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| State of Florida  pscSEAL | | 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- | |
| DATE: | October 1, 2015 | | |
| TO: | Office of Commission Clerk (Stauffer) | | |
| FROM: | Division of Accounting and Finance (Galloway, Fletcher, Smith)  Division of Economics (Hudson, Thompson)  Division of Engineering (Mtenga, Vickery)  Office of the General Counsel (Ames, Corbari) | | |
| RE: | Docket No. 140217-WU – Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc. | | |
| AGENDA: | 10/13/15 – Regular Agenda – Proposed Agency Action Except for Issues Nos. 10, 12, and 17 - Interested Persons May Participate | | |
| COMMISSIONERS ASSIGNED: | | | All Commissioners |
| PREHEARING OFFICER: | | | Edgar |
| CRITICAL DATES: | | | 04/18/16 (15-Month Effective Date (SARC)) |
| SPECIAL INSTRUCTIONS: | | | None |

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Case Background

Cedar Acres, Inc. (Cedar Acres or utility) is a Class C water utility serving approximately 319 customers in the Oakland Hills subdivision located in Sumter County. The area is in the Southwest Florida Water Management District (SWFWMD). Wastewater treatment is provided by septic tanks. According to the utility’s 2014 Annual Report, total gross revenues were $35,353 and total operating expenses were $105,130, resulting in a net operating loss of $69,777.

The utility was subject to Sumter County jurisdiction when the development was designed, and Cedar Acres was established. The County turned over jurisdiction to the Florida Public Service Commission (Commission) in 1987. Unaware of the change in jurisdiction, the utility did not apply for an original certificate with the Commission until 2008. The Commission granted an original certificate and approved the existing rates and charges.[[1]](#footnote-1)

On November 17, 2014, the Commission received Cedar Acres’ application for a staff-assisted rate case. The instant docket is the utility’s first rate case. Rate base has never been established for Cedar Acres. Likewise, rates have not changed in almost 30 years, since the utility’s inception.

The Commission has the authority to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.).

Discussion of Issues

Issue 1:

 Is the quality of service provided by the Utility satisfactory?

Recommendation:

 No. Due to the improper issuance of boil water notices and the same violations in both the 2012 and 2015 DEP sanitary surveys, staff recommends that the overall quality of service for the Cedar Acres water system in Sumter County is unsatisfactory. In addition, staff recommends a decrease to the President’s salary as discussed in Issue 6 of this recommendation. (Mtenga)

Staff Analysis:

 Pursuant to Rule 25-30.433(1), F.A.C., in water and wastewater rate cases, the Commission shall determine the overall quality of service provided by the 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 the DEP and health department officials and customer comments or complaints over the preceding five-year period shall be considered pursuant to Section 367.0812(1)(c), F.S.

Quality of Utility’s Product and Operating Conditions of the Utility’s Plant and Facilities.

Cedar Acres is located in the Oakland Hills subdivision in Lady Lake, Florida. The raw source water is ground water which is obtained from two wells in the service area and is treated. The processing sequence for the water treatment system is to pump raw water from the aquifer, inject liquid chlorine, store in a tank and then distribute.

The last Sanitary Survey Report by DEP was dated July 14, 2015. Five deficiencies were noted by DEP. There was no signed and sealed report documenting a tank inspection for the 5,000 gallon hydro-pneumatic tank; no emergency preparedness/response plan available for review; no cross connection control panel plan on file; no record that the calibration of the finished drinking water flow meter had been checked and the well pedestal was damaged. All of these deficiencies were also found in the previous sanitary survey conducted by DEP in 2012. Besides a documented tank inspection, the utility has not corrected the other deficiencies according to DEP.

A recent incident with the utility in July of 2015 has called into question the operations of Cedar Acres. The utility experienced a power failure as a result of non-payment of its electric bills. The utility had switched from receiving paper to electronic billing and had missed the notices for disconnection. As a result of the disconnection the backup generator turned on but did not alert the operator that it was operating. As a result, the generator ran out of fuel and the water pressure decreased, resulting in the issuance of a boil water notice to the community. In staff’s investigation of the event, we found that the utility is not in compliance with Department of Health and DEP standards for the issuances of boil water notices. Some customers had noted that they had not received boil water notices and in fact never receive boil water notices from the utility. The utility has a practice of posting one sign at the entrance of the community. The Department of Health requires boil water notices to be issued either through radio or television stations that broadcast in the area, consistent with Rule 62-560.410(1)(a)(1), F.A.C., telephoned, such as reverse 911, or hand-delivered to all affected residents and businesses as soon as possible. The utility has been informed of its improper practice and stated it will change the protocol in future incidences. DEP was notified of the incident and inspected the facilities again in mid-August 2015. They gave notice to the utility to fix the issues with the generator by August 27, 2015, which the utility has not fixed to date.

The Utility’s Attempt to Address Customer Satisfaction.

Staff reviewed the Commission’s complaint records and there were four complaints recorded in the last five years. All four complaints identified improper billing and stated no billing details appeared on the bill. The utility has since changed the company that handles its billing and those issues have been resolved. Staff asked the Utility for a copy of its in-house complaints during the test year and the utility responded that it did not receive any complaints.

Staff conducted a customer service meeting on May 14, 2015. This meeting gave the customers an opportunity to express specific concerns regarding the utility’s attitude and responsiveness to quality of service issues. All quality of service complaints were investigated and taken into consideration during the preparation of staff’s final recommendation.

The customer service meeting was held in Lady Lake, Florida. Thirty-eight customers attended the meeting and nine customers spoke. All of the customers who spoke at the meeting and who wrote letters subsequently were primarily concerned with the rate increase itself. There was only one customer complaint addressing secondary water quality issues such as taste and odor. The utility is currently in compliance with all primary and secondary water standards set by the DEP.

The utility’s customer complaints have been minimal and mostly in regards to improper billing which staff found to be associated with previous management. However, the incident in July 2015 showcased a major DEP compliance issue with improper boil water notice issuance. Also, the utility had the same violations on both the 2012 and 2015 DEP sanitary surveys. Because of these two issues, staff recommends that the overall quality of service for the Cedar Acres water system is unsatisfactory. In addition, staff recommends a decrease to the President’s salary as discussed in Issue 6 of this recommendation.

Issue 2:

 What is the used and useful percentage of Cedar Acres’ water treatment plant and water distribution system?

Recommendation:

 Cedar Acres’ water treatment plant and water distribution system should be considered 100 percent used and useful (U&U). There is zero excessive unaccounted for water (EUW), therefore, no adjustment to chemicals and purchased power expense is recommended. (Mtenga)

Staff Analysis:

 The distribution system is a network of approximately 14,170 linear feet of 4, 6, and 8-inch pipe. According to the utility, there are no fire hydrants in the subdivision. The utility’s water treatment plant consists of two wells, one 8 inch well rated 300 gallons per minute (gpm) and a second 5 inch well rated at 90 gpm for a total capacity of 390 gpm. Each well has a 5,000-gallon hydro-pneumatic tank for pressurization and a hypo-chlorination system is used for disinfection.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., describes EUW as unaccounted for water in excess of 10 percent of the amount produced or purchased. When establishing the rule, the Commission recognized that some uses of water are readily measureable and others are not. Unaccounted for water is all produced or purchased water that is not sold, metered or accounted for in the records of a utility. The rule provides that to determine whether adjustments to plant and operating expenses, such as purchased power and chemicals are necessary, the Commission will consider all relevant factors as to the reason for EUW. The relevant factors include solutions implemented to correct the problem or whether a proposed solution is economically feasible. The unaccounted for water is calculated by subtracting both the gallons used for services, such as flushing, and the gallons sold to customers from the total gallons pumped or purchased for the test year.

According to the utility’s application, Cedar Acres pumped 24,655,000 gallons of water and sold 22,190,000 gallons of water to customers. The result [(24,655,000-22,190,000)÷24,655,000] for unaccounted for water is 10 percent, which means there is EUW of zero percent. Staff reviewed the utility’s 2013 Annual Report and monthly operating reports to verify what was provided in the application and recommends no adjustment be made to O&M expenses.

Used and Useful (U&U)

Pursuant to Rule 25-30.4325, F.A.C., the U&U percentage of the WTP was calculated by taking the single maximum day in the test year less the EUW times two, then adding the fire flow allowance plus the growth allowance, then dividing the whole amount by the firm reliable capacity (([2 x (single maximum day-EUW)] + fire flow + growth allowance)/ firm reliable capacity). The utility has two wells with a total capacity of 390 gpm. If a water system has more than one well, the highest capacity well should be removed from the calculation to determine the plant’s firm reliable capacity. By taking one of the wells (300 gpm) out of service, the utility reflected a firm reliable capacity of 90 gpm. The single maximum day in the test year was 141,600 gallons (98 gpm) which occurred on January 14, 2014. This does not appear to have been caused by a line break or other unusual occurrence that day. The utility’s records indicated unaccounted for water of 10 percent, which would mean there is an EUW of zero percent. The growth allowance is 5 gpm. The fire flow allowance is zero. The result, [(2\*(98-0)+0+5)/90= 228%] is greater than 100 percent U&U. There has been no prior rate case for this utility; therefore, U&U has not been previously established by the Commission. The utility’s distribution system has not experienced growth over the last several years and is fully utilized by existing customers. Based on the above information, Cedar Acres’ water treatment plant and water distribution system should be considered 100 percent used and useful (U&U). There is zero excessive unaccounted for water, therefore, no adjustment to chemicals and purchased power expense is recommended.

Issue 3:

 What is the appropriate average test year rate base for Cedar Acres?

Recommendation:

 The appropriate average test year rate base for Cedar Acres is $64,137. (Galloway)

Staff Analysis:

 The appropriate components of the utility’s rate base include utility plant-in-service, land, accumulated depreciation, and working capital. Staff selected a test year ended September 30, 2014, for this rate case. A summary of each component and the adjustments follows:

**Utility Plant-in-Service (UPIS)**

The utility recorded $364,356 in UPIS. The utility was not able to provide supporting documentation for this amount. Staff reviewed Cedar Acres’ general ledger, invoices, and tax returns to calculate the balance for UPIS. Based on this information, the recommended UPIS is $57,019. This represents a reduction of $307,337.

**Land**

Cedar Acres recorded $47,740 in land. Cedar Acres purchased 217 acres of land on June 10, 1983, of which two parcels, a total of 4.34 acres, were dedicated to public service for use by the utility. Based on documentary stamps affixed on the deed, the price paid per acre was $1,023, resulting in a land value of $4,440 ($1,023\*4.34 acres). Staff reduced land by $43,300 ($47,740-$4,440) to reflect the original cost when devoted to public use. Upon further review, staff determined that one of the two parcels is no longer being used for utility purposes. Therefore, staff recommends that land be reduced by an additional $2,220 resulting in a recommended balance of $2,220 ($4,440-$2,220).

**Non-Used and Useful Plant**

As discussed in Issue 2 of this recommendation, Cedar Acres’ water treatment plant and distribution system are 100 percent U&U. Therefore, a non-U&U adjustment is not necessary.

**Accumulated Depreciation**

Cedar Acres recorded $275,116 for accumulated depreciation. Staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. This resulted in a decrease of $266,912 to test year accumulated depreciation. In addition, staff decreased this account by $1,327 ($2,6532) to reflect an averaging adjustment. The aforementioned adjustments result in average accumulated depreciation of $6,877 ($275,116-$266,912-$1,327).

**Contributions-in-Aid-of-Construction (CIAC)**

Cedar Acres did not record any CIAC. The utility stated that there is no CIAC nor has there ever been any CIAC. The tariff on file with the Commission includes no specified service availability charges. Thus, no adjustment is necessary to CIAC.

**Amortization of CIAC**

Cedar Acres did not record any amortization of CIAC. As stated above, the utility did not record any CIAC. Therefore, no adjustment is necessary to amortization of CIAC.

**Working Capital Allowance**

Cedar Acres did not record any working capital allowance. Working capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of a utility. Consistent with Rule 25-30.433(2), F.A.C., staff recommends that the one-eighth of the operation and maintenance (O&M) expense formula approach be used for calculating a working capital allowance. Applying this formula, staff recommends a working capital allowance of $11,775 (based on O&M expense of $94,198).

**Rate Base Summary**

Based on the foregoing, staff recommends that the appropriate test year average rate base is $64,137. Rate base is shown on Schedule No. 1-A, and staff’s adjustments are shown on Schedule No. 1-B.

Issue 4:

 What is the appropriate rate of return on equity and overall rate of return for Cedar Acres?

Recommendation:

 The appropriate return on equity (ROE) is 8.74 percent with a range of 7.74 percent to 9.74 percent. The appropriate overall rate of return is 8.74 percent. (Galloway, Smith)

Staff Analysis:

 In its capital structure, the utility included common stock, retained earnings and related-party debt. Staff could not verify the amounts of common stock and retained earnings. Therefore, the common stock balance in the amount of $9,500 and retained earnings in the amount of ($118,986) were removed from the utility’s capital structure.

It is Commission practice that, regarding related-party debt, when no interest or scheduled payments for principal are being made, the debt is considered common equity.[[2]](#footnote-2) Staff has adjusted the utility’s capital structure to reflect the related-party debt as common equity pursuant to Commission practice. This adjustment results in a common equity balance of $232,445.

The utility’s capital structure has been reconciled with staff’s recommended rate base. Consistent with the Commission-approved leverage formula currently in effect, the appropriate ROE is 8.74 percent.[[3]](#footnote-3) Staff recommends an ROE of 8.74 percent with a range of 7.74 percent to 9.74 percent, and an overall rate of return of 8.74 percent. The ROE and overall rate of return are shown on Schedule No. 2.

Issue 5:

 What are the appropriate test year revenues for the utility’s water system?

Recommendation:

 The appropriate test year revenues for Cedar Acres’ water system are $35,451. (Thompson)

Staff Analysis:

 The utility’s test year is October 2013 to September 2014 and revenues are only recorded at the end of each calendar year. For that reason, Cedar Acres’ last recorded revenues were $28,638 as of December 31, 2013. Based on staff’s review of the utility’s test year billing determinants and the rates that were in effect during the test year, staff determined that the test year revenues should be increased by $6,764.

In addition, during the test year, there were numerous meters that were not read due to various issues. Therefore, the test year gallons were understated. In order to determine the appropriate gallons for ratesetting purposes, staff believes it is appropriate to use 90 percent of the test year water gallons pumped, which is 22,190,000 gallons. The billed test year gallons were 21,118,000, resulting in a difference of 1,072,000 gallons. Staff believes it is appropriate to impute the 1,072,000 gallons and the associated revenue of $49 due to the unread meters. It should be noted that in Issue 6 staff is recommending a meter replacement program as a remedy to the various meter issues. Based on the above, staff recommends that the appropriate test year revenues for Cedar Acres’ water system are $35,451 ($28,638+$6,764+$49). Test year revenues are shown on Schedule No. 3-A.

Issue 6:

 What is the appropriate amount of operating expense?

Recommendation:

 The appropriate amount of operating expense for Cedar Acres is $106,003. (Smith)

Staff Analysis:

 Cedar Acres recorded operating expense of $102,803 for the test year ended September 30, 2014. The test year O&M expenses have been reviewed. Invoices, canceled checks, and other supporting documentation have been examined. Staff has made several adjustments to the utility’s operating expenses as summarized below:

**Operation and Maintenance (O&M) Expenses**

***Salaries and Wages - Employees (601)***

Cedar Acres recorded $50,837 for Salaries and Wages – Employees expense. This amount includes the salary for the utility’s Finance Manager. The Finance Manager’s duties and responsibilities include general bookkeeping and accounting for the utility along with financial reporting and ensuring compliance with utility regulations. Other duties include responding to customer inquiries and coordinating utility maintenance, as well as coordinating the meter reading and billing functions with the third-party company who performs this work every other month. The utility provided recent W-2 forms for support documentation of the salaries and wages for the Finance Manager. Based on that information, the Finance Manager’s salary was increased by $1,086 to reflect the appropriate test year amount, resulting in a salary of $51,923.

In the audit workpapers along with responses to data requests, the utility indicated that the Finance Manager spends 10 percent of her time on bookkeeping duties for non-utility business. It was also noted that she spends approximately one hour per week answering phones for another related-party business in the same building. Staff is therefore basing her salary on a 35-hour week.

Staff used the 2012 AWWA Water Utility Compensation Survey (Survey) to develop a range of salaries that best fit the duties performed by the Finance Manager. Staff indexed these salaries to 2015 using the Commission-approved indices from 2013-2015. Since some or parts of some of the duties listed in the Survey are contracted out by Cedar Acres, staff is recommending a salary for the Finance Manager equal to the average of the minimum salaries in the survey adjusted for a 35-hour week. This results in a recommended annual salary of $38,938, which represents a net reduction of $11,899 ($51,923-$38,938).

***Salaries and Wages – Officers (603)***

The utility recorded $1,350 in this account for director’s fees. Cedar Acres has a Board of Directors and an associated annual meeting to discuss utility matters. The allowance for director’s fees is in line with prior Commission decisions. In a 2010 rate case for Lighthouse Utilities Company, the Commission allowed $18,000 for three directors.[[4]](#footnote-4) Staff believes the recorded amount for this utility is reasonable and prudent.

Additionally, the utility recorded no salaries or wages for the utility President. Because the President spends approximately five hours per week on various utility-related issues, as well as being on-call on weekends, staff believes a salary for the President is appropriate.

An hourly wage of $14.86 was approved in Docket No. 100471-SU.[[5]](#footnote-5) Staff used this hourly rate due to the similar amount of hours worked and the duties performed, which comports to a 1993 First District Court of Appeals (DCA) decision.[[6]](#footnote-6) The First DCA stated that: "[i]n determining whether an executive's salary is reasonable compared to salaries paid to other company executives, the comparison must, at the minimum, be based on a showing of similar duties, activities, and responsibilities in the person receiving the salary."[[7]](#footnote-7) Staff indexed this amount through 2015 ($14.86\*1.072039 = $15.93)[[8]](#footnote-8) and allowed 260 hours annually. Therefore, staff has included an annual salary of $4,142 (260\*$15.93) for the President. However, based on staff’s recommendation of unsatisfactory quality of service in Issue 1, we are reducing the amount of this salary by 25 percent or $1,036 ($4,142\*.25). This reduction results in a recommended salary for the president of $3,106 ($4,142-$1,036). Staff is recommending a total amount of $4,456 ($1,350+$3,106) for Salaries and Wages – Officers expense.

***Purchased Power (615)***

The utility recorded $3,449 for purchased power. Staff decreased this account by $226 for non-utility expenses related to a lighted sign for the subdivision. The utility also recorded charges for an electric meter that runs a pump at a well site that is no longer in use. The total for that meter was $148. Therefore, staff decreased this account by $374 ($226+$148) to reflect the appropriate amount for purchased power.

***Contractual Service – Professional (631)***

The utility recorded $15,967 in this account. Staff reduced this account by $3,488 for temporary office help. Staff also removed $985 for income tax preparation related to 2012 Income Taxes. Additionally, staff removed $2,855 ($2,100+$425+$330) related to Annual Report preparation that is non-recurring. However, staff believes these services were prudent and necessary due to the poor condition of the utility’s books and records. Consistent with Commission practice, staff is recommending amortizing these amounts over five years. This results in an increase to this account of $1,466 [($3,488+$2,855+$985)÷5].

The utility was found to have approximately 30 meters that require immediate replacement. Staff recommends the implementation of a meter replacement program. The meters will cost $180/meter to replace. The utility will replace 32 meters a year for a total of 320 meters in ten years. Staff recommends that funds for the meter replacement program need to be collected in an escrow account at the rate of $5,760 a year. Staff believes the implementation of such an escrow program will provide extra protections to the customers and ensure the completion of the meter replacement program by the utility.

Therefore, staff is recommending a total amount of $15,865 ($15,967-$3,488-$985-$2,855+$1,466+$5,760) for Contractual Services-Professional. This represents a reduction of $102 ($15,967-$15,865).

***Contractual Service – Testing (635)***

Cedar Acres recorded $2,866 for Contractual Services – Testing. The utility provided invoices to support the testing costs for the test year. Staff has decreased this account by $595 to reflect an invoice that was paid twice. Staff has increased this account by $885 to reflect a three-year amortization of DEP tri-annual testing ($2,655÷3). Therefore, staff recommends Contractual Services – Testing expense of $3,156 ($2,866-$595+$885).

***Rents (640)***

The utility recorded no rent expense in the test year. However, Cedar Acres shares office space with J.S.R. Company, a related party. According to the staff audit report, Cedar Acres uses approximately 25 percent of the total office space. The total monthly rent is $3,048 resulting in the utility’s monthly rent expense of $762 ($3,048\*.25). Therefore, staff is recommending an annual allowance for rent expense in the amount of $9,144 ($762\*12).

***Regulatory Commission Expense (665)***

Cedar Acres did not record any regulatory commission expenses. By Rule 25-22.0407, F.A.C., the utility is required to mail notices of the customer meeting and notices of final rates in this case to its customers. Notices for the customer meeting were included in the customer’s bills. Therefore, the only expense associated with the customer meeting notice was $128 for copies. For the notice of final rates, staff has estimated $156 for postage expense, $64 for printing expense, and $16 for envelopes. These amounts result in $364 ($128+$156+$64+$16) for postage, copying, and envelopes. Additionally, the utility paid a $1,000 rate case filing fee. Based on the above, staff recommends that total rate case expense is $1,364 which, amortized over four years is $341 annually.

***Miscellaneous Expense (675)***

Cedar Acres recorded $5,021 for miscellaneous expense. This account includes lawn care and maintenance, telephone, licenses and fees, along with other incidentals. Staff removed $18 from this account to reflect an unsupported amount.

The utility recorded $1,950 for lawn maintenance during the test year. Staff is recommending two adjustments associated with lawn maintenance. The first is a reduction of $150 for work done on a lot in Oakland Hills that is owned by Cedar Acres, Inc., but is not used for utility business ($1,950-$150=$1,800). The second adjustment is to remove half of the remaining expense for the well site that is no longer being used. Therefore, staff is recommending a further reduction of $900 ($1,800÷2) to lawn maintenance expense.

The utility did not record any expenses related to tank maintenance during the test year. However, staff has verified an invoice for tank maintenance dated July 21, 2015, in the amount of $1,800. Staff has verified an additional invoice, dated August 12, 2015, for external tank painting in the amount of $690. The utility also performed maintenance on their backup generator and water mains. These amounts were $420 and $1,463, respectively. Consistent with Commission practice of amortizing non-recurring expenses over five years, staff is including one-fifth, or $875 [($1,800+$690+$420+$1,463)÷5], in this account.

Through a data request, staff learned that the utility does not own a computer or printer but was borrowing one from an associated company in the same office building. Also, the software it was using on that computer is in need of updating. Normally, these items would be capitalized into rate base. Because staff is recommending the Operating Ratio Method in this case, staff recommends expensing these items. Staff is recommending $500 for a computer and $150 for a printer/copier. Both of these items should be amortized over six years in keeping with Commission depreciation rates. This results in an increase of $108 [($500+$150]÷6) to this account.

Further, staff is recommending increasing this account by $150 to reflect the purchase of updated operating software. This amount represents a monthly fee of $12.50. The utility is also requesting $1,416 for new accounting software. Staff believes this amount is prudent because it will aid the utility in its record keeping. Rule 25-30.433(8), F.A.C, states that “[n]on-recurring expenses shall be amortized over a five-year period unless a shorter or longer period of time can be justified.” Staff is recommending amortizing this amount over five years, in accordance with Rule 25-30.433(8), F.A.C. The resulting increase is $283 ($1,416÷5) to this account.

In conclusion, staff is recommending total miscellaneous expense of $5,369 ($5,021-$18-$150-$900+$875+$108+$150+$283). This is an overall increase of $348.

**O&M Expenses Summary**

Total adjustments to O&M expense result in an increase of $854. Staff’s recommended O&M expense is $94,198. O&M expenses are shown on Schedules No. 3-A and No. 3-C.

***Depreciation Expense (Net of Related Amortization of CIAC)***

Cedar Acres recorded $7,117 in its general ledger for net depreciation expense. Staff has recalculated this amount based on plant items that could be supported through proper records. Using the prescribed rates set forth in Rule 25-30.140, F.A.C., staff is recommending net depreciation expense of $2,653. This amount results in a reduction to net depreciation expense of $4,464 ($7,117-$2,653).

***Taxes Other Than Income (TOTI)***

Cedar Acres recorded $2,342 for TOTI. Staff is reducing property taxes by $12 for the parcel of land associated with the unused well site. Cedar Acres recorded $1,030 for payroll taxes. Based on staff’s recommended combined level of Salaries and Wages expense, staff has calculated payroll taxes of $3,946. Accordingly, staff has increased payroll taxes by $2,916.

Cedar Acres recorded $1,289 for regulatory assessment fees (RAFs). Based on staff’s recommended test year revenues of $35,451, the utility’s RAFs should be $1,596. Staff has increased this account by $307 to reflect the appropriate RAFs. As discussed in Issue 7, revenues have been increased by $79,972 to reflect the change in revenue required to cover expenses and afford the utility a 10 percent margin over its operating expenses. As a result, TOTI should be increased by $3,599 to reflect RAFs of 4.5 percent on the recommended incremental change in revenues. Staff recommends TOTI of $9,152 ($2,342-$12+$2,916+$307+$3,599).

***Income Tax***

The utility did not record any income tax expense for the test year. Cedar Acres has shown a net loss for the last several years in its Annual Reports and income tax returns. This tax loss carry-forward is in excess of the income tax provision on a going-forward basis, and is expected to continue to be so for at least the next 10 years. In this instance, it is Commission practice to allow no provision for income tax.[[9]](#footnote-9) Therefore, staff is not recommending any income tax provision.

**Operating Expenses Summary**

The application of staff’s recommended adjustments to Cedar Acres’ recorded test year operating expenses result in staff’s recommended operating expenses of $106,003. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule No. 3-B.

Issue 7:

 Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for Cedar Acres, and, if so, what is the appropriate margin?

Recommendation:

 Yes, the Commission should utilize the operating ratio methodology for calculating revenue requirement for Cedar Acres. The margin should be 10 percent of O&M expenses. (Galloway)

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. Further, Rule 25-30.456, F.A.C., provides, in part, as an alternative to a staff-assisted rate case as described in Rule 25-30.455, F.A.C., that water utilities whose total gross annual operating revenues are less than $275,000 per system may petition the Commission for staff assistance using alternative rate setting.

Although the utility did not petition the Commission for alternative rate setting under the afore-mentioned rule, staff believes 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 Cedar Acres’ O&M expenses plus a margin. This methodology has been applied in cases that satisfy the qualifying criteria discussed below and cases in which the traditional calculation of the revenue requirement would not provide sufficient protection against potential variances in revenues and expenses.

By Order No. PSC-96-0357-FOF-WU, the Commission, for the first time, utilized the operating ratio methodology as an alternative means for setting rates.[[10]](#footnote-10) This order also established criteria to determine the use of the operating ratio methodology and a guideline margin of 10 percent of O&M expenses. This criterion was applied again in Order No. PSC-97-0130-FOF-SU.[[11]](#footnote-11) Most recently, the Commission approved the operating ratio methodology for setting rates in Order No. PSC-13-0327-PAA-SU.[[12]](#footnote-12)

By Order No. PSC-96-0357-FOF-WU, 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 Order No. PSC-96-0357-FOF-WU and how they apply to the utility are discussed below:

**(1) Whether the utility’s O&M expenses exceeds rate base**. The operating ratio method substitutes O&M expenses 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 expenses. The decision to use the operating ratio method depends partly 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 the level of O&M expenses. 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 $64,137, while adjusted O&M expenses are $94,198.

**(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 $275,000 or less. Cedar Acres is a Class C utility and the recommended revenue requirement of $115,423 is substantially below the threshold level for Class B status ($200,000 per system). The utility’s service area has not had any significant growth in the last five years. Therefore, staff believes the utility will not become a Class B utility in the foreseeable future.

**(3) Quality of service and condition of plant.** As discussed in Issue 1, staff recommends that the overall quality of service for the utility is unsatisfactory. Unsatisfactory quality contributes to staff’s belief that operating ratio methodology is appropriate for this utility. It highlights the need for an adequate revenue stream in order to provide funds for improvements and repairs as deemed prudent and necessary.

**(4) Whether the utility is developer-owned.** Some of the current utility owners are associated with the original developer. However, as stated earlier, this utility was established almost 30 years ago. There has been no significant growth in years, and the development is very close to being built out. Staff doesn’t anticipate any significant growth in the foreseeable future.

**(5) Whether the utility operates treatment facilities or is simply a distribution and/or collection system.** The issue in general is whether purchased water and/or wastewater costs should be excluded in the computation of the operating margin. Cedar Acres operates the water treatment plant. Therefore, there is no concern regarding excluding purchased water or wastewater costs.

Based on staff’s review of the utility’s situation relative to the above criteria, staff recommends that Cedar Acres is a viable candidate for the operating ratio methodology.

By Order Nos. PSC-96-0357-FOF-WS and 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 percentage should be, but what level of operating margin will allow the utility to provide safe and reliable service and remain a viable entity. In order to answer this question, the particular circumstances of the utility must be reviewed and considered thoroughly.

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. However, in this case, the utility is not paying interest expense.

Second, use of the operating ratio methodology rests on the contention that the principal risk to the utility resides in operating costs rather than in 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, staff believes the margin should adequately compensate the utility owner for the principal risk which lies with the operating costs.

Third, if the return on rate base method was applied, Cedar Acres 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 would provide the utility with slightly less than 60 percent of the return provided by operating ratio methodology.[[13]](#footnote-13) If the utility’s operating expenses increase or revenues decrease, Cedar Acres 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 Cedar Acres with adequate cash flow to provide some assurance of safe and reliable service, staff recommends application of the operating ratio methodology at a margin of 10 percent of O&M expenses for determining the revenue requirement.

Issue 8:

 What is the appropriate revenue requirement?

Recommendation:

 The appropriate revenue requirement is $115,423. (Galloway, Smith)

Staff Analysis:

 Cedar Acres should be allowed an annual revenue increase of $79,972 (225.59 percent) for water. This will allow the utility the opportunity to recover its expenses and generate a 10-percent margin as discussed in Issue 7. As noted earlier in other issues, this docket is the utility’s first rate case since its inception. It is the first rate change since rates were originally set by Sumter County in the mid 1980s, almost 30 years ago. Staff’s revenue requirement calculation is shown on Table 8-1 below:

Table 8-1

|  |  |  |
| --- | --- | --- |
|  |  | Water |
| Adjusted O&M expense |  | $94,198 |
| 10-Percent Margin (%) |  | x .1000 |
| 10-Percent Margin ($) |  | $9,420 |
| Adjusted O&M expense |  | 94,198 |
| Depreciation expense (Net) |  | 2,653 |
| Amortization |  | 0 |
| Taxes Other Than Income |  | 9,152 |
| Income Taxes |  | 0 |
| Revenue Requirement |  | $115,423 |
| Less Test Year Revenues |  | 35,451 |
| Annual Increase |  | $79,972 |
| Percent Increase/(Decrease) |  | 225.59% |
|  |  |  |

Issue 9:

 What are the appropriate rate structure and rates for Cedar Acres’ water system?

Recommendation:

  The recommended rate structure and monthly water rates are shown on Schedule Nos. 4-A and 4-B. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice. (Thompson)

Staff Analysis:

 The Cedar Acres water system is located in Sumter County within the Southwest Florida Water Management District. The utility provides water service to approximately 319 residential customers. The percentage of residential zero gallon customer bills reflected during the test year indicates a non-seasonal customer base. The average residential water demand is approximately 5,797 gallons per month. Currently, the utility’s rate structure consists of a monthly base facility charge (BFC) of $9.00 for all meter sizes and a uniform gallonage charge of $.045 per 1,000 gallons, which is billed bi-monthly.

Staff performed an analysis of the utility’s billing data in order to evaluate various BFC cost recovery percentages and the appropriate rate structure for the residential water 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, where appropriate, water conserving rate structures consistent with Commission practice.

Staff recommends that 40 percent of the water revenues should be generated from the BFC, which will provide sufficient revenues to design a uniform gallonage charge that will encourage conservation. Based on a recommended revenue increase of 225.59 percent, the residential consumption can be expected to decline by 6,482,000 gallons resulting in anticipated average residential demand of 4,103 gallons per month. Staff recommends a 29.2 percent reduction in test year residential gallons for ratesetting purposes and corresponding reductions of $898 for purchased power, $431 for chemicals, and $63 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of $114,031.

Further, staff recommends that the customers continue to be billed on a bi-monthly basis to avoid the additional costs associated with reading meters and billing on a monthly basis. Based on the foregoing, staff recommends 40 percent of the water revenues be generated from the BFC. The traditional BFC and uniform gallonage charge rate structure should be approved for all water customers and billed on a bi-monthly basis. A 29.2 percent reduction in test year residential gallons and corresponding reductions of $898 for purchased power, $431 for chemicals, and $63 for RAFs should be made to reflect the anticipated repression. Staff’s recommended rate structure and rates are shown on Schedule Nos. 4-A and 4-B. Staff also presents two alternate rate structures to illustrate other BFC allocations.

The recommended rate structure and rates are shown on Schedule Nos. 4-A and 4-B. 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 in four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816 F.S.?

Recommendation:

 The water rates should be reduced as shown on Schedule No. 4-B, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Cedar Acres should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Thompson, Smith)

Staff Analysis:

 Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense, the associated operating margin, and the gross-up for RAFs. The total reduction is $393 for water.

The water rates should be reduced as shown on Schedule No. 4-B to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Cedar Acres should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 11:

 What are the appropriate amount, terms, and conditions for the escrow account established for the meter replacement program?

Recommendation:

 The utility should be required to escrow $960 every two months. The appropriate terms and conditions of the escrow account are set forth below in the Staff Analysis Section. (Galloway, Smith, Ames)

Staff Analysis:

 As discussed in Issue 6, staff is recommending a meter replacement program for the utility. The meter replacement program includes replacing 32 meters per year, resulting in a total annual cost of $5,760. Staff believes, and the utility has agreed, that in order to assure that the meters are replaced and the customers are protected, $960 should be escrowed bi-monthly since the utility’s billing cycle is bi-monthly ($5,760÷6). Further, in order for approval of funds to be released, the utility must submit support documentation of installation of meters and associated costs. The meter replacement program is expected to be completed within ten years.

The security provided through an escrow agreement should include the following terms and conditions as 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 Cedar Acres;
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.

Cedar Acres should maintain a record of the amount escrowed, and the amount of revenues that are subject to refund.

Issue 12:

 Should the recommended rates 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?

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. Cedar Acres 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(1), F.A.C., the utility should file reports with the Commission Clerk’s Office bi-monthly, no later than the 20th of the billing month, indicating the monthly and total amount of money subject to refund at the end of the preceding billing period. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Smith, Thompson, Ames)

Staff Analysis:

 This recommendation proposes an increase in water 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. Cedar Acres 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.

Cedar Acres 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 $53,354. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

If Cedar Acres 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 Cedar Acres 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 Cedar Acres;
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 Cedar Acres, 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.

Cedar Acres should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. Rule 25-30.360(6), F.A.C., requires the utility to 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. However, by Rule 25-30.360(1), the Commission has the authority to order alternative requirements for refunds. Cedar Acres is on a bi-monthly billing schedule. Therefore, pursuant to Rule 25-30.360(1), staff recommends the Commission order the utility to file reports bi-monthly, no later than the 20th of the billing month, indicating the monthly amount and total amount of money subject to refund*.* The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

***Issue 13***:

 Should Cedar Acres’ request to implement a $5 late payment charge be approved?

Recommendation:

 Yes. Cedar Acres’ request to implement a $5 late payment charge should be approved. Cedar Acres should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective for services 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 charge should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Thompson)

Staff Analysis:

 The utility is requesting a $5 late payment charge to recover the cost of supplies and labor associated with processing late payment notices. The utility’s request for a late payment charge was accompanied by its reason for requesting the charge, as well as the cost justification required by Section 367.091, F.S.

The utility has a total of 319 customer accounts and, according to the utility, there are a substantial amount of customers that do not pay by the due date of each billing cycle. Based on historical data and the bi-monthly billing cycle, the utility anticipates it will prepare late payment notices for approximately 99 accounts per billing cycle. In the past, the Commission has allowed 10-15 minutes per account per month for clerical and administrative labor to research, review, and prepare the notice.[[14]](#footnote-14) The utility indicated it will spend approximately 12 hours per billing cycle processing late payment notices, which results in an average of approximately 7 minutes per account (720 minutes/99 accounts) and is consistent with past Commission decisions. The late payment notices will be processed by the account manager, which results in labor cost of $4.24 (12x$35/99) per account. The cost basis for the late payment charge, including the labor, is shown below.

**Table 13-1**

**Cost Basis for Late Payment Charge**

|  |  |
| --- | --- |
| Labor | $4.24 |
| Printing | $0.05 |
| Postage | $0.49 |
| Supplies | $0.12 |
| Total Cost | $4.90 |

Based on staff’s research, since the late 1990s, the Commission has approved late payment charges ranging from $2.00 to $7.00.[[15]](#footnote-15) The purpose of this charge is not only to provide an incentive for customers to make timely payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing delinquent accounts solely upon those who are cost causers.

Based on the above, staff recommends that Cedar Acres’ request to implement a $5 late payment charge should be approved. Cedar Acres should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective for services 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 charge should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 14:

 What are the appropriate initial customer deposits for Cedar Acres?

Recommendation:

 The appropriate initial customer deposit should be $60 for the residential 5/8” x 3/4" meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The utility should file revised tariff sheets consistent with the Commission’s vote. The approved customer deposits should be effective for 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 collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding. (Thompson)

Staff Analysis:

 Rule 25-30.311, F.A.C., contains criteria for collecting, administering, and refunding customer deposits. Rule 25-30.311(1), F.A.C., requires that each company’s tariff shall contain their specific criteria for determining the amount of initial deposits. Cedar Acres’ current tariff does not authorize the utility to collect initial customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the utility and, ultimately, the general body of rate payers. In addition, collection of customer deposits is consistent with one of the fundamental principles of rate making—ensuring that the cost of providing service is recovered from the cost causer.

Rule 25-30.311(7), F.A.C., authorizes utilities to collect new or additional deposits from existing customers not to exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12-month period immediately prior to the date of notice. The two billing periods reflect the lag time between the customer’s usage and the utility’s collection of the revenues associated with that usage. Commission practice has been to set initial customer deposits equal to two months bills based on the average consumption for a 12-month period for each class of customers. Staff reviewed the customer usage data and developed initial customer deposits for new residential and general service customers based on two times the average consumption.

Staff recommends that the appropriate initial customer deposit should be $60 for the residential 5/8” x 3/4" meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The utility should file revised tariff sheets consistent with the Commission’s vote. The approved customer deposits should be effective for 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 collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding.

Issue 15:

 Should Cedar Acres’ request for violation reconnection charges be approved?

Recommendation:

 Yes. Cedar Acres request for violation reconnection charges of $80 for normal hours and $105 for after hours should be approved. Cedar Acres should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for services 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 charges should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Thompson)

Staff Analysis:

 Section 367.091, F.S., authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or service availability charges. The utility is requesting violation reconnection charges of $80 for normal hours and $105 for after hours. The utility’s request for violation reconnection charges was accompanied by its reason for requesting the charges, as well as the cost justification required by Section 367.091, F.S.

Pursuant to Rule 25-30.460(1)(c), F.A.C., a violation reconnection is a charge that is levied prior to reconnection of an existing customer after discontinuance of service for cause. Commission practice has been to place the burden of such a charge on the cost causer rather than the general body of ratepayers. This is consistent with one of the fundamental principles of rate making—ensuring that the cost of providing service is recovered from the cost causer.

Cedar Acres does not have any on-site personnel to perform disconnections. Therefore, a third party vendor will be used for this function. The third party vendor’s estimate reflects 2.2 hours of labor, which includes driving time of 74 miles round trip and performing the disconnection and subsequent reconnection. The third party vendor’s estimate also reflects transportation cost at $0.50 per mile, which is less than the current 2015 IRS standard mileage rate of $0.575. Staff believes the utility’s requested charges are reasonable and consistent with Commission decisions.[[16]](#footnote-16) The utility’s cost justification is summarized below in Table 15-1.

**Table 15-1**

**Cost Basis for Violation Reconnection Charge**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **During Business Hours** | **Cost** |  | **After Hours** | **Cost** |
| Labor ($20.50/hr. x 2.2 hrs.) | $ 42.10 |  | Labor ($30.75/hr. x 2.2 hrs.) | $ 67.75 |
| Transportation ($0.50 x 74 miles) | $ 37.00 |  | Transportation ($0.50 x 74 miles) | $ 37.00 |
| Total | $ 79.10 |  | Total | $104.75 |

Source: Response to staff inquiry

Based on the above, Cedar Acres request for violation reconnection charges of $80 for normal hours and $105 for after hours should be approved. Cedar Acres should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for services 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 charges should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 16:

 Should Cedar Acres be authorized to collect Non-Sufficient Funds (NSF) charges?

Recommendation:

 Yes. Cedar Acres should be authorized to collect NSF charges. Staff recommends that Cedar Acres revise its tariffs to reflect the NSF charges currently set forth in Sections 68.065 and 832.08(5), F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the charges should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given within 10 days of the date of the notice. (Thompson)

Staff Analysis:

 Section 367.091, F.S., requires that rates, charges, and customer service policies be approved by the Commission. The Commission has authority to establish, increase, or change a rate or charge. Staff believes that Cedar Acres should be authorized to collect NSF charges consistent with Section 68.065, F.S., which allows for the assessment of charges for the collection of worthless checks, drafts, or orders of payment. As currently set forth in Sections 832.08(5) and 68.065(2), F.S., the following NSF charges may be assessed:

1. $25, if the face value does not exceed $50,

2. $30, if the face value exceeds $50 but does not exceed $300,

3. $40, if the face value exceeds $300,

4. or five percent of the face amount of the check, whichever is greater.

Approval of NSF charges is consistent with prior Commission decisions.[[17]](#footnote-17) Furthermore, NSF charges place the cost on the cost-causer, rather than requiring that the costs associated with the return of the NSF checks be spread across the general body of ratepayers. As such, staff recommends that Cedar Acres revise its tariffs to reflect the NSF charges currently set forth in Sections 68.065 and 832.08(5) F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the NSF charges should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given within 10 days of the date of the notice.

Issue 17:

 Should the utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission approved adjustments?

Recommendation:

 Yes. To ensure that the utility adjusts its books in accordance with the Commission's decision, Cedar Acres should provide proof, within 90 days of the final order in this docket, that the adjustments to all the applicable NARUC USOA accounts have been made to the utility’s books and records. The utility’s support documentation should include a list, by issue, of all Commission ordered adjustments and a reference to where the corresponding bookkeeping entries can be found in the general ledger that is provided. In an effort to assist the utility in its requirement, Attachment A provides a breakdown by primary account for plant and accumulated depreciation that reflects the year-end balances at September 30, 2014. In the event the utility needs additional time to complete the adjustments, notice should be provided within 7 days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Galloway, Smith)

Staff Analysis:

 To ensure that the utility adjusts its books in accordance with the Commission's decision, Cedar Acres should provide proof, within 90 days of the final order in this docket, that the adjustments to all the applicable NARUC USOA accounts have been made to the utility’s books and records. In an effort to assist the utility in its requirement, Attachment A provides a breakdown by primary account for plant and accumulated depreciation that reflects the year-end balances at September 30, 2014. However, in the event the utility needs additional time to complete the adjustments, notice should be provided within 7 days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

The utility’s support documentation should include a list, by issue, of all Commission ordered adjustments and a reference to where the corresponding bookkeeping entries can be found in the general ledger that is provided. All support documentation should follow the guidelines set forth in Rule 25-30.450, F.A.C., which states:

In each instance, the utility must be able to support any schedule submitted, as well as any adjustments or allocations relied on by the utility. The work sheets, etc., supporting the schedules and data submitted must be organized in a systematic and rational manner so as to enable Commission personnel to verify the schedules in an expedient manner and minimum amount of time. The supporting work sheets, etc., shall list all reference sources necessary to enable Commission personnel to trace to original source of entry into the financial and accounting system and, in addition, verify amounts to the appropriate schedules.

Issue 18:

 Should this docket be closed?

Recommendation:

 No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff’s verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. Also, the docket should remain open to allow staff to monitor the escrow account and the meter replacement program. Once the above actions are completed this docket will be closed administratively.

(Ames, Galloway, Smith)

*Staff Analysis*:

 If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff’s verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. Also, the docket should remain open to allow staff to monitor the escrow account and the meter replacement program. Once the above actions are completed this docket will be closed administratively.



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|  | **CEDAR ACRES, INC.** |  | **SCHEDULE NO. 1-B** |
|  | **TEST YEAR ENDED 09/30/14** |  | **DOCKET NO. 140217-WU** |
|  | **ADJUSTMENTS TO RATE BASE** |  |  |
|  |  |  | **WATER** |
|  | **UTILITY PLANT IN SERVICE** |  |  |
|  | To reflect appropriate plant in service. |  | ($307,337) |
|  |  |  |  |
|  | **LAND AND LAND RIGHTS** |  |  |
|  | 1. To reflect land designated to the utility. |  | ($43,300) |
|  | 2. To remove parcel of land not used in utility business. |  | (2,220) |
|  | Total |  | ($45,520) |
|  |  |  |  |
|  | **ACCUMULATED DEPRECIATION** |  |  |
|  | 1. To reflect appropriate accumulated depreciation. |  | $266,912 |
|  | 2. To reflect an average adjustment. |  | 1,327 |
|  | Total |  | $268,239 |
|  |  |  |  |
|  | **WORKING CAPITAL ALLOWANCE** |  |  |
|  | To reflect 1/8 of test year O & M expenses. |  | $11,775 |
|  |  |  |  |



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|  | **CEDAR ACRES, INC.** |  |  |  |  | **SCHEDULE NO. 3-A** |  |
|  | **TEST YEAR ENDED 09/30/14** |  |  |  |  | **DOCKET NO. 140217-WU** |  |
|  | **SCHEDULE OF WATER OPERATING INCOME** | |  |  |  |  |  |
|  |  |  |  | STAFF | ADJUST. |  |  |
|  |  | TEST YEAR | STAFF ADJ. | ADJUSTED | FOR | REVENUE |  |
|  |  | PER UTILITY | PER UTILITY | TEST YEAR | INCREASE | REQUIREMENT |  |
|  |  |  |  |  |  |  |  |
| 1. | **OPERATING REVENUES** | $28,638 | $6,813 | $35,451 | $79,972 | $115,423 |  |
|  |  |  |  |  | 225.59% |  |  |
|  | **OPERATING EXPENSES:** |  |  |  |  |  |  |
| 2. | OPERATION & MAINTENANCE | 93,344 | 854 | 94,198 | 0 | 94,198 |  |
|  |  |  |  |  |  |  |  |
| 3. | DEPRECIATION (NET) | 7,117 | (4,464) | 2,653 | 0 | 2,653 |  |
|  |  |  |  |  |  |  |  |
| 4. | AMORTIZATION | 0 | 0 | 0 | 0 | 0 |  |
|  |  |  |  |  |  |  |  |
| 5. | TAXES OTHER THAN INCOME | 2,342 | 3,211 | 5,553 | 3,599 | 9,152 |  |
|  |  |  |  |  |  |  |  |
| 6. | INCOME TAXES | 0 | 0 | 0 | 0 | 0 |  |
|  |  |  |  |  |  |  |  |
| 7. | **TOTAL OPERATING EXPENSES** | $102,803 | ($398) | $102,405 | $3,599 | $106,003 |  |
|  |  |  |  |  |  |  |  |
| 8. | **OPERATING INCOME/(LOSS)** | ($74,165) |  | ($66,954) |  | $9,420 |  |
|  |  |  |  |  |  |  |  |
| 9. | **WATER RATE BASE** | $136,980 |  | $64,137 |  | $64,137 |  |
|  |  |  |  |  |  |  |  |
| 10. | **OPERATING RATIO** |  |  |  |  | 10.00% |  |
|  |  |  |  |  |  |  |  |
|  | **RATE OF RETURN** | -54.14% |  | -104.39% |  |  |  |
|  |  |  |  |  |  |  |  |

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|  | **CEDAR ACRES, INC.** | **SCHEDULE NO. 3-B** | |
|  | **TEST YEAR ENDED 09/30/14** | **DOCKET NO. 140217-WU** | |
|  | **ADJUSTMENTS TO OPERATING INCOME** | **PAGE 1 OF 2** | |
|  |  |  |  |
|  |  | **WATER** |  |
|  | **OPERATING REVENUES** |  |  |
|  | To adjust utility revenues to audited test year amount. | $6,813 |  |
|  |  |  |  |
|  | **OPERATION AND MAINTENANCE EXPENSES** |  |  |
| 1. | Salaries and Wages - Employees (601) |  |  |
|  | Adjustment to annualize increased salary per audit. | $1,086 |  |
|  | To reduce Finance Manager's salary. | (12,985) |  |
|  | Total | ($11,899) |  |
| 2. | Salaries and Wages - Officers (603) |  |  |
|  | Allow salary for President. | $4,142 |  |
|  | To reduce President's salary per ENG | (1,035) |  |
|  | Total | $3,106 |  |
| 3. | Purchased Power (615) |  |  |
|  | To reflect actual test year expense. | ($226) |  |
|  | To remove amount associated with pump at unused wellsite. | (148) |  |
|  | Total | ($374) |  |
| 4 | Contractual Services - Professional (632) |  |  |
|  | To remove temporary office help. | ($3,488) |  |
|  | To remove amount for 2012 income tax preparation. | (985) |  |
|  | To remove estimate for yearly annual report. | (2,100) |  |
|  | To remove amount for non-recurring consulting expense. | (425) |  |
|  | To reflect appropriate estimate amount for yearly annual report. | (330) |  |
|  | To reflect five-year amortization of non-recurring expenses. | 1,466 |  |
|  | To reflect meter replacement program. | 5,760 |  |
|  | Total | ($102) |  |
| 5 | Contractual Services - Testing (635) |  |  |
|  | To reflect addition of FDEP required tri-annual testing. | $885 |  |
|  | Reduce account for duplicate invoice. | (595) |  |
|  | Total | $290 |  |
| 6. | Rent Expense (640) |  |  |
|  | Include allowance for annual Rent Expense. | $9,144 |  |
| 7. | Regulatory Commission Expense (665) |  |  |
|  | Allowance for rate case expense amortized over four years. | $341 |  |
|  |  |  |  |

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|  | **CEDAR ACRES, INC.** | **SCHEDULE NO. 3-B** | |
|  | **TEST YEAR ENDED 09/30/14** | **DOCKET NO. 140217-WU** | |
|  | **ADJUSTMENTS TO OPERATING INCOME** | **PAGE 2 OF 2** | |
|  |  |  |  |
|  |  | **WATER** |  |
| 8. | Miscellaneous Expense (675) |  |  |
|  | Remove unsupported error on deposit. | ($18) |  |
|  | Remove lawn maintenance for unused parcel of land & non-utility lot. | (1,050) |  |
|  | To reflect amortization of plant repairs and maintenance. | 875 |  |
|  | Allowance for computer. | 83 |  |
|  | Allowance for printer. | 25 |  |
|  | Allowance for operating software. | 150 |  |
|  | Allowance for accounting software. | 283 |  |
|  | Total | **$348** |  |
|  |  |  |  |
|  | **TOTAL OPERATION & MAINTENANCE ADJUSTMENTS** | **$854** |  |
|  |  |  |  |
|  | **DEPRECIATION EXPENSE** |  |  |
|  | To reflect appropriate depreciation expense. | ($4,464) |  |
|  |  |  |  |
|  | **TAXES OTHER THAN INCOME** |  |  |
| 1. | To adjust property tax for unused parcel of land. | ($12) |  |
| 2. | To adjust payroll tax for recommended salaries. | 2,916 |  |
| 3. | To adjust for regulatory assessment fees on test year revenue. | 307 |  |
|  | Total | $3,211 |  |
|  |  |  |  |

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|  | **CEDAR ACRES, INC.** |  | **SCHEDULE NO. 3-C** | | |  |
|  | **TEST YEAR ENDED 09/30/14** |  | **DOCKET NO. 140217-WU** | | |  |
|  | **ANALYSIS OF WATER O&M EXPENSES** | |  |  |  |  |
|  |  | **TOTAL** | **STAFF** |  | **TOTAL** |  |
|  |  | **PER** | **PER** |  | **PER** |  |
|  |  | **UTILITY** | **ADJUST.** |  | **PER STAFF** |  |
|  |  |  |  |  |  |  |
|  | (601) SALARIES AND WAGES - EMPLOYEES | $50,837 | ($11,899) | [1] | $38,938 |  |
|  | (603) SALARIES AND WAGES - OFFICERS | 1,350 | 3,106 | [2] | 4,456 |  |
|  | (604) EMPLOYEE PENSION & BENEFITS | 0 | 0 |  | 0 |  |
|  | (610) PURCHASED WATER | 0 | 0 |  | 0 |  |
|  | (615) PURCHASED POWER | 3,449 | (374) | [3] | 3,075 |  |
|  | (616) FUEL FOR POWER PRODUCTION | 315 | 0 |  | 315 |  |
|  | (618) CHEMICALS | 1,477 | 0 |  | 1,477 |  |
|  | (620) MATERIALS AND SUPPLIES | 0 | 0 |  | 0 |  |
|  | (630) CONTRACTUAL SERVICES - BILLING | 12,062 | 0 |  | 12,062 |  |
|  | (631) CONTRACTUAL SERVICES - PROFESSIONAL | 15,967 | (102) | [4] | 15,865 |  |
|  | (635) CONTRACTUAL SERVICES - TESTING | 2,866 | 290 | [5] | 3,156 |  |
|  | (636) CONTRACTUAL SERVICES - OTHER | 0 | 0 |  | 0 |  |
|  | (640) RENTS | 0 | 9,144 | [6] | 9,144 |  |
|  | (650) TRANSPORTATION EXPENSE | 0 | 0 |  | 0 |  |
|  | (655) INSURANCE EXPENSE | 0 | 0 |  | 0 |  |
|  | (665) REGULATORY COMMISSION EXPENSE | 0 | 341 | [7] | 341 |  |
|  | (670) BAD DEBT EXPENSE | 0 | 0 |  | 0 |  |
|  | (675) MISCELLANEOUS EXPENSES | 5,021 | 348 | [8] | 5,369 |  |
|  | TOTAL WATER O&M EXPENSES | $93,344 | $854 |  | $94,198 |  |
|  |  |  |  |  |  |  |

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| **CEDAR ACRES, INC.**  **DOCKET NO. 140217-WU**  **STAFF’S RECOMMENDED AND ALTERNATIVE**  **WATER RATE STRUCTURES AND RATES** | | | | |
| Test Year Rate Structure and Rates | |  | Recommended Rate Structure and Rates | |
| Monthly BFC/Uniform Gallonage Charge Rate Structure | |  | Monthly BFC/Uniform Gallonage Charge Rate Structure  BFC = 40% | |
| BFC | $9.00 |  | BFC | $11.92 |
| Charge per kgals | $0.045 |  | Charge per kgal | $4.36 |
| Typical Monthly Bills | |  | Typical Monthly Bills | |
| Consumption (kgals) |  |  | Consumption (kgals) |  |
| 0 | $9.00 |  | 0 | $11.92 |
| 4 | $9.18 |  | 4 | $29.36 |
| 6 | $9.27 |  | 6 | $38.08 |
| 10 | $9.45 |  | 10 | $55.52 |
| Alternative 1 Rate Structure and Rates | |  | Alternative 2 Rate Structure and Rates | |
| Monthly BFC/Uniform Gallonage Charge Rate Structure  BFC = 35% | |  | Monthly BFC/Uniform Gallonage Charge Rate Structure  BFC =45% | |
| BFC | $10.45 |  | BFC | $13.37 |
| Charge per kgals | $4.38 |  | Charge per kgal | $4.32 |
| Typical Monthly Bills | |  | Typical Monthly Bills | |
| Consumption (kgals) |  |  | Consumption (kgals) |  |
| 0 | $10.45 |  | 0 | $13.37 |
| 4 | $27.97 |  | 4 | $30.65 |
| 6 | $36.73 |  | 6 | $39.29 |
| 10 | $54.25 |  | 10 | $56.57 |

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|  | **CEDAR ACRES, INC.** |  |  | **DOCKET NO. 140217-WU** | |
|  | **TEST YEAR ENDED SEPTEMBER 30, 2014** | **SCHEDULE NO. 4-B** | | | |
|  | **MONTHLY WATER RATES** |  | | | |
|  |  |  |  | |  |
|  |  | **UTILITY** | **STAFF** | | **4 YEAR** |
|  |  | **CURRENT** | **RECOMMENDED** | | **RATE** |
|  |  | **RATES** | **RATES** | | **REDUCTION** |
|  | **Residential and General Service** |  |  | |  |
|  | Base Facility Charge all Meter Sizes | $9.00 | N/A | | N/A |
|  | Base Facility Charge by Meter Size |  |  | |  |
|  | 5/8"x3/4" | N/A | $11.92 | | $0.04 |
|  | 3/4" | N/A | $17.88 | | $0.06 |
|  | 1" | N/A | $29.80 | | $0.10 |
|  | 1-1/2" | N/A | $59.60 | | $0.20 |
|  | 2" | N/A | $95.36 | | $0.33 |
|  | 3" | N/A | $190.72 | | $0.66 |
|  | 4" | N/A | $298.00 | | $1.03 |
|  | 6" | N/A | $596.00 | | $2.05 |
|  |  |  |  | |  |
|  | Charge per 1,000 gallons | $0.045 | $4.36 | | $0.02 |
|  |  |  |  | |  |
|  | **Typical Residential 5/8" x 3/4" Meter Bill Comparison** |  |  | |  |
|  | 4,000 Gallons | $9.18 | $29.36 | |  |
|  | 6,000 Gallons | $9.27 | $38.08 | |  |
|  | 10,000 Gallons | $9.45 | $55.52 | |  |
|  |  |  |  | |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Cedar Acres, Inc.** | |  | |  |  |
| **Plant & Accumulated Depreciation Balances** | | |  |  |  |
| **Docket No. 140217-WU** | |  | |  |  |
| **Water** | | | | | |
| **Test Year Ended 9/30/14** | | | | | |
| **Account** |  |  | |  | **Accumulated** |
| **No.** | **Description** | **UPIS** | |  | **Depreciation** |
| 307 | Wells and Springs | $32,158 | |  | $4,183 |
| 310 | Power Generation Equipment | 23,971 | |  | 3,878 |
| 311 | Pumping Equipment | 890 | |  | 144 |
|  |  | $57,019 | |  | $8,205 |
|  |  |  | |  |  |
|  |  |  | |  |  |

1. Order No. PSC-09-0541-FOF-WU, issued August 4, 2009, in Docket No. 080098-WU, In re: Application for certificate to provide water service in Sumter County by Cedar Acres, Inc. [↑](#footnote-ref-1)
2. Order Nos. PSC-13-0140-PAA-WU, issued March 25, 2013, in Docket No. 120183-WU, In re: Application for staff assisted rate case in Lake County by TLP Water, Inc.; 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-10-0681-PAA-WU, issued November 15, 2010, in Docket No. 090414-WU, In re: Application for staff-assisted rate case in Polk County by Pinecrest Ranches, Inc. [↑](#footnote-ref-2)
3. Order Nos. PSC-14-0272-PAA-WS, issued May 29, 2014, and PSC-14-0323-CO-WS, issued June 24, 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), Florida Statutes. [↑](#footnote-ref-3)
4. Order No. PSC-11-0368-PAA-WU, issued September 1, 2011, in Docket No. 100128-WU, In re: Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc. [↑](#footnote-ref-4)
5. Order No. 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. [↑](#footnote-ref-5)
6. Sunshine Utilities of Central Florida v. Florida Public Service Commission, 624 So. 2d 306 (Fla. 1st DCA 1993) [↑](#footnote-ref-6)
7. In reaching its decision, the First DCA cited Metropolitan Dade County Water & Wastewater Bd. v. Community Utilities Corp., 200 So. 2d 831, 833 (Fla. 3d DCA 1967) [↑](#footnote-ref-7)
8. Specifically, the Commission price indices used were 2.41 percent for 2012, 1.63 percent for 2013, 1.41 percent for 2014, and 1.57 percent for 2015. [↑](#footnote-ref-8)
9. Order Nos. PSC-10-0124-PAA-WU, issued March 1, 2010, in Docket No. 090244-WU, In re: Application for staff-assisted rate case in Lake County by TLP Water, Inc.; and PSC-09-0790-PAA-WU, issued November 30, 2009, in Docket No. 090170-WU, In re: Application for staff-assisted rate case in Lee County by Mobile Manor Water. [↑](#footnote-ref-9)
10. 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. [↑](#footnote-ref-10)
11. 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. [↑](#footnote-ref-11)
12. 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. [↑](#footnote-ref-12)
13. The operating margin using operating ratio methodology equals $9,420 and the return on investment using rate base methodology equals $5,606. [↑](#footnote-ref-13)
14. Order Nos. PSC-11-0204-TRF-SU, in Docket No. 100413-SU, issued April 25, 2011, In re: Request for approval of tariff amendment to include a late fee of $14.00 in Polk County by West Lakeland Wastewater.; PSC-08-0255-PAA-WS, in Docket No. 070391-WS, issued April 24, 2008, In re: Application for certificates to provide water and wastewater service in Sumter County by Orange Blossom Utilities, Inc.; and PSC-01-2101-TRF-WS, in Docket No. 011122-WS, issued October 22, 2001, In re: Tariff filing to establish a late payment charge in Highlands County by Damon Utilities, Inc. [↑](#footnote-ref-14)
15. Order Nos. PSC-01-2101-TRF-WS, in Docket No. 011122-WS, issued October 22, 2001, In re: Tariff filing to establish a late payment charge in Highlands County by Damon Utilities, Inc.; PSC-08-0255-PAA-WS, in Docket No. 070391-WS, issued April 24, 2008, In re: Application for certificates to provide water and wastewater service in Sumter County by Orange Blossom Utilities, Inc.; PSC-09-0752-PAA-WU, in Docket No. 090185-WU, issued November 16, 2009, In re: Application for grandfather certificate to operate water utility in St. Johns County by Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility.; PSC-10-0257-TRF-WU, in Docket No. 090429-WU, issued April 26, 2010, In re: Request for approval of imposition of miscellaneous service charges, delinquent payment charge and meter tampering charge in Lake County, by Pine Harbour Water Utilities, LLC.; and PSC-11-0204-TRF-SU, in Docket No. 100413-SU, issued April 25, 2011, In re: Request for approval of tariff amendment to include a late fee of $14.00 in Polk County by West Lakeland Wastewater.PSC-14-0105-TRF-WS, in Docket No. 130288-WS, issued February 20, 2014, In re: Request for approval of late payment charge in Brevard County by Aquarina Utilities, Inc. [↑](#footnote-ref-15)
16. Order No. PSC-09-0263-TRF-WU, in Docket No. 080562-WU, issued April 27, 2009, In re: Request for approval of amendment to connection/transfer sheets, increase in returned check charge, amendment to miscellaneous service charges, increase in meter installation charges, and imposition of new tap-in fee, in Marion County, by East Marion Sanitary Systems Inc., the Commission approved a normal hour $45 disconnection charge and a $50 reconnection charge for a combined total of $90 for the violation reconnection. The combined after hours charge was approved at $155 for the violation reconnection. [↑](#footnote-ref-16)
17. Order Nos. PSC-14-0198-TRF-SU, issued May 2, 2014, in Docket No. 140030-SU, In re: Request for approval to amend Miscellaneous Service charges to include all NSF charges by Environmental Protection Systems of Pine Island, Inc., and PSC-13-0646-PAA-WU, issued December 5, 2013, in Docket No. 130025-WU, In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc. [↑](#footnote-ref-17)