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DIVISION OF
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Public Service Commission

May 31, 2017

Mr. Eugene M. Cahill
Ms. Carol Mulloy
28 Beach Front Lane
Lake Placid, FL 33852

RECEIVED-FPSC
2017 JUN -1 AM 8:42
COMMISSION
CLERK

Re: Docket No. 160222-WS Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.

Dear Mr. Cahill and Ms. Mulloy:

Thank you for your letter expressing your concerns about the rate increase petition filed by LP Waterworks, Inc. To ensure that the Commission staff and the Commissioners have knowledge of your concerns, your letter has been placed in the docket file for review.

Many factors affect the cost of providing water service. These factors can include: the size and age of the utility system; the quality of the water at its source; the number of customers; and the geographic spread of the service area. Rates are increased relative to a utility's revenue requirement and are designed to allow a utility the opportunity to recover its reasonable and prudent costs for providing service and a reasonable rate of return on its investment in facilities necessary to provide water and wastewater service. During a rate case, the Commission's accountants, engineers and economists examine the financial and engineering information filed by the company as part of its rate increase application. The Commission's auditors also examine this information and publish the results of their findings in an audit report. All costs found to be imprudent or unreasonable are disallowed for recovery from the ratepayers.

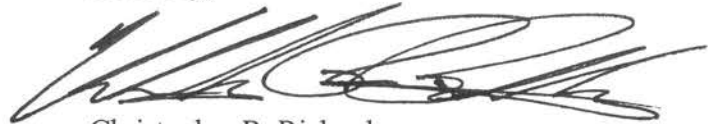
There are also many differences between Commission-regulated water and wastewater utilities and municipally-owned utilities that affect rates. For example, municipally-owned systems do not have any income or property taxes and have access to low interest construction loans. Further, a city or county may issue bonds to finance capital improvements. Municipally-owned systems often serve a varied customer base and may structure rates which result in general service customers paying more than their fair share of costs than residential customers. Also, cities and counties may subsidize their water and wastewater operations through electric rates or other sources.

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We appreciate your letter and understand your concerns surrounding the proposed rate increase in this docket. I hope the above information is helpful. If you have any additional questions, or require further assistance, please call me at (850) 413-6742 or email crichard@psc.state.fl.us.

Staff's recommendation on this matter is tentatively scheduled to be heard at the August 3, 2017, Commission Conference, and can be viewed live on the Commission's website www.floridapsc.com.

Sincerely,



Christopher R. Richards
Public Utilities Analyst I
Bureau of Finance, Tax and Cost Recovery
Division of Accounting and Finance

CRR

cc: Office of Commission Clerk (Docket No. 160222-WS)