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From: Trina Collins [TCollins@RSBattorneys.com]
Sent: Friday, August 19, 2011 4:58 PM
To: Filings@psc.state.fl.us
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Subject: Filing in Docket No. 100426-WS; Lake Utility Services, Inc.'s Application for increase in water and wastewater rates in Lake County, Florida

Importance: High

Attachments: PSC Clerk 30 (Response to Staff's 8th Data Request).ltr.pdf

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- b. Docket No. 100426-WS; Lake Utility Services, Inc.'s Application for increase in water and wastewater rates in Lake County, Florida - Filing the Utility's response to Staff's eighth data requested dated August 12, 2011.
- c. Lake Utility Services, Inc.
- d. 9 Pages.
- e. Letter to Commission Clerk and attachments - 9 pages.

8/19/2011

DOCUMENT NUMBER - DATE

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August 19, 2011

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

E-FILING

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" or "LUSI") to Staff's eighth data request dated August 12, 2011. Staff has requested the following information in order to complete its analysis in the above-referenced docket. Please note that due to the voluminous nature of the attachments, a data disc containing the attachments will be late-filed on Monday, August 22, 2011.

1. The following items relate to the pro forma projects LUSI would like to include in the rate case as indicated in your emails of June 24, 2011 and August 12, 2011. The three projects mentioned were (1) the repair or refurbishment of three high service pumps for Lake Louisa, (2) four new submersible pumps at the Lake Groves Headworks, and (3) the rehabilitation of the biofilter at the Lake Groves water treatment plant. For each project, please provide the following:

- (a) the dollar amounts requested to be included as pro forma additions; and
- (b) a detailed statement why each repair is necessary; and
- (c) a copy of all invoices, and estimates or bids, and other support documentation if the project has been completed or in process; and
- (d) a copy of the signed contract, estimates or any bids, if the project has not been completed; and
- (e) a status of any engineering and permitting efforts, if the project has not been though the bidding processing; and
- (f) the projected in-service date for each repair project; and

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(g) all documentation (i.e. invoices) for the original cost of any corresponding retirements; and

(h) the typical expected life of the items being repaired and refurbished, and how often the repairs are made.

RESPONSE:

1a. The total pro forma dollar amounts requested for project (1) is \$37,202.74 (LL HSP 01 – \$12,009.00, LL HSP 02 - \$12,525.32, and LL HSP 03 - \$12,668.42).

The total pro forma dollar amounts requested for project (2) is \$88,851.28 (LS01 Upgrade Nugget - \$9,968.12, LS5 Upgrade Nugget \$14,398.16, LS 5 Upgrade Thompson - \$4,985.00, and Siemens invoice \$59,500).

The total pro forma dollar amounts requested for project (3) is \$202,017.00 (See Add-Change forms from 1.d).

1b. The rebuild of the three high service pumps at Lake Louisa (1) was necessary because each pump had diminished pumping capacity as a result of significant impeller damage. The rebuilt pumps restored the Lake Louisa high service pumping capacity to that which FDEP had authorized and which is necessary to provide adequate service to the water customers located in the LUSI – North distribution system.

The installation of four new submersible pumps at Lake Groves (2) was necessary because Siemens installed equipment at the Headworks that caused a significant reduction in pumping capacity at two lift stations. The subject is discussed in more detail in item 2(b).

The rehabilitation of the biofilter at the Lakes Groves Water Treatment Plant (3) was necessary because many of the internal components were corroded beyond repair, and therefore need to be replaced. The biofilter treats noxious hydrogen sulfide odors that are a byproduct of the water treatment process that removes sulfides from the raw water pumped from Lower Floridan Aquifer well #3, the primary water source for the Lake Groves WTP. The interior concrete surfaces of the biofilter had become badly corroded and the grating that supports the internal media mixture of porous rock and treated mulch had completely collapsed. This is the result of gases and water creating a sulfuric acid mixture with a very low pH.

- 1c. Please see a copy of the invoices for project (1), Lake Louisa high service pumps, in the Adobe PDF files titled, "LL HSP 01.pdf," "LL HSP 02.pdf," and "LL HSP 03.pdf." Please see a copy of the invoices for project (2), Lake Groves Headworks, in the Adobe PDF files titled, "LS5.Upgrade.Nugent.pdf," and "LS5.Upgrade.Thompson.pdf." Please see a copy of the invoices for project (3), Lake Groves biofilter rehab, in the Adobe PDF files titled, "Invoice 349921.pdf," and "Invoice 366488.pdf," and the MS Excel file titled, "Project 2011033 - Biofilter.xlsx."
- 1d. Please see the attached files titled "Add-Change Request Form Lake Groves Bio-Filter," "Add-Change Request Form Lake Groves Bio-Filter Overhaul," and "Bio Filter Rehab Change Order #1."
- 1e. The bidding process was either not applicable (High Service Pumps and Headworks) or completed (Biofilter).
- 1f. Actual in service date for pro forma project (1) is 4/25/11
Actual in service date for pro forma project (2) is 7/31/11
Projected in service date for pro forma project (3) is 9/9/11
- 1g. Please see the MS Excel file titled, "Retirements.xlsx" for the requested calculations. Project (2) will not have a retirement as replaced equipment was contributed. The original cost of the pumps associated with Project (1) was not specified discretely when the Lake Louisa facilities were constructed. The original high service pump cost included ancillary equipment that was not replaced as part of Project (1). Similarly, the internal components of the biofilter being replaced in Project (3) were not discretely identified in the Lake Groves WTP expansion project contract documents. However, since the company uses Handy Whitman for retirements, the current invoice may be used to compute the retirement in the absence of the original.
- 1h. According to Commission rules and depreciation rates, the typical lifetime for the three high services pumps is 20 years. Typical life for four submersible pumps is 25 years. The typical life for a rehabilitated biofilter is 22 years.
2. Please refer to MFR Schedule A-3, page 1 of 3, line 31. In the column for wastewater, there is an entry for a pro forma addition of \$60,000 for the Lake Groves Headworks. The documentation provided in the Utility's response to Staff Data Request No. 1, Item No. 1(b)

appears to be very similar to the documentation provided to staff in your email dated August 12, 2011, regarding the Lake Groves Headworks project. Hence, it appears that the requested expenses have already been included in the rate case.

(a) Please explain if the pro forma additions requested in your email are in addition to the \$60,000 included in the MFR's, and if so, provide the reason for the additions; and

(b) please provide a detailed explanation of the work or services provided by Siemens related to the invoice in the amount of \$59,500; and

(c) provide copies of any of any bids or estimates made by Siemens regarding the project.

RESPONSE:

2a. The amount of the pro forma addition associated with the Lake Groves Headworks is \$88,851.28. The \$60,000 amount identified in the MFR reflected at that time the estimated amount to be spent to resolve deficiencies associated with the construction of the Lake Groves WWTP expansion (see response to Item 2(b)).

2b. The Lake Groves headworks was a component of the 2007 Lake Groves WWTP expansion and upgrade. The Siemens Corporation agreed to construct an additional 500,000 gpd of wastewater treatment capacity that was needed in order to treat additional flow expected from future customer growth. The Siemens contract included construction of various items including a static bar screen and platform at the plant headworks. The project was constructed in its entirety and all draws or payments were paid out to all vendors with the exception of retainage held by the utility in incremental amounts due the various vendors on the project. This is standard practice until such time as each vendor's contractual obligations are completed including equipment start up and functionality testing. When the new headworks was tested, the Utility determined that the elevation of the new headworks equipment significantly increased the static head on the Lake Groves collection system. The added head reduced the pumping capacity at Lift Station LG-5, specifically; the pumps at that location were unable to adequately pump wastewater through the treatment plant's headworks. Therefore, the Siemens retainage amount (\$84,166.83) was held until an evaluation was done to determine the optimum remedy.

It was determined that Lift Station LG-5 needed to have its existing 10-horsepower submersible pumps replaced with 15-horsepower pumps. In addition, a control panel

upgrade would be required in order to operate the larger pumps properly and reliably. The cost was \$18,521.00 plus tax for a total of \$19,383.16. Siemens was advised of the requirement to modify the lift station pumps and control panel, and although Siemens never directly accepted responsibility for a design deficiency, they agreed to pay \$18,521.00 out of the retainage amount due them.

Reduction in retainage due to cost of improvements at LG-5 lift station:

\$84,166.83	Siemens Retainage Balance before any lift station improvements
<u>(\$18,521.00)</u>	Less LG-5 Upgrades paid to Thompson Electric and Nugent (does not include tax)
\$65,645.83	Net Siemens Retainage

After completing the upgrades to Lift Station LG-5, its lift station pumping capacity was found to be adequate. However, with an increase in pump size at LG-5, it was necessary to insure that there were no other negative impacts to the remaining lift stations. After further evaluation, it was discovered that Lift Station LG-1, located at the southeast corner of the Lake Groves plant site, had its pumping capacity significantly reduced as a consequence of both the headworks improvements and the increased horsepower of the recently installed pumps at LG-5. The remedy to correct this deficiency was to upgrade the LG-1 pumps from 5 horsepower to 7.5 horsepower. No control panel upgrades were necessary in this instance. The proposal to upgrade this station was negotiated with Siemens who agreed to pay \$6,145.83 toward improvements at LG-1. This amount was to be subtracted from the retainage balance. The upgrade at Lift Station LG-1 has provided a resolution to the headworks issue. The headworks equipment is in service and the collection system is adequately equipped with pumping capacity.

Further reduction in retainage due to cost of improvements at LG-1 lift station:

\$65,546.83	Reduced Siemens Retainage (from above)
<u>(\$ 6,145.83)</u>	Less LG-1 Upgrade paid to Nugent
\$59,500.00	Siemens Retainage Remitted

Payout amounts

\$59,500.00 Siemens retainage amount, net
\$19,383.16 LG-5 upgrades (Thompson Electric and Nugent invoices)
\$ 9,968.12 LG-1 upgrade (Nugent invoice)
\$88,851.28 Total Pro Forma amount

There are no retirements associated with any of the activities. The two lift stations were developer contributed and are therefore not in rate base. The pumps are stored for future use at other lift stations that contain similarly sized pumps.

2c. See the attached invoices and an Add/Change form describing the Lake Groves Headworks project.

3. Please refer to Staff's Third Data Request, Item No. 3, regarding the acquisitions and divestitures by Utilities, Inc. during the period July 1, 2009, through March 31, 2011. Please provide the following:

(a) a detailed description of the divestitures listed in the response, including the name of the utility, the portion of the system or subdivision that was sold, and the number of ERCs divested; and

(b) any sales agreement or contracts supporting the sale and transfer of customers; and

(c) any orders from regulatory authorities and municipalities approving the sale and transfer of customers; and

(d) a list or schedule like the one provided in response to Staff's First Data Request, Item No. 2, showing the ERC allocations for the corporation, south region, and Florida.

RESPONSE:

3a. Please see the MS Excel file titled, "Item 3; DR 8.xlsx" for the names of the business units that Utilities, Inc. has divested during the period of July 1, 2009, through March 31, 2011. The file also contains the number of ERCs for each business unit, and a list showing the ERC allocations for the corporation, south region, and Florida by subsidiary.

3b. Please see the Adobe PDF files listed below below for the orders and agreements referenced in the table contained in response 3(a).

- Alafaya Agreement - Sale & Purchase.pdf
- Emerald Point Sale to Charlotte Agreement Fully Executed 5.pdf
- Executed First Addendum to South Gate Agreement.pdf
- Executed Second Addendum South Gate (UI).pdf
- Executed South Gate Utilities, Inc. Asset Acquisition Agreement.pdf
- Miles Grant Utility Asset Purchase and Sale Agreement (executed).pdf
- North Topsail Addendum to Utility Asset Acquisition Agreement.pdf
- North Topsail Executed Utility Asset Acquisition Agreement.pdf
- North Topsail Fifth Addendum (Executed).pdf
- North Topsail Fourth Addendum Asset Acquisition Agreement.pdf
- North Topsail Order.pdf
- North Topsail Second Addendum to Utility Asset Acquisition Agreement.pdf
- North Topsail Third Addendum to Asset Acquisition Agreement.pdf
- Pebble Creek Executed Utility Asset Acquisition Agreement.pdf
- Pebble Creek Resolution (signed).pdf
- PSC HI Transfer Acknowledgement.pdf
- South Gate Resolution 2009-128 (signed).pdf
- Wedgefield First Addendum to Utility Asset Acquisition Agreement.pdf
- Wedgefield PSC Order Approving Transfer.pdf
- Wedgefield Utility Asset Acquisition Agreement.pdf

3c. Please see the attached orders and agreements which are referenced in the table contained in response 3(a) and listed in response 3(b).

3d. Please see the response to item 3(a).

4. Please refer to MFR Schedule A-12, page 2 of 2, column (18), line 34. The total plant fees listed is \$48,471. Staff has concerns with the amount of total plant fees included in the CIAC totals. LUSI's tariff lists a wastewater plant capacity charge of \$558 per residential customer. Assuming there are approximately 2,850 residential wastewater customers, staff expected to see a total CIAC plant fee balance of approximately \$1,590,300, not \$48,471. Please explain this discrepancy and provide a reconciliation of any accounts to which a portion of the balance may have been transferred.

RESPONSE: CIAC plant fees are calculated based on commercial wastewater ERCs not entirely upon residential customer ERCs. Rate base was established as of June 30, 2008 in the prior rate case, Docket No. 070693-WS; therefore the Company will provide a reconciliation of all the amounts booked to CIAC since that period through the end of the current test year (July 1, 2008 to June 30, 2010). The amounts booked, along with all the associated backup can be found in the MS Excel file titled, "Item 4; LUSI DR8.xlsx," and the Adobe PDF file titled, "FL Checks.pdf."

5. The following items relate to LUSI'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.

RESPONSE: Please see the following files titled:

- B-10 Data.xlsx
- Project 2010283 Invoices.pdf
- Mgmt Estimate of Costs to Complete 7.31.2011.xlsx
- MSA Estimate of Costs to Complete 7.31.2011.xlsx
- RSB Estimate to Complete 7.31.2011.docx
- Updated B-10 Schedule through 7.31.2011.xlsx

(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.

RESPONSE: Please see the response to Item 5(a).

(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.

RESPONSE: Please see the response to Item 5(a).

(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.

RESPONSE: Please see the response to Item 5(a).

(e) Please provide an itemized list of all other costs estimated to be incurred through the PAA process.

RESPONSE: Please see the response to Item 5(a).

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

Enclosures

cc: Steven M. Lubertozi, Executive Dir. of Regulatory Acctg & Affairs (w/o encs.)
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