

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Analysis of UTILITIES, INC.'S financial
accounting and customer service computer
system

Docket No.: 120161-WS

UTILITIES, INC.'S RESPONSE IN OPPOSITION TO
OPC'S MOTION TO COMPEL DISCOVERY RESPONSES

UTILITIES, INC. ("UI"), of behalf of its regulated subsidiaries in Florida, by and through its undersigned attorneys, and pursuant to Rule 28-106.204, Florida Administrative Code, files this Response in opposition to OPC's Motion to Compel Discovery Responses which was served on March 4, 2014, and states as follows:

1. As pointed out by OPC, the determination of the breadth of this Docket is governed by the Stipulation and Settlement Agreement approved by this Commission in Order No. PSC-12-0346-FOF-SU, issued July 5, 2012 in Docket No. 110153-SU. However, OPC relies upon certain language of the Stipulation while ignoring other modifying language. The language OPC relied upon is, "Eagle Ridge will not object to OPC including additional Project Phoenix issues..." However, that language is modified by the following, "...which broadly relate to the issues raised by OPC in its petition..."

2. Thus, in order to determine the breadth of the introductory language relied upon by OPC, one must review OPC's protest filed in Docket No. 110153-SU. (The relevant issue protested by the Utility was solely related to the rate base reductions made as a result of the divestiture of some systems). The specific issues protested by OPC were as follows:

a. Additional adjustments should be made to the Company's revenue requirement because of management's failure to adjust its books and records in accordance with prior Commission orders.

b. Project Phoenix has failed to deliver enhanced benefits promised to its customers when the project was first proposed. For this reason, further adjustments should be made to the Company's revenue requirement.

c. The used and useful percentages for Eagle Ridge and Cross Creek wastewater treatment plants are overstated.

d. The rate case expense that should be borne by Eagle Ridge's customers is overstated."

(A copy of OPC's Petition on Proposed Agency Action is attached hereto)

3. As can be seen, the Project Phoenix issue to which OPC filed the protest was related to the benefits that were derived from the project and not to the specific issues to which OPC's discovery was directed. OPC implicitly acknowledges that limitation in arguing its broad interpretation of the issue phrased by the Commission in the Order Establishing Procedure, Order No PSC-14-0041-PCO-WS: "Should any adjustments be made to the Utility's Project Phoenix Financial/Customer Care Billing System (project Phoenix)?" However, at this point in the proceeding it is premature to state that such issue encompasses more than what was protested by the parties in Docket No. 110153-SU.

4. In its Motion to Compel, OPC, apparently abandoning the Project Phoenix issue it originally protested, now asserts that there are seven additional Project Phoenix issues (which it candidly admits it will likely change in the future) . These do not only include issues related to putting Project Phoenix in service, and the effect of divestitures. Each new issue is addressed below:

OPC Issue 1a: What was the original cost of Project Phoenix when it was placed into service in June 2008, and was it reasonable and prudent? In Commission Order No. PSC-10-0407-PAA-SU, the Commission established the cost of Project Phoenix at

\$21,617,487. That amount was subsequently followed in PSC-11-0587-PAA-SU from which this proceeding sprung (and subsequent Commission Orders). This Commission has approved the recovery of Project Phoenix costs in probably twenty (20) or more rate cases, and it is beyond reason to argue that in those rate cases there is not at least an implicit determination that the cost was reasonable and prudent. In fact, until the Eagle Ridge rate case, OPC did not challenge the reasonableness of Project Phoenix in any of those prior rate cases.

OPC Issue 1b: Have capital additions been added to Project Phoenix after being placed in service in June 2008, and if so, are those costs reasonable and prudent? Project Phoenix is a complex computer system consisting of hardware and software, and like any computer system has ongoing operating, maintenance and capital expenditures. The reasonableness and prudence of such ongoing expenditures is more properly addressed in rate cases, and not in a “global” manner.

OPC Issue 1c: Over what period should Project Phoenix capital costs be depreciated? In 2010, the Commission set the amortization period of Project Phoenix at ten years in the four separate rate cases that were pending that year for UI subsidiaries, and has consistently followed that precedence in subsequent rate cases. This ten year amortization period was the longest the amortization period could be and still be in compliance with Generally Acceptable Accounting Principles.

OPC Issue 1d: Should any adjustments be made to how Project Phoenix capital costs are allocated to the UI Florida Systems? OPC does not explain its rationale for this being an issue, and one can only speculate what OPC has in mind. If this issue was properly raised in its protest in the Eagle Ridge then OPC would have had to identify what action it is proposing. Since it has been a long-standing policy of this

Commission to make allocations based upon ERCs, this is not the proceeding within which to change that policy.

OPC Issue 1e: Are the operations and maintenance (O&M) expenses associated with Project Phoenix reasonable and prudent? Since operating expenses change on an annual basis, this is an issue which must be evaluated in the context of a rate case. This is not the proceeding to evaluate the O&M expenses since the inception of Project Phoenix.

OPC Issue 1f: Should any adjustments be made to how the O&M costs associated with project Phoenix are allocated to the UI Florida systems? OPC does not explain its rationale for this being an issue, and one can only speculate what OPC has in mind. If this issue was properly raised in its protest in the Eagle Ridge then OPC would have had to identify what action it is proposing. Since it has been a long-standing policy of this Commission to make allocations based upon ERCs, this is not the proceeding within which to change that policy

OPC Issue 1g: Should regulatory assets or liabilities be established for any UI systems based on the outcome in this case, and if so, in what amounts? In prior Commission Orders involving UI subsidiaries, the Commission has already authorized the utility to create a regulatory asset or liability for the costs associated with Project Phoenix, and to accrue interest on the regulatory asset or liability at the 30-day commercial paper rate until the establishment of rates in the utility's next rate case, and to amortize the regulatory asset or liability over 4 years.

INTERROGATORIES

Project Phoenix

1. Regarding the Legacy computer system used by UI prior to the implementation of Project Phoenix, please state when was it placed into service, over what period the system was it used by UI, over what period the asset was depreciated, and whether the asset been retired from the general ledger.

OPC asserts that this question regarding the Legacy system (UI's prior accounting system) is related to the period of time over which Project Phoenix should be amortized/depreciated. As pointed out above, this is not a legitimate issue and even if it was the issued related to the Legacy system have no bearing on the amortization/depreciation of Project Phoenix.

2. Please provide the following regarding Project Phoenix:
 - a. A brief overview of Project Phoenix as it exists today;
 - b. When Project Phoenix was initially conceived to replace the Legacy computer system, the intended purpose and scope of Project Phoenix;
 - c. As Project Phoenix was being developed, what changes, if any, were made to the purpose and scope;
 - d. Once Project Phoenix was completed and placed into service, whether it fulfilled and continues to fulfill its originally intended purpose and scope (all parts and subparts), and if not, why not;
 - e. Whether the Project Phoenix, in whole or in part, exceeds the originally intended purposes and scope, and if so, please explain why;
 - f. The amount of the initial contracted cost estimate when Project Phoenix was initially conceived;
 - g. The completed final contract cost for Phoenix Project upon completion;
 - h. The known or contracted capital improvements and annual recurring expenses in the original contract for Project Phoenix when it was initially conceived;
 - i. The contracted capital improvements and annual recurring expenses in the contract for Project Phoenix upon completion;
 - j. A breakdown of the following capitalized costs for the Project Phoenix at the time the asset was placed into service: hardware, software, capitalized contact labor, capitalized in-house labor and other identified costs.
 - k. What depreciation rate UI believes is the appropriate depreciation rate for Project Phoenix for general ledger and rate setting purposes? If the response indicates that different depreciation rates should be used, please provide a statement stating why.

OPC asserts these questions relate to its issues 1a, 1b and 1c, and their lack of relevancy is discussed above.

3. Please provide the following regarding the JDE financial accounting portion of the Project Phoenix:
 - a. The date when the project was initially estimated to be completed, and the actual date it was completed and placed into service.
 - b. Whether the project has been materially modified since being placed into service and, if so, provide a description and amount of the modification, and what necessitated any modification.

OPC asserts these questions relate to its issues 1a, and 1b and their lack of relevancy is discussed above.

4. Please provide the following regarding the customer care and billing ("CCB") portion of the Project Phoenix:
 - a. The date when the project was initially estimated to be completed, and the actual date it was completed and placed into service.
 - b. Whether the project has been materially modified since being placed into service and, if so, provide a description and amount of the modification, and what necessitated any modification.
 - c.

OPC asserts these questions related to its issues 1a, and 1b and their lack of relevancy is discussed above.

5. For each year from 2007 through 2013, please provide the balance of plant in service recorded on the general ledger for the total company related to Project Phoenix broken down between hardware, software, contractual labor, and capitalized in-house labor. Also, provide the account number(s) to which all Project Phoenix costs are recorded.

OPC asserts this question relates to its issues 1a, and 1b and their lack of relevancy is discussed above.

6. For each year from 2007 through 2013, please provide the annual balance of accumulated depreciation, and depreciation expense recorded on the general ledger for the total company related to Project Phoenix. Also provide the depreciation rate used on the general ledger.

OPC asserts this questions relates to its issue 1c and its lack of relevancy is discussed above.

7. Since June 2008, please itemize and describe all amounts capitalized to Project Phoenix. As part of this response, please explain how or why the amounts were determined to be a capital addition instead of an annual operating expense.

OPC asserts this question relates to its issue 1b and its lack of relevancy is discussed above.

8. For each rate case completed since 2007, please provide the following:
 - a. Whether the Company adjusted its general ledger to reflect Commission ordered adjustments related to the gross amount of plant for Project Phoenix.
 - b. For each system in Florida, state whether the Company maintained a subsidiary ledger or worksheets to reflect the Commission ordered adjustments related to the gross amount of plant for Project Phoenix and included those adjustments in rate case filings or annual reports.
 - c. Whether the Company adjusted its general ledger to reflect Commission ordered adjustments related to the change in depreciation rate for Project Phoenix.
 - d. For each system in Florida, state whether the Company maintained a subsidiary ledger or worksheets to reflect the Commission ordered adjustments related to the change in depreciation rate for Project Phoenix and included those adjustments in rate case filings or annual reports.
 - e. Whether the Company adjusted its general ledger to reflect Commission ordered adjustments related to the affiliate reallocation for Project Phoenix.
 - f. For each system in Florida, state whether the Company maintained a subsidiary ledger or worksheets to reflect the Commission ordered adjustments related to the affiliate reallocation for Project Phoenix and included those adjustments in rate case filings or annual reports.

OPC asserts these questions related to its issues 1c, 1d, and 1f and their lack of relevancy is discussed above. Further, these questions are related to the record-keeping issues to which the parties have previously stipulated.

9. For each rate case completed *after* the Commission's approval of the Eagle Ridge Settlement (Order No. PSC-12-0346-FOF-SU, issued July 5, 2012, in Docket No. 110153-SU) that included any costs associated with Project Phoenix, please describe the current balance of the regulatory asset, by system, as permitted by the Eagle Ridge Settlement. Please provide all calculations documentation showing how each and every amount recorded as a regulatory asset was determined.

OPC asserts this question relates to its issues 1g, and its lack of relevancy is discussed above. Further, this question is appropriately addressed in the context of a rate case and not

generically.

10. For each year from 2007 through 2013, please provide the total company, total Florida, and each Florida system specific ERCs used to allocate Project Phoenix on the Company's general ledger.

No objection was filed as to this question.

11. Please describe all expected capital projects or material modifications (including an estimate of those costs) that the Company expects will be made to Project Phoenix within the next two years, 5 years, and 10 years.

OPC asserts this question relates to its issues 1a, and 1b and their lack of relevancy is discussed above.

Computer Expenses

12. For each year from 2006 through 2013, please provide the balance of Computer Expense (included in Accounts 5735 – Computer Maintenance and 5740 – Computer Supplies) on a total company basis.

OPC asserts this question relates to its issue 1e, and its lack of relevancy is discussed above. This is an issue to be addressed in the context of a rate case where the result of the analysis will have some revenue implication. This Docket is not intended to be a rate case for all of UI's regulated subsidiaries in Florida.

13. Please provide a list of all cost savings related to financial accounting and customer billing that have been implemented since Project Phoenix was placed in service as it relates to annual Computer Expenses, and how much of those cost savings directly resulted from Project Phoenix.

OPC asserts this question relates to its issues 1e, and 1f and their lack of relevancy is discussed above.

14. Please provide an explanation and comparison of the types and amounts of costs included in Accounts 5735 – Computer Maintenance and 5740 – Computer Supplies for 2007 (prior to the year Project Phoenix was placed in service), for 2008 (the first full year of project Phoenix implementation), and for the most recent year 2013.

OPC asserts this question relates to its issues 1a, 1b, 1e and 1f and their lack of relevancy is discussed above.

15. For 2013, please provide a breakdown of each type of cost included in Computer Expense (included in Accounts 5735 – Computer Maintenance and 5740 – Computer Supplies), an explanation of why the cost was incurred, and whether any in-house labor charges are allocated to these accounts.

OPC asserts these questions related to its issues 1e, and 1f and their lack of relevancy is discussed above. This is an issue to be addressed in the context of a rate case where the result of the analysis will have some revenue implication. This Docket is not intended to be a rate case for all of UI's regulated subsidiaries in Florida.

DOCUMENTS REQUESTED

1. Please provide a copy of all contracts related to Project Phoenix, including the contract(s) to design and implement Project Phoenix, any subsequent Project Phoenix contracts, and any contracts for on-going maintenance and operations of Project Phoenix.

UI has produced copies of the original Project Phoenix contract documents. Any subsequent contracts and other documents are not relevant to this proceeding. OPC asserts that the requested documents are related to Issues 1a and 1b, and the appropriateness of those issues is addressed above.

2. Please provide a copy of all documents supporting the capitalization of additional Project Phoenix costs since June 2008 referenced in Interrogatory No. 7. These documents should include contracts, work orders, invoices, timesheets, allocation calculations and the basis of allocation, and all electronic or Excel worksheets with all formulas intact with no encryptions or pass-word protections. For any capitalized labor, please provide supporting timesheets or documentation to verify that the capitalized time was spent on the referenced project.

OPC asserts that the requested documents are related to Issue 1b, and the appropriateness of that issue is addressed above.

3. Please provide a copy of documents that support how the general ledger was adjusted or subsidiary ledgers or worksheets were maintained to record or reflect the impact of the Commission ordered adjustments related to Project Phoenix referenced in Interrogatory No. 8.

OPC asserts that the requested documents are related to Issues 1c, 1d and 1f, and the appropriateness of those issues is addressed above. Further, these documents, and Interrogatory 8 relate to the record-keeping issues to which the parties have previously stipulated.

4. Please provide a copy of all documents and electronic worksheets in Excel format that support the calculations used to determine the costs included in the balance of the regulatory asset, by system, as permitted by the Eagle Ridge Settlement referenced in Interrogatory No. 9. These documents should include contracts, work orders, invoices, timesheets, allocation calculations and the basis of allocation, and all electronic or Excel worksheets with all formulas intact with no encryptions or password protections. For any capitalized labor, please provide supporting timesheets or documentation to verify that the capitalized time was spent on the referenced project.

OPC asserts that the requested documents are related to Issue 1g and the appropriateness of those issues is addressed above. Further, this question is appropriately addressed in the context of a rate case and not generically.

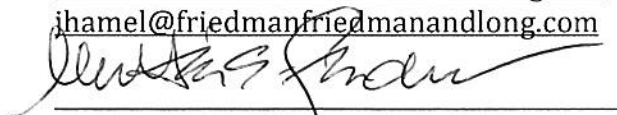
5. Regarding Interrogatories Nos. 1-15, please provide any documents identified or referenced in the response to those interrogatories, or any documents otherwise responsive to those interrogatories.

OPC asserts that the requested documents are related to all of its new Issues, and the appropriateness of those issues is addressed above.

WHEREFORE, Utilities, Inc., on behalf of its regulated Florida subsidiaries requests that OPC's Motion to Compel be denied in its entirety.

Respectfully submitted this 11th day of
March, 2014, by:

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MARTIN S. FRIEDMAN
Florida Bar No.: 0199060
For the Firm

CERTIFICATE OF SERVICE
DOCKET NO. 130161-WS

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished
by U.S. Mail and E-Mail to the following parties this 11th day of March, 2014:

Erik Saylor, Esquire
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MARTIN S. FRIEDMAN
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For the Firm

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for increase in
wastewater rates in Lee County
by Utilities, Inc. of Eagle Ridge

Docket No. 110153-SU

Filed: January 9, 2012

PETITION ON PROPOSED AGENCY ACTION

The Citizens of the State of Florida ("Citizens") by and through their undersigned attorney, pursuant to Section 120.57, Florida Statutes, and Rules 25-22.029 and 28-106.201, Florida Administrative Code, file this objection to the Florida Public Service Commission's ("Commission") Order No. PSC-11-0587-PAA-SU ("Order"), issued December 21, 2011, and state:

1. The name of the agency affected and the agency's file number:

Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
Docket No. 110153-SU

2. On December 22, 2011, Utilities Inc. of Eagle Ridge ("UI", "Eagle Ridge" or "Company") filed a petition protesting portions of the Commission's Order. As a direct result of UI's protest, OPC is filing this petition. The Citizens include customers of UI whose substantial interests will be affected by the Order because the Order authorizes the Utility to increase the rates and charges it imposes upon its customers.

3. Pursuant to Section 350.0611, Florida Statutes, the Citizens who file this petition are represented by the Office of Public Counsel (“Citizens”, “Petitioner” or “OPC”) with the following address and telephone number: Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400, telephone no. (850) 488-9330.

4. The Citizens received a copy of the Order on December 21, 2011 from the Commission’s website.

5. At this time the ultimate facts alleged, including the specific facts which the Petitioner contends warrants reversal or modification of the agency’s proposed action are as follows:

a. Additional adjustments should be made to the Company’s revenue requirement because of management’s failure to adjust its books and records in accordance with prior Commission orders.

b. Project Phoenix has failed to deliver enhanced benefits promised to its customers when the project was first proposed. For this reason, further adjustments should be made to the Company’s revenue requirement.

c. The used and useful percentages for the Eagle Ridge and Cross Creek wastewater treatment plants are overstated.

d. The rate case expense that should be borne by Eagle Ridge’s customers is overstated.

6. Each of the forgoing matters involve disputed issues of material fact.

7. The Order establishes January 11, 2012 as the date by which protests must be filed.

8. Section 367.081, Florida Statutes, is the specific statute the Petitioner contends requires reversal of the agency's proposed action.

9. The Petitioner seeks the Commission to take the following actions with respect to the agency's proposed action:
 - a. Determine that UI's protest of three provisions of the Commission's Order, concerning Project Phoenix, rate case expense and working capital, is without merit, and affirm the Commission's initial findings and orders on these issues, except to the extent that those findings and orders are modified in accordance with OPC's Petition.

 - b. Determine that OPC's protest of two additional issues (Company's failure to adjust its books and records and used and useful percentage of wastewater plants) require modifications to the order consistent with OPC's Petition.

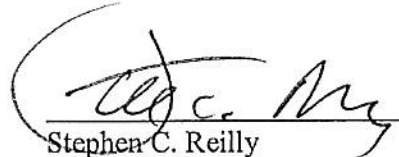
 - c. Determine the proper revenue requirement and resulting rates after resolution of the above issues (including fallout issues). To the extent final wastewater rates are approved which are less than interim wastewater rates, such over collection shall be refunded to UI's customers with interest.

WHEREFORE, the Citizens hereby protest and object to Commission Order No. PSC-11-0587-PAA-SU, as provided above, and petitions the Commission to conduct a formal evidentiary hearing, under the provisions of Section 120.57(1), Florida Statutes, and further petitions that such hearing be scheduled at a convenient time within or as close as practical to the

Utility's certificated service area.

Respectfully submitted,

J.R. Kelly
Public Counsel

A handwritten signature in black ink, appearing to read "Stephen C. Reilly", is written over a horizontal line. The signature is enclosed within a large, hand-drawn circular scribble.

Stephen C. Reilly
Associate Public Counsel
Office of Public Counsel
c/o The Florida Legislature
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Tallahassee, FL 32399-1400
(850) 488-9330

Attorneys for the Citizens
of the State of Florida

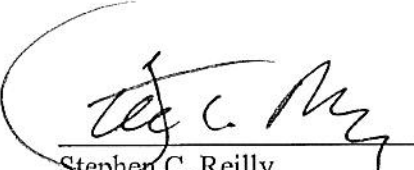
CERTIFICATE OF SERVICE
DOCKET NO. 110153-SU

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S.

Mail and electronic mail to the following parties on this 9th day of January, 2012.

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Associate Public Counsel