

**Diamond Williams**

100128-WU

**From:** Ann Bassett [abassett@lawfla.com]  
**Sent:** Tuesday, February 08, 2011 2:51 PM  
**To:** Filings@psc.state.fl.us  
**Cc:** William Rish; Bart Fletcher; Keino Young; Marshall Willis; Michael McKenzie; Ralph Roberson  
**Subject:** Docket No. 100128-WU  
**Attachments:** 2011-02-08, 100128, Lighthouse's Response to Staff Audit Finding.pdf

The person responsible for this electronic filing is:

Norman H. Horton, Jr.  
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The Docket No. is 100128-WU - Application for Increase in Water Rates in Gulf County by Lighthouse Utilities Company, Inc.

This is being filed on behalf of Lighthouse Utilities Company, Inc.

Total Number of Pages is 3

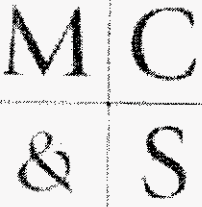
Lighthouse Utility Company, Inc.'s Response to Audit Finding 5, Item 6.

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February 8, 2011

**BY ELECTRONIC FILING**

Ms. Ann Cole, Commission Clerk  
Office of Commission Clerk  
Room 110, Easley Building  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

Re: Docket No. 100128-WU

Dear Ms. Cole:

Enclosed for filing on behalf of Lighthouse Utilities Company, Inc. is the Company's response to Audit Finding 5, Item 6 contained in the Audit Report filed. Other than the enclosed response, Lighthouse has no position as to the other findings contained in the report at this time.

Should you have any questions, please do not hesitate to contact me. Thank you for your assistance with this filing.

Sincerely,

Norman H. Horton, Jr.

NHH:amb

cc: Parties of Record  
Mr. Jay Rish  
Mr. Ralph Roberson

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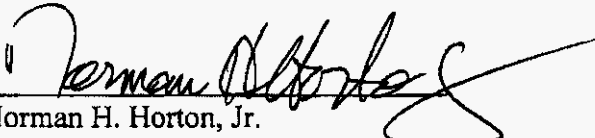
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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served on the following parties by Electronic Mail and/or U.S. Mail this 8<sup>th</sup> day of February , 2011.

Keino Young, Esq.  
Office of the General Counsel  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Office of Public Counsel  
c/o The Florida Legislature  
111 West Madison St., Room 812  
Tallahassee, FL 32399-1400

  
Norman H. Horton, Jr.

**Audit Finding 5**

**Subject: Operation and Maintenance Expenses**

**Subsection 6**

Account 641 – Rental of Building/Real Property should first be decreased by \$500 because the Utility recorded 13 months of rental expense for the 12-month period. Next, the account should be decreased by \$3,000 because audit staff determined that only half of the rental expense is appropriate. This was determined as the appropriate amount because upon site visit it was apparent that approximately half of the rented space was used for utility operations, and the remaining half is used for an affiliated real estate company. These adjustments result in a net decrease of \$3,500.

**Response:**

The Utility has paid rent for this location for several years. Beginning with January 2009, the amount of rent became \$500 per month. In return for this amount, the Utility receives:

- Exclusive use of an approximately 12 x 12 office space
- Common use of front entrance, lobby, bathroom and kitchen
- Common use of the storage facility outside
- Common use of the building's network infrastructure in order to have telecommunications
- Additional storage uses for the outside open area of approximately one acre

We agree with the audit findings regarding thirteen periods of rent in the general ledger, and therefore agree to a net decrease of \$500 for rent expense under Operating and Maintenance Expenses. However, based on fair market values in the local area surrounding where the Utility office is located and the convenience afforded the Utility by being able to provide an office within the service area for customers, the Utility receives a substantial savings compared to having to maintain an exclusive stand-alone building with the related maintenance and upkeep. Therefore, we believe the full \$500 monthly rent expense should be included as a valid expense for the test year.

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