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Public Service Commission

September 20, 2006

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. 060261-WS - Application for increase in wastewater rates in Lake County by Utilities, Inc. of Pennbrooke

Dear Mr. Friedman:

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

1. The following items relate to the pro forma plant additions reflected in adjustment (C) on MFR Schedule A-3. For each addition, please provide the following:

- (a) a statement why each addition is necessary;
- (b) a copy of all invoices and other support documentation if the plant addition has been completed;
- (c) a copy of the signed contract or any bids, if the plant addition has not been completed;
- (d) the status of the engineering and permitting efforts, if the plant addition has not been through the bidding processing;
- (e) the current status of each plant addition (percent completed and costs to date); and
- (f) the projected in-service date for each outstanding plant addition.
- (g) 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

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disk containing any spreadsheet file(s) for the utility's AFUDC calculations for each project.

- (h) Will any of the pro forma plant be contributed (CIAC)? If so, please identify the amount and account and where it was reflected in the MFRs as CIAC.
 - (i) Is any of the pro form plant required by the Florida Department of Environmental Protection? If so, please provide documentation showing this mandate.
2. The utility included CWIP of \$12,253 in rate base on Schedule A-1, and \$2,235 on Schedule A-2.
- (a) Do these amounts include any portion of the pro forma plant additions discussed above? If so, what amounts are included?
 - (b) Is the CWIP that is included in rate base earning AFUDC? If so, what amounts are earning AFUDC?
 - (c) Please describe the CWIP projects included in rate base for water and wastewater.
3. The following questions relate to Schedule A-5, Water Plant in Service
- (a) In Account 304.2, Structures & Improvements, explain the increase from \$99,997 to \$151,300 in 2005.
 - (b) In Account 343.5, Tools, Shop & Garage Equipment, explain the increase from \$3,816 to \$22,136 in 2005.
 - (c) Please provide a breakdown of Account 348.5, Other Tangible Plant, \$45,055.
4. Please explain the increase in Account 354.2, Structures and Improvements, from \$222,439 to \$873,431, in 2005 on Schedule A-6, Wastewater Plant in Service.
5. The following questions relate to Schedule A-9, Water Accumulated Depreciation:
- (a) Schedule A-5 shows \$11,677 in organizational costs for 2005. Explain why accumulated amortization or depreciation on Account 301.1, Organization, in Schedule A-9, is zero for the prior year and for the end of the test year? Provide the 2004 and 2005 year end and the average accumulated amortization for this account. Explain why accumulated amortization of organizational costs was excluded from Schedule A-1? Identify where accumulated amortization of organizational costs is included in the MFRs, and what is the amount?
 - (b) Explain why accumulated depreciation of Account 311.2, Pumping Equipment, decreased from \$39,452 in 2004 to \$20,161 in 2005, when Schedule A-5 shows an increase in this account? Please show the calculation.

- (c) Explain Why accumulated depreciation of Account 341.5, Transportation Equipment, decreased from \$15,064 in 2004 to \$3,805 in 2005, when Schedule A-5 shows an increase in this account? Please show the calculation.
6. Schedule A-6 shows \$10,738 in organizational costs for 2005. Explain why accumulated amortization or depreciation on Account 351.1, Organization, in Schedule A-10, is zero for the prior year and for the end of the test year? Provide the 2004 and 2005 year end and the average accumulated amortization for this account. Explain why accumulated amortization of organizational costs was excluded from Schedule A-2? Identify where accumulated amortization of organizational costs is included in the MFRs and what is the amount?
 7. On Schedule A-12, CIAC, please explain in detail what is included in the "Undistributed" and "Tax" categories.
 8. Refer to Exhibit F to Pennbrooke's July 10, 2006 Responses to MFR Deficiencies, Corrected Schedule A-18, Response to 7(c) and (d). Please explain the \$13,177 and \$3,157 accumulated amortization. Explain what is being amortized and why it is excluded from Schedules A-1 and A-2?
 9. Refer to Exhibit G to Pennbrooke's July 10, 2006 Responses to MFR Deficiencies, Schedules B-1 and B-2 Revised, which shows amortization expense for organization costs. Identify where in the MFRs the accumulated amortization for these expenses is shown, and what is the amount?
 10. The following questions relate to Schedule B-3, Adjustments to Operating Income. The utility requested increases to salaries and wages, employee benefits, purchased power, and testing. However, the utility's March 20, 2006 test year approval request letter stated that its historic test year ending December 31, 2005 was 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 salaries and wages, employee benefits, purchased power, and testing expenses would need to be increased.
 - (b) Is the utility aware of any known and measurable changes to salaries and wages, employee benefits, purchased power, and testing?
 - (c) If the answer to the above question is yes, provide the following for water and wastewater: (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.

- (d) Explain in detail the increase in the number of employees since September 30, 2001.
 - (i) How many employees were added .
 - (ii) What date was the employee hired?
 - (iii) Provide a job description for each new employee and discuss the percentage of time the employee spends on Pennbrooke utility operations.
 - (iv) Provide the amount of the annual salary for each new employee and the amount allocated to Pennbrooke, if applicable.
 - (v) Provide the amount of the pension & benefits for each new employee and the amount allocated to Pennbrooke, if applicable.
- (e) For all employees, provide a job description, the number of hours worked per month, the percentage of their time spent on Pennbrooke utility operations, and their hourly rate.
- (f) On Schedule B-8, the utility stated that staffing was increased to meet DEP requirements. Please explain this requirement in detail and provide documentation showing the requirement.
- (g) With regard to Accounts 601/701, Salaries & Wages – Employees, the utility reflected salaries of \$65,512 on MFR Schedule B-5 and \$61,703 on Schedule B-6. According to MFR Schedule B-3, the utility has proposed pro forma salary adjustments of \$4,672 for water and \$4,022 for wastewater. These adjustments represent a salary increase of 7.13% for water and 6.52% for wastewater
 - (i) Please provide all of the utility's calculations, bases, workpapers, and support documentation for the above salary increases.
 - (ii) Please explain, in detail, why the utility's salary adjustments are significantly greater than the Commission's 2006 Index of 2.74%.
- (h) With regard to Accounts 604/704, Employee Pensions & Benefits, reflected on MFR Schedules B-5 and B-6, the utility reflected pensions & benefits of \$12,700 for water and \$11,508 for wastewater. According to MFR Schedule B-3, the utility has proposed pro forma pensions & benefits adjustments of \$1,690 and \$1,455, which is associated with the utility's pro forma salary adjustments of \$4,672 and \$4,022. These adjustments represent a pensions & benefits increase of 13.31% for water and 12.64% for wastewater. The historical ratio of pensions & benefits to salaries & wages – employees is 19.39% ($\$12,700/\$65,512$) for water and 18.65% ($\$11,508/\$61,703$) for wastewater. The ratio of pro forma pensions & benefits to pro forma salaries & wages – employees is 36.17% ($\$1,690/\$4,672$) for water and 36.18% ($\$1,455/\$4,022$) for wastewater. The ratio of Pennbrooke's adjusted test year of pensions & benefits to its

adjusted test year salaries & wages - employees is 20.50% for water and 19.72% for wastewater.

- (i) Explain why Pennbrooke's pro forma increases in pensions & benefits should not increase at the same percentage as its pro forma salaries & wages - employees' increase of 7.13% for water and 6.52% for wastewater .
 - (ii) Explain why the 36.17% and 36.18% ratios of pro forma pensions & benefits to pro forma salaries & wages - employees is 86.54% [(36.17-19.39)/19.39] greater for water and 93.99% [(36.18-18.65)/18.65] greater for wastewater than the historical ratio of pensions & benefits to salaries & wages - employees ratio of 19.39% and 18.65%.
 - (iii) Explain why Pennbrooke's pro forma pensions & benefits adjustment should be greater than \$931 for water and \$771 for wastewater, which represents the historical 19.39% and 18.65% ratios of pensions & benefits to salaries & wages - employees applied to the utility's \$4,672 and \$4,022 pro forma salary adjustments and indexed by the Commission's 2006 Price Index of 2.74%.
 - (iv) Please provide all of the utility's calculations, bases, workpapers, and support documentation for the \$1,690 and \$1,455 pro forma pensions & benefits adjustments.
11. With regard to Accounts 620/720, Materials and Supplies, reflected on MFR Schedules B-7 and B-8, please explain the large increase in these accounts in greater detail.
 12. With regard to Accounts 615/715, Purchased Power reflected on MFR Schedules B-5 and B-6, the utility reflected purchased power of \$25,515 and \$25,367. According to MFR Schedule B-3, Pennbrooke has proposed pro forma purchased power adjustments of \$1,472 for water and \$1,744 for wastewater. These adjustments represent an increases of 5.77% and 6.88%.
 - (a) Please provide all of the utility's calculations, workpapers, and support documentation for the above purchased power increases. The support documentation should include, but not be limited to, all 2005 electric power bills/invoices for the systems and the most recent month's electric power bills/invoices for the systems.
 - (b) Please provide schedules for water and wastewater 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.

13. With regard to Account 711, Sludge Removal Expense reflected on MFR Schedule B-8, staff requests the following additional information:
 - (a) Was the contract for sludge removal competitively bid out? If so, how many companies provided a bid?
 - (b) What is the per gallonage cost of sludge removal?
 - (c) How many gallons of sludge were removed during the test year?
 - (d) What is the typical percent of solids concentration of the sludge and the percent of volatile solids when the sludge is removed from the digester?
 - (e) Provide your calculations, assumptions, and references that demonstrate that the quantity and concentration of sludge removed from the digester is reasonable.
14. 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.
15. On MFR Schedule E-4, Pennbrooke reflected current miscellaneous service charges. The utility proposed after hours charges of \$22.50 for initial connection, normal reconnection, water violation reconnection, actual cost for wastewater violation reconnection, and \$15.00 for premises visit. It is the Commission's practice to approve miscellaneous service charges (including initial connection, normal and violation reconnection and premises visit charges) for a water and/or wastewater utility as long as the amounts and conditions are the same as recent Commission decisions. By Order No. ~~PSC-06-0684-PAA- WS~~, issued August 8, 2006, in Docket No. 050587-WS, In re: Application for staff-assisted rate case in Charlotte County by MSM Utilities, LLC., the

Commission found that MSM Utilities, LLC (MSM) shall be allowed to increase its water and wastewater miscellaneous service charges as follows:

Water Miscellaneous Service Charges

	<u>Commission Approved</u>	
	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$20	N/A
Normal Reconnection	\$20	\$40
Violation Reconnection	\$20	\$40
Premises Visit	\$20	\$40

Wastewater Miscellaneous Service Charges

	Commission Approved	
	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$20	N/A
Normal Reconnection	\$20	\$40
Violation Reconnection	Actual Cost	Actual Cost
Premises Visit	\$20	\$40

- (a) In an effort to set reasonable charges to make the cost causer pay for the above services, would the utility agree that it would be more appropriate for Pennbrooke to establish the charges as approved for MSM above, instead of the utility's proposed charges on MFR Schedule E-4.
 - (b) If the utility's response to Question 16 (a) above is in agreement with any of the above charges approved for MSM, state the charge(s) that the utility is in agreement with.
 - (c) Provide the following: (1) a breakdown of the number of initial connections, normal reconnections, and premises visits during normal hours for the 2005 test year; and (2) a breakdown of the number of normal reconnections and premises visits for the 2005 test year during after hours.
16. On Schedule W-14 in the utility's 2005 Annual Report, Pennbrooke stated for water it presently serves 1,295 equivalent residential connections (ERCs) and will reach 1,400 ERCs upon buildout of its service area; for wastewater, per S-13, it serves 1,244 ERCs and will reach 1,782 ERCs at buildout. Based on the MFRs, the 2005 13-month average net contributions in aid of construction (CIAC) ratio is 50.78% for water and 44.69% for wastewater. Also, the water transmission and distribution system amount is \$63,886 more than water CIAC; the wastewater collection system amount is \$993,989 more than the wastewater CIAC.

- (a) What is the utility's estimated buildout date?
- (b) What is the utility's estimated date that Pennbrooke 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, 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 wastewater treatment plant. 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 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, 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.
- (e) Describe any known developments proposed in the utility's service territory, including the name of each development and the projected number and types of housing units for all development phases that have begun since December 31, 2005, or will begin by December 31, 2006.
- (f) Please provide a copy of all outstanding developer agreements.

17. With regard to reuse, staff requests the following additional information:

- (a) To what areas is Pennbrooke permitted to provide reuse?
- (b) Please provide a list of customers who receive reuse.
- (c) Does the utility have an executed contract to provide reuse to the Pennbrooke Fairways Golf Course (Golf Course)? If so, please provide a copy.
- (d) 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?
- (e) Is the Golf Course able to meet 100% of the utility's effluent disposal needs? If not, what alternatives are the utility considering for effluent disposal?
- (f) Does the utility meet all of the irrigation needs of the Golf Course? If not, what alternatives are available to the Golf Course?

- (g) Is the reuse provided to the Golf Course and other areas metered, and if so, what is the annual gallons of reuse provided to the Golf Course and other areas for the 2005 test year? Please list the gallons used by the Golf Course and other areas separately.
- (h) If reuse is not metered, provide the estimated cost of installing reuse meters and backflow preventors for all existing reuse customers.
- (i) Are there any physical impediments or other restrictive factors that would prohibit the installation of reuse meters?
- (j) Has Pennbrooke placed any reuse quantity restriction on the golf course? If so, please explain in detail.
- (k) Is the Golf Course an affiliated or related party to the utility? If so, what is the nature of the affiliation?
- (l) There is currently no charge to the Golf Course for reuse, has the utility considered charging a fee? If not, please explain why.
- (m) Are there any additional golf courses in or near Pennbrooke's service territory? If so, for each golf course, please state what the approximate closest distance, in feet and miles, is to either the utility's wastewater treatment plant or Pennbrooke's existing reuse transmission line.
- (n) If the answer is "yes" to Question 18(m) above, has Penbrooke 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, please explain why.
- (o) If the answer is "yes" to Question 18(m) 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.
- (p) 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.
- (q) Regarding the transmission line providing reuse to the Golf Course and other areas, 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.
- (r) What is Pennbrooke's reuse gallon per day capacity?
- (s) Is reuse a requirement or condition of the water management district's Consumptive Use Permit?

- (t) From December 31, 2004 to December 31, 2005, 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.
 - (u) From December 31, 2004 to December 31, 2005, also provide a monthly corresponding breakdown, by primary plant account, of the associated accumulated depreciation and depreciation expense for the specific, incremental reuse plant.
18. 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.
19. On Schedule F-6, the utility stated that although the customer base has increased by 70% since the last test year, the utility's AADF has been held to the 2001 levels and the daily flow levels have been reduced.
- (a) Please explain in detail how the utility accomplished this given the large increase in customers.
 - (b) Does this relate to water consumption?
20. Provide the utility's current and most recently expired Consumptive Use Permit from the water management district. Each permit should include all attachments, exhibits, and conservation plans referenced in the permits.
21. Please provide, for each month during the period January 2000 through December 2005, water system data regarding the number of bills rendered and the number of gallons sold. This information should be provided, by **customer class, meter size and usage block**, for each month during the period requested. Please provide the information in the format shown below. To the extent the gallons sold in a particular customer class are not associated with an inclining-block rate charge, please list the gallons under the Block 1 column.

<u>Month / Yr</u>	<u>Customer Class</u>	<u>Meter Size</u>	<u>Number of Bills</u>	<u>Gallons Sold Block 1</u>	<u>Gallons Sold Block 2</u>
Jan 2000	RS	5/8"			
Feb 2000					
Etc. through					
Dec 2005		Please incl all RS			

		meter sizes billed during the requested period			
Jan 2000	RS irrig	5/8"			
Feb 2000					
Etc. through					
Dec 2005		Please incl all RS meter sizes billed during the requested period			
Jan 2000	GS	5/8"			
Feb 2000					
Etc. through					
Dec 2005		Please incl all GS meter sizes billed during the requested period			
Jan 2000	GS irrig	5/8"			
Feb 2000					
Etc. through					
Dec 2005		Please incl all GS meter sizes billed during the requested period			

22. Please provide, for each month during the period January 2000 through December 2005, wastewater system data regarding the number of bills rendered and the number of gallons sold. This information should be provided, by **customer class and meter size**, for each month during the period requested. Please provide the information in the format shown below.

<u>Month / Yr</u>	<u>Customer Class</u>	<u>Meter Size</u>	<u>Number of Bills</u>	<u>Gallons Sold</u>
Jan 2000	RS	5/8"		
Feb 2000				
Etc. through				
Dec 2005		Please incl all RS meter sizes billed during the requested period		
Jan 2000	GS	5/8"		

Mr. Martin S. Friedman, Esquire


Page 12

September 20, 2006

Feb 2000				
Etc. through				
Dec 2005		Please incl all GS meter sizes billed during the requested period		

Please submit the above information to the Division of the Commission Clerk and Administrative Services by October 23, 2006. If you have any questions, please contact me by phone at (850) 413-6427 or by e-mail at nmerta@psc.state.fl.us.

Sincerely,



Sam Merta
Professional Accountant Specialist

cc: Division of Economic Regulation (Rendell, Daniel, Rieger)
Office of the General Counsel (Brubaker)
Division of the Commission Clerk and Administrative Services (060261-WS)