

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD

TALLAHASSEE, FLORIDA 32399-0850 10 AUG 26 AM 8:41

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

COMMISSION  
CLERK

---

**DATE:** August 25, 2010  
**TO:** Ann Cole, Commission Clerk - PSC, Office of Commission Clerk  
**FROM:** Jared Deason, Division of Economic Regulation  
**RE:** Docket No. 090531-WS – Application for staff-assisted rate case in Highlands County by Lake Placid Utilities, Inc.

---

Please add the attached document to Docket No. 090531-WS

DOCUMENT NUMBER-DATE

07079 AUG 26 2010

FPSC-COMMISSION CLERK

Below are the reported salaries and pensions & benefits found in the 2005 - 2009 annual

reports for Lake Placid Utilities, Inc.:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Water Salaries	\$716	(\$4,893)	(\$736)	\$5,988	\$1,032
Water Pensions & Benefits	\$682	\$532	\$542	\$2,724	\$2,543

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Wastewater Salaries	\$4,266	(\$6,127)	(\$1,128)	\$4,936	\$883

DOCUMENT NUMBER-DATE

07079 AUG 26 09

FPSC-COMMISSION CLERK

Wastewater Pensions & Benefits	\$1,063	\$832	\$843	\$2,331	\$2,176
--------------------------------	---------	-------	-------	---------	---------

Please explain in detail the following:

(1) Why did Lake Placid record a negative salary amount in 2006 and 2007 for both water and wastewater?

**RESPONSE:** The salary amounts reported for 2006 and 2007 were negative because the reported salaries are made up of a combination of salary components, including actual salaries paid or allocated and capitalized salaries. In 2006 and 2007, there was more capitalized time booked to Lake Placid than the allocation of salaries, leading to a negative figure. This is more likely to happen at a utility the size of Lake Placid which has a smaller allocation percentage therefore the capitalized time can easily outweigh it.

---

(2) Why did water and wastewater salaries increase dramatically in 2008 and then went substantially lower in 2009?

**RESPONSE:** Salaries excluding capitalized time on the 2008 annual report are \$14,456. In 2009, salaries excluding capitalized time decreased to \$11,774. However, the variations noted are a result of fluctuations in capitalized time. In 2008, the Utility booked \$3,643 of capitalized time in 2008. The Utility booked \$9,858 of capitalized time in 2009.

---

(3) Why are water and wastewater pensions & benefits much greater in 2008 and 2009

when compared to the amounts recorded in 2005-2007?

**RESPONSE:** The increase in pensions and benefits is due to increasing health insurance costs. Health insurance costs have increased substantially over the past few years; and have been increasing considerably faster than other costs. The Utility has begun a program to re-evaluate its health insurance packages every year. However, continuing increases

in health care costs are likely to continue to push health benefits upward in the near future.

(4) Why are water and wastewater pensions & benefits substantially greater than water and wastewater salaries in 2009?

**RESPONSE:** As previously stated in response to Item No. 3, above, the pensions and benefits have increased substantially due to rising health insurance costs. The salary portion of the expense is lessened by the

amount of capitalized time, which was high in 2009 due, in part, to

costs associated with this rate case.