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 10, 2014

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Martha F. Barrera, Senior Attorney, Office of the General Counsel MFB

RE: Docket 120161-WS Document Filing

Please file the attached documents in Docket File 120161-WS. Thank you.

Martha Barrera

From:	Sayler, Erik <SAYLER.ERIK@leg.state.fl.us>
Sent:	Friday, February 28, 2014 1:50 PM
To:	Martha Barrera; Vandiver, Denise; 'mfriedman@sfflaw.com'; Julia Gilcher; Todd Brown; Andrew Maurey; Clarence Prestwood; Bart Fletcher; Merchant, Tricia
Subject:	{BULK} FW: UI Generic Docket 120161 - e-mail 2 of 5
Attachments:	UI Generic Docket 120161 - OPC Follow Up Questions 2 7 13 - partial response.docx
Importance:	Low

From: Vandiver, Denise
Sent: Friday, February 07, 2014 10:44 AM
To: Todd Brown (TBrown@PSC.STATE.FL.US)
Cc: Sayler, Erik
Subject: FW: UI Generic Docket 120161 - OPC Follow Up Questions 2 7 13 - partial response

E-mail 2 of 5

Denise

From: Martin Friedman [mailto:MFriedman@sfflaw.com]
Sent: Friday, May 10, 2013 4:40 PM
To: Sayler, Erik; Reilly, Steve; Merchant, Tricia; Vandiver, Denise
Cc: Martha Barerra (MBARRERA@PSC.STATE.FL.US); Mark Lawson; Bart Fletcher; Clarence Prestwood; Todd Brown; Andrew Maurey; Kirsten Markwell ; Sharon Wiorek
Subject: FW: UI Generic Docket 120161 - OPC Follow Up Questions 2 7 13 - partial response

All,

I wanted to get responses to OPC follow-up questions as we have them. The bright green highlighted areas indicate UI's responses. They are still working on the other questions that are not highlighted and I will get you those as soon as possible.

Regards, Marty

MARTIN S. FRIEDMAN

SUNDSTROM, FRIEDMAN & FUMERO, LLP
Attorneys | Counselors

SUNDSTROM, FRIEDMAN & FUMERO, LLP
Attorneys at Law
766 North Sun Drive, Suite 4030
Lake Mary, Florida 32746
T: 407.830.6331
F: 407.830.8522
M: 407.310.2077
mfriedman@sfflaw.com
www.sfflaw.com

Tallahassee • Lake Mary • Boca Raton

OPC Follow Up Questions From February 5, 2013 Meeting
Utilities, Inc. Generic Docket
Docket No. 120161-WS

As we discussed in our conference call on February 5th, OPC is providing follow up questions. For ease of reference we have included OPC's original question and UI's response with OPC's follow up questions. If you have any questions or need additional information, please let us know.

7. How many systems or subsidiaries have been sold during 2011 and 2012 and how many sales are being negotiated at this time?
8. How many systems or subsidiaries have been purchased during 2011 and 2012 and how many purchases are being negotiated at this time?

Response:
Eight systems and one small subdivision within a system have been sold during 2011 and 2012. Until a contract has been entered into, all other negotiations must remain confidential.
Two systems have been purchased during 2011 and 2012. Until a contract has been entered into, all other negotiations must remain confidential.

Follow-Up Questions
Please provide information responsive to Staff's request for a list of the systems sold in 2011 and 2012 and the systems purchased in 2011 and 2012. Please add the number of ERCs for each system and include information on any systems in which a portion was sold or purchased as well.

The systems sold in 2011 and 2012 with their respective ERC's consist of:
CWS-NC (511.8)
Cabarrus Woods (5,175.0)
Forest Ridge (518.0)
Lamplighter Village (349.0)
Britley (123.0)
Windsor Chase (135.0)
Bayside Utilities (437.4)
Sand Creek Utility (369.8)
Woodbury subdivision (290)

The systems acquired in 2011 and 2012 and their respective ERC's consist of:
Pointer's Chase (22.0)

9. What cost savings and reductions have been implemented in 2011 and 2012?

Response:
We have chosen to defer the expense of buying new hardware by maintaining the assets already in use. In addition, the company recently renegotiated its contract with our IPC software vendor. The company also switched some of our services from Sprint to Verizon which increased our service areas and increased the productive capabilities of our employees, although there was no direct cost savings affiliated with the change. In addition we have decreased salary expense because we have fewer people working in the finance and accounting department and we eliminated the purchasing department.

Follow-Up Questions

1. As referenced in the first sentence, please explain what hardware expense UI has deferred by maintaining assets already in use.

Response: UI has previously replaced computer hardware every 4 or 5 years, however the replacements have been scheduled between 6 to 7 years.

2. Please provide the following regarding the software contract with IPC:
a. When was the software contract with IPC renegotiated?

Response: The software contract was renegotiated in September 2012.

b. What were the old contract prices for 2011, and 2012 (including the annual expense)?

Response: The contract expense for 2011 and for nine months of 2012 was $73,000 per month or $876,000 annually. After the renegotiated contract, the expense was reduced to $67,800 per month or $813,600 annually.

c. What is the contract cost and annual expense for 2013?

Response: The annual contract expense for 2013 will be $813,600.

3. What was the annual expense for Sprint for 2011 and 2012 and what is the estimated annual expense for Verizon for 2013.

Response: The annual expense for 2011 and 2012 was $48,000 per month or $576,000 annually. The estimated annual expense for Verizon for 2013 will be $41,000 per month or $492,000 annually.

4. As referenced in your response, how did the switch from Sprint to Verizon increase the productive capabilities of your employees?

Response: The switch from Sprint to Verizon increased the productive capabilities of our employees in several ways. The Verizon network has better coverage allowing calls and information to be transmitted accurately and timely. The number of dropped calls on Verizon is less than what was experienced with Sprint, therefore minimizing the number of repeat calls. The equipment Verizon offers is of a military grade and much more durable for our field personnel, thus reducing replacement costs due to damage.

5. *In the last sentence of the response, it states that UI decreased salary expense. Please describe the total salary decrease with all benefit costs broken out for 2011, 2012 and 2013.*
   a. *Please identify the positions eliminated.*
   b. *Please explain whether these pro forma salary decreases were adjusted in the current rate cases on file (i.e. Sanlando and Pennbrooke) and those soon to be on file with the Commission (i.e. Utilities, Inc of Florida).*
6. *Other than the cost decreases addressed in UI's response, please address what steps the company has taken to reduce overhead costs per ERC given the continuing decline in total company ERCs. In your response, please provide specific examples of the analysis and actions taken, if any, to reduce the overhead costs to remaining customers when systems and ERCs have continued to decline on a net basis in the last four years.*

10. Please explain the company's method of accounting for common plant and expenses.
    c. Please explain whether allocated amounts are booked for general ledger purposes at the subsidiary level, or if they stay on the general ledger at the level where the costs are incurred.

    Response: UI's JD Edwards accounting software package includes multiple layers of ledgers. The following Ledgers exist within JD Edwards (JDE):
    - AA = GAAP ledger
    - UA = Allocation ledger
    - UR = Regulatory ledger
    - UC = Consolidated ledger (AA+UA+UR)
    - UD = GAAP + Regulatory ledger (AA+UR)
    - UE = GAAP + Allocation ledger (AA+UA)

Follow-Up Questions

1. *The following statements reflect OPC's understanding regarding the use of multiple ledgers from the JDE system. Please verify whether these statements are correct and if not please explain why not.*
   a) *All direct costs are booked on the AA ledger at each level (WSC, Sanlando, etc.).*

Response: Yes, all direct costs and payments are recorded on the AA Ledger for the appropriate system. If the costs cover multiple systems, the cost would be recorded on the AA Ledger at the Region or WSC level

b) *Then, so the AA ledger can stay whole, all allocations are made through the UA ledger.*

Response: Yes. The debit/credit is recorded on the UA Ledger of the system that is initiating the entry and the corresponding credit/debit is recorded on the UA Ledger of the system receiving the allocation.

c) *The UR ledger is for Regulatory adjustments and is rarely used anymore and that 99% of all adjustments are currently made to the AA ledger.*
d) *Sanlando was one of the first to start recording adjustments on AA.*
e) *The roll forward adjustments were historically required because prior Commission ordered adjustments (COAs) were reflected on the UR ledger.*

Response: Yes. Historically, the roll forward adjustments were required because COAs were recorded on the UR Ledger. At the time the COAs were reclassified and moved to the AA Ledger, the roll forward entries were calculated to ensure the proper amount of depreciation and amortization was also being reclassified.

f) *COAs to common plant are not booked on any of the above ledgers.*
g) *COAs for adjustments other than to common plant to which the company disagrees are not booked on any of the above ledgers.*
h) *The Annual Reports do not reflect any FPSC COAs to common plant or any other adjustments to which the company disagrees.*

2. *Please explain what impact the company's change to reflect COA adjustments (other than those to common plant) to the AA ledger will have on the preparation of MFRs on a going forward basis for all systems.*

Response: The Company's decision to record COA's at the AA Ledger level will streamline some of the internal processes during the preparation of the MFR. The AA Ledger will be inclusive of COA's and their corresponding balance sheet or income statement accounts. With one focal point of reference, instead of two, there should less time spent in preparing the necessary documents.

3. *Please state whether the company will agree to make specific adjustments to its MFRs and Annual Reports for any COAs on common plant and other adjustments that it did not agree with, or identify in each filing (MFR or Annual Report) the impact of these contested adjustments.*

13. Explain the process of how UI adjusts its books for Commission ordered adjustments and balances. Use the last rate case for Sanlando and the current MFRs as an example to

show when and how each prior ordered adjustment was booked to the company's general ledger.

a. Explain how the COAs filed in the prior docket (Document No. 02728-11) reconcile to the amounts reflected in Commission Order No. PSC-10-0423-PAA-WS.
b. Explain how these COAs reconcile to the COAs referenced in the current rate case MFRs (Document No. 07989-11, Schedule A-3).
c. Referring to the COAs provided in Document No. 02728-11, please explain the complexity of this filing and why some adjustments appear to be superfluous. For instance, on page 4 of the .pdf file, there is a debit to Account 255-1055 for $2,235,597. On page 13, there is a credit to the same account for the same amount and on page 23 there is another debit to same account for the same amount. (This pattern is repeated for approximately 220 accounts in this document.)
d. Why is the format for the COAs provided to the Commission different in every case?
e. OPC believes that UI should provide a reconciliation of the Ordered Adjustments with the COAs provided at the end of the case. Please explain whether UI agrees with this request and would UI agree to provide such reconciliation in future rate cases? If not, please explain why not.

Response:

Generally speaking, when UI chooses to file a rate case, one of the "to do items" is to review the prior order's Commission ordered adjustment to ensure that they were properly booked. If the adjustments were properly booked, the Company does not complete any workpapers for the adjustments. If there is additional work on the adjustments (such as they need to be rolled forward), UI will create a workpaper to do so. In the case of Sanlando, some adjustments were missed during the booking of the Commission ordered adjustments. This was inadvertent and was discovered during the audit process. UI has a procedure in place now to ensure that adjustments are not missed and that adjustments are booked and rolled forward in a timely manner.

The format of the COAs going forward should be consistent in each case, due to the procedure put in place as mentioned above.

The company finds no issue with reconciling its COAs with what is recommended in the order at the end of the case.

Follow-Up Questions

1. Please explain the process used for booking Commission Ordered Adjustments (COAs) for all companies. Please include the following information:

a. The specific people/positions that are involved in preparing the journal entries.
b. The time frame for preparing and booking the entries.
c. When the process was initiated.
d. Are the COAs now being booked on the AA Ledger?
e. What COAs are not being booked on the AA ledger?

f. *What record keeping was historically done and what is currently done when any adjustments are not recorded on the AA or any other ledger?*

g. *Please explain how the current COA process will increase efficiencies and streamline adjustments and required work for future rate cases.*

h. *Using Sanlando as an example, please explain what was done in the last rate case, what was done in the current rate case and what UI expects will happen regarding COAs and roll forward adjustments in future rate cases.*

2. *Please explain what is meant by the underlined phrase in the following response: "The company <u>finds no issue with reconciling its COAs with what is recommended in the order</u> at the end of the case."*

20. Please explain how UI records and segregates all CIAC by type of charge or donated property. Please explain whether the company segregates prepaid CIAC in a separate account from regular CIAC.

<u>Response:</u>
UI records Cash Contributions in Aid of Construction (CIAC) similar to that of a standard fixed asset on the Balance Sheet. The CIAC amounts are a liability with a negative dollar amount. CIAC assets are amortized to offset the negative amount on the Balance Sheet. Detailed records are retained in UI's fixed asset module.

21. Does UI restate CIAC received from plant capacity charges to specific plant accounts? If so, when did the company do this and why did the company believe this was necessary? Did the Company notify the Commission when this change was made? If so, when was this notification made?

a. If the company has restated the plant capacity charges collected, does the company maintain sufficient documentation to be able to determine the total amount of plant capacity charges collected?

b. Please describe the basis the company uses to allocate those charges to CIAC related to specific plant assets.

c. If the company reallocated the plant capacity charges to specific plant accounts, how did the company allocate the accumulated amortization and amortization of CIAC related to these allocations?

d. Does the company's accounting manual address the allocation procedures related to recording CIAC related to plant capacity charges?

<u>Response:</u>
Restating plant capacity charges is not a common practice among Utilities, Inc. If any plant capacity charges were restated, it was either an inadvertent error, or there was sound reasoning behind these charges being restated. If OPC has a specific example they may be referring to, the Company will be happy to address it.

<u>Follow-Up Questions</u>

1. *The Sanlando MFRs (Dockets 110257-WS and 090402-WS) reflect CIAC for categories such as Main Extension Fees, Meter Fees, and Contributed Property.*

These are categories that describe where the CIAC came from. The Sanlando MFRs for Docket 060258-WS reflects a list of primary plant accounts for CIAC. The Pennbrooke MFRs reflect CIAC in categories such as Transmission & Distribution Mains, Service Lines, Hydrants, Force Mains, etc. It appears that for some systems CIAC is recorded by the type of receipt and for other systems, it appears that it has been re-allocated in some manner. Please explain and include the following information:

a. Please explain why some systems appear to have "reallocated" CIAC from the type of CIAC to various "plant titles".

b. Are there any records which state the method used to determine which CIAC additions were a) contributed cash (i.e., plant capacity, main extension or meter installation fees), or b) contributed physical assets (i.e., developer constructed lines or equipment)?

c. If a system receives cash from a customer or developer how is that cash booked to CIAC?

d. What is the basis for allocating that cash to any given primary account (CIAC recorded to a similar plant account title)?

e. Can the company distinguish in any account which fees were from cash allocations versus actual physical plant contributions?

f. Is this policy spelled out in a manual and if so please provide a copy of the instructions.

27. OPC has questions how UI records and allocates bad debt and when UI started its current practice and why it is appropriate to continue? Our observation is that bad debt expense is included in the allocation schedules in B-12 of the MFRs. Please describe what circumstances generate bad debt expense at each level of the allocations (UI parent, WSC, regional, other). Please explain why it is appropriate to allocate bad debt expense from other affiliates of the company to an individual system in Florida.

Response:
The Company uses the allowance method, whereby a percentage of ending accounts receivable is estimated to eventually prove uncollectible even though the specific uncollectible receivables cannot be identified. When specific accounts are written off, they are charged to the allowance account, which is periodically recomputed. In practice, customer accounts are only written-off after a final bill is issued upon service termination and outstanding for 210 days (180 days past due).

Follow-Up Questions
Please verify that the only charges for bad debt expense that are allocated from WSC or the Regional offices to the Florida systems are for collection charges from the collection agency and that all other bad debt expense is based on the amounts determined on a per system basis.

The charges for bad debt expense on the system's books consist of two types of entries. The first is an allocation from the Regional or Corporate level and includes only amounts paid to collection agencies, or the like, in order to attempt to collect unpaid amounts. The second type of entry is an allowance entry. Allowance entries are calculated based on the accounts receivable and aging balances at the system level and includes specific details for accounts written off as uncollectible.

Martha Barrera

From: Sayler, Erik <SAYLER.ERIK@leg.state.fl.us>
Sent: Friday, February 28, 2014 1:51 PM
To: Martha Barrera; Vandiver, Denise; 'mfriedman@sfflaw.com'; Julia Gilcher; Todd Brown; Andrew Maurey; Clarence Prestwood; Bart Fletcher; Merchant, Tricia
Subject: {BULK} FW: UI Generic Docket - e-mail 3 of 5
Attachments: Sanlando Follow Up Responses (final).pdf

Importance: Low

From: Vandiver, Denise
Sent: Friday, February 07, 2014 10:45 AM
To: Todd Brown (TBrown@PSC.STATE.FL.US)
Cc: Sayler, Erik
Subject: FW: UI Generic Docket - additional responses

E-mail 3 of 5

Denise

From: Sayler, Erik
Sent: Friday, May 24, 2013 11:26 AM
To: Vandiver, Denise; Merchant, Tricia; Reilly, Steve
Cc: Kelly, JR
Subject: FW: UI Generic Docket - additional responses

FYI

From: Martin Friedman [mailto:MFriedman@sfflaw.com]
Sent: Friday, May 24, 2013 11:25 AM
To: Sayler, Erik
Cc: Martha Barerra (MBARRERA@PSC.STATE.FL.US); Kirsten Markwell
Subject: UI Generic Docket

Erik,

Attached are the final follow-up responses.
Have a good weekend, Marty

MARTIN S. FRIEDMAN

SUNDSTROM, FRIEDMAN & FUMERO, LLP
Attorneys | Counselors

SUNDSTROM, FRIEDMAN & FUMERO, LLP
Attorneys at Law
766 North Sun Drive, Suite 4030
Lake Mary, Florida 32746
T: 407.830.6331
F: 407.830.8522

M: 407.310.2077
mfriedman@sfflaw.com
www.sfflaw.com

Tallahassee • Lake Mary • Boca Raton

SANLANDO FOLLOW UP QUESTIONS AND RESPONSES

1. *In the last sentence of the response, it states that UI decreased salary expense. Please describe the total salary decrease with all benefit costs broken out for 2011, 2012 and 2013.*
   a. *Please identify the positions eliminated.*
   b. *Please explain whether these pro forma salary decreases were adjusted in the current rate cases on file (i.e. Sanlando and Pennbrooke) and those soon to be on file with the Commission (i.e. Utilities, Inc of Florida).*
2. *Other than the cost decreases addressed in UI's response, please address what steps the company has taken to reduce overhead costs per ERC given the continuing decline in total company ERCs. In your response, please provide specific examples of the analysis and actions taken, if any, to reduce the overhead costs to remaining customers when systems and ERCs have continued to decline on a net basis in the last four years.*

Response: Although this question is beyond the scope of this proceeding UI is providing this limited response.

(1) UI has had modest increases in its salary expense for accounting and finance since 2011. At year end 2011, total unallocated accounting and finance salaries were $1,101,739. Currently, these salaries total $1,202,788. Headcount remains the same. In an analysis of benefits, TOTAL COMPANY benefits amounted to $4,516,348 for 2011 and $1,508,468 through May 21, 2013. These benefits cannot be broken down by person but a more detailed analysis would show that 2013 benefits annualized would total $4,436,365, which would be less than in 2011. If we allocate benefits based on a ratio of accounting/finance salaries to total salaries, accounting/finance benefits in 2011 would have been $275,123 and estimated $247,350 in 2013.

The Company proposed its current salaries as of the time of filing in both Pennbrooke and Sanlando. For Pennbrooke, that would have reflected salaries approximately around March 2012 and for Sanlando, that would have reflected salaries approximately around September 2011. UIF's filing proposes the 2011 per books salaries, adjusted by a specific percentage to allow for annualization and salary increases. An update to this number will be provided during the discovery process.

(2) In general, UI is always striving to provide its customers, regardless of size, the best possible service at the best possible price. This goal always includes cutting O&M costs when possible, and using the lower cost service without sacrificing quality service.

1. *Please explain the process used for booking Commission Ordered Adjustments (COAs) for all companies. Please include the following information:*
   a. *The specific people/positions that are involved in preparing the journal entries.*
   b. *The time frame for preparing and booking the entries.*
   c. *When the process was initiated.*
   d. *Are the COAs now being booked on the AA Ledger?*
   e. *What COAs are not being booked on the AA ledger?*
   f. *What record keeping was historically done and what is currently done when any adjustments are not recorded on the AA or any other ledger?*
   g. *Please explain how the current COA process will increase efficiencies and streamline adjustments and required work for future rate cases.*
   h. *Using Sanlando as an example, please explain what was done in the last rate case, what was done in the current rate case and what UI expects will happen regarding COAs and roll forward adjustments in future rate cases.*
2. *Please explain what is meant by the underlined phrase in the following response: "The company <u>finds no issue with reconciling its COAs with what is recommended in the order</u> at the end of the case."*

Response: (1a) Regulatory Accounting Manager, Fixed Asset Accountant, Accounting Manager.

(1b) 60 days, extended to the close of the month in which the 60 days falls. Example – order comes out on March 15, COAs internally would be due by May 15, but extended through the May close (in order to meet the June 15 PSC filing deadline).

(1c) Fall of 2012.

(1d) Yes.

(1e) There are no specific situations in which a COA is not being booked to the AA ledger.

(1f) There would be notes made as to why a specific adjustment differed from what was ordered.

(1g) There are checks back and forth between the accounting department and the rate case department to ensure that the adjustments are booked appropriately and on time. Having this process in place and knowing how the process works helps each party be accountable to their own part of the process. Since both accounting and regulatory departments work together on the adjustment, and confirm and check the adjustments, there is less need in future cases for detailed review.

(1h) Sanlando had most of its adjustments booked, but several of them needed to be adjusted for ratemaking purposes because the adjustments were booked during the new test period, so the 13-month averages would not have been correct if left as was.

In addition, additional depreciation past the test year needed to be taken on these adjustments. This was corrected as well. In future rate cases for Sanlando, the Company sees no need for further adjustments with the exception of a quick review to check for any over-depreciated accounts.

(2) The Company, upon request by the PSC, would be able to reconcile its booked adjustments with the ordered adjustments from the rate case. This would not be difficult, considering it is the order from which the adjustments are created.

1. *The Sanlando MFRs (Dockets 110257-WS and 090402-WS) reflect CIAC for categories such as Main Extension Fees, Meter Fees, and Contributed Property. These are categories that describe where the CIAC came from. The Sanlando MFRs for Docket 060258-WS reflects a list of primary plant accounts for CIAC. The Pennbrooke MFRs reflect CIAC in categories such as Transmission & Distribution Mains, Service Lines, Hydrants, Force Mains, etc. It appears that for some systems CIAC is recorded by the type of receipt and for other systems, it appears that it has been re-allocated in some manner. Please explain and include the following information:*
    - a. *Please explain why some systems appear to have "reallocated" CIAC from the type of CIAC to various "plant titles".*
    - b. *Are there any records which state the method used to determine which CIAC additions were a) contributed cash (i.e., plant capacity, main extension or meter installation fees), or b) contributed physical assets (i.e., developer constructed lines or equipment)?*
    - c. *If a system receives cash from a customer or developer how is that cash booked to CIAC?*
    - d. *What is the basis for allocating that cash to any given primary account (CIAC recorded to a similar plant account title)?*
    - e. *Can the company distinguish in any account which fees were from cash allocations versus actual physical plant contributions?*
    - f. *Is this policy spelled out in a manual and if so please provide a copy of the instructions.*

Response: (1) This "reallocation" was done back in 2005 or 2006. This was to relate CIAC back to the actual plant category it came from. Anything posted since then has gone into the specific account in which the CIAC should be identified since those accounts have now been set up for several years. Occasionally a developer will provide invoices to state exactly what the CIAC relates to. The cash is booked to CIAC in its proper CIAC account (tap, meter fees, extension fees, etc). This would reflect a debit to cash and a credit to CIAC. Cash would only be allocated if it was used to pay for several different CIAC categories. Typically, actual plant contributions are labeled as such – as an example, you may see something like, "Manholes, High Vista, Phase III". There is no manual containing a policy.

Martha Barrera

From:	Sayler, Erik <SAYLER.ERIK@leg.state.fl.us>
Sent:	Friday, February 28, 2014 1:51 PM
To:	Martha Barrera; Vandiver, Denise; 'mfriedman@sfflaw.com'; Julia Gilcher; Todd Brown; Andrew Maurey; Clarence Prestwood; Bart Fletcher; Merchant, Tricia
Subject:	{BULK} FW: UI Generic Docket - e-mail 4 of 5
Importance:	Low

From: Vandiver, Denise
Sent: Friday, February 07, 2014 10:45 AM
To: Todd Brown (TBrown@PSC.STATE.FL.US)
Cc: Sayler, Erik
Subject: FW: UI Generic Docket

E-mail 4 of 5

Denise

From: Martin Friedman [mailto:MFriedman@sfflaw.com]
Sent: Tuesday, August 06, 2013 11:02 AM
To: Sayler, Erik; Vandiver, Denise
Cc: Kirsten Markwell; Sharon Wiorek; Bart Fletcher; Andrew Maurey
Subject: UI Generic Docket

Erik,

Please see the responses below. We will get you the last two shortly.
Regards, Marty

Questions

30. Please refer to OPC Questions 10 and 10a, and UI's response which is provided below in italics. The response to 10a does not address how the common cost allocations are similar or different for the non-regulated business units compared to the regulated operating units. For example, if UI or WSC had a non-regulated operating unit that it managed but did not own, please describe how the common cost for each operating level is allocated to the managed system.

10. Please explain the company's method of accounting for common plant and expenses.

a. Include all similarities and differences in accounting for the various levels of affiliates such as WSC, regional offices, state offices, parent level, non-regulated affiliates and shared systems inside a state or county.

UI Response: Expenditures for plant and expenses which cover multiple systems are recorded on the books of the business unit at the lowest common level that encompasses the costs. For example, if an expenditure benefits only the business units in Florida, then the cost would be recorded on the ledger of *the State of Florida, however if the cost benefits all UI business units, it would be recorded on the WSC ledger.*

Response:

Allocations of common expenditures are consistent and similar methodology is used throughout the company for all business units, whether they are regulated or non-regulated.

31. Please refer to OPC Questions 10 and 10b, and UI's response which is provided below in italics. The response to 10(b) does not address how common and shared costs are assigned to non-regulated utility operating units, segments or divisions. Please explain the rationale for each allocation to all non-regulated operations.

10.b. Please explain the rationale for each method used for allocating shared and affiliate costs.

UI Response: Allocations are based on Equivalent Residential Connections ("ERC's") for each business unit. This method is used because it assigns costs in direct proportion to the size of the business unit, thus allowing for a greater percentage of costs to be allocated to larger business units.

Response:

Common and shared costs are assigned and allocated with similar methodology throughout the company for all business units, whether they are regulated or non-regulated.

32. Please refer to the OPC Follow-up Question to Original Question 10.c., provided below in italics. UI did not respond to this Follow-up Question. Please provide a response and state whether the statement is true or false, and if false, why it is not true.

10.c.1.c. The UR ledger is for Regulatory adjustments and is rarely used anymore and that 99% of all adjustments are currently made to the AA ledger.

Response:

The statement above is true. The UR ledger is rarely used anymore for Regulatory adjustments.

33. Please refer to the OPC Follow-up Question to Original Question 10.c., provided below in italics. UI did not respond to this Follow-up Question. Please provide a response and state whether the statement is true or false, and if false, why it is not true.

10. c.1.d. Sanlando was one of the first to start recording adjustments on AA.

Response:

The statement above is incorrect. UI started recording adjustments on the AA ledger in 2010.

34. Please refer to the OPC Follow-up Question to Original Question 10.c., provided below in italics. UI did not respond to this Follow-up Question. Please provide a response and state whether the statement is true or false, and if false, why it is not true.

10.c.1.f. COAs to common plant are not booked on any of the above ledgers.

OPC Note: The ledgers were outlined in UI's original response to 10.c. as follows:
- *AA = GAAP ledger*
- *UA = Allocation ledger*
- *UR = Regulatory ledger*
- *UC = Consolidated ledger (AA+UA+UR)*
- *UD = GAAP + Regulatory ledger (AA+UR)*
- *UE = GAAP + Allocation ledger (AA+UA)*

Response:
The statement that COAs to common plant are not booked to any ledger is false. Any COA adjustment recorded on the books is recorded on the AA ledger for the appropriate business unit. The only caveat to this would be if the plant is allocated outside of the state of Florida (ex: WSC plant).

35. Please refer to the OPC Follow-up Question to Original Question 10.c., provided below in italics. UI did not respond to this Follow-up Question. Please provide a response and state whether the statement is true or false, and if false, why it is not true.

10.c.1.g. COAs for adjustments other than to common plant to which the company disagrees are not booked on any of the above ledgers.

Response:
The statement that COAs for adjustments other than to common plant to which the company disagrees are not booked on any of the above ledgers is false. COAs for adjustments which the company disagrees with are recorded on the AA ledger for the appropriate business unit.

36. Please refer to the OPC Follow-up Question to Original Question 10.c., provided below in italics. UI did not respond to this Follow-up Question. Please provide a response and state whether the statement is true or false, and if false, why it is not true.

10.c.1.h. The Annual Reports do not reflect any FPSC COAs to common plant or any other adjustments to which the company disagrees.

Response:
The statement that the annual reports do not reflect any FPSC COAs to common plant or any other adjustment to which the company disagrees is false. Annual Reports reflect all activity that is recorded.

37. Please refer to OPC Follow-up Question to Original Question 10.c., provided below in italics. UI did not respond to this Follow-up Question. Please provide a response and state whether the statement is true or false, and if false, why it is not true.

10.c.3. Please state whether the company will agree to make specific adjustments to its MFRs and Annual Reports for any COAs on common plant and other adjustments that it did not agree with, or identify in each filing (MFR or Annual Report) the impact of these contested adjustments.

Response:

The company will not make adjustments to its books, to WSC common plant, or any other type of account that would affect companies outside of Florida. In fact, the company cannot make these types of adjustments because it would affect the rate base of other companies that may be regulated by Commissions who have made different regulatory decisions than the Florida PSC. However, any common plant that is related to Florida companies only will be made.

38. Please refer to OPC's Question 10.d. and UI's response which is provided below in italics. Please state whether the company has the capability to allocate and reflect the common costs and expenses individually to each water and wastewater system instead of recording all common costs to either the water or wastewater system only.

10.d. If the amounts are recorded on the subsidiary ledgers, how often are those amounts recorded (monthly, quarterly, annually)?

UI Response: All costs incurred are recorded on GAAP ledger ("AA") for each business unit and all associated allocation entries are recorded monthly.

Response:

Common plant must be allocated manually; as items such as computers and vehicles only have one account. Other common plant is usually booked only to water or wastewater, and then must be allocated accordingly.

39. Please refer to OPC's Question 10.e. and UI's response which is provided below in italics. The answer provided does not address the question asked. The question does not ask how allocations are made. It requests an answer of how many allocations, if any, are made by using Excel spreadsheets rather than mechanically through the General Ledger or other EDP system. Please answer the question with this clarification. If the company has any questions regarding the purpose of this question, please call for further clarification.

10.e. Please explain and describe any allocations that are attributed to the subsidiary through an Excel spreadsheet file.

UI Response: Allocations are recorded on a monthly basis using ERC's as a base for the allocation percentage. For example:

System ERC's April 2012	*3,428.00*	
Total ERC's for UI	*270,823.63*	
System Percentage	*1.27%*	

Bal in Office Furn & Equip	*1,381,110.63*	
System Percentage	*1.27%*	*Amount*
Allocated	*17,481.66*	

Response:
Normal monthly allocations are calculated within the JD Edwards software based on the ERC's. Allocations are typically annualized for ratemaking purposes.

40. Please refer to OPC's Question 10.f. and UI's response which is provided below in italics. The response provided explains what the company does, but does not respond to why the amounts are not allocated on the general ledgers for each system on a monthly basis, necessitating correcting adjustments in a rate case. Please answer the question regarding why the company does not allocate monthly and record the full allocated costs to each water and wastewater system, including why full cost allocation between water and wastewater is not deemed necessary for book purposes.

10.f. Our observations are that in systems with both water and wastewater that the allocation of common plant and expenses are recorded in one system only, which necessitates a "correcting" adjustment for the MFRs. Please explain why the amounts are not recorded for each system separately which would eliminate the need for a "correcting" adjustment. (See Labrador MFRs Schedule B-3, Adjustment B-1).

UI Response: For systems that have both, water and wastewater, common plant and expenses are recorded on the books of either the water or wastewater business unit. If an allocation is deemed necessary, it is done for ratemaking purposes at the time an MFR is filed.

Response:
Monthly allocations are calculated within the JD Edwards software based on ERC's at the end of the month. Some expenses are not allocated because they pertain to either water or wastewater but not both (i.e. chlorine). The adjusting allocation allows the company to review each account and determine whether or not an allocation is necessary. Performing this type of review for all the Company's business units on a monthly basis would be burdensome and unnecessary. Allocations between water and waste water is only relevant to rate case filings. Since both the water and wastewater business units belong in the same legal entity, an allocation between the two has no effect on the entity's financial statements or the Annual Report.

41. Please refer to OPC's Question 10.f. and UI's response which is provided in Question 40 above in italics. For the systems that have both water and wastewater operations and the common costs are only provided on one system, please explain how the utility's method of not allocating common costs is reflective of the "true, correct and complete" cost of providing service to the water and wastewater and county operating systems on an annual basis as required by the Annual Report certification.

Response:
The Annual Report is based on a legal entity level which includes water and wastewater business units. Performing allocations for common costs has no effect on the Annual Report.

42. Please refer to OPC's Question 14 and UI's response which are provided below in italics. Please confirm or deny the accuracy of the following statement, and if the statement is inaccurate, please state why: UI believes that its allocation methodology that it uses for book purposes by spreading costs based on the monthly amount of ERCs for regulated utility systems is a reasonable and representative method of spreading costs between and among its affiliates.

14. *When UI makes reallocation <u>or other adjustments</u> in its MFRs during a rate case and those adjustments are accepted by the Commission, does the company record journal entries to the general ledger for that system to reflect the adjusted balances reflected in the MFRs and the Commission order? Are these adjustments reflected in the annual report for that system? Does the company consider those adjustments as "Commission ordered adjustments"? (Emphasis added).*

<u>UI Response</u>: As stated in the response to 10(f) above, these adjustments are made for ratemaking purposes and they are not considered Commission ordered adjustments. They are only allocation adjustments; these are subject to change with each rate case depending on water/wastewater ERCs.

<u>Response:</u>
UI confirms the statement, "UI believes that its allocation methodology that it uses for book purposes by spreading costs based on the monthly amount of ERCs for regulated utility systems is a reasonable and representative method of spreading costs between and among its affiliates."

43. Please refer to OPC's Question 14 and UI's response which are provided in Question 42 above in italics. If OPC's statement in Question 42 is correct, please explain why the allocation methodology used for book purposes is not appropriate for rate setting purposes. Please explain why it is reasonable to make reallocation adjustments in the MFRs, other than corrections of errors, for ratemaking purposes. In your answer, please include an analysis of the costs and benefits of adjusting the allocations of affiliate costs in a rate case as compared to leaving the allocations as they are recorded on the books of the company. This should include an explanation of why it is appropriate to change to year-end or post test year ERCs to allocate common costs in a rate case compared to consistently using the test year average ERCs for book and rate case purposes.

<u>Response:</u>
This response will be provided as soon as possible.

44. Please refer to OPC's Question 14 and UI's response which are provided in Question 42 above in italics. In its response to Question 14, the company only addressed reallocation adjustments. Please address the question regarding other adjustments: "When UI makes reallocation or <u>other adjustments</u> in its MFRs during a rate case and those adjustments are accepted by the Commission, does the company record journal entries to the general ledger for that system to reflect the adjusted balances reflected in the MFRs and the Commission order? Are these adjustments reflected in the annual report for that system? Does the company consider those adjustments as "Commission ordered adjustments"?

<u>Response:</u>
These other adjustments are made for ratemaking purposes and they are not considered Commission ordered adjustments. They are only allocation adjustments and are subject to change with each rate case depending on water and wastewater ERCs.

45. Please refer to OPC's Question 17 and UI's response which are provided below in italics. If UI's response to OPC Question 17 is correct, please explain why the majority of the plant accounts, none of the accumulated depreciation accounts, CIAC accounts or accumulated amortization accounts, and the majority of the O&M expense primary accounts recorded in the 2011 Utilities, Inc. of Florida Annual Report do not match in total or by primary account the amounts reflected as per books in the MFRs for UIF in Docket No. 120209-WS. All of these comparisons were made to the per-book amounts reflected in the MFRs prior to any correcting and/or allocation adjustments were made. Please identify all processes and adjustments that were made to the UIF balances and what changed from what was described in the original answer to OPC Question 17.

17. Please explain the process of how the financial information in the PSC annual reports are compiled each year. Do the annual reports filed by UI reflect the balances per the general ledger? Do the annual reports filed by UI reflect the corrected balances per prior Commission orders?

UI Response: The company downloads a trial balance from a consolidated ledger (UC) as of year end for each entity. The consolidated ledger holds AA (general ledger), UA (allocation) and UR (regulatory adjustments) balances. The sum of the UC account balances by NARUC account are calculated by grouping together the appropriate NARUC accounts. These are the amounts reflected in the annual reports. The annual reports are fairly automated, once the NARUC balances are linked to the appropriate NARUC accounts referenced on a particular page. There are checks and balances in place that will raise a red flag if accounts within the annual report do not balance to the trial balance. The field data is filled out by field operators and is input into the report by accounting. Manual adjustments are required if it is found that the previous year contained errors of any kind. The annual reports are then reviewed by the accounting manager and controller. Once reviewed, they are then reviewed and signed off by the CFO and President and filed with the appropriate state commissions.

Response:

The previous response is accurate. The 2011 Utilities, Inc. of Florida Annual Report contains the compilation of general ledgers from Orange County, Pasco County, Pinellas County, Seminole County and Marion County. The MFRs filed for Test Year 2011 do not match the Annual Report because the Annual Report contains year end balances and the amounts on the MFRs are 13-Month Average Balances. The only circumstance when the numbers will be equal is when there is no activity in that account for the year. The MFR balances differ from the Annual Report due to an allocation difference from an incorrect ERC calculation used on the Annual Report. Please see Note 1 on the Schedule A-4 which states, "The 2011 ending balances did not tie to the balances in the 2011 Annual Report. The reason for the difference is due to the way that the new system accounts for balance sheet items. In 2008, the new system, JD Edwards Enterprise one (JDE) no longer accounted for the subdivision of the plant accounts on the general ledger. JDE contains three separate ledgers, the AA, UA and UR ledger, which pertain to the general ledger, allocation ledger and commission adjustment ledger respectively. JDE also does not work with subdivisions, it utilizes business units (BU) which, like subdivisions, can be combined to obtain county and company information. Currently, the UIF ledger holds the balance sheet accounts at a consolidated company level. The actual amount of plant for each business unit, which can be combined to obtain county balances, can be determined when the fixed asset report is utilized. The fixed asset report reconciles to the asset and its respective A/D, CIAC and A/A of CIAC accounts to the AA Ledger based on business unit. In 2008, the AA ledger was broken out based on business unit and combined appropriately. However, the UA and UR ledger were allocated based on an incorrect ERC calculation. The UR ledger is also county identifiable based on business unit and should have been separated accordingly into the appropriate county. The UA ledger should have been allocated out based on the proper ERCs. However, in the filing, the company has rectified these calculations and made all appropriate adjustments to correct all the affected accounts. The reconciliations providing these adjustments will be offered subsequent to the MFR filing. The 2013 annual report will be based on the correctly identifiable county specific numbers from the filing taking into account all suitable additions and retirements."

46. Please refer to OPC's Question 17 and UI's response which are provided in Question 45 above in italics. Given that the UIF 2011 Annual Report balances and the per-book balances reflected in the UIF MFRs do not match, please explain whether the Annual Report version or the MFR version is the correct "balance per books". If neither is considered the correct version, please explain why not.

Response:

Both the 2011 Utilities, Inc. of Florida Annual Report and the MFRs are correct. As stated in question 45, the Annual Report reflects year end balances and the MFR reflects average balance per books. The other reason 2011 does not match is how JDE accounts for balance sheet items, as described above.

47. Please refer to OPC's Question 17 and UI's response which are provided in Question 45 above in italics. If the answer to Question 46 above is that the Annual Report balances do not match the balances per books, please explain how and why "The annual report fairly represents the financial condition and results of operations of the respondent for the period presented and other information and statements presented in the report as to the business affairs of the respondent are true, correct and complete for the period for which it represents", as certified by the Chief Financial Officer of the utility.

Response:

The Annual Report is a financial statement for a legal entity (i.e. Utilities, Inc. of Florida) and includes all the general ledger activity for all the business units that fall under that legal entity. The annual reports are certified by the CFO as being true, correct and complete. The annual report does match the year end balance per books.

48. Please refer to OPC's Question 17 and UI's response which are provided in Question 45 above in italics. If the answer to Question 46 above is that the Annual Report balances do not match the balances per books, or do not contain full cost allocations on a per system basis, please explain how the Commission can rely on the accuracy of the Annual Reports for analytical and surveillance purposes.

Response:

The annual report does tie to the year-end amounts on the general ledgers for the business units that fall under that specific legal entity.

49. Please refer to OPC's Question 17 and UI's response which are provided in Question 45 above in italics. If the Commission staff or any outside party wished to perform any analytical analysis of any of UI's Annual Report balances between years or compare prior or post test year financial information for rate cases, please state whether the results of such analyses (assuming no errors were made in utilizing the numbers reflected in the annual reports) would provide a reasonable basis for comparison absent an audit performed by staff or full reallocation adjustments made by the company. Please explain the basis supporting your answer.

Response:

The Annual Reports are produced from the various general ledgers for all the business units within that specific legal entity. These reports can be used for analytical purposes so long as the comparison is made to other Annual Reports for the same entity.

50. Please refer to OPC's Question 18 and UI's response which are provided below in italics. Please explain the company's rationale for using ERCs as the allocation method for transportation for book purposes, how this method is representative, and how the method matches the amount of common costs and services provided to each system. Also, if not addressed in any previous answer, please explain how transportation costs are allocated and reported for all non-regulated division, business units, or entities.

18. Please explain how UI allocates and records transportation equipment and depreciation, and related transportation O&M expenses for book purposes. Please include a complete description and explanation of the basis of the allocation and the various components. Please refer to the adjustments made in the current Eagle Ridge case and show the total adjustment and a schedule showing each component of the adjustment and how it reconciles to the total.

UI Response: Vehicles and other transportation equipment, their depreciation expense and other related expenses are held at the state cost center based on which state the vehicle actually resides in. These amounts are maintained monthly and are allocated accordingly based on ERCs for the month. In addition, there is also transportation equipment held at the WSC cost center and the costs and expenses associated are also allocated monthly based on the appropriate ERC percentages for that month. An example has been provided showing the allocations for December 2010 for Eagle Ridge's transportation equipment account (object account 1555) in the attached excel file titled "Eagle Ridge Affiliate Transactions.xlsx" in addition, you will also have to reference the excel file titled "Allocation Percentages December 2010.xlsx."

When the company files a rate case however, we recalculate the transportation equipment, depreciation expense, and accumulated depreciation. Please see the excel file titled "Attachment for Item 18b.xlsx" to better illustrate this adjustment. We assign them to their operator and only account for operators that work on that system. We feel that this is more accurate and more representative of the actual amounts that should be attributed to the company.

Response:
As stated in the response to 31 above, the allocation method for transportation for book is also based on ERC's for each business unit. This method is used because it assigns costs in direct proportion to the size of the business unit, thus allowing for a greater percentage of costs to be allocated to larger business units and ultimately to each system. Allocations of common expenditures are consistent and similar methodology is used throughout the company for all business units, whether they are regulated or non-regulated.

51. Please refer to OPC's Question 18 and UI's response which are provided in Question 50 above in italics. Please explain why the company believes it is appropriate to change its allocation method for transportation during a rate case based on the operator time spent working on a specific system and why this method matches the amount of common costs and services provided to each system.

Response:
As stated previously in the response to 18, when the company files a rate case, we recalculate the transportation equipment, depreciation expense, and accumulated depreciation. We assign them to their operator and only account for operators that work on that system. This method is more accurate and more representative of the actual amounts that should be attributed to the company and ultimately to each system.

52. Please refer to OPC's Question 18 and UI's response which are provided in Question 50 above in italics. Please explain the reasonableness of changing the allocation method only for purposes of a test year in a rate case and not using a consistent methodology for both book and ratemaking purposes. Provide an explanation of benefits to the utility compared to the benefits that the customers receive for this change for rate case purposes.

Response:
As stated previously in the response to 18, when the company files a rate case, we recalculate the transportation equipment, depreciation expense, and accumulated depreciation. We assign them to their operator and only account for operators that work on that system. This method is more accurate and more representative of the actual amounts that should be attributed to the company and to each system that services the customer, without regard to whether it benefits the utility of the customers.

53. Please refer to OPC's Question 18 and UI's response which are provided in Question 50 above in italics. If the company believes that the transportation allocation method and adjustments made for rate setting purposes is a more accurate reflection of the cost of providing service, please explain why the company does not change to this method for its book purposes.

Response:

The company believes this method of allocation for transportation expenses is more accurate for rate making purposes but not necessarily for book purposes. Employees and their vehicles serve both water and wastewater plants and travel between business units. To track and record on a regular basis, would be impossible. The employees would spend more time recording actual time spent on a water or wastewater issues, our customers would be negatively impacted. The allocation for rate making purposes is a one-time review by administrative personnel with no negative impact to the customer.

The following Questions 54-56 relate to OPC communications regarding Utilities, Inc. of Pennbrooke, UIF and Sanlando COAs. In an email from Denise Vandiver dated April 24, 2013, OPC expressed concerns regarding Utilities, Inc. of Pennbrooke and UIF COAs. Also, OPC expressed its concerns in its filing dated June 21, 2013, regarding the Sanlando submittal for COAs filed June 10, 2013 in Docket No. 110257-WS.

54. Please refer to OPC's Question from Denise Vandiver's April 24, 2013 email regarding Utilities Inc. of Pennbrooke. Please provide a response to each of the questions asked by Ms. Vandiver to Commission staff in her letter dated April 24, 2013, in Docket No. 120037-WS; Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke. These questions related to concerns that we have regarding the COAs for Pennbrooke.

Response:

The responses to the questions outlined in Ms. Vandiver's April 24, 2013 email communication regarding Utilities Inc. of Pennbrooke, will be sent under separate cover as requested by the Staff.

55. Please refer to OPC's Question from Denise Vandiver's April 24, 2013 email regarding Utilities Inc. of Florida. This question relates to the requested information regarding the COAs for the last UIF rate case. Ms. Vandiver's email noted that the MFRs in Docket No. 120209-WS, the Utilities, Inc. of Florida (UIF) rate case, included roll-forward adjustments. OPC's review further indicated that the utility filed proof that the prior COAs were made as of December 31, 2010, by Document No. 02355-11 in Docket No. 090462-WS. Since the test year for the UIF rate case is for the year ended December 31, 2011, OPC does not understand how the 2011 test year would need further adjustment if the prior COAs were made prior to the beginning of the test year. Please provide a narrative of why each of the roll-forward and correcting adjustments for the 2012 UIF rate case MFRs was necessary given the submittal of the COAs filed in Docket No. 090462.

Response:

This response will be provided as soon as possible.

56. Please refer to the Sanlando submittal for Commission Ordered Adjustments filed in Docket No. 110257-WS on June 10, 2013. Please respond to each of the concerns expressed by Ms. Vandiver in OPC's filing in the docket on June 21, 2013. Please confirm or deny that all of the adjustments provided by Sanlando on its print out have in fact been recorded on the AA ledger for Sanlando and that no further roll forward or correcting adjustments related to these

COA's will be required to be made by UI for any future Sanlando rate case. if necessary, please explain any denial.

Response:

The responses to the questions outlined in Ms. Vandiver's June 21, 2013 filing in the docket were answered by letter to the PSC Clerk dates July 22, 2013.

MARTIN S. FRIEDMAN

SUNDSTROM, FRIEDMAN & FUMERO, LLP
Attorneys · Counselors

SUNDSTROM, FRIEDMAN & FUMERO, LLP
Attorneys at Law
766 North Sun Drive, Suite 4030
Lake Mary, Florida 32746
T: 407.830.6331
F: 407.830.8522
M: 407.310.2077
mfriedman@sfflaw.com
www.sfflaw.com

Tallahassee • Lake Mary • Boca Raton

Martha Barrera

From: Sayler, Erik <SAYLER.ERIK@leg.state.fl.us>
Sent: Friday, February 28, 2014 1:51 PM
To: Martha Barrera; Vandiver, Denise; 'mfriedman@sfflaw.com'; Julia Gilcher; Todd Brown; Andrew Maurey; Clarence Prestwood; Bart Fletcher; Merchant, Tricia
Subject: {BULK} FW: UI Generic Docket e-mail 5 of 5

Importance: Low

From: Vandiver, Denise
Sent: Friday, February 07, 2014 10:45 AM
To: Todd Brown (TBrown@PSC.STATE.FL.US)
Cc: Sayler, Erik
Subject: FW: UI Generic Docket

E-mail 5 of 5

Denise

From: Martin Friedman [mailto:MFriedman@sfflaw.com]
Sent: Tuesday, August 06, 2013 5:48 PM
To: Sayler, Erik; Vandiver, Denise
Cc: Kirsten Markwell; Sharon Wiorek; Bart Fletcher; Andrew Maurey
Subject: UI Generic Docket

Erik,

The following are the responses to the remaining two questions.

43. Please refer to OPC's Question 14 and UI's response which are provided in Question 42 above in italics. If OPC's statement in Question 42 is correct, please explain why the allocation methodology used for book purposes is not appropriate for rate setting purposes. Please explain why it is reasonable to make reallocation adjustments in the MFRs, other than corrections of errors, for ratemaking purposes. In your answer, please include an analysis of the costs and benefits of adjusting the allocations of affiliate costs in a rate case as compared to leaving the allocations as they are recorded on the books of the company. This should include an explanation of why it is appropriate to change to year-end or post test year ERCs to allocate common costs in a rate case compared to consistently using the test year average ERCs for book and rate case purposes.

Response:
There are several reasons why the allocations must be adjusted. The first reason is that the Florida Public Service Commission may make adjustments for ratemaking to the allocated items, and these need to be reflected on a going forward basis. However, not all jurisdictions in which Utilities, Inc. subsidiaries operate may agree with the Florida PSC, and therefore, manual adjustments must be made. In addition, in recent years, the utility has been in a buying and selling mode, and using year-end ERCs accurately reflects what allocations will look like on a going forward basis. For example, if UI purchased a company that received 5% of WSC allocations, then those dollars would need to be reflected

on an annualized basis so that for ratemaking, the other ratepayers would not pay for expenses that the new company will now be receiving.

55. Please refer to OPC's Question from Denise Vandiver's April 24, 2013 email regarding Utilities Inc. of Florida. This question relates to the requested information regarding the COAs for the last UIF rate case. Ms. Vandiver's email noted that the MFRs in Docket No. 120209-WS, the Utilities, Inc. of Florida (UIF) rate case, included roll-forward adjustments. OPC's review further indicated that the utility filed proof that the prior COAs were made as of December 31, 2010, by Document No. 02355-11 in Docket No. 090462-WS. Since the test year for the UIF rate case is for the year ended December 31, 2011, OPC does not understand how the 2011 test year would need further adjustment if the prior COAs were made prior to the beginning of the test year. Please provide a narrative of why each of the roll-forward and correcting adjustments for the 2012 UIF rate case MFRs was necessary given the submittal of the COAs filed in Docket No. 090462.

Response:

The adjustments were booked to summary accounts in 2010. Therefore, each adjustment had to be broken down into the correct business unit and correct account with the correct depreciation. These adjustments then needed to be rolled forward through the test year. Please see the audit report issued in UIF's current docket 120209-WS; the auditors agree with the utility's adjustments in that case.

MARTIN S. FRIEDMAN

SUNDSTROM, FRIEDMAN & FUMERO, LLP
Attorneys / Counselors

SUNDSTROM, FRIEDMAN & FUMERO, LLP
Attorneys at Law
766 North Sun Drive, Suite 4030
Lake Mary, Florida 32746
T: 407.830.6331
F: 407.830.8522
M: 407.310.2077
mfriedman@sfflaw.com
www.sfflaw.com

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