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Public Service Commission

December 9, 2014

Martin S. Friedman, Esquire
766 North Sun Drive, Suite 4030
Lake Mary, Florida 32746
mfriedman@fflegal.com

STAFF'S THIRD DATA REQUEST
via email

Re: Docket No. 140060-WS - Application for increase in Water and Wastewater rates in Seminole County by Sanlando Utilities Corporation.

Dear Mr. Friedman:

By this letter, the Commission staff requests that Sanlando Utilities Corporation (Sanlando or utility) provide responses to the following data requests.

For questions 1-4 please refer to Sanlando's responses (filed on September 8, 2014) to Staff's Second Data Request.

1. Sanlando's response to request No. 1 states:

[I]t is fair to assume that as much as 125 million gallon overage was caused by delivery of water on a continuous basis through the 6" pipe.

Please provide the calculations that resulted in the 125 million assumption.

2. Please provide an electronic copy, with formulas intact, of the spreadsheet attached to Sanlando's response to request No. 2 titled "Chemical Expense MOR."
3. Sanlando's response to request No. 2 Part b. states:

[I]t would be appropriate to assume that the aggregate percentage of unaccounted for water is approximately 2.78% or roughly midway between the minimum and maximum meter accuracy limits specified in Chapter 25-30.262, Meter Accuracy Requirements, for new displacement meters."

Please provide the calculations that resulted in the 2.78% approximation.

4. Sanlando's response to request No. 4 states:

"According to Sanlando's 2012 and 2013 annual reports, gallons sold exceeded gallons pumped and UAW was negative."

Please state whether Sanlando investigate the negative UAW at any time during the 2012 or 2013? If no, please explain why not. If yes, what were the results of Sanlando's investigation?

For questions 5-14 please refer to Sanlando's July 8, 2014 E-Filing filed in Docket No. 140060-WS.

5. Please provide each bid summarized in the table titled "Wekiva Hunt Club WRF Headworks Improvements Bid Tabulation."
6. Please provide all invoices associated with the Wekiva Hunt Club WWTP EQ Tank and Headworks.
7. What is Sanlando's current cost estimate for the Wekiva Hunt Club WWTP EQ Tank and Headworks pro-forma project?
8. Did Sanlando issue a Request for Proposals (RFP) for the Wekiva Hunt Club WWTP Engineering Design of Electrical Improvements?
 - a. If yes, please provide the bids in response to Sanlando's RFP.
 - b. If no, please explain why Sanlando did not issue an RFP for the Wekiva Hunt Club WWTP Engineering Design of Electrical Improvements.
9. Please provide the bids evaluated by Sanlando for the Wekiva Hunt Club WWTP Electrical Improvements.
 - a. Please identify the bid selected by Sanlando.
10. Please provide all invoices associated with the Wekiva Hunt Club WWTP Electrical Improvements.
11. What is Sanlando's current cost estimate for the Wekiva Hunt Club WWTP Electrical Improvements pro-forma project?
12. Did Sanlando issue an RFP for the Wekiva Hunt Club WWTP Collection System Improvements?
 - a. If yes, please provide the bids in response to Sanlando's RFP and please identify the bid selected by Sanlando.
 - b. If no, please explain why Sanlando did not issue an RFP for the Wekiva Hunt Club WWTP Collection System Improvements.

13. Please provide all invoices associated with the Wekiva Hunt Club WWTP Collection System Improvements.
14. What is Sanlando's current cost estimate for the Wekiva Hunt Club WWTP Collection System Improvements pro-forma project?

For questions 15-16 please refer Sanlando's September 26, 2014 E-Filing filed in Docket No. 140060-WS.

15. Please describe why the attached change order was needed
16. Please explain why the change order increased the cost of the Wekiva Hunt Club WWTP Electrical Improvement project.
17. Please provide all complaints received by Sanlando for the period January 1, 2009, through December 31, 2013.
18. Please provide staff with invoices for all identified pro-forma projects as the invoices are received.

Rate Case Expense

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

19. For each individual person, in each firm providing consulting services to the applicant in 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.
20. For each firm or consultant providing services for the applicant in this docket, please provide copies of all invoices for services provided to date.
21. 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.
22. 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.
23. Please provide an itemized list of all other costs estimated to be incurred through the PAA process.
24. For each individual Water Services Corporation (WSC) In-House employee providing consulting services on this docket, provide an itemized description of work performed, hours or allocation of time associated with each activity, and support documentation (i.e. timesheets). In addition, please provide the same detail for estimated hours to completion of the case.

25. In several recent sister company dockets, Utilities, Inc. asserted that revised salaries accounted for WSC-employee time working on rate cases as a reduction to salaries prior to any allocation. Has the Utility taken similar accounting measures to ensure that WSC In-House employee fees are not duplicative in this docket? If so, please provide support documentation to verify the salaries reflected in the MFRs do not contain any capitalized time spent on the current rate case.

O&M Expenses

For the following requests, please refer to MFR Schedule B-5.

26. According to MFR Schedule B-5, the following operating and maintenance (O&M) water test year expenses increased substantially in the months indicated below compared to other months. Please explain the increase and provide an itemized breakdown of the costs for each month. For Chemicals, Contractual Services-Engineering, Contractual Services-Accounting, and Miscellaneous Expenses, please provide all invoices for each month.
- a. The \$21,854 and \$22,361 amounts shown in September 2013 and November 2013, respectively, for Employee Pensions & Benefits, Acct. No. 604.
 - b. The \$34,054 and \$14,478 amounts shown in May 2013 and December 2013, respectively, for Chemicals, Acct. No. 618.
 - c. The \$733, \$4,433, and \$1,276 amounts shown in January 2013, April 2013, and June 2013, respectively, for Contractual Services-Engineering, Acct. No. 631.
 - d. The \$5,098 amount shown in December 2013 for Contractual Services-Accounting, Acct. No. 632.
 - e. The \$18,842, \$19,290, and \$19,079 amounts shown in March 2013, November 2013, and December 2013, respectively, for Miscellaneous Expenses, Acct. No. 675.
27. According to MFR Schedule B-5, line 2, the amount of (\$8,480) shown in December 2013 for Salaries & Wages – Officers, Ect., Acct. No. 603, is a substantial decrease as compared to other months in the test year. Please explain the decrease and provide an itemized breakdown of the costs for each month.

For the following requests, please refer to MFR Schedule B-6.

28. According to MFR Schedule B-6, the following operating and maintenance (O&M) wastewater test year expenses increased substantially in the months indicated below compared to other months. Please explain the increase and provide an itemized breakdown of the costs for each month. For Sludge Removal Expense, Chemicals, Materials & Supplies, Contractual Services-Accounting, Rental of Building/Real Property, and Miscellaneous Expenses, please provide all invoices for each month.
- a. The \$17,042 and \$17,493 amounts shown in January 2013 and October 2013, respectively, for Salaries & Wages – Employees, Acct. No. 701.
 - b. The \$42,070 and \$44,373 amounts shown in September 2013 and November 2013, respectively, for Employee Pensions & Benefits, Acct. No. 704.

- c. The \$18,385, \$19,942, \$26,082, and \$18,527 amounts shown in February 2013, April 2013, July 2013, and August 2013, respectively, for Chemicals, Acct. No. 718.
 - d. The \$13,968 amount shown in April 2013 for Materials & Supplies, Acct. No. 720.
 - e. The \$4,023 amount shown in December 2013 for Contractual Services-Accounting, Acct. No. 732.
 - f. The \$14,902, \$13,265, and \$14,396 amounts shown in March 2013, May 2013, and December 2013, respectively, for Miscellaneous Expenses, Acct. No. 775.
29. According to MFR Schedule B-6, line 2, the amount of (\$6,691) shown in December 2013 for Salaries & Wages – Officers, Ect., Acct. No. 703, is a substantial decrease as compared to other months in the test year. Please explain the decrease and provide an itemized breakdown of the costs for each month.

For the following requests, please refer to MFR Schedule B-7.

30. According to MFR Schedule B-7, the Utility has proposed increases to the water O&M expenses related to water salaries and wages as compared to the prior test year. Please provide a detailed explanation for the requested increase and provide all of the Utility's calculations, basis, work papers, and support documentation for the proposed increase in following accounts.
- a. The \$229,059 increase for Salaries & Wages – Employees, Acct. No. 601.
 - b. The \$15,013 increase for Salaries & Wages – Officers, Ect., Acct. No. 603.
 - c. The \$87,375 increase for Employee Pensions & Benefits, Acct. No. 604.

For the following requests, please refer to MFR Schedule B-8.

31. According to MFR Schedule B-8, the Utility has proposed decreases to the wastewater O&M expenses related to salaries and wages as compared to the prior test year. Please provide a detailed explanation with all of the Utility's calculations, work papers, and support documentation for the proposed decrease in following accounts.
- a. The \$176,554 decrease for Salaries & Wages – Employees, Acct. No. 701.
 - b. The \$8,730 decrease for Employee Pensions & Benefits, Acct. No. 704.

32. According to MFR Schedule B-8, the Utility has proposed an increase to the wastewater O&M expenses related to Salaries & Wages – Officers as compared to the prior test year. Please provide a detailed explanation with all of the Utility's calculations, work papers, and support documentation for the requested increase in the amount of \$12,971 for Salaries & Wages – Officers, Ect. Acct. No. 703.

For the following requests, please refer to MFR Schedule B-11.

33. According to MFR Schedule B-11, the following deferred maintenance projects were fully amortized prior to the test year, but they are not listed as reoccurring. For each project, please

explain if any additional maintenance of the same nature has been performed or is schedule to be performed by the end of 2014. If so, please provide invoices for all additional expenses to date. If not, please explain.

- a. Tank maintenance since September 2011.
- b. Pressure wash/jet sewer mains since August 2012.

Cost of Capital

For the following requests, please refer to MFR Schedule D-1.

34. For several recent rate cases, Utilities, Inc. sister companies have been using 2 percent for the cost rate for customer deposits. Please provide the Utility's rationale and support for using a cost rate of 6 percent as opposed to using a cost rate of 2 percent.

Audit

35. Please provide a statement detailing which audit finding(s) in the following audits the Utility agrees with. For each finding, the Utility disagrees with, please provide a detailed explanation of the disagreement as well as support documentation.
 - a. Staff's Audit Report of Sanlando Utilities Corporation which was filed on October 23, 2014, in Document No. 05995-14.
 - b. Staff's Audit of Affiliate Transactions Report of Utilities, Inc. which was filed on November 6, 2014, in Document No. 06219-14.
36. According to Audit Finding No. 6 in staff's affiliate audit, the Utility has changed their allocation methodology for O&M expenses reflected in its MFRs. The following questions relate to this finding.
 - a. Please provide an explanation as to why the Utility has changed their methodology from using ERCs to business units in determining the allocation of expenses between water and wastewater.
 - b. Please provide information on how the business units are used in determining the allocation of expenses, how it compares to using ERCs.
 - c. Is this methodology used uniformly across all Utilities, Inc. systems for expenses (direct and allocated)?
37. According to Audit Finding No. 13 in staff's Sanlando audit, the Utility retired specific CIAC and Accumulated Amortization accounts without apparently retiring corresponding plant in service accounts. The following questions relate to the finding.
 - a. Please explain why the adjustment to retire the CIAC and Accumulated accounts is necessary.
 - b. Please explain why the Utility did not retire any corresponding plant in service accounts.

Staff's Third Data Request

Docket No. 140060-WS

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Please file the original and five copies of the requested information by Friday, December 19, 2014, with Carlotta Stauffer, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6226 if you have any questions.

Sincerely,

/s/ Keino Young

Keino Young
Chief Trial Counsel

KY/as

cc: Office of Commission Clerk