FILED JUL 06, 2016
DOCUMENT NO. 04275-16
FPSC - COMMISSION CLERK

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July 5, 2016

Carlotta Stauffer, Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Oak Springs, LLC: Docket No. 160075-WS
Transfer of Certificate to Oak Springs MHC, LLC

Dear Ms. Stauffer,

I am writing this letter as a response to the staff Audit Report dated June 29, 2016. After review of the Audit Report, we do not take great issue with most of its findings; however, we do wish to make several comments which we believe will assist the Commission in ultimately granting the request for transfer of certificate and in establishing rate base for this utility.

(1) Net book value or rate base at the date of transfer. In keeping with standard Commission practice of establishing the rate base of the utility at the time of transfer, the utility has provided several documents to the Commission which we believe assist in that goal. One of those documents was the original cost study performed by the utility's previous owner's consulting engineer during the original certification of this utility in Docket No. 040415-WU. That original cost study calculated the original cost of construction of the utility facilities in 1973 and calculated their net book value including depreciation up through the date of certification at December 31, 2003. We believe that the Commission regularly has utilized original cost studies such as this in order to determine the net book value of a utility where the original source documents are no longer available for audit. In fact, this original cost study was utilized by the Commission in that 2004 case to establish initial rates for the utility. Therefore, we believe that the Commission should utilize the information contained in the attached Exhibits A and B as developed by the utility in the 2004 Docket to establish the starting rate base for the utility as of December 31, 2003.

The auditor has utilized the information provided by the utility relative to the additions to plant in service since 2003 and calculated depreciation on those items. The utility has previously provided to the Commission the attached Exhibit C which starts with the balances from the original cost study at December 31, 2003 and adds the plant additions as referenced in the audit in 2015 and a minor addition in 2006. This Exhibit C also calculates accumulated depreciation on both the existing plant per the original cost

study and these additions up through the date of acquisition by the current owner as of May 31, 2015. Therefore, we believe that these figures should be utilized in establishing the utility's rate base on a going forward basis.

(2) Utility Land. The utility estimated in the original cost study referenced above and attached hereto, the value of the utility's 0.75 acres of land utilized for the water plant at $3,750 at the time it was first utilized for the construction of the water plant in 1973. This figure was estimated by the engineer based upon comparable land values. The auditor in his finding number 3 has calculated a land value approximately $1,000 less than this figure based upon doc stamps of a 1972 deed. The utility has contacted and discussed this issue with the auditor and has determined that the auditor based his calculation on a 1972 deed which he contends represents the acquisition of the utility land by the person first devoting that land to public service in 1972. A copy of this deed is attached. We are not aware of how the auditor was able to determine that this was, in fact, the 0.75 acres of land utilized for the water plant location. However, if it is, in fact, that property, then we have no problem with the auditor's calculation and this land value would appropriately be substituted for that contained in the original cost study if the auditor is correct in that regard.

(3) NARUC books kept in accordance with NARUC system of accounts. The utility is awaiting the Commission's determination of the utility's net book value and rate base and the determination of the appropriate accounts into which those plant assets should be grouped in order for it to set up those books based upon the NARUC system of accounts. As soon as the Commission issues its final order establishing the rate base for the utility, the utility's consultants will work with the utility management in order to ensure that the general ledger and books of the utility are set up in accordance with the NARUC system of accounts which the utility should be able to accomplish within 60 days of that final order.

If you or any members of the staff have any questions with regard to any of the above comments or suggestions or any of the attachments, please do not hesitate to contact me.

Sincerely,

F. Marshall Deterding
Of Counsel

FMD/brf
cc: Maria Virga
Gary Morse

Original Cost Study - Water System Utility Plant In Service

Florida Public Service Commi

Oak Springs
Docket No.
Estimated Original Cost at December 31, 2003

Exhibit A
Page 1 of 1
Preparer: J. Coto/G. Morse

Line No.	NARUC Account	Description	Year Installed (2)	Age (Yrs.)	FPSC (3) Depreciation Rate (%)	Costing Method: Actual Invoice (4)	Costing Method: Trended	Index Values (1): Test Yr	Index Values (1): Yr. Installed	Replacement Cost (5)	Estimated Original Cost	Accumulated Depreciation	Original Cost Less Accum. Depreciation
1	301	Organization (Original Certificate Filing)(8)	2004	40	2.50%	Estimated					$10,000	0	$10,000
2	303	Land and Land Rights	1973	30.5		Estimated (7)				$3,750	3,750	$0	$3,750
3	304	Structures and Improvements	1973	30.5	3.57%		Trended	313.00	100.00	8,466	1,198	1,198	0
4	307	Wells and Springs-Well No. 1	1973	30.5	3.70%		Trended	291.00	100.00	90,000	30,928	30,928	0
5	307	Wells and Springs-Well No. 2	1983	20.5	3.70%		Trended	291.00	208.00	80,000	57,182	43,373	13,809
6	309	Supply Mains	1973	30.5	3.13%		Trended	333.00	100.00	12,500	3,754	3,584	170
7	310	Power Generation Equipment	1998	5.5	5.88%		Trended	531.00	486.00	28,000	25,627	8,288	17,339
8	311	Pumping Equipment - Well No. 1 Pump	1973	30.5	5.88%		Trended	531.00	100.00	28,000	5,273	5,273	0
9	311	Pumping Equipment - Well No. 2 Pump	1995	8.5	5.88%		Trended	531.00	437.00	32,000	26,335	13,162	13,173
10	311	Pumping Equipment - High Serv Pumps	1999	4.5	5.88%		Trended	531.00	499.00	11,000	10,337	2,735	7,602
11	320	Water Treatment Equipment	1973	30.5	5.88%		Trended	385.00	100.00	74,400	19,325	19,325	0
12	330	Distribution Reservoirs & Standpipes											
13		-Steel Tanks Hydro	1996	7.5	3.33%		Trended	270.00	251.00	26,000	24,170	6,037	18,134
14		-Steel Tanks Storage Reservoir	1999	4.5	3.33%		Trended	270.00	268.00	38,000	37,719	5,652	32,066
15	331	Transmission and Distribution Lines											
16		Phase 1	1973	30.5	2.50%		Trended	215.00	144.00	47,210	31,620	24,110	7,510
17		Phase 2	1973	30.5	2.50%		Trended	215.00	144.00	28,297	18,952	14,451	4,501
18		Phase 3	1983	20.5	2.50%		Trended	215.00	144.00	18,164	12,166	6,235	5,931
19	333	Services											
20		Phase 1	1973	30.5	2.86%		Trended	275.00	206.00	25,100	18,802	16,401	2,401
21		Phase 2	1973	30.5	2.86%		Trended	275.00	206.00	11,900	8,914	7,776	1,138
22		Phase 3	1983	20.5	2.86%		Trended	275.00	206.00	6,800	5,094	2,987	2,107
23	334	Meters and Meter Installations											
24		Phase 1	2000	3.5	5.88%		Trended	330.00	320.00	37,650	36,509	7,514	28,996
25		Phase 2	2000	3.5	5.88%		Trended	330.00	320.00	17,850	17,309	3,562	13,747
26		Phase 3	2000	3.5	5.88%		Trended	330.00	320.00	10,200	9,891	2,036	7,855
27	335	Hydrants											
28		Phase 1	1973	30.5	2.50%		Trended	505.00	281.00	7,500	4,173	3,182	991
29		Phase 2	1973	30.5	2.50%		Trended	505.00	281.00	9,000	5,008	3,819	1,189
30		Phase 3	1983	20.5	2.50%		Trended	505.00	281.00	3,000	1,669	856	814
31	336	Backflow Prevention Devices	2000	3.5	4.00%		Trended	385.00	372.00	3,400	3,400	476	2,924
32		Total Net Original Cost Plant In Service								$658,187	$429,105	$232,957	$196,148

Footnotes:

(1) Based on Handy Whitman Indices at mid year for the test year and estimated year of original installation/replacement.

(2) As indicated in information provided by Oak Springs for year installed and/or year replaced.

(3) Depreciation rates based on FPSC prescribed guidelines per Chapter 25-30.140

(4) The parent company is not able to obtain any actual invoices or support for the original plant investment.
Therefore, the Company has prepared an original cost study to support the original plant investment. $196,148

(5) Represents the estimated cost today for similar facilities as prepared by Excel Engineering Consultants per the attached replacement cost analysis.

(6) Represents the actual original cost of meters (including installation) based upon the documentation provided to Excel Engineering by the party that did the meter installation. 0

(7) From Replacement Cost Support Schedule 1. $196,148

(8) Estimated Franchise/Organizational Costs - Accounts 301/302 anticipated to be incurred.

Replacement Cost For Water System

Oak Springs MHP
Docket No.

Florida Public Service Commission

Exhibit B
Page 1 of 1
Preparer: J. Coto/G. Morse

Line No.	Description	Unit	Quantity	Unit Price	Total Cost
1	**Potable Water Transmission/Distribution System**				
2	Pipe Installation				
3	2" PVC - Phase 1	LF	4,005	$4.00	16,020
4	2" PVC - Phase 2	LF	1,060	$4.00	4,240
5	2" PVC - Phase 3	LF	453	$4.00	1,812
6	4" PVC - Phase 1	LF	0	$5.00	0
7	4" PVC - Phase 2	LF	1,801	$5.00	9,005
8	4" PVC - Phase 3	LF	1,720	$5.00	8,600
9	6" PVC - Phase 1	LF	4,215	$6.00	25,290
10	6" PVC - Phase 2	LF	2,442	$6.00	14,652
11	6" PVC - Phase 3	LF	292	$6.00	1,752
12	Total Transmission and Distribution		15,988		81,371
13	Valves, Backflow Preventers, and Fire Hydrants				
14	2" Gate Valve - Phase 1	Each	1	$400.00	400
15	2" Gate Valve - Phase 2	Each	1	$400.00	400
16	2" Gate Valve - Phase 3	Each	1	$400.00	400
17	4" Gate Valve - Phase 1	Each	5	$500.00	2,500
18	4" Gate Valve - Phase 2	Each	0	$500.00	0
19	4" Gate Valve - Phase 3	Each	6	$500.00	3,000
20	6" Gate Valve - Phase 1	Each	5	$600.00	3,000
21	6" Gate Valve - Phase 2	Each	0	$600.00	0
22	6" Gate Valve - Phase 3	Each	4	$600.00	2,400
23	Total T&D Valves				12,100
24					
25	1" RPZ Backflow Preventor	Each	4	$850.00	3,400
26	2" Blow-off Valve	Each	1	$200.00	200
27	Fire Hydrant Assembly - Phase 1	Each	5	$1,500.00	7,500
28	Fire Hydrant Assembly - Phase 2	Each	6	$1,500.00	9,000
29	Fire Hydrant Assembly - Phase 3	Each	2	$1,500.00	3,000
30					
31	Service Laterals				
32	1" Service Lateral -Phase 1	Each	251	$100.00	25,100
33	1" Service Lateral -Phase 2	Each	119	$100.00	11,900
34	1" Service Lateral -Phase 3	Each	68	$100.00	6,800
35	Total Services		438		43,800
36					
37	5/8" Water Meter -Phase 1	Each	251	$150.00	37,650
38	5/8" Water Meter -Phase 2	Each	119	$150.00	17,850
39	5/8" Water Meter -Phase 3	Each	68	$150.00	10,200
40	Total Meters		438		65,700
41					
42	Total Water Transmission/Distribution System				226,071
43					
44					
45	**Potable Water Treatment Facilities**				
46	8" Well #1 (458 ft.)	Each	1	$90,000.00	90,000
47	8" Well #2 (410 ft.)	Each	1	$80,000.00	80,000
48	20HP Motor-Well & Pump	Each	1	$28,000.00	28,000
49	30HP Motor-Well & Pump	Each	1	$32,000.00	32,000
50	28,000gallon-Steel Reservoir+Aerator	Each	1	$38,000.00	38,000
51	Hydropneumatic Tank (10,000 gal)	Each	1	$26,000.00	26,000
52	25-HP High Service Pumps	Each	2	$5,500.00	11,000
53	8" Water Meter	Each	2	$10,000.00	20,000
54	6" /4"Gate Valve	Each	4	$1,000.00	4,000
55	6"/4" Swing Check Valve	Each	4	$1,000.00	4,000
56	6"/4" DIP	LF	200	$22.50	4,500
57	Operation Building	SF	200	$21.00	4,200
58	6' Chain-link Fence	LF	344	$12.40	4,266
59	Emergency Generator (70 kW)	kW	70	$400.00	28,000
60	Dual Cylinder Chlorination System	Each	1	$14,000.00	14,000
61	Coleman Air Compressor (5 HP)	Each	1	$1,400.00	1,400
62	Control Panel/Transfer Switch	Each	2	$7,000.00	14,000
63	Electrical			$25,000.00	25,000
64					
65	Total Water Treatment Facilities				428,366
66					
67	Estimated Land Value				3,750
68					
69	Total Estimated Replacement Cost				**$658,187**
70					

Note: WTF area of 0.75 acres based on site plan.
Estimated value per acre is $5,000.

Exhibit C
Oak Springs LLC
Schedule of Utility Plant In Service Balances, Accumulated Depreciation and Rate Base

Line No.	Year	Utility Plant In Service		Accumulated Depreciation	Net Plant	Cash Working Capital (6)	Rate Base
1	December 31, 2003 (1)	$ 429,105		$ 232,957	$ 196,148	$ 5,588	$ 201,736
2	December 31, 2004 (2)	429,105		247,575	181,530		
3	December 31, 2005 (2)	429,105		262,260	166,845		
4	December 31, 2006 (2)	430,652	(4)	277,056	153,596		
5	December 31, 2007 (2)	430,652		291,897	138,755		
6	December 31, 2008 (2)	430,652		306,737	123,915		
7	December 31, 2009 (2)	430,652		321,578	109,074		
8	December 31, 2010 (2)	430,652		336,419	94,233		
9	December 31, 2011 (2)	430,652		351,260	79,392		
10	December 31, 2012 (2)	430,652		366,101	64,551		
11	December 31, 2013 (2)	430,652		369,186	61,466		
12	December 31, 2014 (2)	430,652		378,934	51,718		
13	May 31, 2015 (3)	$ 448,607	(5)	$ 338,750	$ 109,857	$ 2,080	$ 111,937

Notes:

(1) Data as reflected in Order No. PSC-04-1120-PAA-WU in Docket No. 040515-WU dated November 9, 2004

(2) Data as reflected in the Annual Report for each year respectively.

(3) Data as reflected in the final Annual Report at the time of utility sale and filed recently with the Public Service Commission

(4) Additions of $1,547 for the purchase of new water meters.

(5) Addition of $59,900 for new service pumps and retirement of $41,945 for original pumps.

(6) Calculated at 1/8 of O&M costs.