

WHN CONSULTING

19 Morning Arbor Place
The Woodlands, TX 77381

September 22, 2006

Ms. Darlene Standley, Chief
Utilities Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Petition of Aqua Utilities Company for Approval of Adjustment of its Rates and Charges and Revised Tariff. **Docket 06-00187.**

Dear Ms. Standley:

On behalf of Aqua Utilities Company, enclosed you will find an original and four (4) hard copies of the **Company's Response to the TRA Advisory Staff's Data Request of September 15, 2006** in the above-referenced docket. An electronic copy of the Company's Response in PDF format is being provided to the TRA Docket Clerk.

If you questions regarding this electronic filing, please contact me at 713-298-1760.

Sincerely,



William H. Novak

Enclosures

28. Refer to Company Workpaper E-1.02. There appears to be a discrepancy in the meter readings recorded for the service periods “1/12/2005 – 2/9/2005” and “2/9/2005 – 3/9/2005.” Please explain and provide any corrections to this schedule if needed. Also, reconcile the difference in “Service From Date” of 3/9/2005 to the invoiced “Service From Date” of 2/9/2005 found on Company Workpaper E-1-2.16.

RESPONSE:

As mentioned on Workpaper E-1-2.15, the City of Savannah issued a duplicate bill for March 2005 in error to Aqua Utilities in the amount of \$1,378.07 for water consumption in March 2005. This error was not immediately discovered by Aqua and the March 2005 bill was paid by the Company on March 31, 2005. However, this type of error is self correcting in that the bill for April 2005 “trues-up” the total usage for the previous two months to the actual meter reading. The “March 9, 2005” date used by the Company on Company Workpaper E-1.02 was an estimate of a pro forma meter reading date to approximate a full month from the previous meter reading.

To adjust for this error on its pro forma schedules, the Company has taken the total consumption for the two month period ended April 15, 2005 and allocated it evenly for February and March water consumption (5,656 usage each month) as shown on Company Workpaper E-1.02. Therefore, no correction to this schedule is necessary.

29. Refer to Company Workpapers E-1-2-.14 and E-1-2-.15. The invoices shown on these pages appear to be for the same service period and amount. The invoices show the amount was paid on March 7, 2005 and again on April 5, 2005. Please explain whether the cost of purchased water has been overstated by this amount.

RESPONSE:

See the Company's response to Item 28. No overstatement in purchased water has been made.

30. Does the \$2,950,000 estimated cost to complete the Preserve Development (refer to Company August 31, 2006 response to Staff data request #2) include all system requirements necessary to serve the estimated 650 new customers other than the individual grinder pumps paid for by the customers?

RESPONSE:

Yes. Other than the grinder pumps which will be purchased by the customer from Aqua, the \$2,950,000 estimated cost to complete the Preserve Development includes all system requirements necessary to serve the estimated 650 new customers.

31. A National Drinking Water Clearinghouse Fact Sheet states "...advances in technologies and expertise should make it possible to reduce losses and unaccounted-for water to less than 10 percent." What action has the Company taken to reduce its lost and unaccounted for water percentage of 49.94% (refer to Company workpaper E-1.05)?

RESPONSE:

The Company objects to the form of this question in that it calls for evidence that is not presently contained in the record of this case, and has not been reviewed by the Company. Without removing its objection, the Company states that it has taken the following steps to reduce its lost and unaccounted-for water usage:

The company attempts to keep the lost and unaccounted for water amount as low as possible by visual inspections of the service area to monitor for leaks and theft. We also believe that part of this unaccounted for water percentage is due to the necessary periodic flushing of our water lines.

32. To what circumstances does the Company attribute the significant water losses to?

RESPONSE:

As stated in Item 14, there are a number of possible reasons for lost and unaccounted-for volumes including leakage, theft, and inaccurate meters. However, the exact cause of the unaccounted-for volumes is unknown.

33. Provide a schedule showing the amount of purchased water expense by month for calendar year 2005 and the first six (6) months of 2006 and the amount of purchased water expense recovered by month from customers via customer billing.

RESPONSE:

See attached. We have updated Company Revenue Workpaper R-1.05 to include the lost and unaccounted for calculation through June 2006.

Aqua Utilities Company
Analysis of Lost & Unaccounted-For Water

E-1.05
UPDATED

Purchased Water A/			Water Sales B/			12 MTD Lost & Unaccounted	Percentage Of Sales
Service To Date	Usage	12 MTD Usage	Service To Date	Usage	12 MTD Usage		
12/9/2003	3,394	-	12/1/2003	2,365	-	-	-
1/7/2004	3,349	-	1/1/2004	2,003	-	-	-
1/28/2004	2,534	-	2/1/2004	1,646	-	-	-
3/8/2004	5,310	-	3/1/2004	797	-	-	-
4/6/2004	6,694	-	4/1/2004	9,211	-	-	-
5/10/2004	14,479	-	5/1/2004	9,200	-	-	-
6/10/2004	14,272	-	6/1/2004	11,356	-	-	-
7/8/2004	14,007	-	7/1/2004	11,183	-	-	-
8/11/2004	19,085	-	8/1/2004	14,256	-	-	-
9/8/2004	16,172	-	9/1/2004	13,315	-	-	-
10/15/2004	16,620	-	10/1/2004	9,682	-	-	-
11/12/2004	7,974	123,890	11/1/2004	3,530	88,544	35,346	39.92%
12/20/2004	12,507	133,003	12/1/2004	2,767	88,946	44,057	49.53%
1/12/2005	5,043	134,697	1/1/2005	2,946	89,889	44,808	49.85%
2/9/2005	5,656	137,819	2/1/2005	2,396	90,639	47,180	52.05%
3/9/2005	5,656	138,165	3/1/2005	826	90,668	47,497	52.39%
4/15/2005	6,747	138,218	4/1/2005	5,746	87,203	51,015	58.50%
5/11/2005	12,325	136,064	5/1/2005	9,900	87,903	48,161	54.79%
6/10/2005	14,829	136,621	6/1/2005	13,201	89,748	46,873	52.23%
7/12/2005	25,317	147,931	7/1/2005	17,414	95,979	51,952	54.13%
8/11/2005	20,330	149,176	8/1/2005	20,903	102,626	46,550	45.36%
9/13/2005	21,433	154,437	9/1/2005	11,659	100,970	53,467	52.95%
10/12/2005	15,671	153,488	10/1/2005	12,007	103,295	50,193	48.59%
11/10/2005	11,786	157,300	11/1/2005	10,413	110,178	47,122	42.77%
12/5/2005	16,550	161,343	12/1/2005	3,070	110,481	50,862	46.04%
1/14/2006	6,934	163,234	1/1/2006	2,737	110,272	52,962	48.03%
2/9/2006	3,943	161,521	2/1/2006	1,499	109,375	52,146	47.68%
3/14/2006	1,722	157,587	3/1/2006	2,993	111,542	46,045	41.28%
4/12/2006	6,923	157,763	4/1/2006	4,981	110,777	46,986	42.41%
5/12/2006	14,408	159,846	5/1/2006	14,018	114,895	44,951	39.12%
6/15/2006	16,896	161,913	6/1/2006	18,042	119,736	42,177	35.22%
Average		148,201			100,683	47,518	47.64%

34. The Company's August 31, 2006 response to Staff data request #13 stated that in the new Preserve Development, 50 lots will be built out in 2006 (50 new customers) and 150 lots will be built out in 2007 (150 new customers). Explain why these additional customers from this additional new development are not be included in the Company's analysis of customer and sales growth forecast (Company Workpaper R-1.02). Please explain what impact the additional customers from the Preserve Development will have on the Company's forecasted revenue during the Attrition Period.

RESPONSE:

The Company has used its actual experienced customer growth rate of 27 customers per year in calculating its attrition period growth rate as shown on Company Workpaper R-1.02. We expect most of the Company's projected new customer growth to come from the The Preserve development as The Northshore development is maturing.

While the Company's attrition period revenues may be understated by as much as 23 customers (50 – 27) the Company's expenses related to this customer growth would also be understated. In that the Company's expenses currently exceed its revenues (eg: the Company's cost of purchased water is currently greater than the Company's tariff rate for water), including these additional 23 customers would have only increased the Company's total revenue deficiency.

35. The Company provided a map of its service area on September 12, 2006 in response to Staff's data request # 3. Although the map includes the Northshore and Preserve developments, please clarify by indicating the service area with a dark bold line around the entire service area.

RESPONSE:

See attached.

The following map shows the three main areas of Aqua's service area.

1. – Northshore
2. Points of Pickwick
3. Preserve Development

-
- ② Points of Pickwick
- ③ Preserve
- The map is a hand-drawn sketch of the Pickwick area. It is divided into three main sections, each labeled with a circled number:
- Point 1 (N/Shore):** Located on the right side of the map, this section shows a detailed shoreline with several buildings, trees, and a road. It is labeled "N/Shore".
 - Point 2 (Pickwick of P.S.):** Located in the center of the map, this section shows a cluster of buildings and a road. It is labeled "Pickwick of P.S.". Below this section, there are two small circles, each containing the text "POINTS OF PICKWICK".
 - Point 3 (Preserve):** Located on the left side of the map, this section shows a large, open area with a road and some vegetation. It is labeled "Preserve".
- Other labels on the map include "CHIMNEY HOLLOW", "BRANCH", "LOWER MIDDLETON BR.", and "PICKWICK".

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36. The Company stated in a letter from Mr. Clausel (Company Workpaper RB-11.21) that he estimates \$1,000,000 in capital additions during 2007. Provide copies of all contracts with third party suppliers and written Company plans and forecasts in connection with these additions that support this estimate. Also, provide a schedule showing, by month, a description of the planned capital addition(s) and the estimated cost.

RESPONSE:

The Company does not have the information in the format requested by the Staff. The one million (\$1,000,000) in estimated capital additions for 2007 necessary to provide service to The Preserve development was made by the Company's management based upon the overall completion of the entire development. As such, there are no specific plans and forecasts to support the estimate.

However, we have attached a copy of the Company's general ledger at August 31, 2006 detailing the actual plant additions thus far to provide service to The Preserve development. As noted in the general ledger, the Company has already invested \$1,530,939.57 in plant to provide service to the new development which is on track with the 2006 estimate provided by the Company on Workpaper RB-11.21.

AQUA UTILITIES COMPANY, INC.
General Ledger

Date	Reference T	Description	Beginning Balance	Current Amount	Period End Amount	YTD Balance
	105		250.00			
	1105 Construction work in progress - water		0.00			
12/31/05	YJE1	TO TRANSFER AMOUNTS FOR PRESERVE DEVELOPMENT PAID BY AQUA IN 2005		55,611.29		
12/31/05	YJE3	TO RECORD AMOUNTS PAID FOR PRESERVE DEVELOPMENT BY MONTANA THROUGH 9/12/05		512,388.19		
			December	567,999.48	567,999.48	
				<u>567,999.48</u>		<u>567,999.48</u>
	2105 Construction work in progress - wastewater		0.00			
12/31/05	YJE1	TO TRANSFER AMOUNTS FOR PRESERVE DEVELOPMENT PAID BY AQUA IN 2005		99,368.53		
12/31/05	YJE3	TO RECORD AMOUNTS PAID FOR PRESERVE DEVELOPMENT BY MONTANA THROUGH 9/12/05		512,388.18		
			December	611,756.71	611,756.71	
				<u>611,756.71</u>		<u>611,756.71</u>
		Combined Total		<u>1,179,756.19</u>		<u>1,180,006.19</u>

Range of Accounts Specified:

Total Year Profit/(Loss) 0.00

Number of Transactions 4

The General Ledger is in balance

0.00

AQUA UTILITIES COMPANY, INC.
General Ledger

Date	Reference T	Description	Beginning Balance	Current Amount	Period End Amount	YTD Balance
	105		1,179,756.19			
	1105	Construction work in progress - water	567,999.48			
01/04/06	2438	G & C SUPPLY CO., INC.		6,767.89		
01/13/06	2446 V	STOREY UTILITY CONTRACTORS, INC.		210.00		
01/13/06	2447	STOREY UTILITY CONTRACTORS, INC.		2,050.00		
01/23/06	2452	BR SUPPLY, INC.		1,682.93		
01/27/06	2455 V	STOREY UTILITY CONTRACTORS, INC.		2,140.00		
01/27/06	2456	STOREY UTILITY CONTRACTORS, INC.		190.00		
		January		13,040.82	581,040.30	
02/03/06	2465	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		2,505.00		
02/10/06	2469	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		185.00		
02/10/06	2470	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		895.00		
02/10/06	2471	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		165.00		
02/21/06	2477	G & C SUPPLY CO., INC. (PRESERVE)		318.80		
02/24/06	2482	BR SUPPLY, INC. (PRESERVE)		1,015.34		
02/27/06	2483	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		520.00		
		February		5,604.14	586,644.44	
03/03/06	2490	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		370.00		
03/03/06	2491	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		6,770.00		
03/13/06	2499	G & C SUPPLY COMPANY, INC. (PRESERVE)		4,870.76		
		March		12,010.76	598,655.20	
05/31/06	GJE1	TO TRANSFER INVOICES PAID BY MONTANA TO AQUA, 3/31/06 - 5/18/06		30,500.00		
		May		30,500.00	629,155.20	
06/02/06	2556	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		2,500.00		
06/09/06	2559	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		5,000.00		
06/19/06	2563	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		8,795.00		
06/30/06	2571	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		2,605.00		
		June		18,900.00	648,055.20	
07/31/06	GJE1	TO RECLASS MONTANA CK. #11152, SHOULD HAVE BEEN PAID BY AQUA FOR THE PRESERVE		30.59		
		July		30.59	648,085.79	
08/01/06	2603	G & C SUPPLY, CO., INC. - PRESERVE		7,540.55		
08/11/06	2610	G & C SUPPLY CO., INC. - PRESERVE		12,950.84		
08/31/06	GJE1	TO RECLASS MONTANA CK. #11215, SHOULD HAVE BEEN PAID BY AQUA				

AQUA UTILITIES COMPANY, INC.
General Ledger

Date	Reference T	Description	Beginning Balance	Current Amount	Period End Amount	YTD Balance
	1105	Construction work in progress - water (con FOR THE PRESERVE				
				652.77		
			August	21,144.16	669,229.95	
				<u>101,230.47</u>		<u>669,229.95</u>
	2105	Construction work in progress - wastewater	611,756.71			
01/06/06	2440	STOREY UTILITY CONTRACTORS, INC.		4,050.00		
01/06/06	2441	BR SUPPLY, INC.		57.07		
01/10/06	2443	F & M CONSULTING (EXPANSION OF LAGOON)		5,000.00		
01/13/06	2446 V	STOREY UTILITY CONTRACTORS, INC.		210.00		
01/13/06	2447	STOREY UTILITY CONTRACTORS, INC.		2,050.00		
01/23/06	2451 V	STOREY UTILITY CONTRACTORS, INC.		400.00		
01/26/06	2454	J. R. STEWART PUMP & EQUIPMENT, INC.		144,458.86		
01/27/06	2455 V	STOREY UTILITY CONTRACTORS, INC.		2,140.00		
01/27/06	2456	STOREY UTILITY CONTRACTORS, INC.		190.00		
			January	158,555.93	770,312.64	
02/03/06	2465	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		2,505.00		
02/10/06	2469	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		185.00		
02/10/06	2470	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		895.00		
02/10/06	2471	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		165.00		
02/24/06	2482	BR SUPPLY, INC. (PRESERVE)		1,015.34		
			February	4,765.34	775,077.98	
03/13/06	2497	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		4,310.00		
03/13/06	2499	G & C SUPPLY COMPANY, INC. (PRESERVE)		4,870.75		
03/17/06	2504	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		3,770.00		
03/28/06	2511	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		4,835.00		
			March	17,785.75	792,863.73	
05/31/06	GJE1	TO TRANSFER INVOICES PAID BY MONTANA TO AQUA, 3/31/06 - 5/18/06		30,500.27		
			May	30,500.27	823,364.00	
06/09/06	2559	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		5,000.00		
06/19/06	2563	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		8,795.00		
06/30/06	2571	STOREY UTILITY CONTRACTORS, INC. (PRESERVE)		2,605.00		
			June	16,400.00	839,764.00	

01/01/06 - 09/30/06

AQUA UTILITIES COMPANY, INC.
General Ledger

AQUA
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Date	Reference T	Description	Beginning Balance	Current Amount	Period End Amount	YTD Balance
2105 Construction work in progress - wastewater						
07/25/06	2593 V	STOREY UTILITY CONTRACTORS, INC. - PRESERVE		5,340.00		
07/28/06	2598	F & M CONSULTING, INC. - PRESERVE, EXPANSION OF LAGOON		5,000.00		
			July	10,340.00	850,104.00	
08/01/06	2603	G & C SUPPLY, CO., INC. - PRESERVE		1,487.92		
08/21/06	2616	SOUTHERN PIPE & SUPPLY - PRESEVE		7,517.70		
08/25/06	2621	JACKSON BORING & TRENCHING (PRESERVE)		2,500.00		
			August	11,505.62	861,609.62	
				<u>249,852.91</u>		861,609.62
		Combined Total		<u>351,083.38</u>		<u>1,530,839.57</u>

Range of Accounts Specified:

YTD Profit/(Loss) 0.00

Number of Transactions 52

The General Ledger is in balance

0.00

37. In Company Workpaper E-3.02 (footnote A/) the cost of accounting services will go from \$500 per month to \$1,500 per month. Provide an explanation as to why these costs have risen by such a significant amount.

RESPONSE:

The cost for services mentioned includes not only accounting but also billing of Aqua's customers, collecting and posting of payments, and handling all customer issues. For approximately the past eight years, Aqua's cost for these services has remained the same while the number of Aqua's customers has doubled. With the increased amount of time being required for both accounting and servicing of customer's accounts, together with the addition of the Preserve service area, it has become necessary for Aqua's vendor to increase its fees to this amount.

38. The Company has proposed that Mr. Clausel be paid \$2,500 per month for services rendered to the utility (Company Workpaper E-5.00). Is Mr. Clausel employed or involved in business ventures outside of the utility? If so, list those other business activities and the percentage of Mr. Clausel's time that is devoted to utility affairs.

RESPONSE:

Mr. Clausel's primary business activity outside of Aqua Utilities is with his own company, Montana Land Company. Approximately 15% of Mr. Clausel's time is devoted to utility affairs. For all practical purposes, Mr. Clausel is always available to provide consultation and / or answers to managerial questions. Up to this date, Mr. Clausel has never received any salary for providing any of his services. However, with the increased amount of time and responsibility being required, Aqua believes that this amount of remuneration is appropriate.