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September 20, 2000

VIA HAND DELIVERY

Ralph Jaeger, Esquire
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0862

Re: Aloha Utilities, Inc.; PSC Docket No. 991643-SU
Our File No. 26038.30

Dear Ralph:

Listed below are the missing positions and changes to the draft Prehearing Order, in order to incorporate the Utility's position on several issues. I am also pointing out a couple of things that I think we can stipulate to that are now listed as issues. At the end, I have also gone through the proposed stipulations to point out those with which the Utility can agree:

ISSUES

Issue 8 - **Should any adjustment be made to land?**

Aloha Position - Based upon the staff position as stated on Page 10 of the draft Prehearing Order, the Utility is agreeable to the adjustment as expressed by staff, and as such, I believe we may have an additional stipulation of all parties here.

Issue 10 - **Is an adjustment necessary to the test year accumulated depreciation and depreciation expense for computer equipment?**

Aloha Position - Yes, agree with staff adjustment.

Ralph - I believe that based upon our agreement with your adjustment and OPC taking no position on this issue, it may be at least a category 2 stipulation, if not a stipulation between all three parties.

Issue 14 - **Should income tax deposits be removed from the working capital calculation?**

Aloha Position - Yes, agree with staff adjustment.

APP _____
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Ralph - based upon our agreeing with the staff adjustment, this too may be a stipulation between all three parties.

Issue I-10 - Should any adjustments be made to the Utility's base year ended 9/30/99 balance for account 720 - materials and supplies?

Aloha Position - Yes, an adjustment to capitalize \$11,606 should be made as proposed by Audit Exception No. 3, and the effect of Stipulation No. 6. However, no other adjustments to the base year materials and supplies account are appropriate.

Issue 21 - What is the appropriate method of projecting customers and consumption for the projected year ended September 30, 2001, and what changes, if any, are appropriate to the Utility's projection factors?

Aloha Position - The Commission should utilize those projection factors required pursuant to Commission Rule and as contained in Aloha's MFR filing, which is a simple regression over a historic five year period. Aloha is unaware of any circumstances which would suggest deviation from this longstanding policy and rule required methodology.

Issue 32 - Should the Utility be allowed to recover excess rate case expense not approved by the Commission in Order No. PSC-97-0280-FOF-WS?

Aloha Position - The Utility agrees that this adjustment should be made in conformance with the staff proposal. As such, we may also have a stipulation on this item.

Issue 33 - What is the appropriate amortization period and amount of contributed taxes associated with the Seven Springs wastewater system?

Aloha Position - Aloha agrees an adjustment is appropriate to utilize a 32.68 year life. This equates to a composite rate of 3.06%, which is the composite rate for all CIAC during the period CIAC was taxable (1987-1996).

Proposed Stipulations

The Utility is willing to stipulate on all of the proposed stipulations on Page 35, 36 and 37 as stated by the staff with the following exceptions:

On Stipulation No. 6, the reference to staff "Audit Exception No. 5" should be "Audit Disclosure No. 5."

Ralph Jaeger, Esq.
September 20, 2000
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On proposed category 2 Stipulation No. 8, we agreed at the prehearing to remove all of the language after the reference to Order No. PSC-97-0820-FOF-WS. Under that agreement, the Utility can stipulate on this item.

On Stipulation No. 9, we cannot agree as stated in the prehearing conference and this should become an issue with the position as previously provided by the Utility being utilized.

Witness Stallcup


Based upon our discussions with Mr. Stallcup and our concerns about the basis for his calculations, we are willing to stipulate to witness Stallcup's testimony being entered into the record without cross-examination, only if the staff can agree to the two following stipulations:

1. Mr. Stallcup has not utilized the simple regression methodology for the last five year historic growth to determine the customer growth percentage or the gallonage growth percentage.
2. Mr. Stallcup's proposed growth projection methodology is contrary to the methodology required by the Commission's own rule requirements as contained within the MFRs for such growth projections.
3. Witness Stallcup's methodology for growth projections has never before been utilized in a PSC rate case.

I trust that the above information provides you with all that we are required in order to finalize the Prehearing Order. Please let me know if you need any further information.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY


F. Marshall Deterding
For The Firm

FMD/tmg

cc: Blanca S. Bayo, Director
Stephen Burgess, Esq.
Mr. Stephen Watford
Robert C. Nixon, CPA

aloha\30\4jaeger.ltr