

ORIGINAL



P.O. Box 13427
Tallahassee, FL 32317-3427
Phone or Fax (850) 877-0673
e-mail: frankden@nettally.com

RECEIVED FPSC

JUN -9 AM 9:56

Management & Regulatory Consultants, Inc.

COMMISSION
CLERK

June 6, 2003

Ms. Blanca S. Bayo, Director
Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Alafaya Utilities, Inc; Docket No. 020408-SU
Application for Rate Increase in Seminole County

Dear Ms. Bayo:

In a conversation this date with Mr. Bart Fletcher of the Commission Staff, it was determined that the Applicant's May 19 response to the Audit Report inadvertently included a draft response to Audit Exception No. 6 that was incorrect. Attached is the final, corrected response to Audit Exception No. 6.

Very truly yours,

Frank Seidman

cc: Mr. Bart Fletcher
Mr. Steve Lubertozzi
Mr. Patrick Flynn
Mr. David Orr
Ms. Valerie Lord (hard copy & e-mail)
Ms. Debbie Swain

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

03 JUN -9 AM 9:50

DISTRIBUTION CENTER

DOCUMENT NUMBER-DATE

05080 JUN-98

FPSC-COMMISSION CLERK

Alafaya Utilities, Inc.
Docket No. 020408-SU
Response to Audit Exception No. 6

The Utility disagrees with Staff's computation of imputed CIAC. The utility believes that Staff has overstated CIAC by \$59,130 and understated Accumulated Amortization of CIAC by \$116,398 as of 12/31/01. In total, the result is a \$175,528 understatement of Rate Base.

The Utility believes the Staff has understated the CIAC collected for meters greater than 5/8" by \$51,110 based on amounts shown on annual reports. The Utility also notes that certain amounts paid in 1998 and 1999 represented differentials between the old and new fees for 294 prepaid connections and do not represent new connections. After taking these factors into consideration, the Utility believes the Staff erred in two aspects of imputing CIAC. First, it imputed CIAC for every year rather than giving credit for charges collected and itemized for certain specific years. Second, it imputed based on total meters listed in the annual reports rather than on the total customers actual served at the end of 2001 as detailed in MFR Schedule E-3. As a result, it overstated the amount of CIAC that should have been collected through capacity charges through the end of 2001 and understated the amortization associated with those charges.

The attached schedule reconciles the information regarding capacity charges (sometimes called connection fees or tap fees) as available from the annual reports, determines the number of customers for which charges need to be imputed and places those customers in the earliest years - the years in which the collection and recording of such charges are obviously missing. From 1989 forward, the annual reports detail the number of new connections made. There is no need to impute for those years. It is only for the years 1985-1988 that charges and details are missing. The utility did use the annual report information on meters for those years as a basis for estimating in which years the imputed customers should be placed. The attached schedule also recalculated the amortization expense based on the corrected annual additions, using the Staff's calculated amortization rates.

The comparative results are:

	<u>Utility</u>	<u>Staff</u>	<u>Difference</u>
CIAC	\$9,937,359	\$9,996,489	\$ (59,130)
Amort.	<u>(3,605,665)</u>	<u>(3,489,267)</u>	<u>(116,398)</u>
Net	\$6,286,658	\$6,507,222	\$ (175,528)

It should be noted that this response speaks to the reconciliation of book CIAC in the context of book Plant in Service, as adjusted. The response to this exception should not be, however, be considered without first reviewing the response to Audit Disclosure No. 4. That response addresses the use of the results of the Original Cost Study, the reconciliation of CIAC in conjunction with the conclusions regarding original cost, and problems that can arise if one attempts to match adjusted book CIAC with Plant in Service adjusted for the Original Cost Study.

DOCUMENT NUMBER - DATE

05080 JUN-98

FPSC-COMMISSION CLERK

Alafaya Utilities Inc.
Docket No. 020408-SU
Response to Audit Exception No. 6
Contributions in Aid of Construction - Actual and Imputed

Year	Applicable to 5/8" meters			Imputed 5/8" Res Customers @ \$410/\$640	New Fee Diff. - \$230 on Prepaid	Greater than 5/8" from Audit	Greater than 5/8" not in Audit	Gravity	Force	Contributed Property		Total Prop.	Adjustments	Totals	Cum. Totals	Imputed Customers	Imputed Fees @ \$410	Adjusted Cum. Totals
	Sewer Connections Fees	Plant Capacity	Tap Fees							Cash	Property							
1985		188,600		460.00							357,491	357,491		546,091	546,091	361	147,826	693,917
1986						31,561				1,061,755	658,454	1,720,209		1,751,770	2,297,861	576	236,160	2,681,847
1987											442,011	442,011		442,011	2,739,872	461	189,010	3,312,868
1988											1,145,046	1,145,046		1,145,046	3,884,918	334	136,940	4,594,854
1989		340,300		830.00				726,093	110,531			836,624		1,176,924	5,061,842			5,771,778
1990		351,370		857.00				75,818	58,200			134,018		485,388	5,547,230			6,257,166
1991		75,628		184.46				364,921	178,400			543,321		618,949	6,166,179			6,876,115
1992		118,486		288.99										118,486	6,284,665			6,994,601
1993		79,540		194.00							(13,388)	(13,388)	(87,330)	(21,178)	6,263,487			6,973,423
1994			50,840	124.00										50,840	6,314,327			7,024,263
1995	2,050	*		5.00		2,753								4,803	6,319,130			7,029,066
1996	820	*		2.00		5,241	30,610							36,671	6,355,801			7,065,737
1997	124,230	*		303.00		21,625	20,500				857,280	857,280		1,023,635	7,379,436			8,089,372
1998	78,720	*		123.00	32,890	47,137					483,497	483,497		642,244	8,021,680			8,731,616
1999	7,040	*		11.00	34,730	2,742								44,512	8,066,192			8,776,128
2000	348,160	*		544.00							807,939	807,939		1,156,099	9,222,291			9,932,227
2001	3,200	*		5.00		1,932								5,132	9,227,423			9,937,359
Totals	564,220		1,153,924	50,840	3,931	67,620	112,991	51,110	1,166,832	347,131	1,061,755	4,738,330	7,314,048		9,227,423			
Subtotal from 5/8" fees				1,768,984											9,226,883			
Total customer 2001, from E-3 less 30 over 5/8"				5,663.00														
Remaining customers & Fees @ \$410				709,936	1,731.55													
Imputed total from fees				2,478,920														
Fees for > 5/8" Meters				164,101														
New Fee Diff. On Prepaid				67,620														
Contributed Property from above				7,314,048														
Adjustment from above				(87,330)														
Total CIAC from imputation & above				9,937,359														
Total per books				9,226,883														
Imputed over book				710,476														
Imputed per Audit				9,996,489														
Audit overstatement				59,130														

* Connection Fees per Annual Report net of Fees for Meters over 5/8" and New Fee difference on Prepaid

Alafaya Utilities Inc.
Docket No. 020408-SU
Response to Audit Exception No. 6
Amortization of CIAC

	Adjusted Cum. Totals	Avg CIAC Bal.	Amort. Rate	Amort. Expense	Accum Amort.
--	-------------------------	------------------	----------------	-------------------	-----------------

1985	693,917	346,959	1.80%	6,245	6,245
1986	2,681,847	1,687,882	4.20%	70,891	77,136
1987	3,312,868	2,997,358	3.98%	119,295	196,431
1988	4,594,854	3,953,861	4.74%	187,413	383,844
1989	5,771,778	5,183,316	3.36%	174,159	558,004
1990	6,257,166	6,014,472	4.69%	282,079	840,082
1991	6,876,115	6,566,641	4.59%	301,409	1,141,491
1992	6,994,601	6,935,358	4.49%	311,398	1,452,889
1993	6,973,423	6,984,012	4.49%	313,582	1,766,471
1994	7,024,263	6,998,843	3.55%	248,459	2,014,930
1995	7,029,066	7,026,665	2.72%	191,125	2,206,055
1996	7,065,737	7,047,402	2.79%	196,623	2,402,678
1997	8,089,372	7,577,555	2.77%	209,898	2,612,576
1998	8,731,616	8,410,494	2.74%	230,448	2,843,023
1999	8,776,128	8,753,872	2.76%	241,607	3,084,630
2000	9,932,227	9,354,178	2.66%	248,821	3,333,451
2001	9,937,359	9,934,793	2.74%	272,213	3,605,665
Totals		Imputed per Audit Audit Understatement			3,489,267 (116,398)