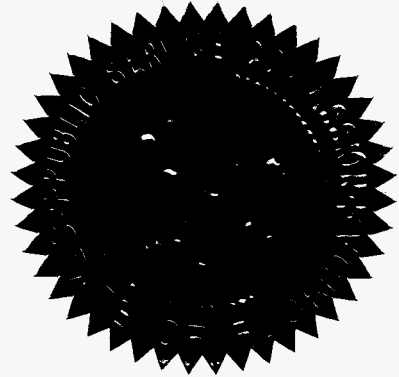


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 090531-WS

APPLICATION FOR STAFF-ASSISTED
RATE CASE IN HIGHLANDS COUNTY BY
LAKE PLACID UTILITIES, INC.



PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 16

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER NATHAN A. SKOP
COMMISSIONER RONALD A. BRISÉ

DATE: Tuesday, December 14, 2010

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: JANE FAUROT, RPR
Official FPSC Reporter
(850) 413-6732

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P R O C E E D I N G S

1
2 **CHAIRMAN GRAHAM:** Item Number 16.

3 I love the musical chairs.

4 Mr. Fletcher, you have the ball.

5 **MS. ROBERTS:** Commissioners, I am Lydia
6 Roberts with Commission Staff.

7 Item 16 is staff's revised recommendation
8 regarding the application for a staff-assisted rate
9 case for water and wastewater rates in Polk County
10 by Lake Placid Utilities.

11 Staff notes that this item was deferred
12 from the October 26th, 2010, Commission Conference
13 to address concerns on staff's used and useful and
14 excessive I&I calculations. Staff has oral
15 modifications to its recommendation which have been
16 previously provided to all the Commissioners and
17 parties. Staff is prepared to answer any questions
18 that the Commissioner may have.

19 **CHAIRMAN GRAHAM:** Thank you, Ms. Roberts.
20 I should have called on you.

21 Anything from the utilities?

22 **MR. FRIEDMAN:** Thank you, Mr. Chairman and
23 Commissioners. My name is Martin Friedman of the
24 law firm of Rose, Sundstrom & Bentley, and we
25 represent Lake Placid Utilities, Inc. in this

1 proceeding.

2 In Issue 3, we disagree with the
3 adjustment to the allocation of the cost of the new
4 computer system and the amortization period.
5 However, it's an issue we have raised in prior cases
6 without much success, and so I will not reargue
7 that, but do want to go on the record as disagreeing
8 with that adjustment.

9 Similarly, there was an adjustment in
10 Issue 7 with the salaries, another issue that we had
11 raised in previous cases unsuccessfully, but we do
12 want to make sure that we go on the record as
13 disagreeing with those adjustments, also. And I
14 would like to speak to any issues that Public
15 Counsel may raise at the appropriate time. Thank
16 you.

17 **CHAIRMAN GRAHAM:** Thank you, sir.
18 Public Counsel.

19 **MR. REILLY:** Thank you, Mr. Chairman and
20 Commissioners. Steve Reilly with the Office of
21 Public Counsel.

22 I would like to take this opportunity
23 before I speak to the one item, the issue that I
24 wanted to talk about, since this was the day you
25 gave awards to your staff for excellence, I wanted

1 to start by saying that I really feel that your
2 staff worked very hard to address issues and
3 concerns of both the utility and OPC for a number of
4 months, even at times to revisit some issues to get
5 it right, basically, and I think the staff has
6 endeavored to try to get it right in their view. We
7 certainly didn't win all of those issues, but we
8 appreciate the effort that they underwent.

9 The big issue that we felt was not gotten
10 right and we wanted to bring to your attention was,
11 unfortunately, a very significant issue of rate case
12 expense, which is -- what we have is really a very
13 unique situation here.

14 Lake Placid Utilities is a very small
15 stand-alone Class C water and wastewater utility
16 that is owned by a large holding company. It is
17 really the only such utility, that is a small Class
18 C that is owned and operated by Utilities, Inc. It
19 serves only 122 water customers and 192 wastewater
20 customers.

21 The final order in the last rate case for
22 this utility was issued in June of 2007. The order
23 provided a 20 percent increase in water revenues and
24 26 percent increase in wastewater revenues. But
25 because the utility was so small, the total dollar

1 amount of the water and wastewater increase was just
2 \$27,966. In the last rate case, however, to achieve
3 this rate increase of 27,000, the company asked for
4 rate case expense of \$171,000 to seek this rate
5 increase.

6 Now, staff, again, did a very good job,
7 worked hard, and disallowed and recommended,
8 including -- actually disallowed about \$100,000 of
9 that requested \$171,000. But that still produced a
10 rate case expense of \$70,620, which created an
11 amortization, an annual amortization of \$17,655,
12 which was like 63 percent of the total rate
13 increase.

14 At the agenda conference when this was
15 voted out, the Chairman, the then Chairman of the
16 Commission, Matthew Carter, urged all the parties,
17 OPC, the utilities, and staff that somehow we had to
18 find a better way of doing this thing of considering
19 a rate increase for a small stand-alone company,
20 because previously the policy of the Commission was
21 if you were a big holding company, you could not
22 avail yourself of staff assistance.

23 So with that admonishment, nothing more
24 happened in this case until our office received a
25 letter from Utilities, Inc. in August of 2009. So

1 we have just a little more than two years after that
2 rate case was finalized, and it was a final order,
3 we get a letter from Utilities, Inc. indicating that
4 they intended to seek another rate increase. This
5 August '09 letter provided information to our office
6 that supported a rate increase of -- I think it was
7 about a 75 percent rate increase for water and an
8 almost 20 percent increase for wastewater
9 representing about \$55,000 of increased requests.

10 Now, in deference to the utility, this
11 letter was sent to us with the hope that we could
12 somehow look at this case, settle it, and maybe
13 avoid rate case expense. And certainly in that
14 spirit we looked at their information, we considered
15 it, and for about two and a half months we
16 endeavored to see if there was some way that we
17 could address this issue and maybe bring a
18 settlement to you.

19 It became apparent to us after about two
20 and a half months that that was not in any way going
21 to be possible and that the gulf between us was too
22 great. So after this effort failed, we sort of took
23 the initiative that the company also supported, and
24 said let's try to go, both of us, to staff and seek
25 their agreement to make an exception, because this

1 is apparently -- this is the only utility in the
2 state of Florida that is a small Class C that
3 happens to be owned by a large holding company.

4 So we both asked for and staff ultimately
5 approved the idea of handling this as a
6 staff-assisted rate case. And so, I think it was
7 in -- I forget the exact date, but it was
8 December 8th that it filed its application as a
9 staff-assisted rate case.

10 Now, we embarked on this effort with the
11 idea of trying to finally make rate case expense not
12 the major driving force for rate cases for these
13 small number of customers. And as I said, staff did
14 a very good job in this recommendation, and we
15 didn't agree with everything, but we really
16 supported it. But on this one big issue of rate
17 case expense, we fell way short of what we hoped we
18 would accomplish by handling it as a staff-assisted
19 rate case.

20 We have a little handout here to try to
21 have the Commission understand the impact of rate
22 case expense on this group of customers, and I'll
23 hand that out right now and just explain it real
24 quickly and move quickly to our point.

25 **CHAIRMAN GRAHAM:** We'll get staff to hand

1 that out for you.

2 **MR. REILLY:** Okay. (Pause.)

3 Thank you. This is a two-page handout.
4 I'll address, really, the first page first. This is
5 our analysis of rate case expense and how it has
6 impacted this small little utility, very briefly
7 outlined, just to given you a flavor and a feeling
8 of what the breakdown is of what the company
9 requested for rate case expense to process this
10 case, and you can see there are not many, but a few
11 adjustments to that request that staff made that
12 ultimately resulted -- what's before you today is a
13 recommended current rate case expense of 39,943. So
14 about \$40,000 worth of rate case expense. The
15 amortization of that expense is the 9,986, which you
16 can see is spread out between the water and
17 wastewater.

18 Also, you have to acknowledge in this
19 particular recommendation before you is an
20 unamortized balance of rate case expense from that
21 earlier case I spoke of, which is the 17,655. So
22 you have currently embedded in this recommendation
23 at least for the next four months until the old rate
24 case expense is amortized out, rate case expense,
25 annual rate case expense of 27,641. And it's spread

1 out, according to that chart, you know, water and
2 wastewater.

3 Now, down the chart you will see what is
4 the impact of rate case expense on this particular
5 case. If you look at the combined amortization of
6 current rate case expense and prior rate case
7 expense, those two expenses exceed the revenue
8 increase that is even requested that's before you,
9 because the total revenue requirement of the entire
10 case is 25,244, whereas the amortization of rate
11 case expense exceeds that, slightly over
12 100 percent.

13 When you go further in time, approximately
14 four months into the future, that's when the
15 amortization ends for the earlier rate case expense.
16 But, still, when you subtract from that the prior
17 rate case expense from the revenue requirement, you
18 have a remaining revenue increase of 7,589. And,
19 once again, when you compare the total revenue,
20 revenue increase being proposed in this case, it is
21 pretty significantly less than just the pure
22 amortization of the 9,986. It is about a third
23 greater.

24 So, in short, the Commission got it right
25 when it issued its final order in the last rate case

1 in June of '07. This staff-assisted rate case has
2 confirmed that Lake Placid Utilities is not entitled
3 to any additional rate increase except an increase
4 for the sole purpose of recovering rate case expense
5 to file a case that it should not have filed. The
6 immediate revenue increase proposed and the
7 remaining increase after prior rate case expense is
8 amortized and is fully paid in four months is less
9 than what is being recommended for the revenue
10 increase in this case.

11 Chapter 367.081(2)(a) (phonetic) requires
12 the Commission to fix rates which are just,
13 reasonable, compensatory, and not unfairly
14 discriminatory. It is neither just or reasonable
15 for Lake Placid Utilities to collect from its
16 ratepayers \$40,000 to establish its entitlement to
17 an annual revenue increase of only \$7,589, a short
18 four months from when this order is to be issued.
19 It is neither just nor reasonable for Lake Placid
20 Utilities to collect from its ratepayers almost
21 \$10,000 a year for four years to establish its
22 entitlement to collect an additional \$7,500 a year
23 in revenues.

24 Chapter 367.0817 (phonetic) expressly
25 requires this Commission shall determine the

1 reasonableness of rate case expense and shall
2 disallow all rate case expense determined to be
3 unreasonable. There is substantial case law that
4 the Commission has broad discretion with respect to
5 the allowance of rate case expense, and in the past
6 the Commission has made significant disallowances of
7 rate case expense and even total disallowing of rate
8 case expense.

9 I'll mention just a very few cases. In
10 the 1998 Florida Cities Water case, Docket Number
11 971663-WS, the Commission disallowed all of the
12 company's 182,382 requests for rate case expense
13 because the Commission denied the company's request
14 for relief and because it was imprudent for the
15 company to incur rate case expense to bring the
16 matter before the Commission.

17 The second case, in 1999 Aloha Utility
18 cases in Docket 970536 and 980245, the Commission's
19 final order stated, and I quote, "We find that it is
20 inappropriate to approve rate case expense because
21 our adjusted revenue requirement showed that a rate
22 increase is not warranted. Based on our
23 calculations, the only basis for a rate increase
24 would be rate case expense. As such, we believe
25 that the decision to file for rate relief was

1 imprudent, and the customers should not have to bear
2 this cost. Chapter 367.081(7) states that we shall
3 disallow all rate case expense determined to be
4 unreasonable. Based on the above, all rate case
5 expense shall be excluded from the utility's revenue
6 requirements for both dockets."

7 The final case. And, finally, in 2000 Sun
8 Community's Finance Limited Partnership case, Docket
9 Number 990243, the Commission determined an increase
10 in rates was not appropriate and, therefore, the
11 Commission found it was also inappropriate to
12 approve all the rate case expense associated with
13 the proceeding.

14 In that case, the Commission approved only
15 one-half of the rate case expense to be collected
16 from the company's ratepayers over a four-year
17 period. So clearly it is within your discretion.
18 We do suggest and do support -- we would support the
19 Commission if it disallowed all rate case expense
20 and just basically dismissed the case and let the
21 company go its way. However, to do so would, in
22 effect, maybe even trigger an issue of overearnings,
23 and a possible overearnings investigation. So I do
24 offer an alternative to disallowing all rate case
25 expense that I think avoids that scenario.

1 And I suggest the Commission could approve,
2 if it wanted to, if it felt it was appropriate, a level
3 of rate case expense that would produce no rate
4 increase four, four months from now when the prior rate
5 case expense amortization is fully paid. If the
6 Commission approved the current rate case expense of
7 \$9,588 for this Staff-assisted rate case, the four-year
8 amortization would be \$2,397 and there would be no rate
9 increase after four months, but also there would not be
10 a triggering of overearnings.

11 The \$9,588 rate case expense would be
12 almost five times the average rate case expense
13 allowed in all the recent Staff-assisted rate cases
14 since, since December of '08.

15 And then now I direct your attention to
16 the second page of the handout, which is the detail
17 on what the Commission has done in Staff-assisted
18 rate cases since, since December '08. And just real
19 quickly, this gives the names of the utilities, the
20 number of customers, the total rate case expense,
21 which is total rate case expense including even the
22 filing fees for the Staff-assisted rate case, and
23 then the amortization.

24 You'll see down at the bottom that the
25 average rate case expense for all of these

1 Staff-assisted cases, not including this one, is
2 \$1,941 with an amortization of \$485. So if you, if
3 you look at where we are today in this
4 recommendation, given both the Lake Placid current
5 rate case expense, it's, just looking at current
6 rate case expense it's 20 times, you know, the
7 average and almost ten times the highest. If you
8 take this four months and consider past and present,
9 I mean it's off the charts. It's 57 times.

10 So, so where do we go from here? I mean,
11 we think we have a heck of a problem with this
12 Staff-assisted rate case. On a going-forward basis
13 we think if the Commission will, will look at its
14 precedences and perhaps on a going-forward basis set
15 a benchmark that -- consider the specific
16 circumstances of the Utility, perhaps they're
17 larger, perhaps they're a little more complicated,
18 complex, but establish some benchmark where it will
19 protect the customers so that they will not be
20 forced to this extreme, extreme cost, especially
21 when the Company is coming in so frequently. So, so
22 we would urge you take one of those two courses of
23 action. Thank you.

24 **CHAIRMAN GRAHAM:** Thank you, Mr. Reilly.

25 I have to tell you, as I sat down with

1 Staff over this issue, we, we did a little bit,
2 quite a bit of talking about rate case expense. And
3 Staff is currently working on some, some options,
4 especially for utilities, small utilities, because
5 the rate, the rate case expense is just, percentage
6 wise is just so much more because, you know, you're
7 providing services for so, so few homes. So there
8 is, there is, there's things that we can work on.
9 I'm sure you'll see that in an upcoming Internal
10 Affairs where they'll come back with some
11 recommendations. But, you know, I do appreciate
12 this work that you went through and the information
13 you provided.

14 I didn't know if Staff had anything they
15 wanted to come back with before I go back to
16 Mr. Kauf -- Mr. Friedman.

17 **MR. FLETCHER:** Commissioner, Bart
18 Fletcher, Commission Staff.

19 I would like to comment on Mr. Reilly's
20 handout. With regard to the first page and the
21 concern for overearnings, it's for the wastewater
22 column that's up under the underline there. It
23 starts off with the figures 4,320 for the revised,
24 Staff's revised revenue increase, the prior rate
25 case expense of 9,887 and then the 5,576. I guess I

1 have a comfort level as far as that in particular to
2 the rate, prior rate case expense not causing an
3 overearnings. The reason being is set forth in
4 statute 367.0816, *Florida Statute*. It requires a
5 utility, consistent with Lake Placid's prior order,
6 to amortize the rate case expense over four years,
7 and then, once the expiration of that four years, to
8 lower their rates.

9 So to basically not allow that in Staff's
10 projections now for the current rates, that would
11 basically in effect try to implement that four-year
12 rate reduction sooner than as required by law.

13 And then also as rates lower, it would
14 mitigate that negative balance that you see there
15 where the 5,567 because rates would be lowered as
16 reflected in the Commission's prior orders in the
17 last case for Lake Placid.

18 As far as the rate case expense, this is
19 atypical -- I guess the second page of OPC's handout
20 as far as the average rate case expense for
21 Staff-assisted rate cases. As Mr. Reilly did point
22 out, this is a company with unique circumstances.
23 There's no other utility that I know that the
24 utility, that this Commission has jurisdiction over
25 that has that holding company where, where you have

1 a tremendous amount of allocations that have to be
2 audited, common investment, then the typical Class C
3 utility, which would drive rate case expenses having
4 to look at that to make sure there's no cross-
5 subsidizations between the other systems of the
6 holding company or utility, their, you know, their
7 parent, Utilities, Inc., of how they allocate among
8 all the other states and just their subsidiaries
9 here in Florida.

10 I will say that the comment that the
11 proposed settlement consisted of, prior to the SARC
12 application it was, consisted of about 53 pages. It
13 was, in my, my belief it was a good faith effort on
14 the Utility's part to address the concerns of former
15 Chairman Carter, and also Mr. Reilly's concern
16 mentioned at the, in the last rate case at Agenda is
17 to try to find some way. And, again, there was, it
18 just reached a point after two months of that where
19 as far as questions being asked of the Company, the
20 discovery amounted to about \$6,400 just to basically
21 ask questions on that settlement. I mean, in that
22 discovery alone, basically how we looked at it, that
23 was propounded or asked of the Utility by OPC, I
24 mean that represents about 16 percent of the total
25 rate case expense, the \$39,000, approximately

1 \$40,000 that Staff is recommending in this case.

2 I will say that how this is made up is the
3 settlement of the \$40,000, approximately \$40,000
4 that Staff is recommending, about \$16,600 or, if you
5 will, 41.5 percent of the total that we're
6 recommending relates to that settlement proposal.
7 38 percent of that \$16,600 relates to the discovery
8 that, basically the cost of answering the Office of
9 Public Counsel's questions in relation to that
10 settlement. And the remaining part is 58.5 percent;
11 it relates once the Utility filed its rate case,
12 Staff-assisted rate case application. And I guess
13 those are just the points that I would, I was
14 wanting to make.

15 **CHAIRMAN GRAHAM:** So you're saying that
16 Public Counsel increased this rate, increased this
17 rate case expense by about 38 percent?

18 **MR. FLETCHER:** It's 16 percent for the
19 total. It was 38.5 percent of the rate case expense
20 associated with that settlement that was filed prior
21 to them seeking rate relief through a Staff-assisted
22 rate case.

23 **CHAIRMAN GRAHAM:** Thank you, Mr. Fletcher.
24 Mr. Friedman.

25 **MR. FRIEDMAN:** Thank you very much,

1 Mr. Chairman.

2 You know, this is an issue I'm, I'm just
3 personally offended by. We made, the Company made
4 every effort to negotiate a rate increase with
5 Public Counsel so that we could bring something to
6 the, to the Staff and to the Commission on a platter
7 and say, you know, we fought hard, like what Florida
8 Power did or FP&L y'all were just talking about,
9 everybody sat down and just duked it out and they
10 came, came with a settlement. That's what we had
11 hoped to do in this case.

12 We presented lots of information, we
13 responded to lots of data requests, and we never got
14 a response back from Public Counsel saying let's sit
15 down and negotiate or here's the number we think
16 you're entitled to. They threw up their hands and
17 said, well, let's just try to get the Staff to do
18 all the work and do, do a SARC on, on this case, let
19 the Staff do all the work to come up with the
20 numbers, and take it off of our, off of our back.
21 And I'm just, you know, I'm offended by that. If
22 you're going to come in and negotiate a rate case,
23 you ought to at least try to negotiate something.
24 You don't just say, well, gee, we think the amount
25 you're asking for is too much, so we're not going

1 to, we're just going to punt it. And that's just
2 not right.

3 The Company did everything they could to
4 keep rate case expense down. And as Staff pointed
5 out, a lot of the reason for the, for the abnormal
6 rate case expense in this that you don't normally
7 have in a, in a SARC is a tremendous amount of
8 questions that Public Counsel asked. And now they
9 ask all these questions, make us have to answer
10 them, and then wants us to, to eat the rate case
11 expense, and that's just not right.

12 We did our best to, to comply with the
13 intent of the, of the Commission in the last case.
14 Unfortunately, due to the, to the nature of this
15 case, it just didn't work. We all tried in good
16 faith to keep rate case expense down. Frankly, it
17 didn't work. But the Company is entitled to what,
18 what Staff has recommended. Thank you.

19 **CHAIRMAN GRAHAM:** Thank you, sir.

20 Commission board, that's before us.

21 **MR. REILLY:** Could I possibly respond to
22 --

23 **CHAIRMAN GRAHAM:** Can you do it briefly?

24 **MR. REILLY:** Well --

25 **CHAIRMAN GRAHAM:** We'll get back to you.

1 **MR. REILLY:** Okay.

2 **CHAIRMAN GRAHAM:** Commission board.

3 Commissioner Skop.

4 **COMMISSIONER SKOP:** Thank you. Just a
5 question for Staff with respect to the rate case
6 expense. I guess Staff had prepared a sheet, and I
7 just want to make sure that I have an understanding
8 of what I'm looking at on page 19 of the Staff
9 recommendation for rate case expense. And it said
10 that the Utility, in the middle of that paragraph,
11 "The Utility provided documentation for its rate
12 case expense in this instant case which totaled
13 \$41,812." And "Staff believes that the requested
14 amount should be reduced by \$1,869 to remove costs
15 associated with a test year request letter that was
16 never filed, the Utility's SARC application, and the
17 preparation of its final notices." So that's the
18 only recommendations to rate case expense that Staff
19 is recommending; is that correct?

20 **MR. FLETCHER:** That's correct,
21 Commissioner. And if I, if I might just briefly, I
22 will say that even through the settlement, the
23 Staff's total recommended rate case expense, I do
24 see an effort here to minimize that for the
25 ratepayers in the fact that, as Mr. Reilly mentioned

1 earlier, in the total rate case expense that was
2 approved last time was \$70,620. That, that's what
3 we have in Staff's total, total recommended rate
4 case expense now is over \$30,000 less than that
5 amount, than what was approved last time. So there
6 has been strides to minimize the impact to the
7 ratepayers.

8 **CHAIRMAN GRAHAM:** Can I get a motion? I
9 can't do it.

10 (Pause.)

11 Commissioner Skop.

12 **COMMISSIONER SKOP:** Move to approve the
13 Staff recommendation on, for all issues.

14 **CHAIRMAN GRAHAM:** It's been moved and
15 seconded to move Staff on all issues on Item 16.
16 Any further discussion? Seeing none, all in favor,
17 say aye.

18 (Vote taken.)

19 Those opposed? By your action, you've approved
20 Staff.

21 Mr. Reilly, did you want to retort a
22 little?

23 **MR. REILLY:** Excuse me?

24 **CHAIRMAN GRAHAM:** Did you have anything to
25 add?

1 **MR. REILLY:** You've already voted.

2 **CHAIRMAN GRAHAM:** Okay. I mean --

3 **MR. REILLY:** I was going to respond to the
4 comments that they made.

5 **CHAIRMAN GRAHAM:** I do understand that
6 rate case, it is a big issue, especially on these
7 small utilities, and it is something that we're
8 going to look at too because something needs to be
9 done. And, you know, like I said, I appreciate your
10 comments, I understand where you're coming from.
11 And, you know, this is good information you have
12 here and there is something that we're looking at
13 and you should see something in the next six months
14 or so. Yeah. We'll say six months or so.

15 **MR. REILLY:** Thank you. Okay.

16 **CHAIRMAN GRAHAM:** Thanks.

17 (Agenda item concluded.)

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1 STATE OF FLORIDA)
 2 : CERTIFICATE OF REPORTERS
 3 COUNTY OF LEON)

4 WE, JANE FAUROT, RPR, and LINDA BOLES, RPR,
 5 CRR, Official Commission Reporters, do hereby certify
 6 that the foregoing proceeding was heard at the time and
 7 place herein stated.

8 IT IS FURTHER CERTIFIED that we
 9 stenographically reported the said proceedings; that
 10 the same has been transcribed under our direct
 11 supervision; and that this transcript constitutes a
 12 true transcription of our notes of said proceedings.

13 WE FURTHER CERTIFY that we are not a
 14 relative, employee, attorney or counsel of any of the
 15 parties, nor are we a relative or employee of any of
 16 the parties' attorneys or counsel connected with the
 17 action, nor are we financially interested in the
 18 action.

19 DATED THIS 17th day of December, 2010.

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Lake Placid Utilities, Inc.
OPC Analysis of Rate Case Expense

		Annual Amort Exp	
		Water	Wastewater
Legal Fees	19,359		
Engineering Fees	3,200		
In-House Expenses	20,035		
Miscellaneous Costs	1,302		
Filing Fee	2,000		
Reconciling Adjustment	(4,084)		
Staff Adjustment	(1,869)		
Current Rate Case Expense	<u>39,943</u>		
Amortization of Current Rate Case Expense	9,986	3,880	6,106
Amortization of Prior Rate Case Expense	17,655	7,768	9,887
Total Rate Case Expense Amortization	<u>27,641</u>	<u>11,648</u>	<u>15,993</u>

**Impact of Rate Case Expense
On Revenue Requirement**

The combined amortization of current rate case expense and prior rate case expense exceeds the recommended revenue increase.

Staff Recommendation Revenue Increase	25,244	20,924	4,320
Total Rate Case Expense Amortization	27,641	11,648	15,993
Total Rate Case Expense Amortization As % of Revenue Increase	109.5%	55.7%	370.2%

When the prior rate case expense amortization is removed in four months, the current rate case expense amortization continues to exceed the recommended revenue increase.

Staff Recommendation Revenue Increase	25,244	20,924	4,320
Prior Rate Case Expense ¹	17,655	7,768	9,887
Net Revenue Increase (Decrease) (After Prior Rate Case Expense Amortization Removed in 4 months)	7,589	13,156	(5,567)
Amortization of Current Rate Case Expense	9,986	3,880	6,106
Amortization of Current Rate Case Expense As % of Reduced Revenue Increase	131.6%	29.5%	-109.7%

Parties/Staff Handout
Internal Affairs/Agenda
on 12/14/10
Item No. 16
090531-WS

¹ not adjusted for tax effects

SARC Historical Rate Case Expense						
December 2008 - Current						
				W/WW	Total	Annual
Name	Docket #	Order #	Date	# of Customers	Rate Case Exp.	Amortiz
TLP Water	090244	10-0124	3/1/2010	53	\$ 601	\$ 150
Alturas	090477	10-0380	6/15/2010	622	\$ 1,498	\$ 375
Brendenwood Water System	090346	10-0167	3/23/2010	58	\$ 337	\$ 84
Camanchee Island Company	090230	10-0126	3/3/2010	92	\$ 4,080	\$ 1,020
Mobile Manor Water Co.	090170	10-0299	5/10/2010	313	\$ 1,528	\$ 382
Neighborhood Utilities	090060	10-0024	1/11/2010	429	\$ 3,056	\$ 764
Damon Utilities	080709	09-0618	9/11/2009	278	\$ 2,137	\$ 534
Fairmount Utilities	080668	09-0628	9/17/2009	442	\$ 2,248	\$ 562
Keen Sales, Rentals & Utilities	090072	09-0716	10/28/2009	114	\$ 691	\$ 173
CWS Communities (Lake County)	080715	09-0587	8/31/2009	290	\$ 676	\$ 169
Hidden Valley SPE/ Orange Lake Utilities	080714	09-0647	9/24/2009	248/242	\$ 3,448	\$ 862
Orangewood Lakes Services	070680	08-0831	12/23/2008	223/190	\$ 2,377	\$ 594
Palm Valley Utilities	090447	10-0606	10/4/2010	793	\$ 2,555	\$ 639
				Average Rate Case Expense=	\$ 1,941	\$ 485
Lake Placid Current Rate Case Expense				122/192	\$ 39,943	\$ 9,986
Times Higher Than Average						20.6
Times Higher Than Highest						9.8
Lake Placid Total Rate Case Expense					\$ 110,564	\$ 27,641
Times Higher Than Average						57.0
Times Higher Than Highest						27.1