

# SUNNY HILLS UTILITY COMPANY, INC.

May 27, 2022

Office of Commission Clerk  
Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399

*Re: Docket No. 20220066-WS– Application for increase in water rates in Washington County by Sunny Hills Utility Company, Inc. – Response to Staff First Data Request*

Dear Commission Clerk,

Sunny Hills Utility Company, Inc. (Sunny Hills) hereby submits its response to the Staff First Data Request dated May 24, 2022.

1. **Acquisition Adjustment:** Please reference Schedule No. A-1 for the following questions concerning the negative acquisition adjustment:
  - a. Please explain the acquisition adjustment and accumulated amortization of acquisition adjustment contained in the Utility's MFRs in greater detail. Please be sure to provide your calculations for the adjustment as part of your response.
  - b. Since the Transfer Order, has Sunny Hills been amortizing the seven year portion of the remaining life portion of the negative acquisition adjustment concurrently?

**Response:** Yes, Sunny Hills has been amortizing the seven year portion and the remaining life concurrently. The acquisition adjustment was a result of Order No. PSC-2014-0315-PAA-WS, issued June 13, 2014. In that Order, the Commission negative acquisition adjustment of \$1,538,571 for the water system and \$106,865 for the wastewater system. The Commission further found beginning with the date of the issuance of this Order approving the transfer, 50 percent of the negative acquisition adjustment, which is \$769,286 for the water system and \$53,433 for the wastewater system, shall be amortized over a seven-year period and the remaining 50 percent shall be amortized over the remaining life of the assets as discussed above.

The seven year amortization of 50 percent of this acquisition adjustments ended in February 2021, during the test year. As a result, there is a significant financial impact on Sunny Hills's earning levels. For water, the negative offset of amortization will cause the net Depreciation Expense to increase annually. This amount is not recovered in the existing rates as Sunny Hills has not had rate case under the current owners. Sunny Hills is requesting an annualized adjustment to include a full year of the total depreciation expense previously offset by this amortization amount. This amount is calculated by  $\$1,538,571 \times .5 / 7 = \$109,898$ . During the test year, Sunny Hills booked two months of the seven year amortization of \$ 18,316.32. This resulted in a test year reduction to Amortization Expense

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of \$91,582 already reflected in the test year. Thus, the affect on the test year amortization amount would be a further decrease of the difference of \$18,316 to decrease the Amortization Expense having a net affect of increasing the Depreciation Expense. (2 months)

For the calculation of the adjustment requested on MFR Schedule B-3, page 2 of 3, in the amount of \$18,316, Sunny Hills took the difference of what was booked during the year 2021 of \$54,261 minus the annualized amount of the remaining life amortization of \$35,945.

Booked	\$(54,261.36)
Annualized New	\$(35,945.04)
Adjust to Test Year	<u>\$ 18,316.32</u>

2. **Amortization of Deferred Assets:** Please reference Schedule No. B-1, page 2 of 2; specifically account 407.4 for the following questions concerning Hurricane Michael:
- What work was performed in relation to Hurricane Michael storm restoration?
  - Were any third-party contractors used? If so, please explain how they were engaged/selected and what work they performed.
  - When was the work performed?
  - Please provide a breakdown of the costs associated with this work, to include any labor costs if applicable. What amount, if any, was capitalized and how was this amount determined?

**Response:** This was repairs of the damage caused by Hurricane Michael in 2018. This was primarily labor utilizing employs of U.S. Water Services Corporation immediately after the hurricane. This was emergency work for restoration of water service to the customers as addressed in the operations contract of USWSC. See attached invoice dated November 15, 2018. This was booked to Account 186.2 and has been amortized over a five year period.

3. **Pro Forma Operations and Maintenance Expenses:** Does the Utility expect any pro forma operations and maintenance expenses? If so, please explain the expense, the affected account(s), and provide invoices if possible.

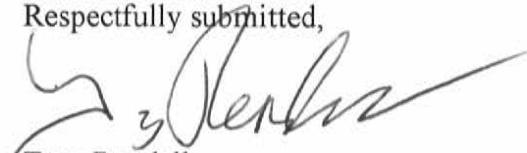
**Response:** Although chemical costs have increased due to COVID and supply chain issues, upon further analysis, this increase is minimal for Sunny Hills compared to the expense recorded in the test year. Therefore, Sunny Hills is not requesting an adjustment due to chemical cost increase.

An analysis of purchased power costs was also performed, and although the costs increased slightly due to the change from Gulf Power to Florida Power and Light, the effect wasn't enough to request an adjustment for this item.

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Operations & Maintenance Contract – Account 636 - the operations & maintenance contract with U.S. Water Services Corporation was increased in April 2022 for an index increase. The contract is directly tied to the index approved by the Florida Public Service Commission. The 2022 Index approved by the FPSC was 4.53%. The new amount of this indexed cost is a monthly amount of \$22,412.38 or \$268,948.56. This results in a total increase of \$12,399 (268,949 - 256,549) over the expense recorded during the test year. It should be noted that an increase was recorded starting in April 2021, also for the indexed cost.

Respectfully submitted,



Troy Rendell  
Vice President  
Investor Owned Utilities  
*// for Sunny Hills Utility Company, Inc.*






4939 Cross Bayou Boulevard  
New Port Richey, FL 34652

# Invoice

Invoice #	880924
Date	11/15/2018
Due Date	12/15/2018
Account #	700
P.O. or W.A #	

Bill To
<b>Sunny Hills Utility Company</b> Attn: Joe Gabay 4939 Cross Bayou Boulevard New Port Richey, FL 34652

Entered:   
 COA Code: 186.2  
 Approved: C 12-11-18  
 Paid: ck# 1318  
 Date: 1/28/19

Project
703-500 Hurricane Michael

Date	Description	Qty	Rate	Amount
	USWSC provided emergency relief during the Hurricane Michael relief efforts. This invoice is provided in accordance with the Mutal Aid Agreement.			
10/10/2018	Maintenance Technician	8.5	52.01	442.09
10/10/2018	Maintenance Technician	8.5	52.01	442.09
10/10/2018	Tradesman	9	57.91	521.19
10/11/2018	Maintenance Technician	5	52.01	260.05
10/11/2018	Maintenance Technician	4	52.01	208.04
10/11/2018	Maintenance Technician	8.5	52.01	442.09
10/11/2018	Maintenance Technician	8.5	52.01	442.09
10/11/2018	Tradesman	11.5	57.91	665.97
10/12/2018	Tradesman	14.5	57.91	839.70
10/12/2018	Maintenance Technician	14.5	52.01	754.15
10/12/2018	Maintenance Technician	14.5	52.01	754.15
10/12/2018	Maintenance Technician	6	52.01	312.06
10/12/2018	Maintenance Technician	2.5	52.01	130.03
10/12/2018	Maintenance Technician	11.5	52.01	598.12
10/12/2018	Maintenance Technician	1	52.01	52.01
10/12/2018	Maintenance Technician	13.5	52.01	702.14
10/13/2018	Tradesman	8	57.91	463.28
10/13/2018	Maintenance Technician	8	52.01	416.08
10/13/2018	Maintenance Technician	8	52.01	416.08
10/14/2018	Tradesman	8	57.91	463.28
10/15/2018	Maintenance Technician	11	57.91	637.01
10/17/2018	Tradesman	6	57.91	347.46
10/17/2018	Maintenance Technician	5	57.91	289.55
10/18/2018	Maintenance Technician	6	57.91	347.46
10/18/2018	Tradesman	5	52.01	260.05
	Materials	1	1,941.70	1,941.70

Please remit payment to the above address. Thank you for allowing us to be of service.  Questions about your bill? Phone: 727-848-8292 EXT 219 Toll free: 866-753-8292 EXT 219 Email: uswater-ar@uswatercorp.net	<b>Total</b>	\$13,147.92
	<b>Payments/Credits</b>	\$0.00
	<b>Balance Due</b>	\$13,147.92

# U.S. Water<sup>®</sup>

## Services Corporation

4939 CROSS BAYOU BOULEVARD  
NEW PORT RICHEY, FL 34652

### INVOICE

Page: 1

Invoice Number: SI49847  
Invoice Date: 5/1/2022  
Due Date: 5/31/2022

Bill To: Sunny Hills Utility Company  
4939 Cross Bayou Boulevard  
Attn: Joe Gabay  
New Port Richey, FL 34652

All pricing anticipates payment by check or ACH. Due to additional cost incurred, services paid by credit card will require an additional 5% processing fee.

Job Number: J01544  
Job Description: Sunny Hills Utility Company

Customer ID C00955  
P.O. Number  
WA:

Date	Item/Description	Task Number	Qty. Unit	Unit Price	Total Price
5/1/2022	Wastewater System Plant - Annual Contract Value \$81,143.80 Monthly Contract Value \$6,761.98.	1005	1 Each	6,761.98	6,761.98
5/1/2022	Water System Plant - Annual Contract Value \$268,948.58 Monthly Contract Value \$22,412.38.	1005	1 Each	22,412.38	22,412.38

Entered: MR.  
COA Code: 16310/1219  
Approved: [Signature]  
Paid: \_\_\_\_\_  
Date: \_\_\_\_\_

Phone: (727) 848-8292 Ext. 219  
Toll Free: (866) 753-8292 Ext. 219  
Email: ar@uswatercorp.net

**Subtotal:** 29,174.36  
Total Sales Tax: 0.00  
**Total USD:** 29,174.36  
Adjustments: 0.00  
**Amount Due:** 29,174.36