

# LP WATERWORKS, INC.

October 12, 2016

DATE DEPOSIT

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Dkt 160222  
CK# 1265  
\$ 1,500.<sup>00</sup>  
10-14-16  
RR

Office of Commission Clerk  
Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399

Re: Application of LP Waterworks, Inc. for Staff Assisted Rate Case in Highlands County for increased water and wastewater rates

Dear Commission Clerk,

Please find attached LP Waterworks, Inc. (LPWW) application for a staff assisted rate case (SARC) in Highlands County for increased water and wastewater rates.

**Need for Rate Relief**

LPWW last filed for a SARC in 2013, which culminated in Order No. PSC-14-0413-PAA-WU, issued August 14, 2014 (PAA Order), in Docket No. 130153-WS. The PAA Order approved a Settlement Agreement entered into between LP Waterworks, Inc., Camp Florida Property Owners Association, and the Office of Public Counsel. The Settlement Agreement was entered into on June 2, 2014 and established a two phases of rate implementation and also provided that the Utility would seek a rate increase no sooner than September 2016.

In Order No. PSC-14-0413-PAA-WU, the Commission found that the water treatment facility was 100% used and useful; the water distribution system was 87% used and useful; the wastewater treatment plant was 59% used and useful and the wastewater collection system was 100% used and useful.

Also in Order No. PSC-14-0413-PAA-WU, the approved Phase II revenue requirements were \$119,444 for water and \$97,065 for wastewater with a rate of return of 8.74%.

For the test year ending August 31, 2016, the water revenues were \$107,183, with a net operating loss of (\$2,863) and wastewater revenues were \$84,240, with a net operating loss of (\$11,866.) LPWW is requesting an overall rate of return (ROR) of 7.71% with a return on equity of 9.39% based on the most recent leverage formula in Order No. PSC-16-0254-PAA-WS, issued June 29, 2016.

The main reason for the need to request the SARC is due to the significant decrease in water consumption. The chart below shows this decrease in water consumption:

| <u>Year</u>                | <u>Billed Consumption</u> |
|----------------------------|---------------------------|
| 2013 (February – December) | 12,277,000                |
| 2014                       | 11,656,000                |
| 2015                       | 8,881,000                 |
| 2016 (January – August)    | 7,123,000                 |

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LP Waterworks, Inc.  
Staff Assisted Rate Case Request  
October 12, 2016

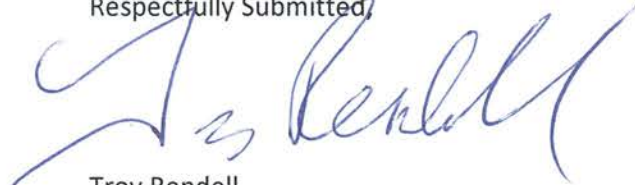
In addition, since the last test year ending May 31, 2013, LPWW has invested \$45,379 in water plant and \$70,034 in wastewater plant during the years 2014 and 2015. LPWW is also requesting pro forma plant for wastewater for a manhole rehabilitation and repair which occurred in October 2016. This manhole is located on a customer's property and was collapsing causing the customer's yard to sink. LP Waterworks has included the estimated costs in its SARC filing and will provide actual invoices once received. The Utility has included part of the estimate as an attachment. However, a pump truck also had to be brought in for the completion of the work and the invoice has not been received yet.

The Utility is requesting water and wastewater rates which will allow it to recover all prudently incurred expenses the Utility will incur on a going-forward basis, and generate a fair rate of return on its investment in all property considered used and useful in the public service. In support of its requested rate increase, LPWW provides the following information attached to this letter:

1. Commission Application for Staff Assisted Rate Case Form PSC/AFD 2-W;
2. LPWW's supporting schedules for requested test year ending August 31, 2016 including:
  - a. Schedule 1-A – Water Rate Base
  - b. Schedule 1-C – Adjustments to Rate Base
  - c. Schedule 2 – Capital Structure
  - d. Schedule 3 – A – Statement of Water Operations
  - e. Schedule 3-C – Adjustments to Operating Income
  - f. O&M Expenses – Water
  - g. Schedule RCE – Analysis of Rate Case Expense
  - h. Plant, Accumulated Depreciation, Depreciation Expenses – Adjustments for Use and Useful – Water
  - i. Schedule A-5 – Average Plant in Service – by Primary Account
  - j. Schedule A-9 – Average Accumulated Depreciation by Primary Account
  - k. Schedule A-14 – Average CIAC and Accumulated Amortization
  - l. Taxes Other Than Income Schedule
  - m. Allocation of Revenue Requirement – Rate Design – Water / Wastewater
  - n. Schedule E-1w – Water Rates at Present and Proposed Rates (with elasticity adj.)
  - o. Schedule 4 – A – Utility Requested Water Rate Schedule
  - p. Schedule F-1 – Gallons of Water Purchased, Sold and Unaccounted For
  - q. Schedule F-2 – Gallons of Wastewater Treated

The total filing fee in the amount of \$1,500 is also attached to this SARC application pursuant to Rule 25-30.30.020(2)(f), Florida Administrative Code.

Respectfully Submitted,



Troy Rendell  
Manager of Regulated Utilities  
// for LP Waterworks, Inc.