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Public Service Commission

July 12, 2006

STAFF'S FIRST DATA REQUEST

Martin S. Friedman, Esquire
Rose, Sundstrom & Bentley, LLP
2180 West State Road 434
Sanlando Center, Suite 2118
Longwood, FL 32779

Re: Docket No. 060285-SU - Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven

Dear Mr. Friedman:

Staff needs the following information to complete our review of the application.

- A. The following items relate to the pro forma plant additions reflected in adjustment (A)(1) Work Orders on MFR Schedule A-3.
 1. For each addition, provide the following:
 - (a) a statement why each addition/project is necessary, and provide a detailed description explaining what each addition/project involves;
 - (b) a copy of all invoices and other support documentation if the plant addition has been completed;
 - (c) a copy of the signed contract or any bids, if the plant addition has not been completed;
 - (d) a status of the engineering and permitting efforts, if the plant addition has not been through the bidding processing; and
 - (e) the projected in-service date for each outstanding plant addition.

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2. The following items also relate to MFR Schedule A-3, (G), the "Englewood plant retirements."
 - (a) Please provide a breakdown by Plant Account number and amount that supports the \$1,111,938 in plant retirements.
 - (b) Also provide a breakdown by Plant Account number and amount of the related Accumulated Depreciation.
 - (c) Provide a breakdown by contributed Plant Account number and amount of the related retired contributed plant.
 - (d) Provide a breakdown by contributed Plant Account number and amount of the related Accumulated Amortization
3. With regard to Account 732, Contractual Services - Accounting reflected on MFR Schedule B-8, the utility stated that "[a]udit fees have increased substantially in the last four years at a rate higher than the CPI Index". Staff requests the following additional information related to the audit fees.
 - (a) Who are the firms or individuals performing the audit services, and what have their hourly rates or lump sum fee been the last four years?
 - (b) Has the scope of the audit services changed in the last four years? If so, provide the specific changes in the scope of the audit services.
4. The following items relate to the utility's requested rate case expense.
 - (a) For each individual person, in each firm providing consulting services to the applicant pertaining to this docket, provide the billing rate, and an itemized description of work performed. Please provide detail of hours worked associated with each activity. Also provide a description and associated cost for all expenses incurred to date.
 - (b) For each firm or consultant providing services for the applicant in this docket, please provide copies of all invoices for services provided to date.
 - (c) If rate consultant invoices are not broken down by hour, please provide reports that detail by hour, a description of actual duties performed, and amount incurred to date.
 - (d) Please provide an estimate of costs to complete the case by hour for each consultant or employee, including a description of estimated work to be performed, and detail of the estimated remaining expense to be incurred through the PAA process.
 - (e) Please provide an itemized list of all other costs estimated to be incurred through the PAA process.

5. In Schedule F-6, Used and Useful calculations

The utility stated that "In October, 2005, Sandalhaven signed an agreement with the Englewood Water District (EWD) to purchase 100,000 gallon per day wastewater treatment & disposal service. To accommodate this agreement will require Sandalhaven to construct approximately 3.5 miles of 10" and 12" force mains to interconnect with EWD and to reroute flows from existing customers and serve the additional customers. Until the interconnection is activated Sandalhaven will continue to utilize the existing plant."

- (a) Please provide a copy of the signed agreement with the EWD.
- (b) Has the utility interconnected the wastewater treatment plant (WWTP) with EWD?
- (c) If yes, when was the date of interconnection? If no, when will the utility interconnect with EWD?
- (d) If the utility is interconnecting with EWD please provide an explanation as to why the utility has a cost for a design/permitting fee in the amount of \$540,335, for Sandalhaven WWTP expansion project.
- (e) Does the utility plan to retire the entire WWTP after interconnection with EWD?
- (f) If yes, when will the utility retire the entire WWTP?
- (g) If the utility does not plan to retire the entire plant in near future, please provide the following information:
 - 1- How many gallons of water were sold to the residential customers during the test year?
 - 2- How many gallons of water were sold to the general service customers during the test year?
 - 3- What is the size and length of the collection lines? (example: 8" pipe = 3500 ft)

6. Schedule F-8, Margin Reserve Calculations

The instructions for this schedule require the utility to provide all calculations and analyses used to determine the amount of margin reserve for each portion of used and useful plant. None of the components have been provided. Please provide all supporting calculations for the components reflected on this schedule with the exception of post test year period per statute.

7. Schedule E-10, Service Availability Charges

Since the utility is requesting new and revised service availability charges, staff needs additional information.

Mr. Martin S. Friedman, Esquire

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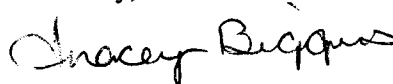
- (a) For the December 31, 2005 test year, please provide the information required pursuant to Rule 25-30.565(4)(a) thru (u), Florida Administrative Code
 - (b) Since a system capacity charge is designed to defray a portion of the cost of the plant, as well as a portion of the cost of lines, why is the utility requesting a system capacity charge when they already have a plant capacity charge for which they are requesting an increase in?
 - (c) Since the utility has an existing plant capacity charge and is requesting a main extension charge which is equal to the total actual cost incurred, why is the utility requesting a system capacity charge?
8. Schedule B-8, Comparative O & M Expenses-Sewer

Staff requests the following information related to purchase sewage treatment and purchase chemicals.

- (a) The utility states the purchase sewage treatment increased since the last rate case because the utility hauled sewage to another treatment plant during an emergency condition. Was this emergency condition a hurricane or thunderstorm? If not please state what the emergency condition was. Does the utility consider this emergency condition a reoccurring or nonrecurring expense?
- (b) Sandalhaven stated that the chemicals increased above inflation and growth since the last rate case because they converted their disinfection system to sodium hypochlorite. Why was it necessary to convert to the new disinfection system? If the reason for the conversion was mandated by Florida Department of Environmental Protection(FDEP), please provide all documentations where the FDEP mandated this conversion.

Please submit the above information to the Division of the Commission Clerk and Administrative Services by July 27, 2006. If you have any questions, please contact me by phone at (850) 413-6844 or by e-mail at tbiggins@psc.state.fl.us.

Sincerely,



Tracey Biggins
Professional Accountant

cc: Division of Economic Regulation (Rendell, Daniel, Massoudi)
Office of the General Counsel (Brown)
Division of the Commission Clerk and Administrative Services
Office of Public Counsel