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TIMOTHY DEVLIN, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

September 26, 2008

Mr. Martin Friedman
Rose, Sundstrom & Bentley, LLP
Sanlando Center
2180 W. State Road 434, Suite 2118
Longwood, FL 32779

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Re: Docket No. 080248-SU - Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.

Dear Mr. Friedman:

We have reviewed the minimum filing requirements (MFRs) submitted on August 27, 2008, on behalf of Tierra Verde Utilities, Inc. (Tierra Verde or utility). After reviewing this information, we find the MFRs to be deficient. The specific deficiencies are identified below numerically.

Rule 25-30.437, Florida Administrative Code (F.A.C.), requires that each utility applying for a rate increase provide the required information on Commission Form PSC/ECR 19 (11/93), entitled "Class A Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements." Further, Rule 25-30.110, F.A.C., requires that each utility furnish any information the Commission requests or requires for determining rates of the utility and that the information be consistent with and reconcilable with the utility's annual report to the Commission.

1. The utility is required to provide the accumulated depreciation balances for the test year ending December 31, 2007, and the prior year on MFR Schedule A-10. The Per Books Test Year 12/31/07 balance reflected on Schedule A-10, \$2,230,040, is less than the year-end balance reflected in the 2007 Annual Report on Schedule S-6(b), \$2,350,654. Also, the Per Books Prior Year 12/31/06 balance reflected on Schedule A-10, \$1,924,757, is greater than the beginning year balance reflected in the 2007 Annual Report, Schedule S-6(b), \$1,914,646. Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2007 Annual Report and MFR Schedule A-10.

2. The utility is required to provide the balances of all assets, equity capital, and liabilities for the year ended December 31, 2006, December 31, 2007, and their average on MFR Schedules A-18 and A-19. The following are deficiencies on Schedules A-18 and A-19.

- a. The Per Books Test Year 12/31/07 balance for Total Assets reflected in Schedule A-18, Line 32, \$2,149,226, is less than the balance for the Current Year reflected in the 2007 Annual Report, Schedule F-1(b), \$2,301,431.

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- b. The Per Books Prior Year 12/31/06 balance for Total Assets reflected in Schedule A-18, Line 32, \$2,250,817, is greater than the balance for the Previous Year reflected in the 2007 Annual Report, Schedule F-1(b), \$2,405,920.
- c. On Schedule A-19, Line 11, Advances from Associated Companies, the Per Books Test Year 12/31/07 balance of \$479,868 and the Per Books Prior Year 12/31/2006 balance of \$540,351 do not have corresponding entries in the 2007 Annual Report, Schedule F-2(a).
- d. On Schedule A-19, Line 14, Total Long Term Debt, the Per Books Test Year 12/31/2007 balance of \$479,868 and the Per Books Prior Year 12/31/2006 balance of \$540,351 do not have corresponding entries in the 2007 Annual Report, Schedule F-2(a).
- e. On Schedule A-19, Line 18, Notes and Accounts Payable – Associated Companies, the Per Books Test Year 12/31/2007 balance of \$541,928 and the Per Books Prior Year 12/31/2006 balance of \$591,904 do not have corresponding entries in the 2007 Annual Report, Schedule F-2(a).
- f. The Per Books Test Year 12/31/2007 balance for Total Current and Accrued Liabilities, reflected in Schedule A-19, Line 26, \$801,877, is greater than the balance reflected in the 2007 Annual Report, Schedule F-2(a), \$322,010.
- g. The Per Books Prior Year 12/31/2006 balance for Total Current and Accrued Liabilities, reflected in Schedule A-19, Line 26, \$644,802, is greater than the balance reflected in the 2007 Annual Report, Schedule F-2(a), \$104,451.
- h. The Per Books Test Year 12/31/2007 balance for Total Equity Capital and Liabilities reflected in Schedule A-19, Line 40, \$2,149,226, is less than the balance reflected in the 2007 Annual Report, Schedule F-2(b), \$2,301,431.
- i. The Per Books Prior Year 12/31/06 balance for Total Equity Capital and Liabilities reflected in Schedule A-19, Line 40, \$2,250,817, is less than the balance reflected in the 2007 Annual Report, Schedule F-2(b), \$2,405,920.


Pursuant to Rule 25-30.110, F.A.C., please provide the reconciliation of the balances in the 2007 Annual Report and the MFR Schedules A-18 and A-19.

3. Rule 25-30.440(8), F.A.C., requires that each applicant for a rate increase provide the Commission one copy of a list of all field employees, their duties, responsibilities, and certificates held, and an explanation of each employees' salary allocation method to the utility's capital or expense accounts. The sum of MFR Schedule B-6, Column 14, Lines 1 and 2, reflects a total O&M expense of annual salaries for employees and officers of \$32,492. The sum of MFR Schedule B-12, Column 8, Lines 2, 3, and 4, reflects a total allocation of expenses for salaries in the amount of \$35,181. Staff believes the difference between the allocation and actual expense of salaries may have been capitalized by the utility. However, the utility's cost allocation manuals, MFRs, and the employee list provided by the utility do not indicate which employees' salaries were capitalized. Please provide a list that contains an explanation of each employee's salary allocation method to the utility's capital or expense accounts as required by Rule 25-30.440(8), F.A.C.

Mr. Martin Friedman
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If any above corrections require a corresponding change to any MFR schedules, those corrected schedules must also be submitted. Your petition will not be deemed filed until the deficiencies identified in this letter have been corrected. These corrections should be submitted no later than October 26, 2008.

Sincerely,


Timothy Devlin
Director

TD:db

cc: Office of Commission Clerk
Office of the General Counsel (Keino)
Division of Economic Regulation (Bulecza-Banks, Buys, Daniel, Fletcher, Maurey,
Walden, Willis)