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(850) 413-6900

Public Service Commission

July 30, 2007

STAFF'S FIRST DATA REQUEST

RECEIVED-FPSC
07 JUL 31 AM 10:59
COMMISSION
CLERK

Mr. Joseph Gabay
Colonial Manor Utility Company
P.O. Box 398
New Port Richey, FL 34656-0398

Re: Docket No. 060540-WU – Application for increase in water rates in Pasco County by Colonial Manor Utility Company.

Dear Mr. Gabay:

Staff needs the following information to complete our review of the application.

1. The following items relate to the five plant additions reflected on MFR Schedule A-3 which totaled \$794,458. For each addition, please provide the following:
 - (a) a statement why each addition is necessary;
 - (b) a copy of all invoices and other support documentation if the plant addition has been completed;
 - (c) a copy of the signed contract(s), if the plant addition has not been completed;
 - (d) a status of the engineering and permitting efforts, if the plant addition has not been permitted;
 - (e) if any plant addition did not go through the bidding process, please explain why not;
 - (f) the actual in-service date for any completed plant addition; and
 - (g) the projected in-service date for each outstanding plant addition.

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FPSC-COMMISSION CLERK

2. By Order No. PSC-05-0422-PAA-WU, issued April 20, 2005, in Docket No. 041461-WU, In re: Application for transfer of Certificate No. 153-W in Pasco County from Floralino Properties, Inc. to Colonial Manor Utility Company, the Commission did not include an acquisition adjustment of \$255,792 in the calculation of rate base for transfer purposes because the utility neither requested an acquisition adjustment nor identified any extraordinary circumstances, pursuant to Rule 25-30.0371(2), Florida Administrative Code. However, on MFR Schedule A-1, Colonial has requested a positive acquisition adjustment of \$257,525.
 - (a) In accordance with Rule 25-30.0371(2), Florida Administrative Code, please provide a copy of all documentation or evidence supporting the utility's burden of proof that there is the existence of extraordinary circumstances for which the Commission shall consider in its deliberations of a positive acquisition adjustment in this case.
 - (b) Please explain the difference between the \$255,792 amount in the above-mentioned order and the \$257,525 amount in the MFRs. In your response, please also include the calculation for the \$257,525 amount.
3. In MFR Schedule F-5, the utility stated that the total capacity of the plant is 900 gallons per minute (gpm) when one well is taken out of service. In the utility's Operating Manual, the Engineer found that the four active wells had a capacity of 200, 195, 425, and 165 gpm, respectively. This system's sanitary survey does not indicate any operating rated capacity for each well. With regard to MFR Schedule F-5, please explain how did the utility determined the total capacity of the plant to be 900 gpm.
4. Provide a copy of all long-term debt instruments executed to pay for the \$794,458 capital improvements reflected on MFR Schedule A-3. If financing for the capital improvements has not been obtained to date, please provide a status of the utility's financing efforts, including the name of each entity that Colonial has sought to obtain financing and a copy of all correspondence between the utility and each entity that Colonial has engaged to obtain said financing.
5. Please provide a response to each audit finding contained in the Commission Staff's June 15, 2007, audit report. For each finding that the utility agrees with, please simply so state. For each finding that the utility disagrees with, please provide a detail response explaining why. In its response, the utility should also provide all workpapers, calculations, bases, and documentation supporting Colonial's position and any alternative proposed treatment by the utility.
6. The following items relate to the operation and maintenance (O&M) expense and property tax adjustments reflected in utility's revised MFR Schedule B-3.
 - (a) Please provide a copy of all support documentation (i.e. invoices or signed contract) for the \$8,000 amount for appraisal fees.
 - (b) Please explain why the \$8,000 amount for appraisal fees should not be amortized over a five-year period pursuant to Rule 25-30.433(8), Florida Administrative Code.

- (c) With regard to the \$6,000 increase in chemical costs due to change in treatment process, please provide a copy of all workpapers, calculations, bases, and documentation (i.e., invoices, etc.) supporting this proposed expense increase by Colonial, and provide an explanation of why the new treatment process is necessary. In your response, please include a detailed narrative showing the differences between the old and new treatment processes.
 - (d) With regard to the \$17,160 increase in operation costs, please provide a copy of all workpapers, calculations, bases, and documentation (i.e. invoices, executed contracts, and signed bids, estimates or quotes, etc.) supporting this proposed expense increase by Colonial. Include the name of each individual and/or firm performing the work, the billing rate (i.e., hourly rate or lump sum amount per week/month), and an itemized description of work to be performed, as well as, a detail breakdown of the weekly hours associated with each activity.
 - (e) With regard to the \$3,000 and \$9,005 amounts for increased insurance and purchased power costs, respectively, please provide a copy of all workpapers, calculations, bases, and documentation (i.e. invoices, executed contracts, signed bids, estimates or quotes, and/or electric bills for the most recent 12-months from the date of this data request, etc.) supporting these proposed expense increases by Colonial.
7. Pursuant to Section 367.156(1), Florida Statutes, “[t]he commission shall continue to have reasonable access to all utility records and records of affiliated companies, including its parent company, regarding transactions or cost allocations among the utility and such affiliated companies, and such records necessary to ensure that a utility's ratepayers do not subsidize nonutility activities.” (Emphasis added) With regard to Mr. Deremer’s total annual compensation, please complete the following table. If there are any other entities omitted from the following table please include the information associated with those entities.

<u>Entity Name</u>	<u>Position Held</u>	<u>Average Hours Per Week</u>	<u>Officer Compensation</u>	<u>Percent of Time Spent</u>
Colonial Manor Utility Company	President	6 hours	\$24,000	
Dixie Groves Utility Company	President		12,000	
Holiday Utility Company	President		12,000	
Virginia City Utility Company	President		12,000	
U.S. Water Services Corporation	President			
D&D Property Partners, Inc.	President			
Holiday Waterworks Corporation	President			
Total				100%

- 8. In its filing, Colonial provided a copy of the Department of Environmental Protection’s First Amended Notice of Violation (Violation Notice) to the utility. As stated in the Violation Notice, Colonial’s Wells Nos. 1, 2, and 4 exceeded the maximum contaminant

level for nitrate, and Colonial also connected its Well No. 5 without a construction and operating permit. Please provide a copy of all correspondence (i.e., memos, letters, e-mails, and consent orders, etc.) subsequent to the Violation Notice between the Departmental of Environment Protection (DEP) and the utility which address the above-mentioned compliance issues.

9. As stated in the contract dated January 1, 2004, between U.S. Water Services Corporation (USWSC) and Colonial, USWSC pays all cost associated with the monthly sampling and testing of the utility's water distribution system which is approximately \$194.10 monthly or \$2,329.20 annually. According to USWSC invoices to Colonial for the calendar years 2005 and 2006, USWSC billed the utility for additional testing expense of \$800 (Invoice No. 518642) in 2005 and \$7,474.29 (Invoices Nos. 80243, 604657, 605972, 606395, and 607528) in 2006. This represents an increase of \$6,674.29 or 834.28% in the testing expenses. The following items relate to Colonial's testing expenses.
 - (a) Please explain why the utility's testing expenses from USWSC increased by 834.28% in 2006. In your response, please state the total dollar amount of testing expenses that are directly attributable to the increased testing due to compliance issues stated in the DEP's Violation Notice.
 - (b) Does USWSC bill Colonial for all of the utility's testing expenses? If not, please state the name of the other vendor who bills Colonial for testing expenses, state how much of the testing expenses are directly attributable to increased testing due to compliance issues stated in the DEP's Violation Notice, and provide a copy of all invoices of that vendor related to testing for the calendar years 2005 and 2006.
 - (c) Will the utility's projected plant addition of \$123,092 for a Nitrate Removal System eliminate any additional testing expenses related to the utility's compliance issues stated in the DEP's Violation Notice?
10. According to USWSC invoices to Colonial for the calendar years 2005 and 2006, the utility had no main breaks in 2005, but had three emergency main breaks in 2006. The three main breaks in 2006 cost a total of \$4,953.41 (Invoices Nos. 602999, 606376, and 606767) which were expensed by the utility. In the Commission Staff's Audit Report for this case, the auditor recommended capitalizing the cost for two of the main breaks. However, the auditor did not recommend any reclassification for the remaining main break which totaled \$1,511.34 (Invoice No. 602999). The following items relate to main breaks in the utility's transmission and distribution system.
 - (a) Should all three main breaks be capitalized. If not, please explain why.
 - (b) For any main breaks handled by USWSC during the calendar years 2002 to 2004, please provide the date of each main break.
 - (c) If any other main breaks were fixed by someone other than USWSC, please provide the name of the vendor and the date of each main break for the calendar years 2002 through 2006.

11. With regard to Invoice No. 607638 from USWSC, the utility spent \$523.25 to distribute boil water notices on November 3 and 9, 2006, due to high nitrate level and spent \$364 to distribute boil water notices on November 7, 2006, due to chloramines.
 - (a) Will the utility's projected plant addition of \$123,092 for a Nitrate Removal System eliminate the need for boil water notices due to nitrate levels in the future? If not, please explain why.
 - (b) Please explain the nature of the chloramines which required the distribution of boil water notices.
 - (c) Should the cost to distribute the boil water notices due to chloramines be considered non-recurring in nature? If not, please explain why. In your response as to why the cost is recurring, please state how many boil water boil notices due to chloramines were distributed by the utility for the calendar years 2002 to 2005.
12. With regard to the \$9,855 increase in real estate and tangible personal property taxes reflected on the utility's revised MFR Schedule B-12, please provide all workpapers, calculations, bases, and documentation supporting these proposed tax increases by Colonial.
13. The following items relate to the utility's requested rate case expense.
 - (a) For each individual person, in each firm providing consulting services to the applicant pertaining to this docket, provide the billing rate, and an itemized description of work performed. Please provide detail of hours worked associated with each activity. Also provide a description and associated cost for all expenses incurred to date.
 - (b) For each firm or consultant providing services for the applicant in this docket, please provide copies of all invoices for services provided to date.
 - (c) If rate consultant invoices are not broken down by hour, please provide reports that detail by hour, a description of actual duties performed, and amount incurred to date.
 - (d) Please provide an estimate of costs to complete the case by hour for each consultant or employee, including a description of estimated work to be performed, and detail of the estimated remaining expense to be incurred through the PAA process.
 - (e) Please provide an itemized list of all other costs estimated to be incurred through the PAA process.
14. Please explain and reconcile the difference in the gallons of water sold of 39,799,000 gallons on MFR Schedule E-2 and of 41,846,000 gallons on MFR Schedule F-1.

Mr. Joseph Gabay
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Please submit the above information and four additional copies to the Office of Commission Clerk by August 30, 2007. If you have any questions, please contact me by phone at (850) 413-7017 or by e-mail at bart.fletcher@psc.state.fl.us.

Sincerely,



Bart Fletcher
Professional Accountant Specialist

cc: Division of Economic Regulation (Bulecza-Banks, Fletcher, Lingo, Massoudi, Rendell)
Office of the General Counsel (Jaeger)
Office of Commission Clerk (Docket No. 060540-WU)