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STATE OF FLORIDA



GENERAL COUNSEL
CHARLIE BECK
(850) 413-6199

Public Service Commission

July 8, 2015

Martin S. Friedman, Esq.
766 North Sun Drive
Suite 4030
Lake Mary, Florida 32746

STAFF'S FIRST DATA REQUEST

Re: Docket No. 150102-SU - Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven

Dear Mr. Friedman:

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

Please refer to the system maps.

1. Rule 25-30.440(1)(b), Florida Administrative Code., requires detailed system maps showing the location and respective classification of the applicant's customers. The Sandalhaven wastewater map provided by the utility shows certain lots in different colors, but the legend does not identify which color denotes which customer classification. Please provide updated copies of these system maps with the additional information required. Please provide the map in electronic form if available.

Please refer to minimum filing requirement MFR Schedule A-3, page 1 of 2, Adjustments to Rate Base.

2. Explain the purpose for the reclassification of the payments of \$2,258,119 from Account 380.4 Treatment & Disposal Equipment to Account 389.1 Intangible Plant on lines 1 – 4.
3. Provide the calculations for the accumulated depreciation of \$479,854 on lines 40 – 42.
 - a. Include the depreciation rates and the type of plant.

Please refer to MFR Schedule A-3, page 2 of 2, Adjustments to Rate Base.

4. Explain the purpose for the reclassification of contributions in aid of construction (CIAC) for Sewer Tap Fees to Plant Capacity Fees of \$974,922 on lines 21 – 23.

5. Provide the calculations for the accumulated amortization of CIAC of \$190,402 on line 36.

Please refer to MFR Schedule B-3, page 2 of 2, Adjustment to Operating Income.

6. Provide the calculations for the adjustment of \$10,412 to amortize the Net Loss related to decommissioning the wastewater treatment plant (WWTP) on line 26.
7. Provide the calculations and assumptions for the pro forma adjustments related to the increase of \$169,597 for Account 710 Purchased Sewage Treatment on line 31.
8. Provide the calculations and assumptions for the pro forma adjustments related to the decrease of \$69,473 for Account 720 Materials & Supplies on line 35.
 - a. Explain the rationale for the remaining balance of \$20,121 in the test year.
 - b. If the utility is decommissioning the WWTP, what expenses for Materials & Supplies will Sandalhaven incur after the test year?

Please refer to MFR Schedule B-6.

9. On line 6, Account 715 Purchased Power, includes an amount of \$14,828 in column (16) for the Adjusted Total for the test year.
 - a. Please provide all invoices for the purchased power expense in the test year ended December 31, 2014.
 - b. Explain for what purpose will the utility need purchased power after the WWTP is decommissioned.
10. On line 9, Account 720 Materials & Supplies, the amount for August 2014 (\$21,579) is three times the average amount for the other months (\$7,466).
 - a. Explain the reason for the substantial increase in Materials & Supplies expense in the month of August 2014.
 - b. Explain the reason for the decrease of \$7,331 in the month of September 2014.
11. On line 15, Account 736 Contractual Services – Other, shows a total adjusted annual expense of \$21,950.
 - a. Provide all invoices that comprise the expenses in Account 736 Contractual Services – Other.

Please refer to MFR Schedule B-9.

12. Line 11 shows an amount of \$17,666 for Other Outside Services related to various consultants.

- a. Provide all invoices for the services included in the total of \$17,666.

Please refer to MFR Schedule B-10, Rate Case Expense.

13. 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.

14. For each firm or consultant providing services for the applicant in this docket, please provide copies of all invoices for services provided to date.

15. 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.

16. 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 proposed agency action (PAA) process.

17. Please provide an itemized list of all other costs estimated to be incurred through the PAA process.

18. 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.

19. 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.

Please refer to MFR Schedule B-11, Analysis of Major Maintenance Projects.

20. Lines 7 and 8 list two projects that include a date of 12/31/2012 under the column with the heading "Period."

- a. Does the date of 12/31/2012 indicate that the Deep Well Injection Project and the Wastewater Treatment Plant Expansion Project are fully amortized as of December 31, 2012?
- b. If the Deep Well Injection Project and the WWTP Expansion Project are not fully amortized, are the test year amortization expenses of \$19,977 and \$45,411 included in the test year?
- c. In Order No. PSC-07-0865-PAA-SU, the Commission approved an amortization period of 15 years for the above referenced projects. However, it appears Sandalhaven used a 5-year amortization period to calculate the amortization expense. Please explain the discrepancy in the amortization period.

Please refer to MFR Schedule C-6, Accumulated Deferred Income Taxes (ADIT).

- 21.** Lines 12 through 23 lists Acct No. 256.4421/4371Def Tax Tap Fee Post 2000 for years 2005 through 2014. In Sandalhaven's last rate case with the FPSC, the Commission disallowed the debit ADITs in these accounts for rate making purposes.
 - a. Please explain from what sources these ADITs were generated.
 - b. Please provide documentation that demonstrates the Utility paid income tax on the Tap Fees.

Please refer to MFR Schedule D-4, Simple Average Cost of Short-Term Debt.

- 22.** The cost rate of 7.77% in column (4) does not reflect the actual cost rate of short-term debt for Utilities, Inc. According to the Financial Statement of Utilities, Inc. provided to staff under request for confidential treatment, UI's cost rate for short-term debt is Libor plus a risk premium basis point adjustment. Further, the cost rate for short-term debt in the Sandalhaven's 2014 Annual Report is listed as 4.61% (see F-5).
 - a. Please explain the discrepancy between the three cost rates of 4.61%, 7.77%, and the actual cost rate for UI.
 - b. Please provide the calculation for the Total Interest Expense of \$310,713.
 - c. Please explain how the amount of \$310,713 is allocated to Utilities Inc., of Sandalhaven.
 - d. Disregarding the mathematical derivation to calculate the cost rate of 7.77%, please provide justification for a cost rate of 7.77% for short-term debt during a period of time when short-term interest rates are at an all-time low.

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Please refer to MFR Schedule E-2.

23. It appears that the utility did not use the wastewater gallons at its tariffed gallonage cap to determine operating revenues. Please correct any fallout calculations necessary on MFR Schedule E-2 due to this correction.

Please respond to this data request by July 29, 2015 to allow this docket to be processed within the statutory time frame. Furthermore, please submit the following information to the Office of Commission Clerk, Docket No. 140158-WS, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, Florida 32399-0850. The information should not be addressed to staff. If you have any questions, please feel free to contact me at (850) 413-6218.

Very truly yours,

/s/ Suzanne Brownless

Suzanne Brownless
Senior Staff Attorney

SBr

cc: Office of Commission Clerk (Docket No. 150102-SU)