

RECEIVED-FPSC **LP WATERWORKS, INC.**

14 MAR 21 AM 9:24

COMMISSION
CLERK
March 20, 2014

Office of Commission Clerk
Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Docket No. 130194-WS- Application for staff-assisted rate case in Lake County, Lakeside Waterworks, Inc. - RAI dated 03/17/14

Below are the answers to the questions posed to Lakeside Waterworks, Inc. (LWWI) in letter dated March 17, 2014. Answers will correspond with the numbering used in the letter received from Mr. Murphy:

1.a. Service of Previous Owners: Previous owners of Shangri-La By The Lake Utilities, Inc., desired to sell the utility and discontinue responsibility of its operation.

1.b. Contractual Management Services: LWWI does not contract out the management of the utility system. We have reached out to local and national companies in relation to Operations, Preventive Maintenance and Billing/Collections/Customer Service. Those we did contact were not capable or interested in providing the required services to such an O&M/CS Contract. Please see attached responses to request for quotes regarding the same contract structure requested for the LP Waterworks, Inc. utility system in most recent past.

2.a. Benefit to Customers: The Owner's of LWWI and the Owner's of U.S. Water Services Corporation (USW) have been in the utility management and operations business for many years. During this tenure, the focus on safety, reliability, compliance and maintenance of a system has become paramount to providing the most cost effective, long-term benefits to customers. By way of the Operating and Customer Services Contracts, USW brings a multispecialty approach to the services provided with in-house engineers, compliance specialist, treatment diagnosticians, and localized maintenance staff that can attend to, monitor and troubleshoot the system quickly. As the FPSC staff has been made aware, this utility system is in need of improvements to insure continued reliable function which is being treated as a priority under LWWI ownership. The system was secondary consideration to the previous owners and the magnitude of preventive or prescriptive maintenance was minimal, with more of a crisis-maintenance approach – if it breaks, then fix it.

2.b. Economies of Scale: As mentioned above, by way of the Operating and Customer Services Contracts, USW brings a multispecialty approach to the services provided with in-house engineers, compliance specialist, treatment diagnosticians, and localized maintenance staff that can attend to, monitor and troubleshoot the system quickly. The benefit of these multiple areas of expertise, if provided by direct employee hire by the utility, or through other multiple individual entities by "piece-

5320 Captains Court, New Port Richey, FL 34652
Mailing: 4939 Cross Bayou Blvd. New Port Richey, FL 34652
Tel: (866) 753-8292 Fax: (727) 848-7701

COM _____
AFD | _____
APA _____
ECO | _____
ENG | 2 _____
GCL | _____
IDM _____
TEL _____
CLK _____

meal" approach by the utility, would be unaffordable and therefore not accessible to an entity this size – though such a concerted focus is the most effective approach to Utility Operations. In addition, USW maintains equipment and specialized Staff throughout the state, that if the situation arose whereby a complex emergency required immediate attention, the USW staff would be readily available for containment and restoration of service.

3. Additional Cost to Utility:

Outside Professional Services such as Accounting and Legal as Needed
PSC RAF Fees
Extraordinary Sampling Events

4.a. & b. Please see attached Benchmark Study provided by the Wetcon Organization; undertaken throughout the Southeast at the request of the Florida Governmental Utility Authority (FGUA) in relation to USW contract costs to provide O&M/CS to FGUA utility systems. In addition, a spreadsheet is included indicating the cost per account for the LWWI in comparison.

5.a & b. Please see 4.1 & b.

6. Lakeside Waterworks, Inc. is established as an independent entity. No sibling, or parent/child, entity relationships exist. Three of the four shareholders of LWWI are also three of the six shareholders of the independent entity of U.S. Water Services Corporation.

We hope the information and attachments provided are helpful to the FPSC. Should additional information be required, please do not hesitate to contact me.

Respectfully,



Gary A. Deremer, President
Lakeside Waterworks, Inc.

Enc: Short Utilities Email, Pugh Utilities letter, Severn Trent's letter, Pant Tech letter
Benchmarking data

xc: Carl Smith
Victoria Penick

COMMISSIONERS:
ART GRAHAM, CHAIRMAN
LISA POLAK EDGAR
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EDUARDO E. BALBIS
JULIE I. BROWN

STATE OF FLORIDA



OFFICE OF THE GENERAL COUNSEL
S. CURTIS KISER
GENERAL COUNSEL
(850) 413-6199

Public Service Commission

March 17, 2014

Mr. Gary Deremer, President
Lakeside Waterworks, Inc.
5320 Captains Court
New Port Richey, FL 34652-3062

STAFF'S SECOND DATA REQUEST

RE: Docket No. 130194-WS- Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.

Dear Mr. Deremer,

By this letter, the Commission staff requests that Lakeside Waterworks, Inc., provide responses to the following data requests.

1. For the purposes of the Lakeside Waterwork, Inc.'s (Utility, Company) Staff Assisted Rate Case (SARC) audit, Commission staff auditors were provided invoices for various management services provided to Shangri-La By The Lake Utilities, Inc., the prior owner of Lakeside Waterworks, Inc. Please answer the following questions:
 - a) As new owners, did Lakeside Waterworks, Inc., attempt to continue, or enter into new contractual arrangements with the entities that provided services to Shangri-La By The Lake Utilities, Inc.? Why or why not?
 - b) As new owners, did Lakeside Waterworks Inc., attempt to entering into contractual arrangements with any other entities for management services? Why or why not?

2. Please answer the following questions in reference to the contract the Utility signed on November 16, 2012 with U.S. Water Services Corporation (U.S. Water).
 - a) Describe how the U.S. Water contract benefits the Utility's customers.
 - b) From the Utility's perspective, describe the economies of scale, if any, that result from this contractual agreement.

3. Please refer to Page 22 of 41 of the Utility's contract with U.S. Water. Table 4 on this page shows the breakdown of cost responsibility between the Utility and U.S. Water. Please list any costs the Utility will incur that are not identified in Table 4. If applicable, provide invoices to support your response.

4. Please refer to Page 23 of 41 of the Utility's contract with U.S. Water. Under Section 4.1, the contract states that the Utility pays U.S. Water \$3,183.10 per month for Water Operations.
 - a) What comparative references ("benchmarks") did the Utility use in evaluating the contracted amount it pays U.S. Water for Water Operations?
 - b) Why is this contracted amount justified and reasonable?

5. Please refer to Page 23 of 41 of the Utility's contract with US Water. Under Section 4.1, the contract states that the Utility pays US Water \$2,977.54 per month for Wastewater Operations.
 - a) What comparative references ("benchmarks") did the Utility use in evaluating the contracted amount it pays US Water for Wastewater Operations?
 - b) Why is this contracted amount justified and reasonable?

6. Please describe the affiliate relationship, if any, between the Utility or its officers and U.S. Water or any of its officers.

Please file the original and five copies of the requested information by March 28, 2014, with Ms. Carlotta Stauffer, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6191 if you have any questions.

Respectfully,

Charles W. Murphy
Senior Attorney

CWM/dml

cc: Office of Commission Clerk



Contract and Benchmarking Review Workshop

Florida Governmental Utility Authority Board

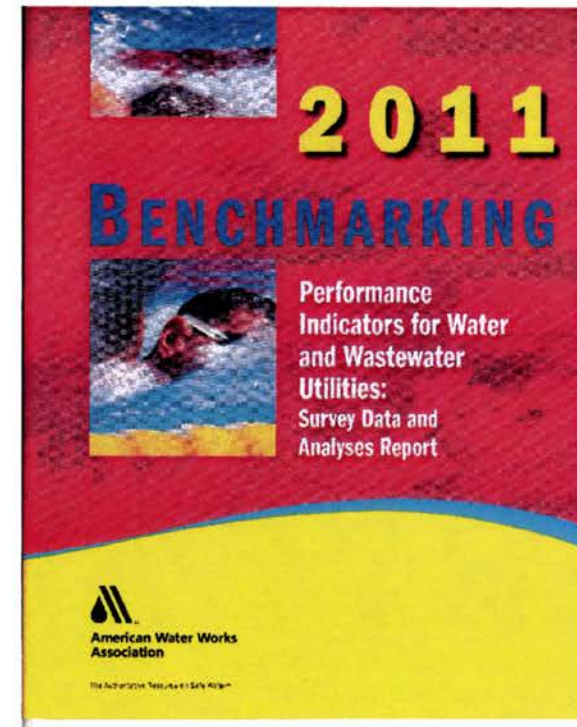
June 20, 2013



WetCon

Industry Benchmarking

- Utilized AWWA “Performance Indicators for Water and Wastewater Utilities: Survey Data and Analysis Report” (2011)
- Based on QualServe benchmarking approach (joint AWWA/WEF methodology)
- Evaluated 11 performance criteria
- Benchmarked against all US combined utilities in survey and those in southern US
- Survey data presents Top Quartile, Median and Bottom Quartile
- Evaluated FGUA South, West and Overall (no Aqua data)



FGUA Benchmarking Results

Metric	Basis	South			FGUA		
		Top	Median	Bottom	South	West	Combined
Customer Service Cost	\$/account	36.43	41.16	52.38	50.58	38.51	44.55
O&M Cost	\$/account	246	301	379	213	225	219
	\$/MGals	1291	1521	1610	2365	2914	2633
Debt Ratio	%	22.2	41.0	53.1	65.4	99.4	78.8
Water Rates	\$/month	20.20	22.47	25.14	58.89	54.80	56.54
Sewer Rates	\$/month	21.26	27.73	29.51	71.38	68.18	69.91
No. Employees	Accts/employee	719	627	477	562	1004	783
	MGD/employee	0.40	0.32	0.22	0.15	0.19	0.17
Water loss rate	%	0.76	5.4	13.9	12.9	11.9	12.4
Sewer overflows	#/100 miles pipe	1.53	3.05	11.5	2.53	3.74	3.14
Customer complaints	#/1000 customers	1.35	3.09	12.6	4.27	22.1	14.0

		Annual Value USW Contract	Current ERC's	Annual Cost per ERC	ACCOUNTS	Annual Cost p/ERC	Annual Cost p/Account
Lakeside	WTR	\$ 38,197.08	187.00	\$ 204.26	187.00	\$ 201.99	\$ 395.33
	WW	\$ 35,730.48	179.00	\$ 199.61			

		WetCon Study / FGUA Benchmarking Study		
		Annual \$/Account		
		Top	Median	Bottom
CS	\$/account	\$ 36.43	\$ 41.16	\$ 52.38
O&M	\$/account	\$ 246.00	\$ 301.00	\$ 379.00
Total O&M and CS				
Comb		\$ 282.43	\$ 342.16	\$ 431.38

Per Water and Wastewater Consultants "WetCon" - Furnished 6/30/12

(Additional Permitting/Engineering Component Not Factored Into This Benchmarking Which is Also Provided by USWSC and M&R up to \$400)

PLANT TECHNICIANS INC.

Office
(352) 787-2944

P.O. Box 447
Fruitland Park, FL 34731

Laboratory
(352) 787-6112

January 29, 2014

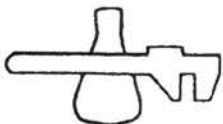
Lakeside Waterworks, Inc.
5320 Captains Court
New Port Richey, FL 34652

Subject: Agreement For Services-NO BID

To Whom It May Concern:

Thank you for considering Plant Technicians, Inc. for your Contractor needs. As we perform Monitoring Services and Laboratory Testing only, we consider this contract to be beyond our staffing capabilities at the present time.

Very truly yours,
Sandra Wesson
Sandra Wesson
Sr. Vice President





Severn Trent Services
4837 Swift Road, Suite 100
Sarasota, FL 34231
United States

T: +1 941 925 3088
TF: +1 800 535 6832
F: +1 941 924 7203

www.severntrentservices.com

January 21, 2013

Mr. Craig Bliss
Business Development
US Water Services Corporation
4939 Cross Bayou Boulevard
New Port Richey, FL 34652

SUBJECT: LP Waterworks Operations and Maintenance

Dear Mr. Bliss:

I would like to thank you for the opportunity for Severn Trent Services to provide a proposal for the operations and maintenance of your LP Waterworks utility. Following our review of the draft contract and the scope of services, we have determined that the size of this project does not meet our business model. In addition, considering the location of the facility, it would not be cost effective for Severn Trent to pursue this opportunity.

Thank you for considering Severn Trent for this project.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard G. Gardner".

Richard G. Gardner
Regional General Manager

Pugh Utilities Service, Inc.
760 Henscratch Road
Lake Placid, Fl 33852
863-465-6911

January 24, 2014

In review of the scope of work that LP Waterworks, Inc. is seeking, Pugh Utilities is not prepared to bid on this work nor do we provide all services requested. Pugh Utilities thanks you for providing the opportunity to bid on this work but must decline at this time. Please do keep us in mind for future opportunities.

Thank You,

A handwritten signature in black ink, appearing to read "Danny Holmes". The signature is written in a cursive style with a large, sweeping initial "D".

Danny Holmes
Pugh Utilities Service, Inc.

Carl Smith

From: Ron Derossett
Sent: Wednesday, January 22, 2014 6:34 PM
To: Carl Smith
Subject: FW: LP O&M contract

*Ron DeRossett
US Water Services Corporation
4939 Cross Bayou Blvd.
New Port Richey, FL 34652
Office: (727)849-8292
Cell: (904)540-9765
fax: (727)849-5467*

From: Short Utility [mailto:shortutility@embarqmail.com]
Sent: Wednesday, January 22, 2014 6:32 PM
To: Ron Derossett
Subject: LP O&M contract

Short Utility Service inc. at this time will not be able to submit price quotes for the LP O&M contract. The requirements are outside of our scope of work. If you have any further questions feel free to call me at any time.
Thank you, Wendell.