

ORIGINAL

LAW OFFICES

ROSE, SUNDSTROM & BENTLEY, LLP

2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(850) 877-6555
FAX (850) 656-4029
www.rsbatorneys.com

CENTRAL FLORIDA OFFICE
600 S. NORTH LAKE BLVD., SUITE 160
ALTAMONTE SPRINGS, FLORIDA 32701
(407) 830-6331
FAX (407) 830-8522

MARTIN S. FRIEDMAN, P.A.
VALERIE L. LORD, OF COUNSEL
(LICENSED IN TEXAS ONLY)

CHRIS H. BENTLEY, P.A.
ROBERT C. BRANNAN
DAVID F. CHESTER
F. MARSHALL DETERDING
JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
DAREN L. SHIPPY
WILLIAM E. SUNDSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON
ROBERT M. C. ROSE, OF COUNSEL
WAYNE L. SCHIEFELBEIN, OF COUNSEL

May 22, 2003
VIA HAND DELIVERY

Ralph Jaeger, Esquire
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0873

Re: Aloha Utilities, Inc.; PSC Docket No. 010503-WU
Application for Increased Water Rates in Seven Springs System
Our File No. 26038.35

RECEIVED FPSC
03 MAY 22 PM 2:10
COMMISSION
CLERK

Dear Ralph:

As a follow up to our conversation at our meeting on May 12, 2003, I am writing to you to let you know that Aloha Utilities, Inc. has moved forward with a request for additional appellate review in the above-referenced matter. As such, the partial stay remains in place and some of the requirements of the Commission's Final Order in this case.

As we discussed at that meeting on May 12, 2003, the Utility is currently escrowing 15.95% of revenues collected for the Seven Springs water system to the requirements of the interim Order No. PSC-01-2199-FOF-WU and under the partial stay Order No. PSC-02-1056-PCO-WU. As you know, these monies are now held solely for the purpose of funding the refund of 4.87 required by the Final Order, if and when that Order becomes final after all appeals are exhausted.

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As the staff agreed, the amount being escrowed in the past and continuing to be escrowed at the present is substantially more than is necessary to make a refund if the Commission's Order is upheld (of course no refund will be required if the Utility prevails on its continuing appeals). Therefore, we believe that with commercial paper rates at less than 2% over the refund period, retaining 5% of all revenues collected on a going forward basis and 5% of revenues collected during the interim period in the escrow account, is more than is sufficient to secure any refund. As such, as the staff agreed, we would like to request release of all of the remaining funds from the escrow

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account and authority to escrow only 5% of all future revenue collections until the appeals are exhausted.

We appreciate your prompt attention to this matter so that we can utilize the funds as needed for other operation costs recognized by the PSC.

Please contact me at your earliest convenience and let me know if there is anything further I need to do to finalize this release of funds and reduced about of escrow.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY



F. Marshall Deterding
For The Firm

FMD/tms
cc: Marshall Willis
Blanca Bayo
Stephen Watford