

Commissioners:
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DIVISION OF WATER &
WASTEWATER
CHARLES HILL
DIRECTOR
(904) 413-6900

Public Service Commission

June 13, 1996

Mr. F. Marshall Deterding
Rose, Sundstrom & Bentley
2548 Blairstone Pines Drive
Tallahassee, Florida 32301

RE: Docket No. 960305-WS, Application for water and wastewater certificates in Sumter County by Little Sumter Utility Company

Dear Mr. Deterding:

Thank you for your response to the utility's deficiency letter. We have reviewed the deficiency corrections that you submitted on May 3, 1996 and determined that the utility's application is complete pursuant to Section 367.045, Florida Statutes and Rule 25-30.033, Florida Administrative Code. However, the following additional information is necessary in order for staff to complete our recommendation on the utility's application.

1. **Private Fire Protection Service.** Regarding Deficiency No. 3 in staff's letter dated April 5, 1996, your explanation regarding the exclusion of the private fire protection ERCs from the rate calculation is acceptable. However, staff also requested that the utility submit a proposed tariff sheet for this class of service. Please submit a proposed tariff sheet for the private fire protection class of service.
2. **Engineering Plans.** In your response to Deficiency No. 4, you stated that the utility is currently in the planning stages and development plans are not absolutely determined. However, in your response to our request for additional information under No. 3(A), you state "Under the utility's currently anticipated timeline, contracts for construction of the infrastructure will be entered into in May of 1996 for the planned water storage tank and in mid-October of 1996 for other facilities. With construction to begin immediately after those contracts are entered into." According to Page 5 of Exhibit 8 included in your response, the utility anticipates beginning its permitting process in June 1996 for both the water and wastewater plants. Further, the utility plans to accept bids on construction for the water plant in August 1996 and begin construction in September 1996.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

These appear to be conflicting statements. It is staff's understanding that engineering plans are required in order to obtain permits, receive bids, and begin construction. If construction was not scheduled to begin for another year or two staff would not have a problem with the type of information the utility has submitted. However, the utility's application and deficiency response indicate that the utility is prepared to begin construction on a portion of the facilities at this time. Therefore, staff believes the utility should already have, at a minimum, a set of preliminary engineering plans for the utility facilities which could be made available for staff to review. It causes staff some concern that the utility is unable to provide engineering plans to support the cost estimates of \$4,067,495 for the water facilities and \$5,921,536 for the wastewater facilities which are scheduled to be constructed within the next six months. We realize that the utility is still in the planning stages and the plans are subject to change. However, even a preliminary set of engineering plans for the utility's facilities would be extremely helpful to staff in our review of the utility's application.

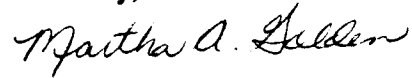
Therefore, we are asking again that you please provide a full set of engineering drawings with the specifications for the treatment plants, water transmission and distribution system, and wastewater collection system. Preliminary plans will be acceptable. If the utility does not have preliminary engineering plans, please explain how the utility developed the cost projections included in the application and Exhibit 8 of your May 3 letter. Also, please specify when the utility anticipates engineering plans will be available.

3. **Financial and Rate Schedules.** In your response to our request for additional information under No. 4, you provided a portion of the utility's master plan and the engineer's estimates for annual operation and maintenance expenses as supporting documentation for the utility's final estimates on its projections for customer growth, and the cost, operating expenses, and capital structure of the proposed systems as contained in its application. This information still does not explain how the utility arrived at its final estimates. Schedule No. 12 of Exhibit L of the original application contains a breakdown for NARUC Accounts Nos. 601, 604, 701, and 704. Please provide a similar breakdown for the remaining accounts. Also, please provide a breakdown of the utility facilities totals where possible. We have enclosed examples of the type of detailed information we are requesting.

Section 367.031, Florida Statutes, specifies that the Commission shall grant or deny an application for a certificate of authorization within 90 days after the official filing date of the completed application. The official filing date of this application has been established as May 3, 1996, and the recommendation has been scheduled for the July 30 Agenda Conference. Please file one copy of the engineering drawings, the original and two copies of the proposed private fire protection tariff sheets, and the original and five copies of the remaining requested information no later than June 25, 1996 with Ms. Blanca Bayo,

Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850. Please feel free to call Raj Agarwal at (904)413-6228, James McRoy at (904)413-7009 or me at (904)413-7015 if you have any questions.

Sincerely,



Martha A. Golden
Economic Analyst

Enclosures

cc: Division of Water and Wastewater (Hill, Williams, Messer, Chase, McRoy, Walker)
Division of Legal Services (Jaber, Agarwal)
Division of Records and Reporting

5.2 OPERATING EXPENSES

Operating expenses for the initial phase are projected to be adequate to provide for the Utility service at 80 percent capacity. Projections has been based on an annual average utilization of 80 percent for rate setting purposes. Actual activities during the second year of operation may vary.

All management, clerical, operations, maintenance and professional services for the initial phase will be provided on a contract basis.

It is anticipated that there will be one part time manager which will provide all materials, utilities, supplies and clerical assistance. It is estimated that this service will cost \$7,500 per year based on 100 hours per year at \$75.00 per hour.

It is anticipated that plant operations and maintenance for the initial phase will be provided by one unlicensed person, with tools, equipment and supplies. It is estimated that this service will cost \$2,000 per year based on 80 hours per year at \$25.00 per hour.

Professional services for legal, engineering and accounting are estimated to cost \$3,500 per year based on 35 hours at \$100.00 per hour.

Electrical power for the well pump is estimated to cost \$9,636 per year based on an average annual flow of 87,600,000 gallons at \$0.11 per 1,000 gallons.

Insurance is estimated at \$500.00 per year.

Land and well lease including expenses and property taxes is estimated at \$4,323 per year:

The land portion of the lease will be structured to provide for a return on a capital value of \$2,748, whereas, the well will provide for both a return and recovery of the initial depreciating capital value of \$38,000. It is assumed that the well has a useful life of 27 years. The current return allowed by the Florida Public Service Commission (FPSC) is 9.81 percent. Lease payments have been calculated on a level monthly basis. Property taxes based on information provided by owner of \$6.50 per acre is presumed to be \$1.49 per year.

Line No.			Total Cost	NARUC Acct. No.
1	I. <u>Water Supply and Treatment Plant (2)</u>			
2	(A)	Well permit fee	\$ 5	
3		165 LF 12" well drilling @ \$11/ft.	1,815	
4		114 LF 12" casing @ \$22/ft.	2,508	
5		12" drive shoe @ \$750	750	
6		Mobilization	300	
7		106 bags cement @ \$12	1,272	
8		Bacteriological survey	850	
9		Chemical analysis	2,250	
10		Engineering (1)	210	
11			<u>\$ 9,960</u>	\$ 9,960 307
12	(B)	10,000 gallon hydromatic tank	\$ 40,000	
13		Engineering (1)	862	
14			<u>\$ 40,862</u>	40,862 330
15	(C)	Chlorinator	\$ 5,000	
16		Engineering (1)	107	
17			<u>\$ 5,107</u>	5,107 320
18	(D)	75 hp pump with electric & controls	\$ 20,000	
19		Engineering (1)	431	
20			<u>\$ 20,431</u>	20,431 311
21	(E)	12" PVC water main - 2,600 LF @ \$25	\$ 65,000	
22		4" PVC water main - 1,100 LF @ \$8	8,800	
23		Engineering (1)	1,590	
24			<u>\$ 75,390</u>	75,390 309
25	Total estimated cost		<u>\$ 151,750</u>	

Notes: (1) Total estimated engineering costs of \$3,200 were allocated to supply and treatment plant based on the relative value of each component to total estimated costs.

(2) The engineering estimates were provided by the Company's engineer, Dr. Sheikh Hasan, P.E., Planning & Engineering Resources, Ocala, Florida

Line No.			<u>Total Cost</u>	<u>NAPUC Acct. No.</u>
1	<u>II. Wastewater Treatment Plant & Disposal System (2)</u>			
2	(A) <u>35,000 gpd plant</u>			
3	Equipment & installation	\$ 95,000		
4	Site cleaning & grading	10,000		
5	Electric	25,000		
6	Ponds:			
7	Cleaning & grubbing	2,000		
8	Excavation & fill	10,000		
9	Grassing & misc. site work	2,000		
10	Engineering (1)	3,156		
11		<u>\$ 147,156</u>	\$ 147,156	380
12	(B) Piping connection (in & out)	\$ 25,000		
13	Engineering (1)	548		
14		<u>\$ 25,548</u>	25,548	381
15	(C) Two lift stations	\$ 50,000		
16	Engineering (1)	1,096		
17		<u>\$ 51,096</u>	51,096	370
18	Total estimated cost		<u>\$ 223,800</u>	
19	Notes: (1) Total estimated engineering costs of \$4,800 were allocated to treatment			
20	and disposal plant based on the relative value of each component to total estimated			
21	costs.			
22	(2) The engineering estimates were provided by the Company's engineer,			
23	Dr. Sheikh Hasan, P.E., Planning & Engineering Resources, Ocala, Florida			

Original Cost of Existing Water Distribution System (1)

Line No.	Description	Quantity	Unit	Unit Price	Total	NARUC Acct. No.
1	12" PVC Water Main	3,180	LF	\$ 18.10	\$ 57,558	331
2	8" PVC Water Main	10,800	LF	9.30	100,440	331
3	6" PVC Water Main	180	LF	7.04	1,267	331
4	Lot Service	100	EA	345.16	34,516	333
5	Fire Hydrant Assembles	12	EA	1,096.16	13,154	335
6	12" MJ Gate Valve & Box	5	EA	762.90	3,815	331
7	8" MJ Gate Valve & Box	17	EA	408.00	6,936	331
8	12" x 12" MJ Tee	1	EA	378.58	379	331
9	8" x 8" MJ Tee	3	EA	221.84	666	331
10	12" x 8" MJ Tee	1	EA	327.60	328	331
11	12" x 8" Pexpe Reducer	1	EA	178.85	179	331
12	8" MJ 90 Bend	3	EA	160.15	480	331
13	8" x 2" MJ Tap Plug	1	EA	65.89	65	331
14	12" MJ Plug	1	EA	81.95	82	331
15	2" Blowoff Assembly	1	EA	180.87	180	331
16	Total Costs				<u>\$ 220,045</u>	

17 Note (1): The original cost estimates are based on contracts, invoices, and
 18 the original system drawings for the existing water distribution system.
 19 Such estimates were provided by the Company's engineer, Dr. Sheikh Hasan,
 20 P.E., Planning & Engineering Resources, Ocala, Florida. These assets will
 21 be contributed to the Utility by the developer.

Original Cost of Existing Sewage Collect System (1)

Line No.	Description	Quantity	Unit	Unit Price	Total	NARUC Acct. No.
1	Manholes	56	LF	\$ 789.50	\$ 44,212	361
2	Drop Manholes	6	LF	1,200.00	7,200	361
3	12" PVC	1,240	LF	19.00	23,560	361
4	10" PVC	4,360	EA	17.50	76,300	361
5	8" PVC	10,400	EA	9.00	93,600	361
6	6" PVC	175	EA	6.53	1,143	361
7	4" PVC Force Main	1,700	EA	7.72	13,124	360
8	4" PVC Service Lines	3,400	EA	6.88	23,392	361
9	4" Dip Service Lines	630	EA	11.85	7,466	361
10	8" Dip	1,790	EA	15.20	27,208	361
11	PVC Services	113	EA	53.15	6,006	363
12	Dip Services	8	EA	327.30	2,618	363
13	Rock Excavation	1		36,430.97	<u>36,430</u>	361
16	Total Costs				<u>\$ 362,259</u>	

Note (1): The original cost estimates are based on contracts, invoices, and the original system drawings for the existing sewer collection system. Such estimates were provided by the Company's engineer, Dr. Sheikh Hasan, P.E., Planning & Engineering Resources, Ocala, Florida. These assets will be contributed to the Utility by the developer.