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Sent: Thursday, June 23, 2011 2:39 PM
To: Filings@psc.state.fl.us
Cc: Keino Young; Andrew Maurey; Bart Fletcher; Dale Buys; Jennie Lingo; 'kthompson@psc.state.fl.us'; Monica Brown; Patti Daniel; Paul Stallcup; Stan Rieger; Doc Horton; 'luci@gtcom.net'; REILLY.STEVE
Subject: E-filing - Dkt 100128 OPC letter staff re Lighthouse back bill rev adj 6.23.11.pdf
Attachments: Dkt 100128 OPC letter staff re LUC back bill rev adj 6.23.11.pdf

Electronic Filing

a. Person responsible for this electronic filing:

Patricia W. Merchant, Chief Legislative Analyst
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b. Docket No. 100128-WU

In re: Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

c. Document being filed on behalf of Office of Public Counsel.

d. There are a total of 2 pages.

e. The document attached for electronic filing is **OPC letter to LUC back bill rev adj 6.23.11.pdf**

Thank you for your attention and cooperation to this request.

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6/23/2011

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DEAN CANNON
*Speaker of the
House of Representatives*



Patricia W. Merchant
Chief Legislative Analyst

June 23, 2011

Keino Young
Office of the General Counsel
Florida Public Service Commission
2340 Shumard Oak Boulevard
Tallahassee, Florida 32399-0830

Re: Docket No. 100128-WU - Application for increase in water rates in Gulf County by
Lighthouse Utilities Company, Inc. – OPC Issues Regarding Rate Case

Dear Mr. Young,

OPC has reviewed Staff's Sixth Data Request dated June 21, 2011, as well as Lighthouse Utilities Company Inc.'s (LUC) data responses regarding 2010 revenues and the calculations of the back billing adjustments the utility made in 2010 that relate to the 2009 test year. OPC agrees with staff that the methodology of each back billed adjustment was not provided. We also have additional concerns regarding the information that LUC has provided in the following responses.

- 1) The May 26, 2011, response to OPC's questions 15 and 20, including the attachments to those responses (unnumbered pages 19-24 of the pdf file). The file name is "2011-05-26, 100128, LUC final Responses to Staff's Fifth Data Request.pdf."
- 2) The June 6, response submitted to staff on June 6, 2011 which included the Usage Summary Reports for 2010 for Lighthouse Utilities as requested in Item 18 of the list of questions from the OPC. The file name is "2011-06-06 100128 ltr to K Young with supplemental response.pdf."
- 3) The email sent to staff dated June 14, 2011, which an attached Excel spreadsheet with all customer activity for 2010. The file name is "LUC 2010 Customer Detail with Adjustments.xls." Staff forwarded this email to OPC on June 15, 2011.

In our review of all three of these files, the adjustments shown to revenues and bills in each file are inconsistent. If you look at the May 26th response, the amount of the adjustment shown on page 20 of the pdf is \$41,090.42 (\$7,478.94 for residential and \$33,611.48 for

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Public/Other). On page 24 of the pdf the adjustment total is \$40,948.02 (\$22,393.72 for residential and \$18,554.30 for Public). The titles on each of the attachments do not detail or distinguish why the amounts are different.

In the June 6th response, LUC reflects adjustments of \$24,614.64 for residential and \$18,188.10 for the 4th Public customer, for a total of \$42,802.74.

In the June 14th response, the Excel file on the second tab entitled "ADJs" reflects a total adjustment of \$32,214.33. On the tab "Back billed by month", the amounts do not tie and in fact are much lower than those shown on the "ADJs" tab in the same file.


OPC would also like an explanation of how such a large billing error occurred, how it was discovered, over what timeframe the errors occurred, what has been done to correct the problems, and whether all of the problems have been corrected. Additionally, what costs have been incurred to fix the problem and if these errors were caused by someone other than the utility, what remuneration has been requested or received to compensate the utility for the errors.

Based on the assumption that the amount back billed in 2010 is supported, OPC is also concerned with the magnitude of the difference in revenues between the 2009 test year and 2010 as shown below:

Total Revenues Collected in 2010:	\$542,950
Reported Back Billed Amount in 2010:	(\$42,802)
Net/Current Billings in 2010:	\$500,147
2009 Revenues per MFRs 2 nd Revised:	\$472,364

Based on the information provided so far, OPC is unable to identify the water consumption and revenues billed in 2010 and 2011 that relate to 2009. Also, LUC has not adjusted their 2009 consumption and revenues to correct the impact of any of these adjustments. Without obtaining further support and detail regarding consumption and revenues, OPC is concerned about the reasonableness of the test year.

Thanks very much for your consideration. Should staff have any questions, we are available to discuss these concerns.

Sincerely,

Patricia W. Merchant
Chief Legislative Analysis

cc: Division of Economic Regulation (Maurey, Fletcher, Buys, Lingo, Thompson, M. Brown, Daniel, Stallcup, Rieger)
Norman H. Horton, Esq.
Mr. Jay Rish