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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. 060258-WS - Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corp.

Dear Mr. Friedman:

We have reviewed the minimum filing requirements (MFRs) submitted on May 15, 2006, on behalf of Sanlando Utilities Corp. (Sanlando 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.

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- 1. Schedule A-11, Schedule of Water and Wastewater Contributions in Aid of Construction
- 2. Schedule A-12, Schedule of Contributions in Aid of Construction by Classification

The utility is required to provide the water and wastewater contributions in aid of construction (CIAC) balances for the year ending December 31, 2004. The balances provided by Sanlando do not equal the balance reflect 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-11 & A-12.

- 3. Schedule A-13, Schedule of Water and Wastewater Accumulated Amortization of CIAC
- 4. 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 Sanlando do not

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equal the balance reflect 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.

5. Schedule A-18, Comparative Balance Sheet – Assets
6. 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 Sanlando do not equal the balance reflect 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.

7. Schedule D-1, Requested Cost of Capital
8. Schedule D-2, Reconciliation of Capital Structure Requested Rate Base

Rule 25-30.436(4)(g), F.A.C., requires the provisions of Rule 25-30.433, F.A.C., shall be followed in preparing the utility's application. Specifically, Rule 25-30.433(3), F.A.C., requires that used and useful debit deferred taxes shall be offset against used and useful credit deferred taxes, with any resulting net credit deferred balance included in the capital structure calculation and any resulting net debit balance included as a separate line item in the rate base calculation. Further, Rule 25-30.433(4), F.A.C., requires that the averaging method used by the Commission to calculate cost of capital shall be a 13-month average for Class A utilities.

On these schedules, the utility did not offset the debit accumulated deferred income taxes reflected on MFR Schedule A-18 with the utility's credit accumulated deferred income taxes on MFR Schedule A-19. Sanlando only included the simple average credit deferred income taxes in the capital structure, instead of the 13-month average net credit deferred income tax balance.

9. Schedule F-7, Used and Useful calculations

The instructions for this schedule require the utility to provide all calculations, analyses and governmental requirements used to determine the used and useful percentages for the water distribution and wastewater collection systems for the historical and the projected test year (if applicable). The capacity should be in terms of ability to serve a designated number of connections. It should then be related to actual connected density for historical year calculations. Explain all assumptions for projected calculations. If the distribution and collection systems are entirely contributed or build-out, this schedule is not required.

Sanlando stated that the distribution and collection lines serving customers are almost totally contributed (emphasis added) and an allowance for property needed for growth is not necessary. The utility also stated this conclusion was reached in Docket No. 900338-WS. Because the distribution and collection lines not entirely contributed, the utility must complete this schedule as required by the above instructions.

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10. Rule 25-30.440(1)(a), F.A.C., requires that each applicant for a rate increase shall provide to the Commission 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 utility provided a map that does not show the location of the plant sites. Please provide a map showing additional information as detailed in the rule.

11. Rule 25-30.440(2), F.A.C., requires that each applicant for a rate increase shall provide the Commission one copy of 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.

12. Rule 25-30.440(8), Florida Administrative Code, requires that each applicant for a rate increase shall provide to the Commission one copy of a list of all field employees, their duties, responsibilities, and certificates held, and an explanation of each employee's 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 employee's 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, Reiger, Fletcher)
Office of the General Counsel (Brubaker)
Division of ~~Communications and Administrative Services~~