

State of Florida

-M-E-M-O-R-A-N-D-U-M-

DATE: August 25, 1998
TO: Division of Legal Services (Ferguson)
FROM: Division of Water and Wastewater (Walker) *NA*
RE: Docket No. 980307-WS - Application for Certificate to Provide Water and Wastewater Service in Orange County by Zellwood Station Co-Op, Inc.

We would like to pose some interrogatories and requests for production of documents to Zellwood Station Co-Op, Inc.

Production of Documents

1. Provide copies of all documents that support the utility's requested provision for Rate Case Expense.
2. Provide all worksheets and records that, in addition to Attachment 1 from Zellwood's Audit Response, support the utility's requested provision for pro forma operating expenses. If aggregate amounts are reported, itemize which accounts are specifically involved.
3. Please produce any records for Zellwood that disclose the actual usage characteristics of Zellwood's customers and, if applicable, explain what sampling procedures are used.
4. Audit Exception No. 5 shows different book and filing balances for 1996 operating expenses. Please submit whatever supplemental information is needed to document the requested sums.
5. Please provide the DEP monthly operating reports from January 1996 to the present.

ACK _____
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 SEC 1 _____
 WAS _____
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Interrogatories

Original Cost Study Details

1. Did Zellwood perform an Original Cost Study for this proceeding? If not, please explain why that option was not pursued.
2. In the absence of an Original Cost Study, should the proposed provision for associated interest charges be reduced accordingly?
3. In the absence of an Original Cost Study, should the proposed provision for depreciation expense be reduced accordingly?

DOCUMENT NUMBER-DATE
09261 - AUG 26 88
 FPSC-RECORDS/REPORTING

4. Please estimate the approximate period needed to perform an Original Cost Study for Zellwood Station Co-Op, Inc.

Basis for Requested Rate Base

5. Referring to Exhibit L-1 per the utility's application, please identify the respective provisions for Plant in Service, Land, CIAC, Accumulated Depreciation, Accumulated Amortization, and Working Capital for the respective Water and Wastewater Divisions.
6. Referring to Interrogatory 5, please identify the respective balances before and after Used and Useful Adjustments are counted.
7. Please explain how the Used and Useful Adjustments affect each element in the rate base determination for water.
8. Please explain how Used and Useful Adjustments affect each element in the rate base determination for wastewater.
9. To what extent do the utility's Plant in Service balances depend upon the findings presented in the Physical Improvement Inspection Report prepared by Mr. Mark D. Alberson?
10. If utilized, please explain how that report supports the utility's requested Plant in Service balances?
11. To what extent do the utility's Plant in Service balances depend on records maintained by previous owners?
12. If utilized, please explain how those records support for the utility's requested Plant in Service balances?
13. Please identify the source of all CIAC included in the requested Rate Base balances.
14. With respect to the requested provisions for Accumulated Depreciation, to what extent are those provisions based use of guideline depreciation rates?
15. Are the requested provisions for Depreciation Expense in 1996 derived using depreciation guideline rates?

Accounting Treatment by Prior Owners

16. Did Zellwood Station obtain copies of the accounting records of prior companies and were those records produced for the Staff Auditor's inspection?

17. Please identify each prior owner of the Zellwood water and wastewater systems and the approximate dates of ownership.
18. What accounting methods did the previous companies utilize to account for costs relating to construction of the subject water and wastewater divisions? Please identify what accounting practices were used for financial and tax reporting purposes.

Accounting Treatment by Zellwood Station

19. To what extent do the accounting records of Zellwood Station depend upon the Physical Improvement Inspection Report prepared by Mr. Mark D. Alberson?
20. Please explain how Zellwood Station has actually accounted for accumulated depreciation for financial reporting purposes.
21. Please explain how shared administrative expenses and other common costs in 1996 were actually allocated among Zellwood's utility and non-utility divisions. Please identify which costs were actually allocated in 1996, the basis for their allocation, and which costs are separately counted among the pro forma expenses. (See Footnote 12 of Attachment 1)

Requested Pro Forma Operating Expenses

22. Referring to Attachment 1 (Audit Response), Footnote 3, please explain how the requested provision for increased chemical costs (\$5,450) was derived.
23. Referring to Attachment 1, Footnote 14, please itemize the specific accounts that this \$7,500 pro forma adjustment affects.
24. A document included in the Audit Workpapers (Audit Record A), which is identified as a document produced by the company (PBC), appears to show actual operating expenses for 1997. Please identify the author of this document. Also, please identify the name of the vendor shown in the first column.
25. Referring to Interrogatory No. 24, please explain why these expenses should not be used to evaluate the utility's requested provisions for pro forma operating expenses.
26. Please discuss whether repression of usage as a result of higher rates was factored into developing the pro forma expenses.

Capital Structure

27. If the capital structure is modified to agree with Audit Exception No. 8, does Zellwood still adopt the position that it is not requesting any return on equity investment?

28. Should Zellwood's cost of capital be determined using its Financial Statement for 1996, as shown on Exhibit L?

Billing Determinants

29. Please explain why Zellwood's proposed billing procedure provides greater incentive for conservation than the standard base facility and gallonage rate billing approach.
30. Concerning the utility's proposed water tariffs for residential and general service customers (Original Sheets Nos. 12.1 and 13.1), please explain how subsequent bills are affected if usage patterns are reduced following imposition of greater ERC factors.
31. Please explain whether repression as a result of higher rates was factored into developing the amount of water and wastewater processed by the utility.

Consumption Information

32. Does Zellwood provide non-potable irrigation water service? If so, how are customers billed for such usage?
33. How does Zellwood presently bill for irrigation service using potable water supplies?

cc: Division of Water and Wastewater (Messer, Redemann)
Division of Records and Reporting