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Public Service Commission **COMMISSION CLERK**

June 7, 2006

Mr. Martin Friedman
Rose, Sunstrom & Bentley, LLP
Sanlando Center
2180 W. State Road 434, Suite 2118
Longwood, FL 32779

Re: Docket No. 060255-SU - Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.

Dear Mr. Friedman:

We have reviewed the minimum filing requirements (MFRs) submitted on May 11, 2006, on behalf Tierra Verde Utilities, Inc. (Tierra Verde or utility). After reviewing this information, we find the MFRs to be deficient. The specific deficiencies are identified below:

Rule 25-30.437, Florida Administrative Code (F.A.C.), requires that each utility applying for a rate increase shall provide the information required by Commission Form PSC/ECR 19 (11/93), entitled "Class A Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements." Further, Rule 25-30.110, F.A.C., requires that each utility shall furnish any information the Commission requests or requires for determining rates of the utility and that the information be consistent with and reconcilable with the utility's annual report to the Commission.

- CMP** 1. Schedule A-4, page 1 of 2, Plant in Service Annual Balances Subsequent to Last Established Rate Base
- COM**
- CTR** The utility is required to provide the annual balance of the original cost of plant in service for all years since rate base was last established by this Commission and yearly additions, retirements, and adjustments up to the end of the test year. Please provide a reconciliation from the June 30, 1992 balance reflected in Order No. PSC-93-0364-FOF-SU to the 1992 balance reflected in MFR Schedule A-4.
- ECR**
- GCL**
- OPC**
- RCA** 2. Schedule A-6, Plant in Service, Test Year Average Balance
- SCR** The utility is required to provide the plant in service balances for the year ending December 31, 2004. The 2004 plant in service balance (\$3,258,899) does not equal the balance reflected in the 2004 Annual Report S-2 (\$3,273,605). Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2004 Annual Report and the MFR Schedule A-6.
- SGA**
- SEC**
- OTH**

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3. Schedule A-8, page 1 of 2, Accumulated Depreciation Annual Balances Subsequent to Last Established Rate Base

The utility is required to provide the annual balance of accumulated depreciation for all years since rate base was last established by this Commission and yearly additions, retirements, and adjustments up to the end of the test year. Please provide a reconciliation from the June 30, 1992 balance reflected in Order No. PSC-93-0364-FOF-SU to the 1992 balance reflected in MFR Schedule A-8.

4. Schedule A-10, Accumulated Depreciation Test Year Average Balance

The utility is required to provide the accumulated depreciation balances for the year ending December 31, 2004. The 2004 accumulated depreciation balance (\$1,714,768) does not equal the balance reflected in the 2004 Annual Report S-2 (\$1,828,124). Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2004 Annual Report and the MFR Schedule A-10.

5. Schedule A-11, page 1 of 2, Contributions in Aid of Construction Annual Balances Subsequent to Last Established Rate Base

The utility is required to provide the annual balance of contributions in aid of construction for all years since rate base was last established by this Commission and yearly additions, retirements, and adjustments up to the end of the test year. Please provide a reconciliation from the June 30, 1992 balance reflected in Order No. PSC-93-0364-FOF-SU to the 1992 balance reflected in MFR Schedule A-11.

6. Schedule A-13, page 1 of 2, Accumulated Amortization of CIAC Annual Balances Subsequent to Last Established Rate Base

The utility is required to provide the annual balance of accumulated amortization of CIAC for all years since rate base was last established by this Commission and yearly additions, retirements, and adjustments up to the end of the test year. Please provide a reconciliation from the June 30, 1992 balance reflected in Order No. PSC-93-0364-FOF-SU to the 1992 balance reflected in MFR Schedule A-13.

7. Schedule A-14, Accumulated Amortization of CIAC, Test Year Average Balance

The utility is required to provide the accumulated amortization of CIAC balances for the year ending December 31, 2004. The 2004 accumulated amortization of CIAC balance (895,219) does not equal the balance reflected in the 2004 Annual Report S-2 (995,693). Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2004 Annual Report and the MFR Schedule A-14.

8. Schedule A-15, Annual AFUDC Rates Used

The utility is required to describe its AFUDC practices. The utility did not describe its AFUDC practices. Please provide a description of Tierra Verde's AFUDC practices

9. Schedule A-18 and A-19, Balance Sheet

The utility is required to provide the balances of all assets, equity capital and liabilities for the year ended December 31, 2004, December 31, 2005, and their average. The following are deficiencies on Schedule A-18 and A-19:

- a) The 2004 plant in service (\$3,273,606) does not equal the balance reflected in MFR Schedule A-6 (\$3,258,899). It also does equal the amount reflected in the 2004 Annual Report.
- b) The 2005 average plant in service (\$3,278,859) does not equal the balance reflected in MFR Schedule A-2 or Schedule A-6 (\$3,271,506)
- c) The 2004 accumulated depreciation (\$1,842,388) does not equal the balance reflected in MFR Schedule A-10 (\$1,714,768). It also does equal the amount reflected in the 2004 Annual Report.
- d) The 2005 average accumulated depreciation (\$1,813,368) does not equal the balance reflected in MFR Schedule A-2 (1,742,873) or A-10 (\$1,746,670)
- e) The 2004 accumulated amortization of CIAC (\$995,693) does not equal the balance reflected in MFR Schedule A-14 (\$895,219). It also does equal the amount reflected in the 2004 Annual Report.
- f) The 2005 average accumulated amortization of CIAC (\$968,987) does not equal the balance reflected in MFR Schedule A-2 or Schedule A-14 (\$918,751).

10. Schedule B-10, Rate Case Expense

This schedule requires the utility to state whether the total includes the amount up to proposed agency action or through a hearing before the Commission. The utility did not provide this information.

11. Schedule B-11, Analysis of Major Maintenance Projects

This schedule requires that the utility provide an analysis of all maintenance projects greater than 2% of test year revenues per system which occurred during the two years prior to the test year and the budgeted amount for one year subsequent to the test year. The utility did not state when the maintenance project occurred or is projected to occur. The utility did not state whether projects occurred in the 2 years prior to 2005 or whether projects are planned for 2006.

12. Schedule D-2, Reconciliation of Capital Structure to Requested Rate Base (Final)

The utility is required to provide a reconciliation of the simple average capital structure to requested rate base. The 2005 simple average of long-term debt (\$124,044,203) does not equal to the amount reflected in MFR Schedule D-5, Cost of Long-Term Debt (\$133,025,102)

13. Schedule F-7, Used and Useful calculations

The instructions for this schedule require the utility to provide all calculations, analyses and governmental requirements used to determine the used and useful Percentages. The utility stated that

since the service area is almost built out, the used and useful for the wastewater collection system is 100%. The utility, in its 2005 annual report, estimated that the annual increase (growth) is 20 ERC's. Please provide all calculations used to support the used and useful calculation.

14. Schedule F- 10, Equivalent Residential Connections

This schedule requires that the utility provide a variety of information in order to calculate the average growth in ERCs for the last five years, including the test year. Specifically, Columns 3, 4 & 5 require the utility to provide the number of equivalent residential connections at beginning of each year, number of equivalent residential connections at end of each year, and average of equivalent residential connections for each year. Columns 3, 4, & 5 are blank from year 2000 to 2003. Please provide the information necessary to complete this schedule.

15. Schedule F-10, Equivalent Residential Connections

As required by Rule 25.30.431(2)(c) & (3), F.A.C., provide a linear regression analysis using average ERCs for the last five years for the utility.

16. Rule 25-30.440(8), F.A.C., requires that each applicant for a rate increase shall provide to Commission one copy of a list of all field employees, their duties, responsibilities, and certificates held, and an explanation of each employee's salary allocation method to the utility's capital or expense accounts. The utility provided a list of employees that does not completely reconcile to the employees reflected in Utilities, Inc.'s cost allocation manuals for June 30, 2005, September 30, 2005, and December 31, 2005. Further, the total salaries from the 2005 cost allocation manuals are greater than the total water and wastewater salaries reflected in the MFR Schedules B-7 and/or B-8. Staff believes the difference between them may be the amount that was capitalized by the utility. However, the cost allocation manuals and the list provided by the utility do not reflect which employee's salaries were capitalized. Thus, please provide a list that has an explanation of each employee's salary allocation method to the utility's capital or expense accounts as required by this rule.

17. Interim Schedule D-1, Requested Cost of Capital (Interim Rates)

The utility is required to provide a schedule which calculates the requested cost of capital. How did the utility determine its 11.05 return on equity?

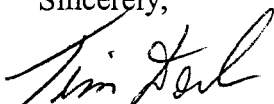
Mr. Martin Friedman

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If any above corrections require a corresponding change to any MFR 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 July 7, 2006.

Sincerely,



Timothy Devlin
Director

TD:sm

cc:

[REDACTED]

Office of the General Counsel (Brown)

Division of Economic Regulation (Willis, Rendell, Massoudi, Merta)