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ORIGINAL
SCANNED
TIMOTHY DEVLIN, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

January 30, 2002

David B. Erwin, Esq.
127 Riversink Road
Crawfordville, FL 32327

Re: Docket No. 011073-WS, Application for increase in Water and Wastewater rates in Broward County by Ferncrest Utilities, Inc.

Dear Mr. Erwin:

We have reviewed the minimum filing requirements (MFRs) submitted on January 11, 2002, on behalf of the above-mentioned utility. Based on our analysis, we believe that the MFRs to be deficient. The specific deficiencies are identified below:

A. FILING FEE AND MAPS

1. Filing Fee: Rule 25-30.020(1), Florida Administrative Code, requires filing fees be determined based on the combined capacities of each system. For purposes of this rule, an equivalent residential connection (ERC) is 350 gallons per day (gpd) for water service and 280 gpd for wastewater service. According to Ferncrest's MFRs, the existing capacities are 1,000,000 gpd for the water system and 600,000 gpd for wastewater. Thus, the number of ERCs that each system has the capacity to serve is 2,857 ERCs for water service (1,000,000 gpd ÷ 350 gpd/ERC) and 2,143 ERCs for wastewater service (600,000 gpd ÷ 280 gpd/ERC).

Rule 25-30.020 (2) (e), Florida Administrative Code, states that for utilities with the existing capacity to serve from 2,001 to 4,000 ERCs, the filing fee is \$3,500. Accordingly, your water and wastewater filing fees are \$3,500 for each system, for a total filing fee of \$7,000.

AUS	_____
CAF	_____
CMP	_____
COM	_____
CTR	_____
ECR	_____
GCL	_____
OPC	_____
MMS	_____
SEC	_____
OTH	_____

2. Maps: Rule 25-30.440 (1), Florida Administrative Code, states that each applicant for a rate increase shall provide one copy of a detailed map showing: (a) the location and size of the applicant's distribution and collection lines as well as its plant sites, and (b) the location and respective classification of the applicant's customers.

A map was not included in your filing, as you indicated that maps were on file from previous cases could be used. For the purpose of this filing, a map containing the most up to date data is needed. The map should include information regarding Phase Three of the Palm Trace Development.

DOCUMENT NUMBER - 01206
JAN 31 2002
PSC-COMMISSION CLERK

B. MFR SCHEDULE DEFICIENCIES

Rule 25-30.436, Florida Administrative Code, states that a Class B utility applying for a rate increase shall provide the information required by Commission Form PSC/WAW 20.

1. Schedule A-3, Schedule of Adjustments to Rate Base (For Interim and Final)

The instructions require the utility to provide a detailed description of all adjustments to rate base per books, with a total for each rate base line item. On Schedule A-3, the utility did not provide subtotals for the items listed nor do the numbers match to rate base on Schedules A-1 and A-2. Also, the utility's adjustments for Accumulated Depreciation of \$22,772 and \$29,084 (water and wastewater, respectively) do not agree with the amounts shown on Schedules A-1 and A-2. The utility's Accumulated Amortization of CIAC amounts reflected on Schedule A-3 for water and wastewater do not agree with those shown on Schedules A-1 and A-2.

2. Schedule A-17, Schedule of Working Capital Allowance Calculation (For Interim Only)

The instructions for this schedule require the utility to provide a calculation of working capital using the formula method. This is calculated by taking the balance of O&M Expenses divided by eight. On Schedule A-17, the utility's calculated numbers do not agree with the numbers shown on Schedules A-1 and A-2. Also, the utility reflects total O&M Expenses as \$485,999 and \$596,650 for water and wastewater, respectively. These amounts do not agree with the amounts shown on Schedules B-1 and B-2.

3. Schedule B-2, Schedule of Wastewater Net Operating Income (For Interim Only)

The instructions for this schedule require the utility to provide the calculation of net operating income for the test year and it includes a rate of return calculation based on the utility's requested rate base. The amounts shown for total rate base on Schedule B-2 do not agree with that shown on Schedule A-2. Also, on Schedule D-2 the water and wastewater combined rate bases do not agree with Schedules A-1 and A-2.

4. Schedule B-7 and B-8, Schedule of O&M Expense by Month for Water and Wastewater (For Final Only)

The instructions for these schedules require the utility to complete the comparison of the utility's adjusted current and prior test year O&M Expense and to provide an explanation of all differences which are not attributable to the change in customer growth and the CPI-U. On Schedules B-7 and B-8, column (3), the utility needs to provide adjusted balances for the current test year.

5. Schedules B-13 and B-14, Net Depreciation Expense for Water and Wastewater (For Final Only)

The instructions require the utility to provide a schedule of test year adjustments to depreciation expense by primary account. Staff has reviewed these schedules and has found that the utility does not reflect any adjustments in column (3). This is not consistent with the amounts shown on Schedules B-1 and B-3.

6. Schedules D-1 and D-6, Cost of Capital Schedules (For Interim and Final)

Total amounts for long-term and short-term debt totals should be reflected as single line items in the capital structure on Schedules D-1 and D-2. For final only, the cost rates provided in Schedule D-1, column (3) do not match those rates in Schedule D-6, column (13). On Schedule D-6, the utility did not provide a total for the long-term debt.

In addition, staff notes that Schedules D-1 and D-2 are in error by not listing customer deposits as a component of the capital structure.

7. Schedules E-2, E-3, E-5, and E-14, Rate Schedules (For Final Only)

On Schedule E-2, column (5), the utility's total revenues and miscellaneous service charges do not agree with the numbers reflected on Schedules B-2, B-4, and E-5. Also, the instructions for E-2 require the utility to provide a explanation of any differences between total revenues and booked revenues. The utility failed to explain these differences between total revenue and booked revenue numbers. Also, on the schedules referenced above, there are inconsistencies in the total number of general service bills. Schedule E-14 reflects 488 for 5/8" x 3/4" meters and Schedule E-2 reflects 448 5/8" x 3/4" meters.

C. RELATED PARTY COST ALLOCATIONS

Rule 25-30.436(4)(h), Florida Administrative Code, states, in part, any system that has costs allocated or charged to it from a parent, affiliate or related party, in addition to those costs reported on Schedule B-12, shall file three copies of the additional information described in Rule 25-30.436(4)(h), FAC. Based on our review of the utility's 2000 annual report, staff notes that Ferncrest has related party transactions. The utility should submit this additional information in order to provide sufficient detail of its related party costs. If not applicable, please provide a statement stating such.

David B. Erwin, Esq.

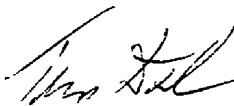
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January 30, 2002

Your petition will not be deemed filed until we have received the required information mentioned above. These corrections should be submitted no later than March 1, 2002.

TD/dmg

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Devlin", written in a cursive style.

Tim Devlin

Director

cc: Division of the Commission Clerk and Administrative Services
Office of General Counsel (Harris)
Division of Economic Regulation (Willis, Merchant, Fletcher, Greene, Munroe)