



SPECIAL REPORT

SEPTEMBER 2008

Application for a rate increase in Lake County by
Lake Utility Services, Inc.

DOCKET NO. 070693-WS

On February 18, 2008, Lake Utility Services, Inc. (LUSI) filed an application for approval of a final permanent rate increase with the Florida Public Service Commission (PSC or Commission). LUSI, a water and wastewater utility, provides service to approximately 8,659 water and 2,860 wastewater customers in Lake County. Commission staff has audited the utility's records for compliance with applicable rules and orders. A Commission staff engineer has also conducted a field investigation of LUSI's plant and service area.

QUESTIONS & ANSWERS

1 Is there an opportunity for public input on this rate case?

Yes. As part of the evaluation process for LUSI's rate request, the Commission will conduct a customer meeting to allow customer feedback about the utility and the rate setting process. The Commissioners take customer comments, written and oral, into consideration in reaching a decision.

CUSTOMER MEETING

Thursday, September 11, 2008

6:00 p.m.

Jenkins Auditorium

691 West Montrose Street

Clermont, Florida

2 Why is LUSI requesting a rate increase?

LUSI is requesting a rate increase to earn a fair rate of return on its investment and to cover increasing operating costs. The Commission suspended the final permanent rates to further investigate the utility's request.

3 When was LUSI's last approved rate increase?

The utility's last full rate case was in 1999.

4 Presently, how much is the average monthly bill for residential customers?

The average bimonthly water bill for residential customers is \$43.12, excluding Lake

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To check if a meeting has been canceled, look on the Commission's Web site (www.floridapsc.com) under the Hot Topics link on the home page. Cancellation can also be confirmed by calling the Office of the General Counsel at 850-413-6199.

Groves. Residential customers located in Lake Groves have an average monthly bill of \$40.92 for water and \$25.24 for wastewater.

5 Using LUSI's requested rates, how much would the average monthly water and wastewater charges be for residential customers?

The average monthly water bill using LUSI's requested rates would be \$45.87. This amount represents a 113 percent increase for LUSI customers, excluding Lake Groves and a 12 percent increase for Lake Groves customers. The average wastewater monthly bill using LUSI's requested rates would be \$64.79, representing a 157 percent increase.

6 What if I can't make the customer meeting or prefer not to speak? Are there other ways to comment on the issue?

Any person who wants to comment or provide information to the PSC staff regarding this matter may do so orally at the meeting or in writing. Correspondence will be placed in the docket file. Written comments should be mailed to:

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

The PSC will also accept faxes
and e-mails.

Fax number: 1-800-511-0809
Internet e-mail address:
contact@psc.state.fl.us

Please be sure to include the docket number, 070693-WS.

Customer comments become part of the official record for the case and are taken into consideration by the Commissioners in reaching

their decision. In accordance with Florida Statutes, the PSC will also consider the utility's quality of service and other matters. If you have questions, call the PSC's Division of Regulatory Compliance and Consumer Assistance at 1-800-342-3552.

7 Who can answer technical or legal questions?

For technical questions, contact:

Rick Wright
(850) 413-6435

Bart Fletcher
(850) 413-7017

For legal questions, contact:

Keino Young
(850) 413-6226

8 Where on the Internet can I obtain more detailed information?

Detailed docket information is available on the PSC Web site at www.floridapsc.com. Click on Dockets and Filings/Dockets and then type in the docket number, 070693.

9 When will the PSC make a decision?

The PSC staff is scheduled to file a recommendation with the Commission on October 30, 2008. The Commissioners are expected to vote on this matter at the November 13, 2008 Agenda Conference.

This rate case is being processed under the Commission's "Proposed Agency Action" (PAA) procedure. Under the PAA process, the case will not be set for a formal hearing unless a timely protest to the Commission's proposed agency action is filed.

PSC COMMISSIONERS



COMMISSIONER
Nancy Argenziano



COMMISSIONER
Lisa Polak Edgar



CHAIRMAN
Matthew M. Carter II



COMMISSIONER
Katrina J. McMurrian



COMMISSIONER
Nathan A. Skop

Matthew Mark Carter II was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four-year term beginning January 2006 and was subsequently elected Chairman by his fellow commissioners for the years 2008 and 2009. Chairman Carter serves on the National Association of Regulatory Utility Commissioners (NARUC) Committees on Water, Critical Infrastructure, and International Relations. He is also active in NARUC activities designed to improve regulated companies' minority business procurement practices. Chairman Carter sought appointment to the Committee on Water because he recognizes the stress that Florida's rapid population growth is placing on existing water resources. He understands that water and wastewater utility regulation has an important role in the development of future conservation efforts and water supply alternatives in Florida, as well as the state's public health and economic vitality. Chairman Carter was born in Douglas, Georgia and graduated from Atkinson County High School (in Pearson). He volunteered for the United States Army and served in the Presidential Honor Guard in Washington, D.C. and the First Armored Division in Germany. After being honorably discharged from the Army, Chairman Carter attended Tallahassee Community College and Florida State University graduating with a bachelor of science in mass communications. After a tour of duty with the 124th Infantry (U.S. Army Reserve) in the Panama Canal Zone, Chairman Carter returned to Tallahassee where he set up a public relations firm that, for over 10 years, concentrated on political campaigns. He then worked as a financial consultant for Waddell & Reed, Florida Professional Services Group, and Merrill Lynch. Chairman Carter left Merrill Lynch to complete law school at the Florida State University College of Law. After graduation, he became a member of the Florida Bar and specialized in business law. Chairman Carter's government leadership includes service as the Director of the Division of Land Sales, Deputy Director of the Department of Management Services, and multiple senior staff positions with the Florida House of Representatives. Chairman Carter holds a master's degree in theological science from Smith Chapel Bible University and is currently pastor of the Beulah Hill Missionary Baptist Church in Gretna, Florida. Chairman Carter is married and has two children.

Lisa Polak Edgar was appointed to the Florida Public Service Commission for a four-year term beginning January 2005. She served as Chairman from January, 2006 to January, 2008 and participated as a member of the Florida Energy Commission and the Governor's Action Team on Energy and Climate Change. Commissioner Edgar is a member of the National Association of Regulatory Utility Commissioners Board of Directors and the Telecommunications Committee. She serves on the Federal Communications Commission Universal Service Joint Board and the U.S. Department of Transportation Technical Pipeline Safety Standards Committee. She is a member of Leadership Florida, Class XXIV. Prior to joining the PSC, Commissioner Edgar served as Deputy Secretary for the Florida Department of Environmental Protection (DEP). Her responsibilities at DEP included oversight of the agency's \$2.1 billion budget, fiscal and strategic planning, accountability measures, information technology, administrative services, geological survey, and coordination between the state and federal government on environmental issues, including oil and gas drilling on the Outer Continental Shelf. Commissioner Edgar represented the State of Florida on the Minerals Management Service Outer Continental Shelf (OCS) Policy Committee from 1993-2004, and on the Subcommittees on Environmental Studies in OCS Areas under Moratoria and OCS Hard Minerals. During her career in public service, Commissioner Edgar has also served as chief analyst on Environmental Policy for the Office of Policy and Budget, Executive Office of the Governor; senior cabinet aide in the Department of Agriculture and Consumer Services; staff counsel and legislative analyst for the Florida Senate Committees on Reapportionment and Regulated Industries; completed the Harvard Kennedy School of Government Program for Senior Executives in State and Local Government; and co-taught a special topics graduate course on the Everglades at Florida A&M University. Commissioner Edgar received a Bachelor of Science and a Juris Doctorate from Florida State University and is a member of the Florida Bar. She studied in London during her undergraduate education and in Yugoslavia during law school. She and her husband are raising their two young children in Tallahassee.

Katrina J. McMurrian was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four-year term beginning January 2006. Commissioner McMurrian serves on the National Association of Regulatory Utility Commissioners (NARUC) Committee on Consumer Affairs, the Committee on Electricity, the Subcommittee on Education and Research, the

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PSC Commissioners *continued*

FERC/State Smart Grid Collaborative, and the FERC/State Competitive Procurement Collaborative. She also serves as Vice Chair of the Subcommittee on Nuclear Issues – Waste Disposal and on the Executive Committee of the Nuclear Waste Strategy Coalition. In the 11 years prior to appointment, Commissioner McMurrian developed extensive experience in regulatory policy issues involving energy, water, and telecommunications. From 2001 to 2005, Commissioner McMurrian served consecutive terms as Chief Advisor to Commissioners Palecki and Davidson, advising them on all Commission proceedings and policy matters. Prior to becoming a Chief Advisor, Commissioner McMurrian managed the State Liaison Section of the Commission's Division of Policy Analysis & Intergovernmental Liaison. She consulted with state and local government agencies on issues such as "black water," reuse, universal service, and electric reliability. Commissioner McMurrian also served as the Commission's primary liaison on all nuclear energy matters for over three years. Additionally, she was instrumental in drafting the Commission's positions on electric industry restructuring. In recognition of her work on federal energy policy, Commissioner McMurrian was a recipient of the PSC Extraordinary Accomplishment Award in 1999 and the PSC Outstanding Achievement Award in 1997. A Northwest Florida native, Commissioner McMurrian received a bachelor's degree in finance from Florida State University in 1994 and an MBA from FSU in 1998.

Before her appointment to the Florida Public Service Commission in May of 2007, **Commissioner Argenziano** served more than 10 years in the Florida legislature. She was first elected to the Florida House of Representatives in 1996 (District 43) and served there until her election in 2002 to the Florida Senate (District 3). While serving in the legislature, she served on many different committee and council assignments including Environmental Preservation, Governmental Oversight (Chair), Comprehensive Planning, Criminal Justice (Chair), Criminal Justice Appropriations, Regulated Industries, Rules and Calendar, Agriculture (Chair), Administrative Procedure, Public Service Commission Oversight, Ethics and Elections, Health Policy, Elder Affairs (Chair), Healthcare Council (Chair), Crime and Punishment, Water Resource Management, and Utilities and Communication. Senator Argenziano's legislative career has focused on protection of the elderly and other vulnerable citizens, resource protection, and full participation of the citizens in their government. Notable legislation which she has sponsored includes nursing home reform, "local sources first" (water use), two pharmacy discount programs, a law providing for clearing the courtroom for victim sex crime testimony, enhanced penalties for crimes against the elderly, Public Counsel representation in utility rates cases, protection of our springs, a "scambusters" program for the protection of consumers, and protection for our children from sexual predators (the Jessica Lunsford Act), just to mention a few. Commissioner Argenziano has one son, Joseph, who has proudly served his country for 14 years in the United States Air Force. Commissioner Argenziano is a member of the National Association of Regulatory Utility Commissioners (NARUC).

Commissioner Nathan A. Skop was appointed to the Florida Public Service Commission by Governor Charlie Crist for a four-year term beginning January 2007. Commissioner Skop currently serves on the National Association of Regulatory Utility Commissioners (NARUC) Committee on Consumer Affairs and the Committee on Energy Resources and the Environment. Prior to his appointment, Commissioner Skop gained over thirteen years of engineering, manufacturing, operations, program management, and financial management experience working for Fortune 500 corporations. Commissioner Skop began his professional career as a nuclear project engineer with the Electric Boat Division of General Dynamics Corporation in Groton, Connecticut. As a member of the Advanced Propulsion Plant Technology Program he participated in the design, integration and qualification testing of nuclear submarine propulsion system turbomachinery for the USS SEAWOLF (SSN 21), and participated in the initial criticality and power range testing of the USS SANTA FE (SSN 763) nuclear submarine reactor plant. Commissioner Skop continued his professional career as a specialist engineer with the Propulsion Systems and Customer Service divisions of the Boeing Commercial Airplane Group in Seattle, Washington. While serving in these positions he participated in the design, integration, and test of Engine Build-Up installations for Pratt & Whitney engines installed on Boeing 777 aircraft, and supported General Electric aircraft engines installed on Boeing 747, 767, and 777 aircraft. Prior to attending law school, Commissioner Skop gained substantial renewable energy and energy industry experience as a business manager with FPL Energy (an unregulated subsidiary of FPL Group) through managing nine renewable wind energy projects located in Altamont Pass, California, and a coal fired co-generation plant located in Stockton, California. Commissioner Skop's extensive power generation experience includes renewable energy (wind and solar), fossil fuel (combined cycle, gas turbine, co-generation, and coal), and nuclear power. Commissioner Skop graduated from the University of Florida with a BS in Aerospace Engineering in 1991. He later earned an MBA with concentrations in financial management and investment analysis from Rensselaer Polytechnic Institute in 1996, and a JD from the University of Florida Levin College of Law in 2006. Commissioner Skop also holds a graduate level certificate in environmental management from the Hartford Graduate Center and attended an executive education program focusing on mergers and acquisitions at the Wharton School of Business at the University of Pennsylvania. Commissioner Skop is a member of the Florida Bar and recently had a case comment published in the Journal of Technology Law & Policy for the Levin College of Law at the University of Florida. Commissioner Skop was raised in Sanford, Florida. Prior to relocating to Tallahassee to serve in his current position, Commissioner Skop previously lived in Gainesville and Palm Beach Gardens, Florida.

Lake Utility Service, Inc. - Excluding Lake Groves

WATER SERVICE RATES - Bi-Monthly

Bi-Monthly Rates	Utility's Present Rates	Utility's Requested Interim	Utility's Requested Final	Commission Approved Interim
<u>Residential</u>				
Base Facility Charge by Meter Size:				
5/8" x 3/4" - Residential	\$ 12.48	\$ 17.08	\$ 22.00	\$ 13.24
5/8" x 3/4" - Irrigation	\$ 12.48	\$ 17.08	\$ 22.00	\$ 13.24
1" - Irrigation	\$ 31.20	\$ 42.69	\$ 55.00	\$ 33.10
1"	\$ 31.20	\$ 42.69	\$ 55.00	\$ 33.10
1-1/2"	\$ 62.38	\$ 85.36	\$ 110.00	\$ 66.18
2"	\$ 99.78	\$ 136.54	\$ 176.00	\$ 105.86
3"	\$ 187.08	\$ 256.03	\$ 352.00	\$ 198.47
4"	\$ 311.82	\$ 426.73	\$ 550.00	\$ 330.81
6"	\$ 725.52	\$ 992.90	\$ 1,100.00	\$ 769.70
Gallonage Charge, per 1,000 gallons	\$ 0.72	\$ 0.99		\$ 0.76
Up to 10,000 gallons			\$ 1.30	
Over 10,000 gallons			\$ 2.00	
<u>General Service</u>				
Base Facility Charge by Meter Size:				
5/8" - General Service	\$ 12.48	\$ 17.08	\$ 22.00	\$ 13.24
5/8" - Irrigation	\$ 12.48	\$ 17.08	\$ 22.00	\$ 13.25
1" - General Service	\$ 31.20	\$ 42.69	\$ 55.00	\$ 33.10
1" - Irrigation	\$ 31.20	\$ 42.69	\$ 55.00	\$ 33.10
1 1/2" - General Service	\$ 62.38	\$ 85.36	\$ 110.00	\$ 66.18
1 1/2" - Irrigation	\$ 62.38	\$ 85.36	\$ 110.00	\$ 66.18
2" - General Service	\$ 99.78	\$ 136.54	\$ 176.00	\$ 105.86
2" - Irrigation	\$ 99.78	\$ 136.54	\$ 176.00	\$ 105.86
3"	\$ 187.08	\$ 256.03	\$ 352.00	\$ 198.47
4"	\$ 311.82	\$ 426.73	\$ 550.00	\$ 330.81
6"	\$ 725.52	\$ 992.90	\$ 1,100.00	\$ 769.70
<u>Typical Residential Bills 5/8" x 3/4" Meter - Bi-Monthly</u>				
3,000 Gallons	\$ 14.64	\$ 20.05	\$ 25.90	\$ 15.52
5,000 Gallons	\$ 16.08	\$ 22.03	\$ 28.50	\$ 17.04
Over 10,000 Gallons	\$ 19.68	\$ 26.98	\$ 42.00	\$ 20.84

continued

Lake Utility Service, Inc. - Lake Groves

WATER SERVICE RATES - Monthly

Monthly Rates	Utility's Present Rates	Utility's Requested Interim	Utility's Requested Final	Commission Approved Interim
<u>Residential</u>				
Base Facility Charge by Meter Size:				
5/8" x 3/4" - Residential	\$ 12.57	\$ 17.20	\$ 11.00	\$ 13.33
1"	\$ 31.42	\$ 43.01	\$ 27.50	\$ 33.33
1-1/2"	\$ 62.84	\$ 86.00	\$ 55.00	\$ 66.67
2"	\$ 100.54	\$ 137.60	\$ 88.00	\$ 106.66
3"	\$ 201.07	\$ 275.17	\$ 176.00	\$ 213.31
4"	\$ 314.18	\$ 429.96	\$ 275.00	\$ 333.31
Gallage Charge, per 1,000 gallons	\$ 1.25	\$ 1.72		
Up to 10,000 gallons			\$ 1.30	\$ 1.33
Over 10,000 gallons			\$ 2.00	
<u>General Service</u>				
Base Facility Charge by Meter Size:				
5/8" - General Service	\$ 12.57	\$ 17.20	\$ 11.00	\$ 13.33
5/8" - Irrigation	\$ 12.57	\$ 17.20	\$ 11.00	\$ 13.33
1" - General Service	\$ 31.42	\$ 43.01	\$ 27.50	\$ 33.33
1" - Irrigation	\$ 31.42	\$ 43.01	\$ 27.50	\$ 33.33
1 1/2" - General Service	\$ 62.84	\$ 86.00	\$ 55.00	\$ 66.67
1 1/2" - Irrigation	\$ 62.84	\$ 86.00	\$ 55.00	\$ 66.67
2" - General Service	\$ 100.54	\$ 137.60	\$ 88.00	\$ 106.66
2" - Irrigation	\$ 100.54	\$ 137.60	\$ 88.00	\$ 106.66
3" - General Service	\$ 201.07	\$ 275.17	\$ 176.00	\$ 213.31
4" - Irrigation	\$ 314.18	\$ 429.96	\$ 275.00	\$ 333.31
Over 4" - General Service	\$ 314.18	\$ 429.96	\$ 550.00	\$ 333.31
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>				
3,000 Gallons	\$ 16.32	\$ 22.36	\$ 14.90	\$ 17.32
5,000 Gallons	\$ 18.82	\$ 25.80	\$ 17.50	\$ 19.98
Over 10,000 Gallons	\$ 25.07	\$ 34.40	\$ 31.00	\$ 26.63

continued

Lake Utility Service, Inc.

WASTEWATER SERVICE RATES - Monthly

Monthly Rates	Utility's Present Rates	Utility's Requested Interim	Utility's Requested Final	Commission Approved Interim
<u>Residential</u>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$ 15.72	\$ 36.49	\$ 45.00	\$ 22.79
1"	\$ 15.72	\$ 36.49	\$ 45.00	\$ 22.79
1-1/2"	\$ 15.72	\$ 36.49	\$ 45.00	\$ 22.79
2"	\$ 15.72	\$ 36.49	\$ 45.00	\$ 22.79
All Sizes - Residential	\$ 15.72	\$ 36.49	\$ 45.00	\$ 22.79
<u>General Service</u>				
5/8" x 3/4"	\$ 15.72	\$ 36.49	\$ 45.00	\$ 22.79
1"	\$ 39.32	\$ 91.28	\$ 112.50	\$ 57.02
1-1/2"	\$ 78.62	\$ 182.50	\$ 225.00	\$ 114.01
2"	\$ 125.79	\$ 291.99	\$ 360.00	\$ 182.41
3"	\$ 251.58	\$ 584.01	\$ 720.00	\$ 364.82
4"	\$ 393.12	\$ 912.57	\$ 1,125.00	\$ 570.06
Over 4" General Services	\$ 393.12	\$ 912.57	\$ 2,250.00	\$ 570.06
Gallonge Charge, per 1,000 Gallons				
Residential (10,000 gallon maximum)	\$ 1.08	\$ 2.51	\$ 2.60	\$ 1.57
General Service	\$ 1.36	\$ 3.15	\$ 3.50	\$ 1.97
<u>Reclaimed Water</u>				
Base Facility Charge			\$ 3.65	
Gallonge Charge			\$ 0.60	
Typical Residential Bills 5/8" x 3/4" Meter				
3,000 Gallons	\$ 18.96	\$ 44.02	\$ 52.80	\$ 27.50
5,000 Gallons	\$ 21.12	\$ 49.04	\$ 58.00	\$ 30.64
10,000 Gallons	\$ 26.52	\$ 61.59	\$ 71.00	\$ 38.49
(Wastewater Gallonge Cap - 10,000 Gallons)				

Application for a rate increase in Lake County by
Lake Utility Services, Inc.

DOCKET NO. 070693-WS

Name _____

Address _____

If you want to let the Public Service Commission know how you feel about this case, you may fill out this comment form and return it by mail, or send a fax to 1-800-511-0809.

Correspondence will be placed in the file of this docket.

C O N S U M E R C O M M E N T S

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

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