

VOTE SHEET

February 24, 2009

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.

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.

APPROVED

COMMISSIONERS ASSIGNED:

All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of majority commissioners: Katrina J. McMurrin (all except #28), and three other illegible signatures.

Handwritten signature of dissenting commissioner: Katrina J. McMurrin (Issue #28)

REMARKS/DISSENTING COMMENTS:

Document Number 01483-09 Oral Modification attached - cc Commissioner McMurrin dissented on Issue 28. Commissioner Skig to write concurring opinion on Issue 28.

DOCUMENT NUMBER - DATE
01569 FEB 26
FPSC-COMMISSION CLERK

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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.

MODIFIED

*marginal overall quality of service.
Unsatisfactory quality of service for the
Chuluota and The Woods water systems.
Issue 2 addresses all other issues.*

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)

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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.

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.

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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)	\$0	(\$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)

STIPULATED

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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.

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.

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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%

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.

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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.

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.

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.

APPROVED

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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.

APPROVED

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

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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.

STIPULATED

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.

APPROVED

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

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

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

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

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.

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.

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.

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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.

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.

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.

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.

APPROVED

(Continued from previous page)

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)

STIPULATED

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.

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.

DENIED

Disregard the average 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 Commissioner Skop and the motion died for lack of a second.

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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.

APPROVED *with the understanding that calculations will be consistent with previous discussion.*

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.

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.

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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.

APPROVED

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

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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 shareholders services expenses, and to reclassify an engineering study project for the Lake Suzy system.

APPROVED

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.

STIPULATED

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

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

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.

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

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

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.

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.

APPROVED

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.

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

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

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.

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.

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.

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

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

APPROVED

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.

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.

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.

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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.

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.

APPROVED

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.

APPROVED

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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 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

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).

MODIFIED

not make the pro forma adjustments of \$62,535 and \$5,531 - removed for the Rates Manager's salary and office rent, respectively.

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(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.

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.

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.

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.

MODIFIED

numbers will fall-out due to vote on previous issues; real modification attached.

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(Continued from previous page)

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.

MODIFIED

numbers will fall-out due to vote on previous issues; oral modification attached

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

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

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.

APPROVED

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(Continued from previous page)

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.

APPROVED

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.

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.

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(Continued from previous page)

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.

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(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

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.

MODIFIED

*(attachment B of staff's memorandum dated February 11, 2009.)
see oral modification attached.*

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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.

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.

MODIFIED ; *anal modification attached.*

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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.

MODIFIED *oral modification attached.*

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.

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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.

APPROVED

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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.

STIPULATED

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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)

STIPULATED

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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%
Venetian Village	74%
Wootens	100%

PARTIAL STIPULATION

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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.

STIPULATED

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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%

PARTIAL STIPULATION

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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%
Silver Lake Oaks	68%
St. Johns Highlands	72%
Stone Mountain	54%
Summit Chase	100%
Sunny Hills	13%
Tangerine	60%

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System	U&U Stipulation
The Woods	46%
Welaka/Saratoga Harbor	49%

PARTIAL STIPULATION

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%

PARTIAL STIPULATION

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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.

STIPULATED

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)

STIPULATED

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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

STIPULATED

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)

STIPULATED

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(Continued from previous page)

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.

STIPULATED

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.

STIPULATED

February 24, 2009

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 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)

STIPULATED

Ann Cole

From: Mary Bane
Sent: Monday, February 23, 2009 1:43 PM
To: Mary Bane; Bart Fletcher
Cc: William C. Garner; Roberta Bass; Lorena Holley; Larry Harris; Bill McNulty; Ann Cole; Tim Devlin; Betty Ashby; Mary Anne Helton; Booter Imhof; Aqua Florida; Marshall Willis; Cheryl Bulecza-Banks
Subject: RE: Request of Oral Modification to Item 1, February 24, 2009 Special Agenda Conference, Docket No. 080121-WS - Rate Case for Aqua Utilities Florida, Inc.

Approved.

From: Mary Bane
Sent: Monday, February 23, 2009 1:40 PM
To: Bart Fletcher
Cc: William C. Garner; Roberta Bass; Lorena Holley; Larry Harris; Bill McNulty; Ann Cole; Tim Devlin; Betty Ashby; Mary Anne Helton; Booter Imhof; Aqua Florida; Mary Bane; Marshall Willis; Cheryl Bulecza-Banks
Subject: FW: Request of Oral Modification to Item 1, February 24, 2009 Special Agenda Conference, Docket No. 080121-WS - Rate Case for Aqua Utilities Florida, Inc.
Importance: High

From: Bart Fletcher
Sent: Monday, February 23, 2009 12:50 PM
To: Mary Bane
Cc: William C. Garner; Roberta Bass; Lorena Holley; Larry Harris; Bill McNulty; Ann Cole; Tim Devlin; Betty Ashby; Mary Anne Helton; Booter Imhof; Aqua Florida
Subject: Request of Oral Modification to Item 1, February 24, 2009 Special Agenda Conference, Docket No. 080121-WS - Rate Case for Aqua Utilities Florida, Inc.
Importance: High

Staff respectfully requests approval to make oral modifications to its recommendation scheduled for Tuesday's special agenda: staff's post-hearing recommendation to approve revenue requirements for Aqua Utilities Florida, Inc.'s water and wastewater systems. Three issues are affected: Issue 69, Issue 73 and Issue 72, with fallout changes to other issues.

(1) Issue 69 and Attachment B Modifications

The recommendation paragraph of Issue 69 refers to Attachment B for the recommended interim refunds. Initially, Attachment B reflected refunds for 8 former Florida Water Service Corp. (FWSC) systems. However, consistent with approving interim rate increases for the former FWSC water and wastewater systems based on their aggregate interim revenues, the aggregate interim period water and wastewater revenue requirements are greater than the aggregate water and wastewater Interim Order revenue requirements. As such, no interim refunds are required for all former FWSC systems. In addition, Chuluota wastewater system should have no interim refund because Aqua withdrew its interim request for that system.

Thus, staff is only recommending interim refunds for 3 stand-alone systems which are Summit Chase water, Summit Chase wastewater, and Lake Suzy water.

(2) Issue 73, Schedule 2, Fall-out Issues 58 and 59, and Schedules 4-A, 4-B, & 4-C for Palm Terrace Water & Wastewater Modifications

With regard to regulatory assets in Issue 73, staff inadvertently applied the recommended regulatory asset of \$123,511 for the Palm Terrace wastewater system to the Palm Terrace water system. The recommendation paragraph for Issue 73 and Schedule 2 will need to be revised for this correction. Also, this modification will result in fall-out modifications to Issues 58 and 59, as well as modifications to Schedules 4-A, 4-B, and 4-C for Palm Terrace water and wastewater.

(3) AFPI Schedules associated with Issue 72

(i) The recommendation paragraph of Issue 72 incorrectly referenced Schedule 6 which should be changed to correctly reflect Schedule 5. (ii) In addition, the second to the last sentence in the first paragraph on page 210, the reference to Schedule 6 should be changed to correctly reflect Schedule 5. (iii) The AFPI Schedules reflect the total ERCs instead of the appropriate Remaining ERCs for all systems. (iv) The GPD per ERC for Palm Port and Silver Lake Oaks should be 280 gpd instead of 350 gpd.

The corrections to these three issues do not affect the recommendation in any other respect. Staff has reflected each of the requested modifications in detail below:

(1) Issue 69 and Attachment B Modifications

First, on Page 204, in the last paragraph under staff analysis for Issue 69, staff requests to make the following type and strike change to correct staff's erroneous recommending refunds for Aqua's former FWSC systems:

"Applying the requirements of the interim statute, staff recommends that only three systems required interim refunds were required because the calculated interim period revenue requirements were greater than the interim revenue requirements approved in Order No. PSC-08-0534-FOF-WS. Our calculations for

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FPSC-COMMISSION CLERK

determining interim refunds are shown in Attachment B."

Second, on pages 232 and 233, Attachment B should be revised, as follows, to reflect no refunds for Chuluota wastewater, Friendly Center water, Jungle Den Water, Kingswood water, Leisure Lakes wastewater, Pomona Park water, St. Johns Highlands water, and Village Water wastewater.

Aqua Utilities Florida, Inc.							Attachment B
Schedule of Interim Refunds							Docket No.
Test Year Ended December 31, 2007							080121-WS
							Page 1 of 2
SUMMARY OF OPERATING REVENUES BY SYSTEM	Staff Recommended Revenue Req.	Recommended Grossed-Up RC Expense	Staff Interim Period Rev. Req.	Interim Rev. Req. Per Order	Calculated Interim Excess	Refund Percentage	
ARREDONDO ESTATES/FARMS - WATER	\$253,343	\$8,250	\$245,093	\$236,599	(\$8,494)	No Refund	
ARREDONDO ESTATES/FARMS - WASTEWATER	190,584	4,789	185,795	175,785	(10,010)	No Refund	
BEECHER'S POINT - WATER	80,455	739	79,716	58,156	(21,560)	No Refund	
BEECHER'S POINT - WASTEWATER	101,504	252	101,251	90,900	(10,351)	No Refund	
CARLTON VILLAGE - WATER	104,544	4,066	100,477	78,586	(21,891)	No Refund	
CHULUOTA - WATER	945,088	23,238	921,850	877,751	(44,099)	No Refund	
CHULUOTA - WASTEWATER	624,310	9,745	614,565	833,112	218,547	No Refund	
EAST LAKE HARRIS ESTATES - WATER	119,685	2,907	116,778	99,283	(17,495)	No Refund	
FERN TERRACE - WATER	59,572	2,067	57,506	51,841	(5,664)	No Refund	
FLORIDA CENTRAL COMMERCE PARK - WASTEWATER	387,868	991	386,877	298,278	(88,599)	No Refund	
FRIENDLY CENTER - WATER	17,180	487	16,693	22,372	5,679	No Refund	
GIBSONIA ESTATES - WATER	99,411	3,159	96,252	89,045	(7,207)	No Refund	
GRAND TERRACE - WATER	57,701	1,815	55,887	51,952	(3,935)	No Refund	
HAINES CREEK - WATER	41,997	1,764	40,233	37,584	(2,649)	No Refund	
HARMONY HOMES - WATER	50,842	991	49,851	35,223	(14,628)	No Refund	
HERMITS COVE - WATER	126,766	2,840	123,926	115,891	(8,035)	No Refund	
HOBBY HILLS - WATER	48,213	1,647	46,566	43,234	(3,332)	No Refund	
HOLIDAY HAVEN - WATER	72,094	1,999	70,094	64,806	(5,288)	No Refund	
HOLIDAY HAVEN - WASTEWATER	136,894	1,764	135,130	112,566	(22,565)	No Refund	
IMPERIAL MOBILE TERRACE - WATER	100,703	4,033	96,670	90,215	(6,455)	No Refund	
INTERLACHEN LAKES ESTATES - WATER	100,320	4,352	95,968	81,803	(14,164)	No Refund	
J. SWIDERSKI - 48 ESTATES - WATER	53,211	1,428	51,783	48,127	(3,656)	No Refund	
J. SWIDERSKI - KINGS COVE - WATER	76,735	3,411	73,324	70,467	(2,857)	No Refund	
J. SWIDERSKI - KINGS COVE - WASTEWATER	90,054	3,276	86,778	86,756	(22)	No Refund	
J. SWIDERSKI - SUMMIT CHASE - WATER	80,053	3,528	76,525	80,536	4,012	4.98%	
J. SWIDERSKI - SUMMIT CHASE - WASTEWATER	62,663	3,512	59,151	59,713	562	0.94%	
JASMINE LAKES - WATER	463,648	24,565	439,083	376,634	(62,449)	No Refund	
JASMINE LAKES - WASTEWATER	930,242	24,431	905,811	738,840	(166,971)	No Refund	
JUNGLE DEN - WATER	45,169	1,899	43,270	44,213	943	No Refund	
JUNGLE DEN - WASTEWATER	119,469	2,285	117,184	85,559	(31,625)	No Refund	
KINGSWOOD - WATER	39,409	958	38,451	47,025	8,574	No Refund	
LAKE GIBSON ESTATES - WATER	323,443	13,375	310,068	276,229	(33,839)	No Refund	
LAKE GIBSON ESTATES - WASTEWATER	648,320	5,192	643,128	571,341	(71,787)	No Refund	
LAKE JOSEPHINE - WATER	318,548	9,191	309,357	215,171	(94,186)	No Refund	
LAKE OSBORNE ESTATES - WATER	302,085	7,595	294,491	292,437	(2,054)	No Refund	
LAKE SUZY - WATER	416,239	9,140	407,099	415,636	8,537	2.05%	
LAKE SUZY - WASTEWATER	315,086	4,268	310,818	270,835	(39,984)	No Refund	
LEISURE LAKES - WATER	111,660	4,453	107,207	99,782	(7,425)	No Refund	
LEISURE LAKES - WASTEWATER	71,784	4,385	67,399	89,334	21,935	No Refund	
MORNINGVIEW - WATER	39,638	571	39,067	28,655	(10,412)	No Refund	
MORNINGVIEW - WASTEWATER	43,089	571	42,517	31,170	(11,347)	No Refund	
OAKWOOD - WATER	144,735	3,344	141,392	138,487	(2,904)	No Refund	
OCALA OAKS - WATER	841,404	29,488	811,916	711,302	(100,614)	No Refund	
ORANGE HILL / SUGAR CREEK - WATER	110,377	3,881	106,496	102,458	(4,038)	No Refund	
PALM PORT - WATER	63,384	1,764	61,619	44,780	(16,839)	No Refund	
PALM PORT - WASTEWATER	88,623	1,747	86,875	59,818	(27,057)	No Refund	
PALM TERRACE - WATER	542,460	18,583	523,877	486,394	(37,482)	No Refund	
PALM TERRACE - WASTEWATER	579,575	16,080	563,495	402,439	(161,056)	No Refund	
PALMS MOBILE HOME PARK - WATER	40,579	958	39,621	34,236	(5,385)	No Refund	
PARK MANOR - WASTEWATER	36,023	437	35,586	35,116	(470)	No Refund	
PICCIOLA ISLAND - WATER	53,394	2,369	51,025	47,262	(3,762)	No Refund	
PINEY WOODS - WATER	105,425	2,890	102,535	98,288	(4,247)	No Refund	
POMONA PARK - WATER	99,462	2,588	96,874	98,061	1,187	No Refund	
QUAIL RIDGE - WATER	42,483	1,529	40,954	25,801	(15,153)	No Refund	
RAVENSWOOD - WATER	25,786	739	25,047	19,328	(5,718)	No Refund	
RIVER GROVE - WATER	50,862	1,798	49,064	47,533	(1,531)	No Refund	
ROSALIE OAKS - WATER	43,364	1,428	41,936	36,995	(4,941)	No Refund	
ROSALIE OAKS - WASTEWATER	109,977	1,428	108,549	51,433	(57,116)	No Refund	
SEBRING LAKES - WATER	106,519	1,109	105,411	34,793	(70,617)	No Refund	
SILVER LAKE ESTATE / WESTERN SHORES - WATER	698,373	26,783	671,590	521,432	(150,158)	No Refund	
SILVER LAKE OAKS - WATER	42,174	437	41,737	34,178	(7,559)	No Refund	
SILVER LAKE OAKS - WASTEWATER	46,888	437	46,451	35,022	(11,429)	No Refund	
SKYCREST - WATER	66,504	1,983	64,522	44,887	(19,635)	No Refund	

SOUTH SEAS - WASTEWATER	789,805	1,008	788,796	712,659	(76,137)	No Refund
ST. JOHNS HIGHLANDS - WATER	22,553	1,613	20,940	21,166	226	No Refund
STONE MOUNTAIN - WATER	13,930	168	13,762	8,984	(4,777)	No Refund
SUNNY HILLS - WATER	296,786	9,325	287,461	212,686	(74,775)	No Refund
SUNNY HILLS - WASTEWATER	131,365	2,705	128,660	91,749	(36,911)	No Refund
TANGERINE - WATER	138,295	4,285	134,010	106,744	(27,267)	No Refund
THE WOODS - WATER	74,450	924	73,525	33,017	(40,508)	No Refund
THE WOODS - WASTEWATER	65,126	857	64,269	54,317	(9,952)	No Refund
Aqua Utilities Florida, Inc.						Attachment B
Schedule of Interim Refunds						Docket No.
Test Year Ended December 31, 2007						080121-WS
						Page 2 of 2
SUMMARY OF OPERATING REVENUES BY SYSTEM	Staff Recommended Revenue Req.	Recommended Grossed-Up RC Expense	Staff Interim Period Rev. Req.	Interim Rev. Req. Per Order	Calculated Interim Excess	Refund Percentage
TOMOKA - WATER	171,866	4,436	167,431	148,556	(18,875)	No Refund
VALENCIA TERRACE - WATER	135,123	5,629	129,494	113,614	(15,880)	No Refund
VALENCIA TERRACE - WASTEWATER	173,130	5,511	167,618	156,085	(11,533)	No Refund
VENETIAN VILLAGE - WATER	75,505	2,672	72,833	66,803	(6,031)	No Refund
VENETIAN VILLAGE - WASTEWATER	74,034	1,596	72,437	65,220	(7,217)	No Refund
VILLAGE WATER - WATER	203,927	2,655	201,272	175,064	(26,208)	No Refund
VILLAGE WATER - WASTEWATER	218,188	571	217,617	251,269	33,652	No Refund
WELAKA / SARATOGA HARBOUR - WATER	81,620	2,436	79,184	70,976	(8,208)	No Refund
WOOTENS - WATER	30,132	470	29,662	25,962	(3,699)	No Refund
ZEPHYR SHORES - WATER	159,841	7,242	152,600	142,899	(9,700)	No Refund
ZEPHYR SHORES - WASTEWATER	170,169	7,259	162,911	105,446	(57,464)	No Refund
TOTAL	\$15,233,833	\$393,091	\$14,840,742	\$13,146,706	(\$1,694,037)	

(2) Issue 73, Schedule 2, Fall-out Issues 58 and 59, and Schedules 4-A, 4-B, & 4-C for Palm Terrace Water & Wastewater Modifications

First, on page 211, in the recommendation paragraph for Issue 73, staff requests to make the following type and strike changes to correct for the misclassification of Palm Terrace wastewater's regulatory asset.

Recommendation: Consistent with the recommended interim refunds discussed in Issue 69, the lost interim revenues for the three systems discussed in staff's analysis below, 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 ~~\$547,327~~ and \$449,313, ~~\$292,299~~ respectively. Accordingly, the total annual amortization amount is \$135,152 ~~\$256,664~~ and \$224,656 ~~\$494,145~~ 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. (Fletcher)

Second, in the staff analysis section for Issue 73, the last paragraph on page 213, staff requests to make the following type and strike changes.

Consistent with the recommended interim refunds discussed in Issue 69, the lost interim revenues for the three systems discussed above, and an estimated cessation date for the interim collection period of two weeks after the final rate order in this case, staff recommends that total WAW regulatory assets for water and wastewater are \$270,304 ~~\$547,327~~ and \$449,313, ~~\$292,299~~ respectively. Accordingly, the total annual amortization amount for WAW is \$135,152 ~~\$256,664~~ and \$224,656 ~~\$494,145~~ for water and wastewater, respectively. Moreover, staff recommends that individual systems that generated the regulatory assets should be entitled to receive the benefit of the annual amortization of their respective regulatory assets. Annual amortization for the applicable systems are reflected on the respective Schedule 4-C ~~3-G~~. Furthermore, staff recommends that, 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.

Third, on page 236, Schedule 2 should be revised to reflect the correct revenue requirements for Palm Terrace water and wastewater, as well as the correct aggregate water and wastewater revenue requirements.

Aqua Utilities Florida, Inc.

Schedule of Revenue Requirements & Revenue Increases

Test Year Ended December 31, 20007

Schedule No.

2

Docket No.

080121-WS

SYSTEM NAME	Water				Wastewater			
	Adjusted Test Year Revenues	Staff Recomm. \$ Increase	Staff Recomm. % Increase	Staff Recomm. Rev. Req.	Adjusted Test Year Revenues	Staff Recomm. \$ Increase	Staff Recomm. % Increase	Staff Recomm. Rev. Req.
1ARREDONDO ESTATES/FARMS	\$154,204	\$99,139	64.29%	\$253,343	\$101,355	\$89,229	88.04%	\$190,584
2BEECHER'S POINT	25,970	54,485	209.80%	80,455	17,067	84,437	494.74%	101,504
3CARLTON VILLAGE	119,503	(14,959)	-12.52%	104,544				
4CHULUOTA	774,346	170,742	22.05%	945,088	524,153	100,157	19.11%	624,310
5EAST LAKE HARRIS ESTATES	41,965	77,720	185.20%	119,685				
6FERN TERRACE	48,543	11,029	22.72%	59,572				

7FLORIDA CENTRAL COMMERCE PARK					151,289	236,580	156.38%	387,868
8FRIENDLY CENTER	12,324	4,856	39.40%	17,180				
9GIBSONIA ESTATES	24,692	74,719	302.60%	99,411				
10GRAND TERRACE	33,299	24,402	73.28%	57,701				
11HAINES CREEK	22,096	19,901	90.07%	41,997				
12HARMONY HOMES	30,322	20,520	67.67%	50,842				
13HERMITS COVE	43,803	82,963	189.40%	126,766				
14HOBBY HILLS	25,365	22,848	90.07%	48,213				
15HOLIDAY HAVEN	37,699	34,395	91.24%	72,094	53,514	83,380	155.81%	136,894
16IMPERIAL MOBILE TERRACE	52,209	48,494	92.88%	100,703				
17INTERLACHEN LAKES/PARK MANOR	76,019	24,301	31.97%	100,320	14,924	21,099	141.38%	36,023
18J. SWIDERSKI - 48 ESTATES	30,831	22,380	72.59%	53,211				
19J. SWIDERSKI - KINGS COVE	61,952	14,783	23.86%	76,735	73,322	16,732	22.82%	90,054
20J. SWIDERSKI - SUMMIT CHASE	43,212	36,841	85.26%	80,053	41,772	20,891	50.01%	62,663
21JASMINE LAKES	459,916	3,732	0.81%	463,648	370,682	559,560	150.95%	930,242
22JUNGLE DEN	17,205	27,964	162.53%	45,169	38,350	81,119	211.52%	119,469
23KINGSWOOD	15,592	23,817	152.75%	39,409				
24LAKE GIBSON ESTATES	141,805	181,637	128.09%	323,443	97,052	551,268	568.01%	648,320
25LAKE JOSEPHINE	125,915	192,633	152.99%	318,548				
26LAKE OSBORNE ESTATES	112,140	189,945	169.38%	302,085				
27LAKE SUZY	328,443	87,796	26.73%	416,239	370,901	(55,815)	-15.05%	315,086
28LEISURE LAKES	56,721	54,939	96.86%	111,660	68,366	3,418	5.00%	71,784
29MORNINGVIEW	17,458	22,180	127.05%	39,638	21,561	21,528	99.85%	43,089
30OAKWOOD	54,442	90,294	165.85%	144,735				
31OCALA OAKS	513,267	328,137	63.93%	841,404				
32ORANGE HILL / SUGAR CREEK	51,821	58,556	113.00%	110,377				
33PALM PORT	36,136	27,248	75.40%	63,384	58,477	30,146	51.55%	88,623
34PALM TERRACE	316,443	226,017	71.42%	542,460	381,537	198,038	51.91%	579,575
35PALMS MOBILE HOME PARK	11,234	29,345	261.21%	40,579				
36PICCIOLA ISLAND	52,569	825	1.57%	53,394				
37PINEY WOODS	78,023	27,402	35.12%	105,425				
38POMONA PARK	60,020	39,442	65.71%	99,462				
39QUAIL RIDGE	45,857	(3,374)	-7.36%	42,483				
40RAVENSWOOD	15,029	10,757	71.57%	25,786				
41RIVER GROVE	36,470	14,392	39.46%	50,862				
42ROSALIE OAKS	13,999	29,365	209.77%	43,364	27,147	82,830	305.12%	109,977
43SEBRING LAKES	16,444	90,075	547.77%	106,519				
44SILVER LAKE EST/WESTERN SHORES	533,262	165,111	30.96%	698,373				
45SILVER LAKE OAKS	13,299	28,875	217.12%	42,174	18,699	28,189	150.75%	46,888
46SKYCREST	52,052	14,452	27.77%	66,504				
47SOUTH SEAS					421,474	368,331	87.39%	789,805
48ST. JOHNS HIGHLANDS	25,122	(2,569)	-10.22%	22,553				
49STONE MOUNTAIN	4,998	8,932	178.70%	13,930				
50SUNNY HILLS	273,209	23,577	8.63%	296,786	84,630	46,735	55.22%	131,365
51TANGERINE	73,357	64,938	88.52%	138,295				
52THE WOODS	23,194	51,256	220.99%	74,450	20,076	45,050	224.39%	65,126
53TOMOKA	47,370	124,496	262.82%	171,866				
54VALENCIA TERRACE	92,958	42,165	45.36%	135,123	240,521	(67,391)	-28.02%	173,130
55VENETIAN VILLAGE	58,110	17,395	29.93%	75,505	49,440	24,594	49.74%	74,034
56VILLAGE WATER	100,253	103,674	103.41%	203,927	93,632	124,556	133.03%	218,188
57WELAKA / SARATOGA HARBOUR	46,469	35,151	75.64%	81,620				
58WOOTENS	7,077	23,055	325.78%	30,132				
59ZEPHYR SHORES	<u>76,964</u>	<u>82,877</u>	107.68%	<u>159,841</u>	<u>133,059</u>	<u>37,110</u>	27.89%	<u>170,169</u>
TOTAL	\$5,662,997	\$3,366,067	59.44%	\$9,029,065	\$3,472,999	\$2,731,770	78.66%	\$6,204,769

Fourth, to reflect the fall-out changes to operating loss in Issue 58, on page 176, staff requests to make the following type and strike changes to the recommendation and staff analysis sections.

Recommendation: The test year pre-repression WAW operating losses are ~~\$809,066~~ ~~\$886,400~~ for water and ~~\$566,712~~ ~~\$489,724~~ for wastewater. (Billingslea)

Staff Analysis: Based on the adjustments discussed in previous issues, staff recommends that the test year operating losses before any provision for increased revenues is ~~\$809,066~~ ~~\$886,400~~ for water and ~~\$566,712~~ ~~\$489,724~~ for wastewater. The test year operating losses before any provision for increased revenues by plant is shown in the attached individual operating income schedules. The schedules for WAW operating income are attached as Schedules Nos. 4-A, and 4-B for each individual system in alphabetical order.

Fifth, to reflect the fall-out changes to water and wastewater revenue requirements in Issue 59 on page 177, staff requests to make the following type and strike changes to the recommendation and staff analysis sections.

Recommendation: The appropriate pre-repression revenue requirement for the December 31, 2007 test year is \$9,029,066 ~~\$9,159,396~~ for water and \$6,024,769 ~~\$6,075,546~~ for wastewater. (Fletcher, Billingslea, Mouring)

Staff Analysis: Consistent with staff's recommendation of rate base, cost of capital, and net operating income adjustments, staff recommends the total pre-repression revenue requirement is \$9,029,066 ~~\$9,159,396~~ for water and \$6,024,769 ~~\$6,075,546~~ for wastewater. The pre-repression revenue requirement for each of the Utility's WAW systems are reflected in Schedule Nos. 2, 4-A, and 4-B.

Sixth, on page 402, Schedule 4-A should be revised to reflect the correct revenue requirement for Palm Terrace water.

AUF/Palm Terrace Statement of Water Operations Test Year Ended 12/31/07							Schedule No. 4-A Docket No. 080121-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement	
1 Operating Revenues:	\$317,409	\$308,628	\$626,037	(\$309,594)	\$316,443	\$226,017 71.42%	\$542,460	
Operating Expenses								
2 Operation & Maintenance	\$394,440	\$83,512	\$477,952	(\$36,060)	\$441,892	\$0	\$441,892	
3 Depreciation	5,741	16,705	22,446	(3,840)	18,606	0	18,606	
4 Amortization	0	6,717	6,717	0	6,717	0	6,717	
5 Taxes Other Than Income	24,660	14,037	38,697	(18,239)	20,458	10,171	30,628	
6 Income Taxes	(41,442)	67,437	25,995	(93,149)	(67,154)	81,223	14,069	
7 Total Operating Expense	<u>\$383,399</u>	<u>\$188,408</u>	<u>\$571,807</u>	<u>(\$151,288)</u>	<u>\$420,519</u>	<u>\$91,394</u>	<u>\$511,912</u>	
8 Operating Income	<u>(\$65,990)</u>	<u>\$120,220</u>	<u>\$54,230</u>	<u>(\$158,306)</u>	<u>(\$104,076)</u>	<u>\$134,623</u>	<u>\$30,548</u>	
9 Rate Base	<u>\$172,478</u>		<u>\$659,514</u>		<u>\$389,803</u>		<u>\$389,803</u>	
10 Rate of Return	<u>-38.26%</u>		<u>8.22%</u>		<u>-26.70%</u>		<u>7.84%</u>	

Seventh, on page 403, Schedule 4-B should be revised to reflect the correct revenue requirement for Palm Terrace wastewater.

AUF/Palm Terrace Statement of Wastewater Operations Test Year Ended 12/31/07							Schedule No. 4-B Docket No. 080121-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement	
1 Operating Revenues:	\$384,667	\$125,456	\$510,123	(\$128,586)	\$381,537	\$198,038 51.91%	\$579,575	
Operating Expenses								
2 Operation & Maintenance	\$211,359	\$78,021	\$289,380	(\$24,727)	\$264,653	\$0	\$264,653	
3 Depreciation	29,392	19,843	49,235	(22,706)	26,529	0	26,529	
4 Amortization	0	5,720	5,720	123,511	129,231	0	129,231	
5 Taxes Other Than Income	15,143	24,960	40,103	(6,341)	33,762	8,912	42,674	
6 Income Taxes	49,674	(8,864)	40,810	(75,246)	(34,436)	71,168	36,732	
7 Total Operating Expense	<u>\$305,568</u>	<u>\$119,680</u>	<u>\$425,248</u>	<u>(\$5,509)</u>	<u>\$419,739</u>	<u>\$80,080</u>	<u>\$499,819</u>	
8 Operating Income	<u>\$79,099</u>	<u>\$5,776</u>	<u>\$84,875</u>	<u>(\$123,077)</u>	<u>(\$38,202)</u>	<u>\$117,958</u>	<u>\$79,756</u>	
9 Rate Base	<u>\$826,594</u>		<u>\$1,042,040</u>		<u>\$1,017,717</u>		<u>\$1,017,717</u>	
10 Rate of Return	<u>9.57%</u>		<u>8.15%</u>		<u>-3.75%</u>		<u>7.84%</u>	

Eighth, on page 404, Schedule 4-C should be revised to reflect the correct regulatory asset and income tax adjustments for Palm Terrace water and wastewater.

AUF/Palm Terrace Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$311,421)	(\$128,586)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	1,827	0	
Total	(\$309,594)	(\$128,586)	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$381)	(\$330)	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(1,013)	(876)	
3 Stipulated Issue 35.	(473)	(537)	
4 Stipulated Issue 37.	(673)	(582)	
5 To remove image enhancing advertising expense. (Issue 38)	(33)	(28)	
6 To remove lobbying and acquisition expenses. (Issue 39)	(1,543)	(1,335)	
7 To remove executive risk insurance expense. (Issue 40)	(386)	(334)	
8 To remove below-the-line expenses. (Issue 48)	(2,623)	(2,270)	
9 To reflect the appropriate bad debt expense. (Issue 50)	(13,938)	(7,231)	
10 To reflect the appropriate rate case expense. (Issue 52)	1,564	1,370	
11 To reflect appropriate normalization adjustments. (Issue 53)	(2,617)	(2,264)	
12 To reflect the appropriate pro forma expenses. (Issue 54)	(13,944)	(10,310)	
Total	(\$36,060)	(\$24,727)	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$409	\$409	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(3,627)	(3,627)	
4 To remove test year depreciation expenses. (Issue 55)	(546)	(472)	
5 Stipulated Issue 56.	(76)	(19,016)	
Total	(\$3,840)	(\$22,706)	
<u>Amorization</u>			
To reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	\$0	\$123,511	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$13,932)	(\$5,786)	
2 To remove below-the-line payroll taxes. (Issue 48)	(201)	(174)	
3 To reflect appropriate normalization adjustments. (Issue 53)	(3)	(2)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(268)	(232)	
5 To reflect the appropriate property taxes. (Issue 57)	(3,836)	(146)	
Total	(\$18,239)	(\$6,341)	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	(\$93,149)	(\$75,246)	

(3) AFPI Schedules associated with Issue 72

First, to reflect the appropriate Schedule reference in the recommendation paragraph of Issue 72 on page 209, staff requests to make the following type and strike change.

Recommendation: Yes. The Utility should be authorized to charge AFPI charges shown on ~~Schedule 5~~ ~~Schedule 6~~ 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. (Billingslea)

Second, to reflect the appropriate Schedule reference in the second to the last sentence in the first paragraph on page 210, staff requests to make the following type and strike change.

AUF requested revised AFPI charges for the following systems: 48 Estates, Carlton Village, Hermits Cove, Holiday Have, Interlachen Lake Estates, Leisure Lakes, Palm Port, Palms Mobile Home Park, Picciola Island, Pomona Park, Sebring Lakes, Silver Lake Oaks, St. John's Highlands, Stone Mountain, Sunny Hills, Tangerine, The Woods, Venetian Village, Welaka/Saratoga, and Wootens. Staff believes it is prudent for AUF to seek collection of AFPI charges from future customers. Therefore, each of the systems mentioned above should have an updated AFPI tariff. Consistent with staff's recommended non-used and useful plant, depreciation expense and property taxes, as well as the return on equity and overall cost of capital, the calculated AFPI charges for each of these systems are shown on ~~Schedule 5~~ ~~Schedule 6~~. The AFPI charge shall be based upon the number of ERCs required by a particular customer.

Third, to reflect the appropriate remaining ERCs on the respective Schedule 5 on pages 521 through 551, staff requests to make the following changes shown in the table below.

System	ECR Initially in Recommendation	Correct Remaining ERCs
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Carlton Village Water Distribution Lines	78	41
Hermits Cove Water Distribution Lines	200	64
Hermits Cove Water Treatment Plant	66	46
Holiday Haven Water Distribution Lines	156	37
Holiday Haven Wastewater Distribution Lines	161	40
Holiday Haven Wastewater Treatment Plant	30	8
Interlachen Lake Estates Water Distribution Lines	375	64
J Swiderski 48 Estates - Water Distribution Lines	134	20
Leisure Lakes Water Distribution Lines	401	96
Palm Port Wastewater Distribution Lines	136	16
Palms MHP Water Distribution Lines	80	10
Picciola Island Water Distribution Lines	200	40
Picciola Island Water Treatment Plant	37	9
Pomona Park Water Distribution Lines	347	170
Sebring Lakes Water Treatment Plant	105	58
Silver Lake Oaks Water Distribution Lines	52	17
Silver Lake Oaks Wastewater Distribution Lines	53	18
Silver Lake Oaks Wastewater Treatment Plant	18	10
St. John's Highlands Water Distribution Lines	144	40
Stone Mountain Water Distribution Lines	21	10
Sunny Hills Water Distribution Lines	5,592	4,865
Sunny Hills Wastewater Distribution Lines	508	315
Tangerine Water Distribution Lines	561	224
The Woods Water Distribution Lines	139	75
The Woods Wastewater Distribution Lines	140	56
Venetian Village Water Treatment Plant	70	18
Village Water Wastewater Distribution Lines	73	39
Village Water Wastewater Treatment Plant	36	20
Welaka/Saratoga Water Distribution Lines	470	240
Welaka/Saratoga Water Treatment Plant	62	13
Wootens	60	21

Fourth, to reflect the appropriate GPD/ERC for the Palm Port wastewater on page 530 and Silver Lake Oaks wastewater on page 537, staff requests to make the following changes shown in the table below.

System	GPD/ERC Initially in Recommendation	Correct GPD/ERC
Palm Port Wastewater Distribution Lines	350	280
Silver Lake Oaks Wastewater Treatment Plant	350	280