

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for certificate to provide water service in Polk County by The Colinas Group, Inc., receivers for Lazy S Utility Company.

DOCKET NO. 031087-WU
ORDER NO. PSC-04-1245-FOF-WU
ISSUED: December 16, 2004

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

ORDER ACKNOWLEDGING APPOINTMENT OF THE COLINAS GROUP, INC. AS
RECEIVER, GRANTING CERTIFICATE NO. 624-W TO
THE COLINAS GROUP, INC., AND APPROVING
PAYMENT PLAN FOR REGULATORY ASSESSMENT FEES

BY THE COMMISSION:

The Colinas Group, Inc. (CGI or utility) is a Class C water utility providing service to approximately 105 customers in Polk County. The utility is in the Southwest Florida Water Management District (SWFWMD) in the Southern water use caution area. Water is purchased from the City of Lakeland through a master meter. Wastewater service is provided by septic tanks. The utility was organized in approximately 1960.

Although Polk County came under Commission jurisdiction on May 14, 1996, this utility was not brought to our attention until a notice of intent to abandon the utility was filed by the representatives of the Estate of Mr. Archar Smith. It appears that the system was previously exempt from Commission regulation pursuant to Section 367.022(8), Florida Statutes, because the owner was charging less than the cost of the water service to the customers of Lazy S Utility Company (Lazy S).

On February 7, 2003, the Circuit Court of the Tenth Judicial Circuit in Polk County issued an Order in Case No. 53-2002-CA-004961, declaring Lazy S abandoned and appointing CGI receiver of the system. In addition, the court order established new rates and charges for the utility and required the rates and charges to remain in effect until the Commission establishes rates for the utility. The only assets are the distribution system and meters which are in poor condition.

On December 3, 2003, CGI applied for a certificate of authorization for the Lazy S system. The utility's initial application was found to be deficient. The utility corrected the deficiencies on August 10, 2004. Several customers filed timely objections to the utility's

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certificate application. All of the objections have been resolved and the last objection was withdrawn on September 1, 2004, making this date the official filing date of the completed application. Pursuant to Section 367.031, Florida Statutes, we shall grant or deny an application for a certificate of authorization within 90 days after the official filing date of the completed application.

On November 1, 2004, CGI requested our approval of a proposed payment plan for its outstanding 2003 Regulatory Assessment Fees (RAFs) and associated penalties and interest.

This order addresses the acknowledgement of the appointment of CGI as receiver for Lazy S, CGI's application for water certificate, the authorization of rates and charges, service availability charges, and the requested payment plan for outstanding RAFs, penalties and interest. We have jurisdiction pursuant to Sections 367.031 and 367.045 Florida Statutes.

ACKNOWLEDGMENT OF CGI AS RECEIVER

On February 7, 2003, the Circuit Court of the Tenth Judicial Circuit in Polk County (circuit court) issued an order in Case No. 53-2002-CA-004961, declaring Lazy S abandoned and appointing CGI as receiver for the system. In addition, the court order increased the rates for all customers until such time as the Commission establishes rates for the utility. Rule 25-30.090, Florida Administrative Code, provides for the Commission to assist counties in the appointment of a receiver. In this case, the abandonment resulted from the death of the original owner and the personal representatives of the deceased's estate no longer wanting to be in the utility business. According to the Department of State, Division of Corporations, Lazy S is no longer active as a corporation. Before the utility went into receivership, Polk County and the City of Lakeland were each given the opportunity to take over the operations of the utility and both declined. Although we have had jurisdiction in Polk County since May, 1996, Lazy S had never applied for a certificate from the Commission. Water is purchased from the City of Lakeland. It appears that the utility was exempt from Commission regulation pursuant to Section 367.022(8), Florida Statutes, because the owner was charging less than the cost of the water service to the customers of Lazy S. When the Commission received notice of the utility's intent to abandon, no action was taken because the system was believed to be exempt.

CGI began operating the utility on February 7, 2003, pursuant to the circuit court's appointment of CGI as the receiver for Lazy S. The term of the receiver's appointment is to continue until the receiver disposes of the utility and files a final report with the circuit court, or until further order of the court. In addition, the circuit court released CGI from posting any bond in regard to this matter and ordered CGI to file an inventory and accounting under oath within 20 days from the date of the order and every 12 months thereafter.

Among other provisions, the circuit court order required the owner to surrender all necessary easements for the operation of the utility, assets, documents and facilities pertaining to Lazy S to the receiver. The order required the receiver to operate and maintain uninterrupted service to customers, as well as to pay all operating expenses from the revenues received. In addition, the receiver was ordered to pay off the \$19,000 debt owed by the utility to the City of

Lakeland within 24 months. The receiver may, by order of the court, authorize construction for improvements to the property.

The court order also recognizes that, in accordance with Section 367.165(3), Florida Statutes, the receiver operating an abandoned utility shall be considered to hold a temporary authorization from the Commission. As such, the receiver is responsible for filing the 2003 annual report pursuant to Rule 25-30.110, Florida Administrative Code, and filing the 2003 regulatory assessment fees pursuant to Rule 25-30.120, Florida Administrative Code. In addition, the receiver is required to fulfill all requirements of a regulated utility.

Based upon the foregoing, we acknowledge The Colinas Group, Inc. as receiver for Lazy S Utility Company.

ORIGINAL WATER CERTIFICATE APPLICATION

As stated above, CGI was appointed as receiver for the Lazy S water system on February 7, 2003. The circuit court order required CGI to manage and operate the utility in accordance with the applicable statutes and regulations of the Commission. Based on the requirements of the circuit court order, CGI applied for a water certificate on December 3, 2003.

CGI completed its application for an original water certificate on August 10, 2004. The application is in compliance with the governing statute, Section 367.045, Florida Statutes, Rule 25-30.034, Florida Administrative Code, and other administrative rules concerning an application for an original certificate. Several customers filed objections to the application. The majority of objections raised concerns about whether the utility was seeking a rate increase in this proceeding, as well as concerns about the poor condition of the lines. The last objection and request for hearing was withdrawn and the official filing date became September 1, 2004. According to the applicant, CGI held a meeting on March 18, 2003, for customers interested in learning more about the water system.

The utility has provided adequate service territory and system maps and an adequate description of the territory requested. A description of the territory is appended to this order as Attachment A. The prior owner was ordered to turn over all necessary easements for the operation of the utility to the receiver.

CGI is owned by Mr. Charles Freed and four other investors. As evidence of CGI's financial and technical ability to provide water service, CGI has indicated that it will make the financial and operating commitment necessary for the utility to be successful in providing water service to the residents within its service territory as the funds become available. Currently, all funding for the system is provided from the utility's collection of the monthly service rates. As evidence of CGI's technical ability, the application indicated that Mr. Freed has 14 years of experience operating water and wastewater systems, four years as the Utilities Director for Polk County, and three years as the Utilities Director for Haines City, Florida. Mr. Freed has been a registered engineer in the state of Florida for 24 years.

The utility is interconnected with the City of Lakeland which supplies bulk water to the system through a master meter. The utility's facilities consist of a distribution system and meters which are in poor condition. Attachment B to this order is a copy of a letter from the SWFWMD describing the condition of the water system and the needed repairs. The receiver has aggressively repaired leaks in the water system, which currently meets all existing water quality and quantity standards required by the Polk County Health Department. The applicant stated that there are no other utilities willing to provide water service to the community. The Department of Community Affairs (DCA) has advised that the proposal by CGI to provide water service is consistent with the Polk County Comprehensive Plan.

Based on the above information, we find that it is in the public interest to grant the application for an original water certificate to CGI. Although CGI has limited financial resources, it has demonstrated that it has the technical expertise to operate the utility in a safe and efficient manner. Further, no other entity has been identified that is willing and able to take over the system. Pursuant to Section 367.165(3), Florida Statutes, the receiver operating an abandoned utility shall be considered to hold a temporary authorization from the Commission. Accordingly, The Colinas Group, Inc. shall be granted water Certificate No. 624-W to serve the territory described in Attachment A, effective February 7, 2003.

RATES AND CHARGES

As previously discussed, the prior owner appears to have been exempt from Commission regulation pursuant to Section 367.022(8), Florida Statutes, because water service was sold at a price which did not exceed the purchase price. According to the utility's application, the prior owner collected varying amounts (\$0 - \$20) per month from the customers of Lazy S.

Pursuant to Section 367.165(3), Florida Statutes, the receiver operating a utility shall be considered to hold a temporary authorization from the Commission, and the approved rates of the utility shall be deemed to be the interim rates of the receiver until modified by the Commission. The utility's proposed monthly rates and charges were established by the circuit court on February 7, 2003. The court authorized CGI to collect those rates until the Commission otherwise establishes rates for the utility. The court also ordered CGI to pay the outstanding amount due to the City of Lakeland for purchased water, approximately \$19,000. The following rates and charges were approved by the circuit court for CGI:

WATER
Residential
Monthly Service Rates

<u>Base Charge</u> (includes 8,000 gallons)	\$ 35.50
Charge per 1,000 gallons	
8,001-13,000 gallons	\$ 2.05
13,001-18,000 gallons	\$ 2.50
18,001+ gallons	\$ 2.75

Miscellaneous Service Charges

Initial Connection Fee	\$ 15.00
Normal Reconnection Fee	\$ 20.00
Violation Reconnection Fee	\$ 15.00
Premises Visit Fee (in lieu of disconnection)	\$ 10.00
Late fee	\$ 3.50

CGI has been charging only the \$35.50 base charge because most of the customers are not metered. The few existing meters in the service area do not work properly. No new meters have been installed by CGI to date.

The original cost of the distribution system for Lazy S is unknown. CGI's investment to date is limited to the amount spent to repair the distribution system as leaks have been detected. Even if the original cost for the distribution system were known, that amount would be imputed as contributions in aid of construction pursuant to Rule 25-30.570, Florida Administrative Code.

Collecting \$35.50 per month from 105 customers results in revenues of \$44,730 per year. The utility's primary expense is the cost of purchased water to the City of Lakeland. The City charged a base facility charge of \$59.00 per month and \$1.73 per 1,000 gallons as of September, 2003. However, on October 1, 2004, the rates increased to a base facility charge of \$63.13 per month and \$1.85 per 1,000 gallons. The Lazy S customers have been using approximately 1,600,000 - 2,200,000 gallons of water per month. For the 12 month period from October, 2003, to September, 2004, CGI incurred a cost of \$42,295 for purchased water.

The utility provided a schedule showing its operating and maintenance costs for February, 2003, through November, 2003. No information regarding proposed salaries or a return on investment was included. The utility's average monthly expenses for contractual services, water testing, materials and supplies, and billing were approximately \$495, excluding salaries, purchased water and regulatory assessment fees.

Mr. Freed does not want to raise the rates at this time because this area is economically depressed. He has continued to work with the City of Lakeland in hopes that it will take over the system. He indicated that he intends to apply for a staff assisted rate case in the near future, at which time the utility may be able to provide better information regarding the cost to install meters and repair the distribution system.

CGI, as receiver for Lazy S, shall continue to charge the monthly service rates and miscellaneous charges authorized by the circuit court until otherwise authorized by the Commission. The tariff reflecting the approved rates and charges shall be effective for services provided or connections made on or after the stamped approval date on the tariff sheets.

SERVICE AVAILABILITY CHARGES

Pursuant to Section 367.165(3), Florida Statutes, the receiver operating a utility shall be considered to hold a temporary authorization from the Commission, and the approved rates of the utility shall be deemed to be the interim rates of the receiver until modified by the Commission. The utility's service availability policy and charges were established by the circuit court on February 7, 2003. The court authorized CGI to collect those rates until the Commission otherwise establishes rates for the utility. The following service availability charges were approved by the circuit court for CGI:

Meter Installation Charge	\$150.00
Water Connection Charge	\$300.00

The circuit court order further provided that an assessment would be necessary to pay for installation of new meters and provided that it could be paid as a one-time payment or as an additional item on the monthly water bills for 12 or 24 months. The connection fee was to be charged for new connections.

As discussed above, CGI has been charging only the \$35.50 base charge because most of the customers are not metered. The few existing meters in the service area do not work properly. No new meters have been installed by CGI to date. While the circuit court order indicates that a meter installation charge could be implemented for the existing customers, it has been our practice not to charge existing customers for the installation of meters. Accordingly, the existing customers will not be charged for meters at this time.

The meter installation and connection charges set forth above are appropriate and are approved effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code.

PAYMENT PLAN FOR RAFS

According to its Annual Report for 2003, the utility had gross operating revenues of \$29,632.83. Therefore, it should have paid RAFs of \$1,333.47 (.045 x \$29,632.83) by March 31, 2004. Instead, it incorrectly deducted \$24,635.77 from its gross operating revenues for water that it purchased from the City of Lakeland, an exempt entity, and paid \$220.46 on June 30, 2004. The utility incorrectly applied Rule 25-30.120(5), Florida Administrative Code. This rule allows a utility that purchases water from another utility regulated by the Commission to deduct the annual expense for purchased water from its gross operating revenues before calculating the amount of the RAFs due. Therefore, RAFs of \$1,113.02 (\$1,333.47 - \$220.46) are still outstanding for 2003. Further, penalties and interest of \$311.33 and \$95.65, respectively, have been calculated through November 30, 2004. The result is outstanding RAFs, penalties and interest of \$1,520, as shown below.

	RAFs	Penalties	Interest	Total
June 30, 2004	\$ 220.46 Paid	\$ 33.07	\$ 6.61	\$ 39.68
RAFS, Penalties and Interest	\$1,113.02	278.26	89.04	1480.32
Total Owed	\$1,113.02	\$311.33	\$95.65	\$1520.00

Pursuant to Sections 350.113(3)(e) and 367.145, Florida Statutes, and Rule 25-30.120(1), Florida Administrative Code, each utility shall remit annually RAFs in the amount of 0.045 of its gross operating revenues. Pursuant to Rule 25-30.120(2), Florida Administrative Code, "[t]he obligation to remit the [RAFs] for any year shall apply to any utility which is subject to [the] Commission's jurisdiction on or before December 31 of that year or for any part of that year, whether or not the utility has actually applied for or been issued a certificate." Since CGI came under the Commission's jurisdiction February 7, 2003, CGI is responsible for RAFs for the time period of February 7, 2003 to the present.

Furthermore, pursuant to Section 350.113(4), Florida Statutes, and Rule 25-30.120(7)(a), Florida Administrative Code, a statutory penalty plus interest shall be assessed against any utility that fails to timely pay its RAFs, in the following manner:

1. 5% of the fee if the failure is for not more than 30 days, with an additional 5% for each additional 30 days or fraction thereof during the time in which failure continues, not to exceed a total penalty of 25%.
2. The amount of interest to be charged is 1% for each 30 days or fraction thereof, not to exceed a total of 12% per annum.

As stated above, on November 1, 2004, CGI submitted a letter requesting to pay its delinquent 2003 RAFs and associated penalties and interest using a payment plan of \$200 per month. We approve the proposed payment plan. The first \$200 payment shall be remitted by December 20, 2004. Monthly payments of \$200 shall be received by the 20th of every month through June, 2005 and one final payment of \$120 shall be received by July 20, 2005. If CGI does not make a payment in accordance with the payment schedule, we will take measures to further enforce the payment plan.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the appointment of The Colinas Group, Inc. as receiver of Lazy S Utility Company is acknowledged. It is further

ORDERED that The Colinas Group, Inc. is granted Certificate No. 624-W to operate a water utility serving the territory set forth in Attachment A, effective February 7, 2003. It is further

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ORDERED that The Colinas Group, Inc. shall continue to charge the monthly service rates and miscellaneous charges authorized by the circuit court until otherwise authorized by the Commission. It is further

ORDERED that the tariff reflecting the approved rates and charges shall be effective for services provided or connections made on or after the stamped approval date on the tariff sheets. It is further

ORDERED that The Colinas Group, Inc.'s proposed payment plan for outstanding RAFs is approved as set forth in the body of this Order. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 16th day of December, 2004.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(SEAL)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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.

Any party adversely affected by the Commission's final action in this matter may request:

- 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or
- 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of the Commission Clerk and Administrative Services 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 after the issuance 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.

Attachment A

The Colinas Group, Inc.
Receiver for Lazy S. Utility, Inc.
Water Service Area

Commencing at the Northwest corner of Section 26, Township 28 South, Range 23 East, thence South a distance of 25 feet to the South right-of-way line of Ariana Street also being The Point of Beginning, thence due east along the South right-of-way line of Ariana Street to the Northeast corner of the West 1/2 of the East 1/2 of the Northwest 1/4 of said section, thence Southerly a distance of 1225 feet, thence Easterly a distance of 670 feet to the East line of the Northwest 1/4 of said section, thence southerly along the East line of the Northwest 1/4 of said section a distance of 1430 feet to the Centerline of said section, thence West along the Centerline of said section to the West line of the Northwest 1/4 of Section 26, Township 28 South, Range 23 East, thence North along the West line of said section to the South right-of-way line of Ariana Street, also being the Point of Beginning. Being 142 acres more or less.



Southwest Florida Water Management District

2379 Broad Street, Brooksville, Florida 34604-6899
(352) 796-7211 or 1-800-423-1476 (FL only)
SUNCOM 628-4150 TDD only 1-800-231-6103 (FL only)
On the Internet at: WaterMatters.org

Tampa Service Office
7601 Highway 301 North
Tampa, Florida 33637-6759
(813) 965-7481 or
1-800-836-0797 (FL only)
SUNCOM 578-2070

Bartow Service Office
170 Century Boulevard
Bartow, Florida 33830-7700
(863) 534-1448 or
1-800-492-7862 (FL only)
SUNCOM 572-6200

Sarasota Service Office
6750 Fruhille Road
Sarasota, Florida 34240-9711
(941) 377-3722 or
1-800-320-3503 (FL only)
SUNCOM 531-6900

Lecanto Service Office
3600 West Sovereign Path
Suite 226
Lecanto, Florida 34461-0070
(352) 527-8131
SUNCOM 667-3271

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William S. Blanton,
General Counsel

January 27, 2004

Charles S. Freed, P.E.
The Colinas Group, Inc.
2033 East Edgewood Drive, Suite 5
Lakeland, Florida 33803-3601

Subject: Lazy S Utilities

Dear Mr. Freed:

On January 26, 2004, Clay Shrum (Florida Rural Water Association Circuit Rider), Scott McGooney (Water Conservation Analyst), and I met you at the service area of Lazy S Utilities in Lakeland, Florida. The purpose of our visit was to determine the cause of seemingly excessive water consumption (approximately 500 gallons/connection/day), and to attempt to remedy the cause(s) of said excessive consumption. The purpose of this letter is to document our findings and observations.

First, let me state that in the 13+ years I have worked for the Southwest Florida Water Management District (SWFWMD), Lazy S is the most deficient water distribution system I have encountered. In my opinion, the entire distribution system needs to be rebuilt/replaced. Until major repairs (or complete replacement) are effected, excessive water consumption will continue. Correcting the multitude of problems will require a major capital expenditure. Even if the system as it exists were to function at 100% efficiency, service to the approximately 100 customers would not be satisfactory. I will now address each of the reasons which lead to my conclusion.

System Infrastructure: The system, according to the available map, consists primarily of two-inch distribution mains. These mains are undersized to adequately provide flow to the approximately 100 connections in the service area. I would expect that, at times, water pressures drop dangerously close to the minimum pressures required by the Florida Department of Environmental Protection, and flows to provide fire protection in the service area would require at least six-inch diameter water mains.

Protecting Your
Water Resources

04 JAN 30 AM 10:16
ECONOMIC REGULATION
PUBLIC SERVICE

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Infrastructure Location: There appears to be no consistency to the way this system is laid out. According to the map, some of the lines run across the streets from side-to-side, while other lines run behind residential units. Because some of these pipes are plastic (PVC), locating them is labor intensive. It would be difficult to locate these lines with line location equipment, because it is doubtful that the system's late owner included tracer wire when he installed the piping. Therefore, locating these lines is a hit-or-miss proposition, and can only be done by exploratory excavation of the areas where lines are suspected to be.

Leakage: It is likely that leakage is a major cause of excessive water consumption within the service area, although some might be attributable to lack of conservation by the consumers. Lack of conservation is often related to rate structure, which I will address later. Conventional leak detection is accomplished acoustically. The leak detector listens for vibrations which may be indicative of leakage. However, in order to listen for these vibrations, listening points on the system must be accessible. Normally, valves and hydrants serve as listening points. Since most of the system valves have not or cannot be located, and there are no fire hydrants within the service area due to inadequately sized mains, leak detection is difficult.

The presence of buried metallic debris complicates attempts to locate infrastructure. While I have a metal detector, it is ferro-magnetic in nature and it will only locate iron or steel objects. All of Lazy S's valves are two-inch or less in size. These small valves are typically made of brass, a condition which renders my locator useless. The presence of buried metallic debris complicates valve location with other types of metal detectors. Our attempts to find system infrastructure with the ferro-magnetic locator uncovered, among other things, a discarded (automotive) oil filter, a steel fence post, and corroded pieces of steel tubing. This leaves service meters as the primary access point available for leak detection and, for a variety of reasons, service meters are the least preferable access point for acoustic leak detection. Furthermore, the distance at which leaks can be detected (the distance vibrations travel along a pipe) is a function of pipe material density. Since portions of the system are of PVC composition (plastic is low in density), successful leak detection technique requires access points at fairly close intervals. In walking the two streets with you, we only found five meters, three of which were side-by-side in one location and two in another. The lack of exposed access points and the pipe composition (PVC) means that many leaks, even large ones, might not be heard unless they are in close proximity to one of the limited access points.

In many cases, leakage within dwelling units can be detected acoustically if access to drainage pipes is available. Unfortunately, many of the properties in the Lazy S service area are fenced, and the majority of these enclosures are inhabited by large, aggressive dogs. Therefore, access to wastewater drains is extremely limited.

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Metering: While service meters were installed by the original owner, they were not installed in accordance with standard industry practices, i.e., in meter boxes. Standard industry practices are generally defined in the various American Water Works Association (AWWA) Manuals. Boxes provide meters a degree of protection, and simplify their maintenance and reading. In addition, placement of meters is random. Many of the meters that have been located (some have not been located) are *not on lot lines*, and it is difficult to determine which units are served by which meter. Given three dwelling units in a line, two of them might be serviced by a main along the front of the property, while the third is served by a line from the adjacent street. It is also likely, or at least possible, that single connections are serving multiple units.

Additionally, all of the meters I observed were manufactured by Hays. I have, in my 13 years with SWFWMD, worked in many utility systems where there is a hodge-podge of meters (e.g., Badger, Neptune, Rockwell, Precision, Hays, etc.). Throughout that time, I have consistently found Hays meters to be extremely inaccurate in comparison with other brands, often to the point that they do not record any flow at all (at a dead stop). While we did not conduct any "in place" meter tests to verify meter accuracy, doing so would be difficult due to the previously mentioned aggressive dogs. **Furthermore, AWWA recommends that residential service meters be replaced at ten-year intervals. Most, if not all of the meters in Lazy S's service area are much older than ten years. A complete meter change out would be an expensive proposition.**

Rate Structure:

Flat rates, such as currently charged by Lazy S Utilities are not conducive to water conservation. Unless residents are charged volume based rates, they have no incentive to conserve. Furthermore, any resident whose water is shut off for failure to pay a water bill can simply run a hose from their neighbor's property to their own. Since the neighbor is being charged a flat rate, "sharing" a connection does not increase the neighbor's cost. Because all of the existing water meters have not been located, cutting water to delinquent accounts may not even be possible.

In comparison, volume based rates encourage water conservation and prudent usage. Unfortunately, volume based rates require that each customer have a functioning and accurate service meter. It is not fair to apply volume based rates only to those customers whose meters have been located, but not to those whose meters have not been located. Even if all of the meters could be located and were found to be completely accurate, there would be labor costs associated with reading the meters and the associated accounting that would be required to prepare and send bills to the customers.

Conclusion: Simply put, after investigating Lazy S's distribution system, I believe the utility is in need of a massive cash infusion. The ten dollar a month flat rate currently being

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charged to the approximately 100 connections equates to a monthly cash flow of \$1,000. The fact that the utility currently owes the City of Lakeland \$19,000, coupled with ongoing excessive water usage, would suggest that the utility's financial status is not going to improve. Even the court proposed flat rate of \$35.50 per month would not yield enough income to pay off the debt and address the infrastructure improvements necessary to bring this system up to standard. Furthermore, a single leak could wreak havoc on a precariously balanced budget, and leaks are a fact of life in the day-to-day operations of every utility system. In my opinion, unless infrastructure deficiencies are corrected and customers absorb the actual cost of delivering their water, the operation of Lazy S Utilities will be a losing proposition.

I am more than willing to provide additional assistance to Lazy S Utilities. However, meter accuracy testing makes little sense as long as flat rates remain in effect; in reality, the meters are serving no purpose. In the absence of more access points throughout the system, leak detection will likely be futile. Should more access points be exposed, a concerted leak detection survey might help reduce excessive consumption, but would not correct the underlying factors that are plaguing Lazy S Utilities. Please call if you wish to discuss any of my observations, or if there is anything I can do to assist you. I can be reached at 800-423-1476, extension 4198, or email: carl.wright@swfwmd.state.fl.us.

Carl P. Wright

Carl P. Wright
Senior Water Conservation Analyst
Conservation Projects Section
Resource Conservation and Development Department

cc: Kathy Scott
Richard Redemann