

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for limited) DOCKET NO. 950232-WU
proceeding to restructure water) ORDER NO. PSC-96-0504-AS-WU
rates in Lake County by Lake) ISSUED: April 12, 1996
Utility Services, Inc.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER APPROVING SETTLEMENT PROPOSAL OF LAKE
UTILITY SERVICES, INC.

BY THE COMMISSION:

BACKGROUND

Lake Utility Services, Inc., (LUSI or utility) is a Class B utility located in Lake County and is a subsidiary of Utilities, Inc. According to LUSI's 1994 annual report, LUSI serves approximately 737 customers. In 1994, LUSI had actual operating revenue of \$176,308 and a loss in net income of \$12,298. Involved in this rate restructuring are the following subdivisions: Clermont I, Clermont II, Amber Hill, The Oranges, Lake Ridge, The Vistas, Highland Point, Crescent Bay, Crescent West, Crescent Hills, Preston Cove, and South Clermont Area. There were approximately 503 customers in these subdivisions in 1994 that will be affected by this rate restructuring. According to the St. Johns River Water Management District (SJRWMD), LUSI is in a water conservation area.

On July 16, 1982, Utilities, Inc. of Florida, requested approval of the transfer, to them, of the water facilities of Three Seasons Development Corporation. Since Three Seasons Development Corporation was not a certificated utility, a request for an original certificate was also made. By Order No. 11459, issued on December 27, 1982, in Docket No. 820281-W, we granted Utilities, Inc. of Florida Original Certificate No. 383-W. We authorized Utilities, Inc. of Florida to charge the rates that were in effect for Three Seasons Development Corporation.

DOCUMENT NUMBER-DATE

04220 APR 12 8

FPSC-RECORDS/REPORTING

ORDER NO. PSC-96-0504-AS-WU
DOCKET NO. 950232-WU
PAGE 2

By Order No. 18605, issued on December 24, 1987, in Docket No. 871080-WU, we granted Lake Utility Services, Inc. Original Certificate No. 496-W. By Order No. 24139, issued on February 20, 1991, in Docket No. 900906-WU, we cancelled Certificate No. 383-W and transferred all Utilities, Inc. of Florida systems and their rates in Lake County to Lake Utility Services, Inc. LUSI currently utilizes a rate structure established by us that was approved in an annual inflation index proceeding by Commission Authority No. WS-94-0103, effective July 8, 1994.

Over the past several years, LUSI engaged in a program to physically interconnect many small independent systems in the Lake County area. The different rate structures originated from several mutually exclusive water systems. There currently exists two different rate structures amongst the twelve subdivisions involved in this proceeding. Due to the growth in the area, and the interconnection of the systems, neighbors may have different water rates. The difference in rates has generated many questions from both the company and the Commission.

Out Staff sent a letter dated February 8, 1995, to Utilities, Inc., suggesting that Utilities, Inc., file with the Commission a rate restructuring application for LUSI's physically interconnected subdivisions within 60 days of the date of the letter. On February 27, 1995, we received from Utilities, Inc., an application for a limited proceeding to restructure water rates in Lake County by LUSI.

On May 25, 1995, we held a customer meeting in LUSI's service area in Clermont, Florida. Approximately 50 customers attended the customer meeting held in Jenkins Auditorium and 15 customers testified. The vast majority of these customers favored the rate restructuring application.

By proposed agency action (PAA) Order No. PSC-95-1228-FOF-WU, issued on October 5, 1995, we approved the limited proceeding to restructure rates and ordered the utility to supply the necessary information regarding its service availability policy within 90 days. On December 19, 1995, we received the additional service availability information. However, on October 26, 1995, LUSI protested our PAA Order. On March 4, 1996, LUSI filed an offer of settlement which is attached to this Order.

THE UTILITY'S OFFER OF SETTLEMENT

The entire settlement proffered by LUSI contains seven items (see Attachment A) and is summarized below. However, we find it appropriate to make one minor clarification regarding issue three on page two of the settlement proposal. This paragraph shall be modified to state that the proposed restructured rates used for interim calculations in the upcoming rate case will not affect Four Lakes/Harbour Oaks and Lake Saunders Acres. These subdivisions were not involved in the limited proceeding because they are not, nor plan to be, physically interconnected with the other subdivisions. Therefore, if included in the upcoming rate case, any increase granted as a result of the interim rate proceeding shall be applied to the current rates in effect for these two subdivisions.

In its offer of settlement, LUSI proposed to file a combined application for a general rate increase and an application for a change in service availability charges on or before June 1, 1996. This rate case, through interim rates, will serve to implement a uniform rate structure for the subdivisions that were involved in the limited proceeding. LUSI agrees to use "Staff's Proposed Rate Structure (Revised)" and will for the purposes of calculating interim rates base the proposed interim rates on the rate structure proposed by our Staff. Therefore, any increase granted as a result of the interim rate proceeding will be applied across the board on an equal percentage basis to the proposed rate structure. This will be consistent with past Commission policy regarding interim increases. The proposed rate structure was developed through revised 1995 data as referred to in staff witness Groom's prefiled direct testimony. The 1995 data helps alleviate, more than the previously submitted 1994 data, the disparity between the growth in the different subdivisions. This new rate structure will bring more consistency to the utility's rate structure and will eliminate the inequalities that exist between the subdivisions that the limited proceeding was addressing.

We recognize the fact that a rate case is not the most affordable solution to restructure LUSI's rates. However, under these circumstances, we find this offer of settlement is the most viable option. This settlement will save further litigation expense of this limited proceeding and will prevent the possibility of rates changing twice within two months as a result of this limited proceeding and again as a result of interim rates requested by the utility in the future rate case. The utility shall have the opportunity to request recovery in the upcoming 1996 rate case of the rate case expense incurred in this limited proceeding.

Based on the foregoing, we hereby approve the utility's offer of settlement with the clarification that the proposed restructured rates used for interim calculations in the upcoming rate case will not affect Four Lakes/Harbour Oaks and Lake Saunders Acres. In the event LUSI does not file the 1996 rate case on or before June 1, 1996, the rates on Attachment B shall be implemented effective June 1, 1996. Also, LUSI shall file an application for uniform service availability charges on or before September 1, 1996. The utility shall also file revised tariff sheets consistent with Attachment B and a proposed customer notice reflecting these restructured rates. The utility shall provide proof of the date notice was given within 10 days after the date of notice.

The docket shall remain open to allow LUSI to file a combined application for a general rate increase and an application for a change in service availability charges on or before June 1, 1996. If, and when, LUSI files this combined application by June 1, 1996, this docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the offer of settlement by Lake Utility Services, Inc. attached hereto as Attachment A and by reference incorporated herein, is hereby approved with the clarification that the proposed restructured rates used for interim calculations in the upcoming rate case shall not affect Four Lakes/Harbour Oaks and Lake Saunders Acres. It is further

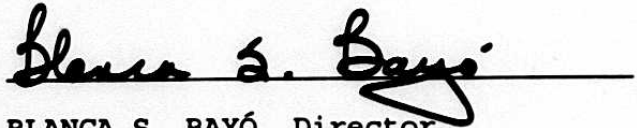
ORDERED that in the event Lake Utility Services, Inc. does not file the 1996 rate case on or before June 1, 1996, then the rates attached hereto as Attachment B and by reference incorporated herein, shall be implemented effective June 1, 1996. It is further

ORDERED that in the event that Lake Utility Services, Inc. does not file the 1996 rate case on or before June 1, 1996, then the utility shall file an application for uniform service availability charges on or before September 1, 1996; shall file revised tariff sheets consistent with Attachment B and a proposed customer notice reflecting these restructured rates; and shall provide proof of the date notice was given within 10 days after the date of notice. It is further

ORDERED that this docket shall remain open.

ORDER NO. PSC-96-0504-AS-WU
DOCKET NO. 950232-WU
PAGE 5

By ORDER of the Florida Public Service Commission, this 12th
day of April, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

TV/BLR

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for limited proceeding to restructure water rates in Lake County by Lake Utility Services, Inc.)
Docket No. 950232-WU)
Filed: March 4, 1996)

SETTLEMENT PROPOSAL

WHEREAS, Lake Utility Services, Inc. (LUSI) filed an application for a limited proceeding to restructure its water rates in Lake County to make those rates uniform for all customers in the county; and

WHEREAS, LUSI protested the proposed agency action order establishing uniform rates on the grounds that the rates proposed in that order were not revenue neutral to the utility; and

WHEREAS, LUSI and the staff of the Florida Public Service Commission (Staff) have both prefiled testimony in this docket in support of their respective positions, and a hearing is currently scheduled for March 27, 1996; and

WHEREAS, LUSI intends to file an application for a general rate increase on or before June 1, 1996; and

WHEREAS, after discussions with the Staff at a noticed meeting in this docket, LUSI believes that a stipulated settlement of this limited proceeding will avoid the time and expense of further litigation and will avoid multiple changes in customer rates in a short period of time; and

WHEREAS, Staff takes the position that it cannot enter into a stipulated settlement with LUSI, but that it can recommend approval of a stipulated resolution to the Commission for its approval.

NOW, THEREFORE, LUSI proposes to enter into a stipulated settlement of this proceeding as follows:

1. LUSI will file a combined application for a general rate increase and an application for a change in service availability charges (SACs) on or before June 1, 1996 (the "1996 Rate Case).
2. In the 1996 Rate Case, LUSI will propose uniform rates and uniform SACs for all of its operations in Lake County, except Four Lakes/Harbor Oaks and Lake Saunders Acres.

3. LUSI agrees that the uniform rate structure set forth on Attachment A in the table entitled "Staff Proposed 1995 Rate Structure (Revised)" will be implemented on the same date that interim rates are implemented in the 1996 Rate Case. This means that for purposes of calculating interim rates, the rates set forth in said table will be deemed to be LUSI's current rates immediately before the interim rate adjustment. Any increase granted as a result of the interim rate proceedings will be applied across the board on an equal percentage basis to each of the rates shown in said table.

4. In the event LUSI does not file the 1996 Rate Case on or before June 1, 1996, then:

(a) the rates set forth on Attachment A in the table entitled "Staff Proposed 1995 Rate Structure (Revised)" will be implemented effective June 1, 1996; and

(b) LUSI will be required to file an application for uniform service availability charges on or before September 1, 1996.

5. The rate case expense incurred in this limited proceeding will be carried forward and combined with the rate case expense incurred in the 1996 Rate Case, and will be eligible for recovery in the 1996 Rate Case to the same extent as if it had been incurred directly in that rate case.

6. This Settlement Proposal is contingent upon the following actions by the Prehearing Officer, the Chairman, and/or the Commission:

(a) cancellation of the prehearing conference currently scheduled for March 6, 1996;

(b) cancellation of the hearing currently scheduled for March 27, 1996; and

(c) approval of this Settlement Proposal by the Commission at the first agenda conference at which this Settlement Proposal can be considered as a non-emergency item.

7. If this Settlement Proposal is not accepted by the Commission in its entirety, and without change, it shall be deemed to be withdrawn by LUSI. By making this proposal, LUSI does not waive any of its rights in this proceeding, including its right to seek to withdraw the application prior to the date of the final hearing.

ORDER NO. PSC-96-0504-AS-WU
DOCKET NO. 950232-WU
PAGE 8

WHEREFORE, this Settlement Proposal is executed and submitted to the Commission this 4th day of March, 1996.

HOPPING GREEN SAMS & SMITH, P.A.

By: Richard D. Nelson

Richard D. Nelson
Post Office Box 6526
123 South Calhoun Street
Tallahassee, FL 32314
904/222-7500

Attorneys for Lake Utility Services,
Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished to the following by hand delivery this 4th day of March, 1996:

Tim Vaccaro
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Richard D. Nelson

Attorney

LAKE UTILITIES SERVICES, INC.

ACTUAL 1995 DATA
 Year Year Ended: 12/31/95

Account Number	Type	Billing Units	Total Gallons	Gallons Billed (@ 2000 gal Free)	RFC Rate	RAL Rate	Revenue
02001	0.5" Meter	0043	100034301	142732773	\$7.04	\$0.00	\$120,501
02010	1" Meter	142	0040200	0040010	\$7.04	\$0.00	\$0,596
02012	1.5" Meter	20	3100000	2000700	\$7.04	\$0.00	\$2,314
02013	2" Meter	24	400500	407000	\$7.04	\$0.00	\$471
	Sub-Total	0045	170700141	163000003			\$147,473
00001	0.5" Meter	2231	20070700	00	\$10.00	\$1.00	\$05,304
00010	1" Meter	10	104200	00	\$41.00	\$1.00	\$000
00013	2" Meter	0	0	00	\$131.07	\$1.00	\$0
	Sub-Total	2241	20070700	00			\$05,304
Actual 1995 Total Revenue:							\$223,088

LAKE UTILITIES SERVICES, INC.

STAFF PROPOSED 1995 RATE STRUCTURE (REVISED)
 Year Year Ended: 12/31/95

Account Number	Type	Billing Units	Total Gallons	Gallons Billed	RFC Rate	RAL Rate	Revenue
02001	0.5" Meter	0043	100034301	00	\$0.00	\$0.04	\$182,220
02010	1" Meter	142	0040200	00	\$17.00	\$0.04	\$7,913
02012	1.5" Meter	20	3100000	00	\$34.00	\$0.04	\$3,831
02013	2" Meter	24	400500	00	\$44.00	\$0.04	\$1,723
	Sub-Total	0045	170700141	00			\$195,687
00001	0.5" Meter	2231	20070700	00	\$0.00	\$0.04	\$37,070
00010	1" Meter	10	104200	00	\$17.00	\$0.04	\$300
00013	2" Meter	0	0	00	\$44.00	\$0.04	\$0
	Sub-Total	2241	20070700	00			\$37,437
Projected 1995 Total Revenue from Staff's Proposed Rates without the Estimated Cost of Limited Proceeding with Hearing:							\$233,124

LAKE UTILITIES SERVICES, INC.

UTILITY PROPOSED 1995 RATE STRUCTURE (REVISED)
 Year Year Ended: 12/31/95

Account Number	Type	Billing Units	Total Gallons	Gallons Billed	RFC Rate	RAL Rate	Revenue
02001	0.5" Meter	0170	101021240	00	\$7.00	\$0.02	\$200,330
02010	1" Meter	144	0704400	00	\$17.00	\$0.02	\$0,737
02012	1.5" Meter	20	3100000	00	\$36.00	\$0.02	\$4,000
02013	2" Meter	24	400500	00	\$50.00	\$0.02	\$1,700
	Sub-Total	0358	101010140	00			\$223,072
00001	0.5" Meter	2040	34001000	00	\$7.00	\$0.02	\$62,305
00010	1" Meter	20	100000	00	\$17.00	\$0.02	\$773
00013	2" Meter	0	0	00	\$40.00	\$0.02	\$0
	Sub-Total	2060	34001700	00			\$63,100
Projected 1995 Total Revenue from Utility's Proposed Rates with the Estimated Cost of Limited Proceeding with Hearing:							\$277,130
Estimated Cost of Limited Proceeding without Amortizing over Four Years and Crediting Up for Regulatory Assessment Fees							\$4,005
Utility's Projected 1995 Revenue without the Limited Proceeding Cost (the cost of the limited proceeding is removed):							\$272,685

STAFF PROPOSED 1995 RATE STRUCTURE (REVISED)

LAKE UTILITIES SERVICES, INC.

Test Year Ended: 12/31/95

Account Number	Type	Billing Units	Total Gallons	Gallons Billed	BPC Rate	GAL. Rate	Revenue
02001	5/8" Meter	5,943	169,634,361	n/a	\$6.00	\$9.04	\$182,225
02010	1" Meter	142	6,546,280	n/a	\$17.00	\$9.04	\$7,913
02012	1.5" Meter	36	3,103,000	n/a	\$34.00	\$9.04	\$3,831
02013	2" Meter	24	496,500	n/a	\$84.00	\$9.04	\$1,723
	Sub-Total	6,045	179,780,141	n/a			\$195,691
08001	5/8" Meter	2,231	26,079,730	n/a	\$6.00	\$9.04	\$37,078
08010	1" Meter	15	124,230	n/a	\$17.00	\$9.04	\$359
08013	2" Meter	0	0	n/a	\$84.00	\$9.04	90
	Sub-Total	2,246	26,203,960	n/a			\$37,437
Projected 1995 Total Revenue from Staff's Proposed Rates without the Estimated Cost of Litigating Proceedings with Hearing:							\$233,128
Actual 1995 Total Revenue:							\$233,087