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

COMMISSION  
CLERK

January 14, 2011

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 Eleventh Data Request**

Dear Ms. Fleming:

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

1. Please provide any and all support documentation related to all Pro Forma Plant Retirements

**RESPONSE:**

The requested documentation related to the pro forma plant retirements are contained on the enclosed CD labeled, "Staff Eleventh Data Request Response." Also contained on the CD is a summary of AUF's retirement practice.

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.

COM \_\_\_\_\_  
 APA \_\_\_\_\_  
 ECR \_\_\_\_\_  
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Sincerely,

Troy Rendell  
Rates Manager

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An Aqua America Company  
www.aquautilitiesflorida.com

PSC – Eleventh Data Request Response  
January 14, 2011

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

## **AUF Plant Retirement Explanation**

There are two methods to making retirements:

1. Specific Plant Item Methodology
2. Using the Handy-Whitman Index (water); or the Consumer Price Index (wastewater)

When determining plant retirements, AUF must first determine which methodology to employ. The appropriate retirement methodology is based on the information that is obtained in the company's continuing property records (CPR).

The primary methodology should be the Specific Plant Item when appropriate. This will ultimately depend on whether the specific item being replaced is identifiable and quantified in the CPRs. Thus, when appropriate, the Specific Plant Item Method should be attempted first. With the information provided on the replacement and/or retirement, the AUF accountant will conduct a thorough search of the CPR in the specific system location. This search of the records is made in an attempt to locate the specific asset item designated for retirement and/or replacement. There are times when the asset descriptions may not exactly match. In these events, the accountant will attempt to match the asset up as close as possible for retirement. Once the specific item and amount recorded on the CPR is located, this is the appropriate retirement amount of the asset.

If the primary methodology (Specific Plant Item) is not possible due to the specific asset not being located and identified in the CPR, AUF will then use the alternative (2) Handy-Whitman Index for water assets or the Consumer Price Index (CPI) Index for wastewater assets. The appropriate methodology is dependent on whether the asset being retired is a water or wastewater asset.

To utilize this alternative methodology, there are three pieces of information required as follows:

1. Description of the asset
2. The year the asset was installed
3. The cost of installation of that type of asset at today's cost

Once this information is obtained, the AUF accountant initiates the following steps below to determine the appropriate retirement amount:

1. Locate the state and find the region it is located in on the map of geographic regions on page ii of the Handy Whitman Index of Public Utility Construction Costs.
2. Once the geographic region is determined, locate the corresponding TABLE required on page i of the Handy Whitman Index of Public Utility Construction Costs.
3. An Excel Look Up Table for the Handy Whitman Index is then used

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4. The corresponding NARUC account to the asset to be retired (or the closest description) is located on this Index. For wastewater accounts, the Consumer Price Index is used. Then the correct year of installation is determined. The most current month/year number is used as the denominator.
5. Next the number from the installation year is divided by the number from the current year. This number is the denominator.
6. The answer from #5 is then multiplied by the total amount it would cost for that asset today. (i.e. – this dollar amount is listed on the company's CWIP report.)
7. The answer from #6 is then multiplied by a 75% factor to recognize some costs incurred in replacing assets that would not have been incurred in original installations.
8. This is the amount of the asset to be retired.