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Public Service Commission

September 12, 2005

STAFF'S FIRST DATA REQUEST

Martin S. Friedman, Esquire
Rose, Sundstrom & Bentley, LLP
2180 West State Road 434
Sanlando Center, Suite 2118
Longwood, FL 32779

Re: Docket No. 050281-WS - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

Dear Mr. Friedman:

Staff needs the following information to complete our review of the application.

A. The following items relate to the pro forma plant additions reflected on Schedules W-14 and S-13 in Plantation Bay Utility Company's (Plantation or utility) 2004 Annual Report. Specifically, the utility stated that it will have water transmission & distribution system and wastewater collection system expansions as follows: "phases 2E - V2 & 2A - F4" in 2005 and "phases 2E - V3 & 4 & A2-F5, 6 & 7"

1. For each project, provide the following:
 - (a) a detailed description, including the purpose, and a statement why each item is necessary;
 - (b) a copy of all invoices and other support documentation if the plant project has been completed;
 - (c) a copy of the signed contract, and the projected in-service date for each outstanding plant project;
 - (d) an explanation of why the utility did not include these pro form plant additions in its application for this docket; and
 - (e) a statement of how customers relate to each of these phases in 2005 and 2006.

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The following items pertain to the utility's water and wastewater treatment systems.

2. The following questions relate to the utility's MFR Schedule F-1.
 - (a) Schedule F-1 shows that the utility gallons sold and gallons for other uses were 1.032 million gallons more than the finished gallons treated leaving its water plant for the month of September. Provide an explanation of how and/or why this apparent anomaly occurred.
 - (b) Based on the total 4.382 million gallons for other uses, the average monthly gallons associated with other water uses was 365,167 gallons. Please explain why the 25,000 gallons for January and February were so much less than the average monthly gallons and why the 959,000 gallons for the month of May was so much greater than the average monthly gallons.
 - (c) Schedule F-1 shows 4.382 million gallons for other uses during the 2004 test year. According to Schedule W-11 in the utility's 2004 Annual Report, Plantation reflects water gallons for line flushing, fighting fires, etc. was 6.557 million gallons. Please reconcile the difference for other uses gallons on MFR Schedule F-1 and Schedule W-11 in the utility's 2004 Annual Report.
 - (d) Please provide a copy of Plantation's log for other water uses for 2003 and 2004. This log should reflect the monthly amounts of water used with a description of what type of activity occurred. If no such logs exist, explain why.
3. In MFR Volume IIIa, the utility did not provide the "DER Form PERM (May 1975) Page 1 of 1" for the months of February 2004 through December 2004. That form reflects the total raw water pumped and the total water treated leaving plant. Provide the appropriate Florida Department of Environmental Protection monthly operating report (MOR) pages or any other documentation reflecting the total raw water pumped for the months of February 2004 through December 2004.
4. According to the utility's January 2004 MOR for its water system, Plantation utilized the total water treated leaving plant as the total gallons pumped in order to calculate unaccounted for water on MFR Schedule F-1. Explain why the utility did not use the total raw water pumped from its MORs during the 2004 test year.
5. According to the utility's January 2004 MOR for its water system, the total raw water pumped was 5.372 million gallons, and the total water treated leaving plant was 4.815 million gallons.
 - (a) Explain the 557,000-gallon differential in the total raw water pumped and the total water treated leaving plant.
 - (b) Do the lines from each well site transmitting the raw water to the utility's water treatment plant have any laterals delivering raw water to anywhere other than the water

treatment plant? If so, explain why and state whom those gallons are being delivered to and how many gallons are being delivered to them.

6. According to Schedule S-11 in the utility's 2004 Annual Report, Plantation had treated 47.714 million gallons of wastewater. MFR Schedule F-2 reflects that the test year total wastewater gallons treated were 40.044 million gallons. Please reconcile the difference for wastewater gallons treated on MFR Schedule F-2 and Schedule S-11 in the utility's 2004 Annual Report.
7. Based on the utility's annual reports from 2001 to 2004, Plantation has realized wastewater customer growth of approximately 401 customers since December 31, 2001. This represents customer growth of 49.57% since December 31, 2001. On MFR Schedule F-6(a), the utility reflected that the 2004 test year flows were less than the flows in its 2001 earnings docket. Provide an explanation of how and/or why this apparent anomaly occurred. In your response, please provide all conservation programs or initiatives the utility has implemented since the 2001 earnings docket.
8. For the years 2001 to 2004, how often have the flow meters at the water and wastewater treatment plants been tested and/or calibrated? Please provide all supporting documentation, include dates and results of each calibration.
9. With regard to MFR Schedule F-6, Page 1 of 2, Plantation stated that it has a permitted slow rate Part III public access reuse spray irrigation system.
 - (a) Does the utility have an executed contract to provide reuse to "Golf Course - Club du Bon @ Plantation Bay" (Golf Course)? If so, please provide a copy of the current contract and any previous contracts that have expired.
 - (b) If the utility does not have a contract to provide reuse to the Golf Course, what agreements exist with the utility and the Golf Course regarding cost and acceptance of reuse service?
 - (c) From December 31, 2003 to December 31, 2004, provide a monthly breakdown, by primary plant account, of the specific, incremental reuse plant (i.e. filtration, pumping equipment, transmission lines) installed by the utility in order to provide reuse to the Golf Course.
 - (d) From December 31, 2003 to December 31, 2004, also provide a monthly corresponding breakdown, by primary plant account, of the associated accumulated depreciation and depreciation expense for the specific, incremental reuse plant.
 - (e) Is the Golf Course able to meet the utility's effluent disposal needs? If not, what alternatives are the utility considering for effluent disposal?
 - (f) Why has the utility not requested a tariffed reuse rate in this proceeding?

- (g) Is the reuse provided to the Golf Course metered, and if so, what is the annual gallons of reuse provided to the Golf Course for the 2004 test year and for the period from January 2005 through August 2005?
- (h) Regarding the transmission line providing reuse to the Golf Course, please state: the diameter of the line, the length of line in feet and miles, and the total gallon per day capacity of the line.
- (i) If the utility is not charging the Golf Course anything for reuse, has the utility considered doing so? If not, explain why.
- (j) Is the Golf Course an affiliated or related party to the utility? If so, what is the nature of the affiliation?
- (k) Are there any additional golf courses in or near Plantation's service territory? If so, for each golf course, please state what the closest distance, in feet and miles, is to either the utility's wastewater treatment plant or Plantation's existing reuse transmission line.
- (l) If the answer is "yes" to Question 10(k) above, has Plantation approached the management of those golf courses regarding reuse service? If yes, provide a copy of all documentation memorializing any discussions with the management of those golf courses. If not, explain why.
- (m) If the answer is "yes" to Question 10(k) above, has the utility performed itself or commissioned a consultant to perform any feasibility studies to provide reuse service to any other golf courses? If so, please provide a copy of those feasibility studies.
- (n) Has the utility performed itself or commissioned a consultant to perform any feasibility studies to provide reuse service to its residential customers? If so, please provide a copy of those feasibility studies.
10. In MFR Volume IIIb, the utility included the DEP permit for Plantation's water system, which stated the capacities for Wells Nos. 1 through 3 were all 175 gallons per minute (gpm). According to MFR Schedule F-5, Page 2 of 2, the capacities for Wells Nos. 1 and 2 are 150 gpm and Wells Nos. 3 and 4 are 175 gpm. Based on Schedule W-11 in the utility's 2004 Annual Report, the capacity for Well No. 1 is 125 gpm, and the capacities for Wells Nos. 2 through 4 are 150 gpm.
- (a) Provide a reconciliation for the above three well capacity sources.
- (b) Provide a flow diagram of treatment process for the utility's water and wastewater treatment plants. In your response, please provide the correct size and capacity in gpm of each well and high pump.
11. On MFR Schedule F-5, Page 2 of 2, under Storage Section, the utility stated "[f]or safe and reliable operating purposes, the utility seeks to maintain a minimum level in the tank of three feet above the intake pipe while pumping."

- (a) Provide the engineering reference material or other documentation that demonstrates or supports the above statement.
 - (b) Provide a diagram for the utility's 400,000 gallon ground storage tank that shows the out-take pipe with all measurements for the out-take pipe and for your proposed safe level.
- C. The following items relate to miscellaneous service charge revenues.
 12. Why are there no revenues for initial connection and/or normal reconnection recorded by the utility under its wastewater system?
 13. Since Plantation basically has the same number of water and wastewater customers, would it be agreeable with the utility to split the initial connection and/or normal reconnection fees equally among water and wastewater? If not, explain why.
- D. The following items relate to Operation and Maintenance (O&M) Expenses.
 14. On MFR Schedule B-10, Plantation proposes to allocate rate case expense for this docket based on equivalent residential connections (ERCs). On MFR Schedule B-12, materials & supplies, contractual services – accounting, contractual services – management fees, and general liability insurance are allocated based on annual water and wastewater revenues. Please explain why annual revenues are more appropriate to allocate those O&M expenses than ERCs or customers.
 15. With regard to Schedule F-7 in the utility's 2001 Annual Report, the total water and wastewater expense amount reflected is greater than the total water and wastewater O&M expenses on Plantation's 2001 Annual Report Schedules W-3 and S-3, respectively.
 - (a) Does the difference represent non-utility expenses?
 - (b) For the water and wastewater amounts reflected on Schedule F-7, provide a reconciliation to the amounts on Schedules W-3 and S-3.
 16. For outside rate, accounting, engineering, management, construction, advertising, labor relations, public relations, or other similar professional services rendered to the utility for which aggregate payments, during the 2002 through 2004 calendar years, to any corporation, partnership, individual, or organization of any kind whatever amounting to \$400 or more, provide the following information: name of recipient, amount for water system, amount for wastewater system, type of contractual service, detailed description of service, and a reconciliation of those water and wastewater amounts with the water and wastewater O&M expenses reflected in the utility's 2002 through 2004 annual reports.
 17. On MFR Schedule B-9, Plantation reflected the description of work performed by Intervest Construction, Inc. (ICI) and Wetherell Treatment Systems (WTS). Has the description of work performed by ICI and WTS changed since 2001? If so, state the effective date of any change and state what the specific change was.

18. On Schedule E-2 of the utility's 2002, 2003, and 2004 annual reports, the accounting firm of Cronin, Jackson, Nixon and Wilson (CJNW) is listed as the group auditing or reviewing the records and operations of Plantation.
 - (a) Provide a detail description of what specific auditing or reviewing services are provided by CJNW.
 - (b) How long has CJNW been providing these auditing or reviewing services for the utility?

19. The following items relate to the utility's requested rate case expense.
 - (a) For each individual person, in each firm providing consulting services to the applicant pertaining to this docket, provide the billing rate, and an itemized description of work performed. Please provide detail of hours worked associated with each activity. Also provide a description and associated cost for all expenses incurred to date.
 - (b) For each firm or consultant providing services for the applicant in this docket, please provide copies of all invoices for services provided to date.
 - (c) If rate consultant invoices are not broken down by hour, please provide reports that detail by hour, a description of actual duties performed, and amount incurred to date.
 - (d) Please provide an estimate of costs to complete the case by hour for each consultant or employee, including a description of estimated work to be performed, and detail of the estimated remaining expense to be incurred through the PAA process.
 - (e) Please provide an itemized list of all other costs estimated to be incurred through the PAA process.

20. On Schedule F-11 in Plantation's 2003 and 2004 annual reports, the utility reported \$117 in "[p]rovision for uncollectables for current year Collections of accounts previously written off Utility accounts." Plantation reflected bad debt expense of \$65 for water and \$53 for wastewater on Schedules W-10(a) and S-10(a) in the utility's 2003 Annual Report. For the year-ends 2000 through 2002 and 2004, the utility reflected no bad debt expense for water and wastewater.
 - (a) Explain why the utility reflected no bad debt expense for the year-ends 2000 through 2002 and 2004.
 - (b) Provide an explanation of the utility's policy regarding bad debts and accounting for bad debt expense.
 - (c) Explain why the 2004 test year effective interest rate on customer deposits of 1.96% is less than 6.00%.

21. On MFR Schedules B-7 and B-8, Plantation explained that the 174.33% water miscellaneous expense increase and 447.06% wastewater miscellaneous expense increase was for deferred amortization not in the last rate proceeding.
 - (a) Explain, in detail, what the water and wastewater amortization is for.
 - (b) Before the amortization began, what was the total unamortized balance?
 - (c) When did the utility begin amortizing these deferred costs?
 - (d) Is the deferred amortization being amortized over five years, pursuant to Rule 25-30.433(8), Florida Administrative Code. If not, explain why and state what the amortization period is for these deferred costs.
 - (e) Provide a copy of all invoices related to the deferred miscellaneous expense amortization not in the last rate proceeding, and, for the remaining 2004 water and wastewater miscellaneous expenses, provide a copy of all invoices amounting to \$50 or more.
- E. The following items relates to depreciation expense.
 22. On MFR Schedules A-5 and A-9, Plantation reflected plant and corresponding accumulated depreciation balances for Account Nos. 340.5 – Office Furniture & Equipment and 346.5 – Communication Equipment. However, on MFR Schedule B-13, there are no corresponding depreciation expense amounts for these accounts. Please explain why and provide a revised water depreciation expense schedule correcting these errors.
 23. On MFR Schedules A-6 and A-10, Plantation reflected plant and corresponding accumulated depreciation balances for Account Nos. 381.4 – Plant Sewers and 390.5 – Office Furniture & Equipment. However, on MFR Schedule B-14, there are no corresponding depreciation expense amounts for these accounts. Please explain why and provide a revised water depreciation expense schedule correcting these errors.
- F. The following items relate to income taxes and deferred income taxes.
 24. MFR Schedule D-2 states that the utility's books reflect long-term debt of \$4,334,088 and common equity of (\$2,607,825). Plantation adjusted long-term debt and common equity to reflect \$3,571,367 of affiliate debt as equity pursuant to the Commission's decision in Docket No. 011451-WS.
 - (a) Does the Internal Revenue Service (IRS) treat the affiliate debt of \$3,571,367 as long-term debt or common equity?
 - (b) If the IRS treats the affiliate debt as long-term, wouldn't the utility agree that it would have negative common equity for tax purposes?

- (c) If yes to Question 23(b) above, wouldn't Plantation agree that if the utility has negative equity for IRS purposes there is no utility tax basis for any income taxes?
- (d) If yes to Question 23(c) above, would the utility agree that it should not be entitled to any income taxes in this docket? If not, explain why.
- (e) Has the utility made any loan payments on the affiliate debt or accrued any interest on that debt since December 31, 2001? If so, please state all such amounts.
- (f) Provide a copy of the utility's federal income tax returns for the calendar years 2000 through 2004.
25. With regard to MFR Schedule C-6, please explain why no debit and credit deferred income taxes are not reflected on the balance sheet on MFR Schedules A-18 and A-19 or on the balance sheet on Schedules F-1(b) and F-2(b) in the utility's 2004 Annual Report.
26. Provide revised MFR Schedules A-18 and A-19 which reconciles to the debit and credit accumulated deferred income taxes (ADITs) reflected on MFR Schedule C-6.
27. Please explain why any debit and credit deferred income taxes are not reflected on the balance sheet on Schedules F-1(b) and F-2(b) in the utility's 2002 and 2003 Annual Reports.
28. Does the utility have any contributed taxes? If so, provide an amortization schedule for those contributed taxes.
29. State whether the utility has claimed the special depreciation allowance provided for in the Job Creation and Worker Assistance Act of 2002, or the Jobs and Growth Tax Relief Reconciliation Act of 2003.
30. If the utility has claimed or plans to claim the special depreciation allowance for tax purposes, are the deferred tax impacts reflected in the MFRs?
31. If the answer is "no" to Question 30 above, provide separate schedules of the resulting current and/or deferred tax impacts for the historical years ending December 31, 2003 and December 31, 2004.
32. If the answer is "no" to Question 30 above, provide a separate schedule of the resulting current and/or deferred tax impacts for the utility's 2005 and 2006 pro forma plant on Schedules W-14 and S-13 in Plantation's 2004 Annual Report.
33. For the years 2001 through 2004, provide all workpapers for deferred tax assets and liabilities which supports the total debit and credit ADITs reflected on MFR Schedule C-6, Page 1 of 3.

- 34. Do the total debit and credit ADITs shown on MFR Schedule C-6, Page 1 of 3, reflect the utility's used and useful (U&U) debit and credits ADITs, pursuant Rule 25-30.433(3), Florida Administrative Code?
- 35. If the answer is "yes" to Question 34 above, what are the total gross (both U&U and non-U&U) debit and credit ADITs for Plantation.
- 36. If the answer is "no" to Question 34 above, explain why because the utility used year-end 2003 and 2004 balances on Schedule C-6 to reflect the simple average balance in its final water and wastewater rate base schedules.
- 37. Whom has the utility hired to prepare its federal tax returns, and how long has that individual or firm been preparing Plantation's federal tax returns?

G. The following items relate to customer growth.

- 38. Please provide, on a CD in a format compatible with Excel for Windows, copies of all electronic schedules, tables, workpapers, models, projections and forecasts created in the process of filing all Schedule E and Schedule F schedules contained in the MFRs in the current rate increase request. For each electronic schedule, table, workpaper, model, projection or forecast provided in this response, please provide its file name, a description of the purpose and/or contents of the file, and the Schedule (or table number, if applicable) that the file corresponds to in the MFRs. In the event of any subsequent revisions to any Schedule E or Schedule F schedules, please provide an updated CD, in a format compatible with Excel for Windows, which contains all of the above-requested information for each revised or updated schedule.
- 39. Please provide bills, ERCs and water consumption information, by customer class, for each month during the period January 2000 through July 2005. Please provide the information in the format below:

	Monthly Water Gallons Sold (000)					
	Residential			General Service		
<u>Month / Yr</u>	<u>Bills</u>	<u>ERCs</u>	<u>Gals Sold</u>	<u>Bills</u>	<u>ERCs</u>	<u>Gals Sold</u>
January 2000						
February 2000						
March 2000						
Etc. through						
July 2005						

In this response, please ensure that:

- (a) for each month during the calendar year ended 2004, the sum of the total monthly consumption for all classes should tie to those figures found on Schedule F-1, column (3) in the utility's MFRs;

- (b) the sum of the monthly consumption figures for each class during the calendar year ended 2004 tie to Schedules E-2 and E-14 of the utility's MFRs;
- (c) the beginning and ending number of ERCs for each calendar year for the residential class ties to those indicated on MFR Schedule F-9, columns (2) and (3); and
- (d) the sum of the annual number of gallons sold to the residential class for each of the years 2000 – 2004 ties to MFR Schedule F-9, column (5).

If any of these referenced totals do not tie as indicated, please provide an explanation for each instance in which the figures do not tie.

40. Please provide the annual wastewater consumption, by customer class, for each month during the period January 2000 through July 2005. The residential wastewater gallons sold should represent the **capped** volume sold. Please provide the information in the format below:

Month / Yr	Monthly Wastewater Gallons Sold (000)					
	Residential (capped)			General Service		
	Bills	ERCs	Gals Sold	Bills	ERCs	Gals Sold
January 2000						
February 2000						
March 2000						
Etc. through						
July 2005						

- 41. Please provide the utility's current Consumptive Use Permit issued by the St. Johns River Water Management District, including any and all attachments and exhibits to the permit.
- H. The following items relate to service availability charges.
- 42. State any known developments proposed in the utility's service territory. Include the name of each development and the projected number and types of housing units for all initial development phases that have begun since December 31, 2004, or will begin by December 31, 2005.
- 43. Are there any projects platted for development in 2006 through 2009? If so, state the name of each development, the projected number and types of housing units for all initial development phases, and the projected number and types of house units at build out.
- 44. On Schedules W-14 and S-13 in the utility's 2004 Annual Report, Plantation stated it will reach 6,000 ERCs upon buildout of its service area. Based on the MFRs, the 2004 simple-average net contributions in aid of construction (CIAC) ratio is 59.99% for water and 45.88% for wastewater. Also, the water transmission and distribution mains are \$374,989 less than the water CIAC. Further, the wastewater collection lines are \$575,045 greater than the wastewater CIAC.

Mr. Martin S. Friedman, Esquire

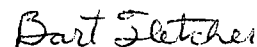
Page 11

September 12, 2005

- (a) What is the utility's estimated buildout date?
- (b) What are the utility's estimated dates that Plantation will reach its current design capacity of the utility's water and wastewater treatment plants?
- (c) If buildout is projected to occur after 2013, provide the projected depreciable assets, land, accumulated depreciation, water transmission & distribution lines, wastewater collection lines, CIAC, accumulated amortization of CIAC, and number of customers for the specific year-end that the utility will reach its current design capacity of the utility's water and wastewater treatment plants. In your response, provide a breakdown of each of these requested components by year for the calendar years 2005 through the year-end that its current water and wastewater design capacity is reached. In addition, provide workpapers detailing all calculations and assumptions made in the utility's projections.
- (d) If buildout is projected to occur on or before 2013, provide the projected depreciable assets, land, accumulated depreciation, water transmission & distribution lines, wastewater collection lines, CIAC, accumulated amortization of CIAC, and number of customers for the specific year-end that the utility will reach buildout. In your response, provide a breakdown of each of these requested components by year for the calendar years 2005 through the year-end that the utility reaches buildout. In addition, provide workpapers detailing all calculations and assumptions made in the utility's projections.

Please provide the above information by October 12, 2005. If you have any questions, please contact me by phone at (850) 413-7017 or by e-mail at bfletche@psc.state.fl.us.

Sincerely,



Bart Fletcher
Professional Accountant Specialist

cc: Division of Economic Regulation (Lingo, Merta, Massoudi, Rendell, Stallcup, Willis)
Office of the General Counsel (Gervasi)
Division of the Commission Clerk and Administrative Services