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STATE OF FLORIDA



DIVISION OF ENGINEERING  
TOM BALLINGER  
DIRECTOR  
(850)413-6910

# Public Service Commission

November 12, 2013

## STAFF'S FIRST DATA REQUEST

Mr. Martin S. Friedman, Esquire  
Sundstrom, Friedman & Fumero, LLP  
766 N. Sun Drive, Suite 4030  
Lake Mary, FL 32746

**Re: Docket No. 130212-WS, In re: Application for increase in water/wastewater rates in Polk County by Cypress Lakes Utilities, Inc.**

Dear Mr. Friedman:

By this letter the Commission staff requests that Cypress Lakes Utilities, Inc. provide responses to the following data requests:

### MFR's

1. Rule 25-30.110(2), Florida Administrative Code (F.A.C.) requires that the MFRs be consistent and reconcilable with the Utility's annual report. The following MFR schedules are not reconcilable with the Utility's 2012 Annual Report:
  - a) MFR Schedule A-6, Schedule of Wastewater Plant in Service by Primary Account, columns (2) and (3), lines 9, 10, and 12.
  - b) MFR Schedule A-10, Schedule of Wastewater Accumulated Depreciation Primary Account – Simple Average, columns (2) and (3), lines 9 and 12.
  - c) MFR Schedule A-19, Schedule of Comparative Balance Sheet – Equity Capital and Liabilities, column (3), lines 3 and 4 do not tie to their respective Annual Report Schedule F-2(a).
  - d) MFR Schedule B-7, Operation & Maintenance Expense Comparison-Water, column (2), line (29) does not tie to Annual Report Schedule W-9.
  - e) MFR Schedule B-8, Operation & Maintenance Expense Comparison-Water, column (2), line (29) does not tie to Annual Report Schedule S-9 (a).
  - f) MFR Schedule D-1, Schedule of Requested Cost of Capital, column (3), line (4) does not tie to Annual Report Schedule F-5.
  - g) MFR Schedule D-2, Reconciliation of Capital Structure to Requested Rate Base, column (1), line (8) does not tie to Annual Report Schedule F-2(b).

Please provide the above identified MFR schedules updated to be consistent with and reconcilable to the Utility's 2012 Annual Report.

2. Rule 25-30.436 (4)(a), F.A.C. requires that each schedule be cross-referenced to identify related schedules as either supporting schedules or recap schedules. The following MFR schedules, as filed, do not comply with Rule 25-30.436, (4)(a), F.A.C.
  - a) MFR Schedule D-1, Schedule of Requested Cost of Capital, does not include cross-referenced schedules.
  - b) MFR Schedule D-5, Cost of Long-Term Debt, does not include cross-referenced schedules.

Please provide the above identified MFR schedules updated with the required cross-references.

3. Rule 25-30.436(4)(h), F.A.C., requires that any system that has costs allocated or charged to it from a parent, affiliate or related party, in addition to those costs reported on Schedule B-12 of Commission Form PSC/ECR 20-W for a Class B utility, (incorporated by reference in Rule 25-30.437, F.A.C.) shall file three copies of additional schedules that show the following information:
  - a) Pursuant to Rule 25-30.436(4)(h)(6), F.A.C., the Utility is missing the required organizational chart of the relationship between the utility and its parent and affiliated companies and the relationship of any related parties.
  - b) Pursuant to Rule 25-30.436(4)(h)(7), F.A.C., the Utility is missing the required copy of any contracts or agreements between the utility and its parent or affiliated companies for services rendered between or among them.

Please provide the organizational chart, and copies of any contracts or agreements between the Utility and its parent or affiliated companies.

4. Rule 25-30.437(3), F.A.C. requires that each Class B utility applying for a rate increase shall provide the information required by Commission Form PSC/ECR 20 (11/93), entitled "Class B Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements." The following MFR schedules, as filed, do not comply with Rule 25-30.437, F.A.C.:
  - a) MFR Schedules A-4, A-8, A-11, and A-13, Schedules of Water and Wastewater Plant in Service, Accumulated Depreciation, Contributions in Aid of Construction, and Accumulated Amortization of CIAC, require an annual balance for all years since rate base was last established by the Commission. Rate base was last established in Order No. PSC-07-0199-PAA-WS, however, the amounts reflected on line (1) in the above-mentioned MFR schedules do not tie to this order.
  - b) The instructions for MFR Schedules B-7 and B-8 (Operation and Maintenance Expense Comparison), require the Utility to provide account balances approved by the Commission for its prior test year and to utilize the Consumer Price Index All Urban Consumers (CPI-U) table for all items published by the U.S. Department of Labor. Per these instructions, please make the following adjustments:
    - (i) On both MFR Schedules B-7 and B-8, Column (2) does not tie to the amounts approved in Order No. PSC-07-0199-PAA-WS. Please see attached schedule.

- (ii) The CPI-U found on MFR Schedules B-7 and B-8 is incorrect for both 2005 and 2012. Please revise both schedules to reflect the correct index for each year.
- (iii) In addition, the Utility is required to provide an explanation of all differences in excess of the benchmark factor for customer growth and inflation. When revising MFR Schedules B-7 and B-8, please provide an explanation for expenses in excess of the revised benchmark factor.
- c) The instructions for MFR Schedule B-9, Contractual Services, require the amounts to be separated by system and method of allocation if appropriate. Per these instructions, please provide a separation of the amounts by system and the method of allocation.
- d) The instructions for MFR Schedule C-6, Accumulated Deferred Income Taxes – State, pages 2 and 3, require the Utility to provide annual balances beginning with the years of the last rate case. Per these instructions, please add 2005-2007 annual balances to Schedule C-6, pages 1, 2 and 3.

Please provide updated MFR schedules that correct all the schedules identified above.

### **Rate Case Expense**

The following items relate to the Utility's requested rate case expense:

- 5. 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.
- 6. For each firm or consultant providing services for the applicant in this docket, please provide copies of all invoices for services provided to date.
- 7. 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.
- 8. 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.
- 9. Please provide an itemized list of all other costs estimated to be incurred through the PAA process.

### **Rate Base**

- 10. The following items relate to the pro forma plant improvement reflected in adjustment (A), line 2, for wastewater on MFR Schedule A-3. For each pro forma addition, 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 or in process;

- (c) a copy of the signed contract or any bids, if the plant addition has not been completed;
- (d) the projected in-service date for each outstanding plant addition, and
- (e) all documentation (i.e. invoices) for the original cost of any corresponding retirements.

### **O&M Expenses**

11. According to MFR Schedule B-3, the Utility has proposed an increase of \$1,529 for water and \$1,406 for wastewater for Salaries & Wages expense. Please provide a justification of why this increase is prudent and necessary.
12. According to MFR Schedule B-5, Chemicals expense increased substantially in May 2012 and October 2012 when compared to other months. Please provide all of the Utility's calculations, basis, work papers, and support documentation (i.e. invoices) for those months.
13. According to MFR Schedule B-5, Materials & Supplies expense increased substantially in April 2012 when compared to other months. Please provide all of the Utility's calculations, basis, work papers, and support documentation (i.e. invoices) for that month.
14. According to MFR Schedule B-5, Contractual Services – Engineering expense increased substantially in May 2012 when compared to other months. Please provide all of the Utility's calculations, basis, work papers, and support documentation (i.e. invoices) for that month.
15. According to MFR Schedule B-5, Contractual Services – Accounting expense increased substantially in August 2012 when compared to other months. Please provide all of the Utility's calculations, basis, work papers, and support documentation (i.e. invoices) for that month.
16. According to MFR Schedule B-5, Contractual Services – Other expense increased substantially in October 2012 and November 2012 when compared to other months. Please provide all of the Utility's calculations, basis, work papers, and support documentation (i.e. invoices) for those months.
17. According to MFR Schedule B-5, Regulatory Commission Expense – Other increased substantially in June 2012 when compared to other months. Please provide all of the Utility's calculations, basis, work papers, and support documentation (i.e. invoices) for that month.
18. According to MFR Schedule B-5, Miscellaneous Expenses increased substantially in August 2012, September 2012 and October 2012 when compared to other months. Please provide all of the Utility's calculations, basis, and work papers for those months, as well as single invoices for expenses \$250 or higher for the months mentioned above.

19. According to MFR Schedule B-6, Sludge Removal expense increased substantially in April 2012 when compared to other months. Please provide all of the Utility's calculations, basis, work papers, and support documentation (i.e. invoices) for that month.
20. According to MFR Schedule B-6, Purchased Power expense increased substantially in February 2012 when compared to other months. Please provide all of the Utility's calculations, basis, work papers, and support documentation (i.e. invoices) for that month.
21. According to MFR Schedule B-6, Chemicals expense increased substantially in May 2012 and October 2012 when compared to other months. Please provide all of the Utility's calculations, basis, work papers, and support documentation (i.e. invoices) for those months.
22. According to MFR Schedule B-6, Materials & Supplies expense increased substantially in April 2012 and September 2012 when compared to other months. Please provide all of the Utility's calculations, basis, work papers, and support documentation (i.e. invoices) for those months.
23. According to MFR Schedule B-6, Contractual Services – Engineering expense increased substantially in May 2012 when compared to other months. Please provide all of the Utility's calculations, basis, work papers, and support documentation (i.e. invoices) for that month.
24. According to MFR Schedule B-6, Contractual Services – Accounting expense increased substantially in August 2012 when compared to other months. Please provide all of the Utility's calculations, basis, work papers, and support documentation (i.e. invoices) for that month.
25. According to MFR Schedule B-6, Contractual Services – Other expense increased substantially in October 2012 and November 2012 when compared to other months. Please provide all of the Utility's calculations, basis, work papers, and support documentation (i.e. invoices) for those months.
26. According to MFR Schedule B-6, Regulatory Commission Expense – Other increased substantially in June 2012 when compared to other months. Please provide all of the Utility's calculations, basis, work papers, and support documentation (i.e. invoices) for that month.
27. According to MFR Schedule B-6, Miscellaneous Expenses increased substantially in August 2012, September 2012, and October 2012 when compared to other months. Please provide all of the Utility's calculations, basis, and work papers for those months, as well as single invoices for expenses \$250 or higher for the months mentioned above.
28. The following items relate to MFR Schedule B-9:
  - a) In reference to MFR Schedule B-9, Line 5, please provide documentation that this amount was amortized.

- b) In reference to MFR Schedule B-9, Line 8, please provide invoices for all tax return services rendered.
  - c) In reference to MFR Schedule B-9, Lines 10, 11, and 12, please clarify under which accounts these expenses are classified.
29. According to MFR Schedule B-10, the Utility is requesting an effective hourly rate of approximately \$637 per hour ( $\$25,515/40$ ) for in-house staff to assist with MFRs, data requests and audit facilitation. Please explain why these hourly rates are reasonable.

**Others**

30. Please provide Schedule F-1 and Schedule F-6 in an excel file.
31. Please provide an explanation of how each complaint was resolved for FA IDs: 0869410546, 1270410055, 2534410610, 2819410353, and 7381410794.
32. MFR Schedule E-2, Line 31, Column 6, Other & Miscellaneous Revenues, and Schedule E-5, Line 1, Column 6, Schedule of Miscellaneous Service Charges, do not match. Please correct these schedules.

**Attachment**

Tables referenced in No. 4.

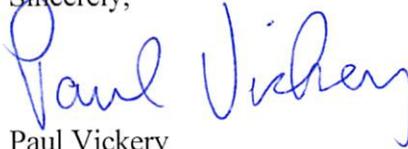
| Cypress Lakes Utilities, Inc.   |                                     | Docket No. 060257-WS                |
|---------------------------------|-------------------------------------|-------------------------------------|
| O&M EXPENSES- WATER             |                                     |                                     |
| Test Year Ended 12/31/05        |                                     |                                     |
| ACCT<br>NO.                     | ACCOUNT TITLE                       | COMMISSION<br>APPROVED<br>TEST YEAR |
| 601                             | SALARIES AND WAGES - EMPLOYEES      | \$66,774                            |
| 603                             | SALARIES: OFFICERS, DIRECTORS, ETC. | 0                                   |
| 604                             | EMPLOYEE PENSIONS AND BENEFITS      | 13,653                              |
| 610                             | PURCHASED WATER                     | 0                                   |
| 615                             | PURCHASED POWER                     | 10,776                              |
| 616                             | FUEL FOR POWER PRODUCTION           | 0                                   |
| 618                             | CHEMICALS                           | 3,899                               |
| 620                             | MATERIALS AND SUPPLIES              | 7,427                               |
| 631                             | CONTRACTUAL SERVICES -ENGR.         | 0                                   |
| 632                             | CONTRACTUAL SERVICES - ACCT.        | 2,045                               |
| 633                             | CONTRACTUAL SERVICES - LEGAL        | 0                                   |
| 634                             | CONTRACTUAL SERVICES - MGMT. FEES   | 0                                   |
| 635                             | CONTRACTUAL SERVICES - OTHER        | 5,231                               |
| 636                             | CONTRACTUAL SERVICES - TESTING      | 0                                   |
| 641                             | RENTAL OF BUILDING/REAL PROPERTY    | 0                                   |
| 642                             | RENTAL OF EQUIPMENT                 | 0                                   |
| 650                             | TRANSPORTATION EXPENSES             | 2,626                               |
| 656                             | INSURANCE-VEHICLE                   | 0                                   |
| 657                             | INSURANCE-GENERAL LIABILITY         | 0                                   |
| 658                             | INSURANCE-WORKMAN'S COMP.           | 0                                   |
| 659                             | INSURANCE-OTHER                     | 4,052                               |
| 660                             | ADVERTISING EXPENSE                 | 0                                   |
| 666                             | AMORT. OF RATE CASE EXPENSE         | 18,128                              |
| 667                             | REGULATORY COMM. EXPENSES - OTHER   | 0                                   |
| 670                             | BAD DEBT EXPENSE                    | 370                                 |
| 675                             | MISCELLANEOUS EXPENSES              | <u>12,032</u>                       |
| TOTAL OPERATION AND MAINTENANCE |                                     | <u>\$147,013</u>                    |

| Cypress Lakes Utilities, Inc. |                                     | Docket No. 060257-WS                         |
|-------------------------------|-------------------------------------|--|
| O&M EXPENSES- WASTEWATER      |                                     |  |
| Test Year Ended 12/31/05      |                                     |  |
| <u>NO.</u>                    | <u>ACCOUNT TITLE</u>                | <u>COMMISSION<br/>APPROVED<br/>TEST YEAR</u> |
| 701                           | SALARIES AND WAGES - EMPLOYEES      | \$64,877                                     |
| 703                           | SALARIES: OFFICERS, DIRECTORS, ETC. | 0  |
| 704                           | EMPLOYEE PENSIONS AND BENEFITS      | 13,264                                       |
| 710                           | PURCHASED SEWAGE TREATMENT          | 0  |
| 711                           | SLUDGE REMOVAL EXPENSE              | 57,500                                       |
| 715                           | PURCHASED POWER                     | 51,708                                       |
| 716                           | FUEL FOR POWER PRODUCTION           | 0  |
| 718                           | CHEMICALS                           | 7,360  |
| 720                           | MATERIALS AND SUPPLIES              | 35,692                                       |
| 731                           | CONTRACTUAL SERVICES - ENGR.        | 0  |
| 732                           | CONTRACTUAL SERVICES - ACCT.        | 1,651  |
| 733                           | CONTRACTUAL SERVICES - LEGAL        | 0  |
| 734                           | CONTRACTUAL SERVICES - MGMT. FEES   | 0  |
| 735                           | CONTRACTUAL SERVICES - TESTING      | 0  |
| 736                           | CONTRACTUAL SERVICES - OTHER        | 0  |
| 741                           | RENTAL OF BUILDING/REAL PROPERTY    | 0  |
| 742                           | RENTAL OF EQUIPMENT                 | 0  |
| 750                           | TRANSPORTATION EXPENSES             | 2,722  |
| 756                           | INSURANCE - VEHICLE                 | 0  |
| 757                           | INSURANCE - GENERAL LIABILITY       | 0  |
| 758                           | INSURANCE - WORKMAN'S COMPENSATION  | 0  |
| 759                           | INSURANCE - OTHER                   | 7,990  |
| 760                           | ADVERTISING EXPENSE                 | 0  |
| 766                           | AMORT. OF RATE CASE EXPENSE         | 17,324                                       |
| 767                           | REGULATORY COMM. EXPENSES - OTHER   | 0  |
| 770                           | BAD DEBT EXPENSE                    | 532  |
| 775                           | MISCELLANEOUS EXPENSES              | <u>9,632</u>                                 |
|                               | TOTAL OPERATION AND MAINTENANCE     | <u>\$270,252</u>                             |

Please file the original and five copies of the requested information by December 12, 2013, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Blvd., Tallahassee, Florida 32399-0850.

If you should have any questions, please contact me at (850) 413-6592 or by e-mail at [pwickery@psc.state.fl.us](mailto:pwickery@psc.state.fl.us).

Sincerely,



Paul Vickery  
Chief of Reliability and Resource Planning  
Division of Engineering

PV:pz

cc: Division of Engineering (Lewis, L'Amoreaux, Lee)  
Office of the General Counsel (Gilcher)  
Office of Auditing & Performance Analysis (Deamer)  
Division of Accounting & Finance (Fletcher, Kelly, Norris)  
Division of Economics (Thompson)  
Office of Commission Clerk (Docket No. 130212-WS)