

**MINUTES OF October 4, 2011**  
**COMMISSION CONFERENCE**  
**COMMENCED: 9:36 am**  
**RECESSED: 12:06 pm**  
**RECONVENED: 12:16 pm**  
**ADJOURNED: 1:45 pm**

**COMMISSIONERS PARTICIPATING:** Chairman Graham  
Commissioner Edgar  
Commissioner Brisé  
Commissioner Balbis  
Commissioner Brown

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

---

---

1\*\* **Docket No. 110224-TP** – Proposed amendment of Rule 25-4.0161, F.A.C., Regulatory Assessment Fees; Telecommunications Companies.

**Rule Status:** Proposed (Section 364.336(2), F.S. requires that the reduced fee shall be applied beginning with payments due in January 2012 on revenues for the preceding 6-month period.

**Commissioners Assigned:** All Commissioners  
**Prehearing Officer:** Balbis

**Staff:** GCL: Cowdery  
APA: Mailhot  
ECR: McNulty  
RAD: Salak

**Issue 1:** Should the Commission propose the amendment of Rule 25-4.0161, F.A.C., Regulatory Assessment Fees; Telecommunications Companies?

**Recommendation:** Yes, the Commission should propose the amendment of this rule as set forth in Attachment A of staff's memorandum dated September 22, 2011.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If no requests for hearing or comments are filed, the rule may be filed with the Department of State, and then this docket may be closed.

**DECISION:** The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

---

2\*\*

**Docket No. 110099-EU** – Joint petition for approval of territorial agreement in Bradford County by Florida Power & Light Company and City of Starke.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** GCL: Brown

ECR: Rieger

**Issue 1:** Should the Commission approve the proposed territorial agreement between FPL and the City?

**Recommendation:** Yes. The proposed territorial agreement attached as Attachment A of staff's memorandum dated September 22, 2011, is in the public interest and should be approved by the Commission. The Commission should direct the parties to file status reports on the transfer of customers every six months until the transfer is complete.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If no person whose interests are substantially affected timely files a protest to the Commission's proposed agency action order, this docket should be closed upon issuance of a consummating order.

**DECISION:** The recommendations were approved with the modification that Item 2 is Proposed Agency Action.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

---

3\*\*PAA

**Docket No. 110219-EI** – Complaint No. 973806E of Casey E. and Allison L. Seaman against Progress Energy Florida, Inc., for alleged improper billing.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Balbis

**Staff:** GCL: Robinson

ECR: Draper

**(Issue 1 - No Oral Argument requested - Participation is at Commission's discretion. Issue 2 - Proposed Agency Action - Interested Persons May Participate.)**

**Issue 1:** Should the Commission grant PEF's Motion to Dismiss?

**Recommendation:** No. The Commission should deny PEF's Motion to Dismiss.

**Issue 2:** Should the Seaman's request for relief from the financial responsibility of their electric bill due to an alleged faulty meter be granted?

**Recommendation:** No. Meter No. 5834154 (old meter) was tested twice, pursuant to Rules 25-6.059 and 25-6.060, F.A.C., and met the Commission's guidelines for accuracy. Therefore, there is no conflict in the accuracy of the meter testing that needs resolution by the Commission at this time.

**Issue 3:** Should the docket be closed?

**Recommendation:** Yes. If the Commission agrees with staff regarding issues 1 and 2, then if no person whose substantial interests are affected by the proposed agency action for Issue 2 files a protest within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

**DECISION:** This item was deferred to the December 6, 2011, Commission Conference.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

---

4\*\*

**Docket No. 110091-EQ** – Petition for approval of renewable energy tariff and standard offer contract, by Florida Power & Light Company.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** RAD: Graves

GCL: Murphy

**Issue 1:** Should the Commission approve the standard offer contract filed by Florida Power & Light Company?

**Recommendation:** Yes. The revised standard offer contract and related tariffs filed on September 12, 2011, comply with Rules 25-17.200 through 25-17.310, F.A.C.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If the Commission approves staff's recommendation to approve the proposed standard offer contract and tariffs filed by FPL, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 110091-EQ should be closed, and the standard offer contracts and tariffs filed by FPL should be effective as of the date of the Commission's vote. If a protest is filed within 21 days of the issuance of the Commission's Order, the tariffs should remain in effect pending resolution of the protest. Potential signatories to the standard offer contract should be aware that FPL's tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised.

**DECISION:** The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

---

5\*\*

**Docket No. 110094-EI** – Petition for approval of revised underground residential and commercial differential tariffs, by Florida Power & Light Company.

**Critical Date(s):** 12/01/11 (8-Month Effective Date)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** ECR: A. Roberts, Draper

GCL: Jaeger

**Issue 1:** Should the Commission approve FPL's revised Underground Residential Distribution (URD) tariffs and their associated charges?

**Recommendation:** Yes, the Commission should approve FPL's revised URD tariffs and their associated charges.

**Issue 2:** Should the Commission approve FPL's revised Underground Commercial Distribution (UCD) tariffs and their associated charges?

**Recommendation:** Yes. Staff believes the proposed UCD charges are reasonable and recommends approval.

**Issue 3:** Should this docket be closed?

**Recommendation:** Yes. If issues 1 and 2 are approved, the tariffs should become effective on November 3, 2011. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

**DECISION:** The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

---

6\*\*

**Docket No. 100358-EI** – Investigation into the design of Commercial Time-of-Use rates by Florida Power & Light, pursuant to Order No. PSC-10-0153-FOF-EI.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Balbis

**Staff:** ECR: Draper, Barrett, Kummer

GCL: Crawford, Barrera

RAD: Ma

**Issue 1:** Should the Commission acknowledge AFFIRM's Notice of Voluntary Dismissal Without Prejudice?

**Recommendation:** Yes, the Commission should acknowledge AFFIRM's voluntary dismissal of its Petition and make Order No. PSC-11-0216-PAA-EI final and effective.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. No further action by the Commission is required in this docket and the docket should be closed.

**DECISION:** The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

---

7\*\*

**Docket No. 110216-WU** – Application for amendment of Certificate No. 347-W to delete territory in Marion County by Marion Utilities, Inc.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Balbis

**Staff:** ECR: Walden

GCL: Young

**Issue 1:** Should the Commission approve Marion’s application for amendment to delete the International Villas system from its Water Certificate No. 347-W?

**Recommendation:** Yes. The Commission should approve the application filed by Marion Utilities, Inc. to delete territory, as reflected on Attachment A of staff’s memorandum dated September 22, 2011, from its certificated service area, effective the day of the Commission’s vote. The resultant order should serve as Marion’s amended certificate and should be retained by the Utility.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes, if staff’s recommendation in Issues 1 is approved, no further action is required, and the docket should be closed.

**DECISION:** This item was deferred to the October 18, 2011, Commission Conference.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

---

8\*\*PAA

**Docket No. 100085-WU** – Application for certificate to operate water utility in Lake County by Black Bear Reserve Water Corporation.

**Critical Date(s):** October 4, 2011 (Statutory deadline for original certificate, pursuant to Section 367.031, Florida Statutes.)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Brown

**Staff:** ECR: Brady, Deason, Kaproth, Walden

GCL: Crawford

**(Proposed Agency Action for Issues 3, 5, 6, and 7.)**

**Issue 1:** Should the Commission order Black Bear Water Reserve Corporation to show cause, in writing within 21 days, why it should not be fined for operating a water utility without a certificate of authorization in apparent violation of Chapter 367.031, F.S.?

**Recommendation:** No. Black Bear should not be ordered to show cause for operating a water utility without a certificate of authorization.

**Issue 2:** Should the Joint Motion Requesting Commission Approval of Stipulation and Settlement Agreement and the application of Black Bear Water Reserve Corporation for a water certificate be approved?

**Recommendation:** Yes. The Joint Motion Requesting Commission Approval of Stipulation and Settlement Agreement appended as Attachment A of staff's memorandum dated September 22, 2011, should be approved and Black Bear should be granted Certificate No. 654-W to serve the territory described in Attachment B, effective the date of the Commission's vote. The resultant order should serve as the Utility's water certificate and it should be retained by the Utility.

**Issue 3:** Should Black Bear's request for a refund of its 2010 RAFs be granted?

**Recommendation:** No. Pursuant to Sections 367.145 and 350.113, F.S., each utility subject to Commission jurisdiction is required to submit annual reports and remit RAFs. Since Black Bear was jurisdictional during 2010, it should be required to file an annual report and to remit RAFs for 2010. In addition, Black Bear should continue to be required to file all future annual reports and remit all future RAFs by March 31 of each year.

**Issue 4:** Should the potable water service rates in effect at the time this application was filed be approved?

**Recommendation:** Yes. Black Bear's potable water service rates in effect at the time this application was filed and shown on Schedule No. 1 of staff's memorandum dated September 22, 2011, should be approved, adjusted for the statutory pass-through of RAFs, effective September 19, 2011, also shown on Schedule No. 1. The Utility should be required to charge its approved rates until authorized to change them by this Commission in a subsequent proceeding.



**ITEM NO.**

**CASE**

---

8\*\*PAA

**Docket No. 100085-WU** – Application for certificate to operate water utility in Lake County by Black Bear Reserve Water Corporation.

(Continued from previous page)

**Issue 5:** Should the Utility’s proposed service availability policy and charges be approved?

**Recommendation:** Yes. The Utility’s proposed service availability policy described in staff analysis and service availability charges shown on Schedule No. 1 of staff’s memorandum dated September 22, 2011, are consistent with the guidelines contained in Rule 25-30.580(1)(a), F.A.C., and should be approved. Black Bear should be required to apply its approved service availability policy and to collect its approved service availability charges until authorized to change them by this Commission in a subsequent proceeding. The approved policy and charges should be effective for services rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C.

**Issue 6:** Should the Utility’s proposed tariff requirements for the location and testing of backflow prevention assemblies and its proposed testing charge be approved?

**Recommendation:** Black Bear’s proposed tariff requirements for the location and testing of backflow prevention assemblies, and its proposed testing charge of \$35 or less, are reasonable and should be approved. When available, the lesser charge should be applied to all customers who choose to have the backflow prevention assembly test performed by the Utility’s certified contractor, as well as to all customers who fail to have the test performed within the prescribed time-frame. Black Bear’s request to charge a premises visit charge of \$16 when backflow prevention assemblies are being moved from the Utility’s to the customer’s side of the meter should be denied. Black Bear should be required to apply its approved tariff requirements and to collect its approved charge until authorized to change them by this Commission in a subsequent proceeding. The Utility should be required to file a proposed customer notice to reflect the Commission-approved tariff requirements and charge. The approved tariff requirements and Utility’s testing charge should be effective for services rendered on or after the stamped approval date of the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved tariff provisions and charge should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given within ten days after the date of the notice.

**ITEM NO.**

**CASE**

---

8\*\*PAA

**Docket No. 100085-WU** – Application for certificate to operate water utility in Lake County by Black Bear Reserve Water Corporation.

(Continued from previous page)

**Issue 7:** Should Black Bear's request for authority to collect initial customer deposits and to apply certain miscellaneous service charges be approved?

**Recommendation:** Yes. Black Bear's request for authority to collect initial customer deposits and certain miscellaneous service charges shown on Schedule No. 1 of staff's memorandum dated September 22, 2011, should be approved. Black Bear should be required to collect the approved charges until authorized to change them by this Commission in a subsequent proceeding. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges for initial customer deposits and miscellaneous service charges. The approved charges should be effective for services rendered on or after the stamped approval date of the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given within ten days after the date of the notice.

**Issue 8:** Should this docket be closed?

**Recommendation:** Yes. If no timely protest is filed by a substantially affected person to proposed agency action issues, a consummating order should be issued upon the expiration of the protest period. The docket should be closed upon the issuance of the consummating order and verification that notice has been given to customers of the Commission-approved charges.

**DECISION:** The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

**ITEM NO.**

**CASE**

---

9\*\*PAA

**Docket No. 100426-WS** – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc. (Deferred from the August 9, 2011 Commission Conference, revised recommendation filed.)

**Critical Date(s):** 5-Month Effective Date Waived Through 10/04/11

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Balbis

**Staff:** ECR: Buys, Cicchetti, Daniel, Fletcher, Lingo, Maurey, Stallcup, Thompson, Walden

GCL: Young

**(Proposed Agency Action - Except for Issue Nos. 29 and 30.)**

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

**Recommendation:** Yes. The overall quality of service provided by the Utility is satisfactory.

**DECISION:** The recommendation was approved.

**Issue 2:** Should the audit adjustments to rate base and net operating income to which the Utility agrees be made?

**Recommendation:** Yes. Based on the audit adjustments agreed to by the Utility, the following adjustments should be made to rate base and net operating income as set forth in the analysis portion of staff's memorandum dated September 22, 2011.

**DECISION:** The recommendation was approved.

**Issue 3:** Should any adjustment be made to the Utility's Project Phoenix Financial/Customer Care Billing System (Phoenix Project)?

**Recommendation:** Yes. Plant should be reduced by \$80,451 for water and \$26,546 for wastewater. In addition, accumulated depreciation should be reduced by \$35,770 for water and \$11,802 for wastewater. Depreciation expense should be decreased by \$26,732 for water and \$8,821 for wastewater.

**DECISION:** The recommendation was approved.

**ITEM NO.**

**CASE**

---

9\*\*PAA

**Docket No. 100426-WS** – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc. (Deferred from the August 9, 2011 Commission Conference, revised recommendation filed.)

(Continued from previous page)

**Issue 4:** Should any adjustments be made to the Utility's requested pro forma plant additions?

**Recommendation:** Yes. Water and wastewater plant should be increased by \$200,209 and \$28,808, respectfully. Corresponding adjustments to accumulated depreciation should be made to decrease water by \$27,959, and increase wastewater by \$1,602. Corresponding adjustments should also be made to increase depreciation expense by \$8,686 for water and \$1,602 for wastewater. Moreover, property taxes should also be increased by \$2,855 for water and \$1,316 for wastewater.

**DECISION:** The recommendation was approved with modification to the raw water main project; plan additions and a step increase to be initiated once the program is completed and the documentation that there is a need and three bids are obtained.

**Issue 5:** What are the used and useful percentages of the Utility's water system?

**Recommendation:** The water treatment plants for all three water systems are 100 percent used and useful (U&U). The storage facilities for the LUSI North and Lake Groves system are 100 percent U&U. The distribution systems in all three service areas are 100 percent U&U. Staff also recommends that O&M expenses related to chemicals and purchased power be reduced by a total of \$30,604 to account for 5.41 percent excessive unaccounted for water (EUW).

**DECISION:** The recommendation was approved.

**Issue 6:** What are the used and useful percentages of the Utility's wastewater system?

**Recommendation:** The wastewater treatment plant is 53 percent U&U. The portions of the plant designated as providing reuse are 100 percent U&U. The collection system is 100 percent U&U. Accordingly, rate base, depreciation expense, and property taxes should be reduced by \$1,385,522, \$96,198, and \$6,588, respectively.

**DECISION:** The recommendation was approved.

**Issue 7:** Should any adjustment be made to deferred rate case expense?

**Recommendation:** Yes. Consistent with the annual amortization amount approved in the Utility's last rate case and Commission practice, deferred rate case expense (DRCE) included in the working capital allowance should be decreased by \$245,856, or \$184,859 for water and \$60,997 for wastewater.

**DECISION:** The recommendation was approved.

**ITEM NO.**

**CASE**

---

9\*\*PAA

**Docket No. 100426-WS** – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc. (Deferred from the August 9, 2011 Commission Conference, revised recommendation filed.)

(Continued from previous page)

**Issue 8:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate amount of working capital is \$586,915 for water and \$209,490 for wastewater. The working capital allowance for water should be reduced by \$47,972 in addition to the adjustments recommended in Issue 7.

**DECISION:** The recommendation was approved.

**Issue 9:** What is the appropriate rate base for the historical test year ended June 30, 2010?

**Recommendation:** The appropriate rate base for the historical test year ended June 30, 2010, is \$18,224,480 for water and \$4,794,157 for wastewater.

**DECISION:** The recommendation was approved.

**Issue 10:** What is the appropriate return on equity?

**Recommendation:** Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 10.80 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

**DECISION:** The recommendation was approved.

**Issue 11:** What is the appropriate cost rate for short-term debt?

**Recommendation:** The appropriate cost rate for short-term debt is 3.17 percent.

**DECISION:** The recommendation was approved.

**Issue 12:** What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the historical test year ended June 30, 2010?

**Recommendation:** The appropriate weighted average cost of capital for the historical test year ended June 30, 2010, is 8.13 percent.

**DECISION:** The recommendation was approved.

**ITEM NO.**

**CASE**

---

9\*\*PAA

**Docket No. 100426-WS** – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc. (Deferred from the August 9, 2011 Commission Conference, revised recommendation filed.)

(Continued from previous page)

**Issue 13:** Should any further adjustments be made to test year revenues?

**Recommendation:** Yes. To reflect income from plant leased to others, revenues should be increased by \$12,261 and \$4,045 for water and wastewater, respectively. In addition, to reflect additional revenues from improved meter reading of customer usage, water revenue should be further increased by \$60,704.

**DECISION:** The recommendation was approved.

**Issue 14:** Should any adjustment be made to the Utility's pro forma O&M expense related to the amortization of LUSI's cost to obtain a consumptive use permit?

**Recommendation:** Yes. The amortization of the cost to obtain the CUP should be increased from 30 months to 60 months and water pro forma O&M expense should be reduced by \$47,972.

**DECISION:** The recommendation was denied. The Utility's position to amortize for the length of the permit was approved. Staff was given administrative authority to make adjustments to the rates accordingly.

**Issue 15:** Should any adjustments be made to the Utility's salaries and wages expense and employee pensions and benefits expense?

**Recommendation:** Yes. Salaries and wages expense should be reduced by \$62,658 for water and \$20,674 for wastewater. In addition, employee pensions and benefits expense should be reduced by \$48,411 for water and \$15,972 for wastewater. Corresponding adjustments should be made to reduce payroll taxes by \$6,085 for water and \$2,008 for wastewater.

**DECISION:** The recommendation was approved.

**Issue 16:** Should an adjustment be made to directors and officers liability insurance expense?

**Recommendation:** Yes. To reflect the appropriate amount of allocated directors and officers (D&O) liability insurance expense, O&M expenses should be reduced by \$1,828 for water and \$603 for wastewater.

**DECISION:** The recommendation was approved with the recognition that the result would be a 50/50 split. Commissioners Balbis and Brown dissented.

**ITEM NO.**

**CASE**

---

9\*\*PAA

**Docket No. 100426-WS** – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc. (Deferred from the August 9, 2011 Commission Conference, revised recommendation filed.)

(Continued from previous page)

**Issue 17:** Should any adjustments be made to the Utility's bad debt expense?

**Recommendation:** Yes. LUSI's bad debt expense should be based on a 3-year average. Accordingly, water and wastewater bad debt expense should be reduced by \$36,454 and \$12,058, respectively.

**DECISION:** The recommendation was approved.

**Issue 18:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate amount of rate case expense is \$329,870. This expense should be recovered over four years for an annual expense of \$82,467, or \$62,008 for water and \$20,459 for wastewater. Therefore, annual rate case expense should be reduced by \$22,338 for water and \$7,370 for wastewater.

**DECISION:** The recommendation was approved.

**Issue 19:** How should the net gain on sale of land be treated?

**Recommendation:** The net gain on sale of land realized by LUSI should be amortized over five years and deducted from the Utility's expenses. The annual amortization should be \$13,417 for water and \$14,238 for wastewater.

**DECISION:** The recommendation was approved. The Utility is to provide additional information to staff within ten days, concerning the property. Staff was given administrative authority to make adjustments to the rates accordingly.

**Issue 20:** What is the test year water and wastewater operating income before any revenue increase?

**Recommendation:** Based on the adjustments discussed in previous issues, the test year operating income is \$843,646 for water and \$467,399 for wastewater.

**DECISION:** The recommendation was approved.

**ITEM NO.**

**CASE**

9\*\*PAA

**Docket No. 100426-WS** – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc. (Deferred from the August 9, 2011 Commission Conference, revised recommendation filed.)

(Continued from previous page)

**Issue 21:** What is the appropriate revenue requirement for the historical test year ended June 30, 2010?

**Recommendation:** The following revenue requirement should be approved.

	Test Year Revenues	(\$ Decrease) \$ Increase	Revenue Requirement	(% Decrease) % Increase
Water	\$4,308,670	\$1,070,545	\$5,379,215	24.85%
Wastewater	\$2,101,009	(\$130,494)	\$1,970,515	(6.21%)

**DECISION:** The recommendation was approved.

**Issue 22:** What are the appropriate numbers of bills, ERCs and consumption for the Utility’s water, wastewater, and reuse systems for the historical test year ending June 30, 2010?

**Recommendation:** The appropriate numbers of bills, ERCs and consumption for the Utility’s water, wastewater, and reuse systems for the historical test year ending June 30, 2010 are shown in Table 22-1 below.

Table 22-1

LAKE UTILITY SERVICES, INC. STAFF’S RECOMMENDED TEST YEAR BILLING DETERMINANTS FOR THE HISTORICAL TEST YEAR ENDING JUNE 30, 2010					
<u>Water System</u>		<u>Wastewater System</u>		<u>Reuse System</u>	
Bills	102,813	Bills	33,456	Bills	0
ERCs	111,368	ERCs	37,844	ERCs	0
Consumption (kgals)	1,471,056	Consumption (kgals)	254,416	Consump	0

**DECISION:** The recommendation was approved.



**ITEM NO.**

**CASE**

---

9\*\*PAA

**Docket No. 100426-WS** – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc. (Deferred from the August 9, 2011 Commission Conference, revised recommendation filed.)

(Continued from previous page)

**Issue 23:** What are the appropriate rate structures for the Utility’s water, wastewater and reuse systems?

**Recommendation:** The appropriate water system rate structure for the Utility’s residential water system is a continuation of a three-tiered inclining block rate structure, with usage blocks for monthly usage of: a) 0-5 kgals; b) 5.001-10 kgals; and c) for usage in excess of 10 kgals. The appropriate water system rate structure for the Utility’s remaining customer classes is a continuation of the BFC/uniform gallonage charge rate structure. The pre-repression BFC cost recovery percentage should be set at 20 percent.

As discussed in Issue 21, staff recommends a 6.21 percent revenue requirement reduction to the Utility’s wastewater system. Staff recommends that this revenue requirement decrease be applied across the board to the Utility’s wastewater rates, thereby keeping the wastewater system’s current BFC/gallonage charge rate structure intact. The residential customers’ billing for monthly consumption should continue to be capped at 10 kgal. The general service gallonage charge should be 1.2 times greater than the corresponding residential gallonage charge. The appropriate rate structure for the Utility’s reuse system is a continuation of the BFC/uniform gallonage charge rate structure.

**DECISION:** The recommendation was approved.

**ITEM NO.**

**CASE**

---

9\*\*PAA

**Docket No. 100426-WS** – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc. (Deferred from the August 9, 2011 Commission Conference, revised recommendation filed.)

(Continued from previous page)

**Issue 24:** Are repression adjustments appropriate for the Utility’s water and wastewater systems, and, if so, what are the appropriate adjustments for the respective systems?

**Recommendation:** A repression adjustment is appropriate for the water system only. Residential water consumption should be reduced by 9.5 percent, resulting in a consumption reduction of approximately 133,592 kgals. Total water consumption for rate setting is 1,337,464 kgals, which represents an 9.1 percent reduction in overall consumption. The resulting water system reductions to revenue requirements are \$35,891 in purchased power expense, \$12,702 in chemicals expense, and \$2,290 in regulatory assessment fees (RAFs). The post-repression revenue requirement for the water system is \$5,237,387. As discussed in Issue 21, staff recommends a revenue requirement reduction to the wastewater system. Therefore, no repression adjustment is recommended for that system.

In order to monitor the effect of the rate change, the Utility should be ordered to file reports for its respective water and wastewater systems, detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, the reports should be prepared by customer class, usage block and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning with the first billing period after the approved rates go into effect. 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.

DECISION: The recommendation was approved.

**ITEM NO.**

**CASE**

---

9\*\*PAA

**Docket No. 100426-WS** – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc. (Deferred from the August 9, 2011 Commission Conference, revised recommendation filed.)

(Continued from previous page)

**Issue 25:** What are the appropriate rates for the Utility’s water, wastewater and reuse systems?

**Recommendation:** The appropriate monthly water rates are shown on Schedule 4-A of staff’s memorandum dated September 22, 2011, and the appropriate monthly wastewater and reuse rates are shown on Schedule 4-B. Excluding miscellaneous service charges, and after the effects of repression, the recommended water rates produce revenues of \$5,237,387. After staff’s recommended revenue requirement decrease and excluding miscellaneous service charges, the recommended wastewater rates produce revenues of \$1,958,571. The Utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the respective systems. 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 approved rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

**DECISION:** The recommendation was approved.

**Issue 26:** Should the Utility be authorized to revise its water service availability charges, and if so, what are the appropriate charges?

**Recommendation:** Yes. LUSI’s water service availability charges should be revised. The recommended charges are reasonable and consistent with the guidelines set forth in Rule 25-30.580, F.A.C., and should be approved. 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, F.A.C. The appropriate revised water service availability charges are reflected below.

Main Extension Charge	\$1,426
Plant Capacity Charge	\$1,157
Meter Installation Charges:	
5/8” x 3/4”	\$150
1”	\$250

**DECISION:** The recommendation was approved.

**ITEM NO.**

**CASE**

---

9\*\*PAA

**Docket No. 100426-WS** – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc. (Deferred from the August 9, 2011 Commission Conference, revised recommendation filed.)

(Continued from previous page)

**Issue 27:** Should the Utility’s wastewater service availability charges be revised, and if so, what are the appropriate charges?

**Recommendation:** Yes. LUSI’s wastewater service availability charges should be revised. The recommended charges are reasonable and consistent with the guidelines set forth in Rule 25-30.580, F.A.C., and should be approved. 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, F.A.C. The appropriate revised wastewater service availability charges are reflected below.

Main Extension Charge	\$1,243
Plant Capacity Charge	\$558

**DECISION:** The recommendation was approved.

**Issue 28:** In determining whether any portion of the interim water revenue 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 water revenue requirement for the interim collection period should be compared to the amount of interim water revenue requirement granted. This results in a refund of 4.57 percent. The refunds should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. Further, the corporate undertaking should be released upon staff’s verification that the required refunds have been made.

**DECISION:** The recommendation was approved.

**ITEM NO.**

**CASE**

---

9\*\*PAA

**Docket No. 100426-WS** – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc. (Deferred from the August 9, 2011 Commission Conference, revised recommendation filed.)

(Continued from previous page)

**Issue 29:** 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 rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated September 22, 2011, to remove \$75,485 for water and \$24,906 for wastewater related the annual 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 one month prior to the actual date of the required rate reduction.

DECISION: The recommendation was approved.

**Issue 30:** Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts associated with the Commission-approved adjustments?

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

DECISION: The recommendation was approved.

**ITEM NO.**

**CASE**

---

9\*\*PAA

**Docket No. 100426-WS** – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc. (Deferred from the August 9, 2011 Commission Conference, revised recommendation filed.)

(Continued from previous page)

**Issue 31:** Should this docket be closed?

**Recommendation:** No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 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.

**DECISION:** The recommendation was approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

