

120270-SU

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

STATE OF FLORIDA



DIVISION OF ECONOMICS  
JAMES W. DEAN  
DIRECTOR  
(850) 413-6410

Public Service Commission

June 14, 2013

FPSC, CLK - CORRESPONDENCE  
Administrative Parties  Consumer  
DOCUMENT NO. 02036-13  
DISTRIBUTION: \_\_\_\_\_

RECEIVED-FPSC  
13 JUN 17 PM 2:53  
COMMISSION  
CLERK

Mr. John C. Lavelly  
131 Smith Road  
New Bethelhem, PA 16242

**Re: Docket No. 120270-SU - Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.**

Dear Mr. Lavelly:

Thank you for your letter in which you expressed your concerns regarding the proposed preliminary rate increase determined in the staff-assisted rate case (SARC) for West Lakeland Wastewater, LLC (West Lakeland or Utility) To ensure that the Commission staff and the Commissioners have knowledge of your concerns, your letter was placed in the correspondence side of the docket file.

In review of the Utility's request for an increase, staff evaluates the Utility's financial data to ensure it is in compliance with the statutes and rules that govern our regulation of West Lakeland. The operation and maintenance expenses are examined very carefully. Costs found to be imprudent or unreasonable will be disallowed. Staff has filed its final recommendation for the Utility's SARC. Staff's recommended increase is considerably lower than its preliminary proposed rate increase. A copy of staff's final recommendation is enclosed.

You have asked that staff include language in its recommendation to permit seasonal customers to "turn our sewage account off". Staff does not believe that inclusion of such language is appropriate. Pursuant to Rule 25-30.335(9), Florida Administrative Code, if the utility utilizes the base facility and usage charge rate structure and does not have a Commission authorized vacation rate, the Utility must bill the customer the base facility charge regardless of whether there is any usage. Under the base facility charge rate structure, the base facility charge is designed to recover the fixed costs of the Utility that occur regardless of the level of usage, such as salaries, office rent, and insurance. Consequently, those costs do not change even though a customer may be out of residence. If staff were to recommend the language you suggest, the Utility's rates would necessarily need to be increased to cover those same costs.

Finally, you asked for help with determining how your February 2013 bill was calculated. According your bill, the consumption was 3,800 gallons. The Utility's rates consist of a base facility charge of \$13.39 and gallonage (or consumption) charge of \$3.26 per 1,000 gallons. The calculation results in a bill of \$25.78 [ $\$13.39 + \$3.26 (3,800/1,000)$ ]. Your bill for February 2013 showed a credit

Mr. John C. Lavelly

Page 2

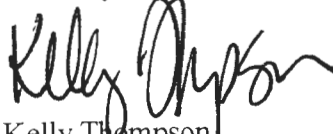
June 14, 2013

of \$23.40. It appears you had a credit balance of \$51.76 at the end of January 2013. Your February 2013 bill was netted against the credit leaving you with a credit balance of \$23.40.

I hope this letter has been responsive to your inquiry.

Thank you again for your letter, and if you have additional questions or need further assistance, please contact me at (850) 413-6986.

Sincerely,

A handwritten signature in black ink that reads "Kelly Thompson". The signature is written in a cursive, flowing style.

Kelly Thompson  
Public Utility Analyst II

cc: Division of Economics (Daniel, Hudson)  
Office of General Counsel (Murphy)  
Office of Commission Clerk (Docket No. 120270-SU)

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

**DATE:** June 13, 2013

**TO:** Office of Commission Clerk (Cole)

**FROM:** Division of Economics (Thompson, Daniel, Hudson) *SAH*  
Division of Accounting and Finance (Golden, Maurey, Mouring, Prestwood) *KT*  
Division of Engineering (Ellis, McRoy) *ME*  
Office of the General Counsel (Murphy) *CM*

**RE:** Docket No. 120270-SU – Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.

**AGENDA:** 06/25/13 – Regular Agenda – Proposed Agency Action – Except Issue Nos. 12 and 13 - Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Balbis

**CRITICAL DATES:** 03/26/14 (15-Month Effective Date (SARC))

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECO\WP\120270.RCM.DOC

REC'D - D-PP-3  
13 JUN 13 AM 10:10  
COMMISSION CLERK  
*J.W.*  
*ALM*  
*TS*

03285 JUN 13 2013  
FPSC-COMMISSION CLERK

### Case Background

West Lakeland Wastewater, Inc. (West Lakeland or Utility) is a Class C wastewater utility that serves approximately 312 customers in Polk County. Water service is provided by the City of Lakeland. According to West Lakeland's 2012 annual report, total gross revenues were \$88,304 and total operating expenses were \$95,782, resulting in a net loss of \$7,478.

The Utility, previously known as ABCA, Inc., has been providing service to customers in Polk County since 1972. On January 9, 1990, the Polk County Commission granted a franchise to Ameribanc Investors Group for a system known as Village Lakeland. Polk County subsequently came under Commission jurisdiction on July 11, 1996. In 1998, the Commission granted the Utility Certificate No. 515-S to provide wastewater service.<sup>1</sup> Rate base was first established in the Utility's 1999 staff-assisted rate case (SARC).<sup>2</sup> ABCA's certificate was transferred to West Lakeland in 2001.<sup>3</sup>

By letter dated March 26, 2009, West Lakeland gave notice of abandonment effective June 30, 2009. On May 13, 2009, the Polk County Attorney filed a Petition for Appointment of Receiver for West Lakeland in the Circuit Court of the Tenth Judicial Circuit (Circuit Court). The Circuit Court appointed Mr. Mike Smallridge as receiver for the wastewater system. On September 8, 2009, the Commission acknowledged West Lakeland's abandonment and the Court's appointment of Mr. Smallridge as receiver.<sup>4</sup>

On October 25, 2012, the Commission received an application for a SARC from West Lakeland, which is the subject of this recommendation. In addition, Mr. Smallridge has become the owner of West Lakeland and has since filed an application for transfer of Certificate No. 515-S in Polk County from West Lakeland Wastewater, Inc. to West Lakeland Wastewater, LLC.<sup>5</sup>

The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.0814, 367.101, and 367.121, F.S.

---

<sup>1</sup> See Order No. PSC-98-0752-FOF-SU, issued June 1, 1998, in Docket No. 971531-SU, In re: Application for grandfather certificate to operate wastewater utility in Polk County by ABCA, Inc.

<sup>2</sup> See Order No. PSC-00-1163-PAA-SU, issued June 26, 2000, in Docket No. 990937-SU, In re: Application for staff-assisted rate case in Polk County by ABCA, Inc.

<sup>3</sup> See Order No. PSC-01-1271-PAA-SU as modified by Order No. PSC-01-1576-FOF-SU, issued July 30, 2001, in Docket No. 010382-SU, In re: Application for transfer of Certificate No. 515-S in Polk County from ABCA, Inc. to West Lakeland Wastewater, Inc.

<sup>4</sup> See Order No. PSC-09-0607-FOF-SU as amended by PSC-09-0607A-FOF-SU, issued February 16, 2010, in Docket No. 090154-SU. In re: Notice of abandonment of wastewater system for The Village of Lakeland Mobile Home Park in Polk County, by West Lakeland Wastewater, Inc.

<sup>5</sup> See Docket No. 130065-SU, In re: Application for transfer of Certificate No. 515-S in Polk County from West Lakeland Wastewater, Inc. to West Lakeland Wastewater, LLC.

Docket No. 120270-SU

Date: June 13, 2013

Summary

West Lakeland is in compliance with DEP rules and regulations, the wastewater treatment plants are operating normally, and the Utility appears to address customer complaints in a timely manner. Therefore, staff recommends that the overall quality of service provided by West Lakeland be considered satisfactory.

**Issue 3:** What is the appropriate allocation of common costs from Florida Utility Service to West Lakeland?

**Recommendation:** The appropriate allocation of common costs from Florida Utility Service to West Lakeland is 29.08 percent for billing and fixed costs and 34.06 percent for maintenance costs. (Golden)

**Staff Analysis:** West Lakeland's owner currently provides billing and/or maintenance services to five other utilities. Specifically, West Lakeland's owner also owns and operates Pinecrest Utilities, LLC, serves as the court-appointed receiver for Bimini Bay Utilities and Four Points Utility Corporation, and provides billing services for East Marion Sanitary Systems and Lake Forest Utility. As of January 1, 2013, the common costs related to these six utilities have been recorded in a company called Florida Utility Service (Common Office). Commission practice is to allocate common administrative and general expenses based on the number of ERCs.<sup>7</sup> Since the Common Office provides billing services to all six utilities, but only provides maintenance services to four utilities, two sets of allocation percentages need to be developed. The appropriate allocation percentages are calculated as follows:

Table 3-1

<u>Name of System</u>	<u>Number of ERCs</u>	<u>Percentage of Allocation</u>
<u>Allocation of Billing and Fixed Costs:</u>		
Bimini Bay Utilities	201	18.73%
East Marion Sanitary Systems	91	8.48%
Four Points Utility Corporation	258	24.04%
Lake Forest Utilities	66	6.15%
Pinecrest Utilities	145	13.51%
West Lakeland Wastewater	<u>312</u>	<u>29.08%</u>
<b>Total</b>	<u>1,073</u>	<u>100.00%</u>
<u>Allocation of Maintenance Related Costs:</u>		
Bimini Bay Utilities	201	21.94%
Four Points Utility Corporation	258	28.17%
Pinecrest Utilities	145	15.83%
West Lakeland Wastewater	<u>312</u>	<u>34.06%</u>
<b>Total</b>	<u>916</u>	<u>100.00%</u>

<sup>7</sup> See Order Nos. PSC-01-0323-PAA-WU, issued February 5, 2001, in Docket No. 000580-WU, In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc. (Alturas Water Works); PSC-05-0442-PAA-WU, issued April 25, 2005, in Docket No. 040254-WU, In re: Application for staff-assisted rate increase in Polk County by Keen Sales, Rentals and Utilities, Inc.; PSC-09-0716-PAA-WU, issued October 28, 2009, in Docket No. 090072-WU, In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.

**Issue 4:** What is the appropriate average test year rate base for West Lakeland?

**Recommendation:** The appropriate average test year rate base for West Lakeland is zero. West Lakeland should complete the pro forma items within 12 months of the issuance of the consummating order. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing. (Golden)

**Staff Analysis:** West Lakeland's rate base was last established in its 1999 staff-assisted rate case (SARC) by Order No. PSC-00-1163-PAA-SU.<sup>8</sup> Staff selected the test year ended September 30, 2012, for the instant rate case. A summary of each component and the recommended adjustments are discussed below:

**Utility Plant in Service (UPIS):** The Utility recorded a test year UPIS balance of \$237,239. Due to abandonment of the Utility by its prior owners in 2009, Commission audit staff was unable to obtain books or records between 1999 and 2009. However, audit staff was able to confirm the addition of several plant items since 2007. Staff recommends the following adjustments to the Utility's recorded UPIS.

Table 4-1

	Adjustment Description	Wastewater
1.	To reflect 2007 plant addition of a new lift station panel to Acct. No. 370.	\$2,651
2.	To reflect 2007 retirement of lift station panel to Acct. No. 370.	(1,988)
3.	To reflect 2009 plant addition of replacement discharge pipe in lift station to Acct. No. 370.	2,438
4.	To reflect 2009 retirement of discharge pipe in lift station to Acct. No. 370.	(1,829)
5.	To reflect 2010 plant addition of pump in lift station to Acct. No. 370.	2,282
6.	To reflect 2010 plant addition of auto dialer at wastewater treatment plant to Acct. No. 380.	2,480
7.	To record 2011 retirement of pump to Acct. No. 370 (retired 7/11/2011).	(1,016)
8.	To record 2011 retirement of pump to Acct. No. 370 (retired 10/11/2011).	(1,071)
9.	To reclassify 2011 pump from expense Acct. No. 720 to Acct. No. 371.	218
10.	To reclassify 2012 pump from expense Acct. No. 775 to Acct. No. 371.	500
11.	To reflect 2012 plant addition of pump to Acct. 360.	1,342
12.	To reflect the Utility's share of allocated common plant.	1,461
13.	To reflect pro forma plant addition for manhole ring replacement/raising to Acct. No. 361.	2,530
14.	To reflect pro forma plant addition for lift station rehabilitation to Acct. No. 371.	8,023
15.	To reflect pro forma plant addition for check valve replacement to Acct. No. 380.	967
16.	To reflect pro forma retirement of replaced check valve to Acct. No. 380.	(725)
17.	To reflect an averaging adjustment.	(1,939)
	Total	\$16,323

<sup>8</sup> See Order No. PSC-00-1163-PAA-SU, issued June 26, 2000, in Docket No. 990937-SU, In re: Application for staff-assisted rate case in Polk County by ABCA, Inc.

Lakeland's share of allocated common plant depreciation. Staff also increased accumulated depreciation by \$693 to include depreciation for the three pro forma plant additions discussed above, and decreased accumulated depreciation by \$725 to reflect a pro forma retirement, resulting in a net decrease of \$32. Further, staff has decreased this account by \$146 to reflect an averaging adjustment. Staff's net adjustment to accumulated depreciation is an increase of \$1,674, resulting in an accumulated depreciation balance of \$226,677.

Accumulated Amortization of CIAC: West Lakeland recorded amortization of CIAC of \$125,305. Amortization of CIAC has been calculated by staff using composite depreciation rates. As a result, accumulated amortization of CIAC should be decreased by \$18,667. Also, staff has increased accumulated amortization of CIAC by \$7,186 to reflect additions made since the Utility's 1999 SARC. In addition, staff has decreased this account by \$255 to reflect an averaging adjustment. Staff's net adjustment to accumulated amortization of CIAC is a decrease of \$11,736, resulting in an amortization of CIAC balance of \$113,569.

Working Capital Allowance: Working capital is defined as the investor-supplied funds that are necessary to meet operating expenses or going-concern requirements of the Utility. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, staff recommends a working capital allowance of \$11,814 (based on O&M expense of \$94,509/8). Staff has increased the working capital allowance by \$11,814.

Rate Base Summary: Applying all of the above adjustments results in a negative rate base of \$68,857. In accordance with Commission practice, staff has adjusted the rate base to zero for ratemaking purposes.<sup>10</sup> Based on the forgoing, staff recommends that the appropriate test year average rate base is zero. Further, West Lakeland should complete the pro forma items within 12 months of the issuance of the consummating order. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

<sup>10</sup> See e.g., Order No. PSC-97-0540-FOF-WS, issued May 12, 1997, in Docket No. 960799-WS, In re: Application for staff-assisted rate case in DeSoto County by Lake Suzy Utilities, Inc.



Docket No. 120270-SU

Date: June 13, 2013

**Issue 6:** What is the appropriate amount of test year revenues?

**Recommendation:** The appropriate test year revenues for the West Lakeland wastewater system are \$89,977. (Thompson)

**Staff Analysis:** West Lakeland recorded total test year revenues of \$21,650, including wastewater service revenues of \$20,677 and \$973 of miscellaneous revenues. The Utility's test year is October 2011 to September 2012. The Utility did not record any revenues in its 2012 general ledger. Based on staff's review of the Utility's billing determinants and the rates that were in effect during the test year, staff determined service revenues should be increased by \$64,948 to reflect total test year service revenues of \$85,625. Staff also made an adjustment to miscellaneous revenues. Staff's audit indicated miscellaneous revenues should be \$4,352. Staff recommends miscellaneous revenues be increased by \$3,379 to reflect the appropriate miscellaneous revenues for the test year.

Based on the above adjustments, staff recommends test year revenues of \$89,977 for the wastewater system. Test year revenues should be increased by \$68,327 ( $\$64,948 + \$3,379$ ).

Sludge Removal Expense (711) – The Utility recorded sludge removal expense of \$8,250. The Utility must regularly pump out and dispose of excess sludge. However, it appears the test year expense was significantly higher than in recent years due to additional sludge removal for plant stabilization and one emergency plant clean up. A review of the Utility's prior annual reports indicates that this facility has periodically experienced a spike in its annual sludge removal expense. Engineering staff believes the test year is more representative of a high year rather than a typical year. Staff has decreased this account by \$1,416 to normalize the emergency sludge removal and clean up expense over 5 years. In addition, staff has decreased this account by \$720 to reflect the appropriate annual sludge removal expense. Staff's net adjustment to this account is a decrease of \$2,136. Staff recommends sludge removal expense of \$6,114.

Purchased Power (715) – The Utility recorded purchased power expense of \$11,897, which included \$582 for West Lakeland's share of the common office purchased power expense. The total purchased power expense for the common office is \$1,385. West Lakeland's allocated share of the purchased power expense is \$403 ( $\$1,385 \times 29.08$  percent). Therefore, staff has decreased this account by \$179 ( $\$403 - \$582$ ) to reflect West Lakeland's allocated share of common office purchased power expense. Also, staff has decreased purchased power by \$597 to remove penalties and interest. Staff's net adjustment to this account is a decrease of \$776. Staff recommends purchased power expense for the test year of \$11,121.

Chemicals (718) – West Lakeland recorded chemical expense of \$3,029. Staff has decreased chemical expense by \$324 to remove chemical expenses that occurred outside the test year. Further, the Florida Rural Water Association (FRWA) conducted a video review of West Lakeland's collection system. According to the FRWA, the Utility will be using Root X treatment on its collection system six times a year at an annual cost of \$814. Accordingly, staff has increased this account by \$814 to reflect inclusion of this expense as a pro forma adjustment. Staff's net adjustment to this account is an increase of \$490. Staff recommends chemical expense for the test year of \$3,519.

Material and Supplies (720) – The Utility recorded materials and supplies expense of \$2,203. Staff has decreased this account by \$218 to reclassify a pump to plant Account No. 371 pumping equipment. Also, staff has decreased this account by \$372 to amortize non-recurring material and supplies expenses over 5 years. Staff's net adjustment to this account is a decrease of \$590. Staff recommends material and supplies expense for the test year of \$1,613.

Contractual Services - Professional (731) – West Lakeland recorded contractual services – professional expense of (\$9,481). The negative balance is due to correcting entries that were made for items outside the test year that exceeded the test year balance. Excluding those adjustments, the test year balance would have been \$4,694. In December 2011, the Utility made entries to correct charges between Account Nos. 731 contractual services – professional, 735 contractual services – testing, and 736 contractual services – other. However, because these entries include items outside the test year, staff has reversed the entries. Staff's reversing adjustment to Account No. 731 contractual services – professional is an increase of \$14,174. Also, staff has decreased this account by \$200 to remove two payments for annual report preparation services by the Utility's engineering consultant that were already expensed to Account No. 735 contractual services – testing.

Contractual Services - Other (736) – West Lakeland recorded contractual services – other expense of \$45,927. As discussed above, the Utility made correcting entries between several accounts, but the entries included items outside the test year. Staff has made two reversing adjustments to Account No. 736 contractual services – other, which are a decrease of \$14,174 and an increase of \$728 for a combined decrease of \$13,446. During the test year, this account included entries for several contractual services which are being replaced by new allocations as discussed above. Staff has made the following adjustments to either remove or reclassify some contractual services.

Table 7-1

	<u>Adjustment Description</u>	<u>Wastewater</u>
1.	To remove test year maintenance services included in maintenance employee position.	(\$1,731)
2.	To remove test year operator services included in maintenance employee position.	(791)
3.	To remove test year management fees replaced with officer's salary.	(10,916)
4.	To remove test year billing services included in billing employee position.	(1,989)
5.	To reclassify test year bookkeeping services to Acct. No. 731.	(5,853)
6.	To reclassify annual report and RAF form preparation fees to Acct. No. 731.	(425)
7.	To reclassify non-recurring fees for original cost study to Acct. No. 731.	(600)
8.	To reclassify 2 months of testing expense to Acct. No. 735.	(182)
	Subtotal	(\$22,488)

Regarding the operator and meter reading contractual services that will remain in this account, staff has made the following adjustments. The Utility included \$4,680 in this account for 8 months of operator contractual service fees. Staff has increased this account by \$1,755 to reclassify 3 months of operator contractual service fees from Account No. 731 contractual services – professional, and has increased this account by \$585 to reclassify 1 month of operator contractual service fees from Account No. 735 contractual services – testing, resulting in a total test year expense of \$7,020 for operator contractual services. In addition to performing the contractual plant operation duties, the contract operator also provided additional repair and maintenance services during the test year. Staff has decreased this account by \$1,308 to amortize the non-recurring operator services over 5 years. Staff has also increased this account by \$156 to reflect the 5-year amortization of non-recurring operator repairs that were reclassified from Account No. 731 contractual services – professional.

In addition, the Utility included \$3,355 in this account for 11 months of meter reading services. Staff has increased this account by \$305 to reclassify 1 month of meter reading fees from Account No. 731 contractual services – professional, resulting in a total test year expense of \$3,660 for meter reading services. Lastly, staff has decreased this account by \$46 to remove non-utility expenses. Staff's net adjustment to this account is a decrease of \$34,487. Staff recommends contractual services - other expense for the test year of \$11,440.

Date: June 13, 2013

Regulatory Commission Expense (765) – West Lakeland did not record any regulatory commission expense for the test year. The Utility is required by Rule 25-22.0407, F.A.C., to provide notices of the customer meeting and notices of final rates in this case to its customers. For noticing, staff has estimated \$287 for postage expense, \$218 for printing expense, and \$32 for envelopes. This results in \$537 for the noticing requirement. The Utility paid a \$1,000 rate case filing fee. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period. Based on the above, staff recommends total rate case expense of \$1,537 (\$537+ \$1,000), which amortized over 4 years is \$384. Therefore, staff recommends regulatory commission expense of \$384.

Miscellaneous Expense (775) – The Utility recorded miscellaneous expense of \$8,164. Staff has increased this account by \$609 to reverse a credit that did not relate to any charges in the test year and for which no support could be found. Also, the Utility recorded \$744 in this account for 15 months of garbage expense. In December 2012, the Utility's monthly fee for garbage service increased slightly from approximately \$50 per month to \$52 per month. Staff has annualized the Utility's current monthly fee and determined that the annual expense is \$625. Therefore, staff has decreased this account by \$119 to reflect the appropriate garbage expense.

During the test year, the Utility used several non-NARUC account numbers to identify and separate some miscellaneous expenses, such as a portion of the postage, office supplies, and meter reading equipment expenses. Since some of these items will be replaced with the new common cost allocations, staff has reclassified these expenses to this account to be incorporated with the other miscellaneous expense adjustments. Accordingly, staff has increased this account by \$3,084 to reclassify miscellaneous expenses from non-NARUC Account Nos. 921.0, 921.1, 921.2, 921.3, 921.4, and 604. In addition, staff has made adjustments to recognize the appropriate level of common miscellaneous expenses, as well as reclassify or remove certain expenses. Staff recommends the following additional adjustments to Account No. 775 miscellaneous expenses:

Table 7-2

	<u>Adjustment Description</u>	<u>Wastewater</u>
1.	To reflect the Utility's allocated share of phone, cell phone, and internet service expense (\$1,676-\$3,909).	(\$2,233)
2.	To reflect the Utility's allocated share of office supplies and post office box rental (\$1,448-\$591).	857
3.	To reclassify shared meter reading equipment to common allocated plant.	(988)
4.	To reclassify pump to plant Acct. No. 371.	(500)
5.	To reclassify shed rental expense to Acct. No. 740.	(1,795)
6.	To remove bank charges that occurred outside the test year and remove non-utility expenses.	(635)
	Subtotal	(\$5,294)

Staff's net adjustment to this account is a decrease of \$1,720. Staff recommends a miscellaneous expense balance of \$6,444.

**Issue 8:** Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for West Lakeland, and, if so, what is the appropriate margin?

**Recommendation:** Yes, the Commission, on its own motion, should utilize the operating ratio methodology for calculating the revenue requirement for West Lakeland. The margin should be 10.00 percent of O&M expense. (Golden)

**Staff Analysis:** Section 367.0814(9), F.S., provides that the Commission may, by rule, establish standards and procedures for setting rates and charges of small utilities using criteria other than those set forth in Sections 367.081(1), (2)(a), and (3), F.S. Rule 25-30.456, F.A.C., provides an alternative to a staff-assisted rate case as described in Rule 25-30.455, F.A.C. As an alternative, utilities with total gross annual operating revenue of less than \$250,000 per system may petition the Commission for staff assistance in alternative rate setting.

Although West Lakeland did not petition the Commission for alternative rate setting under the aforementioned rule, staff believes that the Commission should exercise its discretion to employ the operating ratio methodology to set rates in this case. The operating ratio methodology is an alternative to the traditional calculation of revenue requirements. Under this methodology, instead of applying a return on the Utility's rate base, the revenue requirement is based on the margin of West Lakeland's O&M expenses. This methodology has been applied in cases in which the traditional calculation of revenue requirements would not provide sufficient revenue to protect against potential variances in revenues and expenses.

By Order No. PSC-96-0357-FOF-WU,<sup>12</sup> the Commission, for the first time, utilized the operating ratio methodology as an alternative means for setting rates. This order also established criteria to determine the use of the operating ratio methodology and a guideline margin of 10 percent of O&M expense. This criteria was applied again in Order No. PSC-97-0130-FOF-SU.<sup>13</sup> Most recently, the Commission approved the operating ratio methodology for setting rates in Order No. PSC-13-0126-PAA-SU.<sup>14</sup>

By Order No. PSC-96-0357-FOF-WU, the Commission established criteria to determine whether to utilize the operating ratio methodology for those utilities with low or non-existent rate base. The qualifying criteria established by Order No. PSC-96-0357-FOF-WU, and how they apply to the Utility are discussed below:

1) Whether the Utility's O&M expense exceeds rate base. The operating ratio method substitutes O&M expense for rate base in calculating the amount of return. A Utility generally would not benefit from the operating ratio method if rate base exceeds O&M expense. The decision to use the operating ratio method depends on the determination of whether the primary risk resides in capital costs or operating expenses. In the instant case, the rate base is less than

<sup>12</sup> Issued March 13, 1996, in Docket No. 950641-WU, In re: Application for staff-assisted rate case in Palm Beach County by Lake Osborne Utilities Company, Inc.

<sup>13</sup> Issued February 10, 1997, in Docket No. 960561-SU, In re: Application for staff-assisted rate case in Citrus County by Indian Springs Utilities, Inc.

<sup>14</sup> Issued March 14, 2013, in Docket No. 120078-SU, In re: Application for staff-assisted rate case in Brevard County by TKCB.

Docket No. 120270-SU

Date: June 13, 2013

method would provide the Utility no return. If the Utility's operating expenses increase and revenue decreases, West Lakeland would not have the funds required for day-to-day operations.

In conclusion, staff believes the above factors show that the Utility needs a higher margin of revenue over operating expenses than the traditional return on rate base method would allow. Therefore, in order to provide West Lakeland with adequate cash flow to meet environmental requirements and to provide some assurance of safe and reliable service, staff recommends application of the operating ratio methodology at a margin of 10.00 percent of O&M expense for determining the revenue requirement.

**Issue 10:** Should West Lakeland's current wastewater system rate structure be changed, and, if so, what is the appropriate adjustment?

**Recommendation:** No. West Lakeland's wastewater system rate structure, which consists of a monthly base facility charge (BFC) and uniform gallonage charge rate structure, should remain unchanged. The wastewater system's BFC allocation of 50 percent should remain unchanged. Staff recommends the residential wastewater gallonage cap be set at 6,000 gallons a month. Furthermore, staff recommends that the general service gallonage charge be 1.2 times greater than the residential gallonage charge. (Thompson)

**Staff Analysis:** West Lakeland's current rate structure is the traditional BFC and gallonage charge rate structure. The water service is provided by the City of Lakeland. The Commission's preferred wastewater rate structure is a BFC and uniform rate structure. For this reason, staff recommends a continuation of the BFC and uniform gallonage charge rate structure.

The Utility's current residential wastewater cap is set at 8,000 gallons per month. It is Commission practice to set the residential wastewater gallonage cap at a consumption level equal to at least 80 percent of residential water sold. Staff's review of the billing data indicates that at the 6,000 gallon consumption level, 86 percent of the gallons sold are captured. For this reason, the Utility's wastewater gallonage cap of 8,000 gallons should be reduced to 6,000 gallons. There is no cap for general service customers. Furthermore, staff recommends the general service gallonage charge remain at 1.2 times greater than the residential gallonage charge. The proposed BFC recovers approximately 50 percent of the recommended revenue requirement, consistent with Commission practice.

Based on the foregoing, staff recommends that West Lakeland's wastewater system rate structure, which consists of a monthly BFC and uniform gallonage charge rate structure, should remain unchanged. The wastewater system's BFC allocation of 50 percent should remain unchanged. Staff recommends the residential wastewater gallonage cap be set at 6,000 gallons a month. Furthermore, staff recommends that the general service gallonage charge be 1.2 times greater than the residential gallonage charge.

**Issue 12:** 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, F.S.?

**Recommendation:** The wastewater rates should be reduced as shown on Schedule No. 3, to remove rate case expense grossed-up for regulatory assessment fees and 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. West Lakeland 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. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Golden, Thompson)

**Staff Analysis:** Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense, the associated operating margin, and the gross-up for RAFs. The total reduction is \$442.

The wastewater rates should be reduced as shown on Schedule No. 3, to remove rate case expense grossed-up for regulatory assessment fees and 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. West Lakeland 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. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.



If security is provided through an escrow agreement, the following conditions should be part of the agreement:

- 1) No monies in the escrow account may be withdrawn by the Utility without the express approval of the Commission;
- 2) The escrow account shall be an interest bearing account;
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility;
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments;
- 8) The Commission Clerk must be a signatory to the escrow agreement; and
- 9) The account must specify by whom and on whose behalf such monies were paid.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase should be maintained by the Utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's office no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Docket No. 120270-SU

Date: June 13, 2013

**Issue 15:** 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 should 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. Once these actions are complete, this docket should be closed administratively. (Murphy)

**Staff Analysis:** 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 should 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. Once these actions are complete, this docket should be closed administratively.

WEST LAKELAND WASTEWATER, LLC TEST YEAR ENDED 09/30/12 ADJUSTMENTS TO RATE BASE	SCHEDULE NO. 1-B DOCKET NO. 120270-SU PAGE 1 OF 1
<b><u>UTILITY PLANT IN SERVICE</u></b>	
1. To reflect 2007 plant addition of a new lift station panel to Acct. No. 370.	\$2,651
2. To reflect 2007 retirement of lift station panel to Acct. No. 370.	(1,988)
3. To reflect 2009 plant addition of replacement discharge pipe in lift station to Acct. No. 370.	2,438
4. To reflect 2009 retirement of discharge pipe in lift station to Acct. No. 370.	(1,829)
5. To reflect 2010 plant addition of pump in lift station to Acct. No. 370.	2,282
6. To reflect 2010 plant addition of auto dialer at wastewater treatment plant to Acct. No. 380.	2,480
7. To record 2011 retirement of pump to Acct. No. 370 (retired 7/11/2011).	(1,016)
8. To record 2011 retirement of pump to Acct. No. 370 (retired 10/11/2011).	(1,071)
9. To reclassify 2011 pump from expense Acct. No. 720 to Acct. No. 371.	218
10. To reclassify 2012 pump from expense Acct. No. 775 to Acct. No. 371.	500
11. To reflect 2012 plant addition of pump to Acct. 360.	1,342
12. To reflect the Utility's share of allocated common plant.	1,461
13. To reflect pro forma plant addition for manhole ring replacement/raising to Acct. No. 361.	2,530
14. To reflect pro forma plant addition for lift station rehabilitation to Acct. No. 371.	8,023
15. To reflect pro forma plant addition for check valve replacement to Acct. No. 380.	967
16. To reflect pro forma retirement of check valve replacement to Acct. No. 380.	(725)
17. To reflect an averaging adjustment.	(1,939)
Total	<u>\$16,323</u>
<b><u>CIAC</u></b>	
1. To reflect 2000 CIAC additions.	(\$20,240)
2. To reflect 2001 CIAC additions.	(20,240)
3. To reflect 2005 CIAC additions.	(6,160)
4. To reflect 2008 CIAC additions.	(11,440)
Total	<u>(\$58,080)</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>	
1. To reflect accumulated depreciation per Rule 25-30.140.	(\$1,672)
2. To reflect accumulated depreciation on Utility's share of allocated common plant.	(180)
3. To reflect pro forma accumulated depreciation for plant additions and retirements.	32
4. To reflect averaging adjustment.	146
Total	<u>(\$1,674)</u>
<b><u>AMORTIZATION OF CIAC</u></b>	
1. To adjust amortization of CIAC based on composite rates.	(\$18,667)
2. To reflect additions to amortization of CIAC based on composite rates.	7,186
3. To reflect averaging adjustment	(255)
Total	<u>(\$11,736)</u>
<b><u>WORKING CAPITAL ALLOWANCE</u></b>	
To reflect 1/8 of test year O & M expenses.	<u>\$11,814</u>

WEST LAKE LAND WASTEWATER, LLC TEST YEAR ENDED 09/30/12 ADJUSTMENTS TO OPERATING INCOME		Schedule No. 2-B DOCKET NO. 120270-SU Page 1 of 3
<b>OPERATING REVENUES</b>		
1. To reflect the appropriate test year services revenues.		\$64,948
2. To reflect the appropriate test year miscellaneous service revenues.		<u>3,379</u>
Subtotal		<u>\$68,327</u>
<b>OPERATION AND MAINTENANCE EXPENSES</b>		
1. Salaries and Wages - Employees (701)		
a. To reflect the Utility's allocated share of billing employee's salary.		\$5,746
b. To reflect the Utility's allocated share of maintenance employee's salary.		<u>7,793</u>
Subtotal		<u>\$13,539</u>
2. Salaries and Wages - Officers (703)		
a. To reflect the Utility's allocated share of president's salary.		<u>\$17,446</u>
3. Employee Pensions and Benefits (704)		
a. To reflect the Utility's allocated share of president's benefits.		\$1,599
b. To reflect the Utility's allocated share of employee health insurance.		<u>503</u>
Subtotal		<u>\$2,102</u>
4. Sludge Removal Expense (711)		
a. To reflect 5-year normalization of emergency sludge removal expense.		(\$1,416)
b. To reflect the appropriate annual sludge removal expense.		<u>(720)</u>
Subtotal		<u>(\$2,136)</u>
5. Purchased Power (715)		
a. To reflect the Utility's allocated share of purchased power expense.		(\$179)
b. To remove penalties and interest on the treatment plant purchased power expense.		<u>(597)</u>
Subtotal		<u>(\$776)</u>
6. Chemicals (718)		
a. To remove chemical expenses that occurred outside the test year.		(\$324)
b. To reflect pro-forma adjustment for Root X chemical expense.		<u>814</u>
Subtotal		<u>\$490</u>
7. Materials and Supplies (720)		
a. To reclassify pump to plant Acct. No. 371.		(\$218)
b. To reflect 5-year amortization of non-recurring materials and supplies expense.		<u>(372)</u>
Subtotal		<u>(\$590)</u>
8. Contractual Services - Professional (731)		
a. To reverse correcting entries that occurred outside the test year.		\$14,174
b. To remove two accounting service payments that were expensed to Acct. No. 735.		(200)
c. To reclassify test year bookkeeping expense from Acct. No. 736		5,853
d. To reflect the Utility's allocated share of contractual bookkeeping expense.		<u>3,260</u>
e. To reclassify fees for annual report and RAF form preparation from Acct. No. 736.		425
f. To reflect 5-year amort. of original cost study reclassified from Acct. No. 736 (\$600/5).		120
g. To reflect pro-forma adjustment for annual price index filing preparation.		400
h. To reclassify 2 months of testing expense to Acct. No. 735.		<u>(182)</u>

WEST LAKELAND WASTEWATER, LLC TEST YEAR ENDED 09/30/12 ADJUSTMENTS TO OPERATING INCOME	Schedule No. 2-B DOCKET NO. 120270-SU Page 3 of 3
14. Regulatory Commission Expense (765)	
a. To reflect 4-year amortization of rate case expense (\$1,537/4).	<u>\$384</u>
15. Miscellaneous Expense (775)	
a. To reverse a misclassified credit.	\$609
b. To reflect appropriate garbage expense for Utility plant.	(119)
c. To reclassify misc. expenses from non-NARUC Acct. Nos. 921.0-921.4 and 604.	3,084
d. To reflect the Utility's allocated share of phone, cell phone, and internet service expense.	(2,233)
e. To reflect the Utility's allocated share of office supplies and post office box rental.	857
f. To reclassify shared meter reading equipment to common allocated plant.	(988)
g. To reclassify pump to plant Acct. No. 371.	(500)
h. To reclassify shed rental expense to Acct. No. 740.	(1,795)
i. To remove bank charges that occurred outside the test year and non-utility expenses.	(635)
Subtotal	<u>(\$1,720)</u>
 <b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	 <b><u>\$11,347</u></b>
 <b>DEPRECIATION EXPENSE</b>	
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$608
2. To reflect test year depreciation on allocated common plant.	180
3. To reflect depreciation expense for pro forma plant additions.	693
4. To reflect the appropriate amortization of CIAC:	(509)
Total	<u>\$972</u>
 <b>TAXES OTHER THAN INCOME</b>	
1. To reflect the appropriate test year RAFs.	(\$1,498)
2. To reflect appropriate test year utility property taxes.	(65)
3. To reflect the Utility's allocated share of FICA on employee salaries.	<u>2,370</u>
Total	<u>\$808</u>

WEST LAKELAND WASTEWATER, LLC			SCHEDULE NO. 3
TEST YEAR ENDED SEPTEMBER 30, 2012			
MONTHLY WASTEWATER RATES			
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<b><u>Residential</u></b>			
Base Facility Charge - All Meter Sizes	\$13.39	\$14.57	\$0.06
<b><u>Gallonge Charge</u></b>			
Per 1,000 Gallons (6,000 gallon cap)	N/A	\$5.41	\$0.02
Per 1,000 Gallons (8,000 gallon cap)	\$3.26	N/A	N/A
<b><u>General Service</u></b>			
Base Facility Charge by Meter Size:			
5/8"X3/4"	\$13.39	\$14.57	\$0.06
1"	\$18.29	\$36.43	\$0.15
1-1/2"	\$28.09	\$72.85	\$0.30
2"	\$52.61	\$116.56	\$0.47
3"	\$82.02	\$233.12	\$0.94
4"	\$160.45	\$364.25	\$1.48
6"	\$248.71	\$728.50	\$2.95
8"	\$493.82	\$1,165.60	\$4.72
<b><u>General Service Gallonge Charge</u></b>			
Per 1,000 Gallons	\$3.89	\$6.49	\$0.03
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>			
3,000 Gallons	\$23.17	\$30.80	
6,000 Gallons	\$32.95	\$47.03	
10,000 Gallons	\$39.47	\$47.03	

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

STATE OF FLORIDA



DIVISION OF ECONOMICS  
JAMES W. DEAN  
DIRECTOR  
(850) 413-6410

## Public Service Commission

June 13, 2013

J. Daniel and DoraLee Miller  
439 Oak Ridge W.  
Lakeland, FL 33801

FPSC, CLK - CORRESPONDENCE  
Administrative Parties  Consumer  
DOCUMENT NO. 02036-13  
DISTRIBUTION: \_\_\_\_\_

**Re: Docket No. 120270-SU - Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.**

Mr. and Mrs. Miller:

Thank you for your letter in which you expressed your concerns regarding the proposed preliminary rate increase determined in the staff-assisted rate case (SARC) for West Lakeland Wastewater, LLC (West Lakeland or Utility). To ensure that the Commission staff and the Commissioners have knowledge of your concerns, your letter was placed in the correspondence side of the docket file.

In review of the Utility's request for an increase, staff evaluates the Utility's financial data to ensure it is in compliance with the statutes and rules that govern our regulation of West Lakeland. The operation and maintenance expenses are being examined very carefully. Costs found to be imprudent or unreasonable will be disallowed. Staff has filed its final recommendation for the Utility's SARC. A detailed explanation of the operating expenses can be found in the attached recommendation in Issue 7.

In your letter, you also asked about a 10% tax that is being added to your bill. The 10% tax is a Polk County Utility Tax. It is a tax assessed by your local county and collected through your wastewater bill. The Commission does not have jurisdiction over taxes assessed by a county.

The final issue raised in your letter was allowing a waiver or shutoff option for seasonal customers. The Utility's rate structure consists of a base facility and gallonage charge. Under the base facility charge rate structure, the base facility charge is designed to recover the fixed costs of the utility that occur regardless of the level of usage, such as salaries, office rent, and insurance. Consequently, those costs do not change even though a customer may be out of residence. Therefore, pursuant to Rule 25-30.335(9), Florida Administrative Code, if the utility utilizes the base facility and usage charge rate structure and does not have a Commission authorized vacation rate, the utility shall bill the customer the base facility charge regardless of whether there is any usage.

Mr. and Mrs. Miller

Page 2

June 13, 2013

I hope this letter has been responsive to your inquiry.

Thank you again for your letter, and if you have additional questions or need further assistance, please contact me at (850) 413-6986.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kelly Thompson', with a long horizontal flourish extending to the right.

Kelly Thompson  
Regulatory Analyst II

cc: Division of Economics (Daniel, Hudson)  
Office of General Counsel (Murphy)  
Office of Commission Clerk (Docket No. 120270-SU)



State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

## -M-E-M-O-R-A-N-D-U-M-

**DATE:** June 13, 2013

**TO:** Office of Commission Clerk (Cole)

**FROM:** Division of Economics (Thompson, Daniel, Hudson) *SDH KT AJ J.W.*  
Division of Accounting and Finance (Golden, Maurey, Mouring, Prestwood) *CHB MB*  
Division of Engineering (Ellis, McRoy) *ME SV*  
Office of the General Counsel (Murphy) *CM AT ALM TB*

**RE:** Docket No. 120270-SU – Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.

**AGENDA:** 06/25/13 – Regular Agenda – Proposed Agency Action – Except Issue Nos. 12 and 13 - Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Balbis

**CRITICAL DATES:** 03/26/14 (15-Month Effective Date (SARC))

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECO\WP\120270.RCM.DOC

13 JUN 13 AM 10:10  
COMMISSION CLERK  
REC'D - D-PPSC

DOCUMENT NUMBER-DATE  
03285 JUN 13 2013  
FPSC-COMMISSION CLERK

### Case Background

West Lakeland Wastewater, Inc. (West Lakeland or Utility) is a Class C wastewater utility that serves approximately 312 customers in Polk County. Water service is provided by the City of Lakeland. According to West Lakeland's 2012 annual report, total gross revenues were \$88,304 and total operating expenses were \$95,782, resulting in a net loss of \$7,478.

The Utility, previously known as ABCA, Inc., has been providing service to customers in Polk County since 1972. On January 9, 1990, the Polk County Commission granted a franchise to Ameribanc Investors Group for a system known as Village Lakeland. Polk County subsequently came under Commission jurisdiction on July 11, 1996. In 1998, the Commission granted the Utility Certificate No. 515-S to provide wastewater service.<sup>1</sup> Rate base was first established in the Utility's 1999 staff-assisted rate case (SARC).<sup>2</sup> ABCA's certificate was transferred to West Lakeland in 2001.<sup>3</sup>

By letter dated March 26, 2009, West Lakeland gave notice of abandonment effective June 30, 2009. On May 13, 2009, the Polk County Attorney filed a Petition for Appointment of Receiver for West Lakeland in the Circuit Court of the Tenth Judicial Circuit (Circuit Court). The Circuit Court appointed Mr. Mike Smallridge as receiver for the wastewater system. On September 8, 2009, the Commission acknowledged West Lakeland's abandonment and the Court's appointment of Mr. Smallridge as receiver.<sup>4</sup>

On October 25, 2012, the Commission received an application for a SARC from West Lakeland, which is the subject of this recommendation. In addition, Mr. Smallridge has become the owner of West Lakeland and has since filed an application for transfer of Certificate No. 515-S in Polk County from West Lakeland Wastewater, Inc. to West Lakeland Wastewater, LLC.<sup>5</sup>

The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.0814, 367.101, and 367.121, F.S.

---

<sup>1</sup> See Order No. PSC-98-0752-FOF-SU, issued June 1, 1998, in Docket No. 971531-SU, In re: Application for grandfather certificate to operate wastewater utility in Polk County by ABCA, Inc.

<sup>2</sup> See Order No. PSC-00-1163-PAA-SU, issued June 26, 2000, in Docket No. 990937-SU, In re: Application for staff-assisted rate case in Polk County by ABCA, Inc.

<sup>3</sup> See Order No. PSC-01-1271-PAA-SU as modified by Order No. PSC-01-1576-FOF-SU, issued July 30, 2001, in Docket No. 010382-SU, In re: Application for transfer of Certificate No. 515-S in Polk County from ABCA, Inc. to West Lakeland Wastewater, Inc.

<sup>4</sup> See Order No. PSC-09-0607-FOF-SU as amended by PSC-09-0607A-FOF-SU, issued February 16, 2010, in Docket No. 090154-SU. In re: Notice of abandonment of wastewater system for The Village of Lakeland Mobile Home Park in Polk County, by West Lakeland Wastewater, Inc.

<sup>5</sup> See Docket No. 130065-SU, In re: Application for transfer of Certificate No. 515-S in Polk County from West Lakeland Wastewater, Inc. to West Lakeland Wastewater, LLC.

Docket No. 120270-SU

Date: June 13, 2013

Summary

West Lakeland is in compliance with DEP rules and regulations, the wastewater treatment plants are operating normally, and the Utility appears to address customer complaints in a timely manner. Therefore, staff recommends that the overall quality of service provided by West Lakeland be considered satisfactory.

Docket No. 120270-SU

Date: June 13, 2013

**Issue 3:** What is the appropriate allocation of common costs from Florida Utility Service to West Lakeland?

**Recommendation:** The appropriate allocation of common costs from Florida Utility Service to West Lakeland is 29.08 percent for billing and fixed costs and 34.06 percent for maintenance costs. (Golden)

**Staff Analysis:** West Lakeland's owner currently provides billing and/or maintenance services to five other utilities. Specifically, West Lakeland's owner also owns and operates Pinecrest Utilities, LLC, serves as the court-appointed receiver for Bimini Bay Utilities and Four Points Utility Corporation, and provides billing services for East Marion Sanitary Systems and Lake Forest Utility. As of January 1, 2013, the common costs related to these six utilities have been recorded in a company called Florida Utility Service (Common Office). Commission practice is to allocate common administrative and general expenses based on the number of ERCs.<sup>7</sup> Since the Common Office provides billing services to all six utilities, but only provides maintenance services to four utilities, two sets of allocation percentages need to be developed. The appropriate allocation percentages are calculated as follows:

Table 3-1

<u>Name of System</u>	<u>Number of ERCs</u>	<u>Percentage of Allocation</u>
<u>Allocation of Billing and Fixed Costs:</u>		
Bimini Bay Utilities	201	18.73%
East Marion Sanitary Systems	91	8.48%
Four Points Utility Corporation	258	24.04%
Lake Forest Utilities	66	6.15%
Pinecrest Utilities	145	13.51%
West Lakeland Wastewater	<u>312</u>	<u>29.08%</u>
Total	<u>1,073</u>	<u>100.00%</u>
<u>Allocation of Maintenance Related Costs:</u>		
Bimini Bay Utilities	201	21.94%
Four Points Utility Corporation	258	28.17%
Pinecrest Utilities	145	15.83%
West Lakeland Wastewater	<u>312</u>	<u>34.06%</u>
Total	<u>916</u>	<u>100.00%</u>

<sup>7</sup> See Order Nos. PSC-01-0323-PAA-WU, issued February 5, 2001, in Docket No. 000580-WU, In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc. (Aituras Water Works); PSC-05-0442-PAA-WU, issued April 25, 2005, in Docket No. 040254-WU, In re: Application for staff-assisted rate increase in Polk County by Keen Sales, Rentals and Utilities, Inc.; PSC-09-0716-PAA-WU, issued October 28, 2009, in Docket No. 090072-WU, In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.

**Issue 4:** What is the appropriate average test year rate base for West Lakeland?

**Recommendation:** The appropriate average test year rate base for West Lakeland is zero. West Lakeland should complete the pro forma items within 12 months of the issuance of the consummating order. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing. (Golden)

**Staff Analysis:** West Lakeland's rate base was last established in its 1999 staff-assisted rate case (SARC) by Order No. PSC-00-1163-PAA-SU.<sup>8</sup> Staff selected the test year ended September 30, 2012, for the instant rate case. A summary of each component and the recommended adjustments are discussed below:

**Utility Plant in Service (UPIS):** The Utility recorded a test year UPIS balance of \$237,239. Due to abandonment of the Utility by its prior owners in 2009, Commission audit staff was unable to obtain books or records between 1999 and 2009. However, audit staff was able to confirm the addition of several plant items since 2007. Staff recommends the following adjustments to the Utility's recorded UPIS.

Table 4-1

	Adjustment Description	Wastewater
1.	To reflect 2007 plant addition of a new lift station panel to Acct. No. 370.	\$2,651
2.	To reflect 2007 retirement of lift station panel to Acct. No. 370.	(1,988)
3.	To reflect 2009 plant addition of replacement discharge pipe in lift station to Acct. No. 370.	2,438
4.	To reflect 2009 retirement of discharge pipe in lift station to Acct. No. 370.	(1,829)
5.	To reflect 2010 plant addition of pump in lift station to Acct. No. 370.	2,282
6.	To reflect 2010 plant addition of auto dialer at wastewater treatment plant to Acct. No. 380.	2,480
7.	To record 2011 retirement of pump to Acct. No. 370 (retired 7/11/2011).	(1,016)
8.	To record 2011 retirement of pump to Acct. No. 370 (retired 10/11/2011).	(1,071)
9.	To reclassify 2011 pump from expense Acct. No. 720 to Acct. No. 371.	218
10.	To reclassify 2012 pump from expense Acct. No. 775 to Acct. No. 371.	500
11.	To reflect 2012 plant addition of pump to Acct. 360.	1,342
12.	To reflect the Utility's share of allocated common plant.	1,461
13.	To reflect pro forma plant addition for manhole ring replacement/raising to Acct. No. 361.	2,530
14.	To reflect pro forma plant addition for lift station rehabilitation to Acct. No. 371.	8,023
15.	To reflect pro forma plant addition for check valve replacement to Acct. No. 380.	967
16.	To reflect pro forma retirement of replaced check valve to Acct. No. 380.	(725)
17.	To reflect an averaging adjustment.	(1,939)
	Total	\$16,323

<sup>8</sup> See Order No. PSC-00-1163-PAA-SU, issued June 26, 2000, in Docket No. 990937-SU, In re: Application for staff-assisted rate case in Polk County by ABCA, Inc.

Docket No. 120270-SU

Date: June 13, 2013

Lakeland's share of allocated common plant depreciation. Staff also increased accumulated depreciation by \$693 to include depreciation for the three pro forma plant additions discussed above, and decreased accumulated depreciation by \$725 to reflect a pro forma retirement, resulting in a net decrease of \$32. Further, staff has decreased this account by \$146 to reflect an averaging adjustment. Staff's net adjustment to accumulated depreciation is an increase of \$1,674, resulting in an accumulated depreciation balance of \$226,677.

Accumulated Amortization of CIAC: West Lakeland recorded amortization of CIAC of \$125,305. Amortization of CIAC has been calculated by staff using composite depreciation rates. As a result, accumulated amortization of CIAC should be decreased by \$18,667. Also, staff has increased accumulated amortization of CIAC by \$7,186 to reflect additions made since the Utility's 1999 SARC. In addition, staff has decreased this account by \$255 to reflect an averaging adjustment. Staff's net adjustment to accumulated amortization of CIAC is a decrease of \$11,736, resulting in an amortization of CIAC balance of \$113,569.

Working Capital Allowance: Working capital is defined as the investor-supplied funds that are necessary to meet operating expenses or going-concern requirements of the Utility. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, staff recommends a working capital allowance of \$11,814 (based on O&M expense of \$94,509/8). Staff has increased the working capital allowance by \$11,814.

Rate Base Summary: Applying all of the above adjustments results in a negative rate base of \$68,857. In accordance with Commission practice, staff has adjusted the rate base to zero for ratemaking purposes.<sup>10</sup> Based on the forgoing, staff recommends that the appropriate test year average rate base is zero. Further, West Lakeland should complete the pro forma items within 12 months of the issuance of the consummating order. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

---

<sup>10</sup> See e.g., Order No. PSC-97-0540-FOF-WS, issued May 12, 1997, in Docket No. 960799-WS, In re: Application for staff-assisted rate case in DeSoto County by Lake Suzy Utilities, Inc.

Docket No. 120270-SU

Date: June 13, 2013

**Issue 6:** What is the appropriate amount of test year revenues?

**Recommendation:** The appropriate test year revenues for the West Lakeland wastewater system are \$89,977. (Thompson)

**Staff Analysis:** West Lakeland recorded total test year revenues of \$21,650, including wastewater service revenues of \$20,677 and \$973 of miscellaneous revenues. The Utility's test year is October 2011 to September 2012. The Utility did not record any revenues in its 2012 general ledger. Based on staff's review of the Utility's billing determinants and the rates that were in effect during the test year, staff determined service revenues should be increased by \$64,948 to reflect total test year service revenues of \$85,625. Staff also made an adjustment to miscellaneous revenues. Staff's audit indicated miscellaneous revenues should be \$4,352. Staff recommends miscellaneous revenues be increased by \$3,379 to reflect the appropriate miscellaneous revenues for the test year.

Based on the above adjustments, staff recommends test year revenues of \$89,977 for the wastewater system. Test year revenues should be increased by \$68,327 (\$64,948 + \$3,379).

Sludge Removal Expense (711) – The Utility recorded sludge removal expense of \$8,250. The Utility must regularly pump out and dispose of excess sludge. However, it appears the test year expense was significantly higher than in recent years due to additional sludge removal for plant stabilization and one emergency plant clean up. A review of the Utility's prior annual reports indicates that this facility has periodically experienced a spike in its annual sludge removal expense. Engineering staff believes the test year is more representative of a high year rather than a typical year. Staff has decreased this account by \$1,416 to normalize the emergency sludge removal and clean up expense over 5 years. In addition, staff has decreased this account by \$720 to reflect the appropriate annual sludge removal expense. Staff's net adjustment to this account is a decrease of \$2,136. Staff recommends sludge removal expense of \$6,114.

Purchased Power (715) – The Utility recorded purchased power expense of \$11,897, which included \$582 for West Lakeland's share of the common office purchased power expense. The total purchased power expense for the common office is \$1,385. West Lakeland's allocated share of the purchased power expense is \$403 ( $\$1,385 \times 29.08$  percent). Therefore, staff has decreased this account by \$179 ( $\$403 - \$582$ ) to reflect West Lakeland's allocated share of common office purchased power expense. Also, staff has decreased purchased power by \$597 to remove penalties and interest. Staff's net adjustment to this account is a decrease of \$776. Staff recommends purchased power expense for the test year of \$11,121.

Chemicals (718) – West Lakeland recorded chemical expense of \$3,029. Staff has decreased chemical expense by \$324 to remove chemical expenses that occurred outside the test year. Further, the Florida Rural Water Association (FRWA) conducted a video review of West Lakeland's collection system. According to the FRWA, the Utility will be using Root X treatment on its collection system six times a year at an annual cost of \$814. Accordingly, staff has increased this account by \$814 to reflect inclusion of this expense as a pro forma adjustment. Staff's net adjustment to this account is an increase of \$490. Staff recommends chemical expense for the test year of \$3,519.

Material and Supplies (720) – The Utility recorded materials and supplies expense of \$2,203. Staff has decreased this account by \$218 to reclassify a pump to plant Account No. 371 pumping equipment. Also, staff has decreased this account by \$372 to amortize non-recurring material and supplies expenses over 5 years. Staff's net adjustment to this account is a decrease of \$590. Staff recommends material and supplies expense for the test year of \$1,613.

Contractual Services - Professional (731) – West Lakeland recorded contractual services – professional expense of (\$9,481). The negative balance is due to correcting entries that were made for items outside the test year that exceeded the test year balance. Excluding those adjustments, the test year balance would have been \$4,694. In December 2011, the Utility made entries to correct charges between Account Nos. 731 contractual services – professional, 735 contractual services – testing, and 736 contractual services – other. However, because these entries include items outside the test year, staff has reversed the entries. Staff's reversing adjustment to Account No. 731 contractual services – professional is an increase of \$14,174. Also, staff has decreased this account by \$200 to remove two payments for annual report preparation services by the Utility's engineering consultant that were already expensed to Account No. 735 contractual services – testing.



Contractual Services - Other (736) – West Lakeland recorded contractual services – other expense of \$45,927. As discussed above, the Utility made correcting entries between several accounts, but the entries included items outside the test year. Staff has made two reversing adjustments to Account No. 736 contractual services – other, which are a decrease of \$14,174 and an increase of \$728 for a combined decrease of \$13,446. During the test year, this account included entries for several contractual services which are being replaced by new allocations as discussed above. Staff has made the following adjustments to either remove or reclassify some contractual services.

Table 7-1

	<u>Adjustment Description</u>	<u>Wastewater</u>
1.	To remove test year maintenance services included in maintenance employee position.	(\$1,731)
2.	To remove test year operator services included in maintenance employee position.	(791)
3.	To remove test year management fees replaced with officer's salary.	(10,916)
4.	To remove test year billing services included in billing employee position.	(1,989)
5.	To reclassify test year bookkeeping services to Acct. No. 731.	(5,853)
6.	To reclassify annual report and RAF form preparation fees to Acct. No. 731.	(425)
7.	To reclassify non-recurring fees for original cost study to Acct. No. 731.	(600)
8.	To reclassify 2 months of testing expense to Acct. No. 735.	(182)
	Subtotal	<u>(\$22,488)</u>

Regarding the operator and meter reading contractual services that will remain in this account, staff has made the following adjustments. The Utility included \$4,680 in this account for 8 months of operator contractual service fees. Staff has increased this account by \$1,755 to reclassify 3 months of operator contractual service fees from Account No. 731 contractual services – professional, and has increased this account by \$585 to reclassify 1 month of operator contractual service fees from Account No. 735 contractual services – testing, resulting in a total test year expense of \$7,020 for operator contractual services. In addition to performing the contractual plant operation duties, the contract operator also provided additional repair and maintenance services during the test year. Staff has decreased this account by \$1,308 to amortize the non-recurring operator services over 5 years. Staff has also increased this account by \$156 to reflect the 5-year amortization of non-recurring operator repairs that were reclassified from Account No. 731 contractual services – professional.

In addition, the Utility included \$3,355 in this account for 11 months of meter reading services. Staff has increased this account by \$305 to reclassify 1 month of meter reading fees from Account No. 731 contractual services – professional, resulting in a total test year expense of \$3,660 for meter reading services. Lastly, staff has decreased this account by \$46 to remove non-utility expenses. Staff's net adjustment to this account is a decrease of \$34,487. Staff recommends contractual services - other expense for the test year of \$11,440.

Regulatory Commission Expense (765) – West Lakeland did not record any regulatory commission expense for the test year. The Utility is required by Rule 25-22.0407, F.A.C., to provide notices of the customer meeting and notices of final rates in this case to its customers. For noticing, staff has estimated \$287 for postage expense, \$218 for printing expense, and \$32 for envelopes. This results in \$537 for the noticing requirement. The Utility paid a \$1,000 rate case filing fee. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period. Based on the above, staff recommends total rate case expense of \$1,537 (\$537+ \$1,000), which amortized over 4 years is \$384. Therefore, staff recommends regulatory commission expense of \$384.

Miscellaneous Expense (775) – The Utility recorded miscellaneous expense of \$8,164. Staff has increased this account by \$609 to reverse a credit that did not relate to any charges in the test year and for which no support could be found. Also, the Utility recorded \$744 in this account for 15 months of garbage expense. In December 2012, the Utility’s monthly fee for garbage service increased slightly from approximately \$50 per month to \$52 per month. Staff has annualized the Utility’s current monthly fee and determined that the annual expense is \$625. Therefore, staff has decreased this account by \$119 to reflect the appropriate garbage expense.

During the test year, the Utility used several non-NARUC account numbers to identify and separate some miscellaneous expenses, such as a portion of the postage, office supplies, and meter reading equipment expenses. Since some of these items will be replaced with the new common cost allocations, staff has reclassified these expenses to this account to be incorporated with the other miscellaneous expense adjustments. Accordingly, staff has increased this account by \$3,084 to reclassify miscellaneous expenses from non-NARUC Account Nos. 921.0, 921.1, 921.2, 921.3, 921.4, and 604. In addition, staff has made adjustments to recognize the appropriate level of common miscellaneous expenses, as well as reclassify or remove certain expenses. Staff recommends the following additional adjustments to Account No. 775 miscellaneous expenses:

Table 7-2

	<u>Adjustment Description</u>	<u>Wastewater</u>
1.	To reflect the Utility's allocated share of phone, cell phone, and internet service expense (\$1,676-\$3,909).	(\$2,233)
2.	To reflect the Utility's allocated share of office supplies and post office box rental (\$1,448-\$591).	857
3.	To reclassify shared meter reading equipment to common allocated plant.	(988)
4.	To reclassify pump to plant Acct. No. 371.	(500)
5.	To reclassify shed rental expense to Acct. No. 740.	(1,795)
6.	To remove bank charges that occurred outside the test year and remove non-utility expenses.	(635)
	Subtotal	(\$5,294)

Staff’s net adjustment to this account is a decrease of \$1,720. Staff recommends a miscellaneous expense balance of \$6,444.

**Issue 8:** Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for West Lakeland, and, if so, what is the appropriate margin?

**Recommendation:** Yes, the Commission, on its own motion, should utilize the operating ratio methodology for calculating the revenue requirement for West Lakeland. The margin should be 10.00 percent of O&M expense. (Golden)

**Staff Analysis:** Section 367.0814(9), F.S., provides that the Commission may, by rule, establish standards and procedures for setting rates and charges of small utilities using criteria other than those set forth in Sections 367.081(1), (2)(a), and (3), F.S. Rule 25-30.456, F.A.C., provides an alternative to a staff-assisted rate case as described in Rule 25-30.455, F.A.C. As an alternative, utilities with total gross annual operating revenue of less than \$250,000 per system may petition the Commission for staff assistance in alternative rate setting.

Although West Lakeland did not petition the Commission for alternative rate setting under the aforementioned rule, staff believes that the Commission should exercise its discretion to employ the operating ratio methodology to set rates in this case. The operating ratio methodology is an alternative to the traditional calculation of revenue requirements. Under this methodology, instead of applying a return on the Utility's rate base, the revenue requirement is based on the margin of West Lakeland's O&M expenses. This methodology has been applied in cases in which the traditional calculation of revenue requirements would not provide sufficient revenue to protect against potential variances in revenues and expenses.

By Order No. PSC-96-0357-FOF-WU,<sup>12</sup> the Commission, for the first time, utilized the operating ratio methodology as an alternative means for setting rates. This order also established criteria to determine the use of the operating ratio methodology and a guideline margin of 10 percent of O&M expense. This criteria was applied again in Order No. PSC-97-0130-FOF-SU.<sup>13</sup> Most recently, the Commission approved the operating ratio methodology for setting rates in Order No. PSC-13-0126-PAA-SU.<sup>14</sup>

By Order No. PSC-96-0357-FOF-WU, the Commission established criteria to determine whether to utilize the operating ratio methodology for those utilities with low or non-existent rate base. The qualifying criteria established by Order No. PSC-96-0357-FOF-WU, and how they apply to the Utility are discussed below:

1) Whether the Utility's O&M expense exceeds rate base. The operating ratio method substitutes O&M expense for rate base in calculating the amount of return. A Utility generally would not benefit from the operating ratio method if rate base exceeds O&M expense. The decision to use the operating ratio method depends on the determination of whether the primary risk resides in capital costs or operating expenses. In the instant case, the rate base is less than

<sup>12</sup> Issued March 13, 1996, in Docket No. 950641-WU, In re: Application for staff-assisted rate case in Palm Beach County by Lake Osborne Utilities Company, Inc.

<sup>13</sup> Issued February 10, 1997, in Docket No. 960561-SU, In re: Application for staff-assisted rate case in Citrus County by Indian Springs Utilities, Inc.

<sup>14</sup> Issued March 14, 2013, in Docket No. 120078-SU, In re: Application for staff-assisted rate case in Brevard County by TKCB.

Docket No. 120270-SU

Date: June 13, 2013

method would provide the Utility no return. If the Utility's operating expenses increase and revenue decreases, West Lakeland would not have the funds required for day-to-day operations.

In conclusion, staff believes the above factors show that the Utility needs a higher margin of revenue over operating expenses than the traditional return on rate base method would allow. Therefore, in order to provide West Lakeland with adequate cash flow to meet environmental requirements and to provide some assurance of safe and reliable service, staff recommends application of the operating ratio methodology at a margin of 10.00 percent of O&M expense for determining the revenue requirement.

**Issue 10:** Should West Lakeland's current wastewater system rate structure be changed, and, if so, what is the appropriate adjustment?

**Recommendation:** No. West Lakeland's wastewater system rate structure, which consists of a monthly base facility charge (BFC) and uniform gallonage charge rate structure, should remain unchanged. The wastewater system's BFC allocation of 50 percent should remain unchanged. Staff recommends the residential wastewater gallonage cap be set at 6,000 gallons a month. Furthermore, staff recommends that the general service gallonage charge be 1.2 times greater than the residential gallonage charge. (Thompson)

**Staff Analysis:** West Lakeland's current rate structure is the traditional BFC and gallonage charge rate structure. The water service is provided by the City of Lakeland. The Commission's preferred wastewater rate structure is a BFC and uniform rate structure. For this reason, staff recommends a continuation of the BFC and uniform gallonage charge rate structure.

The Utility's current residential wastewater cap is set at 8,000 gallons per month. It is Commission practice to set the residential wastewater gallonage cap at a consumption level equal to at least 80 percent of residential water sold. Staff's review of the billing data indicates that at the 6,000 gallon consumption level, 86 percent of the gallons sold are captured. For this reason, the Utility's wastewater gallonage cap of 8,000 gallons should be reduced to 6,000 gallons. There is no cap for general service customers. Furthermore, staff recommends the general service gallonage charge remain at 1.2 times greater than the residential gallonage charge. The proposed BFC recovers approximately 50 percent of the recommended revenue requirement, consistent with Commission practice.

Based on the foregoing, staff recommends that West Lakeland's wastewater system rate structure, which consists of a monthly BFC and uniform gallonage charge rate structure, should remain unchanged. The wastewater system's BFC allocation of 50 percent should remain unchanged. Staff recommends the residential wastewater gallonage cap be set at 6,000 gallons a month. Furthermore, staff recommends that the general service gallonage charge be 1.2 times greater than the residential gallonage charge.

Docket No. 120270-SU

Date: June 13, 2013

**Issue 12:** 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, F.S.?

**Recommendation:** The wastewater rates should be reduced as shown on Schedule No. 3, to remove rate case expense grossed-up for regulatory assessment fees and 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. West Lakeland 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. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Golden, Thompson)

**Staff Analysis:** Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense, the associated operating margin, and the gross-up for RAFs. The total reduction is \$442.

The wastewater rates should be reduced as shown on Schedule No. 3, to remove rate case expense grossed-up for regulatory assessment fees and 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. West Lakeland 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. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

If security is provided through an escrow agreement, the following conditions should be part of the agreement:

- 1) No monies in the escrow account may be withdrawn by the Utility without the express approval of the Commission;
- 2) The escrow account shall be an interest bearing account;
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility;
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments;
- 8) The Commission Clerk must be a signatory to the escrow agreement; and
- 9) The account must specify by whom and on whose behalf such monies were paid.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase should be maintained by the Utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's office no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Docket No. 120270-SU

Date: June 13, 2013

**Issue 15:** 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 should 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. Once these actions are complete, this docket should be closed administratively. (Murphy)

**Staff Analysis:** 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 should 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. Once these actions are complete, this docket should be closed administratively.



WEST LAKELAND WASTEWATER, LLC TEST YEAR ENDED 09/30/12 ADJUSTMENTS TO RATE BASE	SCHEDULE NO. 1-B DOCKET NO. 120270-SU PAGE 1 OF 1
<b><u>UTILITY PLANT IN SERVICE</u></b>	
1. To reflect 2007 plant addition of a new lift station panel to Acct. No. 370.	\$2,651
2. To reflect 2007 retirement of lift station panel to Acct. No. 370.	(1,988)
3. To reflect 2009 plant addition of replacement discharge pipe in lift station to Acct. No. 370.	2,438
4. To reflect 2009 retirement of discharge pipe in lift station to Acct. No. 370.	(1,829)
5. To reflect 2010 plant addition of pump in lift station to Acct. No. 370.	2,282
6. To reflect 2010 plant addition of auto dialer at wastewater treatment plant to Acct. No. 380.	2,480
7. To record 2011 retirement of pump to Acct. No. 370 (retired 7/11/2011).	(1,016)
8. To record 2011 retirement of pump to Acct. No. 370 (retired 10/11/2011).	(1,071)
9. To reclassify 2011 pump from expense Acct. No. 720 to Acct. No. 371.	218
10. To reclassify 2012 pump from expense Acct. No. 775 to Acct. No. 371.	500
11. To reflect 2012 plant addition of pump to Acct. 360.	1,342
12. To reflect the Utility's share of allocated common plant.	1,461
13. To reflect pro forma plant addition for manhole ring replacement/raising to Acct. No. 361.	2,530
14. To reflect pro forma plant addition for lift station rehabilitation to Acct. No. 371.	8,023
15. To reflect pro forma plant addition for check valve replacement to Acct. No. 380.	967
16. To reflect pro forma retirement of check valve replacement to Acct. No. 380.	(725)
17. To reflect an averaging adjustment.	(1,939)
Total	<u>\$16,323</u>
<b><u>CIAC</u></b>	
1. To reflect 2000 CIAC additions.	(\$20,240)
2. To reflect 2001 CIAC additions.	(20,240)
3. To reflect 2005 CIAC additions.	(6,160)
4. To reflect 2008 CIAC additions.	(11,440)
Total	<u>(\$58,080)</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>	
1. To reflect accumulated depreciation per Rule 25-30.140.	(\$1,672)
2. To reflect accumulated depreciation on Utility's share of allocated common plant.	(180)
3. To reflect pro forma accumulated depreciation for plant additions and retirements.	32
4. To reflect averaging adjustment.	146
Total	<u>(\$1,674)</u>
<b><u>AMORTIZATION OF CIAC</u></b>	
1. To adjust amortization of CIAC based on composite rates.	(\$18,667)
2. To reflect additions to amortization of CIAC based on composite rates.	7,186
3. To reflect averaging adjustment	(255)
Total	<u>(\$11,736)</u>
<b><u>WORKING CAPITAL ALLOWANCE</u></b>	
To reflect 1/8 of test year O & M expenses.	<u>\$11,814</u>

WEST LAKELAND WASTEWATER, LLC		Schedule No. 2-B
TEST YEAR ENDED 09/30/12		DOCKET NO. 120270-SU
ADJUSTMENTS TO OPERATING INCOME		Page 1 of 3
<b>OPERATING REVENUES</b>		
1. To reflect the appropriate test year services revenues.		\$64,948
2. To reflect the appropriate test year miscellaneous service revenues.		3,379
Subtotal		<u>\$68,327</u>
<b>OPERATION AND MAINTENANCE EXPENSES</b>		
1. Salaries and Wages - Employees (701)		
a. To reflect the Utility's allocated share of billing employee's salary.		\$5,746
b. To reflect the Utility's allocated share of maintenance employee's salary.		7,793
Subtotal		<u>\$13,539</u>
2. Salaries and Wages - Officers (703)		
a. To reflect the Utility's allocated share of president's salary.		<u>\$17,446</u>
3. Employee Pensions and Benefits (704)		
a. To reflect the Utility's allocated share of president's benefits.		\$1,599
b. To reflect the Utility's allocated share of employee health insurance.		503
Subtotal		<u>\$2,102</u>
4. Sludge Removal Expense (711)		
a. To reflect 5-year normalization of emergency sludge removal expense.		(\$1,416)
b. To reflect the appropriate annual sludge removal expense.		(720)
Subtotal		<u>(\$2,136)</u>
5. Purchased Power (715)		
a. To reflect the Utility's allocated share of purchased power expense.		(\$179)
b. To remove penalties and interest on the treatment plant purchased power expense.		(597)
Subtotal		<u>(\$776)</u>
6. Chemicals (718)		
a. To remove chemical expenses that occurred outside the test year.		(\$324)
b. To reflect pro-forma adjustment for Root X chemical expense.		814
Subtotal		<u>\$490</u>
7. Materials and Supplies (720)		
a. To reclassify pump to plant Acct. No. 371.		(\$218)
b. To reflect 5-year amortization of non-recurring materials and supplies expense.		(372)
Subtotal		<u>(\$590)</u>
8. Contractual Services - Professional (731)		
a. To reverse correcting entries that occurred outside the test year.		\$14,174
b. To remove two accounting service payments that were expensed to Acct. No. 735.		(200)
c. To reclassify test year bookkeeping expense from Acct. No. 736		5,853
d. To reflect the Utility's allocated share of contractual bookkeeping expense.		3,260
e. To reclassify fees for annual report and RAF form preparation from Acct. No. 736.		425
f. To reflect 5-year amort. of original cost study reclassified from Acct. No. 736 (\$600/5).		120
g. To reflect pro-forma adjustment for annual price index filing preparation.		400
h. To reclassify 2 months of testing expense to Acct. No. 735.		(182)

WEST LAKELAND WASTEWATER, LLC TEST YEAR ENDED 09/30/12 ADJUSTMENTS TO OPERATING INCOME	Schedule No. 2-B DOCKET NO. 120270-SU Page 3 of 3
14. Regulatory Commission Expense (765)	
a. To reflect 4-year amortization of rate case expense (\$1,537/4).	<u>\$384</u>
15. Miscellaneous Expense (775)	
a. To reverse a misclassified credit.	\$609
b. To reflect appropriate garbage expense for Utility plant.	(119)
c. To reclassify misc. expenses from non-NARUC Acct. Nos. 921.0-921.4 and 604.	3,084
d. To reflect the Utility's allocated share of phone, cell phone, and internet service expense.	(2,233)
e. To reflect the Utility's allocated share of office supplies and post office box rental.	857
f. To reclassify shared meter reading equipment to common allocated plant.	(988)
g. To reclassify pump to plant Acct. No. 371.	(500)
h. To reclassify shed rental expense to Acct. No. 740.	(1,795)
i. To remove bank charges that occurred outside the test year and non-utility expenses.	(635)
Subtotal	<u>(\$1,720)</u>
 <b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	 <b><u>\$11,347</u></b>
 <b>DEPRECIATION EXPENSE</b>	
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$608
2. To reflect test year depreciation on allocated common plant.	180
3. To reflect depreciation expense for pro forma plant additions.	693
4. To reflect the appropriate amortization of CIAC:	<u>(509)</u>
Total	<u>\$972</u>
 <b>TAXES OTHER THAN INCOME</b>	
1. To reflect the appropriate test year RAFs.	(\$1,498)
2. To reflect appropriate test year utility property taxes.	(65)
3. To reflect the Utility's allocated share of FICA on employee salaries.	<u>2,370</u>
Total	<u>3808</u>

Docket No. 120270-SU

Date: June 13, 2013

WEST LAKELAND WASTEWATER, LLC			SCHEDULE NO. 3
TEST YEAR ENDED SEPTEMBER 30, 2012			
MONTHLY WASTEWATER RATES			
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<b><u>Residential</u></b>			
Base Facility Charge - All Meter Sizes	\$13.39	\$14.57	\$0.06
<b><u>Gallonge Charge</u></b>			
Per 1,000 Gallons (6,000 gallon cap)	N/A	\$5.41	\$0.02
Per 1,000 Gallons (8,000 gallon cap)	\$3.26	N/A	N/A
<b><u>General Service</u></b>			
Base Facility Charge by Meter Size:			
5/8"X3/4"	\$13.39	\$14.57	\$0.06
1"	\$18.29	\$36.43	\$0.15
1-1/2"	\$28.09	\$72.85	\$0.30
2"	\$52.61	\$116.56	\$0.47
3"	\$82.02	\$233.12	\$0.94
4"	\$160.45	\$364.25	\$1.48
6"	\$248.71	\$728.50	\$2.95
8"	\$493.82	\$1,165.60	\$4.72
<b><u>General Service Gallonge Charge</u></b>			
Per 1,000 Gallons	\$3.89	\$6.49	\$0.03
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>			
3,000 Gallons	\$23.17	\$30.80	
6,000 Gallons	\$32.95	\$47.03	
10,000 Gallons	\$39.47	\$47.03	

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

STATE OF FLORIDA



DIVISION OF ECONOMICS  
JAMES W. DEAN  
DIRECTOR  
(850) 413-6410

Public Service Commission

June 12, 2013

Mr. Paul Peterson  
430 Perch Place  
Lakeland, FL 33801

FPSC, CLK - CORRESPONDENCE  
Administrative Parties  Consumer  
DOCUMENT NO. 02036-13  
DISTRIBUTION: \_\_\_\_\_

RECEIVED-FPSC  
13 JUN 13 AM 8:59  
COMMISSION  
CLERK

**Re: Docket No. 120270-SU – Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.**

Dear Mr. Peterson:

Thank you for your letter in which you expressed concerns regarding West Lakeland Wastewater, LLC. (West Lakeland or Utility) using your water meter to determine your wastewater usage and the proposed preliminary rate increase. To ensure that the Commission staff and the Commissioners have knowledge of your concerns, your letter has been placed on the correspondence side of the docket file for all to review.

Wastewater is not measured by a meter. It is standard practice throughout the water and wastewater industry to use a customer's water usage to determine its wastewater flows for billing purposes. In designing the appropriate rates, it is Commission practice to evaluate what would be an appropriate wastewater cap for the Utility. The purpose of the wastewater cap is to recognize that not all water (i.e. irrigation and car washing) used by residential customers is collected by the wastewater systems. Currently, West Lakeland's wastewater gallonage cap is 8,000 gallons. For an example, if you were to use 10,000 gallons, your wastewater bill will be calculated using on 8,000 gallons because of the wastewater cap.

We understand your concerns regarding West Lakeland's proposed rate increase and recognize that during these tough economic times any increase in your Utility will be an additional hardship. If you have any additional questions, or require further assistance, please call me at (850) 413-6986 or e-mail me at [kthompson@psc.state.fl.us](mailto:kthompson@psc.state.fl.us).

Sincerely,

  
Kelly Thompson  
Public Utility Analyst II

cc: Division of Economics (Daniel, Hudson)  
Office of Commission Clerk (Docket No. 120270-SU)

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

STATE OF FLORIDA



DIVISION OF ECONOMICS  
JAMES W. DEAN  
DIRECTOR  
(850) 413-6410

Public Service Commission

June 12, 2013

Mr. Daniel Blaske  
430 Oakridge East  
Lakeland, FL 33801

FPSC, CLK - CORRESPONDENCE  
Administrative Parties  Consumer  
DOCUMENT NO. 02036-13  
DISTRIBUTION: \_\_\_\_\_

RECEIVED-FPSC  
13 JUN 13 AM 8:55  
COMMISSION  
CLERK

**Re: Docket No. 120270-SU – Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.**

Dear Mr. Blaske:

Thank you for your letter in which you expressed your concerns about the proposed increase for West Lakeland Wastewater, LLC (West Lakeland or Utility). To ensure that the Commissioners and Commission staff have knowledge of your concerns, your letter has been placed on the correspondence side of the docket file for all to review. In review of the Utility's request for an increase, staff evaluates the Utility's management practices and financial data to ensure it is in compliance with statutes and rules that governs our regulation of the West Lakeland. The operation and maintenance expenses are being examined very carefully. Costs found to be imprudent or unreasonable will be disallowed.

All consumer comments, including those that were received at the customer meeting, will be taken into consideration by the Commissioners in reaching their decision. Commissioners will review the Utility's need for a rate increase and the Utility's ability to provide safe and reliable services to its customers. Hopefully, this letter addresses your concerns. However, If you have any additional questions, or require further assistance, please call me at (850) 413-6986 or e-mail me at [kthompson@psc.state.fl.us](mailto:kthompson@psc.state.fl.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly Thompson".

Kelly Thompson  
Public Utility Analyst II

cc: Division of Economics (Daniel, Hudson)  
Office of Commission Clerk (Docket No. 120270-SU)

Mr. Elmer Collier  
531 Lazy Lake Drive, West  
Lakeland, FL 33801 Dear Mr. Collier:  
COMMISSIONERS:  
RONALD A. BRISÉ, CHAIRMAN  
LISA POLAK EDGAR  
ART GRAHAM  
EDUARDO E. BALBIS  
JULIE I. BROWN

STATE OF FLORIDA



DIVISION OF ECONOMICS  
JAMES W. DEAN  
DIRECTOR  
(850) 413-6410

Public Service Commission

June 4, 2013

RECEIVED PSC  
13 JUN -4 PM 4:38  
COMMISSION  
CLERK

Mr. Elmer Collier  
531 Lazy Lake Drive, West  
Lakeland, FL 33801

FPSC, CLK - CORRESPONDENCE  
Administrative Parties  Consumer  
DOCUMENT NO. 02036-13  
DISTRIBUTION: \_\_\_\_\_

Re: Docket No. 120270-SU Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.

Mr. Collier:

Thank you for your letter in which you expressed your concerns regarding the proposed preliminary rate increase determined in the staff-assisted rate case (SARC) for West Lakeland Wastewater, LLC (West Lakeland). To ensure that the Commission staff and the Commissioners have knowledge of your concerns, your letter has been placed in the correspondence section of the docket file for all to review.

We understand your concerns regarding West Lakeland's proposed rate increase and recognize that during these tough economic times any increase in your utility bill will be an additional hardship. If you have any additional questions, or require further assistance, please call me at (850) 413-6986 or e-mail me at [kthomps@psc.state.fl.us](mailto:kthomps@psc.state.fl.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly Thompson".

Kelly Thompson  
Regulatory Analyst II

cc: Division of Economics (Daniel, Hudson)  
Office of General Counsel (Murphy)  
Office of Commission Clerk (Docket No. 120270-SU)  
Office of Public Counsel

Mr. and Mrs. Henry Radford  
434 Oak Ridge East  
Lakeland, FL 33801  
Dear Mr. and Mrs.  
Radford:  
COMMISSIONERS:  
RONALD A. BRISÉ, CHAIRMAN  
LISA POLAK EDGAR  
ART GRAHAM  
EDUARDO E. BALBIS  
JULIE I. BROWN

STATE OF FLORIDA



DIVISION OF ECONOMICS  
JAMES W. DEAN  
DIRECTOR  
(850) 413-6410

# Public Service Commission

June 4, 2013

Mr. and Mrs. Harry Radford  
434 Oak Ridge East  
Lakeland, FL 33801

FPSC, CLK - CORRESPONDENCE  
\_\_Administrative\_\_ Parties  Consumer  
DOCUMENT NO. 02036-13  
DISTRIBUTION: \_\_\_\_\_

RECEIVED PISO  
13 JUN -4 PM 4:38  
COMMISSION  
CLERK

**Re: Docket No. 120270-SU Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.**

Mr. and Mrs. Radford:

Thank you for your letter in which you expressed your concerns regarding the proposed preliminary rate increase determined in the staff-assisted rate case (SARC) for West Lakeland Wastewater, LLC (West Lakeland). To ensure that the Commission staff and the Commissioners have knowledge of your concerns, your letter has been placed in the correspondence section of the docket file for all to review.

We understand your concerns regarding West Lakeland's proposed rate increase and recognize that during these tough economic times any increase in your utility bill will be an additional hardship. If you have any additional questions, or require further assistance, please call me at (850) 413-6986 or e-mail me at [kthomps@psc.state.fl.us](mailto:kthomps@psc.state.fl.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly Thompson".

Kelly Thompson  
Regulatory Analyst II

cc: Division of Economics (Daniel, Hudson)  
Office of General Counsel (Murphy)  
Office of Commission Clerk (Docket No. 120270-SU)  
Office of Public Counsel



Mr. Richard Rhodes  
440 Skyline Drive, West  
Lakeland, FL 33801 Dear Mr. Rhodes:  
COMMISSIONERS:  
RONALD A. BRISÉ, CHAIRMAN  
LISA POLAK EDGAR  
ART GRAHAM  
EDUARDO E. BALBIS  
JULIE I. BROWN

STATE OF FLORIDA



DIVISION OF ECONOMICS  
JAMES W. DEAN  
DIRECTOR  
(850) 413-6410

Public Service Commission

June 4, 2013

RECEIVED FPSC  
13 JUN -4 PM 4:38  
COMMISSION  
CLERK

Mr. Richard Rhodes  
440 Skyline Drive West  
Lakeland, FL 33801

FPSC, CLK - CORRESPONDENCE  
Administrative Parties  Consumer  
DOCUMENT NO. 02036-13  
DISTRIBUTION: \_\_\_\_\_

Re: Docket No. 120270-SU Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.

Mr. Rhodes:

Thank you for your letter in which you expressed your concerns regarding the proposed preliminary rate increase determined in the staff-assisted rate case (SARC) for West Lakeland Wastewater, LLC (West Lakeland). To ensure that the Commission staff and the Commissioners have knowledge of your concerns, your letter has been placed in the correspondence section of the docket file for all to review.

We understand your concerns regarding West Lakeland's proposed rate increase and recognize that during these tough economic times any increase in your utility bill will be an additional hardship. If you have any additional questions, or require further assistance, please call me at (850) 413-6986 or e-mail me at [kthomps@psc.state.fl.us](mailto:kthomps@psc.state.fl.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly Thompson".

Kelly Thompson  
Regulatory Analyst II

cc: Division of Economics (Daniel, Hudson)  
Office of General Counsel (Murphy)  
Office of Commission Clerk (Docket No. 120270-SU)  
Office of Public Counsel

Mr. and Mrs. Robert Atchley  
437 Porch Place  
Lakeland, FL 33801 Dear Mr. and Mrs.  
Atchley:  
COMMISSIONERS:  
RONALD A. BRISÉ, CHAIRMAN  
LISA POLAK EDGAR  
ART GRAHAM  
EDUARDO E. BALBIS  
JULIE I. BROWN

STATE OF FLORIDA



DIVISION OF ECONOMICS  
JAMES W. DEAN  
DIRECTOR  
(850) 413-6410

Public Service Commission

June 4, 2013

RECEIVED PISO  
13 JUN -4 PM 4:38  
COMMISSION  
CLERK

Mr. and Mrs. Robert Atchley  
437 Porch Place  
Lakeland, FL 33801

FPSC, CLK - CORRESPONDENCE

Administrative Parties  Consumer

DOCUMENT NO. 02036-13

DISTRIBUTION: \_\_\_\_\_

**Re: Docket No. 120270-SU Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.**

Mr. and Mrs. Atchley:

Thank you for your letter in which you expressed your concerns regarding the proposed preliminary rate increase determined in the staff-assisted rate case (SARC) for West Lakeland Wastewater, LLC (West Lakeland). To ensure that the Commission staff and the Commissioners have knowledge of your concerns, your letter has been placed in the correspondence section of the docket file for all to review.

We understand your concerns regarding West Lakeland's proposed rate increase and recognize that during these tough economic times any increase in your utility bill will be an additional hardship. If you have any additional questions, or require further assistance, please call me at (850) 413-6986 or e-mail me at [kthompson@psc.state.fl.us](mailto:kthompson@psc.state.fl.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly Thompson".

Kelly Thompson  
Regulatory Analyst II

cc: Division of Economics (Daniel, Hudson)  
Office of General Counsel (Murphy)  
Office of Commission Clerk (Docket No. 120270-SU)  
Office of Public Counsel

Mr. Feryn Migliacci  
427 Leisure Place  
Lakeland, FL 33801  
Dear Mr. Migliacci:  
COMMISSIONERS:  
RONALD A. BRISÉ, CHAIRMAN  
LISA POLAK EDGAR  
ART GRAHAM  
EDUARDO E. BALBIS  
JULIE I. BROWN

STATE OF FLORIDA



DIVISION OF ECONOMICS  
JAMES W. DEAN  
DIRECTOR  
(850) 413-6410

Public Service Commission

June 4, 2013

FPSC, CLK - CORRESPONDENCE

Administrative Parties  Consumer

DOCUMENT NO. 02036-13

DISTRIBUTION: \_\_\_\_\_

Mr. Feryn Migliacci  
427 Leisure Place  
Lakeland, FL 33801

**Re: Docket No. 120270-SU Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.**

Dear Mr. Migliacci:

Thank you for your letter in which you expressed your concerns regarding the proposed preliminary rate increase determined in the staff-assisted rate case (SARC) for West Lakeland Wastewater, LLC (West Lakeland). To ensure that the Commission staff and the Commissioners have knowledge of your concerns, your letter has been placed in the correspondence section of the docket file for all to review.

We understand your concerns regarding West Lakeland's proposed rate increase and recognize that during these tough economic times any increase in your utility bill will be an additional hardship. If you have any additional questions, or require further assistance, please call me at (850) 413-6986 or e-mail me at [kthomps@psc.state.fl.us](mailto:kthomps@psc.state.fl.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly Thompson".

Kelly Thompson  
Regulatory Analyst II

cc: Division of Economics (Daniel, Hudson)  
Office of General Counsel (Murphy)  
Office of Commission Clerk (Docket No. 120270-SU)  
Office of Public Counsel

RECEIVED PSC  
13 JUN -4 PM 4:38  
COMMISSION  
CLERK

Application for staff-assisted rate case in Polk County by  
**West Lakeland Wastewater, LLC**

DOCKET NO. 120270-SU

RECEIVED-FPSC  
13 MAY - 8 AM 9: 22  
COMMISSION  
CLERK

Name THANNAH RADFORD  
Address 434 Oak Ridge East  
Lakeland, Florida 33805

Please submit your comments about this docket to the Florida Public Service Commission by completing this comment form and returning it by mail, or send a fax to 1-800-511-0809. Correspondence will be placed in the file of this docket.

CONSUMER COMMENTS
I would understand some increase but do not understand doubling the monthly bill, we do not get that kind of increase on our S.S. or would we on any other job.
Thank you for reading this Thannah Radford

Fold and tape - - see back for address

Any e-mail or other correspondence sent to a Florida Public Service Commissioner, or any other public official and/or employee of the PSC, in the transaction of public business is considered a public record and is subject to Florida's Public Records Law. This means that Florida law generally requires the PSC to provide a copy of any such e-mail or correspondence, upon request, for inspection and copying to any Florida citizen or to any member of the media.

Application for staff-assisted rate case in Polk County by  
**West Lakeland Wastewater, LLC**

DOCKET NO. 120270-SU

COMMISSION  
CLERK

13 MAY - 6 AM 9:42

RECEIVED - FPSC

Name RICHARD RHODES  
 Address 440 SKYLINE DR. W.  
LAKELAND, FL 33801

Please submit your comments about this docket to the Florida Public Service Commission by completing this comment form and returning it by mail, or send a fax to 1-800-511-0809. Correspondence will be placed in the file of this docket.

CONSUMER COMMENTS	
<i>I KNOW W. LAKELAND NEEDS SOME INCREASE TO OPERATE, BUT 100% IS QUITE ALOT FOR CUSTOMERS WITH LIMITED INCOME.</i>	

Fold and tape -- see back for address

Any e-mail or other correspondence sent to a Florida Public Service Commissioner, or any other public official and/or employee of the PSC, in the transaction of public business is considered a public record and is subject to Florida's Public Records Law. This means that Florida law generally requires the PSC to provide a copy of any such e-mail or correspondence, upon request, for inspection and copying to any Florida citizen or to any member of the media.

Application for staff-assisted rate case in Polk County by  
**West Lakeland Wastewater, LLC**

DOCKET NO. 120270-SU

RECEIVED FPSC  
13 MAY -3 AM 9:10  
COMMISSION  
CLERK

Name HARRY RADFORD  
Address 434 CAK Ridge EAST  
LAKE LAND, FL 33801

Please submit your comments about this docket to the Florida Public Service Commission by completing this comment form and returning it by mail, or send a fax to 1-800-511-0809. Correspondence will be placed in the file of this docket.

CONSUMER COMMENTS
<i>I understand there should be some increase but not double the bill as you are explaining now. Please moderate your thinking and I would appreciate it</i>
<i>Harry E Radford</i>

Fold and tape - - see back for address

Any e-mail or other correspondence sent to a Florida Public Service Commissioner, or any other public official and/or employee of the PSC, in the transaction of public business is considered a public record and is subject to Florida's Public Records Law. This means that Florida law generally requires the PSC to provide a copy of any such e-mail or correspondence, upon request, for inspection and copying to any Florida citizen or to any member of the media.

FPSC, CLK - CORRESPONDENCE

Administrative  Parties  Consumer

DOCUMENT NO. 02036-13

DISTRIBUTION: \_\_\_\_\_

Application for staff-assisted rate case in Polk County by

**West Lakeland Wastewater, LLC**

DOCKET NO. 120270-SU

RECEIVED-FPSC

13 MAY -3 AM 9: 10

COMMISSION  
CLERK

Name ELMER COLLIER

Address 531 LAZY LAKE DR, WEST  
LAKELAND, FL 33801

Please submit your comments about this docket to the Florida Public Service Commission by completing this comment form and returning it by mail, or send a fax to 1-800-511-0809.

Correspondence will be placed in the file of this docket.

CONSUMER COMMENTS	
THE INCREASE YOU HAVE REQUESTED IS UNREALISTIC.	

Fold and tape -- see back for address

Any e-mail or other correspondence sent to a Florida Public Service Commissioner, or any other public official and/or employee of the PSC, in the transaction of public business is considered a public record and is subject to Florida's Public Records Law. This means that Florida law generally requires the PSC to provide a copy of any such e-mail or correspondence, upon request, for inspection and copying to any Florida citizen or to any member of the media.

Application for staff-assisted rate case in Polk County by

FPSC, CLK - CORRESPONDENCE

**West Lakeland Wastewater, LLC**

Administrative Parties  Consumer

DOCUMENT NO. 02036-13

DOCKET NO. 120270-SU

DISTRIBUTION: \_\_\_\_\_

COMMISSION  
CLERK

13 MAY -2 AM 8:53

RECEIVED-FPSC

Name Robert & Susan Ashley  
Address 437 Peach Place  
Lakeland FL 33801

Please submit your comments about this docket to the Florida Public Service Commission by completing this comment form and returning it by mail, or send a fax to 1-800-511-0809.

Correspondence will be placed in the file of this docket.

**CONSUMER COMMENTS**

*We strongly object an almost 100% increase in our water sewage services. This would mean we are paying twice as much to get rid of the water than we pay to get the water. And 100% of the water we buy is not being treated.*

Fold and tape -- see back for address

Any e-mail or other correspondence sent to a Florida Public Service Commissioner, or any other public official and/or employee of the PSC, in the transaction of public business is considered a public record and is subject to Florida's Public Records Law. This means that Florida law generally requires the PSC to provide a copy of any such e-mail or correspondence, upon request, for inspection and copying to any Florida citizen or to any member of the media.



FPSC, CLK - CORRESPONDENCE

Administrative Parties  Consumer

DOCUMENT NO. 02036-13

DISTRIBUTION: \_\_\_\_\_

Application for staff-assisted rate case in Polk County by

**West Lakeland Wastewater, LLC**

DOCKET NO. 120270-SU

13 MAY - 2 AM 8:52

RECEIVED-FPSC

COMMISSION  
CLERK

Name FARON MIGLIACCIO

Address 427 LEISURE PL.

Village Lakeland  
Lakeland Fl. 33801

Please submit your comments about this docket to the Florida Public Service Commission by completing this comment form and returning it by mail, or send a fax to 1-800-511-0809.

Correspondence will be placed in the file of this docket.

CONSUMER COMMENTS	
I am a widow on a very limited income & am aware there has to be an increase our wastewater bills but please take into consideration we are mostly seniors on limited incomes	
Thank you	
Faron Migliaccio	

Fold and tape -- see back for address

Any e-mail or other correspondence sent to a Florida Public Service Commissioner, or any other public official and/or employee of the PSC, in the transaction of public business is considered a public record and is subject to Florida's Public Records Law. This means that Florida law generally requires the PSC to provide a copy of any such e-mail or correspondence, upon request, for inspection and copying to any Florida citizen or to any member of the media.

FPSC, CLK - CORRESPONDENCE

Administrative Parties  Consumer

DOCUMENT NO. 02036-13

DISTRIBUTION: \_\_\_\_\_

Application for staff-assisted rate case in Polk County by

**West Lakeland Wastewater, LLC**

DOCKET NO. 120270-SU

RECEIVED - FPSC

13 APR 30 AM 8:52

COMMISSION  
CLERK

Name Daniel P. Blaske

Address 430 OAKEDGE EAST  
LAKELAND, FL 33801

Please submit your comments about this docket to the Florida Public Service Commission by completing this comment form and returning it by mail, or send a fax to 1-800-511-0809.

Correspondence will be placed in the file of this docket.

CONSUMER COMMENTS

I ATTENDED the Customer Meeting on Wed April 24<sup>th</sup> 2013 and like all opinions spoken from other residents, I am in AN Agreement of a small RATE increase.

I However am very interested in a commissions Review of West Lakeland Wastewater Business practices as a whole in consideration of my Increase.

I feel there is much room for improvement for this business to be more profitable and that the answer to price business management is NOT simply answered by having customers pay for the businesses mistakes with higher RATE charges.

Fold and tape -- see back for address

Any e-mail or other correspondence sent to a Florida Public Service Commissioner, or any other public official and/or employee of the PSC, in the transaction of public business is considered a public record and is subject to Florida's Public Records Law. This means that Florida law generally requires the PSC to provide a copy of any such e-mail or correspondence, upon request, for inspection and copying to any Florida citizen or to any member of the media.

24 April 2013

Director, Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 3299-0850

RECEIVED-FPSC  
13 APR 29 AM 10:25  
COMMISSION  
CLERK

Reference to "Docket No. 120270-SU, West Lakeland Wastewater, LLC".

West Lakeland Wastewater, LLC bases their charges on the water meter readings, not on the waste water that they have to process.

If I water my grass, wash my car, or power wash my house, this is water used, but not processes waste water. However, they only look at my water meter.

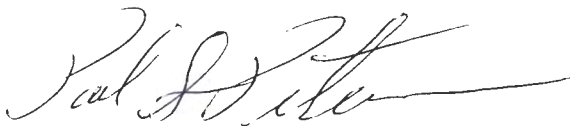
My current residential rate for 3,000 Gallons of water is \$23.17, and

West Lakeland Wastewater, LLC is asking for \$45.61, this is a 96.68+ % increase.

If I use 5,000 Gallons of water my bill would be \$29.69, and West Lakeland Wastewater, LLC is asking for \$61.63, this is a 107.57+ % increase.

**This is just outrages.**

Those of us that get Social Security, in the past few years did not even get a Cost Of Living Allowance (COLA). When we did, it was only a single digit %, and it sure was not 9%. I wish that the Government would give all of us a 100% increase.



Paul S. Peterson  
430 Perch Place  
Lakeland, FL 33801

FPSC, CLK - CORRESPONDENCE  
Administrative Parties  Consumer  
DOCUMENT NO. 02036-13  
DISTRIBUTION: \_\_\_\_\_

439 Oak Riddge W  
Lakeland, FL 33801  
April 15, 2013

Director, Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

FPSC, CLK - CORRESPONDENCE  
Administrative Parties  Consumer  
DOCUMENT NO. 02036-13  
DISTRIBUTION: \_\_\_\_\_

RECEIVED-FPSC  
13 APR 19 AM 9:27  
COMMISSION  
CLERK

RE: Docket No. 120270-SU, West Lakeland Wastewater, LLC

Dear Sirs,

We are writing this in reference to the above because we will not be in Florida on the date of the scheduled meeting on April 24, 2013. We do have comments regarding the proposed rate increase.

The information provided states that the 2011 annual report states that total gross revenues were \$86,753 and the total operating expenses were \$101,218, resulting in a net loss of \$14,465. What was the breakdown of the operating expenses? Does this include a salary for Mr. Mike Smallridge? If so, what is his salary? Since we are looking at an increase in the cost of our services, we have the right to know this information.

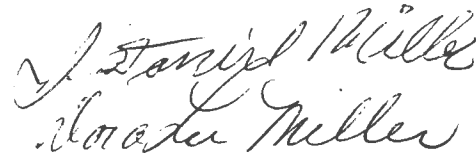
According to the information in the packet you provided, the asking increase in rates is 61%. A 17% increase would be a break even (expense would equal income) and an additional 10% for profit would total 27% total increase. This increase is a reasonable solution to the problem. With a 27% increase instead of a 61%, there would still be a profit without gouging the customers. With the proposed increase, we will be paying more for the wastewater service than we pay for water. This does not make sense as all water usage does not become wastewater.

We have an additional question regarding billing. Why are we being charged 10% tax on our bill when the Florida tax is 7%?

You also need to create a waiver or shutoff for "snowbirds". We are here for 6 months and when we leave to go North, we have to continue to pay the basic rate when the water usage is zero and there is absolutely no wastewater to be charged for.

We hope that you will seriously consider our comments and suggestions and appreciate the opportunity to present them for your consideration. Any correspondence during the summer, regarding this matter should be forwarded to: 249 S. Second Ave., Clarion, PA 16214.

Sincerely,

A handwritten signature in cursive script, consisting of two lines. The top line reads "J. Daniel Miller" and the bottom line reads "DoraLee Miller".

J. Daniel and DoraLee Miller

Property Owners of 439 Oak Ridge W.

Lakeland, FL 33801

# CONSUMER

RECEIVED-FPSC  
13 APR 18 AM 10:01  
COMMISSION  
CLERK

April 15, 2013  
131 Smith Road,  
New Bethlehem, Pa 16242

To: Director, Office of Commission Clerk  
Florida Public Service Commission,  
2540 Shumard Oak Boulevard,  
Tallahassee, FL 32390-0850

Ref: Florida address: 423 Lazy Lake Drive, W. Lakeland, FL 33801

Reference : Docket# 120270-SU

To Whom It May Concern:

Attached please find a copy of our Feb 2013 sewage statement. I can not calculate costs from existing rates shown on the mail out, as to our usage for the month of Feb 2013. Please help.

Their recommended rate increase, reflects a 63% increase. As per their cost over expenses, they only need a 17% increase to break even. Allowing for a 10% profit, a 27% increase would be more in line.

We are snow birds from Pa., in residence approx 5 months per year. Please insert a clause where as we can turn our sewage account off, for the seven months we are not in Florida.

Please forward my thoughts to the commission as we are presently at our summer residence and cannot attend the scheduled meeting.

If you have any questions, please feel free to contact me.  
Home Phone 814 275 3409  
Cell Phone 814 229 7945

Thank you for your help in this matter.

Sincerely:

  
John C. Lavelly

DOCUMENT NUMBER - DATE  
02036 APR 18 2013  
FPSC-COMMISSION CLERK

**West Lakeland Wastewater, LLC**

P. O. Box 1798  
Eaton Park, FL 33840

883/904-5574

Billing Date	Due Date	Account Number
2/1/2013	2/21/2013	423

Service ADR: 423 Lazy Lake Dr. W		
From:	1/4/2013	680840
To:	1/30/2013	684640
Consumption:	X 1	3800

Prior Account Balance (\$51.76)

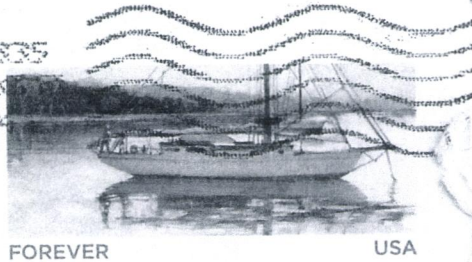
Late Payment Fee	\$0.00
Sewer Only	\$25.78

Tax Rate 10.00% Total Taxes \$2.58

**Account Balance (\$23.40)**

We now accept Visa, MasterCard, and Discover credit cards. If you would like to take advantage of this please give us a call between 10 am and 4 pm, M - F.

© 2011 USPS recycled



Please Return This Portion With Payment

Billing Date	Account Number	Amount Due
2/1/2013	423	None

**John Lavelly**  
**131 Smith Road**  
**New Bethlehem, PA 16242**

DOCUMENT NUMBER-DATE

02036 APR 18 2013

FPSC-COMMISSION CLERK