

## Matilda Sanders

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**From:** Vandiver, Denise <VANDIVER.DENISE@leg.state.fl.us>  
**Sent:** Friday, May 24, 2013 10:13 AM  
**To:** Filings@psc.state.fl.us  
**Cc:** Clarence Prestwood; Curt Mouring; Martha Golden; Kelly Thompson; Patti Daniel; Shannon Hudson; Phillip Ellis; James McRoy; Lynn Deamer; Charles Murphy; utilityconsultant@yahoo.com; Reilly, Steve; Vandiver, Denise  
**Subject:** Docket No. 120270-SU; Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.  
**Attachments:** Issues for Staff on West Lakeland.docx

1. The full name, address, telephone number, and e-mail address of the person responsible for the electronic filing:

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2. The docket number and title if filed in an existing docket:

Docket No. 120270-SU  
Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.

a.

3. The name of the party on whose behalf the document is filed:

Office of Public Counsel (OPC)


4. The total number of pages in each attached document:

4 pages

5. A brief but complete description of each attached document:

Cover letter with attached list of OPC issues and concerns.

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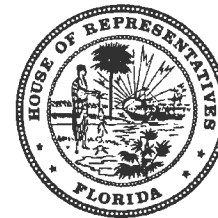
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**WILL WEATHERFORD**  
*SPEAKER OF THE HOUSE OF REPRESENTATIVES*

May 24, 2013

Ann Cole, Director  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Re: Docket No. 120270-SU; Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.

Dear Ms. Cole:

Attached is a list of concerns that the Office of Public Counsel has prepared to identify concerns we have with the Staff Report and other information filed by West Lakeland Wastewater, LLC. to support its application for a rate increase. We are submitting this letter in an effort to be up front with our concerns and allow the staff and utility sufficient time to review our concerns and ask for any additional information that might be needed. If you should have any questions, please feel free to call or e-mail me.

Respectfully submitted,

s/ Denise N. Vandiver  
Denise N. Vandiver  
Legislative Analyst

c: Division of Accounting & Finance (Prestwood, Mouring, Golden)  
Division of Economics (Thompson, Daniel, Hudson)  
Office of Auditing and Performance Analysis (Deamer)  
Office of the General Counsel (Murphy)

Mr. Michael Smallridge  
West Lakeland Wastewater, LLC.  
[utilityconsultant@yahoo.com](mailto:utilityconsultant@yahoo.com)  
Office of Public Counsel (Reilly)

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OPC Issues and Concerns  
West Lakeland Wastewater, LLC.  
Docket No. 120270-SU

**Overall Position**

The staff report reflects an 84.38% increase in the revenue requirement. This size of an increase would be difficult for any customer to absorb, but the speakers at the customer meeting expressed particular concern with the size of this increase. Table 1 at the end of this document reflects the bills calculated for customers using 8,000 gallons or less. This table further reflects that some customers will experience as much as 111% increase in their bills.

We have only had time to perform a limited review of the staff report and staff audit. However, we would like to list a few questions and concerns we have regarding the information included in the staff report. Overall, we are concerned with three main issues: allocations, office and administrative costs, and transportation.

**1. Allocations**

Our review of the allocations indicates that the staff report may include a duplication of certain expenses. The chart below lists the amounts allocated to West Lakeland. The \$38,319 equals the amount referenced on page 14 of the staff report. However, the items in the second column were addressed in other issues of the staff report and should be removed from the allocation.<sup>1</sup> This chart represents, at a minimum, those amounts that we believe should be removed from O&M Expenses.

	Audit WP 44 p.2 Allocation	Included Other Accounts	Staff Report Page No.
Employee Pension & Benefit	1,233.64	1,233.64	12
Rent	1,523.52	1,523.52	14
Cell Phone	379.97		
Auto Dialer	211.94		
Office Supplies	1,076.64		
Electric Office	310.56		
Internet and Phone	701.32		
PO Box	40.37		
Insurance on truck	89.30		
Vehicle Repairs	131.06		
Contract Labor	8,164.49	8,164.49	13
Salaries Billing and FICA	4,771.21	4,771.21	12
Salary Officers	13,457.94	13,457.94	12
Maintenace Salary and FICA	6,227.43		
	38,319.39	29,150.80	

<sup>1</sup> The staff report does not use the same amounts as shown in the audit, but establishes a separate amount to be allocated and therefore these items should not be allocated again through this calculation.

OPC Issues and Concerns  
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**2. Office and Administrative Costs**

The staff report included salaries and expense for a billing employee, a bookkeeper, and the president for a total expense of \$35,375. The other administrative costs included in the staff report total approximately \$24,000.<sup>2</sup> These costs total just over 50% of the total O&M Expense and result in about \$16.50 per customer each month. While the utility does not operate or pay at a "deluxe" administrative level, we are concerned whether the administrative costs that are incurred can be considered reasonable for the number of customers served. We expect wastewater rates to typically be higher than water rates as the operating costs for a wastewater plant can be higher than for a water plant. However, the fact that the administrative costs are such a significant percentage of the total costs appears to indicate additional review.

**3. Transportation**

The staff report included \$7,389 in Transportation Expense. This appears to include approximately \$5,700 for fuel purchased in the test year, \$400 for repairs and maintenance in the test year, and an adjustment to include \$1,270 for an allocated portion of vehicle maintenance. We are concerned that this account may include expenses that should be allocated to other systems. It is not clear to us how all the fuel charged to West Lakeland is only for the one system, when the salaries are allocated among four systems. In addition, the audit work papers (WP 43-1 p. 19) also indicate that the test year expense may be too high and may need further analysis to determine whether any of the expense should be allocated to the other systems. We believe that the test year fuel costs should be reviewed by the staff for an additional allocation to the other systems. In addition, if some maintenance was charged in the test year, was this considered when determining how much maintenance should be allocated on top of the test year expense?

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<sup>2</sup> This is an adjusted amount that includes removal of the \$29,000 discussed in Item 1.

**OPC Issues and Concerns**  
**West Lakeland Wastewater, LLC.**  
**Docket No. 120270-SU**

Table 1

West Lakeland Wastewater, LLC

Test Year Revenues	89,977
Staff Recommended	165,904
Percentage Increase	84.38%

	<u>Existing</u>	<u>Recommended</u>	<u>Percent Increase</u>
Base Facility Charge	13.39	21.58	61.17%
Gallonage			
per 1,000 (6,000 gal cap)		8.01	145.71%
per 1,000 (8,000 gal cap)	3.26		
<b>Typical Bills</b>			
1,000 gallons	16.65	29.59	77.72%
2,000 gallons	19.91	37.60	88.85%
3,000 gallons	23.17	45.61	96.85%
4,000 gallons	26.43	53.62	102.88%
5,000 gallons	29.69	61.63	107.58%
6,000 gallons	32.95	69.64	111.35%
7,000 gallons	36.21	69.64	92.32%
8,000 gallons	39.47	69.64	76.44%

Customers using 3,000 - 7,000 gallons are charged a greater increase