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Public Service Commission

May 9, 2007

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COMMISSION
CLERK

Martin S. Friedman, Esquire
Rose, Sundstrom & Bentley, LLP
2180 W. State Road 434, Suite 2118
Longwood, FL 32779

Re: Docket No. 060726-WS, Application for certificates to provide water and wastewater service in Glades and water service in Highlands County by Silver Lake Utilities, Inc.

Dear Marty:

Based on Staff's review of Silver Lake Utilities, Inc.'s proposed rates and charges, we have the following questions and data requests. Staff would appreciate a response on or before May 25, 2007. The response should be filed with the Office of Commission Clerk for inclusion in the docket file. If you have any questions regarding the information being requested, please feel free to contact Pat Brady at (850) 413-6686, pbrady@psc.state.fl.us, or Mr. Richard Redemann at (850) 413-6999, rredeman@psc.state.fl.us.

RATES AND CHARGES - QUESTIONS & DATA REQUESTS

Existing Water System

- 1. Can the utility provide evidence to show that the existing facilities were not costed off on the Lykes Bros. income tax?

General UPIS

- 2. Staff cannot determine the reasonableness of the plant items in the format given. For each system, can the utility provide a schedule which identifies plant items by NARUC account number, short description, type of unit, number of units, cost per unit, and total costs? For instance:

<u>Acct. No.</u>	<u>Description</u>	<u>Unit</u>	<u>No. of Units</u>	<u>Unit Cost</u>	<u>Total Cost</u>
370	Lift Station	Each	20	\$20,000	\$400,000
xxxx	3" Lateral	Linear Ft.	2,000	\$ 100	\$ 20,000

(Note: The data needed is similar to that provided on Schedule F-5. However, staff could not verify the unit cost from that or any other schedule.)

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Injection Wells

3. Can the utility provide recent water quality analysis for the Muse which includes the mg/l of total dissolved solids (TDS)?
4. Can the utility provide information, such as engineering analysis, that shows that deep well injection is the least-cost alternative for disposal of brine concentrate and excess effluent?
5. As staff understands it, the utility intends to construct two deep injection wells. One for bulk treated water and one for the Muse Development treated water and excess wastewater effluent disposal. Staff can see some breakdown in injection well costs in wastewater and bulk water. However, it is not broken out for potable water. Can the utility provide a complete breakdown of costs for the injection wells and the percentage assigned to each system?

Reuse Irrigation

It is staff's understanding that the utility is using 250 gpd for water usage because irrigation from reuse will be available. As such, the utility is constructing facilities capable of providing high quality reuse and storage. It is also staff's understand that irrigation services are not included in the application because the service will be provided by the parent as an exempt service.

5. Please provide the rate the utility intends to charge the parent to purchase reuse from its facilities. Also, please provide a schedule which shows how the customers' rates have been offset by the proceeds from those sales.

Rate Structure

6. The utility has requested a two-tiered gallonage rate for potable water for the Muse Development. Since there is no historical data, what is the basis of the utility's request and how was the 5kgal break point selected?
7. If the rate structure was recommended by the local WMD, did the utility request a temporary pass on the IBRS for 12 to 24 months in favor of a uniform gallonage charge until historical data can be obtained?

Leases and Royalties

The application contains a proposed lease with Lykes Bros., Inc. for royalties of \$.20 per kgal for water withdrawn and \$1,000 per year rental foreach lease site. It is staff's understanding that this was based on the amount approved for Town and Country in 1998. However, the most recent royalties approved for inclusion in rate base by the Commission were \$.10 for Farnton in 2002 and D & E in 2006.

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8. The details in Appendix A to the engineering report, appear to be for 22 existing wells and 7 wells owned by the Seminole Indians. Please confirm the total number of wellsites, both existing and proposed.
9. Given the poor quality of water, can the utility justify the amount of the proposed royalty?
10. The most recently approved well site leases for Farmton and D&E were for \$100 per year, which is \$900 less than Lykes Bros., Inc. is proposing to charge. As such, leases are over 20% of the O&M for the existing systems. Can the utility justify the proposed lease cost?

Salaries and Wages

11. Since the utility is proposing to contract out some of its duties, can the utility provide a schedule for each service which shows the duties that are intended to be performed under salary and wages, verses contract costs, along with the total man-hours and hourly rate?

Meters

12. Can the utility provide the justification for the \$300 cost for a 5/8" x 3/4" meter?
13. Can the utility provide cost justification for the other meter sizes?
14. Have the existing customers paid for meters?

Customer Deposits

15. Deposits. Since the utility has requested a late payment fee, can it provide the reason it did not request customer deposits?

Sincerely,



Patti Daniel
Public Utilities Supervisor
Bureau of Certification, Economics and Tariffs

PD:kb

cc: Division of Economic Regulation (Brady, Redemann, Marsh)
Office of the General Counsel (Gervasi)
Office of Commission Clerk