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# Public Service Commission

October 12, 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. 060255-SU* - Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.

Dear Mr. Friedman:

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

- The following items relate to the pro forma plant additions reflected in adjustment (A) on MFR Schedule A-3.

For each addition, provide the following:

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

- a statement why each addition is necessary;
- a copy of all invoices and other support documentation if the plant addition has been completed;
- a copy of the signed contract or bids, if the plant addition has not been completed;
- a status of the engineering and permitting efforts, if the plant addition has not been through the bidding processing; and
- the projected in-service date for each outstanding plant addition.
- If applicable, a copy of the "Capital Project Request" sheet from the Integrated Solution System.

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- (g) All retirement entries, as well as the methodology and calculations used to calculate the retirement of any items that are replacements for existing plant.
2. On Schedule A-3, Adjustment (B), the utility indicated it transferred work orders in the amount of \$63,296 to UPIS. The utility's net adjustment to UPIS, Adjustment (A), is \$31,952. Please explain the difference.
  3. On Schedule A-10, it shows that Account 351.1, Organization, has year end accumulated depreciation balances for 2004 and 2005. Explain why this account does not have year end plant balances for 2004 and 2005 on Schedule A-6.
  4. On Schedule A-10, the utility shows a debit balance of \$122,840 in Account 351.1000, Sewer Plant.
    - (a) Please explain in detail what the debit balance represents in this account.
    - (b) Please provide breakdown of this account.
  5. With regard to Account No. 701, Salaries & Wages – Employees, the utility reflected salaries of \$46,174 on MFR Schedule B-6. According to MFR Schedule B-3, Tierra Verde has proposed a pro forma salary adjustment of \$17,952. This adjustment represents a salary increase of 38.88%.
    - (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 adjustment is significantly greater than the Commission's 2006 Index of 2.74%.
  6. With regard to Account 704, Employee Pensions & Benefits reflected on MFR Schedule B-6, the utility reflected pensions & benefits of \$10,798 for wastewater. According to MFR Schedule B-3, Tierra Verde has proposed a pro forma pensions & benefits adjustment of \$2,050 which is associated with the utility's pro forma salary adjustment of \$17,952. This adjustment represents a pensions & benefits increase of 18.99%. The historical ratio of pensions & benefits to salaries and wages – employees is 23.39% ( $\$10,798/\$46,174$ ). The ratio of pro forma pensions & benefits to pro forma salaries & wages – employees is 11.42% ( $\$2,050/\$17,952$ ). The ratio of Tierra Verde's adjusted test year of pensions & benefits to its adjusted test year salaries & wages – employees is 20.03%.
    - (a) Explain why Tierra Verde's pro forma increase in pensions & benefits should not increase at the same percentage as its pro forma salaries & wages – employees' increase of 38.88%.

- (b) Explain why the 11.42% ratio of pro forma pensions & benefits to pro forma salaries & wages – employees is 51.18%  $[(11.42 - 23.39)/23.39]$  less than the historical ratio of pensions & benefits to salaries & wages – employees ratio of 23.39%.
  - (c) Explain why Tierra Verde's pro forma pensions & benefits adjustment should not be \$4,314 which represents the historical 23.39% ratio of pensions & benefits to salaries & wages – employees applied to the utility's \$17,952 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 \$2,050 pro forma pensions & benefits adjustment.
- 7. With regard to Account 710, Purchased Wastewater Treatment reflected on MFR schedule B-6, the utility reflected purchased wastewater of \$493,926. According to MFR Schedule B-3, Tierra Verde has proposed a pro forma purchased wastewater adjustment of \$13,534. This adjustment is equal to the Commission's 2006 Price Index of 2.74%. The increase in purchased wastewater treatment is the annual difference of consumption at new rates and the consumption at old rates.
  - (a) Please provide all of the utility's calculations, workpapers, and support documentation for the above purchased wastewater treatment. The support documentation should include, but not be limited to, all 2005 purchased wastewater treatment bills/invoices for the wastewater system and the most recent month's purchased wastewater treatment bill/invoice for the wastewater system.
  - (b) Please provide a schedule showing, by month, the charges for purchased wastewater treatment consumption for the 12-month period ending December 31, 2005, the charges that would have resulted had the new purchased wastewater treatment 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.
- 8. In addition to the above salaries & wages – employees, pensions & benefits, and purchased wastewater expense adjustments, the utility has requested numerous other Operation & Maintenance (O&M) expense adjustments. According to MFR Schedule B-3, Tierra Verde has reflected pro forma expense adjustments using the Commission's 2006 Price Index of 2.74% for the following accounts: Purchased Power; Sludge Hauling Expense; Materials and Supplies; Contractual Services –

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Accounting; Contractual Services – Legal; Contractual Services – Other; Transportation Expenses; Insurance – Other; and Miscellaneous Expenses. According to MFR Schedule B – 10, Tierra Verde has requested an annual rate case expense of \$46,894. 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 letter, Tierra Verde stated that its historic test year ending December 31, 2005 is representative of a normal full year of operation.

- (a) If the historic test ending December 31, 2005 is representative of a normal full year of operation, explain why O&M 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 Power; Sludge Hauling Expense; Materials and Supplies; Contractual Services – Accounting; Contractual Services – Legal; Contractual Services – Other; Transportation Expenses; Insurance – Other; and Miscellaneous Expenses?
  - (c) If the answer to Question 8 (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 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.
9. 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.
10. On MFR Schedule E-4, Tierra Verde reflected its miscellaneous service charges. The utility proposed after hours charges of \$22.50 for initial connection and normal reconnection, actual cost for 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 reconnections and premises visit charges) for a water and/or wastewater utility as long as the amounts and conditions are the same as 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 wastewater miscellaneous service charges as follows:

Wastewater 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	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 appropriate for Tierra Verde 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 9 (a) above is in agreement with any of the above charges approved for MSM, state the charges (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.

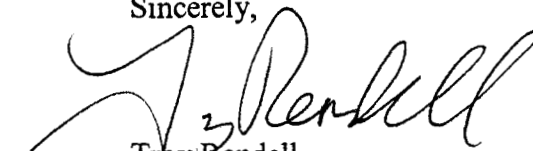
Mr. Martin S. Friedman, Esquire

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Please submit the above information to the Division of the Commission Clerk and Administrative Services by November 12, 2006. If you have any questions, please contact Shannon Hudson at (850) 413-7021.

Sincerely,



Troy Rendell  
Public Utilities Supervisor

TR:sh

cc: Division of Economic Regulation (Bulecza-Banks, Hudson, Massoudi)  
Office of the General Counsel (Brown)  
~~Division of the Commission Clerk and Administrative Services (Docket # 060255-SU)~~  
Office of Public Counsel