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ROBERT M. C. ROSE
Of Counsel

October 22, 1999

Mr. Joe A. Garcia, Chairman
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: 1999 General Rate Increase Application
Seven Springs Wastewater System
Our File No. 26038.30

991643-SU

Dear Chairman Garcia:

This letter requests approval of a test year for Aloha Utilities, Inc. The Company intends to submit an application for general rate relief to the Florida Public Service Commission for its Seven Springs wastewater system (Certificate No. 97-S) in Pasco County, Florida. The Company intends to submit the minimum filing requirements (MFRs) on or before December 31, 1999, if the requested test year is approved. Because of this accelerated schedule, we will need to receive your approval as quickly as possible.

Aloha's last general rate case initiated by the Company for this system was in Docket No. 770720-WS. After appeal, the Commission's Final Order establishing rates in that proceeding was Order No. 9278, issued on March 11, 1980. Aloha also sought approval of a reuse project plan pursuant to Section 367.0817, Florida Statutes, which was approved and revised wastewater rates for this system established pursuant to Commission Order No. PSC-97-0280-FOF-WS in Docket No. 960545-WS on March 12, 1997.

Since the issuance of the orders in the two rate proceedings outlined above, the Utility has also implemented numerous pass-through and indexing adjustments pursuant to the provisions of Section 367.081(4)(a) and (b), Florida Statutes.

The Company believes that the proposed base year ended July 31, 1999, is representative of current operations, except for the required changes in operation which will have already begun to occur and which should be fully implemented in approximately nine months. These changes necessitate this rate filing and the use of the projected test year ended July 31, 2001.

DOCUMENT NUMBER-DATE

13039 OCT 22 99

REGISTRATION REPORTING

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The Utility is filing for recognition of the projected test year ended July 31, 2001 in order to fully recognize the costs of additional wastewater plant construction imposed upon the Utility by a consent agreement with the Florida Department of Environmental Protection (DEP). This construction is currently underway and is expected to be completed by July 31, 2000.

Starting immediately and concluding with the beginning of the projected test year ended July 31, 2001, the Company will be experiencing major plant expansion and changes in operational methods, which necessitate their seeking this rate relief. These changes to the Seven Springs system include the following:

1. The company recently completed construction of a major reuse transmission line which will extend reuse service into the heart of the system service area. The transmission main construction costs totals approximately \$1,800,000, one half of which was funded by the Southwest Florida Management District. Construction was completed during the historic base year.
2. An expansion and upgrade of the Utility's Seven Springs wastewater treatment facilities from 1.2 to 1.6 million gallons per day is currently underway. The estimated cost for this is \$4,700,000. Construction began during the historic base year period and is estimated to be completed by July 2000. The improvements include an upgrade to class 1 reliability in plant operations allowing for public access irrigation. The company will also experience substantially increased operating costs including a shift to 24 hour staffing. The initial estimate of increased operating costs related to the above changes is currently \$535,000 annually.
3. The improvements to the Seven Springs Wastewater Treatment Plant have been mandated by The Florida Department of Environmental Protection pursuant to an Amended and Restated Consent Final Judgement between the parties. On July 10, 1999, the company secured a loan from NationsBank in the amount of \$5,200,000 in order to finance (along with infusion of other capital) the improvements listed in Paragraphs 1 and 2 above.

Because a projected test year is proposed, no estimated pro forma adjustments are expected to be made to the requested test year.

Please note that all of the estimates of costs, both capital and expense, may change once firm contracts and prices are established. The dollar figures are presented to provide an order of magnitude.

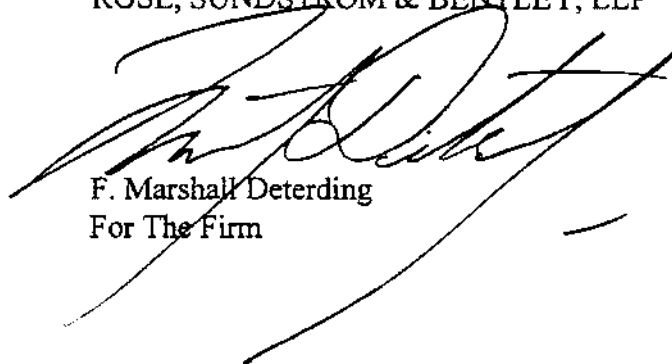
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The Utility is not currently seeking to increase rates in its Seven Springs water system despite slight underearnings at this time. While the Utility has incurred substantial costs related to its water system, especially in the still ongoing water quality investigation, the Utility will seek to recover those through the ongoing investigation itself, or otherwise. In addition, the Utility is anticipating substantial additional water treatment requirements to be imposed upon it in the very near future. The exact nature of those requirements has still not been established by the regulatory authorities, and therefore, the Utility is unable at this time to estimate the nature, the cost, or the timing of those plant additions and operating cost changes, and as such, no water rate increase will be sought in this application.

Should you or any members of your staff have any questions with regard to this application, please do not hesitate to contact me.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

FMD\tmg

cc: Mr. Dan Hoppe
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