

1 to make the investments needed, but is trying to maintain a balance between the required  
2 investments and the level of rates that will be needed in the future to support the amount  
3 of those investments.

4 Due to these substantial capital requirements, Aqua did not propose to make any initial  
5 investment for new main extension projects. Under the original proposal, the applicant  
6 for a main extension would pay the cost of the main extension and, following installation,  
7 Aqua was willing to make a payment (of \$1,000 for a water connection and \$1,000 for a  
8 sewer connection) to the original applicant when an intervening lot connected to the  
9 main. We have now moved to a position, consistent with the Staff testimony, for Aqua  
10 Lake Holiday (under the general provisions of its main extension rule) to invest in the  
11 applicant's main extension in the amount of 3 ½ times the estimated annual revenues  
12 anticipated to be generated by the home to be constructed on the applicant's lot. In  
13 addition, regarding the payments for intervening lot connections, the payment of these  
14 refunds will be extended to ten years from the original five years that was proposed.  
15 These changes will cause an increase in the investment needed from Aqua.

16 Additionally, when we executed the two Assets Purchase Agreements in October of  
17 2005, we were hopeful that closing would occur before June 1, 2006. Now the current  
18 goal is to close the transaction by the end of 2006. Since the closing is taking longer than  
19 expected, Lake Holiday Utility must continue to make investments in the utility systems  
20 and Aqua will discuss a means to reimburse Lake Holiday Utility for the investment it  
21 will make that adds net plant to the utility systems. We will likely need to amend our two  
22 Assets Purchase Agreements to extend the closing date beyond October 2006 and to