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Public Service Commission

June 7, 2006

Mr. Martin Friedman
 Rose, Sunstrom & Bentley, LLP
 Sanlando Center
 2180 W. State Road 434, Suite 2118
 Longwood, FL 32779

Re: Docket No. 060256-SU - Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.

Dear Mr. Friedman:

We have reviewed the minimum filing requirements (MFRs) submitted on May 15, 2006, on behalf of Alafaya Utilities, Inc. (Alafaya or utility). After reviewing this information, we find the MFRs to be deficient. The specific deficiencies are identified below:

Rule 25-30.437, Florida Administrative Code (F.A.C.), requires that each utility applying for a rate increase shall provide the information required by Commission Form PSC/ECR 19 (11/93), entitled "Class A Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements." Further, Rule 25-30.110, F.A.C., requires that each utility shall furnish any information the Commission requests or requires for determining rates of the utility and that the information be consistent with and reconcilable with the utility's annual report to the Commission. The following schedules are deficient pursuant to this rule.

- MP _____ 1. Schedule A-4, Schedule of Water and Wastewater Plant in Service
- OM _____ 2. Schedule A-6, Schedule of Wastewater Plant in Service by Primary Account

TR _____ The utility is required to provide the water and wastewater plant in service balances for the
 CR _____ year ending December 31, 2004. The balances provided by Alafaya do not equal the balance
 CL _____ reflected in its 2004 Annual Report. Pursuant to Rule 25-30.110, F.A.C., please provide the
 PC _____ reconciliation of the balances in the 2004 Annual Report and the MFR Schedules A-4 & A-6.

- CA _____ 3. Schedule A- 8, Schedule of Water and Wastewater Accumulated Depreciation
- XR _____ 4. Schedule A-10, Schedule of Wastewater by Accumulated Depreciation Primary Account

SA _____ The utility is required to provide the water and wastewater accumulated depreciation
 C _____ balances for the year ending December 31, 2004. The balances provided by Alafaya do not equal the
 H _____

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balance reflected in its 2004 Annual Report. The utility did state that its MFR balances includes organization and franchises accumulated depreciation not included in the annual report; however, staff notes that accumulated depreciation for those accounts did not explain the difference between total accumulated depreciation on these schedules and the 2004 Annual Report. Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2004 Annual Report and the MFR Schedules A-8 & A-10.

5. Schedule A-13, Schedule of Water and Wastewater Accumulated Amortization of CIAC
6. Schedule A-14, Schedule of Accumulated Amortization – CIAC

The utility is required to provide the water and wastewater accumulated amortization of CIAC balance for the year ending December 31, 2004. The balances provided by Alafaya do not equal the balance reflected in its 2004 Annual Report. Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2004 Annual Report and the MFR Schedules A-13 & A-14.

7. Schedule A-18, Comparative Balance Sheet – Assets
8. Schedule A-19, Comparative Balance Sheet – Equity Capital & Liabilities

The utility is required to provide the balances of all assets for the year ending December 31, 2004. The balances provided by Alafaya do not equal the balance reflected in its 2004 Annual Report. Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2004 Annual Report and the MFR Schedules A-18 & A-19. It appears that these corrections will impact deferred debits used for the working capital allowance and the accumulated deferred income taxes in the capital structure.

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

The utility is required to provide the net operating income statement per books for the year ending December 31, 2005. The provision for income taxes amount provided by Alafaya does not equal the balance reflected in its 2005 Annual Report. Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2005 Annual Report and the MFR Schedule B-2.

10. Schedule D-1, Requested Cost of Capital
11. Schedule D-2, Reconciliation of Capital Structure Requested Rate Base

On these schedules, Alafaya reflected a 13-month average balance of \$1,264 for accumulated deferred income taxes. However, on MFR Schedule A-19, the utility reflected a 13-month average balance of \$20,833 for accumulated deferred income taxes. It appears that Alafaya made a typographical error, wherein it reflected the 2004 year-end credit balance of \$10,600 as a debit.

12. Schedule F-6, Used and Useful Calculations

As required by Rule 25-30.432, F.A.C., in determining the used and useful amount, the Commission will also consider other factors such as the allowance for growth pursuant to Section 367.081(2)(a)2., F.S. infiltration and inflow, and other factors. The infiltration and inflow calculation has not been provided. Please submit.

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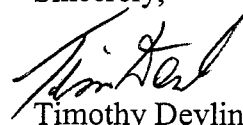
13. As required by Rule 25-30.440(1)(a), F.A.C., each applicant shall submit a detailed map showing the location and size of the applicant's distribution and collection lines as well as its plant sites. The collection map submitted does not show the lines for Live Oak and Sanctuary @ River Oaks. In addition, the size of the collection lines are not identified. With respect to the collection lines, a statement indicating all internal collection lines are 8" or otherwise identified can be used to simplify the line size issue. The reuse map submitted does not show the size of the reuse lines. With respect to the reuse lines, a statement indicating all internal reuse lines are 8" or otherwise identified can be used to simplify the line size issue. Please provide a map showing additional information as detailed in the rule.

14. Rule 25-30.440(2), F.A.C., requires that each applicant for a rate increase shall provide the Commission a list of chemicals used for water and wastewater treatment, by type, showing the dollar amount and quantity purchased, the unit prices paid and the dosage rates utilized. The utility provided a list of chemicals used for wastewater treatment that does not have the dosage rates utilized for treatment. Please provide a list of chemicals that has the dosage rates utilized for wastewater treatment as required by this Rule.

15. Rule 25-30.440(8), F.A.C., requires that each applicant for a rate increase shall provide the Commission one copy of a list of all field employees, their duties, responsibilities, and certificates held, and an explanation of each employees' salary allocation method to the utility's capital or expense accounts. The utility provided a list of employees that does not completely reconcile to the employees reflected in Utilities, Inc.'s cost allocation manuals for June 30, 2005, September 30, 2005, and December 31, 2005. Further, the total salaries from the 2005 cost allocation manuals are greater than the total water and wastewater salaries reflected in the MFR Schedules B-7 and/or B-8. Staff believes the difference between them may be the amount that was capitalized by the utility. However, the cost allocation manuals and the list provided by the utility do not reflect which employees' salaries were capitalized. Thus, please provide a list that has an explanation of each employee's salary allocation method to the utility's capital or expense accounts as required by this Rule.

If any above corrections require a corresponding change to any MFR schedules, those corrected schedules must also be submitted. 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 July 7, 2006.

Sincerely,



Timothy Devlin
Director

TD:bf

cc: Division of Economic Regulation (Willis, Rendell, Daniel, Redemann, Fletcher)
Office of the General Counsel (Jaeger)
Director of Consumer, Clerk and Administrative Services