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Aqua Utilities Florida, Inc.
2228 Capital Circle NE, Ste. 2A
Tallahassee, FL 32308

COMMISSION
CLERK

December 8, 2010

Katherine E. Fleming
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 100330-WS - Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc. – Staff Sixth Data Request

Dear Ms. Fleming:

By this letter, Aqua Utilities Florida, Inc. (AUF or Company) provides its response to the Staff's Sixth Data Request.

For question nos. 1 and 2, please refer to Volume 1 – Schedule F-5, page 139 for Water Rate Band 4.

- 1. The percentage excess unaccounted water shown on line 50, column (3) for The Woods does not correspond to the percentage shown on page 10, Schedule F-1 in Volume 1, Appendix 2. Please explain whether this is an error. If so, please revise any calculations as needed.

RESPONSE:

This was an error on Schedule F-5; the correct percentage is in the Appendix. The correction would change the composite percentage UFW from 3.20% (as filed) to 2.96% (corrected).

- 2. The number of customers on line 52, column (2) for Twin Rivers is listed as 0. Please explain whether this is an error. If so, please revise any calculations as needed.

COM _____
 APA _____
 ECR 3
 GCL 1
 RAD _____
 SSC _____
 ADM _____
 OPC _____
 CLK _____

RESPONSE:

This is not an error. The customer count for Twin Rivers is included in the Tomoka row because Tomoka/Twin Rivers have been treated as a combined system and thus the customer count data is provided in the combined format. Because the individual % Excess Unaccounted Water for Tomoka

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An Aqua America Company
www.aquautilitiesflorida.com

is higher than for Twin Rivers, if the customer counts were not combined, the composite percentage would be reduced, in favor of the Company. The 2.96% (corrected in question 1, above) would drop to 2.94%.

3. Please refer to Volume 1 – Appendix 2, Scheduled F-5, page 14. The values shown for Firm Capacity for Arredondo Estates, Lake Josephine/Sebring Lakes, and Twin Rivers differ from the values in the last rate case contained in Order No. PSC-09-0385-FOF-WS, page 173, Attachment A, page 1 of 6. Please explain the difference in these values.

RESPONSE:

Arredondo Estates

Aqua agrees that the firm reliable capacity for the Arredondo estates system should be 120 gpm based on total capacity of two wells at 240 gpm and one well at 120 gpm taken out of service. This system was found to be 100% used and useful in the Docket No. 080121-WS.

Lake Josephine/Sebring Lakes

The calculation of Lake Josephine/Sebring Lakes Firm Capacity was revised in response to staff Data Request #s 1 and 2. The Lake Josephine capacity was calculated to be 384,000 gpd, based on well capacity and storage. In Order No. PSC-09-0385-FOF-WS, the capacity was limited to the DEP capacity of 300,000gpd. In the DEP Sanitary Survey report dated 7/12/08, the design capacity is shown as 320,000 gpd.

Twin Rivers

Twin Rivers is a single well system and is therefore 100% used and useful. The DEP sanitary survey report shows a design capacity of 180,000 gpd.

4. Please explain or describe whether there have been any changes to storage capacity, well capacity, or firm reliable capacity for any of AUF's systems since the last rate case. If so, please explain or describe the nature of the changes for each system.

RESPONSE:

AUF placed an additional well in service at the Zephyr Shores system. There are no other changes in storage, well capacities, and/or firm reliable capacity to any other system since the last rate case.

5. According to Volume 1 – Appendix 2, Schedule F-6, page 16, there are 13 systems with excess infiltration and inflow (I&I), and AUF has requested pro forma to conduct an I&I study and improvements for 3 of these systems. Please explain or describe the Company's methodology in determining which systems should receive the I&I studies and improvements. As part of this response, please explain or describe what consideration was given to the systems that have excess I&I and purchase sewage treatment (Beecher's Point and Lake Gibson Estates) in that determination.

RESPONSE:

AUF focused on the Breeze Hill system since the I&I is at a level that it affects the wastewater treatment capabilities of the treatment plant.

AUF focused on the Jungle Den system for two reasons. First, since the I&I is at a level that affects the treatment capability of the treatment plant, AUF has focused its efforts in this system. Second, it is apparent that DEP will be seeking to have this facility connect to a regional facility due to the plants close proximity to the St. John's River.

AUF focused on the Pomona Park system because the facility had not experienced any I&I until after a recent road construction project.

AUF has not focused on the Beecher's Point or Lake Gibson Estates systems because the above listed projects required priority attention. However, AUF intends to address these two system in the near future.

6. Please refer to Volume 1 – Schedule F-7 Appendix 2. In reviewing the Lots Fronting Mains (LFMs) numbers, a sample test comparing the current numbers in Docket No. 100330-WS to numbers from the last rate case in Docket No. 080121-WS reflects the following:

| System | Docket No. 100330 | Docket No. 080121 | Lot Difference |
|--------------------------------|--------------------------|--------------------------|-----------------------|
| Sunny Hills - water | 6,384 | 5,592 | 792 |
| Sunny Hills - wastewater | 517 | 508 | 9 |
| Leisure Lakes - water | 335 | 401 | 66 |
| Leisure Lakes - wastewater | 335 | 403 | 68 |
| Lake Josephine/Sebring - water | 1,013 | 2,436 | 1,423 |

- a. Please explain or describe why the LFMs numbers are different from the previous rate case.
- b. Please explain or describe what physical changes have been made to these systems since the last rate case.

RESPONSE:

In filing the current rate case, AUF carefully went over the maps filed in this rate case and had our operators drive and inspect all of the service areas.

Thus, LFM numbers in the MFRs are based on this updated inspection and reflect the actual lots fronting mains and connections. See spreadsheet on the enclosed CD labeled "Staff Sixth Data Request."

7. **Pro Forma Plant.** Please refer to Exhibit A. For Project No. 9, Jasmine Lakes WWTP walkway and weir replacement, and Project No. 20, South Seas – Sewer, Wet weather – South Seas, please provide the following information:

- a. a statement why each improvement is necessary;
- b. a copy of any and all invoices and other support documentation if the plant improvement has been completed or in process;
- c. a copy of the signed contract or any and all bids, if the plant improvement has not been completed;
- d. a status of the engineering and permitting efforts, if the plant improvement has not been through the bidding processing;
- e. the projected in-service date for each outstanding plant improvement; and
- f. if any outstanding estimated completion dates for the pro forma improvements have changed, please state how many times the date was revised and explain, in detail, why each completion date was changed.

RESPONSE:

Jasmine Lakes WWTP walkway and weir replacement

- a. a statement why each improvement is necessary;

Due to the age of the walkway, it is corroded and it is now a safety issue. Likewise the weirs are corroded and DEP is concerned that AUF is not achieving an even flow through the weirs

- b. a copy of any and all invoices and other support documentation if the plant improvement has been completed or in process;

This project has not yet been started.

- c. a copy of the signed contract or any and all bids, if the plant improvement has not been completed;

This project has not yet been started.

- d. a status of the engineering and permitting efforts, if the plant improvement has not been through the bidding processing;

No permit necessary because it is a “like for like replacement” project and only DEP notification is required

- e. the projected in-service date for each outstanding plant improvement; and

The estimated in service date is March 2011.

- f. if any outstanding estimated completion dates for the pro forma improvements have changed, please state how many times the date was revised and explain, in detail, why each completion date was changed.

AUF originally planned to complete the weir and walkway projects by the end year 2010. AUF has now changed the date of completion to March 2011.

South Seas Wet Weather Storage

AUF does not anticipate this projected will be needed or completed in the foreseeable future. This pro forma project should no longer be included for consideration in this rate case.

- 8. In the last rate case, Docket No. 080121-WS, excessive unaccounted for water (UFW) and I&I adjustments were individually made for each system. In the current filing in Volume 1 of the water and sewer rate bands, composite UFW and I&I figures were calculated and were subsequently used in Schedule B-3 for UFW and I&I adjustments. Please explain or describe the reasons behind this change in methodology.

RESPONSE:

The PSC's order in Docket No. 080121-WS stated that, "Based on our approval of the capband rate structure, the Utility shall be allowed to consolidate its in-state Commission-regulated accounting, filing, and reporting requirements from individual system bases to the number of stand alone rates and rate bands we approved."

In accordance with that order, O&M expense data is available from the General Ledger system on a rate band basis for the 2010 portion of the test period rather than on a system basis. Thus, the expenses these percentages are apply to are recorded on a consolidated basis. In order to adjust each rate band's expenses for UFW and I&I, a composite percent for each band was calculated in the F schedules and applied in Schedule B-3.

As previously explained, for Used and Useful, the Commission also issued a finding on page 53 of its Final Order related to systems that are not physically interconnected but are combined for rate base purposes. Specifically, the Commission found that:

We do not agree with AUF's approach to combine all stand-alone plants of systems that have been functionally integrated, and treat them as a single entity for U&U purposes. OPC's approach is more realistic when it comes to evaluating these types of systems. We find that OPC's approach will better reflect the individual characteristics of these treatment plants, such as the number of wells, treatment processes, storage capabilities, and number of customers served. This approach is consistent with our

U&U analysis of water treatment plants above. It is noted that the Ocala Oaks system's U&U was stipulated as 100 percent U&U. Therefore, we find that the U&U for stand-alone water systems shall be calculated separately, pursuant to Rule 2530.4325, F.A.C., and weighted based on the connections to each system.

In accordance with the Commission's above quoted finding, AUF included individual calculations for each system and submitted MFR F schedules for each system's calculation in Volume 1, Appendix2. Consistent with the Final Order, AUF also combined the individual calculations contained in these "F" schedules into a weighted average based on the connections in each system.

AUF used this same methodology with respect to excessive unaccounted for water (UAW) and inflow and infiltration (I&I), and therefore applied the resulting weighted average based on number of customers.

9. In the last rate case, Docket No. 080121-WS, Interlachen water treatment plant was found to be 100 percent used and useful. In AUF's current filing, Docket No. 100330-WS, the water treatment plant is reflected as 76.26 percent used and useful. Please explain or describe why the proposed percentage is lower than the percentage from the last rate case.

RESPONSE:

AUF agrees that the water treatment plant was found to be 100 percent used and useful, and that percentage should apply in this case.

The calculations were presented in the MFRs based on OPCs disagreement. The lower U&U result in the current calculation results from lower peak demand in the test year. Rule 25-30.4325, Florida Administrative Code states, "The Commission's used and useful evaluation of water treatment system and storage facilities will consider the prudence of the investment, economies of scale, and other relevant factors including whether flows have decreased due to conservation or to a reduction in the number of customers." (emphasis added)

10. Please explain or describe why AUF's filing in Docket No. 100330-WS does not indicate the used and usefulness of the Palm Port wastewater treatment plant.

RESPONSE:

The calculation was inadvertently omitted. The proper U&U calculation for this plant is as follows:

| <u>System</u> | <u>Avg Daily Demand-Treated GPD</u> | <u>I&I %</u> | <u>Excess I&I GPD</u> | <u>Growth Ratio</u> | <u>Adjusted AVG Daily Demand GPD</u> | <u>Plant Capacity GPD</u> | <u>Treatment U&U Calculated</u> | <u>Treatment U&U Used</u> |
|---------------|-------------------------------------|------------------|---------------------------|---------------------|--------------------------------------|---------------------------|-------------------------------------|-------------------------------|
| Palm Port | 17,585.80 | 11.90% | 2084.5 | 1 | 15,501.30 | 15,000 | 103.34% | 100.00% |

11. Please explain or describe why AUF’s filing in Docket No. 100330-WS does not indicate the used and usefulness of the Sebring Lakes (Lake Josephine) water treatment plant.

RESPONSE:

The Lake Josephine and Sebring Lakes water treatment plant calculation was combined in AUFs initial filing. A modified combined calculation and stand alone system calculations were provided in response to Staff’s First Data Request, Number 2.

12. Please explain or describe why AUF’s filing in Docket No. 100330-WS does not indicate the used and usefulness of the water distribution system in Pomona Park.

RESPONSE:

The calculation was inadvertently omitted. The proper U&U calculation for this system is as follows:

| <u>System</u> | <u>Test Year</u> <u>Connections</u> | <u>Trended</u> <u>Growth</u> | <u>Trended</u> <u>2014</u> <u>Cust</u> | <u>Lots</u> <u>Fronting</u> <u>Mains</u> | <u>Permanent</u> <u>U&U</u> <u>Calc'd</u> | <u>Permanent</u> <u>U&U</u> <u>Used</u> | <u>Perm</u> <u>U&U</u> <u>Used</u> |
|------------------------|--|---------------------------------|--|--|---|---|--|
| Pomona Park - Water | 176 | 1 | 176 | 328 | 53.70% | 53.70% | 51.00% |

13. In the last rate case, Docket No. 080121-WS, the Summit Chase wastewater system had 22% excessive I&I. AUF’s filing in Docket No. 100330-WS indicates that the Summit Chase wastewater system has no excessive I&I. Please explain or describe what changes occurred to the wastewater system since the last rate case to decrease the amount of I&I.

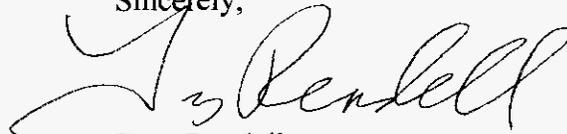
RESPONSE:

Since the last rate case, AUF discovered several “clean-outs” that had broken off and also two (2) manholes that required repairs. AUF completed these repairs which resulted in the reduced I&I.

PSC – Sixth Data Request Response
December 8, 2010

Please acknowledge receipt of this filing by stamping the extra copy of this letter “filed” and returning the copy to me. Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Troy Rendell". The signature is fluid and cursive, with a large initial "T" and "R".

Troy Rendell
Rates Manager

cc: Bruce May, Holland & Knight
Office of Commission Clerk
Charles Beck, Office of Public Counsel
Kimberly A. Joyce, Aqua America, Inc.