

ORIGINAL

DOCKET NO. 991643-SU - Application for Increase in Wastewater Rates  
in Seven Springs System in Pasco County by Aloha Utilities, Inc.

WITNESS: **DIRECT TESTIMONY OF PATRICIA W. MERCHANT**  
Appearing on behalf of Staff

DATE FILED: August 28, 2000

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FPSC-RECORDS/REPORTING

DIRECT TESTIMONY OF PATRICIA W. MERCHANT

1 |  
2 | Q. Please state your name and professional address.

3 | A. My name is Patricia W. Merchant and my business address is 2540 Shumard  
4 | Oak Boulevard, Tallahassee, Florida 32399-0850.

5 | Q. By whom are you employed and in what capacity?

6 | A. I am employed by the Florida Public Service Commission as a Public  
7 | Utilities Supervisor in the Division of Economic Regulation.

8 | Q. How long have you been employed by the Commission?

9 | A. I started working at the Commission in September 1981.

10 | Q. Would you state your educational background and experience?

11 | A. I received a Bachelor of Science degree with a major in accounting from  
12 | Florida State University in August 1981. Upon graduation, I was employed by  
13 | the Commission as a Public Utilities Auditor in what was then the Division of  
14 | Auditing and Financial Analysis. My primary responsibility in that capacity  
15 | was to perform audits on the books and records of electric, gas, telephone,  
16 | water and wastewater public utilities. In August 1983, I joined the Division  
17 | of Water and Wastewater as a Regulatory Analyst in the Bureau of Accounting.  
18 | In May 1989, I became a Regulatory Analyst Supervisor in the Accounting  
19 | Section of the Bureau of Economic Regulation. In June 2000, my section became  
20 | the File and Suspend Rate Cases Section in the Division of Economic  
21 | Regulation, in which capacity I am currently employed. I have attended  
22 | various regulatory seminars and Commission in-house training and professional  
23 | development meetings concerning regulatory matters.

24 | Q. Are you a Certified Public Accountant?

25 | A. Yes, I am. In September 1983, I received a certificate and a license to

1 | practice in the State of Florida by the Florida Board of Accountancy.

2 | Q. Are you a member of any professional associations?

3 | A. Yes. I am a member in good standing of the American Institute of  
4 | Certified Public Accountants and the Florida Institute of Certified Public  
5 | Accountants (FICPA). I am a former member of the Board of Governors of the  
6 | FICPA and was the President of the Tallahassee Chapter of the FICPA for the  
7 | year ended June 30, 1994. I served 6 years on the Florida State University  
8 | Accounting Conference Committee of the FICPA. I served as chair of that  
9 | committee for the year ended June 30, 1999.

10 | Q. Have you ever testified before the Florida Public Service Commission?

11 | A. Yes, in Docket No. 840047-WS, Application of Poinciana Utilities, Inc.  
12 | for increased water and wastewater rates; in Docket No. 850031-WS, Application  
13 | of Orange/Osceola Utilities, Inc. for increased water and wastewater rates;  
14 | in Docket No. 850151-WS, Application of Marco Island Utilities for increased  
15 | water and wastewater rates; in Docket No. 881030-WU, Investigation of Sunshine  
16 | Utilities rates for possible over earnings; in Docket No. 940847-WS,  
17 | Application of Ortega Utility Company for increased water and wastewater  
18 | rates; in Docket No. 911082-WS, Water and Wastewater Rule Revisions to Chapter  
19 | 25-30, Florida Administrative Code; and in Docket No. 971663-WS, Application  
20 | of Florida Cities Water Company, Inc. for a limited proceeding to recover  
21 | environmental litigation costs.

22 | Q. Were you accepted as an expert in regulatory accounting?

23 | A. Yes, I was.

24 | Q. Have you ever testified before any other tribunals as an expert in  
25 | regulatory accounting?

1 | A. Yes. I testified before the Division of Administrative Hearings, Case  
2 | No. 97-2485RU, Aloha Utilities, Inc., and Florida Waterworks Association,  
3 | Inc., Petitioners, vs. Public Service Commission, Respondent, and Citizens of  
4 | the State of Florida, Office of Public Counsel, Intervenors.

5 | Q. Would you explain what your general responsibilities are as a Public  
6 | Utilities Supervisor in the File and Suspend Rate Cases Section of the Bureau  
7 | of Rate Cases?

8 | A. I am responsible for the supervision of five professional accountants  
9 | in the accounting section. This section is responsible for the financial,  
10 | accounting and rates review and evaluation of complex formal rate proceedings  
11 | before the Commission. This specifically includes the analysis of file and  
12 | suspend rate cases, overearnings investigations and limited proceedings of  
13 | Class A and B water and wastewater utilities under the jurisdiction of the  
14 | Florida Public Service Commission. The accounting section is also responsible  
15 | for the review of smaller filings of Class A and B utilities, such as  
16 | allowance for funds used during construction (AFUDC), allowance for funds  
17 | prudently invested (AFPI), service availability applications, and tariff  
18 | filings. This section coordinates, prepares and presents staff  
19 | recommendations before the Commission on the above type cases. This section  
20 | is also responsible for preparing testimony, testifying and writing cross-  
21 | examination questions for hearings involving complex accounting and financial  
22 | issues.

23 | Q. Can you summarize the issues to which you are providing testimony?

24 | A. I am providing testimony on Aloha Utilities, Inc.'s projection of  
25 | customer deposits and the appropriate amount to include in the capital

1 | structure. I am also testifying on the proper reuse rate and revenues to be  
2 | included in the revenue requirement, and adjustments that I believe should be  
3 | made to the utility's requested rate case expense.

4 | Q. Please comment on the utility's projection of customer deposits?

5 | A. In its minimum filing requirements (MFRs), Aloha reflected an historical  
6 | balance of customer deposits of \$215,795 as of September 30, 1999. It then  
7 | projected that this amount would decrease to \$129,746 as of September 30,  
8 | 2000, and further decrease to \$93,295 for the test year ended September 30,  
9 | 2001. In Staff witness McPherson's prefiled testimony in this case, he states  
10 | that the utility incorrectly recorded its 1999 customer deposits. During  
11 | 1999, the utility recorded customer deposits into accounts receivable, thus  
12 | understating the customer deposit balance reflected on the books as of  
13 | September 30, 1999. Mr. McPherson states that the balance of customer  
14 | deposits as of December 31, 1999 was \$458,716. Included in this amount was  
15 | \$41,782 in non-utility deposits, resulting in net utility deposits of  
16 | \$416,934. Further, Mr. McPherson stated that he was not able to determine the  
17 | appropriate level of customer deposits as of September 30, 1999.

18 | I have reviewed a worksheet provided by the utility which supports the  
19 | utility's customer deposit projection methodology. The MFRs, on page 108,  
20 | reflect 3 months with deposits collected totaling \$4,002 and 9 months of  
21 | refunds totaling \$81,150. None of the deposits nor refunds occurred during  
22 | the same month. To calculate the balance for the intermediate year ended  
23 | September 30, 2000, the utility used its projected growth of 349 equivalent  
24 | residential connections (ERCs) and multiplied that by \$49 representing the  
25 | amount for a residential customer deposit. The utility's intermediate year

1 | projected monthly deposits were \$1,511. To project the intermediate year  
2 | monthly refunds, the utility used its booked total refunds from the year ended  
3 | September 31, 1999, multiplied this times the utility's base year ERC growth  
4 | factor of 4.812%, and then divided this total by 12. This resulted in an  
5 | intermediate year monthly refund amount of \$7,088. The utility then added the  
6 | deposits and subtracted the refunds from the erroneous September 30, 1999  
7 | balance to get a projected year-end balance of \$96,282 as of September 30,  
8 | 2000.

9 |       To project the test year balance, the utility used a consistent  
10 | methodology for the monthly deposits by using its projected growth in ERCs  
11 | (349) multiplied times its \$49 estimate for the residential customer deposit.  
12 | The utility's projected test year monthly deposits were \$1,323. To project  
13 | the test year refund amounts, the utility used a different methodology than  
14 | it did for the intermediate year projection. It combined the annual deposits  
15 | of \$4,002 (recorded) and \$18,150 (projected) for the years ended September 30,  
16 | 1999 and 2000, respectively. It then added these amounts and divided the  
17 | total by 12. This resulted in a projected monthly refund amount of \$1,819.  
18 | The utility then added its test year deposits and subtracted the refunds from  
19 | the September 30, 2000, projected balance to get a test year ending balance  
20 | for customer deposits of \$90,237. I would point out that this amount is about  
21 | 1/5 of the Commission staff audited balance as of December 31, 1999.

22 |       In addition to the historical starting point being incorrect, the  
23 | utility's projection methodology is inconsistent and illogical. While I agree  
24 | with the utility's projection of monthly additions to customer deposits, I do  
25 | not agree with its methodology to project the monthly refunds. I believe that

1 | a proper method to project monthly refunds would be based on historical refund  
2 | percentages and including factors such as customer growth and number of  
3 | customers with poor payment histories. Poor payment histories extend the  
4 | amount of time that customer deposits are held as security by the utility and  
5 | are not necessarily driven by customer growth rates.

6 |       Staff has requested that the utility recalculate its projected  
7 | intermediate and test year balance sheets to show the impact of the error in  
8 | customer deposits. As of this date, the utility has not provided this  
9 | correction. Without reliable historical data, the projection of monthly  
10 | refunds is much more difficult. Further, while I do have an audited  
11 | historical balance for the base year, I do not have an explanation from the  
12 | utility why customer deposits ballooned in 1999. The balance went from an  
13 | average of \$220,438 for the years 1995 to 1998 to \$416,934 in 1999. The  
14 | utility's customer growth only increased by approximately 5% from 1998 to  
15 | 1999. Regardless, the base year historical balance is the only reliable  
16 | amount that I have on which to base a reasonable projection of customer  
17 | deposits.

18 | Q.    What is the appropriate balance for customer deposits to be included in  
19 | the capital structure?

20 | A.    To determine the appropriate balance for customer deposits, I believe  
21 | that several additional adjustments are appropriate. First, I believe that  
22 | the utility understated the amount of the average residential customer  
23 | deposit. In the utility's tariff, it states that a customer deposit will be  
24 | 3 times the average monthly bill. Since the utility does not break down  
25 | deposits between its two systems, I have assumed that all new deposits will

1 | come from the Seven Springs area and will have both water and wastewater  
2 | service. Further, I have assumed that the average consumption per month for  
3 | new customers will be 10,000 gallons for both water and wastewater. Based on  
4 | the current tariff, I have calculated an average residential deposit of \$157.

5 |       Secondly, the utility estimated its growth to be 370 and 349 ERCs for  
6 | the intermediate and projected test years, respectively. Staff witness  
7 | Stallcup has testified that the utility's revised annual growth in ERCs of 316  
8 | and 368 for 2000 and 2001, respectively, should be used. If the Commission  
9 | determines that the utility's proposed growth, as filed, is not appropriate  
10 | to use in this proceeding, then a corresponding adjustment should be made to  
11 | the balance of customer deposits to be included in the capital structure.

12 |       Third, in lieu of specific data to estimate refunds, I will assume that  
13 | 80% of the additional deposits made during 2000 and 2001 will represent  
14 | amounts refunded. Without sufficient support from the utility or a corrected  
15 | base year breakdown of deposits and refunds, I cannot assume that the 1999  
16 | year-end balance will decrease.

17 |       After applying these assumptions, I have projected the balance of  
18 | customer deposits to be included in the capital structure to be \$438,412.  
19 | This is an increase of \$345,117 to the utility's balance of \$93,295.

20 |       By making this increase (or credit) to customer deposits, a  
21 | corresponding debit adjustment should also be made to the projected balance  
22 | sheet. I believe that it is appropriate to decrease (or debit) equity for  
23 | this error. In its MFRs, the utility stated that retained earnings account  
24 | was adjusted each month for the net effect of all adjustments to the projected  
25 | balance sheet. Consistent with the utility's projection to retained earnings,



1 | I believe that this error should also reduce equity.

2 | Q. Do you have a schedule that reflects your calculation of projected  
3 | customer deposits?

4 | A. Yes. It is attached as Exhibit \_\_\_\_ (PWM-1)

5 | Q. Please explain your testimony regarding the appropriate reuse rate.

6 | A. In the utility's reuse proceeding, Docket No. 950615-SU, the Commission  
7 | established a reuse rate of \$0.25 per thousand gallons of effluent sold. (See  
8 | Order No. PSC-97-0280-FOF-WS (Reuse Order), issued March 12, 1997). This rate  
9 | was to be applied to all reuse customers except the Mitchell property, for  
10 | which the Commission established a rate of zero. This zero rate was allowed  
11 | because the Mitchell property owners and Aloha had an existing contract at  
12 | that time. However, the Commission ordered that after the contract expired,  
13 | the zero reuse rate should be reevaluated and any extension of that contract  
14 | shall be filed with the Commission for approval. Aloha did not file this  
15 | contract for approval prior to the expiration and this renewal has not been  
16 | approved by the Commission to this date. Staff received a copy of the renewed  
17 | contract by letter dated March 10, 2000.

18 | When asked why this contract extension was not submitted to the  
19 | Commission for approval, the utility responded that this was an oversight.  
20 | Regardless, the utility stated that the owners of the Mitchell property are  
21 | not willing to pay for effluent under any circumstances at this time. The  
22 | utility stated that Aloha is fortunate to be able to dispose of its effluent  
23 | at no charge and if a charge were levied, the Mitchell property owners would  
24 | refuse to allow the disposal of reuse water on their property. Further, the  
25 | utility contended that the only alternatives available to the utility would

1 | be substantially more expensive than the current agreement with the Mitchell  
2 | property owners. Based on this information, I believe that it is appropriate  
3 | to approve the renewed contract after the fact. However, I believe that no  
4 | further extension of the contract after this current term expires should take  
5 | place until the utility has Commission approval.

6 | Q. How did the Commission determine the reuse rate for other reuse  
7 | customers?

8 | A. In establishing the \$0.25 rate for the other reuse customers, the  
9 | Commission, in the Reuse Order, agreed with the utility that the charge should  
10 | be market-based to encourage new reuse customers. Since Pasco County was the  
11 | nearest utility that provided reuse service and it had a \$0.28 rate per  
12 | thousand gallons, the Commission agreed that the utility's requested rate of  
13 | \$0.25 was market-based. According to the Department of Environmental  
14 | Protection's (DEP) 1999 Reuse Inventory Report, Appendix H, (Exhibit \_\_\_ PWM-  
15 | 2) the Central Pasco Reuse System has a non-residential reuse gallonage charge  
16 | of \$0.32 per thousand gallons.

17 | Q. Did the Commission in the Reuse Order, require any action to be taken  
18 | in Aloha's next rate proceeding related to reuse?

19 | A. Yes. The Commission required Aloha's next rate filing to contain  
20 | information sufficient to enable this Commission to address reuse rates for  
21 | all reuse customers. Further, Aloha was required to explore whether and how  
22 | much of its reuse revenue requirement should be allocated to its water  
23 | customers.

24 | Q. Do you believe that Aloha provided sufficient data in this current rate  
25 | case to establish reasonable reuse rates for all of its reuse customers?

1 A. No, it did not. First, Aloha did not provide information in its  
2 application, that I have found, supporting any reuse rate determination. The  
3 only mention of the reuse rate is on the Revised MFR Rate Schedule E-13(A),  
4 (page 120) and G-1 (page 138). These pages only reflect the current \$0.25  
5 charge per thousand gallons multiplied times Aloha's projected test year reuse  
6 consumption. I have not seen any information provided by the utility that  
7 supports whether the current or any other reuse rate is appropriate. The  
8 utility also did not discuss any allocation of revenues to the water system.

9 Q. Does the lack of sufficient information in this filing limit the  
10 Commission's ability to review the appropriateness of the reuse rate?

11 A. No, I do not think that it does. I agree with the Commission's decision  
12 in the reuse case to establish market-based reuse rates. Since the Commission  
13 used the reuse rates for Pasco County as benchmark, I believe that it is  
14 appropriate to review what those current reuse rates are in determining  
15 whether Aloha's reuse rate should change. As I stated above, Pasco County's  
16 reuse rates have increased by \$0.04 per thousand gallons. I think that it is  
17 also appropriate to increase Aloha's reuse rate. However, I recommend that  
18 Aloha's rate should be equal to Pasco County's rate per thousand gallons.  
19 Because the two providers are not in competition, Aloha's reuse rate can be  
20 \$0.32 per thousand gallons, and still be market-based.

21 Q. How does this rate change affect Aloha's reuse revenues?

22 A. In its MFRs, Aloha included \$47,359 for reuse revenues. This was based  
23 on 189,436 thousand gallons of reuse sold at the current reuse rate of \$0.25.  
24 By increasing the cost by \$0.07, the test year reuse revenue would be \$60,620,  
25 or an increase of \$13,261.

1 Q. What is your opinion of the Commission's decision in the reuse case that  
2 Aloha should bear the risk associated with finding paying reuse customers?

3 A. While I agree that the utility should bear the risk, it should be noted  
4 that the utility does not currently have any reuse customers and is disposing  
5 of all of its effluent on the Mitchell property. The current contract with  
6 the Mitchell Property was initiated on March 19, 1999 and has a five-year  
7 term. However, when the utility completes the current construction phase  
8 requested in this proceeding, it will be able to provide reuse services for  
9 compensation. I believe that Aloha should take all steps necessary to obtain  
10 as many reuse customers that it possibly can. It should not sign any  
11 agreements with developers of new service areas adjacent to the reuse  
12 distribution system without a requirement for the installation of reuse lines.

13 Q. What action did the Commission take in the Reuse Order to reflect that  
14 the utility had the burden to find reuse customers?

15 A. The Commission found that when Phase III of the prior reuse plant was  
16 completed and in service, that the utility would be able to sell 100% of its  
17 effluent within 4 years. Accordingly, the Commission assumed a 25% growth in  
18 reuse sales at a rate of \$.25 per thousand gallons and total reuse capacity  
19 of 438,000,000 gallons of annual reuse. The total reuse capacity was  
20 determined by taking the capacity of the wastewater treatment plant in that  
21 proceeding of 1.2 million gallons per day multiplied by 365 days. Based on  
22 those calculations, the Commission projected that annual reuse revenue would  
23 be \$27,375, \$54,750, \$82,125 and \$109,500 for the initial four years of the  
24 Phase III reuse operation. Further, the Commission found that upon  
25 implementation of the Phase III reuse system, wastewater rates should be

1 | reduced each year based upon this projected revenue from reuse sales.

2 | Q. Should the Commission decrease wastewater rates in the future to reflect  
3 | potential increases in reuse revenues?

4 | A. No, I do not think that this is the proper mechanism to reflect the risk  
5 | of finding new reuse customers. While it is certainly an option available to  
6 | the Commission, I believe that the utility has supported its position that,  
7 | for the projected test year, it will only be able to sell 189,436,000  
8 | gallons. This amount may change upon receipt of further discovery. Further,  
9 | I do not believe that the Commission should impute revenues for the total  
10 | amount of reuse disposal capacity in this proceeding. I believe that it is  
11 | only appropriate to project reuse revenue to the extent that there will be  
12 | reuse customers during the projected test year. Any imputation beyond that  
13 | does not consider the increased expenses associated with transmitting the  
14 | reuse to the customers premises.

15 | Q. Do you believe that the Commission should monitor the utility's reuse  
16 | revenue and customers?

17 | A. Yes. I believe that the Commission should require Aloha to submit  
18 | additional information in its annual report regarding its reuse service.  
19 | This information should include the name of each non-residential reuse  
20 | customer, number of gallons of reuse sold and the revenue collected for the  
21 | year. For residential reuse service, Aloha should provide the number of  
22 | residential customers by development, the numbers of gallons sold (if metered)  
23 | and the revenue collected for the year.

24 | Q. Do you believe that adjustments should be made to the utility's  
25 | requested rate case expense?

1 A. Yes. Based on discovery received as of the date that I filed my  
2 testimony, I believe that several adjustments are necessary to the utility's  
3 rate case expense request. The first issue relates to legal expenses  
4 associated with filing an emergency petition for an emergency rule variance  
5 or waiver. The second issue relates to costs associated with filing revisions  
6 to the MFRs.

7 Q. Can you please explain your opinion regarding legal fees associated with  
8 the petition for emergency rule waiver or variance?

9 A. Yes. When the utility originally filed its MFRs, on February 9, 2000,  
10 it also filed a Petition for Emergency Variance from Rule 25-30.440(1)(a) and  
11 (b), Florida Administrative Code. This rule requires the utility to provide,  
12 as part of its MFRs, a detailed map showing the location and size of the  
13 utility's distribution and collection lines as well as its plant sites and the  
14 location and respective classification of utility's customers.

15 Q. What was the utility's reason for requesting an emergency waiver or  
16 variance of the MFR rule regarding maps of its distribution and collection  
17 system?

18 A. In its Petition for Emergency Variance, the utility stated that it did  
19 not have any system-wide maps that met the description outlined in the MFR  
20 rule. It only had the original system maps provided by the developers of the  
21 particular parcels when the facilities were contributed to the utility.  
22 Further, those maps on-hand did not have any information concerning which lots  
23 were occupied, utilized or receiving service. Aloha's premise was that  
24 compliance with this rule would require creation of entirely new system maps  
25 at a substantial cost which would have to be passed on to ratepayers, while

1 providing no useful information.

2 Q. Did the Commission approve the utility's emergency variance petition?

3 A. No. It did not. Staff filed its recommendation addressing the emergency  
4 petition on February 17, 2000 for the February 29, 2000, agenda conference.  
5 Staff stated in that recommendation that we did not believe that the utility's  
6 petition constituted an emergency. As early as October 22, 1999, when Aloha  
7 filed its request for test year approval, it should have known that it did not  
8 have the required maps and could not meet the requirements of Rule 25-  
9 30.440(1)(a) and (b), Florida Administrative Code, and that it would need a  
10 rule waiver. The staff recommendation further stated that Aloha asserted that  
11 it was relying on the waiver provision contained in Rule 25-30.436(6), Florida  
12 Administrative Code, that was repealed on January 31, 2000. In addition,  
13 Aloha stated that there is no requirement that the utility file a request for  
14 variance or waiver in advance of filing a rate case application in either Rule  
15 25-30.436(6), Florida Administrative Code, or Rule 28-104.004, Florida  
16 Administrative Code. Staff noted, however, that Rule 25-30.436(6), Florida  
17 Administrative Code, required that "all requests for waivers of specific  
18 portions of the minimum filing requirements shall be made as early as  
19 practicable." Even if Rule 25-30.436(6), Florida Administrative Code, still  
20 existed and was applicable, staff stated that Aloha could have filed for a  
21 waiver of these MFRs earlier and thereby could have avoided the need to  
22 request an emergency waiver under Rule 28-104.004, Florida Administrative  
23 Code. On February 24, 2000, one week after staff's recommendation was filed,  
24 the utility produced the required maps and withdrew its request for an  
25 emergency variance of the rule.

1 Q. Why do you believe that the legal fees associated with the Petition for  
2 Emergency Variance should be removed from rate case expense?

3 A. I believe that it was imprudent and unnecessary for the utility to  
4 request this emergency rule waiver or variance. Rule 25-30.125, Florida  
5 Administrative Code, requires utilities under the Commission's jurisdiction  
6 to have maps available on file. Further, the MFR requirement to provide maps  
7 has been unchanged for at least 10 years. Aloha knew that it would be filing  
8 for increased rates and this provision of the rule should have been considered  
9 well in advance of its filing of the MFRs.

10 Q. How much were the legal fees associated with the Petition for Emergency  
11 Variance?

12 A. Based on the legal invoices, the fees related to filing this variance  
13 totaled \$10,014. I believe that these costs should be removed from rate case  
14 expense as unreasonable. Although, I have not seen any costs submitted as of  
15 yet, any overtime expenses for engineering or technical fees for the  
16 production of the maps associated with the emergency variance should also be  
17 disallowed.

18 Q. What is your opinion regarding rate case expense incurred for MFR  
19 deficiencies?

20 A. I believe that any costs associated with filing revisions to the MFRs  
21 should be disallowed to the extent that those costs duplicated or corrected  
22 information already submitted. It has been the practice of the Commission to  
23 disallow rate case expense associated with filing MFR deficiencies that are  
24 duplicative or corrective. (See Orders Nos. PSC-95-1376-FOF-WS, page 25,  
25 issued November 6, 1995, Docket No. 940847-WS, Ortega Utility Company; PSC-95-



1 | 1399-FOF-WS, page 14, issued November 15, 1995, Docket No. 940765-WS,  
2 | Ferncrest Utilities, Inc.; and PSC-96-0663-FOF-WS, page 14, issued May 13,  
3 | 1996, Docket No. 950336-WS, Rotonda West Utility Corporation).

4 | Q. Can you describe the facts surrounding Aloha's MFR deficiencies?

5 | A. Yes. After we reviewed the original MFRs, staff mailed a deficiency  
6 | letter to the utility on March 2, 2000. I have attached this letter as  
7 | Exhibit \_\_\_ (PWM-3). This letter had six pages and included a description of  
8 | MFR schedule deficiencies along with deficiencies related to detailed  
9 | descriptions of projection methodologies. This letter also provided  
10 | descriptions of errors made in the heading of schedules, possible errors  
11 | between projection descriptions and numbers included in schedules, and a  
12 | description of other staff concerns of the rate case.

13 | Q. Does staff generally include items other than a list of MFR deficiencies  
14 | in a standard deficiency letter?

15 | A. Yes. In reviewing MFRs for any utility, if staff finds deficiencies,  
16 | we will also delineate errors or discrepancies that we find in the MFRs and  
17 | include them in a separate section of the deficiency letter. These items are  
18 | not generally MFR deficiencies that are required to be corrected, but they are  
19 | included if the utility wishes to correct its filing. Often the errors that  
20 | the staff identifies may be material enough such that the utility decides to  
21 | change its requested revenue requirement.

22 | Q. Is staff required to provide the utility with supplemental information  
23 | in addition to the deficiencies?

24 | A. No, we are not. We see this as an opportunity to allow the utility time  
25 | to correct or improve its filing if it wishes. If the change actually

1 | increases the revenue requirement, the notice requirements have not been  
2 | compromised and the utility can correct its mistakes without losing the  
3 | opportunity for allowance of its increased revenue request. If the case is  
4 | going to hearing, this information may allow the filing to adequately support  
5 | its requested costs and allow the filing to be more easily processed by the  
6 | Commission and the parties than if the corrections were not made. In one  
7 | prior rate case that went to hearing, the Commission dismissed the entire case  
8 | at the final agenda conference because of inconsistencies in the MFR filing  
9 | and unsupported projection methodologies. (See Order No. 24715, issued June  
10 | 26, 1991, in Docket No. 900329-WS).

11 | Q. What is the purpose of minimum filing requirements for rate cases?

12 | A. I believe that the purpose of MFRs is to provide essential information  
13 | that staff and the Commission need in every rate case to be able to analyze  
14 | the utility's request for increased rates. Pursuant to Section 367.081,  
15 | Florida Statutes, the Commission is required to vote on a rate increase  
16 | within 5 months if the case is filed as a proposed agency action (PAA) or 8  
17 | months if it is set for hearing. For a large Class A utility, reviewing the  
18 | detail supporting a rate increase is voluminous. This statutory deadline  
19 | benefits the utility to reduce regulatory lag in receiving rate relief. The  
20 | MFRs, on the other hand, allow staff and the parties necessary information to  
21 | start the process of reviewing a utility's rate request. If MFR deficiencies  
22 | are corrected and accepted as complete, then any errors in the application  
23 | will have to be provided through discovery or other means. The time that the  
24 | staff and parties have to review supporting information has thus been reduced.  
25 | I do not believe that it is an audit function to obtain information that

1 | should have been included in the MFRs. The protections of the statutory  
2 | deadline and MFRs exist to provide benefits for each side.

3 | Q. When did Aloha respond to the deficiency letter?

4 | A. Aloha filed its revised MFRs and response to staff's deficiency letter  
5 | on April 4, 2000. I have attached as Exhibit \_\_\_ (PWM-4), a letter dated  
6 | March 27, 2000, detailing the utility's response to staff's MFR deficiency  
7 | letter. In its response, the utility addressed the majority of items that  
8 | staff labeled as deficiencies, corrected the errors staff pointed out and  
9 | addressed the concerns that staff mentioned in its letter. The utility also  
10 | stated that the bulk of the changes to the MFRs were the result of staff's  
11 | desire for additional information related to the bases of the projection  
12 | methodologies. The utility does not interpret this additional information to  
13 | be deficiencies but the inclusion of workpapers and calculations for each  
14 | account that was projected. The utility disagrees with the staff's  
15 | interpretation of the rule that required detailed support for the utility's  
16 | projection methodologies. Further, the utility stated that staff's request  
17 | went far beyond the rule's requirement but the utility complied because of the  
18 | urgent need to have the rate case filed. Finally, the utility stated that  
19 | since most of the data submitted with the MFR deficiencies was additional  
20 | information, the accounting rate case expense has been increased from the  
21 | original estimate of \$100,000 to \$125,000. This brought the utility's  
22 | requested rate case expense up to \$300,000.

23 | Q. What is the rule requirement regarding support for projection  
24 | methodologies?

25 | A. Rule 25-30.437(3), Florida Administrative Code, states, in relevant

1 part, that "A schedule shall also be included which describes in detail all  
2 methods and bases of projection, explaining the justification for each method  
3 or basis employed."

4 Q. How has staff interpreted this requirement of the rule?

5 A. Staff's interpretation of this rule is that all items and accounts  
6 projected in a projected test year rate base should be explained fully so that  
7 the Commission and parties can take an historical balance reflected in the  
8 MFRs and calculate both the intermediate and projected test year amounts.  
9 This does not mean that we should be provided all specific calculations, but  
10 that the user can follow the utility's logic and get similar projected  
11 results.

12 Q. Do utilities that file projected test years generally submit this detail  
13 to allow the users to follow the utility's projection methodologies?

14 A. Yes they do, but many times utilities fail to provide support for all  
15 items projected. Based on my experience, the majority of utility's agree that  
16 the unsupported projections constitute deficiencies to the MFRs.

17 Q. Do you have any examples of other utilities' supporting detail for  
18 projection methodologies?

19 A. Yes. I have attached as Exhibit \_\_\_ (PWM-5) copies from the Florida  
20 Public Utilities Company MFRs filed in its last rate case, Docket No. 990535-  
21 WU. This exhibit is just a small sample of the pages included in support of  
22 its projection methodologies. I have also attached a copy of the deficiency  
23 letter that staff sent to this utility. This letter also mentioned a  
24 deficiency regarding the projection methodologies, but it related specifically  
25 to the lack of detail for inflation and growth factors. This utility's detail

1 of projections otherwise was sufficient for MFR purposes.

2 Q. Do you believe that the majority of the data that Aloha deems as  
3 "additional information" is in fact MFR deficiencies?

4 A. Yes, I do. I also believe that had the utility sufficiently submitted  
5 its projection methodologies with its original application, that the  
6 additional rate case expense would have been greatly minimized. Further,  
7 resubmitting a completely revised set of MFRs was not driven by the  
8 "additional information" required to support the projection methodologies but  
9 in fact to correct the numerical and numerous typographical errors that the  
10 utility had in its initial filing. Accordingly, I recommend that the rate  
11 case expense associated with resubmitting the MFRs be disallowed. According  
12 to the utility's response to Staff's Interrogatory No. 7(a) and (b), the  
13 accounting fees associated with the deficiencies were \$18,669 and the legal  
14 fees were \$3,056. This is a total of \$21,725 in rate case expense that should  
15 be disallowed.

16 Q. Does this complete your testimony?

17 A. Yes.

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**EXHIBIT NO: \_\_\_\_\_ (PWM-1)**

**WITNESS: PATRICIA W. MERCHANT**

**DOCKET NO. 991643-SU**

**DESCRIPTION: SCHEDULE OF CUSTOMER DEPOSIT  
PROJECTIONS**

**Schedule of Customer Deposit Projections**

**Historical Calendar Year-End Balances**

Year	Utility Balance Per Annual Reports	Percentage Change
1995	\$201,940	
1996	215,280	6.61%
1997	229,399	6.56%
1998	235,133	2.50%
1999(1)	<u>416,934</u>	77.32%
Average from 1995 to 1998	<u>\$220,438</u>	

Note: (1) \$458,716 balance in 1999 annual report less \$41,782 per Staff Witness McPherson prefiled direct testimony.

**Customer Deposit Calculation for a 5/8 by 3/4 inch meter customer.**

Assume 10,000 (350gpd multiplied by 30 days) gallons per month for 5/8 by 3/4 inch meter customer.

	Base Facility Charge <u>PerTariff</u>	Gallonage Charge <u>PerTariff</u>	Total Deposit <u>Per Customer</u>
Seven Springs Water	\$7.17	\$1.28	
Seven Springs Wastewater	<u>8.99</u>	<u>2.32</u>	
Total	<u>\$16.16</u>	<u>\$3.60</u>	
Three Billing Periods	<u>\$48.48</u>	<u>\$108.00</u>	<u>\$156.48</u>

**Calculation of Projected Customer Deposit Balances**

	Intermediate <u>Test Year</u>	Final <u>Test Year</u>	<u>Total</u>
Deposit per Customer	\$157	\$157	
Revised Growth Projection	316	368	
Projected Deposits Receive	\$49,612	\$57,776	\$107,388
Less 80% Refunded			<u>(\$85,910)</u>
Projected Increase			\$21,478
Balance at 12/31/99			<u>416,934</u>
Final Projected Balance			\$438,412
13 Month Average Balance per MFR			<u>93,295</u>
Recommended Adjustment to Customer Deposits and Retained Earnings			<u>\$345,117</u>

**EXHIBIT NO: \_\_\_\_\_ (PWM-2)**

**WITNESS: PATRICIA W. MERCHANT**

**DOCKET NO. 991643-SU**

**DESCRIPTION: DEPARTMENT OF ENVIRONMENTAL  
PROTECTION'S 1999 REUSE INVENTORY  
REPORT - APPENDIX H**



## Appendix H. Charges for Use of Reclaimed Water

County	Reuse System Name	Residential		Non-Residential	
		Flat Rate	Gallage Charge	Flat Rate	Gallage Charge
Alachua	G.R.U. STP #5-KANAPAHA	0	0	0	0
Alachua	TURKEY CREEK WWTF	N/A	N/A	0	0
Bay	BAY POINT STP	N/A	N/A	0	0
Brevard	BCUD/MERRITT ISLAND REGIONAL WWTF	\$5 month/\$125 connection fee	N/A	\$10/acre/\$125 connection fee	N/A
Brevard	BAREFOOT BAY, WWTP	N/A	N/A	N/A	\$0.13/1000 gallons
Brevard	BCUD/SOUTH CENTRAL REGIONAL, WWTP	\$5/month/connection	N/A	\$10/month/acre for first acre then \$5/month for each additional acre	N/A
Brevard	CAPE CANAVERAL WWTF, CITY OF	0	0	0	0
Brevard	COCOA BEACH, WWTP, CITY OF	\$8/month/\$200 connection fee	\$0.26/1000 gallons	N/A	\$0.26/1000 gallons
Brevard	COCOA, WWTP, CITY OF	\$5/month/connection	N/A	N/A	\$0.40/1000 gallons
Brevard	MELBOURNE/DAVID B LEE WWTP & DIW	\$4/month/connection	N/A	\$16/month/pervious acre	N/A
Brevard	RAY BULLARD WATER RECLAMATION	\$9/month/connection	N/A	N/A	N/A
Brevard	MELBOURNE/GRANT STREET WWTP & DIW	\$4/month/connection	N/A	\$16/month/pervious acre	N/A
Brevard	PALM BEACH WWTF, CITY OF	N/A	N/A	0	0
Brevard	ROCKLEDGE, WWTP, CITY OF	\$10/month/3/4" service \$300 connection	\$0.10/1000 gallons 2" service and above	Per contract	Per contract
Brevard	SOUTH BEACHES & S. CENTRAL BREVARD	\$7/month	N/A	\$500/year	N/A
Brevard	SYKES CREEK REGIONAL PLANT	\$7/month	N/A	\$500/yr/connection	
Brevard	THE GREAT OUTDOORS GOLF/R V RESORT INC	0	0	0	0
Brevard	MELBOURNE WWTP (NORTH & SOUTH)	\$4/month/connection	0	\$16/month/acre	0
Brevard	NORTH BREVARD WWTF	\$7/month	N/A	\$500/year	N/A
Brevard	OSPREY WRF	0	0	0	0
Broward	HOLLYWOOD-SOUTHERN REGIONAL	N/A	N/A	N/A	\$0.10/1000 gallons
Broward	RESOURCE RECOVERY/POMPANO	N/A	N/A	81% of the total budget for the effluent plant (\$468,686) is charged to the golf courses, 19% of the budget is charged for parks and medians, on a yearly basis, billed quarterly.	
Charlotte	EASTPORT WRF	N/A	\$0.60/1000 gallons	N/A	\$0.50/1000 gallons
Charlotte	ENGLEWOOD WATER DISTRICT	N/A	\$0.15	N/A	\$0.15
Charlotte	ROTUNDA WEST WWTP (OLD PLANT)	N/A	\$0.35/1000 gallons	N/A	\$0.35/1000 gallons
Charlotte	SANDALHAVEN	N/A	N/A	N/A	\$333.33/connection
Charlotte	WEST CHARLOTTE UTIL.-SOUTH PLANT	N/A	N/A	N/A	\$0.15/1000 gallons
Citrus	POINT OF WOODS UTILITIES	N/A	N/A	0	0
Clay	EAGLE HARBOR	\$27.50/quarter/connection	\$0.35/1000 gallons	N/A	\$0.20/1000 gallons
Clay	FLEMING ISLAND SYSTEM WWTP	\$27.50/quarter/connection	\$0.35/1000 gallons	N/A	\$0.20/1000 gallons

County	Reuse System Name	Residential		Non-Residential	
		Flat Rate	Gallage Charge	Flat Rate	Gallage Charge
Collier	MARCO ISLAND WWTF	N/A	N/A	N/A	\$0.53/1000 gallons
Collier	CITY OF NAPLES, W.W.T.P., I	0	0	\$25/acre/year	\$0.06/1000 gallons
Collier	NO. COUNTY REGIONAL WWT. FACILITY	N/A	\$0.13/1000 gallons	N/A	\$0.13/1000 gallons
Collier	PELICAN BAY WRF	N/A	\$0.13/1000 gallons	N/A	\$0.13/1000 gallons
Collier	SOUTH REGIONAL WW TREATMENT FAC.	N/A	\$0.13/1000 gallons	N/A	\$0.13/1000 gallons
Desoto	WILLIAM TYSON WWTF	N/A	N/A	0	0
Duval	JACKSONVILLE BEACH WWTF	N/A	N/A	0	0
Duval	NAS JACKSONVILLE	N/A	N/A	0	0
Flagler	HAMMOCK DUNES PHASE I	\$24.35/month/connection	\$0.74/1000 gallons		\$0.37/1000 gallons
Flagler	PALM COAST-GRAND HAVEN	N/A	N/A	0	0
Flagler	PLANTATION BAY	N/A	N/A	0	0
Hernando	SPRING HILL WWTF	N/A	N/A	0	0
Hillsborough	DALE MABRY	\$7.50/month/connection	N/A	\$7.50/month/connection	\$0.50/1000 first 100,000 gal., then \$0.06/1000 gallons
Hillsborough	EAGLES WWTP	\$7.50/month/connection	N/A	\$7.50/month/connection	\$0.50/1000 first 100,000 gal., then \$0.06/1000 gallons
Hillsborough	FALKENBURG ROAD AWTP	\$7.50/month/connection	N/A	\$7.50/month/connection	\$0.50/1000 first 100,000 gal., then \$0.06/1000 gallons
Hillsborough	HOWARD F. CURREN AWTF	N/A	N/A	N/A	\$0.70/1000 gallons
Hillsborough	NORTHWEST REGIONAL WRF	\$7.50/month/connection	N/A	\$7.50/month/connection	\$0.50/1000 first 100,000 gal., then \$0.06/1000 gallons
Hillsborough	PEBBLE CREEK VILLAGE	N/A	N/A	\$45/month/connection (includes 100,000 gallons of effluent)	\$0.05/1000 gallons
Hillsborough	PLANT CITY	N/A	\$0.05/1000 gallons	N/A	\$0.05/1000 gallons
Hillsborough	SOUTH COUNTY REGIONAL WWTP	\$7.50/month/connection	N/A	\$7.50/month/connection	\$0.50/1000 first 100,000 gal., then \$0.06/1000 gallons
Hillsborough	SUMMERFIELD SUBREGIONAL PHASE I	\$7.50/month/connection	N/A	\$7.50/month/connection	\$0.50/1000 first 100,000 gal., then \$0.06/1000 gallons
Hillsborough	TAMPA AWTP	N/A	N/A	N/A	\$0.40/1000 gallons(only industrial utilization is charged; trucked irrigation-no charge)
Hillsborough	VALRICO AWTP	\$7.50/month/connection	N/A	\$7.50/month/connection	\$0.50/1000 first 100,000 gal., then \$0.06/1000 gallons
Hillsborough	VAN DYKE WWTP	\$7.50/month/connection	N/A	\$7.50/month/connection	\$0.50/1000 first 100,000 gal., then \$0.06/1000 gallons
Indian River	INDIAN RIVER CO. UTILITIES	N/A	N/A	N/A	\$0.15/1000 gallons

County	Reuse System Name	Residential		Non-Residential	
		Flat Rate	Gallage Charge	Flat Rate	Gallage Charge
Indian River	VERO BEACH, WWTP, CITY OF	N/A	\$0.54/1000 gallons	N/A	\$0.26/1000 gallons
Lake	LITTLE SUMTER WWTF	N/A	N/A	0	0
Lake	PLANTATION@LEESBURG	N/A	N/A	0	0
Lake	VILLAGES WWTF	N/A	N/A	0	0
Lee	BONITA SPRINGS WWTF	N/A	\$1.15/1000 gallons	N/A	\$0.50/1000 gallons
Lee	CAPE CORAL, CITY OF	\$9.50/month/connection	N/A	N/A	N/A
Lee	CROSS CREEK	N/A	N/A	0	0
Lee	DONAX WRF	N/A	N/A	0	0
Lee	EAGLE RIDGE	N/A	N/A	0	0
Lee	FIESTA VILLAGE W.W.T.P.	N/A	N/A	N/A	\$0.04/1000 gallons
Lee	FOREST UTILITIES	N/A	N/A	0	0
Lee	FORT MYERS BEACH S.T.P.	N/A	N/A	N/A	\$0.04/1000 gallons
Lee	GASPARILLA ISLAND WWTF	N/A	N/A	0	0
Lee	GATEWAY SERVICES DISTRICT 1	N/A	\$0.60/1000 gallons	N/A	N/A
Lee	HUNTER'S RIDGE W.W.T.P.			\$1,273.18	
Lee	LAKE FAIRWAYS/FFEC-SIX	N/A	N/A	N/A	\$0.25/1000 gallons
Lee	LEHIGH WWTF	N/A	N/A	0	0
Lee	NORTH FORT MYERS UTILITY, DOMESTIC	0	0	0	0
Lee	SAN CARLOS W.W.T. PLANT	N/A	N/A	0	0
Lee	THREE OAKS WWTF	N/A	N/A	0	0
Lee	SOUTHSEAS PLANTATION WWTF	N/A	N/A	\$2,754.06	N/A
Lee	WATERWAY ESTATES ADVANCED WWTP	N/A	N/A	N/A	\$0.04/1000 gallons
Lee	WULFERT WWTF	N/A	N/A	0	0
Manatee	MANATEE COUNTY NORTH REGIONAL WWTP	\$5.25/month/\$50 connection	\$0.50/1000 gallons	\$40/month/\$1400 connection	\$0.50/1000 gallons; \$0.25/1000 gallons over 100,000 gallons
Manatee	MANATEE COUNTY SE REGIONAL WWTP	\$5.25/month/\$50 connection	\$0.50/1000 gallons	\$40/month/\$1400 connection	\$0.50/1000 gallons; \$0.50/20K gallons; \$0.20 over 80K gallons
Manatee	MANATEE COUNTY SW SUBREGIONAL DIW	\$5.25/month/\$50 connection	\$0.50/1000 gallons	\$40/month/\$1400 connection	\$0.50/1000 gallons; \$0.20/1000 gallons over 80,000 gallons
Manatee	PALMETTO WWTP	N/A	N/A	0	0
Marion	BELLEVIEW	N/A	N/A	0	0
Marion	OCALA, WWTPs #1 & #2, CITY OF	N/A	N/A	0	0
Martin	USFILTER, SOUTH MARTIN	N/A	N/A	\$90/month/connection	\$0.17/1000 gallons
Martin	MARTIN CO. UTIL.-MARTIN DOWNS	N/A	N/A	0	0
Martin	MARTIN COUNTY UTIL. DIXIE PARK	N/A	N/A	0	0
Martin	MARTIN CO. UTIL.-MARTIN COUNTY NORTH	N/A	N/A	0	0
Martin	MILES GRANT WWTF	N/A	N/A	0	0
Monroe	KEY WEST RESORT UTILITY	N/A	N/A	N/A	\$0.25/1000 gallons
Nassau	AMELIA ISLAND WWTF	N/A	N/A	0	0
Okaloosa	DESTIN WATER USERS INC	N/A	\$0.30/1000 gallons	N/A	\$0.30/1000 gallons
Okaloosa	NICEVILLE NVOC REGIONAL WWTF	N/A	N/A	0	0
Okaloosa	FT. WALTON BEACH WWTP	N/A	N/A	0	0

County	Reuse System Name	Residential		Non-Residential	
		Flat Rate	Gallage Charge	Flat Rate	Gallage Charge
Orange	AOPKA WRF, CITY OF	\$5/month/connection	\$0.50/1000 gallons over 10,000 gallons	0	\$0.60/1000 gallons
Orange	CYPRESS WALK WWTF	N/A	N/A	0	0
Orang	OCOEE WWTF, CITY OF	N/A	N/A	0	0
Orange	REEDY CREEK IMPROVEMENT DISTRICT	N/A	N/A	fee dependent on meter size	\$0.59/1000 gallons
Orange	WATER CONSERV I	N/A	N/A	0	0
Orange	WATER CONSERV II	N/A	N/A	0	0
Orange	WEDGEFIELD UTILITIES	N/A	N/A	0	0
Orange	WINTER PARK ESTATES WWTF	N/A	N/A	0	0
Osceola	BUENAVENTURA LAKES WWTF	N/A	N/A	0	0
Osceola	GOOD SAMARITAN RETIREMENT	0	0	0	0
Osceola	KISSIMMEE/CAMELOT S/D, STP	\$5/month/connection (city) \$6.25/month/connection (suburban)	N/A	N/A	Individually negotiated based on meter size.
Osceola	KISSIMMEE/PARKWAY, STP	\$5/month/connection (city) \$6.25/month/connection (suburban)	N/A	N/A	Individually negotiated based on meter size.
Osceola	ST. CLOUD	\$30 one time connection	0	\$30 one time connection	0
Osceola	KISSIMMEE/SANDHILL ROAD STP	\$5/month/connection (city) \$6.25/month/connection (suburban)	N/A	N/A	Individually negotiated based on meter size.
Osceola	KISSIMMEE/SOUTH BERMUDA AVENUE STP	\$5/month/connection (city) \$6.25/month/connection (suburban)	N/A	N/A	Individually negotiated based on meter size.
Palm Beach	CITY OF BOCA RATON WWTP	N/A	\$0.20/1000 gallons	N/A	\$0.20/1000 gallons
Palm Beach	SOUTH CENTRAL REGIONAL WWTF	N/A	N/A	N/A	\$0.20 - \$0.28/1000 gallons
Palm Beach	LOXAHATCHEE ENV. CONTROL DIST. WWTP	N/A	\$0.39/1000 gallons	N/A	\$0.27/1000 gallons
Palm Beach	PGA WWTF	N/A	N/A	N/A	\$0.38/1000 gallons
Palm Beach	SOUTHERN REGION WRF	\$350/month/3" meter & &1000/month/4" meter	\$0.81/1000 gallons	\$1000/month/4" meter & \$2000/month/6" meter	N/A
Pasco	CENTRAL PASCO REUSE SYSTEM	\$6.31/month/connection	N/A	N/A	\$0.32/1000 gallons
Pasco	EAST PASCO REUSE SYSTEM	\$6.31/month/connection	N/A	N/A	\$0.32/1000 gallons
Pasco	TRAVELER'S REST	N/A	N/A	0	0
Pasco	WEST PASCO REUSE SYSTEM	\$6.31/month/connection	N/A	N/A	\$0.32/1000 gallons
Pasco	ZEPHYRHILLS WWTF	N/A	N/A	\$50	N/A
Pinellas	CLEARWATER CITY OF MARSHALL & N.E.	\$15.00	N/A	\$13.77/month/connection	N/A
Pinellas	BELLEAIR WWTF	N/A	N/A	0	0
Pinellas	DUNEDIN WWTF, CITY OF	\$9.50 - \$14.18/month	\$0.50/1000 gal	25% above CCRF	25% above gal. cost
Pinellas	LARGO CITY OF	\$7/month/acre	N/A	N/A	\$0.20/1000 gallons
Pinellas	NORTHWEST WWTF	\$8/month/connection + \$140 connection fee	N/A	0	\$0.29/1000 gallons
Pinellas	ST. PETERSBURG DIST.	\$10.36	N/A	\$300.44	N/A

County	Reuse System Name	Residential		Non-Residential	
		Flat Rate	Gallage Charge	Flat Rate	Gallage Charge
Pinellas	OLDSMAR CITY OF	N/A	\$0.75/1000 gallons or 8000 gallons; \$6/month minimum	N/A	N/A
Pinellas	ON TOP OF THE WORLD	0	0	0	0
Pinellas	SOUTH CROSS BAYOU DIW	\$9/month/connection	\$0.29/1000 gallons	N/A	N/A
Pinellas	TARPON SPRINGS CITY OF NEW	N/A	\$0.95/1000 gallons	N/A	\$0.95/1000 gallons
Polk	CYPRESS LAKES WWTF	N/A	N/A	0	0
Polk	HAINES CITY WWTF	N/A	N/A	0	0
Polk	SOUTHWEST REGIONAL WWTF	0	0	0	0
Polk	WINTER HAVEN WWTF #2	0	0	0	0
Santa Rosa	GULF BREEZE-TIGER POINT	N/A	N/A	0	0
Santa Rosa	HOLLEY-NAVARRE WASTEWATER SYSTEM	N/A	N/A	0	0
Santa Rosa	PACE WATER SYSTEM, INC. WWTP #1	N/A	N/A	0	0
Santa Rosa	SOUTH SANTA ROSA UTILITIES SYSTEM	N/A	N/A	0	0
Sarasota	BEE RIDGE	N/A	\$0.10/1000 gallons	N/A	\$0.10/1000 gallons
Sarasota	CENTRAL COUNTY WRF	N/A	\$0.10/1000 gallons	N/A	\$0.10/1000 gallons
Sarasota	KPU 27TH STREET WWTP	N/A	N/A	0	0
Sarasota	MEADOWOOD WWTP	0	0	0	0
Sarasota	NORTH PORT WWTP	N/A	\$0.23/1000 gallons	N/A	\$0.23/1000 gallons
Sarasota	PLANTATION THE	0	0	0	0
Sarasota	SARASOTA, CITY OF, WWTP	\$7.44	\$0.50/1000 gallons	N/A	\$0.10/1000 gallons
Sarasota	SOUTHGATE WRF	N/A	N/A	0	0
Sarasota	VENICE - ISLAND BEACH - WWTP	N/A	\$0.50/1000 gallons	N/A	\$0.05/1000 gallons
Sarasota	VENICE GARDENS WWTP #1	N/A	\$0.10/1000 gallons	N/A	\$0.10/1000 gallons
Seminole	ALAFAYA UTILITIES	\$9/month/connection	N/A	N/A	\$0.60/1000 gallons
Seminole	ALTAMONTE SPRINGS REGIONAL, STP	\$7/month/connection + \$3/month stand-by charge	N/A	\$3/month/ERU	\$0.86/1000 gallons
Seminole	CASSELBERRY WWTF	\$1.22+\$200 for new service connection	\$0.66/1000 gallons or \$0.99/10,000 gallons	0	0
Seminole	SANFORD, WWTP, CITY OF	\$3.25/month/connection	\$0.25/1000 gallons	\$3.25/month/connection	\$0.25/1000 gallons
Seminole	SEMINOLE CO/GREENWOOD LAKES, STP	N/A	N/A	0	\$0.45/1000 gallons
Seminole	WINTER SPRINGS, STP, CITY OF	\$5/month/connection	\$0.25/1000 gallons	0	0
St. Johns	INNLET BEACH WWTF	N/A	N/A	0	0
St. Johns	MARSH CREEK	N/A	N/A	\$1,500/month	0
St. Johns	MARSH LANDING	N/A	N/A	0	0
St. Johns	PLAYERS CLUB SOUTH WWTF	N/A	N/A	0	0
St. Johns	SAWGRASS WWTF	N/A	N/A	0	0
St. Lucie	NORTH HUTCHINSON ISLAND WRF	0	\$2.50/1000 gallons	0	\$2.50/1000 gallons
St. Lucie	HARBOUR RIDGE P.U.D.	0	0	0	0
St. Lucie	PANTHER WOODS	N/A	N/A	0	0
St. Lucie	PORT ST LUCIE UTIL SOUTHPORT	N/A	N/A	\$1,020 base charge up to 2,000 gpd	\$0.17/1000 gallons up to 2,000 gpd
St. Lucie	SOUTH HUTCHINSON WRF	0	0	N/A	N/A

County	Reuse System Name	Residential		Non-Residential	
		Flat Rate	Gallage Charge	Flat Rate	Gallage Charge
St. Lucie	ST LUCIE WEST UTILITIES, INC.	\$15/month/connection (single); \$10.50/month/connection (multiple)	N/A	\$90/acre for all commercial customers and common areas	\$0.15/1000 gallons for golf courses
Sumter	WILDWOOD, CITY OF	N/A	N/A	0	0
Volusia	DAYTONA BEACH/REGIONAL WWTF	\$2.66/acre/month	N/A	\$2.66/acre/month	N/A
Volusia	DELAND REGIONAL WWTP BRANDY TRAILS	N/A	N/A	N/A	\$0.10/1000 gallons
Volusia	DELAND REGIONAL WWTP (WILEY M NASH)	N/A	N/A	N/A	\$0.10/1000 gallons
Volusia	EDGEWATER, STP, CITY OF	\$5/month/connection	N/A	N/A	negotiated at time of connection
Volusia	DELTONA NORTH REGIONAL WWTF	N/A	N/A	N/A	\$0.10/ 1000 gallons
Volusia	HOLLY HILL, STP, CITY OF	N/A	N/A	\$200/month/connection	less than \$0.10/1000 gallons
Volusia	NEW SYMRNA BEACH POLLUTION CONTROL PLANT	\$10/month/connection	N/A	\$10.80/acre/month	\$0.01/gallon (2" and above)
Volusia	ORMOND BEACH, CITY OF	\$16.00/month + \$215.00 connection fee	N/A	\$644.50/month/connection	\$0.86/1000 gallons over 250, 000 gallons/day
Volusia	PORT ORANGE, WWTP, CITY OF	\$7.75/month/connection (1")	\$0.10/1000 gallons + \$7.75/month (3/4")	\$7.75/month/connection	\$0.10/1000 gallons + \$7.75/month (3/4") or \$15.50/month (1") or \$23.35/month (1 1/2")
Volusia	SOUTHwest regional	N/A	N/A	N/A	\$0.10/ 1000 gallons
Walton	SANDESTIN UTILITY COMPANY, INC.	N/A	N/A	0	0
Walton	SOUTH WALTON UTILITY COMPANY, INC.	0	0	0	0

**EXHIBIT NO: \_\_\_\_\_ (PWM-3)**

**WITNESS: PATRICIA W. MERCHANT**

**DOCKET NO. 991643-SU**

**DESCRIPTION: STAFF'S DEFICIENCY LETTER DATED  
MARCH 2, 2000 MAILED TO THE  
UTILITY**

---

## STATE OF FLORIDA

Commissioners:  
 JOE GARCIA, CHAIRMAN  
 J. TERRY DEASON  
 SUSAN F. CLARK  
 JULIA L. JOHNSON  
 E. LEON JACOBS, JR.



DIVISION OF WATER & WASTEWATER  
 DANIEL M. HOPPE, DIRECTOR  
 (850) 413-6900

## Public Service Commission

March 2, 2000

F. Marshall Deterding, Esq.  
 Rose, Sundstrom & Bentley  
 2548 Blairstone Pines Drive  
 Tallahassee, FL 32301

Re: Docket No. 991643-SU, Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

Dear Mr. Deterding:

We have reviewed the minimum filing requirements (MFRs) submitted on February 9, 2000, on behalf of the above-mentioned utility. We find the minimum filing requirements to be deficient. The specific deficiencies are identified below:

### A. MFR SCHEDULE DEFICIENCIES

Rule 25-30.437, Florida Administrative Code, states that a Class A utility applying for a rate increase shall provide the information required by Commission Form PSC/WAW 19.

#### 1. Schedules A-18(A & B), Schedule of Comparative Balance Sheet - Assets

The instructions require the utility to provide a balance sheet for years requested and to provide same for historical base or intermediate years, if not already shown. On Schedule A-18(C) below Notes Receivable - Associated Companies, the utility listed Income Tax Deposits. However, on Schedules A-18(A & B) below Notes Receivable - Associated Companies, the utility listed Accounts Receivable - Other. The account names should be consistent for each of the three test years.

#### 2. Schedules B-2(A through C), Schedules of Net Operating Income

The instructions for this schedule require the utility to submit an additional schedule showing a description and calculation of amortization (Line 4) if the charge is related to



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Page 2  
March 2, 2000

any amount other than an acquisition adjustment. The utility failed to submit this additional schedule.

3. Schedule B-8, Operation & Maintenance Expense Comparison

The instructions for this schedule require the utility to provide a comparison of the applicant's current and prior test year Operation & Maintenance (O&M) expenses. The utility provided information for the historical base year, instead of the final projected September 30, 2001 test year as required.

4. Schedules D-5(A through C), Cost of Long-Term Debt

The instructions for this schedule require the utility to provide the specified data on long-term debt issues on a 13-month average basis for the test year. The utility failed to include the following long-term debt issues: L.L. Speer (Line of Credit) for 30 years and L.L. Speer (DOT) for 30 years.

5. Schedule F-10, Equivalent Residential Connections

Page 1 of 2 - The instructions shown on the utility's submitted schedule are incorrect; the utility used total customers and total gallons treated instead of single family residential (SFR) customers. The instructions for this schedule require the utility to provide the beginning, ending, and average balances of single family residential (SFR) customers in Columns 2 through 4, respectively. The utility is also required to provide SFR gallons treated in Column 5, and Gallons per SFR in Column 6. The utility has failed to provide the above information. The schedule also requires the utility to provide a calculation of the average growth in ERCs for the last five years, including the test year. The last year provided does not match the utility's historical September 30, 1999 test year. The utility used the ERCs for the twelve months ended December 31, 1999. Further, the schedule requires the utility to calculate the simple average growth through the 5-year period. The utility states that it used the average yearly percentage increase by linear regression. Staff notes that the information submitted on this schedule will need to remain in the MFRs if the utility continues to use this methodology currently reflected on Schedule F-10 to support its projected growth.

Page 2 of 2 - The utility should provide an accurate description of the purpose of the current Schedule F-10, page 2 of 2 and how it is used.

## B. DETAIL OF PROJECTED METHODOLOGIES

Rule 25-30.437 (3), Florida Administrative Code, states, in part, "A schedule shall also be included which describes in detail all methods and bases of projection, explaining the

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justification for each method or basis employed." Staff has reviewed the utility's Schedule G-1 of Exhibit I entitled "Basis of Projections" and has found that the utility's explanations of its bases of projection for numerous items lack sufficient detail. The utility should submit the following in order to provide sufficient detail of its bases of projection.

1. With regard to the projected intermediate and final test years, provide a schedule showing the account number, amount, and month each projected plant addition is projected to be placed into service. Staff also notes that the utility's current filing does not provide any explanation or basis of projection for capital infiltration and inflow costs that was outlined in the utility's letter to Ralph Jaeger dated February 16, 2000.
2. The utility stated that it received \$908,563 matching funds from Southwest Florida Water Management District (SFWMD) which it booked as CIAC. The utility further stated that \$197,799 of this amount was associated with the reuse force main extension to Heritage Springs. Provide a description of the specific construction project(s) for the remaining \$710,764 of the total amount. Provide a schedule of the projected monthly additions for each year that collectively total \$908,563 in matching funds from SFWMD.
3. Provide the calculation of the utility's 5-year average for the \$390,527 of donated property for its Seven Springs wastewater system.
4. Provide a schedule that shows the projected plant capacity fees/charges added by month for the intermediate projected September 30, 2000 test year and the final projected September 30, 2001 test year. For each month, include the dollar amount and number of ERCs added.
5. For each account in the utility's MFRs, the utility is required to provide a detailed description of how the base year amounts are projected to the intermediate and final projected test years. The description should allow the user of the MFRs to start with the historical balance and calculate both intermediate and final projected test year amounts. This should include any escalation factors used as well as specific adjustments necessary to each account. Detail should be provided to support each escalation factor and why that factor is justified. For any specific adjustments to a projected account balance, provide the amount, descriptions of what specific types of services are included, and why this adjustment is appropriate. Based on staff's review of the MFRs, the projections for the following accounts are not sufficient: Cash, Customer Accounts Receivable, Deferred Tax Assets, Deferred Tax Liabilities, Accounts Payable - Trade, Salaries and Wages - Employees, Salaries and Wages - Officers, Employee Benefits, Sludge Removal, Purchased Power, Chemicals, Materials and Supplies, Contract Services - All Accounts Separately, Rental of Equipment, Transportation Expense, Insurance - Vehicle, Insurance - General Liability, Regulatory Commission Expense - Other, Common Stock, Preferred Stock, Additional Paid in Capital, Contributed Taxes, Unamortized Debt Discount & Exp., and Other Miscellaneous Deferred Income Taxes.

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March 2, 2000

6. Provide an explanation showing what accounts were used to make the balance sheets balance for the intermediate and final projected test years, after specific projections were made to other accounts.

### C. ERRORS IN THE HEADINGS OF SCHEDULES

In addition to the above-mentioned deficiencies, there were numerous schedules with errors in the headings that should also be corrected. These errors are listed below:

1. Schedule A-19(C) - The utility did not list a test year in the heading; it should have listed September 30, 1999.
2. Schedule B-3(B) - The test year listed is incorrect. The utility has September 30, 2001, and it should be September 30, 2000.
3. Schedule B-3(C) - The test year listed is incorrect. The utility has September 30, 2001, and it should be September 30, 1999.
4. Schedule C-1(A) - The utility has the September 30, 2001 test year listed has as historic, and it should be listed as projected.
5. Schedule C-2(B) - The utility has the September 30, 2000 test year listed has as historic, and it should be listed as projected.
6. Schedule C-2(C) - The test year listed is incorrect. The utility has September 30, 2001, and it should be September 30, 1999.
7. Schedule C-4 - The utility has the September 30, 2001 test year listed has as historic, and it should be listed as projected.
8. Schedule E-8 - The utility listed "99 Page 1 of 2" as the docket number. The utility should submit a revised schedule with the correct docket number.
9. Schedule E-11 - The utility has the September 30, 2001 test year listed has as historic, and it should be listed as projected.
10. Volume II, Schedule E-14, pages 1 through 20 - The utility listed an incorrect docket number for this docket. The utility should submit revised schedules with the correct docket number.

### D. POSSIBLE ERRORS BETWEEN THE UTILITY'S DESCRIPTIONS OF PROJECTION METHODOLOGIES AND THE DOLLAR AMOUNTS PROJECTED

F. Marshall Deterding, Esq.

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March 2, 2000

Based on our review of the MFRs, staff has found several possible errors. While these errors are not MFR deficiencies, we are addressing them in case the utility wishes to make any corrections before the filing is accepted as complete. The possible errors are as follows:

1. On Schedule G-1, Page 4 of 5, the utility stated that the Salaries and Wages - Employees account was annualized for new employees hired during the historical test year. The utility stated the annual salary increase for these employees was \$89,804 and that no provision for salary increases was made. In staff's review of the MFRs, we were unable to reconcile the utility's intermediate and final projected balances on Schedules B-6(A & B) with the utility's described basis of projection. The final projected test year amount for Salaries and Wages - Employees was \$171,416 greater than the base year, or almost double the utility's described change.
2. With regard to Contract Services - Other, the utility stated that it projected this account by the GNP Price Deflator Index of 1.21% and its calculated customer growth rate of 1.04812%. The utility stated that it further increased this account by \$6,708 in 2001. However, the utility's intermediate and final projected balances on Schedules B-6(A & B) fail to reconcile with the utility's basis of projection. Using the utility's described basis of projection, staff calculated a final projected balance of \$124,963 compared to the utility's final projected test year balance of \$347,820 on Schedule B-6(A).
3. On Schedule G-1, Page 2 of 3, the utility stated that it allocated working capital among its four divisions based on O&M expenses. On Schedules A-17(A through C), Page 2 of 2, there is a discrepancy with the Seven Springs O&M expenses on each schedule; it does not match the O&M expenses listed on column 6 of Schedules B-2(A through C), respectively. If the utility chooses to correct this error, Schedules A-17(A through C) should be submitted along with any resulting change to other schedules.
4. Based on staff's review, other possible errors exist between the utility's descriptions of projection methodologies and the dollar amounts projected for the cash and accounts receivable accounts.

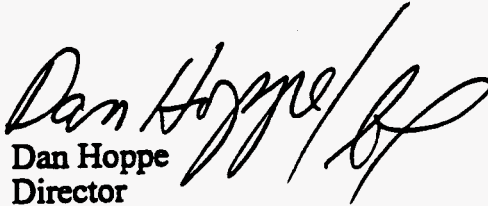
#### E. OTHER CONCERNS

Based on the utility's current filing, staff is unable to determine if all the Commission adjustments per Order No. PSC-99-1917-PAA-WS, issued September 28, 1999, in Dockets Nos. 970536-WS and 980245-WS, have been made to the historical September 30, 1999 test year. For interim purposes, staff will have to determine whether these adjustments have been made to the utility's interim test year. If the filing does not contain sufficient information to show that the appropriate adjustments have been made, staff will have to assume that the adjustments have not been made. If the utility intends to provide this data, it should be submitted with the other MFR deficiencies.

F. Marshall Deterding, Esq.  
Page 6  
March 2, 2000

Lastly, your petition will not be deemed filed until we have received the required information mentioned above. These corrections should be submitted no later than March 31, 2000.

Sincerely,

  
Dan Hoppe  
Director

By Certified Mail *P174 240 485*  
Return Receipt

DH/sbf

cc: Division of Records and Reporting  
Division of Auditing and Financial Analysis (Vandiver)  
Division of Legal Services (Jaeger, Fudge)  
Division of Water and Wastewater (Willis, Merchant, Crouch, Wetherington, Binford, Fletcher)

Mr. Stephen G. Watford  
Aloha Utilities, Inc.  
2514 Aloha Place  
Holiday, FL 34691

Representative Mike Fasano  
8217 Massachusetts Avenue  
New Port Richey, FL 34653-3111

Office of Public Counsel (Harold McLean)  
111 West Madison Street  
Tallahassee, FL 32399-1400

**EXHIBIT NO: \_\_\_\_\_ (PWM-4)**

**WITNESS: PATRICIA W. MERCHANT**

**DOCKET NO. 991643-SU**

**DESCRIPTION: UTILITY'S RESPONSE TO STAFF'S  
DEFICIENCY LETTER**

***Cronin, Jackson, Nixon & Wilson***  
**CERTIFIED PUBLIC ACCOUNTANTS, P.A.**

*JAMES L. CARLSTEDT, C.P.A.*  
*CHRISTINE R. CHRISTIAN, C.P.A.*  
*JOHN H. CRONIN, JR., C.P.A.*  
*ERIC M. DOAN, C.P.A.*  
*ROBERT H. JACKSON, C.P.A.*  
*ROBERT C. NIXON, C.P.A.*  
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March 27, 2000

F. Marshall Deterding, Esq.  
Rose, Sundstrom & Bentley  
2548 Blairstone Pines Drive  
Tallahassee, FL 32301

BY FEDERAL EXPRESS

Re: Aloha Utilities, Inc. - Revised MFRs & Response to Staff Deficiency Letter

Dear Marty:

As requested, I have enclosed 20 copies each of revised Volume I and 4 copies of revised Volume II of the MFRs for Aloha Utilities, Inc.

Volume II was revised simply to correct the Docket number on each page.

Volume I was corrected as follows:

1. Schedules A-18(A) and (B) were changed to read "Income tax deposits" on Line 12 of each schedule.
2. A note was added to Schedules B-2(A), (B), and (C) to explain and show the calculation of amortization expense.
3. Two additional schedules were added to B-8 to show operation and maintenance expense comparisons for the intermediate and projected test years. Although Staff alleged that this was a deficiency, I do not believe this is the case at all. However, we have complied with Staff's request for this additional information.
4. Schedules D-5(A), (B), and (C) were revised to also include the variable rate of long-term debt shown on Schedules D-6(A), (B), and (C).
5. Schedule F-10 was revised to show single family residential customers and single family residential usage. In addition, a linear regression analysis was also provided for this data. Further, the simple average growth rate was also shown.

F. Marshall Deterding, Esq.  
March 27, 2000  
Page Two

The growth rate under either approach using linear regression is virtually identical. As a result, we also included the original schedules for F-10 and added a statement that we would use the linear regression growth rate as originally calculated. The original calculation is slightly higher and it would not be cost effective to revise the thousands and thousands of calculations for such a minor difference.

Finally, we included a statement on Schedule F-10 as to why we thought the regression analysis was appropriate to predict the number of future customers.

6. Various minor errors in the headings of the schedules listed on page 4 of Staff's letter were corrected.

The bulk of the changes to the MFRs came as a result of Staff's desire for additional information related to the basis of the projection methodologies. As you know, little, if any, of the additional information requested was due to any deficiency, but rather Staff's desire for what amounts to inclusion of all of our workpapers showing the calculations for each account that was projected. When Staff states in paragraph 5, on page 3 of the deficiency letter, that "the description should allow the user of the MFRs to start with the historical balance and calculate both intermediate and final projected test year amounts," this goes far beyond what is required by the rule. Nonetheless, we have complied with Staff's request, given the urgent need to have this case filed in order to meet the loan covenants with Bank of America.

The following information was added to Section G of the MFRs:

1. Schedules G-2 and G-3 were added to show projected plant additions by month and primary account number, as well as calculation of the total amount capitalized with AFUDC for each project. Also, we included additional paragraphs on Schedule G-1 related to the basis of projection for the inflow and infiltration project. Staff is incorrect in stating that the original filing did not provide any of this information. This information was included on Schedule B-11, Analysis of Major Maintenance Projects.
2. Schedules G-1, G-2, and G-3 also address the matching funds from SFWMD, which were booked as CIAC. I thought our original description was clear and straightforward.
3. Schedule G-4 was added to show how the 5-year average of donated property was calculated.
4. Schedule G-5 was added to show how the projected plant capacity charges were calculated. In addition, Schedule G-2 shows the monthly additions to CIAC broken down between capacity charges and contributed property.
5. Staff requested additional information and calculations of the projections for a number of balance sheet and O&M expense accounts. Schedule G-1 was modified to include a specific statement on each of these accounts. In addition, Schedule G-6 was added to show exactly how the balance sheet accounts were projected by month for each of the projected years. Schedule G-7 was added to show the calculation of each O&M expense account for both projected years.

While reproducing our workpapers for Schedule G-7, we corrected a number of fairly minor errors and a major error in the projection of Salaries & Wages - Employees for the projected year ending September, 2001 (the increase for employees required by DEP was added twice).



F. Marshall Deterding, Esq.  
March 27, 2000  
Page Three

6. Staff requested an explanation of the account used to balance the projected balance sheets. This account was Retained Earnings and a statement was included in revised Schedule G-1.

On page 5 of the deficiency letter, Staff noted several possible errors that may exist.

1. The error in Salaries & Wages was corrected, as noted above on Schedule G-7.
2. The specific calculation of Contract Services - Other is shown on Schedule G-7.
3. O&M expenses for the Seven Springs Wastewater Division in the calculation of working capital on Schedules A-17(A), (B), and (C) were adjusted to tie to the adjusted O&M expense on Schedules B-2 (A), (B), and (C).

Finally, Staff stated that it was unable to determine if all Commission adjustments in Order No. PSC-99-1917-PAA-WS had been made in the data filed. As a result, we prepared Schedule G-8, which is a statement regarding which adjustments were made and which adjustments were not made.

Because most of the effort to prepare the revised MFRs was related to new and additional information not included in the original filing, I have increased the estimate of accounting fees from \$100,000 to \$125,000, which increases total rate case expense to \$300,000. Accordingly, I have enclosed 20 copies of additional direct testimony explaining the need for an increase in estimated rate case expense.

As you will note, rate base, operating income, and rates have changed because of the changes described above. As a result, the pleadings and tariffs will need to be revised to reflect the new numbers.

Please contact me if you have any questions.

Very truly yours,

CRONIN, JACKSON, NIXON & WILSON



Robert C. Nixon

RCN/apf

Enclosures

cc: D. Porter, P.E. (w/encl.)  
S. Watford (w/encl.)

**EXHIBIT NO: \_\_\_\_\_ (PWM-5)**

**WITNESS: PATRICIA W. MERCHANT**

**DOCKET NO. 991643-SU**

**DESCRIPTION: PAGES FROM FLORIDA PUBLIC  
UTILITIES COMPANY MFRs AND  
STAFF'S DEFICIENCY LETTER DATED  
JULY 29, 1999 TO FLORIDA PUBLIC  
UTILITIES COMPANY**

Company: Florida Public Utilities Company  
 Fernandina Beach Water Division  
 Docket No.: 990535-WU  
 Schedule Year Ended: December 31, 1999  
 Historic [ ] and/or Projected [ X ]

Explanation: Provide a balance sheet for years requested. Provide same for historical base or intermediate years, if not already shown.

Schedule: A-18  
 Page 4 of 6  
 Preparer: Jennifer Starr

Line No.	GL ACCOUNT #	(1) ASSETS	(2) Projection Basis	(3) Support Schedule	(4) Type of Acct.	(12) 07/31/99	(13) 08/31/99	(14) 09/30/99	(15) 10/31/99	(16) 11/30/99	(17) 12/31/99	(18) 13-Month Ave. Balance
1	1010	Utility Plant in Service	Division Estimates	A-5	RB	11,831,988	12,908,807	13,035,185	13,440,993	13,454,437	13,467,881	12,000,633
3	1070	Construction Work in Progress	Division Estimates	H-10	RB	1,466,032	320,032	283,032	-	20,000	20,000	626,897
4	1140	Other Utility Plant Adjustments	N/A		RB							
5		GROSS UTILITY PLANT				\$ 12,998,020	\$ 13,228,839	\$ 13,318,217	\$ 13,440,993	\$ 13,474,437	\$ 13,487,881	\$ 12,627,530
6	1080	Less: Accumulated Depreciation	Division Estimates	A-9	RB	(2,831,189)	(2,840,388)	(2,810,018)	(2,840,875)	(2,872,124)	(2,903,612)	(2,807,570)
	1150	Less: Accumulated Depreciation-Acqu.	N/A		RB							
7		NET UTILITY PLANT				\$ 10,166,851	\$ 10,388,451	\$ 10,508,199	\$ 10,600,318	\$ 10,602,313	\$ 10,584,269	\$ 9,819,960
8	1230	Investment in Assoc. Co.	N/A									
9	1210	Non Utility Property	N/A									
10		TOTAL PROPERTY & INVESTMENTS				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	1310	Cash	Water Projection Schedule	H-11	WC	(17,044)	(17,044)	(17,044)	(17,044)	(17,044)	(17,044)	(17,044)
12	1350.21	Working Funds-Payroll	Constant		WC	49	49	49	49	49	49	49
13	1350.10	Working Funds-Patty Cash	Constant	H-11	WC	120	120	120	120	120	120	120
14	1340	Special Deposits-Other	N/A		WC							
15	1420, 1430	Accounts Rec'b - Customer	Water Projection Schedule	H-11	WC	182,122	182,122	182,122	182,122	182,122	182,122	182,122
16	1480	Notes & Accis. Rec'b - Assoc. Cos.	N/A		WC							
17	1730	Unbilled Revenues	Water Projection Schedule	H-11	WC	96,013	96,013	96,013	96,013	96,013	96,013	96,013
18	1440	Allowance for Bad Debts	Water Projection Schedule	H-11	WC	(1,495)	(1,495)	(1,495)	(1,495)	(1,495)	(1,495)	(1,495)
19	1240, 1280	Other Investments	Constant		WC	900	900	900	900	900	900	900
20	1540, 1830	Materials & Supplies	N/A	H-11	WC	118,707	118,707	118,707	118,707	118,707	118,707	118,707
21	1550	Merchandise	N/A		WC							
22	1650.3	Prepaid Pensions	Water Projection Schedule	H-11	WC	71,862	73,054	74,246	75,438	76,630	77,828	70,670
23	4650.2 & .4	Prepaid Insurance & Other	Water Projection Schedule	H-11	WC	14,416	14,416	14,416	14,416	14,416	14,416	14,416
24		TOTAL CURRENT ASSETS				\$ 465,650	\$ 466,842	\$ 466,034	\$ 466,226	\$ 470,418	\$ 471,616	\$ 464,458
25	1810	Unamortized Debt Discount & Exp.	FPUC Capital Ratio	H-14	CC	67,949	70,028	71,076	71,849	71,714	71,376	64,651
26	1850	Temporary Facilities	N/A		WC							
27	1840	Clearing Accounts	N/A		WC							
29	1860.1	Other Work in Process	Water Projection Schedule	H-11	WC	13,678	17,350	21,025	24,700	28,375	32,050	12,257
30	1860.1	Other Work in Process- Corp	Trend Reduced \$25 monthly		WC	226	201	178	151	126	101	251
31	1860.23 - .61	Misc. Def'd Debit	Constant		WC	1,496	1,496	1,496	1,496	1,496	1,496	1,496
34	1900	Accum. Deferred Income Taxes	Constant	C-6	WC	19,960	19,960	19,960	19,960	19,960	19,960	19,960
33		TOTAL DEFERRED DEBITS				\$ 103,306	\$ 109,035	\$ 113,733	\$ 118,156	\$ 121,671	\$ 124,983	\$ 98,615
34		TOTAL ASSETS				\$ 10,735,807	\$ 10,964,328	\$ 11,089,968	\$ 11,187,700	\$ 11,194,402	\$ 11,180,668	\$ 10,383,033

Comparative Balance Sheet - Equity Capital & Liabilities

Florida Public Service Commission

Company: Florida Public Utilities Company  
 Fernandina Beach Water Division  
 Docket No.: 990535-WU  
 Schedule Year Ended: 1999  
 Historic [ ] and /or Projected [ X ]

Explanation: Provide a balance sheet for years requested. Provide same for historical base or intermediate years, if not already shown.

Schedule: A-19  
 Page 4 of 8  
 Preparer: Jennifer Starr

Line No.	G/L ACCOUNT #	(1) EQUITY CAPITAL & LIABILITIES	(2) Projection Basis	(3) Support Schedule	(4) Type of Acct.	(12) 07/31/99	(13) 08/31/99	(14) 09/30/99	(15) 10/31/99	(16) 11/30/99	(17) 12/31/99	(18) 13-Month Ave. Balance
1	2010	Common Stock Issued	FPUC Capital Ratio	H-14	CC	538,212	554,679	562,977	566,101	568,029	565,354	512,086
2	2040	Preferred Stock Issued	FPUC Capital Ratio	H-14	CC	67,276	69,335	70,372	71,136	71,004	70,669	64,011
3	2070	Premium on Capital Stock	FPUC Capital Ratio	H-14	CC	951,291	960,396	995,061	1,005,888	1,003,991	999,284	905,113
4	2110	Miscellaneous Paid in Capital	FPUC Capital Ratio	H-14	CC	130,517	134,510	136,522	136,007	137,747	137,098	124,161
5	2160	Retained Earnings	FPUC Capital Ratio	H-14	CC	1,836,185	1,888,305	1,713,560	1,732,202	1,728,938	1,720,797	1,558,684
6	2170	Reacquired Common Stock (Treasury Stock)	FPUC Capital Ratio	H-14	CC	(207,212)	(213,652)	(218,746)	(219,104)	(218,691)	(217,661)	(197,153)
7	2140	Capital Stock Expense	FPUC Capital Ratio	H-14	CC	(47,766)	(49,228)	(49,964)	(50,508)	(50,413)	(50,175)	(45,448)
8		<b>TOTAL EQUITY CAPITAL</b>				<b>\$ 3,070,503</b>	<b>\$ 3,184,445</b>	<b>\$ 3,211,782</b>	<b>\$ 3,246,722</b>	<b>\$ 3,240,605</b>	<b>\$ 3,225,348</b>	<b>\$ 2,921,454</b>
9	2210	Bonds	FPUC Capital Ratio	H-14	CC	2,627,823	2,708,222	2,746,733	2,778,637	2,773,400	2,760,341	2,500,261
10		Reacquired Bonds		N/A	CC							
11		Advances From Associated Companies		N/A	CC							
12	2240	Other Long-Term Debt		N/A	CC							
13		<b>TOTAL LONG-TERM DEBT</b>				<b>\$ 2,627,823</b>	<b>\$ 2,708,222</b>	<b>\$ 2,746,733</b>	<b>\$ 2,778,637</b>	<b>\$ 2,773,400</b>	<b>\$ 2,760,341</b>	<b>\$ 2,500,261</b>
14	2320.1 & .90	Accounts Payable	CPI & Customer Growth	H-11	WC	48,330	46,330	46,330	46,330	46,330	46,330	46,330
15	2320.8	Accounts Payable - Payroll	CPI & Customer Growth	H-11	WC	18,422	18,422	18,422	18,422	18,422	18,422	18,422
16	2320.11-.78 & .95	Accounts Payable - Other	CPI & Customer Growth	H-11	WC	3,040	3,040	3,040	3,040	3,040	3,040	3,040
17	2310	Notes Payable	FPUC CAPITAL RATIO	H-14	CC	1,075,752	1,108,685	1,125,250	1,137,491	1,135,347	1,130,001	1,023,532
19	2350	Customer Deposits		D-7	CC	175,078	175,327	175,443	175,978	175,958	176,436	171,553
20	2360.3, .4, .8, & .9	Accrued Taxes- FPSC Asses. & Income Tax	Water Projection Schedule	H-11	WC	42,450	42,450	42,450	42,450	42,450	42,450	42,450
21	2360.5, .6, & .7	Accrued Taxes-FICA & UNEMPLOYMENT	Water Projection Schedule	H-11	WC	382	382	382	382	382	382	382
22	2370.1 & .2	Accrued Interest- Payables	Water Projection Schedule	H-11	WC	49,591	49,591	49,591	49,591	49,591	49,591	49,591
23	2370.3	Accrued Interest- Cust. Deposits	Water Projection Schedule	H-11	WC	2,311	2,311	2,311	2,311	2,311	2,311	2,311
24	2380	Accrued Dividends-Preferred	Trend - Unchanged		WC			428			428	165
25	2380	Accrued Dividends-Common	FPUC Capital Ratio	H-14	CC	21,529	22,187	22,519	22,764	22,721	22,614	20,483
26	2280	Accrued Insurance/Reserves	Water Projection Schedule	H-11	WC	129,227	129,227	129,227	129,227	129,227	129,227	129,227
28	2410.2 & .3	Payroll Taxes Payable	Water Projection Schedule	H-11	WC	926	926	926	926	926	926	926
29	2410	Taxes Collected Payable	Water Projection Schedule	H-11	WC	8,435	8,435	8,435	8,435	8,435	8,435	8,435
30	2420.3	Audit Fees Accrual	Water Projection Schedule	H-11	WC	3,461	3,461	3,461	3,461	3,461	3,461	3,461
31	2420.1	Vacation Pay Accrual	Water Projection Schedule	H-11	WC	31,478	31,478	31,478	31,478	31,478	31,478	31,478
32		<b>TOTAL CURRENT &amp; ACC. LIABILITIES</b>				<b>\$ 1,808,412</b>	<b>\$ 1,842,232</b>	<b>\$ 1,859,693</b>	<b>\$ 1,872,286</b>	<b>\$ 1,870,077</b>	<b>\$ 1,865,532</b>	<b>\$ 1,551,786</b>
33	2520	Advances For Construction	Ave. Increase since last Rate Case	A-16	RB	500,031	514,807	529,583	544,359	559,135	573,916	485,255
34	2530.21, 2530.61	Over/Under Recovery		N/A	WC							
35	2530.3	Environ Insurance Reserve		N/A	CC							
36	2530.1, 2530.4	Other Deferred Credits	Constant		CC	(2)	(2)	(2)	(2)	(2)	(2)	(2)
37	2550	Accum. Deferred ITCs	ITC Schedules	C-7	CC	103,641	103,063	102,485	101,907	101,329	100,750	104,219
38	2821	Regulatory Liability	Constant	C-6	WC	47,535	47,535	47,535	47,535	47,535	47,535	47,535
39		<b>TOTAL DEF. CREDITS &amp; OPER. RESERVES</b>				<b>\$ 651,205</b>	<b>\$ 665,403</b>	<b>\$ 679,601</b>	<b>\$ 693,799</b>	<b>\$ 707,997</b>	<b>\$ 722,199</b>	<b>\$ 637,007</b>
40	2710	Contributions in Aid of Construction	Rev. Producing Plant Projections	A-12	RB	3,442,368	3,456,230	3,470,092	3,483,954	3,497,816	3,510,768	3,429,581
41	2720	Less: Accum. Amortization of CIAC	Rev. Producing Plant Projections	A-14	RB	(567,880)	(575,590)	(583,311)	(591,074)	(598,969)	(606,692)	(580,432)
42	2820, 2830	Accumulated Deferred Income Taxes	Constant	C-6	WC	(96,624)	(96,624)	(96,624)	(96,624)	(96,624)	(96,624)	(96,624)
43		<b>TOTAL EQUITY CAPITAL &amp; LIABILITIES</b>				<b>\$ 10,735,907</b>	<b>\$ 10,984,326</b>	<b>\$ 11,089,966</b>	<b>\$ 11,187,700</b>	<b>\$ 11,194,402</b>	<b>\$ 11,180,868</b>	<b>\$ 10,383,033</b>

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Balance Sheet Water Projections

Florida Public Service Commission

Company: Florida Public Utilities Company  
Fernandina Beach Water Division

Explanation: Determine estimate for projected years using a determined factor or other schedules.

Schedule: H-11  
Page 2 of 2  
Preparer: Jennifer Starr

Docket No.: 990535-WU  
Schedule Year Ended: 2000  
Historic [ ] and/or Projected [ X ]

Recap Schedules: A-18, A-19

Line No.	Water GL ACCOUNT #	(1) EQUITY CAPITAL & LIABILITIES	(2) Projection Basis	(3) Support Schedule	(4) Type of Acct.	(5) 13 MONTH AVERAGE 1998	(6) 1999 FACTOR	(7) 13 MONTH AVERAGE 1999	(8) 2000 FACTOR	(9) 13 MONTH AVERAGE 2000
1	2010	Common Stock Issued	FPUC Capital Ratio	H-14	CC	234,778		812,086		670,178
2	2040	Preferred Stock Issued	FPUC Capital Ratio	H-14	CC	54,629		64,011		70,786
3	2070	Premium on Capital Stock	FPUC Capital Ratio	H-14	CC	958,797		906,113		1,024,454
4	2110	Additional Paid in Capital	FPUC Capital Ratio	H-14	CC	96,940		124,181		150,129
5	2160	Retained Earnings	FPUC Capital Ratio	H-14	CC	1,238,005		1,558,864		1,845,885
6	2170	Reacquired Common Stock (Treasury Stock)	FPUC Capital Ratio	H-14	CC	(168,835)		(197,153)		(217,026)
7	2140	Capital Stock Expense	FPUC Capital Ratio	H-14	CC	(36,877)		(45,446)		(50,562)
8		<b>TOTAL EQUITY CAPITAL</b>				<b>\$ 2,378,635</b>		<b>\$ 2,921,464</b>		<b>\$ 3,393,844</b>
9	2210	Bonds	FPUC Capital Ratio	H-14	CC	2,138,234		2,500,261		2,772,327
10		Reacquired Bonds	N/A		CC					
11		Advances From Associated Companies	N/A		CC					
12	2240	Other Long-Term Debt	N/A		CC					
13		<b>TOTAL LONG-TERM DEBT</b>				<b>\$ 2,138,234</b>		<b>\$ 2,500,261</b>		<b>\$ 2,772,327</b>
14	2320.1, .11 & .99	Accounts Payable	CPI & Customer Growth	H-2	WC	44,008	1.0528	46,330	1.0528	48,776
15	2320.8	Accounts Payable - Payroll	CPI & Customer Growth	H-2	WC	17,498	1.0528	18,422	1.0528	19,395
16	2320.2-.7 & .9-.95	Accounts Payable - Other	CPI & Customer Growth	H-2	WC	2,888	1.0528	3,040	1.0528	3,201
17	2310	Notes Payable	FPUC Capital Ratio	H-14	CC	577,601		1,023,632		1,655,308
19	2350	Customer Deposits	CPI & Customer Growth	D-7	CC	165,645		171,553		177,772
20	2360.3, .4, .8, & .9	Accrued Taxes- FPSC Asses. & Income Tax	CPI & Customer Growth	H-2	WC	40,321	1.0528	42,450	1.0528	44,691
21	2360.5, .6, & .7	Accrued Taxes-FICA & UNEMPLOYMENT	CPI & Customer Growth	H-2	WC	363	1.0528	382	1.0528	402
22	2370.1 & .2	Accrued Interest- Payables	CPI & Customer Growth	H-2	WC	47,104	1.0528	49,591	1.0528	52,209
23	2370.3	Accrued Interest- Customer Deposits	CPI & Customer Growth	H-2	WC	2,195	1.0528	2,311	1.0528	2,433
24	2380	Accrued Dividends-Preferred	Quarterly - Trend		WC	165	UNCHANGED	165	UNCHANGED	165
25	2380	Accrued Dividends-Common	FPUC Capital Ratio	H-14	CC	16,157		20,483		24,114
26	2280	Accrued Insurance/Reserves	CPI & Customer Growth	H-2	WC	122,746	1.0528	129,227	1.0528	136,050
27	2410.2 & .3	Payroll Taxes Payable	CPI & Customer Growth	H-2	WC	880	1.0528	928	1.0528	975
28	2410	Taxes Collected Payable	CPI & Customer Growth	H-2	WC	8,012	1.0528	8,435	1.0528	8,880
29	2420.3	Audit Fees Accrual	CPI & Customer Growth	H-2	WC	3,287	1.0528	3,461	1.0528	3,644
30	2420.1	Vacation Pay Accrual	CPI & Customer Growth	H-2	WC	29,899	1.0528	31,478	1.0528	33,140
31		<b>TOTAL CURRENT &amp; ACC. LIABILITIES</b>				<b>\$ 1,078,767</b>		<b>\$ 1,551,786</b>		<b>\$ 2,211,153</b>
32	2520	Advances For Construction	Ave. Increase since last Rate Case	A-18	RB	409,306		485,265		571,360
33	2530.21, 2530.61	Over/Under Recovery	N/A		WC					
34	2530.3	Environ Insurance Reserve	N/A		CC					
35	2530.1, 2530.4	Other Deferred Credits	Constant		CC	(2)		(2)		(2)
36	2550	Accum. Deferred ITCs	Decreasing per ITC schedule	C-7	CC	111,156		104,219		97,282
37	2821	Regulatory Liability	Constant	C-6	CC	117,352		47,535		47,535
38		<b>TOTAL DEF. CREDITS &amp; OPER. RESERVES</b>				<b>\$ 637,812</b>		<b>\$ 637,007</b>		<b>\$ 716,175</b>
39	2710	Contributions in Aid of Construction	Rev. Producing Plant Projections	A-12	CC	3,262,918		3,429,581		3,603,453
40	2720	Less: Accum. Amortization of CIAC	Rev. Producing Plant Projections	A-14	CC	(471,005)		(580,432)		(654,697)
41	2820, 2830	Accumulated Deferred Income Taxes	Constant	C-6	CC	(273,691)		(96,624)		(96,624)
42		<b>TOTAL EQUITY CAPITAL &amp; LIABILITIES</b>				<b>\$ 8,748,570</b>		<b>\$ 10,383,033</b>		<b>\$ 11,945,731</b>

43 Note: The 13 month average is determined by use of the factor. The monthly amounts are spread evenly and the difference is entered in the month of January.

## Schedule of Operating Expense Allocation

Florida Public Service Commission

Company: Florida Public Utilities Company  
Fernandina Beach Water Division

Schedule: 8-12

Docket No.: 990535-WU

Page 2 of 3

Schedule Year Ended: December 31, 2000

Preparer: Cheryl Martin

Historic [X] and Projected [X]

Explanation: Provide the amounts for allocated operating expenses from FPUC and Consolidated Company for the test year.

Line No.	(1) Water Account No.	(2) Description	(3)	(4)	(5)	(6)	(7)
			1998 Amount	Factor†	1999 Amount	Factor†	2000 Amount
1	137.4010.6018	Administrative/General Salary	33,388.84	1.0528	35,151.77	1.0528	37,007.78
2	137.4010.6018	Administrative/General Salary	355.16	1.0528	373.91	1.0528	393.65
3		Total 601	<u>33,744.00</u>		<u>35,525.68</u>		<u>37,401.43</u>
4	137.4010.6048	Employee Benefits - Pensions	(6,097.90)	1.0528	(6,419.87)	1.0528	(6,758.84)
5	137.4010.6048	Employee Benefits - Pensions	0.00	1.0528	0.00	1.0528	0.00
6		Total 604	<u>(6,097.90)</u>		<u>(6,419.87)</u>		<u>(6,758.84)</u>
7	137.4010.6338	Outside Service - Legal Fee	150.93	1.0528	158.90	1.0528	167.29
8	137.4010.6338	Outside Service - Legal Fee	38.53	1.0528	40.56	1.0528	42.70
9		Total 633	<u>189.46</u>		<u>199.46</u>		<u>209.99</u>
10	137.4010.6348	Outside Service - Supervisory Fee	0.00	1.0528	0.00	1.0528	0.00
11	137.4010.6348	Outside Service - Supervisory Fee	0.00	1.0528	0.00	1.0528	0.00
12		Total 634	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>
13	137.4010.6368	Outside Service - Other	240.00	1.0528	252.67	1.0528	266.01
14	137.4010.6368	Outside Service - Other	6,399.85	1.0528	6,737.76	1.0528	7,093.51
15		Total 636	<u>6,639.85</u>		<u>6,990.43</u>		<u>7,359.52</u>
16	137.4010.6578	Injuries and Damages	17,836.22	1.0528	18,567.41	1.0528	19,547.77
17	137.4010.6578	Injuries and Damages	2,830.94	1.0528	2,980.41	1.0528	3,137.78
18		Total 657	<u>20,467.16</u>		<u>21,547.82</u>		<u>22,685.55</u>
19	137.4010.6598	Property Insurance	2,792.68	1.0528	2,940.13	1.0528	3,095.37
20	137.4010.6598	Employee Benefits - Other	31,332.78	1.0528	32,987.15	1.0528	34,728.87
21	137.4010.6598	Property Insurance	0.00	1.0528	0.00	1.0528	0.00
22	137.4010.6598	Employee Benefits - Other	850.04	1.0528	894.92	1.0528	942.17
23	137.4010.6598	Retiree Benefits - Post Retirement	8,912.48	1.0528	9,383.06	1.0528	9,878.49
24		Total 659	<u>43,887.98</u>		<u>46,205.26</u>		<u>48,644.90</u>
25	137.4010.6608	Institutional/Goodwill Advertising	0.00	1.0528	0.00	1.0528	0.00
26	137.4010.6608	Institutional/Goodwill Advertising	0.00	1.0528	0.00	1.0528	0.00
27		Total 660	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>
28	137.4010.6757	Customer Records & Collection	76.89	1.0528	80.95	1.0528	85.22
29	137.4010.6757	Customer Records & Collection	32,978.60	1.0528	34,719.87	1.0528	36,553.08
30	137.4010.6757	Misc. Customer Account Expense	0.00	1.0528	0.00	1.0528	0.00
31	137.4010.67581	A&G Office Supplies & Furnishings	2.39	1.0528	2.52	1.0528	2.65
32	137.4010.67581	Office Postage & Mailing	0.00	1.0528	0.00	1.0528	0.00
33	137.4010.67581	A&G Office Computer Supplies	9.00	1.0528	9.48	1.0528	9.98
34	137.4010.67581	Office Utility Expense	22.03	1.0528	23.19	1.0528	24.41
35	137.4010.67581	A&G Misc. Expense	86.61	1.0528	91.18	1.0528	95.99
36	137.4010.67581	Misc. General Expense	3,336.23	1.0528	3,512.38	1.0528	3,697.83
37	137.4010.67581	Industry Association Dues	8.70	1.0528	9.16	1.0528	9.64
38	137.4010.67581	Maintenance - General Plant	47.90	1.0528	50.43	1.0528	53.09
39	137.4010.67581	A&G Office Supplies & Furnishings	1,485.98	1.0528	1,564.44	1.0528	1,647.04
40	137.4010.67581	Office Postage & Mailing	448.93	1.0528	472.63	1.0528	497.58
41	137.4010.67581	A&G Office Computer Supplies	2,723.83	1.0528	2,867.65	1.0528	3,019.06
42	137.4010.67581	Office Utility Expense	1,587.04	1.0528	1,670.84	1.0528	1,759.06
43	137.4010.67581	A&G Misc. Expense	4,907.49	1.0528	5,166.61	1.0528	5,439.41
44	137.4010.67581	Industry Association Dues	0.00	1.0528	0.00	1.0528	0.00
45	137.4010.67581	Maintenance - General Plant	5,459.77	1.0528	5,748.05	1.0528	6,051.55
46	137.4010.67582	Company Training Expense	0.00	1.0528	0.00	1.0528	0.00
47	137.4010.67582	Company Training Expense	82.61	1.0528	86.97	1.0528	91.56
48	137.4010.67582	Misc. General Expense	1,205.27	1.0528	1,268.91	1.0528	1,335.91
		Total 675	<u>54,469.27</u>		<u>57,345.26</u>		<u>60,373.06</u>
		Other					
49	137.4010.6588	Workers' Comp	2,216.61	1.0528	2,333.65	1.0528	2,456.87
		Total 658	<u>2,216.61</u>		<u>2,333.65</u>		<u>2,456.87</u>

† Average CPI and Customer Growth Compound Multipliers. Schedule H-2

\* These amounts are over 1% of revenues and require detailed information. See page 3.

Schedule of Inflation and Growth Multiplier Calculation

Explanation: For each year since the last established rate base, provide the amounts and percent increases associated with customers and average CPI. Show the calculation for each compound multiplier.

Florida Public Service Commission

Company: Florida Public Utilities Company  
Fernandina Beach Water Division

Schedule: H-2 Revised 7/29/99

Docket No.: 990535-WU

Page 1 of 2

Schedule Year Ended: December 31, 2000

Preparer: Jennifer Starr

Historic [x] or Projected [x]

DOCUMENT NUMBER - DATE  
02/16/01

Line No.	Average CPI			Average Water Customers			Inflation and Growth Compound Multipliers	
	Amount	% Increase	[A] Compound Multiplier	Amount	% Increase	[B] Compound Multiplier	[A x B]	
1								
2								
3								
4								
5	1987	113.6	1.0000	1987	4,196	1.0000	1987	1.0000
6	1988	118.3	4.14%	1988	4,360	3.91%	1988	1.0821
7	1989	124.0	4.82%	1989	4,569	4.79%	1989	1.1886
8	1990	130.7	5.40%	1990	4,789	4.82%	1990	1.3132
9	1991	136.2	4.21%	1991	4,959	3.55%	1991	1.4170
10	1992	140.3	3.01%	1992	5,090	2.64%	1992	1.4982
11	1993	144.5	2.99%	1993	5,245	3.05%	1993	1.5900
12	1994	148.2	2.56%	1994	5,407	3.09%	1994	1.6811
13	1995	152.4	2.83%	1995	5,553	2.70%	1995	1.7755
14	1996	156.9	2.95%	1996	5,729	3.17%	1996	1.8858
15	1997	160.5	2.29%	1997	5,967	4.15%	1997	2.0091
16	1998	163.0	1.56%	1998	6,234	4.47%	1998	2.1317
17	1999	166.7	2.27%	1999	6,417	2.94%	1999	2.2441
18	2000	170.6	2.34%	2000	6,601	2.87%	2000	2.3623
Compound Factors applied to 1998								
19	1998	163.0	1.0000	1998	6,234	1.0000		
20	1999	166.7	2.27%	1999	6,417	2.94%	1999	1.0528
21	2000	170.6	2.34%	2000	6,601	2.87%	2000	1.1082
Factor applied to previous year								
22	1998	163.0	1.0000	1998	6,234	1.0000		
23	1999	166.7	2.27%	1999	6,417	2.94%	1999	1.0528
24	2000	170.6	2.34%	2000	6,601	2.87%	2000	1.0528

Note: Source of CPI-U for historical is the U.S. Department of Labor Bureau of Labor Statistics  
Source of projected CPI-U is the Executive Office of the President, Budget of the United States Government, Fiscal Year 2000.

203 (revised 8/2/99)

Exhibit PWM-5 (Page 5 of 7)

STATE OF FLORIDA

Commissioners:  
JOE GARCIA, CHAIRMAN  
J. TERRY DEASON  
SUSAN F. CLARK  
JULIA L. JOHNSON  
E. LEON JACOBS, JR.



DIVISION OF WATER & WASTEWATER  
DANIEL M. HOPPE, DIRECTOR  
(850) 413-6900

## Public Service Commission

July 29, 1999

Mr. Norman H. Horton, Jr.  
Messer, Caparello, & Self, P.A.  
215 S. Monroe Street, Suite 701  
P.O. Box 1876  
Tallahassee, FL 32302-1876

Re: Docket No. 990535-WU, Application For Increased Water Rates by Florida Public Utilities Company in Nassau County

Dear Mr. Horton:

We have reviewed the minimum filing requirements submitted on July 19, 1999, on behalf of the above mentioned utility. After reviewing this information, we find the minimum filing requirements to be deficient. The specific deficiencies are identified below:

1. Schedule B-7, Operation and Maintenance Expense Comparison - Water

The schedule compares O&M expenses for the projected test year (2000) with the historic year 1995. Although Ms. Martin stated it is difficult to make a comparison by accounts, the instructions for this schedule in Commission Form PSC/WAW 19 require a comparison of the test year with the applicant's prior test year if the applicant has had a prior rate case before the commission.

2. Schedule E-14, Billing Analysis Schedules

The instructions for this schedule in Commission Form PSC/WAW 19 requires an analysis for each class of service by meter size. The utility's submitted schedule only reflects this information by meter size not class of service.

The instructions for this schedule in Commission Form PSC/WAW 19 also requires a separate billing analysis which coincides with each period if a rate change occurred during the test year. The periods broken out in Schedule E-14 do not correspond to the periods reported in Schedule E-2, page 4 of 5. Schedule E-14 reflects the period from 1/1/98 to 7/31/98 and 8/1/98 to 12/31/98 while Schedule E-2, page 4 reflects the period from 1/1/98 to 6/30/98 and 7/1/98 to 12/31/98.



Mr. Norman H. Horton, Jr.  
Page 2  
July 29, 1999

3. Schedule H-2, Schedule of Inflation and Growth Multiplier Calculation

Rule 25-30.437(3), for projected test years requires a schedule which details all methods and bases of projection, explaining the justification for each method or basis employed. There is no explanation or justification of the methodology used to project the Average CPI and Average Water Customers for 1999 and 2000. While Schedule G-3 provides a general list of projection methods used in the MFRs, a specific description and justification of the inflation and growth multipliers is required.

4. Additional Engineering Information

Rule 25-30.440 (1) Florida Administrative Code requires a detailed map showing (a) the location and size of the applicant's distribution and collection lines as well as its plant sites, and (b) the location and respective classification of the applicant's customers. The maps that we received are insufficient. The company needs to submit maps showing the size and length of the lines and the location of the customers.

In addition to the formal deficiencies relating to Schedule E-14, Billing Analysis, the following problems were identified:

1. Staff is unable to reconcile the consumption amounts in total and by meter size reported in Schedule E-14 to those reported in Schedule E-2, page 3.
2. Provide an explanation of the terms "Rev. No Tax," "Rev+Tax," and "Class 3," as used in Schedule E-14.

Your petition will not be deemed filed until we have received the above mentioned information. These corrections should be submitted no later than August 30, 1999.

Sincerely,



Dan Hoppe  
Director

DH/cb

cc: Division of Records and Reporting  
Division of Legal Services (Gervasi, Jaeger)  
Division of Auditing and Financial Analysis (Maurey, Samaan)  
Division of Water and Wastewater (Willis, Merchant, Crouch, Edwards, Kyle, Binford)