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**January 6, 2004**  
**VIA HAND DELIVERY**

**Ralph Jaeger, Esquire**  
**General Counsel**  
**Florida Public Service Commission**  
**2540 Shumard Oak Boulevard**  
**Tallahassee, Florida 32399-0873**

**Re: Aloha Utilities, Inc.; PSC Docket No. 010503-WU**  
**Our File No. 26038.35**

**Dear Ralph:**

I am writing as a follow up to our conversation today to assure you that Aloha Utilities, Inc. has now verified that in fact there was an error in the appropriate escrowing of monies held subject to refund under interim rates. As a result of a misunderstanding, that final escrowing of \$25,866 was not performed last August but in recognition of the requirement, it has been done today.

This is due to the unprecedented circumstances that occurred subsequent to our meeting with the staff last May. When we met in May, the PSC staff members all agreed that the excess above the 4.87% required to be refunded by the Final Order should be released to the Utility. Only after the unique theory proposed by the Office of Public Counsel was raised, and the new rates had already been implemented, and the staff had issued a recommendation to release all the monies above the 4.87%, did we first hear of this unprecedented proposal to consider refunds greater than those recognized by the Final Order. As you can see from my May 22, 2003 letter, we left the meeting in May with the understanding that the staff was fully supportive of release of all of the escrowed monies as quickly as the refund could be completed and was even supportive of releasing all but 4.87% of the monies before the refund was completed. For that reason, no escrow deposit was made on July collections under interim rates.

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Ralph Jaeger, Esquire  
January 6, 2004  
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Therefore, the Utility had been led to believe by the Commission's actions in all prior similar refund cases, as well as at our May 12, 2003 meeting and informal discussions with the staff which followed, that the refunds would be carried out in the same manner as they had previously been carried out in all prior cases. Everyone was in agreement that the escrow account was funded at approximately four times the level needed in order to ensure the refund and that the remaining monies should be released to the Utility immediately.

I offer the above not to argue the issues that we will no doubt have to discuss at the upcoming agenda on this case, but simply to point out that it is understandable why there was a misunderstanding about what needed to be escrowed for that last month.

In any case, I can assure you that the error has been corrected and an additional \$25,866 has been deposited into the escrow account today.

If you have any questions in this regard, please let me know.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY



F. Marshall Deterding  
For The Firm

FMD/tms

cc: Blanca S. Bayo, Esq.  
Mr. Bart Fletcher  
Stephen Watford

aloha\35\19jaeger.ltr

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May 22, 2003

VIA HAND DELIVERY

Ralph Jaeger, Esquire  
Division of Legal Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0873

Re: Aloha Utilities, Inc.; PSC Docket No. 010503-WU  
Application for Increased Water Rates in Seven Springs System  
Our File No. 26038.35

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COMMISSION  
CLERK

Dear Ralph:

As a follow up to our conversation at our meeting on May 12, 2003, I am writing to you to let you know that Aloha Utilities, Inc. has moved forward with a request for additional appellate review in the above-referenced matter. As such, the partial stay remains in place and some of the requirements of the Commission's Final Order in this case.

As we discussed at that meeting on May 12, 2003, the Utility is currently escrowing 15.95% of revenues collected for the Seven Springs water system to the requirements of the interim Order No. PSC-01-2199-FOF-WU and under the partial stay Order No. PSC-02-1056-PCO-WU. As you know, these monies are now held solely for the purpose of funding the refund of 4.87 required by the Final Order, if and when that Order becomes final after all appeals are exhausted.

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As the staff agreed, the amount being escrowed in the past and continuing to be escrowed at the present is substantially more than is necessary to make a refund if the Commission's Order is upheld (of course no refund will be required if the Utility prevails on its continuing appeals). Therefore, we believe that with commercial paper rates at less than 2% over the refund period, retaining 5% of all revenues collected on a going forward basis and 5% of revenues collected during the interim period in the escrow account, is more than is sufficient to secure any refund. As such, as the staff agreed, we would like to request release of all of the remaining funds from the escrow

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account and authority to escrow only 5% of all future revenue collections until the appeals are exhausted.

We appreciate your prompt attention to this matter so that we can utilize the funds as needed for other operation costs recognized by the PSC.

Please contact me at your earliest convenience and let me know if there is anything further I need to do to finalize this release of funds and reduced about of escrow.

Sincerely,

ROSE, SUNDBROM & BENTLEY



F. Marshall Deterding  
For The Firm

FMD/tms

cc: Marshall Willis  
Blanca Bayo  
Stephen Watford