

Eric Fryson

110257-WS

From: Michele Parks [mparks@sfflaw.com]
Sent: Thursday, February 23, 2012 10:38 AM
To: Filings@psc.state.fl.us
Cc: Kirsten Markwell; SLNedved@uiwater.com; Andrew Maurey; Mark Cicchetti
Subject: {BULK} Docket No.: 110257-WS; Application for Increase in Water and Wastewater Rates in Seminole County by Sanlando Utilities Corp.

Importance: Low

Attachments: PSC Clerk 08 (Resp to Audit Report).ltr.pdf

- a. Martin S. Friedman, Esquire
 Sundstrom, Friedman & Fumero, LLP
 766 N. Sun Drive, Suite 4030
 Lake Mary, FL 32746
 PHONE: (407) 830-6331
 FAX: (407) 830-8522
mfriedman@sfflaw.com
- b. Docket No.: 110257-WS; Application for Increase in Water and Wastewater Rates in Seminole County by Sanlando Utilities Corp.
- c. Sanlando Utilities Corporation
- d. Cover Letter (2 pages)/Responses to Audit Report (4 pages)/supporting documents (19 pages)
 - a. Response to Audit Report

MICHELE PARKS

Paralegal for Martin S. Friedman and Bridget M. Grimsley

**PLEASE NOTE: Our changed firm name and email address.
Please update your contacts accordingly. Thank you.**

**SUNDSTROM,
 FRIEDMAN & FUMERO, LLP**
 Attorneys | Counselors



SUNDSTROM, FRIEDMAN & FUMERO,
 LLP
 Attorneys at Law
 766 North Sun Drive, Suite 4030
 Lake Mary, Florida 32746
 T: 407.830.6331
 F: 407.830.8522
mparks@sfflaw.com
www.sfflaw.com

Tallahassee • Lake Mary • Boca Raton

Notice: This email message, and any attachments hereto, contains confidential information that is legally privileged. If you are not the intended recipient, you must not review, transmit, convert to hard copy, copy, use or disseminate this email or any attachments to it. If you have received this email in error, please notify us immediately by return mail or by telephone at (888)-877-6555 and delete the original and all copies of this transmission, including any attachments. Thank you.

DOCUMENT NUMBER-DATE
 01016 FEB 23 2012
 FPSC-COMMISSION CLERK

2/23/2012

February 23, 2012

E-FILING

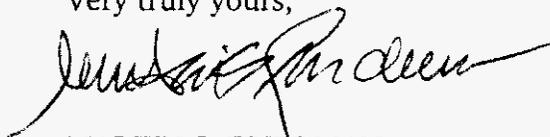
Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Docket No 110257-WS; Application for increase in water and wastewater rates in
Seminole County by Sanlando Utilities Corporation
Our File No.: 30057.198

Dear Ms. Cole:

Attached is the response of Sanlando Utilities Corporation to the Audit issued in
the above-referenced docket, Audit Control No. 11-315-4-1.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/mp
Enclosures

cc: Kirsten Markwell, Manager of Regulatory Accounting (w/enclosures) (via e-mail)
Spencer Nedved, CPA, Regulatory Accountant (w/enclosures) (via e-mail)
Mr. Andrew Maurey (w/enclosures) (via e-mail)
Mr. Mark Cicchetti (w/enclosures) (via e-mail)

**SANLANDO UTILITIES, INC.
DOCKET NO. 110257-WS
RESPONSES TO AUDIT REPORT**

Audit Finding No. 1 – Depreciation Restatement

The Company agrees with Audit Finding No. 1.

Audit Finding No. 2 – Commission Ordered Adjustments

The Company disagrees with part of Audit Finding No. 2. In the previous Sanlando audit report, docket 090402-WS, staff stated in Audit Finding No. 2 – Plant Sample that the Company was unable to provide sufficient support for numerous entries including an invoice for account 1440 in the amount of \$12,000. In the response to the report, the Utility provided Invoice 27763 as supporting documentation; however staff has still removed this balance from the plant account 1440. The Utility believes this invoice provides sufficient documentation of the entry and therefore the credit to account 1440 for \$12,000 should be removed.

The Company also disagrees with the finding for account 1845 – Accumulated Depreciation for Structures & Improvements – Source of Supply. The Company committed an error in the previous depreciation restatement and included the accumulated depreciation of account 1850, thereby drastically overstating the value. Staff is utilizing this overstated number in their calculation, while the Company has removed this error in the 2011 Depreciation Restatement.

For account 3895 Accumulated Amortization CIAC Meters, staff has made a transposition error and wrote that the beginning of balance of account 3895 was \$718,234. The actual beginning balance for that account is \$781,234, and this difference is the sole reason for the \$62,999.55 adjustment.

For account 4155 Accumulated Amortization CIAC – Treatment & Disposal – Wastewater Treatment, staff has made a \$75,483 adjustment, however account 3605 CIAC – Treatment & Disposal – Wastewater Treatment has been fully amortized. This adjustment would over amortize account 3605 by \$75,483.

Staff is requesting an adjustment of 640.37 to account 4280 – Accumulated Amortization CIAC – Wastewater Plant Modification Fee. This is the result of an error in the Company's depreciation restatement from the previous rate case in which account 4280 had a credit balance when it should've had a debit balance. Therefore staff is recording the account with a credit balance of \$320 while the company has a debit balance of \$320 and is the sole reason for the \$640 adjustment.

Finally, staff discovered that account 1640 had been left off of the 2011 Depreciation Restatement during the course of their audit; however the adjustment wasn't included in this finding. The Company has calculated the impact of this account on the document titled "Audit Finding No. 2." This account will increase average water and wastewater plant by \$12,561.45 and \$9,801.35 respectively. Water and wastewater accumulated depreciation will increase by \$5,652.65 and \$4,410.61 respectively, and water and wastewater depreciation expense will increase by \$1,256.14 and \$980.14 respectively.

After considering the above modifications, the Company believes the following adjustments to staff's numbers should be made. Average wastewater plant should be reduced from a \$21,691 credit to a \$110.35 debit (21,691 – 12,000 – 9,801.35) in regards to account 1440 and 1640. Average water accumulated depreciation should be debited by \$170,398 in regards to account 1845 and credited by \$5,652.65 in regards to account 2185, changing staff's suggested credit of \$169,795.54, to a credit of \$5,049.98. Average water accumulated amortization of CIAC should be debited \$62,999.55 for account 3895, changing staff's suggested credit of \$1,630, to a debit of \$61,369.55. Average wastewater accumulated amortization of CIAC should be credited by \$75,483 and debited by \$640, nullifying this adjustment in total. Average water plant will change from a \$4,152 credit to an \$8,409 debit in regards to account 1640. Average wastewater accumulated depreciation should change from a \$30,138 debit to a \$25,728 debit balance. Water depreciation expense should change from a \$36.51 debit to a \$1,292.65 debit, and wastewater depreciation expense should change from a \$638 credit balance to a \$342 debit balance.

Audit Finding No. 3 – Allocations from Headquarters – Rate Base

The Company agrees with Audit Finding No. 3.

Audit Finding No. 4 – Ordered Adjustments for Project Phoenix Not Booked

The Company disagrees with Audit Finding No. 4 and argues for the full balance of Project Phoenix to be included at the headquarters level, with the appropriate 7.79% allocated to Sanlando. It is incorrect to reduce the Phoenix balance for sold companies, as none of the Phoenix system was sold in conjunction with the divested companies. The total Phoenix balance is currently in service and benefiting ratepayers and it is arbitrary and inappropriate to reduce the balance. Doing so guarantees that the Company earns a subpar return on a Commission-approved investment.

The question is also raised that if the Company were to acquire customers, would the Commission allow the Company to increase its Phoenix balance? Such practice would not be allowed. However, the same arbitrary practice is occurring by reducing the Phoenix balance due to divestment. The Company cannot arbitrarily reduce the book value of an asset due to divestment of customers.

In addition, reducing the Phoenix balance creates a gain on sale situation in the amount of \$1,652,234 because it effectively "sells off" this amount of Phoenix with the sold companies. In Order No. PSC-03-1440-FOF-WS, pg. 129, in Docket No. 020071-WS, the Commission expressly states "it is clear that the courts have found that the rates paid by customers are only for the service received during a given period of time and that the rates paid by customers do not vest ratepayers with any ownership rights to property used to render service." Another compelling factor raised by witness Gower is that the customers pay rates based on original cost rather than on replacement values. We find that these are strong arguments to assign the gains to the shareholders." Section 367.0813, Florida Statutes, codifies this principle.

Based on these facts, it is inappropriate to reduce the Project Phoenix balance. The Phoenix balance should remain as is in the filing, and no adjustments are required.

Audit Finding No. 5 – Depreciation Life of Project Phoenix

The Company disagrees with Audit Finding No. 5. Staff has no basis for changing Phoenix to a ten year life; however an eight year life has already been established in previous dockets and is the life used for all other computer software booked to the same account as Phoenix.

Audit Finding No. 6 – Retirements Not Booked

The Company disagrees with Audit Finding No. 6 and argues that many of the capitalized entries should've been expensed. Please see the document titled "Audit Finding No. 6" for a detailed explanation as to how these expenses effect staff's calculations. After taking into account the numbers illustrated in the document, the Company believes that Average Water Plant should be reduced by \$19,057. Average Water Accumulated Depreciations should be reduced by \$11,919. Water depreciation expense should be reduced by \$821. Average Wastewater Plant should be reduced by \$71,629. Average Wastewater Accumulated Depreciation should be reduced by \$43,101 and Wastewater expense should also be reduced by \$3,825. Also, the Company believes that Wastewater Operation and Maintenance costs should increase by \$17,290.

Audit Finding No. 7 – Capitalized Items

The Company agrees with Audit Finding No. 7.

Audit Finding No. 8 – Sludge Equipment

The Company agrees with Audit Finding No. 8. The Company notices that staff mentioned account 4100 instead of 1400.

Audit Finding No. 9 – Working Capital Allowance

The Company agrees with Audit Finding No. 9.

Audit Finding No. 10 – Common Plant Allocations

The Company agrees with Audit Finding No. 10.

Audit Finding No. 11 – Proforma Retirement

The Company agrees with Audit Finding No. 11.

Audit Finding No. 12 – Allocations from Headquarter – Net Operating Income

The Company agrees with Audit Finding No. 12.

Audit Finding No. 13 – Proforma Deferred Maintenance

The Company agrees with Audit Finding No. 13.

Audit Finding No. 14 – Proforma for Pay Increase

The Company agrees with Audit Finding No. 14.

Audit Finding No. 15 – Removal of Operating Expenses

The Company agrees with Audit Finding No. 15.

Audit Finding No. 16 – Other Expenses

The Company agrees with Audit Finding No. 16.

Audit Finding No. 17 – Benefits Adjustment

The Company agrees with Audit Finding No. 17.

Audit Finding No. 18 – Net Operating Income Adjustment Salaries and Benefits

The Company agrees with Audit Finding No. 18.

Audit Finding No. 19 – Overstated Expense

The Company agrees with Audit Finding No. 19.

Audit Finding No. 20 – Non-allocated Expense

The Company agrees with Audit Finding No. 20.

Audit Finding No. 21 – Prior Rate Case Amortization

The Company agrees with Audit Finding No. 21.

Audit Finding No. 22 – Non-recurring Expenses

The Company disagrees with Audit Finding No. 22, and argues that non-recurring expenses during the test year should be amortized over a five year period. Please see the document titled "Audit Finding No. 22" where the Company accounts for a five year amortization of non-recurring expense incurred in the test year. The Company believes there should be a \$7,911.60 reduction to water expenses and a \$4,877.60 reduction to wastewater expenses. Also, the Company has provided the reversing entry which was recorded in 2011 for the Rose, Sundstrom & Bentley entry; therefore no general ledger entry needs to be entered for that finding.

Audit Finding No. 23 – Regulatory Assessment Fees

The Company agrees with Audit Finding No. 23.

Audit Finding No. 24 – Abandoned Well

The property contains a well and well casing installed in the 1990's as a future water production well. The well was not fully developed prior to the purchase of Sanlando Utilities Corp. by Utilities, Inc. in 1999 and thus was never utilized as a production well. It is incorrect to describe the well (Well 1B) as abandoned or to state that the previous owner attempted to restore the well because it was never utilized as a water supply source or for any other purpose. No action was taken by the Utility after 1999 to develop this well, refurbish it, or modify it and therefore it continues to be held for future use. The Utility agrees that this parcel (Parcel# 35-20-39-300-0160-0000) should be considered non-used and useful and recorded below the line. Utility believes it should have an assigned value of \$5,000. This reflects the fact that the parcel has a severe drop-off in the slope of the property, it abuts both the I-4 right-of-way and E.E. Williamson Road, both of which produce elevated noise pollution, there is a drainage swale that restricts access to the parcel, it is heavily wooded, and central water and sewer services are not available. If the parcel is sold by

the Utility in the future, then the proceeds from that sale should solely benefit the Utility and not the customer consistent with booking the value of the parcel below the line.

Audit Finding No. 25 – Working Capital Allowance Allocations

The Company agrees with Audit Finding No. 25.

Audit Finding No. 26 – Deferred Maintenance

The Company agrees with Audit Finding No. 26. The Company notes that staff has only included half a year of amortization, when a full year should be used. This is resulting in a \$261 difference between Staff and the Company's computations.

Audit Finding No. 27 – Proforma Plant Addition

On February 16, 2012, staff engineer Robert Simpson met with Utility staff to view the SR 434 corridor that is to be widened beginning in 2012 and to review the Utility's project plans and documents. The Subordination of Utility Interests documents referenced in Finding 27 reflect the agreement by FDOT and the Utility to relocate Utility's existing facilities that are located outside of the existing road right-of-way and within a non-exclusive utility easement, all at FDOT's expense, including engineering expense, in order to allow FDOT to widen SR 434. The two CPH Engineers, Inc. invoices reflect reimbursement for engineering support consistent with the Subordination of Utility Interests documents. None of the costs associated with relocating Utility's current assets from these easements to newly established easements will be borne by the customers. However, Utility's facilities that are currently located within the existing FDOT right-of-way that are in conflict with FDOT's road widening plans in the SR 434 corridor must be relocated or adjusted at Utility's expense. The pro forma project contained in the MFR's in the amount of \$153,312 reflects the investment necessary to accomplish this relocation activity, which then will be added to rate base. FDOT has no obligation to reimburse the Utility for any portion of the \$153,312 in relocation expense and none is expected, now or in the future.

Audit Finding No. 2
 Audit Report Response
 Docket No. 110257-W5

Object Account	NAKUC	Account Description	Ledger	Date	VEIS	M/D	Dep Exp
0640	348573987	Other Plant	AA	12/31/2008	22,362.80	6708.84	
0640	348573988	Other Plant	AA	12/31/2009	22,362.80	8,945.12	
0640	348573989	Other Plant	AA	1/31/2010	22,362.80	9,317.83	186.36
0640	3485739810	Other Plant	AA	2/28/2010	22,362.80	9,317.83	186.36
0640	3485739811	Other Plant	AA	3/31/2010	22,362.80	9,304.49	186.36
0640	3485739812	Other Plant	AA	4/30/2010	22,362.80	9,690.55	186.36
0640	3485739813	Other Plant	AA	5/31/2010	22,362.80	9,876.00	186.36
0640	3485739814	Other Plant	AA	6/30/2010	22,362.80	10,061.25	186.36
0640	3485739815	Other Plant	AA	7/31/2010	22,362.80	10,245.62	186.36
0640	3485739816	Other Plant	AA	8/31/2010	22,362.80	10,429.97	186.36
0640	3485739817	Other Plant	AA	9/30/2010	22,362.80	10,622.33	186.36
0640	3485739818	Other Plant	AA	10/31/2010	22,362.80	10,808.62	186.36
0640	3485739819	Other Plant	AA	11/30/2010	22,362.80	10,995.04	186.36
0640	3485739820	Other Plant	AA	12/31/2010	22,362.80	11,181.40	186.36

Per Restatement	22,362.80	11,181.40	2,236.28
Per Books			
Difference	22,362.80	11,181.40	2,236.28

12-Month Average per Restatement	22,362.80	10,061.25	2,236.28
12-Month Average per Books			
Difference	22,362.80	10,061.25	2,236.28

56.17% Water	12,561.45	5,652.65	1,256.14
43.83% Wastewater	9,801.35	4,410.61	980.14

Audit Finding No. 6
 Audit Report Response
 Docket No.: 110257-W5

Staff's Figures

Calculation of Water Retirements

Account	Vendor	Date	Invoice Amount	75% Retirement	Account A/D	Year Life	Monthly Dep Exp	Dep Exp 2010	Months	AD removal
1105	KW Controls	3/6/2009	3,062.07	2,296.55	1900	20	9.57	114.83	22	210.52
1105	Florida Armature	6/22/2009	3,165.06	2,373.80	1900	20	9.89	118.69	19	187.93
1105	Florida Armature	12/21/2009	4,627.86	3,470.90	1900	20	14.46	173.54	13	188.01
1105	Tampa Amature	12/21/2009	4,870.17	3,652.63	1900	20	15.22	182.63	13	197.85
1130	Sunshine Building	9/17/2009	1,500.00	1,125.00	1925	40	2.34	28.13	16	37.50
1130	Sunstate Meter	10/26/2009	1,210.42	907.82	1925	40	1.89	22.70	15	28.37
1130	Sunshine Building	11/25/2009	2,687.36	2,015.52	1925	40	4.20	50.39	14	58.79
1130	Sunshine Building	12/17/2009	1,255.44	941.58	1925	40	1.96	23.54	13	25.50
1130	Sunshine Building	8/12/2010	1,125.00	843.75	1925	40	1.76	8.79	5	8.79
Total Water			23,503.38	17,627.54			61.29	723.23		943.25

Calculation of Wastewater Retirements

Account	Vendor	Date	Invoice Amount	75% Retirement	Account A/D	Year Life	Monthly Dep Exp	Dep Exp 2010	Months	AD removal
1350	Sunshine Building	12/1/2009	6,007.50	4,505.63	2110	45	8.34	100.13	13	108.47
1380	Progress Energy	2/17/2009	3,335.02	2,501.27	2140	18	11.58	138.96	23	266.34
1380	Florida Amature	4/22/2009	3,732.16	2,799.12	2140	18	12.96	155.51	21	272.14
1380	Florida Amature	5/5/2009	8,549.30	6,411.98	2140	18	29.69	356.22	20	593.70
1380	Florida Amature	5/19/2009	6,887.59	5,165.69	2140	18	23.92	286.98	20	478.30
1380	Sunshine Building	6/4/2009	5,000.00	3,750.00	2140	18	17.36	208.33	19	329.86
1380	FJ Nugent	6/23/2009	3,780.00	2,835.00	2140	18	13.13	157.50	19	249.38
1380	FJ Nugent	6/29/2009	2,043.80	1,532.85	2140	18	7.10	85.16	19	134.83
1380	Sunshine Building	6/29/2009	1,850.00	1,387.50	2140	18	6.42	77.08	19	122.05
1380	Thompson Elec	11/19/2009	2,015.00	1,511.25	2140	18	7.00	83.96	14	97.95
1400	Nortrax Equip	6/16/2009	3,516.39	2,637.29	2160	18	12.21	146.52	19	231.98
1400	Riley and Co	6/23/2009	20,039.66	15,029.75	2160	18	69.58	834.99	19	1,322.06
1345	Sunshine Building	1/22/2010	3,650.00	2,737.50	2105	40	5.70	68.44	12	68.44
1380	FJ Nugent	1/27/2010	3,454.50	2,590.88	2140	18	11.99	143.94	12	143.94
1380	Tampa Armature	1/29/2010	3,310.00	2,482.50	2140	18	11.49	137.92	12	137.92
1380	FJ Nugent	2/11/2010	4,212.00	3,159.00	2140	18	14.63	160.88	11	160.88
1380	Florida Amature	3/9/2010	6,313.00	4,734.75	2140	18	21.92	219.20	10	219.20
Total Wastewater			87,695.92	65,771.94			285.01	3,361.70		4,937.43

Computation of 13-Month Average

	Plant		Accumulated Depreciation	
	Water	Wastewater	Water	Wastewater
Beginning Balance	16,783.79	50,067.32	17,003.80	51,643.05
January	16,783.79	57,878.19	17,063.34	59,702.39
February	16,783.79	61,037.19	17,122.87	63,124.49
March	16,783.79	65,771.94	17,182.41	68,144.25
April	16,783.79	65,771.94	17,241.95	68,429.26
May	16,783.79	65,771.94	17,301.48	68,714.28
June	16,783.79	65,771.94	17,361.02	68,999.29
July	16,783.79	65,771.94	17,420.56	69,284.31
August	16,783.79	65,771.94	17,480.09	69,569.32
(a) September	17,627.54	65,771.94	18,385.14	69,854.33
October	17,627.54	65,771.94	18,444.43	70,139.35
November	17,627.54	65,771.94	18,507.73	70,424.36
December	17,627.54	65,771.94	18,569.02	70,709.37
Total	221,564.21	826,702.10	229,085.85	868,738.05
13-Month Average	17,043.40	63,592.47	17,621.99	66,826.00

(a) Company notes that this adjustment should've been made in August, however the Company is recalculating the 13 month average, and the issue will be addressed there

Company's Figures

Calculation of Water Retirements

Account	Vendor	Date	Invoice Amount	75% Retirement	Account A/D	Year life	Monthly Dep Exp	Dep Exp 2010	Months	AD removal
1105	KW Controls	3/6/2009	3,062.07	2,296.55	1900	20	9.57	114.83	22	210.52
1105	Tampa Amature	12/21/2009	4,870.17	3,652.63	1900	20	15.22	182.63	13	197.85
1130	Sunshine Building	9/17/2009	1,500.00	1,125.00	1925	40	2.34	28.13	16	37.50
1130	Sunstate Meter	10/26/2009	1,210.42	907.82	1925	40	1.89	22.70	15	28.37
1130	Sunshine Building	11/25/2009	2,687.36	2,015.52	1925	40	4.20	50.39	14	58.79
1130	Sunshine Building	12/17/2009	1,255.44	941.58	1925	40	1.96	23.54	13	25.50
1130	Sunshine Building	8/12/2010	1,125.00	843.75	1925	40	1.76	8.79	5	8.79
Total Water			15,710.46	11,782.85			36.94	431.00		567.31

Calculation of Wastewater Retirements

Account	Vendor	Date	Invoice Amount	75% Retirement	Account A/D	Year Life	Monthly Dep Exp	Dep Exp 2010	Months	AD removal
1350	Sunshine Building	12/1/2009	6,007.50	4,505.63	2110	45	8.34	100.13	13	108.47
1380	Progress Energy	2/17/2009	3,335.02	2,501.27	2140	18	11.58	138.96	23	266.34
1380	Florida Amature	4/22/2009	3,732.16	2,799.12	2140	18	12.96	155.51	21	272.14
1380	Sunshine Building	6/4/2009	5,000.00	3,750.00	2140	18	17.36	208.33	19	329.86
1380	FI Nugent	6/23/2009	3,780.00	2,835.00	2140	18	13.13	157.50	19	249.38
1380	Sunshine Building	6/29/2009	1,850.00	1,387.50	2140	18	6.42	77.08	19	122.05
1380	Thompson Elec	11/19/2009	2,015.00	1,511.25	2140	18	7.00	83.96	14	97.95
1400	Nortrax Equip	6/16/2009	3,516.39	2,637.29	2160	18	12.21	146.52	19	231.98
1400	Riley and Co	6/23/2009	20,039.66	15,029.75	2160	18	69.58	834.99	19	1,322.06
1345	Sunshine Building	1/22/2010	3,650.00	2,737.50	2105	40	5.70	68.44	12	68.44
Total Wastewater			52,925.73	39,694.30			164.28	1,971.41		3,068.66

Recalculation of the 13-Month Average for Plant Additions

	Plant		Accumulated Depreciation	
	Water	Wastewater	Water	Wastewater
Beginning Balance	10,939.10	36,956.80	11,075.41	38,054.05
January	10,939.10	39,694.30	11,110.60	40,955.84
February	10,939.10	39,694.30	11,145.78	41,120.12
March	10,939.10	39,694.30	11,180.96	41,284.41
April	10,939.10	39,694.30	11,216.15	41,448.69
May	10,939.10	39,694.30	11,251.33	41,612.97
June	10,939.10	39,694.30	11,286.52	41,777.26
July	10,939.10	39,694.30	11,321.70	41,941.54
August	11,782.85	39,694.30	12,202.39	42,105.82
September	11,782.85	39,694.30	12,239.33	42,270.11
October	11,782.85	39,694.30	12,276.27	42,434.39
November	11,782.85	39,694.30	12,313.22	42,598.68
December	11,782.85	39,694.30	12,350.16	42,762.96
Total	146,426.99	513,288.37	150,969.82	540,366.84
13 Month Average	11,263.61	39,483.72	11,613.06	41,566.68

Expenses That Shouldn't Have Been Capitalized as Stated in Audit Request 9

Removed Water Plant and AD for Expenses

Account	Vendor	Date	Invoice Amount	75% Retirement	Account A/D	Year Life	Monthly Dep Exp	Dep Exp 2010	Months	AD removal
1105	Florida Armature	6/22/2009	3,165.06		1900	20	13.19	158.25	19	250.57
1105	Florida Armature	12/21/2009	4,627.86		1900	20	19.28	231.39	13	250.68
Total Water Expense			7,792.92				32.47	389.65		501.24

Removed Wastewater Plant and AD for Expenses

Account	Vendor	Date	Invoice Amount	75% Retirement	Account A/D	Year Life	Monthly Dep Exp	Dep Exp 2010	Months	AD removal
1380	Florida Amature	5/5/2009	8,549.30		2140	18	39.58	474.96	20	791.60
1380	Florida Amature	5/19/2009	6,887.59		2140	18	31.89	382.64	20	637.74
1380	FJ Nugent	6/29/2009	2,043.80		2140	18	9.46	113.54	19	179.78
1380	FJ Nugent	1/27/2010	3,454.50		2140	18	15.99	191.92	12	191.92
1380	Tampa Armature	1/29/2010	3,310.00		2140	18	15.32	183.89	12	183.89
1380	FJ Nugent	2/11/2010	4,212.00		2140	18	19.50	214.50	11	214.50
1380	Florida Amature	3/9/2010	6,313.00		2140	18	29.23	292.27	10	292.27
Total Wastewater Expense			34,770.19				160.97	1,853.72		2,491.69

Recalculation of the 13-Month Average for Expenses

	Plant		Accumulated Depreciation	
	Water	Wastewater	Water	Wastewater
Beginning Balance	7,792.92	17,480.69	111.60	637.97
January	7,792.92	24,245.19	144.07	750.22
February	7,792.92	28,457.19	176.54	881.96
March	7,792.92	34,770.19	209.01	1,042.94
April	7,792.92	34,770.19	241.48	1,203.91
May	7,792.92	34,770.19	273.95	1,364.88
June	7,792.92	34,770.19	306.42	1,525.85
July	7,792.92	34,770.19	338.89	1,686.82
August	7,792.92	34,770.19	371.36	1,847.79
September	7,792.92	34,770.19	403.83	2,008.76
October	7,792.92	34,770.19	436.30	2,169.73
November	7,792.92	34,770.19	468.77	2,330.70
December	7,792.92	34,770.19	501.24	2,491.67
Total	101,307.96	417,884.97	3,983.42	19,943.17
13-Month Average	7,792.92	32,145.00	306.42	1,534.09

Total (Plant Additions & Expenses)

	Plant		Accumulated Depreciation	
	Water	Wastewater	Water	Wastewater
Beginning Balance	18,732.02	54,437.49	11,187.01	38,692.03
January	18,732.02	63,939.49	11,254.66	41,706.06
February	18,732.02	68,151.49	11,322.32	42,002.09
March	18,732.02	74,464.49	11,389.97	42,327.34
April	18,732.02	74,464.49	11,457.63	42,652.60
May	18,732.02	74,464.49	11,525.28	42,977.85
June	18,732.02	74,464.49	11,592.93	43,303.10
July	18,732.02	74,464.49	11,660.59	43,628.36
August	19,575.77	74,464.49	12,573.75	43,953.61
September	19,575.77	74,464.49	12,643.16	44,278.87
October	19,575.77	74,464.49	12,712.57	44,604.12
November	19,575.77	74,464.49	12,781.98	44,929.37
December	19,575.77	74,464.49	12,851.40	45,254.63
Total	247,734.95	931,173.34	154,953.24	560,310.01
13-Month Average	19,056.53	71,628.72	11,919.48	43,100.77

2010 Expenses to be added

Account	Vendor	Date	Invoice Amount
1380	FJ Nugent	1/27/2010	3,454.50
1380	Tampa Armature	1/29/2010	3,310.00
1380	FJ Nugent	2/11/2010	4,212.00
1380	Florida Amature	3/9/2010	6,313.00
2010 Expense Increase			17,289.50

Depreication Expense	
Water	820.64
Wastewater	3,825.13

Audit Finding No. 22
 Audit Report Response
 Docket No. 110257 WS

Staff's Figures

No	NARUC	Acct	Co's Descrp	Date	Amount Water	Amount Wwater
1	633/733	6025 RSB		12/26/2010	1,992.00	1,527.00
2	720	6325 Clinebell, Brian C DBA Bub		6/17/2010		2,017.00
3	720	6345 Flo Trend Systems Inc		2/5/2010		2,553.00
4	620	6290 Reclass FL Inventory		8/31/2010	6,318.00	
					8,310.00	6,097.00

Company's Figures

No	NARUC	Acct	Co's Descrp	Date	Amount Water	Amount Wwater
1	633/733	6025 RSB		12/26/2010	1,992.00	1,527.00
2	720	6325 Clinebell, Brian C DBA Bub		6/17/2010		2,017.00
3	720	6345 Flo Trend Systems Inc		2/5/2010		2,553.00
Non-Recurring Expenses Incurred in the Test Year					1,992.00	6,097.00
Per Year Amortization Expense Over 5 Years (Non-Recurring/5)					398.40	1,219.40
No	NARUC	Acct	Co's Descrp	Date	Amount Water	Amount Wwater
4	620	6290 Reclass FL Inventory		8/31/2010	6,318.00	
Non-Recurring Expenses Incurred Outside of the Test Year					6,318.00	
Total Removal of 2010 Operating and Maintenance Expenses					7,911.60	4,877.60

Business Unit	Account	G/L	Date	Do Ty	Doc Number	Explanation	LT 1 Debit	LT 1 Credit	LT 1 Amount	Explanation -Remark
255102	6025		12/26/2010	PV	316893	ROSE SUNDSTROM & BENILEY	3,484.00		3,484.00	
255102	6025		10/31/2011	JF	280486	3RD PARTY LIABILITY RECLASS		(3,484.00)	(3,484.00)	RECLASS PV 316893
							Expense Already Removed for General Ledger Adjustment			



INVOICE

10371	01/14/08	0424UT3325	C	999	0000	0000	NET 30 DAYS	01/17/08	009601	
							WILKEGAN, IL	01/17/08	CASH ON	1

SHIP TO: (IF OTHER THAN "SOLD TO")

SOLD TO: UTILITIES, INC.
 ATTN: ACCOUNTS PAYABLE
 2335 SANDERS ROAD
 NORTHBRUCK IL 60062

UTILITIES, INC.
 DES PINAR WATER PLANT
 135 WESTERN FORK
 LONGWOOD FL 32779-4609

ORDER NO.	DATE	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL
1730	12-14	1SK7641BULK	AQUADENE SK7641 LIGUT BL	6.00	11,564.00
Batch <u>15229</u> Doc <u>87763</u>					
					PLEASE PAY THIS AMOUNT 12,460.48
					PLEASE REMIT IN U.S. DOLLARS

See reverse for Terms and Conditions of Sale
FILE COPY

FLORIDA ARMATURE WORKS, INC

2460 Smith Street
Kissimmee, FL 34744
(407) 846-1745
Fax: (407) 846-6129

Invoice

DATE	INVOICE NO.
12/4/2009	11257

3004122

Batch 72143

BILL TO
Utilities, Inc. Attention: Accounts Payable 2335 Sanders RD Northbrook, IL 60062

SHIP TO
Utilities Inc. Doc <u>223496</u> Jim Swegheimer 200 Weathersfield DR Altamonte Springs, FL 32714

P.O. NO.	TERMS	REP	PROJECT
48322	Net 30	DES	Repair

QTY	DESCRIPTION	RATE	AMOUNT
1	75 HP Aurora Motor 1630 RPM, 460 V, 3 PH 44STS Frame LOCATION: DesPinar HS Pump BU#: 255100 SCOPE OF WORK: Service call with two technicians and boom truck Disconnect, uncouple and remove motor Disassemble, inspect, clean and sandblast parts Strip and core loss test stator Rewind stator with inverter duty wire Dip and bake stator Install new bearings New space heater Dynamic balance rotor with coupling Assemble, test and paint Deliver and install Laser align shaft to shaft ***Delivery Ticket No. 2086***	4,325.10	4,325.10
	Sales Tax	7.00%	302.76

RECEIVED
DEC 10 2009

Thank you for your business.	Total	\$4,627.86
------------------------------	--------------	------------

**FLORIDA
ARMATURE
WORKS, INC**

2460 Smith Street
Kissimmee, FL 34744
(407) 846-1745
Fax: (407) 846-6129

Invoice

DATE	INVOICE NO.
5/15/2009	10700

BILL TO
Utilities, Inc. Attention: Accounts Payable 2335 Sanders RD Northbrook, IL 60062

SHIP TO
Utilities Inc Wekiva Scott Gosnell 144 Lead Bury DR Longwood, FL 32779
Batch <u>54981</u>
Doc <u>164597</u>

P.O. NO.	TERMS	DUE DATE	REP	PROJECT
34629	Net 30	6/14/2009	DES	Repair

QTY	DESCRIPTION	RATE	AMOUNT
1	47 HP/35 KW Flygt No. 3201.180-0080001 Serial No. 3201.1803001, 1755 RPM 460/230 Volt, 3 PH, 56/113 Amps SABLE POINT L/S BU # 255101 SCOPE OF WORK: RUSH SERVICE CALL WEEKEND!!! Service call with two technicians and boom truck Disconnect and remove pump Steam clean, disassemble and inspect Clean and sandblast parts Strip and core loss test stator Rewind stator and dip and bake Recondition mechanical seals Install new bearings and o-rings Connect new cable Dynamic balance rotating assembly Assemble, test and paint Deliver, install, connect and monitor start Disconnect and pull pump # 2 Reconnect pump able for 460 V Re-install pump # 2 and monitor start ***Delivery Ticket No. 1876 Sales Tax	6,437.00	6,437.00T
		7.00%	450.59
Thank you for your business.		Total	\$6,887.59

ENTERED

MAY 22 2009

RECEIVED

MAY 22 2009

3007207

F. J. Nugent & Associates, Inc.

P.O. Box 521925
Longwood, FL 32752
Phone: 407-936-1139
Fax: 407-936-1640

Batch 59357
176206

Invoice

DATE	INVOICE
6/30/2009	4589

SOLD TO
Utilities Inc. (of Florida) Attn: Accounts Payable 2335 Sanders Road Northbrook, IL 60062

SHIP TO
Utilities Inc. of Florida 200 Weathersfield Avenue Altamonte Springs, FL 32714

P.O. NUMBER	PROJECT	SHIP	VIA	F.O.B.
36412	LS A-10, Pump 2	6/30/2009	Best Way	Delivered
QTY	DESCRIPTION	UNIT PRICE	AMOUNT	
1	PO #36412, BU #255101, LS A-10, PUMP #2 Repair to ABS Pump Model AFP1049.2 M90/4FM, 4-22.60, 12 HP, 3/230 SERIAL NUMBER: 45878 Rewind Stator Pump Rebuild Kit includes Upper & Lower Seals, Upper & Lower Bearings, O-Ring Set Grommet Labor	2,043.80		2,043.80T
	1% Local County Sales Tax Surcharge	20.44		20.44
Terms: Net 30 Days. FEIN 59-3370448		Subtotal		\$2,064.24
		Sales Tax 6% (6.0%)		\$122.63
		Total		\$2,186.87

F. J. Nugent & Associates, Inc.

P.O. Box 521925
 Longwood, FL 32752

Phone: 407-936-1139

Fax: 407-936-1640 3007207

Invoice

Batch 75171

Doc 233230

DATE	INVOICE
1/28/2010	4865

SOLD TO
Utilities Inc. (of Florida) Attn: Accounts Payable 2335 Sanders Road Northbrook, IL 60062

SHIP TO
Utilities Inc. of Florida 200 Weathersfield Avenue Altamonte Springs, FL 32714

P.O. NUMBER	PROJECT	SHIP	VIA	F.O.B.
50609	Pump Repair	1/28/2010	Customer P/U	Delivered
QTY	DESCRIPTION	UNIT PRICE	AMOUNT	
1	UTILITIES INC PO: 50609 - BO #: 255101 - LS C12, Pump #2 Repair to Flygt Submersible Pump, Model 3126, S/N: 42893 Pump Rebuild kit Wear ring Shaft & Rotor Repair impeller Labor	3,454.50	3,454.50T	
	Seminole County 1% Local County Sales Tax Surcharge	34.55	34.55	
ENTERED FEB 02 2010		RECEIVED FEB 01 2010		
Terms: Net 30 Days. FEIN 59-3370448			Subtotal	\$3,489.05
			Sales Tax 6% (6.0%)	\$207.27
			Total	\$3,696.32



TAW ORLANDO SERVICE CENTER, INC.
 3400 BARTLETT BOULEVARD
 ORLANDO, FLORIDA 32811
 PHONE: (407)423-1886 FAX: (407)423-3017

PLEASE REMIT TO
 TAW
 P.O. BOX 51665
 Atlanta, GA 31193

01/30/10		HO	OO	030	OD	589725
----------	--	----	----	-----	----	--------

SOLD TO:

UTILITIES INC OF FLORIDA
 ATTN: ACCOUNTS PAYABLE
 2335 SANDERS ROAD
 NORTHBROOK IL 60062

3001413

ACCOUNT NO.
 00819600

SHIP TO: Batch 75514

UTILITIES INC OF FLORIDA
 WEKIVA PLANT
 144 LEDBURY DRIVE 234537
 LONGWOOD FL 32779

INVOICE

PLEASE NOTE - All invoices are due by due date. If not paid within 15 days of due date, a late payment charge of 1 1/2% per month (18% annual rate) will be added. Purchaser shall be responsible for the cost of this account, including attorneys fees and costs. Terms and conditions see on back of invoice.

51224	255	OUR TRUCK	01/29/10	NET 30 DAYS	3,541.70
				DUE DATE 03/01/10	

Item	Description	U/M	Shp'd	Ext Price
150HL4RSCTVO	INDUCTION MOTOR	Ea	1	
HP: 150 DESC: VERT MOTOR MFR: GENERAL ELECTRIC RPM:1780 FRAME: L444TP16 VOLT: 460 AMP:173 MOD: 5KE444DTT6008 ID: STOCK# V3264 CODE: G EQ NO: VERTICAL MOTOR SER NO: 30038993				

RECEIVED
 FEB 04 2010

Dismantle, clean & inspect all parts, perform tests
 Sand blast parts as necessary
 Test winding
 Core loss test stator laminations
 Rewind stator
 Varnish dip and bake windings

ENTERED
 FEB 05 2010

Furnish and install new bearings
 Supply copper and winding material
 Assemble, test and paint
 Note: Budgetary quote. Any additional labor or material, if necessary, will be quoted after evaluation of unit. Thank you -

Total Gross	3,310.00
Tax amount FLORIDA STATE SALES TAX	198.60
Tax amount SEMINOLE COUNTY SALES TAX	33.10

JOB#222752 QUOTE#153272

TOTAL DUE THIS INVOICE 3,541.70

F. J. Nugent & Associates, Inc.

P.O. Box 521925
 Longwood, FL 32752

Phone: 407-936-1139
 Fax: 407-936-1640

3007207

Invoice

DATE	INVOICE
2/17/2010	4883

SOLD TO
Utilities Inc. (of Florida) Attn: Accounts Payable 2335 Sanders Road Northbrook, IL 60062

SHIP TO	Batch <u>76570</u>
Utilities Inc. of Florida 200 Weathersfield Avenue Altamonte Springs, FL 32714	Doc <u>239095</u>

P.O. NUMBER	PROJECT	SHIP	VIA	F.O.B.
51901	H4 Pump #2	2/17/2010	Best Way	Delivered
QTY	DESCRIPTION	UNIT PRICE	AMOUNT	
1	PO: 51901 - BO: 255101 - LS: H4, Pump #2 Pump rebuild kit Shaft & Rotor Impeller parts Wear ring Labor Seminole County 1% Local County Sales Tax Surcharge	4,212.00	4,212.00T	
		42.12	42.12	
ENTERED FEB 23 2010 RECEIVED FEB 22 2010				
Terms: Net 30 Days. FEIN 59-3370448		Subtotal	\$4,254.12	
		Sales Tax 6% (6.0%)	\$252.72	
		Total	\$4,506.84	

