

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for limited) DOCKET NO. 950232-WU
proceeding to restructure water) ORDER NO. PSC-95-1228-FOF-WU
rates in Lake County by Lake) ISSUED: October 5, 1995
Utility Services, Inc.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING APPLICATION FOR LIMITED PROCEEDING AND
RESTRUCTURING RATES PURSUANT TO LIMITED PROCEEDING

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Lake Utility Services, Inc., (LUSI or utility) is a Class B utility located in Lake County and is a subsidiary of Utilities, Inc. According to LUSI's 1994 annual report, LUSI serves approximately 737 customers. In 1994, LUSI had actual operating revenue of \$176,308 and a loss in net income of \$12,298. Involved in this rate restructuring are the following subdivisions: Clermont I, Clermont II, Amber Hill, The Oranges, Lake Ridge, The Vistas, Highland Point, Crescent Bay, Crescent West, Crescent Hills, Preston Cove, and South Clermont Area. There were approximately 503 customers in these subdivisions in 1994 that will be affected by this rate restructuring. According to the St. Johns River Water Management District (SJRWMD), LUSI is in a water conservation area.

On July 16, 1982, Utilities, Inc. of Florida, requested approval of the transfer, to them, of the water facilities of Three Seasons Development Corporation. Since Three Seasons Development Corporation was not a certificated utility, a request for an original certificate was also made. On December 27, 1982, we

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granted Utilities Inc. of Florida Original Certificate No. 383-W by Order No. 11459 in Docket No. 820281-W. We permitted Utilities, Inc. of Florida to charge the rates that were in effect for Three Seasons Development Corporation.

On December 24, 1987, we granted Lake Utility Services, Inc., Original Certificate No. 496-W by Order No. 18605 in Docket No. 871080. On February 20, 1991, we cancelled Certificate No. 383-W by Order No. 24139, in Docket No. 900906-WU, which transferred all Utilities, Inc. of Florida systems and their rates in Lake County to Lake Utility Services, Inc. LUSI currently utilizes a rate structure established by us which was approved in an annual inflation index proceeding by Commission Authority No. WS-94-0103, effective July 8, 1994.

Over the past several years, LUSI engaged in a program to physically interconnect many small independent systems in the Lake County area. The different rate structures originated from several mutually exclusive water systems. There currently exists two different rate structures amongst the twelve subdivisions involved in this proceeding. Due to the growth in the area, and the interconnection of the systems, neighbors may have different water rates. The difference in rates has generated many questions of both the company and us.

LIMITED PROCEEDING

Our Staff sent a letter dated February 8, 1995, to Utilities, Inc., requesting that LUSI file with us a rate restructuring application for LUSI's physically interconnected subdivisions within 60 days. On February 27, 1995, we received from Utilities, Inc., an application for a limited proceeding to restructure water rates in Lake County by LUSI.

On March 21, 1995, our staff mailed to LUSI a first set of interrogatories and on April 25, 1995, staff received the responses. On June 7, 1995, staff mailed to the utility the second set of interrogatories and on July 13, 1995, staff received the second set of responses.

On May 25, 1995, a customer meeting was held in LUSI's service area in Clermont, Florida. Approximately 50 customers attended the customer meeting held in Jenkins Auditorium and 15 customers testified. One customer in the Preston Cove subdivision presented testimony regarding her concern over rates and tap-in fee discrepancies. The utility responded to the customer's concerns in its letter dated June 8, 1995. The vast majority of these customers favored the rate restructuring application.

RATES

Schedules Nos. 1 and 2, attached hereto and by reference incorporated herein, contain all of our adjustments to the utility's rates and rate structure. As discussed earlier, over the past several years, LUSI engaged in a program to physically interconnect many small independent systems in the Lake County area. The different rate structures originated from several mutually exclusive water systems. There currently exists two different rate structures amongst the twelve subdivisions involved in this proceeding. The following subdivisions are included in the rate restructuring: Clermont I, Clermont II, Amber Hill, The Oranges, Lake Ridge, The Vistas, Highland Point, Crescent Bay, Crescent West, Crescent Hills, Preston Cove, and South Clermont Area. The Lake Saunders and Four Lake subdivisions are not included in the rate restructuring application since they are located in different areas of the county and will not be physically interconnected to the other subdivisions. The utility shall continue billing its currently approved tariff rate for Four Lakes and Lake Saunders subdivisions.

On February 27, 1995, we received from Utilities, Inc., an application for a limited proceeding to restructure water rates in Lake County for LUSI. Our review of the application indicates that the utility is basing the proposed revenue requirement on the revenue generated during the test year ending December 31, 1994. The revenue generated during the test year ending 1994 was \$150,621 for those subdivisions included in the rate restructuring. The utility is also requesting that the proposed rates include the estimated cost of this Proposed Agency Action Order (PAA) being protested with a hearing. The utility submitted supporting documentation for the requested expenses, including an estimate to complete the limited proceeding without a hearing. The components that make up these expenses are as follows:

	<u>Protested PAA with Hearing</u>	<u>Resolved with PAA Order</u>
FPSC (filing fee):	\$ 1,000	\$ 1,000
Legal:	\$10,000	\$ 0
Accounting (capitalized time):	\$ 6,320	\$ 3,160
Misc. (copying, postage, etc.)	\$ 500	\$ 250
Total:	<u>\$17,820</u>	<u>\$ 4,410</u>

Although we originally advised the utility to file the limited proceeding as a revenue-neutral rate restructuring, we find that requiring the utility to file such a request without giving

consideration to and allowing the recovery of the expenses associated with this limited proceeding would result in unrecoverable loss to the utility. However, we have no way of knowing, at this time, that the PAA order will be protested. Therefore, we find it appropriate to approve only those costs incurred up to the issuance of the PAA order. If this matter is protested resulting in a hearing, the recovery of those additional expenses will be revisited. We find that these costs incurred up to the issuance of the PAA order were prudently incurred and are just and reasonable and they shall be recognized. Inclusion of these costs in the rate restructuring calculations, causes a slight increase of .0083% in the utility's base facility charge for a 5/8 inch residential meter.

The costs associated with this limited proceeding, \$4,410, shall be grossed-up for regulatory assessment fees and amortized over a four year period, as discussed later in this Order. In this way, those costs can be fully recovered and as with rate case expense, after they are fully recovered, rates shall be reduced in order to eliminate those costs from the utility's rate structure. Therefore, we find that the approved rates shall be based on a revenue requirement of \$151,775, which includes these costs being amortized over four years.

Pursuant to Section 367.081, Florida Statutes, the Commission shall, either upon request or upon its own motion, fix rates which are just, reasonable, compensatory, and not unfairly discriminatory. The approved rate structure design is a more adequate rate structure for the utility that will recognize the fact that these systems are no longer independent. The rates presently being charged do not recognize the higher demand placed upon the water system by larger meter sizes other than a standard 5/8" by 3/4" meter. Therefore, we approve metered water service for these larger meter sizes and the rates shall be based on equivalent residential connection (ERC) equivalents for each meter size, in accordance with the standards provided by the American Water Works Association (AWWA). This results in rates which are more just, reasonable, and compensatory.

The approved restructured rates are hereby designed to produce revenues of \$151,775. The utility shall file revised tariff sheets and a proposed customer notice to reflect the appropriate restructured rates for the subdivisions, mentioned in the case background. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The rates may not be implemented until proper notice has been received by the

customers. The utility shall provide proof of the date notice was given within 10 days after the date of notice.

SERVICE AVAILABILITY

There currently exists two different rate structures and service availability charges amongst the twelve subdivisions involved in this proceeding. The utility has not requested a review of its service availability policy. The utility believes that the appropriate time to revise and/or change the service availability charges are in the course of a rate case. Pursuant to Section 367.101, Florida Statutes, the Commission shall set just and reasonable charges and conditions for service availability. We believe that it may be appropriate to review the utility's service availability charges at this time. Therefore, the utility shall provide upon staff's request, the necessary information regarding service availability charges within ninety days of the issuance date of this order.

STATUTORY FOUR-YEAR RATE REDUCTION

LUSI's water rates shall be reduced as shown on Schedule No. 2, to remove \$1,154 for expenses grossed-up for regulatory assessment fees which will be amortized over a four year period. In this way, those expenses can be fully recovered and as with rate case expense, after they are fully recovered, rates will be reduced in order to eliminate those expenses from the utility's rate structure. If those expenses were included in total in yearly operating expenses instead, we find that recovery would likely be excessive. We find that this approach allows the utility to recover those expenses without over recovery by including the total amount as a normal yearly operating expense.

The utility shall file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility also shall file a proposed customer notice setting forth the lower rates and reason for the reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall 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.

Finally, this docket shall remain open pending our determination of appropriate service availability charges for LUSI.

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Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Lake Utility Services, Inc.'s application for a limited proceeding to restructure its rates is hereby approved. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that Lake Utility Services, Inc. is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that the rates approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code, provided the customers have received notice. It is further

ORDERED that Lake Utility Services, Inc. shall provide proof that the customers have received notice within 10 days of the date of notice. It is further

ORDERED that Lake Utility Services, Inc. shall provide the necessary information regarding its service availability policy within 90 days of the issuance of this Order. It is further

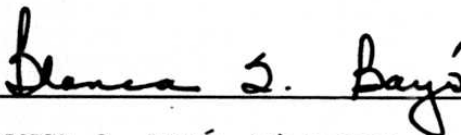
ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period, consistent with out decision herein. The utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall file a customer notice. It is further

ORDERED that if the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall 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. It is further

ORDERED that this docket shall remain open.

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By ORDER of the Florida Public Service Commission, this 5th
day of October, 1995.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 26, 1995.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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UTILITY: LAKE UTILITY SERVICES, INC.
DOCKET NO. 950232-WU
TEST YEAR ENDED: 12/31/94

SCHEDULE NO. 1-A

Water - Residential Service
Monthly Rates (billed Bi-Monthly)

Monthly Rates- to any customer in Crescent Bay, Preston Cove, South Clermont
Region, and any area for which no other schedule applies

Base Facility Charge:

<u>Meter Size</u>	<u>Current</u>	<u>Utility Requested</u>	<u>Commission Approved</u>
5/8" x 3/4"	\$16.52	\$ 7.00	\$ 4.81
3/4"	--	\$ 10.50	\$ 7.22
1"	--	\$ 17.50	\$ 12.03
1-1/2"	--	\$ 35.00	\$ 24.05
2"	--	\$ 56.00	\$ 38.48
3"	--	\$112.00	\$ 76.96
4"	--	\$175.00	\$120.25
Gallonge Charge per 1,000 gallons	\$ 1.86	\$ 0.81	\$ 0.80

Typical Residential Bills - Bi-Monthly

<u>5/8" x 3/4" meter</u>			
6,000 Gallons	\$44.20	\$18.86	\$14.42
10,000 Gallons	\$51.64	\$22.10	\$17.62
20,000 Gallons	\$70.24	\$30.20	\$25.62

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UTILITY: LAKE UTILITY SERVICES, INC.
 DOCKET NO. 950232-WU
 TEST YEAR ENDED: 12/31/94

SCHEDULE NO. 1-B

Water - Residential Service
Monthly Rates (billed Bi-Monthly)

Monthly Rates- to any customer in Amber Hill, Clermont I, Clermont II, Cresent West, Highland Point, Lake Ridge Club, The Oranges, The Vistas I & II, Lake Cresent Hills, and any area for which no other schedule applies

Base Facility Charge:		Utility	Commission
<u>Meter Size</u>	<u>Current</u>	<u>Requested</u>	<u>Approved</u>
5/8"	\$7.04*	\$ 7.00	\$ 4.81
3/4"	\$7.04*	\$ 10.50	\$ 7.22
1"	\$7.04*	\$ 17.50	\$ 12.03
1-1/2"	\$7.04*	\$ 35.00	\$ 24.05
2"	\$7.04*	\$ 56.00	\$ 38.48
3"	\$7.04*	\$112.00	\$ 76.96
4"	\$7.04*	\$175.00	\$120.25

* for the first 5,000 gallons,
 gallonage charge thereafter.

Gallonage Charge per 1,000 gallons	\$ 0.69	\$ 0.81	\$ 0.80
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Typical Residential Bills - Bi-Monthly

<u>5/8" x 3/4" meter</u>			
6,000 Gallons	\$14.07	\$18.86	\$14.42
10,000 Gallons	\$14.07	\$22.10	\$17.62
20,000 Gallons	\$20.97	\$30.20	\$25.62

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UTILITY: LAKE UTILITY SERVICES, INC.
 DOCKET NO. 950232-WU
 TEST YEAR ENDED: 12/31/94

SCHEDULE NO. 1-C

Water - Multi-Residential Service
Monthly Rates (billed Bi-Monthly)

Monthly Rates- to any master-metered residential customer in the Amber Hill, Clermont I, Clermont II, Crescent West, Highland Point, Lake Ridge Club, The Oranges, The Vistas I & II, Lake Crescent Hills, Crescent Bay, Preston Cove, and South Clermont Region and any area for which no other schedule applies, including but not limited to, Condominiums, Apartments, and Mobile Home Parks

Base Facility Charge:		Utility	Commission
<u>Meter Size</u>	<u>Current</u>	<u>Requested</u>	<u>Approved</u>
5/8"	--	\$ 7.00	\$ 4.81
3/4"	--	\$ 10.50	\$ 7.22
1"	--	\$ 17.50	\$ 12.03
1-1/2"	--	\$ 35.00	\$ 24.05
2"	--	\$ 56.00	\$ 38.48
3"	--	\$112.00	\$ 76.96
4"	--	\$175.00	\$120.25
 Gallage Charge per 1,000 gallons	 --	 \$ 0.81	 \$ 0.80

Typical Residential Bills - Bi-Monthly

<u>5/8" x 3/4" meter</u>			
6,000 Gallons	\$ --	\$18.86	\$14.42
10,000 Gallons	\$ --	\$22.10	\$17.62
20,000 Gallons	\$ --	\$30.20	\$25.62

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UTILITY: LAKE UTILITY SERVICES, INC.
DOCKET NO. 950232-WU
TEST YEAR ENDED: 12/31/94

SCHEDULE NO. 1-D

Water - General Service
Monthly Rates (billed Bi-Monthly)

Monthly Rates- to any customer in Cresent Bay, Preston Cove, South Clermont
Region, and any area for which no other schedule applies

<u>Base Facility Charge:</u> <u>Meter Size</u>	<u>Current</u>	<u>Utility</u> <u>Requested</u>	<u>Commission</u> <u>Approved</u>
5/8"	\$16.52	\$ 7.00	\$ 4.81
3/4"	\$24.74	\$ 10.50	\$ 7.22
1"	\$41.24	\$ 17.50	\$ 12.03
1-1/2"	\$82.49	\$ 35.00	\$ 24.05
2"	\$131.97	\$ 56.00	\$ 38.48
3"	\$263.94	\$112.00	\$ 76.96
4"	\$412.41	\$175.00	\$120.25
Gallonage Charge per 1,000 gallons	\$ 1.86	\$ 0.81	\$ 0.80

Typical Residential Bills - Bi-Monthly

<u>5/8" x 3/4" meter</u>			
6,000 Gallons	\$44.20	\$18.86	\$14.42
10,000 Gallons	\$51.64	\$22.10	\$17.62
20,000 Gallons	\$70.24	\$30.20	\$25.62

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UTILITY: LAKE UTILITY SERVICES, INC.
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SCHEDULE NO. 1-E

Water - General Service
Monthly Rates (billed Bi-Monthly)

Monthly Rates- to any customer in Amber Hill, Clermont I, Clermont II, Crescent West, Highland Point, Lake Ridge Club, The Oranges, The Vistas I & II, Lake Crescent Hills, and any area for which no other schedule applies

Base Facility Charge: <u>Meter Size</u>	<u>Current</u>	<u>Utility Requested</u>	<u>Commission Approved</u>
5/8"	\$7.04*	\$ 7.00	\$ 4.81
3/4"	\$7.04*	\$ 10.50	\$ 7.22
1"	\$7.04*	\$ 17.50	\$ 12.03
1-1/2"	\$7.04*	\$ 35.00	\$ 24.05
2"	\$7.04*	\$ 56.00	\$ 38.48
3"	\$7.04*	\$112.00	\$ 76.96
4"	\$7.04*	\$175.00	\$120.25

* for the first 5,000 gallons,
gallonge charge thereafter.

Gallonage Charge per 1,000 gallons	\$ 0.69	\$ 0.81	\$ 0.80
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Typical Residential Bills - Bi-Monthly

<u>5/8" x 3/4" meter</u>			
6,000 Gallons	\$14.07	\$18.93	\$14.42
10,000 Gallons	\$14.07	\$22.17	\$17.62
20,000 Gallons	\$20.97	\$30.20	\$25.62

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UTILITY: LAKE UTILITY SERVICES, INC.
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SCHEDULE NO. 2

RATE SCHEDULE

**Schedule of Rate Decrease After Expiration of
Amortization Period for Rate Case Expense**

Monthly Rates- to any customer in Clermont I, Clermont II, Amber Hill, The Oranges, Lake Ridge, The Vistas, Highland Point, Crescent Bay, Crescent West, Crescent Hills, Preston Cove, South Clermont Area, and any area for which no other schedule applies.

Monthly Rates

Residential, Multi-Family, and General Service

Base Facility Charge:	Commission Approved Rates	Rate Decrease
<u>Meter Size</u>		
5/8" x 3/4"	\$ 4.81	\$ 0.04
3/4"	\$ 7.22	\$ 0.05
1"	\$ 12.03	\$ 0.09
1-1/2"	\$ 24.05	\$ 0.18
2"	\$ 38.48	\$ 0.29
3"	\$ 76.96	\$ 0.59
4"	\$120.25	\$ 0.91
 Gallonage Charge per 1,000 gallons	 \$ 0.80	 \$ 0.01