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

Public Service Commission

December 16, 2003

Mr. Martin S. Friedman
Rose, Sundstrom & Bentley, LLP
600 S. North Lake Boulevard, Suite 160
Altamonte Springs, FL 32701

Re: Docket No. 030445-WS, Application for Utilities, Inc. of Eagle Ridge, for Increase in Rates in Lee County

Dear Mr. Friedman:

We have reviewed the minimum filing requirements (MFRs) submitted on November 17, 2003, on behalf of the above mentioned utility. After reviewing this information, we find the MFRs to be deficient. The specific deficiencies are identified below:

1. Rule 25-30.436(4)(h), Florida Administrative Code, 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 20, shall file three copies of additional schedules showing additional information as detailed in the rule. The document that the utility submitted did not reflect all of the information that is required by this rule. The utility has failed to include the following items of this rule:
 - (3) The allocation or direct charging method used and the basis for using that method; and
 - (4) The workpapers used to develop the allocation method, including but not limited to the numerator and denominator of each allocation factor.

2. Pursuant to Order No. PSC-00-2388-AS-WU, issued December 13, 2000, Utilities, Inc. (UI), agreed to provide a cross-reference for its general ledger account numbers to the National Association of Regulated Utility Commission Uniform System of Accounts primary account numbers. Staff notes that we have received a cross-reference in Docket No. 020407-WS in connection with the staff's discussion with UI regarding its books and records. However, that document did not include references for all operation and maintenance expense accounts, particularly materials and supplies and miscellaneous expenses. Please submit a complete copy which cross-references all accounts for this docket.

AUS _____
 CAF _____
 CMP _____
 COM _____
 CTR _____
 ECR _____
 GCL _____
 OPC _____
 MMS _____
 SEC 1
 OTH _____

DOCUMENT NUMBER 030445-WS

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FPSC-COMMISSION OF REG.

Rule 25-30.437, Florida Administrative Code, requires that each utility applying for a rate increase shall provide the information required by Commission Form PSC/ERC 20 (11/93), entitled "Class B Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements." Numbers 3-11 of the following list are deficiencies pursuant to this rule.

3. Schedule A-3, Schedule of Adjustments to Rate Base
Schedule A-6, Schedule of Wastewater Plant in Service By Primary Account
Schedule A-10, Schedule of Wastewater Accum. Depreciation By Primary Account
Schedule B-14, Net Depreciation Expense - Wastewater

Pro forma adjustments have to be reflected by primary account on these schedules. Also, if the amount in account is subject to a used and useful adjustment, the used and useful adjustment has to be made to the pro forma adjusted balance. The utility has not done this.

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

The explanation for this schedule requires that the utility state the authority for any AFUDC rates used. The utility has not provided this information.

5. Schedule B-3, Schedule of Adjustments to Operating Income

The explanation for this schedule requires that the utility provide a detailed description of all adjustment to operating income per books. The utility did not explain the removal of the nonrecurring debit to Misc. Service Charges reflected on this schedule.

6. Schedule B-4, Test Year Operating Revenues
Schedule E-2, Revenue Schedule at Present and Proposed Rates

Column (10) of schedule E-2 should agree with column (2) of schedule B-4. If an adjustment is needed, provide a detailed explanation.

7. Schedule B-8, Operation & Maintenance Expense Comparison - Wastewater

Line 28 of this schedule requires the use of Equivalent Residential Connections (ERCs), not Customer Equivalents (CEs). Please provide a statement that the utility has in fact used ERCs. If the utility has used CEs, provide the appropriate comparison of ERCs as required.

8. Schedule B-15, Taxes Other Than Income

Miscellaneous Service Charges are subject to regulatory assessment fees and, thus, the test year revenue should reflect 4.5% of total revenues. Also, please provide the calculation for non-used and useful property tax and the pro forma property tax adjustment.

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

Please provide an explanation stating whether the negative numbers are debit or credit balances. Also, the balances shown on the summary schedule, page 1 of 3, do not match the balances reflected on the balance sheet or the capital structure.

10. Schedule D-2, Reconciliation of Capital Structure to Requested Rate Base
Schedule D-4, Simple Average Cost of Short-Term Debt
Schedule D-5, Cost of Long-Term Debt

Schedule D-2, line 1, Long Term Debt does not tie to the total on Schedule D-5, column 4.

Schedule D-2, line 2, Short Term Debt does not tie to the total on schedule D-4, column 3.

11. Schedule F-6, Used and Useful Calculations

As required by Rule 25-30.432, Florida Administrative Code, the numerator of the equation for calculating the used and useful percentage of a wastewater treatment plant shall be the same period or basis stated on the most recent operating permit issued by the Florida Department of Environmental Protection. Permit No. FLA014498 for Utilities, Inc. of Eagle Ridge (Eagle Ridge), submitted with the application states the utility can operate an existing 443,000 gallon per day (gpd) three month average daily flow, TMADF, contact stabilization process and/or 318,000 TMADF extended aeration process. Please resubmit Schedule F-6 using only the TMADF as reflected in the permit for Eagle Ridge. Provide the dates during the test year that extended air and contact stabilization process were used for Eagle Ridge.

Also, in determining the used and useful amount, the Commission will also consider other factors such as the allowance for growth pursuant to Section 367.081(2)(a)2., F.S., infiltration and inflow. The utility did not address infiltration and inflow. Please provide the amount of water in gallons by month the residential, multifamily and commercial customers purchased from their water supplier for the test year for

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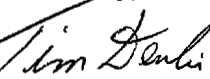
Eagle Ridge and Cross Creek. Based on the amount of water purchased, estimate the amount of water returned as wastewater in gallons by month. Also, provide the size of the diameter of the collection pipes in inches, the corresponding length of pipe in miles for Eagle Ridge and Cross Creek, and calculate the amount of infiltration and inflow for Eagle Ridge and Cross Creek for the test year. Provide your calculations. Please resubmit Schedule F-6 for Eagle Ridge and Cross Creek addressing infiltration and inflow.

12. Schedule F-10, Equivalent Residential Connections - Wastewater

As required by Rule 25-30.431(2), Florida Administrative Code, provide the following data needed to complete this schedule (1) historical customer growth, (2) a linear regression analysis, and (3) a wastewater capacity analysis report for Eagle Ridge and Cross Creek.

13. If any corrections to the above deficiencies require a corresponding change to any schedules, those corrected schedules must also be submitted.

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 January 16, 2004.

Sincerely,

Timothy Devlin
Director

TD:tj

cc: Division of Commission Clerk and Administrative Services
Office of the General Counsel (Gervasi)
Division of Economic Regulation (Willis, Merchant, Joyce, Greene, Redmann)