

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for increase in water and
wastewater rates in Charlotte, Highlands,
Lake, Lee, Marion, Orange, Pasco, Pinellas,
Polk, and Seminole Counties by Utilities, Inc.
of Florida

DOCKET NO. 160101-WS

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the corrections to Prefiled Rebuttal Testimony Deborah D. Swain has been electronically filed with the Florida Public Service Commission, Office of Commission Clerk, and a copy furnished by E-mail to the following parties, this 28th day of April, 2017:

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Respectfully submitted this 28th day of April,
2017.

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For the Firm

1 110, however, the rate is correct as filed.

2 **Q. Did you review Ms. Ramas' adjustment to remove a health insurance reserve entry?**

3 **A.** Yes, Ms. Ramas incorrectly concludes that an adjustment to record a health insurance
4 reserve on the Company's books at the end of the year is non-recurring. It is customary
5 practice for companies to record accruals, reserve adjustments and corrections at the end of
6 the fiscal year. I do not agree with Ms. Ramas' determination that this adjustment is not
7 appropriate. This particular entry was made because the Company reviewed the history of
8 the health insurance billing during the year, then estimated the amount that had not yet been
9 billed, and recorded it as a reserve adjustment.

10 **Q. Do you agree with Ms. Ramas' adjustment to remove a depreciation expense entry**
11 **reflected on Schedule B-12 for each system?**

12 **A.** Yes, this "Fixed Asset Clean up adjustment" appears to apply to a prior period and as such
13 should be removed.

14 **Q. Do you agree with Ms. Ramas adjustment related to the incorrect allocation of**
15 **transportation expenses?**

16 **A.** Although technically correct, the adjustment is immaterial.

17 **Q. Please describe any adjustments necessary to the proforma GIS system additions,**
18 **based on your review of Ms. Ramas' testimony.**

19 **A.** Ms. Ramas first reduced the cost of the GIS system to \$350,000 based upon Mr. Flynn's
20 Prefiled Direct Testimony. However, as provided by Mr. Flynn in Exhibit Amended PCF-
21 51, the estimate of the cost of the GIS system has been updated, and the new cost should be
22 used.

23 **Q. Do you agree with the corrections to errors Ms. Ramas found in the cost of the GIS**
24 **applied to Labrador and Pennbrooke?**

25 **A.** Yes, there were errors in the allocation that requires correction. Again, the updated cost

1 specific components, the result is that she is claiming that nearly two-thirds of the financial
2 support for the rate base is from ADIT. This is nonsensical, and the result is that the
3 recommended overall rate of return is 3.01%. This is particularly highlighted in this case
4 because of the magnitude and impact of the rate base adjustments. It is unreasonable to
5 assert that the non-used rate base was fully funded by the high cost components, and that
6 the used and useful assets are financed by the low cost components. Although this mirrors
7 the result for all cases with adjustments to rate base, this particular extreme case vividly
8 depicts that it is not always reasonable or appropriate to allocate only certain capital
9 components. It should be noted that my comments regarding the correct way Ms. Ramas
10 should make adjustments based on Mr. Woodcock's testimony, should not be taken as an
11 endorsement of Mr. Woodcock's determination of used & useful. The utility believes that,
12 based on Mr. Seidman's testimony, the plant at Sandalhaven is 100% used and useful.

13 **Q. Please address the adjustments made by Ms. Ramas specifically for Sanlando.**

14 **A.** As with the other systems previously mentioned, all of the proforma expenses for new
15 employees, and related to the purchased power tariff change should be included to the
16 extent supported by Mr. Flynn.

17 Ms. Ramas removed rental expenses recorded on the company's books in January 2015 for
18 equipment rented in 2014. I disagree that the expenses associated with the prior year should
19 be removed. Ms. Ramos also adjusted out the cost of grit removal and removal of a steel
20 tank. This was also identified in Audit Finding 6. However, as an extraordinary expense, it
21 is more appropriate to defer it and amortize it over five years. A test year expense of one-
22 fifth, or \$2,600 should be added back to amortization expense, and the balance of \$10,399
23 (full amount minus one-year amortization) should be added to working capital as a deferred
24 debit.

25 Ms. Ramas removes the proforma plant addition for the Myrtle Hill plant since it will be

1 detailed analysis. Furthermore, although it will not be purchased on a daily basis, water may
2 still be purchased if needed on an emergency basis.

3 **Q. Do you agree with Ms. Ramas adjustment to the retirement of plant associated with**
4 **the main replacement program.**

5 **A.** Yes, I do. In her analysis Ms. Ramas recommends limiting the amount of the retirement to
6 the balance in the plant account for mains as of December 31, 2000 since additions after
7 that time have been other replacement projects, and the amount associated with this
8 particular replacement project would certainly be no more than the account balance at the
9 date she indicates. Ms. Ramas also makes a similar adjustment to the Northwestern Force
10 Main Replacement, limiting the retirement to the test year end balance in account 360.2,
11 \$28,207.

12 Ms. Ramas also points out that certain accumulated depreciation accounts have a negative
13 balance, and again points to Audit Finding Number 3. Consistent with Mr. Deason's
14 testimony, I agree that the adjustment to correct accounting errors identified in Audit
15 Finding Number 3 should be made.

16 **Q. Do you have other corrections to the MFRs you have found as a result of your review,**
17 **discovery, or any other reason?**

18 **A.** Yes, and I have listed them below.

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24 Audit Adjustments - Mr. Deason has provided testimony regarding audit adjustment
25 detailed in the Commission's Official Audit Report. Those adjustments with which he

Utilities Inc. of Florida
Summary of Adjustments
Docket No. 160101-WS
Exhibit DDS-3

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Cypress Lakes			
<u>Proforma Plant Additions</u>			
Plant, Accumulated Depreciation, Depreciation Expense Per Exhibit PCF-51	FALLOUT CALCULATION		
<u>Working Capital Adjustments</u>			
Federal Tax Receivable / Payable should be removed - subsequently written off			35,343
<u>Depreciation Expense</u>			
B-12 allocation to all systems from prior period (87,296)	(1,574)	(1,498)	(3,072)
<u>Rate Case Expense</u>			
Prior Balance included twice	(15,188)	(14,419)	(29,607)
Adjustment to most updated rate case expense	TBD		
<u>Cost of Capital (excl ADIT)</u>			
Proforma Plant Additions - reconciliation of capital structure to rate base	FALLOUT CALCULATION		
<u>ADIT - additions to ADIT on D1/D2</u>			
Bonus Depreciation on Proforma Additions	FALLOUT CALCULATION		
<u>Audit Adjustments</u>			
Findings 1, 2, 3, 4, 7, 9, 10	FALLOUT CALCULATION		

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	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Lake Placid			
<u>Proforma Plant Additions</u>			
Plant, Accumulated Depreciation, Depreciation Expense Per Exhibit PCF-51, including full cost of GIS	FALLOUT CALCULATION		
<u>Working Capital Adjustments</u>			
Miscellaneous Deferred Debits - should be included			58
Federal Tax Receivable / Payable should be removed - subsequently written off			(761)
<u>Depreciation Expense</u>			
B-12 allocation to all systems from prior period (87,296)	(175)	(178)	(353)
Fully Depreciated Assets	(525)	(956)	(1,481)
<u>Rate Case Expense</u>			
Prior Balance included twice	(2,586)	(2,606)	(5,192)
Adjustment to most updated rate case expense		TBD	
<u>Cost of Capital (excl ADIT)</u>			
Proforma Plant Additions - reconciliation of capital structure to adjusted rate base	FALLOUT CALCULATION		
Cost Rate Correction - 2% interest rate on customer deposits	FALLOUT CALCULATION		
<u>ADIT - additions to ADIT on D1/D2</u>			
Bonus Depreciation on Proforma Additions	TBD		
<u>Audit Adjustments</u>			
Findings 1, 2, 3, 4, 7, 9, 10	FALLOUT CALCULATION		

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	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Lake Utility Services			
<u>Proforma Plant Additions</u>			
Plant, Accumulated Depreciation, Depreciation Expense Per Exhibit PCF-51, including full cost of GIS			FALLOUT CALCULATION
<u>Nonused & Useful CIAC</u>			
Prepaid CIAC (CIAC associated with unconnected customers)		TBD	
<u>Working Capital Adjustments</u>			
Federal Tax Receivable / Payable should be removed - subsequently written off			602,382
<u>Depreciation Expense</u>			
B-12 allocation to all systems from prior period (87,296)	(14,597)	(4,515)	(19,112)
<u>Rate Case Expense</u>			
Adjustment to most updated rate case expense		TBD	
<u>Operating and Maintenance Expense</u>			
Sludge Hauling Savings		(21,000)	(21,000)
Purchased Power (SECO tariff)	3,631	(9,831)	
<u>Cost of Capital (excl ADIT)</u>			
Proforma Plant Additions - reconciliation of capital structure to rate base			FALLOUT CALCULATION
<u>ADIT - additions to ADIT on D1/D2</u>			
Bonus Depreciation on Proforma Additions		TBD	
<u>Audit Adjustments</u>			
Findings 1, 2, 3, 4, 7, 9, 10			FALLOUT CALCULATION

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	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Sanlando			
<u>Proforma Plant Additions</u>			
Plant, Accumulated Depreciation, Depreciation Expense Per Exhibit PCF-51, including correct allocation of GIS system	FALLOUT CALCULATION		
<u>Working Capital Adjustments</u>			
Miscellaneous Deferred Debits - should be included			45,833
Federal Tax Receivable / Payable should be removed - subsequently written off			218,520
Steel Tank Cost & Removal Defer & Amortize			11,699
<u>Depreciation Expense</u>			
B-12 allocation to all systems from prior period (87,296)	(17,226)	(13,858)	(31,084)
<u>Rate Case Expense</u>			
Prior Balance included twice	(41,083)	(33,147)	(74,230)
Adjustment to most updated rate case expense	TBD		
<u>Operating and Maintenance Expense</u>			
Defer and amortize cost of removal of steel tank over 5 years			
O&M expense		(12,999)	(12,999)
Amortization expense		2,600	2,600
Working capital - def'd debit		ABOVE	
<u>Cost of Capital (excl ADIT)</u>			
Proforma Plant Additions - reconciliation of capital structure to adjusted rate base	FALLOUT CALCULATION		
<u>ADIT - additions to ADIT on D1/D2</u>			
Bonus Depreciation on Proforma Additions	TBD		
<u>Audit Adjustments</u>			
Findings 1, 2, 3, 4, 7, 9, 10	FALLOUT CALCULATION		

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	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
UIF - Counties			
<u>Plant Retirements associated with Proforma plant additions</u>			
Orange - Crescent Heights Water Main retirement limited to \$199,193			
331.4 (debit)	1,159,327		1,159,327
AD 331.4 (credit)	1,159,327		1,159,327
AD 331.4 (credit)	13,481		13,481
Depr exp 331 (debit)	26,961		26,961
Pasco - Water system main retirement limited to \$0			
331.4 (debit)	1,125,000		1,125,000
AD 331.4 (credit)	1,125,000		1,125,000
AD 331.4 (credit)	13,081		13,081
Depr exp 331 (debit)	26,163		26,163
Pinellas - Water system main retirement limited to \$0			
331.4 (debit)	750,000		750,000
AD 331.4 (credit)	750,000		750,000
AD 331.4 (credit)	8,721		8,721
Depr exp 331 (debit)	17,442		17,442
Seminole - Water system main retirement limited to \$886,000 (12/31/2000 balance)			
331.4 (debit)	5,527,913		5,527,913
AD 331.4 (credit)	5,527,913		5,527,913
AD 331.4 (credit)	64,278		64,278
Depr exp 331 (debit)	128,556		128,556
Seminole - Northwestern Force Main Replacement limited to \$28,207			
360.2 (debit)		196,793	196,793
AD 360.2 (credit)		196,793	196,793
AD 360.2 (credit)		3,280	3,280
Depr exp 360 (debit)		6,560	6,560
<u>Plant Retirements - Decommissioning - Pasco</u>			
Correct retirement to conform with limited proceeding			
Plant Accounts correction	1,071,092		1,071,092
AD Correction	1,511,577		1,511,577
CIAC Correction	(3,633)		(3,633)
AA Correction	(73,154)		(73,154)
Loss on Decommissioning	363,697		363,697
Working Capital (cost minus 1/2 year, 10 year amortization)			354,856
Amortization Expense	36,370		36,370
Cost of retirement net of salvage updated to \$176,826			
Working Capital (cost minus 1/2 year, 10 year amortization)			167,985
Amortization Expense	17,683		17,683
<u>Proforma Plant Additions</u>			
Plant, Accumulated Depreciation, Depreciation Expense			FALLOUT CALCULATION
Per Exhibit PCF-51, including correct allocation of GIS system			
<u>Working Capital Adjustments</u>			
All - Federal Tax Receivable / Payable should be removed - subsequently written off			(29,957)
Pinellas - Allocation Correction			(3,924)
<u>Depreciation Expense</u>			
B-12 allocation to all systems from prior period (87,296)	(8,542)	(3,477)	(12,019)
Marion - Fully Depreciated Assets	(2,874)		(2,874)
<u>Rate Case Expense</u>			
Prior Balance included twice			-
Adjustment to most updated rate case expense		TBD	
<u>Cost of Capital (excl ADIT)</u>			
Proforma Plant Additions - reconciliation of capital structure to adjusted rate base			FALLOUT CALCULATION
<u>ADIT - additions to ADIT on D1/D2</u>			
Bonus Depreciation on Proforma Additions		TBD	
<u>Audit Adjustments</u>			
Findings 1, 2, 3, 4, 7, 9, 10			FALLOUT CALCULATION