

MINUTES OF February 24, 2009

COMMISSION CONFERENCE

COMMENCED: 9:40 am
RECESSED: 10:00 am
RECONVENED: 10:22 am
RECESSED: 11:40 am
RECONVENED: 11:56 am
RECESSED: 1:05 pm
RECONVENED: 1:20 pm
RECESSED: 1:28 pm
RECONVENED: 2:14 pm
RECESSED: 3:48 pm
RECONVENED: 3:58 pm
RECESSED: 4:30 pm
RECONVENED: 4:37 pm
ADJOURNED: 5:36 pm

COMMISSIONERS PARTICIPATING: Chairman Carter
Commissioner Edgar
Commissioner McMurrian
Commissioner Argenziano
Commissioner Skop

Parties were allowed to address the Commission on items designated by double asterisks (**).

1 **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.

Critical Date(s):

8-Month Effective Date Waived through 3/17/09

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: ECR: Fletcher, Billingslea, Bruce, Bulecza-Banks, Crawford, Daniel, Deason, Hudson, Kyle, Lingo, Maurey, Mouring, Redemann, Rieger, Roberts, Springer, Walden, Wright

GCL: Jaeger, Fleming, Klancke, Saylor

(Participation is Limited to Commissioners and Staff)

ITEM NO.

CASE

1

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.

(Continued from previous page)

Issue A: Should the Commission acknowledge Bates Stamped pages 3202-7905 as a part of Exhibit 65, Tab 19?

Recommendation: Yes, it is clear from the description of the exhibit that the Bates Stamped pages were intended to be included, but were omitted due to a clerical error.

DECISION: The recommendation was approved.

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

Recommendation: The overall quality of service is marginal. Quality of the product is satisfactory, except at the Chuluota and The Woods water systems, where the product is marginal. For all systems, operational conditions are satisfactory, and customer satisfaction is marginal. As a result of the water quality at Chuluota and The Woods, a 25-basis point reduction on return on equity should be applied to each of these water systems. This 25-basis point reduction should remain in effect for each system until the Department of Environmental Protection closes the Consent Order for that system. Upon DEP advising that the Consent Orders are satisfied, staff should be given administrative authority to approve the increase on the return on equity and approve increased rates upon the Utility filing the appropriate tariffs and notice. Due to the marginal rating in the area of overall customer satisfaction, and specifically for its failure to timely resolve billing errors and the handling of customers that contact its Call Center, staff recommends that an additional 50-basis point reduction on return on equity be applied to all systems. Staff further recommends that if, at the end of two years, the Utility can demonstrate that it has corrected the above-noted problems, then, upon verification by the Commission, the reduction in ROE for each problem corrected may be removed and rates adjusted accordingly.

DECISION: The recommendation was modified. Unsatisfactory overall quality of service for the Chuluota and The Woods water systems. Issue 28 addresses all other issues.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Recommendation: Yes, the following adjustments should be made:

System	Account	Staff Audit	Recomm. Adjs.
Water			
Lake Suzy	Plant in Service	(\$526,332)	(\$311,996)
Lake Suzy	CIAC	\$137,077	\$81,256
Lake Josephine	Plant in Service	(\$329,672)	\$203
Lake Josephine	CIAC	\$0	(1,801)
Sebring	Plant in Service	(\$20,122)	(\$13,892)
Wastewater			
Lake Suzy	Plant in Service	(\$1,119,520)	(\$94,057)

DECISION: The recommendation was approved.

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

Recommendation: Yes. To reflect the appropriate 13-month average balance, land for the Lake Suzy wastewater system should be reduced by \$229,259.

DECISION: The recommendation was approved.

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

Recommendation: Yes. The Utility's pro forma plant additions should be decreased by \$1,959,734 for water and by \$626,692 for wastewater. Accordingly, accumulated depreciation should be decreased by \$110,297 for water and \$5,562 for wastewater, and depreciation expense should be increased by \$6,230 for water and decreased \$2,175 for wastewater. Based on those adjustments, the total pro forma plant additions should be \$1,498,578 for water and \$398,570 for wastewater.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1

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.

(Continued from previous page)

Issue 5: Do any water systems have excessive unaccounted for water and, if so, what adjustments are necessary? (Stipulated)

Stipulation: Yes. Pursuant to Rule 25-30.4325(1)(e), F.A.C., 26 of the water systems have unaccounted for water in excess of 10 percent of the amount produced. A net reduction of \$15,887 should be made to Purchased Water, Purchased Power, Fuel for Power, Chemicals, and Materials and Supplies, as shown in the table below:

System	EUW Over 10%	Adjustments to Utility Balances					Net Adjustment
		Purchased Water	Purchased Power	Fuel for Power	Chemicals	Materials & Supplies	
Arredondo Estates/Farms	17.17%	\$0	(\$1,708)	\$0	(\$175)	\$322	(\$1,561)
Chuluota	2.40%	\$0	(\$806)	\$0	(\$861)	\$0	(\$1,667)
Haines Creek	2.10%	\$0	(\$38)	\$0	(\$10)	\$0	(\$47)
Hobby Hills	1.90%	\$0	(\$36)	\$0	(\$4)	\$0	(\$40)
Interlachen Lake/Park Manor	37.43%	\$0	(\$2,105)	\$190	(\$538)	\$1,061	(\$1,392)
Jasmine Lakes	4.25%	\$0	(\$751)	\$0	(\$665)	\$177	(\$1,239)
Lake Gibson Estates	2.20%	\$0	(\$531)	\$0	(\$52)	\$0	(\$583)
Lake Osborne	0.10%	(\$188)	(\$0)	\$0	\$0	\$0	(\$188)
Leisure Lakes	19.60%	\$0	(\$1,097)	\$55	(\$572)	\$130	(\$1,485)
Palms MHP	8.35%	\$0	(\$69)	\$2	(\$54)	\$74	(\$47)
Picciola Island	1.50%	\$0	(\$40)	\$0	(\$5)	\$0	(\$44)
Piney Woods/Spring Lake	1.80%	\$0	(\$73)	\$0	(\$31)		(\$104)
Pomona Park	0.20%	\$0	(\$8)	\$0	(\$1)	\$0	(\$9)
Sebring Lakes	23.09%	\$0	(\$2,309)	\$74	(\$2,232)	\$413	(\$4,054)
Silver Lake Est/Western Shores	1.00%	\$0	(\$603)	\$0	(\$35)	\$0	(\$638)
Summit Chase	47.67%	\$0	(\$2,148)	\$345	(\$358)	\$484	(\$1,676)
Sunny Hills	1.10%	\$0	(\$319)	\$0	(\$9)	\$0	(\$328)
Tangerine	1.30%	\$0	(\$121)	\$0	(\$57)	\$0	(\$178)
Tomoka/Twin Rivers	5.64%	\$0	(\$60)	\$29	(\$418)	\$279	(\$169)
Welaka/Saratoga Harbour	4.34%	\$0	(\$76)	\$0	(\$18)	\$89	(\$5)
Wootens	25.31%	\$0	(\$149)	\$0	(\$36)	\$175	(\$10)
Zephyr Shores	17.46%	\$0	(\$434)	\$0	(\$131)	\$143	(\$423)
Net Adjustments		(\$188)	(\$13,480)	\$695	(\$6,262)	\$3,347	(\$15,887)

DECISION: This issue was stipulated.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Stipulation: An infiltration and inflow adjustment should be made for Beecher's Point (38.85 percent), Florida Central Commerce Park (9 percent), Holiday Haven (12 percent), Jungle Den (37 percent), Rosalie Oaks (28 percent), and Summit Chase (22 percent). All of the appropriate adjustments have been made by AUF with the exception of Beecher's Point. Purchased water for Beecher's Point should be reduced by \$16,756.

DECISION: This issue was stipulated.

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

Recommendation: The four water treatment plants with one well that were not stipulated, including Fern Terrace, Rosalie Oaks, Twin River, and Zephyr Shores, should be considered 100 percent used and useful (U&U), pursuant to Rule 25-30.4325(4), F.A.C. The five systems with more than one well and no storage that were not stipulated, Arredondo Estates, Arredondo Farms, East Lake Harris/Friendly Center, Hobby Hills, and Skycrest, should also be considered 100 percent U&U. For the seven water treatment systems with more than one well and storage that were not stipulated, staff recommends that Interlachen Lake and Tomoka are 100 percent U&U, Chuluota is 93.74 percent U&U, Lake Josephine is 91.51 percent U&U, Sebring Lakes is 45.00 percent U&U, Silver Lake/Western Shores is 93.71 percent U&U, and Welaka/Saratoga Harbor is 79.72 percent U&U. Account Nos. 307.2 (Wells and Springs), 311.2 (Pumping Equipment), 320.2 (Water Treatment Equipment), 304.3 (Structures and Improvements), and 311.3 (Pumping Equipment) should be adjusted.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1

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.

(Continued from previous page)

Issue 8: What are the appropriate used and useful percentages for the water storage and related facilities of each water system? (Stipulated)

Stipulation: The following used and useful stipulations were approved during the hearing for water storage and related facilities:

System	U&U Stipulation
Chuluota	100%
Hermits Cove/St. Johns Highlands	100%
Interlachen/Park Manor	100%
Jasmine Lakes	100%
Lake Josephine/Sebring Lakes	100%
Leisure Lakes	100%
Piney Woods/Spring Lake	100%
Silver Lake Estates/Western Shores	100%
Silver Lake Oaks	100%
Summit Chase	100%
Sunny Hills	100%
Tomoka/Twin River	100%
Welaka/Saratoga	100%

DECISION: This issue was stipulated.

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

Recommendation: Staff recommends that all of the wastewater treatment plants that were not stipulated are 100 percent U&U with the exception of Chuluota which is 35.63 percent U&U.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Recommendation: Staff recommends that each of the water distribution systems that were not stipulated should be considered 100 percent used and useful, with the exception of Lake Josephine (85.65 percent), Palms MHP (87.73 percent), Venetian Village (72.63 percent), and Wootens (65.66 percent). Account No. 331.4 (Transmission and Distribution Mains) should be adjusted.

DECISION: The recommendation was approved.

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

Recommendation: Staff recommends that each of the seven wastewater collection systems that were not stipulated should be considered 100 percent used and useful. The U&U adjustment should apply to the entire collection system, including force mains and lift stations.

DECISION: The recommendation was approved.

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?

Recommendation: Staff recommends that the interconnected systems that operate as one system should be evaluated as a single system for purposes of calculating used and useful. However, Sebring Lakes and Lake Josephine should be evaluated separately because these two systems are interconnected for emergencies only.

DECISION: The recommendation was approved.

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?

Recommendation: Used and useful for stand-alone water systems should be calculated separately, pursuant to Rule 25-30.4325, F.A.C., and weighted based on the connections to each system.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Recommendation: Yes. The following adjustments should be made.

System	Account	Staff Audit	Recomm. Adjs.
Water			
Lake Suzy	Accumulated Depr.	\$108,901	\$40,187
Lake Josephine	Accumulated Depr.	\$17,395	\$17,395
Sebring	Accumulated Depr.	\$4,005	\$4,005
Wastewater			
Lake Suzy	Accumulated Depr.	\$359,506	\$250,826

DECISION: The recommendation was approved.

Issue 15: Should any adjustments be made to test year accumulated amortization of CIAC? (Stipulated)

Stipulation: Yes. The following adjustments should be made:

System	Account	Adjustment	Reason for Adj.
Water			
Lake Suzy	Accum. Amort. of CIAC	\$8,891	Unsupported Balance
Ocala Oaks	Accum. Amort. of CIAC	(\$11,418)	Unsupported Balance
Tangerine	Accum. Amort. of CIAC	\$2,830	Correct for Duplicate Reduction
Water and Wastewater Systems			
Multiple Systems	Accum. Amort. of CIAC	\$95,580	Failure to Amortize CIAC Subaccounts.

DECISION: This issue was stipulated.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Recommendation: Yes. Accounts receivable for officers and employees should be reduced by \$1,000.

DECISION: The recommendation was approved.

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

Recommendation: Yes. Deferred debits should be reduced by \$18,323.

DECISION: The recommendation was approved.

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

Recommendation: Yes. An adjustment of \$1,334,964 should be made to accrued taxes.

DECISION: The recommendation was approved.

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

Recommendation: Yes. Pensions and Other Operating Reserves in the amount of \$84,225 should be included as an adjustment to working capital.

DECISION: The recommendation was approved.

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

Recommendation: The average unamortized balance of current rate case expense, to be included in the working capital calculation is \$750,805. This results in a \$272,195 reduction to the Utility's requested amount of \$1,023,000.

DECISION: The recommendation was approved.

Issue 21: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$2,595,638. Accordingly, working capital should be decreased by \$749,710. Accordingly, corresponding adjustments should be made to increase O&M expenses for the Chuluota water system by \$2,001, and to decrease O&M expenses for the Sunny Hills water system by \$75.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Recommendation: No. A negative acquisition adjustment should not be included in rate base.

DECISION: The recommendation was approved.

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

Recommendation: Consistent with other recommended adjustments, the appropriate 13-month average rate base is \$15,420,431 for the water systems and \$13,531,413 for the wastewater systems.

DECISION: The recommendation was approved.

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

Recommendation: The appropriate capital structure to use for rate setting purposes is the capital structure of AUF.

DECISION: The recommendation was approved.

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

Recommendation: The appropriate amount of accumulated deferred taxes to include in the capital structure is \$1,608,457.

DECISION: The recommendation was approved.

Issue 26: What is the appropriate amount of customer deposits to include in the capital structure? (Stipulated)

Stipulation: The appropriate 13-month average balance of customer deposits is \$217,122 on an aggregate basis. To correct an error in the test year deposit activity, customer deposits should be reduced by \$62,301. For Ravenswood, Rosalie Oaks, and Summit Chase, customer deposits should be reduced by \$42, \$172, and \$712. The adjustments to the Utility's other respective individual systems are reflected on Page 22 of 50 and Page 23 of 50 in Exhibit CJW-1 of the Direct Testimony staff witness Winston. (EXH 113)

DECISION: This issue was stipulated.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Recommendation: The appropriate cost rate for long-term debt for the test year is 5.10 percent. There is no short-term debt in AUF's capital structure. If AAI's capital structure is used for purposes of setting rates, the appropriate cost rate is 6.27 percent for long-term debt and 5.90 percent for short-term debt.

DECISION: The recommendation was approved.

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

Recommendation: The appropriate ROE for AUF is 10.77 percent with a range of plus or minus 100 basis points. This return is exclusive of any potential adjustment to the return for matters related to quality of service discussed in Issue 1.

DECISION: The recommendation was denied. Disregard the leverage formula based on the record and the evidence. Set the utility-wide ROE at 9.75%. Reduce the ROE for the Chuluota and The Woods water systems to 8.75% until satisfactory standards are met. Commissioner McMurrian dissented. The decision was revisited at the request of Commission Skop and the motion denied for lack of a second.

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

Recommendation: If an adjustment is made to the ROE for matters related to quality of service as recommended in Issue 1, the appropriate weighted average cost of capital is 7.84 percent for all systems except Chuluota and The Woods. For the water systems at Chuluota and The Woods, the appropriate weighted average cost of capital is 7.69 percent.

DECISION: The recommendation was approved with the understanding that calculations will be consistent with previous discussion.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Recommendation: Based on a review of the Utility’s billing determinants for revenue and rates calculation purposes, and a recalculation of annualized revenues, the appropriate annualized test year revenue adjustments are those contained in AUF’s filing except for Chuluota wastewater, Florida Central Commerce Park wastewater, Rosalie Oaks wastewater, and Village Water wastewater. Accordingly, the test year revenues for Chuluota wastewater, Rosalie Oaks wastewater, and Village Water wastewater should be increased by \$24, \$428, and \$153, respectively, and Florida Central Commerce Park, Valencia Terrace, and Zephyr Shores wastewater should be decreased by \$1,124, \$308, and \$661, respectively.

DECISION: The recommendation was approved.

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

Recommendation: Yes. Consistent with prior Commission decisions to annualize incremental increases in miscellaneous service charges, miscellaneous service revenues should be increased by \$18,229 on an aggregated basis. The specific adjustments for each water and wastewater (WAW) system are reflected on their respective Schedule 4-C.

DECISION: The recommendation was approved.

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

Recommendation: No. Revenues and expenses related to commissions that AUF’s parent receives from Home Service USA Corporation is properly recorded below-the-line.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1

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.

(Continued from previous page)

Issue 33: Should any adjustments be made to remove out-of-period costs? (Stipulated)
Stipulation: Yes. To remove prior period expenses, allocated expense from Aqua America, Inc. totaling \$12,255 should be disallowed in this rate proceeding. The respective individual system adjustments are reflected on Page 26 of 50 and Page 27 of 50 in Exhibit 113 of the Direct Testimony of staff witness Winston. In addition, the following adjustments should be made:

System	Account	Adjustment	Reason for Adj.
Water			
Lake Suzy	Purchased Water	(\$20,531)	Out of Period Expense
Morningview	Chemicals	(\$50)	Out of Period Expense
Wastewater Systems			
Rosalie Oaks	Contractual Services – Testing	(\$120)	Out of Period Expense
Lake Suzy	Contractual Services – Testing	(\$190)	Out of Period Expense
Lake Suzy	Rental of Building / Real Property	(\$15,833)	Out of Period Expense
Florida Central Commerce Park	Materials & Supplies	(\$302)	Out of Period Expense
Lake Suzy	Contractual Services – Other	(\$941)	Out of Period Expense
Morningview	Purchased Power	(\$73)	Out of Period Expense
Village Water	Chemicals	(\$110)	Out of Period Expense

DECISION: This issue was stipulated.

Issue 34: Should any adjustments be made to remove non-utility expenses?
Recommendation: Yes. Miscellaneous non-utility expenses should be reduced by \$24,012 to remove shareholder services expenses, and to reclassify an engineering study project for the Lake Suzy system.

DECISION: Due to the vote on Item 28 to disregard the leverage formula based on the record and the evidence, staff recommended that \$21,317 in shareholder expenses be allowed and not be removed as originally recommended. The Commission approved this recommendation.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Stipulation: Yes. To correct a misclassification of fines and penalties incurred by the Utility, Miscellaneous Expense should be reduced by \$61,736 for water and \$23,215 for wastewater. The respective individual system adjustments are reflected on Page 37 of Exhibit 113 of the Direct Testimony of staff witness Winston.

DECISION: This issue was stipulated.

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

Recommendation: No. No adjustment is needed for charges from affiliates.

DECISION: The recommendation was approved.

Issue 37: Should any adjustments be made for abnormal relocation expenses?
(Stipulated)

Stipulation: Yes. Relocation expenses should be reduced by \$14,228 to normalize the test year expense level.

DECISION: This issue was stipulated.

Issue 38: Should any adjustments be made to advertising expense?

Recommendation: Yes. Advertising expense should be reduced by \$691.

DECISION: The recommendation was approved.

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

Recommendation: Yes. O&M expenses should be reduced by \$32,632 to remove charges related to lobbying and/or acquisition efforts.

DECISION: The recommendation was approved.

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

Recommendation: Yes. Consistent with Commission practice, AUF's test year expenses should be reduced by \$8,164 for its jurisdictional systems.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Recommendation: No. No adjustments are needed for contractual services-other and contractual services - testing expenses.

DECISION: The recommendation was approved.

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

Recommendation: No. No adjustment is warranted for purchased power expenses.

DECISION: The recommendation was approved.

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

Recommendation: Yes. Sludge hauling expenses should be reduced for the Sunny Hills sewer system by \$350.

DECISION: The recommendation was approved.

Issue 44: Should any adjustments be made to maintenance expenses and materials and supplies expenses?

Recommendation: Yes. Materials and Supplies Expense should be reduced by \$4,684.

DECISION: The recommendation was approved.

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

Recommendation: Yes. To amortize fuel related to the repair of a tank leak over a 3-year-period, fuel for power production expenses should be reduced by \$355 for the Utility's Ravenswood water system. No adjustment should be made for fuel purchased to test generators purchased and installed as part of AUF's hurricane preparedness program.

DECISION: The recommendation was approved.

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

Recommendation: No. No adjustment is needed for chemical expenses.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1

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.

(Continued from previous page)

Issue 47: Should any adjustments be made to legal expenses? (Stipulated)

Stipulation: Legal expenses incorrectly booked to Village Water in the amount of \$25,572 should be removed. These expenses should have been charged to Jasmine Lakes; however, the amount should be amortized over five years. Jasmine Lakes' legal expenses should be increased by \$5,142.

DECISION: This issue was stipulated.

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

Recommendation: Yes. Salaries and benefits should be reduced by \$40,654 for water and \$54,347 for wastewater. Corresponding adjustments should be made to decrease payroll taxes by \$3,110 for water and \$4,158 for wastewater.

DECISION: The recommendation was approved.

Issue 49: Should any adjustments be made to miscellaneous expenses?

Recommendation: Yes. However, all adjustments to miscellaneous expenses have been addressed in Issue 51 and Stipulated Issue 33. As such, no further adjustments to miscellaneous expenses are necessary.

DECISION: The recommendation was approved.

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

Recommendation: Yes. Consistent with Commission practice, the total jurisdictional bad debt expense is \$99,205 based on the individual 3-year averages for each jurisdictional system. Accordingly, AUF's total requested bad debt expense of \$259,692 should be reduced by \$160,487.

DECISION: The recommendation was approved.

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

Recommendation: No. Staff agrees with AUF that standby letters of credit should be properly recorded in account 675, Miscellaneous Expenses.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Recommendation: The appropriate amount of rate case expense is \$1,501,609. The four-year amortization results in test year rate case expense of \$375,402, which increases the annual amortization amount by \$34,402.

DECISION: The recommendation was approved.

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

Recommendation: Yes. Staff's recommended adjustments are shown in the following table:

Staff Recommended Adjustments to the Utility's Normalization Adjustments	
Reduce Acct. 741 to reduce land lease expense related to Lake Suzy	\$4,441
Reduce Accts. 634/734 to remove normalization of SSI employees	\$4,886
Reduce Accts. 636/736 to remove normalization of ACO	\$24,875
Reduce Accts. 636/736 to remove maintenance costs of AUF's retired billing system	\$23,228
Reduce Accts. 601/701 to reduce payroll costs to correct AUF's normalization calculation	\$694
Reduce FICA taxes for the impact of correcting the payroll normalization calculation	\$53
Reduce Accts. 601/701 to reduce 4 percent payroll increase to 2.39 percent to AUF employees	\$268
Reduce FICA taxes for impact of reducing payroll increase from 4 to 2.39 percent	\$21
Reduce Accts. 634/734 to reduce payroll increase from 4 to 2.39 percent for ASI and Accts. 636/736 to reduce 4 percent payroll increase to 2.39 for ACO	\$1,306
Reduce Accts. 634/734 for tax impact of reducing payroll increase to 2.39 percent for ASI and Accts. 636/736 for tax impact of reducing payroll increase to reduce 2.39 percent for ACO	\$101

DECISION: The recommendation was approved.

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

Recommendation: Yes. The Utility's pro forma expense adjustments should be reduced by \$394,627 (\$388,952 for pro forma O&M expenses and \$5,675 for pro forma payroll taxes).

DECISION: The recommendation was modified to not make the pro forma adjustments of \$62,555 and \$5,531 – removed for the rates manager's salary and office rent, respectively.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Recommendation: Yes. Depreciation Expense should be reduced by \$12,161, to reflect total test year depreciation expenses.

DECISION: The recommendation was approved.

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

Stipulation: Yes. Amortization of CIAC should be increased by \$176,456, which is reflected as a decrease to depreciation expense. In addition, the Utility's reduction to amortization of CIAC on non-used and useful depreciation expense should be removed. This reflects a total decrease to depreciation expense of \$12,368 for water and \$126 for wastewater.

DECISION: This issue was stipulated.

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

Recommendation: Yes. The Utility's property taxes should be decreased by \$33,570 for water and \$11,339 for wastewater. Based on those adjustments the total property taxes relating to pro forma plant additions should be \$21,531 for water and \$5,284 for wastewater.

DECISION: The recommendation was approved.

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

Recommendation: The test year pre-repression WAW operating losses are \$809,066 ~~\$886,100~~ for water and \$566,712 ~~\$489,724~~ for wastewater.

DECISION: The recommendation was modified by staff as noted above. Numbers will fall-out due to the vote on previous issues.

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

Recommendation: The appropriate pre-repression revenue requirement for the December 31, 2007 test year is \$9,029,066 ~~\$9,158,396~~ for water and \$6,024,769 ~~\$6,075,516~~ for wastewater.

DECISION: The recommendation was modified by staff as noted above. Numbers will fall-out due to the vote on previous issues.

ITEM NO.

CASE

1

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.

(Continued from previous page)

Issue 60: What, if any, is the appropriate methodology to calculate a regression adjustment?

Recommendation: The appropriate methodology to calculate a regression adjustment is to apply a price elasticity factor of -0.3 to residential water consumption greater than 5,000 gallons per month.

DECISION: The recommendation was approved.

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?

Recommendation: Staff recommends that the appropriate subsidy and affordability limits for the water system should be \$5.89 and \$65.25, respectively. Staff recommends that the appropriate subsidy and affordability limits for the wastewater system should be \$5.89 and \$82.25, respectively. However, based on preliminary analysis, due to the wide range of stand-alone rates for the wastewater systems, and absent a reallocation of revenue requirements from the wastewater system to the water system, staff believes it may not be possible to find a workable subsidy and affordability combination for the wastewater systems.

With respect to the rate consolidation issue, several methodologies have been proposed by both AUF and staff witnesses. Because the final rate consolidation methodology proposed by witness Stallcup regarding revenue requirement reallocation is a departure from the Commission's ratesetting methodology, staff requests the Commission's permission to consider that methodology when calculating rates. In determining the appropriate subsidy and affordability values, the Commission should weigh the countervailing considerations of both: 1) the magnitude of the wastewater subsidy versus overall wastewater affordability; and 2) the fairness consideration of reallocating wastewater revenue requirements to the water system.

DECISION: The recommendation was approved.

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

Recommendation: Yes, it is appropriate to consider subsidy limits based on stand-alone rates.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Recommendation: Regarding aspects other than rate consolidation, the appropriate rate structure for the utility's water systems is a three-tiered inclining block rate structure, with usage blocks for residential monthly consumption of: a) 0-5 kgals; b) 5.001-10 kgals; and c) usage in excess of 10 kgals. The usage block rate factors should be 1.0, 1.25 and 3.0, respectively. The general service gallonage charge rate should be based on the uniform gallonage charge. The pre-repression base facility charge cost recovery should be 35 percent. The appropriate rate structure for the Utility's wastewater systems is the base facility/gallonage charge rate structure. The general service gallonage charge should be 1.2 times the corresponding residential gallonage charge. The pre-repression base facility charge cost recovery should be 50 percent.

Regarding rate consolidation, consistent with Commission decisions in prior cases, statewide single tariff rates should be the long term goal for AUF. However, based on record evidence, staff does not believe the Utility has met its burden concerning its request for a single cost of service; therefore, the request should be denied. The extent to which the WAW systems should be combined is dependent on the Commission's vote on Issue 60. Accordingly, to what extent the WAW systems should be combined will be addressed in Staff's Memorandum to be filed on March 5, 2009.

DECISION: The recommendation was approved.

Issue 64: What water systems, if any, should be consolidated into a single rate structure?
THIS ISSUE WILL BE ADDRESSED AT THE RATES AGENDA ON MARCH 17, 2009.

Issue 65: What wastewater systems, if any, should be consolidated into a single rate structure?
THIS ISSUE WILL BE ADDRESSED AT THE RATES AGENDA ON MARCH 17, 2009.

Issue 66: What, if any, are the appropriate repression adjustments to be made?
THIS ISSUE WILL BE ADDRESSED AT THE RATES AGENDA ON MARCH 17, 2009.

Issue 67: What are the appropriate monthly rates for the water and wastewater systems for the Utility?
THIS ISSUE WILL BE ADDRESSED AT THE RATES AGENDA ON MARCH 17, 2009.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Recommendation: Yes. AUF should be authorized to revise its miscellaneous service charges. The Utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. Within 10 days of the date the order is final, AUF should be required to provide notice of the tariff changes to all customers. The Utility should provide proof the customers have received notice within 10 days after the date that the notice was sent. The appropriate charges are reflected below.

Water and Wastewater Miscellaneous Service Charges

	<u>Water</u>		<u>Wastewater</u>	
	<u>Normal Hrs</u>	<u>After Hrs</u>	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$22	\$33	\$22	\$33
Normal Reconnection	\$22	\$33	\$22	\$33
Violation Reconnection	\$35	\$55	Actual Cost	Actual Cost
Premises Visit	\$22	\$33	\$22	\$33
Late Payment Fees	\$5	N/A	\$5	N/A

DECISION: The recommendation was approved.

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?

Recommendation: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense not in effect during the interim period. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, the required interim refunds are reflected on Attachment B of staff's memorandum dated February 11, 2009.

DECISION: The recommendation was modified as to Attachment B of staff's memorandum dated February 11, 2009.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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.?

THIS ISSUE WILL BE ADDRESSED AT THE RATES AGENDA ON MARCH 17, 2009.

Issue 71: What are the appropriate service availability charges for the Utility?

Recommendation: The Utility's proposed meter installation, service installation, main extension, and plant capacity charges should be approved.

DECISION: The recommendation was approved.

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

Recommendation: Yes. The Utility should be authorized to charge AFPI charges shown on ~~Schedule 5~~ ~~Schedule 6~~ of staff's memorandum dated February 11, 2009 for the systems in which they requested and staff analysis shows the system is operating at less than 100 percent U&U. AFPI charges should be cancelled for the systems listed in the staff analysis which have a current tariff but the Utility is no longer requesting charges.

DECISION: The recommendation was modified by staff as noted above.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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?

Recommendation: Consistent with the recommended interim refunds discussed in Issue 69, the lost interim revenues for the three systems discussed in the analysis portion of staff's recommendation, and an estimated cessation date for the interim collection period of two weeks after the final rate order in this case, the total WAW regulatory assets for water and wastewater are ~~\$270,304~~ ~~\$517,327~~ and ~~\$449,313~~ ~~\$202,290~~ respectively. Accordingly, the total annual amortization amount is ~~\$135,152~~ ~~\$258,664~~ and ~~\$224,656~~ ~~\$101,145~~ for water and wastewater, respectively. Moreover, the individual systems that generated the regulatory assets should be entitled to receive the benefit of the annual amortization of their respective regulatory assets. Furthermore, upon the expiration of the two-year amortization period, the respective systems' rates should be reduced across-the-board to remove the respectively grossed up annual amortization of the regulatory assets. The Utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than 30 days prior to the actual date of the required rate reduction. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-40.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. AUF should provide proof of the date notice was given no less than 10 days after the date of the notice.

DECISION: The recommendation was modified by staff as noted above.

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

THIS ISSUE WILL BE ADDRESSED AT THE RATES AGENDA ON MARCH 17, 2009.

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?

THIS ISSUE WILL BE ADDRESSED AT THE RATES AGENDA ON MARCH 17, 2009.

ITEM NO.

CASE

1

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.

(Continued from previous page)

Issue 76: Should this docket be closed?

Recommendation:

If the Commission's final order is not appealed, this docket should be closed upon staff's approval of the tariffs, verification of the required refunds, if any, and the expiration of the time for filing an appeal.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1

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.

(Continued from previous page)

STIPULATED ISSUES AND PARTIALLY STIPULATED ISSUES

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

Stipulation: Yes. Pursuant to Rule 25-30.4325(1)(e), F.A.C., twenty six of the water systems have unaccounted for water in excess of 10 percent of the amount produced. A net adjustment of (\$15,887) should be made to Purchased Water, Purchased Power, Fuel for Power, Chemicals, and Materials and Supplies, as shown in the table below:

System	EUW Over 10%	Adjustments to Utility Balances					Net Adjustment
		Purchased Water	Purchased Power	Fuel for Power	Chemicals	Materials & Supplies	
Arredondo Estates/Farms	17.17%	\$0	(\$1,708)	\$0	(\$175)	\$322	(\$1,561)
Chuluota	2.40%	\$0	(\$806)	\$0	(\$861)	\$0	(\$1,667)
Haines Creek	2.10%	\$0	(\$38)	\$0	(\$10)	\$0	(\$47)
Hobby Hills	1.90%	\$0	(\$36)	\$0	(\$4)	\$0	(\$40)
Interlachen Lake/Park Manor	37.43%	\$0	(\$2,105)	\$190	(\$538)	\$1,061	(\$1,392)
Jasmine Lakes	4.25%	\$0	(\$751)	\$0	(\$665)	\$177	(\$1,239)
Lake Gibson Estates	2.20%	\$0	(\$531)	\$0	(\$52)	\$0	(\$583)
Lake Osborne	0.10%	(\$188)	(\$0)	\$0	\$0	\$0	(\$188)
Leisure Lakes	19.60%	\$0	(\$1,097)	\$55	(\$572)	\$130	(\$1,485)
Palms MHP	8.35%	\$0	(\$69)	\$2	(\$54)	\$74	(\$47)
Picciola Island	1.50%	\$0	(\$40)	\$0	(\$5)	\$0	(\$44)
Piney Woods/Spring Lake	1.80%	\$0	(\$73)	\$0	(\$31)		(\$104)
Pomona Park	0.20%	\$0	(\$8)	\$0	(\$1)	\$0	(\$9)
Sebring Lakes	23.09%	\$0	(\$2,309)	\$74	(\$2,232)	\$413	(\$4,054)
Silver Lake Est/Western Shores	1.00%	\$0	(\$603)	\$0	(\$35)	\$0	(\$638)
Summit Chase	47.67%	\$0	(\$2,148)	\$345	(\$358)	\$484	(\$1,676)
Sunny Hills	1.10%	\$0	(\$319)	\$0	(\$9)	\$0	(\$328)
Tangerine	1.30%	\$0	(\$121)	\$0	(\$57)	\$0	(\$178)
Tomoka/Twin Rivers	5.64%	\$0	(\$60)	\$29	(\$418)	\$279	(\$169)
Welaka/Saratoga Harbour	4.34%	\$0	(\$76)	\$0	(\$18)	\$89	(\$5)
Wootens	25.31%	\$0	(\$149)	\$0	(\$36)	\$175	(\$10)
Zephyr Shores	17.46%	\$0	(\$434)	\$0	(\$131)	\$143	(\$423)
Net Adjustments		(\$188)	(\$13,480)	\$695	(\$6,262)	\$3,347	(\$15,887)

In addition, adjustments for excessive unaccounted for water are reflected in the used and useful calculations.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Stipulation: An infiltration and inflow adjustment should be made for Beecher's Point (38.85%), Florida Central Commerce Park (9%), Holiday Haven (12%), Jungle Den (37%), Rosalie Oaks (28%), and Summit Chase (22%). All of the appropriate adjustment have been made with the exception of Beecher's Point. Purchased water for Beecher's Point should be reduced by \$16,756. (TR 857)

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Partial Stipulation: Stipulations were approved during the hearing for the following systems:

System	U & U Stipulation
48 Estates	100%
Carlton Village	95%
Gibsonia Estates	61%
Grand Terrace	100%
Haines Creek	100%
Harmony Homes	100%
Hermits Cove/St Johns Highlands	31%
Imperial Mobile Terrace	100%
Jasmine Lakes	100%
Kings Cove	100%
Lake Gibson	100%
Leisure Lakes	100%
Morningview	100%
Ocala Oaks	100%
Orange Hill/Sugar Creek	100%
Palm Port	100%
Palms Mobile Home Park	100%
Picciola Island	75%
Piney Woods/Spring Lake	100%
Pomona Park	100%
Quail Ridge	100%
Ravenswood	100%
River Grove	100%
Silver Lake Oaks	100%
Stone Mountain	100%
Summit Chase	100%
Sunny Hills	91%
Tangerine	100%
The Woods	100%
Valencia Terrace	100%

ITEM NO.

CASE

1

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.

(Continued from previous page)

System	U & U Stipulation
Venetian Village	74%
Wootens	100%

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

Stipulation: Pursuant to Rule 25-30-4325(8), F.A.C., all of the water storage and related facilities are 100 percent used and useful.

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Partial Stipulation: Stipulations were approved during the hearing for the following systems:

System	U&U Stipulation
Holiday Haven	75%
Jasmine Lakes	100%
Lake Suzy	100%
Leisure Lakes	39%
Palm Port	58%
Palm Terrace	100%
Park Manor	100%
Silver Lake Oaks	42%
Sunny Hills	49%
Village Water	45%

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Partial Stipulation: Stipulations were approved during the hearing for the following systems:

System	U&U Stipulation
48 Estates	85%
Carlton Village	47%
Chuluota	100%
East Lake Harris	100%
Fern Terrace	100%
Friendly Center	100%
Grand Terrace	100%
Haines Creek	100%
Harmony Homes	100%
Hermits Cove	81%
Hobby Hills	100%
Holiday Haven	76%
Imperial Mobile Terrace	100%
Interlachen Lake Estates	83%
Jasmine Lakes	100%
Jungle Den	100%
Kings Cove	100%
Lake Gibson Estates	100%
Lake Osborne	100%
Lake Suzy	100%
Leisure Lakes	76%
Oakwood	97%
Ocala Oaks	100%
Palm Terrace	100%
Picciola Island	80%
Pomona Park	51%
Quail Ridge	100%
Sebring Lakes	7%

ITEM NO.

CASE

1

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.

(Continued from previous page)

System	U&U Stipulation
Silver Lake Oaks	68%
St. Johns Highlands	72%
Stone Mountain	54%
Summit Chase	100%
Sunny Hills	13%
Tangerine	60%
The Woods	46%
Welaka/Saratoga Harbor	49%

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

Partial Stipulation: Stipulations were approved during the hearing for the following systems:

System	U & U Stipulation
Arredondo Farms	100%
Chuluota	100%
Holiday Haven	75%
Jasmine Lakes	100%
Kings Cove	100%
Lake Gibson Estates	100%
Lake Suzy	100%
Leisure Lakes	75%
Palm Port	88%
Palm Terrace	100%
Park Manor	100%
Silver Lake Oaks	66%
South Seas	100%
Summit Chase	100%
Sunny Hills	38%
The Woods	60%
Venetian Village	100%
Village Water	47%

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Stipulation: Yes. The following adjustments should be made:

System	Account	Adjustment	Reason for Adj.
Water			
Lake Suzy	Accum. Amort. of CIAC	\$8,891	Unsupported Balance
Ocala Oaks	Accum. Amort. of CIAC	(\$11,418)	Unsupported Balance
Tangerine	Accum. Amort. of CIAC	\$2,830	Correct for Duplicate Reduction
Water and Wastewater Systems			
Multiple Systems	Accum. Amort. of CIAC	(\$95,580)	Failure to Amortize CIAC Subaccounts.

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

Stipulation: The appropriate 13-month average balance of customer deposits is \$217,122 on an aggregate basis. To correct an error in the test year deposit activity, customer deposits should be reduced by \$62,301. For Ravenswood, Rosalie Oaks, and Summit Chase, customer deposits should be reduced by \$42, \$172, and \$712. The adjustments to the Utility's other respective individual systems are reflected on Page 22 of 50 and Page 23 of 50 in Exhibit CJW-1 of the Direct Testimony Staff Witness Winston. (See AF 9)

ITEM NO.

CASE

1

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.

(Continued from previous page)

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

Stipulation: Yes. To remove prior period expenses, allocated expense from Aqua America, Inc. totaling \$12,255 should be disallowed in this rate proceeding. The respective individual system adjustments are reflected on Page 26 of 50 and Page 27 of 50 in Exhibit CJW-1 of the Direct Testimony Staff Witness Winston. In addition, the following adjustments should be made:

System	Account	Adjustment	Reason for Adj.
Water			
Lake Suzy	Purchased Water	(\$20,531)	Out of Period Expense
Morningview	Chemicals	(\$50)	Out of Period Expense
Wastewater Systems			
Rosalie Oaks	Contractual Services – Testing	(\$120)	Out of Period Expense
Lake Suzy	Contractual Services – Testing	(\$190)	Out of Period Expense
Lake Suzy	Rental of Building / Real Property	(\$15,833)	Out of Period Expense
Florida Central Commerce Park	Materials & Supplies	(\$302)	Out of Period Expense
Lake Suzy	Contractual Services – Other	(\$941)	Out of Period Expense
Morningview	Purchased Power	(\$73)	Out of Period Expense
Village Water	Chemicals	(\$110)	Out of Period Expense

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

Stipulation: Yes. To correct a misclassification of fines and penalties incurred by the Utility, miscellaneous Expense should be reduced by \$61,736 for water and \$23,215 for wastewater. The respective individual system adjustments are reflected on Page 37 of 50 in Exhibit CJW-1 of the Direct Testimony Staff Witness Winston. (See AF 13)

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

Stipulation: Yes. Relocation expenses should be reduced by \$14,228 to normalize the test year expense level.

ITEM NO.

CASE

1

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.

(Continued from previous page)

Issue 47: Should any adjustments be made to legal expenses? (Stipulated)

Stipulation: Legal expenses incorrectly booked to Village Water in the amount of \$25,572 should be removed. These expenses should have been charged to Jasmine Lakes, however, the amount should be amortized over five years. Jasmine Lakes' legal expenses should be increased by \$5,142.

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

Stipulation: Yes. Amortization of CIAC should be increased by \$176,456, which is reflected as a decrease to depreciation expense. In addition, the company's reduction to amortization of CIAC on non-used and useful depreciation expense should be removed. This reflects a total decrease to depreciation expense of \$12,368 for water and \$126 for wastewater.

Stipulations based on Audit Findings

1. To reflect prior order balances for the Lake Osborne Estates water system, plant in service, accumulated depreciation, and depreciation expense should be reduced by \$3,289, \$941, and \$84, respectively. (AF 4)
2. To remove an unsupported balance for the Arredondo Estates/Farms water system, accumulated depreciation should be reduced by \$16,992. (AF 4)
3. To remove an unsupported balance for the Jasmine Lakes water system, accumulated depreciation should be reduced by \$35,249. (AF 4)
4. To correct a misclassification of expense related to replacing transmission and distribution equipment for the Imperial Mobile Terrace water system, Contractual Services – Other should be reduced by \$4,986, Transmission and Distribution – Mains should be increased by \$1,247, depreciation expense and accumulated depreciation should both be increased by \$58. (AF 11)
5. To correct a misclassification of expense related to an abandoned preliminary engineering study project for the Lake Suzy wastewater system, Contractual Services – Engineering should be reduced by \$2,695. (AF 15)
6. To correct a misclassification of expenses for Village Water wastewater system related to an abandoned wastewater treatment plant permit, Contractual Services – Other should be reduced by \$11,841. (AF 17)

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

