

ORIGINAL

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: June 13, 2003
TO: Chairman Jaber
FROM: Timothy J. Devlin, Director, Division of Economic Regulation *TJD*
 Adrienne Vining, Attorney, Office of the General Counsel *AEV*
RE: Docket No. 030447-WS - Application for Rate Increase in Martin County by Miles Grant Water and Sewer Company - Test Year Approval *FW TD*

By letter dated May 14, 2003, Miles Grant Water and Sewer Company (Miles Grant or utility) has requested approval to use an historical test year ended December 31, 2002. This rate increase application will be for general rate relief for its water and wastewater systems in Martin County. The Company is also requesting that it be allowed to file its minimum filing requirements (MFRs) on or before September 15, 2003. The utility has stated that it will seek interim rate relief using the year ended December 31, 2002, as a test year. Further, the utility stated that it will file its application using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes.

The utility has indicated that the proposed test year ended December 31, 2002 is representative of the current operations. Miles Grant also believes that the historical test year will be a representative period to measure the cost of service and establish new rates. Miles Grant states that there is no material growth in the system, the expenses incurred by the utility are typical, and this test year is the most current year for which financial information is available. Further, the utility is seeking rate relief because it has made major changes to plant and equipment, without any recent changes in operational methods.

Staff has reviewed the utility's annual reports for the calendar years 2000 through 2002 and found no areas that would appear to make the test year non-representative. Based on the utility's request and staff's analysis, we believe that the requested test year is reasonable. A filing deadline of September 15, 2003, will be sufficient.

As addressed in Docket No. 020407-WS (Cypress Lakes Utilities, Inc., Rate Case Order No. PSC-03-0647-PAA-WS, issued May 28, 2003), the Commission ordered the utility to show cause why it should not be fined for failure to properly maintain its books and records in compliance with Commission rules and orders. The Commission also ordered the utility to respond in writing stating how it intends to come into compliance in the future in order to resolve the show cause issue. Consistent with the Commission's order, staff believes that the utility should be reminded in the test year approval letter that the MFRs will not be accepted as complete until the utility complies with several of the continuing problems that the Cypress Lakes' order identified. Those items specifically related to meeting the MFRs for a rate case are as follows:

- AUS _____
- CAF _____
- CMP _____
- COM _____
- CTR _____
- ECR _____
- GCL _____
- OPC _____
- MMS _____
- SEC 1
- OTH _____

1. The MFRs are designed with a column titled "Balance Per Books." This column must reflect the balances on the General Ledger. The Annual Report must also reflect the same balances. This requirement is applicable to all accounts to the primary account level as required by the NARUC Uniform System of Accounts. Pursuant to Rule 25-30.110(2), Florida Administrative Code, all data that the Commission may

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request and require to be submitted in determining a utility's rates shall be consistent with and reconcilable with the utility's annual report to the Commission.

2. All adjustments to the utility balance sheet and income statement accounts that have been included in prior Commission orders relating to this system must be booked by the utility and reflected in the general ledger for the appropriate period up to and including the approved test year.

Staff would further request that the utility be put on notice that if it cannot satisfy the MFRs within 90 days of the original filing deadline that the requested test year may be deemed stale which may require the utility to update its test year to a more current period.

The test year letter filename is S:\psc\ecr\wp\milesgrant_tya.wpd.

- c: Dr. Mary Bane, Executive Director
Division of Economic Regulation (Willis, Merchant, Greene)
Division of Auditing and Safety (Vandiver)
Division of the Commission Clerk and Administrative Services
Jackie Edwards

LILA A. JABER
CHAIRMAN

STATE OF FLORIDA



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Public Service Commission

June 13, 2003

Mr. Martin S. Friedman
Rose, Sundstrom & Bentley LLP
600 S. North Lake Blvd., Suite 160
Altamonte Springs, Florida 32701

Re: Docket No. 030447-WS, Application for rate increase in Martin County by Miles Grant Water and Sewer Company

Dear Mr. Friedman:

On May 14, 2003, we received your letter requesting test year approval for Miles Grant Water and Sewer Company (Miles Grant or utility). Miles Grant has requested an historical test year ending December 31, 2002, for interim and final purposes, and that it be allowed to file its minimum filing requirements (MFRs) on or before September 15, 2003. Further, you state that the utility will file its application using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes. Your test year request, as outlined above, is approved.

For administrative purposes only, Docket No. 030447-WS has been assigned to the forthcoming case. Your petition will be deemed filed on the date that the Division of the Commission Clerk and Administrative Services receives the complete petition, revised tariff sheets, the MFRs, and the filing fee. To minimize any regulatory lag that may occur, we request that you file the above by no later than September 15, 2003.

Under the file and suspend law, the time period for processing the request will begin on the date that all of the required data is filed. If not complete, the official filing date will be the date the complete corrections to the deficiencies are filed. Please note that many schedules included in the MFRs are designed with a column titled "Balance Per Books." This column must reflect the balances on the General Ledger and be reconciled with the balances reported in the utility's Annual Report on file with the Commission. This requirement is applicable to all primary account balances as required by the NARUC Uniform Systems of Accounts. Pursuant to Rule 25-30.110(2), Florida Administrative Code, all data that the Commission requests and requires to be submitted in determining a utility's rates shall be consistent with and reconcilable with the utility's annual report to the Commission.

In addition, the utility should satisfactorily document that it has recorded all adjustments to

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the utility's general ledger and accounts that have been ordered by the Commission in any prior proceeding relating to this system. If adjustments were ordered for prior periods that have any impact on subsequent years, the related adjustments shall also be made to reflect the impact for the appropriate period up to and including the approved test year. Further, the utility should be prepared to justify its requested test year operation and maintenance expenses, particularly those which have increased above the level of customer growth and inflation, from those approved for the June 30, 1987, test year in Docket No. 870981-WS. Lastly, if the utility cannot satisfy the MFRs within 90 days of the original filing deadline, the requested test year may be deemed stale which may require the utility to update its test year to a more current period.

The utility is instructed to file all information it wishes the Commission to consider when arriving at a decision on its rate case application with its original filing. Because of the time limitations contained in Section 367.081, Florida Statutes, and the lengthy auditing and investigation required, there is a possibility that information filed at a later time will not be considered.

Sincerely,

Lila A. Jaber
Chairman

LAJ:dmg

cc: Mary Andrews Bane, Executive Director
Division of the Commission Clerk and Administrative Services
Division of Economic Regulation (Willis, Merchant, Greene)
Office of the General Counsel (Vining)
Division of Auditing and Safety (Vandiver)