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| --- | --- | --- | --- |
| State of Florida  pscSEAL | | Public Service Commission  Capital Circle Office Center ● 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850  -M-E-M-O-R-A-N-D-U-M- | |
| DATE: | August 31, 2016 | | |
| TO: | Office of Commission Clerk (Stauffer) | | |
| FROM: | Division of Economics (Hudson, Johnson)  Division of Accounting and Finance (Norris)  Division of Engineering (P. Buys, King)  Office of the General Counsel (Murphy) | | |
| RE: | Docket No. 140186-WU – Application for staff-assisted rate case in Brevard County by Brevard Waterworks, Inc. | | |
| AGENDA: | 09/13/16 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate | | |
| COMMISSIONERS ASSIGNED: | | | All Commissioners |
| PREHEARING OFFICER: | | | Graham |
| CRITICAL DATES: | | | None |
| SPECIAL INSTRUCTIONS: | | | None |

Case Background

Brevard Waterworks, Inc. (Brevard or utility) is a Class C utility providing water service to approximately 236 residential customers and one general service customer in subdivisions known as Kingswood and Oakwood in Brevard County. The utility has been in existence since 1971. The utility purchases bulk water from Brevard County (county).

On September 29, 2014, Brevard filed its application for the rate increase at issue in the instant docket. On August 14, 2015, by Order No. PSC-15-0329-PAA-WU, the Commission approved Phase I rates and ordered Brevard to work with the Office of Public Counsel (OPC) and the county to submit to this Commission, within 90 days of the issuance of the PAA Order, a long- term solution and options of how best to address significant issues regarding the water system and rates. The issues regarding the water system included the deterioration of the distribution system. It further stated that such proposal is to include a review of available options and the implications of each such option.[[1]](#footnote-1) OPC conducted meetings on September 8 and 29, 2015, with the customers of Brevard. On October 29, 2015, OPC conducted a meeting with Brevard representatives in attendance. The utility and OPC have both filed comments regarding the unaccounted for water in the water distribution system.

Staff planned to file a recommendation on March 24, 2016, regarding the available options. However, on March 14, 2016, OPC and Brevard jointly requested that the Commission defer consideration of the Phase II rates for Brevard until the September 2016 Commission Conference. OPC and Brevard stated that additional time was needed to find the most cost- effective solution to resolve the unaccounted for water issue. The options would include, but not be limited to, obtaining alternative funding for the repair and replacement of the infrastructure in the Oakwood subdivision. Also, the letter included language indicating that the additional time would be used to develop a long-term solution and options of how best to address the significant issues regarding the water system and rates.

By letter dated August 1, 2016, the utility filed additional information for staff to consider in its recommendation on the Phase II adjustment. The letter indicated that Brevard County has no interest in purchasing the water system. The St. John’s River Water Management District acknowledged that a line replacement program would be beneficial for water conservation. However, the line replacement program would not qualify for the cost sharing provided under the cooperative funding program because the utility system is not contained in one of the Rural Economic Development Initiative communities. The utility stated it will continue to explore the possibility of obtaining a low interest loan through the state revolving fund with the Department of Environmental Protection.

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

Discussion of Issues

Issue :

 What is the appropriate revenue requirement for Phase II?

Recommendation:

 The appropriate revenue requirement for Phase II is $140,321. (P. Buys, Norris)

Staff Analysis:

 Per Order No. PSC-15-0329-PAA-WU, the Commission directed Brevard to work with OPC and the county to explore solutions to address ongoing rate and unaccounted for water issues. The Commission also ordered that purchased water expense be reduced by $30,511 due to excessive unaccounted for water (EUW). Brevard argued at the Commission Conference that an unaccounted for water adjustment would leave the utility with two options: replace the aging infrastructure and request rates to recover the prudently incurred costs, or abandon the utility and let the county take over.

On November 19, 2015, Brevard filed with the Commission a summary of actions taken by the utility since the Commission’s Order. The summary included:

* Information about the customer meetings.
* New purchased water rates.
* Additional cost incurred after the Order was issued.

OPC submitted a response to Brevard’s November 19, 2015 filing on November 30, 2015.

**Results of OPC Meeting with Brevard Customers**

Brevard asserts that the ultimate long-term solution to the utility’s EUW would be to replace the water distribution system throughout the service territory. Subsequent to the previously discussed Order, Brevard contracted U.S. Water Services Corporation (U.S. Water) to prepare an engineering plan for the replacement of the existing water distribution system throughout the Oakwood subdivision. The plan includes the replacement of the water distribution system in four phases. The plan also includes the replacement of the existing 2-inch and 4-inch water lines with 3-inch and 4-inch Polyvinyl Chloride (PVC) water lines. The new plan differs from what was first presented in that customers’ service lines will not be moved from the back of the lot to the front. U.S. Water also prepared bid documents for the replacement project. Several companies expressed interest in the replacement project; however, only one company submitted a bid to U.S. Water. Based on the bid, the total cost of the replacement project was estimated to be approximately $428,040. This amount is a little more than half of the estimated price ($835,437) that was presented during the Phase I portion of the rate case. Brevard provided OPC with a schedule showing the impact on customers’ rates if the replacement project were approved. The schedule included the cost of the replacement project, the necessary amortization of loss on retired assets, depreciation expense, rate of return, and regulatory assessment fees. The schedule showed the Commission approved Phase I rates would increase by approximately 31.04 percent.

Three meetings were conducted between September 8 and October 29, 2015. At the first two meetings, conducted by OPC, one customer attended. The third customer meeting, conducted by OPC and Brevard, was held on October 29, 2015. The schedule showing the estimated 31.04 percent increase over the Commission approved Phase I rates associated with the replacement project was provided to the customers prior to the third meeting. At the last customer meeting, attended by approximately 20 customers, a petition signed by Brevard customer’s was presented to OPC. Approximately 113 customers signed the Petition with 111 customers residing in the Oakwood subdivision. The cover letter of the Petition indicated the customers object to a rate increase and to the long-term solution of replacing the distribution system. Brevard asserts that going forward with the replacement project is not appropriate at this time due to the overwhelming customer opposition to the project. Brevard also asserts that if it does go ahead with the project, it will cause further financial burden to the customers. OPC did not offer an opinion on whether or not the utility should move forward with the replacement project. However, OPC asserts that an adjustment for EUW should still be applied to the Phase II rates.

The customer-signed petition also expressed that the customers would like Brevard to abandon the system and have the county take it over. Brevard met with the county in January 2016. The county indicated to Brevard that it had no interest in purchasing or taking over the system. The county stated that there was no perceived benefit to the existing customers if the county took over the system.

As noted in Order No. PSC-15-0329-PAA-WU, Brevard attempted to determine the cause of EUW by using several different methods. Brevard now intends to utilize ground-penetrating radar (GPR). GPR has been used and tested by the Florida Rural Water Association in cooperation with U.S. Water. GPR was used to test the distribution systems in two different systems managed by U.S. Water. Using GPR and other methods, Brevard will continue to try to identify and repair the causes of EUW.

Staff agrees with Brevard that replacing the existing distribution system in the Oakwood subdivision would resolve the utility’s EUW issues; however, as discussed, the utility’s customers object to the replacement project and its potential rate impact. Rule 25-30.4325(10), F.A.C., states that the Commission will consider all relevant factors when considering whether an adjustment to operating expense for EUW will be made. The relevant factors include whether the reason for EUW has been identified, whether a solution has been implemented or whether the proposed solution is economically feasible. Staff believes that the negative customer input is an indication that the replacement project may not be economically feasible. Based on the opposition expressed by Brevard’s customers, staff agrees with the utility that it should not proceed with the replacement project. Brevard has complied with the Commission’s Order to provide its customers with the costs of a reasonable long-term solution to the EUW situation. If customers are unwilling to pay for a long-term solution, then staff recommends that the customers pay for all water purchased by Brevard. Because staff is recommending that the utility not proceed with the replacement project at this time, staff recommends that the adjustment made in Phase I for EUW ($30,511) is no longer warranted.

**Adjustment to Purchased Water**

Subsequent to Order No. PSC-15-0329-PAA-WU, Brevard also worked with the county to establish new purchased water rates. The county, at its board meeting, approved the new rates for Brevard. The utility estimated that thenew rates, effective November 2015, would reduce the purchased water expense by approximately $30,000. As previously stated, Brevard’s purchased water expense was reduced by $30,511 due to EUW. In its November 19, 2015 letter, Brevard argued that since the prospective rates charged by the county will reduce the purchased water costs approximately equal to the Commission previously approved reduction, Brevard did not believe it was necessary to revisit the Commission-approved reduction adjustment in purchased water expense at this time. Brevard asserts that if the purchased water rate reduction is passed to the customers then the Commission should revisit the EUW adjustment. It is Brevard’s position thatthe net effect is identical.

OPC argues that the customers’ rates should be automatically reduced due to Brevard’s reduced purchased water rates pursuant to Section 367.081(4)(b), F.S. OPC reads the statute to say that it mandates an automatic decrease in rates whenever the reselling utility has a reduction in its purchased water expense. OPC emphasizes the part of the statute that reads that the utility’s customer rates “shall be automatically increased or decreased without hearing, upon verified notice to the Commission 45 days prior to its implementation of the increase or decrease of the rates charged by the governmental authority…” OPC argues that Brevard’s letter dated November 19, 2015,[[2]](#footnote-2) should be considered the “verified notice to the Commission.” In this context, staff observes that, pursuant to Rule 25-30.425(1), F.A.C., a verified notice must include the following for there to be a pass through rate adjustment authorized by Section 367.081(4)(b), F.S.:

(a) A certified copy of the order, ordinance or other evidence whereby the rates for utility service are increased or decreased by the governmental agency or by a water or wastewater utility regulated by the Commission, along with evidence of the utility service rates of that governmental agency or water or wastewater utility in effect on January 1 of each of the three preceding years.

(b) A statement setting out by month the charges for utility services purchased from the governmental agency or regulated utility for the most recent 12-month period.

(c) A statement setting out by month the gallons of water or wastewater treatment purchased from the governmental agency or regulated utility for the most recent 12-month period. If wastewater treatment service is not based on a metered flow, the number of units by which the service is measured shall be stated.

2. A statement setting out by month gallons of water and units of wastewater service sold by the utility for the most recent 12-month period.

(d) A statement setting out by month the gallons of water or wastewater treatment purchased from any other government entity or utility company.

(e) A statement setting out by month the gallons of water pumped or wastewater treated by the utility filing the verified notice.

(f) If the total water available for sale is in excess of 110% of the water sold, a statement explaining the unaccounted for water.

These requirements are simply not addressed in Brevard’s November 19, 2015, letter and thus, the pass through rate process has not been triggered. Moreover, Brevard argues that the pass through statute anticipates an application filed outside a rate case. When a pass through application is filed with the Commission, the review performed by staff is limited as opposed to a staff assisted rate case in which staff reviews all relevant information. Staff agrees with Brevard that the automatic decrease provision of Section 367.081(4)(b), F.S., (relied upon by OPC) does not logically apply in the context of a rate case. In addition to there being no “verified notice,” staff observes that Section 367.081(4)(b), F.S., provides that “the provisions of this subsection do not prevent a utility from seeking a change in rates pursuant to the provisions of subsection (2).” Section 367.081(2)(a), F.S., is incorporated by reference in the SARC statute[[3]](#footnote-3) and represents the Commission’s authority to “fix rates which are just, reasonable, compensatory and not unfairly discriminatory.”

However, notwithstanding the inapplicability of the pass through rate process to the instant proceeding, staff recommends that the lower cost of water from the county must be considered in setting Phase II rates in the instant rate case.

In Phase I, the utility’s total purchased water expense of $115,137 was decreased by $30,511 due to an EUW of 26.5 percent. Including the adjustment for EUW, the Commission approved purchased water expense was $84,626 ($115,137 - $30,511) in Phase I. To calculate the Phase II revenue requirement, staff removed the EUW adjustment. Staff then made an adjustment to reflect the lower purchased water rate from Brevard County by annualizing the expense using the lower rates and the test year determinants. This calculation results in an annual purchased water expense of $58,629 for Phase II. As such, staff recommends that the purchased water expense be decreased by $56,508 ($115,137 - $58,629) in Phase II to reflect the pass through of the lower rates from Brevard County. The net adjustment to Phase I revenue requirement, based on removal of the $30,511 EUW adjustment and reduction of purchased water by $56,508, is a decrease of $25,998 ($30,511 - $56,508). In it’s August 1, 2016 letter, Brevard agreed with staff’s methodology to reflect the most recent charges.

**Additional Cost**

As part of its November 19, 2015 filing, Brevard also requested recovery of the additional costs related to analyzing the replacement project, as well as the cost of the customer meetings and subsequent Commission Conference. The break down of the costs is as follows:

**Table 1-1**

**Replacement Project Costs**

|  |  |
| --- | --- |
| **Event** | **Charge** |
| Engineering Fees for preparing the bid | $17,790 |
| Legal Advertisement for the bid | 444 |
| Noticing for the customer meetings | 509 |
| Travel to the customer meetings and Commission Conference | 698 |
| Total | $19,441 |

When the total cost of $19,441 is amortized over five years, the annual revenue impact is $3,888. Brevard did provide invoices for the additional costs. Staff also used the same methodology from Phase I to calculate the cost of additional customer notices. Staff believes that this amount is reasonable and prudent, and OPC does not object to the request. Brevard notes that if the replacement project were to move forward, $18,234 (engineering fees and legal advertisement) of the additional cost above could be included in the amount for the replacement project.

Staff recommends approval of the additional cost incurred by Brevard in analyzing the replacement project. Staff verified the costs with the invoices that were provided and recommends the costs are prudent. OPC does not object to the recovery of the additional costs. The costs should be amortized over five years resulting in an increase of $3,888.

Revenue Requirement

Staff recommends an annual decrease of $23,306 (14.24 percent). This amount reflects the difference between the net decrease of $25,998 discussed above and the $3,888 increase associated with the amortization of the engineering costs. The amounts are not precisely additive due to taxes other than income. This recommended revenue requirement allows the utility the opportunity to recover its expenses and earn an 8.29[[4]](#footnote-4) percent return on its investment. Staff’s Phase II revenue requirement calculation is shown on Table 1-2 below:

**Table 1-2**

**Phase II Water Revenue Requirement**

|  |  |
| --- | --- |
|  | Water |
| Adjusted Rate Base | $78,930 |
| Rate of Return | x 8.29% |
| Return on Rate Base | $6,543 |
| Adjusted O&M Expense | 122,459 |
| Depreciation Expense | 4,862 |
| Amortization Expense | (295) |
| Taxes Other Than Income | 6,752 |
| Phase II Revenue Requirement | $140,321 |
| Less Phase I Revenue Requirement | 163,627 |
| Annual Decrease | ($23,306) |
| Percent Decrease | (14.24%) |

**Summary**

Staff agrees with Brevard that the replacement project for the Oakwood subdivision is not economically feasible pursuant to Rule 25-30.4325(10), F.A.C. The rule provides that the Commission will consider all relevant factors. Staff recommends that the negative customer input is an indication that the replacement project is not economically feasible. The customers during the last customer meeting expressed that they do not wish Brevard to replace the distribution system. Taking into account the additional information about the cost of the replacement project and comments from the customers opposing the project, staff recommends an adjustment for EUW should not be included in the Phase II revenue requirement. Staff also recommends that the lower purchase water rates and the additional costs associated with analyzing the replacement project be applied to the Phase II rates. The net effect of staff’s recommendation is a Phase II revenue requirement of $140,321. This represents a $23,306 (14.24 percent) decrease from the Phase I revenue requirement.Issue :

 What is the appropriate rate structure and rates for Phase II?

Recommendation:

 The Phase II rate decrease of 15 percent for water should be applied as an across-the-board decrease to the existing Phase I rates. The rates, as shown on Schedule No. 4, should 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. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date that the notice was given within 10 days of the date of the notice. (Hudson)

Staff Analysis:

 The recommended Phase II revenue, less miscellaneous service revenues, would result in a decrease of 15 percent ($23,306) for water over the Phase I revenue requirement ($155,401). The calculation is as follows:

**Table 2-1**

**Percentage Phase II Rate Decrease**

|  |  |  |
| --- | --- | --- |
|  |  | Water |
|  |  |  |
| 1. | Phase I Revenue Requirement | $163,627 |
|  |  |  |
| 2. | Less Miscellaneous Service Revenues | ($8,226) |
|  |  |  |
| 3. | Phase I Service Revenue Requirement | $155,401 |
|  |  |  |
| 4. | Phase II Revenue Decrease | ($23,306) |
|  |  |  |
| 5. | % Service Rate Decrease (Line 4/Line 3) | (15%) |

Staff recommends a Phase II rate decrease of 15 percent for water, applied as an across-the-board decrease to the existing Phase I rates. The rates, as shown on Schedule No. 4, should 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. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date that the notice was given within 10 days of the date of the notice.

Issue :

 Should this docket be closed?

Recommendation:

 No. In the event of a protest, the recommended rates should be implemented and staff will file a subsequent recommendation to address the appropriate monies to be held subject to refund, if any. Brevard should file revised tariffs and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff’s verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. Once these actions are complete, this docket should be closed administratively. (Murphy)

Staff Analysis:

 I In the event of a protest, the recommended rates should be implemented and staff will file a subsequent recommendation to address the appropriate monies to be held subject to refund, if any. Brevard should file revised tariffs and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff’s verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. Once these actions are complete, this docket should be closed administratively.

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| **BREVARD WATERWORKS** | |  | | **SCHEDULE NO. 1-A** | | |
| **TEST YEAR ENDED 08/31/14** | |  | | **DOCKET NO. 140186-WU** | | |
| **SCHEDULE OF PHASE II WATER RATE BASE** | |  | |  | |  |
|  |  | | **STAFF** | | **BALANCE** | |
|  |  | | **ADJUSTMENTS** | | **PER** | |
| **DESCRIPTION** | **PHASE I** | | **TO UTIL. BAL.** | | **STAFF** | |
|  |  | |  | |  | |
| UTILITY PLANT IN SERVICE | $102,754 | | $0 | | $102,754 | |
|  |  | |  | |  | |
| LAND & LAND RIGHTS | 2,766 | | 0 | | 2,766 | |
|  |  | |  | |  | |
| ACCUMULATED DEPRECIATION | (35,872) | | 0 | | (35,872) | |
|  |  | |  | |  | |
| CIAC | (7,803) | | 0 | | (7,803) | |
|  |  | |  | |  | |
| ACCUMULATED AMORTIZATION OF CIAC | 1,777 | | 0 | | 1,777 | |
|  |  | |  | |  | |
| WORKING CAPITAL ALLOWANCE | 18,071 | | (2,764) | | 15,307 | |
|  |  | |  | |  | |
| WATER RATE BASE | $81,694 | | ($2,764) | | $78,930 | |
|  |  | |  | |  | |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **BREVARD WATERWORKS** | **SCHEDULE NO. 1-B** | |
|  | **TEST YEAR ENDED 08/31/14** | **DOCKET NO. 140186-WU** | |
|  | **ADJUSTMENTS TO PHASE II RATE BASE** |  | |
|  |  |  | |
|  |  |  | **WATER** |
|  | **WORKING CAPITAL ALLOWANCE** |  |  |
|  | To reflect the appropriate amount of working capital. |  | ($2,764) |
|  |  |  |  |

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|  | **BREVARD WATERWORKS** | |  |  |  |  |  | **SCHEDULE NO. 2** | |
|  | **TEST YEAR ENDED 08/31/14** | |  |  |  |  | **DOCKET NO. 140186-WU** | | |
|  | **SCHEDULE OF CAPITAL STRUCTURE** | | |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | **BALANCE** | **PRO** |  |  |  |  |
|  |  |  | **SPECIFIC** | **BEFORE** | **RATA** | **BALANCE** | **PERCENT** |  |  |
|  |  | **PER** | **ADJUST-** | **PRO RATA** | **ADJUST-** | **PER** | **OF** |  | **WEIGHTED** |
|  | **CAPITAL COMPONENT** | **UTILITY** | **MENTS** | **ADJUSTMENTS** | **MENTS** | **STAFF** | **TOTAL** | **COST** | **COST** |
|  |  |  |  |  |  |  |  |  |  |
| 1. | TOTAL COMMON EQUITY | $30,660 | $63,818 | $94,478 | ($20,763) | $73,715 | 93.39% | 8.74% | 8.16% |
|  |  |  |  |  |  |  |  |  |  |
| 2. | LONG TERM DEBT | $0 | $0 | $0 | $0 | $0 | 0.00% | 0.00% | 0.00% |
|  |  |  |  |  |  |  |  |  |  |
| 3. | CUSTOMER DEPOSITS | $4,132 | $2,552 | $6,684 | ($1,469) | $5,215 | 6.61% | 2.00% | 0.13% |
|  |  |  |  |  |  |  |  |  |  |
| 4. | TOTAL | $34,792 | $66,370 | $101,162 | ($22,232) | $78,930 | 100.00% |  | 8.29% |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | **RANGE OF REASONABLENESS** | | | **LOW** | **HIGH** |  |
|  |  |  |  | RETURN ON EQUITY | |  | 7.74% | 9.74% |  |
|  |  |  |  | OVERALL RATE OF RETURN | | | 7.36% | 9.23% |  |
|  |  |  |  |  |  |  |  |  |  |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **BREVARD WATERWORKS** |  | |  | |  | **SCHEDULE NO. 3-A** | |
|  | **TEST YEAR ENDED 08/31/14** |  | |  | |  | **DOCKET NO. 140186-WU** | |
|  | **SCHEDULE OF PHASE II WATER OPERATING INCOME** | | | | |  |  |  |
|  |  | |  | |  | **STAFF** | **ADJUST.** | **PHASE II** |
|  |  | |  | | **STAFF** | **ADJUSTED** | **FOR** | **REVENUE** |
|  |  | | **PHASE I** | | **ADJUSTMENTS** | **TEST YEAR** | **INCREASE** | **REQUIREMENT** |
|  |  | |  | |  |  |  |  |
| 1. | **OPERATING REVENUES** | | $163,627 | | $0 | $163,627 | ($23,306) | $140,321 |
|  |  | |  | |  |  | (14.24%) |  |
|  | **OPERATING EXPENSES:** | |  | |  |  |  |  |
| 2. | OPERATION & MAINTENANCE | | $144,569 | | ($22,110) | $122,459 | $0 | $122,459 |
|  |  | |  | |  |  |  |  |
| 3. | DEPRECIATION (NET) | | 4,862 | | 0 | 4,862 | 0 | 4,862 |
|  |  | |  | |  |  |  |  |
| 4. | CIAC AMORTIZATION EXPENSE | | (295) | | 0 | (295) | 0 | (295) |
|  |  | |  | |  |  |  |  |
| 5. | TAXES OTHER THAN INCOME | | 7,801 | | 0 | 7,801 | (1,049) | 6,752 |
|  |  | |  | |  |  |  |  |
| 6. | INCOME TAXES | | 0 | | 0 | 0 | 0 | 0 |
|  |  | |  | |  |  |  |  |
| 7. | **TOTAL OPERATING EXPENSES** | | $156,936 | | ($22,110) | $134,827 | ($1,049) | $133,778 |
|  |  | |  | |  |  |  |  |
| 8. | **OPERATING INCOME/(LOSS)** | | $6,691 | |  | $28,800 |  | $6,543 |
|  |  | |  | |  |  |  |  |
| 9. | **WATER RATE BASE** | | $81,694 | |  | $78,930 |  | $78,930 |
|  |  | |  | |  |  |  |  |
| 10. | **RATE OF RETURN** | | 8.19% | |  | 36.49% |  | 8.29% |
|  |  | |  | |  |  |  |  |

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| --- | --- | --- | --- | --- |
|  | **BREVARD WATERWORKS** | | **SCHEDULE NO. 3-B** | |
|  | **TEST YEAR ENDED 08/31/14** | **DOCKET NO. 140186-WU** | | |
|  | **ADJUSTMENTS TO PHASE II OPERATING INCOME** | | |  |
|  |  | | |  |
|  |  | | | **WATER** |
|  | **OPERATION AND MAINTENANCE EXPENSES** | | |  |
|  |  | | |  |
| 1. | Purchased Water Expense (610) | | |  |
|  | a. To reflect the appropriate Phase II purchased water expense. | | | ($25,998) |
|  |  | | |  |
| 2. | Miscellaneous Expense (675) | | |  |
|  | a. To reflect the amortization of non-reoccurring expenses. | | | $3,888 |
|  |  | | |  |
|  | **TOTAL OPERATION & MAINTENANCE ADJUSTMENTS** | | | ($22,110) |
|  |  | | |  |



1. 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.* [↑](#footnote-ref-1)
2. See Document No. 07361-15, “Analysis of Unaccounted for Water” [↑](#footnote-ref-2)
3. *See* Section 367.0814(3), F.S., “The provisions of 367.081(1), (2)(a), and (3) shall apply in determining the utility’s rates and charges. [↑](#footnote-ref-3)
4. Staff notes that the rate of return is higher than the 8.19 percent approved in Order No. PSC-15-0329-PAA-WU due to the correction of a formula error in the Phase I calculation. [↑](#footnote-ref-4)