

LP WATERWORKS, INC.

August 12, 2022

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

Re: Docket No. 20220099-WS - Application for Staff Assisted Rate Case in Highlands County by LP Waterworks, Inc. – Response to Staff Audit Report

Dear Commission Clerk,

LP Waterworks, Inc. (LPWW) hereby submits its response to the FPSC Staff Audit Report No. 2022-164-2-1 dated August 9, 2022.

LPWW disagrees with Audit Findings 1, 2, and 5 as follows:

Audit Findings Nos. 1 & 2:

The first item LPWW disagrees with are the elimination of repairs from plant in service and reclassification to operation expenses. The majority of these repairs were necessary due to breakage.

Acct. 310 – Generator - this was a repair due to damage from Hurricane Irma. The electrical wiring had to be repaired and a faulty regulator on the generator was replaced. The generator was shutting down every two minutes after the hurricane.

Accts. 331 & 333 - Mains and Services - these were break repairs which extended the life of the assets. There were no retirements made as the existing lines were repaired and remained in place and in service.

Account 334 – Meters - only meter replacements are retired. There should not be retirements for new meters as they didn't exist in the first place. Each invoice is reviewed prior to recording to note "new" meters and "replaced" meters. Any replacements are properly retired. In addition no retirements are made when the plant items are fully depreciated. When the amount of accumulated depreciation equals or exceeds the amount of plant in service, no retirements are made. This occurred twice in 2020 and was noted on the depreciation scheduled provided to the auditor.

In addition, in Account 334 – Meters - the auditor has proposed an adjustment of \$21,560 to Accumulated Depreciation with no explanation. LPWW believes this is an error. The auditor is proposing a total of \$95,464 in accumulated depreciation in Act. 320, where the proposed plant in service amount in 334 is \$76,783. You cannot have more Accumulated Depreciation for an

account than the amount in Plant in Service. This does not make accounting sense. With no explanation of this adjustment it is difficult for LPWW to respond.

Acct. 330 - the “Stand Pipe” – this was a hydropneumatic tank replacement which occurred in 2018. Prior to the replacement, there was only \$32,416 total in Account 330. This consisted of two (2) hydro tanks. The auditor has proposed retiring \$62,352. A retirement cannot be in an amount exceeding the original cost. LPWW proposes retiring ½ of the \$32,416 (\$16,208) for one of the tanks, as the other one is still in service. It cannot be determined how much of the \$32,416 is for each of the tanks. Also, in Audit Finding 2, the auditor followed through by retiring this amount in Accumulated Depreciation. However, under the auditor’s methodology, as of December 31, 2021, the amount of Plant in Service for Account 330 would be \$77,295, and the amount of Accumulated Depreciation for Account 330 would be \$152,537. Thus the accumulated depreciation would far exceed the amount of plant. Again, this does not make accounting sense.

For Account 320 – LPWW is unsure what “pro forma” item the auditor is referring to; however, “pro forma” items are not recorded until they are actually installed and invoiced. Utilities don’t record “pro forma” items; therefore there are no retirements since they were never recorded.

Audit Finding 5:

Account 603 – the auditor is proposing to eliminate the Officer’s salary. The amount of Officers’ Salary for LP Waterworks has previously been approved twice by the Florida Public Service Commission.

See PSC Orders: PSC-2017-0334-PAA-WS, issued August 23, 2017 and PSC-2014-0413-PAA-WS, issued August 14, 2014

The Florida Public Service Commission has also recently approved Officer’s Salaries for related utilities as follows:

<u>Utility Name</u>	<u>Order Number</u>	<u>Amount</u>
Lakeside Waterworks, Inc.	PSC-2017-0428-PAA-WS	\$3,000/water - \$3,000/wastewater – total \$6,000
Brevard Waterworks, Inc.	PSC-2015-0329-PAA-WU	\$5,000/water
Jumper Creek Utility Company	PSC-2015-0335-PAA-WS	\$750/water - \$750/wastewater – total \$1,500
HC Waterworks, Inc.	PSC-2015-0282-PAA-WS	\$9,120/water - \$2,880/wastewater – total \$12,000
Raintree Waterworks, Inc.	PSC-2016-0256-PAA-WU	\$3,000/water
Lake Idlewild Utility Company	PSC-2016-0305-PAA-WU	\$4,000/water
Country Walk Utilities	PSC-2018-0553-PAA-WU	\$3,000/water
Pine Harbour Waterworks, Inc.	PSC-2018-0552-PAA-WU	\$3,000/water
Gator Waterworks, Inc.	PSC-2020-0086-PAA-WU	\$5,000 / water
Brendenwood Waterworks, Inc.	PSC-2022-0043-PAA-WU	\$2,650 / water
The Woods Utility Company	PSC-2020-0087-PAA-WS	\$3,150 / water

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Thus, the auditor is proposing to eliminate an item that has previously been reviewed and approved by the Commission. There have been past instances where the staff recommended and the Commission approved officers' salaries in SARCs where no expense has even been recorded by the utility.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Troy Rendell", written in a cursive style.

Troy Rendell
Vice President
Investor Owned Utilities
// for LP Waterworks, Inc.