

WATER & WASTEWATER INDUSTRY QUARTERLY REPORT

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RADEY | THOMAS | YON | CLARK

Attorneys & Counselors at Law

Study Committee on Investor-Owned Water and Wastewater Utility Systems

By Susan Clark

The Legislature passed a bill during the 2012 Session, Committee Substitute for House Bill 1389 (CS/HB 1389), creating a Study Committee on Investor-Owned Water and Wastewater Utility Systems (Study Committee). CS/HB 1389 has not yet been presented to the Governor for consideration. The Study Committee is to identify issues of concern to investor-owned water and wastewater utilities, particularly small systems and their customers, and research possible solutions: The Study Committee is to consider:

- The ability of small investor-owned water and wastewater utilities to achieve economies of scale in purchasing equipment, commodities or services
- The availability of low interest loans to small investor-owned water and wastewater utilities
- The tax incentives or exemptions for small water and wastewater utilities
- The impact on customer rates if a utility purchases an existing water and wastewater system
- The impact on customer rates of a utility providing service through a reseller

The Study Committee is composed of 18 residents of the state as follows:

- ◆ A member of the Florida Senate, appointed by the Senate President
- ◆ A member of the Florida House of Representatives, appointed by the Speaker of the House
- ◆ Members appointed by the Governor:
 - Two representatives of a Class A investor-owned water or wastewater utility
 - A representative of a Class B investor-owned water or wastewater utility
 - A representative of a Class C investor-owned water or wastewater utility
 - A customer of a Class A investor-owned water or wastewater utility
 - A customer of a Class B or C investor-owned water or wastewater utility
 - A representative of a Water Management District
 - A representative from the Florida Section of the American Water Works Association
 - A representative of the Florida Rural Water Association
 - A representative of a water or wastewater system owned or operated by a municipal or county government
 - A representative of governmental authority created pursuant to Chapter 163, Florida Statutes
 - A chair of a county commission that regulates investor-owned water or wastewater utility systems
 - A representative of a county health department
- ◆ The Chair of the Public Service Commission (PSC), the Secretary of the Department of Environmental Protection and the Public Counsel, or their designees, are non-voting members of the Study Committee and the PSC Chair serves as Chair of the Study Committee.

Members of the Study Committee serve without compensation but will be reimbursed for travel expenses. The PSC is to provide the staff, information, assistance and facilities necessary for the Study Committee to carry out its duties. Funding for the Study Committee comes from the Florida Public



Study Committee on Investor-Owned Water and Wastewater Utility Systems (continued)

The Study Committee will meet at a time and location determined by the chair, but no less than four times. Two meetings are to be held in an area centrally located to utility customers who have recently been affected by significant water or wastewater rate increases. The public must be given the opportunity to speak at meetings.

By February 15, 2013, the Study Committee is to prepare and submit a report of its findings and specific legislative recommendations to the Governor, the Senate President and the Speaker of the House. If an issue can be effectively addressed through agency rulemaking, the Study Committee is to submit its report and findings, including proposed rules, to the appropriate agency.



Authority for the Study Committee terminates on June 30, 2013.



Upcoming Events - Mark Your Calendars

Date	Event Name	Event	Location
4/12/12 6:00 pm	Customer Meeting	<i>Docket No. 110238-WU—Application for a staff assisted rate case in Polk County by Sunrise Utilities, LLC</i>	Auburndale
4/17/12 6:00 pm	Customer Meeting	<i>Docket No. 110257-WS—Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation</i>	Auditorium, Eastmonte Civic Center, 830 Magnolia Dr, Altamonte Springs
4/25/12 6:00 pm	Customer Meeting	<i>Docket No. 110200-WU—Application for increase in water rates in Franklin County by Water Management Services, Inc.</i>	St. George Island Volunteer Fire Dept., 324 E Pine Ave, East Point
04/26/12 6:00 pm	Customer Meeting	<i>Docket No. 110282-WS—Application for staff-assisted rate case in Duval County by Regency Utilities</i>	FL DOT, Jacksonville Urban Office, 2198 Edison Ave, Jacksonville

Trivia By Pam Keillor

Water vaporizes at a hundred degrees Celcius.

<http://www.lenntech.com/water-trivia-facts.htm>



Summaries of PSC Orders filed since January 2012

By Susan F. Clark

PSC-11-0585-WU—Date Filed: 1/19/2012

Order amends Order PSC-11-0585-FOF-WU to state the correct territory description.

PSC-11-0586A-PAA-US—Date Filed: 1/19/2012

Order amends Order PSC-11-0585-PAA-WS to correct a header for Schedule Nos. 1-3.

PSC-12-0005-PCO-WS—Date Filed: 1/3/2012

Order establishes a 2012 docket number for the annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.

PSC-12-0006-PCO-WS—Date Filed: 1/3/2012

Order establishes a 2012 docket number for the annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

PSC-12-0026-CO-WS—Date Filed: 1/13/2012

Order makes effective and final Order PSC-11-0580-PAA-WS granting certificates for water and wastewater service in Marion County to OB Utility Systems and establishing initial rates and charges.

PSC-12-0027-CO-WS—Date Filed: 01/17/2012

Order makes effective and final Order PSC-12-0583-PAA-WS granting certificates for water and wastewater service in Lake County to COL Utility Systems and establishing initial rates and charges.

PSC-12-0028-CO-WU—Date Filed: 01/18/2012

Order makes effective and final Order PSC-11-0584-WU approving the transfer of Inglewood Water System in Levy County from Par Utilities, Inc. to Hash Utilities and establishing net book value of the system transferred.

PSC-12-0029-PCO-WS—Date Filed: 01/19/2012

Order suspends Sanlando Utilities Corporation's (Sanlando) proposed rates for water and wastewater service in Seminole County and approves an interim rate increase.

PSC-12-0030-PCO-WU—Date Filed: 01/19/2012

Order suspends Water Management Services, Inc.'s (WMSI) proposed final rates and approves interim rates for water service in Franklin County.

PSC-12-0032-CO-WS—Date Filed: 01/20/2012

Consummating Order makes effective and final Order PSC-11-0586-PAA-WS approving initial rates and charges by MFL Utility Systems, LLC for water and wastewater services in Lake County.

PSC-12-0034-PCO-WU—Date Filed: 01/23/2012

Order acknowledges the intervention of Office of Public Counsel (OPC) in the application of Water Management Service, Inc. for an increase in water rates for service in Franklin County.

PSC-12-0042-PCO-SU—Date Filed: 01/25/2012

Order is the Order Establishing Procedure for the rate increase request by Utilities, Inc. of Eagle Ridge for wastewater service in Lee County.

PSC-12-0047-FOF-WS—Date Filed: 02/02/2012

Order acknowledges Orangedale's notice of abandonment, pursuant to Section 367.165, F.S., of its water and wastewater systems in St. Johns County and the appointment of St. Johns County as receiver and the transfer of Orangedale's water and wastewater systems in St. Johns County. Certificate Nos. 651-W and 557-S are cancelled effective 5/3/11.

Summaries of PSC Orders filed since January 2012 (continued)

PSC-12-0050-PCO-EI—Date Filed: 2/3/2012

Order grants OPC's motion for extension of time to file testimony and modifies the Order Establishing Procedure to extend dates for filing testimony and rescheduling hearing dates.

PSC-12-0068-PAA-WS—Date Filed: 2/14/2012

Order is the Proposed Agency Action Order establishing the 2012 price increase index for major categories of operating costs incurred by water and wastewater utilities at 2.41 percent.

PSC-12-0083-PCO-WS—Date Filed: 2/24/2012

Order rescinds Order PSC-10-0637-PCO-WS that consolidated Dockets 090445 and 090459-WS. The dockets involved two applications for original certificates to provide water and wastewater service in Indian River, Okeechobee and St. Lucie Counties and in Martin and St. Lucie counties by subsidiaries of Evan Utilities Company. Protests to both applications were filed so that the dockets were consolidated for hearing. Subsequently, the protest to the application for the certificate for service in Indian River, Okeechobee and St. Lucie counties was withdrawn obviating the need for a hearing in that docket.

PSC-12-0091-CO-WS—Date Filed: 3/2/2012

Consummating Order makes Order PSC-12-0068-PAA-WS, establishing the 2012 price increase index for major categories of operating costs incurred by water and wastewater utilities at 2.42 percent, effective and final.

PSC-12-0096-CFO-WS—Date Filed: 3/5/2012

Order grants Sanlando's request for confidential classification information relating to compensation and benefits for individual employees. The information was found to be proprietary confidential business information.

[NOTE: The "Analysis and Ruling" section of the order addresses financial information provided in an application for an original certificate. PSC staff acknowledged this part of the order did not relate to the actual request being made (involving compensation information) but that error would not change the fact that the compensation information was classified as confidential.]

PSC-12-0097-CFO-WS—Date Filed: 3/5/2012

Order grants Grove Land Utilities' request for confidential classification of information relating to the finances of Evans Properties, Inc. a privately-held company that is the parent of Grove Land Utilities the applicant for certificates to provide water and wastewater service. The information was found to be proprietary confidential business information.

PSC-12-0097A-CFO-WS—Date Filed: 3/6/2012

Amendatory Order amends Order PSC-12-0097-CFO-WS to reflect the current document number for the document to be accorded confidential treatment in the Grove Land Utilities application for an original certificate.

PSC-12-0102-FOF-WS—Date Filed: 3/5/2012

Order approves, in part, Aqua Utilities Florida, Inc.'s (AUF or Utility) request for a rate increase for water and wastewater service in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties. AUF was found to be in compliance with applicable regulatory standards for a majority of its water and wastewater systems, however, the number of deficiencies listed in testimony precluded a finding that AUF had "reached a satisfactory level of quality of service." Based on the quality of the AUF's product, operating condition of plant and facilities, and the AUF's attempts to address customer satisfaction, the overall quality of the service was deemed marginal. The Utility's return on equity (ROE) was reduced 50 basis points due to the marginal service and while existing service monitoring plans were discontinued, additional reporting on service issues was required. Pro forma adjustments to rate base and expense items were made and there were used and useful (U&U) adjustments for some systems. The Public Service Commission (PSC or Commission) approved leverage formula was used to establish the ROE of 9.76 percent (which was reduced by 50 basis points to 9.26 percent due to marginal service) and an equity ratio of 61.31 percent was allowed. Several adjustments to AUF's O&M expenses were made to: recognize a reduction in allocated costs from AUF's parent company Aqua America Inc. (AAD); the disallowance of salary increases

Summaries of PSC Orders filed since January 2012 (continued)

for top executives and/or certain other salary and contractual services increases; the disallowance of executive incentive compensation; a reduction in allocated information technology (IT) expenses; the extension of the amortization period for IT software from 6 (as previously approved by the Commission) to 10 years; and a reduction in bad debt expense. Rate case expense was also reduced through the disallowance of certain legal, consultant, service company and travel and administrative expenses.

A three-tiered inclining block rate structure was approved for residential water service, and a base facility charge (BFC)/uniform gallonage charge rate structure was approved for general service water customers. Certain rate bands for water and for wastewater services were also consolidated. On the issue of an “affordability” test for rates, the PSC noted there was “no ‘affordability’ test for setting a utility’s revenue requirement” and “based on the stipulated subsidy limit of \$12.50, the approved rate cap thresholds, rate structure, rate consolidation and repression adjustments” the Commission found the rates were “as affordable as possible.” A refund of interim rates was required for some rate bands and stand-alone systems.

PSC-12-0126-CFO-SU—Date Filed: 3/16/2012

Order grants Utilities, Inc. of Eagle Ridge’s request for confidential classification of documents relating to individual employee compensation and benefits information. The information was found to be proprietary confidential business information.

PSC-12-0127-CFO-SU—Date Filed: 3/16/2012

Order grants Utilities, Inc. of Eagle Ridge’s request for confidential classification of documents relating to individual employee compensation and benefits, confidential audited financial reports and Public Service Commission staff notes regarding the reports, information and internal auditing controls and reports of internal auditors and information concerning bids or other contractual data. The information was found to be proprietary confidential business information.

PSC-12-0128-PCO-SU—Date Filed: 3/20/2012

Order grants Utilities, Inc. of Eagle Ridge’s (Eagle Ridge) emergency motion for continuance of the current schedule for Eagle Ridge’s application for an increase in rates for wastewater service in Lee County. An expert for Eagle Ridge was unavailable to file direct testimony within the time set in the original Order Establishing Procedure (OEP). The times for filing testimony, the final hearing and other key dates were extended.

PSC-12-0133-FOF-WS—Date Filed: 3/21/2012

Order acknowledges the transfer of Rainbow Springs Utilities, L.C. water and wastewater facilities and territory in Marion County to the City of Dunnellon as a matter of right, pursuant to Section 367.071(4)(a), F.S. Certificate Nos. 355-W and 311-S are cancelled effective 12/30/11.

PSC-12-0134-FOF-WS—Date Filed: 3/21/2012

Order acknowledges the transfer of Crystal Lake Club Utilities’ water and wastewater facilities and territory in Highlands County to the City of Avon Park as a matter of right pursuant to Section 367.071(4)(a), F.S. Certificate Nos. 525-W and 454-S are cancelled effective 9/29/11.

PSC-12-0139-PCO-WS—Date Filed: 3/26/2012

Order denies Forest Lake CoOp, Inc.’s (Forest Lake) Emergency Motion to Intervene in Labrador Utilities, Inc.’s petition for an increase in rates for water and wastewater service in Pasco County. The case is being processed under the Proposed Agency Action (PAA) and the Prehearing Officer found the intervention was premature. Forest Lake had participated in the customer meeting and would have the opportunity to protest the PAA Order or intervene in the case if there is a protest.

FPSC W/W Dockets **Opened** (since January 2012)

<p>120005-WS—Docketed: 1/3/2012 Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(f), F.S.</p>
<p>120006-WS—Docketed: 1/3/2012 Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.</p>
<p>120011-WS—Docketed: 1/6/2012 Joint notice of transfer of Rainbow Springs Utilities, L.C. and water and wastewater assets located in Marion County to the City of Dunnellon, Florida and request for cancellation of certificates.</p>
<p>120014-WS—Docketed: 1/13/2012 Application for authority to transfer of facilities and Certificate Nos. 548-W and 478-S from W.P. Utilities, Inc. to CAP Utilities, LLC, in Palm Beach County.</p>
<p>120021-WS—Docketed: 1/24/2012 Joint application for transfer of water and wastewater facilities of Mink Associates, II, LLC d/b/a Crystal Lake Club Utilities to City of Avon Park, Florida in Highlands County and request for cancellation of Certificates 525-W and 454-S.</p>
<p>120030-WS—Docketed: 1/25/2012 Notice of abandonment of water and wastewater systems in Polk County by Four Points Utility Corporation and Bimini Bay Utilities Corporation.</p>
<p>120031-WS—Docketed: 1/25/2012 Request for Regulatory Assessment Fee installment payment plan by Water Management Services, Inc.</p>
<p>120037-WS—Docketed: 2/5/2012 Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke.</p>
<p>120042-WS—Docketed: 2/16/2012 Notice of abandonment of water and wastewater systems in Okeechobee County by Pine Ridge Management Corporation.</p>
<p>120060-SU—Docketed: 3/23/2012 Petition by K W Resort Utilities Corporation for declaratory statement regarding capacity reservation charges and unpaid invoices, by Monroe County, Florida.</p>
<p>120066-WU—Docketed: 3/29/2012 Application for transfer of the Bentwood water facilities from Raintree Utilities, Inc. to Bentwood Homeowners Association, Inc. in Lake County, and cancellation of Certificate No. 539-W.</p>



FPSC W/W Dockets Closed (since January 2012)

090414-WU—Docketed 8/20/2009—Date Closed: 02/21/2012

Application for staff-assisted rate case in Polk County by Pinecrest Ranches, Inc.

100128-WU—Docketed: 3/15/2010—Date Closed: 1/12/2012

Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

100472-WS—Docketed: 12/28/2010—Date Closed: 2/29/2012

Application for staff-assisted rate case in Manatee County by Heather Hills Estates Utilities LLC.

110006-WS—Docketed: 1/3/2011—Date Closed: 1/3/2012

Water and wastewater industry annual reestablishment of authorized range of return on Common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

110019-WS—Docketed: 1/7/2011—Date Closed: 2/22/2012

Aqua Utilities Florida, Inc.'s application for original certificate for an existing wastewater system, request for initial rates and charges for Harbor Hills Utilities, L.P.'s wastewater system, amendment of wastewater Certificate No. 120-S, in Lake County, to include Harbor Hills Utilities, L.P.'s wastewater service area; and application for approval of transfer of Harbor Hills Utilities, L.P.'s water system to Aqua Utilities Florida, Inc., amendment of Aqua Utilities Florida, Inc.'s water Certificate No. 106-W, in Lake County, to include the Harbor Hills Utilities, L.P.'s water service territory, and cancellation of Harbor Hills Utilities, L.P.'s water Certificate No. 522-W.

110032-WS—Date Opened: 1/18/2011—Date Closed: 2/22/2012

Application for increase in water and wastewater rates in Flagler and Volusia Counties by Plantation Bay Utility Company.

110076-WS—Docketed: 3/18/2011—Date Closed: 2/2/2012

Notice of abandonment of water and wastewater systems in St. Johns County by Orangedale Utilities, Inc.

110098-WU—Docketed: 4/12/2011—Date Closed: 1/18/2012

Application for authority to transfer assets and water Certificate No. 428-W in Levy County, from Par Utilities, Inc. to Hash Utilities, LLC.

110255-WU—Docketed: 8/18/2011—Date Closed: 2/7/2012

Application for approval of transfer of Brendenwood Water System, Inc. and application for Certificate to operate water utility in Lake County, by Brendenwood Utilities, LLC.

120005-WS—Docketed: 1/3/2012—Date Closed: 3/2/2012

Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.

120011-WS—Docketed: 1/6/2011—Date Closed: 3/21/2012

Joint notice of transfer of Rainbow Springs Utilities, L.C., and water and wastewater assets located in Marion county to the City of Dunnellon, Florida and request for cancellation of certificates.

120021-WS—Docketed: 1/18/2012—Date Closed: 3/21/2012

Joint application for transfer of water and wastewater facilities of Mink Associates II, LLC d/b/a Crystal Lake Club Utilities to City of Avon Park, Florida in Highlands County and request for cancellation of Certificates 525-W and 454-S.

We're on the Web at
www.radeylaw.com

301 South Bronough Street
Suite 200
Tallahassee, FL 32301
850-425-6654 - Phone
850-425-6694 - Fax

Editors & Contributors



Susan F. Clark
sclark@radeylaw.com
850-425-6661



Terry Deason*
tdeason@radeylaw.com
850-425-6658



Lisa C. Scoles
lscoles@radeylaw.com
850-425-6652

Pam Keillor*
pkeillor@radeylaw.com
850-425-6663

*not an attorney

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pkeillor@radeylaw.com**

RADEY | THOMAS | YON | CLARK

Attorneys & Counselors at Law

Experience.Service.Success.

Radey Thomas Yon & Clark, P.A. believes that service to clients must be efficient and dedicated. Our location in Tallahassee, Florida, provides us the opportunity to be at the heart of the regulatory, legislative, and judicial arenas. The Water & Wastewater Industry Quarterly Report is provided to our clients and friends in a condensed summary format and should not be relied upon as a complete report nor be considered legal advice or opinion.

RTYC Family News

Radey Thomas Yon & Clark, P.A. has been named one of Florida's top-ranked law firms by LexisNexis Martindale-Hubbell and *The Wall Street Journal*, *The American Lawyer*, *Corporate Counsel*, *Daily Business Review* and *The National Law Journal*.