

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: October 22, 2015

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

FROM: Dale R. Buys, Public Utilities Supervisor, Division of Accounting & Finance 

RE: Docket No. 150102-SU, Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven.

Please file the attached documents in the above referenced docket file. The documents are email correspondence between staff and the utility regarding the utility's rate case.

RECEIVED - FPSC
15 OCT 22 PM 3:33
COMMISSION
CLERK

Dale Buys

From: Jared Deason <JDeason@uiwater.com>
Sent: Wednesday, October 14, 2015 3:06 PM
To: Dale Buys
Cc: Christie H. Kincaid; John Hoy; Martin S. Friedman
Subject: PriceWaterhouseCoopers memorandum
Attachments: PWC CIAC Tax Confirmation Letter 122204.pdf

Dale,

Attached is the copy of the PriceWaterhouseCoopers memorandum on the taxability of tap fees or plant capacity charges that was referenced on page 25 of Order No. PSC-07-0865-PAA-SU in Docket No. 060285-SU. If you need anything else, please let me know. Thanks.

From: John Hoy
Sent: Wednesday, October 14, 2015 3:02 PM
To: Jared Deason <JDeason@uiwater.com>
Cc: Christie H. Kincaid <CHKincaid@uiwater.com>; Marty Friedman <mfriedman@ff-attorneys.com>
Subject: RE: Sandalhaven - DR 5

Jared,

I pulled the letter from the CWS NC rate case where the Public Staff accepted it as a late filed exhibit and agreed with the opinion. Go ahead and send it to Dale.

John

From: Jared Deason
Sent: Wednesday, October 14, 2015 1:26 PM
To: John Hoy <JPHoy@uiwater.com>
Cc: Christie H. Kincaid <CHKincaid@uiwater.com>
Subject: FW: Sandalhaven - DR 5

John,

Please see respond from PSC below. They would like to get a copy of the PriceWaterhouseCoopers memorandum on the taxability of tap fees or plant capacity charges. Do you know if this is on the server and if so where it is? I have not been able to find it.

From: Dale Buys [mailto:DBuys@PSC.STATE.FL.US]
Sent: Wednesday, October 14, 2015 1:10 PM
To: Jared Deason <JDeason@uiwater.com>
Cc: Suzanne Brownless <SBrownle@PSC.STATE.FL.US>; Sonica Bruce <SBruce@PSC.STATE.FL.US>; Cheryl Bulecza-Banks <CBulecza@PSC.STATE.FL.US>; Mark Cicchetti <MCICCHET@PSC.STATE.FL.US>
Subject: RE: Sandalhaven - DR 5

Jared,

It should go out today. Also, as discussed in last week's meeting, the utility agreed to provide a copy of the PriceWaterhouseCoopers memorandum on the taxability of tap fees or plant capacity charges that was referenced on page 25 of Order No. PSC-07-0865-PAA-SU in Docket No. 060285-SU. We did not request a copy in the data request. If you would, please provide a copy of the PWC memorandum.

Sincerely,

Dale R. Buys
Public Utilities Supervisor
Division of Accounting and Finance
Florida Public Service Commission
dbuys@psc.state.fl.us
850-413-6536

Please note: Florida has a very broad public records law. Most written communications to or from state officials regarding state business are public records available to the public and media upon request. Your e-mail communications may therefore be subject to public disclosure.

From: Jared Deason [<mailto:JDeason@uiwater.com>]
Sent: Wednesday, October 14, 2015 9:54 AM
To: Dale Buys
Cc: Christie H. Kincaid
Subject: Sandalhaven - DR 5

Dale,

At last week's meeting we were told to expect a 5th data request from PSC staff. What is the status of the 5th data request and when should we expect to receive it?

Thanks,

Jared Deason
Financial Analyst II



200 Weathersfield Ave.
Altamonte Springs, FL 32714
jdeason@uiwater.com
Phone: 407-697-5865

OFFICIAL COPY

W-354 SUB 266

Memo

To: / Location: Nuon Global Solutions USA, Inc. & Subsidiaries / Tax Files
From: / Location: Jerry Cahill / PWC Chicago
Date: December 22, 2004
Subject: Tax treatment of plant modification fees

FILED
JAN 07 2005
Clerk's Office
N.C. Utilities Commission

We have reviewed and signed the US Corporation Income Tax Return (Form 1120) for the following tax years ended:

- December 31, 2001 (Taxpayer is Utilities Inc. & Subsidiaries)
- March 18, 2002 (Taxpayer is Utilities Inc. & Subsidiaries)
- December 31, 2002 (Taxpayer is Nuon Global Solutions USA, Inc. & Subsidiaries, including Utilities Inc. & Subsidiaries)
- December 31, 2003 (Taxpayer is Nuon Global Solutions USA, Inc. & Subsidiaries, including Utilities Inc. & Subsidiaries)

For the above mentioned income tax returns, plant modification fees and tap/connection fees were properly included in taxable income on each tax return under the provisions of Internal Revenue Code Section 118 and the Income Tax regulations thereunder.

Dale Buys

From: Jared Deason <JDeason@uiwater.com>
Sent: Thursday, October 22, 2015 12:58 PM
To: Dale Buys
Subject: FW: Docket No. 150120-SU; Sandalhaven Rate Case - Staff 3rd Data Request

Dale,

Please see the responses from our Tax Manager below. If you would like, we can have a phone call with our Tax Manager to discuss these items even further. Thanks.

From: Donald Hong
Sent: Thursday, October 22, 2015 10:46 AM
To: Jared Deason <JDeason@uiwater.com>
Subject: RE: Docket No. 150120-SU; Sandalhaven Rate Case - Staff 3rd Data Request

Jared,

Maybe a phone call with them would be easier? I can call them this afternoon, if needed. I'm currently working from home today but will be in the office tomorrow.

In summary,

1. The debit entry of \$157,570 was the 2012 estimated book-to-tax difference for depreciation at year end (debit entry since book depreciation was higher than tax depreciation).
2. The debit entry of \$60,601 consisted of various true-up entries are further analyzing the book and tax depreciation taken in prior years. The majority of this entry is explained in the Excel file – the excerpt was taken from our audited consolidated financial statement. If they wish for further clarification on this entry, you can reach out to Jim Andrejko. NC regulators also talked with him on this particular entry a few months ago.
3. The debit entry of \$94,921 was a cumulative entry made for the estimated book-to-tax difference for all differences (not just for depreciation). The response tab for item 9c clearly shows the \$94,921 and the corresponding correcting entry to record the 2014 estimated book to tax differences in their proper deferred tax accounts (and the support calculation).
4. The 'Response to 8c' CIAC tab – the amounts shaded in a light tan color are the book amortization expense taken for CIAC during their respective financial years. These negative amortization amounts on a tax effected basis were recorded in the deferred tax depreciation account. As an example, the credit entry of \$13,426 for 2014 is included in the cumulative debit entry of \$94,921 mentioned in item 3 above. Similar for \$1,900 credit amount for 2012. That is included in the 157,750 debit entry mentioned in item 1 above. What is reflected in the boxed-in cells are the entries needed to properly reclass the CIAC related entries from the deferred tax depreciation accounts to the deferred TAP fee accounts.

Sincerely,

Don Hong
Senior Tax Manager
Utilities, Inc.
2335 Sanders Road
Northbrook, IL 60062-6108
O: (847) 897.6442 | F: (847) 498.2066

dhong@uiwater.com

From: Jared Deason
Sent: Thursday, October 22, 2015 8:35 AM
To: Donald Hong <DHong@uiwater.com>
Subject: FW: Docket No. 150120-SU; Sandalhaven Rate Case - Staff 3rd Data Request

Don,

The PSC wants a little further clarification on the responses you provided. If you can help out with these calcifications, please let me know. Thanks

From: Dale Buys [<mailto:DBuys@PSC.STATE.FL.US>]
Sent: Thursday, October 22, 2015 8:53 AM
To: Jared Deason <JDeason@uiwater.com>
Cc: Cheryl Bulecza-Banks <CBulecza@PSC.STATE.FL.US>; Mark Cicchetti <MCICCHET@PSC.STATE.FL.US>; Suzanne Brownless <SBrownle@PSC.STATE.FL.US>; Sonica Bruce <SBruce@PSC.STATE.FL.US>
Subject: Docket No. 150120-SU; Sandalhaven Rate Case - Staff 3rd Data Request

Jared,
Staff reviewed the utility's response to Staff's 3rd Data Request, No. 8. We still do not understand why these adjustments were booked.
Please provide a narrative explanation for the adjustments. Also, Exhibit 8c submitted in response to item 8 a. iii, does not appear to show the calculation for the \$94,921 adjustment. Please contact me if you have any questions. Thank You.

- 8. Please refer to MFR Schedule C-6, page 3 of 3, lines 21, 22, and 23.**
 - a. Provide all of the utility's calculations, basis, and work papers for the follo included in Account No. 256.4387, Def Fed Tax – Depreciation.**
 - i. \$157,570 in 2012.**
 - ii. \$60,632 in 2013.**
 - iii. \$94,921 in 2014.**

RESPONSE: See Attachment "8a". As for aiii, see the response to 9c b

- b. If the above entries correspond to any plant additions, list the plant additions and where in the MFR schedules these additions are included.

RESPONSE: N/A

- c. If the above entries relate to CIAC adjustments or reclassification of accounts, provide a detailed explanation for the adjustment, including all calculations and justifying the adjustment or reclassification.

RESPONSE: See Attachment "8c".

Sincerely,

Dale R. Buys
Public Utilities Supervisor
Division of Accounting and Finance
Florida Public Service Commission
dbuys@psc.state.fl.us
850-413-6536

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