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September 27, 2012

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

RECEIVED-FPSC
12 OCT -2 AM 9:26
COMMISSION
CLERK

Re: Docket No.: 120037-WS; Application of Utilities, Inc. of Pennbrooke for an Increase in Water and Wastewater Rates in Lake County, Florida
Our File No. 30057.205

Dear Ms. Cole:

Utilities, Inc. of Pennbrooke (the "Utility") submits the following responses to Staff's Informal Data Request by email dated August 16, 2012:

3. Table 3-A, attached to this document, is a list of the adjustments on Schedule A-3, Pages 3 and 4. that are described as "to zero out the account since it has no matching asset" or "to zero out the account since it has no matching CIAC". We are concerned with the utility's basis for making these adjustments. The Utility has not referenced a specific order that requires these adjustments, there is no reconciliation with any Commission ordered adjustments, and no specific information on why the Utility is moving amounts between accounts. We also have the following specific questions regarding these entries.

RESPONSE: The Utility's basis for making the adjustments would not be found in a COA or a specific order. They are correcting entries to properly account for the assets, depreciation and A/D to the books of Pennbrooke. It would have been the same if Staff had requested the documentation for an entry, and we were unable to provide it. They are just correcting entries to preemptively account for errors in the books.

a. Except for the shaded lines, each of these accounts has a balance in the UPIS account, how does that reconcile with the statement?

b. The line for Accounts 345.5/395.7 does not appear to zero out the balances of Accumulated Depreciation shown on Schedules A-9 and A-10, why was it included?

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06620 OCT-2 12

c. Why do the entries for CIAC adjust the CIAC balance and not the Accumulated Amortization?

d. Why would the Utility need to zero out the CIAC balances?

6. The line titled "Additions thru 9/30/11" on Schedule A-11 (CIAC) shows a reduction to the water CIAC of \$842,590 and an increase to the wastewater CIAC of \$842,934. We are concerned with why the Utility is making these adjustments. The Utility has not referenced a specific order that requires these adjustments, there is no reconciliation with any Commission ordered adjustments, no specific information on why the Utility is moving amounts between accounts, and the Utility has not explained why these adjustments are necessary. We also have the following specific questions regarding these entries.

The line titled "Additions thru 9/30/11" on Schedule A-11 (CIAC) shows a reduction to the water CIAC of \$842,590 and an increase to the wastewater CIAC of \$842,934. We are concerned with why the Utility is making these adjustments. The Utility has not referenced a specific order that requires these adjustments, there is no reconciliation with any Commission ordered adjustments, no specific information on why the Utility is moving amounts between accounts, and the Utility has not explained why these adjustments are necessary. We also have the following specific questions regarding these entries.

Response: Please keep in mind that the numbers shown on Schedule A-11 are per book numbers and these balances match what is on the Utility's general ledger as of each mentioned line. In the instance of water, the 12/31/10 balance of \$897,149 is shown on the attached workpaper labeled "12/31/ 10 CIAC", worksheet labeled, "CIAC Balances" as \$847,149.14 (difference due to rounding). Moving to the next worksheet labeled, "AA TY", you'll see changes to CIAC from January 2011 through September 2011 specifically on column k, lines 628 and 635-636. These changes total (\$842,590.04), or rounded as (\$842,590). The reason for the large debit balance that changes CIAC between January 2011 and September 2011 is a double booking of an adjustment to CIAC. In the Utility's last rate case, Pennbrooke was ordered to reduce its balance in account 3430 to -0-. This was done at 12/31/10 on line 627 of the worksheet labeled, "AA TY". In March of 2011, an asset transfer occurred that performed the same entry. This is shown on line 628 of the same worksheet. In essence, a duplicate entry was made in March. While this entry was not necessary (a proposed per books adjustment has been made in this filing), the per books balance does reflect this entry, and therefore

the balance in account 3430 is understated by \$842,934 (line 628 of "AA TY"). This understatement is reflected in the A-11 since the A-11 is per books only. The only true additions that should have occurred per books to water CIAC during the time period January 2011 through September 2011 are \$343.96, which is the sum of lines 635 and 636 in column k on the worksheet "AA TY". While again a duplicate entry, the change of \$842,934 reflected incorrectly in the books should have likely been shown on A-11, line 12 as an adjustment. Essentially, the same thing happened in wastewater in account 3555. The credit of \$842,934 should not have been made since the adjustment already occurred through the COA. And again, even though it was incorrectly made per books, this should have shown up on the A-11 as an adjustment in line 12, not as an addition.

a. How does this represent "additions"?

Response: Please see the response shown above in item (6).

b. Why is the utility changing the CIAC balances from what the Commission set in the last rate case?

Response: The Utility is not changing balances from what the Commission set in its prior case; rather as mentioned above, two duplicate entries were made in March of 2011 that were not required and therefore skewed the Utility's per books balances.

c. Why were these adjustments made when it appears that they are partially reversed by the adjustments on Schedule A-3?

Response: Please see the response above in item (6) and (6)(b). The 3/1/2011 CIAC entries in accounts 3430 and 3555 were made in error.

d. Why is there a negative \$842,934 ending balance in the Other Tangible Plant CIAC account?

Response: Please see the response shown above in item (6).

e. When did the utility realize that the accounts were incorrect?

Response: The errors were realized when the Utility was preparing its 9/30/11 test year filing.

f. How long have these items been in the wrong account?

Response: Nothing is necessarily in the wrong account; rather a duplicate entry was made in March of 2011 that was not required. Please see the response above in item (6) and (6)(c).

g. How did the utility make this determination?

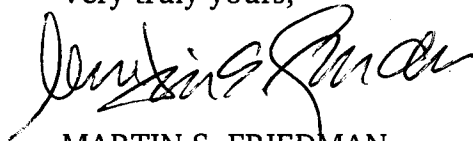
Response: The Utility made this determination by going back and reviewing the prior rate filing and the COAs that came out of that filing to ensure a proper starting point for this rate case.

h. These same questions appear to apply to a similar change in the balances for Accumulated Amortization of CIAC.

Response: Based on the responses above, the Utility feels the explanations for CIAC do apply to A/A of CIAC, and should be adequately explained.

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

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/der
Enclosures

cc: Ms. Nicole Winans, Regulatory Accountant (via email)
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