

STATE OF FLORIDA

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TIMOTHY DEVLIN, DIRECTOR  
DIVISION OF ECONOMIC REGULATION  
(850) 413-6900

# Public Service Commission

June 28, 2000

Mr. Kenneth A. Hoffman  
Rutledge, Ecenia, Purnell, & Hoffman, P.A.  
P.O. Box 551  
215 S. Monroe St., Suite 420  
Tallahassee, FL 32302-0551

Re: Docket No. 000295-WU, Application For Increased Water Rates by Placid Lakes Utilities, Inc. in Highlands County

Dear Mr. Hoffman:

We have reviewed the minimum filing requirements (MFRs) submitted on June 9, 2000, on behalf of the above-mentioned utility. After reviewing this information, we find the minimum filing requirements to be deficient. The specific deficiencies are identified below:

1. Expenses from a Parent, Affiliate or Related Party

Rule 25-30.436 (4) (h), Florida Administrative Code (F.A.C.), states that any system that has costs allocated or charged to it from a parent, affiliate or related party, in addition to those costs reported on Schedule B-12 shall file three copies of additional schedules that show the following information:

1. The total costs being allocated or charged prior to any allocation or charging as well as the name of the entity from which the costs are being allocated or charged and its relationship to the utility.
2. For costs allocated or charged to the utility in excess of one percent of test year revenues:
  - a. a detailed description and itemization; and
  - b. the amount of each itemized cost.
3. The allocation of direct charging method used and the bases for using that method.

DOCUMENT NUMBER - DATE

07969 JUN 29 2000

FPSC-RECORDS/REPORTING

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4. The workpapers used to develop the allocation factor, including but not limited to the numerator and denominator of each allocation factor.
5. The workpapers used to develop, where applicable, the basis for the direct charging method.
6. An organizational chart of the relationship between the utility and its parent and affiliated companies and the relationship of any related parties.
7. A copy of any contracts or agreements between the utility and its parent or affiliated companies for services rendered between or among them.

## 2. Used and Useful Consideration

Rule 25-30.431 (2)(c), F.A.C., states that the utility shall also submit a linear regression analysis using average ERCs for the last five years. The utility may submit other information that will affect growth in ERCs. In its filing, the utility did not submit a linear regression analysis.

3. Rule 25-30.437 F.A.C., MFR Form PSC/WAW 20, Class B MFRs  
Schedule D-1, Schedule of Cost of Capital  
Schedule D-2, Reconciliation of Capital Structure to Requested Rate Base

The instructions for these schedules reflect that the parent's capital structure should also be reported. The utility only filed the subsidiary's capital structure.

## 4. Additional Engineering Information

- a. Rule 25-30.440 (1), F.A.C., requires that the utility shall provide a detailed map showing:
  - (a) The location and size of the applicant's distribution and collection lines as well as its plant sites, and
  - (b) The location and respective classification of the applicant's customers.

The utility did not file any maps with its application. According to the utility, the used and useful calculation for the distribution system was done by individual streets. The map provided

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should indicate the following: clearly labeled streets, all lots clearly delineated, and connected and vacant lots clearly marked and classified.

b. Rule 25-30.440 (8), F.A.C., requires that the utility shall provide a list of all field employees, their duties, responsibilities, and certificates held, and an explanation of each employees' salary allocation method to the utility's capital or expense accounts. In its filing, the utility did not submit a list with all the required information.

## 5. MFR Format Requirements

Rule 25-30.437 (1), F.A.C., states that in compiling the required schedules, each section of this form shall be indexed and tabbed, including a table of contents listing the page numbers of each schedule. In its filing, the utility tabbed each volume which was correct, but it did not tab each section. (For example, section A, B, etc.)

In addition to the formal deficiencies, the following areas of concern were identified from Rule 25-30.437, F.A.C., MFR Form PSC/WAW 20, Class B MFRs:

### 1. Schedule F-7, Used and Useful Calculations

In its used and useful calculation, the utility used a 1.5-year growth rate for its margin reserve component. According to Section 367.081 (2)(a)2.b., Florida Statutes, a 5-year growth rate in ERCs is allowed, but it cannot be in excess of 5 percent per year.

### 2. Schedule A-17, Schedule of Working Capital Allowance Calculation

Rule 25-30.433 (2), F.A.C., states that working capital for Class B utilities shall be calculated using the formula method (one-eighth of operation and maintenance expenses). For interim and final, the utility calculated working capital using the balance sheet method.

### 3. Schedule A-1, Schedule of Water Rate Base Schedule D-1, Schedule of Requested Cost of Capital

Rule 25-30.433 (4), F.A.C., states that the averaging method used for Class B utilities shall be a simple beginning and end-of-year average. For interim, the utility used a 13-month average test year. For final, the utility used a year-end test year. A utility may request a year-end test year, but it must also include justification of extraordinary conditions that warrants year-end treatment as being appropriate.

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Your petition will not be deemed filed until we have received the above-mentioned deficiencies. These corrections should be submitted no later than July 31, 2000.

Sincerely,



Tim Devlin  
Director

TD/crb

cc: Division of Economic Regulation (Willis, Merchant, Crouch, Monroe, Binford)  
Division of Legal Services (Brubaker, Gervasi)  
Division of Records and Reporting (Docket No. 000295-WU)