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December 21, 2006

Ms. Blanca Bayo, Director
Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center
Room 110
Tallahassee, FL 32399-0850

HAND DELIVERY

RECEIVED - FPSC
06 DEC 21 PM 12:38
COMMISSION
CLERK

Re: Petition by Aqua Utilities Florida, Inc. for Establishment of an AFUDC Rate *060819-WS*

Dear Ms. Bayo:

Enclosed for filing on behalf of Aqua Utilities Florida, Inc. ("AUF") is the original and fifteen copies of a Petition for Establishment of 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,

Kenneth A. Hoffman
Kenneth A. Hoffman

KAH/rl
Enclosures
cc: Kathy L. Pape, Esq.

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[Signature]
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

11653 DEC 21 06

FPSC-COMMISSION CLERK

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition by Aqua Utilities Florida, Inc.)
for Establishment of an AFUDC Rate.)

Docket No. 060819-WS
Filed: December 21, 2006

PETITION FOR ESTABLISHMENT OF AN AFUDC RATE

Aqua Utilities Florida, Inc. ("AUF"), by and through its undersigned counsel, and pursuant to Chapter 367, Florida Statutes, and Rule 25-30.116, Florida Administrative Code, hereby requests the Florida Public Service Commission ("Commission") to establish a uniform 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, AUF states as follows:

APPLICANT INFORMATION

1. The names and mailing address of the Applicant is:

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
Marsha E. Rule, Esquire
Rutledge, Ecenia, Purnell & Hoffman, P.A.
P.O. Box 551
Tallahassee, Florida 32302-0551
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and

DOCUMENT NUMBER-DATE

11653 DEC 21 06

FPSC-COMMISSION CLERK

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 Applicant is a wholly-owned subsidiary of its 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.

**BACKGROUND INFORMATION REGARDING CORPORATE REORGANIZATION
AND PREVIOUSLY REQUESTED AFUDC RATE**

4. 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., Ocala Oaks Utilities, Inc. d/b/a Aqua Utilities Florida, Inc. and AUF recently underwent a corporate reorganization wherein AUF became the sole shareholder and owner of the 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 owned by AUF and the heretofore named other Aqua America subsidiaries.

The corporate reorganization, placing full ownership of all 80 systems in AUF, took effect on October 13, 2006. The Commission acknowledged the Corporate reorganization and approved the name change for the non-AUF systems pursuant to Order No. PSC-06-0973-FOF-WS issued November 22, 2006.

5. In Docket No. 060693-WS, the six above-styled separate Aqua America-owned entities filed a Petition for Establishment of an AFUDC rate effective as of January 1, 2006. The Commission has not yet ruled on that Petition.

THE PRESENTLY REQUESTED AFUDC RATE

6. Through this application, AUF seeks approval from the Commission for a consolidated AFUDC rate for its 80 water and wastewater systems to be effective October 13, 2006, pursuant to the criteria established by Rule 25-30.116, Florida Administrative Code. The calculation of the appropriate new consolidated AFUDC rate for these systems is set out in the attached supporting schedules, which were developed in accordance with the requirements of Rule 25-30.116, Florida Administrative Code.

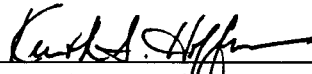
7. Composite Schedule "A," attached hereto, shows the capital structure, cost rates, and weighted average cost of capital used to derive the new annual uniform AFUDC rate of 7.90% calculated pursuant to Rule 25-30.116(2), Florida Administrative Code. Composite Schedule "B," attached hereto, shows the capital structure adjustments including the unadjusted capital structure, reconciling adjustments and adjusted capital structure amounts used in the development of the new, uniform AFUDC rate of 7.90% calculated pursuant to Rule 25-30.116(2), Florida Administrative Code. Composite Schedule "C," attached hereto, shows the calculation of the monthly AFUDC rate using the methodology set forth in Rule 25-30.116, Florida Administrative Code.

WHEREFORE, AUF respectfully requests that the Commission:

- A. Approve AUF's request for a uniform annual AFUDC rate of 7.90% as supported in the attached Schedules;

- B. Order that the approved AFUDC rate shall be effective as of October 13, 2006; and
- C. Grant such other relief as appropriate.

Respectfully submitted this 21st day of December, 2006.



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SCHEDULE A

Aqua Utilities Florida, Inc.

For the 12 month average capitalization at September 30, 2006

	Adjusted Amount	Weighted %	Embedded Cost Rate
L-T Debt	\$ 7,915,339.71	36.6%	6.00%
S-T Debt	\$ -	0.0%	N/A
Cust. Deposits	\$ 247,095.06	1.1%	6.00%
Deferred Taxes	\$ 1,430,380.34	6.6%	0.00%
Equity	\$ 12,032,593.02	55.6%	10.12%
	<u>\$ 21,625,408.12</u>	100%	7.90%

SCHEDULE B

Aqua Utilities Florida, Inc.

For the 12 month average capitalization at September 30, 2006

Schedule showing capital structure adjustments:

9/30/2005	9/30/2006		Unadjusted Amount	Adjustments	Adjusted Amount
\$ -	\$ -	L-T Debt	\$ -	\$ 7,915,339.71	\$ 7,915,339.71
-	-	S-T Debt	\$ -	-	\$ -
243,533.75	250,656.36	Cust. Deposits	\$ 247,095.06	-	\$ 247,095.06
(34,081.03)	(75,181.27)	Deferred Taxes	\$ (54,631.15)	1,485,011.49	\$ 1,430,380.34
19,075,770.41	20,820,095.05	Equity	\$ 19,947,932.73	(7,915,339.71)	\$ 12,032,593.02
<u>\$ 19,285,223.13</u>	<u>\$ 20,995,570.14</u>		<u>\$ 20,140,396.64</u>	<u>\$ 1,485,011.49</u>	<u>\$ 21,625,408.12</u>

Deferred Taxes To adjust the average deferred taxes balance consistent with the December 2006 adjusting journal entry, which corrected the deferred tax balance consistent with the latest tax return.

L T Debt Record the push down of L T debt to Aqua Utilities Florida, Inc. for the regulated systems. The entry is a Dr. to equity and a Cr. To L T Debt for 39.68% of the book equity.

SCHEDULE C

Aqua Utilities Florida, Inc.

Calculation of monthly AFUDC rate:

7.90% / 12

=

Monthly
Rate

0.006579623