERT C. NIXON RCN 363096 8/30/01 165.00 2.00 330.00

210 OTHER (UTIL) *Rate Case Audit*
 JOHN H. CRONIN JR. JHC 364522 8/13/01 165.00 1.00 165.00
 JOHN H. CRONIN JR. JHC 364525 8/14/01 165.00 3.00 495.00
 JOHN H. CRONIN JR. JHC 364530 8/20/01 165.00 2.00 330.00
 JOHN H. CRONIN JR. JHC 364513 8/27/01 165.00 8.00 1,320.00
 PAUL E. DeCHARIO PED 363143 8/20/01 90.00 0.75 67.50
 PAUL E. DeCHARIO PED 363144 8/20/01 90.00 6.00 540.00
 RONALDAS G. JURGUTIS RGJ 364715 8/06/01 105.00 8.00 840.00
 Totals: 28.75 3,757.50

12 DIRECT TESTIMONY & EXH. (UTIL)
 ROBERT C. NIXON RCN 363164 8/08/01 165.00 3.00 495.00

9/13/01 4:42 pm Current Work In Process
 TB Date: 8/31/01 Cronin, Jackson, Nixon & Wilson, CPA's
 Period 8/01/01 to 8/31/01 Clearwater, FL 33765

Client: 110 ALOHA UTILITIES, INC.
 Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)								
Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals			
Work In Process-Balance Forward						51,014.99		
212 DIRECT TESTIMONY & EXH. (UTIL) (Cont.)								
ROBERT C. NIXON	RCN	363168	8/09/01	165.00	4.00	<i>Rate Case</i> 660.00		
				Totals:	7.00	1,155.00		
214 REVIEW DRAFT MFR'S (UTIL)								
ROBERT C. NIXON	RCN	363162	8/07/01	165.00	8.50	<i>Rate Case</i> 1,402.50		
215 DRAFT MFR CHANGES (UTIL)								
ROBERT C. NIXON	RCN	363163	8/08/01	165.00	4.00	<i>Rate Case</i> 660.00		
ROBERT C. NIXON	RCN	363165	8/08/01	165.00	2.00	330.00		
				Totals:	6.00	990.00		
248 REVIEW/REVISE SECT F MFRS (UTIL)								
ROBERT C. NIXON	RCN	363167	8/09/01	165.00	1.50	<i>Rate Case</i> 247.50		
254 RATES PRESENT & PROPOSED (UTIL)								
PAUL E. DeCHARIO	PED	363017	8/03/01	90.00	9.75	<i>Rate Case</i> 877.50		
ROBERT C. NIXON	RCN	363158	8/03/01	165.00	2.50	412.50		
ROBERT C. NIXON	RCN	363159	8/04/01	165.00	8.50	1,402.50		
ROBERT C. NIXON	RCN	363160	8/06/01	165.00	6.50	1,072.50		
ROBERT C. NIXON	RCN	363149	8/10/01	165.00	2.00	330.00		
				Totals:	29.25	4,095.00		
256 REVIEW/REVISE SECT E MFRS (UTIL)								
ROBERT C. NIXON	RCN	363161	8/06/01	165.00	2.50	<i>Rate Case</i> 412.50		
277 REVIEW/REVISE SECT B MFRS (UTIL)								
ROBERT C. NIXON	RCN	363134	8/03/01	165.00	2.00	<i>Rate Case</i> 330.00		
278 REVIEW/REVISE SECT C MFRS (UTIL)								
ROBERT C. NIXON	RCN	363133	8/03/01	165.00	3.00	<i>Rate Case</i> 495.00		
281 REVIEW/REVISE SECT D MFRS (UTIL)								
ROBERT C. NIXON	RCN	363135	8/03/01	165.00	1.00	<i>Rate Case</i> 165.00		
301 RETURN PREPARATION (TAX)								
CHRISTINE R. CHRISTIAN	CRC	363170	8/27/01	65.00	2.75	178.75		
CHRISTINE R. CHRISTIAN	CRC	363178	8/28/01	65.00	4.50	292.50		
CHRISTINE R. CHRISTIAN	CRC	363180	8/29/01	65.00	3.25	211.25		
CHRISTINE R. CHRISTIAN	CRC	363203	8/29/01	65.00	1.00	65.00		
CHRISTINE R. CHRISTIAN	CRC	363211	8/30/01	65.00	2.50	162.50		
CHRISTINE R. CHRISTIAN	CRC	363212	8/30/01	65.00	4.50	292.50		
				Totals:	18.50	1,202.50		
901 TELEPHONE (EXP.)								
ROBERT C. NIXON	RCN	364403	8/13/01	35.41	1.00	35.41		
ROBERT C. NIXON	RCN	364536	8/31/01	72.48	1.00	72.48		
				Totals:	2.00	107.89		

9/13/01 4:42 pm Current Work In Process
 TB Date: 8/31/01 Cronin, Jackson, Nixon & Wilson, CPA's
 Period 8/01/01 to 8/31/01 Clearwater, FL 33765

Client: 110 ALOHA UTILITIES, INC.
 Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)							
Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals		
Work In Process-Balance Forward						61,122.88	
902 POSTAGE (EXP.)							
ROBERT C. NIXON	RCN	364538	8/31/01	3.98	1.00	3.98	<i>Rate Case</i>
904 XEROX (EXP.)							
ROBERT C. NIXON	RCN	364285	8/31/01	0.20	5928.00	1,185.60	
ROBERT C. NIXON	RCN	364331	8/31/01	0.20	40.00	8.00	
ROBERT C. NIXON	RCN	364342	8/31/01	0.20	1.00	0.20	
ROBERT C. NIXON	RCN	364354	8/31/01	0.20	13.00	2.60	
Totals:					5982.00	1,196.40	<i>Rate Case</i>
905 FEDERAL EXPRESS (EXP.)							
PAUL E. DeCHARIO	PED	364475	8/20/01	9.19	1.00	9.19	
PAUL E. DeCHARIO	PED	364476	8/20/01	8.42	1.00	8.42	
PAUL E. DeCHARIO	PED	364477	8/20/01	9.19	1.00	9.19	
PAUL E. DeCHARIO	PED	364478	8/20/01	8.42	1.00	8.42	
ROBERT C. NIXON	RCN	364483	8/08/01	16.73	1.00	16.73	
ROBERT C. NIXON	RCN	364484	8/08/01	24.03	1.00	24.03	
ROBERT C. NIXON	RCN	364485	8/08/01	94.90	1.00	94.90	
ROBERT C. NIXON	RCN	364486	8/08/01	99.03	1.00	99.03	
ROBERT C. NIXON	RCN	364487	8/08/01	39.21	1.00	39.21	
ROBERT C. NIXON	RCN	364482	8/09/01	15.79	1.00	15.79	
Totals:					10.00	324.91	<i>Rate Case</i>
909 FAXES (EXP.)							
ROBERT C. NIXON	RCN	364679	8/31/01	39.11	1.00	39.11	<i>Rate Case</i>
Billing (Inv. # 36812)			8/31/01			-44,399.99	
Ending Work In Process Balance						<u>18,287.29</u>	

EXHIBIT RCN 14
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Total Current Month			Work In Process Aging (\$)			
Time (Hrs)	Charges	Item Charges	Current Month	Last Month	2 Months Ago	>2 Months Ago
151.75	\$16,615.00	\$ 1,672.29	18,287.29	0.00	0.00	0.00
Year-To-Date W-I-P Activity (\$)			Current Month Accounts Receivable (\$)			
Work Charged	Adjust-ments	Billings	Beginning Balance	Billings	Finance Charge	Sales Tax
137385.53	-3,000.00	143737.92	12,208.64	44,399.99	0.00	0.00
			Write-off	Credit Memo	Receipts	Ending Balance
			0.00	0.00	56,608.63	0.00

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
CHRISTINE R. CHRISTIAN, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
JEANETTE SUNG, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. WILSON, C.P.A.

2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 33765-4419
(727) 791-4020
FACSIMILE
(727) 797-3602
e-Mail
cpas@cjnw.net

INVOICE

October 16, 2001

Aloha Utilities, Inc.
Attn: Marion, Accounts Payable
6915 Perrine Ranch Rd.
New Port Richey, FL 34655

#110

For professional services rendered during September, 2001, as follows:

1. Continuing work on the Seven Springs Water Rate case as set forth on the attached work in process summary.	\$ 27,420.00
2. Preparation and review of the 2000 corporate income tax returns.	2,061.25
3. Calculate interest rates for Aloha Gardens refund and refund percentages	907.50
4. Telephone, postage, copies and Federal Expense Charges.	<u>621.99</u>
Total	<u>\$ 31,010.74</u>

TB Date: 9/30/01 Cronin, Jackson, Nixon & Wilson, CPA's
Period 9/01/01 to 9/30/01 Clearwater, FL 33765

Client: 110 ALOHA UTILITIES, INC.
Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)						
Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals	
Work In Process-Balance Forward					18,782.29	
6 FIRM MANAGEMENT (ADM)						
JOHN H. CRONIN JR.	JHC	369272	9/27/01	5.00		
10 NON-CHARGE PROFESSIONAL (NONB)						
RONALDAS G. JURGUTIS	RGJ	369253	9/07/01	8.00		
RONALDAS G. JURGUTIS	RGJ	369255	9/11/01	105.00	4.00	420.00
				Totals:	12.00	420.00 <i>WT</i>
136 PERSONAL FINANCIAL STMT'S (R/C)						
RONALDAS G. JURGUTIS	RGJ	367092	9/30/01	105.00	-1.00	-105.00 <i>WT</i>
137 REVIEW CLIENT STMT'S (R/C)						
RONALDAS G. JURGUTIS	RGJ	369244	9/19/01	105.00	4.00	420.00
RONALDAS G. JURGUTIS	RGJ	369247	9/24/01	105.00	8.00	840.00
RONALDAS G. JURGUTIS	RGJ	369250	9/27/01	105.00	1.00	105.00
RONALDAS G. JURGUTIS	RGJ	367093	9/30/01	105.00	1.00	105.00
				Totals:	14.00	1,470.00 <i>NO</i>
197 TYPING (MISC)						
DORIS I. JONES	DIJ	364968	9/07/01	30.00	0.25	7.50 <i>Rate Case</i>
DORIS I. JONES	DIJ	366266	9/20/01	30.00	0.25	7.50
DORIS I. JONES	DIJ	368058	9/24/01	30.00	1.00	30.00
DORIS I. JONES	DIJ	368070	9/27/01	30.00	1.50	45.00
LINDA A. CONAUGHTY	LAC	364874	9/01/01	30.00	0.25	7.50
				Totals:	3.25	97.50
198 MISCELLANEOUS (MISC)						
DORIS I. JONES	DIJ	364972	9/10/01	30.00	0.50	15.00 <i>Rate Case</i>
DORIS I. JONES	DIJ	366236	9/17/01	30.00	0.25	7.50
DORIS I. JONES	DIJ	366265	9/20/01	30.00	2.50	75.00
DORIS I. JONES	DIJ	368059	9/24/01	30.00	0.25	7.50
				Totals:	3.50	105.00
202 CONFERENCE (UTIL) <i>(Courtland, Detending, Porter)</i>						
ROBERT C. NIXON (1)	RCN	369239	9/17/01	165.00	4.50	742.50 <i>Rate Case</i>
ROBERT C. NIXON (2)	RCN	369221	9/18/01	165.00	4.00	660.00
				Totals:	8.50	1,402.50
<i>(1) Review EPC 1st Interrog + Doc. Req. (2) Review Staff 1st Interrog + Doc. Req.</i>						
206 RATE CASE REPORT (UTIL) <i>(Interim Rates)</i>						
ROBERT C. NIXON	RCN	369301	9/05/01	165.00	2.50	412.50 <i>Rate Case</i>
ROBERT C. NIXON	RCN	369285	9/06/01	165.00	6.00	990.00
ROBERT C. NIXON	RCN	369286	9/07/01	165.00	5.00	825.00
				Totals:	13.50	2,227.50
210 OTHER (UTIL) <i>(Aloha Gardens Rate investigation - Interest Rates) Rate Invest.</i>						
ROBERT C. NIXON	RCN	369297	9/04/01	165.00	2.00	330.00
ROBERT C. NIXON	RCN	369302	9/05/01	165.00	3.50	577.50
				Totals:	5.50	907.50

TB Date: 9/30/01 Cronin, Jackson, Nixon & Wilson, CPA's
Period 9/01/01 to 9/30/01 Clearwater, FL 33765

Client: 110 ALOHA UTILITIES, INC.
Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)

Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals
Work In Process-Balance Forward					25,307.29
220 ANSWER INTERROG/DOC. REQ. (UTIL)					
JOHN H. CRONIN JR.	JHC	369265	9/24/01	165.00	3.00 495.00
JOHN H. CRONIN JR.	JHC	369269	9/26/01	165.00	8.00 1,320.00
JOHN H. CRONIN JR.	JHC	369271	9/27/01	165.00	2.00 330.00
PAUL E. DeCHARIO	PED	368079	9/07/01	90.00	8.00 720.00
PAUL E. DeCHARIO	PED	368080	9/10/01	90.00	8.00 720.00
PAUL E. DeCHARIO	PED	368081	9/11/01	90.00	8.00 720.00
PAUL E. DeCHARIO	PED	368111	9/17/01	90.00	5.00 450.00
PAUL E. DeCHARIO	PED	368093	9/20/01	90.00	6.00 540.00
PAUL E. DeCHARIO	PED	368094	9/21/01	90.00	2.50 225.00
PAUL E. DeCHARIO	PED	368097	9/24/01	90.00	2.00 180.00
ROBERT C. NIXON	RCN	369238	9/14/01	165.00	1.00 165.00
ROBERT C. NIXON	RCN	369240	9/17/01	165.00	2.50 412.50
ROBERT C. NIXON	RCN	369223	9/19/01	165.00	6.00 990.00
ROBERT C. NIXON	RCN	369226	9/20/01	165.00	8.00 1,320.00
ROBERT C. NIXON	RCN	369227	9/21/01	165.00	8.00 1,320.00
ROBERT C. NIXON	RCN	369228	9/24/01	165.00	8.00 1,320.00
ROBERT C. NIXON	RCN	369229	9/25/01	165.00	8.00 1,320.00
ROBERT C. NIXON	RCN	369230	9/26/01	165.00	8.00 1,320.00
ROBERT C. NIXON	RCN	369252	9/27/01	165.00	8.00 1,320.00
RONALDAS G. JURGUTIS	RGJ	369254	9/10/01	105.00	8.00 840.00
RONALDAS G. JURGUTIS	RGJ	369256	9/11/01	105.00	4.00 420.00
RONALDAS G. JURGUTIS	RGJ	369257	9/12/01	105.00	8.00 840.00
RONALDAS G. JURGUTIS	RGJ	369258	9/13/01	105.00	8.00 840.00
RONALDAS G. JURGUTIS	RGJ	369259	9/14/01	105.00	8.00 840.00
				Totals:	146.00 18,967.50
<i>Rate Case</i>					
251 STAFF REQ/RESPONSES-PSC (UTIL)					
JOHN H. CRONIN JR.	JHC	368035	9/05/01	165.00	1.00 165.00
JOHN H. CRONIN JR.	JHC	368029	9/07/01	165.00	1.00 165.00
JOHN H. CRONIN JR.	JHC	368040	9/13/01	165.00	3.00 495.00
JOHN H. CRONIN JR.	JHC	369276	9/17/01	165.00	5.00 825.00
JOHN H. CRONIN JR.	JHC	369278	9/18/01	165.00	8.00 1,320.00
JOHN H. CRONIN JR.	JHC	369281	9/20/01	165.00	2.00 330.00
JOHN H. CRONIN JR.	JHC	369262	9/21/01	165.00	8.00 1,320.00
				Totals:	28.00 4,620.00
<i>Rate Case - Audit</i>					
301 RETURN PREPARATION (TAX)					
CHRISTINE R. CHRISTIAN	CRC	364855	9/06/01	65.00	2.00 130.00
CHRISTINE R. CHRISTIAN	CRC	364856	9/06/01	65.00	3.00 195.00
MARC DiPAOLO	MDP	363459	9/01/01	60.00	3.00 180.00
MARC DiPAOLO	MDP	363461	9/04/01	60.00	3.00 180.00
				Totals:	11.00 685.00
302 RETURN CHECKING (TAX)					
ROBERT H. JACKSON	RHJ	367877	9/10/01	165.00	1.75 288.75
ROBERT H. JACKSON	RHJ	367920	9/17/01	165.00	2.00 330.00
ROBERT H. JACKSON	RHJ	367913	9/18/01	165.00	2.00 330.00
ROBERT H. JACKSON	RHJ	367928	9/19/01	165.00	0.50 82.50
				Totals:	6.25 1,031.25

10/11/01 12:14 pm
TB Date: 9/30/01
Period 9/01/01 to 9/30/01

Current Work In Process
Cronin, Jackson, Nixon & Wilson, CPA's
Clearwater, FL 33765

Client: 110 ALOHA UTILITIES, INC.
Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)							
Employee Name	Emp	Ref. Num.	Date	Rate	Hrs/Itms	Totals	
Work In Process-Balance Forward						50,611.04	
304 FINAL REVIEW (TAX)							
JOHN H. CRONIN JR.	JHC	368041	9/13/01	165.00	2.00	330.00	
350 ADMINISTRATIVE PROCESSING (TAX)							
JUDY L. GROGAN	JLG	364987	9/10/01	30.00	0.50	15.00	
901 TELEPHONE (EXP.)							
ROBERT C. NIXON	RCN	369489	9/30/01	7.25	1.00	<i>Rate Case</i> 7.25	
902 POSTAGE (EXP.)							
ROBERT C. NIXON	RCN	369407	9/30/01	5.19	1.00	<i>Rate Case</i> 5.19	
903 TRAVEL (EXP.)							
JOHN H. CRONIN JR.	JHC	366157	9/30/01	4.96	1.00	<i>Rate Case</i> 4.96	
JOHN H. CRONIN JR.	JHC	367097	9/30/01	18.11	1.00	18.11	
JOHN H. CRONIN JR.	JHC	369488	9/30/01	67.12	1.00	67.12	
Totals:					3.00	90.19	
904 XEROX (EXP.)							
ROBERT C. NIXON	RCN	368380	9/30/01	0.20	1.00	<i>Rate Case</i> 0.20	
ROBERT C. NIXON	RCN	368394	9/30/01	0.20	10.00	2.00	
ROBERT C. NIXON	RCN	368397	9/30/01	0.20	10.00	2.00	
ROBERT C. NIXON	RCN	369310	9/30/01	0.20	1899.00	379.80	
Totals:					1920.00	384.00	
905 FEDERAL EXPRESS (EXP.)							
ROBERT C. NIXON	RCN	367112	9/07/01	13.18	1.00	<i>Rate Case</i> 13.18	
ROBERT C. NIXON	RCN	367108	9/11/01	9.19	1.00	9.19	
ROBERT C. NIXON	RCN	367109	9/11/01	9.19	1.00	9.19	
Totals:					3.00	31.56	
909 FAXES (EXP.)							
ROBERT C. NIXON	RCN	369555	9/30/01	103.80	1.00	<i>Rate Case</i> 103.80	
Billing (Inv. # 36878)			9/30/01			-18,287.29	

10/11/01 12:14 pm

Current Work In Process

TB Date: 9/30/01 Cronin, Jackson, Nixon & Wilson, CPA's
Period 9/01/01 to 9/30/01 Clearwater, FL 33765

Client: 110 ALOHA UTILITIES, INC.
Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)

Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals
Work In Process-Balance Forward					33,290.74
909 FAXES (EXP.) (Cont.)					
Ending Work In Process Balance					<u>33,290.74</u>

EXHIBIT RCN 14
PAGE 53 OF 77

Total Current Month			Work In Process Aging (\$)			
Time (Hrs)	Time Charges	Item Charges	Current Month	Last Month	2 Months Ago	>2 Months Ago
258.00	\$32,173.75	\$ 621.99	31,970.78	1,319.96	0.00	0.00
Year-To-Date W-I-P Activity (\$)			Current Month Accounts Receivable (\$)			
Work Charged	Adjust-ments	Billings	Beginning Balance	Billings	Finance Charge	Sales Tax
170676.27	-3,000.00	162025.21	0.00	18,287.29	0.00	0.00
			Write-off	Credit Memo	Receipts	Ending Balance
			0.00	0.00	0.00	18,287.29

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
CHRISTINE R. CHRISTIAN, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
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2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 33765-4419
(727) 791-4020
FACSIMILE
(727) 797-3602
e-Mail
cpas@cjnw.net

INVOICE

CORRECTED

November 28, 2001

Aloha Utilities, Inc.
Attn: Marion, Accounts Payable
6915 Perrine Ranch Rd.
New Port Richey, FL 34655

#110

For professional services rendered during October, 2001, as follows:

1. Review of client's monthly statements for bank and conferences related thereto.	\$ 1,297 50
2. Work related to the ongoing Seven Springs Water Rate Case as set forth on the attached work-in-process summary.	28,695.00
3. Telephone, postage, mileage, copies and Federal Express charges related to Rate Case.	<u>976.39</u>
Sub Total	30,968.89
Less Discount at 10%	<u>(4,000.00)</u>
Total	<u>\$ 26,968.89</u>

Client: 110 ALOHA UTILITIES, INC.
 Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)

Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals
Work In Process-Balance Forward					33,290.74

10 NON-CHARGE PROFESSIONAL (NONB)

RONALDAS G. JURGUTIS	RGJ	375912	10/10/01	7.00	
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100 CONFERENCE (MGMT)

RONALDAS G. JURGUTIS	RGJ	375917	10/05/01	105.00	1.00	105.00
RONALDAS G. JURGUTIS	RGJ	375913	10/10/01	105.00	1.00	105.00
				Totals:	2.00	210.00

137 REVIEW CLIENT STMT'S (R/C)

JOHN H. CRONIN JR.	JHC	374929	10/24/01	165.00	2.00	330.00
JOHN H. CRONIN JR.	JHC	374926	10/25/01	165.00	3.00	495.00
				Totals:	5.00	825.00

197 TYPING (MISC)

DORIS I. JONES	DIJ	370722	10/01/01	30.00	5.00	150.00
DORIS I. JONES	DIJ	370716	10/02/01	30.00	1.50	45.00
DORIS I. JONES	DIJ	370878	10/08/01	30.00	0.50	15.00
DORIS I. JONES	DIJ	373667	10/12/01	30.00	0.25	7.50
DORIS I. JONES	DIJ	375091	10/30/01	30.00	0.25	7.50
				Totals:	7.50	225.00

Rate Case

.98 MISCELLANEOUS (MISC)

DORIS I. JONES	DIJ	370719	10/01/01	30.00	3.00	90.00
DORIS I. JONES	DIJ	370741	10/02/01	30.00	0.50	15.00
DORIS I. JONES	DIJ	370888	10/05/01	30.00	0.50	15.00
DORIS I. JONES	DIJ	370882	10/08/01	30.00	0.25	7.50
DORIS I. JONES	DIJ	370956	10/10/01	30.00	0.25	7.50
DORIS I. JONES	DIJ	370951	10/11/01	30.00	0.25	7.50
DORIS I. JONES	DIJ	373666	10/12/01	30.00	0.25	7.50
DORIS I. JONES	DIJ	373662	10/16/01	30.00	1.50	45.00
DORIS I. JONES	DIJ	374071	10/22/01	30.00	0.25	7.50
DORIS I. JONES	DIJ	375087	10/26/01	30.00	0.25	7.50
LINDA A. CONAUGHTY	LAC	370614	10/01/01	30.00	1.00	30.00
LINDA A. CONAUGHTY	LAC	370636	10/02/01	30.00	0.50	15.00
				Totals:	8.50	255.00

Rate Case

10 OTHER (UTIL)

RONALDAS G. JURGUTIS	RGJ	375882	10/19/01	105.00	1.00	105.00
RONALDAS G. JURGUTIS	RGJ	375880	10/22/01	105.00	1.00	105.00
RONALDAS G. JURGUTIS	RGJ	375894	10/26/01	105.00	0.50	52.50
				Totals:	2.50	262.50

EXHIBIT RCN 14

PAGE 55 OF 77

20 ANSWER INTERROG/DOC. REQ. (UTIL)

JOHN H. CRONIN JR.	JHC	374945	10/01/01	165.00	4.00	660.00
JOHN H. CRONIN JR.	JHC	374948	10/08/01	165.00	3.00	495.00
JOHN H. CRONIN JR.	JHC	374946	10/09/01	165.00	6.00	990.00
JOHN H. CRONIN JR.	JHC	375053	10/31/01	165.00	3.00	495.00
PAUL E. DeCHARIO	PED	374967	10/01/01	90.00	2.00	180.00
PAUL E. DeCHARIO	PED	374966	10/02/01	90.00	4.00	360.00

Rate Case

Client: 110 ALOHA UTILITIES, INC.
 Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)

Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals
Work In Process-Balance Forward					38,878.24

220 ANSWER INTERROG/DOC. REQ. (UTIL) (Cont.) *Rate Case*

ROBERT C. NIXON	RCN	375750	10/01/01	165.00	8.00	1,320.00
ROBERT C. NIXON	RCN	375751	10/01/01	165.00	8.00	1,320.00
ROBERT C. NIXON	RCN	375752	10/02/01	165.00	6.50	1,072.50
ROBERT C. NIXON	RCN	375726	10/05/01	165.00	2.00	330.00
ROBERT C. NIXON	RCN	375721	10/09/01	165.00	4.00	660.00
ROBERT C. NIXON	RCN	375722	10/09/01	165.00	3.00	495.00
ROBERT C. NIXON	RCN	375728	10/12/01	165.00	8.00	1,320.00
ROBERT C. NIXON	RCN	375729	10/15/01	165.00	5.00	825.00
RONALDAS G. JURGUTIS	RGJ	375883	10/19/01	105.00	1.00	105.00
RONALDAS G. JURGUTIS	RGJ	375889	10/31/01	105.00	1.00	105.00
Totals:					75.50	11,362.50

222 PREPARE/ATTEND DEPOSITION (UTIL) *Rate Case*

ROBERT C. NIXON	RCN	375754	10/03/01	165.00	8.00	1,320.00
ROBERT C. NIXON	RCN	375727	10/04/01	165.00	8.00	1,320.00
ROBERT C. NIXON	RCN	375634	10/18/01	165.00	7.00	1,155.00
ROBERT C. NIXON	RCN	375632	10/19/01	165.00	2.00	330.00
ROBERT C. NIXON	RCN	375633	10/19/01	165.00	1.00	165.00
ROBERT C. NIXON	RCN	375627	10/23/01	165.00	1.00	165.00
ROBERT C. NIXON	RCN	375625	10/24/01	165.00	2.00	330.00
ROBERT C. NIXON	RCN	375637	10/25/01	165.00	2.00	330.00
ROBERT C. NIXON	RCN	375641	10/26/01	165.00	5.00	825.00
ROBERT C. NIXON	RCN	375642	10/29/01	165.00	8.00	1,320.00
Totals:					44.00	7,260.00

45 *Recomm + Review scheds. to Staff*
 27 REVIEW INT. / ~~FINAL ORDER~~ (UTIL) *Rate Case*

ROBERT C. NIXON	RCN	375639	10/26/01	165.00	2.00	330.00
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38 DEPOSITION EXHIBITS (UTIL) *Rate Case*

ROBERT C. NIXON	RCN	375643	10/30/01	165.00	4.00	660.00
ROBERT C. NIXON	RCN	375610	10/31/01	165.00	3.00	495.00
ROBERT C. NIXON	RCN	375613	10/31/01	165.00	6.00	990.00
Totals:					13.00	2,145.00

6 *Anterior Recommend + Schedules Sent to Staff*
 7 REVIEW TESTIMONY/INTERROG (UTIL) *Rate Case*

PAUL E. DeCHARIO	PED	374964	10/01/01	90.00	8.00	720.00
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5 REVIEW STAFF RECOMMENDATN (UTIL) *(Interim Rates)* *Rate Case*

PAUL E. DeCHARIO	PED	374998	10/04/01	90.00	8.00	720.00
PAUL E. DeCHARIO	PED	374999	10/05/01	90.00	6.00	540.00
Totals:					14.00	1,260.00

1 STAFF REQ/RESPONSES-PSC (UTIL) *Aud. + Questions + Response* EXHIBIT RCN 14
 PAGE 56 OF 77

JOHN H. CRONIN JR.	JHC	374935	10/04/01	165.00	2.00	330.00
JOHN H. CRONIN JR.	JHC	374954	10/05/01	165.00	3.00	495.00
JOHN H. CRONIN JR.	JHC	374922	10/10/01	165.00	2.00	330.00
JOHN H. CRONIN JR.	JHC	374919	10/11/01	165.00	3.00	495.00
JOHN H. CRONIN JR.	JHC	374933	10/23/01	165.00	4.00	660.00

11/14/01 3:15 pm Current Work In Process
 TB Date: 10/31/01 Cronin, Jackson, Nixon & Wilson, CPA's
 Period 10/01/01 to 10/31/01 Clearwater, FL 33765

Client: 110 ALOHA UTILITIES, INC.
 Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)

Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals
Work In Process-Balance Forward					60,785.74

251 STAFF REQ/RESPONSES-PSC (UTIL) (Cont.)

Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals	
PAUL E. DeCHARIO	PED	375003	10/09/01	90.00	8.00	720.00
PAUL E. DeCHARIO	PED	375004	10/10/01	90.00	8.00	720.00
PAUL E. DeCHARIO	PED	374992	10/22/01	90.00	3.00	270.00
PAUL E. DeCHARIO	PED	374995	10/24/01	90.00	6.00	540.00
ROBERT C. NIXON	RCN	375635	10/24/01	165.00	1.50	247.50
				Totals:	42.50	5,137.50

Rate Case - Audit + Response

901 TELEPHONE (EXP.)

ROBERT C. NIXON	RCN	374742	10/31/01	37.88	1.00	37.88
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Rate Case

902 POSTAGE (EXP.)

ROBERT C. NIXON	RCN	375514	10/31/01	4.62	1.00	4.62
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903 TRAVEL (EXP.)

JOHN H. CRONIN JR.	JHC	374009	10/31/01	14.93	1.00	14.93
ROBERT C. NIXON	RCN	375259	10/31/01	75.79	1.00	75.79
				Totals:	2.00	90.72

904 XEROX (EXP.)

ROBERT C. NIXON	RCN	375265	10/31/01	0.20	27.00	5.40
ROBERT C. NIXON	RCN	375267	10/31/01	0.20	33.00	6.60
ROBERT C. NIXON	RCN	375280	10/31/01	0.20	1597.00	319.40
				Totals:	1657.00	331.40

905 FEDERAL EXPRESS (EXP.)

JOHN H. CRONIN JR.	JHC	374719	10/11/01	8.42	1.00	8.42
ROBERT C. NIXON	RCN	374720	10/11/01	14.87	1.00	14.87
				Totals:	2.00	23.29

907 OTHER (EXP.)

ROBERT C. NIXON	RCN	373043	10/31/01	334.30	1.00	334.30
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909 FAXES (EXP.)

ROBERT C. NIXON	RCN	374793	10/31/01	154.18	1.00	154.18
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Billing (Inv. # 37008)	10/31/01	-31,010.74
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11/14/01 3:15 pm Current Work In Process
 TB Date: 10/31/01 Cronin, Jackson, Nixon & Wilson, CPA's
 Period 10/01/01 to 10/31/01 Clearwater, FL 33765

Client: 110 ALOHA UTILITIES, INC.
 Resp. Partner: RCN ROBERT C. NIXON

Client FYE: 12/31

Work Performed (Work Code, Desc, Billing Code)						
Employee Name	Emp Ref. Num.	Date	Rate	Hrs/Itms	Totals	
Work In Process-Balance Forward					33,248.89	
909 FAXES (EXP.) (Cont.)						
Adjustment (Inv. # 0)		10/31/01			-2,280.00	
Ending Work In Process Balance					<u>30,968.89</u>	

EXHIBIT RCN 14
 PAGE 58 OF 77

Total Current Month			Work In Process Aging (\$)			
Time (Hrs)	Time Charges	Item Charges	Current Month	Last Month	2 Months Ago	>2 Months Ago
231.50	\$29,992.50	\$ 976.39	30,571.39	397.50	0.00	0.00
Year-To-Date W-I-P Activity (\$)			Current Month Accounts Receivable (\$)			
Work Charged	Adjust-ments	Billings	Beginning Balance	Billings	Finance Charge	Sales Tax
201645.16	-5,280.00	193035.95	18,287.29	31,010.74	0.00	0.00
			Write-off	Credit Memo	Receipts	Ending Balance
			0.00	0.00	49,298.03	0.00

ALOHA UTILITIES, INC.
EXHIBIT RCN 14
DOCKET NO. 010503 - WU
ACTUAL AND ESTIMATED RATE CASE EXPENSE THROUGH HEARING
ENGINEERING

<u>DAVID W. PORTER, P.E., C.O.</u>	INVOICE				
BILLED EXPENSE:	<u>DATE</u>	<u>HOURS</u>	<u>FEES</u>	<u>COSTS</u>	<u>TOTAL</u>
	01/05/01	2	\$160		\$160
	04/29/01	2	160		160
	08/02/01	14.5	1,160		1,160
	09/03/01	10	800		800
	10/01/01	22.5	1,800		1,800
	11/05/01	46	3,680	\$245	3,925
TOTAL BILLED EXPENSE		<u>97</u>	<u>7,760</u>	<u>245</u>	<u>8,005</u>
EARNED TO 12-7-01 - UNBILLED:		<u>92</u>	<u>7,360</u>	<u>390</u>	<u>7,750</u>
ESTIMATE TO COMPLETE:					
ATTEND DEPOSITIONS/ ANSWER INTERROGATORIES		40	3,200		3,200
PREP.OF REBUTTAL TESTIMONY		40	3,200		3,200
PREPARE FOR HEARING		40	3,200		3,200
ATTEND HEARING		32	2,560		2,560
POST HEARING BRIEF/ REVIEW STAFF RECOMMENDATION/ FINAL ORDER		40	3,200		3,200
TRAVEL, MEALS, LODGING				800	800
TOTAL ESTIMATE TO COMPLETE		<u>192</u>	<u>15,360</u>	<u>800</u>	<u>16,160</u>
TOTAL ACTUAL & ESTIMATED EXPENSE		<u>381</u>	<u>\$30,480</u>	<u>\$1,435</u>	<u>\$31,915</u>



David W. Porter, P.E., C.O.

Engineering Consultants

Regulatory Assistance;
Process Troubleshooting;
System Design, Permitting,
Construction Observation;
Forensic Engineering,
Expert Witness Testimony;
Rate Case Support

INVOICE

PAID
UP 1/16/01

Ms. Connie Kurish, General Manager
Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL 34655

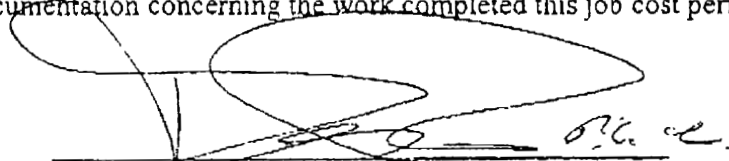
Date: January 5, 2001
Invoice No.: 0503

Job No.: AUI-024-5-S
Job Name: Water Rate Case
Period: December 2, 2000 – December 29, 2000

INVOICE FOR PROFESSIONAL SERVICES

PROFESSIONAL SERVICES THIS PERIOD:	\$160.00
TOTAL INVOICED TO DATE:	\$160.00
TOTAL DUE THIS INVOICE:	<u>\$160.00</u>

Thank you for the opportunity to provide these services. Please see job detail report attached for complete documentation concerning the work completed this job cost period.


David W. Porter, P.E., C.O.

DP David W. Porter, P.E., C.O.
EC Engineering Consultants

Regulatory Assistance;
Process Troubleshooting;
System Design, Permitting,
Construction Observation;
Forensic Engineering,
Expert Witness Testimony;
Rate Case Support

January 5, 2001

Ms. Connie Kurish, General Manager
Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL 34655

Re: Project Number AUI-024-5-S
Water Rate Case
Invoice Number 0503 For Period December 2, 2000 - December 29, 2000

Dear Connie,

This invoice covers the period referenced above. All work was completed as part of my project number AUI-024-5-S (Water Rate Case).

Work completed for you this four (4) week period is detailed below:

Week of December 8, 2000:

No activity.

Week of December 15, 2000:

Receive and review a number of RS&B documents.

Week of December 22, 2000:

Receive and review a number of RS&B documents.

Week December 29, 2000:

No activity.

Ms. Connie Kurish, General Manager
January 5, 2001
Page 2

Man-hours expended and fee:

Porter: 2.0 hrs @ \$80/hr. = \$160.00

Expenses:

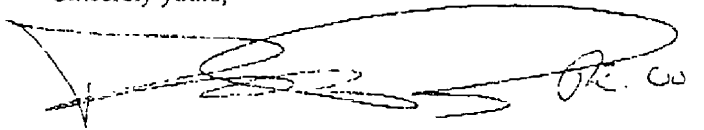
Mileage: 0 miles @ \$0.325/mile = \$0.00

Lodging: 0 nights = \$0

The total fee due this month for all of the work completed as detailed above is \$160.00. When remitting, please note my project number AUI-023-5-S.

Thank you for the continued opportunity to serve Aloha Utilities, Inc. If you have any questions please call me.

Sincerely yours,

A handwritten signature in black ink, appearing to read "D.W. Porter", written over a horizontal line.

David W. Porter, P.E., C.O.
Water/Wastewater System Consultant



David W. Porter, P.E., C.O.

Engineering Consultants

Regulatory Assistance;
Process Troubleshooting;
System Design, Permitting,
Construction Observation;
Forensic Engineering,
Expert Witness Testimony;
Rate Case Support

INVOICE

PAID
VP 5/12/01

Ms. Connie Kurish, General Manager
Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL 34655

Date: April 29, 2001
Invoice No: 0536

Job No.: AUI-024-5-S
Job Name: Water Rate Case
Period: March 31, 2001 – April 27, 2001

INVOICE FOR PROFESSIONAL SERVICES

PROFESSIONAL SERVICES THIS PERIOD:	\$160.00
TOTAL INVOICED TO DATE:	\$320.00
TOTAL DUE THIS INVOICE:	<u>\$160.00</u>

Thank you for the opportunity to provide these services. Please see job detail report attached for complete documentation concerning the work completed this job cost period.

David W. Porter, P.E., C.O.



David W. Porter, P.E., C.O.

Engineering Consultants

**Regulatory Assistance;
Process Troubleshooting;
System Design, Permitting,
Construction Observation;
Forensic Engineering,
Expert Witness Testimony;
Rate Case Support**

April 29, 2001

Ms. Connie Kurish, General Manager
Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL 34655

Re. Project Number AUI-024-5-S
Water Rate Case
Invoice Number 0536 For Period March 31, 2001 – April 27, 2001

Dear Connie,

This invoice covers the period referenced above. All work was completed as part of my project number AUI-024-5-S (Water Rate Case).

Work completed for you this four (4) week period is detailed below:

Week of April 6, 2000:

Received and reviewed documents produced by RS&B regarding a potential water rate case filing. Participate in a teleconference with Marty Deterding, John Jenkins, Bob Nixon, Steve Watford, and Connie Kurish to discuss preparation of a full rate case application for the Seven Springs Water System

Week of April 13, 2000:

No activity

Week of April 20, 2000:

No activity.

Week April 27, 2000:

No activity.

Ms. Connie Kurish, General Manager
April 29, 2001
Page 2

Man-hours expended and fee:

Porter: 2.0 hrs. @ \$80/hr = \$160.00

Expenses:

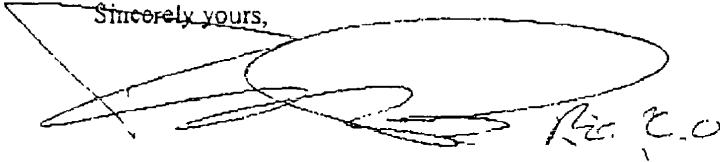
Mileage: 0 miles @ \$0.325/mile = \$0.00

Lodging: 0 nights = \$0

The total fee due this month for all of the work completed as detailed above is \$160.00. When remitting, please note my project number AUI-024-5-S.

Thank you for the continued opportunity to serve Aloha Utilities, Inc. If you have any questions please call me.

Sincerely yours,

A handwritten signature in black ink, appearing to read "David W. Porter, P.E., C.O.", written over a large, irregular scribble.

David W. Porter, P.E., C.O.
Water/Wastewater System Consultant

Regulatory Assistance;
Process Troubleshooting;
System Design, Permitting,
Construction Observation;
Forensic Engineering,
Expert Witness Testimony;
Rate Case Support

INVOICE

PAID

VP 8/24/01

Ms. Connie Kurish
Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL 34655

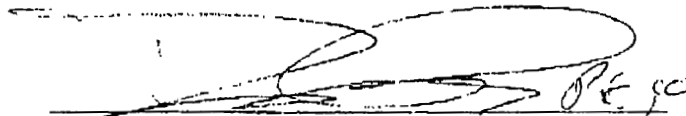
Date: August 2, 2001
Invoice No.: 0554

Job No.: AUI-024-5-S
Job Name: Water Rate Case
Period: June 30, 2001 - July 27, 2001

INVOICE FOR PROFESSIONAL SERVICES

PROFESSIONAL SERVICES THIS PERIOD.	\$1,160.00
TOTAL INVOICED TO DATE:	\$1,480.00
TOTAL DUE THIS INVOICE:	<u>\$1,160.00</u>

Thank you for the opportunity to provide these services. Please see job detail report attached for complete documentation concerning the work completed this job cost period.



David W. Porter, P.E., C.O.



David W. Porter, P.E., C.O.

Engineering Consultants

**Regulatory Assistance;
Process Troubleshooting;
System Design, Permitting,
Construction Observation;
Forensic Engineering,
Expert Witness Testimony;
Rate Case Support**

August 2, 2001

Ms Connie Kurish
Aloha Utilities, Inc.
6915 Peirine Ranch Road
New Port Richey, FL 34655

Re: Project Number AUI-024-5-S
Water Rate Case
Invoice Number 0554 For Period June 30, 2001 – July 27, 2001

Dear Connie,

This invoice covers the period referenced above. All work was completed as part of my project number AUI-024-5-S (Water Rate Case)

Work completed for you this four (4) week period is detailed below:

Week of July 6, 2000:

No activity.

Week of July 13, 2000:

Telephone conversation with Steve and Connie. Begin data collection and assemble needed for preparation of demographics based water demand estimates

Week of July 20, 2000:

Prepared demographically based water demand projections for Seven Springs Water System. Sent data to Steve and Bob Nixon for review. Telephone conversations with Steve and Bob related to their review. Make changes related to review comments and send final data to Steve and Bob Nixon

Week July 27, 2000:

Telephone conversations with Marty Deterding and Bob Nixon related to preparation of MFRs by Bob Nixon. Prepared Direct Testimony. Assisted Steve in development of "fire flow" requirements to be used in MFRs. Contracted Pasco County Fire Marshall to obtain fire flow data

Ms Connie Kurish
August 2, 2001
Page 2

Man-hours expended and fee:

Porter: 14.5 hrs. @ \$80/hr = \$1,160 00

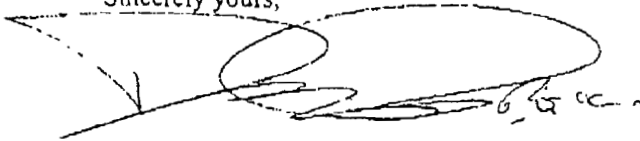
Expenses:

Mileage: 0 miles @ \$0.325/mile = \$0.00
Lodging: 0 nights = \$0

The total fee due this month for all of the work completed as detailed above is \$1,160.00. When remitting, please note my project number AUI-024-S-S

Thank you for the continued opportunity to serve Aloha Utilities, Inc. If you have any questions please call me.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'D. W. Porter', written over a horizontal line.

David W. Porter, P.E., C.O.
Water/Wastewater System Consultant

DR David W. Porter, P.E., C.O.
E-C Engineering Consultants

Regulatory Assistance;
Process Troubleshooting;
System Design, Permitting,
Construction Observation;
Forensic Engineering,
Expert Witness Testimony;
Rate Case Support

INVOICE

PAIF
9/20/01

Ms. Connie Kurish
Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL 34655

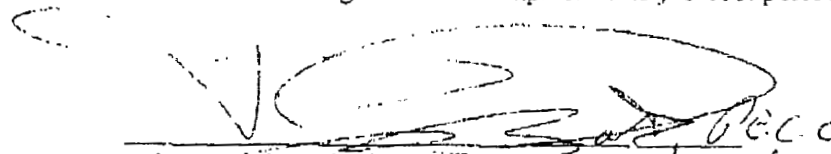
Date: September 3, 2001
Invoice No.: 0563

Job No.: AUI-024-S-S
Job Name: Water Rate Case
Period: July 28, 2001 – August 31, 2001

INVOICE FOR PROFESSIONAL SERVICES

PROFESSIONAL SERVICES THIS PERIOD	\$800.00
TOTAL INVOICED TO DATE:	\$2,280.00
TOTAL DUE THIS INVOICE:	<u>\$800.00</u>

Thank you for the opportunity to provide these services. Please see job detail report attached for complete documentation concerning the work completed this job cost period.


David W. Porter, P.E., C.O.

PCHD/AUI-024-S_S_Invoice 09-03-01 DOC/Print/via Express

EXHIBIT RCN 14
PAGE 69 OF 77

DWP
E/C **David W. Porter, P.E., C.O.**
Engineering Consultants

**Regulatory Assistance;
Process Troubleshooting;
System Design, Permitting,
Construction Observation;
Forensic Engineering,
Expert Witness Testimony;
Rate Case Support**

September 3, 2001

Ms. Connie Kurish
Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL 34655

Re Project Number AUI-024-5-S
Water Rate Case
Invoice Number 0563 For Period July 28, 2001 – August 31, 2001

Dear Connie,

This invoice covers the period referenced above. All work was completed as part of my project number AUI-024-5-S (Water Rate Case).

Work completed for you this five (5) week period is detailed below:

Week of August 3, 2000:

Telephone conversation with Steve related to County Fire Flow requirements. Called Pasco County Fire Marshall's office and requested fire flow requirements. Provided data to Steve. Received and reviewed Steve's testimony from Marty. Provided Marty my comments.

Week of August 10, 2000:

Telephone conversation with Steve related to water conversation rate calculations. Receive water conversation rate spreadsheets from Steve. Reviewed spread sheets. Telephone conversations with Steve to review spreadsheets. Telephone conversations with Bob Nixon related to water conversation rates proposed and changes and corrections to MFRs. Receive/review MFR changes and corrections.

Week of August 17, 2000:

Receive/review water rate case application draft. Discuss comments with Marty.

Week August 24, 2000:

No activity.

Week of August 31, 2000:

Telephone conversation with Mike Wheatherrington related to water production and purchase at Seven Springs for test year. Telephone conversation with Bob Nixon related to Mike's questions. Called Steve and discussed Mike's questions with him.

EXHIBIT RCN 14
PAGE 70 OF 77

Ms. Connie Kurish
September 3, 2001
Page 2

Man-hours expended and fee:

Porter 10.0 hrs. @ \$80/hr = \$800.00

Expenses:

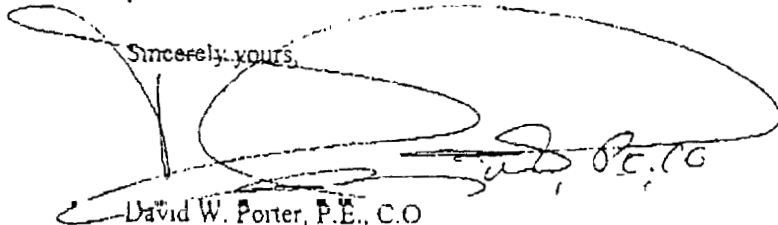
Mileage: 0 miles @ \$0.325/mile = \$0.00

Lodging: 0 nights = \$0

The total fee due this month for all of the work completed as detailed above is \$800.00. When remitting, please note my project number AUI-024-S-S.

Thank you for the continued opportunity to serve Aloha Utilities, Inc. If you have any questions please call me.

Sincerely, yours,



David W. Porter, P.E., C.O.
Water/Wastewater System Consultant



David W. Porter, P.E., C.O.
 Engineering Consultants

Regulatory Assistance;
 Process Troubleshooting;
 System Design, Permitting,
 Construction Observation;
 Forensic Engineering,
 Expert Witness Testimony;
 Rate Case Support

INVOICE

Ms. Connie Kurish
 Aloha Utilities, Inc.
 6915 Perrine Ranch Road
 New Port Richey, FL 34655

Date: October 1, 2001
 Invoice No.: 0568

Job No.: AUI-024-5-S
 Job Name: Water Rate Case
 Period: September 1, 2001 – September 28, 2001

INVOICE FOR PROFESSIONAL SERVICES

PROFESSIONAL SERVICES THIS PERIOD.	\$1,800.00
TOTAL INVOICED TO DATE:	\$4,080.00
TOTAL DUE THIS INVOICE:	<u>\$1,800.00</u>

Thank you for the opportunity to provide these services. Please see job detail report attached for complete documentation concerning the work completed this job cost period.

David W. Porter, P.E., C.O.



David W. Porter, P.E., C.O.

Engineering Consultants

**Regulatory Assistance;
Process Troubleshooting;
System Design, Permitting,
Construction Observation;
Forensic Engineering,
Expert Witness Testimony;
Rate Case Support**

October 1, 2001

Ms. Connie Kurish
Aloha Utilities, Inc
6915 Perrine Ranch Road
New Port Richey, FL 34655

Re: Project Number AUI-024-5-S
Water Rate Case
Invoice Number 0569 For Period September 1, 2001 – September 28, 2001

Dear Connie,

This invoice covers the period referenced above. All work was completed as part of my project number AUI-024-5-S (Water Rate Case).

Work completed for you this four (4) week period is detailed below:

Week of September 7, 2000:

No activity

Week of September 14, 2000:

Receive/review updated schedules and cost synopsis for related to Pasco County bulk rate increase to \$2.35 from Bob Nixon. Receive/review first set of OPC interrogatories and production of documents requests.

Week of September 21, 2000:

Conference call with Marty Deterding, John Wharton, Bob Nixon and Steve Watford to discuss OPC data requests. Receive/review FPSC Staff's first set of interrogatories and production of documents requests. Conference call with Marty Deterding, John Wharton, Bob Nixon and Steve Watford to discuss Staff's data requests.

Week September 28, 2000:

Telephone conference with Marty Deterding and John Wharton regarding interrogatories and production of documents preparation. Begin preparation of answers to OPC production of documents request and interrogatories. Receive/review letter from FPSC with attached customer complaint related to "scaip and hair" sample testing which the customer claims indicates potential water quality problems with Aloha's water. Telephone conversation with Steve Watford and Marty Deterding related to same

Ms. Connie Kurish
October 1, 2001
Page 2

Man-hours expended and fee:

Porter: 22.5 hrs @ \$80/hr = \$1,800.00

Expenses:

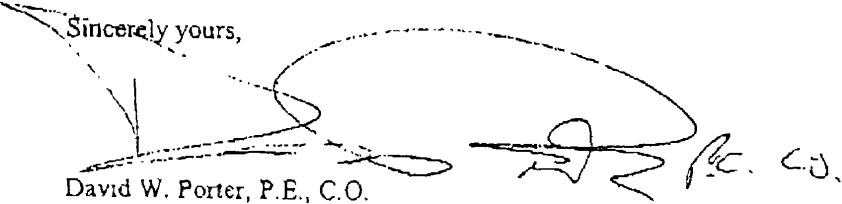
Mileage: 0 miles @ \$0.325/mile = \$0.00

Lodging: 0 nights = \$0

The total fee due this month for all of the work completed as detailed above is \$1,800.00. When remitting, please note my project number AUI-024-5-S.

Thank you for the continued opportunity to serve Aloha Utilities, Inc. If you have any questions please call me

Sincerely yours,



David W. Porter, P.E., C.O.
Water/Wastewater System Consultant

DP
EC **David W. Porter, P.E., C.O.**
Engineering Consultants

**Regulatory Assistance;
Process Troubleshooting;
System Design, Permitting,
Construction Observation;
Forensic Engineering,
Expert Witness Testimony;
Rate Case Support**

INVOICE

Ms. Conne Kurish
Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL 34655


Date: November 5, 2001
Invoice No.: 0577

Job No.: AUI-024-5-S
Job Name: Water Rate Case
Period: September 29, 2001 – November 26, 2001

INVOICE FOR PROFESSIONAL SERVICES

PROFESSIONAL SERVICES THIS PERIOD:	\$3,925.08
TOTAL INVOICED TO DATE:	\$8,005.08
TOTAL DUE THIS INVOICE	<u>\$3,925.08</u>

Thank you for the opportunity to provide these services. Please see job detail report attached for complete documentation concerning the work completed this job cost period.


David W. Porter, P.E., C.O.

PCHD://AUI-023-5-S_Invoice 11-05-01 DOC//Proj/via Express

EXHIBIT RCN 14
PAGE 75 OF 77



David W. Porter, P.E., C.O.

Engineering Consultants

**Regulatory Assistance;
Process Troubleshooting;
System Design, Permitting,
Construction Observation;
Forensic Engineering,
Expert Witness Testimony;
Rate Case Support**

November 5, 2001

Ms. Connie Kurish
Alaha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL 34655

Re: Project Number AUI-024-5-S
Water Rate Case
Invoice Number 0577 For Period September 29, 2001 – October 26, 2001

Dear Connie,

This invoice covers the period referenced above. All work was completed as part of my project number AUI-024-5-S (Water Rate Case).

Work completed for you this four (4) week period is detailed below:

Week of October 5, 2000:

Preparing answers to Citizens second set of interrogatories and production of documents requests. Teleconference with Steve Watford, Marty Deterding and Bob Nixon related to above. Prepare for deposition (staff). Attend deposition in New Port Richey.

Week of October 12, 2000:

Preparing Staff's first set of interrogatories and production of documents requests. Numerous conference calls with Steve Watford, Marty Deterding and Bob Nixon.

Week of October 19, 2000:

Teleconference with Steve Watford, Marty Deterding and Bob Nixon to discuss late filed exhibits. Prepare late filed exhibits.

Week October 26, 2000:

Preparing for deposition (Staff and OPC). Conference calls with Steve Watford, Marty Deterding and Bob Nixon related to deposition preparation.

Ms. Connie Kurish
November 5, 2001
Page 2

Man-hours expended and fee:

Porter: 46 0 hrs. @ \$80/hr = \$3,680.00

Expenses:

Mileage: 460 miles @ \$0.345/mile = \$158.70

Lodging: 2 nights @ \$43.19 = \$86.38

The total fee due this month for all of the work completed as detailed above is \$3,925.08. When remitting, please note my project number AUI-024-5-S.

Thank you for the continued opportunity to serve Aloha Utilities, Inc. If you have any questions please call me.

Sincerely yours,



David W. Porter, P.E., C.O.
Water/Wastewater System Consultant

ALOHA UTILITIES, INC.
EXHIBIT RCN_15
SEVEN SPRINGS WATER DIVISION

O&M EXPENSE	TOTAL REVENUE	BFC PERCENT	GALLONAGE PERCENT	BFC REVENUE	GALLONAGE REVENUE
601 SALARIES - EMPLOYEES	\$ 470,518	100.00%		\$ 470,518	\$ -
603 SALARIES - OFFICERS	66,707	100.00%		66,707	0
604 EMPLOYEE BENEFITS	66,025	100.00%		66,025	0
610 PURCHASED WATER	1,072,961		100.00%	0	1,072,961
615 PURCHASED POWER	84,497		100.00%	0	84,497
616 FUEL FOR POWER	228		100.00%	0	228
618 CHEMICALS	95,870		100.00%	0	95,870
620 MATERIALS & SUPPLIES	159,915	50.00%	50.00%	79,958	79,958
631 ENGINEERING	22,340	100.00%		22,340	0
632 ACCOUNTING	22,759	100.00%		22,759	0
633 LEGAL	26,537	100.00%		26,537	0
635 TESTING	5,204	100.00%		5,204	0
636 CONTRACT SERV.- OTHER	67,198	100.00%		67,198	0
642 RENT OF EQUIPMENT	2,066	100.00%		2,066	0
650 TRANSPORTATION	42,833	100.00%		42,833	0
656 INSURANCE - VEHICLE	8,568	100.00%		8,568	0
657 INSURANCE-GENERAL LIAB.	3,873	100.00%		3,873	0
658 INSURANCE - WORKMANS C.	12,718	100.00%		12,718	0
666 RATE CASE EXPENSE	111,625	100.00%		111,625	0
667 REG. COMMISSION EXP.	72,477	100.00%		72,477	0
670 BAD DEBT EXPENSE	3,229	50.00%	50.00%	1,615	1,615
675 MISCELLANEOUS	32,256	50.00%	50.00%	16,128	16,128
TOTAL O&M	<u>2,450,404</u>			<u>1,099,148</u>	<u>1,351,256</u>
DEPRECIATION	75,736	100.00%		75,736	0
AMORTIZATION	(30,691)	100.00%		(30,691)	0
TAXES OTHER THAN INCOME:				0	0
REG. ASSESSMENT FEES	137,016	47.46%	52.54%	65,028	71,988
OTHER	197,573	100.00%		197,573	0
				0	0
INCOME TAXES	49,564		100.00%	0	49,564
OPERATING INCOME	<u>165,209</u>		100.00%	<u>0</u>	<u>165,209</u>
TOTAL REVENUE	3,044,811			1,406,794	1,638,017
MISC. SERV. REV.& INTEREST	<u>(32,284)</u>			<u>(32,284)</u>	
REVENUE FOR RATES	<u>\$ 3,012,527</u>			<u>\$ 1,374,510</u>	<u>\$ 1,638,017</u>
PERCENT				<u>45.63%</u>	<u>54.37%</u>

ALOHA UTILITIES, INC.
DOCKET NO. 010503-WU
PROJECTED TEST YEAR ENDING DECEMBER 31, 2001
CONVERSION OF BILLS TO ERCS AND CALCULATION OF RATES
C:\ALOHA01\WPS\ILLU815.123 BY: PWS

Request: Provide rates associated with the four usage block rate factors depicted on EXH FJL-11, Pa

Post-Repression Rates based on BFC = 25%, 0-8 Kgal, 8-15 Kgal, and 15+ Kgal Usage Blocl

Rate Factors:	1/1.25/1.5	1/1.25/1.75	1.1.25/2.0	1/1.5/2.0
BFC	6.18	6.18	6.18	6.18
0-8 Kgal	2.00	1.92	1.84	1.77
8-15 Kgal	2.50	2.40	2.30	2.66
15+ Kgal	3.00	3.36	3.68	3.54

Notes: The above RS rates were calculated using staff's projected RS consumption of 890,535 t
Data input cells for assumptions are highlighted in Green text

	Assumption	Sheet	Cell
Inputs:	Gallons Sold (Pre-repression)	"Pre"	G-1
	Conservation Adjustment	"Pre"	D-47
	Rate Factors	"Pre"	F-63 - F-65
	Price Elasticity	"Pre"	I-77
	Cost of Purchased Water	"Post"	J-76

RS Kgal.

REVISED 19-Dec-01
 01.45 PM

LATE-FILED EXHIBIT NO. 7
 PRE-REPRESSION

PART 1		A	B	C	D	E	F	G	PART 3	
Class / Meter Size		2001 TY Bills	Meter Factor	Meter Equiv	2001 TY Cons Gals	Factor	Factor	Factored Gals	Staff Recom Rates BFC Gal	Staff Recom Rates BFC Gal
Residential	5/8" x 3/4"	114,121	1.0	114,121	890,535				\$6.09	\$694,997
	3/4"	0	1.5	0					9.14	0
	1"	0	2.5	0					15.23	0
	1 1/2"	0	5.0	0	0				30.45	0
Gals 0 - 8k	61.0%				543,227	1.00	543,227		\$1.77	\$961,511
Gals 8k - 15k	20.0%				178,107	1.50	267,161		2.66	472,874
Gals 15k +	19.0%				169,202	2.00	338,403		3.54	598,974
	100.0%				890,535					
Residential Base				114,121						\$694,997
Residential Gals					890,535		1,148,791			\$2,033,359
TOTAL RESIDENTIAL		114,121								\$2,728,356
General	5/8" x 3/4"	1,707	1.0	1,707				\$6.09	\$2.28	\$10,396
	1"	576	2.5	1,440				15.23	2.28	8,772
	1 1/2"	193	5.0	965				30.45	2.28	5,877
	2"	310	8.0	2,480				48.72	2.28	15,103
	3"	13	16.0	208				97.44	2.28	1,267
	4"	29	25.0	725				152.25	2.28	4,415
	6"	64	50.0	3,200						0
General Base				10,725				0.00		\$45,830
General Gals					110,487					\$0
TOTAL GENERAL SERVICE		2,892								\$45,830
TOTAL BILLS		117,013								
TOTAL METER EQUIVS				124,846						
TOTAL GALS					1,001,022					

PART 2			BFC	Gal	% from BFC	% from Gal
1	Revenue Requirement less Misc Revs	3,044,811				
	Pre-conservation adjustment					
2	BFC Costs to Recover		\$1,523,330		38%	
3	Gal Costs to Recover			\$1,892,481		62%
4	Conservation and misc revs adjustment		(391,792)	391,792		
	Post-conservation adjustment					
5	BFC Costs to Recover		760,538		25.0%	
6	Gal Costs to Recover			2,284,273		75.0%
7	Unit Cost per BFC (RS and GS)		\$6.09			
8	General Service Unit Cost per Gal			\$2.28		
9	Total Gal Costs			\$2,284,273		
10	Less General Service Gal Revs			(251,909)		
11	Equals Residential Gal Revs to Recover			\$2,032,364		
12	Divided by Factored Residential Gals			1,148,791		

H	I	J	K	L	M	N
Unit Cost per Gal	Current Gal Rates					
Gals 0 - 8k	\$1.00	1.00	1.77	543,227	\$961,511	47.29%
Gals 8k - 15k	1.00	1.50	2.66	178,107	472,874	23.26%
Gals 15k +	1.00	2.00	3.54	169,202	598,974	29.46%
13	Revenue Check of Residential Gal Chg				\$965	\$2,033,359
14	Less Residential Gal Revs to Recover					2,032,364
	\$7.32	\$6.09				
	\$1.32	1.77				
		2.66				
		3.54				
		Incr in Monthly Bill				

H0	Current Price	Rec Price	Amt	Percent	Elasticity and Repression Calculation
	7.32	6.09	(1.23)	-17%	
	7.32	7.86	0.54	7%	
	7.32	9.63	2.31	32%	
	7.32	11.40	4.08	56%	
	8.64	13.17	4.53	52%	
	9.96	14.94	4.98	50%	
	11.28	16.71	5.43	48%	
	12.60	18.48	5.88	47%	
	13.92	20.25	6.33	45%	
	15.24	22.91	7.67	50%	
	16.56	25.56	9.00	54%	
	23.16	38.84	15.68	68%	
	29.76	56.54	26.78	90%	
	36.36	74.24	37.88	104%	
	42.96	91.94	48.98	114%	
	69.36	162.74	93.38	135%	
	102.36	251.24	148.88	145%	
	135.36	339.74	204.38	151%	
	201.36	516.74	315.38	157%	
	267.36	693.74	426.38	159%	
	399.36	1,047.74	648.38	162%	

PART 4		REV STABILITY ANALYSIS			
Rev Check	Bills or Gals	Rates	Revenues	Rev Reqmt	
Residential					\$3,044,811
5/8"	114,121	6.09	694,997	- Depreciation	(\$45,045)
1"	0	15.23	0	- NOI	(\$165,209)
1 1/2"	0	30.45	0	= Direct Cash Outflows	\$2,834,557
2"	0	48.72	0	/ Months in Year	12
Gals 0 - 8k	543,227	1.77	961,511	= Avg Outflows per Month	\$238,213
Gals 8k - 15k	178,107	2.66	472,874		
Gals 15k +	169,202	3.54	598,974		
General				<u>Minimum Cash Inflows per Month</u>	
5/8"	1,707	6.09	10,396	Number of ERCs	10,404
3/4"	576	9.14	5,262	x BFC	\$6.09
1 1/2"	193	30.45	5,877	= BFC Revs	\$63,359.35
2"	310	48.72	15,103	+ Minimum Monthly Gals Sold	70,000
3"	13	97.44	1,267	x Gal Chg	\$2.28
4"	29	152.25	4,415	= Gal Chg Revs	\$159,600.00
6"	64	304.50	19,488	= Minimum Cash In per Month	\$222,959.35
10"	0	700.35	0		
All Gals	110,487	2.28	251,909	Rev Coverage/Shortfall	(\$13,253.74)
			3,042,073		
				<u>Revenue Check</u>	
				Over (Under) Recovery	Amount (2,738)
				Percent	-0.1%

LATE FILED EXHIBIT NO. 7
 POST-REPRESSION

PART 1		A	B	C	D	E	F	G	PART 3	
Class / Meter Size	2001 TY Bills	Meter Factor	Meter Equiv	2001 TY Cons Gals	Factor	Factored Gals	Staff Recon Rates BFC	Staff Recon Rates Gal	Staff Recon Revs BFC	Staff Recon Revs Gal
Residential	5/8" x 3/4"	114,121	1.0	114,121		752,443	\$6.18		\$705,268	
	3/4"	0	1.5	0		0	9.14		0	
	1"	0	2.5	0		0	15.23		0	
	1 1/2"	0	5.0	0		0	30.45		0	
Gals 0 - 8k	61.0%			458,990	1.00	458,990	\$1.77		\$812,413	
Gals 8k - 15k	20.0%			150,489	1.50	225,733	2.66		399,547	
Gals 15k +	19.0%			142,964	2.00	285,928	3.54		506,093	
	100.0%			752,443						
Residential Base				114,121					\$705,268	
Residential Gals						970,651			\$1,718,053	
TOTAL RESIDENTIAL		114,121							\$2,423,321	
General	5/8" x 3/4"	1,707	1.0	1,707			\$6.18	\$2.28	\$10,549	\$0
	1"	576	2.5	1,440			15.23	2.28	8,772	0
	1 1/2"	193	5.0	965			30.45	2.28	5,877	0
	2"	310	8.0	2,480			48.72	2.28	15,103	0
	3"	13	16.0	208			97.44	2.28	1,267	0
	4"	29	25.0	725			152.25	2.28	4,415	0
	6"	64	50.0	3,200			0.00			
General Base				10,725					\$45,884	
General Gals						110,487			\$0	
TOTAL GENERAL SERVICE		2,892							\$45,964	
TOTAL BILLS		117,013								
TOTAL METER EQUIVS				124,846						
TOTAL GALS						862,929				

PART 2				% from	% from
		BFC	Gal	BFC	Gal
1	Revenue Requirement less Misc Revs	2,741,008			
	Pre-conservation adjustment				
2	BFC Costs to Recover	\$1,152,330		42%	
3	Gal Costs to Recover		\$1,588,678		58%
4	Conservation and misc revs adjustment	33%	(380,269)		
	Post-conservation adjustment				
5	BFC Costs to Recover	772,061		28%	
6	Gal Costs to Recover		1,968,946		72%
7	Unit Cost per BFC (RS and GS)		\$6.18		
8	General Service Unit Cost per Gal		\$2.28		
9	Total Gal Costs		\$1,968,946		
10	Less General Service Gal Revs		(251,909)		
11	Equals Residential Gal Revs to Recover		\$1,717,037		
12	Divided by Factored Residential Gals		970,651		
	H	I	J	K	L
	Unit Cost per Gal	Current Gal Rates			
	Gals 0 - 8k	\$1.00	1.00	1.77	458,990
	Gals 8k - 15k	1.00	1.50	2.66	150,489
	Gals 15k +	1.00	2.00	3.54	142,964

PART 4		Bills	Rates	Revenues
Rev Check	or Gals			
Residential	5/8"	114,121	6.18	705,268
	1"	0	15.45	0
	1 1/2"	0	30.90	0
	2"	0	49.44	0
Gals 0 - 8k	458,990	1.77	812,413	
Gals 8k - 15k	150,489	2.66	399,547	
Gals 15k +	142,964	3.54	506,093	
General	5/8"	1,707	6.18	10,549
	3/4"	576	9.27	5,340
	1 1/2"	193	30.90	5,964
	2"	310	48.44	15,326
	3"	13	98.88	1,285
	4"	29	154.50	4,481
	6"	64	309.00	19,776
	10"	0	710.70	0
All Gals	110,487	2.28	251,909	
			2,737,951	

REV STABILITY ANALYSIS		
Rev Reqmt		\$2,741,008
- Depreciation		(\$45,045)
NOI		(\$165,209)
= Direct Cash Outflows		\$2,530,754
/ Months in Year		12
= Avg Outflows per Month		\$210,896
Minimum Cash Inflows per Month		
Number of ERCS		10,404
x BFC		\$6.18
= BFC Revs		\$64,295.69
+ Minimum Monthly Gals Sold		70,000
x Gal Chg		\$2.28
= Gal Chg Revs		\$159,600.00
= Minimum Cash in per Month		\$223,895.69
Rev Coverage/Shortfall:		\$12,999.96
Revenue Check:		
Over (Under) Recovery	Amount	(3,057)
	Percent	-0.1%

13	Revenue Check of Residential Gal Chg		\$1,016	\$1,718,053	100.00%
14	Less Residential Gal Revs to Recover			1,717,037	
	\$7.32	\$6.18			
	\$1.32	1.77			
		2.66			
		3.54			
		Incr in Monthly Bill			

Reduction in Rev Req due to repressed water purchases	
Original Rev Req	\$3,044,811
Gallons repressed (kgal)	138,092
Cost/kgal	from Noon's testimony
Avoided purchased water \$	\$303,803
Rev Requirement after repression	\$2,741,008

2000	Current Price	Res Price	Am't	Percent
	7.32	6.18	(1.14)	-16%
	7.32	7.95	0.63	9%
	7.32	9.72	2.40	33%
	7.32	11.49	4.17	57%
	8.64	13.26	4.62	53%
	9.96	15.03	5.07	51%
	11.28	16.80	5.52	49%
	12.60	18.57	5.97	47%
	13.92	20.34	6.42	46%
	15.24	23.00	7.76	51%
	16.56	25.65	9.09	55%
	23.16	38.93	15.77	68%
	29.76	56.63	26.87	90%
	36.36	74.33	37.97	104%
	42.96	92.03	49.07	114%
	69.36	162.83	93.47	135%
	102.36	251.33	148.97	146%
	135.36	339.83	204.47	151%
	201.36	516.83	315.47	157%
	267.36	693.83	426.47	160%
	399.36	1,047.83	648.47	162%

Post Repression Rates		
BFC	6.18	Rate Factor
Gals 0 - 8k	1.77	1.00
Gals 8k - 15k	2.66	1.50
Gals 15k +	3.54	2.00