

State of Florida

ORIGINAL



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

RECEIVED-PROC
NOV 20 AM 10:57
COMMISSION
CLERK

DATE: November 19, 2003
TO: Blanco Bayo, Director of The Division of the Commission Clerks & Administrative Services
FROM: Jennifer J. Iwenjiora, Professional Accountant Specialist, Division of Economic Regulation
RE: Docket No. 030601-SU, Investigation of Possible Overearnings by North Peninsula Utilities, Inc. In Volusia County

Please place the attached letters from Mr. Marty Deterding in above official docket file. Thank you.

cc: Division of Economic Regulation (Willis, Rendell)
Division of General Counsel (Fleming)

AUS
CAF
CMP
COM
CTR
ECR
GCL
OPC
MMS
SEC
OTH

DOCUMENT NUMBER-DATE
11741 NOV 20 03
FPSC-COMMISSION CLERK

LAW OFFICES
ROSE, SUNDSTROM & BENTLEY, LLP
2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

CHRIS H. BENTLEY, P.A.
ROBERT C. BRANNAN
DAVID F. CHESTER
F. MARSHALL DETERDING
JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
DAREN L. SHIPPY
WILLIAM E. SUNDSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON
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CENTRAL FLORIDA OFFICE
600 S. NORTH LAKE BLVD., SUITE 160
ALTAMONTE SPRINGS, FLORIDA 32701
(407) 830-6331
FAX (407) 830-8522

MARTIN S. FRIEDMAN, P.A.
VALERIE L. LORD, *OF COUNSEL*
(LICENSED IN TEXAS ONLY)

October 14, 2003

Ms. Jennifer Iwenjiora
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: North Peninsula Utilities Corporation
Rate Investigation; PSC Docket No. 030601-SU
Our File No. 26097.03

Dear Jennifer:

As a follow up to our conversation the other day, I am writing you to provide you with some additional information concerning the capital improvements being undertaken by North Peninsula. I am attaching hereto a summary schedule and invoices from Wetherell Treatment Systems, Inc. outlining some of the repairs and capital improvements paid for so far this year. These total approximately \$17,061.38.

In addition, I have discussed the capital projects being undertaken by the Utility with Mr. Glen Wetherell, the owner of Wetherell Treatment Systems, Inc., and he has noted to me that several of the other projects to be completed this year are underway, but that he will not bill North Peninsula Utilities, Inc. until they are completed sometime in the next two to three months. He has undertaken parts of those improvements as time permits.

You asked about whether the Utility filed a written response to the December 2002 letter from DEP previously provided to the staff outlining the improvements to be undertaken. I am attaching hereto a letter from Bob Hillman, President of North Peninsula Utilities, Inc. outlining (in general terms) repairs to be undertaken. However, both Mr. Hillman and Mr. Glen Wetherell assure me that they are in constant communication with DEP and keeping them up to date on what is being done in order to comply with the requirements outlined in DEP's letter, even though some of the work from time to time falls behind the proposed schedule slightly because of workloads of either Mr. Wetherell or available funding for the Utility. The Utility believes they are overall on schedule to complete the work required by DEP within the next six to eight months. Those are the items that we previously outlined for you in detail. As you can see, some of the projects have already come back higher than those originally estimated.

You also asked about the source of the depreciation rate utilized by Mr. Dodrill

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Ms. Jennifer Iwenjiora
October 14, 2003
Page 2

in the schedules that have been provided to the staff. I am told by Mr. Dodrill that the depreciation rate used is that contained within the Commission's rule for account 380 wastewater treatment equipment.

As for the funding for Utility assets, as I noted to you previously, the primary funding is coming from a line of credit in the Utility's name. In the long run, that will be replaced by an equity investment by the Utility owners when the letter of credit is paid off.

Attached hereto is the actual and estimated rate case expense costs incurred by North Peninsula during this rate investigation. We believe that the annual amortization should be recognized as part of the overall O&M expenses in accessing the earnings level of the Utility on a going forward basis and in assessing any potential over earnings.

If you have any further questions in this regard, please let me know. We will be glad to provide whatever the staff needs in order to finalize this case and recognize that these additional costs result in no overearnings by the Utility on a going forward basis.

As we have previously discussed, I would like to see the staff's calculations after consideration of all these items, to make sure any disagreements have at least been discussed, if not resolved, prior to this matter being taken back before the Commission.

I look forward to hearing from you.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

FMD/tms
cc: Mr. Ted Davis
Mr. Troy Rendell
Katherine Fleming, Esq.
Mr. Robert Hillman
Robert F. Dodrill, Sr.

<u>Payee</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
Wetherell Treatment	01/30/03	Arm and gear drive repair	\$ 178.79
Wetherell Treatment	02/28/03	Liftstation repairs	\$ 972.00
Wetherell Treatment	03/30/03	tank air header repairs & welding	\$ 395.12
Wetherell Treatment	03/30/03	Repair to sludge collector	\$ 891.72
Wetherell Treatment	05/30/03	Diffuser replacement	\$ 150.49
Wetherell Treatment	01 - 05/03	Liftstation pump rental (awaiting backorder new liftstation pump)	\$5,495.00
Wetherell Treatment	08/12/03	Gear drive and blower work	\$2,776.59
Wetherell Treatment	09/30/03	Blower replacement	\$6,201.67
		TOTAL	<u>\$17,061.38</u>

Wetherell Treatment Systems, Inc.
600 Hull Road
Ormond Beach, Florida 32174
386-673-4161

INVOICE

Handwritten:
Paid
2-14-03
Check
5168

North Peninsula Utilities
P.O. Box 2803
Ormond Beach, Florida 32175

January 30, 2003
Customer #85
RE: Seabridge

Wastewater treatment plant maintenance and supervision for the month of January	\$590.00
Monthly state required (2) fecal coliform test	59.00
Monthly state required (2) nitrate test	60.00
State required CBOD5 (2) influent (1) effluent test as required By DEP; Three extra samples at \$22.50 each	67.50
State required TSS samples (2) influent (1) effluent test as Required by DEP; Three extra samples at \$15.00 each	45.00
1/10/03 Install new limit arm on wastewater plant	68.46
Labor to pick up and install equipment 1.0 hour	35.00
1/21/03 Picked up geardrive from north steel plant for repair, motor shaft failure two pump baskets	22.83
Labor to pick up equipment and make repair 1.5 hour	52.50
1/29/03 Check lift pumps for problem call came in at night red light was on; worked on station two men 3.0 hours	162.00
1/30/03 Took pump and parts plus 20' hose to get sewage pumped down in main station:	
1-50' cord	23.56
1-roll of tape	5.62
Labor to keep sewage pumped down two men 2.5 hours	135.00
	\$1,326.47
Tax-----	22.29
	\$1,348.76

Handwritten: 178.79

Balances over 30 days will be subject to a finance charge of 1 1/2% per month (annual rate of 18%.)

Thank You!

Wetherell Treatment Systems, Inc.
 600 Hull Road
 Ormond Beach, Florida 32174
 386-673-4161

INVOICE

North Peninsula Utilities
 P.O. Box 2803
 Ormond Beach, Florida 32175

February 28, 2003
 Customer #85
 RE: Seabridge

Wastewater treatment plant maintenance and supervision for the month of February	\$590.00
Monthly state required (2) fecal coliform test	59.00
Monthly state required (2) nitrate test	60.00
State required CBOD5 (2) influent (1) effluent test as required By DEP; Three extra samples at \$22.50 each	67.50
State required TSS samples (2) influent (1) effluent test as Required by DEP; Three extra samples at \$15.00 each	45.00
2/3/02 New bearings and seals for chlorine pump motor	74.92
Labor to make repairs and install pump one man 2.0 hours	70.00
1/28/03 Lift station work	
1-3" gate valve	18.36
2-3" galv. 90	15.64
1-3" galv. tee	13.48
4-3" close nipples at \$12.31 each	49.24
1-3" PVC 90	5.82
5 different galv. nipples	28.52
3-3" PVC female fittings at 5.93 each	17.79
One new flapper valve	12.73
1/29/03 Both main lift station pumps inoperative. Build up Gorman Rupp pump, core lift station lid, weld and install piping in lift station Discharge line: Labor two men 18 hours	972.00
1/29/03 to 2/28/03 Rental on lift station pump at \$35.00 per day	1,225.00
	\$3,325.00
Tax	83.10
	\$3,408.10

Thank You!

3/24/03

1,000.00

pd. CH# 519
3/24/03

bal. 2,408.10

pd 4/1/03

✓ 5196

Wetherell Treatment Systems, Inc.
 600 Hull Road
 Ormond Beach, Florida 32174
 386-673-4161

INVOICE

North Peninsula Utilities
 P.O. Box 2803
 Ormond Beach, Florida 32175

March 30, 2003
 Customer #85
 RE: Seabridge

One Gorman Rupp flapper	\$16.52	
Labor to pull equipment two men 1.0 hour	54.00	
3/26/03 Repair to mechanical sludge collector:		
1-new bronze worm gear and shaft	243.85	} 896.72
3 new Intergal drive bearings	82.74	
1 new gear drive motor	218.63	
Labor to repair gear drive 1 man 4.5 hours	157.50	
Labor to remove and reinstall repaired gear drive Two men 3.5 hours	189.00	
3/1/03 to 3/31/03 Rental on lift station pump at \$35.00 per day	\$1,085.00	
3/27/03 Weld up leaks in air header on east tank		
10' 6" x 1/4" flatbar	37.86	} 95.12
10' x 2" x 1/4" flatbar	12.62	
20 lbs of 60-11 road at 2.86	57.20	
2 cans of cold galv. paint	16.48	
1-large grinding wheel	15.32	
1 small grinding wheel	12.64	
Labor to make repairs two men 4.5 hours plus welding equipment	243.00	

\$3,629.27
 Tax----- 97.02

\$3,726.30

Handwritten notes and signatures on the right side of the invoice, including a checkmark and a signature.

4/11/03
 5212

Balances over 30 days will be subject to a finance charge of 1-1/2% per month

Thank You!

Wetherell Treatment Systems, Inc.
600 Hull Road
Ormond Beach, Florida 32174
386-673-4161

INVOICE

North Peninsula Utilities
P.O. Box 2803
Ormond Beach, Florida 32175

May 30, 2003
Customer #85
RE: Seabridge

Wastewater treatment plant maintenance and supervision for the month of May	\$590.00
Monthly state required (2) fecal coliform test	59.00
Monthly state required (2) nitrate test	60.00
State required CBOD5 testing as required by DEP	104.00
State required TSS testing as required by DEP	80.00
5/20/03 Replace belts on plant #3 blower Two B62 belts at 19.90 each	39.80
Replace diffuser in plant Number 1 digester 7' of 1 1/4" galv. pipe TBE	16.82
2- 1 1/4" galv. street 90	7.92
2- 1 1/4" galv. unions	15.83
1- 1 1/4" PVC Tee slip x slip x thread	3.42
Labor to make repairs 2.5 hours	87.50
5/1/03 to 5/31/03 Rental on lift station pump at \$35.00 per day	1,085.00
Unpaid balance from April 2003 billing	2,411.50

46
9
150

156.99
Rem

\$4,560.78
Tax----- 11.34

~~\$4,572.12~~
B22. 2,160.62

Balances over 30 days will be subject to a finance charge of 1 1/2% per month (annual rate of 18%.)

Thank You!

Rec 7/3/03
5265

Wetherell Treatment Systems, Inc.
600 Hull Road
Ormond Beach, Florida 32174
386-673-4161

INVOICE

North Peninsula Utilities
P.O. Box 2803
Ormond Beach, Florida 32175

August 12, 2003
Customer #85
RE: Seabridge

7/17/03 Install new gear drive on plant number 3 travel cart
Install one time delay in travel aire panel
1-new travel-aire gear drive for north sewage plant
1-new time delay relay
Labor to make repairs and install gear drive two men 3.0 hrs.

\$1,683.41
74.36
192.00

1920.77

7/25/03 Install emergency blower on old #1 steel plant to keep
plant working and in operation until new blower arrives.

1-8.5 double groove sheave 73.94
1-3" bushing 18.76
1-3" air filter 132.93
1-3" galv. close nipple 11.84
2-3" short belts 24.62
2-B-60 belts at 19.88 each 39.76
1-3 Pole A and B contactor 67.51
Labor to remove old blower and install spare blower two men 4.5 hrs 288.00

\$2,607.13

Tax---- 169.46

\$2,776.59

CB# 5318
9/17/03

Balances over 30 days will be subject to a finance charge of 1 1/2% per month
(annual rate of 18%.)

Thank You!

Wetherell Treatment Systems, Inc.
600 Hull Road
Ormond Beach, Florida 32174
386-673-4161

INVOICE

North Peninsula Utilities
P.O. Box 2803
Ormond Beach, Florida 32175

September 30, 2003
Customer #85
RE: Seabridge

9/30/03 Replacement of one 6" Roots Industrial
blower for the wastewater treatment installed

\$5,823.16

Tax---- 378.51

\$6,201.67

CK# 532
10/8/03

Balances over 30 days will be subject to a finance charge of 1 1/2% per month
(annual rate of 18%.)

Thank You!

Wetherell Treatment Systems, Inc.
600 Hull Road
Ormond Beach, Florida 32174
386-673-4161

INVOICE

North Peninsula Utilities
P.O. Box 2803
Ormond Beach, Florida 32175

September 30, 2003
Customer #85
RE: Seabridge

Wastewater treatment plant maintenance and supervision for the month of September	\$590.00
Monthly state required (2) fecal coliform test	59.00
Monthly state required (2) nitrate test	60.00
State required CBOD5 testing as required by DEP	104.00
State required TSS testing as required by DEP	80.00
Unpaid balance from August 2003 billing	1,906.70
Interest on unpaid balance	28.60

\$2,828.30

OK
Ck: #5324
10/8/03

Balances over 30 days will be subject to a finance charge of 1 ½% per month
(annual rate of 18%.)

Thank You!



NORTH PENINSULA UTILITIES CORP.

P.O. Box 2803
Ormond Beach, FL 32176
(386) 441-7528

March 3, 2003

Ed Fitzgerald
Dept. Environmental Protection
Central District
3319 Maguire Blvd. Suite 232
Orlando, FL 32803-3767

RE: Scabridge WWTF #FLA 011188
Non compliance letter dated 1/8/03

Dear Mr. Fitzgerald,

This letter is in response to your questions raised in the above mentioned report.

We met with Glen Wetherell of Wetherell Treatment Systems, Inc. our utility operator; to complete the answers and timetables for the questions raised in your inspection report.

1. Wetherell will order the composite samplers (2) and should have them installed in 5-6 weeks.
2. New logbook will be provided and more information entered.
3. Copy of license for each operator will be kept on site. We believe all copies were there except for one part-time employee and that will be corrected.
4. Wetherell is working up a proposal to rehabilitate all steel plants. Work on those plants should be completed in 5-6 months. Wetherell will update DEP on that scheduled time line.
5. Wetherell will rework the defusers in plant #1. Timetable 2-3 months.
6. Will rehabilitate and replace where necessary. Time table 4-6 months.
7. Wetherell will level all weirs. Time table 30-60 days.
8. Repairs will be made to correct this problem. Time Table 60 days.
9. (a) The top of casing elevation for well MW-1B is being researched by Zev Cohen & Assoc. Eng. And will be forwarded.
(b) Well will be abandoned and grouted per requirement. DEP and Water Management District will be notified.
(c) Envirolab Inc. has made those corrections.
(d) Envirolab Inc. has made those corrections.

(c) EnviroLab Inc. has made those corrections.

Regarding the reporting forms, ELab has been instructed to include Dept. data on these reports from now on.

Please advise if any other information is needed at this time. We will follow up to insure that the above is completed.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Hillman", with a long horizontal line extending to the right.

Robert L. Hillman
North Peninsula Utilities Corp.

CC: Wetherell Treatment Systems, Inc.

ACTUAL AND ESTIMATED AND COSTS
 NORTH PENINSULA UTILITIES CORPORATION
 Docket No. 030601-SU

Actual Fees and Costs

Invoice <u>Date</u>	<u>Hours</u>	<u>Fees</u>	<u>Costs</u>	<u>Total</u>
RSB 06/03	.50	112.50	0.00	112.50
RPA 07/03	9.50	213.75	0.00	213.75
RPA 08/03	24.35	645.00	0.00	645.00
RSB 09/03	2.30	517.50	0.00	517.50
WTS 10/03	8.00	400.00	0.00	400.00
RSB 10/03	<u>8.00</u>	<u>1,800.00</u>	<u>34.75</u>	<u>1,834.75</u>
Total	<u>52.65</u>	<u>3,688.75</u>	<u>34.75</u>	<u>3,723.50</u>

Estimate to Complete

	<u>Fees</u>	<u>Costs</u>	
Total	\$ <u>3,937.50</u>	\$ <u>200.00</u>	<u>\$4,137.50</u>

Actual and Estimated Fees and Costs to
 Complete Rate Investigation:

\$7,861.00

÷ 4

Annual Amortization Expense:

\$1,965.25

LAW OFFICES

ROSE, SUNDSTROM & BENTLEY, LLP

P. O. BOX 1567
TALLAHASSEE, FLORIDA 32302-1567

(850) 877-6555

PLEASE REFER TO INVOICE NUMBER
WHEN REMITTING

F.E.I. # 59-2783536

NORTH PENINSULA UTILITIES CORPORATION
C/O TYREE F WILSON, JR
P O BOX 2803
ORMOND BEACH, FL 32175

INVOICE # 27429
SEPTEMBER 17, 2003
FILE # 26097-0003

PAGE 1

MATTER			
	INVESTIGATION OF POSSIBLE OVERTURNINGS		
08/20/03	TELEPHONE CONFERENCE WITH STAFF AND TELEPHONE CONFERENCE WITH HILLMAN RE: AUDIT.	0.80	
08/29/03	TELEPHONE CONFERENCE WITH HILMAN; TELEPHONE CONFERENCE WITH IWENJIORA AND RENDELL OF PSC; ADDITIONAL TELEPHONE CONFERENCE WITH HILMAN.	1.50 2.30	
			517.50
	TOTAL STATEMENT		\$517.50

PLEASE REFER TO INVOICE # WHEN REMITTING

LAW OFFICES

ROSE, SUNDSTROM & BENTLEY, LLP

P. O. BOX 1567
TALLAHASSEE, FLORIDA 32302-1567

(850) 877-6555

PLEASE REFER TO INVOICE NUMBER
WHEN REMITTING

F.E.I. # 59-2783536

NORTH PENINSULA UTILITIES CORPORATION
C/O TYREE F WILSON, JR
P O BOX 2803
ORMOND BEACH, FL 32175

INVOICE # 27066
JUNE 16, 2003
FILE # 26097-0004³

PAGE 1

MATTER 200³ RATE INVESTIGATION

05/20/03	TELEPHONE CONFERENCE WITH HILLMAN RE: VARIOUS ISSUES.	0.50	
		0.50	112.50
	TOTAL STATEMENT		\$112.50

PLEASE REFER TO INVOICE # WHEN REMITTING

Invoice

Regulated Plant Accounting

2307 Amherst Ave
Orlando, FL 32804-5401

Phone: 407-843-9060
Fax: 407-843-0990
E-mail: RegPlant@aol.com
URL:

INVOICE N: 0002
INVOICE D: August 31, 2003
OUR ORDER NO.
CUSTOMER ORDER NO.
TERMS
SALES REP.
SHIPPED VIA
F.O.B.
PREPAID/COLLECT

SOLD TO:
North Peninsula Utilities Corporation
P.O. Box 2803
Ormond Beach, FL 32175-2803

SHIPPED TO:
Same

QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	AMOUNT
1.50	Hr	8/01/03 Year 2000 Wetherell Invoice Analysis	\$30.00	\$45.00
0.25	Hr	8/01/03 Telephone Call Wilson Re Flow Eq	\$0.00	\$0.00
0.25	Hr	8/01/03 Telephone Call Wetherell Flow Eq.	\$0.00	\$0.00
1.50	Hr	8/01/03 Cont. 2001 Wetherell Analysis	\$30.00	\$45.00
1.00	Hr	8/06/03 NPUC visit P/U Missing Invoices	\$0.00	\$0.00
1.75	Hr	8/07/03 Rcv FAXed 99 Invoices begin Analys	\$30.00	\$52.50
2.00	Hr	8/08/03 Complete analysis Begin Proposal	\$30.00	\$60.00
1.50	Hr	8/08/03 Proposal Spreadsheet For Mtg.	\$30.00	\$45.00
0.10	Hr	8/11/03 Call Jenifer Iwanjiora FPSC	\$0.00	\$0.00
1.25	Hr	8/11/03 Work with Elizabeth / List Revenue	\$45.00	\$56.25
0.75	Hr	8/12/03 Instruct CPA Martin / Revenue	\$65.00	\$48.75
1.00	Hr	8/12/03 Prep Check coding list for NPUC	\$0.00	\$0.00
1.00	Hr	8/13/03 Finish Check coding list - Ovr Bill list	\$0.00	\$0.00
1.00	Hr	8/20/03 Rose Teleconference & Followup	\$65.00	\$65.00
1.50	Hr	8/20/03 Arrange Wetherell Mtg / Plant tour	\$45.00	\$67.50
2.00	Hr	8/22/03 Pick up Schedule Documents	\$0.00	\$0.00
0.50	Hr	8/25/03 Proforma Plant Met PSC Audit	\$65.00	\$32.50
0.50	Hr	8/26/03 Meet Glen Wetherell / Proforma deta	\$65.00	\$32.50
2.25	Hr	8/26/03 Produced FAX for Atty and Hillman	\$30.00	\$67.50
0.75	Hr	8/27/03 Drop off / Send FAX to Deterding	\$0.00	\$0.00
0.00	Hr	8/XX/03	\$0.00	
		Mailed 9-03-03		
0.00	Each	FAX cost	\$0.25	
2.00	Each	Mileage 55@.25	\$13.75	\$27.50
		SUBTOTAL		\$645.00
		TAX		
		FREIGHT		
		TOTAL		\$645.00

*chk # 5330
10/8/03*

Questions concerning this Invoice?
Call. Robert (cell)
321-217-6407

MAKE ALL CHECKS PAYABLE TO:
Robert F. Dodrill Sr.
2307 Amherst Ave,
Orlando, Fl. 32804

Wetherell Treatment Systems, Inc.
600 Hull Road
Ormond Beach, Florida 32174
386-673-4161

INVOICE

North Peninsula Utilities
P.O. Box 2803
Ormond Beach, Florida 32175

October 1, 2003
Customer #85
RE: Seabridge

Meet with North Peninsula Utilities to evaluate and schedule the required steel renovation work on the sewage facility and the necessary mechanical improvements to wastewater plants and lift station equipment. Labor 8.0 hours at \$50.00 per hour \$400.00

Balances over 30 days will be subject to a finance charge of 1 1/2% per month (annual rate of 18%.)

Thank You!

1

Invoice

Regulated Plant Accounting

2307 Amherst Ave
Orlando, FL 32804-5401

Phone: 407-843-9060
Fax: 407-843-0990
E-mail: RegPlant@aol.com
URL:

SOLD TO:

North Peninsula Utilities Corporation
P.O. Box 2803
Ormond Beach, FL 32175-2803

INVOICE NC 0001
INVOICE DA July 31, 2003
OUR ORDER NO.
CUSTOMER ORDER NO.
TERMS
SALES REP.
SHIPPED VIA
F.O.B.
PREPAID/COLLECT

SHIPPED TO:

Same

QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	AMOUNT
1.00	Hr	6/xx/03 Review Annual Report w/Wilson	\$0.00	\$0.00
0.50	Hr	7/xx/03 Teleconference with Doug Martin	\$0.00	\$0.00
1.00	Hr	7/17/03 Organization Meeting Orm. Bch	\$30.00	\$30.00
0.75	Hr	7/23/03 Meet Tye / Review Cont / CallPSC	\$65.00	\$48.75
1.00	Hr	7/27/03 Set-up Wetherell Analysis	\$0.00	\$0.00
2.00	Hr	7/27/03 Analyze 2000 Wetherell Invoices	\$30.00	\$60.00
0.25	Hr	Message Re need for 1999 Wetherell Invoices	\$0.00	\$0.00
2.00	Hr	7/28/03 Reclass 2001 Wether. Invoices	\$30.00	\$60.00
0.00	Hr	7/xx/03	\$0.00	
0.00	Each	Copy	\$0.10	
1.00	Each	One way Mileage 60@.25	\$15.00	\$15.00
SUBTOTAL				\$213.75
TAX				
FREIGHT				
TOTAL				\$213.75

Questions concerning this Invoice?

Call: Robert (cell)
321-217-6407

MAKE ALL CHECKS PAYABLE TO:

Robert F. Dodrill Sr.
2307 Amherst Ave,
Orlando, FL 32804

CEH 5294
8/7/03

LAW OFFICES
ROSE, SUNDBSTROM & BENTLEY, LLP

2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

CHRIS H. BENTLEY, P.A.
ROBERT C. BRANNAN
DAVID F. CHESTER
F. MARSHALL DETERDING
JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
DAREN L. SHIPPY
WILLIAM E. SUNDBSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON
ROBERT M. C. ROSE, OF COUNSEL
WAYNE L. SCHIEFELBEIN, OF COUNSEL

(850) 877-6555
FAX (850) 656-4029
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MARTIN S. FRIEDMAN, P.A.
VALERIE L. LORD, OF COUNSEL
(LICENSED IN TEXAS ONLY)

September 16, 2003

Mr. Troy Rendell
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: North Peninsula Utilities Corporation
Rate Investigation; PSC Docket No. 030601-SU
Our File No. 26097.03

Dear Mr. Rendell:

As a result of our recent conversations and my discussions with the accountants, contractors and management at North Peninsula, I believe that we can demonstrate to the staff that the overearnings alleged in the recent Commission decision for this Utility do not currently exist and are not expected to exist in the future. As such, we believe a settlement of this proceeding is in order to avoid the unnecessary expenditure of funds by both the Commission and the Utility.

I have outlined below some of the things that must be considered in making a determination of actual earnings for 2002, as well as anticipated earnings for 2003 and 2004. I have separated these by the actual and anticipated below:

2002 Actual Overearnings - The staff's analysis of 2002 overearnings was based upon the 2002 Annual Report. However, because of an index implemented in July of 2002, the staff did an annualization of revenue calculation which assumed not only year end revenues, but year end customers as well. In calculating actual overearnings for the year 2002, these two adjustments are inappropriate. While those assumptions about annualization of revenues may be appropriate for some purposes, they are not appropriate for judging actual overearnings during that historic year. The Utility was also aware of several adjustments that needed to be made to the 2002 revenue figures, including 2001 revenue collected in 2002 and 2003 revenue collected early that was booked during 2002. All of these errors were reflected in the revenues reported in the Annual Report and should be adjusted in judging 2002 earnings. I believe the auditors have already been shown these latter adjustment figures

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COMMUNICATIONS SECTION

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and the amount of these errors.

However, to appropriately review 2002 earnings the revenue should be calculated based upon the actual number of customers that were in place during the test year and the rates that were in effect during that 2002 year. As such, the attached schedule shows the actual revenues that should have been collected at approved rates for calendar year 2002. This schedule shows actual revenue for 2002 of \$177,126.

Based upon the corrected revenues ($\$183,405 - \$177,126 = \$6,279$ over statement), the actual overearnings for 2002 is only approximately \$6,518.

Because the index was placed into service for less than $\frac{1}{2}$ year (August through December service), the only portion of any alleged overearnings for 2002 which is related to the index itself is at most $\frac{5}{12}$ the total index increase of \$2,724 or \$1,135.

Therefore, in order to liberally construe the amount of excess earnings that occurred during 2002 as the result of implementation of the index in August of 2002, the Utility would agree to refund the entire \$1,135 as a credit to customers' bills in that amount.

2003 and 2004 Projected Earnings - The Utility will undertake several significant improvements to its system which will have a significant effect on anticipated earnings for 2003 and 2004. I am attaching hereto a calculation of the cost of those improvements based upon estimates provided to the Utility by the construction company who will perform those required improvements. I am also attaching a detailed description of the required improvements from the construction company.

As the attached schedule shows, the Utility will be required to make \$30,564 in required capital improvements by the end of calendar year 2003 and \$40,549 in such improvements during calendar year 2004. All of these are required by DEP (see the attached letter from DEP).

In addition to the capital improvements, several repairs proposed for amortization over a four year period will have to be undertaken, both in 2003 and 2004. The rebuilding of two plant pumps at a cost of \$4,207 each and the

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rebuilding of a lift station pump at an estimated cost of \$4,742 totals \$13,156 in repairs during 2003. The amortization of those repairs (and other minor items reflected on the attached schedule) over a four year period has been proposed by the Utility's outside accountant, Robert F. Dodrill, Sr., for an additional annual expense of \$3,348.

Depreciation on the DEP required improvements during 2003 at 6.67% equals \$2,039 in annual increase in depreciation expense for 2003.

The depreciation expense on the 2004 additions at 6.67% totals \$2,706.

Therefore, adding both the DEP required improvements in 2003 and the amortized repairs which will be completed during 2003, totals over \$5,387 in additional operating expenses anticipated, above and beyond those determined in 2002. With an allowed return on these plant additions of 7%, the Utility will not overearn in 2003.

In addition to those costs outlined for 2003 (which will recur in 2004), the capital additions and repairs expected to be undertaken during 2004 will increase depreciation and amortization expense by approximately \$6,922 based upon Mr. Dodrill's attached schedule. As with 2003, this increase is before consideration of the additional approximately \$2,800 in the return at 7% to which the Utility will be entitled once it makes these investments.

Proposed Settlement - Based upon the above and the attached schedules, it is clear that the Utility only overearned in 2002 by a maximum of \$6,518 and only \$1,135 of that is related to the index itself. During 2003, the additional expenses and depreciation and return anticipated based upon improvements required by the Florida Department of Environmental Protection will more than offset any estimated overearnings calculated by the staff. The same is true for anticipated capital improvements as required by DEP and the effects on expenses and earnings during 2004.

The Utility is agreeable to making a refund of all of the index amount collected for calendar year 2002.

Because overearnings are clearly not anticipated in 2003 and 2004 based upon these required improvements, the Utility proposes that the Commission issue an Order

Mr. Troy Rendell
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holding those revenues up to the amount of potential overearnings after correction of the 2002 revenue figure subject to refund for the next six months and then the Utility will file with the Commission by February 28, 2004 proof of the actual expenditures and their revenue impact, as outlined herein and in Mr. Dodrill's attached schedule. Upon filing that proof, the Commission staff can then close this docket if in fact those improvements have been made in sufficient amount to offset the corrected potential overearnings.

Please review this information and these facts and let me know if you need anything further. We would propose that the staff move forward with presenting this settlement proposal to the Commissioners if you are agreeable, if not, please let me know what concerns you still have.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

FMD/tms
cc: Blanca S. Bayo, Director
Katherine Fleming, Esq.
Mr. Robert L. Hillman

North Peninsula Utilities Corporation
Revenue Reconciliation
For the Year Ended 12/31/02

Monthly Customer Billings (revenues):

<u>Month</u>	<u>Rate</u>	<u># of Customers</u>	<u>Total</u>
January	\$ 27.46	529	\$ 14,526
February	27.46	530	14,554
March	27.46	530	14,554
April	27.46	530	14,554
May	27.46	530	14,554
June	27.46	530	14,554
July	27.46	530	14,554
August	27.89	530	14,782
September	27.89	533	14,865
October	27.89	539	15,033
November	27.89	548	15,284
December	27.89	549	<u>15,312</u>

Actual billings per monthly detail

\$177,126

1

North Pennisulia Utilities, Inc.
 Proposal Analysis 1 & 2
 Set Up - August 08, 2003

Source: Contractors Projections in File
 File: Protim03

Robert F. Dodrill Sr. -
 Printed: Day 09-Sep-03 Time 11:08 AM

CWO#	Construction Subproject	'03 or 04 Year	Est. Month	Proforma Capital \$ Est	Ret. Y/N	Expense desc.	Proforma Expense	
							\$ Est	\$ Est
LSRE01b	1b Rebuild plant site pump #2*	3	9	XXXX		3,156	1,051	
LSRE02	2 Rebuild pump JA Lift Sta *	3	9	XXXX		3,556	1,186	
LSRE01a	1a Rebuild plant site pump #1*	3	9	XXXX		3,156	1,051	
90SP5	5 Install total blower assemb	3	9	5,796	Y		XXXX	
2ACSP03	3 2 New Auto composite Samp.	3	10	5,394	N			0
60SP01	1 New gear drive & motor	3	10	4,870	Y		XXXX	
90SP2	2 Replace sludge return	3	10	6,438	Y		XXXX	
90SP4	4 Level effluent weir	3	12	XXXX				60
JALSPP02	2 One new Pump for JA L/S	3	12	5,876	Y			0
90SP6	6 Replace Bad diffusers etc.	3	12	2,190	Y		XXXX	
				30,564				3,348
60SP02a	2a Replace bad handrails	4	1	1,844	Y		XXXX	
60SP02b	2b Repair walkway sections	4	1	XXXX				850
60SP05a	5a Coat interior w/epoxy *	4	3	XXXX		1,874		468
60CP03a	3a New motor starters	4	3	2,285	Y		XXXX	
60CP03b	3b New Alternator	4	3	173	Y		XXXX	
90SP8	8 Replace bad walkways	4	3	3,493	Y	Def.	XXXX	
GASCLP01	1 New Gas Chlorination System	4	3	\$4,428	N			0
60SP04a	4a Sandblast STP interior *	4	3	XXXX		2,283		571
60CP01a	1a Total Repipe airlift	4	3	1,354	Y		XXXX	
60SP05b	5b Coat exterior w/epoxy *	4	3	XXXX		1,138		284
60CP03	3 Main blower panel	4	3	XXXX			XXXX	
60CP02	2 Install total blower assemb	4	3	4,856	Y		XXXX	
60CP01b	1b Total Repipe sludge return	4	3	1,000	Y		XXXX	
60CP03d	3d New breakers	4	3	1,427	Y		XXXX	
60CP03c	3c New timeclock	4	3	241	Y		XXXX	
90SP9	9 Sandblast STP interior *	4	3	XXXX		1,709		427
90SP11	11 Sandblast & Coat Exterior *	4	3	XXXX		1,322		330
60SP03	3 Install total blower assemb.	4	3	5,193	Y	Def.	XXXX	
90SP3	3 Install new air lift	4	3	576	Y		XXXX	
90SP7	7 Replace bad handrails	4	3	3,314	Y		XXXX	
60SP04b	4b Sandblast STP exterior *	4	3	XXXX		2,606		652
90SP10	10 Coat interior w/epoxy *	4	3	XXXX		1,234		309
90SP1	1 Replace defective plate	4	3	4,142	Y	Repair balance as needed		0
				34,326				3,891
TRIP02	2 Replace bad handrails	4	4	648	Y		XXXX	
TRIP03	3 Replace bad walkway/sup	4	4	625	Y	Def.	XXXX	
TRIP04	4 Sandblast station & piping *	4	4	XXXX		640		160
TRIP05	5 Epoxy Station and piping *	4	4	XXXX		664		166
TRIP01	1 Replace bad steel	4	4	4,950	Y		XXXX	
				6,223				326

RECAP

				Full Yr.	
				Depr. @ 6.67%	Exp.
DEP Required Improvements for	Year 03	\$30,564	'03	\$2,039	\$3,348
	1Qtr-04	34,326			3,891
	April 04	6,223			326
DEP Required Improvements for	Year 04	40,549	'04	\$2,705	4,217

Total Proforma Upgrade \$71,113



Department of Environmental Protection

Jeb Bush
Governor

Central District
3319 Maguire Boulevard, Suite 232
Orlando, Florida 32803-3767

David B. Struhs
Secretary

NORTH PENINSULA UTILITIES CORPORATION
PO BOX 2803
ORMOND BEACH FL 32176

OCD-C-WW-03-0009

ATTENTION ROBERT HILLMAN
VICE PRESIDENT

Volusia County - DW
Seabridge WWTF
Wastewater Facility - Permit No. FLA011188
Noncompliance Letter

Dear Mr. Hillman:

On December 11, 2002, Department personnel conducted a routine inspection of your wastewater facility. A copy of the inspection report is enclosed for your review. During the course of the inspection, and/or determined from records on file in this office, the following deficiencies were noted:

1. The influent and effluent composite samples were not flow-proportioned composite samples. The permit states that the flow-proportional composite samples must be collected at these locations. This was noted in the previous Noncompliance Letter Number OCD-C-WW-02-0241 dated April 24, 2002 and not adequately addressed in the response (see the inspection report for details).
2. The maintenance and operation logbook was incomplete. Maintenance and operation information must be contained in a bound logbook with numbered pages. The logbook must contain a minimum of three (3) months of data, identification of the plant, the signature and certification number of the operator, date and time in and out, specific operation and maintenance performed, tests performed, samples taken, and major repairs made.
3. A copy of the license for each certified operator that services this facility was not on-site.
4. In general, the steel in the facility is badly corroded and in need of repair or replacement (see the inspection report for specific details).
5. Aeration does not appear to be even throughout the aeration basin in steel plant #1.
6. The traveling sludge return was extremely rusty and had rusted through in places.
7. The clarifier weir was not level in any of the plants (see inspection report for details).

Seabridge WWTF
OCD-C-WW-03-0009
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8. The return sludge system for the concrete plant was leaking sludge back into the clarifier.
9. A review of the ground water files for this facility indicates the following deficiencies:
 - a) The Department received a response letter (dated 4/30/02) that replied to the ground water deficiencies noted in non-compliance letter OCD-C-WW-02-0421 (dated 4/24/02). All ground water responses were sufficient, except to Ground Water item 8c from the previous non-compliance letter OCD-C-WW-00-0643 (dated 6/27/00). Item 8c concerns confirming what the correct top of casing elevations are for background wells MW-1A and MW-1B. As of December 2002, the Department has not received the confirmed top of casing elevations for the two background wells. However, please submit the correct top of casing elevation (in feet NGVD or feet MSL) for only background well MW-1B because MW-1A was damaged and approved for abandonment by the Department.
 - b) After receiving the renewed permit, please abandon background well MW-1A. The well abandonment shall be carried out by cement grouting in accordance with the requirements stipulated in Rule 62-532.440, F.A.C. Once abandonment is complete, please submit to the Central District office the well abandonment log of existing well MW-1A with a copy to the local Water Management District.
 - c) In the second and third quarters of 2002, the abbreviation "ND" (none detected) was reported as the result for the fecal coliform parameter for all monitoring wells. In addition, "ND" was reported for the nitrate result for compliance well MW-4 in the third quarter of 2002. An actual numerical value should be reported for each parameter.

On laboratory sheets that were attached to the reports, detection limits for fecal coliform were recorded and consisted of 1.0 CFU/100 mL and 4.0 CFU/100 mL for the second and third quarters of 2002, respectively. Also on the laboratory sheets, a detection limit of 0.25 mg/L for the nitrate parameter was recorded for the third quarter of 2002.

Please note that if a result is below the corresponding detection limit, then the numerical value shall be compared to the detection limit. For example, if the detection limit of fecal coliform is 1.0 CFU/100 mL and a result is not detectable (ND), then the concentration would be recorded as < (less than) 1.0 CFU/100 mL. Furthermore, if a data qualifier code such as "U" is reported with a result, then this code shall be recorded next to the numerical value of the result and defined in the comment section of the correlating report form.

- d) For the third quarter of 2001, the ground water samples that were collected on September 28, 2001 were not tested for the nitrate parameter. However, the facility collected samples for nitrate on October 4, 2001. This sample date fell outside of the report period for the third quarter. Please remember to collect ground water samples for all sampling events, including resamplings, during the report period for the corresponding and correct quarter.

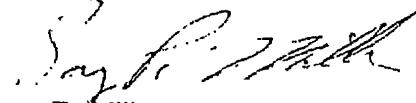
Seabridge WWTF
OCD-C-WW-03-0009
Page 3

- e) A certification form was not submitted with the ground water monitoring reports for the third and fourth quarters of 2001 as well as the first through the third quarters of 2002. This was noted in the previous inspection report and ground water review. Please complete and submit the enclosed certification form with each quarterly ground water monitoring report. The authorized representative of the facility must sign the Certification Form. Please provide a copy of the certification form to all facility and laboratory personnel that are involved in the quarterly submittals. For facilities with a new or renewed permit in the year 2001 to current, please disregard the request for a Comp QAP/HRS certification number in the quality assurance section (Part II) and instead record the DOH (Department of Health) Certification number.

For the first and second quarters of 2002, the facility submitted data on their own report forms that did not contain columns for Store Codes, detection limits, and/or preservatives added. Detection limits, however, were recorded on laboratory sheets that were attached to the report for the first quarter of 2002. If the facility or consultant is planning to continue submitting data on their own report forms, then please ensure that all required information from the Department's forms are transferred over.

Please respond to these items, in writing, with a schedule of corrective action. Pursuant to Rule 62-4.100(2), F.A.C., failure to comply with pollution control rules shall be grounds for permit suspension or revocation and initiation of formal enforcement action. Your reply is requested within 14 days from the date of this letter. Ground water questions should be directed to Lynn Lukacs, at (407) 893-3308, Ext. 2233. Your reply and any other questions should be addressed to Ed Fitzgerald at (407) 893-3313.

Sincerely,



Gary P. Miller
Program Manager
Wastewater Compliance/Enforcement

Date: January 8, 2003

^{KLR}
GM/etf/ww

Enclosures

cc: Volusia County Environmental Management
FDEP, Ground Water Section

Wetherell Treatment Systems, Inc.
600 Hull Road
Ormond Beach, Florida 32174
386-673-4161

July 14, 2003

North Peninsula Utilities
P.O. Box 2803
Ormond Beach, Florida 32175

RE: Seabridge Sewage Treatment Plant Rehab

PROPOSAL

As per our discussion and agreement, Wetherell Treatment Systems agrees to provide all equipment, material and labor to renovate the existing steel plants and make corrections, repairs, and changes to operation as required by Department of Environmental Protection. The scope and completion of required work is as follows:

90,000 Gallon Steel Sewage Plant

1. Replace defective steel plate and repair any leaks in older steel plant.
2. Replace existing sludge return through in older steel plant with new return through and supports as required.
3. Install new chlorine contact air lift in older plant.
4. Level effluent weir in older plant.
5. Install one new positive displacement blower and motor complete with new equipment stand, air filters, sheaves and belt guard.
6. Replace all defective air diffusers, fittings and valves.
7. Replace all defective handrailings and fittings.
8. Replace all defective walkway supports and any defective walkway bar grading.
9. Upon completion of all steel work and repairs Wetherell Treatment Systems shall sandblast the top 2' to 3' of the interior of the sewage treatment plant.
10. Upon completion of sandblasting, Wetherell Treatment System shall coat the top 2' to 3' of the interior of the sewage treatment plant with two coats of epoxy coal tar 6 to 8 mils DFT each coat.

Seabridge
July 14, 2003
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- 11. The exterior of the sewage plant shall be sandblasted as necessary. After sandblasting the exterior shall be coated with hi-build epoxy 5 to 7 mils DFT.

Total Cost Of Above Work Installed----- \$31,340.00 plus tax

60,000 Gallon Per Day Steel Sewage Plant

- 1. Wetherell Treatment Systems shall supply and install a new mechanical geardrive and motor for the clarifer.
- 2. Replace all defective handrailing and repair any defective walkway sections.
- 3. Supply and install one new positive displacement blower and motor assembly complete with new motor base, air filter and guard.
- 4. Sandblast the top 2' to 3' of the interior and exterior of the sewage plant as necessary.
- 5. Upon completion of steel work and sandblasting Wetherell Treatment Systems will apply two coats of coal tar epoxy to the top 2' to 3' of the interior of the sewage plant 6 to 8 mils DFT each coat. The exterior of the sewage plant shall receive two coats of Hi-Build epoxy 5 to 7 mils DFT.

Total Cost Of Above work installed----- \$22,633.00 plus tax

60,000 Gallon Per Day Concrete Sewage Plant

- 1. Completely repipe both clarifer airlifts and sludge return pipe. Each air lifts shall have a separate 6" PVC sludge return line with necessary valving.
- 2. Supply and install one positive displacement blower and motor assembly complete with new motor base, air filter, guard and sheaves.
- 3. Rewire main blower panel with new motor starters, alternator, time clock, and breakers.

Total Cost Of Above Work Installed----- \$11,336.00 plus tax

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Triplex Flow Distribution Station

1. Replace defective steel.
2. Replace all handrail.
3. Replace defective walkway and walkway support
4. Sandblast, distribution station and piping
5. Apply two coats of Hi-Build epoxy to sandblasted distribution station and related hardware and piping.

Total Cost Of Above Work Installed----- \$7,853.00 plus tax

Lift Station Repairs

1. Completely rebuild two plant site lift station pumps
2. Rebuild one pump at John Anderson lift station.

Total Cost Of Above Work Installed----- \$13,156.00 plus tax

Additional Equipment that is needed:

1. New gas chlorination system.-----\$4,428.00 plus tax
2. One new lift station pump for John Anderson lift Station-----\$5,876.00 plus tax
3. Two new automatic composite samplers----- \$5,394.00 plus tax

Mr. Hillman, as you know per your instructions, some of this work has already been completed, other portions of work are under way and some equipment has already been ordered.

Read and Agreed To By:
Peninsular Utilities

Wetherell Treatment Systems

Bob Hillman

date

Glenn Wetherell

date