

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



DIVISION OF LEGAL SERVICES
NOREEN S. DAVIS
DIRECTOR
(850) 413-6199

Public Service Commission

October 13, 1997

Jack Shreve, Esquire
Office of Public Counsel
c/o The Florida Legislature
111 W. Madison Street, Room 812
Tallahassee, Florida 32399-1400

RE: Docket No. 960444-WU - Application for rate increase and for increase in service availability charges in Lake County by Lake Utility Services, Inc.

Dear Mr. Shreve:

Pursuant to your request at the informal meeting dated October 5, 1997, in the above-referenced docket, please find the enclosed information from staff. If you have any questions, please contact me at 413-6181.

Sincerely,

Tim Vaccaro
Senior Attorney

- ACK _____
- AFA _____
- APP _____
- CAF _____ TV/dr
- OMU _____
- OTR _____ Enclosure
- EAG _____
- LEB _____
- LFI _____
- OPC _____
- RE _____
- SEC _____
- WAC _____
- OTH _____

cc: Richard Melson, Esquire
Harold McLean, Esquire
Records and Reporting ✓

1 w/o attachments

DOCUMENT NUMBER - DATE
10553 OCT 14 5
FPSC-RECORDS/REPORTING

Events for Docket No. 950232-WU, Lake Utilities Services, Inc.'s application for a rate restructuring:

- ◆ October 17-21, 1994 At NARUC, John Williams and Carl Wenz discussed the possibility of LUSI filing a rate restructuring.
- ◆ December 7, 1994 Staff sent a letter to LUSI advising them on how and what they should file in their rate restructuring application.
- ◆ February 8, 1995 Chuck Hill sent a letter suggesting that LUSI file its rate restructuring application within 60 days of receiving the letter.
- ◆ February 10, 1995 Carl Wenz sent a letter stating that he wishes to discuss the rate restructuring with staff.
- ◆ February 27, 1995 LUSI filed the rate restructuring - Docket No. 950232-WU.
- ◆ March 15, 1995 LUSI, by letter, waived the statutory period on their submitted tariffs.
- ◆ March 21, 1995 Staff sent its first set of interrogatories to LUSI.
- ◆ April 26, 1995 Staff received LUSI's response to its first set of interrogatories.
- ◆ May 25, 1995 Staff conducted its customer meeting in Clermont, Florida.
- ◆ June 7, 1995 Staff sent its second set of interrogatories to LUSI.
- ◆ July 6, 1995 Staff received LUSI's response to its second set of interrogatories.
- ◆ September 12, 1995 Agenda Conference for LUSI's rate restructuring
- ◆ October 5, 1995 By Order No. PSC-1228-FOF-WU the Commission approved the limited proceeding to restructure rates and ordered the utility to supply the necessary information regarding its service availability policy with 90 days.
- ◆ October 26, 1995 LUSI filed its protest Order No. PSC-95-1228-FOF-WU.
- ◆ December 14, 1995 LUSI's filed its testimony
- ◆ December 19, 1995 Staff received the additional service availability information.
- ◆ February 9, 1996 Staff filed its testimony.

- ◆ February 29, 1996 Staff and LUSI conducted a prehearing conference and discussed a possible settlement.
- ◆ March 4, 1996 LUSI filed an offer of settlement.
- ◆ March 7, 1996 Staff filed its recommendation addressing LUSI's offer of settlement.
- ◆ March 19, 1996 Agenda Conference on LUSI's offer of settlement.
- ◆ April 12, 1996 By Order No. PSC-96-0504-AS-WU the Commission approved the settlement proposal.
- ◆ June 3, 1996 LUSI filed its rate case.
- ◆ July 15, 1996 Staff administratively closed LUSI's rate restructuring docket.

Name BELZER, ROLAND

Company LAKE UTILITY SERVICES, INC.

Request No. 034312I

Address _____

Attn. CHUCK HILL

By MHR Time 4:42 PM Date 09/29/94

Consumer's Telephone # (407)-295-0267

To W&W Time mail Date 09/30/94

City/Zip _____ County LAKE

Can Be Reached _____

Complaint Type GI-08

Account Number _____

Note _____

Has consumer contacted company? Yes No _____ Who _____

Justification _____

Mr. Belzer would like someone to call him who is knowledgeable about the rates for Lake Utility Services and can discuss the specific reasons his charges per 10,000 gallons are 367% higher than his neighbors' across the lake, and why his connection charges are \$1500 compared to \$400 for others in the area.
REFERRED TO W&W - COULD YOU PLEASE HAVE SOMEONE CALL CUSTOMER TO DISCUSS?
THANKS.

Closed by _____ Date ____/____/____

Reply Received _____

CONSUMER REQUEST

FLORIDA PUBLIC SERVICE COMMISSION

**2540 SHUMARD OAK BOULEYARD
TALLAHASSEE, FL. 32399-0850
904-413-6100**

**PLEASE RETURN THIS FORM
WITH REPORT OF ACTION TO:**

Margaret Ring

DUE: ____/____/____

Name CRESCENT BAY HOMEOWNERS ASSOC.

Company LAKE UTILITY SERVICES, INC.

Request No. 052477L

Address ALAN G. FREEMAN

Attn. _____

By BSD Time 11:26 AM Date 02/08/95

11201 SKY WAY DRIVE

Consumer's Telephone # (904)-394-8034

To _____ Time _____ Date / /

City/zip CLERMONT 34711 County LAKE

Can Be Reached (407)-560-5578

Complaint Type PR-11

Account Number _____

Note _____

Has consumer contacted company? Yes No _____ Who _____

Justification _____

Closed by _____ Date / /

Reply Received _____

See attached concerning rates for Lake Utility Services.

Because this letter is particularly difficult to answer in writing I called the customer and the utility for clarification of the concerns mentioned.

On 2/21/95 I spoke with Mr. Alan G. Freeman, Past President , Crescent Bay Homeowners' Assoc., Inc.. Mr. Freeman was concerned with the large disparity in rates charged to the Crescent Bay residents (\$33.04 bi-monthly gallonage charge \$1.86), as compared to rates charged to Crescent West and Lake Crescent Hills (\$14.07 bi-monthly, gallonage charge \$.69). He could not understand why the rates are so different even though all of these subdivisions are all served from the same well. I called the company to make sure that the proper rates were charged, and agreed with what is presently in the tariff and they are.

At 3:25 PM I spoke with Mr. Don Rasmussen with Lake Utility Services (Utilities Inc.) who explained that the commission has already requested that they come in for a limited proceeding. He understands that a "letter of intent to file" will be coming in a week or two to get a more uniform rate.

At 3:32 PM I called and spoke to Mr. Freeman to explain that the company in coming in for a limited proceeding to try and get a more uniform rate for their area. Mr. Freeman was very glad to hear this, and will be writing to Charles H.

CONSUMER REQUEST

FLORIDA PUBLIC SERVICE COMMISSION

2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FL. 32399-0850
904-413-6100

PLEASE RETURN THIS FORM WITH REPORT OF ACTION TO:

Bev DeMello

DUE: / /

Name CRESCENT BAY HOMEOWNERS ASSOC.

Company LAKE UTILITY SERVICES, INC.

Request No. 052477L

PAGE: 2

Hill, Director of Division Water and Wastewater to be kept informed on the actions taken with this issue.

Name FRANKLIN, BETTY J.

Company LAKE UTILITY SERVICES, INC.

Request No. 061350P

Address 11100 HASKELL DRIVE

Attn. DON RASMUSSEN 61350P

By JBL Time 1:23 PM Date 04/03/95

City/zip CLAREMONT 34711 County LAKE

Consumer's Telephone # (904)-394-2100

To CO Time FAX Date 04/03/95

Can Be Reached (904)-394-2150

Complaint Type WB-24

Account Number _____

Note _____

Has consumer contacted company? Yes No _____ Who _____

Justification N

Closed by JBL Date 04/26/95

Reply Received T

Customer's bill is too high and claims that other customers in her subdivision, "Preston Cove," are also charged three times more than what surrounding area subdivisions are charged by Lake Utility Services.

Regarding our conversation, I will need a report regarding your contact with customer by 4/18/95. NOTE: You may want to consider a bench test upon aprising customer of required deposit for bench test. This will confirm our earlier conversation.

4/26/95 Report. Form close. JBL

CONSUMER REQUEST

FLORIDA PUBLIC SERVICE COMMISSION

2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FL. 32399-0850
904-413-6100

PLEASE RETURN THIS FORM WITH REPORT OF ACTION TO:

Jose B. Lorenzo

DUE: 04/18/95

Name FREEMAN, ALAN G.

Company LAKE UTILITY SERVICES, INC.

Request No. 066644L

Address 11201 SKY WAY DRIVE

Attn. _____

By JRD Time 8:29 AM Date 05/10/95

City/zip CLERMONT 34711 County LAKE

Consumer's Telephone # _____

To _____ Time _____ Date 05/10/95

Account Number _____

Can Be Reached _____

Complaint Type GI-14

Has consumer contacted company? Yes ___ No Who _____

Note _____

Justification _____

Letter requesting information on tariffs for Lake Utility Services and making comments on docket 950232-WU. Responded with letter and forwarded to docket file.

Closed by _____ Date / /

Reply Received _____

CONSUMER REQUEST

FLORIDA PUBLIC SERVICE COMMISSION

2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FL. 32399-0850
904-413-6100

PLEASE RETURN THIS FORM WITH REPORT OF ACTION TO:

Richard Durbin

DUE: / /



BANYAN

BANYAN CONSTRUCTION & DEVELOPMENT CO., INC.

905-A JanMar Court Clermont, FL 34711 Tel (904) 394-8215 Fax (904) 394-7590

RECEIVED

OCT 25 1994

Florida Public Service Commission
Division of Water and Wastewater

October 25, 1994

Don Rasmussen
Lake Utility Services, Inc
200 Weathersfield Avenue
Altamonte Springs, FL 32714

Dear Mr. Rasmussen:

This letter is to address two issues: 1) The incorrect water hook-up fees your company quoted us; and, 2) The letter you promised to send me eight weeks ago to give to our customers concerning the large disparity in water rates you charge in adjacent subdivisions.

Regarding the first issue about which we have had two conversations, as you are well aware, when we decided to purchase lots in the new Preston Cove subdivision, we called your company to get the water hook-up fees to use in costing and pricing the homes we planned to build and sell. As you are also well aware, we were quoted a total figure of \$190.00 period, no ifs, ands or buts. There was never any mention of your contract stating that the \$190 fee was only for a limited number of units and then it would be raised to over \$1800.00. We were never given a full disclosure of the true fees. As you yourself said in our phone conversation on Monday October 17, your company made a mistake and should have provided full facts and information when asked. In fact, until just prior to the increase taking effect, none of your people providing information over the phone were even aware that the \$190.00 rate was to increase. And you yourself, even on October 17, were not aware of the details of the contract to service Preston Cove.

On October 3, as we had with five previous homes in Preston Cove, based upon the information your employees provided us, we sent \$380.00 for two of the last three lots we own in Preston Cove for water hook-up. On October 17, after not getting any meters set, we called your office to find out what was going on (your office never called us, we had to initiate the follow-up), we were told that our checks were in a pile that got overlooked and that the water hook-up fees were now over \$1800, not the \$190.00 fee we were quoted.

Therefore, as a result of the incorrect information and lack of full disclosure by your company, on these last three homes, which are pre-sold and we have already locked into

Lake Utility Services, Inc

October 25, 1994

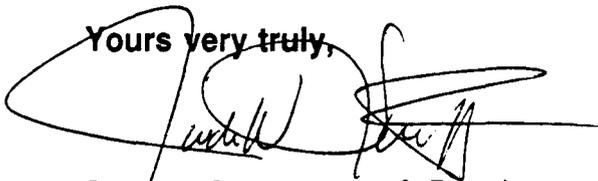
page two

a sales price based upon a cost provided us by you, we are now being told that we will have to pay an additional \$4,800 (\$1,600 X 3 lots). You want me to eat \$4,800 because you did not provide full facts to us when we called requesting such. By your own admission, your mistake is going to cost us \$4,800. Furthermore, you were not even the least bit apologetic. Your attitude was simply that you had made a mistake in not providing us the true facts, but I still have to pay the extra \$4,800. You suggested that I collect it from my customers, but I already have contracts based upon costs you quoted me and that if I don't like the rate to call the PSC because they tell you what to charge. **Your company made the mistake, the very least you should do is share in the cost to me of your mistake! You failed to provide full disclosure, not us!**

As to the second item, as you are well aware, shortly after we began building homes in Preston Cove, customers to whom we were selling homes, came to us after hearing that the water rates in Preston Cove were three times higher than other adjacent subdivisions you also service. Approximately eight to nine weeks ago, I called your company to verify (see enclosed water rate comparison) and you personally agreed to send us a letter to give to our customers explaining why the rates were so high and to help diffuse problems and avoid unnecessary calls to your office. I promised several people that such a letter was forthcoming, but you have never sent the letter you promised. I have been asked several times why it never came. I reminded you of the letter you promised last Monday, October 17, but one week later we still have not received the letter you have now twice promised to send. What do we need to do to get you to follow through on your commitments?

As you know, you have the checks we sent for lots 17 and 11 in Preston Cove for water hook-up at the quoted price of \$190.00 each and we also have sent the checks for water hook-up to lot 38 at the quoted price of \$190.00. If you are not going to honor the price that you unreservedly quoted us, then we would like a written explanation of why you failed to provide us with correct information and full disclosure.

Yours very truly,



Banyan Construction & Development, Inc.

Judson W. Stringfellow

cc: Troy Rendell, Florida Public Service Commission
Eric Groom, Florida Public Service Commission
Andy Dopuch, Utilities, Inc., Northbrook, IL
Perry B. Owens, Utilities, Inc., Northbrook, IL

WATER RATE COMPARISON

PRESTON COVE & CRESCENT BAY VS. LAKE CRESCENT HILLS & CRESCENT WEST

Crescent Bay, Preston Cove, Lake Crescent Hills and Crescent West water systems are all owned and operated by Utilities, Inc of Florida. However there are substantial differences in water rates. Rates are as of September 1, 1994.

<u>Bi-Monthly H2O Usage - Gals</u>	<u>Cost @ Cres West & L C Hills</u>	<u>Cost @ Cres Bay & Preston Cove</u>	<u>Difference</u>
10,000	\$14.07	\$51.64	367.0%
20,000	\$20.97	\$70.24	335.0%
30,000	\$27.87	\$88.84	318.8%
40,000	\$34.77	\$107.44	309.0%
50,000	\$41.67	\$126.04	302.5%
60,000	\$48.57	\$144.64	297.8%
70,000	\$55.47	\$163.24	294.3%
80,000	\$62.37	\$181.84	291.6%
90,000	\$69.27	\$200.44	289.4%
100,000	\$76.17	\$219.04	287.6%

BI-MONTHLY WATER RATES:

Crescent West & Lake Crescent Hills: \$14.07 first 10,000 gal plus \$0.69 per thousand thereafter
 Crescent Bay & Preston Cove: \$33.04 without any water plus \$1.86 per thousand gals

LAKE UTILITY SERVICES, INC.

AN AFFILIATE OF UTILITIES, INC.

200 WEATHERSFIELD AVENUE
ALTAMONTE SPRINGS, FLORIDA 32714

CORPORATE OFFICES:
2335 Sanders Road
Northbrook, Illinois 60062
Telephone: 708-498-6440

Telephone: 407-869-1919
Florida: 800-272-1919
Fax: 407-869-6961

November 7, 1994

Mr. Judson W. Stringfellow
Banyan Construction and Development Co., Inc.
905-A JanMar Court
Clermont, Florida 34711

Dear Mr. Stringfellow:

This letter is in response to your correspondence dated October 25, 1994.

First, I will address the issue regarding water connection fees in the Preston Cove subdivision. As I have explained to you in previous phone conversations, we have been authorized by the Florida Public Service Commission (FPSC) to collect a connection fee of \$1783.09, which includes a 3/4" x 5/8" meter. This fee was set forth in Order #PSC-92-1369-FOF-WU which was approved on November 24, 1992. In addition to the connection fee, we also collect a \$50.00 deposit and a \$15.00 new customer charge.

Highland Development Company (HDC) as the developer of Preston Cove had originally planned to build all the homes in the subdivision. In doing so, HDC prepaid some of the connection fees. Sometime later, HDC changed its position and decided to sell lots to various builders in the area, your company being one of them. As these builders applied for water service, the amount prepaid by HDC was applied to the lot and only the meter charge, deposit and new customer charge were collected by Lakes Utility Services, Inc. In September HDC's prepaid connections were expended leaving the remaining lots with full connection fees to be paid.

Secondly, I will address the issue regarding the inconsistency in rates of our Clermont systems. Approximately twelve years ago we obtained our first water system in the Clermont area. At that time, we assumed rates that had already been established for this system by the FPSC. We then purchased additional systems in the Clermont area that were under construction and didn't as yet have customers. The FPSC required us to charge the same rates and charges in the new systems as had been established for the original system.

Rates and charges for the Crescent Bay system were also established prior to our purchase. This was a new system under construction with no existing customers. The rates and charges in effect were based upon the cost to construct a new system in the current market. Since that time, Lakes Utility Services, Inc. (LUSI) requested an increase in its service area. The FPSC approved and granted this request with rates and charges to be based on the current rates in effect for the Crescent Bay system.

It must be noted that the lower rates being charged in our Clermont systems are based on fees set prior to 1982, with only a few minor pass through increases since our purchase. We are aware of the differences in rates and charges for this area and sometime next year we will request that the FPSC grant us a proceeding to standardize the Clermont rates.

Mr. Judson W. Stringfellow
November 7, 1994
Page 2

Enclosed are your checks totaling \$570.00 for lots 11, 17 and 38. As I have stated above, we must collect \$1783.09 plus \$65.00 (deposit & new customer charge) for a total of \$1848.09 for each lot to be served.

Sincerely,



Donald Rasmussen
Regional Director

DR/jr

cc: Eric Groom, Florida Public Service Commission



BANYAN

BANYAN CONSTRUCTION & DEVELOPMENT CO., INC.

905-A JanMar Court Clermont, FL 34711 Tel (904) 394-8215 Fax (904) 394-7590

NOV 14 1994

November 9, 1994

Senator Karen Johnson
P.O. Box 490557
Leesburg, FL 32399

Dear Senator Johnson:

This letter is to request that your office look into, or at least ask questions about the enclosed matter. The enclosed is a copy of the last letter I wrote to the Public Services Commission on this issue.

In summary, when we decided to purchase some lots in a subdivision, we called Lake Utility Services to determine what the water hook-up fees are to use in pricing our homes. We were quoted a price of \$190.00 per lot, with no reservations or notification that this rate was only for a limited number of lots. We then quoted prices to customers and signed contracts to build homes on the lots we purchased, all incorporating the quoted rate. After starting the first five homes, we sent in checks to Lake Utility Services to hook-up water to our remaining lots. After several weeks passed and they had not hooked them up, we called only to be told we now had to pay an additional \$1,600 per lot more than they quoted us. This represents a cost to us of \$4,800 more than what we were told for the three lots. In checking further with the utility company, we discovered that the employees who quote rates were not made aware that the \$190.00 fee was only for a limited number of lots and, as the president of Lake Utility Services, Mr Don Rassmussen told me, they had made a mistake in not providing us the proper information and should have done so.

The problem is simply that I have signed contracts to provide the homes to customers that I cannot go back and raise because Lake Utility Services provided us with incorrect information. Furthermore, we have never been able to get Lake Utility Services to respond in writing to us, nor even provide us with a correct rate sheet.

In our business, when we or any of our employees make a mistake or mis-quote a price, we honor it anyway and correct our mistake. Apparently the Public Service Commission does not feel that utility companies should be held responsible for their actions.

As a side issue, I am also enclosing a sheet comparing what Lake Utility Services charges

Sen. Johnson

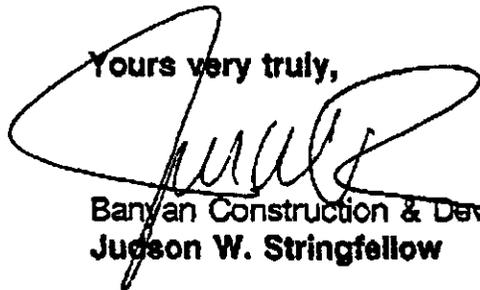
11/9/94

page two

for water in adjacent subdivisions. As you can see, they are charging approximately three times the rate in adjacent subdivisions. The Public Service Commission also condones this predicated, I am told, on financial statements showing Lake Utility Services is supposedly losing money. However a closer examination of their financial statements show Lake Utility Services is making huge payments to their parent company in Illinois in what appears to be the old transfer pricing scheme to show a loss in one area and a profit in another. This method is used by many companies to avoid paying taxes in one location and then being taxed again in another. By using such accounting methods a company can show a loss in Florida, for example, and avoid Florida corporate taxes on the profit and then being re-taxed in the parent company's state on the dividends received from the subsidiary company. In the case of a utility company it can also be used to show a loss locally and therefore be allowed to charge very high rates since they are "showing a loss".

I know that you and your staff are quite busy, but the actions of Lake Utility Services effect many residents of this area, not just ourselves. We hope that you can take a few moments to look into this.

Yours very truly,



Banyan Construction & Development, Inc.
Judson W. Stringfellow

WATER RATE COMPARISON

PRESTON COVE & CRESCENT BAY VS. LAKE CRESCENT HILLS & CRESCENT WEST

Crescent Bay, Preston Cove, Lake Crescent Hills and Crescent West water systems are all owned and operated by Lake Utility Services. However there are substantial differences in water rates. Rates are as of September 1, 1994.

<u>Bi-Monthly H2O Usage - Gals</u>	<u>Cost @ Cres West & L C Hills</u>	<u>Cost @ Cres Bay & Preston Cove</u>	<u>Difference</u>
10,000	\$14.07	\$51.64	367.0%
20,000	\$20.97	\$70.24	335.0%
30,000	\$27.87	\$88.84	318.8%
40,000	\$34.77	\$107.44	309.0%
50,000	\$41.67	\$126.04	302.5%
60,000	\$48.57	\$144.64	297.8%
70,000	\$55.47	\$163.24	294.3%
80,000	\$62.37	\$181.84	291.6%
90,000	\$69.27	\$200.44	289.4%
100,000	\$76.17	\$219.04	287.6%

BI-MONTHLY WATER RATES:

Crescent West & Lake Crescent Hills: \$14.07 first 10,000 gal plus \$0.69 per thousand thereafter
 Crescent Bay & Preston Cove: \$33.04 without any water plus \$1.86 per thousand gals

State of Florida

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



DIVISION OF WATER &
WASTEWATER
CHARLES HILL
DIRECTOR
(904) 488-8482

Public Service Commission

November 22, 1994

Judeon W. Stringfellow
Banyan Construction & Development Co., Inc.
905A Janmar Court
Clermont, FL 34711

RE: Complaint No. 00158 - Banyan Construction against Lake Utility Services, Inc.

Thank you for your letter dated November 9, 1994, regarding Banyan Construction's concerns with Lake Utility Services, Inc. This letter shall address two issues: 1) the problem with the water hook-up fee; 2) the large disparity in water rates in adjacent subdivisions.

Regarding the first issue, staff has reviewed the letter to you from Donald Rasmussen of Lake Utility Services, Inc. dated November 7, 1994. This letter appears to address your concerns with the water hook-up fee. Staff has found that Lake Utility Services, Inc. is following their approved tariff regarding service availability charges to Preston Cove subdivision. Furthermore, the tariff sheets sent to you by staff represent the correct charges contained in the utility's tariff. The service availability charges for Crescent-Bay subdivision also apply to the Preston Cove subdivision.

As to the second item about the large disparity in water rates, staff contacted Lake Utility Services on November 16, 1994, and was informed that the utility plans to file a rate restructuring application. This rate restructuring was also referenced in the November 7, 1994, correspondence from Lake Utility Services, Inc. Furthermore, staff was informed that the preliminary figures in the rate restructuring plan should be filed prior to the end of 1994. This application will address the proposal to equalize rates to all customers served by the utility, which may be appropriate due to the recent interconnection of the systems. Again, thank you for taking the time to bring your concerns to our attention. If we can be of further assistance, please let us know.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles H. Hill".

Charles H. Hill
Director

cc: Division of Water and Wastewater (Willis, Rendell, Groom)

State of Florida

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



DIVISION OF WATER &
WASTEWATER
CHARLES HILL
DIRECTOR
(904) 488-8482

Public Service Commission

December 1, 1994

Senator Karen Johnson
P.O. Box 490557
Leesburg, FL 32399

RE: Complaint No. 00158 - Banyan Construction against Lake Utility Services, Inc.

Dear Senator Johnson:

I have received a copy of a letter dated November 9, 1994, from Banyan Construction, Inc., which was addressed to your office. It is my understanding that your office may have concerns regarding staff's response to Mr. Stringfellow on November 4, 1994. I am writing this letter to help alleviate your concerns with staff's explanation to Mr. Stringfellow.

In summary, Mr. Eric Groom, the staff analyst, received a telephone call from Mr. Stringfellow on October 25, 1994, regarding a water hook-up fee in Preston Cove subdivision. Mr. Stringfellow began by inquiring about a very general concern he was having with business practices. The analyst carefully listened to his concerns and responded to the problem Banyan Construction appeared to be having with being charged the proper water hook-up fees. In order to better understand the situation, the analyst suggested that Mr. Stringfellow send a copy of the letter to the Commission he planned to mail to Mr. Donald Rasmussen of Lake Utility Services, Inc.

The first letter the analyst received was dated October 25, 1994, and was addressed to Mr. Donald Rasmussen of Lake Utility Services, Inc. (see letter A attached). After staff reviewed this letter, the analyst contacted the utility in order to obtain an explanation regarding Mr. Stringfellow's concerns. The company explained that Highland Development Company (HDC) prepaid some of the connection fees in Preston Cove subdivision for lots that it originally planned to develop. However, HDC changed its position and decided to sell lots to various builders in the area, Banyan Construction being one of them. Only the meter charge, deposit and new customer charge was collected by Lake Utility Services, Inc. from the subsequent builders, including Banyan Construction, because of the pre-paid connection fees. The analyst believed the problem developed through a lack of

Senator Karen Johnson - Letter
December 1, 1994
Page Two

communication between Banyan Construction and HDC. This lack of communication resulted in Banyan Construction developing three additional lots under the assumption that the lots were prepaid and should only be charge \$190.00 per lot. These events are described in paragraph two of Mr. Donald Rasmussen's letter to Mr. Judson Stringfellow dated November 7, 1994 (see Letter B attached).

After further examination of the November 7, 1994, letter, the analyst contacted both parties by both telephone and letter dated November 22, 1994 (see Letter C attached). The letter stated staff's preliminary explanation on the matter. Furthermore, the analyst understood that Mr. Stringfellow was still very displeased and informed him of how to log an official complaint with the Commissions' Division of Consumer Affairs. This explanation was in no-way a means of passing the complaint over to Division of Consumer Affairs, but only the correct way of submitting a formal complaint at the Commission.

Secondly, I wish to address the issue of the rate disparity in water rates for the adjacent subdivisions. Staff contacted Lake Utility Services, Inc. on November 16, 1994, and was informed that the utility plans to file a rate restructuring application. This rate restructuring was also referenced in the November 7, 1994, correspondence from Lake Utility Services, Inc. Furthermore, staff was informed that the preliminary figures in the rate restructuring plan should be filed prior to the end of 1994. This application will address the proposal to equalize rates to all customers served by the utility, which may be appropriate due to the recent interconnection of the systems.

Staff has requested a formal explanation behind the former pre-paid service availability charges between HDC and Lake Utility Services, Inc. At that time, the division may elect to open a formal docket regarding this concern. Please be assured that my staff will continue to investigate Banyan Construction's concern with Lake Utility Services, Inc. in a most efficient and effective manner.

Thank you for your interest in this matter and please contact me at (904) 488-8482 if you have any additional concerns.

Sincerely,



Charles H. Hill
Director

cc: Division of Water and Wastewater (Willis, Rendell, Groom)

UTILITIES, INC.

2335 Sanders Road
Northbrook, Illinois 60062-6196
708/498-6440
FAX 708/498-2066

November 30, 1994

Mr. Bill Lowe
Assistant Director - Water & Sewer Division
Florida Public Service Commission
101 E. Gaines Street
Tallahassee, FL 32399

Dear Mr. Lowe:

Enclosed are our proposed revised tariffs for Lake Utilities Services, Inc. (LUSI). These proposed tariffs are in response to your conversation with John Williams and Carl Wenz at the NARUC seminar, and recent customer complaints regarding the rate differential.

As you know, there exists a large disparity between rates in the different LUSI subdivisions. In an effort to improve customer relations and satisfaction, we would like to initiate a revenue neutral administrative filing that would eliminate the inequities that exist in our rate structure. The proposed rate structure would be applicable to all the systems that are interconnected.

The rate structure we propose, that would not affect our current level of revenue, is shown below. The structure shown represents **monthly** rates.

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8" X 3/4"	\$ 7.00
3/4"	10.50
1"	17.50
1 1/2"	35.00
2"	56.00
3"	112.00
4"	175.00
Gallonge Charge Per 1,000 gallons	\$.62

The following subdivisions have an average monthly bill of \$35.19. These customers would experience a 65% *decrease* in their monthly bills. The average monthly bill under the proposed rate structure would be \$12.27 per month.

<u>Subdivision</u>	<u>No. of Customers</u>
Crescent Bay	41
Preston Cove	12
South Clermont	48

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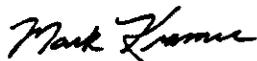
The following subdivisions would experience a 5% increase in their monthly bills. The average monthly bill will increase from the current \$23.45 per month to \$24.52.

<u>Subdivision</u>	<u>No. of Customers</u>
Clermont I - Four Winds	68
Clermont II	68
Amber Hill	32
Highland Point	27
The Oranges	71
Lake Ridge Club	32
The Vistas I & II	19
Crescent West	55
Lake Crescent Hills	56

We believe that the proposed rate structure is the most equitable to all of our customers.

Attached is a consumption analysis from the test year ending 12/31/93 and our revised tariffs incorporating the new rate structure. Please advise me of the instructions to begin a formal procedure to approve the proposed rate structure.

Sincerely,



Mark Kramer
Manager of Regulatory Accounting

encl.

State of Florida

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



DIVISION OF WATER &
WASTEWATER
CHARLES HILL
DIRECTOR
(904) 488-8482

Public Service Commission

February 8, 1995

Mr. Carl J. Wenz
Utilities, Inc.
2335 Sanders Road
Northbrook, Illinois 60062-6196

RE: Lake Utilities Services, Inc. (LUSI) proposed rate restructuring.

Dear Mr. Wenz:

It is my understanding, through a phone conversation on February 8, 1995, between my staff and Mr. Mark Kramer of Utilities, Inc., that I am supposedly discussing with you preliminary matters regarding the rate restructuring of Lake Utilities Services, Inc. (LUSI). I am unaware of these discussions.

Furthermore, my staff understands, through the same phone conversation on February 8, 1995, with Mr. Mark Kramer, that Utilities, Inc., has no immediate plans of filing the rate restructuring application. I would like to stress that the Commission views this rate restructuring as a high priority item. Therefore, I am suggesting that the rate restructuring application is filed within 60 days of receiving this letter.

If you have any questions regarding the rate restructuring, please call Troy Rendell at (904) 488-8482

Sincerely,

A handwritten signature in black ink, appearing to read "Charles H. Hill", written over a large, stylized oval flourish.

Charles H. Hill, Director
Division of Water and Wastewater

CHH/ENG

cc: Division of Water and Wastewater (Willis, Rendell, Groom)

Letter - Mr. Mark Kramer
December 7, 1994
Page Two

Staff believes that this limited proceeding should be expanded to include the disparity of service availability charges in the different LUSI subdivisions. Therefore, be advised that during the pendency of the proceeding, staff will be reviewing the appropriateness of LUSI's service availability charges to the different subdivision. Should you have any questions, please contact Mr. Troy Rendell at (904) 488-8482.

Sincerely,



Charles H. Hill
Director
Division of Water and Wastewater

cc: Troy Rendell
Kari James

66644L

RECEIVED
FLORIDA PUBLIC
SERVICE COMMISSION

1995 MAY -8 AM 10:42

TALLAHASSEE

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MAY 8 1995

EPSC-RECORDS/REPORTING

May 5, 1995

Director, Division of Records and Reporting
Florida Public Service Commission
101 E. Gaines St.
Tallahassee, FL 32399-0870

RE: Docket No. 950232-WU

RECEIVED
MAY - 8 1995
CONSUMER AFFAIRS

Dear Sir:

I am writing regarding the upcoming hearing scheduled for 7:00 p.m., May 25, 1995, at Jenkins Auditorium, Clermont, Florida. My wife and I will be out of town that week, but I would like the following concerns addressed at that time. Mr. Arthur Bennett, also a Crescent Bay resident, will be attending the hearing along with other neighbors. They are aware of my concerns and, in fact, have the same questions.

- It appears the proposed rates reflect a fair reduction in comparison to the rates currently being assessed. It is my opinion that when Crescent Bay was tied into the other two wells over a year ago, the rates for all three subdivisions should have been equalized at that time. Crescent Bay residents have been paying almost triple the rates of the other two subdivisions. Why?
- Based on information received from the Orlando office of the Public Service Commission, the maximum impact (hook-up) fee to be charged in this district is \$300. Part of the cost of building our house was a \$1,200 hook-up fee paid by our builder, Bill Thomas Construction. Several neighbors paid up to \$1,800 for hook-up fees. If the maximum fee set by and/or approved by the Florida Public Service Commission is, and was in 1990, \$300, shouldn't we be due reimbursement for any amount paid over the \$300? How can a fee higher than approved by the Commission be charged?

RECEIVED
MAY - 8 1995
CONSUMER AFFAIRS

Director, Division of Records and Reporting
May 5, 1995
Page Two

I would like to thank you in advance for allowing us the opportunity to air these questions. With the many varied opinions being voiced by developers, builders and residents in South Lake County regarding the operation of Lake Utility Services, Inc., this hearing may set the record straight.

Respectfully,



Alan G. Freeman
11201 Sky Way Dr.
Crescent Bay
Clermont, FL 34711

cc: Lake Utility Services, Inc.
200 Weathersfield Ave.
Altamonte Springs, FL 32714

State of Florida

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



DIVISION OF LEGAL SERVICES
NOREEN S. DAVIS
DIRECTOR
(904) 413-6199

Public Service Commission

VIA FEDERAL EXPRESS

August 9, 1995

RECEIVED

AUG 11 1995

Florida Public Service Commission
Division of Water and Wastewater

Mr. Paul Curtis
11132 Haskell Drive
Clermont, FL 34711

Re: DOCKET NO. 950232-WU - APPLICATION FOR LIMITED
PROCEEDING TO RESTRUCTURE WATER RATES IN LAKE
COUNTY BY LAKE UTILITY SERVICES, INC.

Dear Mr. Curtis:

Attached is a copy of the Staff Recommendation filed in this matter on August 3, 1995. The Commission is expected to consider this Recommendation at its August 15, 1995 Agenda Conference which will be held in Room 148, Betty Easley Conference Center, 4075 Esplanade Way, in Tallahassee beginning at 9:30 a.m. Due to the number of items to be covered at this conference, we cannot state the exact time at which this item will be heard. You are welcome to come to this Agenda Conference and observe and/or participate in the discussion of this item. If you have any questions, please feel free to call me at (904) 413-6181.

Sincerely,

A handwritten signature in black ink that reads "Tim Vaccaro".

Tim Vaccaro
Senior Attorney

TV/ji

Enclosure

cc: Division of Water and Wastewater (Groom, Rendell)

State of Florida

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



DIVISION OF LEGAL SERVICES
NOREEN S. DAVIS
DIRECTOR
(904) 413-6199

Public Service Commission

VIA FEDERAL EXPRESS

August 9, 1995

Mr. Alan Freeman
11201 Skyway Drive
Clermont, FL 34711

Re: DOCKET NO. 950232-WU - APPLICATION FOR LIMITED
PROCEEDING TO RESTRUCTURE WATER RATES IN LAKE
COUNTY BY LAKE UTILITY SERVICES, INC.

Dear Mr. Freeman:

Attached is a copy of the Staff Recommendation filed in this matter on August 3, 1995. The Commission is expected to consider this Recommendation at its August 15, 1995 Agenda Conference which will be held in Room 148, Betty Easley Conference Center, 4075 Esplanade Way, in Tallahassee beginning at 9:30 a.m. Due to the number of items to be covered at this conference, we cannot state the exact time at which this item will be heard. You are welcome to come to this Agenda Conference and observe and/or participate in the discussion of this item. If you have any questions, please feel free to call me at (904) 413-6181.

Sincerely,

A handwritten signature in black ink that reads "Tim Vaccaro". The signature is fluid and cursive, with a large loop at the end.

Tim Vaccaro
Senior Attorney

TV/ji

Enclosure

cc: Division of Water and Wastewater (Groom, Rendell)

State of Florida

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



DIVISION OF LEGAL SERVICES
NOREEN S. DAVIS
DIRECTOR
(904) 413-6199

Public Service Commission

VIA FEDERAL EXPRESS

August 9, 1995

Ms. Daisy Yiannas
11223 Sooner Drive
Clermont, FL 34711

Re: DOCKET NO. 950232-WU - APPLICATION FOR LIMITED
PROCEEDING TO RESTRUCTURE WATER RATES IN LAKE
COUNTY BY LAKE UTILITY SERVICES, INC.

Dear Ms. Yiannas:

Attached is a copy of the Staff Recommendation filed in this matter on August 3, 1995. The Commission is expected to consider this Recommendation at its August 15, 1995 Agenda Conference which will be held in Room 148, Betty Easley Conference Center, 4075 Esplanade Way, in Tallahassee beginning at 9:30 a.m. Due to the number of items to be covered at this conference, we cannot state the exact time at which this item will be heard. You are welcome to come to this Agenda Conference and observe and/or participate in the discussion of this item. If you have any questions, please feel free to call me at (904) 413-6181.

Sincerely,


Tim Vaccaro
Senior Attorney

TV/ji

Enclosure

cc: Division of Water and Wastewater (Groom, Rendell)

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.

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.

/s/ Blanca S. Bayó

BLANCA S. BAYÓ, Director
Division of Records and Reporting

This is a facsimile copy. A signed copy
of the order may be obtained by calling
1-904-413-6770.

(S E A L)

ATTACHMENT PAGES 6-10 ARE NOT AVAILABLE IN ELECTRONIC MEDIUM.

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 rate increase and for increase in service availability charges in Lake County by Lake Utility Services, Inc.

DOCKET NO. 960444-WU
ORDER NO. PSC-97-0531-FOF-WU
ISSUED: MAY 9, 1997

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING, IN PART, AND DENYING, IN PART,
INCREASED RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Lake Utility Services, Inc., (LUSI or utility) is a Class B utility located in Lake County. LUSI is a wholly-owned subsidiary of Utilities, Inc. and provides no wastewater service. The service area is composed of eighteen subdivisions, which are served by twelve water plants. All of the plants are basically pump and chlorinate with hydropneumatic tanks. There are ten plants in the South Clermont Region. In this region there are groups of two (Oranges-Vistas), three (Clermont I-Amber Hill-Lake Ridge Club) and four (Highland Point-Crescent Bay-Crescent West-Lake Crescent Hills) interconnected plants with one stand-alone plant (Clermont II). The other two plants (Lake Saunders and Four Lakes) are outside this area. The minimum filing requirements (MFRs) filed in this docket indicate that the service area contained a total of 915

DOCUMENT NUMBER-DATE

04674 MAY-95

FPSC-RECORDS/REPORTING

Background of Rates and Charges

Several of the facilities that are now a part of LUSI were originally owned by Utilities Inc. of Florida (UIF). In 1982, Utilities, Inc. of Florida purchased Three Seasons Development Corporation. By Order No. 11459, issued December 27, 1982, in Docket No. 820281-W, we granted UIF Certificate No. 383-W and authorized UIF to begin charging the rates in effect for Three Seasons Development Corporation to the Clermont I area. In 1987, in three separate amendment dockets (Docket Nos. 870057-W, 870998-WU and 870999-WU), UIF's requests to include the Amber Hills Subdivision and Highland Point Subdivisions, the Oranges Subdivision and the Lake Ridge Club Subdivision within its certificated territory were granted. When these requests were granted, UIF was given the authority to charge the same rates as those authorized in UIF's Lake County tariff. (See Orders Nos. 18469, issued November, 24, 1987; and 18508, issued December 8, 1987).

We amended UIF's certificate again in 1988 and in 1989. By Order No. 19482, issued June 10, 1988, in Docket No. 880549-WU, UIF was granted its request to include Clermont II, the Vistas I and the Vistas II. By Order No. 21555, issued July 17, 1989, in Docket No. 890335-WU, we granted UIF's request to provide service to the Crescent West Subdivision. Similar to UIF's previous amendment requests, UIF was granted the authority to charge the customers in the new territory the rates authorized in UIF's Lake County tariff.

In 1987, by Order No. 18605, issued December 24, 1987, in Docket No. 871080-WU, we granted LUSI its original certificate (Certificate No. 496-W) for the Crescent Bay Subdivision, a new development. Consistent with the way original rates are established, the original rates and charges for LUSI were based on projected data at 80 percent of buildout. These rates were approved in Order No. 19962, issued September 8, 1988.

We amended LUSI's certificate in 1990. By Order No. 23839, issued December 7, 1990, in Docket No. 900645-WU, we approved a transfer of facilities from the Four Lakes system to LUSI. In this docket, LUSI was given the authority to continue charging the existing rates approved for Four Lakes.

On February 20, 1991, LUSI and UIF were combined in a corporate reorganization. By Order No. 24139, issued February 20, 1991, in Docket No. 900906-WU, UIF's certificate was canceled and LUSI's certificate was amended to include the territory previously authorized for UIF. After the reorganization, we granted LUSI two more amendments. The first, approved by Order No. 24957, issued August 21, 1991, in Docket No. 900989-WU, incorporated the Lake Crescent Hills Subdivision. In this docket, LUSI was given the authority to charge the rates and charges that applied to the facilities once owned by UIF. The second, approved by Order No. PSC-92-1369-FOF-WU, issued November 24, 1992, in Docket No. 920174-WU, granted additional territory (the South Clermont Region) and allowed the utility to charge the rates in effect for the Crescent Bay Subdivision, which are the same rates that were originally approved for LUSI in Order No. 19962.

LUSI's last acquisition occurred in 1991. By Order No. 25286, issued November 1, 1991, we approved the transfer of Lake Saunders Acres to LUSI. We granted LUSI the authority to charge the rates in effect for the Crescent Bay Subdivision by Order No. PSC-93-1092-FOF-WU, issued July 27, 1993, in Docket No. 910760-WU.

Functional Relationship

In determining LUSI's rate structure we must first determine whether LUSI's land and facilities are functionally related. Section 367.021(11), Florida Statutes, states that the definition of a utility system "may include a combination of functionally related facilities and land." Specifically, Florida courts have held that:

Florida law ... allows uniform rates for only a utility system that is composed of facilities and land functionally related in the providing of water and wastewater service to the public

Citrus County v. Southern States Utilities, Inc., 656 So. 2d 1307, 1309 (Fla. 1st DCA 1995)

In Citrus County, the court determined that the evidence did not support uniform rates absent a showing that the utility's facilities "were operationally integrated, or functionally related, in any aspect of utility service other than fiscal management." Id. at 1310. Consistent with the decision in Citrus County, we

have evaluated the operational relationship between LUSI's facilities in Lake County in making a determination of whether uniform rates are appropriate.

LUSI's representatives maintain that ten of the 12 facilities owned by LUSI will ultimately be interconnected. Nine of the 10 facilities are currently connected in three groups. The utility is planning to interconnect Clermont II with Clermont I, which is in Group I, and eventually interconnect all ten facilities. Due to their location, there are no plans to interconnect Four Lakes and Lake Saunders.

In addition, the facilities owned by LUSI are similar in size. The capacities of the facilities range in size from .0504 MGD to .72 MGD. The average capacity is .393 MGD, and eight of the facilities have a capacity near this size. Further, they all have the same type of treatment - pump and chlorinate.

Although LUSI's operators have primary assignments to particular plants, all of LUSI's operators are shared on a routine basis to replace other operators within the facilities in cases of illness, vacations and emergencies. After hours, a single operator is on call for all facilities, including those in Seminole and Orange Counties. LUSI's meter readers rotate between the various service areas on a monthly basis. As a result, the readers are familiar with the entire system. This allows the utility to temporarily replace meter readers in cases of illness, vacations and emergencies as well as when a meter reader terminates his or her employment. Equipment is routinely shared between the facilities, including grounds maintenance equipment, dump trucks, trailers, pumps used in main breaks, trenchers, back hoes and a trailer-mounted portable generator.

Based on the foregoing, we find that LUSI's facilities and land are functionally related and constitute a single system. Therefore, consistent with the Citrus County decision, we find that a uniform rate can be implemented for this utility. This finding, however, does not necessitate the implementation of a uniform rate structure. The following discusses why we find that a uniform rate is appropriate for LUSI.

Appropriate Rate Structure

The rate restructuring docket that preceded the instant docket resulted from concerns of the utility and this Commission that

neighboring ratepayers that are interconnected have different water rates. The transcripts from the customer service hearings in the rate restructuring docket and the instant docket indicate that the customers have likewise been concerned about the disparity in the rates and service availability charges. We find that uniform rates are the best solution for mitigating the disparity.

Because LUSI is comprised of facilities once owned by two different utilities, a review of the tariff shows no consistency in rates since the reorganization. As discussed in the background section, rates have historically been assigned to new acquisitions on an arbitrary basis based on either existing rates of the acquired subdivision or the rates in effect for some other area served by LUSI. This is the first case wherein we are attempting to set cost based rates for this utility. Attachment A sets forth the rates of each facility and indicates which facilities are currently interconnected. As shown in this attachment, different rates are applicable even within service areas that have been interconnected. It is evident that the current rate groupings make no logical sense and necessitate a change.

Several advantages of uniform rates have been recognized by experts in water and wastewater utility regulation. Uniform rates lower administrative and regulatory costs, improve rate and revenue stability and ensure affordability for customers of very small water systems. As shown in Attachment A, most of LUSI's service areas have fewer than 75 customers. Though uniform rates may not provide significant economies of scale by themselves, they encourage regionalization of utilities, which eventually leads to economies of scale. In addition, uniform rates allow the utility to provide economical service to all customers, regardless of the customer's location. Uniform rates also prevent rate shock, reduce rate case expense, and help promote water conservation.

As shown in Attachment A, the majority of the service areas were billed under the same rate structure prior to this case. As a result of the interim rate increase in this docket, uniform rates have been in place for all systems except for Lake Saunders Acres and Four Lakes. Accordingly, with the exception of these facilities, customers are already under a uniform rate structure. Also, as discussed earlier, the long range plans of this utility include an interconnection of ten of the twelve facilities. The fact that Lake Saunders Acres and Four Lakes facilities will not be interconnected to the remaining facilities should not preclude these facilities from receiving the benefit of uniform rates.

In addition, LUSI is operated by WSC. As the employer of all personnel for every Utilities, Inc. subsidiary, WSC provides LUSI access to a large group of human resources. This group includes experts in construction, engineering, accounting, data processing, billing, regulation and customer service, allowing LUSI to secure expertise and experience in a cost effective manner.

Further, Utilities, Inc. has national purchasing power and negotiates prices that result in lower costs to the ratepayers. Examples of national contracts include insurance, vehicles, chemicals, and meters. Insurance policies for Utilities, Inc. provide coverage for all facilities in Florida. The reduced premiums that result from the consolidated policies benefit the customers since these premiums would be greater on a stand alone basis.

Utilities, Inc. is also responsible for raising all capital for its subsidiaries, including LUSI. LUSI adopts the Utilities, Inc. capital structure to determine the overall cost of capital. The primary benefit to the customers of such a structure is the reduced cost of debt. If LUSI were a stand alone utility, it would not be able to secure debt at the lower rates it enjoys as a result of being a part of a larger, combined entity.

The way LUSI is arranged from an operational and financial standpoint supports the notion that customers of all subdivisions benefit from the consolidation of these efforts. A uniform rate properly reflects the way the utility is operated and managed. Therefore, we find that a uniform rate structure is appropriate.

Repression Adjustment

In its original filing, the utility requested an overall consumption reduction (repression) adjustment of 96,900,000 gallons; however, no support was provided for the adjustment. In a data request dated September 20, 1996, we asked the utility to provide, for each service area in which it provides service, the amount of the projected consumption reduction, separated by customer class and meter size, and provided in increments of 1,000 gallons. We also asked the utility to provide the documentation, workpapers, studies and analyses used to derive the requested repression adjustment.