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December 17, 2007

Ms. Ann Cole, Director
Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center
Room 110
Tallahassee, FL 32399-0850

HAND DELIVERY

RECEIVED-FPSC
07 DEC 17 PM 4: 14
COMMISSION
CLERK

Re: Docket No. 070183-WS

Dear Ms. Cole:

Enclosed for filing on behalf of Aqua Utilities Florida, Inc. ("AUF"), are the original and fifteen copies of the Prehearing Statement of AUF.

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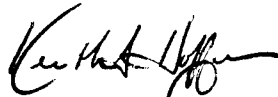
SEC _____

OTH _____

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the copy to me.

Thank you for your assistance with this filing.

Sincerely,



Kenneth A. Hoffman

KAH/rl
Enclosures

cc: Rosanne Gervasi, Esq., with enclosure, via hand delivery
Stephen C. Reilly, Esq., with enclosure, via hand delivery
Martin S. Friedman, with enclosure, via U. S. Mail
Kimberly A. Joyce, Esq., with enclosure, via U. S. Mail

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed adoption of Rule 25-30.4325,) Docket No. 070183-WS
F.A.C., Water Treatment Plant Used and)
Useful Calculations.) Filed: December 17, 2007
)

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

Aqua Utilities Florida, Inc. ("AUF"), by and through its undersigned counsel, and pursuant to Order No. PSC-07-0777-PCO-WS issued September 25, 2007, hereby files its Prehearing Statement.

APPEARANCES:

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A. WITNESSES

ISSUES

Direct

John F. Guastella

2-16

DOCUMENT NUMBER-DATE

10984 DEC 17 07

FSCC 001111

B. EXHIBITS

<u>Sponsoring Witness</u>		<u>Description of Exhibit</u>
John F. Guastella	Att. 1	Qualifications and Experience of John F. Guastella
	JGF-1	Guide for Determination of Needed Fire Flow
	JFG-2	Standard Schedule for Grading Cities and Towns of the United States With Reference to Their Fire Defense and Physical Conditions
	JFG-3	Water Rates – AWWA Manual M1 Fourth Edition

AUF also reserves the right to introduce exhibits for surrebuttal, cross-examination, impeachment, or for any other purposes authorized by the applicable Florida Rules of Evidence and rules or orders of this Commission.

C. STATEMENT OF BASIC POSITION

AUF supports proposed Rule 25-30.4325 as a whole. The proposed rule, in its entirety, represents the culmination of the efforts of the Commission Staff and interested parties to develop a fair and workable rule which permits utilities the opportunity to recover their prudent, used and useful investment in water treatment plants. Indeed, the Commission Staff has done an exemplary job of coordinating and considering, through workshops and written comments, the input and positions of Commission regulated utilities, the Office of Public Counsel (“OPC”), the Department of Environmental Protection, the Water Management Districts and the Florida Rural Water Association. Generally speaking, the proposed rule as a whole would codify, in large part, prior Commission decisions and would help reduce continued litigation over use and useful issues, the cost of which are ultimately borne by the utility’s customers.

This proceeding arises from a Petition filed by the OPC challenging the proposed rule in its entirety. As the Petitioner, OPC bears the burden of proof and the burden of demonstrating that the alternative proposals it has presented should be adopted by the Commission instead of the specific provisions in the proposed rule. In light of OPC's attack on the proposed rule, AUF has offered its own alternative proposals with respect to a few specific provisions in the proposed rule. As the proponent of such changes, AUF similarly bears the burden of proof with respect to its alternative proposals.

Given that OPC has placed the entire proposed rule at issue, AUF proposes that in its final consideration of the proposed rule that the Commission amend the proposed rule as follows:

1. Proposed Rule 25-30.4325(1)(a) -- High service pumps should be separated from storage facilities for purposes of identifying their cost and percentage used and useful. The calculation of used and useful for high service pumps should not be limited to a formula reflecting the ratio of demand to capacity.

2. Proposed Rule 25-30.4325(1)(c) and (d) -- In defining peak demand and accounting for fire flow, the definitions should be expanded to allow recovery of "an appropriate fire flow" to ensure that utilities recover the cost of fire flow requirements for multiple hydrants throughout an entire service area. This amendment would permit utilities to recover the cost of facilities necessary to meet fire flow requirements over the entire system and as necessary to combat multiple or coincidental fires, or buildings requiring higher flows than may be identified by local fire departments or districts.

3. Proposed Rule 25-30.4325(1)(c), (d) and (7) -- Peak demands should not be reduced by excessive unaccounted for water. The cost of treatment facilities does not diminish if a system's lost and unaccounted for water becomes excessive over time. Adjustments for

unaccounted for water should be limited to operating expenses. With respect to plant, the more appropriate response is to conduct a cost-benefit analysis to determine if the cause(s) of the excessive unaccounted for water should be repaired.

4. Proposed Rule 25-30.4325(7)(a) and (b) -- Peak demands, either maximum day or peak hour, should not be limited to a rate setting test year. Water systems are not designed for a rate setting test year but, instead, for the maximum demand whenever it might occur.

5. Proposed Rule 25-30.4325(7)(a) and (b) -- If there is an unusual occurrence on the single maximum day or peak hour in determining peak demand, the rule should be amended to provide for the use of the next highest maximum day so long as there is not an unusual occurrence on that day, rather than the use of the average of the five highest days within a thirty day period.

D. ISSUES

Issue 1: Who has the burden of proof in this proceeding?

AUF's Position: As the Petitioner in this proceeding, the Office of Public Counsel bears the burden of proof in its comprehensive attack on the Staff's proposed rule. To the extent the other parties challenge various provisions of the Staff's proposed rule, those parties similarly bear the burden of proof with respect to individual challenged provisions.

Issue 2: Should the definition of a water treatment system proposed as Rule 25-30.425(1)(a) in Order PSC-07-NOR-WS be adopted as a proper definition for a water treatment used and useful rule?

AUF's Position: Yes.

Issue 3: Should the definition of storage facilities proposed as Rule 25-30.425(1)(b) in Order PSC-07-0469-NOR-WS be adopted as a proper definition for a water treatment used and useful rule?

AUF's Position: No. High service pumps should be separated from storage facilities for purposes of identifying their cost and percentage used and useful. The calculation of used and useful for high service pumps should not be limited to a formula reflecting the ratio of demand to capacity.

Issue 4: Should the definition of peak demand for a water treatment system proposed as Rule 25-30.425(1)(c) in Order PSC-07-0469-NOR-WS be adopted as a proper definition for a water treatment used and useful rule?

AUF's Position: No. AUF agrees with the definition with the exceptions that: (1) the definition should not exclude excessive unaccounted for water; and (2) the provision addressing the inclusion of fire flow should be amended to read: "When fire flow is provided, an appropriate fire flow or a minimum of either the fire flow required by the local governmental authority or 2 hours at 500 gallons per minute."

Issue 5: Should the definition of peak demand for storage proposed as Rule 25-30.425(1)(d) in Order PSC-07-0469-NOR-WS be adopted as a proper definition for a water treatment used and useful rule?

AUF's Position: No. AUF agrees with the definition with the exceptions that: (1) the definition should not exclude excessive unaccounted for water; and (2) the provision addressing the inclusion of fire flow should be amended to read: "When fire flow is provided, an appropriate fire flow or a minimum of either the fire flow required by the local governmental authority or 2 hours at 500 gallons per minute."

Issue 6: Should the definition of excessive unaccounted for water proposed as 25-30.425(1)(e) in Order PSC-07-0469-NOR-WS be adopted as a proper definition for a water treatment used and useful rule?

AUF's Position: If the Commission determines that it is appropriate to exclude excessive unaccounted for water in the definitions of peak demand for a water treatment system and peak demand for storage, the definition of excessive unaccounted for water should be amended to read: "Excessive unaccounted for water (EUW) is finished potable water produced (delivered to the system) that exceeds 10% of that production quantity."

Issue 7: Should the Commission's used and useful evaluation include a determination of prudence and consider economies of scale as stated

in proposed Rule 25-30.425(2) in Order PSC-07-0469-NOR-WS and be adopted for a water treatment used and useful rule?

AUF's Position: Yes.

Issue 8: Should alternative calculations for water treatment systems and storage facilities be allowed as proposed Rule 25-30.425(3) in Order PSC-07-0469-NOR-WS and be adopted for a water treatment used and useful rule?

AUF's Position: Yes.

Issue 9: Should the conditions for considering a water treatment system 100% used and useful as stated in proposed Rule 25-30.425(4) in Order PSC-07-0469-NOR-WS be adopted for a water treatment used and useful rule?

AUF's Position: Yes.

Issue 10: Should the calculation of used and useful of a water treatment system as stated in proposed Rule 25-30.425(5) in Order PSC-07-0469-NOR-WS be adopted for a water treatment used and useful rule?

AUF's Position: Yes.

Issue 11: Should the definition of firm reliable capacity for various combinations of water treatment systems and storage facilities as stated in proposed Rule 25-30.425(6) in Order PSC-07-0469-NOR-WS be adopted as a proper definition for a water treatment used and useful rule?

AUF's Position: Yes.

Issue 12: Should the basis for expressing peak demand as stated in proposed Rule 25-30.425(7) in Order PSC-07-0469-NOR-WS be adopted for a water treatment used and useful rule?

AUF's Position: No. These provisions should be amended to: (1) strike the reduction for excessive unaccounted for water; and (2) use the single maximum day unless there is an unusual occurrence on that

day or the next highest maximum day that does not reflect an unusual occurrence on such day, without the limitation that such single maximum day or next highest maximum day have occurred in the test year.

Issue 13: Should the calculation of used and useful for storage as stated in proposed Rule 25-30.425(8) in Order PSC-07-0469-NOR-WS be adopted for a water treatment used and useful rule?

AUF's Position: Yes.

Issue 14: Should the definition of usable storage as stated in proposed Rule 25-30.425(9) in Order PSC-07-0469-NOR-WS be adopted as proper definitions for a water treatment used and useful rule?

AUF's Position: Yes.

Issue 15: Should the method of determining adjustments to plant and operating expenses as stated in proposed Rule 25-30.425(10) in Order PSC-07-0469-NOR-WS be adopted for a water treatment used and useful rule?

AUF's Position: No. There should be no adjustment to plant (only to operating expenses) based on excessive unaccounted for water. The more appropriate response is to conduct a cost/benefit analysis to determine if the cause(s) of the excessive unaccounted for water should be repaired.

Issue 16: Should the Commission's consideration of other relevant factors as stated in proposed Rule 25-30.425(11) in Order PSC-07-0469-NOR-WS be adopted for a water treatment used and useful rule?

AUF's Position: Yes.

E. STIPULATED ISSUES

None at this time.

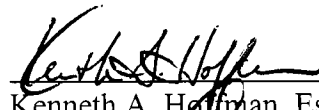
F. ALL PENDING MOTIONS OR OTHER MATTERS AUF SEEKS ACTION UPON

None.

G. PENDING REQUESTS FOR CLAIMS FOR CONFIDENTIALITY

None.

Respectfully submitted,



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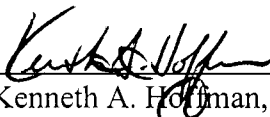
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing Prehearing Statement was furnished by Hand Delivery(*) and Telecopier and U. S. Mail(**) this 17th day of December, 2007 to:

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