State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: January 13, 2009

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Wright, Bulecza-Banks, Fletcher, Walden, Lingo)
Office of the General Counsel (Young)

RE: Docket No. 070693-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

AGENDA: 01/26/09 – Regular Agenda – Proposed Agency Action Except Issues Nos. 22 and 23 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: ~~McMurrian~~ Edgar_ac

CRITICAL DATES: 5-Month Effective Date Waived Through 01/26/09

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\070693.RCM.DOC

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Case Background

Utilities, Inc. (UI or parent) is an Illinois corporation which owns approximately 80 subsidiaries throughout 16 states, including 16 water and wastewater utilities within the State of Florida. Currently, UI has seven separate rate case dockets pending before the Commission. These dockets are as follows:

Docket No.	Utility Subsidiary
070693-WS	Lake Utility Services, Inc.
070694-WS	Wedgefield Utilities, Inc.
070695-WS	Miles Grant Water and Sewer Company
080247-SU	Utilities Inc. of Eagle Ridge
080248-SU	Tierra Verde Utilities
080249-WS	Labrador Utilities
080250-SU	Mid-County Services

This recommendation addresses Docket No. 070693-WS. Lake Utility Services, Inc. (LUSI or Utility) is a Class A utility providing water and wastewater service to approximately 8,659 water and 2,860 wastewater customers in Lake County. Water and wastewater rates were last established for this Utility in its 2002 overearnings investigation.[1]

On February 18, 2008, LUSI filed its Application for Rate Increase at issue in the instant docket. The Utility's application did not meet the minimum filing requirements (MFRs). On May 7, 2008, LUSI filed responses to the deficiencies identified by Commission staff, and that date was established as the official filing date for this proceeding. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure. The test years established for interim and final rates are the projected 13-month average period ending June 30, 2007, and June 30, 2009, respectively.

LUSI requested interim rates for both its water and wastewater systems. By Order No. PSC-08-0308-PCO-WS, issued May 12, 2008, the Commission approved interim rates designed to generate annual water revenues of $2,912,625, an increase of $175,071 or 6.01 percent, and wastewater revenues of $869,985, an increase of $387,582 or 45.01 percent.

On July 29, 2008, the Office of Public Counsel filed a Notice of Intervention in this docket and an order acknowledging intervention was issued on August 13, 2008. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

[1] See Order No. PSC-04-0404-PAA-WS, issued April 19, 2004, in Docket No. 020567-WS, In re: Investigation of possible overearnings by Lake Groves Utilities, Inc. in Lake County.

Discussion of Issues

QUALITY OF SERVICE

Issue 1: Is the quality of service provided by Lake Utility Services, Inc. satisfactory?

Recommendation: Yes. The overall quality of service provided by LUSI is satisfactory. (Walden)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), the Commission determines the overall quality of service provided by a utility by evaluating three separate components of water operations, including the quality of the utility's product, the operating condition of the utility's plant and facilities, and the utility's attempt to address customer satisfaction. Comments or complaints received by the Commission from customers are reviewed. Staff has also considered the utility's current compliance with the Florida Department of Environmental Protection (DEP).

Quality of Utility's Product

LUSI's water and wastewater plants are regulated by the DEP Central District office in Orlando. The Utility is current in all of the required chemical analyses and the Utility has met all required standards for both water and wastewater. The quality of drinking water delivered to the customers and the wastewater effluent quality are both considered to be satisfactory by the DEP. In 2004, the Utility failed to produce and deliver a satisfactory Consumer Confidence Report to its customers by July 1. A consent order resulted but LUSI later met the requirements of the order, achieving compliance in March 2005.

Operational Conditions of Plants

A field investigation of the Utility's service areas was conducted in May 2008. Staff found no apparent problems with the operations of either the water or wastewater treatment facilities. All water plants were operating normally and well maintained. The wastewater plant in Lake Groves is being upgraded to provide additional capacity and reuse for irrigation. The conditions of these facilities are currently in compliance with the DEP rules and regulations. Based on review of the maintenance records and a physical inspection, the general condition of the facilities appeared to be adequate. Therefore, staff believes that the quality of service for the condition of the water and wastewater plants is satisfactory.

Customer Satisfaction

Test Year Complaints. The Utility provided copies of customer complaints received during the test year. Water quality complaints dealt with discoloration, low pressure, intermittent water outages, high chlorine, sediment, and odor. A review of these complaints found that the Utility often responded with the flushing of lines to help resolve the water quality problems. Low pressure appears to be related to significant irrigation and separate irrigation meters. Discolored water and some low pressure complaints were tied to water softener operations at the customers' home. There were a number of odor complaints when the new well went on line in

the Lake Groves area in November 2007 due to hydrogen sulfide concentration in the water produced from that well. Occasional lift station odor was the subject of several complaints.

Reviewing the comments addressing resolution of complaints shows that the Utility responded promptly to complaints and endeavored to fix the problem and satisfy the customer in each instance. The new well has packed tower aeration to treat the hydrogen sulfide from that source of supply in Lake Groves.

Correspondence. There are three letters in the docket file from customers. Each letter opposes the rate increase requested by the Utility.

Customer Meeting. A customer meeting was held on September 11, 2008, in Clermont. Four customers attended and three spoke to the staff about billing issues and the amount of the rate increase. No service problems were mentioned.

Complaints on file. The PSC Complaint Tracking System was reviewed. There have been twelve customer inquiries since 1999. During the test year, only one complaint was received. It addressed the magnitude of the rate increase.

Quality of Service Summary

The Utility's overall quality of service should be considered satisfactory. Staff believes that the quality of the product and the condition of the plants are adequate when it comes to regulatory compliance standards. Staff believes that LUSI has addressed customer concerns and there are no outstanding problems existing at this time. Therefore, staff concludes and recommends that the quality of service be found satisfactory.

RATE BASE

Issue 2: Should the audit adjustments to rate base to which the Utility agrees be made?

Recommendation: Yes. Based on audit adjustments agreed to by the Utility and staff, the following adjustments should be made:

Audit Findings	Water	Wastewater
No. 1 – Decrease Plant in Service	$156,060	
No. 1 – Increase Plant in Service		$682
No. 1 – Decrease Land		$784,994
No. 1 – Increase Accumulated Depreciation	$4,293	
No. 1 – Decrease Accumulated Depreciation		$107,363
No. 3 – Decrease Plant in Service	$199,854	$21,577
No. 3 – Decrease Plant in Service - Land		$22,000
No 3 – Decrease Accumulated Depreciation	$17,407	$244
No 4 – Decrease Plant in Service	$111,294	$50,108
No 4 – Decrease Accumulated Depreciation	$8,872	$3,779
No 7 – Decrease CIAC	$57,045	$3,725
No 7 – Increase Accumulated Amortization of CIAC	$322,091	$82,158

In addition, corresponding allocation adjustments should be made to increase land for water by $11,237 and decrease land for wastewater by $4,771, as well as, decrease accumulated depreciation for water and wastewater by $23,901 and $5,473, respectively. (Wright)

Staff Analysis: In its response to the staff's audit report, LUSI agreed to the audit findings as shown above. As such, staff recommends that those adjustments be made. In addition, corresponding allocation adjustments should be made to increase land for water by $11,237 and decrease land for wastewater by $4,771, as well as, decrease accumulated depreciation for water and wastewater by $23,901 and $5,473, respectively.

Issue 3: Should any adjustments be made to rate base allocations for LUSI?

Recommendation: Yes. Rate Base should be reduced by $329,828 for water and increased by $11,626 for wastewater. The appropriate net rate base allocation for LUSI is $771,159 for water and $255,619 for wastewater. (Wright)

Staff Analysis: In its filing, the Utility included allocated rate base of Water Service Corporation (WSC) and Utilities, Inc. of Florida (UIF) of $1,100,987 for water and $243,993 for wastewater. WSC (a subsidiary service company of UI) supplies most of accounting, billing, and other services required by UI's other subsidiaries. UIF (a subsidiary of UI) provides administrative support to its sister companies in Florida. Staff auditors performed an affiliate transactions (AT) audit of UI., the parent company of LUSI and its sister companies, and found that the 2009 forecast for LUSI is overstated by $370,120 for both water and wastewater. LUSI discovered an error in staff's calculation and revised the amount to $318,202, with which staff agrees. Based on the revised audit adjustment, staff recommends that the appropriate net rate base allocation for LUSI is $771,159 for water and $255,619 for wastewater. As such, staff recommends that rate base should be reduced by $329,828 for water and increased by $11,626 for wastewater.

Issue 4: Should any additional adjustments be made to the Utility's projected plant additions and associated expenses?

Recommendation: Yes. The Utility's projected plant in service additions should be increased by $286,935 for water and decreased by $581,517 for wastewater. Corresponding adjustments should be made to increase accumulated depreciation by $26,767 for water and decrease accumulated depreciation by $11,269 for wastewater. (Wright)

Staff Analysis: LUSI included $4,993,924 in its projected additions to plant for expansion of its water treatment capacity at Lake Groves. The additional plant was completed in November of 2007 at a cost of $5,616,235, or $622,401 over the original estimate. In analyzing the Utility's MFRs, LUSI included $1,825,330 in additions to plant in service for the month of June 2009. The Utility did not provide any support for these additions; therefore, staff recommends that these amounts be excluded. On a thirteen month average basis, this adjustment amounts to a decrease in plant in service of $140,410. Since the projected additions were included in June 2009 balances, there is no corresponding affect on accumulated depreciation or depreciation expense. The Utility made an error in calculating the 13-month average balance in Account 311.3–Pumping Equipment by including the June 2009 amount of $435,891 as the 13-month average amount instead of the correct 13-month average amount of $240,835. The error resulted in the balance in Account 311.3 being overstated by $195,056. Therefore, staff recommends decreasing the balance in this account by $195,056. Combining all the adjustments described above results in an adjustment to increase plant in service for water by $286,935 ($622,401-$140,410-$195,056) and an increase in accumulated depreciation of $26,767.

Also, the Utility included $1,932,300 in its projected addition to wastewater plant in service for construction of a reuse transmission main to connect the Lake Groves wastewater treatment plant to six subdivisions. The Utility states that the actual cost of the project was $1,350,783. Based on this information, staff recommends that wastewater plant be reduced by $581,517 to recognize the actual cost of the plant. The corresponding adjustment decreases accumulated depreciation by $11,269. Based on the above, staff recommends the following adjustments:

	Water	Wastewater
Plant in Service	$286,935	($581,517)
Accumulated Depreciation	$26,767	($11,269)

Issue 5: What are the used and useful percentages of the Utility's water and wastewater systems?

Recommendation: The water treatment plants for all three water systems are 100 percent used and useful. The wastewater plant at Lake Groves is 52.42 percent used and useful, although the portions of the plant designated as providing reuse are 100 percent used and useful. The distribution and collection systems in all service areas are 100 percent used and useful. (Walden)

Staff Analysis: The water treatment plant, storage, and distribution system should be considered 100 percent used and useful. The wastewater treatment plant is 52.42 percent used and useful, while the collection system, including lift stations and force mains are 100 percent used and useful.

This application involves three water service areas: LUSI/Lake Groves, Four Lakes, and Lake Saunders. All service areas are in Lake County, and only the LUSI/Lake Groves system is still growing. The Lake Groves portion of the LUSI/Lake Groves service area has wastewater.

In its application, the Utility asserts that the water treatment plants, as well as the water distribution systems, are all 100 percent used and useful. Two of the water systems, Four Lakes and Lake Saunders, are built out and the service areas cannot be expanded. The LUSI/Lake Groves area is approaching buildout.

For wastewater, the Lake Groves area, while still growing, is near buildout. The wastewater plant has been enlarged from 0.5 million gallons per day (mgd) to 1.0 mgd, and is being upgraded to provide reuse to some of the newer customers where reuse lines have been installed. This plant upgrade will be completed by the end of the projected test year. The wastewater plant will have some unused capacity, and staff recommends that the plant be considered 52.42 percent used and useful. [The collection system is largely contributed and staff recommends it be considered 100 percent used and useful.] Attachments A-1 through A-3 and B-1 are the used and useful analyses for the water and wastewater plants, pursuant to Rules 25-30.4325 and 25-30.432, F.A.C.

Water Treatment Plant

The used and useful calculation for the water treatment plants is determined by dividing the peak demand by the firm reliable capacity of the water treatment system, based on 16 hours of pumping for plants with storage. Plants without storage are evaluated on a gallon per minute basis, using a 24 hour day. The firm reliable capacity is determined by removing one well from service and then reviewing the remaining well capacity. Consideration is given to fire flow, unaccounted for water, and growth.

Wells are scattered throughout the northern part of the LUSI service area, with most subdivisions having a well or two, and the subdivisions interconnected for reliability. The southern part of the service area, Lake Groves, has three high production wells, with the newest well installed in 2007. Four Lakes has two wells, one providing 180 gpm and the other 90 gpm. Lake Saunders has two larger wells, each providing 300 gpm. As detailed in Attachment A to this recommendation, unaccounted for water at each of the systems is considered excessive because it is above 10 percent.

As reflected in Attachment A-1, the water treatment plants are considered 100 percent for the LUSI/Lake Groves areas. Used and useful is based on a calculation where the peak day demand of 15,435,190 gallons per day (gpd), plus the required fire flow of 60,000 gpd, is divided by the firm reliable plant capacity of 11,438,000 gpd.

Lake Saunders, shown on Attachment A-2, is considered 100 percent used and useful with a firm reliable capacity of 300 gpm and a single maximum day demand of 25 gpm. The system has no storage and the service area of 46 equivalent residential connections (ERCs) is built out. Four Lakes, shown on Attachment A-3, is considered 100 percent used and useful with a firm reliable capacity of 90 gpm and a single maximum day demand of 61 gpm. The system has no storage and the service area of 68 ERCs is built out.

Storage

Storage at LUSI/Lake Groves is 100 percent used and useful because the 3,015,000 gallons of usable storage (90 percent of 3,350,000 gallons) is less than the peak day demand of 15,435,190 gallons. The utility added 1,000,000 gallons of storage in the projected test year. Pursuant to Rule 25-30.4325(8), F.A.C., usable storage capacity less than or equal to the peak day demand shall be considered 100 percent used and useful.

Wastewater Treatment Plant

The used and useful calculation for the wastewater treatment plant is determined by dividing the annual average daily flow by the permitted plant capacity based on the annual average daily flow. Consideration is given for growth and infiltration and inflow (I&I). As reflected on Attachment B-1, the used and useful analysis based on the annual average daily flow during the test year reflects a 52.42 percent used and useful determination, including an allowance for growth. Staff recommends the wastewater treatment plant be found 52.42 percent used and useful.

The Utility's calculations in the filing requested a 54 percent used and useful determination. The difference between staff's calculations and those performed by the utility are due to growth projections. In addition, it should be noted that about 18 percent of customer water demand (Lake Groves) is returned to the wastewater system, as opposed to the usual expected water returned as wastewater of 80 percent for residential customers and 96 percent for general service customers. There is extensive irrigation by the water customers.

Water Distribution and Wastewater Collection Systems

The used and useful calculations for the water distribution and wastewater collection systems are determined by the number of customers connected to the systems divided by the capacity of those systems. Consideration is given for growth, as well as the amount of the systems that are contributed by developers. A review of the Utility's annual report shows that essentially all the lines are contributed to the utility. The distribution and collection systems were designed to serve the existing customers; therefore, the water distribution and wastewater collection systems are considered 100 percent used and useful.

Issue 6: What is the appropriate projected working capital allowance?

Recommendation: The appropriate amount of working capital is $335,743 for water and $111,300 for wastewater. (Wright)

Staff Analysis: Rule 25-30.433(2), F.A.C., requires that Class A utilities use the balance sheet method to calculate the working capital allowance. The balance sheet approach generally defines working capital as current assets and deferred debits that are utility-related and do not already earn a return, less current liabilities, deferred credits and operating reserves that are utility-related and upon which a utility does not already pay a return. The Utility has properly filed its allowance for working capital using the balance sheet method. In its filing, LUSI reflected a working capital allowance of $281,319 ($211,284 for water and $70,035 for wastewater) using the balance sheet approach. However, staff believes that LUSI has understated working capital by not including any deferred rate case expense in working capital. It is Commission practice to include the average approved amount of rate case expense in the working capital calculation for Class A water and wastewater utilities.[2] Consistent with Commission practice and staff's total recommended rate case expense of $331,450 in Issue 12, working capital should be increased by $124,459 for water and $41,265 for wastewater. Staff, therefore, recommends that the appropriate working capital is $335,743 for water and $111,300 for wastewater.

[2] See Order Nos. PSC-08-0327-FOF-EI, issued May 19, 2008, in Docket No. 070304-EI, In re: Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C.,submitted by Florida Public Utilities Company.; PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.; and PSC-97-1225-FOF-WU, issued October 10, 1997, in Docket No. 970164-WU, In re: Application for increase in rates in Martin County by Hobe Sound Water Company.

Issue 7: Should any adjustments be made to the projected Contributions in Aid of Construction balances ending June 30, 2009?

Recommendation: Yes. Contributions in Aid of Construction (CIAC) should be increased by $25,303 for water and $1,074,697 for wastewater and the associated accumulated amortization of CIAC should be increased by $460 for water and $15,784 for wastewater. (Wright, Fletcher)

Staff Analysis: A cash payment in the amount of $1,054,814 was received by the Utility in the first quarter of 2008 for a project to upgrade and expand the Lake Groves Wastewater Treatment Facility. According to the Company, the upgrade will allow the plant to treat wastewater to public access reuse standards. The Utility failed to include this amount in its CIAC balance for wastewater in its MFRs. LUSI received additional payments of $45,186 ($25,503 water and $19,883 wastewater) from developers in 2007 and 2008 for water and wastewater projects that were not included in the Utility's original CIAC projected amounts. Staff recommends that additional CIAC be included for water in the amount of $25,303 and for wastewater in the amount of $1,074,697 ($1,054,814 plus $19,883). Staff further recommends that the associated accumulated amortization of CIAC be increased by $460 for water and increased by $15,784 for wastewater.

Issue 8: What is the appropriate rate base for the projected June 30, 2009 test year?

Recommendation: Based on Staff's recommended adjustments, addressed in previous issues, the appropriate 13-month average rate base for the projected test year ending June 30, 2009 is $17,149,714 for water and $7,762,826 for wastewater. (Fletcher, Wright)

Staff Analysis: Based on Staff's recommended adjustments addressed in previous issues, the appropriate 13-month average rate base for the projected test year ending June 30, 2009 is $17,149,714 for water and $7,762,826 for wastewater. Staff's recommended water and wastewater rate bases are shown on Schedules Nos. 1-A and 1-B, respectively. The adjustments are shown on Schedule No. 1-C.

Issue 9: What is the appropriate return on equity?

Recommendation: The appropriate return on common equity is 12.67 percent, based on the Commission's approved leverage formula as set forth in Order No. PSC-08-0846-FOF-WS. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes. (Fletcher, Wright)

Staff Analysis: The return on equity (ROE) requested in the Utility's filing is 12.01 percent for the projected year ending June 30, 2009. This return is based on the application of the Commission's leverage formula approved in Docket No. 070006-WS, and a projected equity ratio of 38.11 percent.

Based on the current leverage formula approved in Order No. PSC-08-0846-FOF-WS, issued December 31, 2008, and an equity ratio of 37.96 percent, the appropriate ROE is 12.67 percent.[3] Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

[3] See Order No. PSC-08-0846-FOF-WS, issued December 31, 2008, in Docket No. 080006-WS, In Re: Water and Wastewater Industry Annual Reestablishment of Authorized Range of Return on Common Equity for Water and Wastewater Utilities Pursuant to Section 367.081(4)(f), Florida Statutes.

Issue 10: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the projected test year ended 2009?

Recommendation: The appropriate weighted average cost of capital for the projected test year ended June 30, 2009, is 9.12 percent. (Fletcher, Wright)

Staff Analysis: Based upon the proper components, amounts, and cost rates associated with the projected test year ended June 30, 2009, staff recommends a weighted average cost of capital of 9.12 percent. The weighted average cost of capital included in the Utility's filing is 8.90 percent. Schedule No. 2 details staff's recommendation.

On MFR Schedule D-2, LUSI reflected accumulated deferred income taxes of $81,053 for the historical test year ending June 30, 2007, and $83,824 for the projected test June 30, 2009 an increase of only $2,771. Projected plant from the historical base year to the June 30, 2009 projected test year, has increased by $10,075,558 for water and $8,901,607 for wastewater. To account for the projected timing differences between book and tax depreciation, staff recommends that corresponding adjustments be made to increase the projected June 30, 2009, accumulated deferred income taxes by $67,685. This adjustment is consistent with the Commission's decision in a 2006 rate case for Utilities, Inc. of Sandalhaven, a sister company of LUSI.[4]

The projected test year amounts were taken directly from LUSI's MFR filing Schedule D-2. Based on the proper components, amounts, and cost rates associated with the capital structure for the projected test year ended June 30, 2009, staff recommends a weighted average cost of capital of 9.12 percent. Schedule No. 2 details staff's recommendation.

[4] See Order No. PSC-07-0865-PAA-SU, issued October 29, 2007, in Docket No. 060285-SU, In re: Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven.

NET OPERATING INCOME

Issue 11: Should any adjustments be made to projected expenses?

Recommendation: Yes. Projected expenses, excluding rate case expense, should be decreased by a total of $320,759 for water and $78,143 for wastewater. Moreover, corresponding adjustments should be made to decrease payroll taxes by $15,117 for water and $4,769 for wastewater. (Fletcher, Wright)

Staff Analysis: In its filing, the Utility reflected adjusted historical operations and maintenance (O&M) expenses of $1,489,185 for water and $628,450 for wastewater. The following table reflects LUSI's projected O&M expense adjustments, (excluding rate case expense addressed in Issue 12), for the years ending June 30, 2008, and June 30, 2009.

	2008 O&M Projected Increases		2009 O&M Projected Increases	
Description of O&M Expense	Water	Wastewater	Water	Wastewater
Salaries-Raises and Increased Staff	$185,687	$61,550	$134,956	$41,562
Benefits-Raises and Increased Staff	35,261	11,689	29,195	8,991
Adjust all Other O&M Expenses in historical 2007 test year by 2.85%	26,618	12,666	0	0
Adjust Chemicals associated with the New Water Treatment Plant	54,924	0	54,924	0
Adjust for New Expenses for Cleaning Packed Towers of the WTP	6,000	0	6,000	0
Adjust for cost of additional water samples required every quarter	0	0	7,920	0
Adjust all Other O&M Expenses in historical 2008 test year by 2.85% and customer growth factor of 18.3% for water and 16.8% for wastewater	0	0	216,057	89,818
5-Year Amortization of CUP costs	0	0	10,436	0
Total	$308,490	$85,905	$459,488	$140,371

Based on the staff engineer's review, the projected costs for chemicals, cleaning, and testing expenses are reasonable in light of the need for additional chemicals, the preventative maintenance cleaning, and the incremental testing requirements. As discussed in Issue 15, staff agrees with the Utility's customer growth projection. As such, staff agrees with LUSI's use of its 18.3 percent and 16.8 percent customer growth factors for water and wastewater, respectively. However, staff believes adjustments are necessary for the other requested O&M expenses.

First, based on its response to a staff data request, the Utility stated that it reduced its proposed staffing in January of 2008. Specifically, LUSI asserted that it has terminated four positions and created a new position. The Company applied a factor to projected 2008 salaries and benefits of 21.15 percent for water and 19.65 percent for wastewater (included a CPI index increase of 2.85 percent with a growth factor of 18.3 percent for water and 16.8 percent for wastewater) to determine projected increases in salaries and benefits for 2009. Since LUSI actually reduced its workforce, the growth factor should not be applied. Staff did allow a 3.5

percent increase in salaries and benefits for 2009 in lieu of the CPI increase of 2.85 percent to reflect projected salary increases. As such, staff recommends that the Utility's 2009 salary and wages be reduced by $197,610 for water and $62,337 for wastewater. Using the historical ratio of benefits to salaries, staff also recommends that corresponding adjustments be made to reduce the Utility's 2009 benefits by $42,749 for water and $13,487 for wastewater.

Second, with regard to LUSI's projection of its other historical June 30, 2008, O&M expenses by applying an inflationary factor of 2.85 percent to 2007 O&M amounts, staff believes that the Utility has failed to show why the average of the Commission's currently approved 2007 price index of 3.09 percent and 2008 price index of 2.39 percent should not be utilized. Staff believes the average of the Commission approved 2007 and 2008 rates, or 2.74 percent, should be applied since the Utility's projected June 30, 2008 amounts includes the last six months of 2007 and the first six months of 2008. It is a utility's burden to show that its requested expenses are reasonable. See Florida Power Corporation v. Cresse, 413 So. 2d 1187, 1191 (Fla. 1982) Thus, staff recommends that LUSI's 2008 O&M expense adjustment be decreased by $1,026 for water and $489 for wastewater.

Third, with regard to LUSI's application of a 2.85 percent inflationary factor to project its June 30, 2009, O&M expenses, staff believes that the Utility has failed to show why the average of the Commission's currently approved 2008 price index of 2.39 percent and the recommended price index of 2.55 percent[5] for 2009, or 2.48 percent, should not be utilized based on the same reasoning described above for 2008. As mentioned above, case law states that it is a utility's burden to show that its requested expenses are reasonable. Thus, staff recommends that LUSI's 2009 O&M expense adjustment should be decreased by $5,123 for water and $2,319 for wastewater.

Fourth, staff believes that the Utility's five-year amortization of its consumptive use permitting (CUP) costs should be removed from this rate case. In accordance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) instructions for Account No. 186, Miscellaneous Deferred Debits, a utility shall include the following:

> . . . . all debits not elsewhere provided for, such as miscellaneous work in progress, losses on disposition of property net income taxes, deferred by authorization of the Commission, unusual or extraordinary expenses and regulatory assets resulting from rate making actions, not included in other accounts, which are in process of amortization, and items the proper final disposition of which is uncertain. (Emphasis added)

Based on a review of the documents for the Utility's pending CUP application on the St. Johns River Water Management District (SJRWMD) website, LUSI initially filed its application on November 30, 2006, and it remains unclear when SJRWMD will approve the Utility's CUP application. In accordance with the NARUC USOA, LUSI should not begin amortizing the CUP costs until SJRWMD has approved the renewal of the Utility's CUP. Staff believes that LUSI failed to meet its burden to show that the CUP will be renewed by the end of the projected June

[5] Staff is recommending a 2.55 percent price index for 2009, to be addressed at the January 26, 2009 agenda.

30, 2009, test year. Thus, staff recommends that the Utility's projected 2009 O&M expenses should reduced by $10,436.

In conclusion, based on the above adjustments, staff recommends that projected O&M expenses be reduced by $320,759 for water and $78,143 for wastewater. Corresponding adjustments should be made to decrease payroll taxes by $15,117 for water and $4,769 for wastewater.

Issue 12: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense is $331,450. This expense should be recovered over four years for an annual expense of $82,862 ($62,230 for water and $20,632 for wastewater). Thus, rate case expense should be increased by $13,360 for water and $4,433 for wastewater. (Wright, Fletcher)

Staff Analysis: The Utility included in its MFRs an estimate of $312,333 for current rate case expense. Staff requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On October 24, 2008, the Utility submitted a revised estimated rate case expense through completion of the PAA process of $386,072. The components of the estimated rate case expense are as follows:

	MFR Estimated	Actual	Additional Estimated	Total
Legal and Filing Fees	$65,250	$56,060	$10,701	$66,761
Consultant Fees - MSA	136,020	164,680	40,475	205,155
Consultant Fees - M & R	16,500	10,062	7,050	17,112
WSC In-house Fees	60,900	41,625	17,806	59,431
Filing Fee	8,000	0	0	0
Travel - WSC	3,200	0	3,200	3,200
Miscellaneous	12,000	17,298	14,000	31,298
Notices	10,463	1915	1,200	3,115
Total Rate Case Expense	$312,333	$291,640	$94,432	$386,072

Pursuant to Section 367.081(7), F.S., the Commission shall determine the reasonableness of rate case expenses and shall disallow all rate case expenses determined to be unreasonable. It is the Utility's burden to justify that its requested costs are reasonable. Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (Fla. 1982). Further, the Commission has broad discretion with respect to allowance of rate case expense. It would constitute an abuse of discretion to automatically award rate case expense without reference to the prudence of the costs incurred in the rate case proceedings. Meadowbrook Util. Sys., Inc. v. FPSC, 518 So. 2d 326, 327 (Fla. 1st DCA 1987), rev. den. by 529 So. 2d 694 (Fla. 1988).

Staff has examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. Based on our review, staff believes several adjustments are necessary to the revised rate case expense estimate.

The first adjustment is to the costs incurred to correct deficiencies in the MFR filing. Based on staff's review of the Utility consultants' invoices, Christian Marcelli and Martin Friedman of Rose, Sundstrom & Bentley, LLP, billed the Utility a total of $3,741 related to the correction of MFR deficiencies. Additionally, Maria Bravo of Milian, Swain & Associates, billed the Utility $101 related to the correction of MFR deficiencies. The Commission has previously disallowed rate case expense associated with correcting MFR deficiencies because of

duplicate filing costs.[6] Accordingly, staff recommends that $3,842 ($3,741 + $101) be removed as duplicative and unreasonable rate case expense.

The second adjustment relates to the Utility's estimated consultant fees for Frank Seidman with Management & Regulatory Consultants, Inc., to complete the rate case. Mr. Seidman documented $10,062 in actual fees and costs to date (based on his normal billing rate of $135 per hour), and estimated 60 hours or $7,050 to complete the rate case, for a total cost of $17,112. Specifically, Mr. Seidman estimated 60 hours to assist with and respond to data requests and audit facilitation. Staff believes the 60 hours to assist with and respond to data requests and new information is not supported by specific tasks and time estimates and should be adjusted. Staff believes that a reasonable amount to complete this docket is $810 (6 hours x $135 per hour). Accordingly, staff recommends that rate case expense be decreased by $6,240 ($7,050 less $810).

Staff reviewed the 387.48 hours and $17,806 of estimated costs to complete this case by WSC employees. LUSI asserts that additional hours were required to respond to our staff's auditors' requests and to the staff analyst's data requests. By applying the individual employee rates and the average number of hours worked by WSC employees as has been done in previous dockets, staff determined that the estimated WSC fees to complete the case is reasonable and should be allowed.

The third adjustment relates to the 282.75 hours and $40,475 of estimated consulting fees to complete this case by Milian, Swain and Associates, Inc. LUSI asserts that additional hours were required to respond to the staff audit and data requests. However, the Utility failed to provide any detailed documentation of what tasks were involved in its estimate to complete the case for each employee. LUSI simply stated that the $40,475 was to assist with data requests and audit facilitation. Staff notes that the audit and the Utility's response have already been completed. The hours needed to complete data requests were not broken down to estimate the hours needed to complete each item. In addition, there were no timesheets provided to show actual hours worked. Therefore, staff had no basis to determine whether the individual hours estimated were reasonable. Staff reviewed these requested expenses and believes the estimates reflect an overstatement. As discussed below, it is the Utility's burden to justify its requested costs. Based on conversations with Milan, Swain and Associates Inc., staff believes that 100 hours for Maria Bravo at $140 per hour is reasonable to allow LUSI to respond to data requests. Staff recommends that the estimated Milian, Swain and Associates, Inc. fees to complete the case should be $18,005. Thus, the Utility's requested expense of $40,475 should be decreased by $22,470, plus an additional $101 for the correction of MFR deficiencies discussed previously, for a total disallowance of $22,571.

The fourth adjustment addresses WSC's travel expenses. In its MFRs, LUSI estimated $3,200 for travel. Based on several previous UI rate cases, it is staff's experience for PAA rate cases that UI does not send a representative from their Illinois office to attend the Agenda Conference; therefore, the entire amount of estimated travel expense should be removed. Accordingly, staff recommends that rate case expense be decreased by $3,200.

[6] See Order Nos. PSC-05-0624-PAA-WS, issued Jun 7, 2005, in Docket No. 040450-WS, In re: Application for rate increase in Martin County by Indiantown Company, Inc.; and PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, In Re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

The fifth adjustment relates to WSC expenses for FedEx Corporation (FedEx), copies, and other miscellaneous costs. In its MFRs, the Utility estimated $12,000 for these items. In its updated estimate LUSI claimed $6,870 in actual costs, and estimated another $12,000 in FedEx Corporation (FedEx), copies, and other miscellaneous costs in order to complete the rate case. The Utility provided no breakdown or support for the $12,000. Staff is also concerned with the amount of requested costs for FedEx expense. UI has requested and received authorization from the Commission to keep its records outside the state in Illinois, pursuant to Rule 25-30.110(2)(b), F.A.C. However, when a utility receives this authorization, it is required to reimburse the Commission for the reasonable travel expense incurred by each Commission representative during the review and audit of the books and records. Further, these costs are not included in rate case expense or recovered through rates. By Order No. PSC-93-1713-FOF-SU, issued November 30, 1993, in Docket No. 921293-SU, In Re: Application for a Rate Increase in Pinellas County by Mid-County Services, Inc., at p. 1, the Commission found that the utility also requested recovery of the actual travel costs it paid for the Commission auditors. Because the utility's books were maintained out of state, the auditors had to travel out of state to perform the audit. We have consistently disallowed this cost in rate case expense.[7] Staff believes that the requested amount of shipping costs in this rate case directly relates to the records being retained out of state. The Utility typically ships its MFRs, answers to data requests, etc., to its law firm located in central Florida, who subsequently submits them to the Commission. Staff does not believe that the ratepayers should bear the related costs of having the records located out of state. This is a decision of the shareholders of the Utility; therefore, they should bear the related costs. Accordingly, staff recommends that miscellaneous rate case expense be decreased by $18,870.

LUSI estimated 36.9 hours or $10,701 in fees to complete the rate case. The specific amounts of time associated with each item are listed below:

Estimate To Complete Through PAA Process

Description	Hours	Fees
Unbilled time through date of filing estimate	3.4	$1,914
Respond to staff's data requests	12.0	4,640
Review Staff's recommendations; Conferences with client and consultants regarding same; Conference with Staff	2.0	580
Prepare for and travel to Tallahassee to attend Agenda; discuss agenda with client and staff	15.0	4,350
Review PAA Order; conference with client and consultants regarding PAA Order	2.0	580
Prepare revised tariff sheets; obtain staff approval of tariffs; draft and revise customer notice, obtain staff approval; coordinate mailing of customer notices and implementation of tariffs	2.5	725
Total estimated fees	36.9	$10,701

Staff believes that 36.9 hours is a reasonable amount of time to respond to data requests, conference with the client and consultants, review staff's recommendation, travel to the Agenda Conference, and attend to miscellaneous post-PAA matters.

[7]See Order Nos. 25821, issued February 27, 1991, in Docket No. 910020-WS, In re: Petition for rate increase in Pasco County by UTILITIES, INC. OF FLORIDA; and 20066, issued September 26, 1988, in Docket No. 870981-WS, In re: Application of MILES GRANT WATER AND SEWER COMPANY for an increase in Water and Sewer Rates in Martin County

In summary, staff recommends that the Utility's revised rate case expense be decreased by $54,622 for MFR deficiencies, and for unsupported and unreasonable rate case expense. In its MFRs, LUSI requested total rate case expense of $312,333, which amortized over four years would be $78,083. The Utility included in its MFRs $48,870 for rate case expense in the test year for water and $16,199 for wastewater, or a total of $65,069. Since staff is recommending an annual amortization of $82,862 or an increase of $17,793, rate case expense should be increased by $13,360 for water and increased by $4,433 for wastewater.

The appropriate total rate case expense is $331,450. A breakdown of rate case expense is as follows:

	MFR Estimated	Utility Revised Actual & Estimated	Staff Adjustments	Total
Legal and Filing Fees	$65,250	$66,761	($3,741)	$63,020
Consultant Fees - MSA	136,200	205,155	(22,571)	182,584
Consultant Fees - M & R	16,500	17,112	(6,240)	10,872
WSC In-house Fees	60,900	59,431	0	59,431
Filing Fee	8,000	0	0	0
Travel - WSC	3,200	3,200	(3,200)	0
Miscellaneous	12,000	31,298	(18,870)	12,428
Notices	10,463	3,115	0	3,115
Total Rate Case Expense	$312,333	$386,072	($54,622)	$331,450
Annual Amortization	$78,083	$96,518	($13,656)	$82,862

As stated, the recommended total rate case expense should be amortized over four years, pursuant to Section 367.016, F.S. Based on the data provided by LUSI and the staff recommended adjustments discussed above, staff recommends annual rate case expense of $62,230 for water and $20,632 for wastewater, for a total of $82,862.

Issue 13: Should any adjustments be made to projected 2009 property tax expense for water and wastewater?

Recommendation: Yes. Property tax expense projected for 2009 should be decreased by $20,882 for water and decreased by $27,065 for wastewater. (Wright, Fletcher)

Staff Analysis: In its response to Staff's third data request, LUSI admitted that it had made an error when converting the millage of $15.0979 to the millage rate. The correct amount resulted in a decrease in 2009 property taxes of $6,530 for water and a decrease of $4,905 for wastewater. Lake County's 2008 millage rate decreased from the 2007 level. The decrease in millage rate resulted in a corresponding decrease in property taxes for water of $14,352, and a decrease of $22,160 in property taxes for wastewater. Staff recommends that property taxes for water be reduced by $20,882 and for wastewater by $27,065 for the projected 2009 test period.

Issue 14: Should any adjustments be made to projected net depreciation expense for 2009 for water and wastewater?

Recommendation: Yes, based on the previously discussed adjustments to Plant in Service and CIAC, net depreciation expense for water should be increased by $4,225 and net depreciation expense for wastewater should be decreased by $40,596. (Wright)

Staff Analysis: Based on the adjustments to Plant-in-Service and CIAC discussed in the previous issues, depreciation expense net of CIAC amortization expense should be increased by $4,225 for water and depreciation expense net of CIAC amortization expense for wastewater should be decreased by $40,596.

Issue 15: What are the appropriate numbers of projected bills, equivalent residential connections (ERCs) and consumption for the water, wastewater and reuse systems for the projected test year ending June 30, 2009?

Recommendation: The appropriate numbers of projected bills, ERCs and consumption for the water, wastewater and reuse systems for the projected test year ending June 30, 2009, are shown in the table below. (Lingo)

LAKE UTILITY SERVICES, INC.
STAFF'S RECOMMENDED PROJECTIONS FOR THE
JUNE 30, 2009 PROJECTED TEST YEAR

Water System		Wastewater System		Reuse System	
Bills	119,293	Bills	39,531	Bills	7,200
ERCs	124,065	ERCs	40,027	ERCs	7,200
Water consumption (000) lost due to reuse	(147,109)	Reuse bills	7,200	Reuse (000) to water system	147,109
Net consumption (000) after reuse	2,486,715	Wastewater consumption (000) lost due to reuse	(31,343)	Reuse reduction (000) to wastewater system	(31,343)
		Net consumption (000) after reuse	312,373		

Staff Analysis: In Class A or B water and wastewater cases using a projected test year, the Commission's preferred projection methodologies have been simple linear regression for projecting customer growth, and multiple linear regression for projecting consumption. However, in this instance, there were certain meter sizes within customer classes that lacked sufficient historical monthly billing data to perform reliable linear regression projections 24 months into the future. Furthermore, consumption projections were complicated by the combination of service areas with different (bi-monthly versus. monthly) billing cycles. This proved problematic when attempting to assign monthly weather variables to the consumption data. In the alternative, staff selected an annual compound growth methodology for projecting the billing determinants in this case. A comparison of staff's independent projections of bills, ERCs and consumption versus the Utility's projections is shown on Table 13-1 on the following page.

TABLE 15-1

	Billing Determinant Projections		Staff > Utility	
Water	**Staff**	**Utility**	**Amount**	**Percent**
RS + GS ERCs	122,175	124,065	(1,889)	(1.5)%
RS kgals lost due to reuse	(140,276)	(147,109)	(6,833)	(4.6)%
Net RS + GS kgals	2,372,127	2,486,715	(114,588)	(4.6)%
Wastewater				
RS + GS ERCs	43,160	40,027	3,134	7.8 %
RS kgals lost due to reuse	(30,191)	(31,343)	(1,152)	(3.7)%
Net RS + GS kgals	273,305	312,373	(39,068)	(12.5)%
Reuse				
RS bills / ERCs	7,862	7,200	662	9.2%
Reuse kgals to water system	140,289	147,109	(6,820)	(4.6)%
Reuse affect on wastewater kgals	(30,191)	(31,343)	(1,152)	(3.7)%

As mentioned above, the Utility selected the projected test year ending June 2009 for ratesetting purposes. The Utility used a June 2007 historical base period to project 104 weeks, or to June 2009, into the future. A comparison of the differences between staff's projections versus the Utility's projections reveals that staff projected fewer billing determinants than the Utility in seven out of nine categories. Although staff projected a greater number of billing determinants in two categories – total wastewater ERCs and residential service (RS) reuse bills – staff's projections in each category are each within 10 percentage points of the Utility projections. Therefore, staff does not recommend making adjustments to any billing determinant category.

Based on the foregoing, staff recommends that the appropriate numbers of projected bills, ERCs and consumption for the water and wastewater and reuse systems for the projected test year ending June 30, 2009 are shown below.

LAKE UTILITY SERVICES, INC.
STAFF'S RECOMMENDED PROJECTIONS FOR THE
JUNE 30, 2009 PROJECTED TEST YEAR

Water System		**Wastewater System**		**Reuse System**	
Bills	119,293	Bills	39,531	Bills	7,200
ERCs	124,065	ERCs	40,027	ERCs	7,200
Water consumption (000) lost due to reuse	(147,109)	Reuse bills	7,200	Reuse (000) to water system	147,109
Net consumption (000) after reuse	2,486,715	Wastewater consumption (000) lost due to reuse	(31,343)	Reuse reduction (000) to wastewater system	(31,343)
		Net consumption (000) after reuse	312,373		

Issue 16: What is the projected test year water and wastewater operating income before any revenue increases?

Recommendation: Based on the adjustments discussed in previous issues, the test year operating income is $67,224 for water and a $166,287 operating loss for wastewater. (Wright)

Staff Analysis: As shown on Schedule Nos. 3-A and 3-B, after applying staff's adjustments, the Utility's net operating income is $67,224 for water and a $166,287 operating loss for wastewater. Staff's adjustments to operating income are shown on Schedule No. 3-C.

Issue 17: What is the appropriate pre-repression revenue requirement for the projected June 30, 2009 test year?

Recommendation: The following pre-repression revenue requirement should be approved. (Wright)

	Test Year Revenues	$ Increase	Revenue Requirement	% Increase
Water	$2,968,002	$2,512,077	$5,480,079	84.64%
Wastewater	$891,414	$1,467,356	$2,358,770	164.61%

Staff Analysis: LUSI's requested revenue requirement generates annual revenues of $5,771,006 and $2,761,762 for water and wastewater, respectively. This requested revenue requirement represents a revenue increase of $2,871,400 or 95.39 percent for water and $1,876,609 or 212.01 percent for wastewater.

Consistent with staff's recommendations concerning the underlying rate base, cost of capital, and operating income issues, staff recommends approval of rates that are designed to generate a water revenue requirement of $5,480,079 and a wastewater revenue requirement of $2,358,770. The recommended water revenue requirement exceeds staff's adjusted test year revenues by $2,512,077 or 84.64 percent for water. The recommended wastewater revenue requirement exceeds staff's adjusted test year revenues by $1,467,356 or 164.61 percent. These recommended pre-repression revenue requirements will allow the Utility the opportunity to recover its expenses and earn an 9.12 percent return on its investment in water and wastewater rate base.

Issue 18: What are the appropriate billing cycles and rate structures for the utility's water, wastewater and reuse systems?

Recommendation: The appropriate billing cycles for the utility's water, wastewater and reuse systems is a monthly billing cycle. The appropriate rate structure for the residential water system is a three-tiered inclining-block rate structure. The usage blocks should be set for monthly consumption of: a) 0-5 kgal; b) 5.001-10 kgal; and c) in excess of 10 kgal. The usage block rate factors should be 1.0, 1.25 and 1.5, respectively. The appropriate rate structure for the general service water system is a continuation of the base facility charge (BFC)/uniform gallonage charge rate structure. The pre-repression BFC cost recovery percentage should be 20 percent. The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. The residential customers' billing for monthly consumption should be capped at 10 kgal. The general service gallonage charge should be 1.2 times greater than the residential gallonage charge. The pre-repression BFC cost recovery percentage should be set at 50 percent. The appropriate rate structure for the reuse system is the traditional BFC/uniform gallonage charge rate structure. (Lingo)

Staff Analysis: The current rate structure for the Utility's water system excluding the Lake Groves service area is the BFC/uniform gallonage charge rate structure, with a bi-monthly BFC of $12.64 per ERC. Customers are also charged $0.73 for each kgal used. This rate structure is considered usage-sensitive, because customers are charged for all gallons consumed. However, the current rate structure is also considered nonconserving, because customers receive only six price signals (bills) per year, rather than twelve. The current rate structure for the utility's Lake Groves service area is the BFC/uniform gallonage charge rate structure, with a monthly BFC of $12.73 per ERC. Customers are also charged $1.27 for each kgal used. The water systems for both the Utility's service areas are interconnected. Consistent with staff's calculation of a consolidated revenue requirement for the water systems, staff believes it is therefore appropriate to set consolidated rates for the combined water systems. The current rate structure for the utility's wastewater system is the BFC/gallonage charge rate structure, with a monthly BFC of $15.99 per ERC. Residential customers are charged $1.10 for each kgal used, with a usage cap of 10 kgal per month. General service customers are charged $1.38 for each kgal used.

Staff takes several things into consideration when designing rates, including, but not limited to: 1) the current rate structure; 2) characteristics of the utility's customer base; 3) setting the BFC between 25 and 40 percent whenever possible; and 4) various conditions of the utility's Consumptive Use Permit. A detailed discussion of staff's rate structure methodology is contained in Attachment C.

As discussed in Issue 16, staff's preliminary recommended revenue requirement increase for the water system is 84.64%. As discussed in Attachment B, the average monthly consumption for the residential customers of the combined service areas is very high at 20.3 kgal. This results in an unusually high number of kgals accounted for at consumption greater than 20 kgal. Although staff typically does not set the BFC cost recovery percentages for water systems below 25 percent, we believe it is appropriate in this instance due to the very high consumption. This results in lesser percentage increases to low-volume users, while sending progressively stronger price signals to higher-volume users.

Staff's recommended water rate design is shown on Tables 16-1. Staff has also presented an alternative rate structure to illustrate a different rate recovery methodology.

TABLE 18-1

LAKE UTILITY SERVICES, INC.
STAFF'S RECOMMENDED AND ALTERNATIVE RATE STRUCTURES

Current Rates Excl Lake Groves	
BFC/uniform kgal, billed bi-monthly	
BFC (monthly) (1)	$6.32
All kgals	$0.73
(1) Bi-monthly BFC of $12.64 restated to a monthly basis.	

Typical Monthly Bills	
Cons (kgal)	
0	$6.32
3	$8.51
5	$9.97
10	$13.62
20	$20.92
30	$28.22

Recommended Rate Structure and Rates	
3-tier inclining-block rate structure BFC = 20%	
BFC	$8.46
0 – 5 kgal	$1.26
5-10 kgal	$1.58
10+ kgal	$1.89

Typical Monthly Bills	
Cons (kgal)	
0	$8.46
3	$12.24
5	$14.76
10	$22.66
20	$41.56
30	$60.46

Lake Groves Current Rates	
BFC/uniform kgal, billed monthly	
BFC	$12.73
All kgals	$1.27

Typical Monthly Bills	
Cons (kgal)	
0	$12.73
3	$16.54
5	$19.08
10	$25.43
20	$38.13
30	$50.83

Alternative Rate Structure and Rates	
2-tier inclining-block rate structure BFC = 30%	
BFC	$12.74
0 – 10 kgal	$1.30
10+ kgal	$1.63

Typical Monthly Bills	
Cons (kgal)	
0	$12.74
3	$16.64
5	$19.24
10	$25.74
20	$42.04
30	$58.34

The Utility's current BFC/gallonage charge rate structure for its wastewater system is consistent with Commission practice and should be continued. The Commission approves BFC cost recovery percentages of 50 percent or greater for wastewater systems to recognize the capital-intensive nature of wastewater systems. A 50 percent BFC allocation, when compared to allocations of greater than 50 percent, results in lesser price increases for the lower volume users. Staff believes this is especially important in this case due to the magnitude of the wastewater revenue requirement increase. Staff believes the reuse system should be on a monthly billing cycle so that customers' pricing signals are sent on a consistent basis with the water and wastewater systems. Finally, staff believes the Utility's requested BFC/gallonage charge rate

structure for its reuse system is reasonable and should be approved. This rate structure is consistent with approximately 40 percent of other residential reuse systems throughout the state.[8]

Based on the foregoing, staff recommends that the appropriate billing cycles for the Utility's water, wastewater and reuse systems is a monthly billing cycle. Based on the foregoing and the discussion contained in Attachment C, the appropriate rate structure for the residential water system is a three-tiered inclining-block rate structure. The usage blocks should be set for monthly consumption of: a) 0-5 kgal; b) 5.001-10 kgal; and c) in excess of 10 kgal. The usage block rate factors should be 1.0, 1.25 and 1.5, respectively. The appropriate rate structure for the general service water system is a continuation of the BFC/uniform gallonage charge rate structure. The pre-repression BFC cost recovery percentage should be 20 percent. The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. The residential customers' billing for monthly consumption should be capped at 10 kgal. The general service gallonage charge should be 1.2 times greater than the residential gallonage charge. The pre-repression BFC cost recovery percentage should be set at 50 percent. The appropriate rate structure for the reuse system is the traditional BFC/uniform gallonage charge rate structure.

[8] Florida Department of Environmental Protection, 2006 Reuse Inventory, revised June 30, 2008, Appendix H.

Issue 19: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for this utility, and what are the appropriate post-repression revenue requirements for the Utility's water and wastewater systems?

Recommendation: Yes, repression adjustments to the water and wastewater systems are appropriate. Residential water consumption should be reduced by 26.9 percent, resulting in a consumption reduction of approximately 633,036.7 kgal. Total water consumption for ratesetting is 1,853,573.4 kgals, which represents a 25.5 percent reduction in overall consumption. The resulting water system reductions to revenue requirements are $120,216 in purchased power expense, $67,602 in chemicals expense and $8,452 in regulatory assessment fees (RAFs). The post-repression revenue requirement for the water system is $5,235,010. Residential wastewater consumption should be reduced by 26.6 percent, resulting in a consumption reduction of approximately 79,661.4 kgal. Total wastewater consumption for ratesetting is 232,711.6 kgals, which represents a 25.5 percent reduction in overall consumption. The resulting wastewater system reductions to revenue requirements are $43,206 in sludge removal expense, $31,687 in purchased power expense, $2,885 in chemicals expense and $3,500 in RAFs. The post-repression revenue requirement for the wastewater system is $1,944,781. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility should be ordered to file a revised monthly report for that month within 30 days of any revision. (Lingo)

Staff Analysis: The price elasticity of demand is defined as the anticipated change in quantity demanded resulting from a change in price. All other things equal, as price increases, demand decreases.

As discussed by several Water Management Districts (WMDs) participating in the Commission's rate design workshop in February 2006, the WMDs advocate and utilize inclining-block rates because they are effective in reducing demand. This is true especially if the inclining-block rate increase (or any other price increase) is targeted toward reducing demand at the more elastic end uses. This reduction in demand is often referred to as "demand repression," and is an example the effects of the price elasticity of demand. If the anticipated consumption reductions (loss of demand) are not considered in the ratesetting process, price increases will, all other things equal, result in under-earning for the utility, jeopardizing the utility's financial health.

As discussed in Issue 16, staff recommends a 3-tier inclining-block rate structure for the Utility's water system. Staff is recommending this rate structure specifically to reduce consumption. Therefore, to recognize the anticipated reduction in water demanded, staff believes a repression adjustment is appropriate. Using our database of utilities that have previously had repression adjustments made, staff calculated repression adjustments for this utility based upon the recommended increases in revenue requirements for the test year, and the historically observed response rates of consumption to changes in price. This is the same methodology for calculating repression adjustments that the Commission has approved in prior cases.[9]

[9] Order No. PSC-01-2385-PAA-WU, issued December 10, 2001, in Docket No. 010403-WU, In re: Application for staff-assisted rate case in Highlands County by Holmes Utilities, Inc.; Order No. PSC-02-1168-PAA-WS, issued August 26, 2002, in Docket No. 010869-WS, In re: Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.

Based on the foregoing, repression adjustments to the water and wastewater systems are appropriate. Residential water consumption should be reduced by 26.9 percent, resulting in a consumption reduction of approximately 633,036.7 kgal. Total water consumption for ratesetting is 1,853,573.4 kgals, which represents a 25.5 percent reduction in overall consumption. The resulting water system reductions to revenue requirements are $120,216 in purchased power expense, $67,602 in chemicals expense and $8,452 in regulatory assessment fees (RAFs). The post-repression revenue requirement for the water system is $5,235,010. Residential wastewater consumption should be reduced by 26.6 percent, resulting in a consumption reduction of approximately 79,661.4 kgal. Total wastewater consumption for ratesetting is 232,711.6 kgals, which represents a 25.5 percent reduction in overall consumption. The resulting wastewater system reductions to revenue requirements are $43,206 in sludge removal expense, $31,687 in purchased power expense, $2,885 in chemicals expense and $3,500 in regulatory assessment fees (RAFs). The post-repression revenue requirement for the wastewater system is $1,944,781. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

Issue 20: What are the appropriate monthly rates for the water, wastewater, and reuse systems for the utility?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4-A, and the appropriate monthly wastewater and reuse rates are shown on Schedule No. 4-B. Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of $5,235,010, while the recommended wastewater rates are designed to produce revenues of $1,944,781. The recommended reuse rates are designed to produce revenues of $209,329. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given no less than 10 days after the date of the notice. (Lingo, Wright)

Staff Analysis: Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of $5,235,010; the recommended wastewater rates are designed to produce revenues of $1,944,781, while the recommended reuse rates are designed to produce revenues of $209,329. The recommended water rates are shown on Schedule No. 4-A, while the recommended wastewater rates are shown on Schedule No. 4-B. Approximately 20 percent (or $1,047,002) of the water monthly service revenues is recovered through the base facility charges, while approximately 80 percent (or $4,188,008) represents revenue recovery through the consumption charges. For the wastewater system, approximately 50 percent (or $972,391) of the monthly service revenues is recovered through the base facility charges, while approximately 50 percent (or $972,391) represents revenue recovery through the consumption charges.

The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 21: Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. LUSI should be authorized to revise its miscellaneous service charges. The Utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. Within 10 days of the date the order is final, LUSI should be required to provide notice of the tariff changes to all customers. The Utility should provide proof the customers have received notice within 10 days after the date that the notice was sent. The appropriate charges are reflected below.

Water and Wastewater Miscellaneous Service Charges

	Water		Wastewater	
	Normal Hrs	After Hrs	Normal Hrs	After Hrs
Initial Connection	$21	$42	$21	$42
Normal Reconnection	$21	$42	$21	$42
Violation Reconnection	Actual Cost	Actual Cost	Actual Cost	Actual Cost
Premises Visit (In lieu of disconnection)	$21	$42	$21	$42

(Wright)

Staff Analysis: The miscellaneous service charges were last approved for LUSI on April 5, 1999, and have not changed since that date – a period of 9 years. The Utility believes these charges should be updated to reflect current costs. Staff agrees with this update.

LUSI provided the following cost estimates for the expenses associated with connections, reconnections, and premises visits:

During Business Hours		After Hours	
Item:	Cost:	Item:	Cost:
Labor ($23.00/hr. X 0.6 hours)	$13.80	Labor ($23/hr. X 1.5 X 1 hour)[10]	$34.50
Transportation	7.00	Transportation	7.00
Total	$20.80	Total	$41.50

Staff recommends that LUSI be allowed to increase its water and wastewater miscellaneous service charges from $15 to $21 and from $15 to $42 for after hours, and to modify its Premises Visit (in lieu of disconnection) charge. The current and recommended water and wastewater charges are shown below.

[10] Represents time-and-a-half wage and the longer time it takes an employee to get to the customer's property after hours.

Water Miscellaneous Service Charges

	Current Charges		Staff Recommended	
	Normal Hrs	After Hrs	Normal Hrs	After Hrs
Initial Connection	$15	$15	$21	$42
Normal Reconnection	$15	$15	$21	$42
Violation Reconnection	$15	$15	Actual Cost	Actual Cost
Premises Visit (in lieu of disconnection)	$10	$10	$21	$42

Wastewater Miscellaneous Service Charges

	Current Charges		Staff Recommended	
	Normal Hrs	After Hrs	Normal Hrs	After Hrs
Initial Connection	$15	$15	$21	$42
Normal Reconnection	$15	$15	$21	$42
Violation Reconnection	Actual Cost	Actual Cost	Actual Cost	Actual Cost
Premises Visit (in lieu of disconnection)	$10	$10	$21	$42

LUSI's miscellaneous service charges have not been updated in over 9 years, and costs for fuel and labor have risen substantially since that time. Further, the Commission's price index has increased approximately 25 percent in that period of time. The Commission has expressed concern with miscellaneous service charges that fail to compensate utilities for the cost incurred. By Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, the Commission expressed "concern that the rates [miscellaneous service charges] are eight years old and cannot possibly cover current costs," and directed staff to "examine whether miscellaneous service charges should be indexed in the future and included in index applications." [11] Currently, miscellaneous service charges may be indexed if requested in price index applications pursuant to Rule 25-30.420, F.A.C. However, few utilities request that their miscellaneous service charges be indexed. In view of the above considerations and the data provided by the Utility, staff believes that the Utility's requested charges are reasonable and are cost-based.

The Utility's current tariff includes a Premises Visit (in lieu of disconnection) charge. This charge is levied when a service representative visits a premises for the purpose of discontinuing service for non-payment of a due and collectible bill and, does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill. Staff recommends the "Premises Visit In Lieu of Disconnection" charge be replaced with what will be called, "Premises Visit." In addition to those situations described in the definition of the current Premises Visit In Lieu of Disconnection, the new Premises Visit charge will also be levied when a service representative visits a premises at a customer's request for complaint resolution or for other purposes and the problem is found to be

[11] See Docket No. 950495-WS, In Re: Application for rate increase and increase in service availability charges by Southern States Utilities, Inc. for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties.

the customer's responsibility. This charge is consistent with Rule 25-30.460(1)(d), F.A.C. In addition, by Order No. PSC-05-0397-TRF-WS, issued April 18, 2005, the Commission approved a Premises Visit Charge to be levied when a service representative visits a premises at the customer's request for a complaint and the problem is found to be the customer's responsibility.[12] Based on the foregoing, staff recommends the Premises Visit (in lieu of disconnection) be eliminated and the Premises Visit charge be approved.

In summary, staff recommends the Utility's miscellaneous service charge of $21 for normal hours and after hour charges of $42 be approved for water and wastewater, because the increased charges are cost-based, reasonable, and consistent with fees the Commission has approved for other utilities. The Utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. Within ten days of the date the order is final, the Utility should be required to provide notice of the tariff changes to all customers. LUSI should provide proof the customers have received notice within ten days after the date the notice was sent.

[12] See Docket 050096-WS, In re: Request for revision of Tariff Sheets 14.0 and 15.1 to change request for meter test by customer and premise visit charge, by Marion Utilities, Inc.

Issue 22: In determining whether any portion of the water and wastewater interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, no water or wastewater refunds are required. (Wright, Fletcher)

Staff Analysis: By Order No. PSC-08-0308-PCO-WS, issued May 12, 2008, the Commission authorized the collection of interim water and wastewater rates, subject to refund, pursuant to Section 367.082, F.S. The approved interim revenue requirement is $3,087,696 for water and $1,257,567 for wastewater, which represents an increase of $175,071 or 6.01 percent for water, and $1,257,567 or 44.55 percent for wastewater.

According to Section 367.082, F.S., any refund should be calculated to reduce the rate of return of the Utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period interim rates in effect, should be removed. Rate case expense is an example of an adjustment which is recovered only after final rates are established.

In this proceeding, the test period for establishing interim and final rates is the 12-month period ending June 30, 2007. LUSI's approved interim rates did not include any provisions for pro forma or projected operating expenses or plant. The interim increase was designed to allow recovery of actual interest costs, and the floor of the last authorized range for equity earnings.

To establish the proper refund amount, staff has calculated a revised interim revenue requirement utilizing the same data used to establish final rates. Rate case expense was excluded because this item is prospective in nature and did not occur during the interim collection period.

Using the principles discussed above, because the $3,087,696 water revenue requirement granted in Order No. PSC-08-0308-PCO-WS for the interim test year is less than staff's calculated revenue requirement for the interim collection period of $5,399,094, staff recommends that no refund is required for water revenues collected under interim rates. Also, because the $1,257,567 wastewater revenue requirement granted in Order No. PSC-08-0308-PCO-WS for the interim test year is less than staff's calculated revenue requirement for the interim collection period of $2,331,900, staff recommends that no refund is required for wastewater revenues collected under interim rates.

Issue 23: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B to remove $65,162 of water and $21,604 of wastewater rate case expense, grossed-up for RAFs, which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than 30 days prior to the actual date of the required rate reduction. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. LUSI should provide proof of the date notice was given, no less than 10 days after the date of the notice. (Wright)

Staff Analysis: Section 367.0816, F.S., requires rates to be reduced immediately following the expiration of the four-year amortization period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for RAFs, which is $65,162 for water and $21,604 for wastewater. The decreased revenue will result in the rate reduction recommended by staff on Schedule Nos. 4-A and 4-B. The Utility should be required to file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. LUSI should provide proof of the date notice was given no less than 10 days after the date of the notice.

If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense.

Issue 24: Should the Utility be required to provide proof, within 90 days of the final order issued in this docket, that it has adjusted its books for all applicable NARUC USOA primary accounts associated with Commission approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission decision, LUSI should provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made. (Wright)

Staff Analysis: To ensure that the Utility adjusts its books in accordance with the Commission decision, LUSI should provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

Issue 25: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the corporate undertaking should be released. (Young)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the corporate undertaking should be released.

Attachment A-1

Lake Utility Services, Inc. – excluding Four Lake and Lake Saunders
Projected Test Year July 1, 2008 – June 30, 2009
Water Treatment Plant and Storage Used and Useful Analysis

			Test Year Gallons	Gallons Per Day
1	Firm Reliable Capacity (11,915 gpm)			11,438,400
2	Usable Storage Capacity			3,015,000
3	Projected Single Maximum Day			15,435,190
4a	Projected Test Year Water Produced	100%	3,281,760,300	
4b	Projected Test Year Accounted For Water	79%	2,592,590,600	
4c	Projected Test Year Unaccounted for Water	21%	689,169,000	
4d	Projected Excessive Unaccounted for Water (21%-10%)	11%	360,993,630	989,023
5a	Projected Average Test Year Customers	9,982 ERCs		
5b	Projected Annual Customer Growth	552 ERCs		
5c	Statutory Growth Period	5 Years		
5d	Gallons per ERC (15,435,190 – 989,023)/9982	1,447		
5e	Growth Allowance (capped @ 25%)	2,496 ERCs		3,611,712
6	Fire Flow Allowance			60,000
7	**Used and Useful Water Treatment Plant**[13]			**100%**
8	**Used and Useful Storage**[14]			**100%**

[13] (Max Day – EUW + FF + Growth)/FRC = (15,435,190 – 989,023 + 3,611,712 + 60,000)/11,438,400 = >100%
[14] (Max Day – EUW + FF + Growth)/FRC = (15,435,190 – 989,023 + 3,611,712 + 60,000)/3,015,000 = >100%

Attachment A-2

Lake Utility Services, Inc. – Lake Saunders
Projected Test Year July 1, 2008 – June 30, 2009
Water Treatment Plant Used and Useful Analysis

			Gallons	Gallons Per Minute
1	Firm Reliable Capacity			300
2	Projected Single Maximum Day		36,000	25
3a	Projected Test Year Water Produced	100%	5,546,000	
3b	Projected Test Year Accounted For Water	72%	3,993,120	
3c	Projected Test Year Unaccounted for Water	28%	1,552,880	
3d	Projected Excessive Unaccounted for Water (21%-10%)	18%	998,280	2
4a	Projected Average Test Year Customers	46 ERCs		
4b	Projected Annual Customer Growth	0 ERCs		
4c	Statutory Growth Period	5 Years		
4d	Gallons per ERC (25 - 2)*1440/46	720		
4e	Growth Allowance (capped @ 25%)	1 ERCs	720	1
5	Fire Flow Allowance		60,000	500
6	**Used and Useful Water Treatment Plant**[15]			**100%**

System is built out.

[15] [2 x (Max Day – EUW) + FF + Growth]/FRC = [2(25 – 2) +500 + 1]/300 = (46 + 500 +1)/300 = > 100%

Attachment A-3

Lake Utility Services, Inc. – Four Lakes
Projected Test Year July 1, 2008 – June 30, 2009
Water Treatment Plant Used and Useful Analysis

			Gallons	Gallons Per Minute
1	Firm Reliable Capacity			90
2	Projected Single Maximum Day		88,000	61
3a	Projected Test Year Water Produced	100%	13,137,000	
3b	Projected Test Year Accounted For Water	79%	10,378,230	
3c	Projected Test Year Unaccounted for Water	21%	2,758,770	
3d	Projected Excessive Unaccounted for Water (21%-10%)	11%	1,445,070	3
4a	Projected Average Test Year Customers	68 ERCs		
4b	Projected Annual Customer Growth	0 ERCs		
4c	Statutory Growth Period	5 Years		
4d	Gallons per ERC (61 - 3)*1440/68	1228		
4e	Growth Allowance (capped @ 25%)	5 ERCs	6140	4
5	Fire Flow Allowance		0	0
6	**Used and Useful Water Treatment Plant**[16]			**100%**

System is built out.

[16] [2 x (Max Day – EUW) + FF + Growth]/FRC = [2(61 – 3) + 0 + 4]/90 = (116 + 0 + 4)/90 = >100%

Attachment B-1

Lake Utility Services, Inc. – Lake Groves
Projected Test Year July 1, 2008 – June 30, 2009
Wastewater Treatment Plant Used and Useful Analysis

				Gallons Per Day
1	Permitted Capacity (AADF)			1,000,000
2	Projected Annual Daily Flow			419,449
3a	Projected Wastewater treated	153,100,780		
3b	Proj. RS WW customer water usage @ 80%	698,693,760		
3c	Proj. GS WW customer water usage @ 96%	12,231,400		
3d	Projected Estimated flows returned	710,925,160		
3e	Estimated I&I		0	
4a	Estimated infiltration @ 500 gpd/inch-dia/mile	25,218,113		
4b	Estimated inflow @ 10% RS/GS water usage	103,515,100		
4c	I&I Allowance		128,733,213	
5	Excess I&I (0 – 128,733,213)/365			0
6a	Projected Average Test Year Customers	3,378 ERCs		
6b	Projected Annual Customer Growth	187 ERCs		
6c	Statutory Growth Period	5 Years		
6d	Gallons per ERC (419,449 – 0)/3378	124		
6e	Growth Allowance (capped @ 25%)	845 ERCs		104,780
7	**Used and Useful Wastewater Treatment Plant**[17]			**52.42%**

[17] (AADF – I&I + Growth)/AADF Capacity = (419,449 – 0 + 104,780)/1,000,000 = 52.42%

LAKE UTILITY SERVICES, INC.		
PROJECTED TEST YEAR ENDING JUNE 30, 2009		ATTACHMENT C PAGE 1

DETERMINATION OF APPROPRIATE WATER RATE STRUCTURE

HISTORY OF CURRENT RATES	(1)	The Utility's current rate structure for the area excluding Lake Groves is a BFC/uniform gallonage charge rate structure. Under this usage-sensitive rate structure, customers are charged a bi-monthly BFC of $12.64, plus $0.73 for each 1,000 gallons (kgal) used.
	(2)	Although usage sensitive, this rate structure is considered a non-conserving rate structure, because customers receive only six price signals (bills) regarding their water consumption each year, rather than twelve. The more often a customer receives a consumption-driven price signal, the more rapidly that customer is able to respond to the price signal by adjusting consumption habits, thereby reducing wasteful, uneconomical, impractical, or unreasonable use of water resources.
	(3)	The Utility's current rate structure for the Lake Groves service area is a BFC/uniform gallonage charge rate structure. Under this usage-sensitive rate structure, customers are charged a monthly BFC of $12.73, plus $1.27 for each 1,000 gallons (kgal) used.
PRACTICES WITH THE WATER MANAGEMENT DISTRICTS	(4)	The Commission has a Memorandum of Understanding (MOU) with the five Water Management Districts (WMDs or Districts). A guideline of the five Districts is to set the base facility charges such that they recover no more than 40% of the revenues to be generated from monthly service.[18] The Commission follows the WMD guideline whenever possible.[19]
	(5)	The Utility is located in the St. Johns River Water Management District (SJRWMD or District) in a Priority Water Resource Caution Area.[20]
	(6)	The Utility is located very near a boundary of the Central Florida Coordination Area. The Southwest Florida, St. Johns River, and South Florida Water Management Districts, in general, have jointly concluded that the availability of sustainable quantities of groundwater in central Florida is insufficient on a regional basis to meet future demands. In addition, within the next 5 to 6 years public water supply utilities in central Florida must be prepared to move to alternative water supplies as a critical component of meeting future demand.[21]
	(7)	In July 2008, the SJRWMD issued a draft Consent Order to the utility regarding multiple violations of its Consumptive Use Permit, including the utility exceeding its annual withdrawal allocation. The utility has proposed revisions to the Consent Order, but the revisions were inadequate to meet the District's proposed settlement penalty.

[18] Order No. PSC-02-0593-FOF-WS, issued April 30, 2002 in Docket No. 010503-WU, In re: Application for increase in water rates for Seven Springs system in Pasco County by Aloha Utilities, Inc.; Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In Re: Application for rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.)

[19] Order No. PSC-94-1452-FOF-WU, issued November 28, 1994, in Docket No. 940475-WU, In re: Application for rate increase in Martin County by Hobe Sound Water Company; Order No. PSC-01-0327-PAA-WU, issued January 6, 2001, in Docket No. 000295-WU, In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.; Order No. PSC-00-2500-PAA-WS, issued December 26, 2000, in Docket No. 000327-WS, In re: Application for staff-assisted rate case in Putnam County by Buffalo Bluff Utilities, Inc.; Order No. PSC-02-0593-FOF-WS, issued April 30, 2002, in Docket No. 010503-WU, In re: Application for increase in water rates for Seven Springs system in Pasco County by Aloha Utilities, Inc.

[20] St. Johns River Water Management District, Water Supply Assessment and Water Supply Plan, May 2006.

[21] St. Johns River Water Management District, Recommended Action Plan for the Central Florida Coordination Area, Effort of the South Florida, Southwest Florida and St. Johns River Water Management Districts, September 18, 2006.

LAKE UTILITY SERVICES, INC.		
PROJECTED TEST YEAR ENDING JUNE 30, 2009		ATTACHMENT C PAGE 2

DETERMINATION OF APPROPRIATE WATER RATE STRUCTURE (cont.)

WATER CONSERVATION INITIATIVE	**(8)**	In response to growing water demands and water supply problems, coupled with one of the worst droughts in Florida's history, the Florida Department of Environmental Protection (FDEP) led a statewide Water Conservation Initiative (WCI) to find ways to improve efficiency in all categories of water use. In the WCI's final report, issued in April 2002, a high-priority recommendation was that the BFC portion of the bill usually should not represent more than 40% of the utility's total revenues.[22]
	(9)	Many participants in the WCI, including the Florida Department of Environmental Protection, the Florida Public Service Commission, the five Florida Water Management Districts, the Florida Rural Water Association, the Florida Water Environment Association, and the Florida section of the American Water Works Association are signatories on the Joint Statement of Commitment for the Development and Implementation of a Statewide Comprehensive Water Conservation Program for Public Water Supply (JSOC) and its associated Work Plan.[23]
FLORIDA STATUES re: WATER CONSERVATION	**(10)**	Section 373.227(1), Florida Statutes, states in part: "The Legislature recognizes that the proper conservation of water is an important means of achieving the economical and efficient utilization of water necessary, in part, to constitute a reasonable-beneficial use. The overall water conservation goal of the state is to prevent and reduce wasteful, uneconomical, impractical, or unreasonable use of water resources."
COMBINED WATER SYSTEMS' USAGE PATTERNS	**(11)**	LUSI's water service areas have a nonseasonal customer base consisting primarily of families. The average monthly consumption per residential customer is approximately 20 kgal. A review of the utility service area indicates that most of the customers' lawns are well kept. Many homes are well landscaped and well irrigated.
WATER SYSTEM BFC COST RECOVERY	**(12)**	Staff performed detailed analyses of LUSI's water billing data in order to evaluate various BFC cost recovery percentages. The goals of the evaluation were to select the rate design parameters that: 1) allow the utility to recover its revenue requirements; 2) equitably distribute cost recovery among the utility's customers; and 3) remove nonconserving water rate structures.
	(13)	As discussed in Issue 15, staff's preliminary recommended revenue requirement increase is 84.64%. Based on the level of recommended revenue increase coupled with the high average monthly consumption per customer, staff believes it is appropriate, for conservation purposes, to place as much cost recovery as possible into the gallonage charge. This results in a BFC cost recovery percentage of 20%.

[22] Florida Department of Environmental Protection, Florida Water Conservation Initiative, April 2002.

[23] Joint Statement of Commitment for the Development and Implementation of a Statewide Comprehensive Water Conservation Program for Public Water Supply, February 2004; Work Plan to Implement Section 373.227, F.S. and the Joint Statement of Commitment for the Development and Implementation of a Statewide Comprehensive Water Conservation Program for Public Water Supply, December 2004.

LAKE UTILITY SERVICES, INC.		
PROJECTED TEST YEAR ENDING JUNE 30, 2009		ATTACHMENT C PAGE 3

DETERMINATION OF APPROPRIATE WATER RATE STRUCTURE (cont.)

METHODOLOGY FOR DESIGNING WATER RATE STRUCTURE	**(14)**	Using a BFC cost recovery percentage of 20% as discussed in (12) above, staff calculated various combinations of inclining-block rate structures. Staff's evaluation criteria excluded any rate structure that: 1) resulted in price decreases at any level of consumption; or 2) that resulted in revenue deficits during the year.
SELECTION OF THE RECOMMENDED WATER RATE STRUCTURE	**(15)**	Of the remaining rate structures, staff selected a three-tier inclining-block rate structure, with usage blocks for monthly consumption of: 1) 0-5 kgal; 2) 5-10 kgal; and 3) usage in excess of 10 kgal. Staff selected usage block rate factors of 1.0, 1.25, and 1.5, respectively. Staff believes this rate structure sends the best conservation price signals to the greatest number of kgals while minimizing the price increase for low-volume users. Also, consistent with the discussion in (2) above, staff recommends that the bi-monthly billing cycle for the area excluding Lake Groves be changed to a more water-conserving monthly billing cycle.
ALTERNATIVE WATER RATE STRUCTURE	**(16)**	As shown on Table 16-1, staff has also presented an alternative rate structure, consisting of a two-tier inclining-block rate structure, with usage blocks for monthly consumption of: 1) 0-10 kgal; and 2) usage in excess of 10 kgal. The usage block rate factors are 1.0 and 1.25, respectively.
STAFF RECOMMENDATION		The appropriate water rate structure for the water system is a three-tier inclining-block rate structure. The appropriate usage blocks are for monthly consumption of: 1) 0-5 kgal; 2) 5-10 kgal; and 3) usage in excess of 10 kgal. The usage block rate factors should be 1.0 and 1.25 and 1.5, respectively. The base facility charge (BFC) cost recovery allocations should be set at 20%. The billing cycles for both systems should be on a monthly basis.

	Lake Utility Services, Inc. Schedule of Water Rate Base Test Year Ended 6/30/2009					Schedule No. 1-A Docket No. 070693-WS
	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$23,323,348	10,607,870	$33,931,218	($532,312)	$33,398,906
2	Land and Land Rights	116,158	(6,541)	109,617	8,446	118,063
3	Construction Work in Progress	4,297,201	(4,297,201)	0	0	0
4	Accumulated Depreciation	(3,083,556)	(1,790,330)	(4,873,886)	39,246	(4,834,640)
5	CIAC	(14,771,966)	(434,188)	(15,206,154)	31,742	(15,174,412)
6	Amortization of CIAC	2,252,109	769,794	3,021,903	322,551	3,344,454
7	Advances for Construction	(38,400)	0	(38,400)	0	(38,400)
8	Working Capital Allowance	0	211,284	211,284	124,459	335,743
9	Other	0	0	0	0	0
10	**Rate Base**	$12,094,894	5,060,688	$17,155,582	($5,868)	$17,149,714

	Lake Utility Services, Inc. Schedule of Wastewater Rate Base Test Year Ended 6/30/2009					Schedule No. 1-B Docket No. 070693-WS
	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$8,469,253	9,531,719	$18,000,972	($630,112)	$17,370,860
2	Land and Land Rights	838,852	5,329	844,181	(811,765)	32,416
3	Non-used and Useful Components	0	(1,477,130)	(1,477,130)	(30,921)	(1,508,051)
4	Accumulated Depreciation	(1,738,773)	(1,032,577)	(2,771,350)	115,751	(2,655,599)
5	CIAC	(6,183,118)	159,015	(6,024,103)	(1,070,972)	(7,095,075)
6	Amortization of CIAC	922,777	486,256	1,409,033	97,942	1,506,975
7	Advances for Construction	0	0	0	0	0
8	Working Capital Allowance	0	70,035	70,035	41,265	111,300
9	Other	0	0	0	0	0
10	**Rate Base**	$2,308,991	7,742,647	$10,051,638	$(2,288,812)	$7,762,826

	Lake Utility Services, Inc. **Adjustments to Rate Base** **Test Year Ended 6/30/2009**		**Schedule No. 1-C** **Docket No. 070693-WS**
	Explanation	**Water**	**Wastewater**
	Plant In Service		
1	Audit Adjustment No.1 – prior audit adjs.	($156,060)	$682
2	Audit Adjustment No.3 – undoc. plant additions	(199,854)	(21,577)
3	Audit Adjustment No 4 – Capitalized expenses	(111,294)	(50,108)
4	Change in allocation to sewer	(4,876)	(1,595)
5	Affiliated audit adjustment No 2	(347,163)	24,003
6	Unsupported 6/30/09 increases	(140,410)	0
7	Actual plant additions under projections	0	(581,517)
8	Actual plant additions above projections	622,401	0
9	Error in MFRs – acct 311.3	(195,056)	0
	Total	($532,312)	$(630,112)
	Land		
1	Audit Adjustment No.1 – prior audit adjs.	$0	($784,994)
2	Audit Adjustment No. 3 – undoc. Plant additions	0	(22,000)
3	Change in allocations	11,237	(4,771)
5	Affiliated audit adjustment No 2	(2,791)	0
	Total	$8,446	($811,765)
	Accumulated Depreciation		
1	Audit Adjustment No. 1	$(4,293)	$107,363
2	Audit Adjustment No. 3	17,407	244
3	Audit Adjustment No. 4	8,872	3,779
4	Affiliated Audit Adjustment No 2	20,126	(12,377)
5	Actual plant additions under projection	0	11,269
6	Actual plant additions over projection	(26,767)	0
7	Change in allocations	23,901	5,473
	Total	$39,246	$115,751
	CIAC		
1	Audit Adjustment No. 7	$57,045	$3,725
2	Additional Cash CIAC adjustment	(25,303)	(1,074,697)
	Total	$31,742	($1,070,972)
	Accumulated Amortization of CIAC		
1	Audit Adjustment No. 7	$322,091	$82,158
2	Additional Cash CIAC adjustment	460	15,784
	Total	$322,551	$97,942
	Working Capital		
	Average Deferred Rate Case Expense	$124,459	$41,265

Lake Utility Services, Inc. **Schedule No. 2**
Capital Structure-Thirteen Month Average **Docket No. 070693-WS**
Test Year Ended 6/30/2009

	Description	Total Capital	Specific Adjust-ments	Subtotal Adjusted Capital	Prorata Adjust-ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility									
1	Long-term Debt	$230,000,000	$0	$230,000,000	($215,498,347)	$14,501,663	53.30%	6.86%	3.66%
2	Short-term Debt	31,885,659	0	31,885,659	(29,875,050)	2,010,609	7.39%	8.25%	0.61%
3	Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4	Common Equity	164,450,139	0	164,450,432	(154,082,893)	10,367,539	38.11%	12.01%	4.58%
5	Customer Deposits	243,594	0	243,594	0	243,594	0.90%	6.00%	0.05%
6	Deferred Income Taxes	83,824	0	83,824	0	83,824	.31%	0.00%	0.00%
7	**Total Capital**	$426,663,509	$0	$426,663,509	($399,456,289)	$27,207,220	100.00%		8.90%
Per Staff									
8	Long-term Debt	$230,000,000	$0	$230,000,000	($216,773,321)	$13,226,679	53.09%	6.86%	3.64%
9	Short-term Debt	31,885,659	0	31,885,659	(30,052,001)	1,833,658	7.36%	8.25%	0.61%
10	Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
11	Common Equity	164,450,139	0	164,450,139	(154,993,332)	9,457,100	37.96%	12.67%	4.81%
12	Customer Deposits	243,594	0	243,594	0	243,594	0.98%	6.00%	0.06%
13	Deferred Income Taxes	83,824	67,685	151,509	0	151,509	0.61%	0.00%	0.00%
14	**Total Capital**	$426,663,509	$67,685	$426,731,194	($401,818,654)	$24,912,540	100.00%		9.12%

	LOW	HIGH
RETURN ON EQUITY	11.67%	13.67%
OVERALL RATE OF RETURN	8.74%	9.50%

Lake Utility Services, Inc.
Statement of Water Operations
Test Year Ended 6/30/2009

Schedule No. 3-A
Docket No. 070693-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$2,890,389	$2,880,617	$5,771,006	($2,803,004)	$2,968,002	$2,512,077 84.64%	$5,480,079
	Operating Expenses							
2	Operation & Maintenance	$1,800,251	$505,782	$2,306,033	($307,399)	$1,998,634		$1,998,634
3	Depreciation	378,072	312,010	690,082	4,225	694,307		694,307
4	Amortization	0	0	0	0	0		0
5	Taxes Other Than Income	643,696	131,471	775,167	(162,135)	613,032	113,043	726,076
6	Income Taxes	4,429	469,183	473,612	(878,808)	(405,196)	902,756	497,561
7	**Total Operating Expense**	$2,826,448	$1,418,446	$4,244,894	($1,344,116)	$2,900,778	$1,015,800	$3,916,578
8	**Operating Income**	$63,941	$1,462,171	$1,526,111	($1,458,888)	$67,224	$1,496,277	$1,563,501
9	**Rate Base**	$12,094,894		$17,155,582		$17,149,714		$17,149,714
10	**Rate of Return**	0.53%		8.90%		0.38%		9.12%

Lake Utility Services, Inc.
Statement of Wastewater Operations
Test Year Ended 6/30/2009

Schedule No. 3-B
Docket No. 070693-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$870,816	$1,890,946	$2,761,762	($1,870,348)	$891,414	$1,467,356 164.61%	$2,358,770
	Operating Expenses							
2	Operation & Maintenance	$329,951	$540,974	$870,925	($73,710)	$797,215		$797,215
3	Depreciation	89,696	264,361	354,057	(40,596)	313,461		313,461
4	Amortization	0	0	0	0	0		0
5	Taxes Other Than Income	0	365,121	365,121	(115,999)	249,122	66,031	315,153
6	Income Taxes	29,228	248,267	277,495	(579,592)	(302,097)	527,318	225,221
7	**Total Operating Expense**	$448,875	$1,418,723	$1,867,598	($809,897)	$1,057,701	$593,349	$1,651,050
8	**Operating Income**	421,941	$472,223	$894,164	($1,060,741)	$(166,287)	$874,006	$707,720
9	**Rate Base**	$2,308,991		$10,051,638		$7,762,826		$7,762,826
10	**Rate of Return**	18.27%		8.90%		(2.14%)		9.12%

	Lake Utility Services, Inc. **Adjustment to Operating Income** **Test Year Ended 6/30/2009**	**Schedule 3-C** **Docket No. 070693-WS**	
	Explanation	**Water**	**Wastewater**
	Operating Revenues		
1	To remove requested final revenue increase.	($2,817,400)	($1,876,609)
2	To reflect the appropriate historical test year revenues	5,168	6,261
3	To reflect the appropriate miscellaneous service revenues	9,228	0
	Total	($2,803,004)	($1,870,348)
	Operation and Maintenance Expense		
1	To adjust Salaries and Wages	($197,610)	($62,337)
2	To adjust Pensions and Benefits	(42,749)	(13,487)
3	To adjust for unaccounted for water	(64,841)	0
4	To adjust for consumptive use permit	(10,436)	0
5	To adjust for CPI difference	(5,123)	(2,319)
	To adjust amortization of rate case expense.	13,360	4,433
	Total	(307,399)	(73,710)
	Depreciation Expense - Net		
	To adjust Depreciation Expense.	$4,225	($40,596)
	Taxes Other Than Income		
1	To reflect the appropriate projected property tax	($20,882)	($27,065)
2	To adjust payroll taxes	(15,117)	(4,769)
3	RAFs on revenue adjustments above.	(126,135)	(84,166)
	Total	($162,135)	($115,999)

Lake Utility Services, Inc. – Excluding Lake Groves Water Monthly Service Rates Test Year Ended 6/30/09				Schedule No. 4-A Docket No. 070693-WS	
	Bi-Monthly Rates Prior to Filing	Bi-Monthly Comm. Approved Interim	Monthly Utility Requested Final	Monthly Staff Recomm. Final	Monthly 4-year Rate Reduction
Residential Service					
Base Facility Charge by Meter Size:					
5/8" x 3/4" Residential	$12.48	$13.24	$11.00	$8.25	$0.10
5/8" x 3/4" Irrigation	$12.48	$13.24	$11.00	$8.25	$0.10
1" Residential	$31.20	$33.10	$27.50	$20.63	$0.25
1" Irrigation	$31.20	$33.10	$27.50	$20.63	$0.25
1-1/2"	$62.38	$66.18	$55.00	$41.25	$0.49
2"	$99.78	$105.86	$88.00	$66.00	$0.78
3"	$187.08	$198.47	$176.00	$132.00	$1.57
4"	$311.82	$330.81	$275.00	$206.25	$2.45
6"	$752.52	$769.70	$550.00	$412.50	$4.90
8"	$0.00	$0.00	$0.00	$742.50	$8.83
10"				$1,196.25	$14.22
General Service					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	$12.48	$13.24	$11.00	$8.25	$0.10
5/8" x 3/4"	$12.48	$13.24	$11.00	$8.25	$0.10
1" General Service	$31.20	$33.10	$27.50	$20.63	$0.25
1' Irrigation	$31.20	$33.10	$27.50	$20.63	$0.25
1-1/2" General Service	$62.38	$66.18	$55.00	$41.25	$0.49
1-1/2" Irrigation	$62.38	$66.18	$55.00	$41.25	$0.49
2" General Service	$99.78	$105.86	$88.00	$66.00	$.078
2" Irrigation	$99.78	$105.86	$88.00	$66.00	$0.78
3" General Service	$187.08	$198.47	$176.00	$132.00	$1.57
4"	$311.82	$330.81	$275.00	$4.90	$2.45
6"	$725.52	$769.70	$550.00	$8.83	$4.90
8"	$0.00	$0.00	$0.00	$14.22	$8.83
10"				$1,196.25	$14.22
Gallonage Charge, per 1,000 Gallons					
Residential	$.72	$.76			
Up to 5,000 gallons			$1.30	$1.67	
5,000 - 10,000 gallons			$2.00	$2.09	
In excess of 10,000 gallons				$2.51	
General Service	$.72	$.76			
Up to 10,000 gallons			$1.30		
Over 10,000 gallons			$2.00		
All Gallons			$2.00	$2.26	
	Typical Residential Bills 5/8" x 3/4" Meter				
3,000 Gallons	$14.64	$15.52	$25.90	$13.26	
5,000 Gallons	$16.08	$17.04	$28.50	$16.60	
10,000 Gallons	$19.68	$20.84	$42.00	$27.05	

Lake Utility Services, Inc. - Lake Groves **Schedule No. 4-B**
Water Monthly Service Rates **Docket No. 070693-WS**
Test Year Ended 6/30/09

	Monthly Rates Prior to Filing	Monthly Comm. Approved Interim	Monthly Utility Requested Final	Monthly Staff Recomm. Final	Monthly 4-year Rate Reduction
Residential Service					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	$12.57	$13.33	$11.00	$8.25	$0.10
1"	$31.42	$33.33	$27.50	$20.63	$0.25
1-1/2"	$62.84	$66.67	$55.00	$41.25	$0.49
2"	$100.54	$106.66	$88.00	$66.00	$0.78
3"	$201.07	$213.31	$175.00	$132.00	$1.57
4"	$314.18	$333.31	$275.00	$206.25	$2.45
6"				$412.50	$4.90
8"				$742.50	$8.83
10"				$1,196.25	$14.22
General Service					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	$12.57	$13.33	$11.00	$8.25	$0.10
5/8" x 3/4"	$12.57	$13.33	$11.00	$8.25	$0.10
1" General Service	$31.42	$33.33	$27.50	$20.63	$.025
1" Irrigation	$31.42	$33.33	$27.50	$20.63	$.025
1-1/2" General Service	$62.84	$66.67	$55.00	$41.25	$0.49
1-1/2" Irrigation	$62.84	$66.67	$55.00	$41.25	$0.49
2" General Service	$100.54	$106.66	$88.00	$66.00	$0.78
2" Irrigation	$100.54	$106.66	$88.00	$66.00	$0.78
3" General Service	$201.07	$213.31	$176.00	$132.00	$1.57
4" Irrigation	$314.18	$333.31	$275.00	$206.25	$2.45
6"	$314.18	$331.31	$550.00	$412.50	$4.90
8"				$742.50	$8.83
10"				$1,196.25	$14.22
Gallonage Charge, per 1,000 Gallons					
Residential	$1.25	$1.33			
0 – 5,000 gallons			$1.30	$1.67	
5,001 - 10,000 gallons			$1.30	$2.09	
Over 10,000 gallons			$2.00	$2.51	
General Service	$1.25	$1.33			
Up to 10,000 gallons			$1.30	$2.26	
Over 10,000 gallons			$2.00	$2.26	
Irrigation	$1.25	$1.33			
All Gallons			$2.00	N/A	
		Typical Residential Bills 5/8" x3/4" Meter			
3,000 Gallons	$16.32	$17.32	$14.90	$13.26	
5,000 Gallons	$18.82	$19.98	$17.50	$16.60	
10,000 Gallons	$25.07	$26.63	$31.00	$27.05	

Lake Utility Services, Inc. - Lake Groves **Schedule No. 4-C**
Wastewater Monthly Service Rates **Docket No. 070693-WS**
Test Year Ended 6/30/09

	Monthly Rates Prior to Filing	Monthly Comm. Approved Interim	Monthly Utility Requested Final	Monthly Staff Recomm. Final	Monthly 4-year Rate Reduction
Residential Service					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	$15.72	$22.79	$45.00		
1"	$15.72	$22.79	$45.00		
1-1/2"	$15.72	$22.79	$45.00		
2"	$15.72	$22.79	$45.00		
All Sizes-Residential	$15.72	$22.79	$45.00	$22.67	$0.21
General Service					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	$15.72	$22.79	$45.00	$22.67	$0.21
1" General Service	$39.32	$57.02	$112.50	$56.68	$0.52
1-1/2" General Service	$78.62	$114.01	$225.00	$113.35	$1.04
2" General Service	$125.79	$182.41	$360.00	$181.36	$1.66
3" General Service	$251.58	$364.82	$720.00	$362.72	$3.32
4" General Service	$393.12	$570.06	$1,125.00	$566.75	$5.19
6" General Service	$393.12	$570.06	$2,250.00	$1,133.50	$10.38
8" General Service				$2,040.30	$18.69
10" General Service				$3,287.15	$30.11
Gallonage Charge, per 1,000 Gallons					
Residential (10,000 gallon max)	$1.08	$1.57	$2.60	$4.13	$0.04
General Service	$1.36	$1.97	$3.50	$4.96	$0.05
Reclaimed Water					
Base Facility Charge			$3.65	$7.19	$0.07
					$0.01
Gallonage Charge (per 1,000 Gallons)			$0.60	$1.07	
		Typical Residential Bills 5/8" x3/4" Meter			
3,000 Gallons	$18.96	$27.50	$52.80	$35.06	
5,000 Gallons	$21.12	$30.64	$58.00	$43.32	
10,000 Gallons	$26.52	$38.49	$71.00	$63.97	