

TENNESSEE REGULATORY AUTHORITY

Sara Kyle, Chairman
Eddie Roberson, Director
Pat Miller, Director
Ron Jones, Director



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

DELIVERED VIA EMAIL AND US MAIL

October 31, 2006

J. Gilbert Parrish, Jr.
60 Brazelton Street, Unit 9
Savannah, TN 38372

RECEIVED
2006 NOV - 1 AM 9:51
T.R.A. DOCKET ROOM

RE: Docket No. 06-00187 – PETITION OF AQUA UTILITIES COMPANY FOR APPROVAL OF ADJUSTMENT OF ITS RATES AND CHARGES AND REVISED TARIFF

Dear Mr. Parrish:

Please provide the information as outlined on the attached Fourth Discovery Requests of TRA Advisory Staff. Pursuant to TRA Rule 1220-1-1-.03(4), submit either an electronic response along with an original and four (4) written copies or an original written response and thirteen (13) copies. All responses requiring a schedule should be provided in a working Excel file complete with formulas. These Excel files should be emailed to Pat Murphy.

All information should be provided by November 13, 2006. Should you have questions regarding the attached request, please contact Paul Greene (extension 156), Ron Graham (extension 164), or Pat Murphy (extension 178) for clarification.

Sincerely,

Danette For Darlene Standley

Darlene Standley
Utilities Division Chief

Attachment

C: James E. Clausel
William H. Novak
TRA Docket Room

Fourth Discovery Requests of TRA Advisory Staff

DESCRIPTION OF DEVELOPMENT IN AQUA'S SERVICE TERRITORY:

45. Please provide a narrative describing the developments in Aqua's service territory. Your answer should include the following:
- a. Who is the owner of all undeveloped land in Aqua's service territory?
 - b. Is Montana the only developer and home builder in Aqua's service territory? If not, please list the names of all other developers.
 - c. According to your original CCN application there were approximately 300 customers in Aqua's service territory, with the potential to expand up to 1800 customers when the development was complete. Is this still accurate? If not, please explain any changes.
 - d. Also, the original petition stated that it was anticipated that the City of Savannah would be able to operate the system when there were about 500 residences to be served. Please provide a letter from the City of Savannah stating their intentions to provide or not provide water and wastewater service in the territory currently defined as Aqua's service territory (current development plus expansion).
 - e. Provide a timeline showing when each of the following components of the water/wastewater system are installed. Additionally, for each of the following, state who installs, who pays for, and who is responsible for maintaining and operating on a going forward basis:
 - Customer service meter
 - Water service line from meter to the water main
 - Water pumping station
 - STEG/STEP tank
 - Grinder pump
 - Effluent line from tank to property line
 - Service line from customer's property line to collector line
 - Collector line to main line
 - Main line
 - Treatment facility
 - Undefined Line 1 (Attachment 1)
 - Undefined Line 2 (Attachment 1)
46. Please explain why the proposed tariff fee for "road bores" is necessary. Please explain why all requisite utility plant would not be installed prior to the final surfacing of the road.
47. Please refer to the diagram in Attachment 1. Please provide the term the Company uses for each of the lines labeled as "undefined line 1 or undefined line 2," along with a description or definition of each.

CUSTOMER GROWTH:

48. How many water only customers, water/wastewater customers, and total customers does Aqua have at 10/31/06?
49. How many new customers does Aqua expect will come on line by the end of 2006? Please include all rationale and basis supporting these new customer additions.
50. Would the Company agree that in the projection of future revenues and expenses, all new customers are presumed to subscribe to both water and wastewater?
51. How many new residences (individual living units whether a free standing home or a unit in a condo) do you expect will be constructed in Aqua's service territory during 2007? Please include all rationale and basis supporting this forecast.
52. How many of the new residences that will be constructed in Aqua's service territory do you expect will be occupied during 2007?
53. Currently how many residences are fully constructed and ready to be occupied?
54. How long do you estimate it will take for these residences to be occupied?
55. How many new Aqua water and water/wastewater customers do you project by month from November 2006 through December 2007? Please include all rationale and basis supporting this forecast.

FORECASTED PLANT:

56. Given that TRA Rule 1220-4-13-.06(1) states "All public wastewater utilities shall design, construct, maintain, and operate wastewater systems..." please provide a schedule showing Aqua's plant in service at 10/31/06 by plant account and the associated accumulated depreciation by account with the attendant depreciation rates.
57. Recognizing the fact that TRA rules require wastewater utilities to own and operate the wastewater system (see question above), provide forecasted plant additions and retirements by plant account by month for November 2006 through December 2007.
58. Please provide rate base calculation as of 10/31/06. Include all rationale and support for your calculations.
59. Is the plant in service currently in place capable of serving the total projected 900 customers? If not, how many customers can be served with the plant currently in place?
60. Provide a schedule of plant in service by sub account by vintage month and year.
61. Did current customers purchase any components of Aqua's wastewater system (i.e. meters, lines, tanks, grinder pumps or any other integral part of the plant-in-service)? If so, provide a detailed explanation and accounting journal entries for these transactions.
62. Currently, do customers own any components of the wastewater system? If so, explain and list these components and whether the customer or the utility paid for these components.

TAP FEES:

63. Did the Company base its proposed increase on actual invoiced costs or projected costs?
64. Please provide a detailed cost study based upon current rates to support the various tap charges included in the proposed tariff, TRA#1, Sheet 1.

WATER LOSS:

65. Please explain how management became aware of the significant water loss in the preparation of this rate case.
66. Subsequent to your response to Staff discovery question no. 43, has the utility contacted outside expertise and developed a plan to address the water loss issue and correct the problem? If so, please provide a copy of the plan and any inspection reports.
67. Please explain how the utility has complied with TRA Rule 1220-4-3-.34 that requires the utility to adopt schedules for periodic and routine tests and repairs of its meters.

RECONNECT CHARGE:

68. Based on the Company's experience with seasonally occupied residences, what would be the average time span that a customer would normally disconnect service?
69. Is it the goal of the Company to increase the reconnect fee is to make it slightly higher than the total minimum bill for the average number of months that homes are vacant in order to discourage disconnection?
70. What has been the Company's experience regarding the number of customers that are disconnected for non-payment of bill? Please provide the number of disconnects by month during the test period through October 31, 2006.
71. Should a customer reconnected after being disconnected for non-payment be charged a lower reconnect fee?

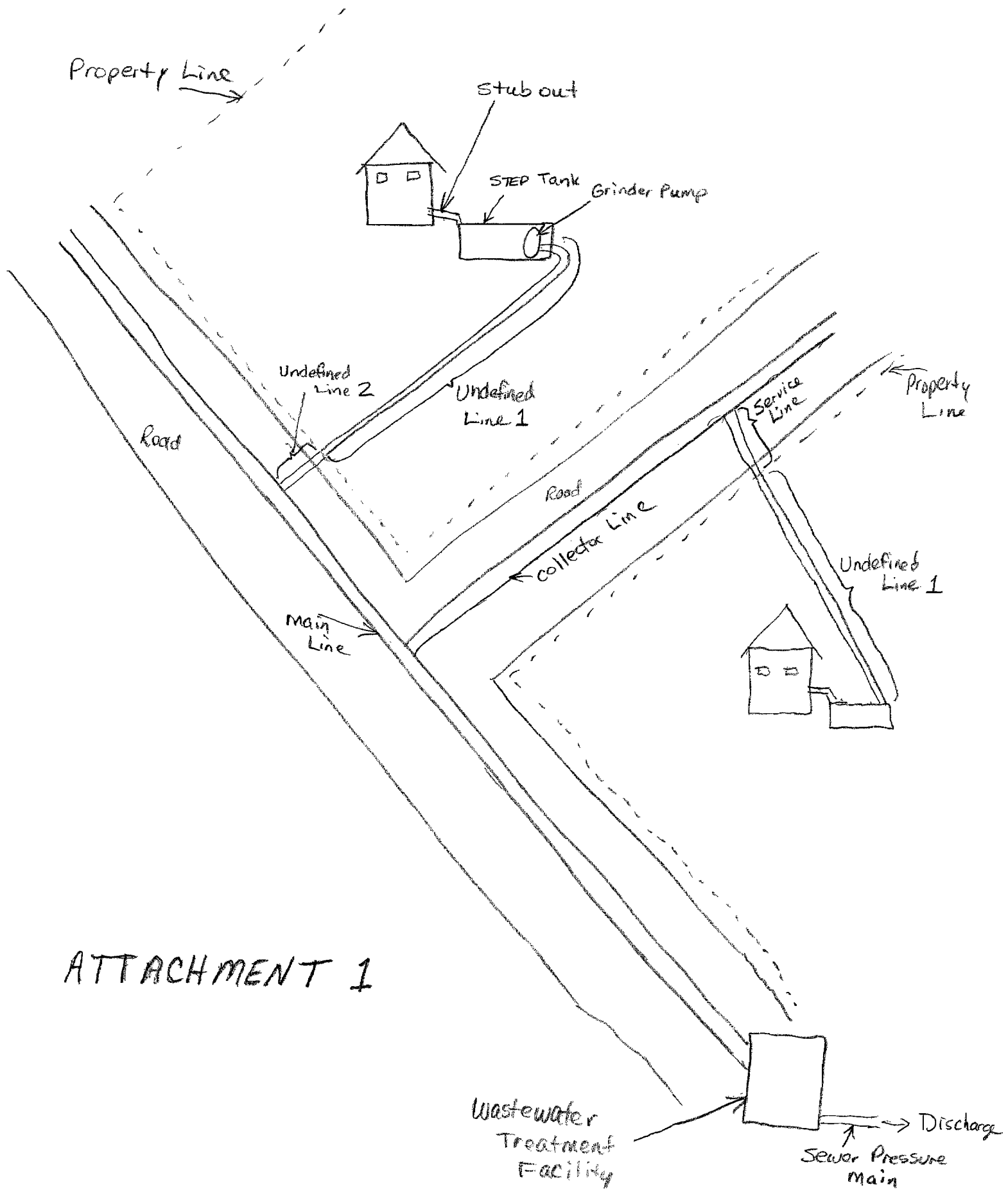
PROPOSED TARIFF:

72. Staff discovery request #42 asked for a copy of the Company's operations and maintenance procedures. The Company responded with a copy of "Standard Procedures for the Aqua Utilities, Inc. Water Distribution." TRA Rule 1220-4-13-.06(2) states that "Each public wastewater utility shall adopt operating and maintenance procedures for its wastewater system to assure safe, adequate and continuous service at all times by qualified staff..." Does Aqua have operations and maintenance procedures for wastewater? If so, please provide. If not, please explain.
73. Sheet #10 in TRA #2 of the proposed tariff, under "Special Pretreatment Wastewater Requirements," states that the Company has the right to increase the rate charged to cover the cost of treatment of high strength effluent..." What rate does this statement refer to? How is the increase determined? Why is this rate not detailed in the Schedule of Rates and Charges? Since all rates must be approved by the TRA, will the Company file for approval prior to implementation?
74. Provide a detailed cost study supporting the increased rate determined in the prior question.
75. On Sheet #11, the tariff refers to "excessive flow." Please explain and define what is meant by excessive flow.
76. Additionally, the tariff states that the customer may be required to monitor excessive flow. How would the customer measure excessive flow?

REVENUE REQUIREMENT:

77. Please refer to the schedule in Attachment 2. Does the Company agree with the calculations as presented in Attachment 2? If not, explain in detail and provide a schedule clarifying the Company's position.

AQUA UTILITIES, INC.
WASTEWATER SYSTEM DIAGRAM



ATTACHMENT 1

ATTACHMENT 2

AQUA UTILITIES

Docket 06-00187

Water/ Wastewater

Line #

1	Minimum charge per month	\$	60	A/
2	Excess Usage		<u>72</u>	B/
3	Average monthly water/wastewater customer bill	\$	132	
4	Average annual water/wastewater customer bill	\$	1,584	
5				
6	Total forecasted annual purchased water expense	\$	41,512	C/
7	Average number of water/wastewater customers for 12-MTD 12/2007		<u>279</u>	D/
8	Avg. annual purchased water expense per customer	\$	149	
9				
10	Forecasted annual operating expenses	\$	127,323	G/
11	Average number of water/wastewater customers for 12-MTD 12/2007		<u>279</u>	
12	Avg. annual operating expenses per customer	\$	456	E/
13	Avg. annual operating expenses per customer	\$	605	F/
14				
15	Aqua's forecasted average annual revenues	\$	393,336	line 4 times line 11 plus \$30,600 water only revenues
16	Aqua's forecasted attrition year expenses		<u>168,835</u>	line 7 times line 13
17	Aqua's forecasted average annual return	\$	224,501	
18	Return based on \$2.9 million Rate Base		8%	
19				
20	Projected customers upon completion of expansion		892	H/
21	Projected annual revenues at capacity	\$	1,364,328	line 4 times 842 wastewater customers plus \$30,600 water only rev.
22	Projected annual purchased water expense at capacity		132,719	line 8 times line 20
23	Projected annual fixed operating costs		<u>127,323</u>	line 10
24	Projected average annual return	\$	1,104,286	line 21-line 22-line 23
25	Return based on \$2.9 million Rate Base		38%	

A/ \$30 for water plus \$30 for wastewater. See proposed tariff, TRA #1, Schedule #1.

B/ Based on average 4029 gallons usage per customer per month per Company workpaper R-1.02.

C/ Company workpaper E-1.00.

D/ Average of 215 customers at 12/06 and 242 customers at 12/07. (Excludes 50 water only customers during test year)

E/ Excluding purchased water expense.

F/ Including purchased water expense.

G/ Total forecasted expenses excluding purchased water expense.

H/ Total customers at 12/2007 plus 600 new customers in expansion (Co. response to DR #34.)

NOTE: All calculations above are based on information provided by Aqua