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October 19, 2006

VIA HAND DELIVERY

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

RECEIVED-FPSC
OCT 19 PM 12:35
COMMISSION
CLERK

060693-WS

RE: Application 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 Approval of an AFUDC Rate

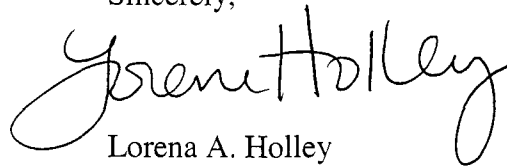
Dear Ms. Bayo:

Enclosed for filing on behalf of 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. ("Aqua Utilities") are the original and fifteen copies of Aqua Utilities' Application for an AFUDC rate.

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,



Lorena A. Holley

Enclosures

RECEIVED & FILED

Man
FPSC BUREAU OF RECORDS

DOCUMENT NUMBER - DATE

09637 OCT 19 06

FPSC-COMMISSION CLFRK

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.

DOCUMENT NUMBER-DATE

09637 OCT 19 06

FPSC-COMMISSION CLERK

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").¹

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

¹ 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.

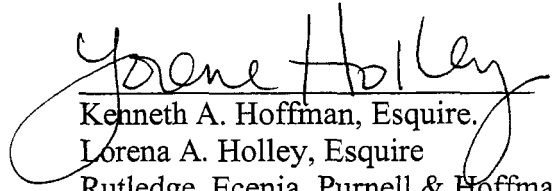
schedules, which are in accordance with the requirements of Rule 25-30.116, Florida Administrative Code.

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 19th 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>	100%	8.02%

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>\$ -</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:

$$8.88\% / 12 = \frac{\text{Monthly Rate}}{0.0074}$$

SCHEDULE C

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

Calculation of monthly AFUDC rate:

$$8.88\% / 12 = \frac{\text{Monthly Rate}}{0.0074}$$

SCHEDULE C

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

Calculation of monthly AFUDC rate:

$$8.02\% / 12 = \frac{\text{Monthly Rate}}{0.006686109}$$

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