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DIVISION OF ECONOMIC REGULATION  
(850) 413-6900

Public Service Commission

July 19, 2002

Mr. Martin S. Friedman  
Rose, Sundstrom & Bentley, LLP  
2548 Blairstone Pines Drive  
Tallahassee, FL 32301

020071-WS

Re: Docket No. ~~020271-WS~~, Application for Water and Wastewater Rate Increases in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida (UIF)

Dear Mr. Friedman:

We have reviewed the minimum filing requirements (MFRs) submitted on June 28, 2002, on behalf of the above mentioned utility. After reviewing this information, we find the MFRs to be deficient. The specific deficiencies are identified below (deficiencies apply to all systems included in the application, except as noted):

- Schedule A-1, Schedule of Water Rate Base  
Schedule A-2, Schedule of Wastewater Rate Base  
Schedule A-5, Schedule of Water Plant in Service by Primary Account  
Schedule A-6, Schedule of Sewer Plant in Service by Primary Account  
Schedule A-12, Schedule of Contributions in Aid of Construction by Classification  
Schedule A-14, Schedule of Accumulated Amortization - CIAC  
Schedule D-1, Schedule of Requested Cost of Capital  
Schedule D-2, Reconciliation of Capital Structure to Requested Rate Base  
Schedule D-5, Cost of Long-Term Debt  
Schedule D-7, Schedule of Customer Deposits

The instructions for Commission Form PSC/WAW 19 require that average balances be calculated as thirteen-month averages. The utility has calculated simple average balances.

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CAF \_\_\_\_\_  
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MMS \_\_\_\_\_  
SEC \_\_\_\_\_  
OTH \_\_\_\_\_

- Schedule A-1, Schedule of Water Rate Base  
Schedule A-2, Schedule of Wastewater Rate Base  
Schedule A-17, Schedule of Working Capital Allowance Calculation

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The prescribed method of accounting for working capital for Class A utilities is the Balance Sheet approach. The utility has incorrectly used the formula method.

3. Schedule A-3, Schedule of Adjustments to Rate Base

The explanation for this schedule requires a detailed description of all adjustments to rate base per books, with a total for each rate base line item. The utility's reference to the notes for Schedules A-1 and A-2 is not sufficiently detailed. Specifically, Note (a) does not describe the individual adjustments included in the last rate case, and Note (c) does not describe the methodology of allocating Water Service Corporation's rate base to each operating subsidiary.

4. Schedule A-15, Schedule of Annual AFUDC Rates Used

For those systems which have previously approved AFUDC rates, the information required by the schedule should be included.

5. Schedule A-19, Comparative Balance Sheet - Equity Capital and Liabilities

Balances should be provided on a total UIF company basis.

6. Schedule B-5, Detail of Operation and Maintenance Expense by Month-Water  
Schedule B-6, Detail of Operation and Maintenance Expense by Month-Sewer

For some systems (Orange County, for example), several balances appear to be allocated, and are not broken out by month as required by the schedule instructions.

7. Schedules B-7 and B-8, Operation and Maintenance Expense Comparison

The utility has provided a comparison of test year expenses with expenses for the year 5 years prior to the test year. However, the utility has had previous rate cases; therefore, the comparison should be with the test year(s) used in those cases, as required by the instructions for the schedule. Further, the required explanation of changes which are in excess of the factor for customer growth and inflation were not provided.

8. Schedule B-12, Allocation of Expenses

Rule 25-30.436(4)(h), Florida Administrative Code (F.A.C.), requires that any system that has costs allocated or charged to it from a parent, in addition to those reported on Schedule B-12 of Commission Form PSC/WAW 19, shall file three copies of additional schedules showing additional information as detailed in the rule. The utility failed to provide these schedules.

9. Schedule C-5, Deferred Income Tax Expense

Where systems have both water and wastewater operations, the breakdown between water and wastewater required by the schedule instructions was not provided by the utility.

10. Schedule C-6, Accumulated Deferred Income Taxes - Summary

The instructions for this schedule require that the summary of ending balances and detail of annual balances be provided for each of the accumulated deferred tax accounts. For example, on Schedule C-5, separate deferred taxes are identified as relating to tax depreciation and amortization, deferred maintenance, deferred regulatory commission expense, amortization of organization costs, and CIAC plant and/or connection fees. Additionally, the three-page format specified by the instructions for this schedule in Form PSC/WAW 19 should be followed.

11. Schedule D-4, 13-month Average Cost of Short Term Debt

The average amount outstanding, as shown in Column 3, does not agree with the amount shown in Schedule D-2.

12. Schedule D-4, 13-month Average Cost of Short Term Debt

Schedule D-5, Cost of Long-Term Debt

Schedule D-6, Cost of Variable Rate Long-Term Debt

The instructions for these schedules state that, if a utility is an operating division or subsidiary, separate schedules are to be submitted which reflect the same information for the parent level. All schedules are to be calculated on a 13-month average basis.

13. Schedule E-2, Revenue Schedule at Present and Proposed Rates

The instructions for this schedule require that a revenue calculation must be made for each period, if a rate change occurred during the year. The utility has not done this calculation correctly. Also, these schedules should readily tie to the amounts and adjustments included in Scheduled B-1 and B-2.

14. Schedule E-14, Billing Analysis (all systems)

In column 3, the cumulative bills are not calculated correctly throughout the entire column. In column 6, the reverse bills are not calculated correctly throughout the entire column. A review of each system indicates that the 1,000 gallon (1 kgal) increment ends at 40 kgal, and that all bills greater than 40 kgal appear to be consolidated at the 40 kgal consumption level. This is incorrect. For each system, please indicate each 1 kgal increment at which a customer was billed, and then

recalculate the remainder of the columns accordingly (please incorporate the correct recalculations of columns 3, 6 and 8 as referenced above).


15. Pursuant to Rule 25-30.440 (1)(a) and (b), F.A.C., the applicant is required to provide a detailed map showing the location and respective classification of the applicant's distribution and collection lines as well as its plant sites. In addition, the applicant is required to provide the location and respective classification of its customers. The maps submitted by the applicant for the Pasco County Summertree system were visually of poor quality. None of the maps submitted by the applicant contained the location and respective classification of the applicant's customers. Further, the map for the Ravenna Park/Lincoln Heights system in Seminole County did not show the location of wastewater collection lines.
16. Pursuant to Rule 25-30.440 (5), F.A.C., the applicant is required to submit copies of the most recent sanitary survey for each water plant and inspection report for each wastewater plant conducted by the health department or the Department of Environmental Protection (DEP). The applicant submitted a sanitary survey for Pinellas County Lake Tarpon system, which was dated 9/7/00. The DEP conducts sanitary surveys of each system, annually. Therefore, this is not a copy of the most recent sanitary survey.
17. Pursuant to Rule 25-30.440 (6), F.A.C., the applicant is required to submit all health department and DEP construction and operation permits. The applicant did not submit any permits for the Marion County Golden Hills system, or for the water plants in Seminole County.
18. Each volume of Exhibit 1 contains a group of schedules at the back of the volume which appear to relate to the utility's request for interim rates; however, these schedules are marked as "final." As such, these schedules are deficient. To avoid confusion, interim rate schedules should be clearly marked as such, and should be identified by page number in the table of contents for each volume.

Although not an MFR deficiency per se, we also note that in Seminole and Pasco Counties, the utility has existing non-uniform rates for certain systems, but has not provided separate rate base and revenue requirement data for each system. Consistent with the Commission's ruling in Order No. PSC-95-1327-FOF-WS, issued November 1, 1995, in Docket No. 950495-WS, we will be unable to calculate stand-alone interim revenue requirements for those systems unless UIF files system-specific MFRs.

Your petition will not be deemed filed until the deficiencies identified in this letter have been corrected. These corrections should be submitted no later than August 19, 2002.

Mr. Martin S. Friedman  
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July 19, 2002

Sincerely,

  
Timothy Devlin  
Director

DH/JBK  
Enclosure

cc: Division of Commission Clerk and Administrative Services  
Office of the General Counsel (Gervasi, Holley)  
Division of Economic Regulation (Willis, Merchant, Kyle, Revell, Edwards, Wetherington,  
Stallcup, Lingo)