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March 3, 1998

## TELECOPY AND U.S. MAIL

Ms. Blanca Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Docket No. 971186-SU - Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation.

Dear Ms. Bayo:

**ACK** \_\_\_\_\_ The purpose of this letter is to notify you that in the above-referenced matter, the following documents are to be hand-delivered to Rosanne Gervasi per her request on March 4, 1998:

- AFA** \_\_\_\_\_
- APP** \_\_\_\_\_ 1. Original and five (5) copies of Sanlando Utilities Corporation's Response to Commission Staff's First Set of Interrogatories to Sanlando Utilities Corporation.
- CAF** \_\_\_\_\_
- CMU** \_\_\_\_\_ 2. Original and five (5) copies of Sanlando Utilities Corporation's Response to Commission Staff's First Request for Production of Documents to Sanlando Utilities Corporation.
- CTR** \_\_\_\_\_
- EAG** \_\_\_\_\_
- LEG** \_\_\_\_\_
- LIN** \_\_\_\_\_ 3. Original and five (5) copies of Sanlando Utilities Corporation's Response to Commission Staff's Questions During Telephone Conference on February 24, 1998 at 9:30 a.m.
- OFC** \_\_\_\_\_
- RCH** \_\_\_\_\_
- SEC**   1
- WAS** \_\_\_\_\_
- OTH** \_\_\_\_\_

DOCUMENT NUMBER-DATE

215 NORTH EOLA DRIVE • POST OFFICE BOX 2809 • ORLANDO, FLORIDA 32802  
TELEPHONE: 407-843-4600 • TELECOPIER: 407-423-4495 • E-MAIL lddkr@lowndes-law.com

02928 MAR -6 88

A MEMBER OF COMMERCIAL LAW AFFILIATES, A WORLDWIDE ORGANIZATION OF INDEPENDENT LAW FIRMS

RECORDS/REPORTING

Mr. Blanca Bayo  
March 3, 1998  
Page 2

Certificate of Service copies of all three documents will also be hand delivered to Jennifer Springfield, Esquire and Stephen C. Reilly, Esquire on March 4, 1998.

If you have any questions, please give me a call.

Very truly yours,

  
Cleatous J. Simmons

CJS/ti

C: Mr. Robert Mandell  
Mr. Hamp Conley  
Mr. Jerry Salsano  
John F. Lowndes, Esquire  
(001080/54729)

INTERROGATORIES

1. By Order No. 23809 the Commission required the utility to set aside \$25,008 in annual water revenues for water conservation programs. In response to Staff Data Request no. 35, from 1993 through 1996, the utility reported that it expended \$107,750, which included \$10,746 for legal expenses, \$68,460 for protest costs, and \$5,605 for engineering costs. Please provide the utility's justification for using the conservation fund for legal, protest, and engineering costs.

- #1. Utility's Response: Order Number PSC-92-1356-FOF-WS, dated November 23, 1992 stated that the requirements for Orders Number 23809 and 24920 were fulfilled by the proposed addendum to the conservation plan. Conservation expenditures for 1991 and 1992 are discussed. These expenditures included the fees related to the development of the reuse portion of the plan. The Order states "...We believe that the utility's proposal to use the remaining portion of the annual set-aside funds for the implementation of the reuse program may be appropriate. However, because we agree that it would be more appropriate to address implementation of the reuse program through a limited proceeding, we are not addressing these issues at this time." The Order gave the utility a deadline of nine months after the issuance of this Order to file a limited proceeding to implement the conservation program.

On March 10, 1993 the utility filed a petition for limited proceeding to implement the water conservation plan. Order Number 93-1771-FOF-WS, issued December 13, 1993 approved use of the \$25,008 for implementing the reuse system. This Order did not become final because of a protest, which centered on the taxation of the funds being generated. The costs to continue to try to implement this program were expensed during the year in which they occurred and were counted against the set aside.

Respondent(s): HPC

Disclosure No. 3

Subject: Management Fees

Recommendation: The basis for these costs billed by Greater Construction were estimations that were not supported by independent data such as employee time sheets.

The audit staff defers to the analyst assigned to this limited proceeding as to the proper treatment for these costs.

Sanlando Utility's Response.

During the audit the Utility provided responses to the auditor performing the audit which responses support the Management Fees reported by the Utility. A copy of those responses are attached hereto as Composite Exhibit "3."

FLORIDA PUBLIC SERVICE COMMISSION  
AUDIT DOCUMENT/RECORD REQUEST  
NOTICE OF INTENT

TO: Sanlando Utilities, Inc.  
UTILITY: Mr. Jerry Salsano  
FROM: Mr. Robert Dodrill  
(AUDIT MANAGER)

B. Phillips  
(AUDITOR PREPARING REQUEST)  
DATE OF REQUEST: 2/4/98

REQUEST NUMBER: 3-3  
AUDIT PURPOSE: Docket # 971186

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY:

2-5-98

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE:

INCIDENT TO AN INQUIRY  
X OUTSIDE OF AN INQUIRY

ITEM DESCRIPTION:

Please provide a breakdown of the \$6,800 monthly management and consulting fee billed by Greater Construction Corporation in 1996. Please list employees by title and describe what duties each performed.

TO: AUDIT MANAGER

*Robert Dodrill*

DATE:

*02-05-98*

THE REQUESTED RECORD OR DOCUMENTATION:

- (1)  HAS BEEN PROVIDED TODAY
- (2)  CANNOT BE PROVIDED BY THE REQUESTED DATE BUT WILL BE MADE AVAILABLE BY \_\_\_\_\_
- (3)  AND IN MY OPINION, ITEM(S) \_\_\_\_\_ IS (ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING. REFER TO RULE 25-22.006, F.A.C.
- (4)  THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

*Sheryl Benson* Chief Sect.  
SIGNATURE AND TITLE OF RESPONDENT

Distribution: Original: Utility (for completion and return to Auditor)  
Copy: Audit File and FPSC Analyst



THE GREATER CONSTRUCTION CORPORATION

## INVOICE

December 1996

Sanlando Utilities Corporation  
1105 Kensington Park Drive  
Altamonte Springs, Florida 32714

### Monthly Management Fee of \$6,800.00 To Cover:

- Monthly review of internal financial statements.
- Monthly financial meetings to discuss and review financial operations.
- Review and approval of annual capital budget.
- Review of external financial statements for CPA's.
- Review of annual PSC Report.
- Review of annual CIAC Report.
- Review of other PSC filings as applicable, including but not limited to Price Index and Pass-Through Applications, Service Area Expansions, CIAC Gross-Up Filings, Water Conservation Reports, Limited Proceeding Rate Cases, etc.
- Various correspondence and conversations with the PSC on an as needed basis.
- Ongoing consultation as related to all areas of operation.
- Other consultation, filings, reports, correspondence on an as needed basis.

**AMOUNT DUE \$6,800.00**

**ENTERED** NOV 15 1996

APPROVED FOR PAYMENT

By ROC Date 11/26/96

Sanlando Utilities Corp.

**TO:** MR. ROBERT DODRILL

**DATE:** 02/04/98

**RE:** REQUEST # 3-3  
DOCKET # 971186

THE PRESIDENT AND CHIEF FINANCIAL OFFICER OF THE GREATER CONSTRUCTION CORP. PERFORM THE ITEMIZED DUTIES LISTED ON THE MONTHLY INVOICE FOR MANAGEMENT FEES.

OTHER AND ONGOING CONSULTATION ALSO INCLUDE, BUT ARE NOT LIMITED TO, REVIEW AND NEGOTIATION OF:

- EMPLOYEE BENEFIT PLANS, IE: GROUP HEALTH INSURANCE, 401(K) PLAN, PROFIT SHARING PLAN;
- COMERCIAL INSURANCE COVERAGE
- OFFICE BUILDING LANDSCAPE AND CUSTODIAL CONTRACTS;
- TELEPHONE SERVICE
- VEHICLE LEASE/PURCHASES;
- BANK LOAN NEGOTIATIONS;
- REVIEW OF INCOME TAX RETURNS

FLORIDA PUBLIC SERVICE COMMISSION  
AUDIT DOCUMENT/RECORD REQUEST  
NOTICE OF INTENT

TO: Sanlando Utilities, Inc.  
UTILITY: Mr. Jerry Salsano  
FROM: Mr. Robert Dodrill  
(AUDIT MANAGER)

B. Phillips  
(AUDITOR PREPARING REQUEST)  
DATE OF REQUEST: 2/6/98

REQUEST NUMBER: 3-3a  
AUDIT PURPOSE: Docket # 971186

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY: 2-9-98

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE: INCIDENT TO AN INQUIRY  
X OUTSIDE OF AN INQUIRY

ITEM DESCRIPTION:

Per conversation with Mr. Hampton Conley, after 1996 several employees were transferred from Greater Construction Corporation to the utility. Included in \$6,800 monthly management fee for 1996 were services rendered by these employees.

Is the monthly fee still being paid by the utility to Greater Construction? If so, how much is the monthly fee for 1997 and what services are included in the contract. Please breakdown the individual services by dollar amount and description.

TO: AUDIT MANAGER Robert Dodrill

DATE: 02-10-98

THE REQUESTED RECORD OR DOCUMENTATION:

- (1)  HAS BEEN PROVIDED TODAY
- (2)  CANNOT BE PROVIDED BY THE REQUESTED DATE BUT WILL BE MADE AVAILABLE BY \_\_\_\_\_
- (3)  AND IN MY OPINION, ITEM(S) \_\_\_\_\_ IS (ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING. REFER TO RULE 25-22.006, F.A.C.
- (4)  THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

Sheryl Benson Chief Asst.  
SIGNATURE AND TITLE OF RESPONDENT

Distribution: Original: Utility (for completion and return to Auditor)  
Copy: Audit File and FPSC Analyst



**TO: Robert Dodrill**

**DATE: 02/09/98**

**RE: Request # 3-3a**

On January 1, 1996, Gina Grasty, CPA, Senior Accountant, was transferred from the employ of Greater Construction to Sanlando Utilities. Also, as of January 1, 1996, the management fee paid to Greater was reduced from \$7,500 to \$6,800 per month, as a result of this transfer.

The 1997 management fee amount nor personnel performing those duties as specified in response to request #3-3 has not changed.

**FLORIDA PUBLIC SERVICE COMMISSION  
AUDIT DOCUMENT/RECORD REQUEST  
NOTICE OF INTENT**

TO: Sanlando Utilities, Inc.  
UTILITY: Mr. Jerry Salsano  
FROM: Mr. Robert Dodrill  
(AUDIT MANAGER)

B. Phillips  
(AUDITOR PREPARING REQUEST)  
DATE OF REQUEST: 2/16/98

REQUEST NUMBER: 3-3b  
AUDIT PURPOSE: Docket # 971186

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY: 2-17-98  
REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE: INCIDENT TO AN INQUIRY  
X OUTSIDE OF AN INQUIRY

**ITEM DESCRIPTION:**

In response to document request number 3-3a, the company failed to breakdown the individual services rendered by Greater Construction's employees by description and dollar amount. Please provide the items as previously requested. Also, show the calculations used to arrive at the individual amounts and by which employee who performed each respective service.

In addition, please provide the 1996 salaries for each employee allocated in the monthly \$6,800 management fee.

TO: AUDIT MANAGER \_\_\_\_\_

DATE: 2/18/98

THE REQUESTED RECORD OR DOCUMENTATION:

- (1)  HAS BEEN PROVIDED TODAY
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- (3)  AND IN MY OPINION, ITEM(S) \_\_\_\_\_ IS (ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING. REFER TO RULE 25-22.006, F.A.C.
- (4)  THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

*[Signature]* V.P./G.M.  
SIGNATURE AND TITLE OF RESPONDENT

Distribution: Original: Utility (for completion and return to Auditor)  
Copy: Audit File and FPSC Analyst

Greater Construction Corporation  
Allocation Model - SanLando Utilities  
Management Fee

Task	Monthly Effort Required			Annual Effort Required		
	Pres	CFO	Staff	Pres	CFO	Staff
Monthly Review of Financials		12	4			
Management Meeting to Review Financials	6	6	4			
Annual Capital Budget				2	8	4
External Financials Review				2	25	8
Annual PSC Report Review				8	40	8
Annual CIAC Report Review				6	12	6
Other PSC Filings				12	20	12
Correspondence and PSC Conversations	8	12	5		30	10
Consultation with SanLando Staff re: Operations	18	16	5			
Other consultations, filings, reports, etc.	18	16	5			
Annualized Hours	600	744	276	30	135	48
Hourly Rate	\$ 62.50	\$ 33.65	\$ 13.22	\$ 62.50	\$ 33.65	\$ 13.22
Annual Charge	\$ 37,500	\$ 25,038	\$ 3,649	\$ 1,875	\$ 4,543	\$ 635
Total						\$ 73,240
Fringe benefit rate						12%
Compensation Equivalent						\$ 82,029

FLORIDA PUBLIC SERVICE COMMISSION  
AUDIT DOCUMENT/RECORD REQUEST  
NOTICE OF INTENT

TO: Sanlando Utilities, Inc.  
UTILITY: Mr. Jerry Salsano  
FROM: Mr. Robert Dodrill  
(AUDIT MANAGER)

B. Phillips  
(AUDITOR PREPARING REQUEST)  
DATE OF REQUEST: 2/18/98

REQUEST NUMBER: 3-3c  
AUDIT PURPOSE: Docket # 971186

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY: 2-19-98

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE: INCIDENT TO AN INQUIRY  
X OUTSIDE OF AN INQUIRY

ITEM DESCRIPTION:

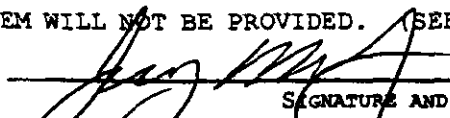
In reference to document request number 3-3b, please provide the basis for the estimations provided for the management fee billed by Greater

TO: AUDIT MANAGER \_\_\_\_\_

DATE: 2/19/98

THE REQUESTED RECORD OR DOCUMENTATION:

- (1)  HAS BEEN PROVIDED TODAY
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- (4)  THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

 V.P./G.M.  
SIGNATURE AND TITLE OF RESPONDENT

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Copy: Audit File and FPSC Analyst

Greater employees do not maintain detailed time sheets. The hours depicted are estimates of the required time to accomplish the presented tasks.

Hourly rates applied are based on actual salaries for President and CFO, and a blended rate for the staff, whose salaries range from \$22,600 to \$45,000 annually.

The benefit rate applied is an estimate, and includes employer's portion of FICA, medical and dental insurance, workers compensation and unemployment benefit insurance and retirement benefit plan. The actual benefit rate for 1996 was 16.0% for Greater, but 12% was used to reflect employer tax limitations based on salary limitations.

Disclosure No. 4

Subject: Cove Lake Engineering Study

Recommendation: Staff is of the opinion that the total costs of the project be amortized over a reasonable period of time so as not to distort the operating results from the test year ended December 31, 1996.

Staff defers to FPSC Analyst for disposition of this matter.

Sanlando Utility's Response.

Utility concurs.