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RECEIVED

JUN 15 2010

OFFICE OF
PUBLIC COUNSEL

June 15, 2010

VIA HAND DELIVERY

Chairman Nancy Argenziano
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Aqua Utilities Florida, Inc. - Request for Test Year Approval Pursuant to
Rule 25-30.430, Florida Administrative Code

Dear Chairman Argenziano:

Aqua Utilities Florida (“AUF” or “Company”) intends to submit an application for general rate relief to the Florida Public Service Commission (“Commission”) for its water and wastewater systems in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm, Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia and Washington Counties. AUF will not be seeking rate relief for its Chuluota water or wastewater systems as part of this application. AUF intends to file its application including the minimum filing requirements (MFRs) on or before September 1, 2010.

The need for rate relief is largely driven by two factors that have arisen since AUF's last rate case which was based on an historic test year ending 2007. First, AUF has made substantial capital investment in plant and equipment to improve the quality of water and wastewater service and address issues raised by customers. The capital improvements made since the last rate case total approximately \$8.4 million and include, but are not limited to, tank rehabilitation and replacement, meter replacement, electrical upgrades, pump replacements, and improvements to treatment systems.

AUF considers customer satisfaction and water quality its top priorities and, to that end, has taken substantial steps to address secondary (aesthetic) water quality standards. The Company intends to propose pro forma plant additions that address environmental compliance requirements, as well as the aesthetic issues, which will include repairs to and replacements of water and wastewater facilities. These pro forma additions will be detailed in the MFRs, which will also include pro forma adjustments for health insurance expense, purchased water, and other

costs. These pro forma adjustments, which are preliminarily identified in Attachments A and B hereto, are not growth-related and include both capital and expense items. AUF will provide fully supported documentation for review as the rate case is processed.

The second factor that drives the need for rate relief is that consumption has plummeted by nearly 16 percent from the Commission's consumption calculations in the last rate case. This reduction in consumption has resulted in corresponding reductions in revenues. The drop in consumption and corresponding reductions in revenues are significant and are directly attributable to the installation of a large number of private irrigation wells. (For example, 136 private irrigation wells have been installed to date in one of the Company's systems.) As a result, AUF's water volume sales are not producing revenues sufficient to cover the costs that the Commission determined were reasonable in the last rate case. The Company's 2010 ROE is projected to be one percent (1%) or 8 basis points below the Commission established 9.75% midpoint. At this earnings level the Company cannot realistically maintain a stable financial position and, without rate relief, will not be in a position to meet its customers' needs for safe and reliable water and wastewater services.

The decision to seek rate relief at this time is not one that the Company has taken lightly. Indeed the Company has made all reasonable effort to avoid filing a rate case. However, AUF's current revenues are simply insufficient to continue to meet its utility responsibilities in the manner that the Commission and AUF's customers expect. With the Company's current consumption and sales forecasts, and the costs it must incur to provide safe and reliable water and wastewater services, the Company's return on equity will fall to a negative return without the requested rate relief. This negative return on equity is well below the return established by the Commission's leverage formula and is far below the returns that the Commission has awarded to other water and wastewater utilities. Faced with these dire conditions, the Company has no choice but to seek timely rate relief.

To minimize rate case expense and mitigate rate impact, AUF requests that this case be processed using the proposed agency action ("PAA") procedures set forth in Section 367.081(8), Florida Statutes. These PAA procedures provide a cost-effective mechanism through which the Commission and its staff can thoroughly address all of the customers' and the Company's issues related to the rate case. AUF's customers will have ample opportunity to voice any concerns they may have at customer meetings held throughout AUF's service territory. AUF respectfully submits that utilizing the PAA process will minimize rate case expense and result in lower rates for the customer.

Finally, as part of its request for rate relief and pursuant to Rule 25-30.430, Florida Administrative Code, AUF requests approval of a historic test year ending April 30, 2010. The requested test year is representative of a normal full year of operation and will best fulfill the purpose of a test year, which is to set rates based on costs and revenues that are representative of the period when new rates will be in effect. AUF has not experienced any significant changes in its operations since April 30, 2010, and does not anticipate any such changes prospectively. The Company will also request interim rates based on the same historic test year and, as indicated above, intends to submit the MFRs on or before September 1, 2010.

Chairman Nancy Argenziano

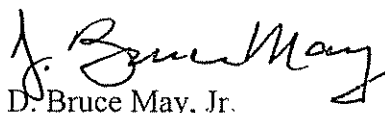
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Aqua is committed to continuing to provide excellent service to its customers. Should you or members of the Staff have any questions regarding this request, please do not hesitate to contact me.

Sincerely,

HOLLAND & KNIGHT LLP



D. Bruce May, Jr.

DBM:kjg

Enclosures

cc: Honorable Lisa P. Edgar, Commissioner (Via Hand Delivery)
Honorable Nathan A. Skop, Commissioner (Via Hand Delivery)
J.R. Kelley, Public Counsel (Via Hand Delivery)
S. Curtis Kiser, General Counsel (Via Hand Delivery)
Ms. Ann Cole, Commission Clerk and Administrative Services (Via Hand Delivery)
Mr. Marshall Willis, Florida Public Service Commission (Via Hand Delivery)
Ms. Cheryl Bulecza-Banks, Florida Public Service Commission (Via Hand Delivery)
Mr. Jack Lihvarcik, Aqua Utilities Florida, Inc. (Via U.S. Mail)
Mr. Troy Rendell, Aqua Utilities Florida, Inc. (Via U.S. Mail)
Ms. Kimberly Joyce, Aqua Utilities Florida, Inc. (Via U.S. Mail)

Project No	NARUC Plant Account	Type	AQUA UTILITIES FLORIDA, INC. - Estimated Pro Forma Plant Additions	Funding Project Description	Compliance - Secondary Water Quality	Attachment A Pro Forma Additions
			AUF System			
			The Woods, Ravenwood, 48 Estates, Fairfax, Bellaire, Arredondo Farms (2) Arredondo Estates, and Piney Woods - All Water	Hydro tank replacement		
1	330400	Water	Arredondo Farms (2) Arredondo Estates, and Piney Woods - All Water	Hydro tank replacement	Replacement of equipment	140,000
2	309200	Water	Tangerine - Water	Looping project Scott St- Tangerine	Secondary Water Quality Project	90,000
3	330400	Water	Sunny Hills - Water	Connect well 4 to storage tanks at Well 1 site Sunny Hills	Compliance	50,000
4	361200	Sewer	Jungle Den and Park Manor - Wastewater	I & I study & improvements Jungle Den and Park Manor	Compliance	100,000
5	381500	Sewer	Arredondo Farms - Wastewater	WWTP upgrade Arredondo Farms	Compliance	240,000
6	355300	Sewer	Jasmine Lakes - Wastewater	Generator for LS #5 Jasmine Lakes	Compliance	50,000
7	381500	Sewer	Jasmine Lakes - Wastewater	Walkway & weir replace Jasmine Lks	OSHA - Compliance	65,000
8	381500	Sewer	Lake Suzy - Wastewater	New air headers and new surge tank Lake Suzy	Replacement of equipment	80,000
9	330400	Water	Tomoka / Twin Rivers - Water	New tank liners - Tomoka & Twin Rivers	Compliance	70,000
10	309200	Water	Lake Suzy - Water	Fire flow upgrade Lake Suzy	Compliance with Purchase Water Agreement	65,000
11	320300	Water	Lake Josephine - Water	Secondary water treat Sebring Lakes - Lake Josephine	Secondary Water Quality Project	300,000
12	320300	Water	Leisure Lakes - Water	Secondary water quality Leisure Lks	Secondary Water Quality Project	150,000
13	354500	Sewer	Village Water - Wastewater - Reuse	Effluent reuse solution Village Water	Compliance	75,000
14	361200	Sewer	Breeze Hill -Wastewater	I & I study & improve Breeze Hill collection system	Compliance	100,000
15	320300	Water	Peace River - Water	Gross alpha treatment Peace River	Compliance	50,000
16	354500	Sewer	South Seas - Wastewater	Replacement of Rejet Tanks - South Seas	Compliance	400,000
17	330400	Water	Jasmine Lakes - Water	disinfection contact lime Jasmine Lakes Utilities Water	Compliance	180,000
18	330400	Water	Sunny Hills - Water	Additional Storage Sunny Hills W	Compliance	120,000
19	354500	Sewer	South Seas - Wastewater	Wet weather South Seas	Replacement of equipment	350,000
20	360200	Sewer	Rosalie Oaks - Wastewater	Lift Station - relocate to plant site Rosalie Oaks WW	Compliance	80,000
21	354500	Sewer	Village Water - Wastewater	Effluent Reuse Solution Village water Utility Wastewater	Replacement of equipment	175,000
22	341500	Water	Both Water and Wastewater - Allocated	Vehicles all	Replacement of equipment	200,279
23	330400	Water	Lake Gibson - Water	Lake Gibson Estates - Water Replace Hydro tank	Replacement of equipment	80,000
24	320300	Water	Leisure Lakes - Water	Leisure Lakes - Water Chlorine conversion	Compliance/TCPA	30,000
25	320300	Water	Summit Chase - Water	Summit Chase - Water Sand strainer project	Compliance	20,000
26	381500	Sewer	Valencia Terrace - Wastewater	Valencia Terrace - Sewer WWTF improvements	Compliance	82,071
#REF!	320300	Water	Zephyr Shores - Water	Zephyr Shores - Water Water quality project	Compliance	36,217
#REF!	320300	Water	Silver Lake / Western Shores - Water	Silver Lake/Western Shores - Water Chlorine conversion @ Silver Lake E	Compliance/TCPA	21,069
#REF!	320300	Water	Tomoka / Twin Rivers - Water	Tomoka/Twin Rivers - Chloramine project	Compliance	13,610
#REF!	309200	Water	Tomoka / Twin Rivers - Water	Tomoka/Twin Rivers - Water main relocation	Replacement of equipment	13,467
#REF!	397700	Sewer	Jasmine Lakes - Wastewater	Jasmine Lakes -WasteWater Security upgrades WWTF Jasmine Lks	Upgrade equipment	10,754
#REF!	354500	Sewer	The Woods - Wastewater	The Woods - Sewer Perc pond rehab The Woods	Replacement of equipment	10,733
#REF!	320300	Water	Tangerine - Water	Tangerine - Water Hardness sequestering	Secondary Water Quality Project	9,500
#REF!	381500	Sewer	South Seas - Wastewater	South Seas WWTF upgrades - new diffusers	Compliance	9,982
#REF!	330400	Water	Skycrest - Water	Skycrest - Water Well #1 pump replacement Skycrest	Replacement of equipment	5,891
44		Water / Sew	Administrative Assets - Allocated	All Systems	Administrative Assets - Allocated	264,584
			Estimated Pro Forma Plant Total Adjustments			3,738,156

AUF Pro Forma Adjustments Summary
Test Year - 2007

A/C #	Aqua Utilities Florida, Inc. - Estimated Pro Forma Expense Adjustments A/C Name	Systems	Estimated Amount -		Explanation of Adjustment	Estimated Amount - Total AUF
			AUF Water	AUF Sewer		
Potential Pro Forma Adjustments						
408110	Property Taxes	All	24,878	17,920	Additional Property Taxes on Pro Forma Net Additions	42,798
601/701	Salaries & Wages - Employees	All	54,797	25,838	4.0% Wage increase effective 4/1/11	80,635
601/701	Salaries & Wages - Employees	All	99,516	37,394	Pro Forma Terminations and New Positions - replacements	136,910
601/701	Salaries & Wages - Employees	Various	44,100	16,571	Phase 2 - Market Based Study Wage Increase	60,670
408121	Payroll Taxes - FICA	All	3,374	1,268	FICA taxes on Phase 2 - Market Based Study Increase	4,641
Insurance Expense - (Vehicle, Liability, Worker Comp, Other)						
659/759	Insurance Expense - (Vehicle, Liability, Worker Comp, Other)	All	8,956	3,608	Increase in Insurance costs - Vehicle, Workers Comp, and Other	12,564
604/704-810	Employee Benefits - Health Insurance	All	4,526	2,498	Pro Forma Increase in Health Insurance Cost	7,024
408121	Payroll Taxes - FICA	All	6,025	2,264	FICA taxes on 4.0% Wage increase effective 4/1/11	8,289
408121	Payroll Taxes - FICA	All	7,942	2,984	FICA taxes on terminations and new positions - replacements	10,926
610100	Purchased Water	Palm Terrace	42,481		Palm Terrace Purchased Water rate increases	42,481
710500	Purchased Sewage Treatment	Zephyr Shores		323	Zephyr Shores Purchased Sewage Treatment	323
641/741-500	Reduced Lease Expense	All	(24,135)	(9,069)	New Corporate Office Lease	(33,204)
610	Tangerine Water Quality Project	Tangerine	5,565		Chemicals - Sequestering	5,565
634/734-800	Contractual Services - Mgmt. Fees	All	5,083	1,923	Pro Forma Service Company Wage Increase effective 4/1/11 (on Salaries only)	7,005
634/734-800	Contractual Services - Mgmt. Fees	All	389	147	Additional 2011 Service Co. FICA taxes on above Wage increases (7.65%)	536
634/734-800	Contractual Services - Mgmt. Fees	All	1,540	583	Additional 2011 Service Co. employee benefits - health insurance	2,123
636/736-700	Contractual Services - Other	All	4,091	1,547	Pro Forma ACO Wage Increase effective 4/1/11 (on Salaries only)	5,638
634/734-800	Contractual Services - Mgmt. Fees	All	313	118	Additional 2011 ACO - FICA taxes on above Wage increases (7.65%)	431
636/736-700	Contractual Services - Other	All	1,122	425	Additional 2011 ACO employee benefits - health insurance	1,547
Depreciation Expense - Pro Forma Plant All			61,814	32,037		93,851
			352,376	138,377		490,753

Attachment B