

ORANGE LAND UTILITIES, LLC

RE: Docket # 160144-WU. Application for Transfer of Certificate # 288-W in Pasco County from Orangeland Water Supply to Orange Land Utilities, LLC. - Response to Staff Audit Report Control No. 16-174-1-1.

Commission Clerk

Orange Land Utilities, LLC, (OL) hereby submits its response to the Staff Audit Report in the above referenced docket.

Audit Finding 1: OL agrees with Audit Finding 1, and will maintain its books in accordance with the National Association of Regulatory Commissioners' Uniform System of Accounts.

Audit Finding 2: OL believes that the Plant in Service (PIS) and Accumulated Depreciation (AD) balances should be \$50,816 and \$45,625, respectively, as of May 1, 2016, based on the following.

1. The audit includes a 2010 PIS addition to Acct. 311 – Pumping Equipment, for \$5,417, which replaced a pump in Well #2. The audit also included corresponding retirements of \$4,063 to PIS and AD. The retirement was calculated as 75% of the invoiced cost for the new well pump.

OL believes that the proper retirement to PIS and AD should be \$1,186.

OL proposed retirement amount represents one-half of the \$2,372¹ balance in Acct 311, prior to the well replacement. The \$2,372 is the sum of \$401 in original cost, per Commission staff engineer and \$1,971 of repairs to the wells in 2006, as determined in OL last rate case proceeding in Docket No. 070601-WU. Commission policy is to retire 75% of the asset addition when the original cost for the asset cannot be determined. In this case the original cost was established in the prior rate case and was known to be \$2,372 for two wells and associated pumps. The 2010 PIS addition replaced the turbine pump in Well #2. Therefore, OL believes that the appropriate retirement amounts for PIS and AD should be one-half of the original cost that was established for Acct. 311 in the prior rate case proceeding.

2. Our review of the PIS and AD audit work papers indicates that AD accrual, in some instances, was calculated using the individual asset balance within PIS accounts.²

OL believes that the proper calculation of AD accruals should be the group depreciation method as required by Rule 25-30.140 (5), F.A.C.

¹ Docket No. 160144-WU - Audit W/P 16-1p1 – A 16-174-1-1 Official Audit Workpapers.pdf.

² Docket No. 160144-WU - Audit W/P 16-1p1-2 – A 16-174-1-1 Official Audit Workpapers.pdf.

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Audit Finding 3: OL agrees with the Contributions in Aid of Construction (CIAC) balance of \$7,350, as of May 1, 2016. OL believes that the Accumulated Amortization of CIAC balance should be \$6,117, as of May 1, 2016, based on calculations that include the revised CIAC composite depreciation rates from proposed adjustments to PIS in Audit Finding 2.

If you have any further questions or desire any of the calculations, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mike Smallridge".

Mike Smallridge
Orange Land Utilities, LLC
Managing Member