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July 25, 2008

**Via E-Mail**

Tim Devlin, Director  
Division of Economic Regulation  
Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Re: *In Re: 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., Docket No. 080121-WS*

Dear Mr. Devlin:

Upon further review, Aqua Utilities Florida, Inc. ("AUF") respectfully submits the following as suggestions of errors in Staff's Memorandum, filed July 18, 2008, in the above referenced docket.

1. **Venetian Village:**

Schedules 4-A and 4-B were omitted from the memorandum (Document #06199), both in the .pdf file on the website and in the paper copy. Without them, there is effectively no Staff recommendation for interim rates for this system (Water & Sewer).

2. **Palm Port Wastewater:**

AUF believes the number in row 61 column H (\$10.48) may be in error. AUF believes it should be the number in column I, \$8.73.

Then the number in column I, \$8.73 is in error. It should be replaced by the formula =E61\*(1+\$M\$59)

AUF further believes all the formulas in rows 58-77 column J may be in error. E.g., the formula on line 59 is =IF(I81<G81,I59,G59), but it should be =IF(I59<G59,I59,G59)

This was then copied to all lines 58-77 in that column in the Wastewater section.

AUF further believes the formula in row 77 column I,  $=E77*(1+\$L\$16)$  may be in error. It should be  $=E77*(1+\$L\$59)$ .

3. Excel file entitled: **FWS SYSTEMS LEAD SCHEDULE.xls**:

In the calculation of a composite rate increase for the FWS SEWER systems, Staff left the revenues blank (i.e., zero) for Jungle Den and Palm Port. Therefore, the calculated composite increase of 89.72% is incorrect.

4. In **Attachment D**, for the FWS systems, Staff calculated composite interim rate increase percentages for Water systems (page 1 of 2) and Sewer systems (page 2 of 2). The results shown in the Memorandum (and in the file "FWS SYSTEMS LEAD SCHEDULE.xls" provided by Staff) are 33.49% and 89.72 %, respectively.

However, there is a discrepancy with respect to the data for Beecher's Point. In the file "Beecher's Point Water & Wastewater Interim Rates.XLS" provided by Staff, the revenue amounts in the NOI tab are different from those used in the Attachment D calculations for composite rate increase percentages. Using the numbers in the Beecher's Point file results in higher interim increases: 33.99% for Water and 91.11% for Sewer.

In addition, there are errors in formulas on the Jungle Den and Palm Port rows of Attachment D, page 2 of 2. Values for those systems are shown as zero because the formulas are pointing to empty cells in the respective source files. When these errors are corrected, the new Staff recommended interim increase would be 91.30% for Sewer.

5. **Jasmine Lakes Water**:

**RBase tab**: AUF showed 100% U&U for this system. However, Staff placed a Non-Used & Useful balance of negative \$8,660 into its RBase tab attributing it to the Utility.

**Cap tab**: Staff put zeros in the "Cost Rate" column, causing erroneous rates of return to be calculated.

**RevRq tab**: For water, in cell I50, Staff pointed to an empty cell to get the rate of return to multiply with the rate base amount to get "Return Allowed." This resulted in a "Return Allowed" of Zero, and a "Revenue Increase" of negative \$261,539. The corrected "Revenue Increase" should be approximately \$110,000 higher.

**RateSch tab**: Correcting the above will raise Staff's Interim BFC from \$5.81 to approximately \$6.46, and usage from \$3.73 to approximately \$4.14.

6. **Lake Suzy Water:**

Cap tab: Staff has zeros in cells that cause #DIV/0 errors and no calculation of minimum and maximum rates of return.

RevRq tab: The same error exists as that identified under the above section regarding Jasmine Lakes Water. Correcting this will increase the Revenue increase approximately \$40,000.

RateSch tab: Correcting the above suggested errors will raise Staff's Interim BFC from \$5.81 to approximately \$6.46, and usage from \$3.73 to approximately \$4.14.

7. **Sunny Hills:**

RevRq tab: Staff again pointed to an empty cell to get the rate of return to multiply with the rate base amount to get "Return Allowed." The difference is approximately \$13,000. Using the maximum rate of return will increase it by approximately \$15,000.

RateSch tab: Correcting the above suggested errors will raise Staff's Interim Uncapped BFC from \$15.62 to approximately \$15.74, and usage from \$6.02 to approximately \$6.07. Because AUF's Capped Rate is less, Staff would stay with AUF's rates; however, this change will increase the Est'd Ann'l Reg Asset by approximately \$3,000.

8. **Palm Terrace Wastewater:**

RevRq tab: AUF believes that it may be necessary to "Re-point" to the maximum rate of return percentage. It appears Staff used the minimum ROE instead of the maximum. Therefore, AUF's capped interim rate would be more appropriate to use. Increase in revenue would be approximately \$19,000.

9. **Other FWS Systems:**

Note also that changes made to any FWS systems will have an effect on the composite increase percentages for these systems, so other FWS systems' rates might be affected.

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Tim Devlin  
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AUF, through its undersigned counsel, respectfully requests that Staff consider the above identified suggestions of errors, and make the appropriate revisions to its recommendation for the July 29, 2008 Agenda Conference.

Sincerely yours,

HOLLAND & KNIGHT LLP



D. Bruce May, Jr.

cc: Cheryl Bulecza-Banks, Division of Economic Regulation  
Stephen Fletcher, Division of Economic Regulation  
Ralph Jaeger, Office of General Counsel  
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