

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD CIRCLE SUITE 200
TALLAHASSEE, FLORIDA 32399-0850

RECEIVED-FPSC

NOV 24 AM 9:52

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

COMMISSION
CLERK

DATE: November 24, 2010
TO: Office of Commission Clerk (Cole)
FROM: Division of Economic Regulation (Simpson)
RE: Docket No. 090531-WS -- Application for staff-assisted rate case in Highlands County by Lake Placid Utilities, Inc.

Attached is an email copy of the Lake Placid's response to the Office of Public Counsel's query regarding the calculation of excess infiltration and inflow. Please add the attached email to this docket.

Should you have any questions regarding this matter, please feel free to contact me.

Attachment

DOCUMENT NUMBER - DATE

09581 NOV 24 e

FPSC-COMMISSION CLERK

Robert Simpson

From: Patrick Flynn [PCFlynn@uiwater.com]
Sent: Thursday, November 18, 2010 3:38 PM
To: Andrew Maurey; Patti Daniel; Robert Simpson; Stan Rieger
Cc: Kirsten Weeks; Christian Marcelli; Bart Fletcher
Subject: RE: Lake Placid matter

Andrew,

In looking over Denise's work papers showing her recalculation of excess I&I, she multiplied non-water use volume by 90%. However, the non-water use sewer volume reflects water used by DeeAnn Estates residents who use lake water for irrigation purposes, not potable water from their community well. Consequently, the percentage of water returned from these 70 customers should be calculated as 96%. This causes the total estimated flows returned to be 7,975,380 gallons and makes the excess percentage 27.4%.

The main driver for the significant increase in excess I&I compared to the condition in the last docket is the jump in total plant flow in this docket compared to the plant flow identified in the 2006 docket (2005TY). Average daily flow went up from 15,600 gpd to 37,400 gpd. In essence, the average daily flow more than doubled but there has not been a significant increase in customers in the interim period. I suspect the issue is related to the measurement of plant flow being inflated, especially when a review of the monthly average flow data for the period of September 2007 to December 2009 was always within the range of 34,000-39,000 gpd.

Because the plant's permitted capacity is 90,000 gpd, the current flow rate is still well below the plant's permitted capacity and consequently, there has not been any difficulty in operating the WWTP within its permit limits. Additionally, the purchased power cost to operate the treatment plant is the same whether the plant processes 15,000 gpd or 38,000 gpd. The only adjustment that should be made in this case to purchase power expense should be related to the electric bills associated with Lift Stations 1 and 2 and then only the variable portion of the electric bills, not Progress Energy's base charge.

With respect to chemical expense adjustment, there should not be any adjustment made in this instance because the chemical feed rate for this small plant would be essentially the same if there was no excess I&I. The rate that sodium hypochlorite is applied to the effluent to insure adequate and complete disinfection is manually set by the contract operator. It does not vary with changes in flow rate, it is not flow paced, and the operator is only on site for a few minutes each day. Consequently, the feed rate must be set sufficiently high enough to properly and adequately disinfect during peak flow periods, not simply the average flow. Additionally, because the effluent is disposed of using rapid rate percolation ponds, there is no cap on the chlorine residual. There is a requirement for a minimum chlorine residual of 0.5 mg/L but no maximum limit.

In summary, I acknowledge that Denise's computation appears to indicate that this sewer system experienced excess I&I during the test year. However, the only impact to operating expense in this instance is to the power bills associated with two lift stations and then only to the portion of the bills that vary each month. No chemical expense adjustment is warranted in this instance.

Please let me know if you have any questions regarding the above information by contacting me at the address below or by email.

Thanks,
Patrick

11/23/2010



Patrick C. Flynn

Regional Director

Utilities, Inc., Southeast Region

200 Weathersfield Avenue

Altamonte Springs, FL 32714-4027

Tel: 407/869-1919 x1359

Fax: 407/869-6961

pcflyn@uiwater.com

UI VALUES: INTEGRITY - ACCOUNTABILITY - TEAMWORK - CREATIVITY - RESPECT

From: Andrew Maurey [mailto:AMaurey@PSC.STATE.FL.US]

Sent: Monday, November 15, 2010 11:57 AM

To: Christian W. Marcelli; Keino Young; VANDIVER.DENISE; REILLY.STEVE; Patti Daniel; Bart Fletcher; Robert Simpson; Shannon Hudson; Lydia Roberts; Cheryl Bulecza-Banks; Jennifer Crawford

Cc: Martin Friedman; John Hoy; Steve Lubertozzi; Kirsten Weeks; Erin Povich; Rick Durham; Patrick Flynn; John Williams

Subject: RE: Lake Placid matter

Christian,

Staff will revise the CASR to file the recommendation on Dec. 2 for consideration at the Dec. 14 Commission Conference.

In order to have Lake Placid's response considered in the revised recommendation, staff must receive the Utility's response no later than noon on Nov. 18.

thank you

Andrew

From: Christian W. Marcelli [mailto:CMarcelli@RSBattorneys.com]

Sent: Wednesday, November 10, 2010 5:22 PM

To: Keino Young; VANDIVER.DENISE; REILLY.STEVE; Patti Daniel; Bart Fletcher; Robert Simpson; Shannon Hudson; Lydia Roberts; Andrew Maurey; Cheryl Bulecza-Banks; Jennifer Crawford

Cc: Martin Friedman; John Hoy; UI - Steve Lubertozzi; UI - Kirsten Weeks; Erin Povich; Rick Durham; Patrick Flynn; John Williams

Subject: Lake Placid matter

Keino,

We need to request an extension on this matter. As you know, the Utility doesn't agree to the revisions from Staff on the Lake Placid U&U/I&I issue, and we weren't able to complete the Utility's response over the weekend. As such, the Utility requests an extension of time to respond to OPC and Staff's concerns. We understand that this will push the Agenda Conference for Lake Placid to December 14, 2010. Please let me know your thoughts.

Christian

11/23/2010

Christian Marcelli, Esquire
Rose, Sundstrom & Bentley, LLP
766 North Sun Drive
Suite 4030
Lake Mary, FL 32746
(407) 830-6331 (Phone)
(407) 830-8522 (Fax)
www.rsbatorneys.com

NOTICE: This e-mail message and any attachment to this e-mail message contains confidential information that is legally privileged. If you are not the intended recipient, you must not review, retransmit, convert to hard copy, copy, use or disseminate this e-mail or any attachments to it. If you have received this e-mail in error, please notify us immediately by return e-mail or by telephone at 888-877-6555 and delete the original and all copies of this transmission (including any attachments).

IRS CIRCULAR 230 DISCLAIMER: To ensure compliance with the requirements imposed on us by IRS Circular 230 (31 C.F.R. 10.33 - 10.37, et. seq.), we inform you that to the extent this communication, including attachments, mentions any federal tax matter, it is not intended or written and cannot be used for the purpose of avoiding Federal Tax penalties. In addition, this communication may not be used by anyone in promoting, marketing or recommending the transaction or matter addressed herein.