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# Public Service Commission

September 18, 2015

RECEIVED-PSC  
15 SEP 18 AM 9:55  
COMMISSION  
CLERK

Oakland Hills Homeowners Association  
Post Office Box 702  
Lady Lake, FL 32158

**Re: Docket No. 140217-WU - Application for increase in water rates in Sumter County by Cedar Acres, Inc.**

Dear Homeowners Association Officers:

Thank you for your letter expressing your concerns about the rate increase petition filed by Cedar Acres, Inc. (Cedar Acres or utility). 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.

Our staff is aware of and troubled by the situation surrounding the generator failure in July of this year. We are addressing that concern, among other concerns, as we proceed with our recommendation to the Commissioners for the above-referenced docket. The Florida Department of Environmental Protection (DEP) is also aware of the July event and, that the utility has not used proper protocol for boil water notices. The Commission, along with DEP, is monitoring the utility as repairs are made in an effort to correct the problems which caused the outage, the failure of the alarm system, and the failure of the back-up generator.

As you state in your letter, Cedar Acres has had no rate adjustment for "many years." In fact, the utility has had no change in rates since Sumter County initially set them in the mid-1980s, almost 30 years ago. The rate adjustment or cost of providing water service is affected by many factors. They 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.

Unfortunately, due to the amount of time that has lapsed between the original rates being set and this rate proceeding, along with the factors mentioned above, the possible percentage increase is significant. However, it should be noted that the rates proposed in the staff report were preliminary, and, at this point, staff believes its final recommended rates likely, will be less than the rates reflected in the staff report.

During a rate case, the Commission's accountants, engineers, and economists examine the financial and engineering information that is gathered through the audit and data requests, etc.

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The Commission's auditors examine a utility's books and records and publish the results of their findings in an audit report. The engineers conduct a site visit along with research at other regulatory agencies. All of the information is processed and any costs found to be imprudent or unreasonable are disallowed.

Rates are increased relative to a utility's revenue requirement and are designed in order 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 such water service. The rates and revenue requirement do not include any past losses for a utility. Rates are set in a manner that will ensure that those customers who pay their bill timely will not be subsidizing any customers who do not pay their bill timely. On this topic, staff is considering implementing a late payment fee to deter customers from untimely payments of their bill.

Subsequent to the issuance of the staff report, much analytical work has been performed. Staff has been gathering additional information to make a final recommendation regarding the appropriate revenue requirement and rates for the utility. The Commission has not yet voted on the rate case. The Commission is tentatively scheduled to vote on the rate case on October 13, 2015.

We appreciate your letter and understand your concerns regarding the utility's past actions and the proposed rate increase. I hope the above information has been helpful. If you have any additional questions, or require further assistance, please call me at (850) 413-6922 or email me at [cgallowa@psc.state.fl.us](mailto:cgallowa@psc.state.fl.us).

Sincerely,



Cecilia Galloway  
Public Utility Analyst

cc: Division of Accounting and Finance (Norris, Fletcher, Smith)  
Division of Engineering (Mtenga, Rieger, Vickery)  
Division of Economics (Thompson, Hudson)  
Office of Commission Clerk (Docket No. 140217-WU)