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COMMISSION
CLERK

Public Service Commission

February 8, 2011

Mr. William Coakley
5934 Lake Osborne Drive
Lantana, FL 33461

Re: Docket No. 100330-WS - Application for increase in water and 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.

Dear Mr. Coakley:

Thank you for your letter in which you expressed your concerns about a rate increase petition filed by Aqua Utilities Florida, Inc. (AUF or Utility). To ensure that the Commission staff and the Commissioners have knowledge of your concerns, your letter has been placed on the correspondence side of the docket file for all to review.

With respect to the development of rates, the Commission is required to set rates that are just, reasonable, compensatory, and not unfairly discriminatory. To determine the appropriate rates for service, the Commission uses a rate of return methodology as set forth in Chapter 367, Florida Statutes (F.S.). Under the rate of return methodology, a utility is allowed to earn a reasonable return on its prudently invested property that is used and useful in serving the public, less accrued depreciation plus an allowance for operating capital. This ratemaking process is used for all water and wastewater companies and is also used in the electric and gas industry. It is the same approach used throughout the country by various state and federal utility regulatory bodies.

There are many factors that affect the cost of providing service and hence, the rates charged to customers. Some factors affecting the cost of providing service include: the size and age of the utility system; the quality of the water at its source; the number of customers; and the geographic spread of the service area. During a rate case, the Commission's accountants, engineers and economists examine the financial and engineering information filed by the Utility as part of its rate increase application. All costs found to be imprudent or unreasonable are disallowed.

In your letter you expressed concerns about the rates and rate structure approved by the Commission in AUF's 2008 rate case. I have attached an excerpt from Order No. PSC-09-0385-FOF-WS which contains the Commission's rationale behind approving AUF's current rate structure. You also expressed concern over AUF's proposed consolidated rate structure. The Commission's staff of economists will examine and evaluate the Utility's requested consolidated rate structure and will issue its recommendation to the Commission on this and many other issues which the Commissioners shall vote on in this case.

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In addition, you raised concerns about the prudence of AUF acquisition of your system. I have attached a copy of the transfer Order in which AUF acquired the system in which the Commission approved the transfer of your system.

With respect to your concerns regarding a main break, the Utility indicated that there was a line break during the middle of the night on November 14, 2010. AUF contacted a local contractor at 10:30 p.m. by telephone and notified the contractor of the break. The contractor was at the break site from 11:00 p.m. until 2:00 a.m. on November 15, 2010, and turned off service to the affected area and made arrangements to repair the main. The contractors were at the break site from 7:00 a.m. until 7:00 p.m. on November 15, 2010, to repair the main. AUF has stated that:


Due to the magnitude of the break on a 6 inch line, the entire system had to be shut down to perform the necessary repair.

Due to the nature of the main break, AUF utilized its newly developed SwiftReach to contact its customers of the break and issue a boil water notice. Also, the local news media was contacted to inform them of the precautionary boil water notice.

In response to your concerns and assertions about the rates charged by AUF for reselling water from Lake Worth Utilities (LWU), the rates charged to AUF, and other general service customers, are considerably higher than the rates charged to residential customers. County Resolution No. 26-2010 indicates that as of October 1, 2010, the rate for residential LWU customers is a base facility charge of \$12.28 per month and an inclining block gallonage charge of between \$2.64 and \$12.04 per 1,000 gallons. However, AUF's monthly base facility charge as of October 1, 2010, is \$613.99 per month with most of its gallonage charge falling into the \$12.04 per 1,000 gallons block. Also, because the Lake Osborne system is situated outside the corporate limits of the City of Lake Worth, a surcharge of 25 percent is applied to their monthly service charges.

We understand your concerns regarding the Utility's proposed increases. During these difficult economic times, any increase in your utility bill would create more of a hardship. I hope the above information has been helpful. If you have any additional questions, or require further assistance, please call me at (850) 413-6427 or e-mail me at cmouring@psc.state.fl.us.

Sincerely,



Curt Mouring
Regulatory Analyst

Enclosures

cc: Division of Economic Regulation (Maurey, Fletcher)
Office of the General Counsel (Fleming)
Office of Commission Clerk (Docket No. 100330-WS)
Office of Public Counsel