



Aqua Utilities Florida, Inc.
2228 Capital Circle NE, Ste. 2A
Tallahassee, FL 32308

December 20, 2010

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COMMISSION
CLERK

Katherine E. Fleming
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 100330-WS - Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc. – Staff Eighth Data Request

Dear Ms. Fleming:

By this letter, Aqua Utilities Florida, Inc. (AUF or Company) provides its response to the Staff's Eighth Data Request.

For the following questions, please provide the information on a consolidated and stand-alone basis for each identified item that results in a temporary difference for the years, ending April 30, 2009, April 30, 2010 and 2010 pro forma:

1. Please provide a detailed description and computation of each temporary difference identified on Schedule C-5 for all systems in a spreadsheet format with all formulas intact reflecting any revisions.

Response:

All temporary differences identified on schedule C-5 result from differences in amounts recorded on the books of account for financial reporting purposes, and the associated amounts as determined in accordance with Internal Revenue Service laws, rules, regulations, and guidelines. Consolidated temporary differences are shown on Schedule M of Aqua's Federal Tax Return for each year through 2009.

Temporary differences identified on schedule C-5 are determined based on the following comparisons:

COM	
APA	
ECR	3
GCL	
RAD	
SSC	
ADM	
OPC	
CLK	

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www.aquautilitiesflorida.com

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<u>Temporary Difference</u>	<u>Expense Amt- Book Basis</u>	<u>Expense Amt- Tax Return Basis</u>
Depreciation Expense	Approved regulatory rates	IRS allowed accelerated rates
Bad Debts	Net Balance sheet Reserve requirement	Actual Losses
Rate case Expense	Approved regulatory Amortization	In-period incurred expenses
Loss on Abandonment	Approved regulatory Amortization	Loss at time of abandonment

The computation of each temporary difference identified on Schedule C-5 for all systems is contained in the file named “DfrdTx 2010 Summary.xlsx” included on the CD labeled “MFR – As Filed, September 1, 2010 & Revised D-2.” *This CD was filed with AUF’s Response to Staff Second Data Request.*

Aqua’s practice with regard to temporary tax timing differences is to compute and record deferred tax effects on an annual year end basis, and as reported on Federal Income tax returns. Therefore, temporary differences and associated deferred tax balances are not available for the interim or fiscal periods.

- For temporary differences related to depreciation expense, please identify, quantify, and briefly explain each temporary difference as it pertains to each asset account identified on Schedules B-13 and B-14. For each asset account, please provide the dollar amount of depreciation expense used for tax purposes. Please also identify assets subject to bonus depreciation for tax purposes and indicate whether bonus depreciation has been utilized for assets placed in service and whether bonus depreciation was included in the pro forma computation of tax depreciation. For pro forma adjustments to additions and related depreciation expense, please indicate whether the corresponding adjustment was made to the pro forma tax depreciation expense in computation of temporary difference and please specify the dollar amount.

Response:

Aqua computes AUF temporary differences relating to depreciation expense on an aggregate basis, not by each asset account. Tax depreciation, including related bonus depreciation on qualifying Utility Property*, is compared to total booked depreciation expense to determine an aggregate tax timing difference. Bonus depreciation was not included for periods after 12/31/2009, for assets in service or pro forma additions to plant. Pro forma tax depreciation expense was not included in the computation of temporary differences. Please see response to OPC First Set of Interrogatories, Number 96 for additional information on this subject.

*- All assets except Administrative and Office Buildings, and any Contributed Property.

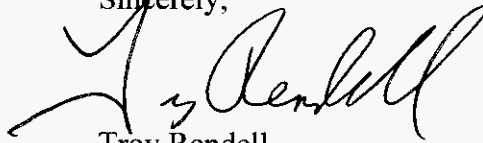
3. For temporary differences related to items other than depreciation expense, please provide an explanation of the temporary differences and any and all adjustments to temporary differences.

Response:

Please see response to Staff Data Eighth Data Request, Number 1, above, which also applies to temporary differences for items other than depreciation expense.

Please acknowledge receipt of this filing by stamping the extra copy of this letter "filed" and returning the copy to me. Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Troy Rendell". The signature is fluid and cursive, with a large initial "T" and "R".

Troy Rendell
Rates Manager

cc: Bruce May, Holland & Knight
Office of Commission Clerk
Charles Beck, Office of Public Counsel
Kimberly A. Joyce, Aqua America, Inc.