

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Pasco County by Holiday Gardens Utilities,
LLC.

DOCKET NO. 140177-WU
ORDER NO. PSC-15-0588-PAA-WU
ISSUED: December 29, 2015

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
JULIE I. BROWN
JIMMY PATRONIS

NOTICE OF PROPOSED AGENCY ACTION ORDER APPROVING
RATE INCREASE FOR HOLIDAY GARDENS UTILITIES, LLC

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for the granting of temporary rates in the event of protest, the four year rate reduction, and proof of adjustment of books and records, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

BACKGROUND

Holiday Gardens Utilities, LLC, (Holiday Gardens or Utility) is a Class C water utility serving approximately 456 customers in Pasco County. Holiday Gardens' service territory is located in the Southwest Florida Water Management District (SWFWMD) and is in a water use caution area. Holiday Gardens' application in the instant docket showed a total gross revenue of \$77,847, with a net operating loss of \$182.

Holiday Gardens filed an application for a staff-assisted rate case (SARC) on September 10, 2014, and subsequently completed our filing requirements, with November 7, 2014, established as the official filing date. Rates were last established for Holiday Gardens in 1992, as a result of a staff-assisted rate case.¹ Rate base was last established for Holiday Gardens when the Utility was transferred from Holiday Gardens Utilities, Inc. to Holiday Gardens Utilities, LLC, in 2014.²

¹ See, Order No. PSC-93-0013-FOF-WU, issued January 5, 1993, in Docket No. 920418-WU, In re: Application for staff-assisted rate case by Holiday Gardens Utilities, Inc. in Pasco County.

² Holiday Gardens filed an application for transfer concurrently with this SARC. See, Order No. PSC-15-0422-PAA-WU, issued October 6, 2015, in Docket No. 140176-WU, In re: Application for approval of transfer of Certificate No. 116-W from Holiday Gardens Utilities, Inc. to Holiday Gardens Utilities, L.L.C., in Pasco County.

We have jurisdiction pursuant to Section 367.0814, Florida Statutes (F.S.).

DECISION

Quality of Service

Pursuant to Rule 25-30.433(1), F.A.C., we must determine the overall quality of service provided by a utility in water and wastewater rate cases. In determining overall quality of service, we must evaluate of three separate components of a utility's operations: 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. Rule 25-30.433, F.A.C., further provides that we consider 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. Input from DEP, health department officials, and customer comments or complaints are also considered.

As previously stated, Holiday Gardens provides water service only and is subject to various environmental requirements under the jurisdiction of the DEP. In addition, the consumptive use of Holiday Gardens' water supply is under the jurisdiction of SWFWMD. During Holiday Gardens' last SARC in 1992, we found the Utility's quality of service to be satisfactory based on the actions that Holiday Gardens was taking in order to comply with DEP's regulations.

DEP's most recent review of Holiday Gardens was conducted on January 27, 2015. DEP's on-site inspection included the review of tank inspection reports, flow meter tests, and any issues observed regarding the plant operation. Based on Holiday Gardens' February 24, 2015 response to DEP, all issues observed during DEP's inspection were addressed. In addition, Holiday Gardens has indicated that it will perform any additional actions that may be required in order to maintain compliance with DEP regulations.

Section 367.0812(1)(c), F.S., requires that we consider complaints filed by customers during the past five years with regard to the secondary water quality standards established by the DEP in determining whether a utility has satisfied its obligation to provide quality of water service. There have been no secondary water quality complaints based on responses from DEP and Holiday Gardens to our staff's requests for such data. In addition, a review of customer complaints indicates Holiday Gardens has resolved all complaints made to this Commission. Our Consumer Activity Tracking System recorded five complaints since January 2010. Of the five complaints, two were related to billing and three were related to quality of service.

On September 11, 2015, a customer meeting regarding Holiday Gardens' SARC was held at Crestridge Gardens Community Club in Holiday, Florida. Eight customers attended the meeting, three of which signed up to comment. During the customer meeting, two customers voiced a concern about not receiving proper boil water notices (BWN). There was also one customer who stated that the service has improved since the Utility's change in ownership.

Our staff spoke with Holiday Gardens regarding its BWNs and the Utility stated that it uses door hangers with standard language approved by the DEP. This noticing method is different than that used by the prior Utility owner, who often put BWN notices in customers' mailboxes. The two customers that voiced concern about the BWNs were made aware of where they could expect to find future BWNs from the Utility.

Also at the customer meeting, our staff informed the Holiday Gardens customers that they could send written comments to this Commission regarding this docket. Based on the comments received in this docket, the customers' main concern appears to be the possible financial impact to the customers resulting from a rate increase.

We find that Holiday Gardens has taken reasonable actions to comply with DEP regulations and to address service quality concerns. We, therefore, find Holiday Gardens' quality of service to be satisfactory.

Used and Useful (U&U)

In Holiday Gardens' last SARC, we found the Utility's water system, which includes its treatment plant and distribution system, to be built-out and 100 percent U&U.³ Since the Utility's last SARC, there has been no growth in its customer base, no change in capacity, or any plan for expansion. Therefore, we find Holiday Gardens' water system be considered 100 percent U&U.

Excessive Unaccounted for Water (EUW)

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

³ See, Order No. PSC-93-0013-FOF-WU.

During the test year, Holiday Gardens produced 26.9 million gallons of water and sold 21.9 million gallons of water to customers, which results in 19 percent unaccounted for water, of which 9 percent could be considered excessive. Holiday Gardens has acknowledged that many of its meters are either old or not registering and, in September 2014, Holiday Gardens submitted a Water Loss Remedial Action Plan to the SWFWMD to address the EUW issue. In its remedial action plan, Holiday Gardens committed to, among other things, purchasing a portable hydrant meter to produce more accurate flushing records and seek the assistance of the Florida Rural Water Association in finding undetectable leaks. In addition, Holiday Gardens recently replaced approximately 36 percent (164 total) of its meters and requested an aggressive on-going meter replacement program, which is discussed in further detail below. Because Holiday Gardens is currently implementing solutions to correct the problem, we find that no adjustment for EUW shall be made at this time. Therefore, we find Holiday Gardens' water system to be 100 percent U&U and make no adjustment for EUW.

Rate Base

A test year ending September 30, 2014, was used in the instant docket. A summary of each rate base component, and appropriate adjustments are discussed below.

Utility Plant in Service (UPIS)

Holiday Gardens recorded UPIS of \$180,627. By Order No. PSC-15-0422-PAA-WU, we established a UPIS balance of \$181,038, as of August 27, 2014. Holiday Gardens has had no subsequent plant additions and retirements since August 27, 2014. Thus, we find Holiday Gardens' UPIS shall be increased by \$413 (\$181,038 - \$180,627). In addition, we find that Holiday Gardens' UPIS shall be increased by \$250, and Accumulated Depreciation increased by \$25, which was associated with the purchase of shop tools. The Utility's UPIS shall also be increased by \$9,314 for pro forma plant improvements requested by Holiday Gardens, and UPIS decreased by \$331 to include the appropriate averaging adjustment. As such, we find Holiday Gardens' appropriate UPIS balance to be \$190,273 ($\$180,627 + \$413 + \$250 + \$9,314 - \331).

Phase I Pro Forma Additions

The items in the table below were included in the calculation of Holiday Gardens' Phase I revenue requirement because Holiday Gardens provided documentation showing the projects were completed.

Phase I Pro Forma Adjustments			
Description	UPIS	Accum. Depr.	Depr. Exp.
New Truck	\$2,827	(\$471)	\$471
New Lawn Mower	1,250	(125)	125
Check Valve at Well #1	383	(23)	23
Retirement	(287)	287	(17)
Well Pump at Well #1	9,004	(600)	600
Retirement	(6,753)	6,753	(450)
Check Valve at Well #2	688	(40)	40
Retirement	(516)	516	(30)
New Meters	10,877	(640)	640
Retirement	<u>(8,158)</u>	<u>8,158</u>	<u>(480)</u>
Total	<u>\$9,314</u>	<u>\$13,815</u>	<u>\$922</u>

In December 2014, our staff requested that Holiday Gardens provide cost estimates and documentation of its requested pro forma plant improvements. Holiday Gardens requested a portable hydrant meter and a lawn mower to be shared with Crestridge Utilities, LLC, as well as a list of equipment to be shared with other utilities under common ownership. The list of equipment included a computer, a printer, and a truck. Subsequent to its pro forma request, Holiday Gardens submitted invoices for several items, including the flow meter, truck, lawn mower, new well pump, valves, materials needed for re-piping, and other minor repair and replacement parts needed to resolve operating issues. We find that the pro forma items not already completed shall be included in a Phase II revenue requirement, which is consistent with this Commission's practice.

As previously discussed, Holiday Gardens submitted a remedial plan to the SWFWMD to reduce its unaccounted for water. The remedial plan included a meter replacement program to immediately replace old and unregistering meters to be followed by an on-going meter replacement program. On September 29, 2015, Holiday Gardens submitted invoices documenting the costs for the installation of 164 meters in accordance with the meter replacement program.

We find it appropriate that the cost of the meters be capitalized. As a result, we have increased UPIS by a net amount of \$2,719 (\$10,877 - \$8,158), and decreased Accumulated Depreciation by a net amount of \$7,518 (\$8,158 - \$640). In addition, Depreciation Expense was adjusted to reflect meter replacements and retirements, resulting in an increase of \$160 (\$640 - \$480).

The net adjustment to the Phase I UPIS balance is an increase of \$9,314, and a decrease to Accumulated Depreciation of \$13,815. In addition, Depreciation Expense is adjusted to reflect the pro forma additions and retirements, resulting in an increase of \$922.

Holiday Gardens also requested an on-going meter replacement program to replace the remaining meters over four years. We find, however, that a 10-year period is more appropriate and, therefore, find that an amount of \$3,043 is appropriate as part of the Utility's operating expense (addressed below in Operating Expense) for the Utility's meter replacement program. Based on the unit cost of meters and parts provided by Holiday Gardens, and an allowance for the number of parts needed for installation, we estimate this amount to provide for the replacement of, on average, 29 meters per year and the replacement of any remaining meters over 10 years.

Land & Land Rights

Holiday Gardens recorded a test-year land value of \$3,059. In 1989, by Order No. 21920, this Commission established the value of the Utility's land to be \$2,414.⁴ Since our Order was issued, there have been no additions to purchased land. Therefore, we find that the balance shall be reduced by \$645, and that the appropriate land balance is \$2,414.

Non-Used and Useful (non-U&U) Plant

As discussed above, we found both the water treatment plant and distribution system to be considered 100 percent U&U. Therefore, no adjustment is necessary.

Contributions In Aid of Construction (CIAC)

Holiday Gardens recorded a CIAC balance of \$85,630. Based on our review, no adjustments are necessary and we find CIAC to be \$85,630.

Accumulated Depreciation

Holiday Gardens recorded a test year accumulated depreciation balance of \$162,118. Our staff recalculated accumulated depreciation, using the prescribed rates set forth in Rule 25-30.140, F.A.C., and depreciation associated with plant additions and retirements since the Utility's last rate case. Based on these calculations, we find accumulated depreciation shall be increased by \$1,954, to reflect the appropriate year-end balance, and increased by \$25, to include the purchase of shop tools. We also reduce accumulated depreciation by \$13,815, for retirements associated with the pro forma items requested by the Utility, and an additional \$978, to include the appropriate averaging adjustment. Our adjustment to Accumulated Depreciation results in a balance of \$149,305 ($\$162,118 + \$1,954 + \$25 - \$13,815 - \978).

⁴ See, Order No. 21920, issued September 19, 1989, in Docket No. 890169-WU, In re: Application of Holiday Gardens, Inc. for staff-assisted rate case in Pasco County.

Accumulated Amortization of CIAC

Holiday Gardens recorded an accumulated amortization of CIAC balance of \$85,630. There were no additions to CIAC since the Utility's last rate case, and CIAC was fully amortized in the amount of \$85,630 in 2009. Therefore, we find the accumulated amortization of CIAC balance is \$85,630.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(2), F.A.C., we used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, we find a working capital allowance of \$14,345 (based on O&M expense of \$114,763/8).

Rate Base Summary

Based on the foregoing, we find that the appropriate average test year rate base is \$57,727. Holiday Gardens' water rate base is shown on Schedule No. 1-A attached hereto, and the related adjustments are shown on Schedule No. 1-B attached hereto.

Rate of Return

According to our staff's audit of Holiday Gardens, the Utility's test year capital structure reflected common equity of \$7,500, long-term debt of \$211,586, short-term debt of \$2,827, and customer deposits of \$720. We adjusted the long-term debt to set it equal to the purchase price of the regulated assets of \$24,544, established in the recent transfer order.⁵

Holiday Gardens' capital structure has been reconciled with our approved rate base. The appropriate rate of return on equity (ROE) for Holiday Gardens is 11.16 percent based upon the leverage formula currently in effect as approved by this Commission. Therefore, we approve a ROE of 11.16 percent for Holiday Gardens, with a range of 10.16 percent to 12.16 percent, and an overall rate of return of 8.01 percent. The ROE and overall rate of return are shown on Schedule No. 2 attached hereto.

⁵ See, Order No. PSC-15-0422-PAA-WU.

Test Year Revenues

Holiday Gardens recorded total test year revenues of \$77,847, which included service revenues of \$72,113 and miscellaneous revenues of \$5,734. Based on our review of the Utility's billing determinants and the rates that were in effect during the test year, we find service revenues shall be increased by \$1,675, to reflect annualized test year service revenues of \$73,788.⁶ We also increased miscellaneous revenues by \$152, to reflect the appropriate amount of \$5,886 during the test year. Therefore, we find that the appropriate test year revenues for Holiday Gardens' water system are \$79,674 (\$73,788 + \$5,886). The test year revenues for Holiday Gardens are shown on Schedule No. 3-A attached hereto.

Operating Expenses

Holiday Gardens recorded an Operating Expense of \$78,029 for the test year ending September 30, 2014. We reviewed the Utility's test year operating and maintenance expenses, including invoices, canceled checks, and other supporting documentation, and made several adjustments to the Utility's operating expenses as summarized below.

Operation and Maintenance (O&M) Expenses

Salaries & Wages - Employees (601)

Holiday Gardens recorded a Salaries & Wages - Employee expense of \$20,091. This amount has been increased by \$32,113, to reflect the current allocation of employee salaries from Florida Utility Services 1, LLC. Therefore, we find Holiday Gardens' Salaries & Wages - Employee expense is \$52,204.

Salaries & Wages - Officers (603)

Holiday Gardens recorded a Salaries & Wages - Officer expense of \$1,455. This amount has been increased by \$10,308, to reflect the current allocation of the Utility's Officer's salary. Therefore, we find Holiday Gardens' Salaries & Wages - Officers expense is \$11,763.

Employee Pensions and Benefits (604)

Holiday Gardens recorded a Pensions and Benefits expense of \$777. We increased this amount by \$5,171, to reflect the current allocation of employees' medical and Workman's Compensation insurance. Therefore, we find Holiday Gardens' Pensions and Benefits expense is \$5,948.

⁶ Holiday Gardens filed a 2014 Index that become effective on September 2, 2014.

Materials and Supplies (620)

Holiday Gardens recorded a Materials and Supplies expense of \$1,902. This amount reflects meters and a lawnmower, which we find should be removed from Account 620, and capitalized to plant. Therefore, Holiday Gardens' Materials and Supplies expense is \$0.

Contractual Services - Other (636)

Holiday Gardens recorded a Contractual Services – Other expense of \$23,445. This amount was decreased by \$2,015, to remove out-of-period and duplicate expenses. In addition, this amount was decreased by \$540, to remove lawn maintenance expense that will now be provided by the Utility. Therefore, we find the amount of Contractual Services – Other expense for Holiday Gardens is \$20,890 ($\$23,445 - \$2,015 - \540).

Rents (640)

Holiday Gardens recorded a Rent expense of \$6,398. This expense was reduced by \$1,940, to reflect the appropriate allocation of the lease expense for the Utility's office space. Therefore, we find Holiday Gardens' Rent expense is \$4,458.

Insurance Expense (655)

Holiday Gardens recorded an Insurance Expense of \$4,784. This amount was decreased by \$1,716 ($\$890 + \$2,178 - \$4,784$) to reflect the appropriate allocation of the auto insurance expense of \$890, and to include the current amount of general liability insurance of \$2,178. Therefore, we find Holiday Gardens' Insurance expense is \$3,068.

Regulatory Commission Expense (665)

Holiday Gardens recorded no Regulatory Commission Expense for the test year. By Rule 25-30.0407, F.A.C., Holiday Gardens is required to mail notices to its customers of customer meetings and of final rates in this case. We estimated \$447 for postage expense, \$319 for printing expense, and \$46 for envelopes. These amounts result in \$812 for postage, printing notices, and envelopes. Holiday Gardens also requested recovery of legal fees associated with this SARC in the amount of \$5,336. We reviewed the documentation provided by Holiday Gardens in support of these legal fees and found \$5,336 reasonable. In addition, Holiday Gardens paid a \$1,000 rate case filing fee. Based on the above, we find the total rate case expense for Holiday Gardens is \$7,148, which amortized over four years, is \$1,787 annually.

Bad Debt Expense (670)

Holiday Gardens recorded no Bad Debt expense for the test year. By letter dated August 31, 2015, Holiday Gardens requested an amount of Bad Debt expense equal to the current three-year average for bad debt expense of \$300. We find that a Bad Debt expense of \$300 for Holiday Gardens is reasonable. Therefore, we approve a Bad Debt expense of \$300 for Holiday Gardens.

Miscellaneous Expense (675/775)

Holiday Gardens recorded a Miscellaneous Expense of \$6,814. This amount was increased by \$3,043, to reflect an expedited meter replacement program discussed above in the “Rate Base–Phase I Pro Forma Additions” section. In response to our staff’s data request, Holiday Gardens requested a meter replacement program be expensed, stating that it is part of its remedial action plan with SWFWMD. While meters are traditionally characterized as a capital cost reflected in base rates, due to the Utility’s situation with the SWFWMD, we find it appropriate to increase the Utility’s Miscellaneous Expense by \$3,043, to replace, on average, 29 meters per year and the replacement of any remaining meters over 10 years. We note, however, that these costs shall not be capitalized or included in rate base in any future rate case filed by the Utility.

We also find this account shall be increased by \$1,316 to include the appropriate licensing and corporation’s fees, and the normalized costs for the Utility’s DEP permit renewal. In addition, this account shall be decreased by \$3,129 to remove duplicative expenses already recorded in the Utility’s Rents expense. Therefore, we find Holiday Gardens’ Miscellaneous Expense is \$8,043 ($\$6,814 + \$3,043 + \$1,316 - \$3,129$).

Operation and Maintenance Expenses Summary

Based on the adjustments made above, we find Holiday Gardens’ O&M expenses are \$114,763. The O&M expense adjustments are shown on Schedule No. 3-A attached hereto.

Depreciation Expense (Net of Amortization of CIAC)

Holiday Gardens did not record any Depreciation expense during the test year. Our staff recalculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. As a result of the recalculation, we find Depreciation expense shall be increased by \$1,954, to reflect the appropriate Depreciation expense. In addition, Holiday Gardens’ Depreciation expense shall be increased by \$922 to reflect the pro forma plant items. Therefore, we find Holiday Gardens’ Depreciation expense is \$2,876 ($\$1,954 + \922).

Taxes Other Than Income (TOTI)

Holiday Gardens recorded a TOTI balance of \$6,061. We find TOTI shall be increased by \$37, to reflect the appropriate test year property taxes, and by \$4,447 to reflect the appropriate allocation of payroll taxes. As discussed in the “Revenue Requirement” section below, Holiday Gardens’ revenues were increased by \$55,636, to reflect the change in revenue required to cover expenses and allow an appropriate return on investment. As a result, TOTI shall be increased by \$2,504 to reflect RAFs of 4.5 percent on the change in revenues. Therefore, we find Holiday Gardens’ TOTI is \$13,048 ($\$6,061 + \$37 + \$4,447 + \$2,504$).

Operating Expenses Summary

The adjustments to Holiday Gardens' test year Operating Expenses outlined above results in Operating Expenses of \$130,686. Holiday Gardens' Operating Expenses are shown on Schedule No. 3-A attached hereto, and the related adjustments are shown on Schedule Nos. 3-B and 3-C, attached hereto.

Revenue Requirement

We find Holiday Gardens shall be allowed an annual increase of \$55,636 (69.83 percent). This increase will allow Holiday Gardens the opportunity to recover its expenses and earn an 8.01 percent return on its water system. The calculation is shown in the table below.

Water Revenue Requirement	
Adjusted Rate Base	\$57,727
Rate of Return	x 8.01%
Return on Rate Base	\$4,624
Adjusted O&M Expense	114,763
Depreciation Expense (Net)	2,876
Taxes Other Than Income	10,544
Incremental RAFs	2,504
Revenue Requirement	\$135,310
Less Adjusted Test Year Revenues	79,674
Annual Increase	\$55,636
Percent Increase	69.83%

Rates and Rate Structure

As stated above, Holiday Gardens' water system is located in Pasco County, within the SWFWMD. The Utility provides water service to approximately 442 residential customers and 14 general service customers. Approximately 20 percent of the residential customer bills during the test year had zero gallons, indicating a customer base that reflects some seasonality. The average residential water demand is 3,588 gallons per month. The average residential water demand, excluding zero gallon, bills is 4,486 gallons per month. Holiday Gardens' current water system rates structure for residential and general service customers consists of a base facility charge (BFC) and a uniform gallon charge.

An analysis of Holiday Gardens' billing data was performed in order to evaluate the appropriate rate structure for the residential water customers. The goal of this evaluation was to select the rate design parameters for the Utility that: 1) produce the recommended revenue requirement; 2) equitably distribute cost recovery among the Utility's customers; 3) establish the appropriate non-discretionary usage threshold for restricting repression; and 4) implement, where appropriate, water conserving rate structures consistent with this Commission's practice. By

letter dated October 20, 2014, Holiday Gardens requested an inclining block rate structure pursuant to its existing consumptive use permit (CUP) at the time. Subsequently, Holiday Gardens' CUP was renewed in October of 2015, and an inclining block rate structure was no longer a condition of the permit.

Typically, we do not allocate greater than 40 percent of the water revenue to the BFC. However, when a utility's customer base is seasonal, it has been our practice to allocate more than 40 percent of the revenue requirement to the BFC in order to address revenue stability. Due to the seasonality of Holiday Gardens' customer base and the amount of the revenue increase, we find it appropriate to allocate 45 percent of the Utility's water revenue to the BFC for revenue stability purposes.

The average number of people (per household) served by Holiday Gardens' water system is two. Based on the number of people per household, 50 gallons per day per person, and the number of days per month, we find the non-discretionary usage threshold shall be 3,000 gallons per month. Approximately 56 percent of Holiday Gardens' customer bills included 3,000 gallons per month or less. We find that a traditional BFC and gallonage charge rate structure, with separate gallonage charges for discretionary and non-discretionary usage for residential water rates, is appropriate for Holiday Gardens. General service customers shall be billed a BFC and uniform gallonage charge.

Based on a revenue increase of approximately 75 percent, excluding miscellaneous revenues, Holiday Gardens' residential consumption can be expected to decline by 3,774,000 gallons, resulting in anticipated average residential demand of 2,876 gallons per month. The post-repression average residential water demand, excluding zero gallon bills, is anticipated to be 3,596 gallons per month. We find that a 19.8 percent reduction in total residential consumption and corresponding reductions of \$563 for purchased power, \$376 for chemicals, and \$44 for regulatory assessment fees should reasonably reflect the anticipated repression, which results in a post repression revenue requirement of \$128,441. We find that a traditional BFC and gallonage charge rate structure, with separate gallonage charges for discretionary and non-discretionary usage for residential water customers, and a BFC, based on 45 percent of the water revenue requirement, is appropriate for Holiday Gardens. General service customers shall be billed a BFC and uniform gallonage charge. Therefore, we find the rate structure and rates shown on Schedule No. 4 attached hereto, is appropriate for Holiday Gardens.

Holiday Gardens is required to file revised tariff sheets and a proposed customer notice, reflecting the rates approved herein. The approved rates shall be effective for service rendered on or after the stamped approval date on the Utility's revised tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, Holiday Gardens shall not implement the rates approved herein until our staff has reviewed and approved the proposed customer notice, and the notice has been received by the Utility's customers. Holiday Gardens must file documentation that the notice was provided to its customers within 10 days of the date of the notice.

Non-Sufficient Funds (NSF) Charges

Section 367.091, F.S., requires that we approve rates, charges, and customer service policies. In addition, we have authority to establish, increase, or change a rate or charge. Sections 68.065 and 832.08(5), F.S., allow for the assessment of charges for the collection of worthless checks, drafts, or orders of payment. We find that Holiday Gardens shall be authorized to collect NSF charges consistent with these statutes. As currently set forth in Sections 832.08(5) and 68.065(2), F.S., the following NSF charges are approved and may be assessed by Holiday Gardens:

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; or
4. 5% of the face amount of the check, whichever is greater.

Our approval of NSF charges is consistent with our prior decisions.⁷ Permitting a utility to collect NSF charges places the cost of collection on the cost-causer, rather than spreading the costs associated with the return and collection of NSF checks across the general body of ratepayers. Therefore, Holiday Gardens' tariffs shall be revised to reflect the NSF charges currently set forth in Sections 68.065 and 832.08(5), F.S. The NSF charges shall be effective on or after the stamped approval date on Holiday Gardens' tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. Holiday Gardens shall not implement the collection of the NSF charges approved until our staff has reviewed and approved the proposed customer notice, and the notice has been received by the Utility's customers. Holiday Gardens must file documentation that the notice was provided to its customers within 10 days of the date of the notice.

Customer Deposits

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, this Commission has set initial customer deposits equal to two times the average estimated customer bill.⁸ Currently, Holiday Gardens' initial water, customer deposit is \$24 for 5/8" x 3/4" meter size and two times the average estimated bill for all other meters sizes. Based on the rates approved herein, we find the appropriate initial water customer deposit shall be \$46 to reflect an average residential customer bill for two months.

⁷ See, Order No. PSC-10-0364-TRF-WS, issued June 7, 2010, in Docket No. 100170-WS, In re: Application for authority to collect non-sufficient funds charges, pursuant to Sections 68.065 and 832.08(5), F.S., by Pluris Wedgefield Inc.; and Order No. PSC-10-0168-PAA-SU, issued March 23, 2010, in Docket No. 090182-SU, In re: Application for increase in wastewater rates in Pasco County by Ni Florida, LLC.

⁸ 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; and 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.

Pursuant to Rule 25-30.311(7), F.A.C., a utility may require an additional deposit in order to secure payment of current bills, as long as the total amount of the required deposit does not 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. In addition, Rule 25-30.311(7), F.A.C. requires that a utility's request for an additional deposit be by written notice of not less than 30 days, and the notice be separate and apart from any bill for service. During our staff's audit of Holiday Gardens, it was determined that the Utility assessed 51 customers additional deposits in the amount of \$15, totaling \$765. Holiday Gardens required an additional deposit from these customers due to frequent shut offs for delinquent bills. Holiday Gardens confirmed that interest is being paid on these accounts, as required by Rule 25-30.311(4), F.A.C. The Utility's request for the additional deposit to these customers, however, was included on the customer's bill for service, rather than by separate notice as required by Rule 25-30.311(7), F.A.C. Holiday Gardens has affirmed that, in the future, it will collect any additional deposits from customers in accordance with Rule 25-30.311, F.A.C. As a result, we do not find that any enforcement action should be taken against Holiday Gardens at this time with regard to its prior collection of additional customer deposits.

Four-Year Rate Reduction

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 reflects the removal of revenue associated with the amortization of rate case expense, the associated return in working capital, and the gross-up for RAFs. Using Holiday Gardens' current revenue, expenses, capital structure and customer base, the reduction in revenue will result in the rate decreases shown on Schedule No. 4 attached hereto. We find the total rate reduction for Holiday Gardens is \$1,890.

The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Holiday Gardens is required 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 Holiday Gardens files this reduction in conjunction with a price index or pass-through rate adjustment, it must file separate data for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Phase II Increase

As discussed in the "Rate Base-Phase I Pro Forma Additions" section above, Holiday Gardens requested recognition of several pro forma plant items in this case. Several of the pro forma items either have been, or will be, completed before implementation of the Phase I rates and, were included in the Phase I revenue requirement. The table below summarizes the Phase II pro forma plant items and estimated costs.

Phase II Pro Forma Adjustments			
Description	UPIS	Accum. Depr.	Depr. Exp.
New Computer	\$137	(\$23)	\$23
New Printer	59	(10)	10
New Portable Meter	565	(33)	33
Replumb at Well #1	1,800	(67)	67
Retirement	(1,350)	1,350	(50)
Air Relief Valve at Well #1	200	(12)	12
Retirement	(150)	150	(9)
Repaint at Well #1	200	(7)	7
Retirement	(150)	150	(6)
Roof at Well #1	4,000	(148)	148
Retirement	(3,000)	3,000	(111)
Flow Meter at Well #1	1,500	(100)	100
Retirement	(1,125)	1,125	(75)
Replumb at Well #2	1,800	(67)	67
Retirement	(1,350)	1,350	(50)
Repaint at Well #2	200	(7)	7
Retirement	(150)	150	(6)
Roof at Well #2	4,000	(148)	148
Retirement	(3,000)	3,000	(111)
Gate Valve at Well #2	750	(44)	44
Retirement	(563)	563	(33)
Air Compressor at Well #2	1,500	(88)	88
Retirement	(1,125)	1,125	(66)
Total	<u>\$4,749</u>	<u>\$11,208</u>	<u>\$238</u>

We find a Phase II revenue requirement associated with the pro forma items listed above for a couple of reasons. First, it assures that the pro forma items are completed prior to the Utility's recovery of the investment in rates. In addition, addressing the pro forma items in a single case saves Holiday Gardens' customers additional rate case expenses because the Utility would not need to file another rate case or limited proceeding to seek recovery for the items upon completion. Finally, we have approved a Phase-In approach in similar proceedings.⁹

⁹ See, for example, Docket No. 130265-WU, In re: Application for staff-assisted rate case in Charlotte County by Little Gasparilla Water Utility, Inc.; Docket No. 110238-WU, In re: Application for staff-assisted rate case in Polk County by Sunrise Utilities, LLC.; and Docket No. 110165-SU, In re: Application for staff-assisted rate case in Highlands County by Utility Corporation of Florida, Inc.

We find that the net adjustment to the Phase II UPIS balance shall be an increase of \$4,749, and a decrease of \$11,208 to Accumulated Depreciation. Depreciation expense shall be adjusted to reflect the pro forma additions and retirements, resulting in an increase of \$238. Also, TOTI shall be increased by \$72 to reflect RAFs of 4.5 percent on the change in revenues. The total adjustment to Operating Expenses, including additional RAFs, is \$310, resulting in total Operating Expenses of \$130,997.

We find Holiday Gardens' Phase II revenue requirement to be \$136,913, which equates to a 1.18 percent increase over the Phase I revenue requirement. In addition, the Phase II increase shall be applied as an across-the-board increase to the Phase I rates. Holiday Gardens' Phase II rate base is shown on Schedule No. 5-A attached hereto, and the capital structure for Phase II is shown on Schedule No. 6 attached hereto. The revenue requirement for Phase II is shown on Schedule No. 7-A attached hereto. Finally, the resulting Phase II rates are shown on Schedule No. 8 attached hereto.

Implementation of the Phase II rates is conditioned upon Holiday Gardens completing the pro forma items within 12 months of the issuance of a Consummating Order in this docket. Holiday Gardens must submit a copy of the final invoices and cancelled checks for all pro forma plant items. Once our staff has verified that all pro forma items were completed and documentation of the improvements provided, Holiday Gardens may implement the Phase II rates. The Phase II rates shall 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, Holiday Gardens shall not implement the rates approved herein until our staff has reviewed and approved the proposed customer notice, and the notice has been received by the Utility's customers. Holiday Gardens must file documentation that the notice was provided to its customers within 10 days of the date of the notice. Should Holiday Gardens encounter any unforeseen events that would impede the completion of the pro forma items, it shall immediately notify the Commission in writing.

Temporary Rates

Pursuant to Section 367.0814(7), F.S., Holiday Gardens' Phase I rates are approved on a temporary basis subject to refund, in the event of a protest filed by a party, other than the Utility. A timely protest may delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to Holiday Gardens. Holiday Gardens must file revised tariff sheets and a proposed customer notice, reflecting the approved rates. The approved Phase I rates shall 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, Holiday Gardens shall not implement the temporary rates approved herein until our staff has reviewed and approved the proposed customer notice, and the notice has been received by the Utility's customers. Holiday Gardens must file documentation that the notice was provided to its customers within 10 days of the date of the notice. The temporary Phase I rates collected by Holiday Gardens shall be subject to the refund provisions discussed below.

Prior to implementation of any temporary rates, Holiday Gardens shall provide appropriate security. Holiday Gardens may collect the temporary Phase I rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of \$37,117. Alternatively, Holiday Gardens may establish an escrow agreement with an independent financial institution.

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

- 1) The Florida Public Service Commission approves the rate increase; or
- 2) If the Florida Public Service Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If Holiday Gardens chooses a letter of credit as a security, the letter of credit must 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 order is rendered by the Florida Public Service Commission, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions must be part of the agreement:

- 1) The Clerk of the Florida Public Service Commission, or his or her designee, must be a signatory to the escrow agreement;
- 2) No monies in the escrow account may be withdrawn by the utility without the prior written authorization of the Clerk of the Florida Public Service Commission, or his or her designee;
- 3) The escrow account shall be an interest bearing account;
- 4) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 5) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility;
- 6) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 7) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 8) 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; and
- 9) The account must specify by whom and on whose behalf such monies were paid.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the Utility's customers. These costs are the sole responsibility of, and shall be borne by, Holiday Gardens. Irrespective of the form of security chosen by Holiday Gardens, an account of all monies received as a result of the rate increase shall be maintained by Holiday Gardens. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

Holiday Gardens shall 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., Holiday Gardens must file reports with the Office of the Commission Clerk no later than the 20th of each month, indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed must also indicate the status of the security being used to guarantee repayment of any potential refund.

Proof of Adjustments

Holiday Gardens is required to notify this Commission in writing that it has adjusted its books in accordance with our decision. Holiday Gardens must submit a letter, within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records. In the event Holiday Gardens needs additional time to complete the adjustments, it must provide us with notice, seven days prior to the deadline. Our staff has administrative authority to grant the Utility an extension of up to 60 days, upon the Utility providing good cause for the delay.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Holiday Gardens Utilities, LLC's application for an increase in rates and charges is hereby approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order are hereby approved in every respect. It is further

ORDERED that all matters contained in the schedules attached hereto are incorporated by reference. It is further

ORDERED that the appropriate average test year base rate for Holiday Gardens Utilities, LLC is \$57,727. It is further

ORDERED that the appropriate return on equity (ROE) for Holiday Gardens Utilities, LLC is 11.16 percent, with a range of 10.16 percent to 12.16 percent. The appropriate overall rate of return for Holiday Gardens Utilities, LLC is 8.01 percent. It is further

ORDERED that the appropriate test year revenues for Holiday Gardens Utilities, LLC is \$79,674. It is further

ORDERED that appropriate amount of total operating expense for Holiday Gardens Utilities, LLC is \$130.686. It is further

ORDERED that the appropriate revenue requirement for Holiday Gardens Utilities, LLC is \$135,310, resulting in an annual increase of \$55,636 (69.83 percent). It is further

ORDERED that Holiday Gardens Utilities, LLC shall file revised tariff sheets and a proposed customer notice to reflect the approved Phase I rates shown on Schedule 4. The revised tariff sheets shall be approved upon our staff's verification that the tariff sheets are consistent with our decision herein. It is further

ORDERED that Holiday Gardens Utilities, LLC's approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that Holiday Gardens Utilities, LLC's approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers as forth in this Order. Holiday Gardens Utilities, LLC shall provide documentation that the notice was provided to its customers within 10 days of the date of the notice. It is further

ORDERED that an expedited meter replacement program to replace, on average, 29 meters per year, with the replacement of any remaining meters over 10 years, is approved for Holiday Gardens Utilities, LLC. These costs shall not be capitalized or included in rate base in any future rate case filed by the Utility. It is further

ORDERED that Holiday Gardens Utilities, LLC shall be authorized to collect Non-Sufficient Funds charges as set out Sections 68.065 and 832.08(5), F.S. The NSF charges shall be effective on or after the stamped approval date on Holiday Gardens Utilities, LLC's tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. Holiday Gardens Utilities, LLC shall not implement the collection of the approved NSF charges until our staff has reviewed and approved the proposed customer notice, and the notice has been received by its customers. Holiday Gardens must file documentation that the notice was provided to its customers within 10 days of the date of the notice. It is further

ORDERED that the appropriate initial customer deposit for Holiday Gardens Utilities, LLC is \$46 for the residential 5/8" x 3/4" meter size for water. The initial customer deposit for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for water. The approved customer deposits shall 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. Holiday Gardens Utilities, LLC shall be required to charge the approved charges until this Commission authorizes it to change them in a subsequent proceeding. It is further

ORDERED that Holiday Gardens Utilities, LLC's Phase II revenue requirement is \$136,913 (a 1.18 percent increase over the Phase I revenue requirement) as shown on Schedule No. 7-A attached hereto. Holiday Gardens Utilities, LLC's approved Phase II rates are shown on Schedule No. 8 attached hereto. It is further

ORDERED that implementation of the approved Phase II rates is conditioned upon Holiday Gardens Utilities, LLC completing the pro forma items within 12 months of the issuance of a Consummating Order in this docket. Should Holiday Gardens encounter any unforeseen events that will impede the completion of the pro forma items, it shall immediately notify the Commission in writing. It is further

ORDERED that Holiday Gardens Utilities, LLC shall be permitted to implement the Phase II rate once our staff has verified that all pro forma items have been completed and documentation of the all the items have been provided. It is further

ORDERED that Holiday Gardens Utilities, LLC shall file revised tariff sheets and a proposed customer notice to reflect the approved Phase II rates shown on Schedule 8 attached. The revised tariff sheets shall be approved upon our staff's verification that the tariff sheets are consistent with our decision herein. It is further

ORDERED that Holiday Gardens Utilities, LLC's approved Phase II rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that Holiday Gardens Utilities, LLC's approved Phase II rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers as forth in this Order. Holiday Gardens Utilities, LLC shall provide documentation that the notice was provided to its customers within 10 days of the date of the notice. It is further

ORDERED that, subject to the conditions set forth in the body of this Order, following the expiration of the four-year rate case expense recovery period, Holiday Gardens Utilities, LLC's rates shall be reduced as shown on Schedule No. 4 attached hereto, to remove rate case expense grossed-up for Regulatory Assessment Fees and amortized over a four-year period. It is further

ORDERED that Holiday Gardens Utilities, LLC shall 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. It is further

ORDERED that If Holiday Gardens Utilities, LLC files this reduction in conjunction with a price index or pass-through rate adjustment, it shall file separate data for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. It is further

ORDERED that the approved Phase I rates shall be approved for Holiday Gardens Utilities, LLC on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Holiday Gardens Utilities, LLC shall file revised tariff sheets and a proposed customer notice, reflecting the approved temporary rates. The approved temporary rates shall 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. It is further

ORDERED that prior to implementation of any temporary rates, Holiday Gardens Utilities, LLC shall provide appropriate security for the potential refund in \$37,117, as set out in the body of this Order. The temporary rates collected by Holiday Gardens shall be subject to refund provisions. Holiday Gardens Utilities, LLC may collect the temporary Phase I rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. It is further

ORDERED that, irrespective of the form of the security chosen by Holiday Gardens Utilities, LLC, the Utility shall maintain an account of all monies received as a result of the rate increase. It is further

ORDERED that, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., Holiday Gardens Utilities, LLC shall file reports with the Office of the Commission Clerk no later than the 20th of each month, indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

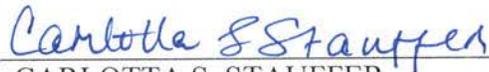
ORDERED that Holiday Gardens Utilities, LLC shall be required to provide proof, within 90 days of the effective date of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made. Our staff has administrative authority to grant Holiday Gardens Utilities, LLC an extension, of up to 60 days, upon the Utility providing good cause, in writing, for additional time to complete the adjustments. It is further

ORDERED that, except for the granting of temporary rates in the event of protest, the reduction for rate case expense, and the proof of adjustment of books, which are final agency action, the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, F.A.C., is received by the Office of the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that, 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 shall be issued. This docket shall remain open for our staff to verify that: (i) the required revised tariff sheets and customer notices have been filed by Holiday Gardens Utilities, LLC and approved by our staff; (ii) Holiday Gardens Utilities, LLC has adjusted its books; (iii) Holiday Gardens Utilities, LLC has completed all the pro forma items; and (iv) Holiday Gardens Utilities, LLC has properly implemented the approved Phase II rates. Once these actions are complete, this docket shall be closed administratively. It is further

ORDERED that upon the issuance of the Consummating Order in this docket, the surety bond shall be released.

By ORDER of the Florida Public Service Commission this 29th day of December, 2015.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

KFC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice shall not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein, except for the granting of temporary rates in the event of protest, the reduction for rate case expense, and the proof of adjustment of books, which are final agency action, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 19, 2016.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

HOLIDAY GARDENS UTILITIES, LLC		SCHEDULE NO. 1-A	
TEST YEAR ENDED 09/30/14		DOCKET NO. 140177-WU	
SCHEDULE OF WATER RATE BASE (PHASE I)			
DESCRIPTION	BALANCE PER UTILITY	FPSC ADJUSTMENTS TO UTIL. BAL.	BALANCE PER FPSC
UTILITY PLANT IN SERVICE	\$180,627	\$9,646	\$190,273
LAND & LAND RIGHTS	3,059	(645)	2,414
NON-USED AND USEFUL COMPONENTS	0	0	0
CIAC	(85,630)	0	(85,630)
ACCUMULATED DEPRECIATION	(162,118)	12,813	(149,305)
AMORTIZATION OF CIAC	85,630	0	85,630
WORKING CAPITAL ALLOWANCE	0	<u>14,345</u>	<u>14,345</u>
WATER RATE BASE	<u>\$21,568</u>	<u>\$36,159</u>	<u>\$57,727</u>

HOLIDAY GARDENS UTILITIES, LLC		SCHEDULE NO. 1-B
TEST YEAR ENDED 09/30/14		DOCKET NO. 140177-WU
ADJUSTMENTS TO RATE BASE (PHASE I)		
		<u>WATER</u>
	<u>UTILITY PLANT IN SERVICE</u>	
1.	To reflect the appropriate UPIS.	\$413
2.	To include the purchase of shop tools.	250
3.	To reflect pro forma plant additions and retirements.	9,314
4.	To reflect the appropriate averaging adjustment.	<u>(331)</u>
	Total	<u>\$9,646</u>
	<u>LAND</u>	
	To reflect the appropriate land balance.	<u>(\$645)</u>
	<u>ACCUMULATED DEPRECIATION</u>	
1.	To reflect the appropriate Accumulated Depreciation.	(\$1,954)
2.	To include the purchase of shop tools.	(25)
3.	To reflect pro forma plant additions and retirements.	13,815
4.	To reflect the appropriate averaging adjustment.	<u>978</u>
	Total	<u>\$12,813</u>
	<u>WORKING CAPITAL ALLOWANCE</u>	
	To reflect 1/8 of test year O&M expenses.	<u>\$14,345</u>

HOLIDAY GARDENS UTILITIES, LLC							SCHEDULE NO. 2		
TEST YEAR ENDED 09/30/14							DOCKET NO. 140177-WU		
SCHEDULE OF CAPITAL STRUCTURE (PHASE I)									
CAPITAL COMPONENT	PER UTILITY	Fpsc SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER Fpsc	PERCENT OF TOTAL	COST	WEIGHTED COST	
1. COMMON EQUITY	\$7,500	\$0	\$7,500	\$4,761	\$12,261	21.24%	11.16%	2.37%	
2. LONG-TERM DEBT	423,172	(398,628)	24,544	15,581	40,125	69.51%	7.50%	5.21%	
3. SHORT-TERM DEBT (Truck)	0	2,827	2,827	1,794	4,621	8.00%	5.00%	0.40%	
4. PREFERRED STOCK	0	0	0	0	0	0.00%	0.00%	0.00%	
5. CUSTOMER DEPOSITS	576	144	720	0	720	1.25%	2.00%	0.02%	
6. DEFERRED INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	
7. TOTAL	<u>\$431,248</u>	<u>(\$395,657)</u>	<u>\$35,591</u>	<u>\$22,137</u>	<u>\$57,727</u>	<u>100.00%</u>		<u>8.01%</u>	
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>		
RETURN ON EQUITY						<u>10.16%</u>	<u>12.16%</u>		
OVERALL RATE OF RETURN						<u>7.80%</u>	<u>8.22%</u>		

HOLIDAY GARDENS UTILITIES, LLC			SCHEDULE NO. 3-A		
TEST YEAR ENDED 09/30/14			DOCKET NO. 140177-WU		
SCHEDULE OF WATER OPERATING INCOME (PHASE I)					
	TEST YEAR	FPSC	FPSC	ADJUST.	REVENUE
	PER UTILITY	ADJUSTMENTS	ADJUSTED	FOR	REQUIREMENT
			TEST YEAR	INCREASE	
1. OPERATING REVENUES	<u>\$77,847</u>	<u>\$1,827</u>	<u>\$79,674</u>	<u>\$55,636</u> 69.83%	<u>\$135,310</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$71,968	\$42,795	\$114,763	\$0	\$114,763
3. DEPRECIATION (NET)	0	2,876	2,876	0	2,876
4. TAXES OTHER THAN INCOME	6,061	4,483	10,544	2,504	13,048
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. TOTAL OPERATING EXPENSES	<u>\$78,029</u>	<u>\$50,154</u>	<u>\$128,183</u>	<u>\$2,504</u>	<u>\$130,686</u>
7. OPERATING INCOME/(LOSS)	<u>(\$182)</u>		<u>(\$48,509)</u>		<u>\$4,624</u>
8. WATER RATE BASE	<u>\$21,568</u>		<u>\$57,727</u>		<u>\$57,727</u>
9. RATE OF RETURN	<u>(0.84%)</u>		<u>(84.03%)</u>		<u>8.01%</u>

HOLIDAY GARDENS UTILITIES, LLC
TEST YEAR ENDED 09/30/14
ADJUSTMENTS TO OPERATING INCOME (PHASE I)

SCHEDULE NO. 3-B
DOCKET NO. 140177-WU
Page 1 of 2

WATER**OPERATING REVENUES**

a. To reflect the appropriate test year service revenues.	\$1,657
b. To reflect the test year miscellaneous service revenues.	152
Subtotal	<u>\$1,827</u>

OPERATION AND MAINTENANCE EXPENSES

1. Salaries and Wages – Employees (601) To reflect the appropriate amount of salary expense for the test year.	<u>\$32,113</u>
2. Salaries and Wages – Officers (603) To reflect the appropriate amount of officer’s salary expense for the test year.	<u>\$10,308</u>
3. Employee Pensions and Benefits (604) To reflect the appropriate medical and workman’s comp. benefits.	<u>\$5,171</u>
4. Material and Supplies (620) To reflect capitalized items.	<u>(\$1,902)</u>
5. Contractual Services - Other (636) a. To remove out-of-period expenses.	(\$2,015)
b. To reflect the reduction in lawn maintenance expense.	(540)
Subtotal	<u>(\$2,555)</u>
6. Rents (640) To reflect the appropriate rent expense.	<u>(\$1,940)</u>
7. Insurance Expense (655) To reflect the appropriate insurance expense.	<u>(\$1,716)</u>
8. Regulatory Commission Expense (665) To reflect 4-year amortization of rate case expense.	<u>\$1,787</u>
9. Bad Debt Expense (670) To reflect the 3-year average bad debt expense	<u>\$300</u>
10. Miscellaneous Expense (675) a. To reflect the meter replacement program expense.	\$3,043
b. To reflect the licensing and corporations fees, and DEP Permit.	1,316
c. To remove duplicate telephone and utilities expense.	<u>(3,129)</u>
Subtotal	<u>\$1,229</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$42,795</u>

(O&M EXPENSES CONTINUED ON NEXT PAGE)

HOLIDAY GARDENS UTILITIES, LLC
TEST YEAR ENDED 09/30/14
ADJUSTMENTS TO OPERATING INCOME (PHASE I)

SCHEDULE NO. 3-B
DOCKET NO. 140177-WU
Page 2 of 2

DEPRECIATION EXPENSE

To reflect appropriate depreciation expense per Rule 25-30.140 F.A.C.. \$2,876

TAXES OTHER THAN INCOME

a. To reflect the appropriate test year property taxes. \$37

b. To reflect the appropriate allocation of payroll taxes. 4,447

Total \$4,483

HOLIDAY GARDENS UTILITIES, LLC		SCHEDULE NO. 3-C	
TEST YEAR ENDED 09/30/14		DOCKET NO. 140177-WU	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE (PHASE I)			
	TOTAL PER UTILITY	FPSC ADJUST- MENTS	TOTAL PER FPSC
(601) SALARIES AND WAGES - EMPLOYEES	\$20,091	\$32,113	\$52,204
(603) SALARIES AND WAGES - OFFICERS	1,455	10,308	11,763
(604) EMPLOYEE PENSIONS AND BENEFITS	777	5,171	5,948
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	3,260	0	3,260
(616) FUEL FOR POWER PRODUCTION	100	0	100
(618) CHEMICALS	2,179	0	2,179
(620) MATERIALS AND SUPPLIES	1,902	(1,902)	0
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	0	0	0
(633) CONTRACTUAL SERVICES - LEGAL	0	0	0
(636) CONTRACTUAL SERVICES - OTHER	23,445	(2,555)	20,890
(640) RENTS	6,398	(1,940)	4,458
(650) TRANSPORTATION EXPENSE	763	0	763
(655) INSURANCE EXPENSE	4,784	(1,716)	3,068
(665) REGULATORY COMMISSION EXPENSE	0	1,787	1,787
(670) BAD DEBT EXPENSE	0	300	300
(675) MISCELLANEOUS EXPENSE	<u>6,814</u>	<u>1,229</u>	<u>8,043</u>
TOTAL WATER O&M EXPENSES	<u>\$71,968</u>	<u>\$42,795</u>	<u>\$114,763</u>

HOLIDAY GARDENS UTILITIES, LLC.		SCHEDULE NO. 4	
TEST YEAR ENDED SEPTEMBER 30, 2014		DOCKET NO. 140177-WU	
MONTHLY WATER RATES (PHASE I)			
	RATES AT TIME OF FILING	FPSC APPROVED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$7.64	\$9.97	\$0.15
3/4"	\$11.45	\$14.96	\$0.22
1"	\$19.14	\$24.93	\$0.37
1-1/2"	\$38.23	\$49.85	\$0.73
2"	\$61.22	\$79.76	\$1.17
3"	\$122.45	\$159.52	\$2.35
4"	\$191.29	\$249.25	\$3.67
6"	\$382.59	\$498.50	\$7.34
Charge per 1,000 gallons - Residential			
0 - 3,000 gallons	\$1.35	N/A	N/A
Over 3,000 gallons	N/A	\$3.26	\$0.05
	N/A	\$5.16	\$0.08
Charge per 1,000 gallons - General Service			
	\$1.35	\$3.91	\$0.06
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$11.69	\$19.75	
5,000 Gallons	\$14.39	\$30.07	
10,000 Gallons	\$21.14	\$55.87	

HOLIDAY GARDENS UTILITIES, LLC		SCHEDULE NO. 5-A	
TEST YEAR ENDED 09/30/14		DOCKET NO. 140177-WU	
SCHEDULE OF WATER RATE BASE (PHASE II)			
DESCRIPTION	PHASE I BALANCE	FPSC ADJUSTMENTS TO UTIL. BAL.	BALANCE PER FPSC
UTILITY PLANT IN SERVICE	\$190,273	\$4,749	\$195,021
LAND & LAND RIGHTS	2,414	0	2,414
NON-USED AND USEFUL COMPONENTS	0	0	0
CIAC	(85,630)	0	(85,630)
ACCUMULATED DEPRECIATION	(149,305)	11,208	(138,097)
AMORTIZATION OF CIAC	85,630	0	85,630
WORKING CAPITAL ALLOWANCE	<u>14,345</u>	<u>0</u>	<u>14,345</u>
WATER RATE BASE	<u>\$57,727</u>	<u>\$15,957</u>	<u>\$73,684</u>

HOLIDAY GARDENS UTILITIES, LLC		SCHEDULE NO. 5-B
TEST YEAR ENDED 09/30/14		DOCKET NO. 140177-WU
ADJUSTMENTS TO RATE BASE (PHASE II)		
		<u>WATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
To reflect pro forma plant additions and retirements.		<u>\$4,749</u>
<u>ACCUMULATED DEPRECIATION</u>		
To reflect pro forma plant additions and retirements.		<u>\$11,208</u>

HOLIDAY GARDENS UTILITIES, LLC				SCHEDULE NO. 7-A	
TEST YEAR ENDED 09/30/14				DOCKET NO. 140177-WU	
SCHEDULE OF WATER OPERATING INCOME (PHASE II)					
	PHASE I	FPSC ADJUSTMENTS	FPSC ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$135,310</u>	<u>\$0</u>	<u>\$135,310</u>	<u>\$1,603</u> 1.18%	<u>\$136,913</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$114,763	\$0	\$114,763	\$0	\$114,763
3. DEPRECIATION (NET)	2,876	238	3,114	0	3,114
4. TAXES OTHER THAN INCOME	13,048	0	13,048	72	13,120
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. TOTAL OPERATING EXPENSES	<u>\$130,686</u>	<u>\$238</u>	<u>\$130,925</u>	<u>\$72</u>	<u>\$130,997</u>
7. OPERATING INCOME/(LOSS)	<u>\$4,624</u>		<u>\$4,386</u>		<u>\$5,917</u>
8. WATER RATE BASE	<u>\$57,727</u>		<u>\$73,684</u>		<u>\$73,684</u>
9. RATE OF RETURN	<u>8.01%</u>		<u>5.95%</u>		<u>8.03%</u>

ORDER NO. PSC-15-0588-PAA-WU

DOCKET NO. 140177-WU

PAGE 36

HOLIDAY GARDENS UTILITIES, LLC

TEST YEAR ENDED 09/30/14

ADJUSTMENTS TO OPERATING INCOME (PHASE II)

SCHEDULE NO. 7-B

DOCKET NO. 140177-WU

DEPRECIATION EXPENSE

To reflect appropriate depreciation expense per Rule 25-30.140 F.A.C..

WATER

\$238

HOLIDAY GARDENS UTILITIES, LLC		SCHEDULE NO. 8	
TEST YEAR ENDED SEPTEMBER 30, 2014		DOCKET NO. 140177-WU	
MONTHLY WATER RATES (PHASE II)			
		RATES AT	FPSC
		TIME OF	APPROVED
		FILING	RATES
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"		\$9.97	\$10.09
3/4"		\$14.96	\$15.14
1"		\$24.93	\$25.23
1-1/2"		\$49.85	\$50.45
2"		\$79.76	\$80.72
3"		\$159.52	\$161.44
4"		\$249.25	\$252.25
6"		\$498.50	\$504.50
Charge per 1,000 gallons - Residential			
		N/A	N/A
0 - 3,000 gallons		\$3.26	\$3.30
Over 3,000 gallons		\$5.16	\$5.22
Charge per 1,000 gallons - General Service			
		\$3.91	\$3.96
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons		\$19.75	\$19.99
5,000 Gallons		\$30.07	\$30.43
10,000 Gallons		\$55.87	\$56.53