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January 10, 2006

Ms. Blanca Bayo, Director
Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

HAND DELIVERY

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06 JAN 10 PM 3:31
COMMISSION
CLERK

Re: Docket Nos. 040951-WS and 040952-WS

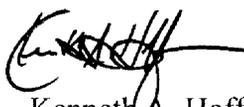
Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket on behalf of Aqua Utilities Florida, Inc. ("Aqua") are the original and fifteen copies of Aqua's Protest of Proposed Agency Action Order and Petition for Formal Administrative Hearing.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the copy to me.

Thank you for your assistance with this filing.

Sincerely,



Kenneth A. Hoffman

CMP _____
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GCL _____ KAH/rl
OPC _____ Enclosures
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Kim P.

DOCUMENT NUMBER-DATE

00242 JAN 10 06

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint application for approval of sale)
of Florida Water Services Corporation's)
land, facilities, and certificates in Brevard,)
Highlands, Lake, Orange, Pasco, Polk,)
Putnam, a portion of Seminole, Volusia,)
and Washington Counties to Aqua Utilities)
Florida, Inc.)

Docket No. 040951-WS

In re: Joint application for approval of sale)
of Florida Water Services Corporation's)
land, facilities, and certificates for Chuluota)
systems in Seminole County to Aqua)
Utilities Florida, Inc.)

Docket No. 040952-WS
Filed: January 10, 2006

**AQUA UTILITIES FLORIDA, INC.'S PROTEST
OF PROPOSED AGENCY ACTION ORDER AND
PETITION FOR FORMAL ADMINISTRATIVE HEARING**

Aqua Utilities Florida, Inc. ("Aqua" or "Petitioner") by and through its undersigned counsel, and pursuant to Sections 120.569 and 120.57, Florida Statutes, and Rules 25-22.029 and 28-106.201, Florida Administrative Code, hereby files this protest of certain portions of the Commission's Order No. PSC-05-1242-PAA-WS (hereinafter referred to as the "PAA Order"), issued December 20, 2005, and requests that the Florida Public Service Commission ("Commission") conduct a formal administrative hearing in the above-styled dockets. As grounds for and in support of this Petition, Aqua states as follows:

1. The name and address of the Agency affected and the Agency's File

Numbers are:

Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
Docket Nos. 040951-WS and 040952-WS

DOCUMENT NUMBER-DATE

00242 JAN 10 08

FPSC-COMMISSION CLERK

2. The name and address of the Petitioner are:

Aqua Utilities Florida, Inc.
6960 Professional Pkwy. E.
Ste. 400
Sarasota, Florida 34240
(941) 907-7400 (Telephone)
(800) 250-7532 (Telephone)
(941) 907-7401 (Facsimile)

3. All notices, pleadings, correspondence, discovery, staff recommendations and orders filed or served in this proceeding should be served on the following on behalf of Aqua:

Kenneth A. Hoffman, Esq.
J. Stephen Menton, Esq.
Rutledge, Ecenia, Purnell & Hoffman, P.A.
P. O. Box 551
Tallahassee, Florida 32302
(850) 681-6788 (Telephone)
(850) 681-6515 (Facsimile)

-and-

Kathy L. Pape, Esq.
762 W. Lancaster Ave.
Bryn Mawr, Pennsylvania 19010
(610) 645-1142 (Telephone)
(610) 519-0989 (Facsimile)

4. Petitioner Aqua received notice of the PAA Order through the Commission's website on Tuesday, December 20, 2005.

BACKGROUND

5. On April 20, 2004, Aqua entered into an asset purchase agreement with Florida Water Services Corporation ("Florida Water") for the sale of Florida Water's land, facilities and certificates for water and wastewater systems located in Brevard, Highlands, Lake, Orange, Pasco, Polk, Putnam, Seminole, Volusia, and Washington

Counties. On August 24, 2004, Florida Water and Aqua filed their joint applications seeking approval from the Commission for the transfer of Florida Water's systems to Aqua.

6. On December 20, 2005, the Commission issued the PAA Order approving, as final agency action, the transfer of Florida Water's facilities, land, and certificates to Aqua and continuation of Florida Water's existing rates and charges. The PAA Order preliminarily established Aqua's rate base for the systems subject to the transfer applications. The Commission's preliminary action as proposed in the PAA Order addresses the transfer and amortization of Florida Water's Commission-approved regulatory asset, Florida Water's debit depreciation reserve balances, property losses associated with prudent abandonment, and collection of allowance for funds prudently invested ("AFPI") charges.

AQUA'S SUBSTANTIAL INTERESTS

7. As the purchaser and existing and prospective owner and operator of the transferred utility systems, Aqua has a direct, immediate and substantial interest in the rate bases ultimately established by the Commission for these systems. Further, this proceeding is designed and intended to permit the transferee of the systems, Aqua, the opportunity to raise issues and present evidence related to the establishment of the prospective rate bases for the systems transferred to Aqua. Thus, Aqua's substantial interests are directly affected by the action proposed by the Commission in its PAA Order.

8. Aqua protests the proposed Commission action reflected in the portions of the PAA Order related to: (a) the commencement of the amortization period of Florida

Water's previously-approved regulatory asset; (b) the commencement of the approved amortization periods associated with the losses related to the forced abandonments; (c) the reduction of rate base related to the alleged overcollection of AFPI charges; and (d) the adjustments to rate base inappropriately calculated by applying adjustments to utility plant in service figures for the year ending December 31, 2003, rather than applying such adjustments to the plant balances as of June 30, 2004, the date on which rate base was preliminarily established under the PAA Order. Aqua seeks a formal hearing on these issues pursuant to Sections 120.569 and 120.57, Florida Statutes.

DISPUTED ISSUES OF MATERIAL FACT

9. Subject to discovery and refinement of the issues that will be appropriate for formal hearing, the disputed issues of material fact known at this time include but are not limited to the following:

a. Whether the ten year amortization period approved by the Commission for the portion of Florida Water's previously-approved regulatory asset related to the systems sold to Aqua, \$489,535 and \$174,657 for water and wastewater, respectively, should begin on January 1, 2006, as proposed by the Commission or on the date new rates are established as required by Order No. PSC-99-1794-FOF-WS, approving the comprehensive settlement of the prior rate case of Aqua's predecessor-in-interest, Florida Water.

b. Whether the amortization period associated with property losses related to the forced abandonments of the Lake Gibson Estates, Zephyr Shores, and Beecher's Point wastewater plants, the St. Johns Highlands water plant and the disconnection of the Lake

Gibson Estates wastewater septic tanks should begin on the date new rates are established for Aqua or at the time of the abandonment.

c. Whether the commencement of the amortization periods for the regulatory asset and the above-described property losses related to the forced abandonments prior to the dates new rates are established constitutes unlawful retroactive ratemaking and precludes and prohibits Aqua from fully recovering the regulatory asset approved for recovery by the Commission and the full costs of the property losses related to the forced abandonments.

d. Whether the commencement of the amortization periods for the property losses related to the forced abandonments allow Aqua to remain whole, as if the retirements had not taken place.

e. Whether Florida Water overcollected the total dollar amount of AFPI charges previously approved by the Commission.

f. Whether any alleged overcollection of AFPI charges should be considered by the Commission on a system specific or total utility basis.

g. Whether it would have been practical and cost effective for Florida Water to file petitions for approval of new AFPI charges for the systems on which the Commission has preliminarily determined that Florida Water overcollected AFPI charges.

h. Whether Florida Water's alleged overcollection of AFPI charges helped defer the filing of future rate cases.

i. Whether it is appropriate to reduce rate base for the alleged overcollection of APFI charges in light of the fact that AFPI charges were allegedly overcollected

during years in which Florida Water earned well below its authorized rate of return and return on common equity.

j. Whether the proposed utility plant in service figures and rate base figures reflected in the PAA Order have been correctly calculated and properly reflect the application of the Staff's adjustments to utility plant in service accounts as of June 30, 2004.

STATEMENT OF ULTIMATE FACTS ALLEGED

10. Aqua alleges that the ultimate facts, together with applicable case law, Commission statutes, rules, orders and precedents, demonstrate and support a final determination by the Commission that:

a. The ten year amortization period approved by the Commission for the portion of Florida Water's previously-approved regulatory asset related to the systems sold to Aqua, \$489,535 and \$174,657 for water and wastewater, respectively, should begin on the date new rates are established as required by Order No. PSC-99-1794-FOF-WS, approving the comprehensive settlement of Florida Water's rate case on remand from the decision of the First District Court of Appeal in Southern States Utilities v. Florida Public Service Commission, 714 So.2d 1046 (Fla. 1st DCA 1998).

b. The amortization period associated with property losses related to the forced abandonments of the Lake Gibson Estates, Zephyr Shores, and Beecher's Point wastewater plants, the St. Johns Highlands water plant and the disconnection of the Lake Gibson Estates wastewater septic tanks should begin effective on the date new rates are established for Aqua.

c. The commencement of the amortization periods for the regulatory asset and the above-described property losses related to the forced abandonments prior to the dates new rates are established constitutes unlawful retroactive ratemaking and precludes and prohibits Aqua from fully recovering the regulatory asset approved for recovery by the Commission and the full costs of the property losses related to the forced abandonments.

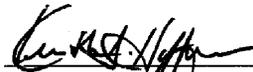
d. Florida Water did not overcollect the total dollar amount of AFPI charges previously approved by the Commission, and, to the extent it is demonstrated that Florida Water did “overcollect” AFPI charges, it would be inappropriate, inefficient, unlawful and/or inappropriate regulatory policy to reduce rate base as a result of such “overcollections.” Accordingly, the Commission should not reduce rate base as a result of the alleged “overcollections” of AFPI.

e. The proposed utility plant in service figures and rate base figures reflected in the PAA Order have not been correctly calculated and do not properly or accurately reflect the application of the Staff’s adjustments to utility plant in service accounts as of June 30, 2004. The adjustments to rate base ultimately approved by the Commission should be calculated at June 30, 2004 and applied as adjustments to utility plant in service and rate base numbers as of June 30, 2004, to properly reflect rate base for Aqua on a going forward basis of as June 30, 2004.

11. Aqua reserves its right to address any and all issues in this proceeding which may be timely raised by another party or by the Commission Staff.

WHEREFORE, Aqua requests that the Commission conduct a formal administrative hearing pursuant to Sections 120.569 and 120.57, Florida Statutes on the issues specified herein, and grant the relief as set forth in Paragraph 10 of this Petition.

Respectfully submitted this 10th day of January, 2006.



Kenneth A. Hoffman, Esq.

J. Stephen Menton, Esq.

Rutledge, Ecenia, Purnell & Hoffman, P.A.

P. O. Box 551

Tallahassee, Florida 32302

(850) 681-6788 (Telephone)

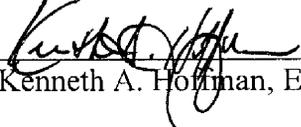
(850) 681-6515 (Facsimile)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished by United States Mail this 10th day of January, 2006 to:

Jennifer Brubaker, Esq.
Office of the General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Stephen C. Reilly, Esq.
Associate Public Counsel
Office of Public Counsel
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400



Kenneth A. Hoffman, Esq.