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JUL 30, 2015
DOCUMENT NO. 04789-15

ACCOUNTING AND FINANCE
ANDREW L. MAUREY
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Public Service Commission

July 30, 2015

RECEIVED-PSC
15 JUL 30 PM 3:26
COMMISSION
CLERK

Mr. David P. Larson
8104 County Road 109D
Lady Lake, FL 32159

Re: Docket No. 140217-WU - Application for increase in water rates in Sumter County by Cedar Acres, Inc.

Dear Mr. Larson:

Thank you for your letter expressing your concerns about the rate increase petition filed by Cedar Acres, Inc. (Cedar Acres or Utility). To ensure that the Commission staff and the Commissioners have knowledge of your concerns, your letter has been placed on the correspondence side of the docket file for all to review.

Addressed in your letter are questions and statements regarding the "use of a single year to justify" the case before the Commission. As in almost all rate cases, a "test year" is chosen for the utility by which Commission staff identifies costs, expenses, additions to plant, retirements to plant and various other factors that will give us a complete picture of the utility's financial situation. Typically, for a staff assisted rate case, the test year will be the most recent twelve months. Even though the test year for Cedar Acres is a twelve month period, staff is completing a process that gives us as much information as possible over the life of the utility to make determinations for the utility on a forward-going basis.

Many factors affect the cost of providing service. They can include: the size and age of the utility system; the quality of the water at its source; the number of customers; and the geographic spread of the service area. During a rate case, the Commission's accountants, engineers, and economists examine the financial and engineering information filed by the Utility as part of its rate increase application. The Commission's auditors also examine this information and publish the results of their findings in an audit report. All costs found to be imprudent or unreasonable are disallowed.

Cedar Acres has had no rate adjustment since its beginning, approximately 1986. Unfortunately, due to the amount of time that has lapsed between the original rates being set and this rate proceeding, along with other factors, the possible percentage increase is significant. However, the rates proposed in the staff report are preliminary.

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Subsequent to the issuance of the staff report, much analytical work is performed, and additional information is obtained prior to staff making a determination that will be included in the recommendation submitted for the Commissioners consideration and vote. Staff is gathering additional information to make a final determination regarding the appropriate revenue requirement and rates for the Utility.

Rates are increased relative to a utility's revenue requirement and are designed in order to allow a utility the opportunity to recover its reasonable and prudent costs for providing service and a reasonable rate of return on its investment in facilities necessary to provide such water service.

We appreciate your letter and understand your concerns regarding the Utility's proposed rate increase. I hope the above information has been helpful. If you have any additional questions, or require further assistance, please call me at (850) 413-6922 or email me at cgallowa@psc.state.fl.us.

Sincerely,



Cecilia Galloway
Public Utility Analyst

cc: Division of Accounting and Finance (Norris, Fletcher, Smith)
Division of Engineering (Mtenga, Rieger, Vickery)
Division of Economics (Thompson, Hudson)
Office of Commission Clerk (Docket No. 140217-WU)