

## Ruth Nettles

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**From:** Trina Collins [TCollins@RSBattorneys.com]  
**Sent:** Monday, November 02, 2009 10:14 AM  
**To:** Filings@psc.state.fl.us  
**Cc:** jphoy@uiwater.com; keweeks@uiwater.com; pcflynn@uiwater.com; dswain@milianswain.com; frankdenjup@att.net; Bart Fletcher; Martin Friedman; Christian W. Marcelli; Trina Collins  
**Subject:** Filing in Docket No. 090462-WS; Utilities, Inc. of Florida's Application for an Increase in Water and Wastewater Rates in Marion, Orange, Pasco, Pinellas and Seminole County, Florida  
**Importance:** High  
**Attachments:** PSC Clerk 02 (Memo re test year request).ltr.11-02-2009.pdf

- a. Martin S. Friedman, Esq.  
Christian W. Marcelli, Esq.  
Rose, Sundstrom & Bentley, LLP  
Sanlando Center  
2180 W. State Road 434, Suite 2118  
Longwood, FL 32779  
Phone: (407) 830-6331  
Fax: (407) 830-8522  
Email: [mfriedman@rsbattorneys.com](mailto:mfriedman@rsbattorneys.com)  
[cmarcelli@rsbattorneys.com](mailto:cmarcelli@rsbattorneys.com)
- b. Docket No. 090462-WS; Utilities, Inc. of Florida's Application for an Increase in Water and Wastewater Rates in Marion, Orange, Pasco, Pinellas and Seminole County, Florida - filing Utilities, Inc. of Florida's Memo regarding request for approval of a test year ending December 31, 2008.
- c. Utilities Inc. of Florida
- d. 3 Pages.
- e. Letter to Commission Clerk - 3 pages.

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LAW OFFICES  
**ROSE, SUNDSTROM & BENTLEY, LLP**

2548 BLAIRSTONE PINES DRIVE  
TALLAHASSEE, FLORIDA 32301

FREDERICK L. ASCHAUER, JR.  
CHRIS H. BENTLEY, P.A.  
ROBERT C. BRANNAN  
F. MARSHALL DETERDING  
JOHN R. JENKINS, P.A.  
KYLE L. KEMPER  
STEVEN T. MINDLIN, P.A.  
CHASITY H. O'STEEN  
WILLIAM E. SUNDSTROM, P.A.  
DIANE D. TREMOR, P.A.  
JOHN L. WHARTON

ROBERT M. C. ROSE (1924-2006)

(850) 877-6555  
FAX (850) 656-4029  
www.rsbatorneys.com

REPLY TO CENTRAL FLORIDA OFFICE

November 2, 2009

CENTRAL FLORIDA OFFICE  
SANLANDO CENTER  
2180 W. STATE ROAD 434, SUITE 2118  
LONGWOOD, FLORIDA 32779  
(407) 830-6331  
FAX (407) 830-8522

MARTIN S. FRIEDMAN, P.A.  
BRIDGET M. GRIMSLEY  
CHRISTIAN W. MARCELLI  
BRIAN J. STREET

E-FILING

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

RE: Docket No. 090462-WS; Utilities, Inc. of Florida's Application for an Increase in Water and Wastewater Rates in Marion, Orange, Pasco, Pinellas and Seminole County, Florida  
Our File No.: 30057.179

Dear Ms. Cole:

As part of its review of Utilities, Inc. of Florida's request for approval of a test year ending December 31, 2008, Staff has requested that the Utility further support its assertion that the requested test year is representative of a full year of operations pursuant to Rule 25-30.430, Florida Administrative Code. Staff raised particular concerns regarding whether the test year requested is too far in the past to adequately serve as a basis for setting rates. For the following reasons, the test year requested by the Utility is representative and reliable, and should be approved by the Commission.

It should be noted at the outset that Rule 25-30.430, Florida Administrative Code, does not set forth deadlines or specific time frames for test year approval. The standard is whether the test year is "representative of utility operations." While the Utility understands that Staff has a policy in place to avoid using "stale" data, strict adherence to that policy in this case would not result in more accurate ratemaking and would cause significant harm to the Utility because it would lose all of the time, effort and resources it has already expended in preparing MFRs based on a 2008 test year.

The test year ending December 31, 2008 should be approved because it is still representative of a full year of utility operations and will continue to be representative through the end of 2009. Requiring that the test year be moved forward would not result in any increased ratemaking accuracy because (1) there is virtually no change in

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customers from 2008 through the first half of 2009, (2) consumption has not changed to any significant degree, (3) there is no change in capital projects between 2008 and the first half of 2009, (4) any small changes can adequately be adjusted for, including accumulated depreciation and amortization, and (5) using a calendar year is more accurate because it aligns with how the Utility develops its budgeting plan and is more convenient for Audit Staff.

Customer growth. The Utility has not had any significant growth in customers from 2008 through 2009, and no growth is projected. The difference between the full 2008 test year and the mid-2008 to mid-2009 test year amounts to a total of five (5) new customers out of a total of 5,671 customers. As such, moving the test year forward in order to utilize the first six (6) or nine (9) months of 2009 would not change any customer-driven data. Further, not only is there no growth, but there is no "trend" to capture by using the first six (6) or nine (9) months of 2009.

Consumption. In addition to flat customer growth, consumption is also essentially the same. The attached spreadsheet compares consumption data of the full 2008 test year with an annualized year of 2009 data. The data indicates that consumption has varied by only about 7.5%. This is consistent with slightly higher than average levels of precipitation experienced in mid-Florida during both 2008 and 2009.

Capital Investment. The level of capital investment has not and will not change from 2008 to 2009 in line with the lack of customer growth noted above; furthermore, no growth-related projects are planned.

Ratemaking Adjustments. There are a small number of ratemaking issues that would require a simple adjustment, such as calculating accumulated depreciation and accumulated amortization for the twelve (12) month period after the 2008 test year. These issues can easily be accounted for. For example, the Utility agrees that accumulated depreciation, as well as accumulated amortization, should be adjusted in order to represent these balances at December 31, 2009. The adjustment, amounting to a net reduction to rate base of approximately \$300,000.00, will roll accumulated depreciation and accumulated amortization on December 31, 2008 assets and CIAC balances forward through December 31, 2009. This adjustment ensures that for these particular assets and CIAC, rate base reflects a more current period of time. Additionally, customers will be receiving a benefit by this adjustment, as it is only taking into account accumulated depreciation and accumulated amortization on 2008 assets, and does not reflect any asset additions in 2009, with the exception of the pro forma plant that will be included for consideration with this filing.

Use of Calendar Year. Finally, using the full year of 2008 as opposed to a mid-2008 to mid-2009 test year increases the accuracy of the ratemaking process because the full year test year more accurately tracks how the Utility actually budgets for each year and avoids issues arising from forcing Audit Staff to adjust numerous calculations to approximate an actual year of data. This seems unreasonable given that the Utility has an actual full calendar year of data that is as accurate a representation of the Utility as any newer data.

While the Utility understands the purpose behind using the most recent data for ratemaking purposes, the reasons that make more recent data so important are not present in this case. In short, nothing significant has changed thus far in 2009 to make 2009 more representative from 2008, and requiring the Utility to move its test year forward to capture 2009 data would not alter the outcome of the filing. However, if the 2008 test year request is denied, the time and money the Utility has already invested in preparing MFRs will be substantial. Given the downside (substantial loss) and the fact that requiring newer data will not improve the ratemaking process in this particular case, the Utility requests that the 2008 test year be approved. Further, the Utility will provide any specific information Staff or the Commission Chair would require to further assess the requested test year.

Should you or the Staff have any questions, please do not hesitate to give me a call.

Very truly yours,



CHRISTIAN W. MARCELLI  
For the Firm

CWM/tlc

cc: John Hoy, Chief Regulatory Officer  
Ms. Kirsten E. Weeks  
Patrick C. Flynn, Regional Director  
Ms. Deborah Swain  
Mr. Frank Seidman  
Mr. Bart Fletcher, Division of Economic Regulation