

**Matilda Sanders**

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From: Tonya Simpson [TSimpson@RSBattorneys.com]  
Sent: Tuesday, December 11, 2007 10:36 AM  
To: Filings@psc.state.fl.us  
Subject: Aloha - Data Request Response

Attachments: \_1211103324\_001.pdf



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001.pdf (366 KB)

- a. F. Marshall Deterding, Esquire  
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Tallahassee, FL 32301  
PHONE: 877-6555
- b. Docket No.: 060122-WU; Joint petition for approval of stipulation on procedure with Office of Public Counsel, and application for limited proceeding increase in water rates in Pasco County, by Aloha Utilities, Inc.
- c. Aloha Utilities, Inc.
- d. 4 page letter
- e. Response to Staff's 4th Data Request dated November 8, 2007

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December 10, 2007

Ann Cole, Clerk  
Florida Public Service Commission  
Division of Economic Regulation  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Aloha Utilities, Inc.; PSC Docket No. 060122-WU  
Staff's 4<sup>th</sup> Data Request  
Our File No. 26038.49

Dear Ms. Cole:

In response to Staff's 4<sup>th</sup> Data Request dated November 8, 2007, please see below:

- 1) Please provide a copy of all engineering documentation, including, but not limited to, any plans or design criteria and specifications, submitted to the Florida Department of Environmental Protection in association with the permitting of the utility's chloramination and Pasco County tie-in facilities.

**Utility Response: This information was provided in our response to Staff's (2nd or 3rd) data request previously.**

- 2) If not provided in response to Question 1 above, please also provide a copy of any engineering report, review, or recommendation that address the chloramination option, discussion of those options, including the selection of the method chosen to be used

**Utility Response: There were no design alternatives available to be considered for the implementation of the chloramination process. The chloramination process consists of adding chlorine to the water followed by the addition of ammonia; this is what was implemented.**

- 3) If there were reasons why a certain option or options for chloramination were not chosen, please explain in detail why any option was not chosen.

**Utility Response: No other options were available or considered.**

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- 4) With regard to Schedule No. 15 in Exhibit B of the utility's application, please explain how Aloha determined the 4.44 million gallons per day (MGD) of total water required. In its response, the utility should provide all bases, assumptions, workpapers, and calculations which support that amount.

**Utility Response:** This data was provided previously in Staff's 2nd data request.

- 5) At the November 7, 2007, meeting with the parties, Aloha stated that its purchased water from Pasco County will still be done in two phases. Please state the total gallons of purchased water for each phase and explain, in detail, how the amount for each phase was determined by the utility.

**Utility Response:** The two-phase implementation of purchased water was dictated Pasco County. The first phase will provide for 2.4 MGD of bulk water which will be made available to Aloha after all the rates are in place to pay for it and all the necessary infrastructure is in place to allow Aloha to take this quantity of water and effectively use it. The second phase will increase the availability of bulk water to 3.1 MGD when Pasco's water system is capable of supplying this quantity of water (presently Pasco estimates that this will be in late 2009 or 2010).

- 6) With regard to Schedule No. 12 in Exhibit B of the utility's application, Aloha reflected \$75,000 for land.

(a) Will this land be purchased or leased?

**Utility Response:** The Utility had originally envisioned purchasing two parcels of property, one for each phase of purchased water. The estimate provided was for phase I's small site for booster pump and interconnect facilities. The Utility had utilized a very conservative estimate of the cost of that phase I land location in its application filed with the Commission. The Utility investigated both the option of leasing and purchasing land for use for the first phase of the interconnection facilities. The \$75,000 number was an estimate for a small portion of land for phase I. Not only does that price now look very much overly optimistic, obtaining an agreement from any of the landowners to sell such a small parcel now looks very difficult, if not impossible.

It now appears that the Utility will be leasing one of two parcels it is currently looking at, in order to avoid purchasing one parcel and then during phase II moving to the larger parcel and moving all facilities there for ease of operation and maintenance, thereby alleviating the need for the first parcel. It also appears as though the monthly lease cost will be approximately \$1,500 per month if the

current discussions in negotiations come to fruition. Even if the effect of the lease cost on rates is immaterially larger in rate setting than the option which is in fact originally estimated (as the cost to acquire title to that first parcel of land), it now appears that a lease option is the only option that landowners will consider and the option which is in fact best for the Utility in the long run. There would also be costs of disposing of that purchased property expenses and potentially rehabilitating that property. The lease provides the benefit of the landowner being willing to work with the Utility for short-term use of the land and avoids the back end costs the Utility would incur once it no longer needed that property in just a few short years.

- (b) If the land is leased, please provide a cost benefit analysis supporting the utility's decision to lease this land rather than to purchase it or another parcel of land.

**Utility Response:** The Utility performs a cost benefit analysis on every decision it makes. However, we were not aware that a written cost benefit analysis was required for every decision the Utility makes with regard to capital assets. Such a cost benefit analysis would be substantial additional cost above and beyond the cost of the decision the Utility has made based upon common sense. If the Commission is going to require that the Utility provide a cost benefit analysis then the Utility will need to know when such an analysis is required and will need to have the time not only to prepare such a document, but it will need consideration of the additional estimated cost of preparation of that document in this rate proceeding.

However, based upon the Utility's review of the facts and circumstances as outlined in Paragraph (a) above, the Utility believes that a lease of property, until the second phase is undertaken and the land required for storage and other facilities is acquired, is in the best interest of the Utility and its customers and the short-term need for the first parcel of land dictates that a lease is clearly the better alternative with regard to this first parcel.

- (c) If the land is leased, please state whether the lease is an operating or capital lease; explain why the utility chose the certain type of lease; and provide a copy of the lease.

**Utility Response:** No decision has been made with regard to what type of lease will be entered into. The Utility has not even, as of yet, finalized an agreement or determined what terms or what other conditions or rights or obligations will be contained within that lease. The Utility currently envisions that any lease entered into would be an operating lease

under GAAP.

- (d) Is it correct that the second phase of purchased water will require the utility to build storage?

**Utility Response:** Under the conditions for delivery of water as dictated by the County, the Utility believes that the second phase of purchased water will require the Utility to build storage, in order to comply with DEP requirements and to properly operate its facilities.

- (e) If the answer to Question 6(d) above is "yes", will this land be adequate to build the required storage for the second phase?

**Utility Response:** As noted above, the first phase of land will not be adequate to provide required storage for phase II.

- (f) If the answer to Question 6(e) above is "yes", what is the total acreage of this parcel of and land how much of the land is required for the second phase of purchased water?

**Utility Response:** The parcels of land the Utility are currently looking at to fulfill the needs for phase I of purchased water are approximately 0.07 acres. It is unknown what size will need to be required for phase II, but it will have to be substantially larger because it is anticipated to include the requirement for a large ground storage tank and facilities related to the anion exchange facilities, and to the interconnection facilities, which are currently planned to be sited on the phase I site until phase II comes online.

Should you have any questions or need anything further, please do not hesitate to contact me.

Sincerely,  
ROSE, SUNDBROM & BENTLEY, LLP

  
F. Marshall Deterding  
For The Firm

FMD/tms  
cc: Jean Hartman, Esq.  
Thomas Walden  
Cheryl Bulecza - Banks  
Troy Rendell  
Bart Fletcher