

ORIGINAL  
FILE COPY

Commissioners:  
SUSAN F. CLARK, CHAIRMAN  
J. TERRY DEASON  
JULIA L. JOHNSON  
DIANE K. KIESLING  
JOE GARCIA



DIVISION OF LEGAL SERVICES  
NOREEN S. DAVIS  
DIRECTOR  
(904) 413-6199

# Public Service Commission

September 19, 1996

Mr. Richard D. Melson  
Hopping Green Sams & Smith, P.A.  
P.O. Box 6526  
Tallahassee, FL 32314

Re: Docket No. 960444-WU - Application for Increased Water Rates and Increase in Service Availability Charges By Lake Utility Services, Inc. in Lake County

Dear Mr. Melson:

After the site inspections and customer service meeting for Lake Utility Services, Inc., a need for additional information vital to proceeding with this PAA rate case (960444-WU) was apparent. Staff requests the company supply the following information:

1. Detailed maps and all additional engineering information for the Lake Saunders and Four Lakes plants and service areas.
2. A more detailed map of the major service area. This map will include all available lots in this area, indicate which of these lots are served, show all fire hydrants, and highlight the EDB contaminated areas and location of plant and line additions for this case.
3. The following information is requested concerning EDB contamination in the service area: (a) indication on the maps of all extensions for EDB contamination; (b) company policy to provide service when EDB contamination is discovered and (c) explain delay in line extensions to Rose Hill Dr., Bronson Rd., Lake Louisa Rd. and Hull Rd. areas.
4. List the status and/or plans for backup power for all plants.
5. Provide a customer complaint log for all service requests and company response for all of the LUSI service areas which is as current as possible.
6. How are emergency service requests met that occur (a) during normal work hours and (b) after hours and weekends?

ACK \_\_\_\_\_  
 AFA \_\_\_\_\_  
 APP \_\_\_\_\_  
 CAF \_\_\_\_\_  
 CMU \_\_\_\_\_  
 CTR \_\_\_\_\_  
 EAG \_\_\_\_\_  
 LEG \_\_\_\_\_  
 LIN \_\_\_\_\_  
 OPC \_\_\_\_\_  
 RCH \_\_\_\_\_  
 SEC   1    
 WAS \_\_\_\_\_

DOCUMENT NUMBER - DATE

1000 | SEP 19 96

FPSC-RECORDS/REPORTING

7. With only two plant operators, how are the responsibilities for the 12 plants scheduled?
8. Do these two operators have any responsibilities outside the LUSI systems?
9. How and by whom are meters read throughout the LUSI system?
10. How are requests for meter installation and line extensions met?
11. When will a backup pump be provided for the Four Lakes plant?
12. What is the procedure for delivering "boiled water" notices?
13. With one plant down from sand and customer complaints of sediment in their water, please answer the following: (a) which plants have problems with sand and sediment; (b) what plant equipment has been affected by this problem and (c) what has LUSI done in response to this problem?
14. There were a number of customer complaints of extreme fluctuations in chlorine levels in their water. Please explain.
15. What efforts have been made toward customers and developers in the area of conservation awareness?
16. How was the estimated future growth per year of 101 ERCs (page 84 of MFRs) derived?

Staff's review of LUSI's MFRs indicated that there are inconsistencies in the income tax calculation which staff was not able to reconcile. The utility also needs to provide explanation and justification to some adjustments made in its MFRs.

The following questions are regarding the calculation of current, deferred and total income tax expenses.

17. Please refer to line 6 on Schedule C-2, line 5 on Schedule C-3 and Schedule C-4. The utility has an effective AFUDC rate and therefore excluded \$33,026 from total interest expenses in its calculation of current income tax. The utility has also categorized another \$15,001 as interest during construction and included it from the calculation of current income tax expense.

- a) Please explain what kind of interest expense this \$15,001 is and why it was treated differently from other interest expense.
  - b) This \$15,001 interest expense, along with other Schedule M adjustments, has an opposite effect on Taxable Income Per Books on Schedule C-2. For Total Per Books (column 1), total Schedule M Adjustment of \$6,314 was added to taxable income per books of \$9,981, which increased taxable income before state taxes to \$16,295 (line 9). For Adjusted Test year - LUSI (column 3), a total Schedule M Adjustment of \$20,908 was deducted from taxable income per books of \$76,595, which reduced taxable income before state taxes to \$55,687 (line 9). Please explain why this \$15,001 interest expense and other Schedule M adjustments were treated differently for current income tax calculation.
18. Please refer to Schedule C-1. Total deferred income tax of \$20,529 first reduces total income tax expense. This same amount is then added back by a utility adjustment. The effect of this netting is that total deferred income tax of \$20,529 has no effect on total income tax expense.
- a) Please explain why total income tax expense (line 6) was calculated by netting Current Tax Expense (line 1) and Deferred Income Tax Expense (line 2). Please also explain why the utility adjustment of \$20,529 was made and how it was justified.
  - b) According to Schedule C-1, total income tax expense per books and per utility adjusted have opposite signs. When these expenses were transferred to provision for income taxes per utility and per requested annual revenues on Schedule B-1, both expenses showed the same sign. Please explain why Schedules B-1 and C-1 were not tied.
19. Please refer to Schedule A-19 and Schedule C-6, pages 1 to 3. Schedule C-6, Accumulated Deferred Income Taxes - Summary, showed debit balance of \$250,916, but this balance did not tie to the balance of the same account in balance sheet on Schedule A-19.

- a) Please provide a breakdown reflecting all calculations made by year of the debit adjustment of \$241,674 for federal and credit adjustment of \$42,273 for state.
  - b) Please revise the balance sheet accordingly to reflect the adjustments made to these accounts.
  - c) Please explain why total federal deferred income tax on Schedule C-5 did not tie to current year federal deferral on schedule C-6, page 3 of 3.
20. Please refer to Schedule C-2, line 1. The utility adjusted net operating income by \$82,660 for calculation of current income tax expense. Please explain what kind of adjustment it was and how it was justified.

The following question is regarding the original cost of water facilities at Four Lakes and Vistas.

21. If costs of water facilities at Four Lakes and Vistas are not supported by original invoices or other documentation, then please provide original cost study for these facilities.

The following questions are regarding the rate schedules.

22. Please provide a billing analysis schedule for the general service 5/8" x 3/4" customers.
23. On Schedule E-2, the number of bills for the 5/8" x 3/4" residential customers (without the 5,000 gallons included in the base facility charge), of 2,221, does not tie to the 2,632 bills indicated in the Schedule E-14, the billing analysis schedule. Please explain.
24. On Schedule E-2, the revenues at the utility's proposed rates do not include the general service customers with 1", 1.5" and 2" meter sizes. Please explain why these customers are not included in your proposed rates revenue calculation.
25. On Schedule E-5, please provide information regarding the revenues received for rents.

Mr. Richard D. Melson  
September 19, 1996  
Page 5


26. On Schedule E-5, please provide information regarding the "one-time fee per contract for Vistas customers".

The following questions related to areas discovered on staff's billing audit.

27. On the billing audit, the utility indicated that it may have some developer agreements on file at the parent company's office. If so, please provide copies of this agreements.
28. The utility indicated that customers are billed for a deposit on their initial bill and that receipts were not given to customers for their deposit. Pursuant to Rule 25-30.311 (2), Florida Administrative Code, the utility should give each customer a receipt. Please explain why the utility did not give customers receipts for deposits.

To allow reasonable amount of time for staff to review and analyze all information in this case, please submit all information requested within 30 days of receipt of this letter.

Sincerely,



Tim Vaccaro  
Senior Attorney

TV/mw

cc: Division of Records and Reporting ✓  
Division of Water and Wastewater (Willis, Merchant,  
Crouch, Rendell, Munroe, Austin, Zhang)  
Ms. Patty Cuddy  
Mr. Mark Kramer  
Mr. Don Rasmussen