WHN CONSULTING

19 Morning Arbor Place
The Woodlands, TX 77381

October 16, 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 October 6, 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

39. In Response to Staff's Data Request No. 34, the Company states that if the Company used fifty (50) customers versus twenty-seven (27) in its attrition year customer growth estimate, then expenses would increase relative to the additional 23 customers. Provide a schedule showing the calculation of any additional expenses and revised Exhibits showing the total revenue deficiency that would result from including these additional customers in the Company's forecast.

RESPONSE:

The Company has no schedule showing the calculation of any additional expenses and revised Exhibits showing the total revenue deficiency that would result from including these additional customers in the Company's forecast.

The Company's response to Item No. 34 of the TRA Staff's Second Data Request was based solely upon the already known and documented fact that the Company's existing tariff rate for water is **less** than its water supplier's charge to the Company for wholesale water before any other costs are even considered. Therefore, including an additional 23 customers in the Company's attrition year growth calculation would only have increased the revenue deficiency, since the incremental expenses of adding a new customer are **greater** than the existing incremental revenues that a new customer provides.

40. Provide a detailed description of Mr. Clausel's experience and expertise in managing investor-owned utilities.

RESPONSE:

Since his acquisition of Aqua Utilities in 1996, Mr. Clausel has managed the following services on behalf of the Utility:

1. Engaged and managed independent contractors to handle the day to day operation of the water and wastewater distribution systems;
2. Monitored the daily work provided by all subcontractors;
3. Reviewed all reports and filings required by all state and federal agencies;
4. Engaged, managed and supervised an independent contractor to maintain records, accounts and billings of the Utility;
5. Developed and maintained a standby contact system for emergencies on a 24 hour a day basis;
6. Oversaw the handling of delinquent accounts and termination of services;
7. Review of all plats for proposed utility services;
8. Coordinate all work by developers to extend or establish utility services;
9. Inspect all utility easements for erosion;
10. Determine what repairs and maintenance to the utility system are necessary; and
11. Establish an annual budget for the utility.

This is only meant to be a partial listing. Mr. Clausel is involved in each and every decision of the day-to-day operations of Aqua Utilities, Inc.

41. Staff Data Request No. 33 asked the Company to prepare a schedule showing the "amount" of purchased water expense and the "amount" of purchased water expense recovered, by month, for the calendar year 2005 and the first six months of 2006. The Company responded with an updated schedule (E-1.05), which shows purchase "volumes" and sales "volumes". Please provide a schedule, showing the dollar amounts as requested.

RESPONSE:

The Company is unable to respond to the TRA Staff's question as written since there is no such thing as the "purchased water expense recovered" from the Company's customers. Because there is no type of tracking mechanism, similar to the TRA's PGA mechanism for gas utilities, that would automatically allow water utilities to adjust their rates for changes in wholesale water costs, there is no type of account such as "purchased water expense recovered" for us to provide to the Staff.

The Company attempted to resolve this issue in its response to Item No. 33 of the TRA Staff's second data request by providing an analysis of the water volumes purchased and sold. We regret that this was not the exact information that the TRA Staff had requested, but felt that it was the closest information that the Company could provide to the Staff's request.

Presented below is the Company's cost of water billed to it by the City of Savannah for the first six months of 2006:

January 2006	$1,432.80
February	834.60
March	390.40
April	1,430.60
May	2,927.60
June	3,425.20

42. Provide a copy of the Company's written Operation and Maintenance procedures.

RESPONSE:
See attached.

STANDARD OPERATING PROCEDURES
FOR THE
AQUA UTILITIES, INC.
WATER DISTRIBUTION SYSTEM

PREPARED: JUNE, 2006

BY: E. GEORGE LECKNER, JR
EGL CONSULTANTS

STANDARD OPERATING PROCEDURES
FOR THE
AQUA UTILITIES, INC.
WATER DISTRIBUTION SYSTEM

The Aqua Utilities, Inc. Water Distribution System (AUIWDS) shall at all times be operated within the capabilities of the system and in accordance with all State and Federal guidelines. The "Rules of Tennessee Department of Environment and Conservation, Bureau of Environment, Division of Water Supply, Chapter 1200-5-1, Public Water Systems" and "Chapter 1200-5-3 Rules Governing Water and Wastewater Operator Certification" will be followed at all times.

AUIWDS is required by 1200-5-3-.04(3) to inform the Division of Water Supply in writing no later than August 1 annually of the name of the certified operator in direct charge of the AUIWDS. 1200-5-3-05(3) states that the "Person in Direct Charge" is the person whose decisions and directions to system personnel control the manipulation of equipment and thereby determine the quality and quantity of the water supplied by a water treatment plant or a water distribution system. Should any questions arise as to the application of any of these rules, the certified operator in direct responsible charge shall be notified immediately.

All personnel working on the distribution system shall at all times adhere to these guidelines. While these guidelines do not cover all the rules all the rules discussed above, they do cover many of the circumstances which may arise on a daily basis.

GUIDELINES

1.
The free chlorine residual is controlled by the Savannah Water Dept.with the average level approximately 1.0 mg/l. Under no circumstances should the free chlorine residual be allowed to fall below 0.2 mg/l. Dead-end lines should be flushed as needed to maintain the required chlorine residual.

2.
One sample should be sent to the State Laboratory for microbiological

examination each month. This sample will be taken in accordance with the AUIWDC Bacteriological Sampling Plan. All sampling procedures will be followed as stated in the plan.

3.
No cross-connections will be allowed to exist in the distribution system. Any cross-connections found should be reported to the operator in direct charge of the system.

4.
Newly constructed and repaired lines shall be disinfected in accordance with American Water Works Association standards.

5.
A Leak Repair form should be completed following each leak. These forms will be kept at the AUIWDS office.

6.
The pressure in the distribution system should always be maintained at a minimum pressure of 20 psi.

7.
The distribution system shall be flushed once per year. The flushing will be recorded and kept on file by the system operator. Additional flushing will be performed as needed.

8.
Fire hydrants should not be placed on mains less than six inches in diameter. No hydrant should be placed on a main line that cannot produce 500 gpm at 20 psi residual pressure.

9.
All customer complaints should be recorded on the proper forms and kept at the AUIWDS office.

10.
New service taps on existing mains that must be uncovered to make the tap, shall be flushed and free chlorine measured and recorded on the proper form.

11.
Any service work performed on the distribution system should be documented.

12.
Water samples will be tested for free chlorine residual five days a week. These samples should be taken at various points in the distribution system so the entire sytem is represented in each month's testing.

Any time a distribution worker does not completely understand these guidelines, or any of the rules that govern this system he/she should contact the operator for clarification.

APPROVED BY:

Operator in Direct Charge _____

Date _____

I understand this SOP and agree to follow these rules and guidelines.

Name	Date
_____	_____
_____	_____
_____	_____

43. To The following questions relate to the Company's response to Staff Data Request No. 31.

a. Provide the names and qualifications of the inspectors who conducted the visual inspections of the service area.
b. Provide a copy of the inspection procedures, written documentation of inspections completed in the past twelve (12) months, copies of leak detection reports, and records of any repairs on the water system made in the last twelve (12) months to repair leaks.
c. Has the Company utilized any other leak detection technology or employed outside assistance? If so, please explain.
d. Has the Company identified any unauthorized use of its water or water theft in the last twelve (12) months?
e. Regarding the meter that measures water purchased from Savannah, when was it installed and when was the last time this meter was calibrated?
f. Does the Company maintain records of meter installation and operation and utilize a meter change-out program?
g. How often and under what conditions are customers' meters replaced?
h. Provide records of all line flushings for the past twelve (12) months, including the date, time, duration, and estimated volume of water used for each flushing.
i. Provide a copy of the Company's plans and/or target dates to address and reduce the percentage of lost and unaccounted for water.

RESPONSE:

As stated in response to Item No. 31 of the TRA Staff's Second Data Request, 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." These visual inspections are carried out by the Company's operations consultant, Mr. George Leckner, whose qualifications have already been provided in response to Item 6 of the TRA Staff's First Data Request.

As mentioned previously, these are visual inspections only. As such, there are no specific procedures or written documentation for the inspections. To date, the Company has used no other leak detection methodology other than through its own visual inspections. Also, to date, the Company has not specifically identified any unauthorized use of its water or water theft.

The meter that measures the water purchased by the Company from the City of Savannah is the City's water meter, and the City of Savannah is responsible for its installation records and calibration. There is no Company-owned water meter measuring water purchases from the City.

The Company has documented its meter tests and adjustment policy on Sheet #8 of TRA #2 in its proposed tariff. New meters are installed when an account is first opened and the Company does maintain records of these accounts. Meters are first tested by the manufacturer before delivery to the Company. Meters are changed out as the Company

determines through visual monthly inspections when the meters are read. Records of line flushings for 2005 and 2006 are attached.

The Company only became aware of the issue surrounding lost and unaccounted-for water in the preparation for this rate case. At this time, we have not developed a comprehensive plan for addressing this issue.

FLUSHING
2006

DATE	LOCATION	PLUG TYPE	TIME TO CLEAR	TOTAL TIME	FLOW GPM	INITIAL CL2	FINAL CL2	WATER USED	COMMENTS
27-Jun	NS-2	FLUSH							PLUG OFF
	NS-4	FLUSH							PLUG BROKEN
	NS-5	FLUSH							PLUG BROKEN
	NS-6	FIRE							PLUG OFF
	NS-7	FIRE							PLUG OFF
	NS-13	FLUSH							PLUG OFF
	NS-14	FLUSH							PLUG OFF
	NS-16	FLUSH							PLUG OFF
	NS-18	FLUSH							PLUG OFF
	NS-19	FIRE							PLUG BROKEN
	NS-20	FLUSH							PLUG OFF
	NS-21	FLUSH							PLUG BROKEN
	NS-23	FLUSH							PLUG OFF
	NS-27	FLUSH							PLUG OFF
	NS-28	FLUSH							PLUG OFF
	NS-29	FLUSH							PLUG BROKEN
	PoP-5	FIRE							PLUG OFF
	PoP-25	FLUSH							PLUG BROKEN
	PoP-28	FLUSH							PLUG OFF
10-Jul	PoP-1	FIRE	< 1 MIN	45 MIN	500	1.2	1.5	22,500	
	PoP-2	FIRE	1 MIN	35 MIN	294	1.1	1.5	10,290	
13-Jul	PoP-3	FIRE	< 1 MIN	25 MIN	363	1.2	1.8	9,075	
	PoP-4	FIRE	< 1 MIN	10 MIN	208	1.2	1.6	2,080	
	PoP-6	FLUSH	2 MIN	12 MIN	111	1.3	1.6	1,332	
	PoP-7	FIRE	< 1 MIN	30 MIN	388	1.3	1.7	11,640	
	PoP-9	FIRE	< 1 MIN	20 MIN	332	1.2	1.6	6,640	
	PoP-10	FIRE	< 1 MIN	25 MIN	388	1.3	1.6	8,300	
17-Jul	PoP-14	FIRE	< 1 MIN	40 MIN	277	0.8	0.9	11,080	
	PoP-16	FIRE	< 1 MIN	20 MIN	332	0.8	1	6,640	
18-Jul	PoP-11	FIRE	< 1 MIN	20 MIN	244	1.3	1.5	4,880	
20-Jul	PoP-15	FLUSH	< 1 MIN	15 MIN	277	0.9	1.2	4,155	
7-Jul	NS-1	FLUSH	< 1 MIN	45 MIN	277	1.7	1.9	12,465	
	NS-3	FIRE	< 1 MIN	50 MIN	343	1.9	2.2	17,150	
10-Jul	NS-8	FLUSH	< 1 MIN	25 MIN	294	1	1.1	7,350	
	NS-9	FLUSH	2 MIN	20 MIN	277	1	1	5,540	
	NS-10	FIRE	< 1 MIN	15 MIN	500	1.1	1.2	7,500	
	NS-11	FLUSH	2 MIN	20 MIN	222	1	1	4,440	
	NS-12	FLUSH	4 MIN	30 MIN	212	0.8	1	6,360	
	NS-26	FIRE	< 1 MIN	25 MIN	332	1.2	1.5	8,300	
	NS-25	FLUSH	< 1 MIN	10 MIN	194	1.4	1.6	1,940	

FLUSHING
2006

	NS-24	FLUSH	< 1 MIN	20 MIN	222	1.4	1.6	4,440	
11-Jul	NS-15	FLUSH	2 MIN	12 MIN	166	1.1	1.5	1,992	
	NS-17	FLUSH	1 MIN	9 MIN	111	0.9	1.6	999	
	NS-22	FLUSH	1 MIN	35 MIN	222	1.1	1.6	7,770	
17-Jul	PoP-27	FLUSH	1 MIN	15 MIN	97	1.1	1.5	1,455	
	PoP-26	FLUSH	3 MIN	18 MIN	166	1.2	1.5	2,988	
	PoP-22	FLUSH	< 1 MIN	8 MIN	139	1	1.5	1,112	
	PoP-24	FLUSH	6 MIN	11 MIN	139	0.9	1.3	1,529	
	PoP-23	FIRE	4 MIN	6 MIN	162	1.1	1.6	972	
	PoP-8	FLUSH	< 1 MIN	7 MIN	130	1.2	1.6	910	
	PoP-12	FLUSH	< 1 MIN	12 MIN	182	1.1	1.5	2,184	
	PoP-13	FLUSH	< 1 MIN	10 MIN	166	0.9	1.5	1,660	
	PoP-18	FLUSH	2 MIN	15 MIN	78	1	1.4	1,170	
	PoP-17	FLUSH	1 MIN	9 MIN	139	1	1.5	1,251	
	PoP-21	FIRE	< 1 MIN	12 MIN	139	1.1	1.6	1,668	
	PoP-20	FLUSH	< 1 MIN	6 MIN	122	1	1.5	732	
	PoP-19	FIRE	< 1 MIN	23 MIN	332	1.1	1.6	7,636	
	SEE COMM	FIRE	< 1 MIN	10 MIN	194	1	1.5	1,940	RED OAK PT/RED OAK
	SEE COMM	FLUSH	< 1 MIN	7 MIN	156	1	1.5	1,092	EoL HOLLOW TREE
27-Jun	TP-1	FIRE	15 MIN	55MIN	332		0.9	18,260	
	TP-2	FIRE	30 MIN	60 MIN	388		1.2	23,280	
	TP-3	FIRE	10 MIN	55 MIN	830		1.2	45,650	
3-Jul	TP-4	FIRE	2 MIN	30 MIN	665		1.1	19,950	
	TP-5	FIRE	10 MIN	10 MIN	277			2,770	
				40 MIN	665		1	26,600	
	TP-6	FIRE	2 MIN	70 MIN	180		1.2	12,600	
	TP-10	FIRE	2 MIN	65 MIN	343		1.6	15,795	
11-Jul	TP-6	FIRE	MILKY	60 MIN	110		1.5	6,600	
18-Jul	TP-5	FIRE	< 1 MIN	15 MIN	665		1.2	9.975	
26-Aug	TP-7	FIRE	10 MIN	30 MIN	332		1.5	9,960	
5-Sep	TP-7	FIRE	MILKY	25 MIN	388		1.1	9,700	
								414,297	

FLUSHING 2005

DATE	LOCATION	PLUG TYPE	TIME TO CLEAR	TOTAL TIME	FLOW GPM	INITIAL CL2	FINAL CL2	WATER USED	COMMENTS
16-Jun	NS-2	FLUSH							PLUG OFF
	NS-5	FLUSH							PLUG BROKEN
	NS-6	FIRE							PLUG OFF
	NS-7	FIRE							PLUG OFF
	NS-13	FLUSH							PLUG OFF
	NS-14	FLUSH							PLUG OFF
	NS-16	FLUSH							PLUG OFF
	NS-18	FLUSH							PLUG OFF
	NS-21	FLUSH							PLUG BROKEN
	NS-20	FLUSH							PLUG OFF
	NS-23	FLUSH							PLUG OFF
	NS-27	FLUSH							PLUG OFF
	NS-28	FLUSH							PLUG OFF
	NS-29	FLUSH							PLUG BROKEN
	PoP-5	FIRE							PLUG OFF
	PoP-25	FLUSH							PLUG BROKEN
	PoP-28	FLUSH							PLUG OFF
	NS-4	FLUSH							PLUG BROKEN
	NS-1	FLUSH	< 1 MIN	43 MIN	277	1	1.1	11,911	
	NS-3	FIRE	< 1 MIN	27 MIN	623	1	1.1	16,821	
	NS-8	FLUSH	2 MIN	11 MIN	417	1	1.3	4,587	
	NS-9	FLUSH	< 1 MIN	8 MIN	312	1.2	1.4	2,496	
	NS-11	FLUSH	< 1 MIN	15 MIN	312	1.2	1.4	4,680	
	NS-10	FIRE	< 1 MIN	11 MIN	388	1	1.1	4,268	
	NS-12	FLUSH	6 MIN	17 MIN	232	1.1	1.6	3,944	
	NS-19	FLUSH	< 1 MIN	20 MIN	182	1	1.4	3,640	
	NS-22	FLUSH	< 1 MIN	20 MIN	194	1.2	1.6	3,880	
	NS-24	FLUSH	3 MIN	41 MIN	244	0.9	1.5	10,004	
	NS-25	FLUSH	2 MIN	8 MIN	222	1.1	1.5	1,776	
	NS-26	FIRE	< 1 MIN	7 MIN	277	1.1	1.5	1,939	
	PoP-1	FIRE	< 1 MIN	20 MIN	500	1.2	1.4	10,000	
	PoP-2	FIRE	< 1 MIN	10 MIN	388	1.1	1.5	3,880	
20-Jun	PoP-3	FIRE	2 MIN	21 MIN	388	1.2	1.6	8,148	
	PoP-7	FIRE	< 1 MIN	19 MIN	500	1.1	1.6	9,500	
	PoP-9	FIRE	< 1 MIN	24 MIN	277	1.1	1.5	6,648	

FLUSHING 2005

	PoP-10	FIRE	< 1 MIN	21 MIN	388	1	1.5	8,148	
	PoP-14	FIRE	< 1 MIN	15 MIN	222	1.1	1.5	3,330	
	PoP-16	FIRE	< 1 MIN	21 MIN	388	1	1.4	8,148	
	PoP-17	FLUSH	2 MIN	11 MIN	111	0.9	1.3	1,221	
	PoP-15	FLUSH	< 1 MIN	9 MIN	166	0.9	1.5	1,494	
27-Jun	PoP-11	FIRE	2 MIN	22 MIN	294	1.1	1.4	6,468	
	PoP-13	FLUSH	2 MIN	9 MIN	166	1	1.3	1,494	
	PoP-12	FLUSH	< 1 MIN	8 MIN	208	1	1.4	1,664	
	PoP-23	FIRE	7 MIN	20 MIN	186	0.9	1.3	3,720	
	PoP-24	FLUSH	9 MIN	14 MIN	111	0.7	1.5	1,554	
	PoP-26	FLUSH	2 MIN	15 MIN	166	1	1.4	2,490	
	SEE COMM	FIRE	< 1 MIN	7 MIN	169	0.9	1.5	1,183	RED OAK POINT/RED OAK
	PoP-4	FIRE	< 1 MIN	9 MIN	260	1	1.3	2,340	
	PoP-6	FLUSH	< 1 MIN	6 MIN	111	0.9	1.3	666	
	PoP-8	FLUSH	< 1 MIN	13 MIN	104	0.8	1.3	1,352	
	NS-15	FLUSH	< 1 MIN	9 MIN	147	1.1	1.6	1,323	
	NS-17	FLUSH	3 MIN	12 MIN	97	1.2	1.5	1,164	
	PoP-27	FLUSH	2 MIN	18 MIN	83	0.8	1.5	1,494	
	SEE COMM	FLUSH	< 1 MIN	12 MIN	222	0.9	1.3	2,664	EOL HOLLOWTREE
	PoP-22	FLUSH	< 1 MIN	9 MIN	139	1.2	1.5	1,251	
	PoP-21	FIRE	< 1 MIN	14 MIN	139	1.1	1.5	1,946	
	PoP-20	FLUSH	< 1 MIN	8 MIN	147	1.1	1.4	1,176	
	PoP-19	FIRE	< 1 MIN	21 MIN	332	1	1.5	6,972	
	PoP-18	FLUSH	3 MIN	15 MIN	78	1	1.4	1,170	
								172,554	

44. In its response to Staff Data Request No. 37, the Company stated that the cost of accounting services have increased due to the increase in the number of customers. Did the Company attempt to obtain competing bids for theses services when faced with increased cost? If so, explain the Company's decision to retain the existing supplier.

RESPONSE:

The Company did not attempt to obtain competing bids for its accounting and billing services. These services (accounting, financial reporting and billing) have been provided by the same provider to the Company for the last eight (8) years at a rate of $500/month. Since 1998, the customer accounts have increased from fewer than 100 to over 258 today. Given the growth in customer accounts, the Company's management felt that the increase in rates for providing this service was reasonable.