

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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COMMISSION
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In Re: 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.)
_____)

DOCKET NO. 080121-WS
FILED: November 21, 2008

**AQUA UTILITIES FLORIDA, INC.'S
AMENDED PREHEARING STATEMENT**

Aqua Utilities Florida, Inc. ("AUF"), pursuant to Order No. PSC-08-0429-PCO-WS, as revised by Order No. PSC-08-0536-PCO-WS, and Florida Administrative Code 106.209, files its Prehearing Statement in the above-captioned docket, and states:

(1) AUF Witnesses

AUF intends to call the following witnesses:

Witness Name/Title	Subject	Issues
Stephen Anzaldo Treasurer of Aqua America, Inc.	Capital Structure	24, 25, 27, 28, and 29
Dan Franceski Independent Consultant	Calculation of AUF's Proposed Rates	59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69 and 70
Christopher H. Franklin Regional President of Southern Operations of Aqua America, Inc.	General Overview; Quality of Service	1
Robert Griffin Senior Manager of Regulatory Accounting of Aqua America, Inc.	AUF's Rate Base; Plant in Service; Resolution of Prior Rate Base Audit Findings; Intra- Florida Plant Allocations; Pro- Forma Plant Adjustments; Cash Working Capital; Depreciation; CIAC.	2, 3, 4, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 26 and 56

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Witness Name/Title	Subject	Issues
John Guastella President, Guastella Associates, Inc.	Used and Useful Analysis	5, 6, 7, 8, 9, 10, 11, 12 and 13
John Lihvarcik President and COO of AUF	Quality of Service; AUF's Operations; Capital Additions and Capital Projects; Service Availability Charges; AFPI	1, 41, 45 and 48
Preston Luitweiler Vice President and Chief Environmental Officer of Aqua Services, Inc.	Quality of Service	1
Paul Moul Managing Consultant Moul & Associates	Leverage Formula; Cost of Capital	24, 25, 28 and 29
Gary Prettyman Principal of AUS Consultants	Billing Analysis	30
David Smeltzer CFO of Aqua America, Inc.	Consolidated Rate Structure; Interim Rate Proposal; Water Used Refreshed Analysis; Water Conservation Rate Block Structure	60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 72, 73, 74 and 75
Stan F. Szczygiel Controller of Southern Region of Aqua America, Inc.	General Overview; Operations and Maintenance ("O&M") Expenses; Rate Case Expense, Normalization Adjustments, Pro Forma Adjustments to O&M	14, 15, 17, 18, 19, 20, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 66, 69 and 71

AUF reserves the right to present additional witnesses, to address issues which have not been previously raised by the parties, the Commission Staff, or the Commission.

(2) Exhibits

AUF will sponsor as exhibits the original "Application for increase in water and wastewater rates" with all attachments thereto including, but not limited to, the Minimum Filing

Requirements (“MFRs”), along with all exhibits prefiled with its direct and rebuttal testimony.

A listing of all known exhibits that AUF intends to sponsor at this time are:

Witness	Exhibit	Description	MFR
Stephen F. Anzaldo	SFA-1	AUF Capital Structure	Schedules A-18 & A-19; D-1 through D-7; C-8; and, G-6
Daniel F. Franceski	DTF-1	Schedule showing rates of each system comparing: 1) rates before filing; 2) stand alone system rates assuming no consolidation; 3) proposed consolidated rates; 4) interim rates with and without proposed recovery mechanism; and, 5) rates for wastewater only service	
Daniel F. Franceski	DTF-2	Rate Calculations	
Daniel F. Franceski	DTF-3	Summary Worksheet	
Christopher H. Franklin	CHF-1	Customer Issue Matrix	
Christopher H. Franklin	CHF-2	Customer Letters	
Christopher H. Franklin	CHF-3	Issue Summary Chart	
Christopher H. Franklin	CHF-4	Chuluota Test Results	
Christopher H. Franklin	CHF-5	Correspondence with Oviedo	
Christopher H. Franklin	CHF-6	CSR Evaluation Form	
Christopher H. Franklin	CHF-7	Customer Satisfaction Survey	

Witness	Exhibit	Description	MFR
Christopher H. Franklin	CHF-8	CRS Performance Chart	
Christopher H. Franklin	CHF-9	Customer Compliments Summary	
Robert M. Griffin	RMG-1	List of Water and Wastewater Systems Included in Rate Case	Schedules A-1 through A-6; A-8 through A-17; B-13 & B-14; G-2 & G-3.
Robert M. Griffin	RMG-2	Schedule of Previous Commission Staff Rate Base Adjustments Recorded on AUF's Books in December 2007	
Robert M. Griffin	RMG-3	Reconciliation of the December 31, 2007 Rate Base Balances to the 2007 Annual Reports	
Robert M. Griffin	RMG-4	Listing of Computer Equipment Residing in an AUF Administrative Location Allocated to Florida Locations.	
Robert M. Griffin	RMG-5	Listing of All Pro-Forma Plant Adjustments	
Robert M. Griffin	RMG-6	AUF Responses to Audit Findings	
Robert M. Griffin	RMG-7	FPSC Order No. 97-0540-FOF-WS	
Robert M. Griffin	RMG-8	RF Meter Contract and Awarded Bid	
Robert M. Griffin	RMG-9	Jasmine Lakes Wastewater Treatment Plant Contracts	
Robert M. Griffin	RMG-10	Schedule on Updates Capital Additions	
John F. Guastella	JFG-1	Schedules	Schedules: A-1 through A-3; A-5 through A-7; A-9 & A-10; A-12; A-

Witness	Exhibit	Description	MFR
			14; B-13 & B-14; F-5 through F-10; and, G-2
John M. Lihvarcik	JML-1	Listing of AUF Water and Wastewater Systems by County	Schedules: B-3; E-4; E-6 through E-8; E-10 & E-11; F-1 through F-4 of Volume 1 Volume 2, Schedules B, C and D of Volume 3, Volume 4, and Volume 5
John M. Lihvarcik	JML-2	Description of each AUF Water and Wastewater System	
John M. Lihvarcik	JML-3	Staffing Chart	
John M. Lihvarcik	JML-4	Summary by Saje	
Preston Luitweiler	PL-1	Dr. James Taylor Report	
Paul R. Moul	PRM-1	Educational Background	
Paul R. Moul	PRM-2	FPSC Memo Regarding Leverage Formula Statute	
Gary S. Prettyman	Appendix A to Direct Testimony of Gary S. Prettyman	Professional Qualifications	Schedules E-2 and E-14
Gary S. Prettyman	Attachment B to Direct Testimony of Gary S. Prettyman	Accounting Units for Bill Analysis	
Gary S. Prettyman	GSP-1	Lake Gibson Estates Schedule	

Witness	Exhibit	Description	MFR
David P. Smeltzer			Schedules E-1 and G-1
Stan F. Szczygiel	SS-1	Commission Dockets and Orders Establishing Rates for Each System	Schedules B-1 through B-12; B-15; C-1 through C-7; C-9 & C-10; E-3 through E-5; E-9; G-4 & G-5; and Appendix 1
Stan F. Szczygiel	SS-2	Summary of and Sponsors for MFRs	
Stan F. Szczygiel	SS-3	Normalization Adjustments Summary	
Stan F. Szczygiel	SS-4	Pro Forma Expenses Adjustments Summary	
Stan F. Szczygiel	SS-5	Non-Utility Invoices	
Stan F. Szczygiel	SS-6	Lake Suzy Wastewater Land Lease	
Stan F. Szczygiel	SS-7	Listing of Normalization Workpapers	
Stan F. Szczygiel	SS-8	Allocation of Payroll Taxes	
Stan F. Szczygiel	SS-9	Normalized Service company Headcount	

Witness	Exhibit	Description	MFR
Stan F. Szczygiel	SS-10	Normalization Adjustment ACO costs	
Stan F. Szczygiel	SS-11	Recalculation of Dismukes Wage Increase	
Stan F. Szczygiel	SS-12	Market Base Study	
Stan F. Szczygiel	SS-13	Carl Smith Timesheets	
Stan F. Szczygiel	SS-14	Confidential Executive Compensation Analysis	
Stan F. Szczygiel	SS-15	Cost Analysis	
Stan F. Szczygiel	SS-16	FWSC Spreadsheet (Pre-Appeal)	
Stan F. Szczygiel	SS-17	FWSC Spreadsheet (Post-Appeal)	
Stan F. Szczygiel	SS-18	Comparative Cost Review	

Witness	Exhibit	Description	MFR
Stan F. Szczygiel	SS-19	Tank Inspections	
Stan F. Szczygiel	SS-20	Bad Debt Spreadsheet	
Stan F. Szczygiel	SS-21	Pro Forma Workpapers Listing	
Stan F. Szczygiel	SS22	Pro Forma Worksheets	
Stan F. Szczygiel	SS-23	Audit Response	
Stan F. Szczygiel	SS-24	Rate Case Expense	

AUF may utilize other documents as exhibits at the time of hearing, either during cross examination or as further impeachment or rebuttal exhibits, and the precise identification of such documents cannot be determined at this time.

(3) AUF's Statement of Basic Position

AUF currently operates 57 water utility systems and 25 wastewater systems in the following Florida counties: Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington. None of those

systems have had a rate case or a base rate increase in over twelve years. Since last rates were established with these systems, AUF has invested a significant level of capital to enhance its quality of service and to comply with applicable federal, state and local regulations. In addition, AUF has continued to experience increases in costs and operating expenses.

Despite ongoing efforts to control expenses and enhance revenues, AUF has continued to experience declining rates of return. The decision to seek additional revenues was not an easy one to make, but was one that was required in order for AUF to be able to continue reasonable, sufficient, adequate and efficient service to its customers and to maintain the financial integrity of AUF, which makes the provision of quality service at reasonable rates possible. Using the historic year 2007 as the test year, AUF has determined a need for increased annual water revenues in the amount of \$4,518,353 and an increase in annual wastewater revenues in the amount of \$3,856,179. The rate relief requested provides AUF with the ability to provide adequate and efficient service and an opportunity to earn a fair rate of return on its investment.

In addition, AUF requests that the Commission approve a state-wide uniform rate structure, which includes uniform tariff pricing and a single cost of service, that will result in rates that are more affordable over time than those resulting from stand-alone rates.

(4) Issues & AUF's Positions

The following are issues identified by AUF and its positions on these issues.

QUALITY OF SERVICE

ISSUE 1: Is the quality of service provided by the Utility satisfactory, and if not, what action should be taken by the Commission?

POSITION: Yes. The quality of service provided by AUF is satisfactory and no further action should be taken by the Commission. (Franklin/Lihvarcik/Lutweiler)

RATE BASE

ISSUE 2: Should any adjustments be made to test year plant-in-service balances?

POSITION: AUF agrees to the adjustments as outlined in its response to the Staff Audit Report (Exhibit RMG-6), as well as those contained in the Rebuttal Testimony of Robert M. Griffin. (Griffin)

ISSUE 3: Should any adjustments be made to test year land?

POSITION: AUF agrees that one adjustment, contained in the Rebuttal Testimony of Robert M. Griffin, should be made to the land value from the Lake Suzy Wastewater MFR. The adjustment is \$171,667, which is the thirteen month average of land value based on the December 31, 2007 land sale. (Griffin)

ISSUE 4: Should adjustments be made to the Utility's pro forma plant additions?

POSITION: AUF agrees to the adjustments as contained in the Rebuttal Testimony of Robert M. Griffin. (Griffin)

ISSUE 5: Do any water systems have excessive unaccounted for water and if so, what adjustments are necessary?

POSITION: The water systems which have excessive unaccounted for water are identified in the respective MFRs, and are addressed in the Direct and Rebuttal Testimony of John Guastella. All appropriate adjustments have been made in AUFs MFRs. (Guastella)

ISSUE 6: Do any wastewater systems have excessive infiltration and/or inflow and, if so, what adjustments are necessary?

POSITION: The wastewater systems which have excessive infiltration and/or inflow are identified in the respective MFRs, and are addressed in the Direct and Rebuttal Testimony of John Guastella. All appropriate adjustments have been made in AUFs MFRs. (Guastella)

ISSUE 7: What are the appropriate used and useful percentages for the water treatment and related facilities of each water system?

POSITION: The appropriate used and useful percentages for the water treatment and related facilities for each water system are identified in AUFs MFRs as in the Direct and Rebuttal Testimony of John Guastella. The systems where revisions were made, if any, were appropriately identified in response to staff's discovery and in the Rebuttal Testimony of John Guastella. (Guastella)

ISSUE 8: What are the appropriate used and useful percentages for the water storage and related facilities of each water system?

POSITION: All water storage and related facilities are 100% used and useful. The Office of Public Counsel has agreed with this and thus this issue should be stipulated. (Guastella)

ISSUE 9: What are the appropriate used and useful percentages for the wastewater treatment and related facilities of each wastewater system?

POSITION: The appropriate used and useful percentages for the wastewater treatment and related facilities for each water system are identified in AUF's MFRs and in the Direct and Rebuttal Testimony of John Guastella. The systems where revisions were made, if any, were appropriately identified in response to Staff's discovery and in the Rebuttal Testimony of John Guastella. (Guastella)

ISSUE 10: What are the appropriate used and useful percentages for the water distribution and related facilities of each water system?

POSITION: The appropriate used and useful percentages for the water distribution and related facilities for each water system are identified in AUF's MFRs and in the Direct and Rebuttal Testimony of John Guastella. The systems where revisions were made, if any, were appropriately identified in response to Staff's discovery and in the Rebuttal Testimony of John Guastella. (Guastella)

ISSUE 11: What are the appropriate used and useful percentages for the collection lines and related facilities of each wastewater system?

POSITION: The appropriate used and useful percentages for the wastewater collection and transmission lines and related facilities for each water system are identified in AUF's MFRs and in the Direct and Rebuttal Testimony of John Guastella. The systems where revisions were made, if any, were appropriately identified in response to Staff's discovery and in the Rebuttal Testimony of John Guastella. (Guastella)

ISSUE 12: What is the appropriate method for calculating the used and useful percentages of water treatment and related facilities for water systems that are interconnected?

POSITION: The used and useful percentages of water treatment and related facilities that are interconnected should be individually evaluated if each system were designed and constructed as an independent system, because the cost to serve the customers of each system was incurred on an individual basis and should be recognized for rate setting purposes on that basis. Utilities should not be penalized simply because changing circumstances enabled them to interconnected systems subsequent to their design and construction for the purpose of improving operations and reliability, or for emergencies. (Guastella)

ISSUE 13: What is the appropriate method for calculating the used and useful percentages of water treatment and related facilities of water systems that are actually stand alone systems that have been combined for rate base purposes in this proceeding?

POSITION: Systems that are “functionally” integrated for accounting, management, administrative and operational purposes but are physically stand alone systems should be evaluated as individual systems for calculating used and useful percentages, because the respective construction cost of facilities necessary to serve their customers was incurred on an individual basis. If the weighted average of the individual used and useful percentages equals or exceeds 90%, the functionally integrated group of systems should be considered 100% used and useful. (Guastella)

ISSUE 14: Should any adjustments be made to test year accumulated depreciation?

POSITION: No adjustments should be made to the test year accumulated depreciation. (Griffin/Szczygiel)

ISSUE 15: Should any adjustments be made to test year accumulated amortization of CIAC?

POSITION: As stated in the Rebuttal Testimony of Robert M. Griffin, AUF agrees with Office of Public Counsel witness Patricia Merchant that the test year accumulated amortization should be increased by \$95,580. (Griffin/Szczygiel)

ISSUE 16: Should any adjustments be made to accounts receivable for officers and employees?

POSITION: No. (Griffin)

ISSUE 17: Should any adjustments be made to other deferred debits?

POSITION: No. (Griffin/Szczygiel)

ISSUE 18: Should any adjustments be made to accrued taxes?

POSITION: Yes, as stated in the Rebuttal Testimony of Robert M. Griffin. (Griffin/Szczygiel)

ISSUE 19: Should any adjustments be made to pensions and other operating reserves?

POSITION: No. (Griffin/Szczygiel)

ISSUE 20: Should any adjustments be made to deferred rate case expense?

POSITION: As addressed in the Rebuttal Testimony of Robert M. Griffin, AUF agrees that the average deferred rate case expense should be included. The appropriate amount of deferred rate case expense should be updated to include the revised rate case expense addressed in the Rebuttal Testimony of Stan Szczygiel. (Griffin/Szczygiel)

ISSUE 21: What is the appropriate working capital allowance?

POSITION: The appropriate working capital allowance is contained in the MFRs for the respective systems. (Griffin)

ISSUE 22: Should a negative acquisition adjustment be included in rate base?

POSITION: No. A negative acquisition adjustment should not be included in rate base. A negative acquisition adjustment would be contrary to past Commission decisions and no extraordinary circumstances exist. (Griffin)

ISSUE 23: What is the appropriate rate base for the December 31, 2007, test year?

POSITION: The appropriate rate base for each system is contained in the MFRs for the respective systems. Further, AUF agrees to the adjustments as outlined in its response to the Staff Audit Report, as well as those contained in the Rebuttal Testimony of Robert M. Griffin. (Griffin)

COST OF CAPITAL

ISSUE 24: What is the appropriate capital structure to use for rate setting purposes?

POSITION: The appropriate capital structure to be used for rate setting purposes is the capital structure of AUF, as contained in the MFRs. (Anzaldo/Moul)

ISSUE 25: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

POSITION: The appropriate amount of accumulated deferred taxes to include in the capital structure is contained in the MFRs and Rebuttal Testimony of Stephen Anzaldo. (Anzaldo/Moul)

ISSUE 26: What is the appropriate amount of customer deposits to include in the capital structure?

POSITION: The appropriate amount of customer deposits to include in the capital structure is contained in the MFRs, with the appropriate adjustment as addressed in AUF's response to the Staff Audit Report. (Griffin)

ISSUE 27: What is the appropriate cost rates for short-and long-term debt for the test year?

POSITION: The appropriate cost rates for long-term debt for the test year are contained in the MFRs. There is no short term debt for AUF. (Anzaldo)

ISSUE 28: What is the appropriate return on equity (ROE) for the test year?

POSITION: The appropriate return on equity (ROE) for the test year is 10.25%. (Anzaldo/Moul)

ISSUE 29: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

POSITION: AUF's recommended capital structure and weighted costs rate are set forth in the Rebuttal Testimony of Stephen Anzaldo (Exhibit SFA-1). (Anzaldo/Moul)

NET OPERATING INCOME

ISSUE 30: What are the appropriate annualized test year revenue adjustments?

POSITION: There are no appropriate adjustments that should be made for annualized test year revenue. The appropriate test year revenues are contained in the MFRs of the systems. (Szczygiel/Prettyman)

ISSUE 31: Should a miscellaneous service revenues adjustment be made?

POSITION: No adjustment should be made. (Szczygiel)

ISSUE 32: Should non-utility income be moved above-the-line for ratemaking purposes?

POSITION: No. Non-utility revenues are properly recorded below the line. If these non-utility revenues are considered above-the-line, then the respective expenses related to those revenues must also be included in the revenue requirement calculation. (Szczygiel)

ISSUE 33: Should any adjustments be made to remove out-of-period costs?

POSITION: AUF agrees with the adjustments contained in the Staff Audit Report. (Szczygiel)

ISSUE 34: Should any adjustments be made to remove non-utility expenses?

POSITION: AUF agrees with the adjustments contained in the Staff Audit Report. (Szczygiel)

ISSUE 35: Should any adjustments be made to disallow fines and penalties assessed to the Utility?

POSITION: AUF agrees with the adjustments contained in the Staff Audit Report. (Szczygiel)

ISSUE 36: Should any adjustment be made for charges from affiliates?

POSITION: No. The affiliated charges are reasonable and appropriate. No adjustment is necessary. (Szczygiel)

ISSUE 37: Should any adjustment be made for abnormal relocation expenses?

POSITION: Yes. AUF agrees to the adjustment proposed by OPC witness Kimberly Dismukes. (Szczygiel)

ISSUE 38: Should any adjustments be made to advertising expenses?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel)

ISSUE 39: Should any adjustments be made to lobbying expenses?

POSITION: AUF agrees to the adjustment to remove charges incurred from Cynergy only. (Szczygiel)

ISSUE 40: Should any adjustments be made for executive risk insurance?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel)

ISSUE 41: Should any adjustments be made to contractual services – other, and contractual services - testing expenses?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel/Lihvarcik)

ISSUE 42: Should any adjustments be made to purchased power expenses?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel)

ISSUE 43: Should any adjustments be made to sludge hauling expenses?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel)

ISSUE 44: Should any adjustments be made to maintenance expenses?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel)

ISSUE 45: Should any adjustments be made to fuel for power production expenses?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel/Lihvarcik)

ISSUE 46: Should any adjustments be made for chemical expenses?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel)

ISSUE 47: Should any adjustments be made to legal expenses?

POSITION: Yes. AUF agrees to the adjustment proposed by OPC witness Kimberly Dismukes. (Szczygiel)

ISSUE 48: Should any adjustment be made to salaries and wages?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel/Lihvarcik)

ISSUE 49: Should any adjustment be made to miscellaneous expenses?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel)

ISSUE 50: Should any adjustment be made to bad debt expense?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel)

ISSUE 51: Should any adjustments be made for unamortized debt issuing costs?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel)

ISSUE 52: What is the appropriate amount of rate case expense?

POSITION: The appropriate amount of rate case expense is \$1,876,438. (Szczygiel)

ISSUE 53: Should an adjustment be made to the Utility's normalization adjustment?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel)

ISSUE 54: Should an adjustment be made to the Utility's pro forma expense adjustments?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel)

ISSUE 55: Should any adjustments be made to test year depreciation expense?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel)

ISSUE 56: Should any adjustments be made to test year amortization of CIAC expense?

POSITION: AUF agrees with the adjustments made to test year amortization for CIAC expense contained in Schedules 1 and 2 of Office of Public Counsel witness Patricia Merchant. (Griffin/Szczygiel)

ISSUE 57: Should any adjustments be made to property taxes?

POSITION: No. No adjustment is necessary or appropriate. (Szczygiel)

ISSUE 58: What is the test year pre-repression water and wastewater operating income or loss before any revenue increase?

POSITION: The appropriate test year pre-repression water and wastewater operating income or loss before any revenue increase are contained in the MFRs for the respective systems. Any adjustment agreed to by AUF should be incorporated. (Szczygiel)

ISSUE 59: What is the appropriate pre-repression revenue requirement for the December 31, 2007 test year?

POSITION: The appropriate test year pre-repression revenue requirement for the December 31, 2007 test year is contained in the MFRs for the respective systems. Any adjustment agreed to by AUF should also be incorporated. (Szczygiel)

RATES AND CHARGES

ISSUE 60: What, if any, is the appropriate methodology to calculate a repression adjustment?

POSITION: If AUF's proposed two-tiered inclining block rate structure is approved, the appropriate repression adjustment should be based on -.2. However, if a three tier inclining block rate structure is approved, the appropriate repression adjustment should be based on -.4 (Franceski/Smeltzer)

ISSUE 61: What, if any, limits should be imposed on subsidy and affordability values that could result if stand-alone rates are converted to a consolidated rate structure?

POSITION: The Commission should approve a state-wide consolidated rate structure based on affordability. Subsidies are arbitrary and are just one consideration in establishing the appropriate rate structure. As outlined in the Rebuttal Testimony of David Smeltzer and Dan Franceski, should the Commission authorize a single cost of service for accounting purposes, AUF's alternative rate equalization plan consisting of two to three tariffs would address affordability and fairness principles. (Franceski/Smeltzer)

ISSUE 62: Is it appropriate to consider subsidy limits based on stand-alone rate structure since the majority of the Utility's systems have not had stand-alone rates for over 15 years?

POSITION: No. Subsidy limits based on stand-alone system rates fail to take into account that the majority of the AUF systems have not been paying their true cost of service for over 12 years. (Franceski/Smeltzer)

ISSUE 63: What are the appropriate rate structures for the Utility's water and wastewater systems?

POSITION: The appropriate rate structures for the Utility's water and wastewater systems is a state wide uniform consolidated rate structure. As outlined in the Rebuttal Testimony of David Smeltzer and Dan Franceski, should the Commission authorize a single cost of service for accounting purposes, AUF's alternative rate equalization plan consisting of two to three tariffs would address affordability and fairness principles. (Franceski/Smeltzer)

ISSUE 64: What water systems, if any, should be consolidated into a single rate structure?
(Rates Agenda Issue)

POSITION: The appropriate rate structures for the Utility's water and wastewater systems is a state wide uniform consolidated rate structure and all water systems should be consolidated into a single rate structure. (Franceski/Smeltzer)

ISSUE 65: What wastewater systems, if any, should be consolidated into a single rate structure? (**Rates Agenda Issue**)

POSITION: The appropriate rate structures for the Utility's water and wastewater systems is a state wide uniform consolidated rate structure and all wastewater systems should be consolidated into a single rate structure. (Franceski/Smeltzer)

ISSUE 66: What, if any, are the appropriate repression adjustments to be made? (**Rates Agenda Issue**)

POSITION: No repression adjustment should be made to Fuel for Power. This is inconsistent with past Commission practice and there is no evidence in the record to establish why a change in Commission practice is required. (Franceski/Smeltzer/Szczygiel)

ISSUE 67: What are the appropriate monthly rates for the water and wastewater systems for the Utility? (**Rates Agenda Issue**)

POSITION: The appropriate monthly rates for the water and wastewater systems for the Utility are contained in the MFRs for each respective system. (Franceski/Smeltzer)

ISSUE 68: Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

POSITION: Yes. AUF should be authorized to revise its miscellaneous service charges to the requested charges contained in the MFRs. (Franceski/Smeltzer)

ISSUE 69: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

POSITION: There should be no interim refunds. Due to an error in the Commission's interim rate order, AUF did not receive recovery of interim increases it was legally entitled in the amount of \$588,239 on an annualized basis. (Franceski/Smeltzer/Szczygiel)

ISSUE 70: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

POSITION: This is a fall out calculation based on adjustments to revenue requirements and the appropriate rate case expense. (Franceski/Smeltzer)

OTHER ISSUES

ISSUE 71: What are the appropriate service availability charges for Aqua?

POSITION: The appropriate service availability charges are contained in the MFRs. (Szczygiel)

ISSUE 72: Should the Utility be authorized to charge Allowance for Funds Prudently Invested (AFPI) charges, and, if so, what are the appropriate charges?

POSITION: Yes as contained in AUF's Revised Volume 2. (Smeltzer)

ISSUE 73: In accordance with Order No. PSC-08-0534-FOF-WS what is the amount and who would have to pay the regulatory asset (or deferred interim revenues), if it is ultimately determined by the Commission that the Utility was entitled to those revenues when it first applied for interim rates?

POSITION: This will be based on the final revenue requirement adjusted for rate case expense compared to the interim revenue requirement. The difference in what was charged for interim rates and the uncapped amount should be included in the regulatory asset. Further, the erroneous amount of interim increase not included in rates of \$588,239 should also be included in the regulatory asset. (Smeltzer)

ISSUE 74: Should the Utility be allowed to make future index and pass through filings on a consolidated basis?

POSITION: Yes. Consistent with its unified cost of service methodology, AUF should be allowed to make future index and pass through filings on a consolidated basis. (Smeltzer)

ISSUE 75: Should the Utility's request to consolidate its in-state FPSC-regulated accounting, filing and reporting requirements from individual system bases to one combined set of books be allowed?

POSITION: Yes. AUF should be allowed to consolidate its in-state FPSC-regulated accounting, filing and reporting requirements from individual system bases to one combined set of books. (Smeltzer)

ISSUE 76: Should this docket be closed?

POSITION: Yes.

(5) Stipulated Issues

None at this time; however AUF is working with other parties and Staff to stipulate on certain issues prior to the prehearing conference.

(6) Pending Motions and Other Matters

None at this time.

(7) **Pending Requests or Claims for Confidentiality**

On November 19, 2008, AUF filed a request for confidential classification concerning Confidential Exhibit SS-14 to the prefiled rebuttal testimony of Stan Szczygiel.

(8) **Objections to Qualifications of Witnesses as Experts**

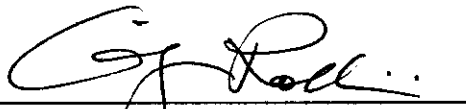
None known at this time.

(9) **Requirements of Order Establishing Procedure that AUF Cannot Comply With**

None known at this time.

Respectfully submitted this 21st day of November, 2008.

HOLLAND & KNIGHT LLP



D. Bruce May, Jr.

Florida Bar No. 354473

Gigi Rollini

Florida Bar No. 684491

Holland & Knight, LLP

Post Office Drawer 810

Tallahassee, Florida 32302-0810

(850) 224-7000 (Telephone)

(850) 224-8832 (Facsimile)

-and-

Kimberly A. Joyce, Esquire

Aqua America, Inc.

762 West Lancaster Avenue

Bryn Mawr, PA 19010

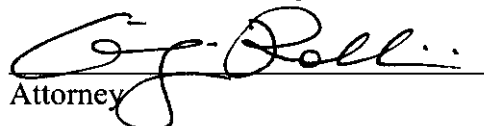
(610) 645-1077 (Telephone)

(610) 519-0989 (Facsimile)

Attorneys for Aqua Utilities Florida, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was furnished by hand-delivery to **Ralph Jaeger, Esq., Katherine Fleming, Esq. Caroline Klancke, Esq., Erik Saylor, Esq., Office of General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850;** and by U.S. Mail and electronic transmission to **Charles Beck, Esq., Office of Public Counsel, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400,** and to **Cecilia Bradley, Esq., Office of the Attorney General, The Capitol – PL01, Tallahassee, FL 32399-1050,** this 21st day of November, 2008.


Attorney

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