

## Eric Fryson

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**From:** Vandiver, Denise <VANDIVER.DENISE@leg.state.fl.us>  
**Sent:** Wednesday, April 24, 2013 12:53 PM  
**To:** Filings@psc.state.fl.us  
**Cc:** Clarence Prestwood; Andrew Maurey; Bart Fletcher; Monica Brown; Lynn Deamer; Michael Lawson; Christensen, Patty; Martin Friedman Esquire (mfriedman@sfflaw.com); Patrick Flynn (pcflyn@uiwater.com)  
**Subject:** Docket No. 120037-WS; Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke  
**Attachments:** Issues for Staff on Pennbrooke COA.docx

- a. Denise N. Vandiver  
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- b. Docket No. 120037-WS  
Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke
- c. Office of Public Counsel
- d. 4 pages
- e. OPC concerns regarding Bookkeeping Entries Reflecting Commission Ordered Adjustments

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**STATE OF FLORIDA  
OFFICE OF PUBLIC COUNSEL**



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*PRESIDENT OF THE SENATE*

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April 24, 2013

Ann Cole, Director  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Re: Docket No. 120037-WS; Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke

Dear Ms. Cole:

Attached is a list of concerns that the Office of Public Counsel has prepared to address the Bookkeeping Entries Reflecting Commission Ordered Adjustments filed by Utilities, Inc. of Pennbrooke on April 11, 2013. We are requesting that staff follow up by requesting further work papers and other supporting documentation that will reconcile these adjustments to the Commission Ordered Balances. If you should have any questions, please feel free to call or e-mail me.

Respectfully submitted,

s/ Denise N. Vandiver  
Denise N. Vandiver  
Legislative Analyst

c: Division of Accounting & Finance (Prestwood)  
Division of Economic Regulation (Maurey, Fletcher,  
M. Brown)  
Office of Auditing and Performance Analysis  
(Deamer)  
Office of the General Counsel (Lawson)

Mr. Martin Friedman  
Sundstrom, Friedman & Fumero, LLP  
  
Utilities, Inc. of Pennbrooke  
Mr. Patrick C. Flynn

Office of Public Counsel (Christensen)

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OPC Concerns  
Utilities, Inc. of Pennbrooke  
Docket No. 120037-WS  
Bookkeeping Entries Reflecting Commission Ordered Adjustments

The Commission issued Order No. PSC-12-0667-PAA-WS (PAA Order) on December 26, 2012 in Docket No. 120037-WS. This order required the Utility to provide proof, within 90 days of the final order, that the adjustments for all the applicable NARUC USOA primary accounts had been made. The utility filed a letter on April 11, 2013, and attached bookkeeping entries purportedly reflecting the Commission Ordered Adjustments (COAs).

OPC has reviewed these adjustments and we are unable to reconcile the filed accounting entries to the Commission Order. Listed below are our concerns with the filed adjustments.

- Our first concern is that the print quality on the attachment is poor and many account numbers and dollar amounts are illegible. Below are a few examples of line items from Journal Entry 293618 that are difficult or impossible to read the related numbers.

Page 1:

00260	260.0006481	USD	18.21
	DEPREC. WELLS & SPRINGS		

Page 3:

00260	260.1760	USD	346.19
	SERVICES TO CUSTOMERS		

Page 3:

00260	260.0350	USD	81.87-
	SEWER GRAVITY MAIN		

- On the first page of the attachment is a page titled "Asset Transfer". One column indicates the ledger where the entries are recorded. It appears that this first page of the attachment references ledgers D1, D2, D3, and D4. In the Generic Docket (Docket No. 120161-WS) the utility has described its ledgers as AA, UA, UR, UC, UD, and UE. It is not clear how these D1 – D4 ledgers relate to the ledgers described by the utility in previous dockets.
- The PAA order shows an adjustment of \$28,511 to wastewater land (Page 26). This adjustment does not appear to be included in the 14-page attachment showing the COAs.
- The PAA Order shows no rate base adjustments that would require adjustments to the utility ledgers<sup>1</sup>. However, the utility letter submits 132 lines of journal entries and 18 lines of an "asset transfer". There are no descriptions of what these

<sup>1</sup> In Docket No. 120161-WS, the utility stated that it does not book the adjustments to Project Phoenix. The only other ordered adjustments to rate base are for pro forma items that would not require adjustments to the ledgers.

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**Bookkeeping Entries Reflecting Commission Ordered Adjustments**

represent or how they relate to the Commission Order<sup>2</sup>. OPC believes that if the documentation submitted as required by the order does not easily reconcile to the ordered adjustments, the utility should be required to submit a reconciliation or supporting work sheets.

5. Journal Entry 293618 includes 7 pages. Page 1 of this entry includes an increase of \$2,329.51 to Structures and Improvements: Water Treatment Plant. This appears to correspond to an adjustment in the MFRs to “correct for a missed COA” during the “last booking”. The MFR adjustment was to Account 304.20 for Structures and Improvements: Source of Supply and Pumping Plant.
  - a. Why were these adjustments recorded in separate accounts?
  - b. Why was this adjustment not made until after the final order was issued? (In the Generic Docket (Docket No. 120161-WS) the utility stated that after an error is found, a correcting entry is made.)
  
6. OPC reviewed the journal entries provided and sorted the line items based on the accounts. Based on our analysis, it appears that the journal entries resulted in the following net adjustments:

April 11, 2013 Letter			
Commission Ordered Adjustments			
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Utility Plant	2,329.51	-	2,329.51
Accumulated Depreciation	43.08	(5,914.56)	(5,871.48)
CIAC	(0.14)	0.20	0.06
Acc Amortization	(57,421.00)	(222,821.74)	(280,242.74)
Depreciation Expense	(43.08)	5,914.56	5,871.48
Amortization Expense	(43,073.68)	323,316.42	280,242.74

- a. Why were these adjustments needed when the PAA Order did not include similar adjustments?
- b. Were the adjustments included in the MFRs on Schedules A-3 and B-3 booked before the PAA Order was issued? If not, why not?
- c. Are these adjustments related to the adjustments included in Schedules A-3 and B-3 of the MFRs?
- d. Why were these adjustments made on March 31, 2013 instead on in 2012?
- e. Does the utility still agree with the statement made in the generic docket that when an error is made, it is corrected as soon as it is found and the correction is researched and the adjustment is approved?

<sup>2</sup> OPC recognizes that this is what has been submitted in past cases and the Commission and its staff has not required additional information.

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Docket No. 120037-WS  
Bookkeeping Entries Reflecting Commission Ordered Adjustments**

In summary, OPC continues to be concerned with the journal entries provided by the utility and reconciled to Commission established balances for rate base. The utility filing provides no explanations or descriptions that identify how these adjustments relate to the Commission order. We encourage staff to follow up with the utility and request further work papers and other supporting documentation that will reconcile these adjustments to the Commission Ordered Balances.