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Public Service Commission

April 30, 2014

STAFF'S SECOND DATA REQUEST

Mrs. Diane K. Boyer, President
P.O. Box 5159
Grove City, FL 34224-0159

Re: Docket No. 130265-WU, Application for staff-assisted rate case in Charlotte County by Little Gasparilla Water Utility, Inc.

Dear Mrs. Boyer:

Based on staff's evaluation of Little Gasparilla's invoices and additional information provided, staff has identified several follow-up questions in order to complete our analysis for the staff-assisted rate case. Please submit the responses to the follow-up questions by May 14, 2014. This will allow staff the necessary time to process the case in a timely manner.

1. **Original Cost/Purchase Price.** Please provide the following information regarding the May 1999 purchase of the Little Gasparilla water facilities:
 - a. A copy of the contract for sale and all auxiliary or supplemental agreements.
 - b. The purchase price and terms of payment.
 - c. A list of and the dollar amount of the assets purchased.
 - d. A description of any liabilities assumed, including debt of the utility.
 - e. A statement describing how the purchase was financed.
 - f. A copy of the original loan agreement(s).

- e. Please describe any maintenance or repairs that are routinely required for each boat, and the expected cost of the routine maintenance or repairs (other than the two-year painting of the used boat that was previously provided to Commission audit staff). Please provide supporting documentation, such as recent invoices, if available.
4. **Short-Term Pro Forma Plant Additions.** As noted in Commission audit staff's Finding 2, the Utility plans to make the following pro forma plant additions: (1) have the generator repaired, (2) purchase a used backhoe, and (3) purchase a used golf cart. Please provide the following additional information:
 - a. Have any of the purchases/repairs been made?
 1. If yes, please provided the date and supporting cost documentation regarding each completed purchase or repair.
 2. If no, please provide the anticipated completion date of each purchase and repair.
 - b. Please provide any other price quotes or bids that were considered by the Utility regarding these purchases/repairs (excluding the quotes/bids previously provided to Commission audit staff).
 - c. Regarding the backhoe, will any additional costs be incurred to transport/berge the backhoe to the island? If yes, please provide those costs.
 - d. Regarding the generator repairs, please describe the repairs that are needed, the expected remaining service life of the generator if not repaired, and the expected remaining service life with the repairs.
 - e. Regarding the annual maintenance of the generator, please provide a copy of any invoices for maintenance performed in 2014.
5. **Office Expenses.** As noted in Commission audit staff's Finding 8, the Utility has allocated rent expense for the office, but has not allocated any other shared expenses, such as electricity or cleaning. Please provide an estimate of the Utility's share of any other shared expenses that the Utility believes should be allocated to the Utility.
6. **Insurance Expenses.** Please provide the following additional information related to the Utility's insurance expenses:
 - a. Please provide all recent invoices related to Diane Boyer and Jack Boyer's health insurance policies that show the current premiums. In the event a recent invoice is not yet available, please provide additional documentation to support the current premium, such as a letter from the insurance company.

- b. Please provide all recent invoices related to Jack Boyer's life insurance policy that shows the current premiums. In the event a recent invoice is not yet available, please provide additional documentation to support the current premium, such as a letter from the insurance company.
7. **Simplified Employee Pension (SEP) Plan.** Please provide additional documentation regarding the Utility's SEP Plan, such as documentation to support that the account has already been opened, and an estimate of how much money will be placed in the account for each included employee.
8. **Interconnection Effect on Expenses.** Per Commission audit staff's Finding 2, Table 3.2, the Utility has estimated reductions in chemicals, purchased power, and other expenses including less repairs and maintenance. Please provide the following additional information:
 - a. Please provide additional information to show how the estimated expense reductions were calculated, including any updates to the original estimates.
 - b. Will the Utility need to use any chemicals to maintain chlorine residual on the island following the interconnection? If yes, please describe the chemicals that will be needed and provide an estimate of that cost.
 - c. Please provide a comparison of the types of repairs and maintenance that will be eliminated, will be continued, and will be added following the interconnection?
 - d. Has the Utility determined yet whether DEP will require a plant operator after the interconnection? If yes, please describe DEP's requirements.
 - e. When are the membrane filters due to be replaced again, how many filters need to be replaced, what is the cost per filter, how long do the filters last, and will there be any salvage value to any of the filters following the interconnection?
9. **Billing Cycle.** Will the Utility need to change to a monthly billing cycle to accommodate payment of the purchased water bill from Charlotte County? If yes, please provide an estimate of the increased costs that will result from changing from quarterly to monthly billing.
10. **Boat Dock Water Meters.** Please provide a list of the accounts that have boat dock water meters and include the installation date (month and year) for each boat dock water meter.
11. **Interconnection – Salvage Value.** Does the Utility anticipate any salvage value for the treatment plant or building following removal? If yes, please describe the parts that may have salvage value and provide an estimate of the expected salvage value.

12. **Charlotte County Donated Property and Impact Fees.** In response to Staff's First Data Request, the Utility provided a copy of the Charlotte County Utility Interconnect Agreement with Little Gasparilla Water Utility, Inc. (Agreement) entered into on February 25, 2014. Please provide the following additional information related to the Agreement:
- a. Item 2 of the Agreement, on pages 2 and 3, indicates that "all utilities infrastructure installed from the meter to the nearest connecting terminus on or near CR 775, including the bulk meter(s), shall be conveyed to Charlotte County Utilities upon project completion." Please describe all of the utilities infrastructure that will be donated and provide a cost estimate for the donated property.
 - b. Item 4 of the Agreement, on page 4, requires that annual meter calibrations shall be performed by a qualified third party mutually agreeable to both parties, with costs split equally. Please provide an estimate of the total cost of annual meter calibration, with supporting documentation in the form of a written estimate or bid, if available.
 - c. Item 6 of the Agreement, on pages 4 and 5, indicates that no county impact fees will be charged for existing connections served by the Utility at the time of connection, however, the county's impact fees will be charged to each additional customer connecting to the Little Gasparilla system after the interconnection. Please describe how the county's impact fees will be collected from the new customers (e.g., will the Utility collect the fees and remit them to the county or will the county bill the new customers directly).
 - d. Under the current interconnection plan, will the Utility be able to connect directly to Charlotte County's transmission main without the need of a wheeling agreement with an intermediate utility as was previously considered?
13. **Financing for Interconnection.** Please provide any available supporting documentation related to additional financing that will be obtained by the Utility to finance the interconnection. In the absence of an executed loan agreement, please provide any other available documentation, such as a letter from a bank that includes an estimate of the amount of the loan, term of the loan, and interest rate.
14. **Rate Case Expense.** Please provide an estimate of total rate case expense for this case, both to date.
15. **Concerning Contractual Service - Testing and Laboratory Expenses (Account 635).** Staff reviewed an invoice from Sanders Laboratories, Inc. in which it appears the company provided all lab tests. Included in the invoices for water testing were five additional tests for Total Dissolved Solids (TDS, Secondary Contaminant), Chloride (Secondary Contaminant) and Sodium (Inorganic/Primary Contaminant) and one extra test for TTHM and HAA5 (both Disinfection By-Products). Staff noticed that in the system lab tests provided to the Department of Environmental Protection (DEP), TDS and Sodium were close to the Maximum Contaminant Level (MCL) but not over and Chloride was over the MCL. The results for the Disinfection By-Products were not included with the system lab report provided to DEP. Staff could not find any of the extra testing or where DEP required the extra testing. Please provide the results of all extra testing. Did DEP

require the extra testing and if so, please provide the documentation of the requirement. Is DEP satisfied with the test results and when does the Utility expect to return to the regular testing intervals?

16. **Contractual Service - Other (Accounts 636).** Staff reviewed the contract for generator inspection. The contract was dated February 2014. Are there invoices from Charlotte County Generators for generator inspections during October 2012 through September 2013 test year? If so, please provide those invoices and the contracts for 2012 and 2013.
17. **Unaccounted Water.** It appears there is unaccounted for water of 17 percent, which would mean there is excessive unaccounted water (EUW) of 7 percent. Did the Utility find a cause of the excessive EUW? What is the Utility doing to mitigate this situation?
18. **Sanitary Survey Reports.** Staff reviewed the last two DEP Sanitary Survey Reports, dated November 9, 2012, and December 6, 2013. Both reports had the same deficiencies which stated one of the wells was leaking and there was no safety equipment for handling the chlorine. Did the Utility correct these deficiencies, was DEP satisfied with the results?
19. **System Maps.** We reviewed the system map that was provided to Staff's First data request. Please provide a more detailed map showing the actual sizes of the water mains, where the hydrants are located, where the connections and/or lots are located and where the water treatment plant is located. Does the Utility have a map on record with Charlotte County? If so, please provide a copy of that map.
20. **Remaining Facilities After Interconnection.** Concerning the interconnection with Charlotte County, what would happen to the water treatment plant if/when the interconnection is approved/working? Please provide details on writing off the cost and what part of the plant will still be in use (e.g., storage tanks, pumps, etc.). Also, please include the estimated removal cost.
21. **DEP Permitting.** In the response to Staff's First Data request, the Utility stated the permitting process has begun and the permit should be granted within 90 days. Staff found on DEP's website an acknowledgment of a permit application withdrawal dated July 3, 2012. Please provide documentation of a new permit application to DEP.
22. **DEP Permitting Cost.** Please explain how much money is required for each step of the permitting process.
23. **Interconnection Bids.** In response to Staff's First Data request, the Utility provided an estimated cost of \$650,000 for the interconnection project and \$374,000 for the water plant building reconstruction. The Utility only provided one bid for each project. Please provide two additional bids concerning these projects.
24. **Meter Replacement.** Staff's Audit report indicated the Utility replaced four new customer meters. How many meters are the Utility planning to replace annually, what would the replacement schedule be, and how much would each meter replacement cost? Please provide a list of the old meters make, model and dates and the new meters make, model and dates.

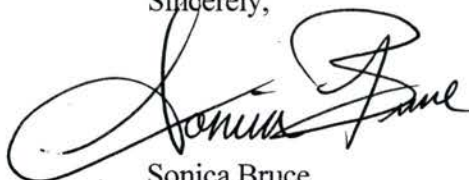
Mrs. Diane K. Boyer, President

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25. **Easement.** According to the Utility, it is using an easement of a house that is not in the Right of Way (ROW). What is the purpose of this easement? What will happen to the easement if this house is sold? Will any additional costs be incurred if the Utility has to renew the easement?
26. **Meter Problems.** It was stated that some of the meters are under water during certain times. How often does this occur and are there any plans to correct this problem? How is the meter read/estimated for usage proposes?
27. **HOA Wastewater.** How many customers are on the HOA wastewater system? To clarify, the Utility provides water service to those customers, correct?
28. **Emergency Interconnection.** Please explain the situation of the emergency interconnection with the state park.
29. **Purchased Water.** Is the Utility purchasing water from the state park? If so, how much per month is the Utility purchasing and for how much?

Sincerely,



Sonica Bruce
Economic Analyst

cc: Division of Economics (Daniel, Hudson, Bruce)
Division of Engineering (Buys, Vickery)
Division of Accounting & Finance (Golden, Mouring, Prestwood)
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