

RUTLEDGE, ECENIA, PURNELL & HOFFMAN

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

ORIGINAL

060368-WS

STEPHEN A. ECENIA
RICHARD M. ELLIS
KENNETH A. HOFFMAN
LORENA A. HOLLEY
MICHAEL G. MAIDA
MARTIN P. McDONNELL
J. STEPHEN MENTON

POST OFFICE BOX 551, 32302-0551
215 SOUTH MONROE STREET, SUITE 420
TALLAHASSEE, FLORIDA 32301-1841

TELEPHONE (850) 681-6788
TELECOPIER (850) 681-6515

R. DAVID PRESCOTT
HAROLD F. X. PURNELL
MARSHA E. RULE
GARY R. RUTLEDGE
MAGGIE M. SCHULTZ

GOVERNMENTAL CONSULTANTS
PARSONS B. HEATH
MARGARET A. MENDON

May 2, 2006

RECEIVED - FPSC
MAY - 2 PM 3:52
COMMISSION
CLERK

VIA HAND DELIVERY

Chairman Lisa Polak Edgar
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

RE: Request by Aqua Utility, Inc. d/b/a Aqua Utilities Florida, Inc., Arredondo Utility Company, Inc. d/b/a Aqua Utilities Florida, Inc., Jasmine Lakes Utilities Corporation 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., and Aqua Utilities Florida, Inc. for Rate Increase for Systems in Alachua, Brevard, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia and Washington Counties - Test Year Approval

Dear Chairman Edgar:

Pursuant to Rule 25-30.430, Florida Administrative Code, Aqua Utility, Inc. d/b/a Aqua Utilities Florida, Inc., Arredondo Utility Company, Inc. d/b/a Aqua Utilities Florida, Inc., Jasmine Lakes Utilities Corporation 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., and Aqua Utilities Florida, Inc. (hereinafter collectively referred to as "Aqua Utilities"), hereby request approval of a test year for Aqua Utilities' anticipated application for a rate increase.

The six entities listed above are subsidiaries of Aqua America Inc., which directly or indirectly through subsidiaries, owns and operates water and wastewater utilities in thirteen states. On February 3, 2003, by Order No. PSC-03-0163-FOF-WS, the Commission approved the acquisition by Aqua America, Inc.'s predecessor, Philadelphia Suburban Corporation, of the stock of AquaSource Utility, Inc. ("AquaSource") and resulting transfer of a majority controlling interest in AquaSource's regulated subsidiaries Arredondo Utility Company, Inc., Crystal River Utilities, Inc., Jasmine Lakes Utilities Corporation, Lake Suzy Utilities, Inc., and Ocala Oaks Utilities, Inc. The acquisition of AquaSource closed on July 31, 2003. Subsequently, on April 20, 2004, Aqua Utilities Florida, Inc., one of the six separate legal entities referenced above, entered into an asset

DMP _____
DOM _____
DTR _____
DCR _____
ICL _____
PC _____
CA _____
CR _____
SA _____
FC _____
FH _____

DOCUMENT NUMBER-DATE

03874 MAY-2 06

FPSC-COMMISSION CLERK

purchase agreement with Florida Water Services Corporation ("FWSC") for the purchase of FWSC's land, facilities and certificates in Brevard, Highlands, Lake, Orange, Pasco, Polk, Putnam, Seminole, Volusia, and Washington Counties. 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. Consistent with its efforts to streamline the operational and financial aspects of its Florida systems, Aqua Utilities proposes to consolidate its eighty-one systems into 15 sets of county-wide rates. Concurrent with its anticipated application for a rate increase, Aqua Utilities is in the process of merging the six entities listed above into Aqua Utilities Florida, Inc., a Florida corporation, thereby producing one statewide legal entity. The corporate restructure is anticipated to take place on or before June 1, 2006. In connection with the corporate restructure, Aqua Utilities intends to file an application with the Commission seeking acknowledgment of the corporate restructure and approval for change of name.

Pursuant to Section 367.081, Florida Statutes, Aqua Utilities intends to file an application seeking a rate increase for its systems located in Alachua, Brevard, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia and Washington Counties ("15 County Systems"). Aqua Utilities intends to submit its completed application and supporting Minimum Filing Requirements ("MFRs") on or before July 3, 2006.

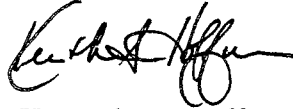
Aqua Utilities proposes a projected year end test year consisting of the twelve months ending December 31, 2006 for its application for a rate increase. Aqua Utilities believes that a projected year end test year is representative of the current operations of the 15 County Systems and will be a representative period to measure cost of service for the purpose of establishing new, prospective rates. Further, Aqua Utilities believes that the use of a projected test year will be more representative than the use of a historical test year due to the extensive capital improvements that have been or will be installed during the projected year.

Within the past 18 months, the 15 County Systems have undergone substantial expansions and/or operational changes, which will be documented in detail in the MFRs. The MFRs will also document that during the requested projected year end test year ending December 31, 2006, Aqua Utilities will make significant capital improvements including, but not limited to, tank rehabilitation and replacement, meter replacement, electrical upgrades, pump replacements, and installation of back-up generators throughout the 15 County Systems. The MFRs will also include pro forma adjustments for increases in payroll, chemicals, purchased power, employee benefits, sludge, various taxes, and capital expenditures.

Aqua Utilities intends to seek county-wide, consolidated rates for its 15 County Systems, and will also be requesting interim rate relief. Aqua Utilities requests that this case be processed using the standard 8 month file and suspend procedure set forth in Section 367.081(6), Florida Statutes and proceed directly to a formal administrative hearing.

Should you or staff have any questions or require any additional information regarding this request, please do not hesitate to contact our office.

Sincerely,



Kenneth A. Hoffman

cc: Ms. Blanca Bayo, Commission Clerk and Administrative Services (Via Hand Delivery)
Mr. Marshall Willis, Florida Public Service Commission (Via Hand Delivery)
Mr. Troy Rendell, Florida Public Service Commission (Via Hand Delivery)
Kathy L. Pape, Esq., Aqua America, Inc. (Via U.S. Mail)
Mr. Jack Schreyer, Aqua America, Inc. (Via U.S. Mail)
Mr. Jack Lihvarcik, Aqua Utilities Florida, Inc. (Via U.S. Mail)
Ms. Nance Guth, Aqua Utilities Florida, Inc. (Via U.S. Mail)