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REPLY TO CENTRAL FLORIDA OFFICE

May 14, 2007

HAND DELIVERY

Ann Cole, Commission Clerk  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

RE: Docket No.: 060285-SU; Utilities, Inc. of Sandalhaven's Application for Rate Increase  
in Charlotte County, Florida  
Our File No.: 30057.114

Dear Ms. Cole:

Utilities, Inc. of Sandalhaven (*Utility*) accepts the findings of Audit Staff set out in its Audit Report dated April 17, 2007 with the exception of the following:

**Audit Finding 5**

In 2004, the Utility developed a sewer master plan project, which was intended to increase capacity of the treatment facility. This project included a capacity analysis of the Utility's service area based on capacity commitments, proposed developer activity, Charlotte County land use and zoning information, and other information. This report, produced by CPH Engineering, indicated that wastewater flow at service area build out conditions would approach 1.000 mgd. It also indicated that the WWTP would need to be expanded from its current 0.150 mgd. permitted capacity in order to meet the construction schedules of various developers. The project also contained a feasibility study of alternatives to an expansion including the construction of an interconnection with either EWD or Charlotte County Utilities to treat and/or dispose of part or all of the Utility's flow. This project to obtain additional capacity was never cancelled. The project to develop additional capacity took on many facets, including treating of effluent, treatment and disposal of all the Utility's flow, and deep and shallow well injections. After significant attempts to uncover the best alternative, it was determined that an interconnection with Englewood Water District was the best option under the project.

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May 14, 2007  
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### Audit Finding 11

The Utility believes that the \$5,500 was related to hurricanes, and, because it is non-recurring, it should be deferred and amortized over a period of five (5) years, with \$1,100 to be included in net operating income for the test year.

Should you have any questions, please do not hesitate to contact me.

Very truly yours,



*for* VALERIE L. LORD  
For the Firm

VLL/tlc

cc: Ms. Cheryl Bulecza-Banks, Division of Economic Regulation (by hand delivery)  
Mr. Troy Rendell, Division of Economic Regulation (by hand delivery)  
Ms. Denise N. Vandiver, Chief, Bureau of Auditing (by hand delivery)  
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Ms. Kirsten E. Weeks (by U.S. Mail)  
John P. Hoy, Regional Vice President for Operations (by U.S. Mail)  
Patrick C. Flynn, Regional Director (by U.S. Mail)  
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