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Public Service Commission

June 20, 2008

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COMMISSION
CLERK

Mr. D. Bruce May, Esquire
Holland & Knight, LLP
P.O. Drawer 810
Tallahassee, FL 32302-0810

Re: Docket No. 080121-WS - Application for increase in water and wastewater rates in Alachua, Brevard, Desoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

Dear Mr. May:

We have reviewed the minimum filing requirements (MFRs) submitted on May 22, 2008, on behalf of Aqua Utilities Florida, Inc. (AUF or Utility). After reviewing this information, we find the MFRs to be deficient. The specific deficiencies are identified below:

Rule 25.30-110(2), Administrative Code (F.A.C.), requires that a utility shall furnish the Commission with any information concerning the utility's facilities or operation that the Commission may request and require for determining rates or judging the practices of the utility. All such data, unless otherwise specified, shall be consistent with and reconcilable with the utility's annual report to the Commission. Numbers 1 through 15 of the following list are deficiencies pursuant to this rule for the respective systems listed.

1. Schedule A-5, Water Plant in Service By Primary Account
(Kings Cove, Summit Chase, and Palm Terrace)
2. Schedule A-6, Sewer Plant in Service By Primary Account
(Kings Cove)
3. Schedule A-8, Schedule of Water and Sewer Accumulated Depreciation
(Hermits Cove, Interlachen Lake, Sunny Hills, Ravenswood, Arrendondo Estates/Farms, Oakwood, Carlton Village, East Lake Harris Estates, Fern Terrace, Zephyr Shores, Interlachen Lake/Park Manor, and Beecher's Point)

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4. Schedule A-9, Schedule of Water Accumulated Depreciation By Primary Account
(Silver Lake Oaks, Chuluota, Arrendondo Estates/Farms, Oakwood, Carlton Village, East Lake Harris Estates, Fern Terrace, Grand Terrace, Haines Creek, 48 Estates, Summit Chase, Valencia Terrace, Morningview, Picciola Island, Silver Lake Estates/Western Shores, Skycrest, Stone Mountain, Piney Woods, Quail Ridge, Palms Mobile, Jasmine Lakes, Palm Terrace, Zephyr Shores, Interlachen Lake/Park Manor, and Beecher's Point)
5. Schedule A-10, Schedule of Sewer Accumulated Depreciation By Primary Account
(Chuluota, Arrendondo Estates/Farms, Holiday Haven, Kings Cove, Summit Chase, Valencia Terrace, Morningview, Jasmine Lakes, Palm Terrace, and Beecher's Point)
6. Schedule A-13, Schedule of Water and Sewer Accumulated Amortization of CIAC
(Arrendondo Estates/Farms, Oakwood, Carlton Village, East Lake Harris Estates, and Fern Terrace)
7. Schedule A-14, Schedule of Water and Sewer Accumulated Amortization –CIAC
(Silver Lake Oaks, FL Central Commerce Park, Wootens, Arrendondo Estates/Farms, Oakwood, Carlton Village, East Lake Harris Estates, Fern Terrace, Jasmine Lakes, Palm Terrace, Zephyr Shores, Interlachen Lake, Park Manor, and Beecher's Point)
8. Schedule A-18, Comparative Balance Sheet – Assets
This balance sheet is for AUF on a consolidated basis. For the 2006 year-end, the utility's balances for cash and total deferred debits do not tie to its annual report. For the 2007 year-end, the utility's balances for accumulated depreciation, other physical property, and materials & supplies do not tie to its annual report.
9. Schedule A-19, Comparative Balance
This balance sheet is for AUF on a consolidated basis. For the 2007 year-end, the utility's balances for additional paid in capital, retained earnings, customer deposits, miscellaneous current & accrued liabilities, other deferred credits and operating reserves, and accumulated amortization of CIAC do not tie to its annual report.
10. Schedule B-1, Schedule of Water Net Operating Income
Operation & Maintenance (Park Manor)
Taxes Other Than Income (Oakwood and Fern Terrace)
Provision for Income Taxes (Silver Lake Oaks, Chuluota, Wootens, Welaka/Saratoga Harbour, River Grove, and Pomona Park, Palm Port, The Woods, Tomoka/Twin Rivers, Jungle Den, Friendly Center, Grand Terrace, Haines Creek, Holiday Haven, Imperial Mobile Terrace, 48 Estates, Kings Cove, Summit Chase, Valencia Terrace, Morningview, Piccola Island, Silver Lake Estates/Western Shores, Skycrest, Stone Mountain, Piney Woods, Quail Ridge, Palms Mobile, and Jasmine Lakes)
11. Schedule B-2, Schedule of Sewer Net Operating Income
Provision for Income Taxes (Silver Lake Oaks, Chuluota, FL Central Commerce Park, Harmony Homes, St. John's Highlands, Palm Port, The Woods, Jungle Den ,Holiday Haven, Kings Cove, Summit Chase, Valencia Terrace, and Jasmine Lakes)

12. Schedule B-6, Detail of Operation & Maintenance Expenses By Month – Sewer (Park Manor)
13. Schedule B-15, Taxes Other Than Income
Property Taxes – (Jasmine Lakes)
14. Schedule E-2w, Revenue Schedule at Present and Proposed Rates
Specifically, the gallons of water sold does not match the annual report for the following systems: Palm Port, Tomoka/Twin Rivers, and Jungle Den.
15. Schedule F-1, Gallons of Water Pumped, Sold and Unaccounted For
Specifically, the gallons of water sold does not match the annual report for the following systems: Palm Port, Tomoka/Twin Rivers, and Jungle Den.

Rule 25-30.431, F.A.C., addresses used and useful considerations. Numbers 16 and 17 below are deficiencies pursuant to this rule for the respective systems listed. Rule 25-30.431(2)(c), F.A.C., requires the utility to submit a linear regression analysis using average ERCs for the last 5 years. The utility may submit other information that will affect growth in ERCs.

16. The utility failed to provide the standard linear regression analysis based on the 5 years growth reflected on Schedules F-9 and F-10.

Rule 25-30.431(3), F.A.C., requires, as part of an application filed pursuant to Rule 25-30.437, F.A.C., the Utility to submit its most recent wastewater capacity analysis report, if any, filed with DEP. Based on the capacities reflected on MFR Schedule F-6 for AUF's respective wastewater systems, it appears that the Utility would have been required to file either an initial or updated capacity analysis reports for some of its wastewater systems, pursuant to Rule 62-600.405, F.A.C.

17. AUF did not submit any wastewater capacity analysis reports.

Rule 25-30.437, F.A.C., requires that each utility applying for a rate increase shall provide the information required by Commission Form PSC/ECR 19 (11/93), entitled "Class A Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements." Numbers 18 through 31 of the following list are deficiencies pursuant to this rule.

18. Schedule B-3, Schedule of Adjustments to Operating Income
The utility is required to provide a detailed description of all adjustments to operating income per books, with a total for each line item shown on the net operating income statement.

Welaka/Saratoga Harbour

A. The total amount for all the detailed adjustments shown on Schedule B-3, Page 1 of 4, Column 2, Lines 8 through 40, equals \$1,007. However, AUF reflects (\$12,313) on Schedule, B-3, Page 1 of 4, Line 43, which is also reflected on Schedule B-1, Column 3, Line 2. If the (\$12,313) amount is the correct total adjustment, the utility failed to provide a detailed description of all adjustments to operating income per books as required on Schedule B-3. If

the \$1,007 amount is the correct total adjustment, the Utility should revise its Schedule B-1 accordingly.

B. The total amount for all the detailed adjustments shown on Schedule B-3, Page 3 of 4, Column 2, Lines 4 through 43, equals \$4,831. However, AUF reflects \$5,330 on Schedule B-1, Column 5, Line 2. If the \$5,330 amount is the correct total adjustment, the utility failed to provide a detail description of all adjustments to operating income per books as required on Schedule B-3. If the \$4,831 amount is the correct total adjustment, the Utility should revise its Schedule B-1 accordingly.

Interlachen Lake Estates

A. The total amount for all the detailed adjustments shown on Schedule B-3, Page 1 of 4, Column 2, Lines 8 through 40, equals \$11,769. However, AUF reflects \$6,759 on Schedule B-3, Page 1 of 4, Line 43 which is also reflected on Schedule B-1, Column 3, Line 2. If the \$6,759 amount is the correct total adjustment, the utility failed to provide a detail description of all adjustments to operating income per books as required on Schedule B-3. If the \$11,769 amount is the correct total adjustment, the Utility should revise its Schedule B-1 accordingly.

B. The total amount for all the detailed adjustments shown on Schedule B-3, Page 3 of 4, Column 2, Lines 4 through 43, equals \$8,066. However, AUF reflects \$8,181 on Schedule B-1, Column 5, Line 2. If the \$8,181 amount is the correct total adjustment, the utility failed to provide a detailed description of all adjustments to operating income per books as required on Schedule B-3. If the \$8,066 amount is the correct total adjustment, the Utility should revise its Schedule B-1 accordingly.

19. Schedule B-7, Operation & Maintenance Expense Comparison – Water

The utility is required to provide an explanation of all differences which are not attributable to the change in customer growth and the CPI-U.

Haines Creek - No explanation was provided for Chemicals on Schedule B-7 Supl.

Imperial Mobile Terrace - No explanation was provided for Contractual Services – Testing on Schedule B-7 Supl.

Jasmine Lakes - No explanations were provided for Schedule B-7 Supl.

20. Schedule B-8, Operation & Maintenance Expense Comparison – Sewer

The utility is required to provide an explanation of all differences which are not attributable to the change in customer growth and the CPI-U.

Sunny Hills: (WW) No explanation was provided for Bad Debt Expense on B-8 Supl.

FL Central Commerce Park (WW) No explanations were provided for Schedule B-8 Supl.

Morningview (WW) No explanations were provided for Contractual Services – Legal and Contractual Services - Testing on Schedule B-8 Supl.

21. Schedule D-2, Reconciliation of Capital Structure to Requested Rate Base

The schedule submitted for the utility's Zephyr Shores is not legible. AUF should submit a legible schedule for its Zephyr Shores system.

22. Schedule E-2, Revenue Schedule at Present and Proposed Rates
Schedule F-9, Equivalent Residential Connections – Water
Schedule F-10, Equivalent Residential Connections - Wastewater

With regard to Schedules E-2w and E-2s, the utility is required to provide a calculation of water and wastewater revenues, respectively, at present and proposed rates using the billing analysis. For all systems, the number of customers on the E-2 schedules do not match the number customers reflected on Schedules F-9 and F-10.

23. Schedule E-2, Revenue Schedule at Present and Proposed Rates

The utility is required to provide a calculation of revenues at present and proposed rates using the billing analysis (Schedule E-14).

A. The number of billing determinants presented on Schedule E-2 does not match the corresponding number of billing determinants from Schedule E-14 for the following systems:

(Valencia Terrace wastewater, Venetian Village water and wastewater, Palm Terrace water and wastewater, Zephyr Shores water and wastewater, Gibsonia Estates, Lake Gibson Estates water, Beecher's Point water and wastewater, Interlachen Park wastewater, Lake Josephine, Sunny Hills water and wastewater, Jasmine Lakes water and wastewater, Lake Suzy water and wastewater, Tomoka, Arrendondo Farms, Arrendondo Farm/Estates, Chuluota water and wastewater, FL Central, Village water and wastewater, and Kings Cove water)

B. The utility provided billing determinants for one or more meter sizes on Schedule E-2; however, it did not provide Schedule E-14 for Arrendondo Farm/Estates and Jasmine Lakes (water).

C. The sum of the split period billing determinants and consolidated factors from Schedule E-14 do not match the corresponding information from the full period Schedule E-14 provided. This affects the following systems: Ocala Oaks, Sunny Hills water, and Chuluota wastewater.

24. Schedule E-3, Customer Monthly Billing Schedule

The utility is required to provide a schedule of monthly customers billed or served by class. However, the annual bills totals from Schedule E-3 do not match the corresponding number of annual bills presented on Schedule E-2 for the following water and/or wastewater systems:

(Kingswood, Oakwood, Leisure Lakes water and wastewater, Carlton Village, East Lake Harris, Fern Terrace, Friendly Center, Grand Terrace, Hobby Hills, Holiday Haven water and wastewater, Imperial, Morningview water and wastewater, Palms Mobile Home Park, Picciola Island, Piney Woods, Quail Ridge, Silver Lake Estates/Western Shores, Skycrest, Valencia Terrace water and wastewater, Venetian Village, Tangerine, Palm Terrace, Zephyr Hills, Gibsonia Estates, Lake Gibson Estates, Orange Hill, Beecher's Point, Hermits Cove, Interlachen Park, Ocala Oaks, Lake Josephine, Wootens, Haines Creek, Sunny Hills water and wastewater, Summit Chase water and wastewater, Jasmine Lakes water and wastewater, Lake Suzy water

and wastewater, Tomoka, Chuluota water and wastewater, Palm Port water and wastewater, River Grove, Arrendondo Farm/Estates, Arredondo Farms, St. John's Highlands, Pomona Park, Welaka, South Seas, Ravenswood, Sebring, Lake Osborne, Harmony Homes, FL Central, Village Water water and wastewater, The Woods water and wastewater, Rosalie Oaks water and wastewater, Silver Lakes water and wastewater, Kings Cove water and wastewater, and Jungle Den wastewater)

25. Schedule E-14, Billing Analysis Schedule

For every system filed, all pages (full and split periods) of all Schedule E-14s are deficient. Every page is missing the following required information: 1) the name of the utility; 2) the docket number; 3) the test period; 4) designation of whether the page relates to water or wastewater; 5) the words "The Florida Public Service Commission;" 6) "Page x of x"; 7) the name of the person who prepared the schedule; 8) the reversed bills column; and 9) the percentage of consolidated factor column.

26. Schedule F-1, Gallons of Water Pumped, Sold and Unaccounted For

If the unaccounted for water is greater than 10%, the utility is required to provide an explanation as to the reasons why.

The utility failed to provide an explanation for the following systems: Holiday Haven, Arrendondo Estates, Beecher's Point, Lake Osborne, Interlachen Lake, Pomona Park, Welaka /Saratoga Harbour, Wootens, Chuluota, Haines Creek, Harmony Homes, Hobby Hill, Leisure Lakes, Sebring Lakes, and Summit Chase Imperial Mobile Terrace, Picciola Island, Piney Woods, Silver Lakes/Western Shores..

27. Schedule F-2, Gallons of Wastewater Treated

Schedule F-10, Equivalent Residential Connections – Wastewater

The utility is required to reflect the total wastewater gallons treated for the historical test year on Schedule F-2. The utility is also required to reflect the total wastewater gallons treated for the historical test year on Schedule F-10. For its wastewater systems, the utility's total gallons of wastewater treated for the test year on Schedule F-2 does not match the total gallons reflected on Schedule F-10.

28. Schedule F-3, Water Treatment Data

The utility is required to provide documentation to support the required fire flow. The utility failed to provide any documentation for all of its water systems.

29. Schedule F-5, Used and Useful Calculations Water Treatment Plant

Schedule F-6, Used and Useful Calculations Wastewater Treatment Plant

The utility is required to provide all calculations, analyses and governmental requirements used to determine the used and useful percentages for the water and wastewater treatment plants for the historical test year. The utility did not provide an explanation given for margin reserve ratio. The utility should provide documentation needed to support margin reserve ratio and state how it relates to growth reflected on Schedules F-8, F-9, and F-10. In addition,

it is unclear where the used and useful calculations on Schedule F-6 is for both interim and final purposes. If the calculation is only for final purposes, the utility should provide its interim wastewater used and useful calculations.

30. Schedule F-7, Used & Useful Calculations Distribution and Collection Systems

For systems with water distribution and wastewater collection systems that are not built out the utility is required to explain all assumptions for projected calculations. For each applicable system, the utility compared projected ERCs at 2012 with the lots fronting the mains. The utility failed to explain why it is appropriate to compare ERCs and lots fronting the mains.

**31. Schedule F-7, Used & Useful Calculations Distribution and Collection Systems
Schedule F-8, Margin Reserve Calculations**

On Schedule F-7, the utility is required to provide all calculations, analyses and governmental requirements used to determine the used and useful percentages for the water distribution and wastewater collection systems. On Schedule F-8, if a margin reserve is requested, the utility is required to provide all calculations and analyses used to determine the amount of margin reserve for each portion of used and useful plant.

For virtually all systems, the projected 2012 ERCs are not matching on Schedules F-7 and F-8. In addition, if AUF intends to use ERCs for the customers, the utility should explain why it is not using the ERCs from the maps for the respective systems.

**32. Schedule F-8, Margin Reserve Calculations
Schedule F-9, Equivalent Residential Connections – Water
Schedule F-10, Equivalent Residential Connections – Wastewater**

On Schedule F-8, if a margin reserve is requested, the utility is required to provide all calculations and analyses used to determine the amount of margin reserve for each portion of used and useful plant. On Schedules F-9 and F-10, the utility is required to provide information in order to calculate the average growth in ERCs for the last five years, including the test year. With regard to Schedule F-8, the utility failed to provide an explanation for the basis of its trended ERCs and the growth does not match the growth on Schedules F-9 and F-10.

Rule 25-30.440, F.A.C., requires that each utility applying for a rate increase shall provide two copies of the following engineering information to the Commission, with the exception of item (1) of which only one copy is required. Numbers 333 through 36 of the following list are deficiencies pursuant to this rule. Rule 25-30.440(1), F.A.C., requires the utility to provide a detailed map, (a) showing the location and size of the applicant's distribution and collection lines as well as its plant sites; (b) and the location and respective classification of the applicant's customers.

33. The dark blue triangles for the commercial customers looks just like the black triangles for the residential customer classification. Thus, the utility should modify its maps to clearly distinguish the respective classification of customers for each of its systems.

34. The utility did not provide a map for its St. John's Highlands system.

Rule 25-30.440(3), F.A.C., requires the utility to provide the most recent chemical analysis for each water system conducted by a certified laboratory covering the inorganic, organic turbidity, microbiological, radionuclide, secondary and unregulated contaminants specified in Chapter 17-550, F.A.C.

35. The applicant did not provide the chemical analyses required by this rule for its Jungle Den system.

Rule 25-30.440(5), F.A.C., requires the utility to provide the most recent sanitary survey for each water plant and inspection report for each wastewater plant conducted by the health department or the Department of Environmental Protection (DEP).

36. The applicant did not provide any water sanitary surveys or wastewater inspection reports for its Jasmine Lakes and Wootens systems.

Rule 25-30.440(6), F.A.C., requires the utility to provide all health department and DEP construction and operating permits.

37. The applicant did not provide any permits for its Tomoka/Twin Rivers and Gibsonia systems.

Rule 25-30.437, F.A.C., requires that each utility applying for a rate increase shall provide the information required by Commission Form PSC/ECR 19 (11/93), entitled "Class A Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements." With regard to Schedule E-1, the utility is required to provide its present rates.

38. The utility failed to provide its present for all its systems.

Moreover, although not a deficiency by rule, please note the following identified error: Rosalie Oaks - no wastewater gallonage cap was proposed for its residential customers. The utility may want to correct this error.

Please be advised that it is the utility's burden to support its case. If any above corrections require a corresponding change to any MFR schedules, those corrected schedules must also be submitted. Since AUF has requested that this application be scheduled for a formal administrative hearing rather than the Proposed Agency Action procedure, the Commission must not withhold consent to the rate request no later than 8 months following the date of filing. The utility has waived the 8-month statutory deadline to March 3, 2009. Therefore, these corrections should be submitted no later than July 21, 2008 in order to meet this current statutory deadline.

Mr. D. Bruce May

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If you have any questions, please do not hesitate to contact Bart Fletcher, at (850) 413-7017 or Cheryl Bulecza-Banks at (850) 413-6642.

Sincerely,



Timothy Devlin
Director

TD:sbf

cc: Office of Commission Clerk (Docket No. 080121-WS)
Office of the General Counsel (Jaeger, Fleming, Klancke, Saylor)
Division of Economic Regulation (Billingslea, Bruce, Bulecza-Banks, Crawford, Daniel,
Deason, Edwards, Lingo, Hudson, Mouring, Redemann, Rieger, Roberts, Stallcup,
Walden, Willis, Wright)
Office of Public Counsel