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Public Service Commission

October 7, 1994

ORIGINAL
FILE COPY

Mr. Cleatous Simmons, Esquire
Lowndes, Drosdick, Doster, Kantor & Reed, P.A.
P.O. Box 2809
Orlando, FL 32802

Re: Docket No. 930256-WS -- Petition of Sanlando Utilities Corporation for a Limited Proceeding to Implement Water Conservation Plan in Seminole County

Dear Mr. Simmons:

The Commission Staff is in the process of reviewing the stipulation signed by the parties in this docket and presented to the Commission for its approval. After this review, Staff anticipates filing a recommendation to the Commission on November 22, 1994. This recommendation will be addressed at the Commission's December 6, 1994 Agenda Conference.

In order to assist Staff in its review and recommendation, Staff has developed a list of questions relating to the terms of the stipulation. Staff will be asking similar questions to all of the signatories of the stipulation.

Please respond to the following questions:

- ACK _____
 - AFA _____
 - APP _____
 - CAF _____
 - CMU _____
 - CTR _____
 - EAG _____
 - LEG _____
 - LIN _____
 - OPC _____
 - RCH _____
 - SEC _____
 - WAS _____
 - OTH _____
1. We note in Paragraph (4)(a) that Sanlando will, at such time as it "reasonably believes will give sufficient time to timely complete" all design and other preconstruction tasks, engage an engineering firm to do the design, drawings and specifications for the reuse facility. What do you anticipate happening which will let the Company know that it is time to engage the engineering firm?
 2. We note in Paragraph 9 that the charges approved by the Commission in Order No. PSC-93-1771-FOF-WS have been reduced. Please provide workpapers which demonstrate the source of the reduction in revenue requirement and the calculation of the reduction in the rates at each level.
 3. How long does the utility project it will take to collect through the revised surcharges the anticipated amount to complete the reuse project, which according to Paragraph 5, will be approximately 1.2 million dollars?

DOCUMENT NUMBER - DATE

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FPSC-RECORDS/REPORTING

4. We note in Paragraph 2 of the Stipulation that the Corporation or the Office of Public Counsel shall "immediately" seek an opinion from the Internal Revenue Service (IRS) as to whether the surcharge will be taxable. At what point will this be done (i.e., upon execution of the stipulation, upon approval of the stipulation by the Commission, or upon formation of the Corporation including all necessary approvals of the parties, Commission, and Secretary of State's office)?
5. If the IRS should decide that taxes would be due and owing on the surcharge, is it still the intention of the parties that the Corporation should be formed?
6. Is it the intention of the parties that the nine member board of directors of the Corporation or the Chief Operating Officer receive a salary for their participation? What salary level(s) is anticipated?
7. We note in Paragraph 3 that reasonable expenses to operate the Corporation shall be paid from the escrow account. Other than the salaries discussed above, what expenses are anticipated? It is the parties' intention that the Commission shall determine the reasonableness of the Corporation expenses to be paid from the escrow account?
8. We note in Paragraph 7 of the stipulation that the reuse facilities will be owned by the Corporation, although all prudent operation, maintenance and rental expenses and revenues associated with the facilities shall be recovered through the utility's revenue requirement. Please specify any and all revenues associated with the facilities that are anticipated?
9. At the time the surcharge is discontinued as contemplated by Paragraph 10 of the stipulation, will the Corporation continue to exist? If so, for what purpose and what expenses of the corporation will continue? How will these expenses be paid? If not, what will happen to the ownership of the corporation's assets?
10. Are all water customers of Sanlando represented by the six associations shown in Paragraph No. 1 of the stipulation? If not, what is the rationale of having only a portion of the customers represented?
11. It is noted in Paragraph No. 1 that the purpose of the corporation is encouraging water conservation and reuse and for the education of the public on the use of water. Since water conservation through reuse requires that customers use

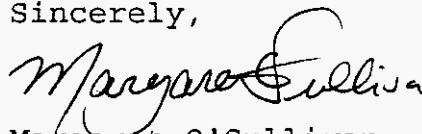
the reused water, should the golf courses be represented on the board of directors?

12. We note in Paragraph 11 that the rate case expense of Sanlando and certain other parties will be paid from the escrow account. Are all of the customers of Sanlando represented by one of the parties mentioned in that paragraph? If not, have the other customers of the utility been notified of this provision of the Stipulation?
13. In that same paragraph, we note that the Commission shall determine Sanlando's reasonable rate case expense for this docket. However, there is no indication that the Commission would be reviewing the rate case expense of the other parties for reasonableness. Given that the customers of the utility will be paying the rate case expense through the surcharge, how do the parties propose to ensure that only reasonable rate case expense is paid from the customers' surcharge?
14. Concerning the accounting treatment related to Sanlando's operation and maintenance of reuse facilities in the future, how will expenses associated with the facilities be separated from other water and wastewater costs?
15. Will the utility record any investment in reuse facilities during the construction period? Will it record the investment after construction is complete?
16. What specific accounts in the Uniform System of Accounts will be employed when the reuse additions are booked?
17. Will the utility record Contributions in Aid of Construction (CIAC) related to the reuse facilities during the construction phase? Will CIAC be booked after construction is complete?
18. On page 8 of the stipulation, the term "triple net lease" is mentioned. Please explain the meaning of this term. Who is leasing the equipment, who is the lessee, and who is the third party?
19. Referring to page 9 of the stipulation, how will unrecovered operating expenses for reuse facilities be divided between water and wastewater customers?
20. Referring to page 7 of the stipulation, when will the Commission's ministerial function regarding the agreement be concluded?

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Mr. Cleatous Simmons
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In order to provide adequate time for Staff to analyze this data and incorporate it into the recommendation, please submit your responses to this letter by October 21, 1994. If you have any questions, please contact me. Your cooperation in this matter is greatly appreciated.

Sincerely,



Margaret O'Sullivan
Senior Attorney

MEO

cc: Division of Water and Wastewater (Chase, Merchant, Rendell,
Von Fossen, Walker, Willis)
Division of Records and Reporting
All Parties of Record