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July 5, 2016

Carlotta Stauffer, Clerk  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Oak Springs, LLC: Docket No. 160075-WS  
Transfer of Certificate to Oak Springs MHC, LLC

Dear Ms. Stauffer,

I am writing this letter as a response to the staff Audit Report dated June 29, 2016. After review of the Audit Report, we do not take great issue with most of its findings; however, we do wish to make several comments which we believe will assist the Commission in ultimately granting the request for transfer of certificate and in establishing rate base for this utility.

(1) Net book value or rate base at the date of transfer. In keeping with standard Commission practice of establishing the rate base of the utility at the time of transfer, the utility has provided several documents to the Commission which we believe assist in that goal. One of those documents was the original cost study performed by the utility's previous owner's consulting engineer during the original certification of this utility in Docket No. 040415-WU. That original cost study calculated the original cost of construction of the utility facilities in 1973 and calculated their net book value including depreciation up through the date of certification at December 31, 2003. We believe that the Commission regularly has utilized original cost studies such as this in order to determine the net book value of a utility where the original source documents are no longer available for audit. In fact, this original cost study was utilized by the Commission in that 2004 case to establish initial rates for the utility. Therefore, we believe that the Commission should utilize the information contained in the attached Exhibits A and B as developed by the utility in the 2004 Docket to establish the starting rate base for the utility as of December 31, 2003.

The auditor has utilized the information provided by the utility relative to the additions to plant in service since 2003 and calculated depreciation on those items. The utility has previously provided to the Commission the attached Exhibit C which starts with the balances from the original cost study at December 31, 2003 and adds the plant additions as referenced in the audit in 2015 and a minor addition in 2006. This Exhibit C also calculates accumulated depreciation on both the existing plant per the original cost

Ms. Carlotta Stauffer  
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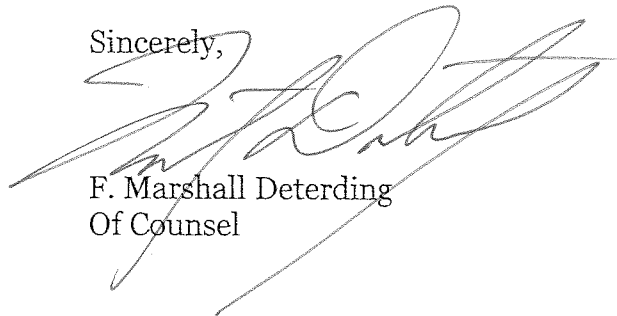
study and these additions up through the date of acquisition by the current owner as of May 31, 2015. Therefore, we believe that these figures should be utilized in establishing the utility's rate base on a going forward basis.

(2) Utility Land. The utility estimated in the original cost study referenced above and attached hereto, the value of the utility's 0.75 acres of land utilized for the water plant at \$3,750 at the time it was first utilized for the construction of the water plant in 1973. This figure was estimated by the engineer based upon comparable land values. The auditor in his finding number 3 has calculated a land value approximately \$1,000 less than this figure based upon doc stamps of a 1972 deed. The utility has contacted and discussed this issue with the auditor and has determined that the auditor based his calculation on a 1972 deed which he contends represents the acquisition of the utility land by the person first devoting that land to public service in 1972. A copy of this deed is attached. We are not aware of how the auditor was able to determine that this was, in fact, the 0.75 acres of land utilized for the water plant location. However, if it is, in fact, that property, then we have no problem with the auditor's calculation and this land value would appropriately be substituted for that contained in the original cost study if the auditor is correct in that regard.

(3) NARUC books kept in accordance with NARUC system of accounts. The utility is awaiting the Commission's determination of the utility's net book value and rate base and the determination of the appropriate accounts into which those plant assets should be grouped in order for it to set up those books based upon the NARUC system of accounts. As soon as the Commission issues its final order establishing the rate base for the utility, the utility's consultants will work with the utility management in order to ensure that the general ledger and books of the utility are set up in accordance with the NARUC system of accounts which the utility should be able to accomplish within 60 days of that final order.

If you or any members of the staff have any questions with regard to any of the above comments or suggestions or any of the attachments, please do not hesitate to contact me.

Sincerely,



F. Marshall Deterding  
Of Counsel

FMD/brf  
cc: Maria Virga  
Gary Morse