

ORIGINAL

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

FREDERICK L. ASCHAUER, JR.  
CHRIS H. BENTLEY, P.A.  
ROBERT C. BRANNAN  
DAVID F. CHESTER  
F. MARSHALL DIETERDING  
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  
ROBERT M. C. ROSE, OF COUNSEL  
WAYNE L. SCHIFFELBEIN, OF COUNSEL

(850) 877-6555  
FAX (850) 656-4029  
www.rsbattorneys.com

CENTRAL FLORIDA OFFICE  
600 S. NORTH LAKE BLVD., SUITE 160  
ALTAMONTE SPRINGS, FLORIDA 32701-6177  
(407) 830-6331  
FAX (407) 830-8522

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

REPLY TO ALTAMONTE SPRINGS

April 13, 2004

HAND DELIVERY

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

RECEIVED - FPSC  
APR 13 AM 10:28  
COMMISSION  
CLERK

Re: Docket No. 030444-WS; Application by Bayside Utility Services, Inc., for Rate Increase in Bay County, Florida  
Our File No.: 30057.57

Dear Ms. Bayo:

Bayside Utility Services, Inc., provides the following responses to Staff's data requests dated March 11, 2004:

DATA REQUEST NO. 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.

RESPONSE:

Customer equivalents have historically been used by Utilities, Inc., and have been an approved methodology in all the states in which Utilities, Inc. operates.

DATA REQUEST NO. 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.

RESPONSE:

The utility determines CEs at June 30 because companies that are acquired after June 30 do not share in the allocation process. Since they have only been part of the Utilities, Inc., family for less than 1/2 year, these companies have not been a part of Utilities Inc., long

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enough to reap the benefits of the allocation process.

**DATA REQUEST NO. 3:**

Explain how the utility's current methodology allocates costs to a system purchased after June 30 of any given year.

**RESPONSE:**

Please see the response to Data Request No. 2.

**DATA REQUEST NO. 4:**

Explain whether the utility has considered simplifying the allocation methodology, and if so, what actions have been taken.

**RESPONSE:**

The utility believes that its allocation process has proven to be the most appropriate way to distribute different types of costs to its operating subsidiaries. The utility has prepared an allocation handbook in order to explain its allocation process.

**DATA REQUEST NO. 5:**

Provide an explanation for why the utility believes that its method of calculating CEs using factors adequately allocates costs to each system (i.e., 1 for a water or wastewater only customer, 1 ½ for a water and wastewater customer, and ½ for a water transmission or wastewater collection system only customer). In the explanation, address how billing, accounting, revenue collection, customer service, and miscellaneous costs are impacted by this method.

**RESPONSE:**

The utility treats a water and wastewater customer as 1 ½ because providing both services together does not have the same effect of providing these services separately (i.e., being a water or wastewater only customer). For example, water and wastewater service are billed together, therefore reducing the amount of stock and postage that would be required to bill them separately. This same idea can be applied to accounting, revenue collection, customer service, and miscellaneous costs. Having to provide these customers with all these services separately would surely result in a higher allocation of costs to the companies in question. Similarly, distribution and collection customers are treated as ½ because providing these types of services requires less time than a water or wastewater customer.

**DATA REQUEST NO. 6:**

Explain how the CE allocation method addresses whether billing and revenue accounting costs are adjusted for systems where those services are performed by another entity (i.e.

Mid-County 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.

**RESPONSE:**

While Pinellas County does perform the billing operations for Mid-County Services, Inc., the utility still receives all benefits of being associated with the Utilities, Inc., family. One of the primary benefits is Mid-County's access to a large pool of human resources from which to draw upon. There are experts in various critical areas, such as construction, engineering operations, accounting, data processing, regulation, customer service, etc. Nowhere could one obtain this combined expertise and level of experience in a more cost-effective manner.

While operating only water and sewer systems, Utilities, Inc.'s personnel have the ability to meet the challenges of the rapidly changing utility industry. Because the Utilities, Inc. companies are focused on the water and sewer industry, our companies enjoy some unique advantages, one of which is that capital is available for improvements and expansion at a reasonable cost. With increasingly more stringent health and environmental standards, ready access to capital will prove vital to continued quality service in the water and sewer utility business.

In addition, the Utilities, Inc. companies have national purchasing power that results in lower costs to rate payers. Expenditures for insurance, vehicles, chemicals and meters are a few examples of purchases where national contracts provide tangible benefits to rate-payers.

**DATA REQUEST NO. 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.

**RESPONSE:**

No such document exists. The utility tracks air freight, postage, and computer supplies outside of its Distribution of Expenses book. All other expenses are tracked in the

distribution of Expenses book and allocated out based on the most appropriate distribution code.

**DATA REQUEST NO. 8:**

Provide all calculations used to determine the number of CEs for Bayside, 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.

**RESPONSE:**

The calculation used to determine customer equivalents is as follows:

On June 30, 2002, Bayside had 287 distribution and collection customers for water and sewer, respectively. 287 is multiplied by 1 ½ to represent the fact that these customers require less services than a water and sewer customer separately.

**DATA REQUEST NO. 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 Bayside.

**RESPONSE:**

On page 29 of the recently issued Utilities, Inc. of Florida order, the Commission stated that Utilities, Inc., has used SFEs in the past and that Utilities, Inc., will begin stating its information in the form of ERCs beginning December 31, 2003.

**DATA REQUEST NO. 10:**

Provide the number of customers for Bayside, by customer class and meter size for both water and wastewater.

**RESPONSE:**

The utility serves 287 lots. This is a mobile home community and, as such, is subject to seasonal and year-to-year variations. Because of these variations, Utilities, Inc., has used the 283 connections recognized by the Commission in Docket No. 711401-WS, plus the

commercial connections, as a consistent basis for allocating cost.

Please see the following:

5/8" residential water	283
5/8" general service water	4
5/8" residential sewer	283
5/8" general service sewer	4

**DATA REQUEST NO. 11:**

For each plant item, provide the following:

- a) a detailed description, including the purpose, and a statement why 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 is necessary to provide service only to current customers;

**RESPONSE:**

Pro forma plant additions as identified on Schedule A-3 of the MFRs with estimated date of completion. Engineering cost estimate or contractor-submitted quote are attached.

**LIFT STATION IMPROVEMENTS, SEWER, \$75,000:**

Estimated completion date: December, 2004.

Rehabilitate each of the three (3) existing lift stations serving the Bayside MHP collection system.

Tiki Bar Station #1: Demolish dilapidated pump house building. Install new riser pipes, isolation valves, check valves, valve vault, emergency pump out connection, and electrical control panel and components. Construct wet well lid and install lockable hatch cover. Construct perimeter fencing around station that presently has none. Pumping capacity will remain the same.

Middle Station #2: Replace entrance door and roof. Install second pump, riser pipes, isolation valves, check valves, emergency pump around connection and valve vault. Replace electrical controls and components and control panel (currently set up as simplex station). Install lockable wet well hatch cover.

**East Station #3:** Install new riser pipes, isolation valves, check valves, emergency pump around connection, and valve vault. Replace electrical components and control panel. Install lockable wet well hatch cover. Pumping capacity will remain the same.

**Justification:**

The Tiki Bar pump house building is a termite eaten wooden shed and is beyond its service life. A pump house is not needed at this location if the wet well is secured by a new lid and hatch cover. Perimeter fencing will be installed to reduce the potential for unauthorized entrance. The Middle Station entrance door and roof are rotten and need to be replaced. The rest of the building needs only minor aesthetic improvements. The East station is in good condition and needs only minor aesthetic improvements.

**PIPING, VALVES & ELECTRICAL UPGRADES:**

New riser pipes are needed to replace the existing flex hose discharge conduit on all three stations. New isolation valves, check valves, and emergency pump around connections are necessary to bring each station up to UIF specifications. The Middle Station is presently operating as a simplex station (one pump). A second pump with associated components is needed to meet current FDEP regulations. The electrical components are not in conformance with National Electric Code and raise safety and reliability concerns. None of the lift stations is properly grounded and all are subject to electrical faults. Improving the electrical components will reduce the frequency of after hour dispatch calls, emergency repairs, and customer complaints from high level alarms. Adding a second pump at the Middle Lift Station #2 will increase its peak pumping capacity, especially during wet weather events, by virtue of having two pumps in service.

**AUTOMATIC METER READING EQUIPMENT, WATER, \$55,000:**

This project has been rescheduled for completion in 2006.

**WATER MAIN IMPROVEMENTS, WATER, \$25,000:**

Estimated completion date: September, 2004.

Install piping and valves to connect water mains between Big Daddy Dr. Sunrise Dr. and Linda Lane.

**Justification:**

Reduce the impact of maintenance activities to the customers by installing adequate isolation valves and loop connections in the park. The existing distribution system lacks sufficient valves to perform this function. This project will not affect the size of the master meter connection, and therefore, there will be no increase in system capacity.

**IMPROVEMENTS TO GRAVITY SEWER MAINS/REPAIR MANHOLES, SEWER \$45,000:**  
Estimated completion date: July, 2004.

After flow is bypassed, 11 manhole invert channels will be reshaped and grouted with concrete. Any voids in the interior surface will be filled with concrete grout. The interior of the manhole is to be coated with an approved coal tar epoxy coating. Manhole rings and covers are to be brought to grade if required. This project will not increase system capacity.

**Justification:**

Rehabilitating the manhole invert channels will allow for proper flow velocity through each manhole and will reduce the frequency of sewer blockages due to grease and sediment accumulation in the channel. Grouting and sealing the interior of the manhole will reduce groundwater infiltration and protect the ground surface from subsidence and potential costly repairs. The MHP is located adjacent to the East Bay and finger canals causing the water table to be elevated at all times.

- b) engineering drawings of any water distribution or sewer collection line replacements or repairs;

**RESPONSE:**

These repaired were site-specific, therefore no engineering drawings were prepared.

- c) a copy of the signed contract for each plant project and the projected in-service date;

**RESPONSE:**

All in-service dates are projected to occur prior to 12/31/04, or less than 24 months after the end of the test year. Copies of the relevant contracts are attached.

- d) support calculations for any capitalized costs estimated in addition to the amount reflected on any contract;

**RESPONSE:**

Capitalized costs, in addition to the amount reflected in the supporting cost information, reflect estimated costs of permits, drawings, materials, equipment, tools, professional services, and other items necessary to complete the design, permitting, and construction of each project. In addition, each capital project may include a contingency amount of about 10%.

- e) 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;

**RESPONSE:**

For those projects not yet completed, the in-service dates are projected to occur as noted and prior to 12/31/04, or less than 24 months after the end of the test year.

- f) 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

**RESPONSE:**

In the Lift Station Improvements project, three existing control panels will be retired that were installed in 1998. A small wooden shed will be demolished at Tiki Hut Lift Station that is rotten and has no monetary value. A wood roof and wood door at the Middle Lift Station #2 will be removed and retired. The door was replaced in 2000. The roof is at least 5 years old. See attached for methodology and calculations used to calculate the retirement of plant.

No retirements will occur with any of the other projects.

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

**RESPONSE:**

None of the projects will be funded by contributions in aid of construction.

**DATA REQUEST NO. 12:**

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

**RESPONSE:**

A specific millage rate was not requested to be used. The pro forma tax expense requested is the test year property and real estate tax times the ratio of pro forma net plant to test year net plant. The calculation for the pro forma tax and the adjustment is as follows:

$$\text{Pro forma year tax} = \text{Test year per book tax} \times \frac{\text{Pro forma Net Plant}}{\text{Test Year Net Plant}}$$

$$\text{Tax adjustment} = \text{Pro forma year tax} - \text{Test year per book tax}$$

Where:

- a. test year per book tax is found at Acct 408.1121. For Bayside, the only property tax booked is the tax allocated to the system.



B. net plant = plant in service + land - accum. deprec. - CIAC + accum. amort  
CIAC, from Schedule A-1 or A-2, cols. 2 and 4.

Water pro forma =  $\$50 \times \frac{\$185,490}{\$109,739} = \$84$

Water adj =  $\$84 - \$50 = \$34$

Wastewater pro forma =  $\$79 \times \frac{\$277,956}{\$229,51} = \$96$

Wastewater adj =  $\$96 - \$79 = \$17$

**DATA REQUEST NO. 13:**

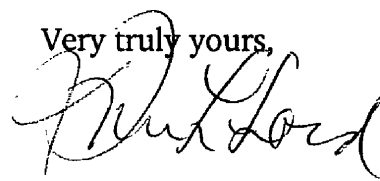
State whether the utility has taken into consideration in its filing the tax impacts of the Job Creation and Worker Assistance Act of 2002, or the Jobs and Growth Tax Relief Reconciliation Act of 2003. If so, provide an explanation of any items considered and the resulting calculations of the current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

**RESPONSE:**

These acts are not included in the utility's filing.

Should you have any questions regarding these responses, please do not hesitate to give me a call.

Very truly yours,



VALERIE L. LORD  
Of Counsel

VLL/mp  
Enclosures

cc: Ms. Tricia Merchant (w/enclosures) (via hand delivery)  
Mr. Bart Fletcher (w/enclosures) (via hand delivery)  
Mr. Steven M. Lubertozi (w/enclosures)  
Mr. Patrick C. Flynn (w/enclosures)  
Mr. Frank Seidman (w/enclosures)

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*BAYSIDE*



GLENN SALYER PLUMBING INC.

2990 Minnesota Avenue  
Lynn Haven, FL 32444

# Estimate

Date	Estimate No.
4/17/2003	145

Name/Address
Utilities, Inc. of Florida 200 Weathersfield Ave. Altamonte Springs, FL 32714 Attn: Rhonda Clark

Project	Other

Description	Qty	Rate		Total
Estimated costs for plumbing repair at Marina Bayside : Proposed estimate includes the installation of a Pump Around and locking aluminum cover.		3,800.00		3,800.00
Labor and materials shall have one year warranty. tax		7.00%		0.00
<b>Total</b>				<b>\$3,800.00</b>

*BS PAGE 1 of 3*



WEND SALTER PLUMBING INC.

2990 Minnesota Avenue  
Lynn Haven, FL 32444

# Estimate

Date	Estimate No.
4/17/2003	144

Name/Address
Utilities, Inc. of Florida 200 Weathersfield Ave. Altamonte Springs, FL 32714 Attn: Rhonda Clark

Description	Qty	Rate	Project	Other	Total
			Estimate for Plumbing Rep...		
Estimate for plumbing repair of the Middle Station at Bayside		6,500.00			6,500.00
Proposed estimated costs shall include the rewiring of the Middle Lift Station at Bayside and the installation of valve Box, Pump-Around, and Manhole cover shall be installed. All fees for services provided to complete installation are included.					
Labor and materials shall include a 1 year warrantee. tax		7.00%			0.00
			<b>Total</b>		<b>\$6,500.00</b>

PAGE 2 of 3

*FAX TO GALT*  
*+ GALT*



**2950 Minnesota Avenue  
Lynn Haven, FL 32444**

**FAXED**  
*5/5/03*  
**Estimate**

Date	Estimate No.
4/17/2003	143

Name/Address
Utilities, Inc. of Florida 200 Weathersfield Ave. Altamonte Springs, FL 32714 Attn: Rhonda Clark

Project

Description	Qty	Rate	Total
The proposed estimate for plumbing repairs for the Tiki Hut Station located in Bayside will include the following services and materials: Removal of old building and installation of new top hatch cover and valve box. All services and associated fees/costs for electrical services and/or usage of pump truck(s) as required are included within this quoted price. This quoted price shall remain effective for a period of ninety (90) days. Work shall include a 1 year warranty on installation and materials provided. for a period of 1 year. tax		12,500.00	12,500.00
		7.00%	0.00
<b>Total</b>			\$12,500.00

**Bayside Utility Services**  
**Docket No. 030444-WS**  
**Staff's First Set, Response to 11(e)**

Project:	Lift station improvements		
	Accumulated depreciation	56,250	
	Sewage treatment plant		56,250
Project:	Water main improvements		
	Accumulated depreciation	18,750	
	Transmission & distribution mains		18,750
Project:	Water main improvements		
	Accumulated depreciation	33,750	
	Force or vacuum mains		33,750