

Aqua Utilities Florida, Inc.  
Exhibit No. 1.8

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

**PREPARED DIRECT TESTIMONY**

**OF**

**GARY S. PRETTYMAN  
PRINCIPAL  
AUS CONSULTANTS**

**ON BEHALF OF**

**AQUA UTILITIES FLORIDA, INC.**

CMP	_____
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CTR	1 _____
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DOCUMENT NUMBER - DATE  
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 FPSC-COMMISSION CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**AQUA UTILITIES FLORIDA, INC.**

**DIRECT TESTIMONY OF GARY S. PRETTYMAN**

**DOCKET NO. 080121-WS**

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**Q. Please state your name, occupation and business address.**

A. My name is Gary S. Prettyman and I am a Principal of AUS Consultants. My business address is 155 Gaither Drive, Suite A, Mt. Laurel, New Jersey 08054.

**Q. Please summarize your educational background and professional experience.**

A. I have more than twenty-eight years experience in water and wastewater utility management and regulatory practice including all aspects of rate increase applications. I have testified before regulatory commissions on accounting issues, tariff design, and company policy in numerous proceedings. The details of my professional experience and educational background are shown in Appendix A supplementing this testimony.

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

A. The purpose of my testimony is to support the Aqua Utilities Florida, Inc.'s ("AUF" or "Company") level of Present Rate Revenues.

**Q. Are you sponsoring any Schedules contained in the MFRs filed by AUF in this proceeding?**

A. Yes. I am sponsoring MFR Schedule Nos. E-2 and E-14. These schedules were prepared by me or under my direct supervision. My testimony discusses each of these schedules.

**Q. Please describe the process you used to develop present rate revenues.**

1 A. The first step was to obtain the billing data for all of the 82 separate systems included in  
2 this petition. The data file contained all of the billing records of the customers for 2007  
3 contained in the Company's billing System. This data was then separated by system.  
4 An initial review was made to test the reasonableness of the gross data received as  
5 compared to the actual books and records of AUF. Analysis then began on a system by  
6 system basis.

7 **Q. What type of data was included in the customer records?**

8 A. The data included actual bills, adjustments, miscellaneous charges, surcharges and any  
9 other items that were contained in a customers account, excluding payments.

10 **Q. How did you proceed?**

11 A. All of the items were separated based upon their various rate codes in order to  
12 determine what was billed to the customer for water and/or wastewater service. I  
13 needed to determine the appropriate number of bills and consumption to use for present  
14 rate revenues which were ultimately used to calculate AUF's proposed rates. In any  
15 instance where a customer received a revised bill, I adjusted my analysis accordingly  
16 based on actual consumption.

17 **Q. How did you handle the base facility charges?**

18 A. The Company considers a full monthly period to be between 26 and 33 days. I took the  
19 billing data for each rate code for the entire year and if that group was within the full  
20 month service window then I considered the group to be an average monthly bill. The  
21 majority of the averages were approximately 30 to 31 days. If the average was too  
22 great, I would look to determine if there were exceptions that needed to be adjusted. On  
23 occasion with a small group of bills, a long service period on one bill would cause a

1 variance. This would then be adjusted accordingly.

2 **Q. Please explain any adjustments you made for the interim rate increase refund in**  
3 **Docket No. 060368-WS.**

4 A. When the interim rate increase was refunded in September 2007, the billing system  
5 created a duplicate entry in the customers' accounts. This affected any bill which had a  
6 service period which crossed April 12, 2007, the initial date of the interim rate increase.  
7 Each of the duplicate entries needed to be eliminated.

8 **Q. What was your next step?**

9 A. After the appropriate adjustments were made, I had representative data to proceed. I  
10 then determined the number of bills and usage at each 1,000 gallon increment to  
11 develop the consolidated factors as shown on the billing analysis contained in MFR  
12 Schedule E-14. From this data, the actual pricing of the billing determinants was made  
13 and summarized on MFR Schedule E-2. The level of present rates as developed was  
14 then compared to actual book revenues to determine if the billing analysis was  
15 appropriate to use for setting final rates in this proceeding. A billing analysis variance  
16 is shown on each schedule.

17 **Q. Were any of the booked revenue amounts adjusted for comparison purposes?**

18 A. Yes, in January 2007, large credit adjustments were made to customers' accounts in  
19 Gibsonia Estates and Jasmine Lakes. These adjustments lowered the booked revenues  
20 in January 2007 while the adjusted consumption was reflected in December 2006.  
21 Therefore, for comparison purposes, the credit amount was added back to book  
22 revenues.

23 **Q. Did you make any adjustments to normalize the addition of customers during the**

1           **historic test year?**

2           A.   Yes. There was occasion where a small customer group (usually commercial) may have  
3           had less than 12 bills in 2007 on a case by case basis. This may have been because they  
4           were new or may have had one bill for a long service period. In such cases, the  
5           customer was adjusted to reflect 12 bills for present rates.

6           **Q. How did you assemble the billing analysis?**

7           A.   The billing analysis was assembled in two parts. The first part includes a full year  
8           analysis by system. The second part includes a three period analysis (January – April,  
9           May – August, and September – December). Both parts are organized by accounting  
10          unit as shown in Appendix B attached to my testimony.

11          **Q. Does this conclude your testimony at this time?**

12          A.   Yes, it does.

APPENDIX A

PROFESSIONAL QUALIFICATIONS

OF

GARY S. PRETTYMAN  
PRINCIPAL

AUS CONSULTANTS

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**PROFESSIONAL QUALIFICATIONS  
OF  
GARY S. PRETTYMAN  
PRINCIPAL  
AUS CONSULTANTS**

Has over twenty-eight years' experience in water and wastewater utility management and regulatory practices. This includes preparation of all aspects of rate increase application, review of testimony of all witnesses participating in the case, interface with regulatory commission staff and Public Advocate, budgeting, acquisition analysis, bill analysis, legislative review, and compliance with regulatory requirements. Has testified on accounting issues, tariff design, and company policy in numerous regulatory proceedings.

**PROFESSIONAL EXPERIENCE**

**February 2008 to Date**

As a Principal with AUS Consultants, I offer testimony as an expert witness on the subjects of revenue requirements, bill analysis, proof of revenues and tariff design, rate base, accounting, and lead/lag studies.

**2004 to 2008**

Prettyman Consulting, Mt Laurel, New Jersey. President and principal consultant providing rate case and other regulatory services to clients.

**2001 to 2004**

Elizabethtown Water Company, Westfield, New Jersey. Vice President – Rates and Regulation of Elizabethtown Water Company. Was responsible for all regulatory matters for the subsidiary companies. This includes preparation and filing of rate increase applications with the state regulatory commission, other matters filed with the commission and was liaison with regulatory organizations.

**1996 to 2001**

AUS Consultants, Mt. Laurel, New Jersey. Vice President responsible primarily for water and wastewater regulatory matters pertaining to rate cases. This includes: preparing all accounting exhibits and supporting testimony, preparing the petition for filing, conducting and/or assisting in settlement negotiations, bill analysis, proof of revenues and tariff design, lead/lag studies and various regulatory and financial matters.

**1979 to 1996**

American Water Works Company, Inc./New Jersey-American Water Company. Was employed as Director of Rates and Revenue responsible for the preparation of rate increase applications for the subsidiary water companies. Responsible for development of the company's budget function, participated in acquisition of water and/or sewer companies and prepared special projects as required. Was also Assistant Treasurer of subsidiary companies for six years.

Assistant Director of Rates and Revenue. In addition to preparing financial and economic aspects of the rate increase applications, assisted Director in the management, supervision, development, and daily operations of the department and related staff.

Business Manager for local operating office responsible for the supervision and management of all daily business-related operations of the company.

Revenue Requirement Specialist for American Water Works Service Company. Prepared and supported in

testimony financial and economic aspects of the rate increase applications for operating water companies in several states.

Rate Analyst I and II. Prepared financial and economic aspects of rate increase applications for the appropriate witness in the case.

1977 to 1979

Computer Sciences Corporation. Was employed as a Staff Accountant in the Defense System Division. Developed and implemented controls for the division property system and conducted capital budget analysis, property system reconciliation, depreciation schedule, and participated in special projects.

TESTIMONY

I presented testimony to and have been cross-examined before the following regulatory authorities:

Connecticut Department of Public Utility Control  
 Delaware Public Service Commission  
 Indiana Utility Regulatory Commission  
 New Jersey Board of Public Utilities  
 New York Public Service Commission  
 State Corporation Commission of Virginia

LIST OF CLIENTS SERVED

Adelphia Sewer Company	Mount Holly Water Company
Adelphia Water Company	New Jersey-American Water Company
American Anglian	Public Water Supply Company
Applied Wastewater Management, Inc.	Rolling Hills Sewer Company
Bridgeport Hydraulic Company	Borough of South River
Connecticut Natural Gas Company	Sussex Shores Water Company
Consumers New Jersey Water Company	Thames Water Holdings, Inc.
Delaware Assoc. of Alternative Energy Providers	Trenton Water Works
Elizabethtown Water Company	Tidewater Utilities, Inc.
Equitable Gas Company	United Water Indiana
Gulf & Southern Resources, LLC.	United Water Mid-Atlantic Utilities
Borough of Hamburg	United Water Owego
KH Beacon Hill Sewer, Inc.	United Water Princeton Meadows
Long Neck Water Company	United Water Virginia
	Wildwood Water Utility

While employed with American Water Works Company, I participated in over 75 rate proceedings in New Jersey, New York and Connecticut.

PERSONAL

Education:

1976 - Rowan University - B.A. Business Administration/Accounting

Professional Affiliations:

**National Association of Water Companies -**

**Associate Member**

**Member National Regulatory Committee**

**Past Chairman New Jersey Chapter**

**Past Chairman Scholarship Committee New Jersey Chapter**

**Past Member of Regulatory Committee New Jersey Chapter**

**Past Member of Small Water Companies Committee - National**

**New Jersey Utilities Association - Past Chairman Rates and Regulation Committee**

**Aqua Utilities Florida  
2007 Full Year Bill Analysis  
Volume 6 Book 1**

Attachment B  
1 of 5

**All Systems**

**Accounting**

<b><u>Unit</u></b>	<b><u>Water System Name</u></b>
6401	Kingswood
6402	Oakwood
6403	Lelsure Lakes
6405	Carlton Village
6406	East Lake Harris Estates
6407	Fern Terrace
6408	Friendly Center
6409	Grand Terrace
6410	Hobby Hills
6411	Holiday Haven
6413	Imperial
6414	Morningview
6416	Palms MHP
6417	Picciola Island
6418	Piney Woods
6419	Quail Ridge
6420	Silver Lake Estates
6421	Skycrest
6422	Stone Mountain
6423	Valencia Terrace
6425	Venetian Village
6428	Tangerine
6429	Palm Terrace
6431	Zephyr Shores
6433	Gibsonia Estates
6434	Lake Gibson Estates
6436	Orange Hill
6438	Beechers Point
6440	Hermits Cove
6441	Interlachen Park
6444	Palm Port
6446	Pomona Park
6447	River Grove
6448	Silver Lake Oaks
6450	St Johns Highlands
6451	Saratoga Harbor
6453	Wooten
6456	Chuluota
6462	Harmony Homes
6467	Jungle Den
6469	Tomoka
6471	Sunny Hills
6556	Haines Creek
6558	Lake Osborne Estates

**Aqua Utilities Florida  
2007 Full Year Bill Analysis  
Volume 6 Book 1**

Attachment B  
2 of 5

**All Systems**

**Accounting**

<b><u>Unit</u></b>	<b><u>Water System Name</u></b>
6561	Ravenswood
6562	Rosalie Oaks
6564	The Woods
6567	Arrendondo Estates
6568	Arrendondo Farms
6571	Village Water
6574	Jasmine Lakes
6577	Ocala Oaks
6582	Lake Suzy
6589	Lake Josephine
6595	Kings Cove
6596	Summit Chase
6597	48 Estates
6933	Sebring Lakes
	<b><u>Wastewater System Name</u></b>
6386	Rosalie Oaks
6388	The Woods
6389	Arrendondo Farms
6390	Village Water WW
6391	Jasmine Lakes
6392	Lake Suzy
6395	Kings Cove
6396	Summit Chase
6404	Leisure Lakes
6412	Holiday Haven
6415	Morningview
6424	Valencia Terrace
6426	Venetian Village
6430	Palm Terrace
6432	Zephyr Shores
6435	Lake Gibson Estates
6439	Beechers Point
6443	Park Manor
6445	Palm Port
6449	Silver Lake Oaks
6457	Chuluota
6461	FL Central Commerce Park
6468	Jungle Den
6472	Sunny Hills
6831	South Seas

**Aqua Utilities Florida  
2007 Split Year Bill Analysis  
Volume 6, Book 2**

Attachment B  
3 of 5

**Water Systems - Part 1 of 2**

**Accounting**

<b><u>Unit</u></b>	<b><u>System Name</u></b>
6401	Kingswood
6402	Oakwood
6403	Leisure Lakes
6405	Carlton Village
6406	East Lake Harris Estates
6407	Fern Terrace
6408	Friendly Center
6409	Grand Terrace
6410	Hobby Hills
6411	Holiday Haven
6413	Imperial
6414	Morningview
6416	Palms MHP
6417	Picciola Island
6418	Piney Woods
6419	Quail Ridge
6420	Silver Lake Estates
6421	Skycrest
6422	Stone Mountain
6423	Valencia Terrace
6425	Venetian Village
6428	Tangerine
6429	Palm Terrace
6431	Zephyr Shores
6433	Gibsonla Estates
6434	Lake Gibson Estates
6436	Orange Hill
6438	Beechers Point
6440	Hermits Cove
6441	Interlachen Park

**Aqua Utilities Florida  
2007 Split Year Bill Analysis  
Volume 6, Book 2**

Attachment B  
4 of 5

**Water Systems - Part 2 of 2**

**Accounting**

<b><u>Unit</u></b>	<b><u>System Name</u></b>
6444	Palm Port
6446	Pomona Park
6447	River Grove
6448	Silver Lake Oaks
6450	St Johns Highlands
6451	Saratoga Harbor
6453	Wooten
6456	Chuluota
6462	Harmony Homes
6467	Jungle Den
6469	Tomoka
6471	Sunny Hills
6556	Haines Creek
6558	Lake Osborne Estates
6561	Ravenswood
6562	Rosalie Oaks
6564	The Woods
6567	Arrendondo Estates
6568	Arrendondo Farms
6571	Village Water
6574	Jasmine Lakes
6577	Ocala Oaks
6582	Lake Suzy
6589	Lake Josephine
6595	Kings Cove
6596	Summit Chase
6597	48 Estates
6933	Sebring Lakes

**Aqua Utilities Florida  
2007 Split Year Bill Analysis  
Volume 6, Book 3**

**Wastewater Systems**

**Accounting**

<b><u>Unit</u></b>	<b><u>System Name</u></b>
6386	Rosalie Oaks
6388	The Woods
6389	Arrendondo Farms
6390	Village Water WW
6391	Jasmine Lakes
6392	Lake Suzy
6395	Kings Cove
6396	Summit Chase
6404	Leisure Lakes
6412	Holiday Haven
6415	Morningview
6424	Valencia Terrace
6426	Venetian Village
6430	Palm Terrace
6432	Zephyr Shores
6435	Lake Gibson Estates
6439	Beechers Point
6443	Park Manor
6445	Palm Port
6449	Silver Lake Oaks
6457	Chuluota
6461	FL Central Commerce Park
6468	Jungle Den
6472	Sunny Hills
6831	South Seas