

Eric Fryson

From: Davis, Phyllis [DAVIS.PHYLLIS@leg.state.fl.us]
Sent: Friday, October 05, 2012 2:20 PM
To: Ronald Brisé; Filings@psc.state.fl.us
Cc: 'mfriedman@rsbattorneys.com'; Jennifer Crawford; Baldwin English; Reilly, Steve
Subject: Electronic Filing - Docket No. 120209-WS; Letter/Approval of Time Year
Attachments: OPC Letter - Reference Approval of Test Year.pdf

Electronic Filing

a. Person responsible for this electronic filing:

Stephen C. Reilly, Associate Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400
(850) 488-9330
reilly.steve@leg.state.fl.us

b. Docket No. 120209-WS

In re: Utilities, Inc. of Florida's Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas and Seminole County, Florida

c. Document being filed on behalf of Office of Public Counsel.

d. There are a total of 3 pages.

e. The document attached for electronic filing is **OPC's Letter regarding UIF's Request for Extension of Time to File MFR's.**

Thank you for your attention and cooperation to this request.

Phyllis W. Philip-Guide
Assistant to Stephen C. Reilly,
Associate Public Counsel.
Office of Public Counsel
Telephone: (850) 488-9330
Fax: (850) 488-4491

DOCUMENT NUMBER-DATE

06789 OCT-5 2012

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10/5/2012

MIKE
HARIDOPOLOS
President of the Senate



J.R. Kelly
Public Counsel

STATE OF FLORIDA
OFFICE OF PUBLIC COUNSEL

c/o THE FLORIDA LEGISLATURE
111 WEST MADISON ST.
ROOM 812
TALLAHASSEE, FLORIDA 32399-1400
1-800-540-7039

EMAIL: OPC_WEBSITE@LEG.STATE.FL.US
WWW.FLORIDAOPC.GOV

DEAN CANNON
*Speaker of the
House of Representatives*



October 5, 2012

Chairman Ronald A. Brisé
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Docket No. 120209-WS – Utilities, Inc. of Florida's Application for an Increase in Water and Wastewater Rates in Marion, Orange, Pasco, Pinellas and Seminole County, Florida.

Dear Chairman Brisé:

By letter dated July 31, 2012, Utilities, Inc. of Florida ("UIF," "Utility" or "Company") requested approval of a historic test year ending December 31, 2011, and stated that 2011 was representative of a normal full year of operations with additional pro forma plant and expense adjustments. By letter dated August 17, 2012, you approved UIF's test year, with a filing date of October 1, 2012.

On September 28, 2012, UIF requested an extension of time to file its application and MFRs using the same 2011 historical test year, and stated that the requested extension would not cause the approved test year to be unrepresentative. In support of this position, UIF stated that updating the test year to a more current period would not result in any increased ratemaking accuracy because customer growth, consumption and capital investment have not changed significantly. Further, UIF stated that any small changes could be adequately adjusted, including accumulated depreciation and amortization, and that the use of a calendar year was beneficial because of how the Utility develops its operating and capital budgets which is more convenient for PSC audit staff. The Utility concluded that using more recent data is not important in this case, and that the time and money already spent in preparing the

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MFRs would be substantial. On September 28, 2012, the same day the Company made its request, and before OPC could assess and comment on the adverse consequences of the request, staff approved UIF's requested 6-month extension of the MFR filing deadline, while retaining the Utility's original 2011 test year. OPC has no objection to extending the Company's deadline to file its MFRs; however, we object to not utilizing a more updated representative test year.

OPC has several concerns about the reasonableness of the 2011 test year, given the Utility's requested filing extension. First, the MFRs will now be filed by March 29, 2013. At the date of filing, the test year will be 15 months old. Given that the Utility has requested the case to be processed as a proposed agency action ("PAA"), the decision in the case will be based upon data that will be between 20 to 32 months old. If the PAA order is protested, the decision in the case will have to be based upon a test year with data between 28 to 40 months old. In its letter, the Utility stated that the changes in customer growth, consumption and plant additions are minimal, yet nothing is mentioned about expenses and how those amounts have changed. In February 2012, the owner of UIF entered into a contract to sell 100% of the ownership in the Company to Corix Utilities, LLC. Without an updated test year, the Commission cannot determine the impact that this change in majority organizational control will have on UIF's operations and expenses. In many cases, during an acquisition period, companies implement cost savings and austerity measures. It is imperative that the Commission have accurate information on the most recent year's activity prior to making a decision to set rates for the next four years. This sale could have a material impact on the future operations of UIF.

Second, UIF stated that making the Utility update the test year would be costly. While UIF does not state why the extension was required, any increase in the cost of rate case expense because of the Utility's unexplained request should not be borne by ratepayers. Given the Utility's Phoenix computer software system, there should be no reason why updating the test year to a more recent test year or using a period other than a calendar year should result in material changes in costs. If the Utility maintains its books and records in accordance with the NARUC's Uniform System of Accounts, and properly made adjustments in accordance with the Commission's last Order, compiling the MFRs should simply involve taking the monthly balances from the general ledger and using formulas to calculate the 13-month average. Updating the test year would also eliminate the need to make more pro forma adjustments to rate base and operating expenses.

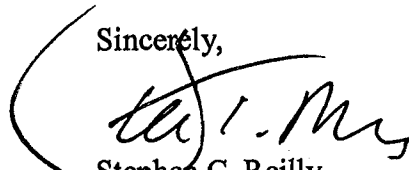
OPC requests that the Chairman reconsider staff's approval of the December 31, 2011, test year. For reasons stated in the Company's argument to retain a calendar 2011 test year, we recommend the Chairman approve a calendar 2012 test year, given the new filing date for

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the MFRs. In the alternative, the Chairman should approve a test year no less current than one ending September 30, 2012.

Sincerely,

A handwritten signature in black ink, appearing to read "S. C. Reilly", is written over a large, loopy circular flourish.

Stephen C. Reilly
Associate Public Counsel

cc: Jennifer Crawford
Martin S. Friedman