

ORIGINAL

BEFORE THE FLORIDA  
PUBLIC SERVICE COMMISSION

DOCKET NO. 060368-WS  
AQUA UTILITIES FLORIDA, INC.

IN RE: APPLICATION FOR INCREASE IN WATER AND  
WASTEWATER RATES IN ALACHUA, BREVARD,  
HIGHLANDS, LAKE, LEE, MARION, ORANGE, PALM  
BEACH, PASCO, POLK, PUTNAM, SEMINOLE, SUMTER,  
VOLUSIA, AND WASHINGTON COUNTIES BY AQUA  
UTILITIES FLORIDA, INC.

DECEMBER 1, 2006

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CTR DTG \_\_\_\_\_  
ECR \_\_\_\_\_  
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DIRECT TESTIMONY & EXHIBITS OF:

ROBERT M. GRIFFIN

DOCUMENT NUMBER-DATE

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FPSC-COMMISSIONER

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                                   **AQUA UTILITIES FLORIDA, INC.**

3                                   **DIRECT TESTIMONY OF ROBERT M. GRIFFIN**

4                                   **DOCKET NO. 060368-WS**

5                                   **December 1, 2006**

6  
7   **Q.    Please state your name and business address.**

8    A.    My name is Robert M. Griffin. My business address is 762 W. Lancaster Avenue,  
9            Bryn Mawr, Pennsylvania 19010.

10 **Q.    By whom are you employed and what is your position?**

11   A.    I am employed by Aqua Pennsylvania, Inc. as Senior Manager of Regulatory  
12            Accounting. Aqua Pennsylvania, Inc. is a subsidiary of the parent company Aqua  
13            America, Inc., ("Aqua America"), a Pennsylvania corporation, which is also the  
14            parent company of Aqua Utilities Florida, Inc. ("AUF" or "Company").

15 **Q.    Please describe your duties and responsibilities in that position.**

16   A.    Principally, I am charged with the supervision of the Aqua America capital budget  
17            and the Continuing Property Records ("CPR") department, where all capital  
18            expenditures throughout the state are analyzed, unitized and booked to the  
19            Company's fixed asset ledgers. All Aqua America depreciation, amortization of  
20            contributions-in-aid-of-construction ("CIAC"), and allowance for funds used during  
21            construction ("AFUDC") accruals are prepared under my supervision. I am also  
22            responsible for the Aqua America CPR and capital budgeting company policies and  
23            compliance with Sarbanes Oxley Section 404 capital issues. Finally, I make the

1 final decisions on capitalization criteria and I enforce Aqua America's capital  
2 policies in every Aqua state. I have other job responsibilities outside of CPR and  
3 capital budgeting which can be summarized as regulatory in nature. I prepare and  
4 file all tariffs, surcharges and original cost studies in several Aqua America states. I  
5 am responsible for the AUF AFUDC filings. I have filed rate case testimony on  
6 revenue, expenses, rate base, and rate design in several Aqua America states for  
7 twenty years. This is my first experience testifying in Florida.

8 **Q. Please describe your educational background and professional experience.**

9 A. I hold a Bachelor of Science degree in Accounting from Villanova University and a  
10 Master of Business Administration degree from Philadelphia University. I have  
11 been employed by Aqua Pennsylvania for over 39 years during which time I have  
12 worked in various capacities in the Accounting Department.

13 **Q. Are you involved in any outside professional activities?**

14 A. Yes. I am currently a member of the Rates and Revenue Committee of the National  
15 Association of Water Companies (Pennsylvania Chapter) and a former member of  
16 the Accounting Committee of that organization. I also worked for Community  
17 Accountants, a volunteer organization assisting non-profit organizations with  
18 accounting needs..

19 **Q. What is the purpose of your testimony?**

20 A. The purpose of my testimony is to (1) describe the manner in which the rate base in  
21 AUF rate filing was compiled and set forth in the Minimum Filing Requirements  
22 ("MFRs") that I am sponsoring, (2) identify and describe all Company pro-forma

1 rate base adjustments, (3) describe the Company's cash working capital claim, and  
2 (4) discuss the Company bill analyses in this rate filing.

3 **Q. Are you sponsoring any exhibits in this case?**

4 A. Yes. I am sponsoring Composite Exhibit \_\_\_\_, consisting of Exhibits RMG-1 and  
5 RMG-2, which are attached to my testimony. Exhibit RMG-1 is the Company's  
6 recently filed AFUDC filing for the Commission-regulated portions of AUF.  
7 Exhibit RMG-2 is a listing of Commission Staff rate base adjustments to four  
8 AUF water and wastewater systems and referenced docket numbers.

9 **Q. Were these exhibits prepared by you or under your direction and**  
10 **supervision?**

11 A. Yes, they were.

12 **Q. In connection with your responsibilities with AUF, are you the sponsor of**  
13 **any of the schedules from the MFRs?**

14 A. Yes. The table shown below lists all of the schedules that I am sponsoring in  
15 Volume 1 of the MFRs. There is an explanation of each MFR in each MFR  
16 schedule's heading as well as references to inter-relationships to other MFRs on  
17 the right hand side of the lead MFR schedules, as prescribed by the Commission's  
18 financial, rate and engineering filing requirements (Form PSC/WAW 19).

<u>MFR Title</u>	<u>MFR Number</u>	<u>Page Number</u>	<u>Other Sponsoring Witness</u>
Rate Base-Water	A-1	3	John Guastella
Rate Base-Sewer	A-2	4	John Guastella
Adjustments to Rate Base	A-3	5	John Guastella
Annual Plant Adds & Balances	A-4	8	

1	Water Plant In Service By Primary Account	A-5	10	John Guastella
2	Sewer Plant In Service By Primary Account	A-6	15	John Guastella
3	Annual Accum. Depr. Adds & Balances	A-8	21	
4	Water Accum. Depr. By Primary Account	A-9	23	John Guastella
5	Sewer Accum. Depr. By Primary Account	A-10	28	John Guastella
6	Annual CIAC Adds & Balances	A-11	33	
7	CIAC by Classification	A-12	35	John Guastella
8	Annual Accum. Amort. Of CIAC	A-13	40	
9	Accum. Amort. Of CIAC by Classification	A-14	42	John Guastella
10	Schedule of AFUDC Rates Used	A-15	47	
11	Annual Advances for Constr. Adds & Balances	A-16	48	
12	Calculation of Working Capital Allowance	A-17	49	
13	Comparative Balance Sheet-Assets	A-18	50	
14	Comparative Balance Sheet-Liabilities	A-19	53	
15	Net Depr. Expense-Water	B-13	83	John Guastella
16	Net Depr. Expense-Sewer	B-14	86	John Guastella
17	Net Depr. Expense-Sewer	E-14	149	
18	Schedule of Rate Base-Interim Rates	G-2	163	
19	Schedule of Adjs. to Rate Base-Interim	G-3	164	

20           In addition, I am sponsoring or co-sponsoring the following additional  
21 schedules and information in the MFRs: Volume 2 (County Summary),  
22 Schedules A-1 (Rate Base-Water) and A-2 (Rate Base-Sewer), Volume 4,  
23 Schedule A (Service Availability Charge Data), and Volume 7 – Billing Analysis.

1 **Q. How many regulatory locations are differentiated in these rate filings?**

2 A. There are eighty former water and sewer regulatory locations that are represented in  
3 these rate filings. If an AUF system has both water and sewer utilities, both the  
4 water and the sewer rate base is rolled into one rate filing. Therefore, the eighty  
5 water and sewer regulatory locations are equivalent to fifty eight separate rate  
6 filings. Although the accompanying rate filings also roll the fifty eight separate  
7 water and sewer combined locations into fifteen counties for purposes of rate  
8 design, the rate base MFRs have been maintained at the fifty eight separate water  
9 and sewer location levels.

10 **Derivation of AquaSource Rate Base**

11 **Q. How many AquaSource water and sewer systems are contained in this filing?**

12 There are twenty four former AquaSource ("ASI") water and sewer systems  
13 contained in this filing. The AquaSource water and sewer systems were acquired  
14 by Aqua America in August 2003. This acquisition was approved by Commission  
15 Order No. PSC-03-0163-FOF-WS, issued February 3, 2004, in Docket No.  
16 021023-WS. Pursuant to a recent corporate reorganization, AUF became the  
17 sole-shareholder of all of the former ASI systems as well as of systems purchased  
18 from Florida Water Services Corporation ("FWSC").

19 **Q. Are there separate water and sewer tariffs for all of the rate filings pertaining**  
20 **to the systems acquired from ASI ?**

21 A. Yes.

22 **Q. Are there separate Annual Reports filed with the Commission for all of the**  
23 **fifteen rate filings pertaining to the systems acquired from ASI?**

1 A. Yes.

2 **Q. When did you start accruing AFUDC on the ASI portion of AUF capital**  
3 **additions?**

4 A. Once the Commission approves the Company's AFUDC filing (See RMG-1), the  
5 start date for AFUDC accruals across all Commission-regulated water and sewer  
6 systems will be January 1, 2006. At the time of this writing, the Company is  
7 contemplating filing a second consolidated AFUDC filing that, once approved,  
8 would start on November 1, 2006. The AFUDC rate would remain the same until  
9 the Commission approves a future AFUDC filing.

10 **Q. How did you reflect the depreciation accrual rates for the ASI portions of**  
11 **AUF?**

12 A. The actual and forecasted depreciation expense in this rate filing is based on the  
13 Annual Report depreciation accrual rates filed with this Commission.

14 **Q. How were retirements made for the ASI portion of AUF's assets?**

15 A. Actual retirements were recorded through June 30, 2006. Estimated retirements  
16 were made on the budgeted capital additions from July 1, 2006 to December 31,  
17 2007.

18 **Derivation of Florida Water Services Corporation Rate Base**

19 **Q. How many Florida Water Services Corporation ("FWSC") water and sewer**  
20 **systems are contained in this filing?**

21 There are fifty-eight former FWSC water and sewer systems contained in this  
22 filing. The FWSC water and sewer systems were acquired by AUF in June 2004.  
23 That acquisition was approved by Commission Order No. PSC-05-1242-PAA-

1 WS, issued December 20, 2006, in Docket No. 040951-WS. On February 27,  
2 2006, the Commission issued Order No. PSC-05-1242A-PAA-WS, for the  
3 purpose of correcting a number of minor scrivener's errors were noted in  
4 Schedules 2 and 3 of Order No. PSC-05-1242-PAA-WS. Both Orders shall be  
5 referred to collectively as the "Transfer Order" throughout my testimony.

6 **Q. Are there separate water and sewer tariffs for all of the rate filings pertaining**  
7 **to the systems acquired from FWSC ?**

8 A. Yes.

9 **Q. Do the 2004 and 2005 Annual Reports agree with the Commission's Transfer**  
10 **Order?**

11 A. No. The Commission performed a thorough analysis of the assets that were  
12 acquired by AUF. As a result, there were assets that were booked by FWSC  
13 included in the 2004 and 2005 Annual Reports, but not included in the Transfer  
14 Order.

15 **Q. Do the rate base elements in the MFRs agree with the Transfer Order?**

16 A. Yes.

17 **Q. How did AUF account for FWSC's rate base and CWIP acquired in June**  
18 **2004?**

19 A. The FWSC rate base balances and CWIP were aggregated at an administrative level  
20 pending the Commission's Transfer Order. Adjustments to the FWSC rate base  
21 accounts were made in May 2006 which (1) synchronized the rate base balances  
22 with the Commission's Transfer Order and (2) recognized the rate base elements to  
23 every water and wastewater system location.



1 **Q. What depreciation accrual rates were utilized for the FWSC systems?**

2 A. From acquisition through April 30, 2006, the pro-forma depreciation accrual rates  
3 were based on the Annual Report depreciation accrual rates filed with this  
4 Commission. Effective May 1, 2006, the pro-forma depreciation accrual rates were  
5 based on the Commission's guideline depreciation rates.

6 **Q. When did you start accruing AFUDC on the FWSC portion of AUF's capital  
7 additions?**

8 A. The FWSC AFUDC could have been accrued from the time of closing (June 30,  
9 2004) to the present time due to the fact that the Commission had already approved  
10 an AFUDC rate for the that portion of AUF. In actuality, only one or two capital  
11 jobs received AFUDC accruals during that time period. For the future, the AFUDC  
12 rates from the Company's recent AFUDC filing (see Exhibit RMG-1) will take  
13 effect retroactive to January 1, 2006 after the Commission approves the filing.

14 **Q. How were retirements made for the FWSC portion of AUF's assets?**

15 A. Actual retirements were recorded through May 31, 2006. Estimated retirements  
16 were made on the budgeted capital additions from June 1, 2006 to December 31,  
17 2007.

18 **Q. What was the basis for the 2006 and 2007 utility plant in service and CIAC  
19 balances in this rate filing?**

20 A. Actual activity based on the general ledger were used through May 31, 2006.  
21 Budgeted additions were from the June 1, 2006 through December 31, 2007  
22 construction budget. Refer to the testimony of Gerald Connolly regarding  
23 construction budgets.

1 **Q. What are pro-forma rate base adjustments?**

2 A. Pro-forma rate base adjustments are differences between the Company's general  
3 ledger for an accounting period and amounts set forth in the rate filing for the same  
4 accounting period. The pro-forma rate base adjustments deal with estimating  
5 capital additions and retirements for future periods, accruing AFUDC for  
6 accounting periods beginning with January 2006 at the rate of the Company's  
7 recent AFUDC filing, dispersing the FWSC rate base elements from one  
8 administrative location to all FWSC locations from December 2004 to May 2006,  
9 dispersing each water and wastewater system's share of computer equipment  
10 residing in a consolidated AUF account, certain ASI rate base adjustments in 2005  
11 and making adjustments to rate base in concert with previous Commission Staff  
12 audits that were not reflected on the books of the seller.

13 **Q. Please describe the pro-forma rate base adjustments included in this case.**

14 A. Pro-forma capital additions and retirements for future periods are based on the  
15 Company's capital budgets for 2006 and 2007. Please refer to the testimony of  
16 Gerald Connolly for an exhibit of the 2006 and 2007 capital budget additions.  
17 Retirements of 2006 and 2007 capital budget additions were calculated in this rate  
18 filing. Actual capital additions and retirements will be booked on the Company's  
19 general ledger when experienced.

20 AFUDC accruals were estimated for the 2006 and 2007 AUF capital  
21 budget. Actual AFUDC accruals for AUF will not begin until the Commission  
22 approves the Company's AFUDC filing.

1           The pro-forma adjustments for FWSC began with a restatement of June 30,  
2           2004 balances to reflect those found by the Commission in its Transfer Order.  
3           Therefore, the FWSC rate base elements that were initially recorded on the books at  
4           an administrative level and journalized to lower level water and wastewater systems  
5           in May 2006 were reclassified. Actual and budgeted additions to utility plant in  
6           service and contributions in aid of construction were included for rate filing  
7           purposes during the month that assets were physically closed to plant or estimated  
8           in the case of the capital budget. Depreciation expense on the adjusted assets just  
9           described were calculated for rate filing purposes using the annual report to  
10          Commission rates, as previously discussed. Amortizations of contributions in aid  
11          of construction were based on related property depreciation rates in the Annual  
12          Reports and composite rate calculations.

13           Aqua America's policy regarding computer equipment accounts for that  
14          property at a consolidated state account. For rate filing purposes, the computer  
15          plant is allocated to all water and wastewater systems based on the number of  
16          equivalent residential connections.

17           In preparing for the rate filing, certain Commission Staff Findings for rate  
18          base from the last time that the ASI system rate bases were established by the  
19          Commission were reviewed. It was determined that several of the Staff findings  
20          from Docket Numbers in the late 1990s were never booked by the seller. Exhibit  
21          RMG-2 provides a listing of such adjustments and docket numbers.

22           In 2005, there were some ASI water and wastewater systems whose general  
23          ledger did not agree with the Annual Reports to the Commission. These

1 adjustments and reclassifications were corrected by 2006 on the Company's books  
2 to properly state the balances. For purposes of this rate filing, pro-forma rate base  
3 adjustments were utilized to correctly state the Annual Report balances.

4 **Q. How was cash working capital calculated in this rate filing?**

5 A. Cash Working Capital as shown in MFR Schedule A-17 was calculated using the  
6 Balance Sheet method. The 2005 through 2007 13 month average balances for  
7 accounts unrelated to Rate Base and Cost of Capital was used to calculate CWC  
8 in accordance with MFR rules.

9 **Q. Are you the sponsor of Volume 7 to the MFRs containing Schedules E-14,**  
10 **entitled "Billing Analysis" as required by Rule 25-30.437(4), Florida**  
11 **Administrative Code?**

12 A. Yes.

13 **Q. Please provide a description and the purpose of the Billing Analysis**  
14 **schedules?**

15 A. The Billing Analysis schedules sort each test year customer billing by water and  
16 wastewater system, by customer classification, and by meter size. The bill  
17 analyses referred to in the MFR schedule E-14 are filed under a separate cover.  
18 Bill analyses are used for the application of present rates sponsored by Mr.  
19 Guastella.

20 **Q. Does that conclude your direct testimony?**

21 A. Yes, it does.

22

23

**BEFORE THE PUBLIC SERVICE COMMISSION**

In re: Petition by AquaSource Utility, Inc., )  
d/b/a Aqua Utilities Florida, Inc., Arredondo )  
Utility Company, Inc. d/b/a Aqua Utilities )  
Florida, Inc., Crystal River Utilities, Inc. )  
d/b/a Aqua Utilities Florida, Inc., Jasmine )  
Lakes Utilities Corporation d/b/a Aqua )  
Utilities Florida, Inc., Ocala Oaks Utilities, )  
Inc. d/b/a Aqua Utilities Florida, Inc., )  
and Aqua Utilities Florida, Inc. for )  
Establishment of an AFUDC Rate )  
\_\_\_\_\_ )

Docket No. 060693-WS  
Filed: October 19, 2006

**PETITION FOR ESTABLISHMENT OF AN AFUDC RATE**

AquaSource Utility, Inc. d/b/a Aqua Utilities Florida, Inc., Arredondo Utility Company, Inc. d/b/a Aqua Utilities Florida, Inc., Crystal River Utilities, Inc. d/b/a Aqua Utilities Florida, Inc., Jasmine Lakes Utilities Corporation d/b/a Aqua Utilities Florida, Inc., Ocala Oaks Utilities, Inc. d/b/a Aqua Utilities Florida, Inc., and Aqua Utilities Florida, Inc. (hereinafter referred to collectively as "Applicants" or "Aqua Utilities"), by and through their undersigned counsel, and pursuant to Chapter 367, Florida Statutes, and Rule 25-30.116, Florida Administrative Code, hereby request the Florida Public Service Commission ("Commission") to establish an allowance for funds used during construction ("AFUDC") rate for its systems located in Alachua, Brevard, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties. In support of this Application, Aqua Utilities states as follows:

**APPLICANT INFORMATION**

1. The names and mailing address of the Applicants are:

AquaSource Utility, Inc. d/b/a Aqua Utilities Florida, Inc.  
Arredondo Utility Company, Inc. d/b/a Aqua Utilities Florida, Inc.  
Crystal River Utilities, Inc. d/b/a Aqua Utilities Florida, Inc.

Jasmine Lakes Utilities Corporation d/b/a Aqua Utilities Florida, Inc.  
Ocala Oaks Utilities, Inc. d/b/a Aqua Utilities Florida, Inc.  
Aqua Utilities Florida, Inc.

6960 Professional Parkway East  
Sarasota, Florida 34240  
(941) 907-7400 (Telephone)  
(941) 907-7401 (Facsimile)

2. The names and addresses of the Applicant's authorized representatives are:

Kenneth A. Hoffman, Esquire  
Lorena A. Holley, Esquire  
Rutledge, Ecenia, Purnell & Hoffman, P.A.  
P.O. Box 551  
Tallahassee, Florida 32302-0551  
(850) 681-6788 (Telephone)  
(850) 681-6515 (Facsimile)

-and-

Kathy L. Pape, Esquire  
Rate Counsel  
Aqua America, Inc.  
762 West Lancaster Avenue  
Bryn Mawr, Pennsylvania 19010  
(610) 645-1142 (Telephone)  
(610) 519-0908 (Facsimile)

3. The Applicants are wholly-owned subsidiaries of the parent company, Aqua America, Inc. ("Aqua America"). Aqua America is based in Bryn Mawr, Pennsylvania and is the largest publicly traded water and wastewater utility in the United States which directly or indirectly through subsidiaries, owns and operates water and wastewater utilities in thirteen states.

#### CORPORATE REORGANIZATION

4. Aqua Utilities recently underwent a corporate reorganization wherein Aqua Utilities Florida, Inc., became the sole share holder of eighty Commission-regulated water and wastewater systems located in Alachua, Brevard, Highlands, Lake, Lee, Marion, Orange, Palm

Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties. Prior to the corporate reorganization, the eighty water and wastewater systems were owned by the following six separate legal entities: AquaSource Utility, Inc. d/b/a Aqua Utilities Florida, Inc., Arredondo Utility Company, Inc. d/b/a Aqua Utilities Florida, Inc., Jasmine Lakes Utilities Corporation, Inc. d/b/a Aqua Utilities Florida, Inc., Crystal River Utilities, Inc. d/b/a Aqua Utilities Florida, Inc., Ocala Oaks Utilities, Inc. d/b/a Aqua Utilities Florida, Inc. (collectively the "Former ASI Systems"), and Aqua Utilities Florida, Inc. (the "Former FWSC Systems").<sup>1</sup>

5. Aqua Utilities' Application for Acknowledgment of Corporate Reorganization and Approval of Name Change was filed with the Commission on September 25, 2006, and was assigned Commission Docket No. 060643-WS. On October 13, 2006, Aqua Utilities completed the necessary filings with the Florida Secretary of State, Division of Corporations to complete the corporate reorganization and is in the process of providing the necessary documentation to Commission Staff.

#### **AFUDC RATE**

6. The Commission has never set an AFUDC rate for the Former ASI Systems. The Commission has previously approved an AFUDC rate for the Former FWSC Systems.

7. Through this application, Aqua Utilities seeks approval from the Commission for an AFUDC rate for each of its six separate legal entities to be effective January 1, 2006, pursuant to the criteria established by Rule 25-30.116, Florida Administrative Code. The calculation of the appropriate new AFUDC rate for these systems is set out in the attached supporting

---

<sup>1</sup> On April 20, 2004, Aqua Utilities Florida, Inc., one of the six separate entities referenced above, entered into an asset purchase agreement with Florida Water Services Corporation ("FWSC") for the purchase of FWSC's water and wastewater systems located in Brevard, Highlands, Lake, Orange, Pasco, Polk, Putnam, Seminole, Volusia, and Washington Counties. The actual closing took place on June 30, 2004. By Order No. PSC-05-1242-PAA-WS, issued December 20, 2005, the Commission approved the transfer of FWSC's land, facilities and certificates to Aqua Utilities Florida, Inc.

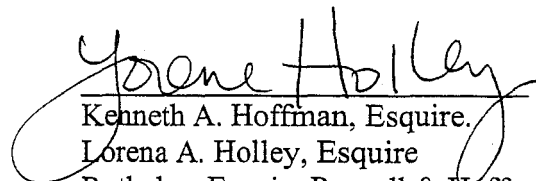
schedules, which are in accordance with the requirements of Rule 25-30.116, Florida Administrative Code.

8. Composite Schedule "A," attached hereto, shows the capital structure, cost rates, and weighted average cost of capital that are the basis for the new AFUDC rate calculated pursuant to Rule 25-30.116(2), Florida Administrative Code, for each of the six entities. Composite Schedule "B," attached hereto, shows the capital structure adjustments including the unadjusted capital structure, reconciling adjustments and adjusted capital structure that are the basis for the new AFUDC rate calculated pursuant to Rule 25-30.116(2), Florida Administrative Code, for each of the six entities. Composite Schedule "C," attached hereto, shows the calculation of the monthly AFUDC rates using the methodology set forth in Rule 25-30.116, Florida Administrative Code, for each of the six entities.

WHEREFORE, Aqua Utilities respectfully requests that the Commission:

- A. Approve Aqua Utilities' request for an AFUDC rate as shown in the attached Schedules;
- B. Order that the date of the approved AFUDC rate shall be effective as of January 1, 2006; and
- C. Grant such other relief as appropriate.

Respectfully submitted this 19<sup>th</sup> day of October, 2006.

  
Kenneth A. Hoffman, Esquire.  
Lorena A. Holley, Esquire  
Rutledge, Ecenia, Purnell & Hoffman, P.A.  
P.O. Box 551  
Tallahassee, Florida 32302-0551  
(850) 681-6788 (Telephone)  
(850) 681-6515 (Facsimile)



**SCHEDULE A**

Arredondo Utility Company, Inc. d/b/a Aqua Utilities Florida, Inc.

For the 12 month average capitalization at December 31, 2005

12/31/2004	12/31/2005		Amount	Weighted %	Embedded Cost Rate
\$ -	\$ -	L-T Debt	\$ -	0%	N/A
-	-	S-T Debt	-	0%	N/A
17,165.00	20,870.00	Cust. Deposits	19,017.50	0%	6.00%
6,589.00	15,358.00	Deferred Taxes	10,973.50	0%	0.00%
150,349.34	221,805.16	Equity	186,077.25	100%	8.88%
<u>\$ 174,103.34</u>	<u>\$ 258,033.16</u>		<u>\$ 216,068.25</u>	<u>100%</u>	<u>8.18%</u>

COMPOSITE SCHEDULE A

**SCHEDULE A**

Crystal River Utilities, Inc. d/b/a Aqua Utilities Florida, Inc.

For the 12 month average capitalization at December 31, 2005

12/31/2004	12/31/2005		Amount	Weighted %	Embedded Cost Rate
\$ -	\$ -	L-T Debt	\$ -	0%	N/A
-	-	S-T Debt	-	0%	N/A
-	-	Cust. Deposits	-	0%	6.00%
50,773.00	58,565.00	Deferred Taxes	54,669.00	0%	0.00%
(85,709.74)	(255,826.12)	Equity	(170,767.93)	100%	8.88%
\$ (34,936.74)	\$ (197,261.12)		\$ (116,098.93)	100%	8.88%

SCHEDULE A

AquaSource Utility, Inc. d/b/a Aqua Utilities Florida, Inc.

For the 12 month average capitalization at December 31, 2005

12/31/2004	12/31/2005		Amount	Weighted %	Embedded Cost Rate
\$ -	\$ -	L-T Debt	\$ -	0%	N/A
-	-	S-T Debt	-	0%	N/A
19,198.00	20,468.00	Cust. Deposits	19,833.00	0%	6.00%
(281,149.95)	(278,596.95)	Deferred Taxes	(279,873.45)	0%	0.00%
4,117,025.42	2,458,335.54	Equity	3,287,680.48	100%	8.88%
<u>\$ 3,855,073.47</u>	<u>\$ 2,200,206.59</u>		<u>\$ 3,027,640.03</u>	<u>100%</u>	<u>8.88%</u>

**SCHEDULE A**

Jasmine Lakes Utilities Corporation d/b/a Aqua Utilities Florida, Inc.

For the 12 month average capitalization at December 31, 2005

12/31/2004	12/31/2005		Amount	Weighted %	Embedded Cost Rate
\$ -	\$ -	L-T Debt	\$ -	0%	N/A
-	-	S-T Debt	-	0%	N/A
55,390.00	57,808.00	Cust. Deposits	56,599.00	0%	6.00%
159,369.00	212,136.00	Deferred Taxes	185,752.50	0%	0.00%
1,352,633.72	2,394,140.43	Equity	1,873,387.07	100%	8.88%
<u>\$ 1,567,392.72</u>	<u>\$ 2,664,084.43</u>		<u>\$ 2,115,738.57</u>	<u>100%</u>	<u>8.02%</u>

**SCHEDULE A**

Ocala Oaks Utilities, Inc. d/b/a Aqua Utilities Florida, inc.

For the 12 month average capitalization at December 31, 2005

12/31/2004	12/31/2005		Amount	Weighted %	Embedded Cost Rate
\$ -	\$ -	L-T Debt	\$ -	0%	N/A
-	-	S-T Debt	-	0%	N/A
19,940.00	22,750.00	Cust. Deposits	21,345.00	0%	6.00%
93,617.00	119,485.00	Deferred Taxes	106,551.00	0%	0.00%
279,606.10	759,594.11	Equity	519,600.11	100%	8.88%
<u>\$ 393,163.10</u>	<u>\$ 901,829.11</u>		<u>\$ 647,496.11</u>	<u>100%</u>	<u>7.32%</u>

**SCHEDULE A**

Aqua Utilities Florida, Inc.

For the 12 month average capitalization at December 31, 2005

12/31/2004	12/31/2005		Amount	Weighted %	Embedded Cost Rate
\$ -	\$ -	L-T Debt	\$ -	0%	N/A
-	-	S-T Debt	-	0%	N/A
124,668.72	135,927.18	Cust. Deposits	130,297.95	0%	6.00%
-	-	Deferred Taxes	-	0%	0.00%
14,657,397.12	14,941,612.90	Equity	14,799,505.01	100%	8.88%
<u>\$ 14,782,065.84</u>	<u>\$ 15,077,540.08</u>		<u>\$ 14,929,802.96</u>	100%	8.85%

**SCHEDULE B**

Arredondo Utility Company, Inc. d/b/a Aqua Utilities Florida, Inc.

For the 12 month average capitalization at December 31, 2005

Schedule showing capital structure adjustments:

	Unadjusted Amount	Adjustments	Adjusted Amount
L-T Debt	\$ -	\$ -	\$ -
S-T Debt	-	-	\$ -
Cust. Deposits	19,017.50	-	\$ 19,017.50
Deferred Taxes	10,973.50	-	\$ 10,973.50
Equity	186,077.25	-	\$ 186,077.25
	<u>\$ 216,068.25</u>	<u>\$ -</u>	<u>\$ 216,068.25</u>

COMPOSITE SCHEDULE B

**SCHEDULE B**

Crystal River Utilities, Inc. d/b/a Aqua Utilities Florida, Inc.

For the 12 month average capitalization at December 31, 2005

Schedule showing capital structure adjustments:

	Unadjusted Amount	Adjustments	Adjusted Amount
L-T Debt	\$ -	-	-
S-T Debt	-	-	-
Cust. Deposits	-	-	-
Deferred Taxes	54,669.00	-	54,669.00
Equity	(170,767.93)	-	(170,767.93)
	<u>\$ (116,098.93)</u>	<u>\$ -</u>	<u>\$ (116,098.93)</u>



**SCHEDULE B**

AquaSource Utility, Inc. d/b/a Aqua Utilities Florida, Inc.

For the 12 month average capitalization at December 31, 2005

Schedule showing capital structure adjustments:

	Unadjusted Amount	Adjustments	Adjusted Amount
L-T Debt	\$ -	-	-
S-T Debt	-	-	-
Cust. Deposits	19,833.00	-	19,833.00
Deferred Taxes	(279,873.45)	-	(279,873.45)
Equity	3,287,680.48	-	3,287,680.48
	<u>\$ 3,027,640.03</u>	<u>\$ -</u>	<u>\$ 3,027,640.03</u>

**SCHEDULE B**

Jasmine Lakes Utilities Corporation d/b/a Aqua Utilities Florida, Inc.

For the 12 month average capitalization at December 31, 2005

Schedule showing capital structure adjustments:

	Unadjusted Amount	Adjustments	Adjusted Amount
L-T Debt	\$ -	-	-
S-T Debt	-	-	-
Cust. Deposits	56,599.00	-	56,599.00
Deferred Taxes	185,752.50	-	185,752.50
Equity	1,873,387.07	-	1,873,387.07
	<u>\$ 2,115,738.57</u>	<u>\$ -</u>	<u>\$ 2,115,738.57</u>

**SCHEDULE B**

Ocala Oaks Utilities, Inc. d/b/a Aqua Utilities Florida, Inc.

For the 12 month average capitalization at December 31, 2005

Schedule showing capital structure adjustments:

	Unadjusted Amount	Adjustments	Adjusted Amount
L-T Debt	\$ -	-	-
S-T Debt	-	-	-
Cust. Deposits	21,345.00	-	21,345.00
Deferred Taxes	106,551.00	-	106,551.00
Equity	519,600.11	-	519,600.11
	<u>\$ 647,496.11</u>	<u>\$ -</u>	<u>\$ 647,496.11</u>

**SCHEDULE B**

Aqua Utilities Florida, Inc.

For the 12 month average capitalization at December 31, 2005

Schedule showing capital structure adjustments:

	Unadjusted Amount	Adjustments	Adjusted Amount
L-T Debt	\$ -	-	-
S-T Debt	-	-	-
Cust. Deposits	130,297.95	-	130,297.95
Deferred Taxes	-	-	-
Equity	14,799,505.01	-	14,799,505.01
	<u>\$ 14,929,802.96</u>	\$ -	<u>\$ 14,929,802.96</u>

SCHEDULE C

Arredondo Utility Company, Inc. d/b/a Aqua Utilities Florida, Inc.

Calculation of monthly AFUDC rate:

$$8.18\% / 12 = \frac{\text{Monthly Rate}}{0.006812936}$$

COMPOSITE SCHEDULE C

SCHEDULE C

Crystal River Utilities, Inc. d/b/a Aqua Utilities Florida, Inc.

Calculation of monthly AFUDC rate:

8.88% / 12

=

Monthly  
Rate

0.0074

**SCHEDULE C**

AquaSource Utility, Inc. d/b/a Aqua Utilities Florida, Inc.

Calculation of monthly AFUDC rate:

8.88% / 12

=

Monthly  
Rate

0.0074

SCHEDULE C

Ocala Oaks Utilities, Inc. d/b/a Aqua Utilities Florida, Inc.

Calculation of monthly AFUDC rate:

$$7.32\% / 12 = \frac{\text{Monthly Rate}}{0.00610315}$$



**SCHEDULE C**

Aqua Utilities Florida, Inc.

Calculation of monthly AFUDC rate:

8.85% / 12

=

Monthly  
Rate

0.007379054

Aqua Utilities Florida, Inc.  
Summary of Rate Adjustments  
Relating to Audits of Systems

Plant-Water	
Lake Josephine Docket No. 991001WU 6/30/99	242,614
Kings Cove Docket No. 981779WS 1/31/99	(54,312)
Summitt Chase Docket No. 981779WS 1/31/199	(117,009)
48 Estates Docket No. 981779WS 1/31/199	2,360
	<u>73,653</u>
Plant-Wastewater	
Kings Cove Docket No. 981779WS 1/31/99	(69,558)
Summitt Chase Docket No. 981779WS 1/31/199	7,501
	<u>(62,057)</u>
Accum. Depr.-Water	
Lake Josephine Docket No. 991001WU 6/30/99	(943)
Kings Cove Docket No. 981779WS 1/31/99	6,780
48 Estates Docket No. 981779WS 1/31/199	(8,777)
Summitt Chase Docket No. 981779WS 1/31/199	(12,509)
	<u>(15,449)</u>
Accum. Depr.-Wastewater	
Kings Cove Docket No. 981779WS 1/31/99	4,212
Summitt Chase Docket No. 981779WS 1/31/199	(20,234)
	<u>(16,022)</u>
CIAC-Water	
Lake Josephine Docket No. 991001WU 6/30/99	(110,129)
Kings Cove Docket No. 981779WS 1/31/99	(4,100)
48 Estates Docket No. 981779WS 1/31/199	(4,700)
Summitt Chase Docket No. 981779WS 1/31/199	(32,682)
	<u>(151,611)</u>
CIAC-Wastewater	
Kings Cove Docket No. 981779WS 1/31/99	(7,585)
Summitt Chase Docket No. 981779WS 1/31/199	(5,152)
	<u>(12,737)</u>
Amort. Of CIAC-Water	
Lake Josephine Docket No. 991001WU 6/30/99	5,912
Kings Cove Docket No. 981779WS 1/31/99	(6,453)
48 Estates Docket No. 981779WS 1/31/199	2,608
Summitt Chase Docket No. 981779WS 1/31/199	227
	<u>2,294</u>
Amort. Of CIAC-Wastewater	
Kings Cove Docket No. 981779WS 1/31/99	(19,779)
Summitt Chase Docket No. 981779WS 1/31/199	(40,540)
	<u>(60,319)</u>
Total Rate Base	<u><u>(242,248)</u></u>