

**EU's Responses to Staff's Fourth Set of  
Interrogatories, Nos. 12-13, 15-17**

**RESPONSES TO STAFF'S FOURTH INTERROGATORIES**

12. In response to OPC's first production of documents, the Utility provided work papers that included its calculation of the accumulated deferred income taxes (ADITs) in its capital structure. The following items relate to this calculation.

- a. By fully grossing up the service availability and lateral charges, the gross tax costs associated with the CIAC are collected directly from the contributor. Please explain how a debit or credit balance would be recognized for ratemaking purposes, since the contributor absorbs all costs associated with the contribution. In other words, please explain why the Utility would have any tax basis entitlement to any ADITs if it does not pay the taxes associated with the CIAC.

*RESPONSE: This is no longer relevant as the "Infrastructure Investment and Jobs Act" is in effect, and the utility would not be able to gross up, and tax would not be paid on CIAC.*

- b. Please explain why corresponding ADITs associated with the Utility's plant investment were not included and provide a calculation of the corresponding ADITs.

*RESPONSE: The only deferred taxes that may be generated would be related to timing differences associated with depreciation. To our knowledge there have not been any initial rate applications that included deferred taxes due to depreciation timing differences. In the many applications for initial rates that Milian, Swain & Associates, Inc. has filed, deferred income taxes due to depreciation have not been included in the projected capital structure, the Florida Public Service Commission has never indicated that it is an omission, and it is not specifically identified as a required component in the instructions or rules for the Accounting and Rate Information portion of the application. A search through records available online has not resulted in finding any application for Initial Rates that included Deferred Income Taxes due to depreciation. Our interpretation is that Commission policy is to not include them.*

*Additionally, the financial information provided in support of initial rates is significantly different than that which is provided in Minimum Filing Requirements (MFRs) for a full rate case proceeding. MFRs are filed using a combination of actual historical data, and proforma adjustments based upon supportable near-term estimates. Actual deferred taxes and deferred taxes associated with allowed proforma plant adjustments are included. However, the financial data required for an initial rate application is based entirely on estimates, often for costs not to be incurred for many years. These filings are purely and completely estimates based*

*on professional judgment. To add ADITs into consideration is a level of detail that is burdensome, and does not significantly impact the results.*

*Examples of Dockets Reviewed where a capital structure was explicitly provided, excluding those filed by Milian, Swain & Associates, Inc.*

- *Docket No. 090459-WS – Application for original certificates for proposed water and wastewater system and request for initial rates and charges in St. Lucie County by Bluefield Utilities, LLC.*
- *Docket No. 110022-WU – Application for certificate to operate water utility in Pasco County by HV Utility Systems, L.L.C.*
- *Docket No. 110298-SU – Application for certificate to provide wastewater service in Volusia and Brevard Counties by Farmon Water Resources LLC.*
- *Docket No. 130180-WS – Application for original certificates to provide water and wastewater service in Lake County by Sunlake Estates Utilities, L.L.C.*
- *PAA Order PSC-2020-0059-PAA-WS approving initial rates, charges and customer deposits for River Grove Utilities, Inc.*

*A calculation of possible accumulated deferred taxes for timing differences has not been performed, and in our opinion is burdensome and immaterial. Unlike a filing of MFRs for a full rate case, the basis of initial rates is usually far into the future, and based upon preliminary construction estimates. This level of detail is minute when viewing the overall filing. For example, the period on which this initial rate request is based is 2033, eleven years from now.*

*This burdensome calculation was performed for Docket No. 20200139WS, a full rate case, and the difference between book depreciation and tax depreciation was calculated to be \$12,554 related to proforma additions of \$29,367,105. Using an effective tax rate of 25.35%, the resulting accumulated deferred taxes were \$3,182, or less than .1% of the related assets.*

13. The Utility's proposed capital structure is composed of equity and ADITs. In response to OPC's first set of interrogatories, it states that if CIAC was no longer taxable, the Utility's capital structure would represent 100% equity. Please refer to the personal financial statements provided in EU's original application and explain how the applicant plans to provide the equity infusion necessary to cover the capital investment based on the assets listed.

*RESPONSE: The Utility would like to be funded with a combination of debt and equity, and perhaps grants. Until the Certificate is granted it is premature to bring in an equity investor, or to obtain a loan through a conventional lender or through government programs. Thus, the Owner is prepared to fund the Utility with an infusion of equity through personal loans, which is the assumption included in the DDS-1 for the determination of rates.*

15. Please refer to witness Swain's direct testimony, Exhibit DDS-1, page 6, and the "Schedule No. 7 WW Support" tab of the Utility's work papers provided in response to OPC's first production of documents for the following questions.

a. What quantitative methodology did the Utility use to calculate the 2023 figures for the following O&M accounts?

RESPONSE: *O&M Expenses were largely extrapolated from Mr. Boyer's over 20 years' experience owning and operating Little Gasparilla Water Utility, Inc. on Little Gasparilla Island, one of the islands to be served by EU.*

i. Materials and Supplies.

RESPONSE:

*\$1,000 per month in 2023, or \$12,000 for the year*

*Includes all supply items including but not limited:*

- Hardware supplies - Electrical / plumbing fittings, small tools, rags, glue/cleaner, chainsaw blades*
- Maintenance and repair supplies – repair parts for maintenance of utility facilities, including but not limited to hydraulic fluid, steering fluid, oil, repair hoses*

ii. Rents.

RESPONSE:

*Office Rent: \$600/month, \$7,200 annual*

*Boat Slip Rental: \$350/month, or \$4,200 annual*

*Total: \$11,400 for year*

iii. Transportation Expense.

RESPONSE:

*Fuel: \$300/month, \$3,600 annual*

*Barging: \$1,000/month, \$12,000 annual*

*Total: \$15,600 annual*

iv. Miscellaneous Expense.

RESPONSE:

*Utilities: \$150/month, \$1,800 annual*

*Phone/Internet: \$400/month, \$4,800 annual*

*Office Supplies: \$200/month, \$2,400 annual*

*Trash removal: \$500/month, \$6,000 annual*

*Permits& Licenses: \$50/month, \$600 annual*

*Total: \$15,600*

b. In response to staff's second production of documents, No. 5, the Utility stated no support documentation exists for the estimation of O&M expense other than what was already provided in the schedule referenced above. Please explain how the Utility

developed salaries for each position included in Salaries and Wages – Employees and Salaries and Wages – Other.

RESPONSE: *CEO Licensed Operator: \$70,000 is a conservative estimate consistent and with market conditions in the nearby area. For example, Englewood Water District pays a range of \$75,499 - \$124,473 for “Operations Manager”, and higher for other management positions. In addition, Englewood Water District Pay Ranges for other salaries included in account 701:*

*Field Manager \$52,000: pay range for Distribution Manager \$67,410 - \$111,226*

*Field Labor \$41,600: pay range for Plant Operator \$42,582 - \$68,133*

*Bookkeeper \$41,600: pay range Accounting Manager \$60,187 - \$99,309*

16. Please refer to the Utility's response to staff's second set of interrogatories, No. 8, for the following questions.

- a. Please provide the methodology used for estimating costs included in "Legal for zoning / Other."

*RESPONSE: This includes estimated legal services required for the initial commencement of utility activity, included identifying, negotiating and filing easements; application and negotiation for permit through a state park; identifying, coordinating and finalizing any necessary zoning issues; review further agreements with the county and other parties; general legal assistance associated with construction contracts and contract services contracts including review, negotiations, and finalization.*

- b. Please provide the methodology used for estimating the remainder of costs included in "Filing Fees, mail outs, other."

*RESPONSE: Below are the items contemplated in the estimate:*

*Initial and additional mailouts – 3 at \$1500 each - \$4,500*

*Filing Fee – \$1500 + \$750 - \$2,250*

*Miscellaneous estimated additional expenses - \$3,250*

17. In response to OPC's first production of documents, No. 4, the Utility provided a proposal from Giffels-Webster Engineers, Inc. to look into possible grant funding for the Utility. Did the Utility receive any grants related to the construction of EU or is it in the process of pursuing any grants?

*RESPONSE: The Utility will not be able to pursue grant funding until it has a Certificate authorizing it to provide service. Once the Certificate is granted the Utility intends to pursue such funding.*

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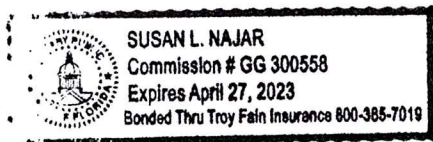


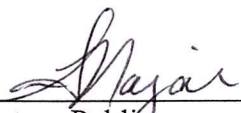
**AFFIDAVIT**

STATE OF FLORIDA)  
COUNTY OF CHARLOTTE)

I hereby certify that on this 23 day of December, 2021, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared John R. Boyer, who is personally known to me, and he acknowledged before me that he provided the answers to interrogatory number(s): 13, 14, 16 & 17 from STAFF'S FOURTH SET OF INTERROGATORIES TO ENVIRONMENTAL UTILITIES, LLC (Nos. 12 through 17) in Docket No. 20200226-SU, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 23 day of December, 2021.



  
\_\_\_\_\_  
Notary Public  
State of Florida, at Large

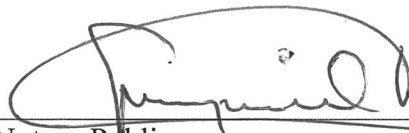
My Commission Expires:  
4-27-23

**AFFIDAVIT**

STATE OF FLORIDA)  
COUNTY OF DADE)

I hereby certify that on this 22 day of December 2021, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Deborah D. Swain, who is personally known to me, and she acknowledged before me that she provided the answer to interrogatory numbers 12 and 15 from STAFF'S FOURTH SET OF INTERROGATORIES TO ENVIRONMENTAL UTILITIES, LLC (Nos. 12 - 17) in Docket No. 20200226-SU, and that the responses are true and correct based on her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 22 day of December, 2021.

  
\_\_\_\_\_  
Notary Public  
State of Florida, at Large

My Commission Expires:

