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OFFICE OF THE GENERAL COUNSEL
CHARLIE BECK
GENERAL COUNSEL
(850) 413-6199

Public Service Commission

March 18, 2015

Gary A. Deremer
President
5320 Captains Court
New Port Richey, FL 34652
Gderemer@uswatercorp.net

STAFF'S THIRD DATA REQUEST
via email

Re: Docket No. 140158-WS - Application for increase in water and wastewater rates in Highlands County by HC Waterworks, Inc.

Dear Mr. Deremer,:

By this letter, the Commission staff requests that HC Waterworks, Inc. (HC) provide responses to the following data requests.

1. **Accumulated Depreciation.** Please refer to the negative accumulated depreciation balances in Accounts 341.50 Transportation Equipment, 343.50 Tools, Shop & Garage Equipment, and 382.40 Outfall Sewer Lines in Order No. PSC-14-0341-PAA-WS. Negative accumulated depreciation creates a stranded asset with an indeterminable life and effectively overstates net book value.
 - a. Does the Company agree that rate base (specifically, accumulated depreciation, the acquisition adjustment, and the accumulated amortization of the acquisition adjustment) and any fallout adjustments to Net Operating Income should be adjusted in the instant rate case to recognize the stranded asset implications associated with these accounts?
 - b. If so, how does the Company propose to do so? If not, provide the justification as to why the cited items should not be adjusted.
2. **Bad Debt Expense.** Please provide the most recent 12-months actual write-offs for bad debt expense.
3. What justification does the Company have for using 2 percent of revenues as the appropriate level of bad debt expense?

Please refer to Administrative Costs included in Confidential Document No. 06732-14.

4. **Salaries.** Administrative costs include the salaries for a Utility Manager and an Accountant. Are these annual salaries, and if so, why is overtime included at a 5 percent rate?
5. **Miscellaneous Services.** Please provide the following information regarding the miscellaneous services expenses:
 - a. **Organizational and Business Dues and Fees.** This expense is based on 2.75 full-time employees. Why are these fees based on 2.75 full-time employees? Also, are these fees related to the salaried employees in administrative expenses?
 - b. **Radio and Phone Service.** This expense is based on 2.75 full-time employees. Why are these based on 2.75 full-time employees? Also, are these fees related to the salaried employees in administrative expenses?
6. **Tools, Materials, and Supplies.** Please provide specific detail regarding what is included in this account. Also include all historical data used to support this expense.
7. **Generator Diesel Fuel.** Please provide specific detail regarding how the expense is calculated. How often is the generator used at the plant, and for how long? Please also include all historical expense data used to support this expense.
8. **Calibration.** Please provide specific detail regarding why this expense is needed and how often it occurs. Also include all historical data used to support the magnitude of this expense.
9. **Vehicles.** Please provide the following information regarding the vehicles expense:
 - a. **Vehicles & Fleet.** Please provide an explanation for including 1.25 F-150 trucks in these calculations. Please provide detailed information regarding who uses these vehicles and for what tasks.
 - b. **Fuel and Gasoline expense.** Please provide specific detail regarding the Fuel and Gasoline expense calculation for H.C. Waterworks. Provide all historical data used to support this expense.
 - c. **Vehicle Maintenance.** Please provide specific detail regarding the vehicle maintenance expense. Provide all historical expense data used to support this expense.
10. **Computer Network Systems.** Please provide specific detail regarding "Replacement Hardware" expense and "IT Service & Repair to Central Network System" expense and the systems to which they are related. Provide all historical data used to support this expense.

Please file the original and five copies of the requested information by Friday, April 3, 2015, 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) 413-6230 if you have any questions.

Sincerely,

/s/ Kyesha Mapp

Kyesha Mapp
Attorney

KRM/as

cc: Office of Commission Clerk
Office of Public Counsel (Kelly, Reilly)