

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Lake County by Raintree Waterworks, Inc.

DOCKET NO. 150199-WU
ORDER NO. PSC-16-0256-PAA-WU
ISSUED: June 30, 2016

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING RATE INCREASE FOR RAINTREE WATERWORKS, INC.
AND
FINAL ORDER ON RECOVERY OF RATE CASE EXPENSES,
TEMPORARY RATES AND ACCOUNTING ADJUSTMENTS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (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.). The granting of temporary rates in the event of a protest, the four year rate reduction, and the proof of adjustment of books and records are final agency actions and subject to reconsideration and appeal as described below under the heading, "NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW."

CASE BACKGROUND

Raintree Waterworks, Inc., (Raintree or Utility) is a Class C utility providing water service to approximately 109 residential customers and one general service customer in Lake County. Raintree was initially granted a small system exemption from Florida Public Service Commission (Commission) regulation in 1987 to serve 29 lots in the first phase of the development.¹ Raintree began providing water service in January 1988 and, in 1991, the Utility

¹ Order No. 18131, issued September 8, 1987, in Docket No. 870796-WU, *In re: Petition of Raintree Harbor Phase I for determination of exempt status of a water facility in Lake County.*

began working on the second phase of the development to expand service to 119 lots, and subsequently filed an application for a water certificate since it would no longer be eligible for the small system exemption. The Utility was granted Certificate No. 539-W in 1992,² and rates were last established for this Utility in 2008, when it was known as Raintree Utilities, Inc.³ The Utility was transferred to Raintree Harbor Utilities, LLC in 2012,⁴ and to Raintree in 2014.⁵

On September 11, 2015, Raintree filed an application for a staff assisted rate case (SARC). We selected the test year ending July 31, 2015, for the instant case. According to Raintree's 2015 annual report, its total operating revenues were \$42,210. Raintree reported a net income of \$1,547.⁶

A customer meeting was held on March 9, 2016, at the Tavares Community Center to receive customer questions and comments concerning the Utility's rate case and quality of service.

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

DECISION

Quality of Service

Pursuant to Rule 25-30.433(1), F.A.C., in water and wastewater rate cases, we must determine the overall quality of service provided by the utility. Overall quality of service is derived from an evaluation of three separate components of a utility's operations. These components are: (1) the quality of the utility's product; (2) the operating conditions of the utility's plant and facilities; and (3) 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. Additionally, Section 367.0812(1)(c), F.S., requires us to consider the extent to which the utility provides water service that meets secondary water quality standards as established by the DEP.

² Order No. PSC-92-0019-FOF-WU, issued March 10, 1992, in Docket No. 911039-WU, *In re: Application of Raintree Utilities, Inc. for a water certificate in Lake County, Florida.*

³ Order No. PSC-08-0483-PAA-WU, issued July 25, 2008, in Docket No. 070627-WU, *In re: Application for staff-assisted rate case in Lake County by Raintree Utilities, Inc.*

⁴ Order No. PSC-12-0260-PAA-WU, issued May 29, 2012, in Docket No. 110302-WU, *In re: Application by Raintree Utilities, Inc. in Lake County for the transfer of the Bentwood water facilities to the Bentwood Homeowners Association, Inc., and the transfer of the Raintree Harbor water facilities and Certificate No. 539-W to Raintree Harbor Utilities, LLC.*

⁵ Order No. PSC-14-0692-PAA-WU, issued December 15, 2014, in Docket No. 140121-WU, *In re: Application for approval of transfer of Certificate No. 539-W from Raintree Harbor Utilities, LLC to Raintree Waterworks, Inc. in Lake County.*

⁶ Raintree Waterworks, Inc. 2015 Annual Report filed March 8, 2016, with this Commission. <http://www.floridapsc.com/library/financials/WU969-DOCS/ANNUAL-REPORTS/WU969-15-AR.PDF>

Quality of Utility's Product

Our evaluation of Raintree's water quality consisted of a review of its compliance with the DEP primary and secondary drinking water standards and customer complaints. Primary standards protect public health while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water.

Based on our review of DEP records, Raintree was in compliance with all primary and secondary standards during the three-year period (2012-2014) that preceded the test year. On April 27, 2015, water testing for primary and secondary water standards was conducted by Advanced Environmental Laboratories, Inc., and all results remained in compliance with the DEP primary and secondary water quality standards.

Our review of complaints filed with this Commission (none were filed with DEP), did not reveal any issues or concerns regarding the quality of Raintree's product. Based on our review, giving consideration to the Raintree's current compliance with DEP standards, as well as the lack of customer complaints, we find the quality of Raintree's product to be satisfactory.

Operating Condition of the Utility's Plant and Facilities

Raintree provides finished potable water obtained from three wells, which draw ground water from the aquifer. The raw water is treated by reverse osmosis chlorination filtration and pumped into a 3,000 gallon hydropneumatic tank and then into the distribution system. The distribution system is composed of PVC pipe. Our evaluation of Raintree's facilities included a review of the Utility's compliance standards of operation as well as a site visit.

On October 11, 2013, DEP conducted a sanitary survey, and found one deficiency, stating that the Well #1 check valve was not holding. The survey report, issued on January 16, 2014, stated that the Utility advised that the check valve was replaced on October 14, 2013, and deemed the water treatment plant in compliance. Our staff did not identify any issues or concerns during its March 9, 2016, site visit. Therefore, we find the operating condition of Raintree's water treatment plant and facilities to be satisfactory.

The Utility's Attempt to Address Customer Satisfaction

The final component of the overall quality of service that must be assessed is customer satisfaction. As part of our evaluation of customer satisfaction, we held a customer meeting on March 9, 2016, to receive customer comments concerning Raintree's quality of service. The Utility mailed the customer meeting notice to its customers on February 17, 2016, advising them of the time, place, and purpose of the meeting, as well as the procedures for filing comments with this Commission. No customers attended the meeting, and, as of the filing date of this Order, no customer correspondence has been received.

We requested copies of complaints filed with Raintree during the test year and four years prior to the test year. Raintree responded on February 8, 2016, with the complaints that it had received since it acquired the Utility in 2014. The response shows 34 customer contacts, 21 of which were related to two general power outage events that occurred on May 22 and September 1, 2015, that affected the water treatment plant. Seven complaints were for leaks. Raintree investigated and either fixed the leak or advised that it was on the customer's side of the meter, as appropriate. One of the leaks was found to be a wastewater leak which did not involve Raintree's system. Three customer contacts were regarding water service that had been shut off due to nonpayment, and were resolved when payment was made. The last three customer contacts regarded a quality of service issue that Raintree tried to follow up on to obtain additional information, but the customers in each case failed to pursue the matter.

On April 26, 2016, we requested complaints against the system filed with the DEP for the test year and four years prior. DEP responded on May 9, 2016, stating that it had received no complaints against the system in the last five years.

Finally, we reviewed our complaint records from January 1, 2010, through May 9, 2016. There were no complaints filed against any of the three utilities that had ownership of the water system during this period. Therefore, we find Raintree's attempt to address customer satisfaction to be satisfactory.

Quality of Service Summary

Based on the foregoing, we find that the overall quality of service provided by Raintree to be satisfactory.

Water Treatment Plant and Distribution System Used & Useful (U&U)

Raintree's water system is served by two 4-inch wells and one 8-inch diameter well rated at 88, 88, and 90 gallons per minute, respectively. The raw water is treated by reverse osmosis chlorination filtration prior to entering the 3,000-gallon hydropneumatic tank for pressurization, and then pumped into the water distribution system. Raintree is permitted to withdraw an average of 0.062 million gallons per day for the years 2014 through 2028.

In the Utility's previous SARC, we found both the Utility's water treatment plant and distribution system 100 percent U&U. There have been no major plant additions or growth in the last five years. Therefore, consistent with our prior decision, we find Raintree's water treatment plant and distribution system to be 100 percent U&U.

Excessive Unaccounted for Water (EUW)

Pursuant to Rule 25-30.4325, F.A.C., the calculation of U&U for a water treatment plant must consider EUW. Rule 25-30.4325, F.A.C., describes EUW as unaccounted for water in excess of 10 percent of the amount produced. When establishing the Rule, we recognized that some uses of water are readily measurable and others are not.⁷ Unaccounted for water is all water produced that is not sold, metered or accounted for in the records of the utility. The Rule provides that to determine whether adjustments to plant and operating expenses, such as purchased electrical power and chemicals cost, are necessary, we will consider all relevant factors as to the reason for EUW, solutions implemented to correct the problem, and whether a proposed solution is economically feasible. The unaccounted for water is calculated by subtracting both the gallons used for other purposes, such as flushing, and the gallons sold to customers from the total gallons pumped for the test year.

In the Utility's filing, Raintree reported that it sold more water in June and July of 2015 than it produced. We requested clarification of this data, and the Utility reported that Well #3's flow meter had been inoperable for several months, and during that time the flows from that well were estimated. Raintree attached an invoice showing that the flow meter was replaced on November 18, 2015, and requested it be included as pro forma in the instant docket. We find that the flow meter repair is necessary and shall be included as pro forma as requested.

Since the actual amount of water produced by Well #3 during June and July of 2015 cannot be determined, we excluded those months from its EUW calculations. Therefore, based on the ten-month period during the test year of August 1, 2014, to May 31, 2015, the Utility's Monthly Operating Reports filed with DEP indicate that it treated 13,035,970 gallons. The Utility sold 10,140,000 gallons of water for the stated ten-month period. Raintree reported that it used 488,349 gallons for other uses. Adding the water sold to the water used for other uses, and subtracting the sum from the amount produced yields an unaccounted for water total of 2,407,621 gallons, or 18.5 percent, yielding an EUW of 8.5 percent. Therefore, we find that an 8.5 percent adjustment shall be made to operating expenses for chemicals and purchased power due to EUW.

⁷ Order No. PSC-93-0455-NOR-WS, issued on March 24, 1993, in Docket No. 911082-WS, *In re: Proposed revisions to Rules 25-22.0406, 25-30.020, 25-30.025, 25-30.030, 25-30.032 through 25-30.037, 25-30.060, 25-30.110, 25-30.111, 25-30.135, 25-30.255, 25-30.320, 25-30.335, 25-30.360, 25-30.430, 25-30.436, 25-30.437, 25-30.443, 25-30.455, 25-30.515, 25-30.565; adoption of Rules 25-22.0407, 25-22.0408, 25-22.0371, 25-30.038, 25-30.039, 25-30.090, 25-30.117, 25-30.432 through 25-30.435, 25-30.4385, 25-30.4415, 25-30.456, 25-30.460, 25-30.465, 25-30.470, 25-30.475; and repeal of Rule 25-30.441, F.A.C., pertaining to water and wastewater regulation*, at p. 102.

Rate Base

The appropriate components of the Utility's rate base include utility plant in service, land, contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC, and working capital. Raintree's net book value was last determined by Order No. PSC-14-0692-PAA-WU in a 2014 certificate transfer docket.⁸ Rate base was last established in the Utility's last SARC in 2008.⁹ We selected the test year ending July 31, 2015, for the instant case. A summary of each component of rate base and adjustments made are discussed below.

Pursuant to Rule 25-30.115, F.A.C., water and wastewater utilities are required to maintain their accounts and records in conformity with the 1996 National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). We determined that the Utility's books and records are in compliance with the NARUC USOA.

Utility Plant in Service (UPIS)

Raintree recorded \$252,519 in UPIS. We decreased UPIS by \$750 to reclassify Raintree's 2014 certificate transfer application filing fee from plant Account No. 302 – Franchises to expense Account No. 665 – Regulatory Commission Expense. Although the NARUC USOA allows the filing fee to be recorded as either a plant or expense item, our current practice is to record this type of filing fee as a non-recurring expense. This enables the Utility to recover the filing fee over 5 years, rather than 40 years associated with plant Account No. 302. This approach is particularly helpful to Class C utilities which often operate with limited cash resources. The exception is that the filing fee for an original certificate application for a utility that has not been built yet will typically be recorded to plant Account No. 301 – Organization as part of the cost to establish a new utility.

As discussed above under the heading "Water Treatment Plant and Distribution System Used & Useful," Raintree replaced an inoperable flow meter subsequent to the test year. The Utility has requested recovery of the repair as a pro forma plant item and provided supporting documentation.¹⁰ Based on our review, we increased UPIS by \$929 to reflect the pro forma replacement of the new flow meter. It is our practice to use 75 percent of the cost of the replacement as the retirement value when the original cost or original in-service date is not known. Accordingly, we decreased this account by \$697 ($\$929 \times .75 = \697) to reflect the plant retirement associated with the flow meter replacement. According to Raintree's 2015 Annual Report, it also recorded this replacement using a 75 percent retirement value. No plant additions were made during the test year, therefore, no averaging adjustment is necessary for ratemaking

⁸ Order No. PSC-14-0692-PAA-WU, issued December 15, 2014, in Docket No. 140121-WU, *In re: Application for approval of transfer of Certificate No. 539-W from Raintree Harbor Utilities, LLC to Raintree Waterworks, Inc. in Lake County.*

⁹ Order No. PSC-08-0483-PAA-WU, issued July 25, 2008, in Docket No. 070627-WU, *In re: Application for staff-assisted rate case in Lake County by Raintree Utilities, Inc.*

¹⁰ Document No. 00750-16, filed on February 8, 2016, in Docket No. 150199-WU.

purposes. Therefore, our net adjustment to UPIS is a decrease of \$518, and we find a UPIS balance of \$252,001.

Land and Land Rights

In Raintree's 2014 transfer docket, we approved a land balance of \$5,740. There has been no subsequent activity related to land since 2014, therefore, no adjustments are necessary. We find a land and land rights balance of \$5,740.

Non-Used and Useful Plant

As discussed above under the heading "Water Treatment Plant and Distribution System Used & Useful," Raintree's water treatment plant and distribution system are considered 100 percent U&U. Therefore, we find a U&U adjustment is not necessary.

Contribution in Aid of Construction

In Raintree's 2014 transfer docket, we approved a CIAC balance of \$29,750. Since 2014, there has been no subsequent activity related to CIAC, therefore, no adjustments are necessary. Therefore, we find a CIAC balance of \$29,750.

Accumulated Depreciation

Raintree recorded \$201,496 in accumulated depreciation. We calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. Our calculation includes a \$22 decrease to remove the accumulated depreciation associated with the \$750 filing fee reclassification discussed above. However, that decrease is offset by a total of \$22 in minor increases to four other accounts, resulting in no change to total accumulated depreciation for the test year. Consequently, we find that no adjustments are needed to correct the test year balance for rate setting purposes. As will be discussed further below under the heading "Proof of Adjustments" we adjusted account balances for the test year are reflected on Schedule No. 5 attached to this Order to assist Raintree with adjusting its books and records.

In addition, we find two pro forma adjustments associated with the flow meter replacement discussed above. We decreased this account by \$697 to remove the accumulated depreciation associated with the retired flow meter. We also increased this account by \$7 to reflect the minor incremental increase in accumulated depreciation associated with the new flow meter. Finally, we decreased the test year total accumulated depreciation by \$5,419 to reflect an averaging adjustment. Our net adjustment to this account is a decrease of \$6,109, and find an accumulated depreciation balance of \$195,387.

Accumulated Amortization of CIAC

Raintree recorded an amortization of CIAC balance of \$15,143. We calculated amortization of CIAC using composite depreciation rates, and determined that no adjustments are necessary. We decreased this account by \$640 to reflect an averaging adjustment and find an accumulated amortization of CIAC balance of \$14,503.

Working Capital Allowance

Working capital is defined as the investor-supplied funds that are necessary to meet operating expenses of the utility. 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 \$4,175 (based on O&M expense of \$33,402/8).

Rate Base Summary

Based on the foregoing, we find that the appropriate average test year rate base to be \$51,282. Rate base is shown on Schedule No. 1-A attached to this Order. The related adjustments are shown on Schedule No. 1-B attached to this Order.

Return on Equity (ROE)

Raintree's capital structure consists of \$49,929 in common equity. Raintree has no debt and does not collect customer deposits and does not have a tariff in effect for customer deposits. Therefore, we find that no adjustments are necessary. Raintree's capital structure has been reconciled with our approved rate base. The appropriate ROE is 8.74 percent based upon our approved leverage formula currently in effect.¹¹

Therefore, we find 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 attached to this Order.

Test Year Revenues

Raintree recorded a total revenue of \$40,670. The water revenue included \$40,660 of service revenues and \$10 of miscellaneous revenues. In order to determine the appropriate service revenues, we corrected billing determinants to reflect credits issued to customers. During the test year, Raintree had a rate increase as a result of a price index. Therefore, we annualized

¹¹ Order No. PSC-15-0259-PAA-WS, issued July 2, 2015, in Docket No. 150006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

test year revenue by applying the rates in effect as of June 26, 2015, to the adjusted billing determinants. Based on the corrected billing determinants, we find service revenues to be \$42,322, which is an increase of \$1,652.

On July 15, 2015, Raintree began charging a \$2.60 convenience charge to customers who opted to pay their water bill online or by way of telephone.¹² During the test year, there were only four occurrences; however, since the implementation of the convenience charge through March of 2016, there were approximately 66 occurrences. In order to recognize the revenues associated with this charge on a going forward basis, we annualized the number of occurrences. As a result, the approximate annual average of occurrences is 84, which calculates to be \$218 of miscellaneous revenues. Therefore, we increased miscellaneous revenues by \$208 (\$218-\$10). We find the appropriate test year revenue for Raintree's water system, including miscellaneous revenues, to be \$42,540 (\$42,322+\$218).

Operating Expenses

Raintree recorded operating expense of \$46,531 for the test year ended July 31, 2015. We have reviewed Raintree's test year operating and maintenance expenses, including invoices, canceled checks, and other supporting documentation, and made several adjustments as summarized below.

Operation and Maintenance (O&M) Expenses

Purchased Power (615)

Raintree recorded \$4,689 for test year purchased power expense. As discussed above under the heading "Water Treatment Plant and Distribution System Used & Useful," we found an EUW adjustment of 8.5 percent. Therefore, we decreased this account by \$399 ($\$4,689 \times .085 = \399) to reflect an 8.5 percent EUW adjustment, and we find a purchased power expense of \$4,290.

Chemicals (618)

Raintree recorded \$345 for test year chemicals expense. As discussed above under heading "Water Treatment Plant and Distribution System Used & Useful," we found an EUW adjustment of 8.5 percent. Therefore, we decreased this account by \$29 ($\$345 \times .085 = \29) to reflect an 8.5 percent EUW adjustment, and find a purchased power expense of \$316.

¹² Order No. PSC-15-0190-TRF-WU, issued May 6, 2015, in Docket No. 150062-WU, *In re: Request for approval of amendment to tariff for miscellaneous service charges in Lake County by Raintree Waterworks, Inc.*

Contractual Services - Professional (631)

Raintree recorded \$2,107 for test year contractual services – professional expense, comprised of \$1,667 in accrued accounting expense and \$440 in legal expense. Raintree’s actual test year accounting services expense was \$1,000, therefore, we decreased this account by \$667 to remove the excess accrued accounting expense. Therefore, we find contractual services – professional expense for the test year of \$1,440.

Contractual Services - Other (636)

Raintree recorded \$21,744 in this account. Raintree receives all of its operational and administrative services under a contract with an affiliated company, U.S. Water Services Corporation (USWSC). We previously reviewed and approved expenses related to the USWSC management services contracts for five of Raintree’s sister utilities.¹³ In the three most recent related dockets, we found USWSC’s costing and allocation model to be reasonable with the exception of some allocated expenses related to salary overtime, fuel, and vehicle maintenance which were adjusted in those dockets.¹⁴

Subsequent to the test year, USWSC increased Raintree’s annual contract by \$348 to reflect an increase in the Consumer Price Index (CPI).¹⁵ USWSC previously adjusted Raintree’s contract to remove the salary overtime allowance, but did not adjust the fuel and vehicle maintenance expenses at that time. USWSC subsequently determined that Raintree’s actual test year fuel and vehicle maintenance expenses were \$642 less than the amount allocated in the test year contract, or \$652 less than the amount allocated in the current contract following the CPI adjustment. Consistent with our decisions related to Raintree’s sister utilities, we increased this account by \$348 to annualize the increase in the monthly contract price. We also decreased this account by \$652 to reflect Raintree’s actual test year fuel and vehicle maintenance expenses including the CPI adjustment. Our net adjustment to this account is a decrease of \$304 (\$348 - \$652 = -\$304). The adjusted annual contract fee of \$21,440 equals an average of \$195 per equivalent residential connection (ERC), which is comparable to the amounts approved by us for Raintree’s sister utilities which ranged from \$170 to \$247 per water ERC.

¹³ Order No. PSC-14-0413-PAA-WS, issued August 14, 2014, in Docket No. 130153-WS, *In re: Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.*; Order No. PSC-15-0013-PAA-WS, issued January 2, 2015, in Docket No. 130194-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.*; Order No. PSC-15-0282-PAA-WS, issued July 8, 2015, in Docket No. 140158-WS, *In re: Application for increase in water/wastewater rates in Highlands County by HC Waterworks, Inc.*; Order No. PSC-15-0329-PAA-WU, issued August 14, 2015, in Docket No. 140186-WU, *In re: Application for staff-assisted rate case in Brevard County by Brevard Waterworks, Inc.*; Order No. PSC-15-0335-PAA-WS, issued August 20, 2015, in Docket No. 140147-WS, *In re: Application for staff-assisted rate case in Sumter County by Jumper Creek Utility Company.*

¹⁴ Order No. PSC-15-0282-PAA-WS; Order No. PSC-15-0329-PAA-WU; and Order No. PSC-15-0335-PAA-WS.

¹⁵ Document No. 02483-16, filed on April 26, 2016, in Docket No. 150199-WU.

Raintree confirmed that USWSC's current cost model continues to include 1,000 additional projected ERCs.¹⁶ Inclusion of 1,000 potential future ERCs that are expected to be added through growth or acquisitions serves to spread the costs over a larger base and lowers the cost per ERC. Also, USWSC did not include any salary for the Manager of Regulated Utilities in the administrative services cost, which also serves to lower costs to customers.¹⁷ In addition, USWSC's contract with Raintree uses a 14 percent margin for overhead and profit rather than the 18 percent markup previously used. As a result of including the additional ERCs and reducing the margin by 4 percent, Raintree receives an annual subsidy of \$1,821 from USWSC. Raintree's O&M expenses have decreased by more than \$6,000 when compared to the Utility's last SARC in 2008. In addition to the \$1,821 cost subsidy resulting from USWSC's cost model, Raintree is experiencing additional cost savings related to expenses such as chemicals, testing, and miscellaneous expenses that are attributable to economies of scale achieved through operations provided under the USWSC contract.

USWSC and its managers bring considerable management and operator experience and expertise at a comparably reasonable cost. By spreading costs over multiple systems, and adding ERCs to recognize potential future growth, Raintree's customers are realizing operational and cost benefits that would not be available if Raintree operated on a stand-alone basis. Therefore, we find that the adjusted cost of the USWSC management services contract is reasonable and find a contractual services – other expense for the test year of \$21,440.

Insurance Expense (655)

Raintree recorded \$835 in this account. During the test year, the Utility's general liability insurance policy was renewed at a higher premium. We increased this account by \$479 to reflect Raintree's current annual general liability insurance expense of \$1,314. Therefore, we find an insurance expense for the test year of \$1,314.

Regulatory Commission Expense (665)

Raintree did not record any regulatory commission expense in this account. As discussed above under the heading "Utility Plant in Service (UPIS)," we reclassified the Raintree's \$750 certificate transfer application filing fee from plant to this expense account. Rule 25-30.433(8), F.A.C., requires that non-recurring expenses be amortized over a five-year period unless a shorter or longer period of time can be justified. Accordingly, we increased this account by \$150 to reflect the five-year amortization of the certificate transfer application filing fee ($\$750/5 = \150). The remaining unamortized portion of the filing fee shall be recorded in Account No. 186 – Miscellaneous Deferred Debits.

Regarding the instant case, Raintree is required by Rule 25-22.0407, F.A.C., to provide notices of the customer meeting and notices of final rates in this case to its customers. For noticing, we estimated \$106 for postage expense, \$77 for printing expense, and \$11 for

¹⁶Document No. 02483-16.

¹⁷Order No. PSC-15-0282-PAA-WS.

envelopes. This results in \$194 for the noticing requirement. Raintree paid a \$500 rate case filing fee and requested additional rate case expense of \$500 to cover travel expenses to attend both the customer meeting and our Agenda Conference. We previously approved rate case related travel expenses ranging from \$450 to \$1,570 in the three most recent dockets for Raintree's sister utilities. Based on our review, we find that the requested travel expense to be reasonable.

Pursuant to Section 367.0816, F.S., rate case expense is amortized over a four-year period.¹⁸ Based on the above, we find a total rate case expense of \$1,194 (\$194 + \$500 + \$500), which amortized over four years is \$298. Based on the above, our total adjustment to this account is an increase of \$448 (\$150 + \$298 = \$448), and find a regulatory commission expense of \$448.

Bad Debt Expense (670)

Raintree recorded \$568 in this account for test year bad debt expense. Our practice is to calculate bad debt expense using a three-year average, however, three years of records are not yet available for the current owners who purchased Raintree on May 23, 2014. Raintree reported \$234 in bad debt expense for June through December 2014.¹⁹ Subsequent to the test year, Raintree reported \$479 in bad debt expense for 2015, which equals 1.02 percent of our approved revenue requirement.²⁰ Raintree indicated it is amenable to using \$479 for the test year.²¹ We find that the 2015 expense is more representative of Raintree's expected bad debt expense going forward, and provides a reasonable alternative to a traditional three-year average in this case. Therefore, we have decreased this account by \$89 (\$479 - \$568 = -\$89), and find a test year bad debt expense of \$479.

Miscellaneous Expense (675)

Raintree recorded \$698 for miscellaneous expense. This account includes the Department of State's Division of Corporation's annual filing fee of \$150, the DEP's drinking water annual operating license fee of \$500, and several Sunshine State Florida One Call fees totaling \$48. We decreased this account by \$24 to remove the Sunshine State Florida One Call fees that occurred outside the test year. We shall approve a miscellaneous expense of \$674 for the test year.

Operation and Maintenance Expense (O&M Summary)

Based on the above adjustments, we decreased O&M expenses by \$584, and find a total O&M expense of \$33,402. Our adjustments to O&M expense are shown on Schedule Nos. 3-A, 3-B, and 3-C attached to this Order.

¹⁸ Section 367.0816, F.S., is still in effect at this time, but will be repealed effective July 1, 2016, pursuant to HB 491.

¹⁹ Raintree Waterworks, Inc. 2014 Annual Report.

²⁰ Raintree Waterworks, Inc. 2015 Annual Report.

²¹ Document No. 02483-16.

Depreciation Expense (Net of Amortization of CIAC)

Raintree's records reflect test year depreciation of \$10,875 and CIAC amortization of \$1,280, for a net depreciation expense of \$9,595 ($\$10,875 - \$1,280 = \$9,595$). We calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and determined depreciation expense to be \$7,752. We determined that the pro forma flow meter replacement results in a minor incremental increase of \$7 in depreciation expense. Accordingly, we decreased this account by a net adjustment of \$3,116 ($\$7,752 + 7 - \$10,875 = -\$3,116$). Our decrease to depreciation expense is primarily due to the elimination of \$3,123 in depreciation expense going forward for plant Account No. 320 – Water Treatment Equipment that became fully depreciated during the test year. In addition, we calculated CIAC amortization based on composite rates, and determined that no adjustments are necessary. This results in a net depreciation expense of \$6,479 ($\$7,752 + \$7 - \$1,280 = \$6,479$). Therefore, we find a net depreciation expense of \$6,479.

Taxes Other Than Income (TOTI)

Raintree recorded TOTI of \$2,951 for the test year and recorded \$1,997 for regulatory assessment fees (RAFs). Based on our approved test year revenues of \$42,540, Raintree's RAFs should be \$1,914. Therefore, we decreased this account by \$83 to reflect the appropriate RAFs. Also, the Utility recorded property tax accruals of \$954 during the test year. Raintree's actual property taxes for the 2014 tax year were \$671. However, subsequent to the audit, the 2015 property tax records became available, indicating that Raintree paid lower property taxes of \$567 for the 2015 tax year. In addition, the pro forma flow meter replacement discussed above in under heading "Utility Plant in Service (UPIS)" results in a minor \$3 increase in the Raintree's property taxes. Based on the 2015 property taxes plus the minor pro forma adjustment, we decreased this account by \$384 to reflect the appropriate property taxes going forward ($\$567 + \$3 - \$954 = -\384). Our total adjustment to test year TOTI is a decrease of \$467 ($-\$83 - \$384 = -\467).

In addition, as discussed below under heading "Revenue Requirement," revenues have been increased by \$4,510 to reflect the change in revenue required to cover expenses and allow the approved rate of return. As a result, we increase by \$203 to reflect RAFs of 4.5 percent of the change in revenues, and find a TOTI of \$2,687.

Operating Expenses Summary

The application of our adjustments to Raintree's test year operating expenses result in operating expenses of \$42,568. Operating expenses are shown on Schedule No. 3-A attached to this Order. The adjustments are shown on Schedule No. 3-B attached to this Order.

Revenue Requirement

We find Raintree shall be allowed an annual increase of \$4,510 (10.60 percent). This will allow Raintree the opportunity to recover its expenses and earn an 8.74 percent return on its investment. The calculations are as follows in the below:

Water Revenue Requirement

Adjusted Rate Base	\$51,282
Rate of Return	x 8.74%
Return on Rate Base	\$4,482
Adjusted O&M Expense	33,402
Depreciation Expense (Net)	6,479
Taxes Other Than Income	2,687
Income Taxes	0
Revenue Requirement	\$47,050
Less Adjusted Test Year Revenues	42,540
Annual Increase	\$4,510
Percent Increase	10.60%

Water Rate Structure and Rates

Raintree's service territory is located in the St. Johns River Water Management District (SJRWMD), which has water restrictions in place. Raintree provides water only service to 109 residential customers and one general service customer. The general service customer is the home owners' association and water is provided to irrigate the common areas. The billing data indicates that approximately 11 percent of the residential customer bills during the test year had zero gallons indicating a non-seasonal customer base. The average residential water demand is 10,029 gallons per month. Currently, the water system rate structure for residential customers consists of a base facility charge (BFC) and a two-tier inclining block rate structure. The rate blocks are: (1) 0-8,000 gallons per month, and (2) all usage in excess of 8,000 gallons per month. General service customers are billed based on a BFC and uniform gallonage charge.

We performed an analysis of the Utility's billing data in order to evaluate 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; (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.

In this case, we find that 40 percent of the water revenues shall be generated from the BFC, which will provide sufficient revenues to design gallonage charges that send pricing signals to customers using above the non-discretionary level. The average people per household

served by the water system is two; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 3,000 gallons per month.

We find a BFC and a three-tier inclining block rate structure, which includes separate gallonage charges for discretionary and non-discretionary usage for residential water customers. The rate blocks are: (1) 0-3,000 gallons; (2) 3,001-8,000 gallons; and (3) all usage in excess of 8,000 gallons per month. This rate structure sends the appropriate pricing signals because it targets customers with high consumption levels and minimizes price increases for customers at non-discretionary levels. In addition, the third tier provides an additional pricing signal to customers using in excess of 8,000 gallons of water per month, which includes approximately 52 percent of the demand. General service customers shall be billed a BFC and uniform gallonage charge.

Based on an approved revenue increase of 10.7 percent, which excludes \$218 of miscellaneous revenues, the residential consumption can be expected to decline by 572,000 gallons resulting in anticipated average residential demand of 9,602 gallons per month. We find a 4.3 percent reduction in test year residential gallons for rate setting purposes and corresponding reductions of \$182 for purchased power, \$13 for chemicals, and \$9 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$46,627.

Rate Structure & Rates Summary

Our approved rate structure and rates are shown on Schedule No. 4 attached to this Order. Raintree shall file revised tariff sheets and a proposed customer notice to reflect our approved rates. The approved 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, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. Raintree shall provide proof of the date notice was given within 10 days of the date of the notice.

Four Year Rate Reduction (Final Agency Action)

Section 367.0816, F.S., requires that rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the rates.²² The reduction will reflect the removal of revenues associated with the amortization of rate case expense, the associated return on working capital, and the gross-up for RAFs which is \$316. Using Raintree's current revenues, expenses, and customer base, the reduction in revenues will result in the rate decrease shown on Schedule No. 4 attached to this Order.

²² Section 367.0816, F.S., is still in effect at this time, but will be repealed effective July 1, 2016, pursuant to HB 491.

Raintree shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. Raintree also shall file a proposed customer notice setting forth the lower rates and the reason for the reduction. If Raintree files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall 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.

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, we have set initial customer deposits equal to two times the average estimated bill.²³ Currently, Raintree does not have initial customer deposits. Based on our approved rates and the post repression average residential demand, we find an appropriate initial customer deposit to be \$64 for water, to reflect an average residential customer bill for two months. Therefore, we find that the appropriate water initial customer deposit should be \$64 for the residential 5/8" x 3/4" meter size. We find the initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water service. The approved initial customer deposits shall be effective for connections made on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C.

Temporary Rates (Final Agency Action)

This Order approves an increase in rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, we find that the approved rates are approved as temporary rates. Raintree shall file revised tariff sheets and a proposed customer notice to reflect our approved rates. The approved 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, the temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. The approved rates collected by Raintree shall be subject to the refund provisions discussed below.

Raintree shall be authorized to collect the temporary rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$3,014. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

²³ 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.*

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

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

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

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

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

1. The Commission Clerk, 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 Commission Clerk, 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.
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 customers. These costs are the responsibility of, and shall be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

Raintree 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., Raintree shall file reports with our Clerk's office no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund.

Proof of Adjustments (Final Agency Action)

Raintree is required to notify us, in writing that it has adjusted its books in accordance with our decision. Schedule No. 5 attached to this Order, reflects the accumulated plant, depreciation, CIAC, and amortization of CIAC balances as of July 31, 2015. Raintree shall submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts, as shown on Schedule No. 5, have been made to the Utility's books and records. In the event Raintree needs additional time to complete the adjustments, notice shall be provided within seven days prior to the deadline. Upon providing good cause, our staff shall be given administrative authority to grant an extension of up to 60 days.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Raintree Waterworks, Inc.'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 is hereby approved in every respect. It is further,

ORDERED that all matters contained in the attachments and schedules appended hereto are incorporated by reference. It is further,

ORDERED that the overall quality of service provided by Raintree Waterworks, Inc., is satisfactory. It is further,

ORDERED that Raintree Waterworks, Inc.'s water treatment plant and distribution system is considered 100 percent Used and Useful. It is further,

ORDERED that a 8.5 percent adjustment for Excessive Unaccounted for Water is made to Raintree Waterworks, Inc.'s operating expenses for chemicals and purchased power. It is further,

ORDERED that the appropriate average test year rate base for Raintree Waterworks, Inc., is \$51,282. It is further,

ORDERED that the appropriate return on equity (ROE) for Raintree Waterworks, Inc., is 8.74 percent with a range of 7.74 percent to 9.74 percent, with an overall rate of return of 8.74 percent. It is further,

ORDERED that the appropriate test year revenues for Raintree Waterworks, Inc.'s water system is \$42,540. It is further,

ORDERED that the appropriate amount of operating expenses for the Raintree Waterworks, Inc., is \$42,568. It is further,

ORDERED that the appropriate revenue requirement for Raintree Waterworks, Inc., is \$47,050, resulting in an annual increase of \$4,510 (10.60 percent). It is further,

ORDERED that the approved rate structure and monthly water rates for Raintree Waterworks, Inc. are shown on Schedule No. 4 attached to this Order. Raintree Waterworks, Inc., shall file revised tariff sheets and a proposed customer notice to reflect the approved rates shown on Schedule 4. The revised tariff sheets shall be approved administratively upon our staff's verification that the tariff sheets are consistent with our decision herein. It is further,

ORDERED that Raintree Waterworks, Inc.'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 Raintree Waterworks, Inc.'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. Raintree Waterworks, Inc. shall provide documentation to this Commission 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, immediately following the expiration of the four-year rate case expense recovery period, Raintree Waterworks, Inc.'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 Raintree Waterworks, Inc. 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 Raintree Waterworks, Inc. 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 appropriate initial customer deposit for Raintree Waterworks, Inc. is \$64 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 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. Raintree Waterworks, Inc. 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 the approved rates are approved for Raintree Waterworks, Inc. on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Raintree Waterworks, Inc. shall file revised tariff sheets and a proposed customer notice, reflecting the approved temporary rates. The approved temporary rates are 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, Raintree Waterworks, Inc. shall provide appropriate security for the potential refund in the amount of \$3,014, as set out in the body of this Order. The temporary rates collected by Raintree Waterworks, Inc. are subject to refund provisions. Raintree Waterworks, Inc. may collect the temporary 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 Raintree Waterworks, Inc., 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., Raintree Waterworks, Inc. 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 Raintree Waterworks, Inc., shall be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Raintree Waterworks, Inc., shall submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts as shown on Schedule No. 5 attached to this Order have been made to its books and records. In the event Raintree Waterworks, Inc., needs additional time to complete the adjustments, notice shall be provided within seven days prior to the deadline. Upon providing good cause, our staff is given administrative authority to grant an extension of up to 60 days. 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. The docket shall remain open for our staff's verification that the revised tariff sheets and customer notice have been filed by Raintree Waterworks, Inc. and approved by our staff. 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, if any, shall be released.

By ORDER of the Florida Public Service Commission this 30th day of June, 2016.



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.

TLT-BYL

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 should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

As identified in the body of this order, the actions proposed herein are preliminary in nature, except the decisions regarding (1) the granting of temporary rates in the event of protest, (2) the reduction for rate case expense, and (3) the proof of adjustment to NARUC USOC accounts, which are final agency action. 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 July 21, 2016.

If such a petition is filed, 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. 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.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within fifteen (15) days of the issuance of this Order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this Order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

RAINTREE WATERWORKS, INC. TEST YEAR ENDED 7/31/15 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 150199-WU	
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS TO UTILITY BALANCE	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$252,519	(\$518)	\$252,001
2. LAND & LAND RIGHTS	5,740	0	5,740
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(29,750)	0	(29,750)
5. ACCUMULATED DEPRECIATION	(201,496)	6,109	(195,387)
6. AMORTIZATION OF CIAC	15,143	(640)	14,503
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>4,175</u>	<u>4,175</u>
8. WATER RATE BASE	<u>\$42,156</u>	<u>\$9,126</u>	<u>\$51,282</u>

RAINTREE WATERWORKS, INC.
TEST YEAR ENDED 7/31/15
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1-B
DOCKET NO. 150199-WU

WATER

UTILITY PLANT IN SERVICE

- | | |
|---|----------------|
| 1. To reclassify certificate transfer application filing fee from plant Acct. 302 to expense Acct. 665 - Regulatory Commission Expense. | (\$750) |
| 2. To reflect pro forma flow meter replacement for well #3 to Acct. 309. | \$929 |
| 3. To reflect retirement of replaced flow meter for well #3 to Acct. 309. | <u>(\$697)</u> |
| Total | <u>(\$518)</u> |

ACCUMULATED DEPRECIATION

- | | |
|---|----------------|
| 1. To reflect pro forma retirement of replaced flow meter on well #3. | \$697 |
| 2. To reflect pro forma accumulated depreciation per Rule 25-30.140, F.A.C. | (\$7) |
| 3. To reflect an averaging adjustment. | <u>\$5,419</u> |
| Total | <u>\$6,109</u> |

AMORTIZATION OF CIAC

- | | |
|-------------------------------------|----------------|
| To reflect an averaging adjustment. | <u>(\$640)</u> |
|-------------------------------------|----------------|

WORKING CAPITAL ALLOWANCE

- | | |
|---|----------------|
| To reflect 1/8 of test year O&M expenses. | <u>\$4,175</u> |
|---|----------------|

RAINTREE WATERWORKS, INC. TEST YEAR ENDED 7/31/15 SCHEDULE OF CAPITAL STRUCTURE							SCHEDULE NO. 2 DOCKET NO. 150199-WU		
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE RECONCILED TO RATE BASE	ADJUSTMENTS	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST	
1. COMMON STOCK	\$0	\$0	\$0						
2. RETAINED EARNINGS	0	0	0						
3. PAID IN CAPITAL	0	0	0						
4. OTHER COMMON EQUITY	<u>49,929</u>	<u>0</u>	<u>49,929</u>						
TOTAL COMMON EQUITY	\$49,929	\$0	\$49,929	\$1,353	\$51,282	100.00%	8.74%	8.74%	
5. LONG TERM DEBT	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
6. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%	
7. PREFERRED STOCK	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	0.00%	
TOTAL DEBT	\$0	\$0	\$0	\$0	\$0	0.00%			
8. CUSTOMER DEPOSITS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	2.00%	<u>0.00%</u>	
9. TOTAL	<u>\$49,929</u>	<u>\$0</u>	<u>\$49,929</u>	<u>\$1,353</u>	<u>\$51,282</u>	<u>100.00%</u>		<u>8.74%</u>	
RANGE OF REASONABLENESS						LOW	HIGH		
RETURN ON EQUITY						<u>7.74%</u>	<u>9.74%</u>		
OVERALL RATE OF RETURN						<u>7.74%</u>	<u>9.74%</u>		

RAINTREE WATERWORKS, INC. TEST YEAR ENDED 7/31/15 SCHEDULE OF WATER OPERATING INCOME		SCHEDULE NO. 3-A DOCKET NO. 150199-WU			
	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$40,670</u>	<u>\$1,870</u>	<u>\$42,540</u>	<u>\$4,510</u> 10.60%	<u>\$47,050</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$33,985	(\$584)	\$33,402	\$0	\$33,402
3. DEPRECIATION (NET)	9,595	(3,116)	6,479	0	6,479
4. TAXES OTHER THAN INCOME	2,951	(467)	2,484	203	2,687
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. TOTAL OPERATING EXPENSES	<u>\$46,531</u>	<u>(\$4,166)</u>	<u>\$42,365</u>	<u>\$203</u>	<u>\$42,568</u>
7. OPERATING INCOME/(LOSS)	<u>(\$5,861)</u>		<u>\$175</u>		<u>\$4,482</u>
8. WATER RATE BASE	<u>\$42,156</u>		<u>\$51,282</u>		<u>\$51,282</u>
9. RATE OF RETURN	<u>(13.90%)</u>		<u>0.34%</u>		<u>8.74%</u>

RAINTREE WATERWORKS, INC.		SCHEDULE NO. 3-B
TEST YEAR ENDED 7/31/15		DOCKET NO. 150199-WU
ADJUSTMENTS TO OPERATING INCOME		
		<u>WATER</u>
OPERATING REVENUES		
1.	To reflect test year revenues.	\$1,662
2.	To reflect miscellaneous revenues.	<u>208</u>
	Subtotal	<u>\$1,870</u>
OPERATION AND MAINTENANCE EXPENSES		
1.	Purchased Power (615) To reflect 8.5% excessive unaccounted for water adjustment.	<u>(\$399)</u>
2.	Chemicals (618) To reflect 8.5% excessive unaccounted for water adjustment.	<u>(\$29)</u>
3.	Contractual Services - Professional (631) To reflect appropriate accounting services expense.	<u>(\$667)</u>
4.	Contractual Services - Other (636)	
	a. To reflect appropriate contractual services – other expense.	\$348
	b. To reflect appropriate fuel and vehicle maintenance expense.	<u>(652)</u>
	Subtotal	<u>(\$304)</u>
5.	Insurance Expense (655) To reflect appropriate general liability insurance expense.	<u>\$479</u>
6.	Regulatory Commission Expense (665)	
	a. To reflect 5-year amortization of transfer filing fee reclassified from plant Acct. 302.	\$150
	b. To reflect 4-year amortization of rate case expense (\$1,194/4).	<u>298</u>
	Subtotal	<u>\$448</u>
7.	Bad Debt Expense (670) To reflect appropriate bad debt expense.	<u>(\$89)</u>
8.	Miscellaneous Expense (675) To remove Sunshine State One Call of Florida fees outside the test year.	<u>(\$24)</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS		<u>(\$584)</u>
DEPRECIATION EXPENSE		
To reflect appropriate depreciation calculated per Rule 25-30.140, F.A.C.		<u>(\$3,116)</u>
TAXES OTHER THAN INCOME		
1.	To reflect appropriate test year RAFs.	(\$83)
2.	To reflect appropriate Utility property taxes.	<u>(384)</u>
	Total	<u>(\$467)</u>

RAINTREE WATERWORKS, INC.		SCHEDULE NO. 3-C	
TEST YEAR ENDED 7/31/15		DOCKET NO. 150199-WU	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	COMMISSION ADJUST- MENTS	TOTAL PER COMMISSION
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(603) SALARIES AND WAGES - OFFICERS	3,000	0	3,000
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	4,689	(399)	4,290
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	345	(29)	316
(620) MATERIALS AND SUPPLIES	0	0	0
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	2,107	(667)	1,440
(635) CONTRACTUAL SERVICES - TESTING	0	0	0
(636) CONTRACTUAL SERVICES - OTHER	21,744	(304)	21,440
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	835	479	1,314
(665) REGULATORY COMMISSION EXPENSE	0	448	448
(670) BAD DEBT EXPENSE	568	(89)	479
(675) MISCELLANEOUS EXPENSE	<u>698</u>	<u>(24)</u>	<u>674</u>
	<u>\$33,985</u>	<u>(\$584)</u>	<u>\$33,402</u>

RAINTREE WATERWORKS, INC.		SCHEDULE NO. 4	
TEST YEAR ENDED 7/31/2015		DOCKET NO. 150199-WU	
MONTHLY WATER RATES			
	RATES AT TIME OF FILING	COMMISSION APPROVED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$13.60	\$13.79	\$0.09
3/4"	\$20.41	\$20.69	\$0.14
1"	\$34.02	\$34.48	\$0.23
1-1/2"	\$68.03	\$68.95	\$0.47
2"	\$108.85	\$110.32	\$0.75
3"	\$217.69	\$220.64	\$1.49
4"	\$340.14	\$344.75	\$2.33
6"	\$680.30	\$689.50	\$4.66
Charge per 1,000 Gallons- Residential			
0-8,000 gallons	\$1.58		
Over 8,000 gallons	\$1.96		
0-3,000 gallons		\$1.66	\$0.01
3,001-8,000 gallons		\$1.76	\$0.01
Over 8,000 gallons		\$2.64	\$0.02
Charge per 1,000 gallons - General Service	\$1.79	\$2.17	\$0.01
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$18.34	\$18.77	
8,000 Gallons	\$26.24	\$27.57	
10,000 Gallons	\$30.16	\$32.85	

RAINTREE WATERWORKS, INC.			SCHEDULE NO. 5	
TEST YEAR ENDED 7/31/2015			DOCKET NO. 150199-WU	
SCHEDULE OF WATER PLANT, DEPRECIATION, CIAC, & CIAC AMORTIZATION BALANCES				
ACCT NO.	DEPR. RATE PER RULE 25-30.140, F.A.C.	DESCRIPTION	UPIS 7/31/2015 (DEBIT)	ACCUM. DEPR. 7/31/2015 (CREDIT)*
301	2.50%	ORGANIZATION	\$2,587	\$199
302	2.50%	FRANCHISES	0	0
303	0.00%	LAND AND LAND RIGHTS (NON-DEPRECIABLE)	5,740	0
304	3.70%	STRUCTURES AND IMPROVEMENTS	13,979	7,908
307	3.70%	WELLS AND SPRINGS	24,733	18,663
309	3.13%	SUPPLY MAINS	4,179	2,957
311	5.88%	PUMPING EQUIPMENT	40,241	35,908
320	5.88%	WATER TREATMENT EQUIPMENT	53,968	53,968
330	3.03%	DISTRIBUTION RESERVOIRS AND STANDPIPES	11,448	9,741
331	2.63%	TRANSMISSION AND DISTRIBUTION MAINS	62,668	46,309
333	2.86%	SERVICES	11,580	9,291
334	5.88%	METERS AND METER INSTALLATIONS	1,268	155
335	2.50%	HYDRANTS	12,879	9,041
336	10.00%	BACKFLOW PREVENTION DEVICES	6,500	2,899
340	6.67%	OFFICE FURNITURE AND EQUIPMENT	<u>5,739</u>	<u>4,458</u>
		TOTAL INCLUDING LAND	<u>\$257,509</u>	<u>\$201,496</u>
			CIAC AMORT. 7/31/2015 (DEBIT)*	CIAC 7/31/2015 (CREDIT)
			<u>\$15,143</u>	<u>\$29,750</u>

* The plant and accumulated depreciation balances exclude the pro forma flow meter replacement. Also, the accumulated depreciation and accumulated amortization of CIAC balances exclude this Commission's approved averaging adjustments that are used only for rate setting purposes and should not be reflected on the Utility's books.