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February 9, 2011

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ROBERT M.C. ROSE, (1924-2006)

Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Docket No. 100426-WS; Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.
Our File No.: 30057.194

Dear Ms. Cole:

Enclosed for filing in the above-referenced docket is the response of Lake Utility Services, Inc. (the "Utility") to Staff's first data request dated January 4, 2011. Staff has requested the following information in order to complete its analysis in the above-referenced docket. Please note that the attached documents are contained on a data disc enclosed herein.

1. The following items relate to the pro forma projects for the US 27 main relocation, the Oranges to Vista raw water main installation, and the treatment equipment at Lake Groves WWTP Headworks projects reflected in adjustment (A)(d), on lines 26 through 33 of MFR Schedule A-3, page 1 of 3.

For each addition, provide the following:

- COM _____
- APA 1 (a) a detail statement of why each addition is necessary;
- ECR B (b) a copy of all invoices and other support documentation if the plant addition has been completed or in process;
- GCL 1 (c) a copy of the signed contract or any bids, if the plant addition has not been completed;
- RAD _____
- SSC _____ (d) a status of the engineering and permitting efforts, if the plant addition has not been through the bidding processing;
- ADM _____
- OPC _____ (e) the projected in-service date for each outstanding plant addition; and
- CLK _____ (f) all documentation (i.e. invoices) for the original cost of any corresponding retirements.

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[Clerk note: includes CD; CD not available online; for a copy, contact clerk@psc.state.fl.us]

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RESPONSE:

1a. **For the US 27 Main Relocation Project:**

The Florida Department of Transportation is widening US 27 North between Lake Louisa Road and SR 50 in Clermont. This roadway project impacted a 16-inch water main located in the right-of-way that had to be adjusted due to conflicts with storm water and roadway structures.

For the Oranges to Vistas Raw Main Installation:

In order to increase permitted water treatment capacity within the LUSI North community water system, PWS#3354883, so as to remain compliant with Chapter 62-500, F.A.C., a raw water main is proposed to be constructed to convey groundwater from the existing well at the Oranges WTP to connect to the existing piping at the Vistas WTP site. From there, the water will be conveyed to the Lake Louisa WTP and fill its 1.000 million gallon ground storage tank before delivery to the LUSI North customers. As currently designed, upon completion of this project, the Oranges well site would no longer be connected directly to the distribution system. By making this investment, the existing Oranges well and its pump assembly will be used to generate an increase in pumping capacity and thus provide additional treatment capacity to meet current and future demand.

For the Treatment Equipment at Lake Groves WWTP Headworks Project:

Upon completion of the expansion of the Lake Groves WWTP in December 2009, it was discovered that the additional head caused by the installation of the new static screens at the headworks resulted in a reduction in the pumping capacity of the Savannas lift station. As a consequence, the retainer due the contractor who built the WWTP expansion was withheld pending a resolution of this issue. This retainer amount, \$84,166, was excluded from the Lake Groves WWTP invoices paid and treated as a separate item. Ultimately, the resolution of this issue was determined to be an upgrade of the pumps at the Savannas lift station at a cost of \$19,468.52, leaving a balance of \$64,698.31 to be paid to Siemens as the net retainer due.

- 1b. Please see the attached file titled, "Item 1(b) - Backup for US 27 Main Relocation.xlsx" for the US 27 main relocation support.

The invoices for this project can be found in the file titled, "Item 1(b) - US 27 Main Relocation Invoices.pdf".

Please see the proposal in the file titled, "Item 1(b) - Orange to Vistas Water Main Proposal.pdf" for the backup to the estimated amount reflected in the A-3; line 30.

The amount of \$60,000 for the Treatment Equipment at Lake Groves WWTP Headworks project reflects a retainer amount that is being held in order to force Siemens to address a problem with their work. Please see the file titled, "Item 1(b) - Lake Groves Headworks backup.pdf" for the support documentation. The Siemens documents within this file show the amount \$84,166.83 that is being withheld by the Company. The Thompson Electric Company and FJNugent proposals reflect the cost to upgrade the Savannas Lift Station in an attempt to get the Lake Groves Headworks to function properly. The cost to perform this work will be subtracted from the retainer amount due to Siemens, and the balance will be remitted to Siemens:

Retainage due to Siemens:	\$ 84,166.83
FJ Nugent proposal:	13,536.00
add: 7% sales tax on pumps:	947.52
Thompson proposal:	<u>4,985.00</u>
Balance	<u>64,698.31</u>

The upgrades needed for the Lake Groves Headworks and final payment to Siemens are expected to be completed late in the first quarter in 2011.

- 1c. The US 27 Main Relocation project has been completed therefore there are not any contracts or bids.

The Oranges to Vistas Raw Water Main Installation has an estimated completion date of June 30, 2012. Please see the file titled, "Item 1(c) - Oranges Raw Main.Proposal.011411.pdf" for the documentation requested. This documentation is a proposal provided by Wade Wood, P.E., of CPH Engineers that supports this project and estimates the construction cost at \$300,000 inclusive of the installation of High Service Pump #4 at Lake Louisa WTP at a cost of \$50,000. The cost of HSP #4 will be booked to 311.4, Pumping Equipment – Transmission and Distribution.

The Treatment Equipment at Lake Groves WWTP Headworks project has been completed therefore there are not any contracts or bids for this project.

- 1d. The US 27 Main Relocation project has been completed.

The Oranges to Vistas Raw Water Main Installation has not been put out to bid. Before the bidding can begin, all design and permitting activities must be completed.

The Treatment Equipment at Lake Groves WWTP Headworks project has been completed.

- 1e. The placed in service date for the US 27 Main Relocation was October 1, 2010.

The estimated place in service date for the Oranges to Vistas Raw Water Main Installation is June 30, 2012.

The Savannas lift station upgrade was completed on January 20, 2011.

- 1f. For the US 27 Main Relocation Project:

The Company has only made one corresponding retirement of the three projects listed in the A-3 due to the fact that only one project has been completed. Project 2008776 (US 27 Main Relocation) was completed and booked to asset account 1125 on 9/30/2010. The corresponding retirement was booked on 10/31/2010 via journal entry 276877. Please see the attached file titled, "Item 1(f) - 2008776

Retirement Entry & Backup.pdf". The Company retires assets using the Handy Whitman Index. Please also see the attached file titled, "Item 1(f) - US27Relocations 100410.pdf".

For the Oranges to Vistas Raw Water Main Installation Project:

There will be no retirements associated with this project. The existing chemical treatment equipment will continue to be utilized as will the existing raw water main between The Vistas WTP and the Lake Louisa WTP and all of the existing HSP's at Lake Louisa.

For the Treatment Equipment at Lake Groves WWTP Headworks Project:

The two Flygt 10-Hp submersible sewage pumps that were at Savannas were then transferred to Utilities, Inc. of Longwood and installed in Lift Station LW-11 using utility staff and equipment in January. However, these two pumps were originally in use at Alafaya Utilities' lift station AL-9 prior to the purchase of the Alafaya system in 1994. These two pumps are over 17 years old and would have cost about \$15,000 at that time. In addition, lift station AL-9 was built by the developer of that subdivision and therefore, the pumps would have been contributed assets, not included in rate base. Therefore, no retirement is associated with this project.

2. For all other adjustments reflected in MFR Schedule A-3, please provide all of the Utility's calculations, bases, workpapers, and documentation supporting these adjustments.

RESPONSE: Please see the attached files titled "Item 2 - Explanation to Adjustments.xlsx", "Item 2 - LUSI Depreciation Restatement 12-16-10 MB FINAL.xlsx", and "Item 2 - LUSI TY 6302010 Allocations Restated - REVISED MB.xlsx" for explanations, bases, workpapers and calculations for all adjustments reflected in MFR schedules A-3.

3. The following items relate to the pro forma expenses for salary & wages increases and amortization of deferred costs reflected in adjustments (B)(6) and (7), on lines 17 through 32 of MFR Schedule B-3, page 2 of 5.

With the exception of deferred rate case expense, provide the following:

- (a) a copy of all invoices and other support documentation for each pro forma adjustment;
- (b) a copy of all correspondence related to the issuance of LUSI water use permit;
- (c) a list of expenses incurred by LUSI associated with its last 3 preceding WUP renewals;
- (e) a detail statement of why the "deferred maintenance expenses" are necessary; and
- (f) all documentation (i.e. invoices) for the original cost of any corresponding retirements.

RESPONSE:

3a: Please see the document titled, "Item 3(a) - 2010 LUSI Salary Adjustment".* This file contains all salary adjustments and calculations, as well as payroll taxes, benefits, capitalized time, and vehicle related adjustments. The salary data itself comes from the document titled, "Item 3(a) - Salary Support from payroll and ADP".* Vehicle costs come from invoices, and depreciation is calculated at the Florida mandated rate of six years. Due to the number of vehicles in the salary adjustment file, any vehicle invoice will be provided upon additional request from Staff.

**The Utility intends to request confidential treatment for information contained in these documents. As such, unredacted confidential versions of these documents will be provided under separate cover pursuant to the provisions of Section 367.156, Florida Statutes.*

Please refer to the response to Item 2, above, for the explanation of all the pro forma adjustments in the B-3. The support documentation for the \$19,625 can be found in the attached file titled, "Item 3(a) - ECO-2000 Invoice.pdf".

The backup for the CUP renewal is in the file titled, "Item 3(a) - Project 2004092.xlsx". The invoices for this project can be found in the file titled, "Item 3(a) - Project 2004092 Invoices.pdf".

- 3b. Copies of documents responsive to this request will be sent under separate cover.
- 3c. Both Lake Utility Services, Inc. (excluding Four Lakes and Lake Saunders) and Lake Groves Utilities had their own individual CUPs. The last CUP issued to LUSI was in 07/2002 and had a term of four (4) years that expired 07/2006. Lake Groves last permit was issued 05/2006 and will expire 04/2011. Because Lake Saunders is an outlying system non-contiguous to LUSI proper, it has its own CUP issued in 05/1998 that expires 05/2019. Four Lakes is not required to have a CUP.

When making application to renew the LUSI CUP, the Company decided to merge the LUSI and Lake Groves CUPs under a single CUP. This process has been ongoing since 2006. The Company is hoping to receive the CUP within the next few months. However, the new permit, when issued, will expire in 2013 requiring the Company to go back through the renewal process. This is because LUSI is located in an environmentally impactful area with high growth potential otherwise known as the CFCA or Central Florida Coordination Area. In February 2008 the District implemented 40C-2.301, F.A.C., that requires permit holders in this area to meet certain criteria in order to obtain permits beyond 2013. These requirements are very expensive and not within the Company's current purview. The Company has not located any financial information related to the expired CUP's.

- 3d. N/A
- 3e. Deferred maintenance expenses included in the adjustments in the filing come from two accounts, VOC testing and tank painting and maintenance. The adjustment calculations themselves are explained in response to Item 4, requested below. The VOC testing expense account reflects the cost to sample, analyze and report the results of triennial VOC testing. This is sampling activity that is required by DEP rules as described in Chapters 62-550 and 62-555, F.A.C.; by virtue of this being a regulatory requirement on a recurring three year cycle, this constitutes a deferred maintenance expense.

Storage tank inspection (both interior and exterior), painting and maintenance expense are on a five-year cycle that is again driven by DEP rule as described in

Chapter 62-550, F.A.C. The rule requires that all public water supply storage tanks be inspected both inside and out at least every five years under the guidance of a Florida-registered professional engineer. This is to insure the integrity of all tanks that are in contact with finished water and to protect public health. Consequently, the painting and maintenance activities are driven by the same five-year cycle and should necessarily be identified as deferred maintenance expense. Those repair activities that may occur outside of the five year cycle are routinely expensed in the current year. An example would be the annual testing of air relief valves mounted on hydro-pneumatic tanks, which is necessary to insure their safe operation.

- 3f. There are no retirements associated with any deferred maintenance projects.
4. For all other adjustments with the exception of deferred rate case expense reflected in MFR Schedule B-3, please provide all of the Utility's calculations, bases, workpapers, and documentation supporting these adjustments.

RESPONSE: Please see the attached files titled, "Item 2 - Explanation to Adjustments.xlsx", "Item 2 - LUSI Depreciation Restatement 12-16-10 MB FINAL.xlsx", and "Item 2 - LUSI TY 6302010 Allocations Restated - REVISED MB.xlsx" in response to Item 2, above, for explanations, bases, workpapers and calculations for all adjustments reflected in MFR schedules B-3.

5. The following items relate to O&M expenses on MFR Schedule B-7.
- (a) Please provide the monthly amount for each O&M expense, by account name and primary account number, for the months ending May 2010 through December 2010.
- (b) Given the Utility's explanation on Line 9, Column 8, for engineering expenses, provide a detailed statement of why there was little activity in past years, the cause of the increase in activity in the test year, and the need for the test year activity to continue in the future.
- (c) Given the Utility's explanation on Line 25, Column 8, for bad debt expense, provide a detailed statement explaining the Utility's "revised write-off method" and explain all differences between the proposed method and the Utility's existing write-off method.

(d) With regard to miscellaneous expenses, provide a copy of all invoices with an invoice amount of \$1,000 or greater.

(e) With regard to the Water Conservation Coordinator position mentioned on Lines 16-18, page 2 of 2, provide the annual salary for this position, state whether the position has been filled yet, state whether the position is solely for LUSI, and, if this position relates to any affiliates of the Utility provide the allocation method with all calculations for this position salary and related expenses (i.e. benefits and payroll tax).

RESPONSE:

- 5a. Please see the attached file titled, "Item 5(a) - LUSI May-Dec O&M Totals.xlsx". Please note that the O&M Expenses provided are only up to month end November 30, 2010. Currently, the Company has not closed the books for December. A December O&M Expense summary will be sent at a later date when the Company has closed the month.
- 5b. The extremely low expense incurred in the previous Test Year for Contract Services-Engineering reflects our good fortune in not having to enlist the services of an engineer in that time period for a minor task or having copies generated of maps or plans. An expense of \$160 in engineering expense is equivalent to less than two hours of an engineer's time. This extremely low amount is both unremarkable and insignificant given the size, extent, and complexity of the LUSI water and sewer systems. The increase in the test year, \$1,347, reflects the use of an engineer to document that four-log removal requirements were being met at the CR 561 and Crescent Bay WTPs in response to questions raised by FDEP. This amounts to less than 10 hours of a Florida-registered licensed professional engineer's time at a rate of \$140/hour, and again, is insignificant. Although it is unknown whether FDEP will request documentation from LUSI in the future to answer similar questions about four-log removal, it is very likely that engineering services will be used in any given year in order to support the proper operation and maintenance of the LUSI facilities.
- 5c. The current write-off method is based on an aging receivables report generated by the Company's accounting system. This report breaks down the accounts receivable into the following 'buckets': 0-30 days, 31-60 days, 61-90 days, 91-180 days, and over 181 days. For usage customers, the following percentages are

written off: 0.5%, 0.7%, 2.0%, 30.0%, and 90.0% respectively. Availability customer accounts are written off at the 91-180 days, and over 181 days period at 50.0% and 100% respectively.

In the past, the Company only utilized two different buckets. Any amount in accounts receivable that were over 90 days old were written off by 50%, and any accounts over 180 days past due were written off by 100%.

- 5d. Please see the file titled, "Item 5(d) - LUSI - O&M Expenses Over \$1,000.xlsx". In this file there are three tabs (All, B7 Total, B8 Total). Under the tab B7 Total tab, the invoices that are over \$1,000 are sorted to the top of the list and are in order as they appear in the file titled "Item 5(d) - B7 Invoices 1000.pdf".
- 5e. Please see the file titled, "2010 LUSI Salary Adjustment.xlsx". The unallocated salary, taxes, benefits, and vehicle information for the Water Conservation Coordinator is on line 150 of the Detailed Salary By Employee worksheet (w/p a); the allocated portions of the same are on line 317. The allocations for this position can be found on the Florida Field Employees worksheet (w/p h).
6. The following items relate to O&M expenses on MFR Schedule B-8.
 - (a) With regard to miscellaneous expenses, provide a copy of all invoices with an invoice amount of \$1,000 or greater.
 - (b) With regard to the additional WW operator position related to the new reuse plant, provide a detailed statement of when the new operation started and when the reuse plant was placed into service.

RESPONSE:

- 6a. Please see the file titled, "Item 6(a) - LUSI - O&M Expenses Over \$1,000.xlsx". In this file there are three tabs (All, B7 Total, B8 Total). Under the tab titled "B8 Total;" the invoices that are over \$1,000 are sorted to the top of the list and are in order as they appear in the file titled, "Item 6(a) - B8 invoices 1000.pdf".
- 6b. The reuse plant was placed into service in December 2009. The new employee was hired in August 2008 as a wastewater operator trainee. He was able to gain the necessary experience and training required to get his wastewater treatment

operator license before the new facilities went on line. As a licensed water treatment operator at his date of hire, he was able to augment the water operator workforce so as to reduce overtime hours incurred by the rest of the LUSI team.

7. The following item relates to excessive unaccounted for water (UFW).

(a) By Order No. PSC-09-0101-PAA-WS, pp.26-28 and 39, the Commission reduced O&M expenses UFW. On MFR Schedule F-1, LUSI reflects excessive UFW. However, the Utility did not reflect any reductions to O&M expenses on MFR Schedule B-3. Based on the above, please provide a detailed statement explaining why LUSI did not reduce its O&M expenses for excessive UFW and whether it would be opposed to such an adjustment to O&M expenses.

RESPONSE: Rule 25-30.4325(10), F.A.C., reads:

“To determine whether an adjustment to plant and operating expenses for excessive unaccounted water will be included in the used and useful calculation, the Commission will consider all relevant factors, including whether the reason for excessive unaccounted for water during the test period has been identified, whether a solution to correct the problem has been implemented or whether a proposed solution is economically feasible.”

The Utility calculated UFW on Schedule F-1 of the MFR for three separate systems. Page 1 of Schedule F-1 covered the total LUSI system, excluding Four Lakes and Lake Saunders, which are stand alone systems. Page 2 of Schedule F-1 covered the Four Lakes system and page 3 of Schedule F-1 covered Lake Saunders.

LUSI is opposed to any adjustment to reduce O&M expense for excessive UFW. In mid-2009, LUSI conducted a meter survey of the oldest residential water meters to determine whether the meters were generally inaccurate with respect to guidelines provided by St. Johns River WMD, AWWA, and the PSC. The vast majority of the LUSI meters are ones made by Badger Meter that are tested for accuracy at the factory before shipping, and therefore the assumption is made that

meters begin service meeting factory specifications. Additionally, water quality is essentially uniform throughout the LUSI combined system. The inventory of water meters in service was sorted by the date that the meters were placed in service. This allowed the Utility to sample the oldest 5/8" meters in use. About 100 meters older than 10 years were tested with only about 10% measuring less than 95% accurate. The results of this survey indicate that the elevated UFW reported in Schedule F-1 of the MFR's was not due to worn meters.

In early 2010, LUSI analyzed the performance of its meter reading contractor to determine if our contractor was meeting the Company's expectations. He was not meeting expectations so it was decided to replace him with our own personnel. In the fourth quarter of 2010, the Company completed the transition to in-house meter reading for all of LUSI by effectively adding two full-time meter reader positions to the existing staff. As a consequence, the Company's staff has improved the accuracy and timeliness of the meter reading activity and thereby provided a price signal to customers that will result in a repression in consumption patterns which will occur after the end of the Test Year. Consequently, it would be inappropriate to reduce O&M expenses without also making a repression adjustment that reflects a change in water use behavior in order to avoid higher water bills.

In addition, the presumed impact of having a Water Conservation Coordinator ("WCC") on LUSI's staff is to realize a reduction in water consumption by its largest water consumers (as well as other customers) through an educational process that includes providing myriad information such as water wise landscape irrigation practices, Florida friendly landscaping materials, and water audits of the home. As an outcome of the WCC's activities, there will very likely be a reduction in the amount of water use occurring in the highest tier of the multi-tiered rate tariff in addition to that which is imputed to occur based solely on the price signal contained in the rate tariff.

8. 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 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.

(f) In the Utility's last rate case, the staff auditors had to audit rate base from January 1, 2003 to June 30, 2007, which represented a four and a half year period. In the instant case, the staff auditors will be auditing the rate base from July 1, 2007 to June 30, 2010, or a period of three years. In LUSI's last rate case, the projected test year ended June 30, 2009 was utilized for MFR purposes and eventually the rate setting purposes. In the instant case, the Utility has the historical test year ended June 30, 2010, with pro forma adjustments. Staff realizes that the Utility has requested an increase in its service availability charges in this instant case which was not done so in the last case. However, due to the significant time involved in carrying forward all the projections from a historical year of June 30, 2007 to a projected year of June 30, 2009, staff believes the total hours to prepare the MFRs for a projected test year would be greater than the time required to prepare MFRs for a historical test year even with a request to increase service availability charges. Moreover, by letter dated May 7, 2009, from Mr. Marcelli, the Utility filed its actual rate case expense incurred for Docket No. 070693-WS. This letter reflected total hours of 3,282.6 hours (Millian, Swain & Associates = 1,495.25 hours; Rose, Sundstrom & Bentley = 172.8 hours; M&R Consultants = 24.55 hours; and WSC employees = 1,590 hours). On MFR Schedule B-10, the Utility reflected total hours for this instant case of 3,952 (Millian, Swain & Associates = 1,762 hours; Rose, Sundstrom & Bentley = 210 hours; M&R Consultants = 120 hours; and WSC employees = 1,860 hours). This represents an increase of 669.4 hours or 20.39 percent over the total hours in the Utility's last rate case. Staff notes that the increase in total hours over the last case is 266.75 hours or 17.84 percent greater for Millian, Swain & Associates, 37.2 hours or 21.53 percent greater for Rose, Sundstrom & Bentley, 95.45 or 388.80 percent greater for M&R Consultants, and 270 or 16.98 percent greater for WSC employees compared to the last case. Based on all the above, please provide a statement explaining why the requested hours for Millian, Swain & Associates, Rose, Sundstrom &

Bentley, M&R Consultants, and WSC employees in the instant case are significantly greater than the actual hours spent on the Utility's last rate case.

RESPONSE:

- 8a. Please refer to the attached file titled, "Item 8(a) - Project 2010283 GL 2011.01.31.xls" for rate case costs incurred through 1/31/2011. Capitalized time for Utilities, Inc. employees can be found in the attached file titled, "Item 8(a) - Account Ledger Inquiry 2010283.2907.00901 as of 2011.01.31.xls" with detailed descriptions of work performed in the attached file titled, "Item 8(a) - Detailed Timesheets.xls".
- 8b. Please refer to the attached file titled, "Item 8(b) - Project 2010283 Invoices.pdf".
- 8c. Documents showing detailed work activity for rate consultants can be found within the response to 8b. Detailed work reports for Milian, Swain & Associates employees are attached in file titled, "Item 8(c) - M, S & A Detailed Timesheets.pdf".
- 8d. Please refer to the attached files titled, "Item 8(d) - MFR B-10 update 2011.01.31.xls" and "Item 8(d) - Rate Case Expense Estimates.pdf".
- 8e. Please see the response to item 8(d).
- 8f. MFR Schedule B-10, Analysis of Rate Case Expense, contains an estimate of rate case expense based on the cost incurred in prior cases, the relationship of those costs compared to the estimates made for prior cases plus an element to cover unintended or unexpected circumstances. The Utility tries to be as accurate as possible without understating the expense because, although expenses are trued up at the end of the case, it has been Commission policy that expenses incurred in excess of estimates that would result in a revenues requirement in excess of that requested are not granted. In order to assure recovery of actual expenses, it is best to make estimates based on the reasonable potential expense likely to be incurred.

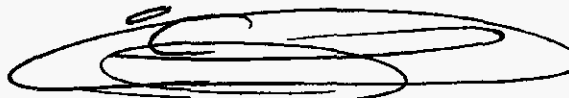
In this inquiry, Staff made a comparison of estimated hours in this case to the actual hours in the prior case and found the estimate to be 20% higher. A deeper

Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
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analysis reveals that the actual hours incurred in the prior case were 19% higher than the hours estimated for that case. As such, it is not unreasonable to increase the estimate going into this case, even though this was an historic and not projected test year. As an example of the prudence of this approach; look at estimates and actual for Management and Regulatory Associates ("M&R"). The hours estimated for M&R are the same as in the last case. Even though the actual hours in that prior case were much less than the estimate, in this case, the actual hours incurred are already double those incurred in the prior case. So, an estimate based on the last case would have resulted in a substantial underestimate. As long as the hours and costs are trued up at the end of the case, an overestimate does not result in any harm to the customers, whereas an underestimate can cause harm to the Utility.

Should you or the Staff have any questions regarding this filing, please do not hesitate to give me a call.

Very truly yours,



CHRISTIAN W. MARCELLI
For the Firm

CWM/der
Enclosures

cc: Steven M. Lubertozzi, Executive Dir. of Regulatory Accounting & Affairs (w/enclosures) (via e-mail)
John Stover, Vice President and Secretary (w/enclosures) (via e-mail)
Kirsten Weeks, Manager of Regulatory Accounting (w/enclosures) (via e-mail)
Rick Durham, Regional Vice President (w/enclosures) (via e-mail)
Patrick C. Flynn, Regional Director (w/enclosures) (via e-mail)
John Williams, Director of Governmental Affairs (w/enclosures) (via e-mail)
Frank Seidman (w/enclosures) (via e-mail)
Deborah Swain (w/enclosures) (via e-mail)

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: March 25, 2011
TO: Division of Economic Regulation
FROM: Ann Cole, Commission Clerk, Office of Commission Clerk *AC*
RE: Data Request CD

Attached please find one CD, Lake Utility Services, Inc. Response to Staff's 1st Data Request, regarding Docket Number 100426-WS, Document Number 00927-11, which is being forwarded to the Division of Economic Regulation for further disposition.

If you have any questions regarding this transmittal, please feel free to contact me.

Thank you.

FILE EDIT VIEW FAVORITES TOOLS HELP

BACK SEARCH FOLDERS

ADDRESS D:\

FILE ADD FOL	NAME	SIZE	TYPE
rename this file	Item 1(B) - BACKUP FOR us 27 main relocation.XLSX	141 KB	MICROSOFT OFFICE EXCEL 2007
move this file	Item 1(B) - LAKE GROVES HEADWORKS BACKUP.PDF	169 KB	ADOBE ACROBAT DOCUMENT
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