

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

November 25, 2014

Item 17

FILED NOV 25, 2014
DOCUMENT NO. 06492-14
FPSC - COMMISSION CLERK

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

Issue 1: Is the overall quality of service provided by Lakeside satisfactory?

Recommendation: Yes. Staff recommends that the condition of the water and wastewater treatment facilities are satisfactory and the water provided by Lakeside is meeting applicable water quality standards, including primary and secondary standards, as prescribed in the Florida Department of Environmental Protection (DEP) rules. It also appears that the Utility has attempted to address the customers' concerns. Therefore, staff recommends that the overall quality of service for the Lakeside water and wastewater systems in Lake County is satisfactory.

APPROVED as modified at Commission Conference, giving staff authority to make all fall-out adjustments resulting from Settlement Agreement.

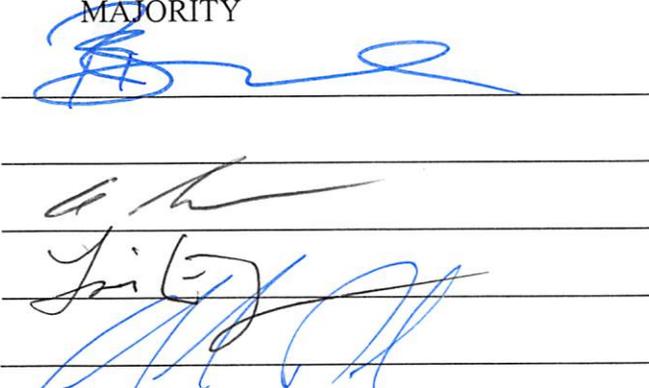
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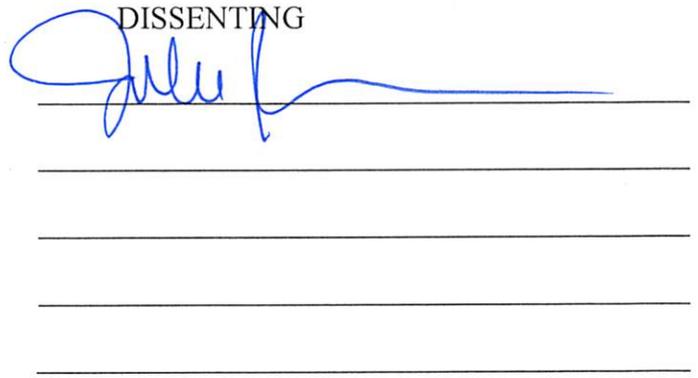
COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING





REMARKS/DISSENTING COMMENTS:

Settlement Agreement, DN 06428-14, is attached.
Commissioner Brown dissents.

(Continued from previous page)

Issue 2: What are the used and useful percentages (U&U) of Lakeside’s WTP, water storage facilities, WWTP, and distribution and collection systems?

Recommendation: Lakeside’s WTP should be considered 40.5 percent U&U, its water storage facilities should be considered 100 percent U&U, its WWTP should be considered 16.8 percent U&U, and its water distribution and wastewater collection systems should be considered 100 percent U&U. There is no indication of excessive inflow and infiltration (I&I) or excessive unaccounted for water (EUW).

APPROVED

Issue 3: What is the appropriate average test year rate base for Lakeside?

Recommendation: The appropriate average test year rate base for Lakeside is \$30,811 for water and \$27,925 for wastewater.

APPROVED

Issue 4: What is the appropriate rate of return on equity and overall rate of return for Lakeside?

Recommendation: The appropriate return on equity (ROE) is 8.74 percent with a range of 7.74 percent to 9.74 percent. The appropriate overall rate of return is 8.74 percent.

APPROVED

Issue 5: What are the appropriate test year revenues?

Recommendation: The appropriate test year revenues for this Utility are \$38,806 for water and \$32,176 for wastewater.

APPROVED

(Continued from previous page)

Issue 6: What is the appropriate amount of operating expense?

Recommendation: The appropriate amount of operating expense is \$55,770 for water and \$55,482 for wastewater.

APPROVED

Issue 7: Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for Lakeside 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 Lakeside. The margin should be 10 percent of O&M expense for water and wastewater.

APPROVED

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$60,768 for water and \$60,675 for wastewater, resulting in an annual increase of \$21,962 for water (56.59 percent), and an annual increase of \$28,499 for wastewater (88.57 percent).

APPROVED

(Continued from previous page)

Issue 9: What are the appropriate rate structures and rates for Lakeside’s water and wastewater systems?

Recommendation: The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A through 4-D, respectively, of staff’s memorandum dated November 13, 2014. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for services rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

APPROVED as modified at Commission Conference this date, changing recommendation in reduction for total residential consumption from 19.91 to 10 percent.

Issue 10: What is the appropriate amount by which rates should be reduced in four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Recommendation: The rates should be reduced as shown on Schedule Nos. 4-B for water and 4-D for wastewater, of staff’s memorandum dated November 13, 2014, 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. Lakeside 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.

APPROVED

(Continued from previous page)

Issue 11: What are the appropriate initial customer deposits for Lakeside?

Recommendation: The appropriate initial customer deposits should be \$55 and \$76 for the residential 5/8 inch x 3/4 inch meter size for water and wastewater, respectively. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water and wastewater. The approved initial customer deposits should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

APPROVED

Issue 12: Should Lakeside's request to implement a \$5.25 late payment charge be approved?

Recommendation: Yes. Lakeside's request to implement a \$5.25 late payment charge should be approved. Lakeside should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days after the date of the notice.

APPROVED

Issue 13: Should Lakeside's request to revise its existing service availability charges be approved, and if so, what are the appropriate charges?

Recommendation: Yes. Staff recommends that Lakeside's existing service availability charges be revised. A main extension charge per ERC of \$210 for water and \$131 for wastewater should be approved. The approved service availability charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475, F.A.C.

APPROVED

(Continued from previous page)

Issue 14: Should the recommended rates be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Lakeside should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum dated November 13, 2014. 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 Office of Commission Clerk 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.

APPROVED

Issue 15: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all applicable National Association of Regulatory Commissioners Uniform System of Accounts (NARUC USOA) primary accounts associated with the Commission-approved adjustments?

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

APPROVED

Vote Sheet

November 25, 2014

Item 17

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

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Issue 16: 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, and that the adjustments for all applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.

APPROVED

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for staff-assisted rate case
in Lake County by Lakeside Waterworks, Inc.

Docket No. 130194-WS

Filed: November 21, 2014

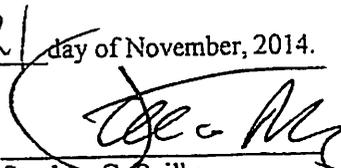
JOINT MOTION REQUESTING COMMISSION APPROVAL OF
SETTLEMENT AGREEMENT

The Office of Public Counsel ("OPC") and Lakeside Waterworks, Inc. ("Utility") file this Joint Motion requesting the Florida Public Service Commission ("Commission") to approve the Settlement Agreement, attached as Exhibit "A", as provided in this motion. In support of the Joint Motion, OPC and the Utility state:

1. To avoid the time, expense and uncertainty associated with adversarial litigation, and in keeping with the Commission's long-standing policy and practice of encouraging parties to settle issues whenever possible, OPC, the Shrangri-La by the Lake Homeowners Association and the Utility entered into a Settlement Agreement.

WHEREFORE, OPC and the Utility respectfully request the Commission to issue an Order which approves the terms of the November 13, 2014 staff recommendation, as amended by paragraphs 1 & 2 of the attached Settlement Agreement.

Respectfully submitted this 21 day of November, 2014.


Stephen C. Reilly
Associate Public Counsel
Office of Public Counsel

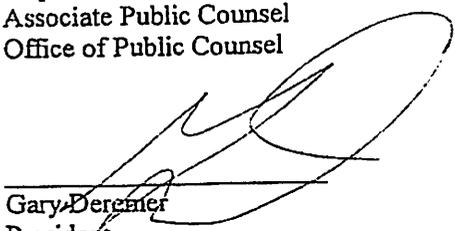

Gary Deremer
President
Lakeside Waterworks, Inc.

EXHIBIT "A" TO JOINT MOTION

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for staff-assisted rate case)
in Lake County by Lakeside Waterworks, Inc.)
_____)

Docket No. 130194-WS

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made and entered into this 21st day of November, 2014, by and between Lakeside Waterworks, Inc. ("Lakeside", "Utility" or "Company") and the Office of Public Counsel, on behalf of the customers of Lakeside ("OPC") and Shangri-La by the Lake Homeowners Association ("Association").

WITNESSETH

WHEREAS, on July 19, 2013, Lakeside filed an application for a staff-assisted rate case with the Florida Public Service Commission ("Commission"); and

WHEREAS, on November 13, 2014 the Commission's staff issued its Recommendation ("Recommendation") in this docket; and

WHEREAS, on November 13, 2014, Utility representatives met with the customers at the Shangri-La by the Lake club house; and

WHEREAS, the Utility and customers desire to enter into this Settlement Agreement in order to help phase in the rate increase recommended in this docket.

NOW, THEREFORE, for and in consideration of the mutual covenants set forth below, the sufficiency of which is hereby acknowledged, the parties agree to accept the Recommendation, except for the following:

1. Amend the last paragraph of the discussion of Issue 7 on page 31, and add a new last paragraph as follows:

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 Lakeside 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 percent of O&M expense for determining the water and wastewater revenue requirements.

In order to help phase in the rate increase approved in this docket, the Company has agreed to forego collection of the operating ratio portion of the revenue requirement of \$4,998 for water service and \$5,193 for wastewater service for the first year after implementation of this rate increase. While this reduced Phase I rate increase will be in effect for one year, the operating ratio discussed in Issue 7 will automatically go into effect at the conclusion of the year, without further action by the Commission. These increased Phase II rates, including the operating ratio for water and wastewater service, will not be collected any sooner than 1 year after implementation of the Phase I rates.

2. Staff shall make all of the fall-out adjustments resulting from this Settlement Agreement, including calculation of the resulting appropriate Phase I rate structure and rates for Lakeside.

IN WITNESS WHEREOF, the Parties have hereunder caused this Settlement Agreement to be executed as of the date next to each signature, in counterparts, each counterpart to be considered an original.

OFFICE OF PUBLIC COUNSEL

LAKESIDE WATERWORKS, INC.

By: _____
Stephen C. Reilly Date
Associate Public Counsel
On behalf of the Customers of
Lakeside Waterworks, Inc.

By: _____
Gary Deremer Date
President

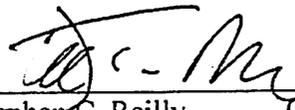
**SHANGRI-LA BY THE LAKE
HOMEOWNERS ASSOCIATION**

By: James E. Mull 11/21/14
James E. Mull Date
President

**CERTIFICATE OF SERVICE
DOCKET NO. 130194-WS**

I HEREBY CERTIFY that a true and correct copy of the foregoing Joint Motion Requesting Commission Approval of Settlement Agreement has been furnished by electronic mail to the following party on this 21st day of November, 2014.

Charles Murphy, Esquire
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850



Stephen C. Reilly
Associate Public Counsel