

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.rsbattoorneys.com

REPLY TO CENTRAL FLORIDA OFFICE

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.
CHRISTIAN W. MARCELLI
BRIAN J. STREET

April 9, 2010

HAND DELIVERY

RECEIVED-FPSC
10 APR -9 AM 10: 20
COMMISSION
CLERK

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

Re: Docket No. 090349-WS; Cypress Lake Utilities, Inc.'s Application for a Limited Proceeding Water and Wastewater Rate Increase in Polk County, Florida;
Docket No. 090381-SU; Application of Utilities, Inc. of Longwood for an Increase in Wastewater Rates in Seminole County, Florida
Docket No.: 090392-WS; Application of Utilities, Inc. of Pennbrooke for an Increase in Water and Wastewater Rates in Lake County, Florida
Docket No. 090402-WS; Application for Increase in Water and Wastewater Rates in Seminole County by Sanlando Utilities Corporation.
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
Docket No.: 090531-WS; Application for staff-assisted rate case in Highlands County by Lake Placid Utilities, Inc.
Our File No.: 30057.183

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Dear Ms. Cole:

On March 17, 2010, Utilities, Inc. (the "Utility"), Staff and the Office of Public Counsel ("OPC") held an informal meeting to discuss the above-referenced rate cases. Since that time, OPC and Staff have requested the Utility provide information relating to the Utility's rate requests. This correspondence is the Utility's response to the various informal requests. Included with this filing is a data disc containing many of the files referenced herein.

DOCUMENT NUMBER-DATE

02708 APR-9 0

FPSC-COMMISSION CLERK

Re: OPC's list of issues – Affiliate Transactions - B-12 Schedules.

RESPONSE: Please see the files on the enclosed data disc titled:

- a. "Longwood B-12 Schedule.xlsx" and "UI of Longwood GL.xlsx;"
- b. "Sanlando B-12 Schedule.xlsx,"
- c. "Pennbrooke B-12 Schedule.xlsx," and "2008 UA Ledger.xlsx;"
- d. "UIF B-12 Schedule-Pinellas Co.xlsx," "UIF B-12 Schedule-Seminole Co.xlsx," "UIF B-12 Schedule-Marion Co.xlsx," "UIF B-12 Schedule-Orange Co.xlsx," and "UIF B-12 Schedule-Pasco Co.xlsx" each for their specific company and/or county;
- e. Base files from which the above B-12s were computed (all the filings in Florida with a test year ended 12.31.2008 used these files): "WSC Allocation 1.1.08-12.31.08.xlsx," "Region Allocation 1.1.08-12.31.08.xlsx," "RVP FL Allocation 1.1.08-12.31.08.xlsx," "State of FL Allocation 1.1.08-12.31.08.xlsx."

1. Re: OPC's list of issues - Phoenix and Customer Care and Billing (CCB) Software.

RESPONSE: Please see the file on the enclosed data disc titled, "SCUC Order Docket 08-06036 - Project Phoenix Findings.PDF".

2. Re: OPC's list of issues - Note 11 of Utilities Inc.'s 2008 financial statement refers to a Value Creation Share Plan. Please provide a detailed explanation of this plan, who receives this benefit, how the benefits are expensed, and what benefit the ratepayers receive from this plan.

RESPONSE: The Value Creation Share Plan (VCS) has no current value. Only select individuals in management receive the benefit. The VCS will only pay if Utilities, Inc. is sold, and the amount (if any) the VCS will pay is based solely on the purchase price of Utilities, Inc. The VCS benefit will not be borne by ratepayers; it is borne at the parent of Utilities, Inc.

3. Re: OPC's list of issues - Please provide the amount and percentage of capitalized labor to total labor charged from each WSC, WSC Regional Vice President, WSC Regional, and WSC Allocated State for the years 2005, 2006, 2007, 2008 and 2009.

RESPONSE: Please see the file on the enclosed data disc titled, "Response to OPC Informal Item 17.zip".

4. Re: OPC's list of issues - Please explain when the WSC Allocated Regional Vice President Expenses category was created and why this new allocation category was necessary and the benefits that were received by the Florida systems for such a dramatic increase in expenses.

RESPONSE: The RVP category was created in late 2007 with the onset of JDE. It was created to track certain expenses related to the regional vice president. The category is used for tracking purposes only; the expense running through this cost center is actually minimal in comparison to total allocated expenses. Although expenses have increased over the past several years, the RVP category did not specifically contribute to the increase in expenses. The Company will provide increases in specific expenses as compared on the B-7 and B-8 schedules by request.

5. Re: OPC's list of issues - Please provide the dollar amount of legal and professional time incurred in 2008 and 2009 with unsuccessful acquisitions or disposition activities and whether those amounts were allocated to any Florida regulated subsidiaries.

RESPONSE: No costs associated with unsuccessful acquisitions or divestitures are allocated to Florida subsidiaries.

6. Re: OPC's list of issues - According to its 2008 financial statements, Utilities, Inc. sold assets or systems with a net book value of \$2.6 million or proceeds of \$3.9 million in 2008. Please provide the names of the systems sold, the number of ERCs each system had and the 2007 allocation percentage used to share WSC, UI, or any other common costs, and the amount of gain on sale of each system or asset. Also provide this information for any systems sold in 2009 or 2010 to date.

RESPONSE: ERCs and names of systems sold have been provided in the Utility's response in Docket No. 090381-SU, to Staff's Second Data Request, Item No. 5. These system sales were total system sales in which no customers remain, so consistent with Commission practice the benefit of

the gain resides with the shareholders. Please see pp. 114-126 of Commission Order No. PSC-03-1440-FOF-WS in Docket No. 020071-WS.

7. Re: OPC's list of issues - Please provide an explanation of what cost saving measures to WSC or Utilities Inc. has taken to offset the previously allocated costs related to these sold systems. If no, cost savings measures were made to gross allocated costs, please explain why the remaining customers should pay higher costs as a result of the sale of other systems.

RESPONSE: A major cost saving measure includes the customer service optimization program in which several customer service centers in various states were closed, and customer service was maintained at three locations across the country (Pahrump, NV, Charlotte, NC, and Altamonte Springs, FL). These offices now serve the entire pool of UI subsidiaries, and these salaries are now accounted for at the WSC level. The personnel from the other customer service centers were terminated. A workpaper similar to the confidential workpaper supplied in the audit will be provided (along with a Notice of Intent to Request Confidential Status) in order to show the customer service personnel at the WSC level, and the cost savings related to this optimization. This workpaper will also be updated for actual salaries as of February 2010.

8. Re: Data Request No. 2, Item 1(b) - total amount of fuel gallons purchased (Docket No. 090381-SU).

RESPONSE: Included on the enclosed data disc is a file titled, "2008 GE FUEL.pdf," regarding gallons purchased. Also included is a zip file titled, "Fuel Reallocation.zip" containing additional fuel allocation information.

9. Re: Data Request No. 2, Item 5 - ERCs (Docket No. 090381-SU).

RESPONSE: Included on the data disc is a file titled, "December 2007-2009 Allocation Percentages.xlsx" intended to provide additional information regarding the Utility's response to DR2, Item 5 (Docket No. 090381-SU).

Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
April 9, 2010
Page 5

10. Re: Rate Case Expense Updates.

RESPONSE: Please see the files on the enclosed data disc providing updated rate case expense information titled, "Cypress Lakes Rate Case Expense Update as of 03 31 10", "Longwood Rate Case Expense Update as of 03 31 2010.pdf", "Pennbrooke Rate Case Expense Update as of 03 31 10", and "Sanlando Rate Case Expense Update as of 03 31 10", including actual expense to date and estimates to complete the above-referenced dockets through the PAA process. These rate cases required a revised B-10 because they include a large number of issues, intervenors and inquiries that have not been a part of other recent rate case proceedings.

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

Very truly yours,



CHRISTIAN W. MARCELLI
For the Firm

CWM/tlc
Enclosure

cc: Steve M. Lubertozi, Executive Director of Regulatory Accounting and Affairs (w/enclosure)
Kirsten E. Weeks, Manager of Regulatory Accounting (w/enclosure)
Patrick C. Flynn, Regional Director (w/enclosure)
John Williams, Director of Government Affairs (w/enclosure)
Mr. Frank Seidman (w/enclosure)
Ms. Deborah Swain (w/enclosure)
Bart Fletcher, Division of Economic Regulation (w/enclosure) (via hand delivery)
Steve Reilly, Esquire, Office of Public Counsel (w/enclosure) (via hand delivery)

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State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: March 25, 2011
TO: Division of Economic Regulation
FROM: Ann Cole, Commission Clerk, Office of Commission Clerk *ac*
RE: Data Request CD
Docket Numbers 090349-WS
090381-SU
090392-WS
090402-WS
090462-WS
090531-WS
Document Number 02708-10

Attached please find one CD in the above-referenced matter concerning the Utility's response to various informal requests. This data disc is being forwarded to the Division of Economic Regulation for further disposition.

If you have any questions regarding this transmittal, please feel free to contact me.

Thank you.