



DON GAETZ
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



WILL WEATHERFORD
*Speaker of the House of
Representatives*

Denise N. Vandiver, C.P.A.
Legislative Analyst
vandiver.denise@leg.state.fl.us

July 11, 2014

Carlotta S. Stauffer, Director
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket 140060-WS; Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation

Dear Ms. Stauffer:

We have performed a cursory review of the Minimum Filing Requirements filed July 1, 2014 by Sanlando Utilities Corporation (Sanlando). Our preliminary review indicates two issues that we believe should be considered in staff's determination whether the utility is deficient in its filing. We believe that both of these issues serve to distort the schedules and these deficiencies should be corrected before the filing is deemed complete.

Schedules A-11 and A-13

The MFRs require that the utility provide the annual balance of Contributions In Aid of Construction (CIAC) and Accumulated Amortization of CIAC for all years since rate base was last established by the Commission with yearly additions, retirements, and adjustments up to the end of the test year. The utility schedules begin with the 2010 balances and reflect yearly additions. However, there are adjustments for \$1,841,747 and \$999,704 reducing the water and wastewater balances for both CIAC and Accumulated Amortization. These adjustments are labelled "Commission Ordered Adjustments." However, there are no such adjustments included in the last Commission order. If the utility is attempting to restate the balances of these account established in the last order, the adjustment should be described and presented on Schedule A-3: Adjustments to Rate Base. The effect of these adjustments may be a zero impact on rate base. However, any adjustment to CIAC will impact Amortization Expense. These adjustments are not consistent with the last rate case order and should not be used for purposes of setting interim rates.

Schedules B-7 and B-8

The utility used a CPI index labeled "CPI-U water and sewerage maintenance" to complete Schedules B-7 and B-8. The schedules require the use of CPI-U. The Commission staff required a related company (Utilities, Inc. of Pennbrooke, Docket No. 120037-WS) to revise these schedules to reflect the "CPI-U All Items" index. These schedules are an analytical tool included in the MFRs that compare the

requested increase in Operation and Maintenance (O&M) expenses included in the rate case with the approved O&M expenses from the last order, indexed up based on CPI-U over the 3 years. The utility has used the CPI index labeled "CPI-U water and sewerage maintenance" which is an increase of 18.12%. However, the "CPI-U All Items" index is an increase of 6.83% for the same timeframe. By using the maintenance CPI index that is higher, the utility is utilizing a higher threshold for determining the reasonableness of all of its expenses. Because this is an important tool used in determining the reasonableness of all expenses to be included in the revenue requirement, we believe that the "CPI-U All Items" should be used.

We appreciate your consideration of these issues while you are reviewing the MFRs to determine deficiencies. If you should have any questions or concerns, please feel free to call or e-mail me.

Respectfully submitted,

s/ Denise N. Vandiver
Denise N. Vandiver
Legislative Analyst
Office of Public Counsel

c: Division of Accounting & Finance (Buys, Frank, Vogel,
Springer, Coughlin, T. Brown)
Division of Economics (Thompson)
Division of Engineering (Hill, Graves, Rieger)
Office of the General Counsel (Klancke)

Sanlando Utilities Corporation
Mr. Patrick C. Flynn

Friedman, Friedman & Long, P.A.
Martin Friedman

Office of Public Counsel (Reilly)