

ORIGINAL

MEMORANDUM

December 14, 2005

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05 DEC 14 PM 4:48
COMMISSION
CLERK

TO: DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICE

FROM: OFFICE OF THE GENERAL COUNSEL (MELSON) *R. G.*

RE: DOCKET NO. 050018-WU – INITIATION OF DELETION PROCEEDINGS AGAINST ALOHA UTILITIES, INC. FOR FAILURE TO PROVIDE SUFFICIENT WATER SERVICE CONSISTENT WITH THE REASONABLE AND PROPER OPERATION OF THE UTILITY SYSTEM IN THE PUBLIC INTEREST, IN VIOLATION OF SECTION 367.111(2), FLORIDA STATUTES.

Please place the attached documents in the above-referenced docket file.

RDM/
Attachments

- CMP _____
- COM _____
- CTR _____
- ECR _____
- GCL _____
- OPC _____
- RCA _____
- SCR _____
- SGA _____
- SEC _____
- SEC-7* _____
- OTH _____

DOCUMENT NUMBER-DATE

11633 DEC 14 05

FPSC-COMMISSION CLERK

COMMISSIONERS:
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STATE OF FLORIDA



GENERAL COUNSEL
RICHARD D. MELSON
(850) 413-6248

Public Service Commission

December 14, 2005

Stephen C. Reilly
Office of Public Counsel
111 West Madison Street
Tallahassee, FL 32399

F. Marshall Deterding
Rose Sundstrom & Bentley
2548 Blairstone Pines Drive
Tallahassee, FL 32301

Re: Letter Agreement re Preparation of Cost Estimate by Aloha Utilities

Dear Steve and Marty:

The purpose of this letter is to formalize the parties' understanding regarding cost recovery for the expense (up to \$45,000) that Aloha is incurring to prepare a capital cost estimate for anion exchange in support of the current settlement negotiations.

Given the progress in the negotiations to date, staff and the parties are optimistic that a settlement will be reached that will require the installation of anion exchange at all but two of Aloha's plants. The Office of Public Counsel (OPC) and the customers have stated that before they can reach final agreement, they need to see a conceptual, non-binding capital cost estimate (expressed in dollars with a range of plus or minus 30%) for the treatment facilities. Aloha has agreed to prepare such an estimate, provided that it is able to recover from its customers the cost of preparation (up to \$45,000) whether or not a settlement is ultimately achieved. OPC and the customers participating in the negotiations have agreed to such cost recovery.

I propose the following agreement to memorialize this verbal understanding:

Aloha and OPC agree that Aloha shall be entitled to recover from its customers the cost (up to \$45,000) of preparing a conceptual, non-binding capital cost estimate (expressed in dollars with a range of plus or minus 30%) for the installation of anion exchange facilities at Plants 2, 6, 8, 9 and Mitchell.

In the event a settlement is achieved, Aloha shall reduce the amount of the interim refund required by the settlement agreement by the cost (up to \$45,000) of preparing the estimate. In the event a settlement is not achieved, Aloha shall be entitled to recover the cost of preparing the estimate (up to \$45,000) through rates,

DOCUMENT NUMBER - DATE

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FPSC-COMMISSION CLERK

Letter Agreement re Aloha
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over only a twelve-month period, in the proceeding that Aloha files to increase rates to reflect the purchase of water from Pasco County.

If this is an acceptable mechanism for implementing the parties' verbal understanding, please indicate your agreement by signing this letter agreement and returning it to me. If you have any questions, please give me a call.

Very truly yours,



Richard D. Melson

ACCEPTED AND AGREED TO:

Stephen C. Reilly
Office of Public Counsel
On behalf of the Citizens of Florida

Date: _____

F. Marshall Deterding
Rose Sundstrom & Bentley
On behalf of Aloha Utilities, Inc.

Date: _____

Letter Agreement re Aloha
December 14, 2005
Page 2

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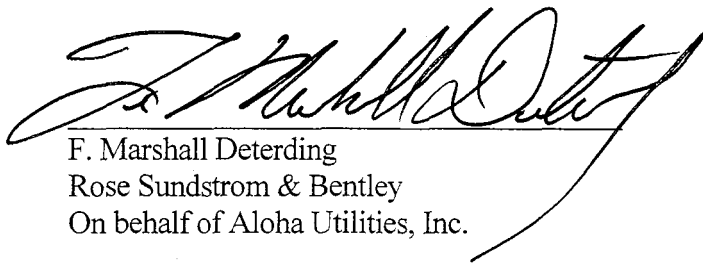
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F. Marshall Deterding
Rose Sundstrom & Bentley
On behalf of Aloha Utilities, Inc.

Date: Dec 14, 2005


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