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DIVISION OF ECONOMIC REGULATION
(850) 413-6900

ORIGINAL

Public Service Commission

October 24, 2002

Martin S. Friedman, Esquire
Rose, Sundstrom & Bentley, LLP
650 S. North Lake Boulevard, Suite 420
Altamonte Springs, FL 32701

Re: Docket No. 020408-SU - Application for rate increase in Seminole County by Alafaya Utilities, Inc.

Dear Mr. Friedman:

We have reviewed the minimum filing requirements (MFRs) submitted on September 30, 2002, on behalf of the above-mentioned utility. After reviewing this information, we find the MFRs to be deficient. The specific deficiencies are identified below.

Pursuant to Rule 25-30.437, Florida Administrative Code, each Class A utility applying for a rate increase shall provide the information required by Form PSC/ECR 19, Class A Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements. Deficiencies Nos. 1 through 13 are referenced by this rule section.

- AUS _____ 1. Schedule A-4, Schedule of Water and Wastewater Plant in Service Annual Balances
 - CAF _____ Subsequent to Last Established Rate Base
 - CMP _____
 - COM _____
 - CTR _____
 - ECR _____
 - GCL _____
 - OPC _____
 - MMS _____
 - SEC I _____
 - OTH _____
- Schedule A-8, Schedule of Water and Wastewater Accumulated Depreciation Annual Balances Subsequent to Last Established Rate Base
- Schedule A-11, Schedule of Water and Wastewater Contribution in Aid of Construction Annual Balances Subsequent to Last Established Rate Base
- Schedule A-13, Schedule of Water and Wastewater Accumulated Amortization of CIAC Annual Balances Subsequent to Last Established Rate Base

The instructions for Schedule A-4 require that the annual balance of the original cost of plant in service for all years since either rate base was last established by this Commission, or the date of inception of utility service if rate base has not been established previously by this Commission.

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Similarly, Schedules A-8, A-11, and A-13 require the annual balances of accumulated depreciation, CIAC, and accumulated amortization of CIAC, respectively, for all years since either rate base was last established by this Commission, or the date of inception of utility service if rate base has not been established previously by this Commission. The yearly additions, retirements, and adjustments by dollar amount up to the end of the test year are also required. A statement that additions, retirements and adjustments are not available from 1985 through 1988 because the annual reports prepared by previous owner were not available for all years is not sufficient.

2. Schedule A-6, Schedule of Wastewater Plant in Service By Primary Account - Test Year Average Balance

Schedule A-7, Non-Used and Useful Plant - Summary

Schedule A-10, Schedule of Wastewater Accumulated Depreciation By Primary Account - Test Year Average Balance

For final rate purposes, the utility's test year includes pro forma plant adjustments. Thus, Schedule A-6 should be modified to apply the utility's non-used and useful percentage to the utility's adjusted test year plant balance which includes pro forma plant adjustments. Similarly, Column 2 of Schedule A-7 should equal the utility's adjusted test year plant balance. Also, Schedule A-10 should be modified to apply the utility's non-used and useful percentage to the utility's adjusted test year accumulated depreciation balance which includes pro forma accumulated depreciation adjustments. Further, to the extent these revisions affect an amount or amounts on any associated recap schedules, those schedules should also be revised accordingly.

3. Schedule A-12, Schedule of Contributions in Aid of Construction By Classification Test Year Average Balance

Schedule A-14, Schedule of Accumulated Amortization of CIAC By Classification Test Year Average Balance

The instructions for Schedule A-12 require that the utility provide CIAC balances by classification. A statement that there is no break out of CIAC by classification available is not sufficient. Further, Schedule A-14 requires that the utility provide the accumulated amortization of CIAC balance, by classification. Based on the utility's note on Schedule F-7, the wastewater system in each development is constructed and contributed by the developer. Thus, the utility has the capability to break out CIAC by classification, and is also required by the Uniform System of Accounts to support its CIAC account by amount of donation, from whom and when the donation was made.

4. Schedule 17, Schedule of Working Capital Allowance Calculation

On Schedule A-17 (Schedule of Working Capital Allowance Calculation), the utility calculated the December 31, 2001 year-end working capital allowance. For Class A utilities, this form requires the working capital allowance to be calculated on a 13-month average. In addition, Rule 25-

30.433(4), Florida Administrative Code, states that the averaging method used by the Commission to calculate rate base shall be a 13-month average for Class A utilities.

5. Schedule A-18, Comparative Balance Sheet - Assets

Schedule A-19, Comparative Balance Sheet - Equity Capital & Liabilities

The instructions for Schedules A-18 and A-19 require the monthly balances of the test year and the 13-month average balance. The utility only provided the 12/31/00 and 12/31/01 balances. Thus, the utility must provide the monthly balances from January through November of 2001 and the 13-month average balance.

6. Schedule B-2, Schedule of Wastewater Net Operating Income

The instructions for Schedule B-12 require that the submission of an additional schedule showing a description and calculation of amortization on Line 4 if the charge is related to any amount other than an acquisition adjustment.

7. Schedule B-6, Detail of Operation and Maintenance Expenses By Month - Wastewater

Since the utility has Operation and Maintenance (O&M) expense adjustments, these adjustments should be reflected on this schedule, by primary account. Staff suggests that Column 14 of Schedule B-6 should reflect the adjustments, by primary account, reflected on Line 2 of Columns 3 and 5 of Schedule B-2. Then, Column 15 of Schedule B-6 should reflect the test year O&M expenses, which should equal the amount reflected on Line 2 of Column 6 of Schedule B-2.

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

The instructions for Schedule B-8 require an explanation of differences which are not attributable to the change in customer growth and the CPI-U. The utility has failed to provide an explanation for Employee Pensions & Benefits, Transportation Expenses, Bad Debt Expense, and Miscellaneous Expenses.

9. Schedule B-14, Net Depreciation Expense

Schedule B-14 does not tie back to Schedule B-2. First, the total of Column 3 on Schedule B-14 should include all depreciation adjustments associated with pro forma plant. Second, the total of Column 4 of Schedule B-14 should be equal to Line 2 of Column 4 of Schedule B-2.

10. Schedule D-6, Cost of Variable Rate Long-Term Debt 13-Month Average Basis

Column (10), requiring that the basis of variable rate (i.e. Prime + 2%) be provided for each component, has been left blank.

11. Schedule E-1, Rate Schedule

The instructions for Schedule E-1 require that the utility provide its present and proposed rates. The utility failed to include the \$9 residential reuse monthly flat rate and the \$5 reuse availability fee.

12. Schedule E-2, Revenue Schedule at Present and Proposed Rates

The instructions for Schedule E-2 require that the utility provide a calculation of revenues at present and proposed rates. The utility should provide a breakdown by bills and/or gallons for its \$9 residential reuse monthly flat rate, its \$0.60 per 1,000 gallon general reuse rate, and its \$5 reuse availability fee.

13. Schedule E-3, Customer Monthly Billing Schedule

The instructions for Schedule E-3 require that the utility provide the monthly customers billed or served by class. The utility has failed to provide the number monthly customers billed or served for reuse (residential and general service).

14. Schedule E-5, Miscellaneous Service Charge Revenues

The instructions for Schedule E-5 require that the utility provide the test year miscellaneous charges received by type. On Schedule E-4 (Miscellaneous Service Charges), the utility lists its present initial connection, normal reconnection, violation reconnection, and premises visit charges. However, on Schedule E-5, the utility failed to provide a breakdown of revenues received for these charges.

Pursuant to Rule 25-30.440(1)(a), Florida Administrative Code, the utility must provide one copy of a detailed map showing the location and size of the applicant's distribution and collection lines as well as its plant sites. The map provided by the utility does not show the size of the wastewater collection lines. The utility must resubmit a map and label the size of the collection lines.

In our review, staff also found two errors. While not a deficiency, staff is identifying this in case the utility wishes to correct it prior to submitting its deficiencies. First, on Line 10 of Schedule B-3 (Schedule of Adjustments to Operating Income), the utility included an adjustment for payroll taxes as O&M Expense adjustment. This adjustment should be under Taxes Other Than Income. If the utility wishes to make this correction, staff notes that Schedules B-2, B-6, B-8 and B-15 should also be revised to reflect this change. Further, staff discovered an error on Schedule B-15 (Taxes Other Than Income). Specifically, the amount on Column 6, Line 18 of Schedule B-15 should equal the amount on Column 6, Line 5 of Schedule B-2.

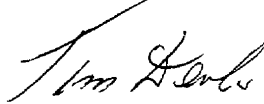
Martin S. Friedman, Esquire

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October 24, 2002

Your petition will not be deemed filed until the deficiencies identified in this letter have been corrected. These corrections should be submitted no later than November 24, 2002.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tim Devlin".

Timothy Devlin

Director

TD:sbf

cc: Division of Economic Regulation (Willis, Merchant, Fletcher)
Office of the General Counsel (Vining)
Division of Auditing and Safety (Vandiver)
Division of the Commission Clerk and Administrative Services