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Public Service Commission

June 13, 2008

Marsha Rule, Esq.
Rutledge, Ecenia, Purnell & Hoffman, P.A.
P.O. Box 551
Tallahassee, Florida 32302

Re: Docket No. 070739-WS, Application for approval of transfer of Fairways/Mt. Plymouth, Ltd.'s water and wastewater systems to Aqua Utilities Florida, Inc. and for amendment of Certificate Nos. 206-W and 120-S in Lake County.

Dear Ms. Rule:

Staff has preliminarily reviewed the Fairways/Mt. Plymouth, Ltd. (Fairways) audit report which was filed on April 18, 2008. Listed below are the clarifications needed for staff to complete its review.

1. **Utility Plant in Service (UPIS) and Contributions in Aid of Construction (CIAC).** According to the audit report, Fairways' restated UPIS for water and wastewater was \$2,481,465 as of April 30, 2007. The audit report also indicated that Fairways' 2007 tax return and previous general ledger showed \$756,879 in UPIS. It appears that the difference is because the water and wastewater lines were previously written off to the cost of goods sold and, therefore, should be imputed as CIAC pursuant to Rule 25-30.570, Florida Administrative Code. In addition, the HUD-1 Uniform Settlements provided with the audit indicate that Fairways received a \$4,000 Utility Contribution for each lot sold. Therefore, it appears that costs recovered through Utility Contributions should also be imputed as CIAC.
 - 1a. If the utility does not believe that CIAC for the lines should be imputed, please provide an explanation supporting the utility's position.
 - 1b. Please describe what costs were recovered from the Utility Contribution and provide supporting documentation.
 - 1c. If a portion of the Utility Contribution was for the provision of water and wastewater service and the utility does not believe these costs should be imputed as CIAC, please provide an explanation supporting the utility's position.
2. **Land.** According to the utility's books, the Fairways systems list \$4,560 for water land and \$4,000 for wastewater land. The audit recommended reducing these amounts to \$2,000 for water and \$3,000 for wastewater based on the Lake County Tax Collector records.

Please provide documentation showing the actual cost of the land at the time it was placed into utility service and verify the size of the parcels being used for water and wastewater treatment systems.

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3. **Facilities.** Because Fairways never filed an application for original certificates, there is no description of the utility facilities on file with the Commission.
 - 3a. Please provide a statement regarding the separate capacities for the potable water, irrigation water, and wastewater lines and treatment facilities in terms of ERCs and gallons per day.
 - 3b. Please provide a written description of the type of potable water, irrigation water, and wastewater treatment and method of effluent disposal.
 - 3c. If the facilities do not include effluent disposal by means of reuse, please provide a statement that describes with particularity the reasons for not using reuse.
4. **Revenues.** According to Audit Finding No. 4, Fairways total revenues for 2003 through 2007 were \$57,995 for 2003, \$156,193 for 2004, \$346,940 for 2005, \$275,916 for 2006, and \$251,350 for 2007.

Please describe the reasons why revenues decreased so substantially from 2005 to 2006.

5. **Tariffs.** Staff's requested modifications to the proposed water and wastewater tariffs for the Fairways systems were provided by letter dated May 8, 2008. Included in those modifications was a request for a gallonage cap for the proposed residential wastewater tariff.

Please indicate what gallonage cap the utility is proposing for residential wastewater service.

Please file the utility's response to the clarifications requested above with the Office of Commission Clerk on or before **July 11, 2008**. If you have any questions, or need an extension in filing the response, please contact either myself or Ms. Patricia Brady at (850) 413-6686 or pbrady@psc.state.fl.us.

Sincerely,



Patti Daniel
Public Utilities Supervisor
Bureau of Certification, Economics & Tariffs

PD:pb

cc: Martin S. Friedman, Esq.
Kimberly A. Joyce, Aqua America, Inc.
William T. Rendell, Aqua America, Inc.
Jean Hartman, Esq.
Richard Redemann
Pat Brady

~~Office of Commission Clerk~~