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REPLY TO CENTRAL FLORIDA OFFICE

MARTIN S. FRIEDMAN, P.A.
VALERIE L. LORD
BRIAN J. STREET

September 15, 2006

HAND DELIVERY

Ms. Blanca Bayo
Commission Clerk & Administrative Services Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RECEIVED-FPSC
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COMMISSION
CLERK

CMP _____ RE: Docket No. 060254-SU; Mid-County Services, Inc.'s Application for Rate Increase in
COM _____ Pinellas County, Florida; Docket No. 060255-SU; Tierra Verde Utilities, Inc.'s
CTR _____ Application for Rate Increase in Pinellas County, Florida; Docket No. 060256-SU;
ECR _____ Alafaya Utilities, Inc.'s Application for Rate Increase in Seminole County, Florida;
GCL _____ Docket No. 060257-WS; Cypress Lakes Utilities, Inc.'s Application for Rate Increase
OPC _____ in Polk County, Florida; Docket No. 060258-WS; Sanlando Utilities Corp.'s
RCA _____ Application for Rate Increase in Seminole County, Florida; Docket No. 060260-WS;
SCR _____ Lake Placid Utilities, Inc.'s Application for Rate Increase in Highlands County,
SGA _____ Florida; Docket No. 060261-WS; Utilities, Inc. of Pennbrooke's Application for Rate
SEC / _____ Increase in Lake County, Florida; Docket No. 060262-WS; Labrador Utilities, Inc.'s
OTH _____ Application for Rate Increase in Pasco County, Florida; Docket No. 060285-SU;
Utilities, Inc. of Sandalhaven's Application for Rate Increase in Charlotte County,
Florida; Docket No. 060285-SU
Our File Nos.: 30057.109, .111, .112, .113, .114, .116, .120, .121, .128

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket is the response of Mid-County Services, Inc., Tierra Verde Utilities, Inc., Alafaya Utilities, Inc., Cypress Lakes Utilities, Inc., Utilities, Inc. of Sandalhaven, Sanlando Utilities Corp., Lake Placid Utilities, Inc., Utilities, Inc. of Pennbrooke, and Labrador Utilities, Inc. (*Utilities*) to Staff's second request for information dated August 10, 2006:

The following questions primarily relate to Water Services Corporation - Distribution of Expenses allocation manuals for the 2005 test year.

DOCUMENT NUMBER-DATE

08465 SEP 15 06

FPSC-COMMISSION CLERK

1. With regard to "SE.50 – Distribution of Direct Salaries", there is an entry for "OTHER" after all employee salaries are listed for each Florida subsidiary.

(a) Because the SE.50 represents the schedules for direct salaries, explain what the purpose is for this "OTHER" entry. In your response, provide all calculations, bases, and support documentation for this "OTHER" entry.

RESPONSE: The "OTHER" entry is used to reflect the net effect of monthly accrual to tie to the general ledger. The Utilities do not request these accruals in their filings.

(b) Please also explain why "OTHER" for all of the Florida subsidiaries is a positive \$68,190 amount in the June 30, 2005 cost allocation manual and why "OTHER" for all of the Florida subsidiaries is a negative \$27,238 and \$111,657, respectively, in the September 30, 2005 and December 31, 2005 cost allocation manuals.

RESPONSE: Please refer to the response to Question 1(a).

2. On July 15, 2006, the Commission staff issued its audit report related to Utilities, Inc. (UI) affiliate transactions and allocations to subsidiaries.

(a) Please provide a response to each audit finding. In your response, state whether UI agrees with the adjustments of each finding and provide an explanation for each adjustment that the utility does not agree with.

RESPONSE: UI generally agrees with the adjustments specified in each audit finding.

(b) Using solely the American Water Works Association (AWWA) meter equivalent factors to calculate Equivalent Residential Connections (ERCs), provide a schedule showing the number of meters by size and the corresponding ERCs for each of UI water and/or wastewater subsidiary.

RESPONSE: Please refer to the Affiliate Audit Data Requests 8, 17, 25, 26, 27 and 28, which provided work papers calculating ERCs using Commission-mandated meter equivalent factors. These factors are the AWWA meter equivalent factors. The Affiliate Audit Report issued July 15, 2006, clearly states in Audit Finding No. 4 that the discrepancies discovered by the Audit Staff's analysis of ERCs are estimated to be

less than 2% of the total ERCs and do not appear to have a material effect on the general ledger or the filings.

(c) Using a 0.80 ERC factor for each individually metered mobile home and the AWWA meter equivalent factors to calculate ERCs for remaining customers, provide a schedule showing the number of meters by size and the corresponding ERCs for each of UI water and/or wastewater subsidiary.

RESPONSE: Please refer to the response to Question 2(b).

(d) For each customer of UI's sludge hauling company, provide the respective number of gallons hauled for each customer during the 2005 calendar year.

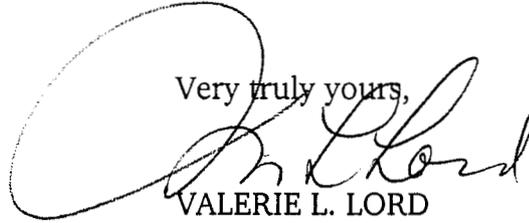
RESPONSE: Biotech, an affiliate of the Utilities, offers a wide variety of maintenance services, including sludge hauling. The Utilities which use Biotech's services obtain quotes from Biotech to perform specific tasks associated with certain capital projects. If selected to perform the services, Biotech bills the Utility, and the Utility pays Biotech's invoice in accordance with its standard procedures. None of Biotech's overhead is allocated to the Utilities.

Such services were performed in 2006. Sanlando Utilities Corp., Lake Placid Utilities, Inc., Mid-County Services, Inc., Labrador Utilities, Inc., and Alafaya Utilities, Inc. obtained Biotech's services in connection with the following pro forma projects:

| | |
|-----------------------------|--|
| Mid-County | Sewer cleaning and video inspection |
| Lake Placid Utilities, Inc. | Replaced hydro tank, bypass piping and valves at the water treatment plant |
| Labrador Utilities, Inc. | Modifications to ground storage tank at water treatment plant, cleaning and coating interior and exterior of tank |
| Alafaya Utilities, Inc. | Cleaning and painting exterior surfaces of steel tanks, piping and equipment |
| Sanlando Utilities Corp. | Sandblasting, cleaning and painting exterior of two groundwater storage tanks at the Des Pinar water treatment plant |

Ms. Blanca Bayo
Commission Clerk & Administrative Services Director
Florida Public Service Commission
September 15, 2006
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Should you have any questions regarding this filing, please do not hesitate to give me a call.

Very truly yours,

VALERIE L. LORD
For the Firm

VLL/tlc

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