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DIVISION OF ECONOMIC REGULATION
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Public Service Commission

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CLERK

March 3, 2011

Mr. R.G. Leary
County Administrator
Putnam County
P.O. Box 758
Palatka, Florida 32178

Re: 976682C

Dear Mr. Leary:

Enclosed is Aqua Utilities Inc.'s February 21, 2011 letter detailing its position concerning the possibility of purchasing bulk water from Putnam County for its River Grove water system. According to Mr. Lihvarcik of Aqua, it has been determined that an interconnect to Putnam County is not economically feasible and would cause a detrimental effect on Aqua's customers. Thank you for your inquiry.

Sincerely,

A handwritten signature in cursive script that reads "Patti Daniel".

Patti Daniel
Bureau of Certification, Economics & Tariffs

SR/

Enclosure

cc: Division of Economic Regulation (Willis, Bulecza-Banks, Kummer, Maurey, Fletcher, Rieger)
Office of the General Counsel (Jaeger, Klancke, Saylor)
Office of Commission Clerk (Docket 100330-WS and Docket 080121-WS)
Bruce May, Holland & Knight
Troy Rendell, Aqua Utilities Florida, Inc.

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FPSC-COMMISSION CLERK

February 21, 2011

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ECONOMIC REGULATION
PUBLIC SERVICE

Patti Daniel
Bureau of Certification, Economics, and Tariffs
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: 976682C

Dear Ms. Daniel:

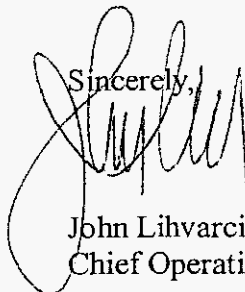
By this letter, Aqua Utilities Florida, Inc. (AUF or Company) provides its response to the Staff's Letter Request Information dated November 15, 2010 concerning Putnam County. On January 14, 2011, AUF met with the Putnam County Director of Public Works and Water Distribution Supervisor. The discussion revolved around Putnam County's permitted and current capacities of the County's water utility. AUF and the County also discussed the configuration of the any potential interconnect for the supply of bulk water. The County indicated that it would be responsible for the tap on the County's water line and the meter assembly. The interconnection to AUF's line would be at the utility's cost. It was further explained to the County that AUF would need to analyze the feasibility of economic impact to AUF's customers. A tour of the County's water plant was also held.

AUF obtained the potential costs of purchased water from the County. Subsequently, AUF conducted a cost analysis of these potential costs to the utility and its customers. Based on the information obtained from the County, AUF determined that the utility's operation and maintenance (O&M) expenses would increase by \$51,149 due to the potential purchased water costs. This would result in an increase to existing expenses from approximately \$17,000 to an annual expense of approximately \$64,000. This analysis also took in consideration the cost reductions to O&M of approximately \$4,500 which may be experienced by the elimination of AUF's production of potable water. The cost analysis did not include any capital costs AUF would be required to incur to accomplish the interconnect to the County's water supply lines. Nor did the analysis include any amortization of property loss which may occur due to the retirement of the existing water treatment plant.

Based on this cost analysis, AUF determined that the interconnect to Putnam County is not economically feasible and would cause a detrimental effect on its customers. If AUF also considered the required capital costs and amortization of loss, the effect in costs may further increase to the existing customers.

Although public notices for elevated TTHMs is required, AUF has been working with the Florida Department of Environmental Protection in resolving this issue. AUF has implemented operational changes in the River Grove system to address the elevated TTHMs. AUF will continue to monitor the changes in operations and will continue to work in coordination with DEP. Currently, no additional treatment is being required.

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,

John Lihvarcik
Chief Operating Officer

cc: Bruce May, Holland & Knight
Office of Commission Clerk
Division of Economic Regulation (Willis, Bulecza-Banks, Maurey, Fletcher)
Office of General Counsel (Jaeger, Klancke)
Troy Rendell, Aqua Utilities Florida, Inc.
Kimberly A. Joyce, Aqua America, Inc.