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CLERK

DATE: March 23, 2004

TO: Blanca S. Bayó, Commission Clerk and Administrative Services Director

FROM: Thomas J. Walden, Utility Systems/Communications Engineer, Division of Economic Regulation

RE: Docket No. 020567-WS; Investigation of possible overearnings by Lake Groves Utilities, Inc. in Lake County

Attached is an informational staff memorandum prepared in August, 2003, that should be included in the docket file.

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State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: August 15, 2003
TO: Tricia Merchant, Supervisor, Division of Economic Regulation
FROM: Thomas Walden, Engineer, Division of Economic Regulation
Roland Floyd, Bureau Chief, Division of Economic Regulation
RE: Docket No. 020567-WS; Investigation into possible overearnings of Lake Groves Utilities, Inc. in Lake County

On July 22, 2003, we traveled to the service areas of Lake Groves Utilities and Lake Utility Services, Inc. Both of these operating entities are owned and operated by Utilities Inc. of Florida. The purpose of the field investigation was to physically inspect the plant additions that have made over the last several years that had been reviewed in the audit being conducted. Kathy Welch, from our Miami District Office, joined us.

The majority of the connections/developments are on the west side of US 27, with a few on the east side of US 27, south of Clermont and north of County Road 474. Lake Utility Services, Inc. (LUSI) is in the northern portion of the service territory, providing only water service, and Lake Groves is in the southern part of the territory, providing both water and wastewater service. LUSI has filed an application for amendment of certificate in Docket No. 020907-WS, and that amendment application has pending protests by the City of Clermont and two developers. LUSI is a service area with multiple water plants that are interconnected. Subdivisions were constructed by different developers, who each installed a separate water system (well, pressure tank, and distribution system) to serve each development as it was built. LUSI has interconnected all these systems since it has been owned by Utilities Inc. of Florida.

Assistant Operations Manager Scotty Haws accompanied the staff on a tour of the service areas. A 16" water line, over 11 miles long, has recently been installed along the west side of US 27 interconnecting Lake Groves and LUSI, and a 1 MG concrete ground storage tank and booster station are now under construction at Louisa Point Boulevard, in the LUSI service area. This ground storage tank will have high service pumps and a generator to run the station during electric power outages. A lift station and force main has been installed on the west side of US 27, south and east of Lake Louisa State Park, which runs south to the Lake Groves wastewater treatment plant, about 2.7 miles to the south of the lift station.

Lake Groves constructed a new ring steel WWTP in 2000 with a capacity of 500,000 gpd. A second clarifier has been constructed and is on site, but not yet needed. Two percolation ponds are on site, and were percolating so well that they appeared dry. The old WWTP (two tanks laid parallel, partially buried in the ground; one circular tank above ground) remain on site, but not in service. A maintenance building is adjacent to the new WWTP and was constructed in 2002. Also on the same site is the Lake Groves WTP with two wells, four high service pumps, and a 500,000 gallon ground storage tank.

In the northern part of the service area, the LUSI service area, the water supply is comprised of several interconnected water plants. The largest plant is the Vistas plant, that has two wells, four high service pumps and a 100,000 gallon ground storage tank that has a facade on the side facing

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the street that resembles a house, so the tank is occluded from view. There is an automatic start generator on site that was in operation at the time of the visit due to a power outage that occurred during a thunderstorm (July 22, 2003, 2:30 pm) shortly before our on site visit.

Other water plants include Amber Hill, Clermont I, Clermont II, Crescent Bay, Crescent West, Highland Point, Lake Crescent Hills, and Lake Ridge. The water main from Lake Groves that was extended eleven miles or so to the north, ties into the Clermont II water plant. All plants use chlorination for disinfection, and do not have aeration.

The area is growing, and there are several new subdivisions, with many new homes under construction. On the west side of US 27 subdivisions include Legends, Vistas, Louisa Pointe, Siena Ridge, Mission Park, Weston Hills, Greater Groves, and Westchester. East of US 27, subdivisions include Citrus Highlands (with bulk service to the campground in this subdivision), Eagle Ridge, Orange Tree, and Savannas.

TJW/RF