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REPLY TO ALTAMONTE SPRINGS

May 28, 2004

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(LICENSED IN TEXAS ONLY)

Ms. Blanca Bayo
Commission Clerk and Administrative Services Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Docket No. 030444-WS; Application by Bayside Utility Services, Inc., for Rate Increase in Bay County, Florida
Our File No.: 30057.57

Docket No. 030445-SU; Application by Utilities, Inc. of Eagle Ridge for Rate Increase in Lee County, Florida
Our File No.: 30057.43

Docket No. 030446-SU; Application by Mid-County Services, Inc., for Rate Increase in Pinellas County, Florida
Our File No.: 30057.59

Dear Ms. Bayo:

Bayside Utility Services, Inc., Utilities, Inc. of Eagle Ridge and Mid-County Services, Inc. (the "Utilities"), provide the following supplemental responses to Staff's data requests dated March 11, 2004:

CMP _____
COM _____ **DATA REQUEST NO. 1:**
CTR _____ Explain why the utility believes that the use of customer equivalents (CE) is a more accurate method
ECR _____ to allocate common costs than the use of equivalent residential connections (ERCs) based on meter
equivalents.
GCL _____ **SUPPLEMENTAL RESPONSE:** The Utilities have not performed an analysis to determine
OPC _____ which method is more accurate. A representative for the utilities discussed their responses to this
Data Request with Staff after their responses to Staff's First Data Requests were submitted. Please
MMS _____ refer to supplemental response to Data Request No. 9.
RCA _____
SCR _____ **DATA REQUEST NO. 2:**
Explain why the utility determines CEs at June 30th instead of year-end. Explain why this does not
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produce a mismatch between the CEs and the costs to be allocated.

SUPPLEMENTAL RESPONSE: Utilities, Inc. determined that a policy for excluding subsidiaries in the allocation process must be established. The cutoff selected was June 30th. The Utilities believe that a cutoff date after June 30th would unfairly allocate expenses to a subsidiary that was owned for less than six months. An alternative solution was to include newly acquired companies based on the date of acquisition, using a weighted average. However, this methodology was rejected as too cumbersome.

DATA REQUEST NO. 6:

Explain how the CE allocation method addresses whether billing and revenue accounting costs are adjusted for systems where those services are performed by another entity (i.e. Mid-County Services, Inc.) This explanation should include an analysis of costs other than computer time allocations, and such materials and supplies for paper and envelopes, office salaries, revenue accounting and accounts receivable, postage or any other costs associated with billing and revenue collection. If the utility's method does not address these concerns, explain why.

SUPPLEMENTAL RESPONSE: The Utilities' allocation methodology does not factor such things as services being provided by another entity. The allocation process is based on customers. Customers drive capital expenditures and other customer related issues, therefore making customers the determining factor.

DATA REQUEST NO. 7:

Provide an analysis of all billing and customer accounting costs by account number and description for the test year for Utilities, Inc. for the year ended December 31, 2002. This total should be broken down by category and at a minimum, should detail the costs incurred for materials and supplies for paper and envelopes, office salaries, revenue accounting and accounts receivable, postage or any other costs associated with billing and revenue collection. Also specifically identify from what allocation category (SE code) and account number these costs were removed in the utility's current Distribution of Expenses.

SUPPLEMENTAL RESPONSE: The information responsive to this request contains sensitive information and has been provided directly to Staff.

DATA REQUEST NO. 8:

Provide all calculations used to determine the number of CEs for Mid-County Services, Inc. and Utilities, Inc. of Eagle Ridge, by customer class, meter size and factor(s) applied. This calculation should agree with the CEs used in the allocation manual. If the calculation does not agree with the Distribution of Expenses manual, describe all differences.

SUPPLEMENTAL RESPONSE: The utility will provide a response on Tuesday, June 1, 2004.

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DATA REQUEST NO. 9:

Please provide the total ERCs using meter equivalents pursuant to Rule 25-30.055, Florida Administrative Code, as of December 31, 2002. This method should count each customer for the following entities:

- a) combined total of all Utilities, Inc. subsidiaries;
- b) combined total for all Florida subsidiaries; and
- c) total for Mid-County, Services, Inc., Utilities, Inc. of Eagle Ridge and Bayside Utility Services, Inc..

SUPPLEMENTAL RESPONSE: Utilities, Inc. provided an electronic version of metered connections as of December 31, 2003 to Staff sometime after the utility submitted its data responses. This version was a draft as UI is still collecting meter size information. In addition, the utility encloses a comparison of CE to SFE and a list of all metered connection by meter size. Both of these documents are in draft form and should not be made a part of the official record as it is very likely that changes will be made before it is finalized.

Should you have any questions regarding these responses, please do not hesitate to give me a call.

Very truly yours,



VALERIE L. LORD
For the Firm

VLL/tlc
Enclosures

- cc: Ms. Tricia Merchant (w/enclosures) (via hand delivery)
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