

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 ALOHA UTILITIES, INC.

3 DOCKET NO. 060122-WU

4 DIRECT TESTIMONY OF ROBERT C. NIXON, C.P.A.

5 Q. Please state your name and professional address

6 A. Robert C. Nixon, C.P.A., a shareholder in the
7 accounting firm of Carlstedt, Jackson, Nixon & Wilson,
8 P.A., 2560 Gulf-To-Bay Boulevard, Suite 200,
9 Clearwater, Florida 33765.

10 Q. Have you been retained by Aloha Utilities, Inc. to
11 provide documentary information and testimony in that
12 company's Limited Proceeding application for increased
13 water rates for its Seven Springs operating division?

14 A. Yes.

15 Q. Will you please provide a brief resume of your training
16 and experience as it relates to this proceeding?

17 A. I have practiced before the Florida Public Service
18 Commission (PSC) since 1984. Attached to this
19 testimony is a brief resume of my education and
20 training (RCN-1). The resume also includes a listing
21 of some of the companies for whom I have prepared rate
22 and other filings before the PSC.

23 Q. Did you prepare schedules and other documentary
24 evidence which were employed by the Commission in each
25 of those cases listed on your resume in setting the

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1 rates and charges found by the Commission in those
2 Orders?

3 A. Yes, I did.

4 Q. Did you and persons of your firm, working under your
5 supervision and direction, prepare documentary evidence
6 for use by the Commission in establishing rates for
7 Aloha Utilities, Inc.?

8 A. Yes. That document is our Special Report dated
9 September 19, 2007, filed as Minimum Filing
10 Requirements (MFRs) in accordance with the Commission's
11 Rule for Limited Proceedings (Rule 25-30.445). I am
12 therefore sponsoring the Application as filed as RCN-2.

13 Q. Briefly describe the types of information contained in
14 that Special Report.

15 A. The Report contains summary schedules and supporting
16 information on the increased capital costs for the
17 chloramination treatment upgrade and Pasco County
18 interconnect; related depreciation; CIAC; cost of
19 capital; and increased operating expenses. The
20 Schedules were projected as of December 31, 2009. In
21 addition, the Report contains Schedules showing the
22 computation of the revenue requirement; proposed rates;
23 and schedules of rate base and operating income before
24 and after the increase to demonstrate that the Company
25 will not be exceeding its authorized rate of return as

1 a result of the proposed rate increase.

2 Q. What was the source of the information in your Special
3 Report?

4 A. The books and records of the Company as well as
5 engineering estimates and projections of Aloha's
6 engineer, David W. Porter, P.E.

7 Q. Why did you base the proposed rates on the test year
8 ending December 31, 2009?

9 A. Aloha's Water Use Permit (WUP) issued by the South West
10 Florida Water Management District (SWFWMD) requires the
11 Company to purchase at least 2.4 mgd of water from the
12 County. The best estimate, at the time of filing, as
13 to when the utility will be in a position to begin
14 taking this quantity of water would be approximately
15 mid to late 2009. For ease of preparation and
16 presentation, I used the 2009 calendar year. Now, as a
17 result of the protests and the required hearings, I
18 believe late 2009 is a more reasonable estimate of when
19 Aloha can begin to take bulk water from Pasco County.

20 Q. How did this case originate?

21 A. Aloha began exceeding the permit allocation imposed by
22 the SWFWMD for water withdrawal from its wells in
23 approximately 1996. In 1999 SWFWMD issued a Water Use
24 Permit (WUP) for 2.04 mgd, which was the same quantity
25 allowed in the previous permit. That permit

1 acknowledged that the permitted withdrawals were
2 insufficient to meet the existing demand at that time,
3 much less future demand within the service area. After
4 determining that no other viable source of water was
5 available, Aloha filed a Limited Proceeding rate
6 increase application in February 2001 for rates which
7 would enable Aloha to begin purchasing water from Pasco
8 County and thereby come into compliance with its WUP.
9 The Commission refused to consider the matter as a
10 limited proceeding and ordered the utility to file a
11 full file and suspend rate case application instead.
12 In August of 2001, Aloha filed that full rate case
13 application. That rate application proceeded to full
14 hearing and thereafter the Commission denied any rate
15 relief to Aloha to begin purchasing water. With
16 hindsight, a rate increase at that time would have
17 allowed Aloha to come into compliance with its WUP and
18 at a cost much lower to Aloha and its customers.
19 Ultimately, the need to purchase water was recognized
20 and the Commission approved a stipulated agreement
21 between the Office of Public Counsel, Aloha and some of
22 its customers, stating that the purchase of water from
23 Pasco County was the only option available to reduce
24 water withdrawal in excess of permitted quantities.
25 The agreement provided for a limited proceeding to

1 recover the cost of obtaining water from the County as
2 well as the costs of changing disinfection methods
3 (chloramination) to be compatible with the County's
4 water disinfection process. Further, Aloha's WUP with
5 SWFWMD now requires Aloha to purchase at least 2.4 mgd
6 of water from Pasco County.

7 Q. Is the requirement by SWFWMD to purchase 2.4 mgd of
8 water from the County the reason why the Special Report
9 shows costs for 2.4 mgd?

10 A. Yes.

11 Q. When did you begin preparation of the MFRs?

12 A. As we agreed to do as part of the settlement and
13 stipulation on procedure, we prepared an initial report
14 in early 2006 which contained the capital and operating
15 costs for the chloramination facility and purchase of
16 1.6 mgd of water from the County. That was the
17 quantity of water needed at that time to meet our
18 allocation limits permitted by the Water Management
19 District. The report did not have any estimates of the
20 interconnect costs since the amount of purchased water
21 ultimately required by SWFWMD's pending WUP was unknown
22 at that time. Until that issue was resolved, the
23 requirements of Pasco County for the interconnect
24 facility could not be determined. As mentioned above,
25 the WUP ultimately required Aloha to purchase at least

1 2.4 mgd from Pasco County.

2 Q. Was that initial limited proceeding rate and accounting
3 package audited by the PSC?

4 A. Yes, with no exceptions found.

5 Q. What base year was used to determine increases in
6 operating expenses for chloramination?

7 A. 2005.

8 Q. Did you change any of the chloramination operating
9 expenses between the initial report that was audited
10 and the Special Report dated September 19 2007 and
11 filed in this proceeding?

12 A. No. Because that information had already been audited
13 without exception, it was my desire to not include any
14 new information other than interconnect costs, in order
15 to make this case as non-controversial as possible.
16 After all, the case was based on a stipulation as to
17 procedure and the elements for inclusion in rates were
18 agreed to by all parties.

19 Q. So, most of the operating costs in the application are
20 three years old?

21 A. Yes.

22 Q. What else has changed?

23 A. Several things. First, the application was based on
24 the interconnect being completed and in service by
25 April 2008 and did not consider a lengthy delay in

1 Pasco County's approval of the design and permitting
2 for the construction of the interconnect, or the delays
3 caused by this case going to hearing. Therefore, the
4 AFUDC accrual of the capacity charges paid to Pasco
5 County and cost of the interconnect needs to be updated
6 to at least December of 2009.

7 Second, the updated estimated cost of the
8 interconnect needs to be recognized, based on the
9 design of facilities ultimately approved by Pasco
10 County, together with applicable AFUDC

11 Third, the growth in the service area has slowed to
12 almost zero due to the subprime mortgage crisis and
13 overall slowdown in the economy. Staff recognized the
14 impact of this slow down in the PAA Order, but things
15 have gotten even worse. Growth in the application was
16 based on a linear regression of customer growth for the
17 five years ending December 31, 2006. Obviously, this
18 is now outdated by circumstances beyond Aloha's
19 control.

20 Fourth, operating costs for chemicals have risen
21 dramatically due to the record increases in the price
22 of oil.

23 Fifth, current labor costs are greater than the
24 2005 labor costs used in the application for
25 chloramination related expenses. In addition to

1 selective wage increases based on merit, in August
2 2006, Aloha implemented general wage increases to
3 remain competitive with Pasco County of approximately
4 12%.

5 Sixth, the rate per thousand gallons to be charged
6 Aloha for purchased water apparently has changed. The
7 County has two bulk rates depending on whether or not a
8 customer has storage facilities. Aloha will not have
9 storage facilities until the next phase of purchased
10 water is undertaken, in order to allow it to take 3.1
11 mgd. Based on that and the working of the "Bulk Water
12 Purchase Agreement," the purchased water rate used in
13 the application is the higher "without storage" rate.
14 However, I understand that the County has now stated in
15 writing that the lower "with storage" rate will be the
16 rate charged to Aloha in this first phase of purchased
17 water. Aloha has no objection to changing the
18 purchased water rate to whatever the Pasco County rate
19 actually is. But it can't be lower than what the actual
20 change will be.

21 Seventh, rate case expense needs to be updated to
22 recognize actual expense. The estimate in the
23 application did not envision many things that have
24 occurred, especially a protest or need for a hearing
25 and extensive discovery which OPC has begun.

1 Q. Based on these changes, what needs to be recognized in
2 this proceeding to update the figures in the
3 application and Special Report you prepared?

4 A. These changes require the following recognition:

5 1. Actual estimated cost of the Phase I interconnect,
6 based on the changed design requirements of Pasco
7 County for the interconnect. Such updated costs would
8 also substitute the annual cost of leased land required
9 for the Phase I interconnect in place of the estimate
10 to acquire land (\$75,000) included in the application.

11 2. AFUDC needs to be calculated to the estimated
12 completion date of the interconnect based on the
13 revised cost to meet County requirements for the
14 interconnect. AFUDC on the capacity charges paid to
15 Pasco County must be recalculated to the estimated
16 completion date of this proceeding and approval of
17 rates to begin purchasing water.

18 3. Revised growth projections to reflect the slow down
19 in new connections need to be recognized. This will
20 impact the projection of CIAC, accumulated
21 amortization, sales and perhaps purchased water costs,
22 purchased power and chemicals.

23 4. The cost of chemicals and purchased power has risen
24 dramatically since the original projections were made.

25 The current costs should be recognized.

1 5. Current labor costs should be recognized, since the
2 2005 wage scales used to project chloramination labor
3 costs have risen.

4 6. The actual Pasco County charge per thousand gallons
5 to Aloha for purchased water needs to be utilized in
6 this proceeding.

7 7. Rate case expense needs to be updated to actual.

8 Q. What is the general nature of these changes that must
9 be recognized?

10 A. These are known and measurable changes caused by
11 subsequent events, all of which are outside the control
12 of Aloha. The Commission almost always recognizes such
13 changes, as confirmed by the changes made to the
14 Company's filing by the Staff and Commission in the PAA
15 Order issued in this proceeding and numerous other
16 proceedings. I believe our Special Report and
17 application contains all of the basic elements required
18 to enable Aloha to begin purchasing water from Pasco
19 County as required by its WUP. The passage of time
20 merely changed the computation of some of the amounts
21 of these elements.

22 Q. I notice on Schedule No. 14, page 2 of 3, lines 30-33,
23 you have estimated total cost of this rate case to be
24 \$175,000 and amortized over a 4-year period. Would you
25 please explain to the Commission the source of that

1 estimate?

2 A. Yes. At the time of preparation of that information,
3 we estimated the cost of this case based on information
4 provided, in part, by Rose, Sundstrom & Bentley, and
5 our experience in similar cases where a hearing is not
6 held. We did not anticipate a hearing in this case
7 since it was a straightforward Limited Proceeding, the
8 necessity of which was recognized by stipulation. It
9 included, prior to filing, more stipulations on content
10 and procedures than I have ever seen before in a PSC
11 rate proceeding. We will provide the Commission with
12 the company's actual and estimated rate case expense,
13 with support, as close to the finalization of this case
14 as possible, in accordance with normal Commission
15 practices.

16 Q. Do you have any comments on the idea of a later "true-
17 up" of rates?

18 A. Yes. While the idea of a "true-up" was included in the
19 PAA, that Order is now a nullity as is any agreement to
20 a "true-up." In addition, a true-up is not envisioned
21 by the Stipulation on Procedure or any discussions
22 between the parties prior to the date of the PAA
23 agenda. I believe that a "true-up" is a bad idea and
24 extremely costly for many reasons, in addition to those
25 raised by Mr. Porter.

1 Q. Do you have anything further to add?

2 A. Not that this time.

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RESUME OF ROBERT C. NIXON

Robert C. (Bob) Nixon has a Bachelor of Science Degree in Business Administration from the University of Florida (1967) and a Bachelor of Arts Degree in Accounting from the University of South Florida (1977). In 1980, Bob became a Certified Public Accountant (CPA) licensed to practice in the State of Florida. He was employed by the City of Tampa as an accountant for two years and by the Florida Public Service Commission as an auditor for two years. Since 1981, Bob has been employed by Carlstedt, Jackson, Nixon & Wilson, CPA's, P.A. and its predecessors. Bob was admitted to the firm in 1985 and is Vice President and Secretary of Carlstedt, Jackson, Nixon & Wilson. He is responsible for the firm's regulated utility services practice. He is a member in good standing of the American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants. Bob was a Director of the Florida Waterworks Association from 1986 (a trade association of investor owned utilities in Florida) through 1993.

Bob's practice currently provides various utility accounting services to approximately 80 investor-owned utilities regulated by the Florida Public Service Commission or local government units. Such services include rate, service availability (impact fee) and original certificate applications ; assistance with over earnings investigations, preparation of Annual Reports and financial statements; utility valuations, financing, tax services and utility sales and acquisitions.

Bob's experience in rate and other proceedings includes representation of the clients attached to this resume. Where an asterisk appears, he testified as an expert witness on utility accounting and rate making matters.

<u>Name of Company</u>	<u>PSC Order No.</u>	<u>Date</u>
Clay Utility Company	14305	04/22/85
Twin County Utility Company	14380	05/17/85
Sanlando Utilities Corp.	15887	03/25/86
Park Manor Waterworks, Inc.	15831	03/12/86
Forest Utilities, Inc.	14557	07/10/85
Eagle Ridge Utilities, Inc.	14133	02/17/85
Martin Downs Utilities, Inc.	* 17269	03/10/87
Ocean Reef Utility Co.	* 17532	05/08/87
Rolling Oaks Utilities, Inc.	* 17760	06/06/87
St. Johns Service Company	* 18551	12/15/87
Limited investigation into rate settling procedures and alternatives for water and sewer companies	* 21202	05/08/89
Radnor Plantation DBA		
Plantation Utilities	21415	06/20/89
Hydratech Utilities, Inc.	* 22226	11/27/89
Martin Downs Utilities, Inc.	22869	04/27/90
Request by Florida Waterworks Assoc. for investigation of proposed repeal of Section 118(b) IRC (CIAC)	* 23541	10/01/90
Southern States Utilities	* 24715	06/26/91

<u>Name of Company</u>	<u>PSC Order No.</u>	<u>Date</u>
FFEC-Six, Ltd.	24733	07/01/91
East Central Florida Services	* PSC-92-0104-FOF	03/27/92
Aloha Utilities, Inc.	PSC-92-0578-FOF-SU	06/29/92
Mad Hatter Utility, Inc.	* PSC-93-0295-FOF-WS	02/24/93
Lehigh Utilities, Inc.	* PSC-93-0301-FOF-WS	02/25/93
Jasmine Lakes Utilities Corp.	* PSC-93-1675-FOF-WS	02/18/93
Gulf Utility Company	* PSC-93-1207-FOF-WS	08/18/93
Key Haven Utility Company	PSC-94-1557-S-SU	12/13/94
JJ's Mobile Homes, Inc.	* PSC-95-1319-FOF-WS	10/30/95
Little Sumter Utility	PSC-96-1132-FOF-WS	09/11/96
Aloha Utilities, Inc.	* PSC-97-0280-FOF-WS	03/12/97
Gulf Utility Company	* PSC-97-0847-FOF-WS	10/22/97
Lindrick Service Corporation	PSC-97-1501-FOF-WS	11/25/97
Indiantown Company	PSC-00-2054-PAA-WS	10/07/00
Aloha Utilities, Inc.	* PSC-01-0326-FOF-SU	02/06/01
North Sumter Utility Co., LLC	PSC-02-0554-PAA-WS	04/23/02
Aloha Utilities, Inc.	* PSC-02-0593-FOF-WU	04/30/02
Key Haven Utility Company	PSC-03-0351-PAA-SU	03/11/03
Indiantown Company, Inc.	PSC-05-0624-PAA-WS	06/07/05
Plantation Bay Utility Company	PSC-06-0710A-PAA-WS	03/09/06
Utilities, Inc.-Bayside	Bay County Utility Regulatory Authority	Pending

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of
ALOHA UTILITIES, INC.
for a limited proceeding in
Pasco County, Florida

DOCKET NO. 060122-WU

APPLICATION FOR LIMITED PROCEEDING RATE INCREASE

Applicant, ALOHA UTILITIES, INC. (the *Utility*), by and through its undersigned attorneys and pursuant to Section 367.0822, Florida Statutes, Chapter 25-30.445, Florida Administrative Code, and Order Nos. PSC-06-0169-S-WU and PSC-07-0023-S-WU, files this Application for a limited proceeding rate increase in Pasco County, Florida.

Preliminary Matters

The following information is provided pursuant to Rule 25-30.445, Florida Administrative Code:

- (1) The name of the Utility and its principal place of business is:

Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL 34655

- (2) The name and address of the person authorized to receive notices and communications in respect to this application is:

F. Marshall Deterding, Esquire
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301
Telephone: (850) 877-6555
Facsimile: (850) 656-4029

- (3) The Utility is a Florida corporation incorporated in Florida on March 3, 1970. The names and addresses of the persons owning more than 5% of the Utility's stock are:

Lynnda Speer	62.5%
Joann Pippin	37.5%

Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL 34655

(4) The last general rate proceeding for Aloha was processed in Florida Public Service Commission Docket No. 010503-WU. This resulted in Order No. PSC-02-0593-FOF-WU being issued on April 30, 2002, adjusting the rates of Aloha but granting no rate increase.

(5) The address within the service area where the application is available for customer inspection during the time the rate application is pending is:

Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL 34655

(6) The Affidavit of Stephen Watford, President of the Utility, stating that the Utility will comply with Rule 25-30.446, F.A.C., and is attached as Exhibit "A".

(7) The appropriate filing fee of \$2,250 is filed herewith in accordance with Rule 25-30.020, F.A.C.

Additional Information

The following additional information is provided pursuant to Rule 25-30.445(5), (6) and (7), Florida Administrative Code:

(8) The purpose of this Limited Proceeding is for the Utility to recover the cost of chloramination facilities; and operating costs related thereto; the investment in impact fees paid to the County for the various phases of bulk water purchases from Pasco County; the cost of purchased water for the first phase of such purchases, and the operating costs related thereto. The resulting costs constitute an overall revenue increase of \$3,910,501 on an annual basis over the test year revenues.

(9) This limited proceeding is being requested in order to recover costs required by a governmental regulatory agency, in that the purchase of bulk water from Pasco County is required

by the Southwest Florida Water Management District (SWFWMD) in order for the Utility to attempt to bring its water withdrawals from its wells to permitted levels. The conversion to chloramination is required by DEP as a condition of the purchase of bulk water from Pasco County. In compliance with the requirements of Commission Rule 25-30.445(4)(b) attached are:

- (a) a copy of the Utility's existing Water Use Permit authorizing the withdrawal of only 2.04 MGD from its existing wells (**Exhibit "C"**); and
- (b) an estimate by a professional engineer, knowledgeable in the design and construction of water and wastewater plants to establish the projected costs of the Applicant's investment and period of time required for completion of construction.

(10) Attached hereto as part of **Exhibit "B"** is a schedule that provides the specific rate components for which the Utility seeks recovery, including for each item supporting detail which provides the actual projected costs; the date all of the items are projected to be placed in service; and any corresponding adjustments that are required as the result of adding or removing requested components from rate base, which includes retirement entries; and other relevant supporting information.

(11) The schedules incorporated in **Exhibit "B"** also include a request for recovery of plant in service, accumulated depreciation and depreciation expense and supporting detail provided by primary accountants defined by the NARUC System of Accounts.

(12) Included in **Exhibit "B"** is a calculation of weighted average cost of capital for the most recent 12 month period, using the midpoint of the range of the last authorized rate of return on equity, the current imbedded costs of fixed rate capital, the actual cost of short term debt, the actual cost and variable cost debt, and the actual cost of other sources of capital which were used in the last

individual rate proceeding of the Utility.

(13) The Utility is requesting recovery of operating expenses related to both the chlorination facilities and the purchased water facilities. As such, the following information is provided as part of **Exhibit "B"**:

- (a) a detailed description of the expenses requested;
- (b) total cost by primary account pursuant to NARUC Uniform System of Accounts;
- (c) supporting documentation and calculations;
- (d) no allocations are made between systems, affiliates or related parties, as only the Seven Springs water system is involved in the investments and operating costs which are the subject of this proceeding.

(14) Included within **Exhibit "B"** are listings of all items that will create cost savings or revenue impact from the implementation of the requested cost recovery items.

(15) **Exhibit "B"** includes other items where calculations are required, and supporting documentation is filed which reflects the calculations or assumptions made.

(16) A calculation of the revenue increase including regulatory assessment fees and income taxes is included as part of **Exhibit "B."**

(17) Annualized revenue for the most recent 12 month period, using the rates in effect at the time the Utility is filing this Application for Limited Proceeding and a schedule reflecting this calculation by customer class and meter size, is included as part of **Exhibit "B."**

(18) A schedule of current and proposed rates for all classes of customers is included as part of **Exhibit "B."**

(19) Schedules for the most recent 12 month period showing that without any increase in

rates the Utility went below its authorized rate of return, in accordance with Section 367.082, Florida Statutes, is included as part of **Exhibit "B."** These schedules consist of a rate base, net operating income, and cost of capital, with adjustments to reflect those consistent with the Utility's last rate proceeding, and with Order Nos. PSC-06-0169-S-WU and PSC-07-0023-S-WU.

(20) This limited proceeding is not requesting a change in the current rate structure and as such, the requirements of Section 25-30.445(4)(m) are inapplicable.

(21) The Utility's rate base did not decline and none of the expense recovery sought by the Utility is offset by customer growth since its most recent rate proceeding, or will be offset by future customer growth expected to occur within one year of the date the new rates are implemented, except to the extent recognized in the schedules attached as **Exhibit "B."**

(22) Because of the substantial costs expended by the Utility and the continuing accrual of AFUDC and other carrying costs, as well as the need to comply with SWFWMD regulations and requirements, the Florida Public Service Commission agreed to expedite processing of this Application. It is the Utility's intent to begin purchasing water no later than 120 days from the date of filing this Application and therefore, Aloha requests that the Public Service Commission act within the time frame which they agreed in Order Nos. PSC-06-0169-S-WU and PSC-07-0023-S-WU, or earlier if at all possible.

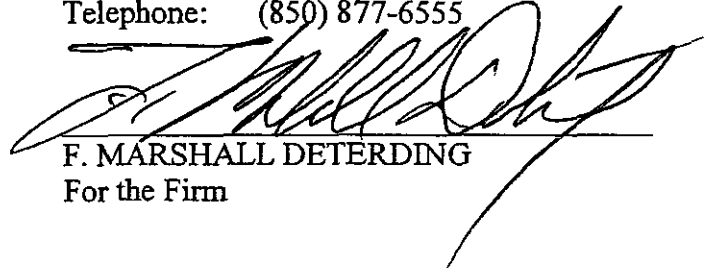
WHEREFORE, the Utility requests that the Florida Public Service Commission do the following:

1. Accept jurisdiction of this Application to grant an increase in water rates to Aloha Utilities, Inc.
2. Provide immediate rate relief to the Utility of the costs outlined herein in accordance with the stipulation entered into and approved by the Commission by Order Nos. PSC-06-0169-S-

WU and PSC-07-0023-S-WU and approve such final rates no later than 120 days of the filing hereof.

Respectfully submitted this 28th day of September, 2007 by:

ROSE, SUNDSTROM & BENTLEY, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301
Telephone: (850) 877-6555



F. MARSHALL DETERDING
For the Firm

ALOHA UTILITIES, INC.

Affidavit

Exhibit A

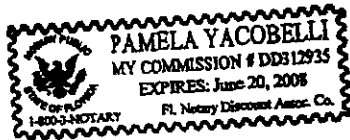
AFFIDAVIT OF STEPHEN G. WATFORD

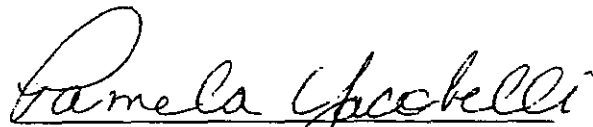
STATE OF FLORIDA
COUNTY OF PASCO

BEFORE ME, personally appeared STEPHEN G. WATFORD, who is the President of Aloha Utilities, Inc., who states that Aloha Utilities, Inc. will comply with the noticing requirements of Rule 25-30.446, Florida Administrative Code.


STEPHEN G. WATFORD

Sworn to and subscribed before me this 28th day of September, 2007, by Stephen G. Watford, President of Aloha Utilities, Inc., who is personally known to me or has produced as identification.




NOTARY PUBLIC - STATE OF FLORIDA
Printed Name: Pamela Jacobelli

My Commission Expires:

ALOHA UTILITIES, INC.

Seven Springs Water Limited Proceeding Special Report

Exhibit B

Aloha Utilities, Inc.
Seven Springs Water Limited Proceeding
Special Report
Draft 9-19-07

Aloha Utilities, Inc.
Seven Springs Water Limited Proceeding
Special Report

Index

<u>Schedule No.</u>	<u>Page(s)</u>	<u>Description</u>
		Accountant's Letter
1	1	Present and Proposed Rates
2	2	Calculation of Percentage Rate Increase And Increase to the Gallonage Charges
3	3	Schedule of Rate Base Components Rate of Return and Revenue Requirements
4	4	Rate Base and Rate of Return After Limited Proceeding Rate Increase
5	5-6	Statement of Operations After Limited Proceeding Rate Increase
6	7	Allocation of Soft Costs and AFUDC and Total Chloramination System Costs
7	8	Schedule of Chloramination System Hard Costs by Primary Account & Vendor
8	9	Schedule of Chloramination System Allocable Soft Costs by Vendor
9	10-14	Chloramination System - AFUDC Charged
10	15	Schedule of Retirements
11	16-17	Schedule of Pasco County Capacity Charges & AFUDC Calculation
12	18-19	Estimated Costs of Pasco County Tie-In & AFUDC Calculation
13	20	Accumulated Depreciation And Expense on Chloramination Plant, Pasco County Tie-in and Pasco County Water Capacity Charges
14	21-23	Increases in Operating Expenses
15	24	Schedule of Pasco County Purchased Water Costs
16	25	Capital Structure and Weighted Cost of Capital
17	26	Increase in Contributions in Aid of Construction and Accumulated Amortization
18	27-28	Projected Meters/Customers and ERC's and Gallons Sold
19	29	Schedule of Annualized Revenue



Carlstedt, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

Docket No. 060122-WU
Limited Proceeding Rate Increase
Exhibit RCN-2, Page 12 of 53

James L. Carlstedt, C.P.A.
Paul E. DeChario, C.P.A.
Katherine U. Jackson, C.P.A.
Robert H. Jackson, C.P.A.
Cheryl T. Losee, C.P.A.
Robert C. Nixon, C.P.A.
Jeanette Sung, C.P.A.
Holly M. Towner, C.P.A.
James L. Wilson, C.P.A.

September 27, 2007

Officers and Directors
Aloha Utilities, Inc.

In accordance with your request, we have prepared the accompanying Special Report of Aloha Utilities, Inc., Seven Springs Water Limited Proceeding consisting of the schedules listed in the preceding Index.

This report is intended solely for use as part of a Limited Proceeding rate application to be filed with the Florida Public Service Commission and should not be used for any other purpose.

Because this Special Report was not audited by us, we do not express an opinion or any other form of assurance on it.

Carlstedt Jackson Nixon & Wilson
CARLSTEDT, JACKSON, NIXON & WILSON

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Schedule of Present and Proposed Rates

Line No.		Present Rates	Proposed Increase	Proposed Rates
1	<u>Residential</u>			
2	<u>Base facility charges (63.35% increase)</u>			
3	5/8 x 3/4"	\$ 4.47	\$ 2.83	\$ 7.30
4	3/4"	6.70	4.24	10.94
5	1"	11.18	7.08	18.26
6	1-1/2"	22.38	14.18	36.56
7	<u>Gallonage Charges (\$ 2.48 increase)</u>			
8	Gallonage charge - 0 - 10,000 gallons	1.53	2.48	4.01
9	Gallonage charge - over 10,000 gallons	1.90	2.48	4.38
10	<u>General Service</u>			
11	<u>Base facility charges (63.35% increase)</u>			
12	5/8 x 3/4"	4.47	2.83	7.30
13	1"	11.18	7.08	18.26
14	1-1/2"	22.38	14.18	36.56
15	2"	35.79	22.67	58.46
16	3"	71.60	45.36	116.96
17	4"	111.87	70.87	182.74
18	6"	223.73	141.73	365.46
19	8"	357.95	226.76	584.71
20	10"	514.56	325.97	840.53
21	Gallonage charge per 1,000 gallons(\$ 2.48 increase)	1.67	2.48	4.15

Aloha Utilities, Inc
 Seven Springs Water Limited Proceeding
 Calculation of Percentage Rate Increase And Increase to the Gallonage Charges

Line No.			Schedule Reference
1	(A) <u>Allocation of Revenue Requirement</u>		
2	Total proposed revenue increase	\$ 3,910,501	3
3	Total cost of purchased water from Pasco County	\$ 3,223,680	15
4	Divide by factor for Regulatory Assessment Fees	<u>0.955</u>	
5	Total Purchased water cost in proposed revenue increase	<u>\$ 3,375,581</u> <u>(3,375,581)</u>	
6	Proposed revenue increase related to base facility charges	<u>\$ 534,920</u>	
7	(B) <u>Percentage increase in Base Facility Charges</u>		
8	Total annualized revenue - existing rates	\$ 3,077,231	19
9	Less annualized gallonage revenue - existing rates	<u>(2,232,843)</u>	19
10	Annualized base facility charge revenue - existing rates	<u>\$ 844,388</u>	
11	Total proposed base facility charge increase	<u>\$ 534,920</u>	
12	Divide by annualized base facility charge revenue	<u>\$ 844,388</u>	
13	Percentage increase in base facility charges	<u>63.35%</u>	
14	(C) <u>Increase in Gallonage Charges</u>		
15	Proposed increase to gallonage charges	<u>\$ 3,375,581</u>	
16	Divide by projected gallons sold (000)	<u>1,361,000</u>	18
17	Proposed gallonage charge increase	<u>\$ 2.48</u>	

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Schedule of Rate Base Components,
 Rate of Return and Revenue Requirement

Line No.	<u>Increase in Rate Base & Rate of Return</u>	<u>Cost Amount</u>	<u>Schedule Reference</u>
1	Actual cost of Chloramination System	\$3,848,657	6
2	Estimated cost of Pasco County water tie-in (including land)	903,593	12
3	Capacity charges paid to Pasco County for purchased water	4,136,675	11
4	Retirement of old equipment	(89,228)	10
5	Accumulated depreciation net of retirement of old equipment	(866,396)	13,10
6	Contributions In Aid of Construction (CIAC)	(6,282,000)	17
7	Accumulated amortization of CIAC	<u>393,162</u>	17
8	Total increase in rate base	2,044,463	
9	Weighted cost of capital	<u>7.04%</u>	16
10	Rate of return required	<u>143,930</u>	
11	<u>Increase in Operating Expenses</u>		
12	Increase in O&M expense, including purchased water	3,567,866	14
13	Increase in depreciation expense	340,118	13
14	Increase in CIAC amortization	(244,370)	17
15	Decrease in depreciation expense associated with retirements	(3,768)	10
16	Increase in taxes other than income taxes	<u>71,191</u>	14
17		<u>3,731,037</u>	
18	<u>Decrease in Overall Rate of Return</u>		
19	Projected 2009 operating income before decrease	\$358,194	
20	Authorized rate of return after limited proceeding increase	<u>217,755</u>	
21	Decrease required to realize an 8.52% rate of return (current authorized)	<u>(140,439)</u>	
22	Total increase in operating expenses	<u>3,590,598</u>	
23	Total revenue increase before Regulatory Assessment Fees (RAF's)	3,734,528	
24	Divide by factor for RAF's	<u>0.955</u>	
25	Total Revenue Increase	<u>\$3,910,501</u>	

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Chloramination and Purchased Water Increase
 Rate Base and Rate of Return After Limited Proceeding Rate Increase

Line No.	Balance <u>12/31/2006</u>	Limited Proceeding <u>Adjustments</u>	Proforma Balance <u>12/31/2009</u>	Schedule Reference	
1	Utility plant in service	\$ 18,617,982	\$ 4,965,268 (A)	\$ 23,583,250	
2	Land	44,750	75,000 (B)	119,750	
3	Accumulated depreciation	(4,370,508)	(2,029,420) (C)	(6,399,928)	
4	Contributions in Aid of Construction (CIAC)	(14,124,754)	(6,282,000) (D)	(20,406,754)	17
5	Accumulated amortization of CIAC	3,590,254	1,573,701 (E)	5,163,955	
6	Net deferred income taxes	<u>359,136</u>	<u>-</u>	<u>359,136</u>	
		4,116,860	(1,697,451)	2,419,409	
7	Allowance for working capital	<u>136,400</u>	<u>-</u>	<u>136,400</u>	
8	Rate base	<u>\$ 4,253,260</u>	<u>\$ (1,697,451)</u>	<u>\$ 2,555,809</u>	
9	Operating Income	<u>\$ (96,810)</u>		<u>\$ 217,755</u>	5
10	Rate of return	<u>-2.28%</u>		<u>8.52%</u>	
11	<u>Adjustments</u>				
12	(A) <u>Plant in service</u>				
13	Plant capacity charges paid to Pasco County			\$ 4,136,675	11
14	Estimated Costs of Pasco County tie-in			<u>828,593</u>	12
15	Total Plant adjustments			<u>\$ 4,965,268</u>	
16	(B) <u>Land</u>				
17	Estimated cost of land for County tie-in			<u>\$ 75,000</u>	12
18	(C) <u>Accumulated Depreciation</u>				
19	Depreciation on existing plant to 12-31-09 (including chloramination)			\$ (1,741,965)	
20	Depreciation on Pasco County capacity charges			(248,201)	13
21	Annual depreciation on estimated cost of Pasco County tie-in			<u>(39,254)</u>	13
22	Total accumulated depreciation adjustments			<u>\$ (2,029,420)</u>	
23	(D) Additional projected CIAC through 12-31-09			<u>\$ (6,282,000)</u>	17
24	(E) Additional accumulated amortization of projected CIAC through 12-31-09			\$ 393,162	17
25	Accumulated amortization on existing CIAC			<u>1,180,539</u>	
26	Total accumulated amortization of CIAC adjustments			<u>\$ 1,573,701</u>	
27	Note: The retirement of chlorination equipment and capitalization of chloramination plant costs				
28	were booked in 2005 and included in the 2006 balances shown above.				

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Chloramination and Purchased Water Increase
 Statement of Operations After Limited Proceeding Rate Increase

Line No.	Balance 12/31/2006	Limited Proceeding adjustments	Proforma Balance 12/31/2006	Schedule Reference
1	\$ 2,640,042	\$4,347,690	(A) \$ 6,987,732	
2	Operating Expenses:			
3	2,226,931	3,892,622	(B) 6,119,553	
4	580,655	191,636	(C) 772,291	
5	(393,513)	(244,370)	(D) (637,883)	
6	(35,982)		(35,982)	
7	358,761	190,307	(E) 549,068	
8	-	2,930	(F) 2,930	
9	<u>2,736,852</u>	<u>4,033,125</u>	<u>6,769,977</u>	
10	\$ (96,810)	\$ 314,565	\$ 217,755	
11	<u>Adjustments</u>			
12	(A) <u>Operating Revenue</u>			
13			\$ 3,910,501	3
14			<u>437,189</u>	
15			<u>\$ 4,347,690</u>	
16	(B) <u>O&M Expenses</u>			
17			\$ 3,236,191	14
18			876,000	
19			<u>\$ 0.08</u>	
20			<u>70,080</u>	
21			2,226,931	
22			<u>1,2633</u>	
23			2,813,282	
24			<u>(2,226,931)</u>	
25			<u>586,351</u>	
26			<u>\$ 3,892,622</u>	
27	(C) <u>Depreciation Expense</u>			
28			\$ 191,636	13
29	(D) <u>Amortization of CIAC</u>			
30			<u>\$ 244,370</u>	17
31	(E) <u>Taxes Other Than Income</u>			
32			\$ 14,334	14
33			<u>175,973</u>	3
34			<u>\$ 190,307</u>	

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Chloramination and Purchased Water Increase
 Statement of Operations After Limited Proceeding Rate Increase

Line No.	<u>Adjustments (Continued)</u>		<u>Schedule Reference</u>
1	(F) <u>Income taxes</u>		
2	Rate base after limited proceeding adjustments	\$ 2,555,809	4
3	Weighted cost of equity	<u>0.1900%</u>	16
4	Net income after income taxes	4,856	
5	Factor for gross-up to income before income taxes	<u>1.6033</u>	
6	Pretax income	7,786	
7	Income before income taxes	<u>(4,856)</u>	
8	Income tax provision after limited proceeding increase	<u>\$ 2,930</u>	
9	Notes: (1) Costs related to Chloramination were incurred in 2006 and are not included in		
10	the increased expenses for purposes of this Schedule.		
11	(2) 2006 O&M is indexed for customer growth & Inflation (compound multiplier)		
12	to reflect presently incurred 2006 O&M at the end of 2009 as follows:		
13	No. of ERC's 12-31-06	13,677	
14	Projected No. of ERC's 12-31-09	<u>15,770</u>	
15	Increase in ERC's through 12-31-09	<u>2,094</u>	
16	Percentage increase	<u>15.31%</u>	
17	PSC 2006 Price Deflator Index of 3.09%		
18	for 3 years	<u>1.0956</u>	
19	Compound Multiplier:		
20	Customer growth	1.1531	
21	Price deflator Index	<u>1.0956</u>	
22	Compound multiplier index factor	<u>1.2633</u>	

Aloha Utilities, Inc.
Allocation of Soft Costs and AFUDC and
Total Chloramination System Costs

Line No.	NARUC Actl.	Description	Hard Costs Before Allocation	Ratio	Soft Costs	Total Costs Before AFUDC	Ratio	AFUDC	Total Cost	Schedule Reference
1	304.023	Structures & Improvements - Source of supply & Pumping plant	\$ 50,913	1.78%	\$ 12,537	\$ 63,450	1.78%	\$ 5,085	\$ 68,535	7,8,9
2	304.033	Structures & Improvements - Water treatment plant	1,342,158	46.95%	330,684	1,672,842	46.95%	134,119	1,806,961	7,8,9
3	320.033	Water treatment equipment	1,465,590	51.27%	361,111	1,826,701	51.27%	146,460	1,973,161	7,8,9
4		Total	\$ 2,858,661	100.00%	\$ 704,331	\$ 3,562,992	100.00%	\$ 285,664	\$ 3,848,657	

Aloha Utilities, Inc.
Schedule of Chloramination System Hard Costs by
Primary Account & Vendor

Line No.	NARUC Actl.	Total Costs Description	Balance Hard Costs Per AP Detail Report	Adjustments Per GL Detail Report	Total Hard Costs
1	304.023	Structures & improvements - Source of supply & Pumping plant	\$ 41,843	\$ 9,070	\$ 50,913
2	304.033	Structures & improvements - Water treatment plant	1,343,990	(1,832)	1,342,158
3	320.033	Water treatment equipment	1,463,005	2,585	1,465,590
4		Total hard costs	\$ 2,848,838	\$ 9,824	\$ 2,858,661
5		Costs by Vendor			
6	304.023	Extreme Fence, Inc.	\$ 16,762	\$ 9,070	\$ 25,832
7		John Penichat Property Maintenance	1,200		1,200
8		Florida Fence	3,900		3,900
9		South Florida Fence, Inc.	19,981	-	19,981
10		Total account 304.023	41,843	9,070	50,913
11	304.033	A Southwest Concrete, Inc.	343		343
12		Ameritek Communications, Inc.	5,220		5,220
13		B.A.S.I.C. Rail & Fabrication Co.	500		500
14		Charles Moore - Relocate shed	500		500
15		C.L.C Trucking, Inc.	754		754
16		Dixie Tank Company	599,286		599,286
17		Fiatworks, Inc.	183,743		183,743
18		Just A1 Quality Signs	116		116
19		Marolf Enviromental, Inc.	315,849		315,849
20		P.A.W. Trucking, Inc.	1,801		1,801
21		Pasco Pipe Supply, Inc.	226,174	(1,832)	224,343
22		Professional Service Industries, Inc. (PSI)	8,914		8,914
23		Secord Contracting Corp.	475		475
24		Tractor Supply Company	316	-	316
25		Total Account 304.33	1,343,990	(1,832)	1,342,158
26	320.033	A. Williams Electric Co.	13,904		13,904
27		Barney's pumps, Inc.	11,454		11,454
28		Bolt & Nut, Inc.	5,172		5,172
29		Complete Enviromental Products, Inc.	2,805		2,805
30		Custom Pump & Controls, Inc.	6,371		6,371
31		Davis Supply, Inc.	154		154
32		Ferguson Enterprises, Inc.	1,931		1,931
33		W.W. Grainger, Inc.	649	(595)	54
34		Hach Company	137,083		137,083
35		Home Depot	1,197	462	1,658
36		Hughes Supply, Inc	4,904		4,904
37		Instruments South Corporation	439,856		439,856
38		Komax Systems	56,549	3,374	59,923
40		Prominent Fluid Controls	252,020		252,020
41		Rexel Consolidated Electrical	57	80	138
42		Rocha Controls	518,451	(455)	517,996
43		Short Enviromental Laboratories, Inc.	2,950		2,950
44		Southern Metal Works, Inc.	193		193
45		Swartzsel's Ace Hardware	306	55	360
46		Tampa Rubber & Gasket Co., Inc.	3,249		3,249
47		USA Bluebook	3,750	(335)	3,414
48		Total Account 320.033	1,463,005	2,585	1,465,590
49		Total Hard Costs	\$ 2,848,838	\$ 9,824	\$ 2,858,661

Aloha Utilities, Inc.
 Schedule of Chloramination System Allocable Soft Costs
 by Vendor per Detail Reports

Line No.	Description	Balance Soft Costs Per AP Detail Report	Adjustments Per GL Detail Report	Total Soft Costs
1	<u>General Costs</u>			
2	C&C Consultants (Crane Truck)	\$ 169		\$ 169
3	Department of Enviromental Protection (Permitting)	4,100	(300)	3,800
4	Federal Express	215		215
5	Instant Printing & Copying	986		986
6	Jim & Slim's Tool Supply	71		71
7	Labor Ready Southeast	135		135
8	Media General	272		272
9	NAPA Auto Parts	28	182	210
10	Neff Rental, Inc.	27,914		27,914
11	Petty Cash	18		18
12	Portable Sanitation of Tampa, Inc.	4,440		4,440
13	Radio Shack	187		187
14	RSC - Rental Service Corporation	903		903
15	Sims Crane & Equipment Co., Inc.	12,490	(1,773)	10,716
16	St. Petersburg Times	794		794
17	Tucker/Hall, Inc.	14,607		14,607
18	U.S. Peroxide, LLC	4,375		4,375
19	Robar, Inc. - Ion Exchange	305		305
20	Pasco Blueprint	321		321
21	Harberston - Swanston	72	-	72
22		<u>72,400</u>	<u>(1,891)</u>	<u>70,509</u>
23	<u>Engineering, Surveying & Hydrology</u>			
24	Civil Engineering Associates, Inc.	171,032	20,638	191,669
25	David N. Gomberg PhD (Hydrology)	3,878		3,878
26	Frank A. Julian Surveying, Inc.	8,829		8,829
27	David W. Porter, P.E.,C.O.	183,816		183,816
28	University of South Florida	232,764	-	232,764
29		<u>600,318</u>	<u>20,638</u>	<u>620,956</u>
30	<u>Legal & Accounting</u>			
31	Rose, Sundstrom & Bentley, LLP	8,907		8,907
32	Cronin, Jackson, Nixon & Wilson, CPA's	8,713	(4,753)	3,960
33		<u>17,619</u>	<u>(4,753)</u>	<u>12,867</u>
34	Total Soft Costs	<u>\$ 690,337</u>	<u>\$ 13,994</u>	<u>\$ 704,331</u>

Aloha Utilities, Inc.
Seven Springs Water Limited Proceeding
Chloramination System - AFUDC Charged

<u>Line</u> <u>No.</u>	<u>Year</u>		<u>AFUDC</u> <u>Charged</u>
1	2002	Annual Additions	\$ 523
2	2003	Annual Additions	5,154
3	2004	Annual Additions	25,168
4	2005	Annual Additions	<u>254,819</u>
5		Total AFUDC charged	<u>\$ 285,664</u>

105.003-CWIP-SS-W System Upgrade
 CWIP and AFUDC Calculations
 F.Y.E. 12/31/05

	Beginning of Month	Additions	End of Month	1/2 Increase	Average Value	AFUDC Rate	AFUDC Interest	
12/31/04		30,845.71	1,180,742.42	Prior Years AFUDC Interest				
Jan-05	1,180,742.42	457,457.88	1,638,200.30	228,728.94	1,409,471.36	0.0072689	10,245.31	
Feb-05	1,648,445.61	385,444.39	2,033,890.00	192,722.20	1,841,167.80	0.0072689	13,383.26	
Mar-05	2,047,273.26	382,649.63	2,429,922.89	191,324.82	2,238,598.08	0.0072689	16,272.15	
Apr-05	2,446,195.04	291,870.23	2,738,065.27	145,935.12	2,592,130.15	0.0072689	18,841.93	
May-05	2,756,907.20	260,811.06	3,017,718.26	130,405.53	2,887,312.73	0.0072689	20,987.59	
Jun-05	3,038,705.85	113,765.36	3,152,471.21	56,882.68	3,095,588.53	0.0072689	22,501.52	102,231.76
Jul-05	3,174,972.73	91,935.90	3,266,908.63	45,967.95	3,220,940.68	0.0072689	23,412.70	
Aug-05	3,290,321.33	53,511.29	3,343,832.62	26,755.65	3,317,076.97	0.0072689	24,111.50	
Sep-05	3,367,944.12	94,025.80	3,461,969.92	47,012.90	3,414,957.02	0.0072689	24,822.98	72,347.18
Oct-05	3,486,792.90	166,345.31	3,653,138.21	83,172.66	3,569,965.55	0.0072689	25,949.72	
Nov-05	3,679,087.93	26,131.87	3,705,219.80	13,065.94	3,692,153.87	0.0072689	26,837.90	52,787.62
Dec-05	3,732,057.70	89,146.84	3,821,204.54	44,573.42	3,776,631.12	0.0072689	27,451.95	254,818.51
		2,413,095.56						
							Total 2005 AFUDC Interest	254,818.51
							Prior Years AFUDC Interest	30,845.71
							Total AFUDC Interest	285,664.22

Starting Balance + Curr Yr. Additions + Total AFUDC Interest Total G.L. Balance as of 12/31/05 3,848,656.49

Allowance for Funds Used During Construction

Docket No. 060122-WU
 Limited Proceeding Rate Increase
 Exhibit RCN-2, Page 23 of 53

105.003-CWIP-SS-W System Upgrade
 CWIP and AFUDC Calculations
 F.Y.E. 12/31/04

	Beginning of Month	Additions	End of Month	1/2 Increase	Average Value	AFUDC Rate	AFUDC Interest			
12/31/04		5,677.33	89,547.67	Prior Years AFUDC Interest						
Jan-04	89,547.67	2,187.66	91,735.33	1,093.83	90,641.50	0.0072689	658.86			
Feb-04	92,394.19	7,106.88	99,501.07	3,553.44	95,947.63	0.0072689	697.43			
Mar-04	100,198.51	22,019.76	122,218.27	11,009.88	111,208.39	0.0072689	808.36			
Apr-04	123,026.63	11,952.65	134,979.28	5,976.33	129,002.96	0.0072689	937.71			
May-04	135,916.99	8,863.64	144,780.63	4,431.82	140,348.81	0.0072689	1,020.18	4,122.55	4117.99	
Jun-04	145,800.81	29,653.72	175,454.53	14,826.86	160,627.67	0.0072689	1,167.59			
Jul-04	176,622.12	38,345.42	214,967.54	19,172.71	195,794.83	0.0072689	1,423.21			
Aug-04	216,390.75	70,276.08	286,666.83	35,138.04	251,528.79	0.0072689	1,828.34			
Sep-04	288,495.17	75,670.84	364,166.01	37,835.42	326,330.59	0.0072689	2,372.06	6,791.20	6244.00	
Oct-04	366,538.07	174,524.48	541,062.55	87,262.24	453,800.31	0.0072689	3,298.63	14,212.38	3599.68	
Nov-04	544,361.18	101,481.92	645,843.10	50,740.96	595,102.14	0.0072689	4,325.74		250.71 Adj Thru 10/04	
Dec-04	650,168.84	523,943.32	1,174,112.16	261,971.66	912,140.50	0.0072689	6,630.26			
								25,168.38		
		1,066,026.37								
				Total 2004 AFUDC Interest				25,168.38		
				Prior Years AFUDC Interest				5677.33		
				Total AFUDC Interest				30845.71		

Starting Balance + Curr Yr. Additions + Total AFUDC Interest Total G.L. Balance as of 12/31/04 1180742.42

Allowance for Funds Used During Construction

Docket No. 060122-WU
 Limited Proceeding Rate Increase
 Exhibit RCN-2, Page 24 of 53

105.003-CWIP-SS-W System Upgrade
 CWIP and AFUDC Calculations
 F.Y.E. 12/31/03

	Beginning of Month	Additions	End of Month	1/2 Increase	Average Value	AFUDC Rate	AFUDC Interest	
12/31/02	31598.28	-523.48	31,074.80	Prior Years AFUDC Interest				
Jan-03	31,074.80	7,007.29	38,082.09	3,503.65	34,578.45	0.0072689	251.35	
Feb-03	38,333.44	3,038.53	41,371.97	1,519.27	39,852.70	0.0072689	289.69	
Mar-03	41,661.65	2,154.70	43,816.35	1,077.35	42,739.00	0.0072689	310.67	
Apr-03	44,127.02	3,357.50	47,484.52	1,678.75	45,805.77	0.0072689	332.96	
May-03	47,817.48	2,557.50	50,374.98	1,278.75	49,096.23	0.0072689	356.88	
Jun-03	50,731.85	7,214.64	57,946.49	3,607.32	54,339.17	0.0072689	394.99	
Jul-03	58,341.48	5,090.73	63,432.21	2,545.37	60,886.84	0.0072689	442.58	
Aug-03	63,874.79	3,683.85	67,558.64	1,841.93	65,716.71	0.0072689	477.69	
Sep-03	68,036.33	3,357.71	71,394.04	1,678.86	69,715.18	0.0072689	506.75	
Oct-03	71,900.79	6,237.74	78,138.53	3,118.87	75,019.66	0.0072689	545.31	
Nov-03	78,683.84	8,755.35	87,439.19	4,377.68	83,061.51	0.0072689	603.77	
Dec-03	88,042.95	340.00	88,382.95	170.00	88,212.95	0.0072689	641.21	
		52,795.54						
							Total 2003 AFUDC Interest	5,153.85
							Prior Years AFUDC Interest	523.48
							Total AFUDC Interest	5677.33

Starting Balance + Curr Yr. Additions + Total AFUDC Interest Total G.L. Balance as of 12/31/03 89547.67

Allowance for Funds Used During Construction

Docket No. 060122-WU
 Limited Proceeding Rate Increase
 Exhibit RCN-2, Page 25 of 53

105.003-CWIP-SS-W System Upgrade
 CWIP and AFUDC Calculations
 F.Y.E. 12/31/02

	Beginning of Month	Additions	End of Month	1/2 Increase	Average Value	AFUDC Rate	AFUDC Interest
Jan-02	0.00	0.00	0.00	0.00	0.00	0.0072689	0.00
Feb-02	0.00	0.00	0.00	0.00	0.00	0.0072689	0.00
Mar-02	0.00	0.00	0.00	0.00	0.00	0.0072689	0.00
Apr-02	0.00	0.00	0.00	0.00	0.00	0.0072689	0.00
May-02	0.00	0.00	0.00	0.00	0.00	0.0072689	0.00
Jun-02	0.00	0.00	0.00	0.00	0.00	0.0072689	0.00
Jul-02	0.00	0.00	0.00	0.00	0.00	0.0072689	0.00
Aug-02	0.00	2,640.00	2,640.00	1,320.00	1,320.00	0.0072689	9.59
Sep-02	2,649.59	3,840.00	6,489.59	1,920.00	4,569.59	0.0072689	33.22
Oct-02	6,522.81	13,941.35	20,464.16	6,970.68	13,493.49	0.0072689	98.08
Nov-02	20,562.24	6,010.25	26,572.49	3,005.13	23,567.37	0.0072689	171.31
Dec-02	26,743.80	4,643.20	31,387.00	2,321.60	29,065.40	0.0072689	211.27
		31,074.80					
						523.48	31,598.28

Allowance for Funds Used During Construction

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Schedule of Retirements

Line No.	NARUC Act.	Description	Cost	Depr. Rate	Depr. Expense
1	304.033	<u>Structures & Improvements - Water Treatment</u>			
2		Retire account balance	\$ 20,557	3.13%	\$ 643
3	320.033	<u>Water Treatment Equipment</u>			
4		Retire account balance	<u>68,671</u>	<u>4.55%</u>	<u>3,125</u>
5		Total retired	<u>\$ 89,228</u>	<u>-</u>	<u>\$ 3,768</u>

Aloha Utilities, Inc.
Seven Springs Water Limited Proceeding
Schedule of Pasco County Capacity Charges

<u>Line No.</u>		
1	Pasco County capacity charge per ERC (350 gallons per day (GPD))	\$ <u>556</u>
2	Total gallons of water to be purchased per day	2,400,000
3	Divide by daily demand per ERC	<u>350</u>
4	No. of ERC's of capacity to be purchased	6,857.143
5	County capacity charge per ERC	\$ <u>556</u>
6	Total capacity charges paid to Pasco County (December, 2006)	3,812,571
7	Accrued interest based on effective cost of bonds issued to pay for capacity	<u>324,104</u>
8	Total capacity charges	\$ <u>4,136,675</u>

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Schedule of AFUDC on Pasco County Capacity Charges

Line No.	Month		Beginning Monthly Balance	AFUDC (1)	Ending Monthly Balance
1	1	Capacity Charge Balance December 31, 2006	\$ 3,812,571	\$ 10,060	\$ 3,822,632
2	3	Balance January 31, 2007	3,822,632	20,174	3,842,805
3	4	Balance February 28, 2007	3,842,805	20,280	3,863,085
4	5	Balance March 31, 2007	3,863,085	20,387	3,883,473
5	6	Balance April 30, 2007	3,883,473	20,495	3,903,967
6	7	Balance May 31, 2007	3,903,967	20,603	3,924,570
7	8	Balance June 30, 2007	3,924,570	20,712	3,945,282
8	9	Balance July 31, 2007	3,945,282	20,821	3,966,103
9	10	Balance August 31, 2007	3,966,103	20,931	3,987,034
10	11	Balance September 31, 2007	3,987,034	21,041	4,008,075
11	12	Balance October 31, 2007	4,008,075	21,152	4,029,227
12	13	Balance November 30, 2007	4,029,227	21,264	4,050,491
13	14	Balance December 31, 2007	4,050,491	21,376	4,071,867
15	15	Balance January 31, 2008	4,071,867	21,489	4,093,356
16	16	Balance February 28, 2008	4,093,356	21,602	4,114,959
17	17	Balance, March 31, 2008	4,114,959	<u>21,716</u>	<u>4,136,675</u>
18	18	Total		<u>\$ 324,104</u>	<u>\$ 4,136,675</u>

19 Note (1): Per stipulation with Office of Public Counsel and Customers, interest / AFUDC will be
 20 accrued based on the effective interest rate of the 2006 series bonds issued to pay for Pasco
 21 County capacity charges, at the rate in effect prior to the County's increase. The rate used to
 22 accrue interest is 6.52% (effective rate of 2006 series bonds), discounted to a monthly rate of
 23 0.52774247%

24 One-half month of Interest was accrued in December 2006, the month of payment to Pasco
 25 County.

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Estimated Costs of Pasco County Tie-In

Line No.	Acct. No.	Description	Hard Costs	Percent	Engineering & Soft Cost Allocation	Subtotal	Percent	Contingency Allocation @ 20%	Total Before AFUDC	Percent	AFUDC	Total Tie-In Cost
1	303.02	Land	\$ 75,000.00	-	\$ -	\$ 75,000	-	\$ -	\$ 75,000	-	\$ -	\$ 75,000
2	304.02	Structures & Improvements	138,050	23.64%	22,356	160,406	23.64%	32,078	192,483	23.64%	3,413	195,897
3	309.02	Supply Mains	359,095	61.50%	58,159	417,254	61.50%	83,451	500,705	61.50%	8,879	509,584
4	311.02	Pumping Equipment	29,000	4.97%	4,700	33,700	4.97%	6,744	40,444	4.97%	718	41,161
5	334.02	Meters & Installations	9,000	1.54%	1,456	10,456	1.54%	2,090	12,546	1.54%	222	12,768
6	339.02	Other Plant & Miscellaneous	48,750	8.35%	7,896	56,646	8.35%	11,330	67,977	8.35%	1,206	69,182
7		Total	\$ 658,895	100.00%	\$ 94,567	\$ 753,462	100.00%	\$ 135,693	\$ 889,155	100.00%	\$ 14,438	\$ 903,593
8		Total costs excluding land	\$ 583,895			\$ 678,462			\$ 814,155			\$ 828,593

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Schedule of AFUDC on Pasco County Tie-In Costs

Line No.	Month	Estimated Monthly CWIP Increase	Accumulated CWIP Beginning Of Month	Accumulated CWIP End Of Month	Average CWIP Balance	Monthly AFUDC	Total Capitalized
1	1	\$ 56,740	\$ -	\$ 56,740	\$ 28,370	\$ 206	\$ 56,946
2	2	56,740	56,946	113,686	85,316	620	114,306
3	3	175,169	114,306	289,475	201,891	1,468	290,943
4	4	175,169	290,943	466,112	378,527	2,751	468,863
5	5	175,169	468,863	644,032	556,448	4,045	648,077
6	6	<u>175,168</u>	<u>648,077</u>	<u>823,245</u>	<u>735,661</u>	<u>5,347</u>	<u>828,593</u>
7		<u>\$ 814,155</u>				<u>\$ 14,438</u>	<u>\$ 828,593</u>

8 (1) AFUDC is based on the company's approved annual AFUDC rate of 9.08%
 9 discounted to a monthly rate of 0.72689055% .

Aloha Utilities, Inc
 Seven Springs Water Limited Proceeding
 Accumulated Depreciation and Expense on Chloramination Plant, Pasco County Tie-in and
 Pasco County Water Capacity Charges
 As of December 31, 2009

Line No.	Act. No.	Description	Capital Cost	Guideline Depr. Rate	Annual Expense	Accumulated Depreciation	Schedule Reference
1		<u>Chloramination System</u>					
2	304.02	Structures & Improvements - Source of supply & Pumping plant	\$ 68,535	3.13%	\$ 2,145	\$ 2,145	6
3	304.03	Structures & Improvements - Water treatment plant	1,806,961	3.13%	56,558	56,558	6
4	320.03	Water treatment equipment	<u>1,973,161</u>	<u>4.55%</u>	<u>89,779</u>	<u>89,779</u>	6
5		Total Chloramination system	<u>3,848,657</u>		<u>148,482</u>	148,482	
6		Years to 12-31-09 using half year convention				<u>4.5</u>	
7		Accumulated depreciation 12-31-09				<u>688,169</u>	
8		<u>Pasco County Capacity Charges</u>					
9	339.03	Capacity charges paid to County to purchase water	<u>4,136,675</u>	<u>4.00%</u>	<u>165,467</u>	165,467	11
10		Years to 12-31-09 using half year convention				<u>1.5</u>	
11		Accumulated depreciation 12-31-09				<u>248,201</u>	
12		<u>Pasco County Tie-in</u>					
13	304.02	Structures & Improvements	195,897	3.13%	6,132	6,132	12
14	309.02	Supply Mains	509,584	2.86%	14,574	14,574	
15	311.02	Pumping Equipment	41,161	5.00%	2,058	2,058	
16	334.02	Meters & Installations	12,768	5.00%	638	638	
17	339.02	Other Plant & Miscellaneous	<u>69,182</u>	<u>4.00%</u>	<u>2,767</u>	<u>2,767</u>	
18		Total Pasco County tie-in costs	<u>828,593</u>		<u>26,169</u>	26,169	
19		Years to 12-31-09 using half year convention				<u>1.5</u>	
20		Accumulated depreciation 12-31-09				<u>39,254</u>	
21		Total accumulated depreciation / expense 12-31-09	<u>\$ 8,813,924</u>		<u>\$ 340,118</u>	<u>\$ 955,624</u>	

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Increases in Operating Expenses

Line No.	Account No.	Description	Net Increase	Schedule Reference
1		<u>Increases due to chloramination and purchased water from Pasco County</u>		
2		<u>Operation and Maintenance Expense (note 1 page 3 of 3)</u>		
3	601	<u>Additional labor cost</u>		
4		Total Labor cost per Engineer's estimate after chloramination conversion	\$ 328,429	
5		2005 actual labor cost before chloramination conversion	<u>(228,744)</u>	
6		Incremental cost of labor	<u>99,685</u>	
7	604	<u>Employee pensions & benefits</u>		
8		Incremental cost of labor	99,685	
9		2005 burdened percentage for pensions & benefits	<u>41.27%</u>	
10		Incremental cost of employee pensions & benefits	<u>41,140</u>	
11	610	<u>Purchased Water</u>		
12		Total gallons to be purchased from Pasco County @ 2.4 MGD (000)	876,000	15
13		Pasco County rate effective 10-01-07 (without storage)	<u>3.68</u>	
14		Total Pasco County purchased water cost	<u>3,223,680</u>	
15		Total gallons from Aloha's wells replaced by Pasco County purchases (000)	876,000	15
16		Existing cost per 1,000 gallons	<u>0.10</u>	
17		Reduction in current purchased water costs	<u>(87,600)</u>	
		Net increase in purchased water costs	<u>3,136,080</u>	
18	615	<u>Purchased Power</u>		
19		Actual 2005 purchased power costs before water purchases from County	128,049	
20		Projected power costs after purchasing water from County	<u>(88,976)</u>	
21		Net decrease in purchased power costs	<u>(39,073)</u>	
22	618	<u>Chemicals</u>		
23		<u>Ammonia Solution</u>		
24		Projected cost for ammonia solution after chloramination conversion	12,597	
25		Ammonia solution cost before chloramination conversion	<u>-</u>	
26		Net increase in ammonia solution	<u>12,597</u>	
27		<u>Corrosion inhibitor</u>		
28		Projected corrosion inhibitor cost after chloramination conversion	18,792	
29		Actual 2005 corrosion inhibitor cost before chloramination conversion	<u>(17,730)</u>	
30		Net increase in corrosion inhibitor cost	<u>1,062</u>	
31		<u>Gas & Liquid Chlorine</u>		
32		Liquid chlorine cost after chloramination conversion	135,643	
33		Actual 2005 gas & liquid Chlorine cost before chloramination conversion	<u>(121,676)</u>	
34		Net increase for liquid chlorine after chloramination conversion	<u>13,967</u>	

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Increases in Operating Expenses

Line No.	Account No.	Description	Net Increase	Schedule Reference
1		<u>Increases due to chloramination and purchased water from Pasco County</u>		
2	618	<u>Chemicals (continued)</u>		
3		Net increase in chemical cost	\$ 27,626	
4	620	<u>Materials & Supplies - Maintenance</u>		
5		Miscellaneous water sample pump repairs/parts (allowance)	4,000	
6		Miscellaneous Reactor and Piping painting supplies (allowance)	4,000	
7		Miscellaneous Electrical parts & supplies (allowance)	4,500	
8		Total increase in materials & supplies after chloramine conversion	12,500	
9	635	<u>Contract Services - Testing</u>		
10		<u>New testing not included in 2005 expenses before chloramination conversion</u>		
11		Hydrogen Sulfide (H2S) - commercial laboratory	8,280	
12		Total/Free/Combined chlorine - field staff (exclusive of Aloha labor costs)	14,700	
13		Total/Free/Ammonia - field staff (exclusive of Aloha labor costs)	10,348	
14		HPC - commercial laboratory	10,560	
15		Lead and Copper - commercial laboratory	3,000	
16		WQP - commercial laboratory	9,504	
17		Nitrate and Nitrate - commercial laboratory	10,560	
18		Total additional testing after chloramination conversion	66,952	
19	636	<u>Contract Services - Other</u>		
20		<u>Instrument Maintenance</u>		
21		Hach Company - contract	31,649	
22		Hach Company - Buffers & reagents	17,789	
23			49,438	
24		<u>Controllers & Chemical Feed Equipment Maintenance</u>		
25		AMJ Company (formerly Instruments South Corporation (ISC)) - contract	64,927	
26		Less: Costs incurred in 2005	(8,640)	
			56,287	
27		<u>Raw Water Line Maintenance</u>		
28		PPS Company - Mitchell Plant raw water line pigging	17,120	
29		Net increase in contract services - other after chloramination conversion	122,845	
30	666	<u>Amortization of rate case expense</u>		
31		Estimated cost of this proceeding assuming completion through PAA process		
32		without any unusual circumstances or occurrences that would drastically		
33		increase costs	\$ 175,000	
34		Annual amortization over 4 years	43,750	
35		Total increase in O&M expenses after chloramination conversion and		
36		purchased water from Pasco County	\$ 3,511,505	
37		<u>Taxes Other Than Income Taxes</u>		
38	408.12	<u>Payroll taxes after chloramination conversion</u>		
39		Increase in payroll costs	\$ 99,685	
40		Payroll tax rate	7.65%	
41		Increase in payroll taxes	7,626	

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Increases in Operating Expenses

Line No.	Account No.	Description	Net Increase	Schedule Reference
1		<u>Taxes Other Than Income (continued)</u>		
2	408.11	<u>Property Taxes</u>		
3		Increase in plant for conversion to chloramination	\$ 3,848,657	6
5		Accumulated depreciation - chloramination plant	(668,169)	13
7		Net taxable increase in property	3,180,487	
8		Pasco County millage rate factor	1.547890%	
9		Estimated increase in property taxes	49,230	
10		Total estimated increase in taxes other than income taxes	\$ 56,856	
11		<u>Increases due to Pasco County Tie-in</u>		
12		<u>Operation and Maintenance Expense (note 1 page 3 of 3)</u>		
13		<u>Additional labor cost</u>		
14	601	Additional labor cost for purchased water tie-in per engineer's estimate	\$ 12,486	
15	604	<u>Employee pensions & benefits</u>		
16		Incremental cost of labor related to tie-in	12,486	
17		Burdened percentage for pension & benefits	41.27%	
18		Incremental increase	5,153	
19	615	<u>Purchased Power</u>		
20		Incremental increase in electric cost per engineer's estimate	26,937	
21	620	<u>Materials & Supplies - Maintenance</u>		
22		Increased contact maintenance per engineer's estimate	11,785	
23		Total O&M expense increase due to tie-in	\$ 56,361	
24		<u>Taxes Other Than Income Taxes</u>		
25	408.12	<u>Payroll taxes after Pasco County tie-in</u>		
26		Increase in payroll costs	\$ 12,486	
27		Payroll tax rate	7.65%	
28		Increase in payroll taxes	955	
29	408.11	<u>Property Taxes</u>		
30		Increase in plant for cost of Pasco County Tie-in	\$ 903,593	12
31		Accumulated depreciation - cost of Pasco County tie-in	(39,254)	13
			864,338	
32		Pasco County millage rate factor	1.547890%	
33		Estimated increase in property taxes	13,379	
34		Total estimated increase in taxes other than income taxes	\$ 14,334	

35 Note (1) All increases in operating expenses estimated by David W. Porter, P.E. See Engineer's
 36 Report of increased costs, projected customers, water demand and projected gallons sold.

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Schedule of Pasco County Purchased Water Costs

Line No.		CUP Allowable Daily (MGD) <u>Withdrawal</u>	Annual Allowable (000)
1	Well / Plant No.1	0.449	163,885
2	Well / Plant No.2	0.258	94,170
3	Well / Plant No. 6	0.239	87,235
4	Well / Plant No. 7	0.284	103,660
5	Well / Plant No. 8	0.259	94,535
6	Well /Plant No. 9	0.232	84,680
7	Mitchell Well / Plant	<u>0.319</u>	<u>116,435</u>
8	Total allowable withdrawal	<u>2.04</u>	<u>744,600</u>
9	Total water required	<u>4.44</u>	<u>1,620,600</u>
10	Amount to be purchased from Pasco County	<u>2.40</u>	<u>876,000</u>
11	Quantity to be purchased from Pasco County (000)		876,000
12	Cost per 1,000 gallons without storage, effective 10-01-07		<u>\$ 3.68</u>
13	Cost of purchased water from Pasco County		<u>\$ 3,223,680</u>

Aloha Utilities, Inc.
 Capital Structure and Weighted Cost of Capital
 Year ended December 31, 2006

Line No.	Balance <u>12/31/2006</u>	Percent <u>Ratio</u>	Cost of Each <u>Percent</u>	Weighted <u>Cost</u>	
1	<u>Capital Structure</u>				
2	Common equity	\$ 106,552	0.23%	12.01%	0.03%
3	Preferred Stock	600,000	1.31%	12.01%	0.16%
4	Long term Debt:				
5	Bonds	41,200,000	89.65%	6.71%	6.02%
6	L.L. Speer - Line of credit	2,743,912	5.97%	10.25%	0.61%
7	L.L. Speer - DOT loan	498,419	1.08%	10.25%	0.11%
8	Customer Deposits	<u>809,075</u>	<u>1.76%</u>	6.00%	<u>0.11%</u>
9	Total	<u>\$ 45,957,958</u>	<u>100.00%</u>		<u>7.04%</u>

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Increase in Contributions in Aid of Construction and Accumulated Amortization

Line No.		Projected Additions	Schedule Reference
1	<u>CIAC</u>		
2	Projected increase in ERC's to end of 2009	2,094	18
3	Water service availability charge per ERC	<u>\$ 3,000</u>	
4	Projected increase in CIAC	<u>\$ 6,282,000</u>	
5	<u>Accumulated amortization</u>		
6	Projected 2007 increase in CIAC (850 ERC's @ \$3,000)	\$ 2,550,000	18
7	Composite 2006 amortization rate	<u>3.89%</u>	
8	Projected accumulated amortization	99,195	
9	Years to 12-31-09 using half-year convention	<u>2.5</u>	
10	Accumulated amortization of 2007 CIAC additions	<u>247,988</u>	
11	Projected 2008 increase in CIAC (622 ERC's @ \$3,000)	1,866,000	18
12	Composite 2006 amortization rate	<u>3.89%</u>	
13	Projected accumulated amortization	72,587	
14	Years to 12-31-09 using half-year convention	<u>1.5</u>	
15	Accumulated amortization of 2008 CIAC additions	<u>108,881</u>	
16	Projected 2009 increase in CIAC (622 ERC's @ \$3,000)	1,866,000	18
17	Composite 2006 amortization rate	<u>3.89%</u>	
18	Projected accumulated amortization	72,587	
19	Years to 12-31-09 using half-year convention	<u>0.5</u>	
20	Accumulated amortization of 2008 CIAC additions	<u>36,294</u>	
21	Total additional accumulated amortization of CIAC	<u>\$ 393,162</u>	
22	<u>Annual Amortization</u>		
23	Total additional CIAC	\$ 6,282,000	
24	Composite 2006 amortization rate	<u>3.89%</u>	
25	Annual amortization - 2009	<u>\$ 244,370</u>	

Aloha Utilities, Inc
 Seven Springs Water Limited Proceeding
 Projected Meters / Customers, ERC's and Gallons Sold
 Year Ending December 31, 2009

Line No.	Meters & ERC's	2006 Meters	Projected 2009 Meters	Increase Thru 2009	Projected 2009 ERC's	Projected ERC Increase
1	<u>Residential</u>					
2	5/8 X 3/4"	11,912	13,550	1,638	13,550	1,638
3	<u>Commercial</u>					
4	5/8 X 3/4"	255	307	52	307	52
5	1"	93	124	31	310	78
6	1-1/2"	26	33	7	165	35
7	2"	30	32	2	256	16
8	3"	2	2	-	32	-
9	4"	4	5	1	125	25
10	6"	11	16	5	800	250
11	8"	1	1	-	80	-
12	10"	1	1	-	145	-
13	Total Commercial	423	521	98	2,220	456
14	Total	12,335	14,071	1,736	15,770	2,094
15			Projected	Projected		
16	<u>Gallons sold (000)</u>	<u>2006</u>	<u>2009</u>	<u>Increase</u>		
17	Total gallons sold	1,222,935	1,361,000	138,065		

Aloha Utilities, Inc
 Seven Springs Water Limited Proceeding
 Projected Meters / Customers and ERC's by Year
 December 31, 2006 Through December 31, 2009

Line No.	Meters & ERC's	2006 Meters	2006 ERC's	Projected 2007 Meters	2007 Meter Increase	Projected 2007 ERC's	Projected 2008 Meters	2008 Meter Increase	Projected 2008 ERC's	Projected 2009 Meters	2009 Meter Increase	Projected 2009 ERC's	Total 2006-2008 Projected ERC Increase
1	<u>Residential</u>												
2	5/8 X 3/4"	11,912	11,912	12,542	630	12,542	13,046	504	13,046	13,550	504	13,550	1,638
3	<u>Commercial</u>												
4	5/8 X 3/4"	255	255	268	13	268	287	19	287	307	20	307	52
5	1"	93	233	104	11	260	114	10	285	124	10	310	78
6	1-1/2"	26	130	27	1	135	30	3	150	33	3	165	35
7	2"	30	240	30	-	240	31	1	248	32	1	256	16
8	3"	2	32	2	-	32	2	-	32	2	-	32	-
9	4"	4	100	5	1	125	5	-	125	5	-	125	25
10	6"	11	550	14	3	700	15	1	750	16	1	800	250
11	8"	1	80	1	-	80	1	-	80	1	-	80	-
12	10"	1	145	1	-	145	1	-	145	1	-	145	-
13	Total Commercial	423	1,765	452	29	1,985	486	34	2,102	521	35	2,220	456
14	Total	12,335	13,677	12,994	659	14,527	13,532	538	15,148	14,071	539	15,770	2,094

Aloha Utilities, Inc.
 Seven Springs Water Limited Proceeding
 Schedule of Projected Revenue at Current Rates
 Year Ending December 31, 2009

Line No.		No. Bills/ Gallons	Current Rates	Annualized Revenue
1	<u>Residential</u>			
2	Base facility charges	162,600	\$ 4.47	\$ 726,822
3	Gallons sold - 0 - 10,000 gallons (000)	841,694	1.53	1,287,792
4	Gallons sold - over 10,000 gallons (000)	338,306	1.90	<u>642,781</u>
5	Total residential			<u>2,657,395</u>
6	<u>General Service</u>			
7	Base facility charges:			
8	5/8 x 3/4"	3,684	4.47	16,467
9	1"	1,488	11.18	16,636
10	1-1/2"	396	22.38	8,862
11	2"	384	35.79	13,743
12	3"	24	71.60	1,718
13	4"	60	111.87	6,712
14	6"	192	223.73	42,956
15	8"	12	357.95	4,295
16	10"	<u>12</u>	514.56	<u>6,175</u>
17	Total general service base facility charges	<u>6,252</u>		<u>117,566</u>
18	Gallons sold (000)	<u>181,000</u>	1.67	<u>302,270</u>
19	Total general service			<u>419,836</u>
20	Total annualized revenue			<u>\$ 3,077,231</u>

ALOHA UTILITIES, INC.

Water Use Permit

EXHIBIT C

**SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT
WATER USE
INDIVIDUAL
PERMIT NO. 203182.04**

EXPIRATION DATE: April 27, 2005

PERMIT ISSUE DATE: April 27, 1999

THE PERMITTEE IS RESPONSIBLE FOR APPLYING FOR A RENEWAL OF THIS PERMIT PRIOR TO THE EXPIRATION DATE WHETHER OR NOT THE PERMITTEE RECEIVES PRIOR NOTIFICATION BY MAIL. FAILURE TO DO SO AND CONTINUED USE OF WATER AFTER EXPIRATION DATE IS A VIOLATION OF DISTRICT RULES AND MAY RESULT IN A MONETARY PENALTY AND/OR LOSS OF WATER. APPLICATION FOR RENEWAL PRIOR TO THE EXPIRATION DATE IS SUBJECT TO DISTRICT EVALUATION AND APPROVAL.

This permit, issued under the provision of Chapter 373, Florida Statutes and Florida Administrative Code 40D-2, authorizes the Permittee to withdraw the quantities outlined herein, and may require various activities to be performed by the Permittee as outlined by the Special Conditions. This permit, subject to all terms and conditions, meets all District permitting criteria.

PROJECT NAME: Not Specified

GRANTED TO: Aloha Utilities, Inc.
2514 Aloha Place
Holiday, FL 34691

ABSTRACT: This is a new permit for a long-standing existing public supply use serving the Seven Springs Service Area. It is located in southwestern Pasco County within the Northern Tampa Bay Water Use Caution Area (NTB WUCA). The Annual Average quantity is 2,040,000 gallons per day (gpd) and the Peak Month quantity is 2,470,000 gpd, and the quantities are unchanged from the previously permitted quantities. The permitted withdrawals will serve a portion of the population of the service area, but the quantities do not meet all of the present demand or the future demand within the service area. There are eight existing production wells open to the Floridan aquifer. Special Conditions require: recording and reporting metered pumpage monthly; flexibility of pumpage distribution; water quality sampling quarterly; submittal of an environmental monitoring report; submittal of annual per capita rate; submittal of water audits; submittal of annual residential water use reports; submittal of annual reuse supplier report; and continued implementation of water conservation programs.

TOTAL QUANTITIES AUTHORIZED UNDER THIS PERMIT (in gpd)			
AVERAGE:	2,040,000	PEAK MONTHLY:	2,470,000

<u>Use</u>	<u>Average</u>	<u>Peak Monthly</u>
Public Supply:	2,040,000 gpd	2,470,000 gpd

See Withdrawal Table for quantities permitted for each withdrawal point.

Docket No. 060122-WU
 Limited Proceeding Rate Increase
 Exhibit RCN-2, Page 44 of 53

Permit No.: 203182.04
 Permittee: Aloha Utilities, Inc.
 Page 2

PROPERTY LOCATION: Pasco County, approximately 3 miles of New Port Richey, adjacent to State Road 54.

TYPE OF APPLICATION: New (Expired) **WATER USE CAUTION AREA:** Northern Tampa Bay

APPLICATION FILED: October 21, 1998 **ACRES:** 1.64 Owned
 144.00 Controlled
 7,173.00 Serviced

APPLICATION AMENDED: N/A

WATER USE: PUBLIC SUPPLY

SERVICE AREA NAME

Seven Springs

<u>USE TYPE</u>	<u>POPULATION SERVED</u>	<u>PER CAPITA RATE</u>
Residential Single Family Other Uses (Unmetered)		
Total Public Supply:	24,452	Gross = 121 gpd/person Compliance = 93 gpd/person

<u>I.D. NO.</u> <u>PERMITTEE/ DISTRICT</u>	<u>DIAM.</u> <u>(IN.)</u>	<u>DEPTH</u> <u>TTL./CSD.</u>	<u>USE</u>	<u>GALLONS PER DAY</u>	
				<u>AVERAGE</u>	<u>PEAK MONTHLY</u>
3 / 19	6	350 / UNK	PS	122,000	155,000
4 / 20	6	350 / UNK	PS	167,000	211,000
1 / 21	10	280 / UNK	PS	449,000	523,000
2 / 22	8	500 / UNK	PS	288,000	347,000
6 / 23	8	305 / 120	PS	239,000	304,000
7 / 24	8	302 / 145	PS	284,000	348,000
8 / 26	10	342 / 226	PS	259,000	315,000
9 / 27	10	342 / 220	PS	232,000	267,000

PS = Public Supply

Docket No. 060122-WU
 Limited Proceeding Rate Increase
 Exhibit RCN-2, Page 45 of 53

Permit No.: 203182.04
 Permittee: Aloha Utilities, Inc.
 Page 3

<u>DISTRICT LD. NO.</u>	<u>SECTION/TOWNSHIP/RANGE</u>	<u>LOCATION LAT./LONG.</u>
19	23/26/16	281223.03/824022.34
20	23/26/16	281224.03/824013.34
21	30/26/17	281146.03/823812.34
22	29/26/17	281139.03/823720.34
23	13/26/16	281350.03/823930.34
24	13/26/16	281342.03/823910.34
26	34/26/16	281114.03/824130.35
27	34/26/16	281103.03/824141.35

SPECIAL CONDITIONS:

All conditions referring to approval by the Regulation Department Director, Resource Regulation, shall refer to the Director, Brooksville Regulation Department, Resource Regulation.

SUBMITTING REPORTS AND DATA

1. All reports required by the permit shall be submitted to the District on or before the tenth day of the month following data collection and shall be addressed to:

Permit Data Section, Resource Regulation
 Southwest Florida Water Management District
 2379 Broad Street
 Brooksville, Florida 34609-6899

Unless otherwise indicated, three copies of each plan or report, with the exception of pumpage, rainfall, evapotranspiration, water level or water quality data which require one copy, are required by the permit.

WATER QUANTITY METERING AND REPORTING

2. The Permittee shall continue to maintain and operate the existing non-resettable, totalizing flow meter(s), or other flow measuring device(s) as approved by the Director, Brooksville Regulation Department, for District ID No(s). 19, 20, 21, 22, 23, 24, 26, and 27, Permittee ID No(s). 3, 4, 1, 2, 6, 7, 8, and 9. Such device(s) shall maintain an accuracy within five percent of the actual flow as installed. Total withdrawal and meter readings from each metered withdrawal shall be recorded on a monthly basis and reported to the Permits Data Section (using District forms) on or before the tenth day of the following month. If a metered withdrawal is not utilized during a given month, a report shall be submitted to the Permits Data Section indicating zero gallons.

Docket No. 060122-WU
Limited Proceeding Rate Increase
Exhibit RCN-2, Page 46 of 53

Permit No.: 203182.04
Permittee: Aloha Utilities, Inc.
Page 4

- 3. The Annual Average Daily and Peak Month Daily quantities for all existing production wells, shown above in the production withdrawal table, are estimates based on historic and/or projected distribution of pumpage, and are for water use inventory and impact analysis purposes. The quantities listed in the table for these individual sources are not intended to dictate the distribution of pumpage from permitted sources. The Permittee may make adjustments in pumpage distribution as necessary up to 1.2 times the permitted quantities for the individual wells, so long as adverse environmental impacts do not result and other conditions of this Permit are complied with. In all cases, the total Annual Average Daily withdrawal and the total Peak Month Daily withdrawal are limited to the quantities set forth above.
- 4. The Permittee shall submit on a monthly basis total water quantities, in gallons, obtained from external sources, including the interconnect(s) with Pasco County, and submit this information to the Permit Data Section by the 10th day of the following month, in conjunction with the monthly pumpage report.

WATER QUALITY MONITORING AND REPORTING

- 5. Water quality samples shall be collected and analyzed, for parameter(s), and frequency(ies) specified below. Water quality samples from production wells shall be collected whether or not the well is being used, unless infeasible. If sampling is infeasible the Permittee shall indicate the reason for not sampling on the water quality data form. Water quality samples shall be analyzed by a Department of Health and Rehabilitative Services (DHRS) certified laboratory under Environmental Laboratory Certification General Category "1". At a minimum, water quality samples shall be collected after pumping the well at its normal rate for a pumping time specified in the table below, or to a constant temperature, pH, and conductivity. In addition, the Permittee's sampling procedure shall follow the handling and chain of custody procedures designated by the certified laboratory which will undertake the analysis. Any variance in sampling and/or analytical methods shall have prior approval of the Director, Brooksville Regulation Department. Reports of the analyses shall be submitted to the Permits Data Section (using District forms) on or before the tenth day of the following month, and shall include the signature of an authorized representative and certification number of the certified laboratory which undertook the analysis. The parameters and frequency of sampling and analysis may be modified by the Director, Brooksville Regulation Department, as necessary to ensure the protection of the resource.

<u>District ID No.</u>	<u>Permittee ID No.</u>	<u>Minimum Pumping Time (minutes)</u>	<u>Sampling Parameter</u>	<u>Frequency</u>
19	3	15	Chloride, Sulfate, TDS	Quarterly
20	4	15	Chloride, Sulfate, TDS	Quarterly
21	1	15	Chloride, Sulfate, TDS	Quarterly
22	2	15	Chloride, Sulfate, TDS	Quarterly
23	6	15	Chloride, Sulfate, TDS	Quarterly
24	7	15	Chloride, Sulfate, TDS	Quarterly
26	8	15	Chloride, Sulfate, TDS	Quarterly
27	9	15	Chloride, Sulfate, TDS	Quarterly

TDS=Total Dissolved Solids; Quarterly= February, May, August, November

Docket No. 060122-WU
Limited Proceeding Rate Increase
Exhibit RCN-2, Page 47 of 53

Permit No.: 203182.04
Permittee: Aloha Utilities, Inc.
Page 6

Analyses shall be performed according to procedures outlined in the current edition of Standard Methods for the Examination of Water and Wastewater by the American Public Health Association-American Water Works Association-Water Pollution Control Federation (APHA-AWWA-WPCF) or Methods for Chemical Analyses of Water and Wastes by the U.S. Environmental Protection Agency (EPA).

7. The District reserves the right to set chloride, sulfate, or TDS, concentration limits on any production well in the future, based on data collected and after a sufficient data base has been established to determine limits. These limits shall be required after discussions with the Permittee. At such time as the concentration in any water sample reaches or exceeds the designated concentration limits, the Permittee shall take appropriate action to reduce concentrations to below those set for the particular well. If the District determines that long-term upward trends or other significant water quality changes are occurring, the District may reconsider the quantities permitted.

ENVIRONMENTAL MONITORING

8. By November 1, 1999, the Permittee shall submit a report analyzing the existing environmental monitoring programs within the service area. The report shall also assess existing conditions of the monitored sites relative to the Permittee's withdrawals. If upon review the District does not find this monitoring adequate for reporting the environmental conditions of this area, the District may require development of an Environmental Monitoring Plan (EMP). Upon notification by the District that an EMP is required, the Permittee shall have 90-days to develop and submit the required EMP to the District. The EMP should include, but not be limited to, the following:
 - A. The Owner ID Nos. of all monitoring points and wetland transects;
 - B. Aerial maps showing the following:
 1. A north arrow;
 2. Section, Township, and Range;
 3. All existing production wells to be included in this application, designating the District and/or Owner ID No.;
 4. All monitored wetlands and monitoring points, designating the Owner ID No. of each point;
 - C. A complete explanation of water-level and wetland quantitative analysis and qualitative vegetative assessments to be performed, including the frequency of monitoring each or the transect with photographic documentation.

WATER CONSERVATION AND WATER USE CAUTION AREA CONDITIONS

9. The Permittee shall maintain a per capita water rate equal to or less than 150 gpd; This standard shall remain in effect until modified by rule.

For planning purposes, listed below are per-capita goals for future management periods. These goals may be established as requirements through future rulemaking by the District:

- A. By January 1, 2001, the District may establish a new per capita water use standards. Based on current information, the per capita water use goal may be established by rule at 130 gpd; and,

Docket No. 060122-WU
Limited Proceeding Rate Increase
Exhibit RCN-2, Page 48 of 53

Permit No.: 203182.04
Permittee: Aloha Utilities, Inc.
Page 7

B. By January 1, 2011, the District may establish a new per capita water use standard. Based on current information, the per capita water use goal may be established by rule at 130 gpd.

By April 1 of each year for the preceding fiscal year (October 1 through September 30), the Permittee shall submit a report detailing:

- A. The population served;
- B. Significant deducted uses, the associated quantity, and conservation measures applied to these uses;
- C. Total withdrawals;
- D. Treatment losses;
- E. Environmental mitigation quantities;
- F. Sources and quantities of incoming and outgoing transfers of water and wholesale purchases and sales of water, with quantities determined at the supplier's departure point; and
- G. Documentation of reuse and desalination credits, if taken.

If the Permittee does not achieve the specified per capita rates, the report shall document why these rates and requirements were not achievable, measures taken to attempt meeting them, and a plan to bring the permit into compliance. This report is subject to District approval. If the report is not approved, the Permittee is in violation of the Water Use Permit.

The District will evaluate information submitted by Permittees who do not achieve these requirements to determine whether the lack of achievement is justifiable and a variance is warranted. Permittees may justify lack of achievement by documenting unusual water needs, such as larger than average lot sizes with greater water irrigation needs than normal-sized lots. However, even with such documented justification, phased reductions in water use shall be required unless the District determines that water usage was reasonable under the circumstances reported and that further reductions are not feasible. For such Permittees, on a case-by-case basis, individual water conservation requirements may be developed for each management period.

Prior to the 2001 and 2011 management periods, the District will reassess the per-capita and other uses conservation goals. As a result of this reassessment, these goals may be adjusted upward or downward through rulemaking and will become requirements.

10. The Permittee shall maintain a water conservation oriented rate structure as specified in the Basis of Review for Water Use Permitting.
11. The Permittee shall conduct water audits of the water supply system during each management period. Water audits which identify a greater than 12 percent unaccounted for water shall be followed by appropriate remedial actions. Audits shall be completed and reports documenting the results of the audit shall be submitted as an element of the report required in the per capita condition to the District by the following dates: February 1, 2001; and February 1, 2011. Water audit reports shall include a schedule for remedial action if needed.

Docket No. 060122-WU
 Limited Proceeding Rate Increase
 Exhibit RCN-2, Page 49 of 53

Permit No.: 203182.04
 Permittee: Aloha Utilities, Inc.
 Page 8

12. By April 1 of each year for the preceding fiscal year (October 1 through September 30), the Permittee shall submit a residential water use report detailing:

1. The number of single family dwelling units served and their total water use;
2. The number of multi-family dwelling units served and their total water use; and
3. The number of mobile homes served and their total water use.

Residential water use quantities shall include both the indoor and outdoor water uses associated with the dwelling units, including irrigation water.

13. By January 1 of each year for the preceding fiscal year (October 1 through September 30), the Permittee shall submit a report detailing:

- A. The total annual average daily and monthly quantity of effluent supplied as reuse;
- B. For all individual customer reuse connections with line sizes of 4 inches or greater, list:
 1. line size;
 2. location of connection;
 3. account name and address;
 4. indication of meter, if present; and
 5. metered quantities, if metered.
- C. The annual average daily quantities, monthly quantities, locations, and methods of disposal for effluent that is not reused.
- D. A map or plan depicting the area of reuse service; this map should include any areas projected to be added within the next year, if possible.

14. Prior to submission of a formal application to increase quantities, the Permittee shall investigate the feasibility of desalination to provide all or a portion of the requested quantities, and to implement desalination if feasible. This report shall include a detailed economic analysis of desalination, including disposal costs, versus development of fresh water supplies, including land acquisition and transmission costs.

15. The total quantity distributed by the system, from the permitted withdrawal facilities and any external sources, shall not exceed 3,818,000 gallons per day on an average annual basis.

STANDARD CONDITIONS:

1. The Permittee shall comply with the Standard Conditions attached hereto, incorporated herein by reference as Exhibit "A" and made a part hereof.



 Authorized Signature
 SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT

Docket No. 060122-WU
Limited Proceeding Rate Increase
Exhibit RCN-2, Page 50 of 53

Permit No.: 203182.04
Permittee: Aloha Utilities, Inc.
Page 9

40D-2
Exhibit "A"

WATER USE PERMIT CONDITIONS

STANDARD CONDITIONS

1. If any of the statements in the application and in the supporting data are found to be untrue and inaccurate, or if the Permittee fails to comply with all of the provisions of Chapter 373, F.S., Chapter 40D, or the conditions set forth herein, the Governing Board shall revoke this permit in accordance with Rule 40D-2.341, following notice and hearing.
2. This permit is issued based on information provided by the Permittee demonstrating that the use of water is reasonable and beneficial, consistent with the public interest, and will not interfere with any existing legal use of water. If, during the term of the permit, it is determined by the District that the use is not reasonable and beneficial, in the public interest, or does impact an existing legal use of water, the Governing Board shall modify this permit or shall revoke this permit following notice and hearing.
3. The Permittee shall not deviate from any of the terms or conditions of this permit without written approval by the District.
4. In the event the District declares that a Water Shortage exists pursuant to Chapter 40D-21, the District shall alter, modify, or declare inactive all or parts of this permit as necessary to address the water shortage.
5. The District shall collect water samples from any withdrawal point listed in the permit or shall require the Permittee to submit water samples when the District determines there is a potential for adverse impacts to water quality.
6. The Permittee shall provide access to an authorized District representative to enter the property at any reasonable time to inspect the facility and make environmental or hydrologic assessments. The Permittee shall either accompany District staff onto the property or make provision for access onto the property.
7. Issuance of this permit does not exempt the Permittee from any other District permitting requirements.
8. The Permittee shall cease or reduce surface water withdrawal as directed by the District if water levels in lakes fall below applicable minimum water level established in Chapter 40D-8 or rates of flow in streams fall below the minimum levels established in Chapter 40D-8.
9. The Permittee shall cease or reduce withdrawal as directed by the District if water levels in aquifers fall below the minimum levels established by the Governing Board.
10. The Permittee shall practice water conservation to increase the efficiency of transport, application, and use, as well as to decrease waste and to minimize runoff from the property. At such time as the Governing Board adopts specific conservation requirements for the Permittee's water use classification, this permit shall be subject to those requirements upon notice and after a reasonable period for compliance.

Docket No. 060122-WU
Limited Proceeding Rate Increase
Exhibit RCN-2, Page 51 of 53

Permit No.: 203182.04
Permittee: Aloha Utilities, Inc.
Page 10

11. The District may establish special regulations for Water Use Caution Areas. At such time as the Governing Board adopts such provisions, this permit shall be subject to them upon notice and after a reasonable period for compliance.
12. The Permittee shall mitigate, to the satisfaction of the District, any adverse impact to existing legal uses caused by withdrawals. When adverse impacts occur or are imminent, the District shall require the Permittee to mitigate the impacts. Adverse impacts include:
 - a. A reduction in water levels which impairs the ability of a well to produce water;
 - b. Significant reduction in levels or flows in water bodies such as lakes, impoundments, wetlands, springs, streams or other watercourses; or
 - c. Significant inducement of natural or manmade contaminants into a water supply or into a usable portion of any aquifer or water body.
13. The Permittee shall mitigate to the satisfaction of the District any adverse impact to environmental features or offsite land uses as a result of withdrawals. When adverse impacts occur or are imminent, the District shall require the Permittee to mitigate the impacts. Adverse impacts include the following:
 - a. Significant reduction in levels or flows in water bodies such as lakes, impoundments, wetlands, springs, streams, or other watercourses;
 - b. Sinkholes or subsidence caused by reduction in water levels;
 - c. Damage to crops and other vegetation causing financial harm to the owner; and
 - d. Damage to the habitat of endangered or threatened species.
14. When necessary to analyze impacts to the water resource or existing users, the District shall require the Permittee to install flow metering or other measuring devices to record withdrawal quantities and submit the data to the District.
15. A District identification tag shall be prominently displayed at each withdrawal point by permanently affixing the tag to the withdrawal facility.
16. The Permittee shall notify the District within 30 days of the sale or conveyance of permitted water withdrawal facilities or the land on which the facilities are located.
17. All permits issued pursuant to these Rules are contingent upon continued ownership or legal control of all property on which pumps, wells, diversions or other water withdrawal facilities are located.

ALOHA UTILITIES, INC.

Letter from Engineer

EXHIBIT D

DP **David W. Porter, P.E.**
EC **Water and Wastewater Engineering Consultant**

**Regulatory Assistance
Process Troubleshooting
System Design/Permitting
Construction Observation
Forensic Engineering
Expert Witness Testimony
Rate Case Support**

September 28, 2007

Mr. Stephen G. Watford, President
Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL 34655

Re: Project Number AUI-034-5-S
Limited Proceeding Rate Case

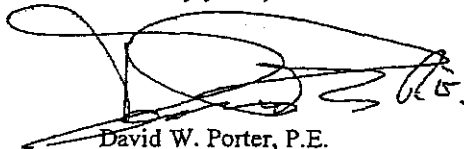
Dear Steve,

I have prepared this letter at the request of Rose, Sundstrom & Bentley, LLP, your attorneys, for the purpose of applying for a limited proceeding rate case concerned with obtaining rates for certain chloramination facilities construction and operating expenses and for the construction of system interconnect facilities and operating costs associated with purchasing bulk water from Pasco County.

I coordinated the work of Aloha's consulting engineers and also personally completed a portion of the work undertaken in developing capital and operating costs associated with the addition of Chloramination facilities and bulk purchased water from Pasco County and the estimated time for completion of these facilities to the extent they are not already in place.

Thank you for the continued opportunity to serve Aloha Utilities, Inc. If you have any questions please call me.

Sincerely yours,



David W. Porter, P.E.
Water and Wastewater Engineering Consultant