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Public Service Commission

February 22, 2011

D. Bruce May, Jr.
Holland & Knight, LLP
Post Office Drawer 810
Tallahassee, FL 32302-0810

STAFF'S TWENTY-EIGHTH DATA REQUEST

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.

Dear Mr. May:

By this letter, the Commission staff requests that Aqua Utilities Florida, Inc. (Aqua or Utility) provide responses to the following data requests.

Please provide the following information on a consolidated and stand-alone basis for 2010 historical test year and 2010 pro forma test year:

1. For the following questions, please refer to "DfrdTx 2010 Summary.xlsx" included on the CD labeled "MFR-As Filed, September 1, 2010 & Revised D-2."
 - a. Please explain the relation of the Crystal River Utility with respect to AUF and identify all systems of the Crystal River Utility that operate in the state of Florida.
 - b. Please briefly define "meritage" with regard to deferred income taxes and explain what method of accounting was used to compute "meritage" for tax and book purposes. Please identify all systems to which "meritage" relates.
 - c. Please provide an explanation for allocating Consolidated Accumulated Deferred Income Taxes to the AUF systems that filed using net book value percentage (NBV%) as the allocation method (rather than directly attributing related Deferred Income Taxes to each system) and what impact, if any, this may have on the revenue requirement. Please provide a revised "DfrdTx 2010 Summary.xlsx," reflecting pro forma plant additions in the computation of the NBV% and allocation of accumulated deferred income taxes (ADITs) to AUF systems.

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- d. Please refer to the "Defd Tx Summary" tab of the spreadsheet. With Arredondo, Jasmine Lakes, Lake Suzy, and Ocala Oaks systems listed separately, as shown on the schedule, please provide a list of all systems that are included in "AUF." Please also indicate whether Arredondo, Jasmine Lakes, Lake Suzy, and Ocala Oaks systems, as shown on the schedule, include sewer, water or both types of systems.
2. For the following questions, please refer to AUF's response to OPC's Interrogatory No. 96:
 - a. Please explain why AUF did not make an adjustment to the balance of ADITs to reflect deferred income taxes that would be generated by the requested pro forma additions to plant.
 - b. Please explain in detail why such adjustment would have decreased the deferred income tax credit balance. Please provide a calculation of such pro forma adjustments to the deferred income tax balance.
3. In its response to Staff's Eighth Data Request, Question No. 2, AUF stated that "Bonus depreciation was not included for periods after 12/31/2009, for assets in service, or pro forma additions to plant. Pro forma tax depreciation expense was not included in the computation of temporary differences."
 - a. Please provide the amount and calculation of pro forma regulatory depreciation expense related to the pro forma additions to plant that was included in the company's MFRs for computation of rate base and cost of service.
 - b. Please explain tax normalization complications associated with the pro forma approach used by the company in its filings. Please also explain whether such an approach is in compliance with IRC Sec. 168(i)(9)(B) regarding the use of inconsistent estimates and projections.
4. Please explain why there is such a relatively low amount of deferred income taxes, \$1,456,472, associated with total capital of \$71,042,890, as compared to \$1,470,921 of deferred income taxes associated with \$36,347,772 of capital reconciled to rate base for the systems included in this rate case.
5. Please provide a revised "Staff Set 3 #6 D-2 Rev 1.xlsx" with all formulas intact reflecting inclusion of deferred income tax effects associated with pro forma plant. Please also include D-2 Reconciliation Schedules with all formulas intact for all systems on a consolidated and stand-alone basis.

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Please file the original and five copies of the requested information by March 15, 2011, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6234 if you have any questions.

Sincerely,



Ralph R. Jaeger
Senior Attorney
Office of the General Counsel

RRJ/sh

cc: Office of Commission Clerk
Patricia Christensen