

ANDY GARDINER
President of the Senate



J.R. Kelly
Public Counsel

STATE OF FLORIDA
OFFICE OF PUBLIC COUNSEL

c/o THE FLORIDA LEGISLATURE
111 WEST MADISON ST.
ROOM 812
TALLAHASSEE, FLORIDA 32399-1400
1-800-342-0222

EMAIL: OPC_WEBSITE@LEG.STATE.FL.US
WWW.FLORIDAOPC.GOV

STEVE CRISAFULLI
*Speaker of the House of
Representatives*



October 29, 2015

Carlotta S. Stauffer, Director
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket 150102 -- Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven

Dear Ms. Stauffer:

The Office of Public Counsel respectfully requests that the following issues and sub-issues be considered by staff and addressed explicitly in the staff recommendation. These are specific issues that we are interested in pursuing before the Commissioners at the Agenda Conference. If you should have any questions, please feel free to call or e-mail me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Erik L. Sayler".

Erik L. Sayler
Associate Public Counsel

c: Division of Accounting & Finance (Archer, Buys,
Cicchetti, Yeazel)
Division of Economics (Bruce, Daniel, Hudson)
Division of Engineering (Lewis, King, Watts)
Office of the General Counsel (Brownless)
Office of Auditing and Performance Analysis
(Deamer)

Office of Public Counsel (Sayler)

Utilities, Inc. of Sandalhaven
Mr. Patrick C. Flynn
200 Weathersfield Avenue
Altamonte Springs, FL 32714-4027

Friedman Law Firm
Martin S. Friedman
766 North Sun Drive, Suite 4030
Lake Mary, FL 32746

OPC Issues and Concerns
Utilities, Inc. of Sandalhaven
Docket No. 150102-SU

QUALITY OF SERVICE

1. Is the quality of service provided by Utilities, Inc. of Sandalhaven unsatisfactory considering the following concerns?
 - a. Does the failure of the utility to promptly rectify the water leaching from its percolation pond indicate unsatisfactory quality of service?
 - b. Does the utility's poor customer service in addressing customer's concern regarding error in interim rate bill indicate unsatisfactory quality of service?

RATE BASE

2. Should any adjustments be made to utility plant in service for the following items?
 - a. Should an adjustment be made to correct the utility's failure to record retirements in 2008, 2009, and 2010?
 - b. Should an adjustment be made to correct the utility's capitalization of maintenance items that were capitalized?
 - c. Should an adjustment be made to correct the utility's capitalization of items that were less than \$100?
 - d. Did the utility adequately support and document its entry for "Conversion Fix" for \$773,000? If not, should an adjustment be made to remove this amount from rate base?
3. Should any adjustments be made to the utility's pro forma plant to reflect the retirements related to the construction costs to relocate existing sewer in the Placida Road right-of-way? The MFRs indicate that sections of 4" and 6" PVC and HDPE force main, 4" and 6" gate valves and associated fittings will be retired.
4. What are the appropriate used and useful adjustments for the utility's wastewater system, especially regarding the EWD capacity fees, the 12" force main, and the master lift station?
 - a. What is the appropriate engineering calculation supporting used and useful?
 - b. What is the appropriate economic used and useful calculation to reflect matching costs to customers served?
 - c. Does the level of risk embedded in the authorized return on equity take into consideration the risk of investment in plant to serve future growth?
 - d. Should service availability charges be re-evaluated based on the used and useful determination so that future fees only match the plant not included in rate base?
5. What is the appropriate adjustment to reflect the following aspects related to the retirement of the wastewater treatment plant?
 - a. Was the \$919,000 increase to treatment plant since the 2006 rate case prudent when the utility was planning at that time to retire the plant?
 - b. Are the utility's estimated costs of removal appropriate?
 - c. What is the estimated salvage value for the plant items retired?
 - d. Is the utility's inclusion of CIAC and Accumulated Amortization of CIAC calculated correctly?

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6. Should any adjustments be made to CIAC for the following items?
 - a. Has the utility properly classified CIAC to indicated cash collections and donated plant?
 - b. Was the utility's adjustment to reclassify \$975,000 from Sewer Tap Fees to Plant Capacity Fees fully supported and appropriate?
 - c. Has the utility violated its agreement in the settlement in Docket No. 120161-WS to properly reflect all cash CIAC by the source of the cash and not to allocate cash CIAC to plant-designated accounts?

CAPITAL STRUCTURE

7. What is the appropriate balance for Accumulated Deferred Income Taxes (ADIT) to be included in the capital structure?
 - a. Do the utility's ADIT balances include the appropriate 2014 accruals?
 - b. Do the utility's state and federal ADIT related to depreciation expense include the appropriate annual increases and decreases?
 - c. Is the utility's inclusion of debit deferred taxes related to "Tap Fees Post 2000" appropriate? If the utility paid these fees, was it prudent for the utility to do so and has the utility appropriately amortized these ADITs?
 - d. Is the utility's inclusion of debit deferred taxes associated with a net operating loss (NOL) appropriate?

NET OPERATING INCOME

8. Has the utility properly reflected the test year revenues and billing determinants considering the following factors?
 - a. Has the utility supported the fact that while it had a 2% drop in general service bills, it also had a 52% drop in consumption?
 - b. Has the utility sufficiently reconciled the difference in bills included in the revised MFRs and the staff audit?
9. Should any adjustment be made to the salaries and ages expense for the following items?
 - a. Has the utility properly justified the level of salaries and wages to reflect the retirement of the WWTP?
 - b. Has the utility sufficiently justified the salary increases in the past years?
 - c. Should any adjustment be made to reflect the \$4,964 difference reflected in the staff audit report?
10. Should sludge removal expense be reduced to zero to reflect the retirement of the WWTP? (Audited invoices for repairs at lift stations appear to include sludge removal in the repair total.)
11. Should any adjustment be made to Materials and Supplies Expense for the following items?
 - a. Should the amortization of deferred maintenance be reduced by \$43,592?

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- b. Should the test year expense be reduced for those expenses related to the operation of the WWTP?
12. Should account 766 – Regulatory Commission expense – Other be reduced to remove charges from Deloitte Consulting LLP for professional services rendered for Docket No. 120161-WS?
13. Should any adjustments be made to taxes Other Than Income to reflect lower ad valorem taxes based on the retirement of the WWTP?