

COMMISSIONERS:  
LISA POLAK EDGAR, CHAIRMAN  
J. TERRY DEASON  
ISILIO ARRIAGA  
MATTHEW M. CARTER II  
KATRINA J. TEW

STATE OF FLORIDA



TIMOTHY DEVLIN, DIRECTOR  
DIVISION OF ECONOMIC REGULATION  
(850) 413-6900

Public Service Commission

ORIGINAL

September 5, 2006

STAFF'S THIRD 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. 060256-SU - Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.

Dear Mr. Friedman:

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

(1) On MFR Schedule A-3, Alafaya reflected the following pro forma plant additions: \$65,000 for the "1 MG Reuse Ground Storage Tank"; \$157,020 for the "Force Main Improvements"; \$824,878 for the "20" Reuse Main from WWTF to Lockwood"; and \$1,827,123 for the "Digester for WWTF". However, in the utility's response to Question 1(b) of Staff's First Data Request (dated June 27, 2006), Alafaya provided a copy of all the invoices and an interest during construction schedule which reflected a total cost of \$86,468.84 for its Force Main Improvements project. Further, in its response to Question 1(c) of Staff's First Data Request, Alafaya provided the following: (1) an unsigned proposal dated August 1, 2005, totaling \$1,250,000 in construction costs and \$65,750 in proposed engineering costs for a 1.5 million gallon reclaimed storage tank; (2) a signed contract dated May 19, 2006, totaling \$713,931 for the "20" Reuse Main from WWTF to Lockwood" project; (3) a signed application and certificate for payment dated June 5, 2006 by Florida Environmental Construction, Inc. and dated June 8, 2006 by CPH Engineers, which reflects an original contract sum of \$1,495,612 for Alafaya's digester replacement; and (4) a signed contract dated 7/14/06, totaling \$331,715 between the utility and Thompson Electric Company for the electrical installation work on Alafaya's digester replacement.

(a) Explain, in detail, why the above MFR amounts differ from the above amounts on the documentation provided in the utility's response to Staff's First Data Request for these four pro forma plant additions. In your response, please also include an explanation of

CMP \_\_\_\_\_  
COM \_\_\_\_\_  
CTR \_\_\_\_\_  
ECR \_\_\_\_\_  
GCL \_\_\_\_\_  
OPC \_\_\_\_\_  
RCA \_\_\_\_\_  
SCR \_\_\_\_\_  
SGA \_\_\_\_\_  
SEC 1  
OTH \_\_\_\_\_

DOCUMENT NUMBER DATE

08144 SEP-6 90

FPSC-COMMISSION CI FRW

how the utility specifically derived the requested MFR amount for each of these four pro forma plant additions and provide all assumptions, calculations, and a copy of any support documentation that Alafaya utilized to derive the requested MFR amounts which has not been previously provided in the utility's response to Staff's First Data Request.

(b) In response to Question 1(d) of Staff's First Data Request, the utility stated the following: "As of July 24, 2006, the engineering effort to design this project is in the completion stage. An FDEP permit application to construct the tank and high service pumps was submitted to FDEP on July 13, 2006." Provide a current status of the engineering, permitting, and/or the bidding process for the "1 MG Reuse Ground Storage Tank" pro forma plant addition. In your response, please also include: (1) a copy of the FDEP permit application with all attachments thereto; (2) a copy of all correspondence to and from FDEP subsequent to the permit application; and (3) the estimated time frame for the permitting and bidding process, if a permit for this plant addition has not been issued yet.

(c) If available, provide a copy of all bids for the "1 MG Reuse Ground Storage Tank" pro forma plant addition.

(d) As previously requested in Question 1(c) of Staff's First Data Request, provide a copy of the original contract and any signed change orders for the "Digester for WWTF" pro forma plant addition.

(e) Provide any signed application and certificate for payments after June 8, 2006, for the "Digester for WWTF" pro forma plant addition.

(f) Given the differences between the MFRs and the documentation provided by the utility in response to Staff's First Data Request for the above four pro forma plant additions, provide the following: (1) a statement of the utility's final requested amount for each of these four pro forma plant additions; and (2) if any amount provided in response to Question (1)(f)(1) above is different from the utility's MFR amount, provide Alafaya's adjustments to its MFR pro forma plant addition amounts.

(2) With regard to the pro forma plant additions reflected in adjustment (A)(1) Work Orders on MFR Schedule A-3, please provide the following: (a) a hard copy of all workpapers showing the utility's calculation of Allowance for Funds Used During Construction (AFUDC) for each project; and (b) an electronic disk containing any spreadsheet file(s) for the utility's AFUDC calculations for each project.

(3) With regard to the pro forma plant additions reflected in adjustment (A)(2) General Ledger Additions on MFR Schedule A-3, please provide the following: (a) a statement why each addition is necessary; (b) a copy of all invoices and other support documentation for each addition; (c) the completion date of each addition; (d) a hard copy of all workpapers showing the utility's calculation of AFUDC for each applicable addition; and (e) an electronic disk containing any spreadsheet file(s) for the utility's AFUDC calculations for each applicable addition.

- (4) With regard to Account 701, Salaries & Wages – Employees, the utility reflected salaries of \$422,610 on MFR Schedule B-6. According to MFR Schedule B-3, Alafaya has proposed a pro forma salary adjustment of \$31,400. This adjustment represents a salary increase of 7.43%.
- (a) Please provide all of the utility's calculations, bases, workpapers, and support documentation for the above salary increase.
- (b) Please explain, in detail, why the utility's salary adjustments are significantly greater than the Commission's 2006 Index of 2.74%.
- (5) With regard to Account 704, Employee Pensions & Benefits reflected on MFR Schedule B-6, the utility reflected pensions & benefits of \$97,117 for wastewater. According to MFR Schedule B-3, Alafaya has proposed a pro forma pensions & benefits adjustment of \$10,711, which is associated with the utility's pro forma salary adjustment of \$31,400. This adjustment represents a pensions & benefits increase of 11.03%. The historical ratio of pensions & benefits to salaries & wages – employees is 22.98% ( $\$97,117/\$422,610$ ). The ratio of pro forma pensions & benefits to pro forma salaries & wages – employees is 34.11% ( $\$10,711/\$31,400$ ). The ratio of Alafaya's adjusted test year of pensions & benefits to its adjusted test year salaries & wages - employees is 23.75%.
- (a) Explain why Alafaya's pro forma increase in pensions & benefits should not increase at the same percentage as its pro forma salaries & wages – employees' increase of 7.43%.
- (b) Explain why the 34.11% ratio of pro forma pensions & benefits to pro forma salaries & wages – employees is 48.43% [ $(34.11-22.98)/22.98$ ] greater than the historical ratio of pensions & benefits to salaries & wages – employees ratio of 22.98%.
- (c) Explain why Alafaya's pro forma pensions & benefits adjustment should be greater than \$7,414, which represents the historical 22.98% ratio of pensions & benefits to salaries & wages – employees applied to the utility's \$31,400 pro forma salary adjustment and indexed by the Commission's 2006 Price Index of 2.74%.
- (d) Please provide all of the utility's calculations, bases, workpapers, and support documentation for the \$10,711 pro forma pensions & benefits adjustment.
- (6) With regard to Account 715, Purchased Power reflected on MFR Schedule B-6, the utility reflected purchased power of \$274,503. According to MFR Schedule B-3, Alafaya has proposed a pro forma purchased power adjustment of \$51,648. This adjustment represents an increase of 18.82%.
- (a) Please provide all of the utility's calculations, workpapers, and support documentation for the above purchased power increase. The support documentation should include, but not be limited to, all 2005 electric power bills/invoices for the wastewater systems and the most recent month's electric power bill/invoice for the wastewater system.

- (b) Please provide a schedule showing, by month, the charges for electric power and consumption for the 12-month period ending December 31, 2005, the charges that would have resulted had the new electric rates been applied, and the difference between the charges under the old rates and the charges under the new rates.
- (c) If the utility's proposed increases are greater than the difference between the charges under the old rates and the charges under the new rates, please explain why.
- (7) In addition to the above salaries & wages – employees, pensions & benefits, and purchased power expense adjustments, the utility has requested numerous other Operation & Maintenance (O&M) Expense adjustments. According to MFR Schedule B-3, Alafaya has reflected pro forma expense adjustments using the Commission's 2006 Price Index of 2.74% for the following accounts: Purchased Sewage Treatment; Sludge Removal Expense; Chemicals; Materials & Supplies; Contractual Services – Engineering; Contractual Services – Accounting; Contractual Services – Legal; Contractual Services – Other; Transportation Expenses; Insurance – Other; and Miscellaneous Expenses. According to MFR Schedule B-10, Alafaya has requested an annual rate case expense of \$67,549. As a result, the utility has requested an increase in each of its O&M Expenses with the exception of bad debt expense. However, in the utility's March 20, 2006, test year approval request letter, Alafaya stated that its historic test year ending December 31, 2005 is representative of a normal full year of operation.
- (a) If the historic test year ending December 31, 2005 is representative of a normal full year of operation, explain why each O&M expense except bad debt expense would have to be increased.
- (b) Is the utility aware of any known and measurable changes to the following accounts: Purchased Sewage Treatment; Sludge Removal Expense; Chemicals; Materials & Supplies; Contractual Services – Engineering; Contractual Services – Accounting; Contractual Services – Legal; Contractual Services – Other; Transportation Expenses; Insurance – Other; and Miscellaneous Expenses?
- (c) If the answer to Question (6)(b) is "yes", provide the following: (1) a copy of all support documentation (including invoices, signed contracts or other documentation showing a new increased charge by a third party), calculations, and workpapers for each known and measurable O&M expense change; and (2) a schedule for each known and measurable O&M expense change showing, by month, the amounts for the specific product or services and quantity or usage for the 12-month period ending December 31, 2005; the amounts that would have resulted had the new charges been applied; and the difference between the amounts under the old charges and the amounts under the new charges.
- (8) According to MFR Schedule B-3, Alafaya has reflected \$10,000 in amortization expense of deferred maintenance for "Paint Tanks & Equipment."
- (a) provide a statement why this project is necessary;

Mr. Martin S. Friedman, Esquire  
Page 5  
September 5, 2006

- (b) if the project has been completed, provide the following: (1) a copy of all invoices and other support documentation; and (2) the date it was completed.
  - (c) if the project has not been completed, provide the following: (1) a copy of any estimate, quote, signed contract, and/or bids; and (2) the current status of the project and the projected completion date.
  - (d) state the date when the tanks & equipment were painted previously by the utility.
- (9) Provide a copy of Alafaya's discharge monitoring reports for its wastewater system for the period of January 1, 2006 to September 30, 2006.
- (10) Given Seminole County has realized a greater monthly average amount of rainfall in August 2006 than in July 2006, has Alafaya experienced less reuse water quantity shortages and pressure complaints from its customers in August 2006?

Please submit the above information to the Division of the Commission Clerk and Administrative Services by October 5, 2006. If you have any questions, please contact me by phone at (850) 413-7017 or by e-mail at [bfletche@psc.state.fl.us](mailto:bfletche@psc.state.fl.us).

Sincerely,



Bart Fletcher  
Professional Accountant Specialist

cc: Division of Economic Regulation (Rendell, Daniel, Redemann)  
Office of the General Counsel (Jaeger)  
Division of the Commission Clerk and Administrative Services  
Office of Public Counsel