



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

February 21, 2011

Ralph Jaeger
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

RECEIVED FPSC
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COMMISSION
CLERK

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 Twentieth Data Request

Dear Mr. Jaeger:

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

1. Prior to the purchase of a water or wastewater system in Florida, please explain or describe the usual steps that AUF generally follows to ensure that all utility facilities are on property owned by the utility.

RESPONSE:

Prior to the purchase of any water and/or wastewater system in Florida, AUF engages in several different layers of due diligence, including operational, environmental, legal, and financial. The attached due diligence checklist provides a guide for the coordination of all due diligence activities. In addition, each acquisition is reviewed and, if determined appropriate, approved by several layers of corporate management prior to proceeding.

2. Prior to the purchase of Rosalie Oaks by AUF, please explain or describe the review that was conducted by AUF to ensure that all utility facilities were on utility owned property.

RESPONSE:

The Rosalie Oaks system was acquired as part of a larger transaction in which the stock of AquaSource Utility, Inc. was acquired by Philadelphia Suburban Corporation (now known as Aqua America, Inc.). In the Purchase Agreement, Aqua America received certain express representations,

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An Aqua America Company
www.aquautilitiesflorida.com

“including a representation that the Seller’s companies possess all permits, licenses, franchises, and other governmental authorizations, consents and approvals necessary to conduct their businesses as presently conducted” and that the “Seller . . . [has] good and marketable title to all of their properties and assets, free and clear of all liens,.”

3. Please explain or describe the conclusions from that review.

RESPONSE:

Aqua America’s acquisition of the AquaSource companies entailed the acquisition of 52 separate companies throughout several states, including Florida. At the time, Aqua America concluded that was adequate to receive the representations made in good faith by AquaSource, instead of obtaining title insurance.

4. Please explain whether title insurance was purchased on the real estate involved in the Rosalie Oaks system.

RESPONSE:

No. For the reasons explained above, there was no purchase of title insurance on the real estate purchased in the Rosalie Oaks system.

5. Please explain or describe when AUF discovered that the lift station was not on an easement, nor on property owned or leased by AUF.

RESPONSE:

AUF first became aware of the property issue in approximately June 2009. Prior to this approximate date, the property was owned by a former owner of the property. When AUF purchased the system, the lift station had been installed on the property by the previous utility owner. AUF did not have any issues with access to the lift station location with the previous land owner. AUF was under the impression that the property was owned by AUF based on the representations made by AquaSource, the previous utility owner. After the land was subsequently sold, the new property owner installed a fence around the property and initially denied access by AUF to the lift station. AUF conducted a thorough search of the property records and determined that the property was, in fact, not owned by the utility. Realizing that it was imperative that AUF have access to its lift station for maintenance purposes, AUF worked with the new property owner to install a gate to permit temporary access to the lift station while exploring the possibility of purchasing the property where the lift station was located, or in the alternative, obtaining an easement. Unfortunately, an agreement was not reached due to the fact the new property owner did not wish to sell the land or permit an easement. The new property owner agreed to allow temporary access until the lift station could be moved. The property owner expressed his desire for the movement of the lift station off of his property. AUF has proceeded in good faith to obtain the necessary permit and design to have the lift station moved to the utility’s property where the wastewater treatment plant exists. The WWTP is adjacent to the location of the current lift station.

6. Please explain or describe what steps has AUF taken to negotiate with the property owner to obtain an easement or lease on the lift station site.

RESPONSE:

AUF entered into extended negotiations with the current land owner for either possible purchase of the land or to obtain an easement. The current land owner concluded that he was not interested in either option and allowed temporary access through a gate until the lift station could be moved. The land owner elected to not sell the property or allow an easement.

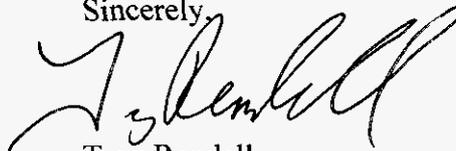
7. Please explain or describe whether discussions with a mediator were conducted. If not, please explain or describe why AUF did not attempt this alternative.

RESPONSE:

The current land owner was not interested in any option to sell the property in question or enter into an easement arrangement. He was not interested in any further discussions or having any attorneys involved.

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,



Troy Rendell
Rates Manager

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

DUE DILIGENCE REQUEST for WATER and WASTEWATER

I. Finance and Accounting

A. Accounting Records

1. Audited financial statements, both consolidated and consolidating, for the Seller for the past three fiscal years.
2. All unaudited quarterly financial statements of the Seller prepared since the date of the most recent audited financial statements.
3. Separate consolidating statement, supporting 2. above.
4. Copies of all reports, including management letters, from the Seller's independent accountants to management and/or the Seller's Council or Board concerning the Seller for the past three years.
5. Copies of any Accounting Policies and Procedures Manuals
6. Copies of the most recent depreciation schedules.
7. Copies of annual budgets and/or forecasts.
8. Copies of detailed capital budgets or forecasts for the next five years, including information on the types of anticipated capital expenditures (e.g. main replacements, cleaning and lining, plant upgrades or expansions, meter replacements, etc.).
9. List of current rates for all classifications of water and wastewater customers served by Seller along with number of customers in each classification.
10. Copies of any agreements for contributed property associated with the assets to be sold
11. Copies of any lease agreements or other agreements not yet expired

C. Financing Matters

1. All currently effective loan agreements, indentures (including industrial revenue bond indentures), debt instruments, and other financing instruments, and all related material documentation, to which the Seller is a party.
2. Copies of all mortgages, liens, pledges, security interests or other encumbrances to property (real or personal) of the Seller.

3. Copies of any schedule of all short-term and long-term debt (including capitalized leases, guarantees, and other contingent obligations).
- D. Acquisition Documents and Sales of Securities
1. Copies of all agreements and other plans entered into by Seller relating to the acquisition or merger of other utility districts or systems.
- E. Liabilities
1. Copies of guarantees or indemnity undertakings given by the Seller.

III. Employees, Benefit Plans, Compensation and Labor Relations

- A. Employees
1. Copies of Organization Charts for the Seller including the current salaries or wage rates for each individual as it relates to the water and sewer operations.
 2. Copies of Employee Handbook
- B. Benefit Plans
1. Pension Plans & Health Care
 2. Profit-Sharing, Thrift or 401(k) Plans
- C. Compensation
1. Copies of any type of employee bonus plans, if applicable.
- D. Employees, Benefit Plans, and Labor Disputes
1. Copies of all labor union contracts and collective bargaining arrangements to which the Seller is a party
 2. Copies of all written employment or consulting agreements to which the Seller is a party or bound.
 3. Copies of all grievances and unfair labor practices complaints lodged during the past three fiscal years involving the Seller.
 4. Copies of any letters, reports, agreements or citations resulting from any EEO or Affirmative Action audits of the Seller in the past five years.

IV. Legal, Insurance and Claims

- A. Description of Insurance Coverage, include Declaration Sheets and any Certificates
- B. Current or on-going Litigation and Claims (include open/active) for past 10 years
- C. Copies of any Consent Orders or other active Orders issued by any agency or court of jurisdiction
- D. Active Contracts with Developers or Owners of other systems receiving service from or providing service to Seller
- E. Title Search or Commitments performed within past five years
- F. Legal Structure & Corporate Documents (i.e. Articles of Incorporation, Bylaws, Minutes, Organizational Charts, etc)

V. Properties

- A. Properties and Leases
 - 1. Listing of all water sources and facilities for treatment, pumping, storage, and conveyance of water (reservoirs, plants, wells, boosters), including capacities.
 - 2. Listing of all facilities for treatment, pumping, conveyance, and discharge for wastewater facilities.
 - 3. Listing of all land holdings including acreage, including listing of all buildings, including square footage situated thereon.
 - 4. List of easements to be conveyed

VI. Water Quality

- A. Water Quality - General
 - 1. Copies of any Notices of Violation (including MCL exceedances and violations noted on facility inspection reports) in the past 5 years, and Seller responses.
 - 2. Discuss the frequency and causes of violations of the total coliform rule, if any, and public notification pursuant to those events?
 - 3. Provide copies of all public notifications distributed over the past 5 years
 - 4. Copies of Source Water Assessments.
 - 5. Copies of reservoir monitoring data

6. Copies of all system permits and DMR's. Include any DEP, NPDES WQM or other permits. Are all permits current?
7. Any documents pertaining to instances of waterborne diseases associated with the water system of the Seller.
8. Copies of results of testing for The Lead and Copper Rule in the past 5 years. Copies of any studies, reports or other documents identifying the presence of lead services in the water system of the Seller and any programs to replace such services.
9. Copies of any studies, reports or other documents identify where and how much asbestos pipe is located in the systems.
10. Copies of Consumer Confidence Reports for last two years.
11. Copies of reports or records maintained on customer complaints received relating to discolored water, taste and odor issues, or any other water quality complaints made in last two years, plus current year.
12. Copies of reports or documents describing radon or radium issues with ground water supplies.

B. Environmental and Related Matters

1. Copies of any studies, reports or other documents concerning the Seller's level of compliance with environmental and safety matters (from 2001 to the present).
2. Copies of any contracts for the disposal of water treatment plant waste.
3. Copies of all Compliance Agreements, Orders, etc., which the Seller entered into with regulatory bodies over the past 5 years, including the status of work necessary to satisfy the Agreement/Order, and remaining expenditures necessary.

VII. Production and Operations Matters

A. Operations Matters

1. Copies of any studies, reports or other documents relating to the adequacy of supply of the Seller's surface water sources (reservoirs, lakes, run of water, ponds) and wells.
2. Copies of any reports, studies or other documents describing the ownership of reservoirs, lakes and ponds, including watershed lands involved in the Seller's operations.
3. Copies of any reports, studies or other documents describing any water use restrictions imposed by the Seller on customers over the past 10 years.

4. Copies of all contracts for purchased water supplies.
5. Copies of all contracts for bulk sales.
6. Copies of any reports, studies or other documents describing any contract obligations with builders for refunds, including the amount due and the terms of under which the refund are to be made.
7. Copies of Corps of Engineers dam inspection reports, Seller/consultant dam inspection reports and any reports/finding of state regulatory bodies on dam conditions and remedial work recommendations.
8. Listing of all dams and the percent PMF each dam is capable of withstanding without failure.
9. Copies of the most recent inspections or reports to regulatory agencies on the Seller's tanks, plants, wells and boosters.
10. Copies of all reports and studies completed in the past five years assessing the condition and present and/or future adequacy of water and wastewater sources of supply, treatment, storage, delivery, collection or disposal systems.
11. Copies of water allocation permits and/or regulatory approvals evidencing the authority of the Seller to withdraw water from surface and groundwater sources.

C. Fleet Management

1. A summary of fleet size, current vehicle list and mileage on current vehicles or equipment, including copies of titles.
2. The number of current Fleet employees.
3. The name of the leasing Seller if Seller leases vehicles and a copy of the leasing agreement.
4. A description of the Seller's fuel program, including whether the Seller purchases bulk fuel and owns its own tanks or purchases fuel via fuel cards.
5. Copies of any Fleet or vehicle use policies.

VIII. Engineering

A. General

1. Description of projects currently in planning or design.

2. Copies of service area and major facilities maps for water systems.
3. Description of records and mapping maintained on water distribution systems.
4. Copies of reports assessing the condition of the distribution systems, including break history, hydraulic limitation, water quality problems etc. and recommendations for rehabilitation.
5. Copies of records maintained providing information on the number of main breaks and leaks repaired over the past 10 years in each division.
6. Copies of planning reports projecting growth in population and water demand and related infrastructure (source, plant, transmission) needs.
7. Copies of present Capital Spending Plan and 5 year Capital Budget for the Seller.

IX. Customer Service Matters

A. Specific -

1. Copies of any contracts for the purchase of meters.
2. Copies of organization charts for Collections at the Seller.
3. Copies of organization charts for Meter Reading at the Seller.

X. Information Services

A. Information Service Organization

1. Copies of any report or document showing the last 2 years capital and operating budgets for the information services functions at the Seller.
2. Copies of any software license agreements involving license fees in excess of \$10,000.
3. An inventory of all IT hardware and software
4. A description of the main data processing systems (i.e. CIS & FIS systems)
5. A description of IT projects in planning or implementation

XI. Utility Regulatory Matters

- A. Copies of the most recent annual reports to State regulatory commissions.
- B. Certificates of Public Convenience & Certificated Territorial Map

- C. Current Rules and Regulations governing the provision of service with Seller's customers
- D. Current Rate Schedules for all revenue streams