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# Public Service Commission

March 11, 2004

## STAFF'S FIRST DATA REQUEST

Martin S. Friedman  
Rose Sundstrom & Bentley, LLP  
650 S. North Lake Boulevard, Suite 420  
Altamonte Springs, Florida 32701

**Re: Docket No. Docket No. 030445-SU, Application for Rate Increase in Lee County by Utilities, Inc. of Eagle Ridge**

Dear Mr. Friedman:

After reviewing the application in the above referenced docket, staff needs the following information to complete our review of the application.

A. The following items relate to the allocation methodology employed by the utility.

1. Explain why the utility believes that the use of customer equivalents (CE) is a more accurate method to allocate common costs than the use of equivalent residential connections (ERCs) based on meter equivalents.
2. Explain why the utility determines CEs at June 30 instead of year-end. Explain why this does not produce a mismatch between the CEs and the costs to be allocated.
3. Explain how the utility's current methodology allocates costs to a system purchased after June 30 of any given year.
4. Explain whether the utility has considered simplifying the allocation methodology, and if so, what actions have been taken.

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|-----|-------|--|
| AUS | _____ | 5. Provide an explanation of why the utility believes that its method of calculating CEs using         |
| CAF | _____ | factors adequately allocates costs to each system (i.e., 1 for a water or wastewater only customer, 1½ |
| CMP | _____ | for a water and wastewater customer, and ½ for a water transmission or wastewater collection system    |
| COM | _____ | only customer). In the explanation, address how billing, accounting, revenue collection, customer      |
| CTR | _____ | service, and miscellaneous costs are impacted by this method.  |
| ECR | _____ |  |
| GCL | _____ |  |
| OPC | _____ |  |
| MMS | _____ | 6. Explain how the CE allocation method addresses whether billing and revenue accounting               |
| SEC | _____ | costs are adjusted for systems where those services are performed by another entity (i.e. Mid-County   |
| OTH | _____ |  |

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Services, Inc.). This explanation should include an analysis of costs other than computer time allocations, and such materials and supplies for paper and envelopes, office salaries, revenue accounting and accounts receivable, postage or any other costs associated with billing and revenue collection. If the utility's method does not address these concerns, explain why.

7. Provide an analysis of all billing and customer accounting costs by account number and description for the test year for Utilities, Inc. for the year ended December 31, 2002. This total should be broken down by category and at a minimum should detail the costs incurred for materials and supplies for paper and envelopes, office salaries, revenue accounting and accounts receivable, postage or any other costs associated with billing and revenue collection. Also specifically identify from what allocation category (SE code) and account number these costs were removed in the utility's current Distribution of Expenses.

8. Provide all calculations used to determine the number of CEs for Eagle Ridge, by customer class, meter size and factor(s) applied. This calculation should agree with the CEs used in the allocation manual. If the calculation does not agree with the Distribution of Expenses manual, describe all differences.

9. Please provide the total ERCs using meter equivalents pursuant to Rule 25-30.055, Florida Administrative Code, as of December 31, 2002. This method should count each customer for the following entities:

- a) combined total of all Utilities, Inc. subsidiaries;
- b) combined total for all Florida subsidiaries; and
- c) total for Eagle Ridge.

10. Provide the number of customers for Eagle Ridge, by customer class and meter size. For Eagle Ridge, provide a breakdown for customers for the Eagle Ridge and Cross Creek areas.

B. The following items relate to quality of service, residential customer counts, reuse, and the Eagle Ridge and Cross Creek systems.

11. In Section VI (1) 3, page 13 of 20, of the Eagle Ridge Operating Permit No. FLA 014498, issued October 15, 2003, the utility was required to develop and organize an odor detection program with the homeowner's association to determine and identify the source and cause of odors within 90 days after the issuance date of the permit. Please summarize the utility's odor detection program that was developed. Please explain if the odor problem has been resolved, and what steps the utility took to resolve the problem.

12. The utility uses Histosal for odor suppression and improving the ability of the sludge to settle. Please provide the manufacturer's specifications sheet that describes the chemical and the purpose of the chemical.

13. For the Eagle Ridge system, there is a discrepancy in the number of residential customers. On Schedule F-7, page 67 of the MFRs, it states that there are 815 single family detached residences.

On Schedule E-2, page 51 of the MFRs, staff calculated an average of 758 residential billing units, by taking the total residential bills for Eagle Ridge and dividing by 12. The map submitted for Eagle Ridge shows 771 residential lots. Please reconcile the number of residential customers in the Eagle Ridge system.

14. Provide a copy of the utility's agreements with the Eagle Ridge Golf and Country Club and the Cross Creek golf course for reuse.

15. Both the Eagle Ridge and Cross Creek systems dispose of their effluent by spray irrigation to golf courses, and therefore, the utility should have some reuse plant pursuant to NARUC USOA. However, Schedule A-6 - Plant in Service by Primary Account, page 4 of the MFRs, does not show any reuse plant. Please provide a breakdown of the reuse plant and accumulated depreciation and revise Schedule A-6 and A-10.

16. On Schedule F-6 of the MFRs, the utility provides Plant in Service balances for Y/E 2002 of \$1,909,246 for Eagle Ridge and \$1,226,469 for Cross Creek. Please provide the basis used to determine whether the assets were for Eagle Ridge or Cross Creek.

17. In its response dated February 17, 2004, to staff's MFR deficiency No. 11, the utility indicated that for the Cross Creek system, it cannot make a calculation for infiltration/inflow, because it has no water information. Without comparing the amount of water sold and the amount of wastewater treated, the amount of infiltration/inflow cannot be determined. Lee County provides water service through metered connections. Please contact Lee County to obtain the metered water flows for the Cross Creek system. Also, provide the size of the diameter of the collection pipes in inches, and the corresponding length of pipe in miles for Cross Creek, and the calculations for the total amount of infiltration and inflow for Cross Creek for the test year.

C. The following items relate to the pro forma plant additions requested on Schedule A-3 of the MFRs.

18. For each plant item, provide the following:

- (a) a detailed description, including the purpose, and a statement why each item should be considered in this rate case. Explain whether the plant item is new or a replacement of a current asset, and whether the plant addition will provide additional capacity or to is necessary to provide service only to current customers;
- (b) a copy of the signed contract for each plant project and the projected in-service date;
- (c) support calculations for any capitalized costs estimated in addition to the amount reflected on any contract;
- (d) an explanation of the prudence of including in rate base, if any of the in-service dates are later than 12/31/2004, or more than 24 months after the end of the test year;
- (e) all retirement entries, and the methodology and calculations used to calculate the retirement of plant for any items that are replacement for existing plant; and

(f) a statement addressing whether any of these additions will be funded by contributions in aid of construction.

D. The following items relate to property taxes and deferred income taxes.

19. Provide the calculation supporting the utility's requested pro forma property tax expense and documentation supporting the requested millage rate used.

20. State whether the utility has taken into consideration in its filing the tax impacts of the Job Creation and Worker Assistance Act of 2002, or the Jobs and Growth Tax Relief Reconciliation Act of 2003. If so, provide an explanation of any items considered and the resulting calculations of the current or deferred tax impacts.

Please file the above information by April 9, 2004. If you have any questions, please contact me by phone at (850) 413-6918 or by e-mail at [pmerchan@psc.state.fl.us](mailto:pmerchan@psc.state.fl.us).

Sincerely,



Patricia W. Merchant  
Public Utilities Supervisor

cc: Division of Economic Regulation (Redemann, Joyce, Kyle)  
Office of the General Counsel (Gervasi)  
Division of the Commission Clerk and Administrative Services