

ORIGINAL

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May 10, 2006

VIA HAND DELIVERY

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

RECEIVED-FPSC
MAY 10 PM 4:34
COMMISSION
CLERK

RE: Docket No. 060368-WS; Request by 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 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 - Revised Test Year Approval

Dear Chairman Edgar:

Pursuant to Rule 25-30.430, Florida Administrative Code, 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 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

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FPSC-COMMISSION CLERK

Utilities Florida, Inc., one of the six separate legal entities referenced above, entered into an asset 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 10, 2006.

Aqua Utilities proposes a projected test year consisting of the twelve months ended December 31, 2007 for its application for a rate increase. Aqua Utilities believes that a full projected 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 throughout the 15 County Systems in 2006 and during the projected year including, but not limited to, tank rehabilitation and replacements, meter replacements, electrical upgrades, pump replacements, and installation of back-up generators.

Within the past 18 months, the 15 County Systems have undergone substantial plant expansions and/or operational changes, which will be documented in detail in the MFRs. The MFRs will also document that during the requested projected test year ended December 31, 2007, Aqua Utilities will make significant capital improvements throughout the 15 County Systems as described above. Attached hereto is a schedule of Aqua Utilities' eighty-one systems by County that will be included in Aqua Utilities' rate increase, and the capital improvements planned to take place for each system during 2006 and 2007. The MFRs will also include pro forma adjustments for increases in payroll, chemicals, purchased power, employee benefits, sludge, various taxes, and capital expenditures.

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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 Telecopier)
Mr. Troy Rendell, Florida Public Service Commission (Via Telecopier)
Stephen C. Reilly, Esq., (via Telecopier)
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)

Aqua Utilities Florida Inc.
2006 and 2007 Capital Expenditures
Initial Budget

\$ Million

Note: The Construction Budget is under review at this time.
Amounts in Rate Case Filing may differ based on updated budgets.

System Description		<u>2006</u>	<u>2007</u>
Lake County			
J. Swiderski-Kings Cove-Sewer	ww	\$ 0.26	\$ 0.08
J. Swiderski-Summit Chase-Sewer	ww	0.07	0.02
Carlton Village	w	0.09	0.01
East Lake Harris Estates	w	0.05	0.01
Fern Terrace	w	0.08	0.06
Friendly Center	w	0.01	0.00
Grand Terrace	w	0.09	0.02
Hobby Hills	w	0.06	0.04
Holiday Haven	w	0.01	0.01
Holiday Haven	ww	0.04	0.04
Imperial Mobile Terrace	w	0.10	0.01
Morningview	w	0.04	0.00
Morningview	ww	0.06	0.17
Palms Mobile Home Park	w	0.07	0.00
Picciola Island	w	0.08	0.03
Piney Woods	w	0.08	0.04
Quail Ridge	w	0.06	0.05
Silver Lake Estate/Western Shores	w	0.22	0.25
Skycrest	w	0.06	0.01
Stone Mountain	w	0.01	0.00
Valencia Terrace	w	0.17	0.08
Valencia Terrace	ww	0.13	0.03
Venetian Village	w	0.24	0.01
Venetian Village	ww	0.11	0.06
Haines Creek-Water	w	0.02	0.01
Ravenswood-Water	w	0.06	0.01
J. Swiderski-Kings Cove-Water	w	0.03	0.03
J. Swiderski-Summit Chase-Water	w	0.07	0.02
J. Swiderski-48 Est-Water	w	0.00	0.04
Total Lake		2.37	1.14
Polk County			
Rosalie Oaks-Sewer	ww	0.31	0.29
Village Water-Sewer	ww	0.87	0.20
Gibsonia Estates	w	0.03	0.04
Lake Gibson Estates	w	0.03	0.02
Lake Gibson Estates	ww	0.13	0.04
Orange Hill / Sugar Creek	w	0.02	0.01
Rosalie Oaks-Water	w	0.03	0.02
Village Water-Water	w	0.03	0.03
Total Polk		1.45	0.65

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System Description		2006	2007
Seminole County			
Chuluota	w	0.18	0.00
Harmony Homes	w	0.02	0.06
Chuluota	ww	5.00	(0.12)
Florida Central Commerce Park	ww	0.17	0.32
Total Seminole		5.37	0.26
Pasco County			
Jasmine Lakes-Sewer	ww	0.39	0.19
Palm Terrace	w	0.06	0.05
Palm Terrace	ww	0.50	0.34
Zephyr Shores	w	0.05	0.01
Zephyr Shores	ww	0.02	0.01
Jasmine Lakes-Water	w	0.09	0.06
Total Pasco		1.11	0.66
Putnam County			
Beecher's Point	w	0.00	0.00
Beecher's Point	ww	0.02	0.06
Hermits Cove	w	0.04	0.02
Interlachen Lakes Estates	w	0.05	0.05
Park Manor	ww	0.05	0.01
Palm Port	w	0.08	0.02
Palm Port	ww	0.12	0.03
Pomona Park	w	0.07	0.02
River Grove	w	0.07	0.09
Silver Lake Oaks	w	0.02	0.04
Silver Lake Oaks	ww	0.06	0.03
St. Johns Highlands	w	0.00	0.00
Welaka / Saratoga Harbour	w	0.16	0.08
Wootens	w	0.04	0.01
Total Putnam		0.78	0.46
Lee County			
South Seas-Sewer	ww	0.60	0.18
Total Lee		0.60	0.18
Marion County			
Ocala Oaks-Water	w	0.36	0.28
Total Marion		0.36	0.28
Washington County			
Sunny Hills	w	0.70	0.59
Sunny Hills	ww	(0.01)	2.89
Total Washington		0.69	3.48

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System Description		<u>2006</u>	<u>2007</u>
Highlands County			
Leisure Lakes	w	0.08	0.02
Leisure Lakes	ww	0.04	0.01
Lake Josephine-Water	w	0.76	0.15
Sebring Lakes-Water	w	0.03	0.02
Total Highlands		0.91	0.20
Volusia County			
Jungle Den	w	0.01	0.01
Jungle Den	ww	0.06	0.11
Tomoka	w	0.09	0.03
Total Volusia		0.16	0.15
Alachua County			
Arredondo Farms-Sewer	ww	0.21	0.05
Arredondo Estates-Water	w	0.04	0.03
Arredondo Farms-Water	w	0.09	0.02
Total Alachua		0.34	0.10
Orange County			
Tangerine	w	0.36	0.09
Total Orange		0.36	0.09
Sumter County			
The Woods-Sewer	ww	0.09	0.03
The Woods-Water	w	0.12	0.14
Total Sumter		0.21	0.17
Palm Beach County			
Lake Osborne Est-Water	w	0.01	0.01
Total Palm Beach		0.01	0.01
Brevard County			
Kingswood	w	0.01	0.01
Oakwood	w	0.01	0.01
Total Brevard		0.02	0.02
Totals All Systems		\$ 14.74	\$ 7.85