

State of Florida

Public Service Commission



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

DATE: December 13, 2013

TO: Paul Vickery, Bureau Chief, Bureau of Reliability & Resource Planning

FROM: Daniel Q. Lee, Engineering Specialist IV, Division of Engineering
Kelly J. Thompson, Public Utility Analyst II, Division of Economics
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RE: Docket No. 130153-WS - Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.

- STAFF REPORT -

This Staff Report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting.

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Case Background

On February 28, 2013, an application was filed for the transfer of the water and wastewater systems and Certificate Nos. 620-W and 533-S from L.P. Utilities Corporation (L.P. Utilities or Utility) to LP Waterworks, Inc. The Commission is scheduled to decide the transfer case in Docket No. 130055-WS¹ at the March 11, 2014 Commission Conference.

On May 24, 2013, L.P. Utilities Corporation c/o LP Waterworks, Inc. (L.P. Utilities or Utility) filed an application for staff-assisted rate case (SARC). The official filing date of the SARC has been determined to be July 22, 2013. L.P. Utilities is a Class C water and wastewater utility providing service in Highlands County. The Utility serves approximately 380 water and wastewater residential customers and two general-service customers located in Camp Florida Resort RV Park (Resort or Park), 96 water-only residential customers (Hickory Hills and Lake Ridge Estates), and four water-only general-service customers outside of the Resort. The customer base is primarily residential, comprised of single family homes, mobile homes, and RV sites. The last SARC for the system occurred in Docket No. 020010-WS for Woodlands of Lake Placid, L.P. By Order PSC-04-1162-FOF-WS, issued November 22, 2004 in Docket No. 030102-WS,² the system was transferred from Woodlands of Lake Placid, L.P., to L.P. Utilities Corporation.

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

¹ Docket No. 130055-WS, In re: Application for approval of transfer of LP Utilities Corporation's water and wastewater systems and Certificate Nos. 620-W and 533-S, to LP Waterworks, Inc., in Highlands County.

² Docket No. 130102-WS, In re: Application for authority to transfer Certificate Nos. 620-W and 533-S in Highlands County from The Woodlands of Lake Placid, L.P. to L. P. Utilities Corporation.

Discussion of Issues

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

Recommendation: Staff's recommendation regarding customer satisfaction and the overall quality of service will not be finalized until after the customer meeting on January 16, 2014. (Lee)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), the Commission determines the overall quality of service a utility provides by evaluating the quality of its product, the operational condition of its plant and facilities, and its attempt to address customer satisfaction.

The operation of the Utility is subject to various environmental requirements such as permitting, testing, on-site review, and monitoring under the jurisdiction of Florida Department of Environmental Protection (DEP). DEP's jurisdiction covers the quality the Utility's water product and the operational condition of its plant and facilities.

To prevent contamination of drinking water supplies, DEP conducts sanitary surveys on a routine basis. According to DEP, its sanitary surveys are conducted with on-site review of the following eight elements: (1) operator compliance with regulations; (2) source protection, physical components and condition; (3) treatment; (4) finished water storage; (5) distribution; (6) pumps/pump facility and controls; (7) monitoring, reporting and data verification; and (8) water system management and operations.

Currently public water systems in Florida undergo sanitary surveys once every three or five years, depending on the type of system. Results of the survey are provided in a Sanitary Survey Report. Staff reviewed the Utility's effort to correct the deficiencies identified by the latest Sanitary Survey Report conducted by DEP in 2013. The Utility appears to be in compliance after it responded to DEP's Sanitary Survey Report and addressed all noted deficiencies.

In addition, DEP has jurisdiction over the operational condition of the wastewater treatment plant and facilities. DEP's comprehensive evaluation of a wastewater facility's overall compliance status is based on review of past monitoring data and results from inspections such as its Compliance Evaluation Inspection (CEI). The Utility's wastewater treatment plant has undergone a CEI in 2012 that is designed to verify its compliance with applicable requirements and compliance schedules for chemical and biological self-monitoring programs. The Utility appears to be in compliance after it responded to DEP's CEI report and addressed all noted deficiencies.

A review of the customer complaints indicates the Utility has resolved all of the complaints tracked by the Commission. The Commission's Consumer Activity Tracking System (CATS) recorded two complaints during the past three years. Of the two complaints, one was related to billing and the other was related to service quality. Both complaints were resolved in a timely manner.

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Staff's recommendation regarding customer satisfaction and the overall quality of service will not be finalized until after the customer meeting on January 16, 2014.

Issue 2: What are the Used and Useful percentages of the Utility's water and wastewater systems?

Recommendation: Staff has not made U&U adjustments for the purpose of calculating the preliminary revenue requirements for this report. The final evaluation will be based on all relevant factors, including the consideration of the Utility's response to staff's request. (Lee)

Staff Analysis: Based on Rules 25-30.431, 25-30.432, and 25-30.4325, F.A.C., the Commission's Used and Useful (U&U) evaluation of water and wastewater system includes consideration of the formula-based method and all relevant factors such as prior decisions, conservation, and change in customer base.

Water System

The Utility's water service territory covers approximately 125 acres with an existing water distribution system that was designed to serve approximately 485 equivalent residential customers. Its water treatment plant is a closed system with two wells and permitted capacity at 350,000 gallons per day (gpd). There are fire hydrants located throughout the service area which must meet a minimum of 500 gallons per minute (gpm) for a four-hour period of time. The customers currently served by the water treatment plant are determined to be 442 equivalent residential customers.

The Utility's water system was determined to be 100 percent U&U by the decision in the last SARC in Docket No. 020010-WS.³ Based on staff's evaluation of all relevant factors, including the consideration of the formula-based method, staff has not made U&U adjustments for the purpose of calculating the preliminary revenue requirements for this report.

Wastewater System

The wastewater treatment plant is permitted by the DEP as a 50,000 gpd Maximum Month Average Daily Flow (MMADF) plant that is operating in the extended aeration mode of treatment with one lift station. The service area for the wastewater system is significantly smaller than that of the water system. The wastewater system serves only those customers in the Park (Camp Florida Resort), which is very seasonal with peak flows in the month of February. The collection lines are available towards the north end of the service area and were designed to serve the existing customers with approximately three vacant lots. It appears that the collection system needed to serve the existing customers is built out.

The formula-based method requires the evaluation of the wastewater treatment plant flow data. Staff noted that the flow data reported by the Utility for the test year, beginning in June 2012, showed significantly lower flow than normal. In a letter dated August 22, 2013, the Utility confirmed staff's observation by stating that "on August 21, 2013, the Utility's internal staff tested the Ultrasonic Flow Meter at the treatment plant and determined the meter was only registering flow up to 15 gpm. Once the volume increased the meter did not adjust to the

³ See Order No. PSC-02-1739-PAA-WS, issued December 10, 2002, in Docket No. 020010-WS, In re: Application for staff-assisted rate case in Highlands County by The Woodlands of Lake Placid, L. P.

additional flow. In essence, while the meter was functioning, high flow volumes were not being recorded.”

The Utility also indicated that it was in the process of making repairs to the flow meter. Staff asked the Utility to provide the flow data after the repair in order to validate that the cause of the reported low flow data was indeed due to the faulty meter. Staff has not received the response. The wastewater treatment plant was determined to be 59 percent U&U in the last SARC. Staff has not made U&U adjustments for the purpose of calculating the preliminary revenue requirements for this report. The final evaluation will be based on all relevant factors, including the consideration of the Utility’s response to staff’s request.

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

Recommendation: The appropriate average test year rate base for the Utility is \$87,646 for water and \$106,945 for wastewater. (Barrett)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service, accumulated depreciation, contribution-in-aid-of-construction (CIAC), amortization of CIAC, and working capital. The last proceeding that established balances for rate base was Docket No. 020010-WS.⁴ Staff selected the test year ended May 31, 2013, for the instant rate case. A summary of each component and the recommended adjustments follows:

Utility Plant in Service (UPIS): The Utility recorded \$469,295 for water and \$377,807 for UPIS. Staff's adjustments to UPIS are identified in Table 3-1 below:

Table 3-1

<u>Adjustment Description</u>	<u>Water</u>	<u>Wastewater</u>
1. To reflect plant balance (301) per Order No. PSC-02-1739-PAA-WS	\$414	\$0
2. To reflect plant balance (310) per Order No. PSC-02-1739-PAA-WS	2,506	0
3. To reflect plant balance (334) per Order No. PSC-02-1739-PAA-WS	27,663	0
4. To reclassify an O&M item to the appropriate account (336)	620	0
5. To reflect plant balance (340) per Order No. PSC-02-1739-PAA-WS	(3,281)	0
6. To reflect plant balance (351) per Order No. PSC-02-1739-PAA-WS	0	346
7. To reflect plant balance (380) per Order No. PSC-02-1739-PAA-WS	0	5,200
8. To reflect plant balance (390) per Order No. PSC-02-1739-PAA-WS	<u>0</u>	<u>645</u>
Total	<u>\$27,922</u>	<u>\$6,191</u>

Staff's net adjustments to UPIS are increases of \$27,922 and \$6,191 for water and wastewater, respectively. Staff's recommended UPIS balance is \$497,217 for water and \$383,998 for wastewater.

Land & Land Rights: The Utility recorded a test year land value of \$20,598 for water and \$36,000 for wastewater. No adjustments are necessary; therefore, staff recommends a land balance of \$20,598 for water and \$36,000 for wastewater.

Non-Used and Useful Plant: As discussed in Issue 2, no used and useful adjustments are made for this report.

⁴ See Order No. PSC-02-1739-PAA-WS, issued December 10, 2002, in Docket No. 020010-WS, In re: Application for staff-assisted rate case in Highlands County by The Woodlands of Lake Placid, L. P.

Contributions In Aid of Construction (CIAC): The Utility recorded a CIAC balance of \$204,307 for water and \$65,600 for wastewater. Staff's adjustments to CIAC are identified in Table 3-2 below:

Table 3-2

<u>Adjustment Description</u>	<u>Water</u>	<u>Wastewater</u>
1. To reflect CIAC balance per Order No. PSC-03-1051-FOF-WS	(\$30,608)	\$0
2. To reflect CIAC additions for January 2002 through May 2012	<u>(30,731)</u>	<u>(26,800)</u>
Total	<u>(\$61,339)</u>	<u>(\$26,800)</u>

Staff's net adjustments to CIAC are increases of \$61,339 and \$26,800 for water and wastewater, respectively. Staff has verified that CIAC was properly recorded in compliance with Commission rules and the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). Staff recommends a CIAC balance of \$265,646 and \$92,400 for water and wastewater, respectively.

Accumulated Depreciation: The Utility recorded a balance for accumulated depreciation of \$266,493 and \$291,400 for water and wastewater, respectively. Staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C., and determined that accumulated depreciation should be increased by \$38,298 for water and decreased by \$18,965 for wastewater. Staff recommends an accumulated depreciation balance of \$304,791 for water and \$272,435 for wastewater.

Amortization of CIAC: The Utility recorded a balance for amortization of CIAC of \$100,229 for water and \$37,965 for wastewater. Staff has increased amortization of CIAC by \$32,282 for water and \$5,264 to reflect the amortization of CIAC by Order No. PSC-02-1739-PAA-WS.⁵ Staff recommends a CIAC balance of \$132,511 for water and \$43,229 for wastewater.

Working Capital Allowance: The Utility did not record a working capital balance for water or wastewater. 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 \$7,757 for water (based on O&M expense of \$62,060/8), and \$8,553 for wastewater (based on O&M expense of \$68,427/8). Staff recommends increasing the working capital allowance by \$7,757 for water and \$8,553 for wastewater.

Rate Base Summary: Based on the foregoing, staff recommends that the appropriate average test year rate base is \$87,646 for water and \$106,945 for wastewater. Rate base is shown on Schedule No. 1-A for water and on Schedule No. 1-B for wastewater. The related adjustments for water and wastewater are shown on Schedule No. 1-C.

⁵ See Order No. PSC-02-1739-PAA-WS, issued December 10, 2001, in consolidated Docket Nos. 020010-WS, In re: Application for staff-assisted rate case in Highlands County by The Woodlands of Lake Placid, L.P. and 990374-WS, In re: Application for certificates to operate a water and wastewater utility in Highlands County by The Woodlands of Lake Placid, L.P., and for deletion of portion of wastewater territory in Certificate No. 361-S held by Highlands Utilities Corporation.

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

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. (Barrett)

Staff Analysis: The Utility's capital structure consists of \$322,313 of common stock and \$165,935 in retained earnings, totaling \$488,248 in total common equity. The Utility has no long-term debt or customer deposits. The appropriate ROE is 8.74 percent using the Commission-approved leverage formula currently in effect.⁶ The Utility's capital structure has been reconciled with staff's recommended rate base. Staff recommends an ROE of 8.74 percent, with a range of 7.74 percent to 9.74 percent, and an overall rate of return of 8.74 percent. The ROE and overall rate of return are shown on Schedule No. 2.

⁶ See Order Nos. PSC-12-0339-PAA-WS, issued June 28, 2012, and PSC-12-0372-CO-WS, issued July 20, 2012, in Docket No. 120006-WS, In re: 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), Florida Statutes.

Issue 5: What is the appropriate amount of test year revenues?

Recommendation: The appropriate test year revenues for the Utility's water and wastewater systems are \$59,191 and \$47,897, respectively. (Thompson)

Staff Analysis: The Utility recorded total test year water revenues of \$57,226, which includes water service revenues of \$56,346 and miscellaneous revenues of \$880. The Utility recorded total test year wastewater service revenues of \$46,581. Based on staff's review of the Utility's billing determinants and the rates that were in effect during the test year ended May 31, 2013, staff determined service revenues for the water system should be increased by \$1,965 to reflect total test year service revenues of \$58,311. Service revenues for the wastewater system should be increased by \$1,316 to reflect total test year service revenues of \$58,597.

Based on the above adjustments, the service revenues for the Utility's water and wastewater system should be increased by \$1,965 and \$1,316, respectively. Staff recommends the appropriate test year revenues for the Utility's water and wastewater systems are \$59,191 and \$47,897, respectively. Test year revenues are shown on Schedule Nos. 3-A and 3-B.

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

Recommendation: The appropriate amount of operating expense for the Utility is \$95,243 for water and \$86,684 for wastewater. (Barrett)

Staff Analysis: The Utility recorded operating expense of \$86,449 for water and \$72,190 for wastewater for the test year ended May 31, 2013. The test year O&M expenses have been reviewed, and invoices, canceled checks, and other supporting documentation have been examined. Staff has made several adjustments to the Utility's operating expenses as summarized below:

Salaries and Wages - Employees (601/701) – The Utility recorded \$11,069 for water and \$9,056 for wastewater employee salaries expense in these accounts. These expense amounts were reclassified to Contractual Services – Other (636/736). Therefore, staff recommends \$0 for this account for water and wastewater.

Salaries and Wages - Officers (603/703) - Recorded \$2,767 for water and \$2,333 for wastewater officer salaries expense in these accounts. These expense amounts were reclassified to Contractual Services – Other (636/736). Therefore, staff recommends \$0 for this account for water and wastewater.

Purchased Power (615/715) – The Utility recorded \$4,941 for purchased power expense for water and \$4,800 for wastewater in these accounts. Staff made an adjustment to purchased power expense for water to remove \$1,363, and increased this account for wastewater by \$2,962 to reflect the appropriate test year purchased power expense. Staff recommends purchased power expense of \$3,578 for water and \$7,752 for wastewater.

Materials and Supplies (620): The Utility recorded \$0 for materials and supplies. Staff has increased this account by \$15. Staff recommends a balance of \$15 for this account.

Contractual Services - Professional (631/731) – The Utility recorded \$1,829 for water and \$26,398 for wastewater for contractual services - professional. Staff made adjustments to these accounts to remove \$1,215 for the water expense, and reclassified \$25,896 of the wastewater expense. Staff recommends contractual service - professional expense of \$614 for water and \$502 for wastewater.

Contractual Services - Testing (635/735) - The Utility recorded \$5,994 for water and \$0 for wastewater in these accounts for testing expense. Staff increased these amounts by \$6,136 for water and \$9,557 for wastewater. Staff recommends contractual services - testing expense of \$12,130 for water and \$9,557 for wastewater.

Contractual Services – Other (636/736) – The Utility recorded \$22,312 for water and \$0 in this account for wastewater. Staff increased these accounts by \$19,711 for water and \$39,903 for wastewater. Staff recommends contractual services – other expense of \$42,023 for water and \$39,903 for wastewater.

Rents (640/740) – The Utility recorded rent expense of \$210 for water and \$172 for wastewater. Staff made adjustments to remove these amounts because no supporting documents were provided. Staff recommends rent expense of \$0 for water and wastewater.

Regulatory Commission Expense (665/765) – The Utility recorded \$0 for regulatory commission expense in these accounts. Regarding the current rate case, pursuant to Rule 25-22.0407, F.A.C., the Utility is required to mail notices of the customer meeting and notices of final rates to its customers. For these notices, staff has estimated \$425 for postage expense, \$304 for printing expense, and \$43 for envelopes. The Utility paid a \$1,000 rate case filing fee for the water utility, and a \$1,000 rate case filing fee for the wastewater utility. The total rate case expense including postage, notices, envelopes, and filing fee is \$2,773. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a four-year period, which is \$693 per year (\$2,773/4). Staff's net adjustment to this account is an increase of \$347 for water, and \$347 for wastewater. Staff recommends regulatory commission expense of \$347 for water and \$347 for wastewater.

Bad Debt Expense (670/770) – The Utility recorded bad debt expense of \$1,123 for water and \$907 for wastewater. Staff made adjustments to remove these amounts because no supporting documents were provided. Staff recommends bad debt expense of \$0 for water and wastewater.

Miscellaneous Expense (675/775) – The Utility recorded \$6,735 for water and \$5,367 for wastewater for miscellaneous expense. Staff made an adjustment to this expense for water to remove \$5,268 and an adjustment for wastewater to remove \$4,993. Staff recommends miscellaneous expense of \$1,467 for water and \$374 for wastewater.

Sludge Removal Expense (711) – The Utility recorded \$0 for wastewater sludge removal. Staff made an adjustment to increase this account by \$9,563. Staff recommends a sludge removal expense of \$9,563 for wastewater.

Operation and Maintenance Expenses (O&M) Summary – Total adjustments to O&M expense result in an increase of \$3,194 for water and \$18,965 for wastewater. Staff's recommended O&M expense is \$62,060 for water and \$68,427 for wastewater. O&M expenses are shown on Schedule Nos. 3-A and 3-B for water and wastewater, respectively.

Depreciation Expense (Net of Related Amortization of CIAC) – The Utility recorded depreciation expense of \$12,286 for water and \$12,939 for wastewater during the test year. Staff calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and determined depreciation expense to be \$17,244 for water and \$8,871 for wastewater. The Utility recorded an Amortization of CIAC of \$6,168 for water and \$2,328 for wastewater during the test year. Staff made an adjustment to increase this account by \$3,049 for water, and an adjustment to decrease this amount by \$258 for wastewater. Therefore, staff recommends net depreciation expense of \$8,027 for water and \$6,801 for wastewater.

Taxes Other Than Income (TOTI) – The Utility recorded \$9,129 for water and \$7,461 for wastewater for TOTI. Staff has decreased these amounts for water and wastewater by \$4,374 and \$2,311, respectively. Therefore, staff recommends TOTI of \$6,722 for water and \$7,316 for wastewater.

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Operating Expenses Summary – The application of staff’s recommended adjustments to the Utility’s adjusted test year operating expenses results in staff’s recommended operating expenses of \$95,243 for water and \$86,684 for wastewater. Operating expenses are shown on Schedule No. 3-A for water and Schedule 3-B for wastewater. The related adjustments for water and wastewater are shown on Schedule No. 3-C.

Issue 7: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$102,903 for water and \$96,031 for wastewater, resulting in an annual increase of \$43,712 for water (73.85 percent), and an annual increase of \$48,134 for wastewater (100.49 percent). (Barrett)

Staff Analysis: The Utility should be allowed an annual increase of \$43,712 for water (73.85 percent) and \$48,134 for wastewater (100.49 percent). This will allow the Utility the opportunity to recover its expenses and 8.74 percent return on its investment. The calculations are shown in Table 7-1 and Table 7-2 for water and wastewater, respectively:

Table 7-1

<u>Water Revenue Requirement</u>	
Adjusted Rate Base	\$87,646
Rate of Return	x .0874
Return on Rate Base	\$ 7,660
Adjusted O&M expense	62,060
Depreciation expense	17,244
Amortization	9,217
Taxes Other Than Income	6,722
Income Taxes	0
Revenue Requirement	\$102,903
Less Test Year Revenues	59,191
Annual Increase	\$43,712
Percent Increase/(Decrease)	73.85%

Table 7-2

<u>Wastewater Revenue Requirement</u>	
Adjusted Rate Base	\$106,945
Rate of Return	x .0874
Return on Rate Base	\$ 9,347
Adjusted O&M expense	68,427
Depreciation expense	8,871
Amortization	2,070
Taxes Other Than Income	7,316
Income Taxes	0
Revenue Requirement	\$96,031
Less Test Year Revenues	47,897
Annual Increase	\$48,134
Percent Increase/(Decrease)	100.49%

Issue 8: What are the appropriate rate structures and rates for the Utility's water and wastewater systems?

Recommendation: Staff recommends 40 percent of the water revenues should be generated from the base facility charge (BFC). The traditional BFC and gallonage charge rate structure with an additional rate block for the non-discretionary usage threshold of 4,000 gallons should be approved for the water system. The RV Park units should continue to be billed at 80 percent of the BFC for 5/8" x 3/4" meters. General-service customers should continue to be billed a BFC and gallonage charge.

Staff recommends that the residential wastewater customers' rate structure should consist of a BFC for all meter sizes, based on a 40 percent allocation of wastewater revenue from the BFC, with a cap of 8,000 gallons. General-service wastewater customers should continue to be billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

The recommended monthly water and wastewater rates are shown on Schedule Nos. 4-B and 4-D, respectively. 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 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 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. (Thompson)

Staff Analysis:

Water

The Utility's water system is located in Highlands County within the Southern Water Use Caution Areas of the Southwest Florida Water Management District (SWFWMD). The Utility provides water service to approximately 44 residential lots and a recreational vehicle (RV) Park with approximately 374 units, as well as general-service customers. Approximately 45 percent of the residential customer bills during the test year had zero gallons indicating a seasonal customer base. The average residential water demand, excluding zero gallon bills, is 4,940 gallons per month. Currently, the Utility's water system rate structure consists of a BFC and gallonage charge for both residential and general-service customers. The units in the RV Park are billed based on 80 percent of the residential BFC for a 5/8" x 3/4" meter.

Staff performed an analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages, usage blocks, and usage block rate factors for the residential rate class. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression, which is based on the number of persons per household, 50 gallons per day per

person, and the number of days per month; and (4) implement, where appropriate, water conserving rate structures consistent with Commission practice.

Due to the customers' low average monthly consumption and the seasonal nature of the customers, staff recommends that 40 percent of the water revenues should be generated from the BFC in order to ensure that the Utility will have sufficient cash flow to cover fixed costs. The average people-per-household served by the water system is 2.5, which results in 4,000 gallons per month of non-discretionary usage. Therefore, staff recommends that the traditional BFC and gallonage charge rate structure with an additional rate block for the non-discretionary usage threshold of 4,000 gallons should be approved. This rate structure minimizes increases at lower levels of consumption while maintaining revenue sufficiency for the Utility. The RV Park units should continue to be billed at 80 percent of the BFC for 5/8" x 3/4" meters. General-service customers should continue to be billed a BFC and gallonage charge. Staff's recommended rate structure is shown on Schedule No. 4-A, along with two alternate rate structures.

Wastewater

The Utility currently provides wastewater service to the Park and approximately 9 general-service customers. Approximately 49 percent of the residential customers' bills during the test year had zero gallons. The average water demand for wastewater customers, excluding zero gallon bills, was 5,398 gallons per month. Currently, the residential rate structure for the wastewater system consists of a uniform BFC for all meter sizes and gallonage charge with an 8,000 gallon cap. General-service customers are billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

Staff performed an analysis of the Utility's billing data to evaluate various BFC cost recovery percentages and gallonage caps for the residential customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; and (3) implement a gallonage cap that considers the amount of water that may return to the wastewater system.

Typically, the Commission's practice is to set the BFC allocation to at least 50 percent due to the capital intensive nature of wastewater plants. However, a 40 percent BFC allocation minimizes the rate increase at lower usage levels while maintaining revenue sufficiency. The Utility's existing residential gallonage cap is set at 8,000 gallons. The gallonage cap recognizes that not all water used by residential customers is returned to the wastewater system. It also creates the maximum amount a residential customer would pay for wastewater service. Usually, the residential wastewater cap is set at approximately 80 percent of the water demand. Based on the Utility's wastewater billing analysis, the 8,000 gallon level is where approximately 85 percent of the water demand is captured. For this reason, the Utility's wastewater gallonage cap should remain at 8,000 gallons. General-service customers should continue to be billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge. Staff's recommended rate design for the wastewater system is shown on Schedule No. 4-C, along with two alternative rate structures.

Summary

Based on the foregoing, staff recommends 40 percent of the water revenues should be generated from the BFC. The traditional BFC and gallonage charge rate structure with an additional rate block for the non-discretionary usage threshold of 4,000 gallons should be approved for the water system. The Park units should continue to be billed at 80 percent of the BFC for 5/8" x 3/4" meters. General-service customers should continue to be billed a BFC and gallonage charge.

Staff recommends that the residential wastewater customers' rate structure should consist of a BFC for all meter sizes, based on a 40 percent allocation of wastewater revenue from the BFC, with a cap of 8,000 gallons. General-service wastewater customers should continue to be billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

The recommended monthly water and wastewater rates are shown on Schedule Nos. 4-B and 4-D, respectively. 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 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 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.

Issue 9: Is a repression adjustment appropriate in this case, and, if so, what is the appropriate reduction in gallons and corresponding expense?

Recommendation: Yes. Staff recommends an 18.72 percent reduction in total residential consumption and corresponding reductions of \$621 for purchased power, \$183 for chemicals, and \$38 for regulatory assessment fees (RAFs) to reflect the anticipated repression. (Thompson)

Staff Analysis: A repression adjustment quantifies changes in consumption patterns in response to an increase in price. Customers will typically reduce their discretionary consumption in response to price changes, while non-discretionary consumption remains relatively unresponsive to price changes.

Based on the customer billing data provided by the Utility, approximately 45 percent of total residential consumption is discretionary usage and, therefore, subject to the effects of repression. Based on a recommended revenue increase of 74.8 percent, the residential discretionary consumption can be expected to decline by 2,547,000 gallons resulting in anticipated average residential demand of 4,015 gallons per month. Staff recommends an 18.72 percent reduction in total residential consumption and corresponding reductions of \$621 for purchased power, \$183 for chemicals, and \$38 for RAFs to reflect the anticipated repression.

Issue 8: 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 water and wastewater rates should be reduced, as shown on Schedules No. 4-B and 4-D, 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. The Utility 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. (Barrett, 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 return in working capital, and the gross-up for RAFs. The total reductions for water and wastewater are \$821 and \$433, respectively.

The water and wastewater rates should be reduced, as shown on Schedules No. 4-B and 4-D, 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. the Utility 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.

Issue 9: 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. 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 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 below in the staff analysis. 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's 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. (Barrett)

Staff Analysis: This recommendation proposes an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the recommended rates be approved as temporary rates. 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 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. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

The Utility should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$61,255. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond should contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase.
- 2) If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If the Utility chooses a letter of credit as a security, it should contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

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 Florida Public Service Commission Clerk must be a signatory to the escrow agreement.
- 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's 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.

Docket No. 130153-WS
Date: December 13, 2013

Issue 10: 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, the Utility 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. (Barrett)

Staff Analysis: To ensure that the Utility adjusts its books in accordance with the Commission's decision, the Utility 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.

Docket No. 130153-WS
Date: December 13, 2013

Issue 11: 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.

L.P. UTILITIES		SCHEDULE NO. 1-A	
TEST YEAR ENDED 5/31/2013		DOCKET NO. 130153-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$469,295	\$27,922	\$497,217
LAND & LAND RIGHTS	20,598	0	20,598
NON-USED AND USEFUL COMPONENTS	0	0	0
CIAC	(204,307)	(61,339)	(265,646)
ACCUMULATED DEPRECIATION	(266,493)	(38,298)	(304,791)
AMORTIZATION OF CIAC	100,229	32,282	132,511
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>7,757</u>	<u>7,757</u>
WATER RATE BASE	<u>\$119,322</u>	<u>(\$31,676)</u>	<u>\$87,646</u>

L.P. UTILITIES		SCHEDULE NO. 1-B		
TEST YEAR ENDED 5/31/2013		DOCKET NO. 130153-WS		
SCHEDULE OF WASTEWATER RATE BASE				
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF	
1. UTILITY PLANT IN SERVICE	\$377,807	\$6,191	\$383,998	
2. LAND & LAND RIGHTS	36,000	0	36,000	
3. NON-USED AND USEFUL COMPONENTS	0	0	0	
4. CIAC	(65,600)	(26,800)	(92,400)	
5. ACCUMULATED DEPRECIATION	(291,400)	18,965	(272,435)	
6. AMORTIZATION OF CIAC	37,965	5,264	43,229	
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>8,553</u>	<u>8,553</u>	
8. WASTEWATER RATE BASE	<u>\$94,772</u>	<u>\$12,173</u>	<u>\$106,945</u>	

L.P. UTILITIES	SCHEDULE NO. 1-C	
TEST YEAR ENDED 5/31/2013	DOCKET NO. 130153-WS	
ADJUSTMENTS TO RATE BASE	PAGE 1 OF 2	
	<u>WATER</u>	<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
1. To reflect plant balance (301) per Order No. PSC-02-1739-PAA-WS	\$414	\$0
2. To reflect plant balance (310) per Order No. PSC-02-1739-PAA-WS	2,506	0
3. To reflect plant balance (334) per Order No. PSC-02-1739-PAA-WS	27,663	0
4. To reclassify an O&M item to the appropriate account (336)	620	0
5. To reflect plant balance (340) per Order No. PSC-02-1739-PAA-WS	(3,281)	0
6. To reflect plant balance (351) per Order No. PSC-02-1739-PAA-WS	0	346
7. To reflect plant balance (380) per Order No. PSC-02-1739-PAA-WS	0	5,200
8. To reflect plant balance (390) per Order No. PSC-02-1739-PAA-WS	<u>0</u>	<u>645</u>
Total	<u>\$27,922</u>	<u>\$6,191</u>
<u>CWIP</u>		
Not applicable	<u>\$0</u>	<u>\$0</u>
<u>LAND</u>		
Not applicable	<u>\$0</u>	<u>\$0</u>
<u>NON-USED AND USEFUL PLANT</u>		
Not applicable	<u>\$0</u>	<u>\$0</u>
<u>CIAC</u>		
1. To reflect CIAC balance per Order No. PSC-03-1051-FOF-WS	(\$30,608)	\$0
2. To reflect CIAC additions for January 2002 through May 2012	<u>(30,731)</u>	<u>(26,800)</u>
Total	<u>(\$61,339)</u>	<u>(\$26,800)</u>

L.P. UTILITIES	SCHEDULE NO. 1-C	
TEST YEAR ENDED 5/31/2013	DOCKET NO. 130153-WS	
ADJUSTMENTS TO RATE BASE	PAGE 2 OF 2	
	<u>WATER</u>	<u>WASTEWATER</u>
<u>ACCUMULATED DEPRECIATION</u>		
To reflect the appropriate test year accumulated depreciation (AF3)	<u>(\$38,298)</u>	<u>\$18,965</u>
<u>AMORTIZATION OF CIAC</u>		
To reflect Amortization of CIAC per Order No. PSC-02-1739-PAA-WS	<u>\$32,282</u>	<u>\$5,264</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
1. To reflect 1/8 of test year O&M expenses.	<u>\$7,757</u>	<u>\$8,553</u>

L.P. UTILITIES

TEST YEAR ENDED 5/31/2013
SCHEDULE OF CAPITAL STRUCTURE

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE		BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS				
1. COMMON STOCK	\$322,313	\$0	\$322,313					
2. RETAINED EARNINGS	165,935	0	165,935					
3. PAID IN CAPITAL	0	0	0					
4. TREASURY STOCK	<u>0</u>	<u>0</u>	<u>0</u>					
5. TOTAL COMMON EQUITY	\$488,248	\$0	\$488,248	(293,656)	194,592	100.00%	8.74%	8.74%
6. LONG TERM DEBT	\$0	\$0	\$0	0	0	0.00%	7.00%	0.00%
7. LONG TERM DEBT	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	6.00%	0.00%
TOTAL LONG TERM DEBT	\$0	\$0	\$0	0	0	0.00%		
8. CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	2.00%	<u>0.00%</u>
9. TOTAL	<u>\$488,248</u>	<u>\$0</u>	<u>\$488,248</u>	<u>-\$293,656</u>	<u>\$194,592</u>	<u>100.00%</u>		<u>8.74%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>7.74%</u>	<u>9.74%</u>	
OVERALL RATE OF RETURN						<u>7.74%</u>	<u>9.74%</u>	

L.P. UTILITIES					SCHEDULE NO. 3-A	
TEST YEAR ENDED 5/31/2013					DOCKET NO. 130153-WS	
SCHEDULE OF WATER OPERATING INCOME						
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT	
1. OPERATING REVENUES	<u>\$57,226</u>	<u>\$1,965</u>	<u>\$59,191</u>	<u>\$43,712</u> 73.85%	<u>\$102,903</u>	
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$58,866	\$3,194	\$62,060	\$0	\$62,060	
3. DEPRECIATION (NET)	12,286	4,958	17,244	0	17,244	
4. AMORTIZATION	6,168	3,049	9,217	0	9,217	
5. TAXES OTHER THAN INCOME	9,129	(4,374)	4,755	1,967	6,722	
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7. TOTAL OPERATING EXPENSES	<u>\$86,449</u>	<u>\$6,827</u>	<u>\$93,276</u>	<u>\$1,967</u>	<u>\$95,243</u>	
8. OPERATING INCOME/(LOSS)	<u>(\$29,223)</u>		<u>(\$34,085)</u>		<u>\$7,660</u>	
9. WATER RATE BASE	<u>\$119,322</u>		<u>\$87,646</u>		<u>\$87,646</u>	
10. RATE OF RETURN	<u>-24.49%</u>		<u>-38.89%</u>		<u>8.74%</u>	

L.P. UTILITIES			SCHEDULE NO. 3-B		
TEST YEAR ENDED 5/31/2013			DOCKET NO. 130153-WS		
SCHEDULE OF WASTEWATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$46,581</u>	<u>\$1,316</u>	<u>\$47,897</u>	<u>\$48,134</u> 100.49%	<u>\$96,031</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$49,462	\$18,965	\$68,427	\$0	\$68,427
3. DEPRECIATION (NET)	12,939	(4,068)	8,871	0	8,871
4. AMORTIZATION	2,328	(258)	2,070	0	2,070
5. TAXES OTHER THAN INCOME	7,461	(2,311)	5,150	2,166	7,316
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$72,190</u>	<u>\$12,328</u>	<u>\$84,518</u>	<u>\$2,166</u>	<u>\$86,684</u>
8. OPERATING INCOME/(LOSS)	<u>(\$25,609)</u>		<u>(\$36,621)</u>		<u>\$9,347</u>
9. WASTEWATER RATE BASE	<u>\$94,772</u>		<u>\$106,945</u>		<u>\$106,945</u>
10. RATE OF RETURN	<u>-27.02%</u>		<u>-34.24%</u>		<u>8.74%</u>

L.P. UTILITIES		SCHEDULE NO. 3-C	
TEST YEAR ENDED 5/31/2013		DOCKET NO. 130153-WS	
ADJUSTMENTS TO OPERATING INCOME		PAGE 1 OF 2	
		<u>WATER</u>	<u>WASTEWATER</u>
OPERATING REVENUES			
1.	To adjust utility revenues to audited test year amount.	<u>\$1,965</u>	<u>\$1,316</u>
OPERATION AND MAINTENANCE EXPENSES			
1.	Salaries and Wages - Employees (601/ 701)		
	To reclassify expenses to Contractual Services - Other (636/736) (AF6)	<u>(\$11,069)</u>	<u>(\$9,056)</u>
2.	Salaries and Wages Officers (603/ 703)		
	To reclassify expenses to Contractual Services - Other (636/736) (AF6)	<u>(\$2,767)</u>	<u>(\$2,333)</u>
3.	Purchased Power (615/715)		
	To reflect the appropriate Purchased Power expense (AF6)	<u>(\$1,363)</u>	<u>\$2,952</u>
4.	Materials & Supplies (620)		
	To reflect the appropriate Materials & Supplies exp. (AF6)	<u>\$15</u>	<u>\$0</u>
5.	Contractual Services - Professional (631/731)		
	a. To reflect the appropriate accounting expense (631/731) (AF6)	(\$1,215)	\$0
	b. To reflect reclassify invoices from US Water and Highland Executive Labor Personnel to Contractual Services - Other (736) (AF6)	<u>0</u>	<u>(\$25,896)</u>
	Subtotal	<u>(\$1,215)</u>	<u>(\$25,896)</u>
6.	Contractual Services - Testing (635/735)		
	To reflect the appropriate testing expense (AF6)	<u>\$6,136</u>	<u>\$9,557</u>
7.	Contractual Services - Other (636/736)		
	a. To reclassify amount from Water Salaries & Wages - Employees (601/701) (AF6)	\$11,069	\$9,056
	b. To reclassify amount from Water Salaries & Wages - Officers (603/703) (AF6)	2,767	2,333
	c. To reflect the appropriate Contractual Svc. expense (AF6)	5,875	2,618
	d. To reclassify invoices from Acct. 731 (AF6)		25,896
	Subtotal	<u>\$19,711</u>	<u>\$39,903</u>
(O & M EXPENSES CONTINUED ON NEXT PAGE)			

L.P. UTILITIES		SCHEDULE NO. 3-C	
TEST YEAR ENDED 5/31/2013		DOCKET NO. 130153-WS	
ADJUSTMENTS TO OPERATING INCOME		PAGE 2 OF 2	
		<u>WATER</u>	<u>WASTEWATER</u>
8.	Rents (640/ 740)		
	To reflect the appropriate rental expense (AF6)	<u>(\$210)</u>	<u>(\$172)</u>
9.	Bad Debt Expense (670/770)		
	To reflect the appropriate bad debt expense (AF6)	<u>(\$1,123)</u>	<u>(\$907)</u>
10.	Regulatory Commission Expense (765)		
	To reflect 4-year amortization of rate case expense (\$693/4)	<u>\$347</u>	<u>\$347</u>
11.	Miscellaneous Expense (675/ 775)		
	a. To reclassify amount to Materials & Supplies (620) (AF6)	(\$15)	\$0
	b. To reflect the appropriate miscellaneous expenses (AF6)	(5,253)	<u>(4,993)</u>
	Subtotal	<u>(\$5,268)</u>	<u>(\$4,993)</u>
12.	Sludge Removal Expense (711)		
	To reflect the appropriate sludge removal expense (AF6)	<u>\$0</u>	<u>\$9,563</u>
	TOTAL O&M EXPENSE ADJUSTMENTS	<u>\$4,812</u>	<u>\$19,934</u>
	DEPRECIATION EXPENSE		
	To reflect test year depreciation calculated per 25-30.140, FAC (AF3)	<u>\$4,958</u>	<u>(\$4,068)</u>
	AMORTIZATION OF CIAC		
	To reflect the appropriate amount of amortization expense (AF4)	<u>\$3,049</u>	<u>(\$258)</u>
	TAXES OTHER THAN INCOME		
1.	To reflect overstatement of property taxes (AF8)	(\$4,160)	(\$2,153)
2.	To reflect overstatement of RAFs (AF8)	(214)	(158)
	Total	<u>(\$4,374)</u>	<u>(\$2,311)</u>

L.P. UTILITIES		SCHEDULE NO. 3-D	
TEST YEAR ENDED 5/31/2013		DOCKET NO. 130153-WS	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL	STAFF	TOTAL
	PER	ADJUST-	PER
	UTILITY	MENT	STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$11,069	(\$11,069)	\$0
(603) SALARIES AND WAGES - OFFICERS	2,767	(2,767)	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	4,941	(1,363)	3,578
(616) FUEL FOR POWER PRODUCTION	833	0	833
(618) CHEMICALS	1,053	0	1,053
(620) MATERIALS AND SUPPLIES	0	15	15
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	1,829	(1,215)	614
(635) CONTRACTUAL SERVICES - TESTING	5,994	6,136	12,130
(636) CONTRACTUAL SERVICES - OTHER	22,312	19,711	42,023
(640) RENTS	210	(210)	0
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	0	0	0
(665) REGULATORY COMMISSION EXPENSE	0	347	347
(670) BAD DEBT EXPENSE	1,123	(1,123)	0
(675) MISCELLANEOUS EXPENSES	<u>6,735</u>	<u>(5,268)</u>	<u>1,467</u>
	<u>\$58,866</u>	<u>\$3,194</u>	<u>\$62,060</u>

L.P. UTILITIES	SCHEDULE NO. 3-E		
TEST YEAR ENDED 5/31/2013	DOCKET NO. 130153-WS		
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$9,056	(\$9,056)	\$0
(703) SALARIES AND WAGES - OFFICERS	2,233	(2,333)	(100)
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	0	9,563	9,563
(715) PURCHASED POWER	4,800	2,952	7,752
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	96	0	96
(720) MATERIALS AND SUPPLIES	0	0	0
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	26,398	(25,896)	502
(735) CONTRACTUAL SERVICES - TESTING	0	9,557	9,557
(736) CONTRACTUAL SERVICES - OTHER	0	39,903	39,903
(740) RENTS	172	(172)	0
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	433	0	433
(765) REGULATORY COMMISSION EXPENSES	0	347	347
(770) BAD DEBT EXPENSE	907	(907)	0
(775) MISCELLANEOUS EXPENSES	<u>5,367</u>	<u>(4,993)</u>	<u>374</u>
	<u>\$49,462</u>	<u>\$18,965</u>	<u>\$68,427</u>

Schedule No. 4-A

L.P. UTILITIES STAFF'S RECOMMENDED AND ALTERNATIVE WATER RATE STRUCTURES AND RATES			
Test Year Rate Structure and Rates		Recommended Rate Structure and Rates	
BFC/Gallonge Charge Rate Structure BFC = 40%		BFC/Gallonge Charge Rate Structure BFC = 40%	
BFC – RV's	\$4.82	BFC – RV's	\$6.92
BFC – Single Family	\$6.02	BFC – Single Family	\$8.65
Gallonge Charge	\$2.14	Gallonge Charge	
		0-4,000 Gallons	\$4.20
		Above 4,000 Gallons	\$6.75
Typical Monthly Bills		Typical Monthly Bills	
Consumption (kgals)		Consumption (kgals)	
0	\$6.02	0	\$8.65
1	\$8.16	1	\$12.85
3	\$12.44	3	\$21.25
6	\$18.86	6	\$38.95
10	\$27.42	10	\$65.95
20	\$48.82	20	\$133.45
Alternative 1 Rate Structure and Rates		Alternative 2 Rate Structure and Rates	
BFC/Gallonge Charge Rate Structure BFC =45 %		BFC/Gallonge Charge Rate Structure BFC =50 %	
BFC – RV's	\$7.79	BFC – RV's	\$8.67
BFC – Single Family	\$9.74	BFC – Single Family	\$10.84
Gallonge Charge		Gallonge Charge	
0-4,000 Gallons	\$3.85	0-4,000 Gallons	\$3.50
Above 4,000 Gallons	\$5.78	Above 4,000 Gallons	\$4.94
Typical Monthly Bills		Typical Monthly Bills	
Consumption (kgals)		Consumption (kgals)	
0	\$9.74	0	\$10.84
1	\$13.59	1	\$14.34
3	\$21.29	3	\$21.34
6	\$36.70	6	\$34.72
10	\$59.82	10	\$54.48
20	\$117.62	20	\$103.88

L.P. UTILITIES		SCHEDULE NO. 4-B	
TEST YEAR ENDED MAY 31, 2013		DOCKET NO. 130153-WS	
MONTHLY WATER RATES			
	UTILITY EXISTING RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential Service</u>			
Base Facility Charge by Meter Size			
5/8"X3/4" RV Homes (.8 ERC)	\$4.82	\$6.92	\$0.02
5/8"X3/4" Single Family Homes (1.0 ERC)	\$6.02	\$8.65	\$0.03
<u>General-Service</u>			
Base Facility Charge by Meter Size			
5/8"X3/4" RV Lots (.8 ERC)	\$4.82	\$6.92	\$0.02
5/8"X3/4" Park Commercial (1.0 ERC)	6.02	\$8.65	\$0.03
3/4"	\$9.04	\$12.98	\$0.07
1"	\$15.06	\$21.63	\$0.14
1-1/2"	\$30.13	\$43.25	\$0.22
2"	\$48.20	\$69.20	\$0.45
3"	\$96.40	\$138.40	\$0.70
4"	\$150.62	\$216.25	\$1.40
6"	\$301.25	\$432.50	\$1.76
Charge per 1,000 Gallons - Residential			
0 - 4,000 Gallons	\$2.14	\$4.20	\$0.02
Over 4,000 Gallons	N/A	\$6.75	\$0.02
Charge per 1,000 Gallons – General-Service			
	\$2.14	\$5.04	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$12.44	\$21.25	
6,000 Gallons	\$18.86	\$38.95	
10,000 Gallons	\$27.42	\$65.95	

Schedule No. 4-C

L.P. UTILITIES			
STAFF'S RECOMMENDED AND ALTERNATIVE WASTEWATER RATE STRUCTURES AND RATES			
Test Year Rate Structure and Rates		Recommended Rate Structure and Rates	
BFC/Gallonage Charge Rate Structure BFC = 46%		BFC/Gallonage Charge Rate Structure BFC = 40%	
BFC	\$6.44	BFC	\$8.04
Charge per 1,000 Gallons (Maximum 8,000 Gallons)	\$1.76	Charge per 1,000 Gallons (Maximum 8,000 Gallons)	\$5.92
Typical Monthly Bills		Typical Monthly Bills	
Consumption (kgals)		Consumption (kgals)	
0	\$6.44	0	\$8.04
1	\$8.20	1	\$13.96
3	\$11.72	3	\$25.80
6	\$17.00	6	\$43.56
8	\$20.52	8	\$55.40
10	\$20.52	10	\$55.40
Alternative 1 Rate Structure and Rates		Alternative 2 Rate Structure and Rates	
BFC/Gallonage Charge Rate Structure BFC = 50%		BFC/Gallonage Charge Rate Structure BFC = 60%	
BFC	\$10.05	BFC	\$12.06
Charge per 1,000 Gallons (Maximum 8,000 Gallons)	\$4.93	Charge per 1,000 Gallons (Maximum 8,000 Gallons)	\$3.95
Typical Monthly Bills		Typical Monthly Bills	
Consumption (kgals)		Consumption (kgals)	
0	\$10.05	0	\$12.06
1	\$14.98	1	\$16.01
3	\$24.84	3	\$23.91
6	\$39.63	6	\$35.76
8	\$49.49	8	\$43.66
10	\$49.49	10	\$43.66

L.P. UTILITIES		SCHEDULE NO. 4-D	
TEST YEAR ENDED MAY 31, 2013		DOCKET NO. 130153-WS	
MONTHLY WASTEWATER RATES			
	UTILITY EXISTING RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential</u>			
Base Facility Charge - All Meter Sizes	\$6.44	\$8.04	\$0.03
Charge per 1,000 Gallons- Residential 8,000 gallon cap	\$1.76	5.92	\$0.02
<u>General-Service</u>			
Base Facility Charge by Meter Size:			
5/8"X3/4"	\$6.44	\$8.04	\$0.03
3/4"	\$9.67	\$12.06	\$0.05
1"	\$16.11	\$20.10	\$0.08
1-1/2"	\$32.23	\$40.20	\$0.15
2"	\$51.57	\$64.32	\$0.25
3"	\$103.14	\$128.64	\$0.49
4"	\$161.15	\$201.00	\$0.77
6"	\$322.30	\$402.00	\$1.54
Charge per 1,000 Gallons – General-Service	\$2.10	\$7.10	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$11.72	\$25.80	
6,000 Gallons	\$17.00	\$43.56	
10,000 Gallons	\$20.52	\$55.40	