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Please Respond to the Lake Mary Office

May 9, 2011

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Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

claim of confidentiality
notice of intent
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RECEIVED--FPSC
11 MAY -9 AM 10:53
COMMISSION
CLERK

Re: Docket No. 100426-WS; Application for increase in water and wastewater rates in
Lake County by Lake Utility Services, Inc.
Our File No.: 30057.194

Dear Ms. Cole:

Enclosed for filing in the above-referenced docket is the response of Lake Utility
Services, Inc. (the "Utility" or "LUSI") to Staff's third data request dated April 8, 2011.
Staff has requested the following information in order to complete its analysis in the
above-referenced docket. Please note that the attached documents are contained on a
data disc enclosed herein.

1. Please provide a response to the Staff Audit of LUSI, Audit Control No. 11-
004-4-1.

RESPONSE: The Utility's response to Audit Control No. 11-004-4-1 was filed on
May 5, 2011.

2. Please provide a response to Staff's Audit of Utilities, Inc., Audit Control
No. 11-004-4-2.

RESPONSE: The Utility's response to Audit Control No. 11-004-4-2 was filed on
May 6, 2011. However, attached hereto is the supplemental
response to affiliate audit finding no. 6, which includes updated
salaries as of April 2011 after the pay raises took effect. See the
attached, "Salary update Summary.pdf" and "2010 LUSI Salary
Adjustment - Updated 4-28-11.pdf (redacted)". Please note that the
latter is redacted because it is filed with a request for confidentiality
treatment.

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FPSC-COMMISSION CLERK

3. Please provide a list of all acquisitions and divestitures by Utilities, Inc. (UI) during the period July 1, 2009 and March 31, 2011.

RESPONSE: Please see the chart below for a list of all acquisitions and divestitures by Utilities, Inc. during the period July 1, 2009 and March 31, 2011.

DIVESTMENT LIST

SALE DATE	JDE CO	JDE BU	JDE COMPANY/BU NAME	W/S	STATE
7/6/2009	258	258100	SOUTH GATE UTILITIES INC	W	FL
	258	258101	SOUTH GATE UTILITIES INC	S	FL
	258	258102	SOUTH GATE UTILITIES INC	C	FL
7/21/2009	244	244100	PEBBLE CREEK UTILITIES INC	W	FL
	244	244101	PEBBLE CREEK UTILITIES INC	S	FL
	244	244102	PEBBLE CREEK UTILITIES INC	R	FL
	244	244103	PEBBLE CREEK UTILITIES INC	C	FL
8/31/2009	189	189100	NORTH TOPSAIL UTILITIES INC	S	NC
11/9/2009	253	253100	MILES GRANT	OH	FL
	253	253101	MILES GRANT	S	FL
	253	253102	MILES GRANT	S	FL
	253	253103	MILES GRANT	C	FL
11/9/2009	254	254100	HUTCHINSON ISLAND IRRIGATION	N	FL
	254	254102	ACME FL Hutchinson Island Irri	N	FL
	254	254106	ACME FL Martin Correctional Fa	N	FL
11/9/2009	261	261100	UTILITIES INC OF HUTCHINSON ISLAND	W	FL
	261	261101	UTILITIES INC OF HUTCHINSON ISLAND	S	FL
	261	261102	UTILITIES INC OF HUTCHINSON ISLAND	C	FL
11/18/2009	247	247100	WEDGEFIELD UTILITIES INC	W	FL

	247	247101	WEDGEFIELD UTILITIES INC	S	FL
	247	247102	WEDGEFIELD UTILITIES INC	C	FL
3/1/2010	900	900160	BIO TECH NC ADMIN		NC
	900	900161	BIO TECH NC MECHANICAL		NC
	900	900162	BIO TECH NC EXCAVATING		NC
	900	900163	BIO TECH NC CARPENTRY		NC
	900	900164	BIO TECH NC SLUDGE HAULING		NC
	900	900165	BIO TECH NC SWR MAIN CLEANING		NC
	900	900166	BIOTECH LAND & LAB CHR NC		NC
3/15/2010	182	182192	EMERALD POINT	W	NC
	182	182193	EMERALD POINT	S	NC
	182	182194	EMERALD POINT	C	NC
7/19/2010	403	403110	RIVER FOREST	S	SC
	403	403111	STONECREEK	S	SC
9/15/2010	245	245100	ALAFAYA UTILITIES INC	S	FL
	245	245101	ALAFAYA UTILITIES INC	R	FL
	245	245102	ALAFAYA UTILITIES INC	C	FL

ACQUISITION LIST

BUY DATE	JDE CO	JDE BU	JDE COMPANY/BU NAME	W/S	STATE
Aug-09	357	357102	SEWER DISTRICT NUMBER 6	S	LA

4. Please provide a list of the number of customers by class as of December 31, 2010.

RESPONSE: The company is providing the number of bills by customer class that were sent out the month ending December 31, 2010 below:

Description	Number of Bills
251 Lake Utility Services-Lake Groves-Water General Service 1"	18
251 Lake Utility Services-Lake Groves-Water General Service 1.5"	3
251 Lake Utility Services-Lake Groves-Water General Service 10"	1
251 Lake Utility Services-Lake Groves-Water General Service 2"	2
251 Lake Utility Services-Lake Groves-Water General Service 4"	2
251 Lake Utility Services-Lake Groves-Water General Service 5/8"	10
251 Lake Utility Services-Lake Groves-Water General Service 8"	3
251 Lake Utility Services Water General Service 1"	36
251 Lake Utility Services Water General Service 1.5"	7
251 Lake Utility Services Water General Service 2"	14
251 Lake Utility Services Water General Service 3"	1
251 Lake Utility Services Water General Service 4"	1
251 Lake Utility Services Water General Service 5/8"	33
251 Lake Utility Services-Lake Groves-Water Multi-Residential Service 5/8"	4
251 Lake Utility Services Water Residential Service 1"	34
251 Lake Utility Services Water Residential Service 5/8"	5792
251 Lake Utility Services-Lake Groves-Water Residential Service 5/8"	2825
251 Lake Utility Services-Lake Groves-Wastewater General Service 1"	11
251 Lake Utility Services-Lake Groves-Wastewater General Service 1.5"	1
251 Lake Utility Services-Lake Groves-Wastewater General Service 10"	1
251 Lake Utility Services-Lake Groves-Wastewater General Service 4"	0
251 Lake Utility Services-Lake Groves-Wastewater General Service 5/8"	4
251 Lake Utility Services-Lake Groves-Wastewater General Service 8"	3
251 Lake Utility Services-Lake Groves-Wastewater Multi-Residential Service 5/8"	4
251 Lake Utility Services-Lake Groves-Wastewater Residential Service 5/8"	2823
Grand Total	11633

5. Please provide a list of the number of customers that are currently connected to and using the Utility's reclaimed water system.

RESPONSE: There are currently no reuse customers that are connected to and using the Utility's reclaimed water system. The Utility will be adding this service no earlier than July 1, 2011 and no later than December 31, 2011. In nearly all cases, these future reuse customers will be existing water customers who choose to convert their landscape irrigation systems to reuse once the Utility makes it available. The delay in initiating the subscription process for reuse

customers was due to lack of performance of our reuse filter equipment. The two filters are being replaced under warranty by the manufacturer in the second quarter of this year. Assuming that the repairs go as planned; the Utility will be able to solicit reuse subscriptions from existing customers in four specific subdivisions where reuse meters are already in place.

6. Please refer to MFR Schedule A-6, page 1 of 2, line 37, column (5). Please describe the assets that are represented by the amount of \$2,720,279 in account 380.5 Treatment and Disposal Equipment. Why are these facilities considered reclaimed water treatment plant and not treatment and disposal plant?

RESPONSE: The \$2,720,279 referenced in Schedule A-6, reclaimed water treatment plant, reflects the investment in reclaimed water treatment facilities at the Lake Groves WWTP. These facilities include:

- An operations building that contains process control lab, files, records, manuals and office space needed to support the production of reclaimed water,
- Two each membrane filters,
- Twin chlorine contact tanks,
- Transfer pump station,
- 3-million gallon reuse storage tank,
- Reuse pump station,
- Electrical control building,
- Instrumentation associated with the measurement and control of the treatment process to insure production of effluent meeting reuse water quality parameters, and
- Emergency generator and transfer switch that specifically supports the functionality of all of the above equipment in the event of a loss of normal power.

These facilities were designed and built in conformance with the requirements of Chapter 62-610(Part III), F.A.C., Reuse of Reclaimed Water and Land Application.

7. Please refer to LUSI's response to Staff's First Data Request, Item 3(a). The response references a file titled, "Project 2004092.xlsx" that lists invoices that provide support for the CUP renewal expenses. Three of the invoices listed in that file were not provided. The invoices are identified as 20441, 160491, and 71011, in the amounts of \$1,804.49, \$47,150.00, and \$5,762.77, respectively. In addition, Invoice 160491 is listed a second time, but in the amount of -\$2,904.95. An invoice marked with the number 160491 was provided, but shows an amount of \$1,558.89.

(a) Please provide a supplemental response that clarifies this apparent discrepancy and includes the appropriate invoices.

(b) Please provide a supplemental response that includes supporting documentation for any amounts included in the pro forma adjustment for the CUP Renewal Permit specific to the period June 30, 2010 through May 30, 2011.

RESPONSE: 7(a). Please see the attached explanation in the PDF file titled "Item 7(a) – Response.pdf" and the requested invoices in the PDF file titled "Item 7(a) – Invoices.pdf."

7(b). Please see the attached explanation in the excel file titled "Item 7(b) - Pro Forma Cup Project.xlsx", directions to the response can be found on the tab titled "Cup Project" in Column "N" titled "Comment". Also, the PDF file titled "Item 7(b) - Pro Forma Invoices.pdf" contains the relevant invoices.

8. Please refer to LUSI's response to Staff's First Data Request, Item 3(a) related to the pro forma adjustment for salary and benefit increases. For the 401(k) contribution portion of the adjustment, it appears the Utility assumed that all UI employees participate in the 401(k) program. Please provide a supplemental response that includes documentation that demonstrates the actual participation rate in the 3 percent salary matching portion of UI's 401(k) program.

RESPONSE: Please see the attached document titled, "401K Participant Report.pdf (redacted)". This document shows who participates in the 401K program and at what percentage. Employees are eligible for a 50% match up to their own contribution of 6%, and they are

eligible after 90 days of employment. The Company has updated its salary, payroll taxes, and subsequent benefit expense in response to the affiliate audit; this update has been provided in response to DR 3, item 1. A matching 401K contribution has been calculated based on the percentage of current salary each employee contributes. As an example, an employee who contributes 2% of their own salary has a calculated match of 1% from the Company. An employee who contributes 10% of their own salary has a calculated match of 3% (maximum amount) from the Company. All employees who contribute to the 401K program have been included for the Company's calculation – all current contributors are eligible, since they have been employed for 90 days or more.

9. Please refer to LUSI's response to Staff's First Data Request, Item 3(b). Please provide a supplemental response that includes all correspondence related to the issuance of the LUSI water use permit during the period from January 1, 2010 through April 7, 2011.

RESPONSE: Please see the attached PDF files for the requested documentation:

- 9a. Item 9 - 2198697_smulis[1].pdf
- 9b. Item 9 - Feb 4 2011 LUSI Hist use.pdf
- 9c. Item 9 - Feb 4 2011 LUSI RAI response.pdf
- 9d. Item 9 - LUSI 6 RAI Dec 2 2009.pdf
- 9e. Item 9 - LUSI Apr 9 2009 renewal RAI.pdf
- 9f. Item 9 - LUSI Audit Apr 16 2010.pdf
- 9g. Item 9 - LUSI Dec 4 2009 water tariff.pdf
- 9h. Item 9 - LUSI Feb 11 2009 30 extend.pdf
- 9i. Item 9 - LUSI Feb 23 2009 extend.pdf
- 9j. Item 9 - LUSI gen well sch Apr 16 2010.pdf
- 9k. Item 9 - LUSI groundwater mod Feb 5 2009.pdf
- 9l. Item 9 - LUSI GWMR Colinas Feb 5 2009.pdf
- 9m. Item 9 - LUSI Mar 9 2009 RAI 5.pdf
- 9n. Item 9 - LUSI Meter survey Dec 4 2009.pdf

- 9o. Item 9 - LUSI Oct 8 2009 comb 2700 2879.pdf
- 9p. Item 9 - LUSI RAI Dec 18 2009.pdf
- 9q. Item 9 - LUSI RAI Groundwater Modeling Apr 16 2010.pdf
- 9r. Item 9 - Lusi RAI May 13 2010.pdf
- 9s. Item 9 - LUSI RAI Oct 7 2010.pdf
- 9t. Item 9 - LUSI RAI response 5 Mar 13 2009.pdf
- 9u. Item 9 - LUSI RAI response cover Dec 4 2009.pdf
- 9v. Item 9 - LUSI RAI response Dec 4 2009.pdf
- 9w. Item 9 - LUSI response Apr 16 2010.pdf
- 9x. Item 9 - LUSi time extend Aug 3 2009.pdf
- 9y. Item 9 - LUSI Time extend Aug 13 2009.pdf
- 9z. Item 9 - LUSi time extend Nov 2 2009.pdf
- 9aa. Item 9 - LUSI water allocation flyer Dec 4 2009.pdf
- 9bb. Item 9 - LUSI wetland report Jan 11 2011.pdf

10. In LUSI's response to Staff's Second Data Request, Item 5, the Utility indicated that it requested to reduce the treatment capacity of the WWTF on an interim basis in order to reduce the compliance staffing requirements. In MFR Schedule B-8, page 1 of 2, the increase in Salaries & Wages is explained in Note 1 on page 2 of 2, and states that, "This increase can be attributed to the addition of another WW operator position to meet the regulatory requirement to staff the new reuse plant for a minimum of 16 hours a day, 7 days a week." However, per the Operation and Maintenance requirements of the revised WWTF permit, a class C or higher operator is required 6 hours a day, 7 days a week as long as flows are less than .500 MGD AADF.

(a) Please provide information regarding the current volume of wastewater treated (MGD AADF) for the periods July 1, 2010 through December 31, 2010 and January 1, 2011 through March 31, 2011.

(b) Please provide information regarding the current applicable staff requirements, per the revised WWTF permit.

(c) Please verify if the reduced staffing requirements referenced in the response to staff's second data request are reflected in the employee salaries and wages information in the MFRs.

RESPONSE:

- a. The monthly average flow at the Lake Groves WWTP for the nine months ending March 31, 2011 is as follows:

Month	Avg Flow
Jul-10	0.393
Aug-10	0.362
Sep-10	0.336
Oct-10	0.342
Nov-10	0.345
Dec-10	0.341
Jan-11	0.355
Feb-11	0.363
Mar-11	0.371
9 Month Avg	0.3564

- b. As per the attached permit revision titled "Item 10(b).pdf" issued by FDEP on October 7, 2007, the Lake Groves WWRP must be staffed by a Class C or higher wastewater treatment plant operator for a minimum of six hours a day, seven days a week. The lead operator must be a Class B or higher.
- c. The newly created WW operator position was filled in September 2007 in order to meet the anticipated plant staffing requirements of 16 hours per day, 7 days per week as described in the Lake Groves operating permit as originally written. Even after FDEP issued a permit revision in October 2007 that allowed for reduced staffing of the Lake Groves WWTP to a minimum of 6 hours per day, 7 days per week on a temporary basis, it was evident that additional manpower was needed in order to remain in compliance with the terms of the permit. The Utility considered alternatives to the proposed addition of one full-time operator – either hire a part-time operator instead of a full-time operator or enlist the services of a contract operator. Neither alternative was suitable for the following reasons:

- i. After expanding the treatment plant's capacity and upgrading the treatment process to meet the requirements of Chapter 62-610, Part III (Public Access Reuse), the daily, weekly and monthly workload increased significantly irrespective of a relatively small change in plant flow.
- ii. The upgraded plant includes the addition of headworks equipment, emergency generators, instrumentation equipment, chemical storage and reuse facilities. These facilities require additional manpower to operate, maintain, monitor and report in conformance with the terms of the permit.
- iii. Improvements made to the biosolids dewatering process have been successful in reducing sludge hauling expense. However, this process is more labor intensive than the previous method and thus additional manpower was needed during the normal work week, not only on weekends.
- iv. Previous to filling the new WW operator position, the Utility relied on the Lead Operator to staff the plant 5 days per week and to perform weekend checks. The addition of a second licensed operator provides weekend plant staffing while also providing the means to staff the plant in the Lead Operator's absence due to vacation, training activities or extended leave periods. As an example, the Lead Operator was on an extended leave for personal reasons in 2009. By having employed the second operator, the Utility was able to remain in compliance in a cost effective manner.
- v. Hiring a contract operator was imprudent in this instance. The Utility has had negative experiences with the use of contract operators in the Lake County area previously. Contract operators are generally unlikely to provide the reliability, performance or cost savings that would be expected and they put the Utility at greater risk of being out of compliance with its permit conditions and requirements compared to an employee who has more direct supervision.
- vi. In order to produce biosolids that meet Class B requirements, the Utility must utilize the aerobic digesters in both the North and South Plants. The process control that is needed in order to achieve Class B solids on a consistent basis is critical in meeting this objective.
- vii. It is evident in comparing the sludge hauling expense in this Test Year with the previous Test Year that this approach has been a success based

Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
May 9, 2011
Page 11

on a reduction of \$129,000. This reduction would have been unachievable without an increase in staff size.

Should you or the Staff have any questions regarding this filing, please do not hesitate to give me a call.

Very truly yours,



CHRISTIAN W. MARCELLI
For the Firm

CWM/der
Enclosures

cc: Steven M. Lubertozi, Executive Dir. of Regulatory Accounting & Affairs (w/o enclosures) (via e-mail)
John Stover, Vice President and Secretary (w/o enclosures) (via e-mail)
Kirsten Weeks, Manager of Regulatory Accounting (w/o enclosures) (via e-mail)
Rick Durham, Regional Vice President (w/o enclosures) (via e-mail)
Patrick C. Flynn, Regional Director (w/o enclosures) (via e-mail)
John Williams, Director of Governmental Affairs (w/o enclosures) (via e-mail)
Frank Seidman (w/o enclosures) (via e-mail)
Deborah Swain (w/o enclosures) (via e-mail)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of
LAKE UTILITY SERVICES, INC.
for an increase in water and wastewater
rates in Lake County, Florida

DOCKET NO.: 100426-WS

NOTICE OF INTENT TO REQUEST CONFIDENTIAL CLASSIFICATION

LAKE UTILITY SERVICES, INC., by and through its undersigned attorneys and pursuant to Rule 25-22.006, Florida Administrative Code and Section 367.156, Florida Statutes, hereby gives notice that it intends to request confidential classification of certain documents provided by LAKE UTILITY SERVICES, INC. in connection with Staff's Third Data Request in the above-captioned matter.

A copy of the written request for the confidential material is attached hereto.

WHEREFORE, LAKE UTILITY SERVICES, INC. requests this Commission find and determine that the described work papers are entitled to confidential treatment pursuant to Section 367.156, Florida Statutes, and Rule 25-22.006, Florida Administrative Code, and exempt from public disclosure.

Respectfully submitted on this 9th day of
May, 2011 by:

ROSE, SUNDSTROM & BENTLEY, LLP
766 North Sun Drive, Suite 4030
Lake Mary, FL 32746
Telephone: (407) 830-6331
Facsimile: (407) 830 8255
Email: cmarcelli@rsbattorneys.com



CHRISTIAN MARCELLI

For the Firm

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Public Service Commission

April 8, 2011

Mr. Christian Marcelli
Rose, Sundstrom & Bentley, LLP
766 North Sun Drive, Suite 4030
Lake Mary, FL 32746

Staff's Third Data Request

Re: Docket No. Docket No. 100426-WS - Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

Mr. Marcelli:

By this letter, the Commission staff requests that Lake Utility Systems, Inc. (LUSI or Utility) provide responses to the following data requests.

1. Please provide a response to the Staff Audit of LUSI, Audit Control No. 11-004-4-1.
2. Please provide a response to Staff's Audit of Utilities, Inc., Audit Control No. 11-004-4-2.
3. Please provide a list of all acquisitions and divestitures by Utilities, Inc. (UI) during the period July 1, 2009, and March 31, 2011.
4. Please provide a list of the number of customers by class as of December 31, 2010.
5. Please provide a list of the number of customers that are currently connected to and using the Utility's reclaimed water system.
6. Please refer to MFR Schedule A-6, page 1 of 2, line 37, column (5). Please describe the assets that are represented by the amount of \$2,720,279 in account 380.5 Treatment and Disposal Equipment. Why are these facilities considered reclaimed water treatment plant and not treatment and disposal plant?
7. Please refer to LUSI's response to Staff's First Data Request, Item 3(a). The response references a file titled *Project 2004092.xlsx* that lists invoices that provide support for the CUP renewal expenses. Three of the invoices listed in that file were not provided. The invoices are identified as 20441, 160491, and 71011, in the amounts of \$1,804.49, \$47,150.00, and

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\$5,762.77, respectively. In addition, Invoice 160491 is listed a second time, but in the amount of -\$2,904.95. An invoice marked with the number 160491 was provided, but shows an amount of \$1,558.89.

(a) Please provide a supplemental response that clarifies this apparent discrepancy and includes the appropriate invoices.

(b) Please provide a supplemental response that includes supporting documentation for any amounts included in the pro forma adjustment for the CUP Renewal Permit specific to the period June 30, 2010, through May 30, 2011.

8. Please refer to LUSI's response to Staff's First Data Request, Item 3(a) related to the pro forma adjustment for salary and benefit increases. For the 401(k) contribution portion of the adjustment, it appears the Utility assumed that all UI employees participate in the 401(k) program. Please provide a supplemental response that includes documentation that demonstrates the actual participation rate in the 3 percent salary matching portion of UI's 401(k) program.

9. Please refer to LUSI's response to Staff's First Data Request, Item 3(b). Please provide a supplemental response that includes all correspondence related to the issuance of the LUSI water use permit during the period from January 1, 2010, through April 7, 2011.

10. In LUSI's response to Staff's Second Data Request, Item 5, the Utility indicated that it requested to reduce the treatment capacity of the WWTF on an interim basis in order to reduce the compliance staffing requirements. In MFR Schedule B-8, page 1 of 2, the increase in Salaries & Wages is explained in Note 1 on page 2 of 2, and states that, "This increase can be attributed to the addition of another WW operator position to meet the regulatory requirement to staff the new reuse plant for a minimum of 16 hours a day, 7 days a week." However, per the Operation and Maintenance requirements of the revised WWTF permit, a class C or higher operator is required 6 hours a day, 7 days a week as long as flows are less than .500 MGD AADF.

(a) Please provide information regarding the current volume of wastewater treated (MGD AADF) for the periods July 1, 2010, through December 31, 2010, and January 1, 2011, through March 31, 2011.

(b) Please provide information regarding the current applicable staff requirements, per the revised WWTF permit.

(c) Please verify if the reduced staffing requirements referenced in the response to staff's second data request are reflected in the employee salaries and wages information in the MFRs.

Mr. Christian Marcelli

Page 3

April 8, 2011

Please file the requested information by May 9, 2011, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6536 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Dale R. Buys". The signature is written in a cursive style with a large initial "D" and "B".

Dale R. Buys
Regulatory Analyst IV

cc: Division of Economic Regulation (Maurey, Daniel, Fletcher, Lingo, Stallcup, Williams, Thompson)
Office of the General Counsel (Young)
Office of Commission Clerk
Office of Public Counsel