WHN CONSULTING

19 Morning Arbor Place
The Woodlands, TX 77381

November 13, 2006

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

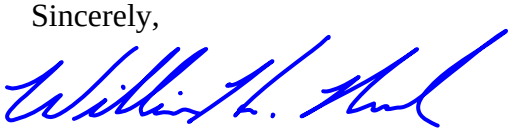
Re: Petition of Aqua Utilities Company for Approval of Adjustment of its Rates and Charges and Revised Tariff. **Docket 06-00187.**

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 31, 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

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)**

RESPONSE:

To the Company's understanding, Pickwick Preserve, LLC owns 2,035 acres, and Montana Land Company owns another 350 acres of the undeveloped property in the Company's service territory. Any other owners of undeveloped property in the Company's service territory are unknown to Aqua.

Both Montana Land Company and Pickwick Preserve, LLC are developers of property in the Company's service territory. Typically, neither Montana Land Company nor Pickwick Preserve, LLC is a custom home builder.

The original petition for a CCN in Docket 90-00334, contained the representations of the original owner, Mr. Bernard Blasingame, who was responsible for its content. Aqua Utilities was transferred to its present owner, Mr. Eddie Clausel, in Docket 02-00387. Mr. Clausel does not have a copy of the original CCN application and is not familiar with its contents. The Company has no letter from the City of Savannah in its possession that addresses their desire to take over the operations of Aqua Utilities.

See attached for a timeline discussion regarding the installation of the Company's plant.

AQUA UTILITIES COMPANY
TIMELINE DISCUSSION ON INSTALLATION OF PLANT

1. The **Water Pumping Station** was constructed, installed and paid for by the Company when the development was first started. The Company is responsible for the continuing maintenance of the Water Pumping Station.

2. The **Wastewater Treatment Facility** was constructed, installed and paid for by the Company when the development was first started. The Company is responsible for the continuing maintenance of the Wastewater Treatment Facility.

3. The **Main Lines** (water and wastewater) are constructed, installed and paid for by the Company at different phases during the development down the larger roads. The Company is responsible for the continuing maintenance of the Main Lines.

4. The **Collector Lines** (water and wastewater) are constructed, installed and paid for by the Company at different phases during the development down the smaller roads. The Company is responsible for the continuing maintenance of the Collector Lines.

5. The **Service Line** (water and wastewater) is constructed, installed and paid for by the Company when service is requested from the builder/homeowner. The Company is responsible for the continuing maintenance of the Service Lines. Please note that the Company considers the Service Lines to encompass the entire length of line between the Company's Main Lines and the Company's Meter (water) or the Customer's Grinder Pump (wastewater) at the Customer's property (physical residence). Therefore, both Undefined Line #1 and Undefined Line #2 in Attachment 1 of the Staff's data request would be considered to be Service Lines by the Company.

6. The **Customer Service Meter** is installed and paid for by the Company when service is requested from the builder/homeowner at the same time that the Service Lines are installed. The Company is responsible for the continuing maintenance of the Customer Service Meter.

7. The **STEG/STEP Tank** (if necessary) is installed and paid for by the Company when service is requested from the builder/homeowner at the same time that the Service Lines are installed. The Company is responsible for the continuing maintenance of the STEG/STEP Tank.

8. The **Grinder Pump** is purchased and installed by the builder/homeowner as the residence is nearing completion. The customer is responsible for the continuing maintenance of the Grinder Pump.

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.

RESPONSE:

The Company runs its water mains down one side of each street and its wastewater lines down the other side in order to easily facilitate repairs to either system. This requires the Company to complete a road bore for either a water or wastewater line for each service line attached to the Company's mains. These service lines are not installed until service is first requested from a property owner which may be years after the mains are first laid.

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.

RESPONSE:

Please see Company response to Item 45.

48. How many water only customers, water/wastewater customers, and total customers does Aqua have at 10/31/06?

RESPONSE:

In October 2006, Aqua had 204 water and wastewater customers. Of these 204 customers, 59 have a second water only meter, bringing the total number of water bills in October to 263.

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.

RESPONSE:

Please refer to Company workpaper R-1.02 for a calculation of the new customers forecasted by Aqua in this rate case. For the 12 months ended December 31, 2006, the Company expects to render 3,066 water bills and 2,469 wastewater bills.

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?

RESPONSE:

Yes. All new customers at a minimum would subscribe to both water and wastewater services. Also, as a point of clarification, all of the Company's existing customers are both water and wastewater subscribers. However, some customers have elected to install a second "water only" meter at their premises for irrigation.

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.

RESPONSE:

Please refer to Company workpaper R-1.02 for a calculation of the new customers forecasted by Aqua in this rate case. For the 12 months ended December 31, 2007, the Company expects to render 3,390 water bills and 2,793 wastewater bills. Embedded in this forecast is a growth of 27 customers per year, which reflects the actual growth experienced by the Company between 2004 and 2005.

52. How many of the new residences that will be constructed in Aqua's service territory do you expect will be occupied during 2007?

RESPONSE:

Please refer to Company workpaper R-1.02 for a calculation of the new customers forecasted by Aqua in this rate case. Embedded within this forecast is a growth of 27 customers per year, which reflects the actual customer growth experienced by the Company between 2004 and 2005. The Company expects the number of homes in the process of construction at the beginning of 2007 to equal those in construction at the end of 2007 with a net increase of 27 customers added during the year.

53. Currently how many residences are fully constructed and ready to be occupied?

RESPONSE:

See Company response to Item 52.

54. How long do you estimate it will take for these residences to be occupied?

RESPONSE:

See Company response to Item 52.

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.

RESPONSE:

Please refer to Company workpaper R-1.02 for a calculation of the new customers forecasted by month in this rate case. Embedded in this forecast is a growth of 27 customers per year, which reflects the actual growth experienced by the Company between 2004 and 2005.

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.

RESPONSE:

See attached.

Tax Asset Detail 10/01/06 - 10/31/06

FYE: 12/31/2006 Mth: 10/31/2006

Asset	*	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: Sewer												
2		Original Sewer Plant in Service	9/01/96	250,000.00	0.00	0.00	104,768.50	520.83	105,289.33	144,710.67	S/L	40.0
3		Replacement pumps in lift station	1/17/01	4,650.00	0.00	0.00	2,635.00	38.75	2,673.75	1,976.25	S/L	10.0
4		Pumps and control panel in lift stati	7/11/01	4,650.00	0.00	0.00	2,441.25	38.75	2,480.00	2,170.00	S/L	10.0
5		Atlantic Ultraviolet equipment	11/30/01	1,135.01	0.00	0.00	548.58	9.46	558.04	576.97	S/L	10.0
6		Pump replacement on lot 35 lift stat	12/28/01	4,650.00	0.00	0.00	2,208.75	38.75	2,247.50	2,402.50	S/L	10.0
7		Lift station pump repair	1/01/00	4,650.00	0.00	0.00	2,673.75	38.75	2,712.50	1,937.50	S/L	10.0
9		Sewer lines, A/C #1188, Anchor Ba	2/14/03	250.00	0.00	0.00	22.92	0.52	23.44	226.56	S/L	40.0
11		Sewer lines, A/C #0023, 45 Point C	3/25/03	250.00	0.00	0.00	21.88	0.52	22.40	227.60	S/L	40.0
13		Sewer lines, A/C #1218	4/07/03	250.00	0.00	0.00	21.88	0.52	22.40	227.60	S/L	40.0
14		Sewer lines, A/C #1208, Bluff Cree	4/07/03	250.00	0.00	0.00	21.88	0.52	22.40	227.60	S/L	40.0
19		Sewer lines, A/C #1238, Bluff Cree	5/30/03	250.00	0.00	0.00	20.84	0.52	21.36	228.64	S/L	40.0
21		Sewer lines, A/C #1248,Quarry Hol	6/11/03	250.00	0.00	0.00	20.84	0.52	21.36	228.64	S/L	40.0
23		Sewer lines,A/C #1268,Sailboat Pt.	7/22/03	250.00	0.00	0.00	19.79	0.52	20.31	229.69	S/L	40.0
26		Sewer lines,A/C #1298,Bluff Creek	8/26/03	250.00	0.00	0.00	19.27	0.52	19.79	230.21	S/L	40.0
28		Sewer lines,A/C #1308,Quarry Holl	10/14/03	250.00	0.00	0.00	18.75	0.52	19.27	230.73	S/L	40.0
30		Sewer lines,A/C#1318,Anchor Poin	11/21/03	250.00	0.00	0.00	17.71	0.52	18.23	231.77	S/L	40.0
32		Sewer lines,A/C #1328,Turtle Cove	11/26/03	250.00	0.00	0.00	17.71	0.52	18.23	231.77	S/L	40.0
34		Sewer lines, A/C #1338, 152 Deerp	1/15/04	250.00	0.00	0.00	17.19	0.52	17.71	232.29	S/L	40.0
35		Sewer lines, A/C #1348, 146 Deerp	1/15/04	250.00	0.00	0.00	17.19	0.52	17.71	232.29	S/L	40.0
38		Sewer lines, A/C #1358,420 Anders	3/05/04	250.00	0.00	0.00	16.15	0.52	16.67	233.33	S/L	40.0
40		Sewer lines, A/C #1368, 136 Raven	4/09/04	250.00	0.00	0.00	15.63	0.52	16.15	233.85	S/L	40.0
42		Sewer lines, A/C #1388, Lot#10, P.	5/28/04	250.00	0.00	0.00	14.59	0.52	15.11	234.89	S/L	40.0
44		Wascon,Inc.-meter to rec'd sewage	6/01/04	3,092.67	0.00	0.00	721.63	25.77	747.40	2,345.27	S/L	10.0
45		Sewer lines, A/C #1398, Lot #8, An	6/08/04	250.00	0.00	0.00	14.59	0.52	15.11	234.89	S/L	40.0
47		Sewer lines, A/C #1408, Lot #19, M	6/15/04	250.00	0.00	0.00	14.59	0.52	15.11	234.89	S/L	40.0
51		Sewer lines, A/C #1448,315 Anchor	7/06/04	250.00	0.00	0.00	14.07	0.52	14.59	235.41	S/L	40.0
53		Sewer lines, A/C #1458, 130 Buck I	8/15/04	250.00	0.00	0.00	13.54	0.52	14.06	235.94	S/L	40.0
55		Sewer lines, A/C #1518, lot #7, Gra	8/15/04	250.00	0.00	0.00	13.54	0.52	14.06	235.94	S/L	40.0
58		Sewer lines, A/C #1488, Quarry Ho	8/15/04	250.00	0.00	0.00	13.54	0.52	14.06	235.94	S/L	40.0
60		Sewer lines, A/C #1498, Anchor Pt.	8/15/04	250.00	0.00	0.00	13.54	0.52	14.06	235.94	S/L	40.0
62		Sewer lines, A/C #1508, Anchor Pt.	8/15/04	250.00	0.00	0.00	13.54	0.52	14.06	235.94	S/L	40.0
64		Replacement pumps in lift station	9/13/04	4,650.00	0.00	0.00	968.75	38.75	1,007.50	3,642.50	S/L	10.0
65		Sewer lines, A/C #1538, lot 8-B, N-	10/15/04	250.00	0.00	0.00	12.50	0.52	13.02	236.98	S/L	40.0
68		Sewer lines, A/C #1548, 30 Pt. Grai	12/15/04	250.00	0.00	0.00	11.46	0.52	11.98	238.02	S/L	40.0
69		Sewer lines, A/C #1558, Lot#15, Gi	1/15/05	250.00	0.00	0.00	10.94	0.52	11.46	238.54	S/L	40.0
71		Sewer lines, A/C #1568, Lot #3, Qu	1/15/05	250.00	0.00	0.00	10.94	0.52	11.46	238.54	S/L	40.0
74		Sewer line, A/C #1578	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
76		Sewer lines, A/C #1588	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
81		Sewer lines, A/C #1598	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
82		Sewer lines, A/C #1608	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
83		Sewer lines, A/C #1618	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
84		Sewer lines, A/C #1628	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
86		Sewer lines, A/C #1638	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
88		Sewer lines, A/C #1648	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
91		Sewer lines, A/C #1668	5/10/05	250.00	0.00	0.00	8.86	0.52	9.38	240.62	S/L	40.0
93		Sewer lines, A/C #1678	5/10/05	250.00	0.00	0.00	8.86	0.52	9.38	240.62	S/L	40.0
95		Sewer lines, A/C#1688	5/10/05	250.00	0.00	0.00	8.86	0.52	9.38	240.62	S/L	40.0
97		Sewer lines, A/C #1698	5/10/05	250.00	0.00	0.00	8.86	0.52	9.38	240.62	S/L	40.0
98		Replacement of two pumps-Heron \	6/20/05	3,750.00	0.00	0.00	468.75	31.25	500.00	3,250.00	S/L	10.0

Tax Asset Detail 10/01/06 - 10/31/06

FYE: 12/31/2006 Mth: 10/31/2006

Asset	*	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: Sewer (continued)												
100		Sewer lines, A/C #1708	6/15/05	250.00	0.00	0.00	8.34	0.52	8.86	241.14	S/L	40.0
102		Sewer lines, A/C #1718	6/15/05	250.00	0.00	0.00	8.34	0.52	8.86	241.14	S/L	40.0
104		Sewer lines, A/C #1728	7/15/05	250.00	0.00	0.00	7.82	0.52	8.34	241.66	S/L	40.0
105		Replacement of pumps,lot #51 lift s	8/26/05	4,750.00	0.00	0.00	514.58	39.58	554.16	4,195.84	S/L	10.0
107		Sewer lines, A/C #1738	9/15/05	250.00	0.00	0.00	6.77	0.52	7.29	242.71	S/L	40.0
109		Sewer lines, A/C #1748	9/15/05	250.00	0.00	0.00	6.77	0.52	7.29	242.71	S/L	40.0
111		Sewer lines, A/C #1758	9/15/05	250.00	0.00	0.00	6.77	0.52	7.29	242.71	S/L	40.0
113		Sewer lines, A/C #1768	10/14/05	250.00	0.00	0.00	6.25	0.52	6.77	243.23	S/L	40.0
115		Sewer lines, A/C #1778	11/11/05	250.00	0.00	0.00	5.73	0.52	6.25	243.75	S/L	40.0
125		'97 AMOUNTS PAID BY MONTA	6/30/97	103,822.84	0.00	0.00	24,009.03	216.30	24,225.33	79,597.51	S/L	40.0
126		'99 AMOUNTS PAID BY MONTA	6/30/99	51,418.56	0.00	0.00	9,319.59	107.12	9,426.71	41,991.85	S/L	40.0
127		2000 AMOUNTS PAID BY MONT	6/30/00	20,510.33	0.00	0.00	3,204.75	42.73	3,247.48	17,262.85	S/L	40.0
128		'01 AMOUNTS PAID BY MONTA	6/30/01	9,281.00	0.00	0.00	1,218.16	19.34	1,237.50	8,043.50	S/L	40.0
129		'02 AMOUNTS PAID BY MONTA	6/30/02	4,600.00	0.00	0.00	488.75	9.58	498.33	4,101.67	S/L	40.0
130		'04 AMOUNTS PAID BY MONTA	6/30/04	24,543.40	0.00	0.00	1,380.58	51.13	1,431.71	23,111.69	S/L	40.0
131		PRIOR YEARS PLANT	6/30/01	3,175.00	0.00	0.00	416.75	6.61	423.36	2,751.64	S/L	40.0
134		Sewer lines, A/C #1808	1/13/06	250.00	0.00c	0.00	4.69	0.52	5.21	244.79	S/L	40.0
136		Sewer lines, A/C #1818	1/13/06	250.00	0.00c	0.00	4.69	0.52	5.21	244.79	S/L	40.0
138		Sewer lines, A/C #1828	1/13/06	250.00	0.00c	0.00	4.69	0.52	5.21	244.79	S/L	40.0
140		Sewer lines, A/C #1838	2/15/06	250.00	0.00c	0.00	4.17	0.52	4.69	245.31	S/L	40.0
141		Swr. pump @ lift station, N/S, Boar	3/15/06	3,250.00	0.00c	0.00	189.58	27.08	216.66	3,033.34	S/L	10.0
143		Sewer lines, A/C #1848	3/15/06	250.00	0.00c	0.00	3.65	0.52	4.17	245.83	S/L	40.0
146		Sewer lines, A/C # 1868	3/15/06	250.00	0.00c	0.00	3.65	0.52	4.17	245.83	S/L	40.0
147		Pump wiring/ctrl.panel @ lift sta.-P	4/15/06	3,650.00	0.00c	0.00	182.50	30.42	212.92	3,437.08	S/L	10.0
151		Sewer lines, A/C #1898	6/15/06	250.00	0.00c	0.00	2.09	0.52	2.61	247.39	S/L	40.0
154		Sewer lines, A/C #1918	7/14/06	250.00	0.00c	0.00	1.56	0.53	2.09	247.91	S/L	40.0
156		Sewer lines, A/C #1928	7/14/06	250.00	0.00c	0.00	1.56	0.53	2.09	247.91	S/L	40.0
158		Sewer lines, A/C #1938	7/14/06	250.00	0.00c	0.00	1.56	0.53	2.09	247.91	S/L	40.0
160		Sewer lines, A/C #1948	7/15/06	250.00	0.00c	0.00	1.56	0.53	2.09	247.91	S/L	40.0
162		Sewer lines, A/C #1958	7/15/06	250.00	0.00c	0.00	1.56	0.53	2.09	247.91	S/L	40.0
164		Sewer lines, A/C #1968	8/03/06	250.00	0.00c	0.00	1.04	0.52	1.56	248.44	S/L	40.0
166		Sewer lines, A/C #1978	8/11/06	250.00	0.00c	0.00	1.04	0.52	1.56	248.44	S/L	40.0
168		Sewer lines, A/C #1988	8/15/06	250.00	0.00c	0.00	1.04	0.52	1.56	248.44	S/L	40.0
172		Sewer lines, A/C #1981	8/15/06	250.00	0.00c	0.00	1.04	0.52	1.56	248.44	S/L	40.0
174		Sewer lines, A/C #1983	8/15/06	250.00	0.00c	0.00	1.04	0.52	1.56	248.44	S/L	40.0
176		Sewer lines, A/C #1986	8/15/06	250.00	0.00c	0.00	1.04	0.52	1.56	248.44	S/L	40.0
177		Repair pump-lift station @ lot #202	9/08/06	2,750.00	0.00c	0.00	22.92	22.92	45.84	2,704.16	S/L	10.0
			Sewer	529,478.81	0.00c	0.00	159,056.26	1,388.24	160,444.50	369,034.31		
Group: Software												
33		Utility Billing Software	12/30/03	695.00	0.00	0.00	637.09	19.30	656.39	38.61	S/L	3.0
			Software	695.00	0.00c	0.00	637.09	19.30	656.39	38.61		
Group: Water												
1		Original Water Plant in Service	9/01/96	203,000.00	0.00	0.00	85,006.25	422.92	85,429.17	117,570.83	S/L	40.0
8		Meter, lines, A/C #1188, Anchor Ba	2/14/03	250.00	0.00	0.00	22.92	0.52	23.44	226.56	S/L	40.0

Tax Asset Detail 10/01/06 - 10/31/06

FYE: 12/31/2006 Mth: 10/31/2006

Asset	*	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: Water (continued)												
10		Meter,lines,A/C #1198,15 Hawks N	3/21/03	250.00	0.00	0.00	21.88	0.52	22.40	227.60	S/L	40.0
12		Mtr., lines, A/C #1218, #13751149	4/07/03	250.00	0.00	0.00	21.88	0.52	22.40	227.60	S/L	40.0
15		Mtr.,lines,A/C #1208, #13751148	4/07/03	250.00	0.00	0.00	21.88	0.52	22.40	227.60	S/L	40.0
17		Mtr.,lines, A/C #1228,	4/15/03	250.00	0.00	0.00	21.88	0.52	22.40	227.60	S/L	40.0
18		Mtr.,lines,A/C #1238, #13388273	5/30/03	250.00	0.00	0.00	20.84	0.52	21.36	228.64	S/L	40.0
20		Mtr.,lines, A/C #1248,	6/11/03	250.00	0.00	0.00	20.84	0.52	21.36	228.64	S/L	40.0
22		Mtr.,lines,A/C #1268, #13388276	7/22/03	250.00	0.00	0.00	19.79	0.52	20.31	229.69	S/L	40.0
24		Mtr.,lines,A/C #1278,	8/11/03	250.00	0.00	0.00	19.79	0.52	20.31	229.69	S/L	40.0
25		Mtr.,lines,A/C #1298,#13427051	8/26/03	250.00	0.00	0.00	19.27	0.52	19.79	230.21	S/L	40.0
27		Mtr.,lines,A/C#1308,#13431683	10/14/03	250.00	0.00	0.00	18.75	0.52	19.27	230.73	S/L	40.0
29		Mtr.,lines,A/C#1318,	11/21/03	250.00	0.00	0.00	17.71	0.52	18.23	231.77	S/L	40.0
31		Mtr.,lines,A/C#1328,	11/26/03	250.00	0.00	0.00	17.71	0.52	18.23	231.77	S/L	40.0
36		Mtr., lines, A/C #1338,	1/15/04	250.00	0.00	0.00	17.19	0.52	17.71	232.29	S/L	40.0
37		Mtr. lines, A/C #1348	1/15/04	250.00	0.00	0.00	17.19	0.52	17.71	232.29	S/L	40.0
39		Mtr., lines, A/C #1358	3/05/04	250.00	0.00	0.00	16.15	0.52	16.67	233.33	S/L	40.0
41		Mtr., lines, A/C #1368	4/09/04	250.00	0.00	0.00	15.63	0.52	16.15	233.85	S/L	40.0
43		Mtr., lines, A/C #1388	5/28/04	250.00	0.00	0.00	14.59	0.52	15.11	234.89	S/L	40.0
46		Mtr., lines, A/C #1398, #14294346	6/08/04	250.00	0.00	0.00	14.59	0.52	15.11	234.89	S/L	40.0
48		Mtr., lines, A/C #1408, #13427050	6/15/04	250.00	0.00	0.00	14.59	0.52	15.11	234.89	S/L	40.0
49		Mtr., lines, A/C #1418, #14294345	6/15/04	250.00	0.00	0.00	14.59	0.52	15.11	234.89	S/L	40.0
50		Mtr., lines, A/C #1428,#14294348	6/15/04	250.00	0.00	0.00	14.59	0.52	15.11	234.89	S/L	40.0
52		Mtr., lines, A/C #1448, #14340134	7/06/04	250.00	0.00	0.00	14.07	0.52	14.59	235.41	S/L	40.0
54		Mtr., lines, A/C #1458, #1437224	8/15/04	250.00	0.00	0.00	13.54	0.52	14.06	235.94	S/L	40.0
56		Mtr., lines, A/C #1518, #1342707	8/15/04	250.00	0.00	0.00	13.54	0.52	14.06	235.94	S/L	40.0
57		Mtr., lines, A/C #1528, #14294344	8/15/04	250.00	0.00	0.00	13.54	0.52	14.06	235.94	S/L	40.0
59		Mtr., lines, A/C #1488, #14340131	8/15/04	250.00	0.00	0.00	13.54	0.52	14.06	235.94	S/L	40.0
61		Mtr., lines, A/C #1498, #14374965	8/15/04	250.00	0.00	0.00	13.54	0.52	14.06	235.94	S/L	40.0
63		Mtr., lines, A/C #1508, #14374966	8/15/04	250.00	0.00	0.00	13.54	0.52	14.06	235.94	S/L	40.0
66		Mtr., lines, A/C #1538,	10/15/04	250.00	0.00	0.00	12.50	0.52	13.02	236.98	S/L	40.0
67		Mtr., lines, A/C #1548, #13751150	12/15/04	250.00	0.00	0.00	11.46	0.52	11.98	238.02	S/L	40.0
70		Mtr., lines, A/C #1558,	1/15/05	250.00	0.00	0.00	10.94	0.52	11.46	238.54	S/L	40.0
72		Mtr., lines, A/C #1568,	1/15/05	250.00	0.00	0.00	10.94	0.52	11.46	238.54	S/L	40.0
73		Mtr., lines, A/C #1578	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
75		Mtr., lines, A/C #1588	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
77		Mtr., lines A/C #1598	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
78		Mtr., lines, A/C #1608	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
79		Mtr., lines, A/C #1618	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
80		Mtr., lines, A/C #1628	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
85		Mtr., lines, A/C #1638	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
87		Mtr., lines, A/C #1648	3/11/05	250.00	0.00	0.00	9.90	0.52	10.42	239.58	S/L	40.0
89		Mtr.,lines, A/C #1658, #15271291	5/04/05	250.00	0.00	0.00	8.86	0.52	9.38	240.62	S/L	40.0
90		Mtr., lines, A/C #1668,	5/10/05	250.00	0.00	0.00	8.86	0.52	9.38	240.62	S/L	40.0
92		Mtr., lines, A/C #1678, #14374969	5/10/05	250.00	0.00	0.00	8.86	0.52	9.38	240.62	S/L	40.0
94		Mtr., lines, A/C #1688, #14340133	5/10/05	250.00	0.00	0.00	8.86	0.52	9.38	240.62	S/L	40.0
96		Mtr., lines, A/C #1698	5/10/05	250.00	0.00	0.00	8.86	0.52	9.38	240.62	S/L	40.0
99		Mtr., lines, A/C 1708	6/15/05	250.00	0.00	0.00	8.34	0.52	8.86	241.14	S/L	40.0
101		Mtr., lines, A/C #1718	6/15/05	250.00	0.00	0.00	8.34	0.52	8.86	241.14	S/L	40.0
103		Mtr., lines, A/C #1728	7/15/05	250.00	0.00	0.00	7.82	0.52	8.34	241.66	S/L	40.0
106		Mtr., lines, A/C #1738	9/15/05	250.00	0.00	0.00	6.77	0.52	7.29	242.71	S/L	40.0

Tax Asset Detail 10/01/06 - 10/31/06

FYE: 12/31/2006 Mth: 10/31/2006

Asset	*	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: Water (continued)												
108		Mtr., lines, A/C #1748	9/15/05	250.00	0.00	0.00	6.77	0.52	7.29	242.71	S/L	40.0
110		Mtr., lines, A/C 1758	9/15/05	250.00	0.00	0.00	6.77	0.52	7.29	242.71	S/L	40.0
112		Mtr., lines, A/C #1768	10/14/05	250.00	0.00	0.00	6.25	0.52	6.77	243.23	S/L	40.0
114		Mtr., lines, A/C #1778	11/11/05	250.00	0.00	0.00	5.73	0.52	6.25	243.75	S/L	40.0
116		Mtr., lines, (irg.only) A/C #1788	12/01/05	250.00	0.00	0.00	5.21	0.52	5.73	244.27	S/L	40.0
117		Mtr., lines, (Irg. only) A/C #1798	12/15/05	250.00	0.00	0.00	5.21	0.52	5.73	244.27	S/L	40.0
118		Mtr., lines, A/C #1438	6/15/05	250.00	0.00	0.00	8.34	0.52	8.86	241.14	S/L	40.0
119		'97 AMOUNTS PAID BY MONTA	6/30/97	103,822.84	0.00	0.00	24,009.03	216.30	24,225.33	79,597.51	S/L	40.0
120		'99 AMOUNTS PAID BY MONTA	6/30/99	51,418.56	0.00	0.00	9,319.59	107.12	9,426.71	41,991.85	S/L	40.0
121		2000 AMOUNTS PAID BY MONT	6/30/00	20,510.33	0.00	0.00	3,204.75	42.73	3,247.48	17,262.85	S/L	40.0
122		' 01 AMOUNTS PAID BY MONTA	6/30/01	9,281.00	0.00	0.00	1,218.16	19.34	1,237.50	8,043.50	S/L	40.0
123		' 02 AMOUNTS PAID BY MONTA	6/30/02	4,600.00	0.00	0.00	488.75	9.58	498.33	4,101.67	S/L	40.0
124		' 04 AMOUNTS PAID BY MONTA	6/30/04	24,543.40	0.00	0.00	1,380.58	51.13	1,431.71	23,111.69	S/L	40.0
132		PRIOR YEARS PLANT	6/30/01	8,500.00	0.00	0.00	1,115.62	17.71	1,133.33	7,366.67	S/L	40.0
133		Mtr., lines, A/C #1808	1/13/06	250.00	0.00c	0.00	4.69	0.52	5.21	244.79	S/L	40.0
135		Mtr., lines, A/C #1818	1/13/06	250.00	0.00c	0.00	4.69	0.52	5.21	244.79	S/L	40.0
137		Mtr. lines, A/C #1828	1/13/06	250.00	0.00c	0.00	4.69	0.52	5.21	244.79	S/L	40.0
139		Mtr., lines, A/C #1838	2/15/06	250.00	0.00c	0.00	4.17	0.52	4.69	245.31	S/L	40.0
142		Mtr., lines, A/C #1848	3/15/06	250.00	0.00c	0.00	3.65	0.52	4.17	245.83	S/L	40.0
144		Mtr., lines, A/C #1858	3/01/06	250.00	0.00c	0.00	3.65	0.52	4.17	245.83	S/L	40.0
145		Mtr., lines, A/C #1868	3/15/06	250.00	0.00c	0.00	3.65	0.52	4.17	245.83	S/L	40.0
148		Mtr., lines, A/C #1878	4/15/06	250.00	0.00c	0.00	3.13	0.52	3.65	246.35	S/L	40.0
149		Mtr., lines, A/C #1888	5/15/06	250.00	0.00c	0.00	2.61	0.52	3.13	246.87	S/L	40.0
150		Mtr., lines, A/C #1898	6/15/06	250.00	0.00c	0.00	2.09	0.52	2.61	247.39	S/L	40.0
152		Mtr., lines, A/C #1908	7/14/06	250.00	0.00c	0.00	1.56	0.53	2.09	247.91	S/L	40.0
153		Mtr., lines, A/C #1918	7/14/06	250.00	0.00c	0.00	1.56	0.53	2.09	247.91	S/L	40.0
155		Mtr., lines, A/C #1928	7/14/06	250.00	0.00c	0.00	1.56	0.53	2.09	247.91	S/L	40.0
157		Mtr., lines, A/C #1938	7/15/06	250.00	0.00c	0.00	1.56	0.53	2.09	247.91	S/L	40.0
159		Mtr., lines, A/C #1948	7/15/06	250.00	0.00c	0.00	1.56	0.53	2.09	247.91	S/L	40.0
161		Mtr., lines, A/C #1958	7/15/06	250.00	0.00c	0.00	1.56	0.53	2.09	247.91	S/L	40.0
163		Mtr., lines, A/C #1968	8/03/06	250.00	0.00c	0.00	1.04	0.52	1.56	248.44	S/L	40.0
165		Mtr., lines, A/C #1978	8/11/06	250.00	0.00c	0.00	1.04	0.52	1.56	248.44	S/L	40.0
167		Mtr., lines, A/C #1988	8/15/06	250.00	0.00c	0.00	1.04	0.52	1.56	248.44	S/L	40.0
169		Mtr., lines, A/C #1990	8/15/06	250.00	0.00c	0.00	1.04	0.52	1.56	248.44	S/L	40.0
170		Mtr., lines, A/C #1995	8/15/06	250.00	0.00c	0.00	1.04	0.52	1.56	248.44	S/L	40.0
171		Mtr., lines, A/C #1981	8/15/06	250.00	0.00c	0.00	1.04	0.52	1.56	248.44	S/L	40.0
173		Mtr., lines, A/C #1983	8/15/06	250.00	0.00c	0.00	1.04	0.52	1.56	248.44	S/L	40.0
175		Mtr., lines, A/C #1986	8/15/06	250.00	0.00c	0.00	1.04	0.52	1.56	248.44	S/L	40.0
178		Mtr., lines, A/C #6015	9/12/06	250.00	0.00c	0.00	0.52	0.52	1.04	248.96	S/L	40.0
179		Mtr., lines, A/C #6020	9/12/06	250.00	0.00c	0.00	0.52	0.52	1.04	248.96	S/L	40.0
			Water	446,426.13	0.00c	0.00	126,542.92	930.05	127,472.97	318,953.16		
			Grand Total	976,599.94	0.00c	0.00	286,236.27	2,337.59	288,573.86	688,026.08		

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.

RESPONSE:

The Company doesn't understand the linkage in the Staff's question between "the TRA rules requiring wastewater utilities to own and operate the wastewater system" and the request for forecasted plant additions and retirements by plant account by month. Notwithstanding this linkage, the Company states that generally in the normal course of business, it doesn't prepare a forecast of plant additions or retirements by either plant account or by month. Rather, the Company only forecasts plant additions and retirements for the purposes of this rate case. Please refer to Company workpapers RB-10.00 and RB-11.00 for a forecast of the Company's additions to plant in service. Because the Company's plant is relatively new, no retirements have been forecasted.

58. Please provide rate base calculation as of 10/31/06. Include all rationale and support for your calculations.

RESPONSE:

See attached.

AQUA UTILITIES COMPANY
Average Rate Base
October 31, 2006

Line No.			Amount
	Additions:		
	Utility Plant in Service:		
1	Water	$446,774 A/	
2	Wastewater	529,826 A/	$976,600
	CWIP:		
3	Water	$676,121 A/	
4	Wastewater	866,142 A/	1,542,263
5	Inventories		0 A/
6	Deferred Rate Case Expense		34,986 A/
7	Cash Working Capital		25,685 B/
8	**Total Additions**		**$2,579,534**
	Deductions:		
	Accumulated Depreciation:		
9	Water	$127,801 A/	
10	Wastewater	160,773 A/	$288,574
	Contributions in Aid of Construction (Net):		
11	Water	$174,180 A/	
12	Wastewater	205,215 A/	$379,395
13	**Total Deductions**		**$667,969**
14	**Rate Base @ October 31, 2006**		**$1,911,565**

A/ Company Balance Sheet at October 31, 2006.
B/ Company Rate Case Exhibit, Schedule 2.

AQUA UTILITIES COMPANY, INC.
BALANCE SHEET
OCTOBER 31, 2006

ASSETS

CURRENT ASSETS		
Cash	$ (11,747.94)	
Accounts Receivable	2,665.37	
Miscellaneous Current Assets	250.00	
Miscellaneous Deferred Debits	34,985.94	
TOTAL CURRENT ASSETS		26,153.37
FIXED ASSETS		
Construction work in progess - water	676,121.33	
Construction work in progess - wastewater	866,141.62	
Utility Plant in Service - Water	446,773.63	
Utility Plant in Service - Wastewater	529,826.29	
Less: Accumulated Depreciation - Water	(127,801.26)	
Accumulated Depreciation - Wastewater	(160,772.62)	
NET FIXED ASSETS		2,230,288.99
TOTAL ASSETS		$ 2,256,442.36

LIABILITIES AND CAPITAL

CURRENT LIABILITIES		
C.I.A.C. - Water	$ 200,988.00	
C.I.A.C. - Wastewater	237,230.33	
Less: Accumulated Amort. C.I.A.C. - Water	(26,808.37)	
Accumulated Amort. C.I.A.C. - Wastewater	(32,014.53)	
TOTAL CURRENT LIABILITIES		379,395.43
TOTAL LIABILITIES		379,395.43
CAPITAL & OTHER CREDITS		
Common Stock Issued	1,000.00	
Proprietary Capital	2,137,701.58	
Retained Earnings	(197,913.70)	
Current Earnings	(63,740.95)	
TOTAL FUND EQUITY		1,877,046.93
TOTAL LIABILITIES AND FUND EQUITY		$ 2,256,442.36

See accountants' compilation report.

AQUA UTILITIES COMPANY, INC.
BALANCE SHEET
OCTOBER 31, 2006

ASSETS

CURRENT ASSETS		
Cash	$ (11,747.94)	
Accounts Receivable	2,665.37	
Miscellaneous Current Assets	250.00	
Miscellaneous Deferred Debits	34,985.94	
TOTAL CURRENT ASSETS		26,153.37
FIXED ASSETS		
Construction work in progess - water	676,121.33	
Construction work in progess - wastewater	866,141.62	
Utility Plant in Service - Water	446,773.63	
Utility Plant in Service - Wastewater	529,826.29	
Less: Accumulated Depreciation - Water	(127,801.26)	
Accumulated Depreciation - Wastewater	(160,772.62)	
NET FIXED ASSETS		2,230,288.99
TOTAL ASSETS		$ 2,256,442.36

LIABILITIES AND CAPITAL

CURRENT LIABILITIES		
C.I.A.C. - Water	$ 200,988.00	
C.I.A.C. - Wastewater	237,230.33	
Less: Accumulated Amort. C.I.A.C. - Water	(26,808.37)	
Accumulated Amort. C.I.A.C. - Wastewater	(32,014.53)	
TOTAL CURRENT LIABILITIES		379,395.43
TOTAL LIABILITIES		379,395.43
CAPITAL & OTHER CREDITS		
Common Stock Issued	1,000.00	
Proprietary Capital	2,137,701.58	
Retained Earnings	(197,913.70)	
Current Earnings	(63,740.95)	
TOTAL FUND EQUITY		1,877,046.93
TOTAL LIABILITIES AND FUND EQUITY		$ 2,256,442.36

See accountants' compilation report.

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?

RESPONSE:

Yes. The Company's water and wastewater plant is capable of serving 900 customers.

60. Provide a schedule of plant in service by sub account by vintage month and year.

RESPONSE:

See Company response to Item 56.

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.

RESPONSE:

Customers are only responsible for their individual grinder pumps (including tanks, controls, etc.) which they own. Because individual grinder pumps are subject to wear and tear based on the usage of the individual customer, they are purchased and owned by the customer. However, the Company has proposed tariff language in this case to ensure a minimum standard grinder pump is installed by the customer. Until now, all customers have purchased their grinder pumps from a third party which have not required any journal entries on the Company's books. In addition, all of the current customers have provided a tap fee of $500 ($250 water/$250 wastewater) with an entry to debit plant and to credit contributions in aid of construction – however this contribution did not convey any ownership rights in the company's plant to the customer.

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.

RESPONSE:

See Company response to Item 61.

63. Did the Company base its proposed increase on actual invoiced costs or projected costs?

RESPONSE:

The Company's calculation of attrition period rate base and net operating income includes the historical test period balances at December 31, 2005 with forecasted changes through the attrition year.

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.

RESPONSE:

See attached.

STOREY UTILITY CONTRACTORS, INC.
295 CALVARY LANE
SAVANNAH, TN 38372
PHONE (731) 925-2700 FAX (731) 925-9355
MOBILE PHONE (731) 607-1504

Aqua Utilities Company, Inc.
Attention: Kerry Williams
408 Main Street
Savannah, TN 38372

December 6, 2005

Re: estimated installation fees

Dear Kerry,

In response to your inquiry as to my expected fees for installation of water lines / water taps and sewer taps, I have listed below the charges for these.

¾ inch water line - $475.00

1 inch water line - $525.00

1 ½ inch water line - $750.00

2 inch water line - $1,500.00

Sewer taps - $450.00

Road bore - $450.00

If I can be of any additional assistance, please let me know.

Wilbur Storey

65. Please explain how management became aware of the significant water loss in the preparation of this rate case.

RESPONSE:

In preparing for the rate case, the Company's regulatory consultant separately calculated a forecast of water volumes sold vs. water volumes purchased. A monthly variance of water volumes purchased vs. water volumes sold was computed which showed the amount of lost and unaccounted-for water volumes. The Company's regulatory consultant then reported this anomaly to the Company's management.

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.

RESPONSE:

The utility has not yet contacted any outside expertise to address this issue. However, we are planning to implement the following measures as a first step to addressing the Company's lost and unaccounted-for water:

Installing a master meter immediately parallel to the Company's wholesale water supplier. This step will independently confirm our total water purchases from the City of Savannah.

Installing master meters at the front of each subdivision in the Company's service territory. This step will allow the Company to compare the total water delivered to each subdivision with the sum of the individual meters for each customer in a particular subdivision. This will then narrow down the location of lost or unaccounted-for water.

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.

RESPONSE:

Presently, meters are changed out as the Company determines through visual monthly inspections when the meters are read. The periodic schedule is the monthly visual inspection of each individual meter at the time it is read.

The Company feels that this schedule is adequate at this time because all of the meters were originally tested at the factory before they were installed, and approximately 75% of the Company's installed meters are less than five (5) years old.

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?

RESPONSE:

Aqua's service territory at Pickwick Landings is a resort area. The homes in this area are generally second homes for most of our customers and not their primary residence. Because Aqua's current rates have been heavily subsidized, up till now the Company has not experienced any seasonal disconnections. However, with the elimination of these rate subsidies, the Company expects that some customers may choose to disconnect their water and wastewater service from six to eight months of the year.

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?

RESPONSE:

Yes. It is the Company's desire to design its reconnection fee at a level that makes the customer economically indifferent to disconnecting their service. This rate design helps the Company avoid the incremental cost of sending a technician to disconnect and later reconnect the service. In also assures that customers are continually contributing to the fixed cost of the water and wastewater system.

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.

RESPONSE:

The Company has never disconnected a customer for non-payment of a bill.

71. Should a customer reconnected after being disconnected for non-payment be charged a lower reconnect fee?

RESPONSE:

This is a rate design theory question to which we are unable to provide a complete response since there is no right or wrong answer to the question. In theory, the Company's rates should produce enough revenue to cover the Company's operating expenses and provide a fair return on its capital investment. Therefore, if one tariff rate is reduced (such as reconnect fees), then another tariff rate would need to be increased in order to keep the Company's total revenue requirement constant.

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.

RESPONSE:

The Company is still in the process of documenting its wastewater operations & maintenance ("O&M") procedures in order to comply with the TRA's new rules for wastewater utilities that went into effect shortly after this rate case was filed. We expect to have our O&M manual completed in the very near future, and will forward a copy to the TRA at that time.

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?

RESPONSE:

In preparing its rate case, the Company wanted to update its tariff to better reflect the operating language already approved by the TRA in recent wastewater cases. This exact same tariff language has already been approved by the TRA for Tennessee Wastewater Systems, IRM Utility and Kings Chapel Capacity.

As mentioned in the tariff language, any amount charged would be designed to cover the Company's incremental cost for any special pretreatment of non-residential wastewater prior to the wastewater being released into the Company's system. Because the pretreatment cost must be assessed on a case-by-case basis, it would not be possible to include a specific rate in the Company's Schedule of Rates and Charges. It is also the Company's understanding that approval by the TRA of this will allow the Company to pass along the cost of any special pretreatment requirements without any subsequent approval from the TRA.

However, as already noted, this specific language would potentially only apply to commercial or industrial customers. There are presently no commercial or industrial wastewater customers located in the Company's service territory, and none are anticipated at this time.

74. Provide a detailed cost study supporting the increased rate determined in the prior question.

RESPONSE:

See Company response to Item 73.

75. On Sheet #11, the tariff refers to "excessive flow." Please explain and define what is meant by excessive flow.

RESPONSE:

See Company response to Item 73. Excessive flow refers to unusually large volumes of wastewater discharged into the Company's wastewater system.

76. Additionally, the tariff states that the customer may be required to monitor excessive flow. How would the customer measure excessive flow?

RESPONSE:

See Company response to Item 73. The proposed tariff goes on to say that the customer have to "…increase surge holding, treatment, and disposal capacity at the customer's expense." This provision would only be implemented where a large commercial or industrial customer was preparing to discharge more wastewater into the Company's system than could be feasibly treated.

However, as already noted, this specific language would potentially only apply to commercial or industrial customers. There are presently no commercial or industrial wastewater customers located in the Company's service territory, and none are anticipated at this time.

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.

RESPONSE:

The Company does **not** agree with the calculations presented by the Staff in Attachment 2.

To summarize Attachment 2, the TRA Staff has assumed that the Company will grow by approximately 600 customers (200%) over a six-year period. The TRA Staff then translates this customer growth into revenue growth and purchased water expense growth as shown in Attachment 2. However, except for purchased water expense, the TRA Staff's model assumes that all other expenses and taxes of the Company will remain constant at attrition period levels over this six-year period. In addition, the TRA Staff's model assumes that the Company's investment will also stay constant at attrition period levels over this six-year period. The TRA Staff then infers through its model that Aqua Utilities will be earning a rate of return of 38% at the end of six years. The Company feels that the Staff's assumptions in its model are both incorrect and inappropriate to use for ratemaking purposes.

First, the Company disagrees with the Staff's assumption that the Company's operating expenses and taxes will remain constant over a six-year period. The Company also disagrees that the rate it pays to its wholesale supplier of water will remain constant over this six-year period. The Company's operating expenses include various charges for labor, outside contractors and other expenses. These costs not only fluctuate over time with inflation, but also fluctuate as the number of customers served by the Company increases. Also, as the Company's operating income increases, its taxes that are based on this income increase as well, but this fact is ignored in the Staff's model. In addition, the Company's wholesale supplier of water has increased their rates multiple times to the Company over the past six years, and we expect similar increases in the future as our supplier complies with mandates of the federal safe drinking water act. The Company has no method to pass any of these added costs on to its customers and must therefore absorb them until our next rate case.

Secondly, the Company disagrees with the Staff's assumption that the Company's utility investment will remain constant over a six-year period. The Company fully expects and will undoubtedly need to increase its utility investment in order to replace its existing infrastructure, and to further extend service into the areas presently being served. In addition, the Company fully expects to substantially increase its utility investment beyond the attrition year to provide service to new developments other than The Preserve that are within its service territory. This future investment expansion will be especially true if the customer growth levels used in the Staff's model come to fruition over this six-year time period.

In addition, we believe that the Staff's model violates the Authority's attrition period concept for ratemaking. In a rate case setting, the Authority typically attempts to forecast the utility's revenues, expenses and rate base over the first year that any new rates will be in effect in order to determine what rate of return is likely to be achieved. What the Staff's model has done is to ignore this attrition period concept in order to somehow allude that in six years, under certain scenarios, the Company may over earn its authorized rate of return.

Finally, we would like to point out that the Staff's calculation and resulting conclusions from its model would be true of nearly any utility in a rate case setting. By simply assuming a growth over six years (or more) in net revenues with no change in attrition period expenses or rate base, any utility would appear to be capable of future over earnings.

The Company is unable to provide a schedule to the TRA Staff that would reasonably and realistically calculate its earnings at the end of six years. To just consider all of the assumptions necessary for a one year attrition period model is exceedingly complex. To consider everything necessary in order to make a reasonable and realistic six-year forecast is beyond the capabilities of the Company and beyond the scope of a traditional rate case.