

Brevard Waterworks, Inc.

January 9, 2015

Office of Commission Clerk
Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

Re: Docket No. 140186-WU - Application of Brevard Waterworks, Inc. for Staff Assisted Rate Case in Brevard County – Response to Staff Audit Report Control No. 14-295-4-1

Dear Commission Clerk,

Brevard Waterworks, Inc. (BWI) hereby submits its response to Staff Audit Report Control No. 14-295-4-1 issued in the above referenced docket.

Audit Finding 1: BWI partially agrees with the finding in respect to the \$750 filing fee paid to the FPSC in the transfer docket. However, BWI does not agree to the finding in respect to the \$497 paid to Booth & Cook. The amount paid to the utility's attorney was not for the transfer of the utility. The amount paid to Booth & Cook was for the establishment of Brevard Waterworks, Inc. as a Florida Corporation. Brevard Waterworks, Inc. was incorporated on March 1, 2013. See attached Articles of Incorporation.

BWI believed that the booking of organizational costs into Account 301 is consistent with NARUC USoA in that these were legal costs to incorporate the corporation with the State of Florida. NARUC USoA states:

“This account shall include all fees paid to federal or state government for the privilege of incorporation and expenditures incident to organizing the corporation, partnership, or other enterprise and putting it into readiness to do business. A sample of items to be included in this account are listed below:

1. **Actual cost of obtaining certificates authorizing an enterprise to engage in public utility business.**
2. **Fees and expenses for incorporation.**
3. Fees and expenses for mergers or consolidations.
4. Office expenses incident to organizing the utility.
5. Stock and minutes books and corporate seal.

Brevard Waterworks, Inc. did not exist prior to the acquisition and was incorporated in the State of Florida on March 1, 2013. In addition, BWI previously has not held a Certificate issued by the FPSC. This is distinctly different than when an existing corporation is acquiring an existing utility.

Audit Finding 2: BWI utilizes the Class B accounting for this utility. Utilities are allowed to maintain their accounting systems utilizing “higher up” requirements, which are more restrictive. BWI can agree to this finding for the purposes of the SARC, but BWI intends to continue to maintain its accounting system utilizing the Class B requirements. Since the accounting is maintained by U.S. Water Service

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Corporation under contract, it is more efficient and cost effective to maintain all 13 PSC regulated utilities consistently.

Audit Finding 3: This is a “fall out” issue to be determined utilizing the Commission approved Operation and Maintenance (O&M) expense in the SARC.

Audit Finding 4: BWI defers to the calculation by the FPSC analyst in this docket.

Audit Finding 5: BWI agrees with this finding with the exception that additional rate case expense documentation may be provided for travel related expenses for the customer meeting and agenda once these expenses are either incurred or can be documented with hotel reservations. The mileage calculation should be consistent with the State of Florida calculation utilizing the distance from the utility’s office address to the address of (1) customer meeting, and (2) FPSC Tallahassee address.

Audit Finding 6: BWI disagrees with this finding. Please see Document No. **0036-15** filed on January 5, 2014 in the FPSC docket file. It is unclear from Table 6-1 whether the auditor utilized Brevard County’s (a) current inclining block structure; or (b) the current billing methodology for Oakwood.

Audit Finding 7: BWI agrees with this finding.

Audit Finding 8: BWI agrees with this finding; however, please see response to Audit Finding 2 above.

Audit Finding 9: BWI agrees with this finding. However, a revised calculation of the regulatory assessment fees on the Miscellaneous Revenues has subsequently been submitted to the FPSC for review. Once the FPSC has approved and informed BWI of the appropriate fees, the revised RAFs will be submitted.

If you have any further questions, please do not hesitate to contact me at (727) 848-8192, ext. 245.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Troy Rendell", written in a cursive style.

Troy Rendell
Manager of Regulated Utilities
//for Brevard Waterworks, Inc.

**Electronic Articles of Incorporation
For**

P13000020348
FILED
March 04, 2013
Sec. Of State
jshivers

BREVARD WATERWORKS, INC.

The undersigned incorporator, for the purpose of forming a Florida profit corporation, hereby adopts the following Articles of Incorporation:

Article I

The name of the corporation is:

BREVARD WATERWORKS, INC.

Article II

The principal place of business address:

5320 CAPTAINS COURT
NEW PORT RICHEY, FL. US 34652

The mailing address of the corporation is:

C/O V. PENICK
4939 CROSS BAYOU BOULEVARD
NEW PORT RICEHY, FL. 34652

Article III

The purpose for which this corporation is organized is:

ANY AND ALL LAWFUL BUSINESS.

Article IV

The number of shares the corporation is authorized to issue is:

1000

Article V

The name and Florida street address of the registered agent is:

GARY DEREMER
5320 CAPTAINS COURT
NEW PORT RICHEY, FL. 34652

I certify that I am familiar with and accept the responsibilities of registered agent.

Registered Agent Signature: GARY DEREMER

Article VI

The name and address of the incorporator is:

GARY DEREMER
5320 CAPTAINS COURT

NEW PORT RICHEY, FL 34652

Electronic Signature of Incorporator: GARY DEREMER

I am the incorporator submitting these Articles of Incorporation and affirm that the facts stated herein are true. I am aware that false information submitted in a document to the Department of State constitutes a third degree felony as provided for in s.817.155, F.S. I understand the requirement to file an annual report between January 1st and May 1st in the calendar year following formation of this corporation and every year thereafter to maintain "active" status.

Article VII

The initial officer(s) and/or director(s) of the corporation is/are:

Title: D,P
GARY DEREMER
5320 CAPTAINS COURT
NEW PORT RICEHY, FL. 34652 US

Title: VP
CECIL DELCHER
11702 FOREST HILLS DRIVE
TAMPA, FL. 33612

Article VIII

The effective date for this corporation shall be:

03/01/2013