

MINUTES OF January 26, 2009
COMMISSION CONFERENCE
COMMENCED: 9:39 am
ADJOURNED: 9:57 am

COMMISSIONERS PARTICIPATING: Chairman Carter
Commissioner Edgar
Commissioner McMurrian
Commissioner Argenziano
Commissioner Skop

Parties were allowed to address the Commission on items designated by double asterisks (**).

1 **Approval of Minutes**
December 16, 2008, Regular Commission Conference

DECISION: The minutes were approved.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

2**

Consent Agenda

PAA

A) Application for certificate to provide competitive local exchange telecommunications service.

DOCKET NO.

COMPANY NAME

080686-TX

iNetworks Group, Inc.

PAA

B) Request for cancellation of a competitive local exchange telecommunications certificate.

DOCKET NO.

COMPANY NAME

EFFECTIVE
DATE

080704-TX

Network PTS, Inc.

12/31/2008

Recommendation: The Commission should approve the action requested in the dockets referenced above and close these dockets.

DECISION: The recommendation was approved.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

3**

Docket No. 080308-TP – Complaint against MCI Communications Services, Inc. d/b/a Verizon Business Services for failure to pay intrastate access charges pursuant to Embarq's tariffs, by Embarq Florida, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: GCL: Murphy

RCP: Bloom, King

Issue 1: Should the Commission acknowledge Embarq's Notice?

Recommendation: Yes. The Commission should acknowledge Embarq's Notice.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendation in Issue 1, there are no further matters for the Commission to adjudicate in this docket and, therefore, the docket should be closed.

DECISION: The recommendations were approved.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

4**PAA

Docket No. 080632-EU – Joint petition for approval of amended territorial agreement in Sumter, Lake, Marion, Citrus, and Levy Counties by Sumter Electric Cooperative, Inc. and Progress Energy Florida, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: GCL: Jaeger

ECR: Redemann, Rieger

Issue 1: Should the Commission approve the joint petition for approval of the territorial agreement between Sumter Electric Cooperative, Inc. and Progress Energy Florida, Inc.?

Recommendation: Yes. The joint petition for approval of the amended territorial agreement between Sumter Electric Cooperative, Inc. and Progress Energy Florida is in the public interest and should be approved. Since there will be customers transferred as a result of the agreement, it is recommended that, beginning one year from the date of the Commission order approving the agreement, annual reports should be submitted to the Commission concerning the status of the customer transfers. The reporting requirement shall continue until all Extra-Territorial Customers have been transferred and the terms of the amended agreement have been fully satisfied.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected files a protest to the Commission's proposed agency action order within 21 days, the docket may be closed upon issuance of a consummating order.

DECISION: The recommendations were deferred to a later Commission Conference.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

5**PAA

Docket No. 080681-TI – Acknowledgment of cancellation of IXC Registration No. TK079 by VoiceGlobal, Inc., effective 11/19/2008.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: RCP: Isler

GCL: McKay

Issue 1: Should the Commission deny VoiceGlobal, Inc., a voluntary cancellation of its intrastate interexchange telecommunications carrier (IXC) tariff and Registration No. TK079 and cancel the tariff and remove the company's name from the register on the Commission's own motion with an effective date of November 19, 2008?

Recommendation: Yes, the company should be denied a voluntary cancellation as listed on Attachment A of staff's memorandum dated January 13, 2009.

ITEM NO.

CASE

5**PAA

Docket No. 080681-TI – Acknowledgment of cancellation of IXC Registration No. TK079 by VoiceGlobal, Inc., effective 11/19/2008.

(Continued from previous page)

Issue 2: Should this docket be closed?

Recommendation: Staff recommends that the Order issued from this recommendation will become final and effective upon issuance of a Consummating Order, unless a person whose substantial interests are affected by the Commission's decision files a protest that identifies with specificity the issues in dispute, in the form provided by Rule 28-106.201, Florida Administrative Code, within 21 days of the issuance of the Proposed Agency Action Order. As provided by Section 120.80(13)(b), Florida Statutes, any issues not in dispute should be deemed stipulated. If the company fails to timely file a protest and to request a Section 120.57, Florida Statutes, hearing, the facts should be deemed admitted and the right to a hearing waived. If the company pays the Regulatory Assessment Fee and statutory late payment charges prior to the expiration of the Proposed Agency Action Order, then the cancellation of the company's tariff and the removal of its name from the register will be voluntary. If the company fails to pay the Regulatory Assessment Fee and statutory late payment charges prior to the expiration of the Proposed Agency Action Order, then the company's IXC tariff should be cancelled administratively and its name removed from the register, and the collection of the past due Regulatory Assessment Fee, including any accrued statutory late payment charges, should be referred to the Florida Department of Financial Services for further collection efforts. If the company's IXC tariff is cancelled and its name removed from the register in accordance with the Commission's Order from this recommendation, the company should be required to immediately cease and desist providing intrastate interexchange telecommunications service in Florida. This docket should be closed administratively either upon receipt of the payment of the Regulatory Assessment Fee, including any accrued statutory late payment charges, or upon cancellation of the company's IXC tariff and removal of its name from the register.

DECISION: The recommendations were approved.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

6**PAA

Docket No. 080711-TX – Request for cancellation of CLEC Certificate No. 8688 by VoTTS Communications, LLC, effective December 16, 2008.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: RCP: Isler

GCL: Morrow

Issue 1: Should the Commission deny VoTTS Communications, LLC, a voluntary cancellation of its competitive local exchange telecommunications company (CLEC) Certificate No. 8688 and cancel the certificate on the Commission's own motion with an effective date of December 16, 2008?

Recommendation: Yes, the company should be denied a voluntary cancellation as listed on Attachment A of staff's memorandum dated January 13, 2009.

ITEM NO.

CASE

6**PAA

Docket No. 080711-TX – Request for cancellation of CLEC Certificate No. 8688 by VoTTS Communications, LLC, effective December 16, 2008.

(Continued from previous page)

Issue 2: Should this docket be closed?

Recommendation: Staff recommends that the Order issued from this recommendation will become final and effective upon issuance of a Consummating Order, unless a person whose substantial interests are affected by the Commission's decision files a protest that identifies with specificity the issues in dispute, in the form provided by Rule 28-106.201, Florida Administrative Code, within 21 days of the issuance of the Proposed Agency Action Order. As provided by Section 120.80(13)(b), Florida Statutes, any issues not in dispute should be deemed stipulated. If the company fails to timely file a protest and to request a Section 120.57, Florida Statutes, hearing, the facts should be deemed admitted and the right to a hearing waived. If the company pays the Regulatory Assessment Fee, including any applicable late payment charges, prior to the expiration of the Proposed Agency Action Order, then the cancellation of the company's CLEC certificate will be voluntary. If the company fails to pay the Regulatory Assessment Fee, including any applicable late payment charges, prior to the expiration of the Proposed Agency Action Order, then the company's CLEC certificate should be cancelled administratively, and the collection of the unpaid Regulatory Assessment Fee should be referred to the Florida Department of Financial Services for further collection efforts. If the company's CLEC certificate is cancelled in accordance with the Commission's Order from this recommendation, the company should be required to immediately cease and desist providing telecommunications service in Florida. This docket should be closed administratively either upon receipt of the payment of the Regulatory Assessment Fee, including any applicable late payment charges, or upon cancellation of the company's CLEC certificate.

DECISION: The recommendations were approved.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

7**

Docket No. 080613-SU – Application for amendment of Certificate No. 546-S to extend certain service areas in Highlands County by Silver Lake Utilities, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: ECR: Redemann, Simpson

GCL: Fleming

Issue 1: Should the Commission approve the application to amend Certificate No. 546-S in Highlands County by Silver Lake Utilities, Inc.?

Recommendation: Yes, the Commission should approve Silver Lake’s amendment application to expand its territory. The proposed territory amendment is described in Attachment A to this recommendation dated January 13, 2009. The resultant order should serve as Silver Lake’s amended certificate and it should be retained by the utility. Silver Lake should charge the customers in the added territory the rates and charges contained in its tariff until authorized to change by the Commission in a subsequent proceeding. The applicant should submit an executed and recorded lease agreement for the proposed wastewater plant site within one year from the date of the order approving the amendment or prior to construction of the wastewater treatment plant, whichever comes first.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open to allow the utility time to file an executed and recorded long-term lease for the land for the wastewater treatment facilities. The docket should be closed administratively upon receipt of the executed and recorded lease.

DECISION: The recommendations were approved.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

8**

Docket No. 080644-WU – Application for quick-take amendment of Certificate No. 247-W in Seminole County by Sanlando Utilities Corp.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: ECR: Simpson, Redemann

GCL: Hartman

Issue 1: Should the Commission acknowledge Sanlando Utilities Corporation’s “Quick Take” application to amend Certificate No. 247-W in Seminole County?

Recommendation: Yes, the Commission should acknowledge Sanlando Utilities Corporation’s amendment application to expand its territory. The proposed territory amendment is described in Attachment A to this recommendation dated January 13, 2009. The resultant order should serve as Sanlando Utilities Corporation’s amended certificate and it should be retained by the utility. Sanlando Utilities Corporation should charge the customers in the added territory the rates and charges contained in its tariff until authorized to change by this Commission in a subsequent proceeding.

Issue 2: Should this docket be closed?

Recommendation: Yes, no further action is required and the docket should be closed.

DECISION: The recommendations were approved.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

9**

Docket No. 060122-WU – Joint petition for approval of stipulation on procedure with Office of Public Counsel, and application for limited proceeding increase in water rates in Pasco County, by Aloha Utilities, Inc.

Docket No. 060606-WS – Progress reports on implementation of Anion Exchange in Pasco County, filed by Aloha Utilities, Inc. pursuant to Order PSC-06-0270-AS-WU.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop (060122-WU)

Argenziano (060606-WS)

Staff: ECR: Fletcher, Bulecza-Banks

GCL: Hartman, Cowdery

Issue 1: Should the Commission grant Aloha's Request to Abate the implementation of anion exchange pursuant to Order No. PSC-06-0270-AS-WU in Docket 060606-WS and all actions necessary for Aloha to interconnect with Pasco County, including the litigation to resolve the protest of Order No. PSC-08-0137-PAA-WU, in Docket 060122-WU, until January 30, 2009?

Recommendation: Aloha's Request for Abatement should be granted in part and denied in part. The request to abate should be granted, but the abatement's length should extend beyond the requested term. The Commission should abate the implementation of anion exchange pursuant to Order No. PSC-06-0270-AS-WU in Docket 060606-WS and all actions necessary for Aloha to interconnect with Pasco County, including the litigation to resolve the protest of Order No. PSC-08-0137-PAA-WU, in Docket 060122-WU, until March 2, 2009. In addition, hearing staff recommends that Aloha should be directed to file a report with the Commission upon the closing of the sale of the utility or March 2, 2009, whichever comes first. The report should address the status of the acquisition of the utility by FGUA.

Issue 2: Should the Commission grant Aloha Utilities, Inc.'s Request for Abatement of the show cause proceeding?

Recommendation: Aloha's Request for Abatement should be granted in part and denied in part. Advisory staff recommends that Aloha's request for abatement of the show cause proceeding be granted, but not until January 30, 2009, as requested by Aloha. Instead, advisory staff recommends that the show cause proceeding be abated until March 2, 2009, as requested by the Office of Public Counsel. Advisory staff recommends that Aloha should be directed to file a report with the Commission upon the closing of the sale of the utility or March 2, 2009, whichever comes first. The report should address the status of the acquisition of the utility by FGUA.

ITEM NO.

CASE

9**

Docket No. 060122-WU – Joint petition for approval of stipulation on procedure with Office of Public Counsel, and application for limited proceeding increase in water rates in Pasco County, by Aloha Utilities, Inc.

Docket No. 060606-WS – Progress reports on implementation of Anion Exchange in Pasco County, filed by Aloha Utilities, Inc. pursuant to Order PSC-06-0270-AS-WU.

(Continued from previous page)

Issue 3: Should this docket be closed?

Recommendation: No, these dockets should remain open pending the resolution of the issues associated with Aloha's interconnection with Pasco County and the implementation of anion exchange.

DECISION: The recommendations were approved.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

10**PAA

Docket No. 090005-WS – Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.

Critical Date(s): March 31, 2009 - Statutory Reestablishment Deadline

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECR: Fletcher, Bulecza-Banks

GCL: Klancke

Issue 1: Which index should be used to determine price level adjustments?

Recommendation: The Gross Domestic Product Implicit Price Deflator Index is recommended for use in calculating price level adjustments. Staff recommends calculating the 2009 price index by using a fiscal year, four quarter comparison of the Implicit Price Deflator Index ending with the third quarter 2008.

DECISION: The recommendation was approved.

Issue 2: What percentage should be used by water and wastewater utilities for the 2009 Price Index?

Recommendation: The ~~2008~~ 2009 Price Index for water and wastewater utilities should be 2.55 percent.

DECISION: The recommendation was approved with oral modification.

Issue 3: How should the utilities be informed of the indexing requirements?

Recommendation: Pursuant to Rule 25-30.420(1), F.A.C., the Office of Commission Clerk, after the expiration of the Proposed Agency Action (PAA) protest period, should mail each regulated water and wastewater utility a copy of the PAA order establishing the index containing the information presented in Form PSC/ECR 15 (4/99) and Appendix A (Attachment 1 of staff's memorandum dated January 13, 2009). A cover letter from the Director of the Division of Economic Regulation should be included with the mailing of the order (Attachment 2 of staff's memorandum dated January 13, 2009). If a protest is filed and a hearing is held, the Office of Commission Clerk should mail each regulated water and wastewater utility a copy of the final order establishing the index which should contain the information presented in Form PSC/ECR 15 (4/99) and Appendix A (Attachment 1 of staff's memorandum dated January 13, 2009). A cover letter from the Director of the Division of Economic Regulation should be included with the mailing of the order (Attachment 2 of staff's memorandum dated January 13, 2009).

ITEM NO.

CASE

10**PAA

Docket No. 090005-WS – Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.

(Continued from previous page)

Issue 4: Should this docket be closed?

Recommendation: Yes, this docket should be closed upon the issuance of the Consummating Order if no substantially affected person files a timely protest within the 14-day protest period after issuance of the PAA Order. Any party filing a protest should be required to prefile testimony with the protest.

DECISION: The recommendation was approved.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

ITEM NO.

CASE

11**PAA

Docket No. 070693-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

Critical Date(s): 5-Month Effective Date Waived Through 01/26/09

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: ECR: Bulecza-Banks, Fletcher, Lingo, Walden, Wright
GCL: Young

(Proposed Agency Action Except for Issue Nos. 22 and 23.)

Issue 1: Is the quality of service provided by Lake Utility Services, Inc. satisfactory?

Recommendation: Yes. The overall quality of service provided by LUSI is satisfactory.

ITEM NO.

CASE

11**PAA

Docket No. 070693-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

Issue 2: Should the audit adjustments to rate base to which the Utility agrees be made?
Recommendation: Yes. Based on audit adjustments agreed to by the Utility and staff, the following adjustments should be made:

Audit Findings	Water	Wastewater
No. 1 – Decrease Plant in Service	\$156,060	
No. 1 – Increase Plant in Service		\$682
No. 1 – Decrease Land		\$784,994
No. 1 – Increase Accumulated Depreciation	\$4,293	
No. 1 – Decrease Accumulated Depreciation		\$107,363
No. 3 – Decrease Plant in Service	\$199,854	\$21,577
No. 3 – Decrease Plant in Service - Land		\$22,000
No 3 – Decrease Accumulated Depreciation	\$17,407	\$244
No 4 – Decrease Plant in Service	\$111,294	\$50,108
No 4 – Decrease Accumulated Depreciation	\$8,872	\$3,779
No 7 – Decrease CIAC	\$57,045	\$3,725
No 7 – Increase Accumulated Amortization of CIAC	\$322,091	\$82,158

In addition, corresponding allocation adjustments should be made to increase land for water by \$11,237 and decrease land for wastewater by \$4,771, as well as, decrease accumulated depreciation for water and wastewater by \$23,901 and \$5,473, respectively.

Issue 3: Should any adjustments be made to rate base allocations for LUSI?

Recommendation: Yes. Rate Base should be reduced by \$329,828 for water and increased by \$11,626 for wastewater. The appropriate net rate base allocation for LUSI is \$771,159 for water and \$255,619 for wastewater.

ITEM NO.

CASE

11**PAA

Docket No. 070693-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

Issue 4: Should any additional adjustments be made to the Utility’s projected plant additions and associated expenses?

Recommendation: Yes. The Utility’s projected plant in service additions should be increased by \$286,935 for water and decreased by \$581,517 for wastewater. Corresponding adjustments should be made to increase accumulated depreciation by \$26,767 for water and decrease accumulated depreciation by \$11,269 for wastewater.

Issue 5: What are the used and useful percentages of the Utility’s water and wastewater systems?

Recommendation: The water treatment plants for all three water systems are 100 percent used and useful. The wastewater plant at Lake Groves is 52.42 percent used and useful, although the portions of the plant designated as providing reuse are 100 percent used and useful. The distribution and collection systems in all service areas are 100 percent used and useful.

Issue 6: What is the appropriate projected working capital allowance?

Recommendation: The appropriate amount of working capital is \$335,743 for water and \$111,300 for wastewater.

Issue 7: Should any adjustments be made to the projected Contributions in Aid of Construction balances ending June 30, 2009?

Recommendation: Yes. Contributions in Aid of Construction (CIAC) should be increased by \$25,303 for water and \$1,074,697 for wastewater and the associated accumulated amortization of CIAC should be increased by \$460 for water and \$15,784 for wastewater.

Issue 8: What is the appropriate rate base for the projected June 30, 2009 test year?

Recommendation: Based on Staff’s recommended adjustments, addressed in previous issues, the appropriate 13-month average rate base for the projected test year ending June 30, 2009 is \$17,149,714 for water and \$7,762,826 for wastewater.

Issue 9: What is the appropriate return on equity?

Recommendation: The appropriate return on common equity is 12.67 percent, based on the Commission’s approved leverage formula as set forth in Order No. PSC-08-0846-FOF-WS. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

Issue 10: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the projected test year ended 2009?

Recommendation: The appropriate weighted average cost of capital for the projected test year ended June 30, 2009, is 9.12 percent.

ITEM NO.

CASE

11**PAA

Docket No. 070693-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

Issue 11: Should any adjustments be made to projected expenses?

Recommendation: Yes. Projected expenses, excluding rate case expense, should be decreased by a total of \$320,759 for water and \$78,143 for wastewater. Moreover, corresponding adjustments should be made to decrease payroll taxes by \$15,117 for water and \$4,769 for wastewater.

Issue 12: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense is \$331,450. This expense should be recovered over four years for an annual expense of \$82,862 (\$62,230 for water and \$20,632 for wastewater). Thus, rate case expense should be increased by \$13,360 for water and \$4,433 for wastewater.

Issue 13: Should any adjustments be made to projected 2009 property tax expense for water and wastewater?

Recommendation: Yes. Property tax expense projected for 2009 should be decreased by \$20,882 for water and decreased by \$27,065 for wastewater.

Issue 14: Should any adjustments be made to projected net depreciation expense for 2009 for water and wastewater?

Recommendation: Yes, based on the previously discussed adjustments to Plant in Service and CIAC, net depreciation expense for water should be increased by \$4,225 and net depreciation expense for wastewater should be decreased by \$40,596.

ITEM NO.

CASE

11**PAA

Docket No. 070693-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

Issue 15: What are the appropriate numbers of projected bills, equivalent residential connections (ERCs) and consumption for the water, wastewater and reuse systems for the projected test year ending June 30, 2009?

Recommendation: The appropriate numbers of projected bills, ERCs and consumption for the water, wastewater and reuse systems for the projected test year ending June 30, 2009, are shown in the table below.

**LAKE UTILITY SERVICES, INC.
STAFF'S RECOMMENDED PROJECTIONS FOR THE
JUNE 30, 2009 PROJECTED TEST YEAR**

<u>Water System</u>		<u>Wastewater System</u>		<u>Reuse System</u>	
Bills	119,293	Bills	39,531	Bills	7,200
ERCs	124,065	ERCs	40,027	ERCs	7,200
Water consumption (000) lost due to reuse	(147,109)	Reuse bills	7,200	Reuse (000) to water system	147,109
Net consumption (000) after reuse	2,486,715	Wastewater consumption (000) lost due to reuse	(31,343)	Reuse reduction (000) to wastewater system	(31,343)
		Net consumption (000) after reuse	312,373		

Issue 16: What is the projected test year water and wastewater operating income before any revenue increases?

Recommendation: Based on the adjustments discussed in previous issues, the test year operating income is \$67,224 for water and a \$166,287 operating loss for wastewater.

Issue 17: What is the appropriate pre-repression revenue requirement for the projected June 30, 2009 test year?

Recommendation: The following pre-repression revenue requirement should be approved.

	Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
Water	\$2,968,002	\$2,512,077	\$5,480,079	84.64%
Wastewater	\$891,414	\$1,467,356	\$2,358,770	164.61%

ITEM NO.

CASE

11**PAA

Docket No. 070693-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

Issue 18: What are the appropriate billing cycles and rate structures for the utility's water, wastewater and reuse systems?

Recommendation: The appropriate billing cycles for the utility's water, wastewater and reuse systems is a monthly billing cycle. The appropriate rate structure for the residential water system is a three-tiered inclining-block rate structure. The usage blocks should be set for monthly consumption of: a) 0-5 kgal; b) 5.001-10 kgal; and c) in excess of 10 kgal. The usage block rate factors should be 1.0, 1.25 and 1.5, respectively. The appropriate rate structure for the general service water system is a continuation of the base facility charge (BFC)/uniform gallonage charge rate structure. The pre-repression BFC cost recovery percentage should be 20 percent. The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. The residential customers' billing for monthly consumption should be capped at 10 kgal. The general service gallonage charge should be 1.2 times greater than the residential gallonage charge. The pre-repression BFC cost recovery percentage should be set at 50 percent. The appropriate rate structure for the reuse system is the traditional BFC/uniform gallonage charge rate structure.

Issue 19: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for this utility, and what are the appropriate post-repression revenue requirements for the Utility's water and wastewater systems?

Recommendation: Yes, repression adjustments to the water and wastewater systems are appropriate. Residential water consumption should be reduced by 26.9 percent, resulting in a consumption reduction of approximately 633,036.7 kgal. Total water consumption for ratesetting is 1,853,573.4 kgals, which represents a 25.5 percent reduction in overall consumption. The resulting water system reductions to revenue requirements are \$120,216 in purchased power expense, \$67,602 in chemicals expense and \$8,452 in regulatory assessment fees (RAFs). The post-repression revenue requirement for the water system is \$5,235,010. Residential wastewater consumption should be reduced by 26.6 percent, resulting in a consumption reduction of approximately 79,661.4 kgal. Total wastewater consumption for ratesetting is 232,711.6 kgals, which represents a 25.5 percent reduction in overall consumption. The resulting wastewater system reductions to revenue requirements are \$43,206 in sludge removal expense, \$31,687 in purchased power expense, \$2,885 in chemicals expense and \$3,500 in RAFs. The post-repression revenue requirement for the wastewater system is ~~\$1,944,781~~ \$2,059,326. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

ITEM NO.

CASE

11**PAA

Docket No. 070693-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

Issue 20: What are the appropriate monthly rates for the water, wastewater, and reuse systems for the utility?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4-A of staff’s memorandum dated January 13, 2009, and the appropriate monthly wastewater and reuse rates are shown on Schedule No. 4-B of staff’s memorandum dated January 13, 2009. Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of \$5,235,010, while the recommended wastewater rates are designed to produce revenues of ~~\$1,944,781~~ \$2,059,326. The recommended reuse rates are designed to produce revenues of \$209,329. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given no less than 10 days after the date of the notice.

Issue 21: Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. LUSI should be authorized to revise its miscellaneous service charges. The Utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. Within 10 days of the date the order is final, LUSI should be required to provide notice of the tariff changes to all customers. The Utility should provide proof the customers have received notice within 10 days after the date that the notice was sent. The appropriate charges are reflected below.

Water and Wastewater Miscellaneous Service Charges

	<u>Water</u>		<u>Wastewater</u>	
	<u>Normal Hrs</u>	<u>After Hrs</u>	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$21	\$42	\$21	\$42
Normal Reconnection	\$21	\$42	\$21	\$42
Violation Reconnection	Actual Cost	Actual Cost	Actual Cost	Actual Cost
Premises Visit (In lieu of disconnection)	\$21	\$42	\$21	\$42

ITEM NO.

CASE

11**PAA

Docket No. 070693-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

Issue 22: In determining whether any portion of the water and wastewater interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, no water or wastewater refunds are required.

Issue 23: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated January 13, 2009, to remove \$65,162 of water and \$21,604 of wastewater rate case expense, grossed up for RAFs, which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than 30 days prior to the actual date of the required rate reduction. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. LUSI should provide proof of the date notice was given, no less than 10 days after the date of the notice.

Issue 24: Should the Utility be required to provide proof, within 90 days of the final order issued in this docket, that it has adjusted its books for all applicable NARUC USOA primary accounts associated with Commission-approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission decision, LUSI should provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

ITEM NO.

CASE

11**PAA

Docket No. 070693-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

Issue 25: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the corporate undertaking should be released.

DECISION: The recommendations were approved. Oral modifications were made by staff at the Commission Conference for Issues 19 and 20, as noted, and approved, as well as modifications to Schedule No. 4-C.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

