



Silver Lake Utilities

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June 10, 2016

Mr. Adam Hill
Division of Engineering
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Docket No. 150149-WS
Staff Assisted Rate Case by Silver Lake Utilities, Inc.

Dear Mr. Hill:

SLU reviewed the data presented in the original certificate application dated October 24, 2006 and the revised application files dated June 15, 2007 to document responses to questions 5, 6 and 7. The responses are presented below.

5. December 3, 2007, lease agreement:
 - a. Please explain why a royalty per thousand gallons pumped is reasonable, and how the royalty figure was determined.

The commission in Order No. PSC-99-2198-PAA-WU approved a royalty of \$0.20 per thousand gallons in a situation similar to the instant case. The royalty charge was previously approved by the Commission in setting the original rates in Order No. PSC-07-0983-PAA-WS. The cost was estimated by Cronin, Jackson, Nixon, and Wilson, CPA's based on their experience with costs for similar sized utilities. The charge reflects the impact to utilize and withdraw water and the impact of such uses.

- b. Please provide details on the cost of the lease payments for each well site. Is the lease payment derived from the land price of each well? If so, please provide supporting documentation. If not, please explain how the lease payments are determined and why they are reasonable.

The lease payment was previously approved by the Commission in setting the original rates in Order No. PSC-07-0983-PAA-WS. The Utility was asked to justify the lease amounts in the Staff's First Data Request, and the Utility provided supplemental responses thereto, and the lease amount was included in the revenue requirement. PSC Order No. PSC-07-0717-FOF-WS required the Utility to execute and record the Leases, which were filed with the Commission on December 5, 2007. This is further evidence of approval of the Leases and associated lease payments. The Lease provides land for the well, storage and treatment facilities, and ingress and egress to the site.

6. Account 301 (Organization): Please explain why organization costs included for wastewater, bulk water and bulk treated water should be allowed when these plants were never developed. Please provide documentation determining the amount of organization costs that were allocated to these plants.

When this development eventually moves forward, current customers will benefit from economies of scale and thus extending the service area benefits existing customers.

7. Contractual Services – Management and Contractual Services – Other: this category currently accounts for \$79,354, or 50.4 percent of operation and maintenance expense. Please explain why Contractual Services – Management and Contractual Services – Other expenses are warranted for a Utility currently serving under 100 customers. Why should these amounts be approved for such a small customer base?

In the original ratemaking, salaries, wages and contractual services accounted for about 56% of total O&M expenses. A large part of this expense is due to the size of the service area, 350,000 acres, and the remote location of many of the facilities. The drive time and transportation expense contribute to this cost.



Chris Shoemaker, Utility Manager
Silver Lake Utilities, Inc.