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Lake Utility Services, Inc.
Docket No. 960444-WU
Staff Data Request Dated September 27, 1996

1. The following questions relate to the following passage of the utility's Settlement Proposal that was approved by the Commission in Order No. PSC-96-0504-AS-WU: "In the 1996 Rate Case, LUSI will propose uniform rates and uniform SACs for all of its operations in Lake County, except Four Lake/Harbor Oaks and Lake Saunders Acres."
 - a) In the above-referenced passage, Four Lakes and Harbor Oaks are listed as one area. However, Four Lakes and Harbor Oaks are listed as separate subdivisions on Schedule E-1, p. 3 of the utility's MFRs. Are Four Lakes and Harbor Oaks in fact separate subdivisions?
 - b) If the response to (a) is affirmative, are the two subdivisions served by the same water plant?
 - c) If the response to (a) is affirmative, please explain the reason for listing the two areas as though it were only one area as shown in the Settlement Proposal.
 - d) If the response to (b) is negative, does the utility have plans to interconnect the water plants serving the Four Lakes and Harbor Oaks areas?
 - e) If the response to (d) is affirmative, please provide the approximate month and year that this interconnection is contemplated to be completed. To the extent there are contingencies which will affect the date this interconnection will occur, please explain the contingencies.
 - f) According to the above-referenced passage of the Settlement Proposal, the utility was not to request uniform rates for Four Lakes/Harbor Oaks and Lake Saunders Acres. However, as shown on Schedules E-1 and E-2 of the utility's MFRs, the utility has requested uniform rates for the aforementioned areas. Please explain why the utility is requesting uniform rates for these areas, in contradiction to the utility agreed to in its Settlement Proposal.
 - g) If the utility did not intend to request uniform rates for the areas in (f) above, please provide revised Schedules E-1, pp. 1 and 3, which reflect the appropriate requested rates for the Lake Saunders Acres and Four Lakes/Harbor Oaks areas, respectively. In addition, please provide a revised Schedule E-2 which incorporates the effects of the revised requested rates for these areas. Please ensure that any revision(s) made in response to the request are reflected in the utility's responses to Staff's letter dated September 20, 1996.

- A.
- a) Four Lakes is the name of the system that serves Harbor Oaks Subdivision. Consequently, they are essentially the same.
 - b) The Four Lakes water station and system serves Harbor Oaks Subdivision.
 - c) The two, Four Lakes and Harbor Oaks, are one subdivision.
 - d) N/A
 - e) N/A

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- f) It was our understanding that the passage referred to in the Order did not require nor preclude us from requesting uniform rates in Harbor Oaks. A uniform rate was calculated for simplicity and to consolidate the rates in the Company. However, if the Commission sees fit to continue a disparity in rates between Harbor Oaks and other subdivisions served by LUSI, the Company is not opposed.
- g) We did intend to file for uniform rates, but as referred to above, the purpose was merely to simplify the rate structure for LUSI.

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2. According to Schedule F-1 in the utility's MFRs, there are 10 water plants that are interconnected in three groups: 1) Clermont I, Amber Hill and Lake Ridge Club; 2) Hills of Lake Louisa, Crescent Bay, Crescent West, Highland Point and Lake Crescent Hills; and 3) Oranges and Vistas.
 - a) Does the utility have any plans to interconnect any or all of the three groups of plants?
 - b) If the response to (a) is affirmative, please indicate which group(s) the utility plans to interconnect, and the approximate month and year that the interconnection(s) is contemplated to be completed.
 - c) If the response to (a) is affirmative, has the utility contacted the Department of Environmental Protection (DEP) with regard to obtaining the appropriate permit(s) for the interconnection(s)?
 - d) If the response to (c) is affirmative, what was the DEP's response to the utility's request? In addition, please provide all correspondence or any other documentation from the DEP which supports the utility's response to this question.
 - e) If the response to (a) is affirmative, please provide all engineering plans and maps which indicate how the group(s) of systems will be interconnected.
 - f) If the response to (c) is negative, when does the utility anticipate initiating discussions with the DEP regarding the interconnection(s)?
- A.
- a) Yes.
 - b) We plan to interconnect Clermont II with Clermont I, Amber Hills and Lake Ridge Club. Further, we ultimately plan to interconnect the three groups. However, no concrete plans have been regarding any future interconnections.
 - c) No.
 - d) N/A
 - e) N/A
 - f) When the company contemplates beginning the construction process, we will discuss any and all plans and contingencies with the DEP.

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3. Please identify the aquifer(s) from which each of the utility's sources of supply makes a withdrawal.
 - A. The Floridan aquifer supplies all of LUSI's water.

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4. According to its 1995 Annual Report, Utilities, Inc. is the parent company for LUSI. In addition, Water Service Corporation is described as a service organization providing administrative and other service functions for Utilities, Inc.
- a) Does Water Service Corporation provide administrative and/or service functions for LUSI?
 - b) If the response to (a) is affirmative, where is Water Service Corporation's central location?
 - c) If the response to (a) is affirmative, please list all such functions (e.g. accounting, billing, engineering, payroll, etc.), and the benefits, if any, that enure to LUSI's customers as a result of the functions provided by Water Service Corporation.
 - d) If the response to (a) is negative, who performs the administrative and service functions for LUSI, and where is this entity located?
 - e) Are the materials and supplies for each of LUSI's plants purchased through a centralized purchasing department?
 - f) If the response to (e) is affirmative, where is the centralized purchasing department located?
 - g) If the response to (e) is affirmative, please describe which materials and/or supplies are acquired via centralized purchasing, and indicate how those items are distributed to the individual plants.
 - h) If the response to (e) is affirmative, does the purchasing department buy any items in bulk?
 - (i) If the response to (h) is affirmative, please list all items purchased in bulk, and indicate which items receive volume discounts and the amounts of the discounts, if applicable.

A.

- a) Yes.
- b) Water Service Corporation (WSC) employs all the personnel, for every Utilities, Inc. subsidiary. Utilities, Inc. has no employees. As such, there is no specific location for WSC.
- c) This affiliation with WSC has many benefits for LUSI customers. One of the primary benefits is LUSI's access to a large pool of human resources from which to draw upon. There are experts in various areas, such as construction, engineering operations, accounting, data processing, billing, regulation, customer service, etc. Nowhere could one obtain this combined expertise and level of experience in a more cost effective manner.

While operating only water and sewer systems, WSC personnel have the ability to meet the challenges of the rapidly changing utility industry. Because the Utilities, Inc. companies are focused on the water and sewer industry our companies enjoy some unique advantages. One distinct

advantage is that capital is available for improvements and expansion at reasonable rates. With increasingly more stringent health and environmental standards, ready access to capital will prove vital to continued quality services. The history of LUSI is a prime example of our ability to bring "big company" expertise to small areas.

In addition, the Utilities, Inc. group of companies has national purchasing power that results in lower costs to rate payers. Expenditures for insurance, vehicles, chemicals and meters are a few examples of purchases where national contracts provide tangible benefits to rate payers.

- d) N/A
- e) No, the operators at the plants determine the items to be purchased. No central distribution warehouse exists.
- f) N/A
- g) N/A
- h) N/A
- I) N/A

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5.

- (a) Does Utilities, Inc. impose the same employee policies regarding payscales, work hours, overtime, etc., for all its systems in Florida?
- (b) If the response to (a) is negative, does LUSI impose the same employee policies regarding payscales, work hours, overtime, etc., for all of its plants?
- (c) If the response to (b) is negative, please indicate which plants have the same employee policies.

A.

- (a) Yes.
- (b) N/A
- (c) N/A

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6.

- (a) Is Utilities, Inc., responsible for obtaining all forms of third party financing for all of its systems in Florida?
- (b) If the response to (a) is affirmative, please explain what benefits, if any, enure to LUSI's customers as a result of the financing being obtained by Utilities, Inc.
- (c) If the response to (a) is negative, who is responsible for obtaining LUSI's third party financing?

A.

- (a) Yes. LUSI is a wholly-owned subsidiary of Utilities, Inc. (UI), which raises capital for its subsidiaries. Accordingly, adopting UI's capital structure to determine the overall cost of capital for UIL is appropriate but most importantly, beneficial to customers. The sources of this debt financing are large institutional lenders and banks.
- (b) The chief benefit to the customers is the cost of debt. A stand alone company such as LUSI would not have the ability to secure debt at as attractive rates as the consolidated entity can attain. In fact, the Rural Water Association consistently maintains that the ability to attain financing for small water companies is the most difficult hurdle to surpass.
- (c) N/A

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7.

- (a) Do the insurance policies for Utilities, Inc., (e.g. covering general liability, property damage, automobile and workers' compensation) provide coverage for all its systems in Florida?
- (b) If the response to (a) is affirmative, please explain what benefits, if any, enure to LUSI's customers as a result of the insurance coverage being provided under the policy of Utilities, Inc.

A.

- (a) Yes.
- (b) The policy covers all of Utilities, Inc. subsidiaries that are not precluded from having an insurance carrier from outside the state. The customers benefit from this relationship by lower premiums on an individual company basis than the company would be able to attain on their own.

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- 8.
- (a) Does the utility share plant operators between the three groups of interconnected plants referred to in Question 2 above?
 - (b) If the response to (a) is affirmative, please indicate the approximate number of hours per week that the plant operators share their time at another group of interconnected plants.
- A.
- (a) Four Lakes and Lake Saunders Acres are operated by an individual operator. Two other operators handle the remaining ten systems in the Clermont area. One operator handles all the meter installation, service calls, construction activity and maintenance. The second operator handles the plant operation.
 - (b) The operators work exclusively in the LUSI systems. Time between the groups of interconnected systems is not logged, however, the operators determine the proper amount of time to devote to each duty to maximize meeting the customers' and systems' needs.

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- 9.
- (a) Does the utility share other field personnel (eg grounds maintenance) between the three groups of interconnected plants referred to in Question 2 above?
 - (b) If the response to (a) is affirmative, please indicate the approximate number of hours per week that the field personnel share their time at another group of interconnected plants.
- A.
- (a) Yes.
 - (b) Meter readers and maintenance personnel perform services in all of our Florida subsidiaries. The Staff analyzed the allocation method of their time and salaries during their field audit. If additional information is necessary, please advise.