

STATE OF FLORIDA

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DIVISION OF ECONOMICS  
JAMES W. DEAN  
DIRECTOR  
(850) 413-6410

# Public Service Commission

June 24, 2014

RECEIVED-FPSC  
14 JUN 24 AM 11:18  
COMMISSION  
CLERK

Mr. Louis Garrard  
Crooked Lake Park Sewerage Company  
5578 Commercial Blvd.  
Winter Haven, FL 33880

**Re: Docket No. 130178-SU - Application for staff-assisted rate case in Polk County, by Crooked Lake Park Sewerage Company**

Dear Mr. Garrard:

This will confirm that Commission staff will hold a customer meeting on Thursday, July 17, 2014. We ask that, if at all possible, you or another knowledgeable representative of the Utility attend the meeting in order to answer customer questions. The location of the general meeting will be as follows:

6:00 p.m., Thursday, July 17, 2014  
The Lake Wales Public Library  
290 Cypress Garden Lane  
Lake Wales, Florida

As required by Rule 25-22.0407(9)(b), Florida Administrative Code (F.A.C.), the utility must provide, in writing, a customer meeting notice to all customers within its service area no less than 14 days and no more than 30 days prior to the date of a customer meeting. A draft customer meeting notice is enclosed. Please note the date has been left blank so that you can fill in the date that the notice is sent to the customers. Please furnish me with a copy of the notice, as reproduced at the time it is distributed to your customers, together with a cover letter indicating the exact date(s) on which the notice was mailed or otherwise delivered to the customers.

Mr. Louis Garrard

Page 2

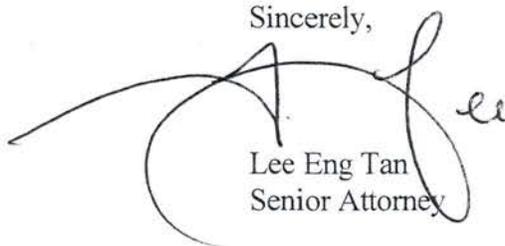
June 24, 2014

Two copies of the staff report dated June 24, 2014 are enclosed. Please ensure that a copy of the completed Application for Staff Assistance and the staff report are available for review, pursuant to Rule 25-22.0407(9)(a), F.A.C., by all interested persons at the following location:

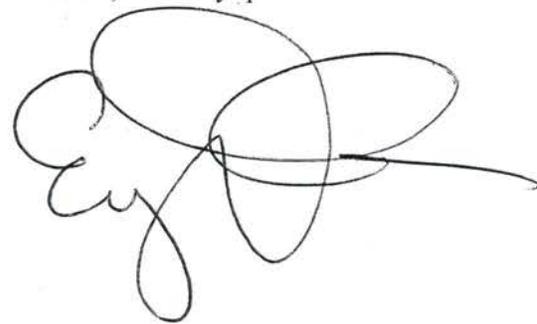
College Park Mobile Home Park  
102 South Drive  
Lake Wales, FL 33859

For your convenience, I have also enclosed a copy of Rule 25-22.0407(9), F.A.C. Should you have any questions about any of the matters contained herein, please do not hesitate to contact me at (850) 413-6191. In addition, you may contact Sonica Bruce at (850) 413-6994, with any questions.

Sincerely,



Lee Eng Tan  
Senior Attorney



Enclosures

LT/sb

cc: Division of Economics (Daniel, Bruce)  
Division of Accounting & Finance (Cicchetti, Mouring, Golden)  
Division of Engineering (Vickery, Lee)  
Office of General Counsel (Teitzman, Tan)  
Office of Commission Clerk (Docket No. 130178-SU) ✓

**Rule 25-22.0407(9), Florida Administrative Code**

(9) When a utility applies for a staff-assisted rate case in accordance with Section 367.0814, Florida Statutes, and Rule 25-30.455, F.A.C., and staff-assistance is granted, the requirements of subsections (2), (3), (4), and (5) of this rule shall not apply.

(a) Upon receipt of the staff reports, the utility shall place two copies of its application for staff-assistance and the staff reports at any business offices it has in its service area. Such copies shall be available for public inspection during the utility's regular business hours. If the utility does not have a business office in its service area, the utility shall place two copies of its application and the staff reports at the main county library, the local community center or other appropriate location that is within or most convenient to the service area and that is willing to accept and provide public access to the copies.

(b) No less than 14 days and no more than 30 days prior to the date of a customer meeting conducted by the Commission staff, the utility shall provide, in writing, a customer meeting notice to all customers within its service area and to all persons in the same service areas who have filed a written request for service or who have been provided a written estimate for service within the 12 calendar months prior to the month the petition is filed.

(c) The customer meeting notice shall be approved by the Commission staff prior to distribution and shall include the following:

1. The date the notice was issued;
2. The time, date, location, and purpose of the customer meeting;
3. A statement that the utility has applied for a staff-assisted rate case and the general reasons for doing so;
4. A statement of the location where copies of the application and the staff reports are available for public inspection and the times during which inspection may be made;
5. A comparison of current rates and charges and the proposed new rates and charges;
6. The utility's address, telephone number, and business hours;
7. A statement that written comments regarding utility service or the proposed rates and charges should be addressed to the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870, and that such comments should identify the docket number assigned to the proceeding;
8. A statement that complaints regarding service may be made to the Commission's Division of Service, Safety & Consumer Assistance at the following toll-free number: 1(800)342-3552.
9. A statement that the Commission will be reviewing the utility's service availability charges in the pending case and that the Commission may adjust those charges.
10. The docket number assigned by the Commission's Office of Commission Clerk.

(d) The customer meeting notice shall be mailed to the out-of-town address of all customers who have provided the utility with an out-of-town address.

(e) If the proposed agency action order issued in the case is protested and any hearings are subsequently held, the utility shall give notice in accordance with subsections (6) and (7) above.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
NOTICE OF CUSTOMER MEETING  
TO THE CUSTOMERS OF CROOKED LAKE PARK SEWERAGE COMPANY  
AND  
ALL OTHER INTERESTED PERSONS  
DOCKET NO. 130178-SU  
APPLICATION OF CROOKED LAKE PARK SEWERAGE COMPANY  
FOR A STAFF-ASSISTED RATE CASE IN  
POLK COUNTY

Issued:

Notice is hereby given that the staff of the Florida Public Service Commission (Commission) will conduct a customer meeting to discuss the application of Crooked Lake Park Sewerage Company (Crooked Lake or Utility) for a staff-assisted rate case (SARC) in Polk County. The meeting will be held at the following time and place:

6:00 p.m., Thursday July 17, 2014  
The Lake Wales Public Library  
290 Cypress Garden Lane  
Lake Wales, Florida

All persons who wish to comment are urged to be present at the beginning of the meeting, since the meeting may be adjourned early if no customers are present. One or more of the Commissioners of the Commission may attend and participate in this meeting. The meeting will begin as scheduled and will continue until all the customers have been heard.

If a named storm or other disaster requires cancellation of the meeting, Commission staff will attempt to give timely direct notice to the parties. Notice of the cancellation of the meeting will also be provided on the Commission's website (<http://www.psc.state.fl.us/>) under the Hot Topics link found on the home page. Cancellation can also be confirmed by calling the Commission's Office of the General Counsel at (850) 413-6199.

Any person requiring some accommodation at the customer meeting because of a physical impairment should call the Office of Commission Clerk at (850) 413-6770 at least five calendar days prior to the meeting. Any person who is hearing or speech impaired should contact the Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD).

## PURPOSE

The purpose of this meeting is to give customers and other interested persons an opportunity to offer comments to Commission staff regarding the quality of service the Utility provides, the recommended rate increase, and to ask questions and comment on staff's preliminary rates included in this notice as well as other issues. Staff members will summarize Crooked Lake's filing; the preliminary work accomplished, and answer questions to the extent possible. A representative from the Utility has also been invited to respond to questions.

At the beginning of the meeting, procedures will be established for the order of comments. Commission staff will have sign-up sheets, and customers will be called to speak in the order that they sign up. Staff will be available to coordinate customers' comments and to assist members of the public.

Any person who wishes to comment or provide information to staff may do so at the meetings, orally or in writing. Written comments may also be sent to the Commission at the address given at the end of this notice. Your letter will be placed in the correspondence file of this docket. You may also submit comments through the Commission's toll-free facsimile line at 1-800-511-0809.

## BACKGROUND

Crooked Lake is a Class C wastewater utility serving approximately 324 wastewater customers in Polk County. Water Service is provided by Park Water Company, Inc. (Park Water). According to Crooked Lake's 2013 Annual Report, total gross revenues were \$129,567 and total operating expenses were \$126,602 resulting in a net loss of \$2,966.

On December 13, 1957, Polk County granted a franchise to Park Water Company to operate a water and wastewater system. In 1978, the wastewater treatment plant and collection system were sold to Warner Southern College, and the name was changed to Crooked Lake Park Sewerage Company. On September 30, 1988, the Utility was sold, but continued to operate under the existing name. Polk County came under the Florida Public Service Commission's (Commission) jurisdiction on July 11, 1996. In 1998, the Commission granted the Utility grandfather Certificate No. 517-S for its wastewater system.<sup>1</sup>

The Utility's last rate increase was a staff-assisted rate case (SARC) approved in 2007.<sup>2</sup> Crooked Lake has never requested any price index/pass-through rate adjustments. In the instant docket, the Utility filed its application on June 27, 2013. The official date of filing is August 26, 2013. Further, Crooked Lake has a pending application for transfer of majority organizational control and name change to Glenbrook Properties, LLC, a Florida limited liability company (Docket No. 140038-SU). The Commission has jurisdiction to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.).

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<sup>1</sup> See Order No. PSC-98-1247-FOF-SU, issued September 21, 1998, in Docket No. 961478-SU, In re: Application for grandfather certificate to operate a wastewater utility in Polk County by Crooked Lake Park Sewerage Company.

<sup>2</sup> See Order No. PSC-07-0077-PAA-SU, issued January 29, 2007, in Docket No. 060406-SU, In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

CURRENT AND PRELIMINARY RATES AND CHARGES

Staff has compiled the following recommended rates for the purpose of discussion at the customer meeting. These rates are preliminary and subject to change based on information gathered at the customer meeting, further staff review, and the final decision by the Commission. The Utility's current and staff's recommended preliminary rates are as follows:

	UTILITY CURRENT RATES	STAFF PRELIMINARY RECOMMENDED RATES
<b><u>Residential Service</u></b>		
Base Facility Charge for All Meter Sizes	\$15.46	\$15.50
Charge per 1,000 gallons - Residential		
8,000 gallon cap	\$3.06	
6,000 gallon cap		\$3.81
<b><u>General Service</u></b>		
Base Facility Charge by Meter Size		
5/8"X3/4"	\$15.46	\$15.50
3/4"	\$23.19	\$23.25
1"	\$38.65	\$38.75
1-1/2"	\$77.30	\$77.50
2"	\$123.68	\$124.00
3"	\$247.36	\$248.00
4"	\$386.50	\$387.50
6"	\$773.00	\$775.00
Charge per 1,000 gallons - General Service	\$3.67	\$4.57
<b><u>Bulk Service</u></b>		
College Park	\$1,546.00	\$1,550.00
Charge per 1,000 gallons - Bulk		
800,000 gallon cap	\$3.06	
600,000 gallon cap		\$3.81
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>		
3,000 Gallons	\$24.64	\$26.93
6,000 Gallons	\$33.82	\$38.36
8,000 Gallons	\$39.94	\$38.36

	STAFF PRELIMINARY RECOMMENDED PHASE I RATES	STAFF PRELIMINARY RECOMMENDED PHASE II RATES
<b><u>Residential Service</u></b>		
Base Facility Charge for All Meter Sizes	\$15.50	\$20.88
Charge per 1,000 gallons- Residential 6,000 gallon cap	\$3.81	\$5.32
<b><u>General Service</u></b>		
Base Facility Charge by Meter Size		
5/8"X3/4"	\$15.50	\$20.88
3/4"	\$23.25	\$31.32
1"	\$38.75	\$52.20
1-1/2"	\$77.50	\$104.40
2"	\$124.00	\$167.04
3"	\$248.00	\$334.08
4"	\$387.50	\$522.00
6"	\$775.00	\$1,044.00
Charge per 1,000 Gallons -General Service	\$4.57	\$6.38
<b><u>Bulk Service</u></b>		
College Park	\$1,550.00	\$2,088.00
Charge per 1,000 gallons - Bulk 600,000 gallon cap	\$3.81	\$5.32
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>		
3,000 Gallons	\$26.93	\$36.84
6,000 Gallons	\$38.36	\$52.80
8,000 Gallons	\$38.36	\$52.80

## STAFF REPORTS AND UTILITY APPLICATION

The results of staff's preliminary investigation are contained in a staff report dated June 24, 2014. Copies of the report may be examined by interested members of the public from 8:30 a.m. to 5:00 p.m., Monday through Friday at the following location:

College Park Mobile Home Park  
102 South Drive  
Lake Wales, FL 33859

## PROCEDURES AFTER CUSTOMER MEETING

After the customer meeting, Commission staff will prepare a recommendation which is tentatively scheduled to be submitted to the Commission on September 25, 2014. The Commission will then vote on staff's recommendation at its October 9, 2014 Commission Conference. The Commission will thereafter issue a proposed agency action (PAA) order containing rates which may be different from those contained in staff's final recommendation. Substantially affected persons have 21 days from the date that the PAA order is issued to protest the Commission's PAA order. Customers are able to obtain a copy of staff's recommendation and all documents filed in this docket from the Commission's website.

## HOW TO CONTACT THE COMMISSION

Written comments regarding the Utility and the proposed rates, and requests to be placed on the mailing list for this case, may be directed to this address:

Director, Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

All correspondence should refer to "Docket No. 130178-SU, Crooked Lake Park Sewerage Company." If you wish to contact the Commission regarding complaints about service, you may call the Commission's Office of Consumer Assistance and Outreach at the following toll-free number: 1-800-342-3552. This notice was prepared by Commission staff for distribution by the Utility to its customers.

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** June 24, 2014

**TO:** Patti Daniel, Bureau Chief, Bureau of Economic Impact and Rate Design

**FROM:** Sonica Bruce, Economic Analyst  
Daniel Lee, Engineering Specialist IV  
Martha Golden, Regulatory Supv/Consultant

**RE:** Docket No. 130178-SU – Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

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– 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

Crooked Lake Park Sewerage Company (Crooked Lake or Utility) is a Class C wastewater utility serving approximately 324 wastewater customers in Polk County. Water Service is provided by Park Water Company, Inc. (Park Water). According to Crooked Lake's 2013 Annual Report, total gross revenues were \$129,567 and total operating expenses were \$126,602 resulting in a net loss of \$2,966.

On December 13, 1957, Polk County granted a franchise to Park Water Company to operate a water and wastewater system. In 1978, the wastewater treatment plant and collection system were sold to Warner Southern College, and the name was changed to Crooked Lake Park Sewerage Company. On September 30, 1988, the Utility was sold, but continued to operate under the existing name. Polk County came under the Florida Public Service Commission's (Commission) jurisdiction on July 11, 1996. In 1998, the Commission granted the Utility grandfather Certificate No. 517-S for its wastewater system.<sup>1</sup>

The Utility's last rate increase was a staff-assisted rate case (SARC) approved in 2007.<sup>2</sup> Crooked Lake has never requested any price index/pass-through rate adjustments. In the instant docket, the Utility filed its application on June 27, 2013. The official date of filing is August 26, 2013. Further, Crooked Lake has a pending application for transfer of majority organizational control and name change to Glenbrook Properties, LLC, a Florida limited liability company (Docket No. 140038-SU).

This Staff Report is a **preliminary** analysis of the Utility prepared by the Commission staff to give utility customers and the Utility an advance look at what staff may be proposing. The final recommendation to the Commission (currently scheduled to be filed September 25, 2014, for the October 9, 2014 Commission Conference) will be revised as necessary using updated information and the results of customer quality of service or other relevant comments received at the customer meeting. The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.0814, 367.101, and 367.121, Florida Statutes (F.S.).

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<sup>1</sup> See Order No. PSC-98-1247-FOF-SU, issued September 21, 1998, in Docket No. 961478-SU, In re: Application for grandfather certificate to operate a wastewater utility in Polk County by Crooked Lake Park Sewerage Company.

<sup>2</sup> See Order No. PSC-07-0077-PAA-SU, issued January 29, 2007, in Docket No. 060406-SU, In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

### Discussion of Issues

**Issue 1:** Is the quality of service provided by Crooked Lake satisfactory?

**Preliminary Recommendation:** The staff recommendation regarding quality of service will not be finalized until after the customer meeting currently scheduled for July 17, 2014. (Lee)

**Staff Analysis:** Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in water and wastewater rate cases, the Commission shall determine the overall quality of service provided by a utility. This is derived from an evaluation of three separate components of the utility operations. These components are the quality of the utility's product, the operating conditions of the utility's plant and facilities, and the utility's attempt to address customer satisfaction. The rule further states that sanitary surveys, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the county health department over the preceding three-year period shall be considered. In addition, input from DEP and health department officials and customer comments or complaints will be considered.

Crooked Lake provides wastewater service only. The Utility's operation of its wastewater treatment system is subject to various environmental requirements such as permitting, testing, and discharge monitoring under the jurisdiction of Florida Department (DEP). The Utility had a long-running compliance problem with DEP under its previous ownership. In the Utility's last SARC, the Commission found the quality of the treatment plant unsatisfactory noting that the Utility's operating permit for the wastewater treatment plant (WWTP) had expired in 2005 and the Utility remained out of compliance with the requirement by DEP for mandated improvements.<sup>3</sup> The compliance issues with DEP's enforcement actions resulted in a Final Judgment, Case No. 2006-CA-2084, entered in the Circuit Court in Polk County on July 9, 2008. The Final Judgment assessed civil penalties and costs against the Utility and provided corrective action options for the Utility. On June 7, 2011, DEP filed its second motion for contempt against the Utility for failing to comply with the Final Judgment, including payment for various penalties.

As discussed in the case background, the operation of the Utility is under the new ownership and control of Glenbrook Properties, LLC. The new owner has taken actions to improve the operations and on July 31, 2013, DEP issued an operating permit for the WWTP. The permit contains specific compliance requirements for the construction of a surge tank, digester tank, and sludge bed. On May 27, 2014, the Utility reached a resolution and settlement with DEP regarding the Final Judgment and the outstanding compliance issues. Based on the settlement agreement, DEP agreed to release the Utility from all penalties in exchange for \$50,000.

A review of customer complaints indicates the Utility has resolved all of the complaints tracked by the Commission. The Commission's Consumer Activity Tracking System (CATS) recorded three complaints since January 2001. Of the three complaints, two were related to billing and one was related to service quality. The last recorded complaint was closed on May 3,

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<sup>3</sup> Issued in Docket No. 060406-SU.

Docket No. 130178-SU

Date: June 24, 2014

2005. Staff conducted a site visit on December 18, 2013, and confirmed that there were no new DEP enforcement actions against the Utility under the new ownership.

Summary

Staff's recommendation regarding overall quality of service will not be finalized until after the customer meeting currently scheduled for July 17, 2014.

**Issue 2:** What are the used and useful (U&U) percentages for the Utility’s wastewater system?

**Preliminary Recommendation:** For the purpose of calculating the preliminary revenue requirements for this report, staff recommends that the in-service and pro forma WWTP and collection system costs be considered 100 percent U&U. Staff’s analysis regarding the reasonableness of the cost and the Utility’s prudent management of the pro forma investment has not been finalized. (Lee)

**Staff Analysis:** The U&U percentage of the Utility’s wastewater system, which includes its WWTP and collection system, was determined to be 100 percent U&U in its last SARC in Docket No. 060406-SU. There has been no growth in the customer base, no change in capacity, or any plan for expansion. Therefore, for purposes of calculating the preliminary revenue requirements for this report, staff recommends that the WWTP and collection system be considered 100 percent U&U.

Pro Forma Plant Items to be Completed

On May 19, 2014, the Utility provided the following pro forma plant items that the Utility plans to start soon.

Table 2-1

Pro Forma Plant Items				
Project	Description	Benefit (Reason)	Estimated Cost	Estimated Time to Complete
WWTP Modification	Construct surge tank, digester tank, and sludge bed per DEP permit	To comply with the specific requirements for such additions in DEP WWTP permit issued in 2013.	\$393,950	About 30-60 days after start
Collection System Mapping and Cleaning	Map current pipe locations and thoroughly clean	To locate lines that need to be replaced and to allow a better flow to main station.	\$50,000	About 15 days after start
Replace Electrical Control Panel	Install NEMA 4X duplex control panel	To fix float sticking and failure at lift station.	\$6,050	Within one week of start

As discussed in Issue 1, the WWTP permit issued by DEP contains specific compliance requirements for the construction of a surge tank, digester tank, and sludge bed. Section 367.081(2)(a)2, F.S., provides that notwithstanding the in-service plant U&U considerations, a utility should be allowed to recover from customers the full amount of environmental compliance costs. The Statute further provides that for purposes of this requirement, the term “environmental compliance costs” includes all reasonable expenses and fair return on any

prudent investment incurred by a utility in complying with the requirements or conditions contained in any permitting, enforcement, or similar decisions of the DEP, a water management district, or any other governmental entity with similar regulatory jurisdiction. In addition, the Utility proposes to locate, map, and clean the collection system and replace an electrical control panel. Based on staff's preliminary review and site visit, these pro forma items appear to be needed.

The consideration of the need of the pro forma items is only part of the review. In addition, the Utility has to demonstrate that it has taken prudent actions to minimize the cost of the proposed plant improvements, such as requesting proposals and evaluating bids. Costs are only allowed to be recovered upon verification that all pro forma items have been completed and documentation provided showing that the improvements have been made. The Utility should be required to submit a copy of the fully itemized invoices for all pro forma plant items prior to inclusion in rates. The detailed documentation is to ensure that the Utility takes prudent actions to verify that the contracted work was built as planned, and completed at the lowest possible cost. Staff's analysis regarding the reasonableness of the cost and the Utility's prudent management of the pro forma investment has not been finalized. The accounting and rate impact of the pro forma plant is further discussed in Issues 3 and 11.

#### Summary

For the purpose of calculating the preliminary revenue requirements for this report, staff recommends that the in-service and pro forma WWTP and collection system costs be considered 100 percent U&U. Staff's analysis regarding the reasonableness of the cost and the Utility's prudent management of the pro forma investment has not been finalized.

**Issue 3:** What is the appropriate average test year rate base for Crooked Lake?

**Preliminary Recommendation:** The appropriate average test year rate base for Crooked Lake is \$96,483. (Golden)

**Staff Analysis:** The appropriate components of the Utility's rate base include utility plant in service, land, accumulated depreciation, contribution-in-aid-of-construction (CIAC), amortization of CIAC, and working capital. Crooked Lake's rate base was last established in its 2006 SARC by Order No. PSC-07-0077-PAA-SU.<sup>4</sup> Staff selected the test year ended June 30, 2013, for the instant rate case. A summary of each component and the recommended adjustments are discussed below:

**Utility Plant in Service (UPIS):** The Utility recorded a test year UPIS balance of \$452,262 as of June 30, 2013. Staff recommends the following adjustments to the Utility's recorded UPIS.

Table 3-1

Summary of Adjustments to UPIS		
	Adjustment Description	Wastewater
1.	To restore 2006 SARC averaging adjustment.	\$3,616
2.	To remove unsupported plant additions and retirements from 1/1/06 - 6/30/12.	(3,872)
3.	To remove an incorrect acquisition adjustment for 7/1/12 through 6/30/13.	(77,500)
4.	To reflect 2012 plant addition of lift station pump to Acct. No. 370.	2,618
5.	To record 2012 retirement of lift station pump to Acct. No. 370.	(1,964)
6.	To reflect 2012 actual cost of new truck to Acct. No. 391.	(362)
7.	To reflect 2012 retirement of truck owned by prior utility owner to Acct. No. 391.	(24,984)
8.	To reclassify 2013 fence repairs from expense Acct. No. 736 to Acct. No. 354.	2,205
9.	To record 2013 fence retirement to Acct. No. 354.	(1,654)
10.	To reclassify 2013 pump repairs from expense Acct. No. 736 to Acct. No. 370.	7,244
11.	To record 2013 pump retirement to Acct. No. 370.	(5,433)
12.	To reclassify 2013 chlorine pump repairs from expense Acct. No. 736 to Acct. No. 380.	780
13.	To record 2013 chlorine pump retirement to Acct. No. 380.	(585)
14.	To reflect an averaging adjustment.	(972)
	Total	(\$100,863)

Based on the adjustments shown above, staff's net adjustment to UPIS is a decrease of \$100,863. Staff recommends a UPIS balance of \$351,399.

**Land and Land Rights:** The Utility recorded a test year land balance of \$6,197. No adjustments are necessary, therefore, staff recommends a land and land rights balance of \$6,197.

<sup>4</sup> Issued in Docket No. 060406-SU.

Non-Used and Useful Plant: As discussed in Issue 2, Crooked Lake's WWTP and collection system are considered 100 percent U&U. Therefore, a U&U adjustment is unnecessary.

Contribution in Aid of Construction (CIAC): The Utility's recorded test year CIAC balance is \$127,636. The CIAC balance approved in Crooked Lake's 2006 SARC included a \$300 averaging adjustment for ratesetting purposes only. The Utility inadvertently included the averaging adjustment when adjusting its books. Staff increased CIAC by \$300 to reflect the correct starting balance. Staff recommends a CIAC balance of \$127,936.

Accumulated Depreciation: Crooked Lake recorded a test year accumulated depreciation balance of \$260,657. Staff increased this account by \$3,529 to reflect the 2006 SARC averaging adjustment that was inadvertently removed by the Utility. Also, staff calculated the annual accruals to accumulated depreciation since December 31, 2005, using the prescribed rates set forth in Rule 25-30.140, F.A.C., and determined that accumulated depreciation should be decreased by \$30 to reflect the correct balance for the test year. Also, staff increased this account by \$9,718 to reflect an averaging adjustment in the instant case. Staff's net adjustment to accumulated depreciation is an increase of \$13,217, resulting in an accumulated depreciation balance of \$273,874.

Accumulated Amortization of CIAC: Crooked Lake's recorded balance of amortization of CIAC is \$117,782. Staff increased this account by \$460 to reflect the 2006 SARC averaging adjustment that was inadvertently removed by the Utility. Also, amortization of CIAC has been calculated by staff using composite depreciation rates. As a result, accumulated amortization of CIAC should be increased by \$8,798. In addition, staff decreased this account by \$1,778 to reflect an averaging adjustment in the instant case. Staff's net adjustment to accumulated amortization of CIAC is an increase of \$7,480, resulting in an amortization of CIAC balance of \$125,262.

Working Capital Allowance: 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 \$15,435 (based on O&M expense of \$123,478/8). Staff increased the working capital allowance by \$15,435.

Rate Base Summary: Based on the foregoing, staff recommends that the appropriate average test year rate base is \$96,483. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

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

**Preliminary Recommendation:** The appropriate return on equity (ROE) is 11.05 percent with a range of 10.05 percent to 12.05 percent. The appropriate overall rate of return is 9.88 percent. (Golden)

**Staff Analysis:** According to the staff audit, the Utility's test year capital structure reflected common equity of \$79,090 and long-term debt of \$141,249. However, audit staff determined that the Utility inadvertently posted one note payable to two separate accounts. Staff has decreased long-term debt by \$27,770 to remove the additional posting, resulting in total long-term debt of \$113,479. The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 11.05 percent based upon the Commission-approved leverage formula currently in effect.<sup>5</sup> Staff recommends an ROE of 11.05 percent, with a range of 10.05 percent to 12.05 percent, and an overall rate of return of 9.88 percent.

As discussed in Issue 7, staff recommends that the operating ratio methodology be used in this case for Phase I. Consequently, the recommended ROE and rate of return only apply to Phase II. Upon completion of the Phase II pro forma items, the Utility's rate base will be sufficient to use the rate of return methodology going forward.

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<sup>5</sup> See Order No. PSC-14-0272-PAA-WS, issued May 29, 2014, in Docket No. 140006-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), F.S.

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

**Preliminary Recommendation:** The appropriate test year revenues for Crooked Lake are \$126,233. (Bruce)

**Staff Analysis:** Crooked Lake recorded test year revenues of \$117,975 for wastewater service which consist of only service revenues. During the test year, the Utility's test year revenues were understated. Pursuant to Audit Finding No. 1, the Utility uses a cash basis accounting method rather than an accrual basis accounting method for posting transactions. Also, pursuant to Audit Finding No. 4, Crooked Lake did not record several months of revenue from the College Park Mobile Home Park (College Park). Based on staff's review of the Utility's billing determinants and the rates in effect during the test year, staff determined service revenues of \$126,233. There are no miscellaneous revenues. Therefore, service revenues should be increased by \$8,258. Based on the above, staff recommends the appropriate test year revenues for Crooked Lake are \$126,233.

**Issue 6:** What is the appropriate amount of test year operating expenses?

**Preliminary Recommendation:** The appropriate amount of operating expenses for the Utility is \$143,729. (Golden)

**Staff Analysis:** Crooked Lake recorded operating expenses of \$150,881 for the test year ended June 30, 2013. The test year operating expenses have been reviewed and invoices, canceled checks, and other supporting documentation have been examined. Staff made several adjustments to the Utility's operating expenses, as summarized below.

**Expense Reclassifications** – Crooked Lake recorded total O&M expenses of \$132,836 for the test year. Pursuant to Rule 25-30.115, F.A.C., water and wastewater utilities are required to maintain their accounts and records in conformity with the 1996 National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). Crooked Lake has maintained a majority of its expense accounts using the NARUC USOA. However, during the test year, a number of expenses were misclassified, either to an incorrect NARUC account or a non-NARUC subaccount. Staff reclassified those expenses to the correct NARUC accounts. The reclassifications are revenue neutral, have no impact on the revenue requirement, and are made simply to adjust the Utility's test year account balances to the correct starting balances for ratesetting purposes. The adjusted account balances are reflected on Schedule No. 3-C in the "Total Per Utility" column, which continues to reflect the Utility's test year O&M expense total of \$132,836 following the reclassifications. Staff's remaining adjustments that have a revenue impact are discussed in detail below.

**Salaries and Wages – Employees (701)** – Crooked Lake recorded \$19,741 for salaries in this account. The Utility experienced significant employee turnover and, as a result, did not record salaries expense every month during the test year. Subsequently, the Utility employed an office manager and maintenance worker through a third party vendor. The Utility pays contractual service fees of \$7,800 for the maintenance employee who works approximately 15 hours per week and \$13,000 for the office manager who works approximately 20 hours per work. The vendor provides the associated employee payroll benefits, expenses, and workers' compensation insurance coverage for a contract rate. The additional expense for those items is \$5,998, resulting in total expense of \$26,798 for these two contractual positions. Staff believes it is more appropriate to reflect this expense under Account 736 contractual services – other. Therefore, staff decreased this account by \$19,741 and recommends no salaries and wages – employees expense for the test year.

**Sludge Removal Expense (711)** – The Utility recorded sludge removal expense of \$2,220. Staff increased this account by \$5,180 to reflect the appropriate annual sludge removal expense. Staff recommends sludge removal expense of \$7,400.

**Purchased Power (715)** – The Utility recorded purchased power expense of \$8,935. This total includes late fees and penalties that are not recoverable in a rate proceeding, but inadvertently excludes five additional power bills applicable to the test year. The net adjustment for removing the late fees and penalties and adding the missing power bills is an increase of \$132. Therefore, staff increased this account by \$132 to reflect the appropriate test year purchased power expense. Staff recommends purchased power expense for the test year of \$9,067.

Contractual Services - Billing (730) – The Utility recorded contractual services – billing expense of \$5,757. Crooked Lake contracts with Park Water Company, Inc. to bill and collect the applicable wastewater revenues. Based upon the contract rate of approximately \$576 per month, the annual billing expense is \$6,909. The Utility’s balance only reflects 10 months of billing expense, therefore, staff increased this account by \$1,152 to reflect 12 months of billing expense. Staff recommends contractual services – billing expense of \$6,909.

Contractual Services - Professional (731) – Crooked Lake recorded contractual services – professional expense of \$631. Staff increased this account by \$6,650 to reflect fees for accounting services incurred during the test year but were not invoiced until after the test year. Therefore, staff recommends contractual services - professional expense for the test year of \$7,281.

Contractual Services – Testing (735) – The Utility recorded contractual services – testing expense of \$490. Staff annualized the Utility’s monthly testing fee of approximately \$163 and determined that the annual expense is \$1,958. Therefore, staff has increased this account by \$1,468 to reflect the appropriate testing expense. Staff recommends contractual services - testing expense of \$1,958.

Contractual Services - Other (736) – Crooked Lake recorded contractual services – other expense of \$32,815. Staff increased this account by a net adjustment of \$31,601 based upon the following adjustments to reclassify and capitalize several test year plant improvements; remove unsupported expenses; reflect the appropriate contract operator expense; reflect the annualized contract office manager and maintenance worker expense; and reflect the 5-year amortization of a smoke test conducted by the Florida Rural Water Association to determine if the Utility has inflow and infiltration issues.

Table 6-1

Summary of Adjustments to Contractual Services - Other		
	Adjustment Description	Wastewater
1.	To reclassify and capitalize fence repairs to Acct. No. 354.	(\$2,205)
2.	To reclassify and capitalize lift station pump repairs to Acct. No. 370.	(7,244)
3.	To reclassify and capitalize chlorine pump repairs to Acct. No. 380.	(780)
4.	To remove unsupported contractual services expense.	(3,778)
5.	To reflect appropriate contract operator expense.	18,510
6.	To reflect annualized contract office manager and maintenance worker expense.	26,798
7.	To reflect 5-year amortization of pro forma smoke test.	300
	Total	<u>\$31,601</u>

Based upon these adjustments, staff recommends contractual services - other expense of \$64,416.

Transportation Expense (750) – Crooked Lake recorded \$5,475 for transportation expense for the test year. Staff decreased this account by \$1,122 to remove several adjusting journal entries for

2012 that lacked sufficient supporting documentation or were for unknown or nonrecurring services incurred by the Utility's prior owner. Staff recommends transportation expense for the test year of \$4,353.

Insurance Expense (755) – The Utility recorded insurance expense of \$14,747 for the test year. Staff decreased this account by \$5,249 to reflect the Utility's current annual costs for automobile insurance on the Utility's truck and commercial general liability insurance for the Utility's operations. Staff recommends insurance expense for the test year of \$9,498.

Regulatory Commission Expense (765) – Crooked Lake recorded regulatory commission expense of \$6,132 for the test year to reflect the Utility's 2012 regulatory assessment fee (RAF) payment. The test year RAF's are discussed below in the Taxes Other Than Income section. Consequently, staff decreased this account by \$6,132 to remove the 2012 RAF payment from this account. Regarding the instant case, the Utility is required by Rule 25-22.0407, F.A.C., to provide notices of the customer meeting and notices of final rates for Phases I and II in this case to its customers. For noticing, staff has estimated \$476 for postage expense, \$324 for printing expense, and \$49 for envelopes. This results in \$849 for the noticing requirement. The Utility paid a \$1,000 rate case filing fee. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period. Based on the above, staff recommends total rate case expense of \$1,849 (\$849 + \$1,000), which amortized over 4 years is \$462. Staff's net adjustment to this account is a decrease of \$5,670. Staff recommends regulatory commission expense of \$462.

Bad Debt Expense (770) – Crooked Lake recorded bad debt expense of \$22,710 for the test year. The bad debt expense was written off at the end of 2012 following the sale of the Utility. The Utility has not reported any bad debt expense in any of its annual reports filed with the Commission since the Utility's last rate proceeding. A review of the Utility's customer accounts receivable balance for the 3-year period of 2010 through 2012 indicates that bad debt expense of \$3,734 is a more reasonable estimate of the Utility's average annual uncollectable revenues. Therefore, staff has decreased this account by \$18,976. Staff recommends bad debt expense of \$3,734 for the test year.

Miscellaneous Expense (775) – The Utility recorded miscellaneous expense of \$6,679. Staff has decreased this account by \$4,240 to reflect the 5-year amortization of the Utility's pro forma wastewater treatment plant permit renewal fee. Also, staff has decreased this account by \$543 to remove non-utility expenses of the prior owner. Staff's net adjustment is a decrease of \$4,783. Therefore, staff recommends miscellaneous expense of \$1,896 for the test year.

Operation and Maintenance Expense (O&M Summary) – Based on the above adjustments, O&M expense should be decreased by \$9,358, resulting in total O&M expense of \$123,478. Staff's recommended adjustments to O&M expense are shown on Schedule Nos. 3-A and 3-B.

Depreciation Expense (Net of Amortization of CIAC) – The Utility's records reflect test year depreciation and CIAC amortization of \$14,724 and \$994, respectively, for a net depreciation expense of \$13,730 for 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 \$13,220. Therefore, staff decreased this account by \$1,504 (\$14,724 - \$13,220). In addition, staff calculated amortization of CIAC based on composite rates and determined amortization of CIAC

of \$3,556. Staff increased amortization of CIAC by \$2,562 (\$3,556 - \$994). This results in a net depreciation expense of \$9,664 (\$13,220 - \$3,556). Therefore, staff recommends net depreciation expense of \$9,664.

Taxes Other Than Income (TOTI) – Crooked Lake recorded a TOTI balance of \$4,315. Staff increased this account by \$5,680 to reflect the appropriate test year RAFs. Staff also decreased this account by \$752 to reflect the appropriate test year utility property taxes. Staff's net adjustment to test year TOTI is an increase of \$4,928. In addition, as discussed in Issue 7, revenues have been increased by \$29,844 to reflect the change in revenue required to cover expenses and allow the recommended operating margin. As a result, TOTI should be increased by \$1,343 to reflect RAFs of 4.5 percent on the change in revenues. Therefore, staff recommends TOTI of \$10,586.

Income Tax – The Utility is an 1120 Corporation and did not record income tax for the test year. Based on its current income tax return, Crooked Lake has a large amount of net loss carry forwards. These net loss carry forwards are sufficient enough to offset any income tax liability for the next few years. Therefore, staff has not made any adjustments to this account.

Operating Expenses Summary – The application of staff's recommended adjustments to Crooked Lake's test year operating expenses result in operating expenses of \$143,729. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The adjustments are shown on Schedule No. 3-C.

**Issue 7:** Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for Crooked Lake, and, if so, what is the appropriate margin?

**Preliminary Recommendation:** Yes, the Commission, on its own motion, should utilize the operating ratio methodology for calculating the Phase I revenue requirement for Crooked Lake. The margin should be 10 percent of O&M expense. (Golden)

**Staff Analysis:** Section 367.0814(9), F.S., provides that the Commission may, by rule, establish standards and procedures for setting rates and charges of small utilities using criteria other than those set forth in Sections 367.081(1), (2)(a), and (3), F.S. Rule 25-30.456, F.A.C., provides an alternative to a staff-assisted rate case as described in Rule 25-30.455, F.A.C. As an alternative, utilities with total gross annual operating revenue of less than \$250,000 per system may petition the Commission for staff assistance in alternative rate setting.

Although Crooked Lake did not petition the Commission for alternative rate setting under the aforementioned rule, staff believes that the Commission should exercise its discretion to employ the operating ratio methodology to set rates in this case. The operating ratio methodology is an alternative to the traditional calculation of revenue requirements. Under this methodology, instead of applying a return on the Utility's rate base, the revenue requirement is based on the margin of Crooked Lake's O&M expenses. This methodology has been applied in cases in which the traditional calculation of revenue requirements would not provide sufficient revenue to protect against potential variances in revenues and expenses.

By Order No. PSC-96-0357-FOF-WU (March 1996 Order),<sup>6</sup> the Commission, for the first time, utilized the operating ratio methodology as an alternative means for setting rates. This order also established criteria to determine the use of the operating ratio methodology and a guideline margin of 10 percent of O&M expense. This criteria was applied again in Order No. PSC-97-0130-FOF-SU.<sup>7</sup> Most recently, the Commission approved the operating ratio methodology for setting rates in Order No. PSC-13-0327-PAA-SU.<sup>8</sup>

By the March 1996 Order, the Commission established criteria to determine whether to utilize the operating ratio methodology for those utilities with low or non-existent rate base. The qualifying criteria established by the March 1996 Order, and how they apply to the Utility are discussed below:

1) Whether the Utility's O&M expense exceeds rate base. The operating ratio method substitutes O&M expense for rate base in calculating the amount of return. A Utility generally would not benefit from the operating ratio method if rate base exceeds O&M expense. The decision to use the operating ratio method depends on the determination of whether the primary risk resides in capital costs or operating expenses. In the instant case, the rate base is less than

<sup>6</sup> Issued March 13, 1996, in Docket No. 950641-WU, In re: Application for staff-assisted rate case in Palm Beach County by Lake Osborne Utilities Company, Inc.

<sup>7</sup> Issued February 10, 1997, in Docket No. 960561-SU, In re: Application for staff-assisted rate case in Citrus County by Indian Springs Utilities, Inc.

<sup>8</sup> Issued July 16, 2013, in Docket No. 120270-SU, In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.

the level of O&M expense. The Utility's primary risk resides with covering its operating expense. Based on the staff's recommendation, the adjusted rate base for the test year is \$96,483, while adjusted O&M expense is \$123,478.

2) Whether the Utility is expected to become a Class B utility in the foreseeable future. Pursuant to Section 367.0814(9), F.S., the alternative form of regulation being considered in this case only applies to small utilities with gross annual revenue of \$250,000 or less. Crooked Lake is a Class C utility and the recommended revenue requirement for Phase I of \$156,077 is below the threshold level for Class B status (\$200,000 per system). The recommended revenue requirement for Phase II of \$214,076 is slightly above the threshold for Class B status. However, based on the current Commission practice of using a 3-year average to determine a utility's status, it will be several years before Crooked Lake becomes a Class B utility. In addition, since staff is recommending that the rate of return methodology be used to determine Phase II rates, staff does not believe the Utility's possible migration to Class B status in some future year should prohibit the use of the operating ratio methodology on a temporary basis during Phase I.

3) Quality of service and condition of plant. As discussed in Issue 1, the recommended quality of service will not be finalized until after the July 17, 2014 customer meeting.

4) Whether the Utility is developer-owned. The current Utility owner is not a developer.

5) Whether the Utility operates treatment facilities or is simply a distribution and/or collection system. The issue is whether or not purchased water and/or wastewater costs should be excluded in the computation of the operating margin. Crooked Lake operates a wastewater treatment plant and collection system.

Based on staff's review of the Utility's situation relative to the above criteria, staff recommends that Crooked Lake is a viable candidate for the operating ratio methodology. By the March 1996 Order and Order No. PSC-97-0130-FOF-WU, the Commission determined that a margin of 10 percent shall be used unless unique circumstances justify the use of a greater or lesser margin. The important question is not what the return percentage should be, but what level of operating margin will allow the utility to provide safe and reliable service and remain a viable entity. The answer to this question requires a great deal of judgment based upon the particular circumstances of the utility.

Several factors must be considered in determining the reasonableness of a margin. First, the margin must provide sufficient revenue for the Utility to cover its interest expense. Crooked Lake's total interest expense is \$10,293. The Utility's return on rate base using the traditional rate of return methodology results in \$9,536 in operating income, which is insufficient to cover the Utility's interest expense and results in a \$757 revenue shortfall.

Second, use of the operating ratio methodology rests on the contention that the principal risk to the utility resides in operating cost rather than in capital cost of the plant. The fair return on a small rate base may not adequately compensate the utility owner for incurring the risk associated with covering the much larger operating cost. Therefore, the margin should

adequately compensate the utility owner for that risk. Under the rate base method, the return to Crooked Lake would be \$9,536, which is enough to cover an approximate 7.72 percent variance in O&M expense, excluding the interest expense discussed above. Staff believes \$9,536 may be an insufficient financial cushion.

Third, if the return on rate base method was applied, a normal return would generate such a small level of revenue that in the event revenue or expenses vary from staff's estimates, Crooked Lake could be left with insufficient funds to cover operating expenses. Therefore, the margin should provide adequate revenue to protect against potential variability in revenue and expenses. The return on rate base method would provide the Utility \$9,536. After deducting interest expense, Crooked Lake would experience a \$757 revenue shortfall, leaving no additional operating income to cover revenue and expense variances. If the Utility's operating expenses increase or revenues decrease, Crooked Lake would not have the funds required for day-to-day operations.

In conclusion, 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 Crooked Lake with adequate cash flow to provide some assurance of safe and reliable service, staff recommends application of the operating ratio methodology. Applying a 10 percent margin would result in an operating margin of \$12,348. When the criteria were established, the Commission found it was reasonable and prudent to initially limit the dollar amount of the margin to \$10,000.<sup>9</sup>

Historically, when application of the 10 percent margin yielded a result above \$10,000, the operating margin was capped at \$10,000. However, application of a \$10,000 limit to Crooked Lake's operating margin results in only a \$9,664 operating margin, which is insufficient to cover the Utility's interest expense of \$10,293 and leaves no cushion for revenue or expense variances. As noted above, applying a 10 percent margin without a cap results in an operating margin of \$12,348, which is sufficient to cover the Utility's interest and provide a cushion for variances. Therefore, staff believes it would be appropriate to apply the 10 percent margin without the \$10,000 cap in this case.

In the March 1996 Order, the Commission found it appropriate that the margin remain flexible and that findings should be made on a case-by-case basis. In addition, the 10 percent margin and \$10,000 cap were to be used during a 2-year evaluation period and until more experience was gained. However, no changes have been made to the margin or cap since the operating ratio methodology was first established by the March 1996 Order. Staff believes use of the 10 percent margin without a cap is appropriate in the instant case and permitted under the guidelines established in the 1996 Order. Therefore, staff is recommending a 10 percent operating margin ratio in the instant case.

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<sup>9</sup> See Order No. PSC-96-0357-FOF-WU, p.8.

**Issue 8:** What is the appropriate Phase I revenue requirement?

**Preliminary Recommendation:** The appropriate Phase I revenue requirement is \$156,077, resulting in an annual increase of \$29,844 (23.64 percent). (Golden)

**Staff Analysis:** Crooked Lake should be allowed an annual increase of \$29,844 (23.64 percent). This will allow the Utility the opportunity to recover its expenses and a 10.00 percent cushion over its O&M expenses. The calculations are as follows:

Table 8-1

Wastewater Revenue Requirement	
Adjusted O&M Expense	\$123,478
Operating Margin Ratio	x 10.00%
Operating Margin	\$12,348
Adjusted O&M Expense	123,478
Depreciation Expense (Net)	9,664
Taxes Other Than Income	10,586
Income Tax	0
Revenue Requirement	\$156,077
Less Test Year Revenues	126,233
Annual Increase	\$29,844
Percent Increase	23.64%

**Issue 9:** What are the appropriate rate structure and rates for the Utility's wastewater system?

**Preliminary Recommendation:** The preliminary recommended rate structures and monthly wastewater rates are shown on Schedule No. 4. 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. (Bruce)

**Staff Analysis:** Crooked Lake is located in Polk County and serves two mobile home parks, Crooked Lake Mobile Home Park (Crooked Lake Park) and College Park. Crooked Lake Park consists of 323 residential customers that are billed individually. College Park consists of 98 residential customers and a clubhouse and all are billed as a bulk service customer. Approximately 19 percent of the residential customers' bills during the test year had zero gallons. Water service is provided by Park Water. The average residential water demand for wastewater customers, excluding zero gallon bills, was 4,245 gallons per month. Currently, the Utility's residential rate structure consists of a uniform base facility charge (BFC) for all meter sizes and a 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. The bulk service customer is billed a BFC based on the number of equivalent residential connections (ERC) behind the meter and a gallonage charge with an 8,000 gallon cap per connection.

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 approximately the amount of water that may return to the wastewater system.

Typically, the Commission's practice is to allocate at least 50 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants. Therefore, staff recommends a BFC allocation of 50 percent. Currently, the Utility's wastewater gallonage cap is set at 8,000 gallons per month. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. It is Commission practice to set the wastewater cap at approximately 80 percent of residential water sold. Based on staff's review of the billing analysis, 84 percent of the gallons are captured at the 6,000 gallon consumption level. For this reason, staff recommends that the gallonage cap for residential customers be reduced to 6,000 gallons. Furthermore, staff recommends that the general service gallonage charge be 1.2 times greater than the residential gallonage charge which is consistent with Commission practice.

Based on the foregoing, staff recommends that 50 percent of the wastewater revenues be generated from the BFC. The residential wastewater customers' rate structure should consist of

a BFC for all meter sizes with a cap of 6,000 gallons. General service wastewater customers should be billed a BFC based on meter size and gallonage charge that is 1.2 times higher than the residential gallonage charge. The bulk service customer's rate structure should consist of a BFC based on the number of ERCs behind the meter and a gallonage charge with a 6,000 gallon cap per ERC.

The preliminary recommended rate structure and monthly wastewater rates are shown on Schedule No. 4. 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 10:** 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.?

**Preliminary Recommendation:** The wastewater rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for RAFs 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 Crooked Lake 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. (Golden, Bruce)

**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 the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense, the associated operating margin, and the gross-up for RAFs which is \$532. Using the Utility's current revenues, expenses, and customer base, the reduction in revenues will result in the rate decrease shown on Schedule No. 4.

Crooked Lake should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility also should be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. If Crooked Lake 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 11:** Should the Commission approve a Phase II increase for pro forma items for Crooked Lake?

**Preliminary Recommendation:** Yes. The Commission should approve a Phase II revenue requirement associated with pro forma items. The traditional rate of return method should be used to determine the revenue requirement. The Utility’s Phase II revenue requirement is \$214,075 which equates to a 37.16 percent increase over the Phase I revenue requirement. Staff recommends that the increase be applied as an across-the-board increase to the Phase I BFC and gallonage charges.

Crooked Lake should be required to complete the pro forma items within 12 months of the issuance of the consummating order. The Utility should also be required to submit a copy of the final invoices and cancelled checks for all pro forma plant items. The Utility should be allowed to implement the above rates once all pro forma items have been completed and documentation has been provided showing that the improvements have been made. Once verified, the 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. The rates should not be implemented until notice has been received by the customers. Crooked Lake should provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing. (Golden, Lee, Bruce)

**Staff Analysis:** As discussed in Issues 1 and 2, the Utility has taken actions to improve the operating conditions of the WWTP and bring the Utility into compliance with DEP requirements. In addition, the Utility proposes to locate, map, and clean the collection system and replace an electrical control panel. The Utility has requested recognition of the pro forma plant items in the instant case. The following table summarizes the pro forma plant items and estimated cost.

Table 11-1

	Pro Forma Plant Items	Estimated Cost
1.	Construction of surge tank, digester tank, and sludge bed.	\$393,950
2.	Collection system mapping and cleaning.	50,000
3.	Electrical control panel replacement.	6,050
	Total	\$450,000

Staff’s analysis regarding the reasonableness of the cost and the Utility’s prudent management of the pro forma investment has not been finalized. However, staff recommends that these pro forma plant items be included in a Phase II revenue requirement on a preliminary basis pending further review.

Staff is recommending a Phase II revenue requirement associated with the pro forma items for a number of reasons. First, it assures that the pro forma items are completed prior to the Utility’s recovery of the investment in rates. In the past, there have been instances when the Commission approved an increase in revenue requirement associated with pro forma items only to have the utility in question fail to complete the pro forma investments. In addition, addressing the pro forma items in a single case saves additional rate case expense to the customers because the Utility would not need to file another rate case or limited proceeding to seek recovery for

these items. The Commission has approved a Phase-In approach in Docket Nos. 110238-WU, 110165-SU, and 100471-SU.<sup>10</sup>

The Utility's Phase II revenue requirement should be \$214,075. Crooked Lake should complete the pro forma items within 12 months of the issuance of the consummating order. Phase II rate base is shown on Schedule Nos. 5-A and 5-B. The capital structure for Phase II is shown on Schedule No. 6. The revenue requirement is shown on Schedule Nos. 7-A and 7-B. The resulting rates are shown on Schedule No. 8.

Crooked Lake should be required to complete the pro forma items within 12 months of the issuance of the consummating order. The Utility should also be required to submit a copy of the final invoices and cancelled checks for all pro forma plant items. The Utility should be allowed to implement the above rates once all pro forma items have been completed and documentation has been provided showing that the improvements have been made. Once verified, the 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. The rates should not be implemented until notice has been received by the customers. Crooked Lake should provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing.

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<sup>10</sup> See Order Nos. PSC-12-0533-PAA-WU, issued October 9, 2012, in Docket No. 110238-WU, In re: Application for staff-assisted rate case in Polk County by Sunrise Utilities, LLC.; PSC-12-0410-PAA-SU, issued August 13, 2012, in Docket No. 110165-SU, In re: Application for staff-assisted rate case in Highlands County by Utility Corporation of Florida, Inc.; and PSC-11-0444-PAA-SU, issued October 7, 2011, in Docket No. 100471-SU, In re: Application for staff-assisted rate case in Marion County by S&L Utilities, Inc.

**Issue 12:** What are the appropriate initial customer deposits for Crooked Lake?

**Preliminary Recommendation:** The appropriate initial customer deposit for the residential wastewater customers should be \$57. 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 wastewater. The approved 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 charge the approved charges until authorized to change them by the Commission in a subsequent proceeding. (Bruce)

**Staff Analysis:** Rule 25-30.311, F.A.C., contains the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.<sup>11</sup> Currently, the Utility's existing initial deposit for residential customers is \$45.<sup>12</sup> Based on staff's recommended rates, the existing initial customer deposit is not sufficient to cover two months' bills for wastewater service. Staff recommends the existing initial customer deposit be increased to reflect two times the average estimated bill for wastewater service to ensure that the cost of providing service is recovered from those incurring cost.

Staff recommends the appropriate initial customer deposit for the residential wastewater customers should be \$57. 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 wastewater. The approved 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 charge the approved charges until authorized to change them by the Commission in a subsequent proceeding.

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<sup>11</sup> See Order No. PSC-13-0611-PAA-WS, issued November 19, 2013, in Docket No. 130010-WS, In re: Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC. Order No. PSC-14-0016-TRF-WU, issued January 6, 2014, in Docket No. 130251-WU, In re: Application for approval of miscellaneous service charges in Pasco County, by Crestridge Utility Corporation.

<sup>12</sup> See Order No. PSC-98-1247-FOF-SU, issued September 21, 1998, in Docket No. 961478-SU, In re: Application for grandfather certificate to operate a wastewater utility in Polk County by Crooked Lake Park Sewerage Company.

**Issue 13:** Should the recommended rates be approved for Crooked Lake on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility?

**Preliminary 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, in the event of a protest filed by a party other than the Utility. Crooked Lake 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 Clerk's office 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. (Golden)

**Staff Analysis:** This recommendation proposes an increase in 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. Crooked Lake 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 \$19,902. 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; or
- 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, and,
- 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 Commission Clerk must be a signatory to the escrow agreement; and
- 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 Clerk's office 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.

**Issue 14:** Should Crooked Lake be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all applicable NARUC USOA primary accounts associated with the Commission-approved adjustments?

**Preliminary Recommendation:** Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Crooked Lake 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, and that the Utility has taken steps to establish and maintain records using the accrual basis. (Golden)

**Staff Analysis:** The NARUC USOA requires that the books of accounts of all wastewater utilities shall be kept by the double entry method, on an accrual basis. Further, each utility shall keep its accounts monthly and shall close its books at the end of each calendar year. Commission audit staff noted that the Utility's current accounting system is not in full compliance with the NARUC requirement. Specifically, the Utility's records are maintained on a cash basis during the year by the Utility's office manager. At the end of the year, the Utility's outside accountant changes the general ledger to an accrual basis through a series of journal entry adjustments. The differences between a cash basis and accrual basis of accounting, and the fact that the test year did not equate to a calendar year, complicated the audit staff's effort to adapt the information from the Utility's accounting system for this proceeding. In order to use the Utility's records for ratemaking purposes, audit staff was required to convert half of the Utility's test year accounting records from a cash basis to an accrual basis, considerably increasing the audit staff's work.

Although it is acceptable for the Utility to continue to maintain its records on a cash basis for other purposes, such as income taxes, the Utility must take steps to establish monthly records using the accrual basis in order to comply with the NARUC USOA. The Utility should either convert its records to an accrual basis for all purposes, or establish an additional set of records using the accrual basis specifically for regulatory purposes.

To ensure that the Utility adjusts its books in accordance with the Commission's decision, Crooked Lake 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, and that the Utility has taken steps to establish and maintain records using the accrual basis.

CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 1-A	
TEST YEAR ENDED 06/30/13		DOCKET NO. 130178-SU	
SCHEDULE OF WASTEWATER RATE BASE (PHASE I)			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$452,262	(\$100,863)	\$351,399
2. LAND & LAND RIGHTS	6,197	0	6,197
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(127,636)	(300)	(127,936)
5. ACCUMULATED DEPRECIATION	(260,657)	(13,217)	(273,874)
6. AMORTIZATION OF CIAC	117,782	7,480	125,262
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>15,435</u>	<u>15,435</u>
8. WASTEWATER RATE BASE	<u>\$187,948</u>	<u>(\$91,465)</u>	<u>\$96,483</u>

**CROOKED LAKE PARK SEWERAGE COMPANY**  
**TEST YEAR ENDED 06/30/13**  
**ADJUSTMENTS TO RATE BASE (PHASE I)**

**SCHEDULE NO. 1-B**  
**DOCKET NO. 130178-SU**

**UTILITY PLANT IN SERVICE**

1.	To restore 2006 SARC averaging adjustment.	\$3,616
2.	To remove unsupported plant additions and retirements from 1/1/06 - 6/30/12.	(3,872)
3.	To remove an incorrect acquisition adjustment for 7/1/12 - 6/30/13.	(77,500)
4.	To reflect 2012 plant addition of lift station pump to Acct. No. 370.	2,618
5.	To record 2012 retirement of lift station pump to Acct. No. 370.	(1,964)
6.	To reflect 2012 actual cost of new truck to Acct. No. 391.	(362)
7.	To reflect 2012 retirement of truck owned by prior utility owner to Acct. No. 391.	(24,984)
8.	To reclassify 2013 fence repairs from Acct. No. 736 to Acct. No. 354.	2,205
9.	To record 2013 fence retirement to Acct. No. 354.	(1,654)
10.	To reclassify 2013 pump repairs from Acct. No. 736 to Acct. No. 370.	7,244
11.	To record 2013 pump retirement to Acct. No. 370.	(5,433)
12.	To reclassify 2013 chlorine pump repairs from Acct. No. 736 to Acct. No. 380.	780
13.	To record 2013 chlorine pump retirement to Acct. No. 380.	(585)
14.	To reflect an averaging adjustment.	(972)
	Total	<u>(\$100,863)</u>

**CIAC**

	To restore 2006 SARC averaging adjustment.	<u>(\$300)</u>
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**ACCUMULATED DEPRECIATION**

1.	To restore 2006 SARC averaging adjustment.	(83,529)
2.	To reflect accumulated depreciation per Rule 25-30.140, F.A.C.	30
3.	To reflect an averaging adjustment.	(9,718)
	Total	<u>(\$13,217)</u>

**AMORTIZATION OF CIAC**

1.	To restore 2006 SARC averaging adjustment.	\$460
2.	To reflect amortization of CIAC based on composite rates.	8,798
3.	To reflect an averaging adjustment.	(1,778)
	Total	<u>\$7,480</u>

**WORKING CAPITAL ALLOWANCE**

	To reflect 1/8 of test year O & M expenses.	<u>\$15,435</u>
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CROOKED LAKE PARK SEWERAGE COMPANY							SCHEDULE NO. 2	
TEST YEAR ENDED 06/30/13							DOCKET NO. 130178-SU	
SCHEDULE OF CAPITAL STRUCTURE (PHASE I)								
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS*	BALANCE PER STAFF*	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON STOCK	\$3,000	\$0	\$3,000					
2. RETAINED EARNINGS	(49,430)	0	(49,430)					
3. PAID IN CAPITAL	125,520	0	125,520					
4. OTHER COMMON EQUITY	<u>0</u>	<u>0</u>	<u>0</u>					
TOTAL COMMON EQUITY	\$79,090	\$0	\$79,090	(\$39,463)	\$39,627	41.07%	11.05%	4.54%
5. LONG-TERM DEBT	\$141,249	(\$27,770)	\$113,479	(\$56,623)	\$56,856	58.93%	9.07%	5.34%
6. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
7. PREFERRED STOCK	0	0	0	0	0	0.00%	0.00%	0.00%
TOTAL DEBT	\$141,249	(\$27,770)	\$113,479	(\$56,623)	\$56,856	58.93%		
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>\$220,339</u>	<u>(\$27,770)</u>	<u>\$192,569</u>	<u>(\$96,086)</u>	<u>\$96,483</u>	<u>100.00%</u>		<u>9.88%</u>
RANGE OF REASONABLENESS						<b>LOW</b>	<b>HIGH</b>	
RETURN ON EQUITY						<u>10.05%</u>	<u>12.05%</u>	
OVERALL RATE OF RETURN						<u>9.47%</u>	<u>10.29%</u>	

CROOKED LAKE PARK SEWERAGE COMPANY				SCHEDULE NO. 3-A	
TEST YEAR ENDED 06/30/13				DOCKET NO. 130178-SU	
SCHEDULE OF WASTEWATER OPERATING INCOME (PHASE I)					
	TEST YEAR	STAFF	STAFF	ADJUST.	REVENUE
	PER UTILITY	ADJUSTMENTS	ADJUSTED	FOR	REQUIREMENT
			TEST YEAR	INCREASE	
1. OPERATING REVENUES	\$126,233	\$0	\$126,233	\$29,844 23.64%	\$156,077
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$132,836	(\$9,358)	\$123,478	\$0	\$123,478
3. DEPRECIATION (NET)	13,730	(4,066)	9,664	0	9,664
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	4,315	4,928	9,243	1,343	10,586
6. INCOME TAXES	0	0	0	0	0
7. TOTAL OPERATING EXPENSES	\$150,881	(\$8,495)	\$142,386	\$1,343	\$143,729
8. OPERATING INCOME/(LOSS)	(\$24,648)		(\$16,153)		\$12,348
9. WASTEWATER RATE BASE	\$187,948		\$96,483		\$96,483
10. OPERATING RATIO					10.00%

CROOKED LAKE PARK SEWERAGE COMPANY TEST YEAR ENDED 06/30/13 ADJUSTMENTS TO OPERATING INCOME (PHASE I)		Schedule No. 3-B DOCKET NO. 130178-SU Page 1 of 2
<b>OPERATION AND MAINTENANCE EXPENSES</b>		
1.	Salaries and Wages - Employees (701)	
	a. To remove salaries for two positions currently hired through contractual services.	( <u>\$19,741</u> )
2.	Sludge Removal Expense (711)	
	a. To reflect annual sludge removal expense.	<u>\$5,180</u>
3.	Purchased Power (715)	
	a. To reflect appropriate purchased power expense.	<u>\$132</u>
4.	Contractual Services - Billing (730)	
	a. To reflect appropriate billing expense.	<u>\$1,152</u>
5.	Contractual Services - Professional (731)	
	a. To reflect accrual for 2012 accounting services.	<u>\$6,650</u>
6.	Contractual Services - Testing (735)	
	a. To reflect appropriate testing expense.	<u>\$1,468</u>
7.	Contractual Services - Other (736)	
	a. To reclassify and capitalize fence repairs to Acct. No. 354.	(\$2,205)
	b. To reclassify and capitalize lift station pump repairs to Acct. No. 370.	(7,244)
	c. To reclassify and capitalize chlorine pump repairs to Acct. No. 380.	(780)
	d. To remove unsupported contractual services expense.	(3,778)
	e. To reflect appropriate contract operator expense.	18,510
	f. To reflect annualized contractual office management and maintenance expenses.	26,798
	g. To reflect 5-year amortization of pro forma smoke test.	300
	Subtotal	<u>\$31,601</u>
8.	Transportation Expense (750)	
	a. To remove 4 adjusting journal entries for 2012.	( <u>\$1,122</u> )
9.	Insurance Expenses (755)	
	a. To reflect appropriate insurance expense.	( <u>\$5,249</u> )
10.	Regulatory Commission Expense (765)	
	a. To remove 2012 RAF payment.	( <u>\$6,132</u> )
	b. To reflect 4-year amortization of rate case expense (\$1,849/4).	462
	Subtotal	( <u>\$5,670</u> )
11.	Bad Debt Expense (770)	
	a. To reflect appropriate bad debt expense.	( <u>\$18,976</u> )
12.	Miscellaneous Expense (775)	
	a. To reflect 5-year amortization of pro forma WWTP application fee.	(\$4,240)
	b. To remove non-utility expense of prior owner.	(543)
	Subtotal	( <u>\$4,783</u> )
<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>		<u>(\$9,358)</u>

<b>CROOKED LAKE PARK SEWERAGE COMPANY</b>		<b>Schedule No. 3-B</b>
<b>TEST YEAR ENDED 06/30/13</b>		<b>DOCKET NO. 130178-SU</b>
<b>ADJUSTMENTS TO OPERATING INCOME (PHASE I)</b>		<b>Page 2 of 2</b>
<b>DEPRECIATION EXPENSE</b>		
1.	To reflect test year depreciation calculated per 25-30.140, F.A.C.	(\$1,504)
2.	To reflect the appropriate amortization of CIAC.	<u>(2,562)</u>
	Total	<u>(\$4,066)</u>
<b>TAXES OTHER THAN INCOME</b>		
1.	To reflect the appropriate test year RAFs.	\$5,680
2.	To reflect appropriate test year utility property taxes.	<u>(752)</u>
	Total	<u>\$4,928</u>

CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 3-C	
TEST YEAR ENDED 06/30/13		DOCKET NO. 130178-SU	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE (PHASE I)			
	TOTAL PER UTILITY*	STAFF ADJUST- MENTS	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$19,741	(\$19,741)	\$0
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	2,220	5,180	7,400
(715) PURCHASED POWER	8,935	132	9,067
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	4,253	0	4,253
(720) MATERIALS AND SUPPLIES	2,251	0	2,251
(730) CONTRACTUAL SERVICES - BILLING	5,757	1,152	6,909
(731) CONTRACTUAL SERVICES - PROFESSIONAL	631	6,650	7,281
(735) CONTRACTUAL SERVICES - TESTING	490	1,468	1,958
(736) CONTRACTUAL SERVICES - OTHER	32,815	31,601	64,416
(740) RENTS	0	0	0
(750) TRANSPORTATION EXPENSE	5,475	(1,122)	4,353
(755) INSURANCE EXPENSE	14,747	(5,249)	9,498
(765) REGULATORY COMMISSION EXPENSES	6,132	(5,670)	462
(770) BAD DEBT EXPENSE	22,710	(18,976)	3,734
(775) MISCELLANEOUS EXPENSES	<u>6,679</u>	<u>(4,783)</u>	<u>1,896</u>
	<u>\$132,836</u>	<u>(\$9,358)</u>	<u>\$123,478</u>

\* Utility balance includes reclassifications from NARUC accounts and non-NARUC subaccounts.

CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 4	
TEST YEAR ENDED JUNE 30, 2013		DOCKET NO. 130178-SU	
MONTHLY WASTEWATER RATES (PHASE I)			
	UTILITY CURRENT RATES	STAFF PRELIMINARY RECOMMENDED RATES	4 YEAR RATE REDUCTION
<b><u>Residential Service</u></b>			
Base Facility Charge for All Meter Sizes	\$15.46	\$15.50	\$0.05
Charge per 1,000 gallons - Residential			
8,000 gallon cap	\$3.06		
6,000 gallon cap		\$3.81	\$0.01
<b><u>General Service</u></b>			
Base Facility Charge by Meter Size			
5/8" X 3/4"	\$15.46	\$15.50	\$0.05
3/4"	\$23.19	\$23.25	\$0.08
1"	\$38.65	\$38.75	\$0.13
1-1/2"	\$77.30	\$77.50	\$0.26
2"	\$123.68	\$124.00	\$0.42
3"	\$247.36	\$248.00	\$0.84
4"	\$386.50	\$387.50	\$1.32
6"	\$773.00	\$775.00	\$2.64
Charge per 1,000 gallons - General Service	\$3.67	\$4.57	\$0.02
<b><u>Bulk Service</u></b>			
College Park	\$1,546.00	\$1,550.00	\$5.27
Charge per 1,000 gallons - Bulk			
800,000 gallon cap	\$3.06		
600,000 gallon cap		\$3.81	\$0.01
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>			
3,000 Gallons	\$24.64	\$26.93	
6,000 Gallons	\$33.82	\$38.36	
8,000 Gallons	\$39.94	\$38.36	

CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 5-A	
TEST YEAR ENDED 06/30/13		DOCKET NO. 130178-SU	
SCHEDULE OF WASTEWATER RATE BASE (PHASE II)			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$351,399	\$450,000	\$801,399
2. LAND & LAND RIGHTS	6,197	0	6,197
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(127,936)	0	(127,936)
5. ACCUMULATED DEPRECIATION	(273,874)	(7,989)	(281,863)
6. AMORTIZATION OF CIAC	125,262	0	125,262
7. WORKING CAPITAL ALLOWANCE	<u>15,435</u>	<u>0</u>	<u>15,435</u>
8. WASTEWATER RATE BASE	<u>\$96,483</u>	<u>\$442,011</u>	<u>\$538,494</u>

**CROOKED LAKE PARK SEWERAGE COMPANY**  
**TEST YEAR ENDED 06/30/13**  
**ADJUSTMENTS TO RATE BASE (PHASE II)**

**SCHEDULE NO. 5-B**  
**DOCKET NO. 130178-SU**

**UTILITY PLANT IN SERVICE**

1. To reflect pro forma construction of surge tank, digester tank, and sludge bed to Acct. No. 380.	\$393,950
2. To reflect pro forma collection system mapping and cleaning to Acct. No. 361.	50,000
3. To reflect pro forma plant replacement of electrical control panel to Acct. No. 360.	<u>6,050</u>
Total	<u>\$450,000</u>

**ACCUMULATED DEPRECIATION**

To reflect pro forma accumulated depreciation per Rule 25-30.140, F.A.C.	<u>(\$7,989)</u>
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CROOKED LAKE PARK SEWERAGE COMPANY							SCHEDULE NO. 6		
TEST YEAR ENDED 06/30/13							DOCKET NO. 130178-SU		
SCHEDULE OF CAPITAL STRUCTURE (PHASE II)									
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS*	BALANCE PER STAFF*	PERCENT OF TOTAL	COST	WEIGHTED COST	
1. COMMON STOCK	\$3,000	\$0	\$3,000						
2. RETAINED EARNINGS	(49,430)	0	(49,430)						
3. PAID IN CAPITAL	125,520	0	125,520						
4. OTHER COMMON EQUITY	<u>0</u>	<u>0</u>	<u>0</u>						
TOTAL COMMON EQUITY	\$79,090	\$0	\$79,090	\$142,075	\$221,165	41.07%	11.05%	4.54%	
5. LONG-TERM DEBT	\$141,249	(\$27,770)	\$113,479	\$203,850	\$317,329	58.93%	9.07%	5.34%	
6. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%	
7. PREFERRED STOCK	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	0.00%	
TOTAL DEBT	\$141,249	(\$27,770)	\$113,479	\$203,850	\$317,329	58.93%			
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>\$220,339</u>	<u>(\$27,770)</u>	<u>\$192,569</u>	<u>\$345,925</u>	<u>\$538,494</u>	<u>100.00%</u>		<u>9.88%</u>	
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>		
RETURN ON EQUITY						<u>10.05%</u>	<u>12.05%</u>		
OVERALL RATE OF RETURN						<u>9.47%</u>	<u>10.29%</u>		

CROOKED LAKE PARK SEWERAGE COMPANY				SCHEDULE NO. 7-A	
TEST YEAR ENDED 06/30/13				DOCKET NO. 130178-SU	
SCHEDULE OF WASTEWATER OPERATING INCOME (PHASE II)					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	\$156,077	\$0	\$156,077	\$57,998 37.16%	\$214,075
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$123,478	0	\$123,478	\$0	\$123,478
3. DEPRECIATION (NET)	9,664	7,989	17,653	0	17,653
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	10,586	6,528	17,114	2,610	19,724
6. INCOME TAXES	0	0	0	0	0
7. TOTAL OPERATING EXPENSES	\$143,729	\$14,516	\$158,245	\$2,610	\$160,855
8. OPERATING INCOME/(LOSS)	\$12,348		(\$2,168)		\$53,221
9. WASTEWATER RATE BASE	\$96,483		\$538,494		\$538,494
10. RATE OF RETURN	10.00% (Operating Ratio)		-0.40%		9.88%

<b>CROOKED LAKE PARK SEWERAGE COMPANY</b>		Schedule No. 7-B
<b>TEST YEAR ENDED 06/30/13</b>		<b>DOCKET NO. 130178-SU</b>
<b>ADJUSTMENTS TO OPERATING INCOME (PHASE II)</b>		
<b>DEPRECIATION EXPENSE</b>		
To reflect pro forma depreciation calculated per 25-30.140, F.A.C.		<u>\$7,989</u>
<b>TAXES OTHER THAN INCOME</b>		
To reflect pro forma utility property taxes.		<u>\$6,528</u>

CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 7-C	
TEST YEAR ENDED 06/30/13		DOCKET NO. 130178-SU	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE (PHASE II)			
	TOTAL PER UTILITY	STAFF ADJUST- MENTS	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	7,400	0	7,400
(715) PURCHASED POWER	9,067	0	9,067
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	4,253	0	4,253
(720) MATERIALS AND SUPPLIES	2,251	0	2,251
(730) CONTRACTUAL SERVICES - BILLING	6,909	0	6,909
(731) CONTRACTUAL SERVICES - PROFESSIONAL	7,281	0	7,281
(735) CONTRACTUAL SERVICES - TESTING	1,958	0	1,958
(736) CONTRACTUAL SERVICES - OTHER	64,416	0	64,416
(740) RENTS	0	0	0
(750) TRANSPORTATION EXPENSE	4,353	0	4,353
(755) INSURANCE EXPENSE	9,498	0	9,498
(765) REGULATORY COMMISSION EXPENSES	462	0	462
(770) BAD DEBT EXPENSE	3,734	0	3,734
(775) MISCELLANEOUS EXPENSES	<u>1,896</u>	0	<u>1,896</u>
	<u>\$123,478</u>	<u>\$0</u>	<u>\$123,478</u>

<b>CROOKED LAKE SEWERAGE COMPANY</b>		<b>SCHEDULE NO. 8</b>	
<b>TEST YEAR ENDED JUNE 13, 2013</b>		<b>DOCKET NO. 130178-SU</b>	
<b>MONTHLY WASTEWATER RATES (PHASE II)</b>			
	<b>STAFF PRELIMINARY RECOMMENDED PHASE I RATES</b>	<b>STAFF PRELIMINARY RECOMMENDED PHASE II RATES</b>	
<b><u>Residential Service</u></b>			
Base Facility Charge for All Meter Sizes	\$15.50		\$20.88
Charge per 1,000 gallons- Residential 6,000 gallon cap	\$3.81		\$5.32
<b><u>General Service</u></b>			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$15.50		\$20.88
3/4"	\$23.25		\$31.32
1"	\$38.75		\$52.20
1-1/2"	\$77.50		\$104.40
2"	\$124.00		\$167.04
3"	\$248.00		\$334.08
4"	\$387.50		\$522.00
6"	\$775.00		\$1,044.00
Charge per 1,000 Gallons -General Service	\$4.57		\$6.38
<b><u>Bulk Service</u></b>			
College Park	\$1,550.00		\$2,088.00
Charge per 1,000 gallons - Bulk 600,000 gallon cap	\$3.81		\$5.32
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>			
3,000 Gallons	\$26.93		\$36.84
6,000 Gallons	\$38.36		\$52.80
8,000 Gallons	\$38.36		\$52.80