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February 15, 1999

VIA HAND DELIVERY

ROBERT M. C. ROSE
OF COUNSEL

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

Re: Aloha Utilities, Inc.; Docket No. 970536-WS
Limited Proceeding of State Road 54
Our File No. 26038.19

Dear Ms. Bayo:

In response to the staff's third data request, I am filing this letter to respond to the questions posed. I have outlined below the questions raised by the staff and have responded to them immediately following each request:

1. Since the facilities or lines relocated were placed in service in March of 1997, please explain why Aloha continued the recognition of construction work in progress (instead of plant) and accrued AFUDC from April of 1997 to August of 1997.

Utility Response - Cronin, Jackson, Nixon & Wilson prepared the schedule on AFUDC in December of 1996. At that time it was anticipated that construction for the relocation of lines would take approximately 18 months, beginning in the month following the initial deposit with the Department of Transportation (February, 1996). All of the schedules in the special report related to the State Road 54 project were completed in January of 1997, prior to completion of construction. Although the report was modified in March and April to include increase mailing and billing costs, the original 18 month calculation of AFUDC was not changed to recognize a March, 1997 completion date of the project. Actual accrued AFUDC on the books was correctly calculated when the construction work in progress account for this project was closed to plant in service.

2. Regarding the Utility's response to number 5(a) of staff's first data request, Aloha stated it incurred a total of \$148,415.99 in engineering services. In the Utility's original Application, Aloha indicated the Florida Department of Transportation (DOT) reimbursed the Utility \$83,178.07 of the \$128,573.14 and the engineering services incurred through February of 1996, which equates to 64.69% of the \$128,573.14

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(a) With regard to the \$19,842.85 difference between the \$148,415.99, and the \$128,573.14 figures, did DOT reimburse Aloha 64.69% or some other percentage of this additional \$19,842.85 in engineering services?

Utility Response - No. The Utility was only allowed to submit the bills up through the time that it provided the \$128,573.14 figure to the DOT for potential reimbursement. There is no mechanism by which the Utility may obtain reimbursement for any additional costs incurred for engineering service or otherwise from DOT. Therefore, the Utility received nothing in the form of reimbursement and is not eligible for anything further in the form of reimbursement for these additional engineering services.

(b) If DOT did not reimburse Aloha for any of the additional \$19,842.85 in engineering services, please explain why not.

Utility Response - See answer to question 2(a) above.

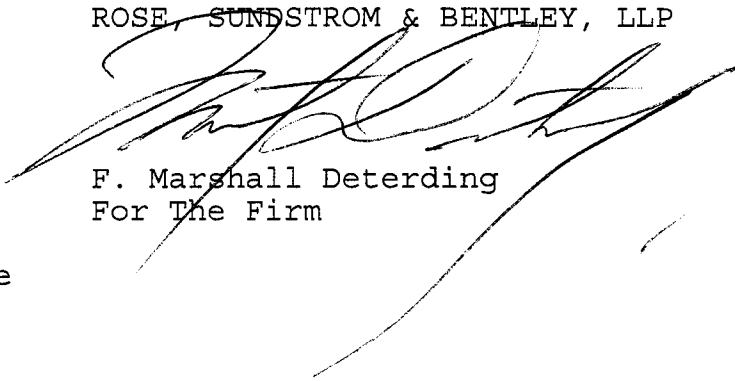
(c) If DOT did reimburse Aloha, please provide a copy of DOT's check if one exists related to any reimbursement of the additional \$19,842.85 in engineering services.

Utility Response - See response to question 2(a) above.

I have filed five copies of this response in accordance with the staff attorney's request. If the staff has any further questions in this regard, please do not hesitate to contact me.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

FMD/tmg
cc: Ralph Jaeger, Esquire
Mr. Bart Fletcher
Tricia Merchant, CPA
Mr. Stephen Watford
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