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STATE OF FLORIDA



DIVISION OF ENGINEERING
TOM BALLINGER
DIRECTOR
(850)413-6910

Public Service Commission

May 9, 2017

Mr. Gary Deremer
Lakeside Waterworks, Inc.
5320 Captains Court
New Port Richey, FL 34652-3062
gderemer@uswatercorp.net

VIA EMAIL & US MAIL

Re: Docket No. 160195-WS - Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.

Dear Mr. Deremer:

This letter will confirm that Commission staff will hold a customer meeting on Thursday, June 1, 2017, at 6:00 pm. We ask that, if at all possible, you or another knowledgeable representative of the Utility attend the meeting in order to answer customer questions. The location of the general meeting will be as follows:

Shangri-La By The Lake Clubhouse
100 Shangri-La Blvd.
Leesburg, FL 34788

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

In addition, attached is a copy of the staff report. Please ensure that a copy of the completed Application for Staff Assistance and the staff report are available for review, pursuant to Rule 25-22.0407(9)(a), F.A.C., by all interested persons at the following location:

Shangri-La By The Lake Clubhouse
100 Shangri-La Blvd.
Leesburg, FL 34788

Mr. Gary Deremer

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May 9, 2017

For your convenience, I have also enclosed a copy of Rule 25-22.0407(9), F.A.C. Should you have any questions about any of the matters contained herein, please do not hesitate to contact me at (850) 413-6578. In addition, you may contact Mr. Charles Murphy at (850) 413-6191 with any questions.

Respectfully,



Clayton Lewis, Engineering Specialist
Division of Engineering
Public Service Commission

CL:tj

Enclosure

cc: Office of Commission Clerk (Docket No. 160195-WS)
Mr. Todd Rendell, U.S. Water Services Corporation (jgabay@uswatercorp.net)

Rule 25-22.0407(9), Florida Administrative Code

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

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

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

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

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

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

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
NOTICE OF CUSTOMER MEETING
TO THE CUSTOMERS OF LAKESIDE WATERWORKS, INC.

AND

ALL OTHER INTERESTED PERSONS

DOCKET NO. 160195-WS

APPLICATION FOR STAFF-ASSISTED RATE CASE IN LAKE COUNTY

BY LAKESIDE WATERWORKS, INC.

Issued: _____

Notice is hereby given that the staff of the Florida Public Service Commission (Commission) will conduct a customer meeting to discuss the application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc. (Lakeside Waterworks or Utility). The meeting will be held at the following time and place:

6:00 p.m., Thursday, June 1, 2017
Shangri-La By The Lake Clubhouse
100 Shangri-La Blvd.
Leesburg, FL 34788

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

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

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

PURPOSE

The purpose of this meeting is to give customers and other interested persons an opportunity to offer comments to Commission staff regarding the quality of service the Utility provides, the proposed rate increase, and to ask questions and comment on staff's preliminary rates included in

this notice as well as other issues. Staff members will summarize the Utility's application, the preliminary work accomplished, and answer questions to the extent possible. A representative from the Utility has also been invited to respond to questions.

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

Any person who wishes to comment or provide information to staff may do so at the meeting, orally or in writing. Written comments may also be sent to the Commission at the address given at the end of this notice. Your letter will be placed in the correspondence file of this docket. You may also submit comments through the Commission's toll-free facsimile line at 1-800-511-0809 or online at <https://secure.floridapsc.com/e-filings/efiling.aspx>.

BACKGROUND

Lakeside is a Class C utility providing service to approximately 182 residential water and 170 residential wastewater customers in Lake County. Approximately 74 customers subscribe to the Utility's irrigation service. The Utility was originally owned by Shangri-La by the Lakes, Inc. (Shangri-La) which started providing service to 140 customers in 1983. The Commission granted Shangri-La certificate numbers 567-W and 494-S in 1996.¹ The Utility was transferred from Shangri-La to Lakeside in 2013.² Rates were last established by the Commission for the Utility in 2015.³

Since then, the Department of Environmental Protection (DEP) issued permits for the replacement of the main water well serving the water treatment plant (WTP) and the wastewater treatment plant (WWTP) which necessitated the filing of this staff-assisted rate case (SARC) on August 26, 2016. The official filing date of the SARC has been determined to be October 4, 2016, when the balance of the required filing fee was paid by the Utility. Staff selected the 12 month period ended June 30, 2016, as the test year for the instant case. According to Lakeside's 2016 Annual Report, its total operating revenues for water and wastewater were \$64,036 and \$57,680, respectively. The Utility reported a net income of \$637 for the water service and net income of \$1,703 for the wastewater service.

CURRENT AND PRELIMINARY RATES AND CHARGES

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

¹Order No., PSC- PSC-96-0062-FOF-WS, issued January 12, 1996, in Docket No. 940653-WS, *In Re: Application for certificates to provide water and wastewater services in Lake County by Shangri-La by the Lake Utilities, Inc.*

²Order No., PSC-13-0425-PAA-WS, issued September 18, 2013, in Docket No. 120317-WS, *In re: Application for approval to transfer water and wastewater system Certificate Nos. 567-W and 494-S in Lake County from Shangri-La by the Lake Utilities, Inc. to Lakeside Waterworks, Inc.*

³Order No, PSC-15-0070-CO-WS, issued January 26, 2015, in Docket No. 130194-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.*

LAKESIDE WATERWORKS, INC.		SCHEDULE NO. 4-A	
TEST YEAR ENDED JUNE 30, 2016		DOCKET NO. 160195-WS	
MONTHLY WATER RATES		RATES AT TIME OF FILING	STAFF RECOMMENDED RATES
			4 YEAR RATE REDUCTION
<u>Residential, General Service, and Irrigation</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$13.76	\$14.92	\$0.08
3/4"	\$20.64	\$22.38	\$0.12
1"	\$34.40	\$37.30	\$0.20
1-1/2"	\$68.79	\$74.60	\$0.40
2"	\$110.07	\$119.36	\$0.65
3"	\$220.13	\$238.72	\$1.29
4"	\$343.96	\$373.00	\$2.02
6"	\$687.91	\$746.00	\$4.05
* Residential irrigation customers do not pay a base facility charge.			
Charge per 1,000 Gallons - Residential and Residential Irrigation			
0-4,000 gallons	\$3.47		
Over 4,000 gallons	\$4.49		
0-4,000 gallons		\$4.57	\$0.02
4,000-10,000 gallons		\$5.76	\$0.03
Over 10,000 gallons		\$10.08	\$0.05
Charge per 1,000 gallons - General Service and General Service Irrigation			
	\$3.80	\$5.79	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$24.17	\$28.63	
6,000 Gallons	\$36.62	\$44.72	
12,000 Gallons	\$63.56	\$87.92	

LAKESIDE WATERWORKS, INC.		SCHEDULE NO. 4-B		
TEST YEAR ENDED JUNE 30, 2016		DOCKET NO. 160195-WS		
MONTHLY WASTE WATER RATES		RATES AT TIME OF FILING	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential</u>				
Base Facility Charge - All Meter Sizes	\$14.49	\$18.36	\$0.07	
Charge Per 1,000 gallons 6,000 gallon cap	\$6.24	\$9.11	\$0.03	
<u>General Service</u>				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$14.49	\$18.36	\$0.07	
3/4"	\$21.74	\$27.54	\$0.10	
1"	\$36.23	\$45.90	\$0.16	
1-1/2"	\$72.47	\$91.80	\$0.33	
2"	\$115.95	\$146.88	\$0.52	
3"	\$231.89	\$293.76	\$1.05	
4"	\$362.33	\$459.00	\$1.64	
6"	\$724.67	\$918.00	\$3.28	
Charge per 1,000 gallons	\$7.50	\$10.93	\$0.04	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
3,000 Gallons	\$33.21	\$45.69		
6,000 Gallons	\$51.93	\$73.02		
10,000 Gallons	\$51.93	\$73.02		

STAFF REPORTS AND UTILITY APPLICATION

The results of staff's preliminary investigation are contained in a staff report dated May 9, 2017. Copies of the report may be examined by interested members of the public from 9:00 a.m. to 3:00 p.m., Monday through Friday at the following location:

Shangri-La By The Lake Clubhouse
100 Shangri-La Blvd.
Leesburg, FL 34788

PROCEDURES AFTER CUSTOMER MEETING

After the customer meeting, Commission staff will prepare a recommendation which is tentatively scheduled to be submitted to the Commission on July 21, 2017. The Commission will then vote on staff's recommendation at its August 3, 2017, Commission Conference. The Commission will thereafter issue a proposed agency action (PAA) order containing rates which may be different from those contained in staff's final recommendation. Substantially affected persons have 21 days from the date that the PAA order is issued to protest the Commission's PAA order. Customers are able to obtain a copy of staff's recommendation and all documents filed in this docket under the Clerk's Office tab at the Commission's website (<http://www.floridapsc.com/>).

HOW TO CONTACT THE COMMISSION

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

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

All correspondence should refer to "Docket No. 160195-WS – Lakeside Waterworks, Inc." Your letter will be placed in the correspondence file of this docket. You may also submit comments through the Florida Public Service Commission's email at clerk@psc.state.fl.us, or the Commission's website available at <http://floridapsc.com/about/contact/form.aspx>.

If you wish to contact the Florida Public Service Commission regarding complaints about service, you may call the Commission's Office of Consumer Assistance and Outreach at the following toll-free number: 1-800-342-3552.

State of Florida



Public Service Commission

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

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

DATE: May 9, 2017

TO: Laura V. King, Chief of Reliability & Resource Planning, Division of Engineering

FROM: Division of Engineering (Lewis, Graves) ^{CLK} _{KG}
Division of Accounting and Finance (Golden, Wilson)
Division of Economics (Bruce, Hudson)
Office of the General Counsel (Lherisson, Murphy)

RE: Docket No. 160195-WS – Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.

--STAFF REPORT--

This Staff Report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting.

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Case Background

Lakeside Waterworks Inc., (Lakeside or Utility) is a Class C utility providing service to approximately 182 residential water and 170 residential wastewater customers in Lake County. Approximately 74 customers subscribe to the Utility's irrigation service. The Utility was originally owned by Shangri-La by the Lakes, Inc. (Shangri-La) which started providing service to 140 customers in 1983. The Florida Public Service Commission (Commission) granted Shangri-La certificate numbers 567-W and 494-S in 1996.¹ The Utility was transferred from Shangri-La to Lakeside in 2013.² Rates were last established by the Commission for the Utility in 2015.³ Since then, the Department of Environmental Protection (DEP) issued permits for the replacement of the main water well serving the water treatment plant (WTP) and the wastewater treatment plant (WWTP) which necessitated the filing of this staff-assisted rate case (SARC).

On August 26, 2016, Lakeside filed an application for a SARC. The official filing date of the SARC has been determined to be October 4, 2016, when the balance of the required filing fee was paid by the Utility. Staff selected the 12 month period ended June 30, 2016, as the test year for the instant case. According to Lakeside's 2016 Annual Report, its total operating revenues for water and wastewater were \$64,036 and \$57,680, respectively. The Utility reported a net income of \$637 for the water service and net income of \$1,703 for the wastewater service.

This staff report is a **preliminary** analysis of the Utility prepared by Commission staff to give the Utility's customers and the Utility an advanced look at what staff may be proposing. The final recommendation to the Commission (currently scheduled to be filed July 21, 2017, for the August 3, 2017 Commission Conference) will be revised as necessary using updated information and results of customer quality of service or other relevant comments received at the customer meeting. The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.0814, 367.101, and 367.121, Florida Statutes (F.S.).

¹Order No., PSC- PSC-96-0062-FOF-WS, issued January 12, 1996, in Docket No. 940653-WS, *In Re: Application for certificates to provide water and wastewater services in Lake County by Shangri-La by the Lake Utilities, Inc.*

²Order No., PSC-13-0425-PAA-WS, issued September 18, 2013, in Docket No. 120317-WS, *In re: Application for approval to transfer water and wastewater system Certificate Nos. 567-W and 494-S in Lake County from Shangri-La by the Lake Utilities, Inc. to Lakeside Waterworks, Inc.*

³Order No, PSC-15-0070-CO-WS, issued January 26, 2015, in Docket No. 130194-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.*

Discussion of Issues

Issue 1: Is the quality of service provided by Lakeside satisfactory?

Preliminary Recommendation: Staff's recommendation regarding quality of service will not be finalized until after the June 1, 2017 Customer Meeting. (Lewis)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in water and wastewater rate cases, the Commission shall determine the overall quality of service provided by the Utility. Overall quality of service is derived from an evaluation of three separate components of the Utility 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 DEP and the county health department over the preceding three-year period shall be considered. Furthermore, Section 367.0812(1)(c), F.S., requires the Commission to consider the extent to which the Utility provides water service that meets secondary water quality standards as established by the DEP.

Quality of Utility's Product

In evaluation of Lakeside's product quality, staff reviewed the Utility's compliance with the DEP primary and secondary drinking water standards. Primary standards protect public health, while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. A review of the DEP compliance records from July 1, 2015, through April 11, 2017; indicate Lakeside's finished water product met all primary and secondary standards.

The Utility's operation of its wastewater treatment system is subject to various environmental requirements such as permitting, testing, and discharge monitoring under the jurisdiction of the DEP. Jurisdiction of Lakeside's wastewater facilities is under the DEP. Based on staff's review of the DEP reports the Utility was out of compliance during the test year. As discussed in more detail below, the DEP approved a new WWTP permit in 2016. Currently, the DEP has no violations or corrective orders pending against the Utility concerning the treatment and disposal of domestic wastewater.

Operating Condition of the Utility's Plant and Facilities

Lakeside's service area is located next to Lake Eustis, near Leesburg, Florida, in Lake County and is within the St. Johns Water Management District. The raw water source is ground water, which is obtained from two wells in the service area and is treated. The water treatment processing sequence is to pump raw water from the aquifer, perform an aeration process, inject calcium hypochlorite, store the treated water in a tank, and distribute.

On April 15, 2015, one of the Utility's two water wells collapsed. The facility was able to operate effectively with the remaining well. A new eight inch well was constructed and completed on September 24, 2015, and approved by the DEP on April 15, 2016. There was no change to the capacity of the water treatment plant. DEP conducted a Sanitary Survey of Lakeside's WTP on August 3, 2016, and on August 23, 2016, the WTP was deemed in compliance.

Lakeside's WWTP is an extended aeration activated sludge facility with chlorinated effluent sent to a spray field with a backup percolation pond for wet weather conditions. DEP inspected the WWTP on October 13, 2015, and deemed the facility out-of-compliance on November 24, 2015; due to several maintenance and structural issues. Due to the condition of the aged facility (approximated to be 33 years); the Utility is replacing the WWTP. On June 27, 2016, the DEP approved a new WWTP permit authorizing construction of a new splitter box, three new 5,000 gallon aeration chambers, one new 5,000 gallon digester, and piping modifications to provide 15,000 gallons per day (gpd) based on a three month average daily flow (TMADF) permitted capacity. The new WWTP consists of aeration, secondary clarification, chlorination, and aerobic digestion of bio solids. The new WWTP was placed into service on February 17, 2017.

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the Commission's complaint records from January 1, 2015, through January 17, 2017, and found 23 complaints all due to billing issues. The period was chosen as not to overlap with the previous rate case, which concluded on January 2, 2015. Twenty two of the complaints were caused by a billing error that occurred in March 2016 upon the implementation of Phase II rates from the previous rate case. An error in Lakeside's billing code applied a Base Facility Charge (BFC) for irrigation services to all customers. The error was corrected and the complaints closed on May 10, 2016. The remaining complaint, received on January 9, 2017, dealt with billing for irrigation services. The complaint was resolved on February 7, 2017, when the Utility issued a refund to the customer.

Lakeside's customer complaint records reflect 86 complaints and inquiries for the same period with approximately 17 duplicates or common cause due to repairs. In addition, staff requested complaints against the Utility filed with DEP for the same period. DEP reported that it had not received any complaints against the Utility during the requested time frame. A customer meeting is scheduled to be held on June 1, 2017, in Leesburg, Florida. A determination of the Utility's attempt to address customer satisfaction will be decided at a later date, pending review of customer comments made at the upcoming meeting.

Summary

Quality of service will be determined at a later date, pending review of comments made at the June 1, 2017, Customer Meeting.

Issue 2: What are the used and useful percentages (U&U) of Lakeside's WTP, water storage facilities, WWTP, water distribution, and wastewater collection systems?

Preliminary Recommendation: Lakeside's WTP should be considered 62 percent U&U, and the water storage facilities should be considered 100 percent U&U. Lakeside's WWTP should be considered 92 percent U&U. The Utility's water distribution and wastewater collection systems should be considered 100 percent U&U. Staff recommends that no adjustment be made to purchased power and chemical expenses since there appears to be no excessive unaccounted for water (EUW) and there is no indication of excessive inflow and infiltration (I&I). (Lewis)

Staff Analysis: Lakeside's water system has two wells rated at 850 gallons per minute (gpm) and 270 gpm as rated by the DEP Sanitary Survey conducted on August 3, 2016, and reported on August 28, 2016.⁴ Storage consists of a 20,000-gallon concrete ground storage tank with aeration, and 2 steel hydropneumatic tanks with capacities of 3,000 gallons and 5,000 gallons. A hypochlorination system is used for disinfection and water from the tanks is pumped into the water distribution system.

The distribution system is a composite network of approximately 2,820 linear feet of 10 inch PVC pipe, 2,828 linear feet of 8 inch PVC pipe, 3,450 linear feet of 6 inch PVC pipe, 1,700 linear feet of 4 inch PVC pipe, and 2,800 linear feet of 1.5 inch PVC pipe. According to the Utility, there are 11 fire hydrants in its service area.

The newly permitted WWTP is a 15,000 gpd extended aeration activated sludge facility. The chlorinated effluent is sent to a 3.2 acre restricted public access spray field with a backup percolation pond for wet weather conditions. The collection system is a composite network of force mains, collecting mains, and four lift stations. The force mains consist of approximately 3,211 linear feet of 4 inch PVC pipe and 2,324 linear feet of 3 inch PVC pipe. The collecting mains consist of approximately 9,768 linear feet of 4 inch PVC pipe and 4,277 linear feet of 3 inch PVC pipe. According to the Utility, there are 15 manholes.

Water Treatment Plant Used & Useful.

Pursuant to Rule 25-30.4325, F.A.C., the U&U calculations are defined for a water treatment system and storage facilities. For a water treatment plant with more than one well and storage capacity, the U&U is described by the following equation: $([\text{Peak Demand} + \text{Fire Flow} + \text{Growth} - \text{Excessive Unaccounted for Water}] / \text{Firm Reliable Capacity})$.

The peak demand is the single maximum day in the test year where there is no unusual occurrences and is measured in gallons per day. Based on Lakeside's Monthly Operating Reports (MORs) the Max Day usage during the test year was 100,000 gallons. Fire flow for the Utility's service area is 500 gpm for two hours, or 60,000 gpd. The Utility and the property management have indicated the community is close to being built-out and only 10 lots remain available. Therefore, staff is expecting zero growth for the community. As discussed below, no EUW has been identified for this system.

⁴See Document No. 07047-16 filed on August 26, 2017.

Because the Utility has storage capacity, the firm reliable capacity (FRC) is based on 16 hours of pumping, excluding the largest well. The Utility has two wells rated at 850 gpm and 270 gpm. The Utility's FRC is calculated by the smallest well capacity x 16 hours (270 gpm x 60 min/hr x 16 hrs) which equates to 259,200 gpm.

Based on the inputs discussed above, the resulting U&U calculation for the WTP (100,000 - 0 + 60,000 + 0)/259,200) equals 62 percent.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., describes EUW as unaccounted for water in excess of 10 percent of the amount produced. When establishing the Rule, the Commission recognized that some uses of water are readily measurable and others are not. Unaccounted for water is all water that is 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, the Commission will consider all relevant factors as to the reason for EUW, solutions implemented to correct the problem, or whether a proposed solution is economically feasible. The unaccounted for water is calculated by subtracting both the gallons used for other purposes, such as flushing, and the gallons sold to customers from the total gallons pumped for the test year.

Lakeside's MORs show that the Utility treated 9,367,465 gallons of water. Based on staff's review, the Utility sold 7,859,000 gallons of water during the test year. According to the test year information provided by the Utility, an additional 560,962 gallons of water were accounted for as other uses, such as flushing. Considering the gallons treated, gallons sold, and gallons accounted for as other uses, the resulting calculation for unaccounted for water $((7,859,000 + 560,962) / (9,367,465))$ equals 10 percent, yielding an EUW of zero. Therefore, staff is recommending that no adjustment be made to operating expenses for chemicals and purchased power due to the EUW.

Storage Used & Useful

Pursuant to Rule 25-30.4325(8), F.A.C., for water systems with storage, if the storage capacity is less than the peak demand, the storage system should be considered 100 percent U&U. Lakeside has a 20,000 gallon ground storage tank and two hydropneumatic tanks rated at 3,000 gallons and 5,000 gallons, respectively. Since the storage capacity (28,000 gallons) is less than the peak demand (100,000 gallons), the storage system should be considered 100 percent U&U. The storage capacity was rated at 100 percent in the Utility's previous rate case before the Commission.

Wastewater Treatment Plant Used & Useful

Pursuant to Rule 25-30.432, F.A.C., the U&U analysis of a utility's WWTP is described by the following equation: $((\text{Customer Demand} - \text{I\&I} + \text{Growth}) / \text{Permitted Capacity})$. In this calculation, customer demand is measured on the same basis as permitted capacity.

The TMADF from November 2015 through January 2016 was 13,725 gpd. As discussed in more detail below, the monthly Discharge Monitoring Reports indicate no I&I. Also, as previously discussed, the expected growth is zero. The DEP permitted plant capacity, based on a TMADF,

is 15,000 gpd. Based on the inputs described above the final calculation of U&U for Lakeside's WWTP is 92 percent ($(13,725 - 0 + 0) / 15,000$).

Inflow & Infiltration

Infiltration occurs from groundwater entering a wastewater collection system through broken or defective pipes and joints; whereas, inflow results from water entering a wastewater collection system through manholes or lift stations. The allowance for infiltration is 500 gallons per day, per inch diameter pipe per mile, and an additional 10 percent of water sold is allowed for inflow. The allowance for Inflow is 10 percent of the water sold. The Utility's records indicate that there was no excessive I&I for the test year.

Water Distribution and Wastewater Collection Systems Used & Useful

In the previous rate case before the Commission, the U&U analysis for the water distribution and wastewater collection systems were determined by dividing the number of lots connected to the systems by the number of lots fronting mains in the service area. Consideration is given for growth, if applicable. Staff believes the lines in the Utility's service territory appear to be built-out. Therefore, the water distribution and wastewater collection systems should be considered 100 percent U&U. The water distribution and wastewater collection systems were rated at 100 percent in the Utility's previous rate case before the Commission.

Summary

Lakeside's WTP should be considered 62 percent U&U, and the water storage facilities should be considered 100 percent U&U. Lakeside's WWTP should be considered 92 percent U&U. The Utility's water distribution and wastewater collection systems should be considered 100 percent U&U. Staff recommends that no adjustment be made to purchased power and chemical expenses since there appears to be no EUW and no indication of excessive I&I.

Issue 3: Should the Commission approve a year end water rate base for Lakeside, and if so, what is the appropriate year end water test year rate base and appropriate average wastewater test year rate base?

Preliminary Recommendation: Yes, the Commission should approve a year end water rate base for Lakeside. The appropriate year end water test year rate base is \$111,193, and the appropriate average wastewater test year rate base is \$137,680. (Golden, Wilson)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service, contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC, and working capital. Rate base was last established in Lakeside's 2013 SARC.⁵ The Utility requested the test year ending June 30, 2016, for the instant case. Commission audit staff determined that the Utility's books and records are in compliance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). A summary of each component of rate base and the recommended adjustments are discussed below.

Year End Rate Base

In its application, the Utility requested a year end rate base for its water system in order to have an opportunity to recover its allowed rate of return on the significant capital improvements that were made during the test year to install a new well and make additional plant improvements to address water quality concerns. Based on Lakeside's application, the improvements represent an increase of \$125,507, or 90.75 percent since the Utility's rate base was last established. If an average rate base were used, the Utility would not be afforded the opportunity to recover its allowed rate of return on the new investment and would be put in the position of requesting a subsequent SARC at a later date.

The Commission has the authority to apply a year end rate base, but should only apply a year end rate base in extraordinary circumstances. Citizens of Florida v. Hawkins, 356 So. 2d 254, 257. Staff believes extraordinary circumstances exist in the instant case. The Utility has made significant improvements to the primary well that supplies water to the customers. In addition, the Utility replaced the automated aeration at the plant and installed new Whitewater Compressors at both of the existing hydropneumatic tanks to address water quality concerns expressed by the customers. The year-end rate base will provide the Utility with an opportunity to recover the investment made to improve water quality and will insure compensatory rates for this Utility in this rate case. The Commission has previously authorized the use of a year end rate base in other cases involving significant test year improvements.⁶ Therefore, staff recommends that the Commission approve a year end water rate base for Lakeside.

⁵Order 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.*

⁶Order No. PSC-98-0763-FOF-SU, issued June 3, 1998, in Docket No. 971182-SU, *In re: Application for staff-assisted rate case in Marion County by BFF Corp.*; Order No. PSC-00-1774-PAA-WU, issued September 27, 2000, in Docket No. 991627-WU, *In re: Application for rate increase in Polk County by Park Water Company Inc.*; Order No. PSC-01-0323-PAA-WU, issued February 5, 2001, in Docket No. 000580-WU, *In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc. (Alturas Water Works)*; and Order No.

Utility Plant in Service (UPIS)

The Utility recorded UPIS of \$263,806 for water and \$153,450 for wastewater. Based on audit staff's review, staff decreased UPIS by \$463 for water and \$398 for wastewater to remove unsupported organization expenses from Account Nos. 301 and 351. Also, staff increased UPIS by \$1,985 for water and \$20 for wastewater to reflect several appropriate account balances approved in the Utility's last SARC. As discussed above, the Utility replaced the primary well that provides water to the customers during the test year. The expenses incurred to attempt to rehabilitate the original well and install the new well were already recorded on the Utility's books during the test year. The Utility subsequently determined that the associated retirement of the replaced well equals \$15,956, and the associated retirement for the well rehabilitation work equals \$19,153, for a total retirement of \$35,109. Therefore, staff decreased UPIS by \$35,109 to reflect the retirement of the collapsed well and water well rehabilitation costs.

Also, as discussed previously, the Utility replaced the WWTP in order to be in compliance with DEP requirements. The WWTP replacement was completed on February 17, 2017. Therefore, staff increased UPIS by \$97,103 to reflect the pro forma replacement of the WWTP and decreased UPIS by \$37,611 to reflect the retirement of the replaced WWTP. In addition, staff increased this account by \$1,338 to reflect a pro forma water line installation that was completed after the test year. As discussed above, staff is recommending the use of a year end rate base for water; therefore, no averaging adjustment is necessary. Also, no wastewater plant additions were made during the test year, so no wastewater averaging adjustment is necessary for ratemaking purposes. Further, no averaging adjustments are applied to pro forma additions, consistent with Commission practice. Staff's net adjustments to UPIS are a decrease of \$32,249 for water and an increase of \$59,114 for wastewater. Therefore, staff recommends a UPIS balance of \$231,557 for water and \$212,564 for wastewater.

Non-Used and Useful Plant

As discussed in Issue 2, Lakeside's distribution and collection systems are considered 100 percent U&U. Also, the water treatment plant should be considered 62 percent U&U, and the wastewater treatment plant should be considered 92 percent U&U. As discussed above, staff recommends that the Commission approve a year end water rate base for Lakeside. Therefore, staff applied the non-U&U percentages to the year end balances for water and to the average balances for wastewater. Application of the non-U&U percentages to plant and the associated accumulated depreciation results in net adjustments of \$45,733 for water and \$8,021 for wastewater. Therefore, water rate base should be reduced by \$45,733 to remove the 38 percent of the water treatment plant that is non-U&U, and wastewater rate base should be reduced by \$8,021 to remove the 8 percent of the wastewater treatment plant that is non-U&U.

Contribution in Aid of Construction (CIAC)

The Utility recorded test year CIAC balances of \$14,251 for water and \$18,388 for wastewater. Audit staff determined that no adjustments were necessary. Also, no activity occurred during the test year; therefore, no averaging adjustment is necessary to wastewater for ratemaking purposes. Staff recommends CIAC balances of \$14,251 for water and \$18,388 for wastewater.

Accumulated Depreciation

The Utility recorded test year accumulated depreciation balances of \$118,074 for water and \$103,869 for wastewater. Staff calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff decreased accumulated depreciation by \$4,858 for water and \$2,166 for wastewater to reflect the appropriate test year balances. Also, staff decreased this account by \$35,109 to reflect retirement of the collapsed well. The Utility incurred \$3,517 in additional costs related to the safe abandonment of the original well. Therefore, staff decreased this account by \$3,517 to reflect the removal costs associated with the retired well. Also, staff increased wastewater depreciation by \$6,474 to reflect the pro forma WWTP replacement. Further, staff decreased this account by \$37,611 to reflect the retirement of the replaced WWTP plant. The Utility incurred \$5,760 in dewatering expenses related to the removal of the retired WWTP. Therefore, staff decreased this account by \$5,760 to reflect the WWTP removal costs. In addition, staff increased this account by \$19 to reflect the pro forma water line installation. Again, no averaging adjustment is necessary to the water rate base due to the use of the year end rate base method. However, staff decreased wastewater accumulated depreciation by \$2,460 to reflect an averaging adjustment. Staff's net adjustments are decreases of \$43,464 and \$41,523 to water and wastewater, respectively. Therefore, staff recommends accumulated depreciation balances of \$74,610 for water and \$62,346 for wastewater.

Accumulated Amortization of CIAC

Lakeside recorded amortization of CIAC balances of \$7,379 for water and \$7,517 for wastewater. Audit staff calculated amortization of CIAC using composite depreciation rates. Accordingly, staff decreased water amortization of CIAC by \$175 and increased wastewater amortization of CIAC by \$315. In addition, staff decreased the wastewater account by \$296 to reflect an averaging adjustment, resulting in a net increase to the wastewater account of \$19. Therefore, staff recommends accumulated amortization of CIAC balances of \$ 7,204 for water and \$7,536 for wastewater.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses of the Utility. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, staff recommends a working capital allowance of \$7,026 (based on O&M expense of \$56,206/8) for water and \$6,335 (based on O&M expense of \$50,941/8) for wastewater.⁷

⁷Section 367.081(9), F.S., which became effective July 1, 2016, states, "A utility may not earn a return on the unamortized balance of the rate case expense. Any unamortized balance of rate case expense shall be excluded in calculating the utility's rate base." Therefore, staff excluded rate case expense from the working capital calculations.

Rate Base Summary

Based on the foregoing, staff recommends that the Commission approve a year end water rate base for Lakeside. The appropriate year end water test year rate base is \$111,193, and the appropriate average wastewater test year rate base is \$137,680. Rate base is shown on Schedules No. 1-A and 1-B. The related adjustments are shown on Schedule No. 1-C.

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

Preliminary Recommendation: The appropriate return on equity (ROE) is 8.94 percent with a range of 7.94 percent to 9.94 percent. The appropriate overall rate of return is 8.31 percent. (Golden, Wilson)

Staff Analysis: Lakeside's capital structure consists of \$158,808 in common equity, \$19,566 in long-term debt, and \$3,430 in customer deposits. Audit staff determined that no adjustments are necessary. For informational purposes, staff notes that the operating ratio method was used in Lakeside's last SARC.⁸ However, due to the significant capital improvements that have been made by the Utility since that time, Lakeside is able to return to the traditional rate base rate of return method in the instant case.

The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 8.94 percent based upon the Commission-approved leverage formula currently in effect.⁹ Staff recommends an ROE of 8.94 percent, with a range of 7.94 percent to 9.94 percent, and an overall rate of return of 8.31 percent. The ROE and overall rate of return are shown on Schedule No. 2.

⁸Order 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.*

⁹Order No. PSC-16-0254-PAA-WS, issued July 29, 2016, in Docket No. 160006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

Issue 5: What are the appropriate test year revenues for Lakeside Waterworks' water and wastewater systems?

Preliminary Recommendation: The appropriate test year revenues for Lakeside Waterworks' water and wastewater systems are \$62,735 and \$57,123, respectively. (Bruce)

Staff Analysis: Lakeside Waterworks recorded total revenues of \$59,676 for water and \$54,216 for wastewater. The water revenues included \$58,880 of service revenues and \$796 of miscellaneous revenues. The wastewater revenues consisted of service revenues only. During the test year, the Utility had a Phase II rate increase. Therefore, staff annualized test year revenues by applying the rates in effect as of January 28, 2016, to the water and wastewater billing determinants. Staff determined that service revenues should be \$62,348 for water and \$56,736 for wastewater, which results in increases of \$3,468 and \$2,520 for water and wastewater, respectively.

Staff made adjustments to miscellaneous revenues for water and wastewater. The Utility assessed a \$5.00 late payment charge rather than the Utility's approved charge of \$5.25. In addition, the Utility also charged four customers an unauthorized charge of \$22 for normal reconnection rather the tariff rate of \$15. The Utility indicated that each customer overcharged for a normal reconnection will receive a refund. Based on the number of occurrences and the utility's approved miscellaneous charges, the miscellaneous revenues should be \$774. As a result, staff decreased miscellaneous revenues by \$22 (\$796 - \$774). The Utility allocated all of the miscellaneous revenues to the water system. Staff recommends that the miscellaneous revenues be equally distributed between the water and wastewater systems.

Based on the above, the appropriate test year revenues for Lakeside Waterworks' water and wastewater systems, including miscellaneous revenues are \$62,735 (\$62,348 + \$387) for water and \$57,123 (\$56,736 + \$387) for wastewater.

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

Preliminary Recommendation: The appropriate amount of operating expense for the Utility is \$68,492 for water and \$65,915 for wastewater. (Golden, Wilson)

Staff Analysis: Lakeside recorded operating expense of \$59,593 for water and \$58,116 for wastewater for the test year ended June 30, 2016. The test year O&M expenses have been reviewed, including invoices, canceled checks, and other supporting documentation. Staff has made several adjustments to the Utility's operating expenses as summarized below.

**Operation and Maintenance (O&M) Expenses
Purchased Power (615/715)**

Lakeside recorded purchased power expense of \$2,737 for water and \$3,479 for wastewater for the test year. Commission audit staff determined that the purchased power expense was understated. Therefore, staff increased this account by \$131 for water and \$60 for wastewater to reflect the correct test year balances. Staff recommends purchased power expense of \$2,868 for water and \$3,539 for wastewater.

Contractual Services - Professional (631/731)

Lakeside recorded negative balances of \$559 for water and \$334 for wastewater in this account. The Utility's test year contractual services – professional expense included adjustments to reverse prior accounting expense accruals of \$1,050 for water and \$825 for wastewater, and test year legal expense of \$491 for water and \$491 for wastewater. The Utility reversed the prior accounting expense accruals because it transferred the accounting services in-house and will no longer be incurring the separate accounting services expense. In order to reflect the correct test year balances for the legal expense portion of this account, staff increased this account by \$1,050 for water and \$825 for wastewater to remove the accounting expense reversals. Therefore, staff recommends contractual services – professional expense for the test year of \$491 for water and \$491 for wastewater.

Contractual Services - Other (636/736)

The Utility recorded contractual services – other expense of \$39,390 for water and \$38,452 for wastewater. Lakeside receives all of its operational and administrative services under a contract with an affiliated company, U.S. Water Services Corporation (USWSC). The Commission previously reviewed and approved expenses related to the USWSC management services contracts for Lakeside in its last SARC, and for five of Lakeside's sister utilities.¹⁰ Subsequent to the test year, USWSC increased Lakeside's annual contract by \$276 for water and \$258 for

¹⁰Order 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*; Order No. PSC-16-0256-PAA-WU, issued June 30, 2016, in Docket No. 150199-WU, *In re: Application for staff-assisted rate case in Lake County by Raintree Waterworks, Inc.*

Date: May 9, 2017

wastewater to reflect an increase in the Consumer Price Index (CPI). Consistent with the Commission's prior decisions in related dockets, staff increased these accounts by \$276 for water and \$258 for wastewater to annualize the increase in the monthly contract price.

Subsequent to Lakeside's last SARC, the Commission found USWSC's costing and allocation model to be reasonable in four related dockets with the exception of some allocated expenses related to salary overtime, fuel, and vehicle maintenance which were adjusted in those dockets.¹¹ USWSC determined that Lakeside's contract amounts would be reduced by \$491 each for water and wastewater if similar adjustments were made in the instant docket.¹² However, Lakeside does not believe this adjustment is appropriate because the contract was first calculated in 2013 and did not include the actual costs for administrative services. Consequently, Lakeside has been receiving a subsidy for the past four years. USWSC is currently reviewing the contracted amounts and anticipates that the contracts will be revised during the second quarter of 2017. Consequently, staff has deferred making any overtime, fuel, and vehicle maintenance adjustments pending additional review. Also, based on a preliminary estimate, staff has increased this account by \$3,699 for water to reflect a possible pro forma increase in the contract amounts for the water operations pending additional information from the Utility.

The USWSC contract fees include certain repairs that do not exceed \$400. During the test year, the Utility experienced a water line repair and a wastewater lift station repair that exceeded the \$400 limit. Both repairs were recorded to wastewater expense, therefore, staff reclassified the water line repair to water expenses, resulting in an increase to water of \$1,165 and a corresponding decrease to wastewater of \$1,165. Neither repair involved the replacement of plant. Staff believes it is reasonable to allow this level of recurring repair expense on a going-forward basis and that no further adjustment is necessary.

The CPI-adjusted annual contract fees of \$39,665 for water and \$37,104 for wastewater equal an average of \$204 and \$206 per equivalent residential connection (ERC), for water and wastewater, respectively, which is comparable to the amounts approved by the Commission for Lakeside's sister utilities which ranged from \$170 to \$247 per water ERC. If the water contract fees are increased to include the pro forma adjustment of \$3,699, the per ERC average for water will increase to slightly over \$223, which is still within the previously approved range.

The Utility confirmed that USWSC's current cost model continues to include 1,000 additional projected ERCs. 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. Lakeside is also experiencing additional cost savings related to other expenses such as chemicals, testing, and miscellaneous expenses that are attributable to economies of scale achieved through operations provided by USWSC. 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, Lakeside's customers are realizing operational and cost benefits that would not be available if the Utility operated on a stand-alone basis. Staff believes the adjusted cost of the USWSC management services contract

¹¹Order No. PSC-15-0282-PAA-WS; Order No. PSC-15-0329-PAA-WU; Order No. PSC-15-0335-PAA-WS; and Order No. PSC-16-0256-PAA-WU.

¹²Document No. 03643-17, filed on March 16, 2017, in Docket No. 160195-WS.

is reasonable. Staff's total adjustment to water contractual services – other expense is an increase of \$5,140, and staff's net adjustment to wastewater contractual services – other expense is a decrease of \$907. Therefore, staff recommends contractual services – other expense for the test year of \$44,530 for water and \$37,545 for wastewater.

Rent Expense (640/740)

The Utility recorded test year rent expense for the Utility's land leases of \$2,463 for water and \$2,465 for wastewater. During the test year, the land owner increased the Utility's lease expense slightly for an annual CPI adjustment. Therefore, staff increased this account by \$12 for water and \$12 for wastewater to reflect the Utility's current annual land lease expense. Staff recommends rent expense for the test year of \$2,475 for water and \$2,477 for wastewater.

Insurance Expense (655)

The Utility recorded test year insurance expense of \$602 for water and \$534 for wastewater. During the test year, the Utility's general liability insurance policy was renewed at a slightly lower premium of \$1,125, which is split equally between water and wastewater for an expense of \$563 each. Staff decreased water by \$39 and increased wastewater by \$29 to reflect the current annual general liability insurance expense of \$563 each. Therefore, staff recommends insurance expense for the test year of \$563 for water and \$563 for wastewater.

Regulatory Commission Expense (665)

The Utility did not record any regulatory commission expense in this account. The Utility 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. Staff is also recommending that the Utility be required to provide notices of the four-year and eight-year rate reductions to its customers when the rates are reduced to remove the amortized rate case expense and amortized losses on the retirement of the well and WWTP. For noticing, staff estimated \$363 for postage expense, \$222 for printing expense, and \$37 for envelopes. This results in \$622 for the noticing requirement. The Utility paid a total of \$1,500 in rate case filing fees (\$1,000 for water and \$500 for wastewater). The Utility also requested additional rate case expense of \$500 to cover travel expenses to attend both the customer meeting and Commission Agenda Conference. The Commission previously approved rate case related travel expenses ranging from \$450 to \$1,570 in the four most recent dockets for Lakeside's sister utilities. Based on staff's review, the requested travel expense appears reasonable. Based on the above, staff recommends total rate case expense of \$2,622 (\$622 + \$1,500 + \$500), which amortized over four years is \$655. Staff has allocated the annual rate case expense to the water and wastewater systems based on ERCs, resulting in annual rate case expense of \$395 for water and \$260 for wastewater. Therefore, staff recommends regulatory commission expense of \$395 for water and \$260 for wastewater.

Miscellaneous Expense (675)

The Utility recorded \$2,201 for water miscellaneous expense for the test year and no miscellaneous expense for wastewater. Staff decreased water miscellaneous expense by \$1,655 to remove a regulatory assessment fee (RAF) expense that was incorrectly recorded to this account. The remaining water miscellaneous expense in this account includes the DEP drinking water annual operating license fee of \$500, and several Sunshine State Florida One Call fees

totaling \$46. Therefore, staff recommends miscellaneous expense of \$546 for water and no miscellaneous expense for wastewater for the test year.

Operation and Maintenance Expense (O&M Summary)

Based on the above adjustments, O&M expense should be increased by \$5,035 for water and \$279 for wastewater, resulting in total O&M expense of \$56,602 for water and \$50,941 for wastewater. Staff's recommended adjustments to O&M expense are shown on Schedule Nos. 3-A through 3-E.

Depreciation Expense (Net of Amortization of CIAC)

The Utility's records reflect test year water depreciation expense of \$5,071 and CIAC amortization expense of \$415, resulting in a net water depreciation expense of \$4,656 ($\$5,071 - \$415 = \$4,656$). Also, the Utility's records reflect test year wastewater depreciation expense of \$4,919 and CIAC amortization expense of \$589, resulting in a net wastewater depreciation expense of \$4,330 ($\$4,919 - \$589 = \$4,330$). Staff calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and increased water depreciation expense by \$2,153 to reflect the appropriate test year depreciation expense. No adjustment to test year wastewater depreciation expense was necessary. In addition, staff increased this account by \$3,966 to reflect the incremental increase in wastewater depreciation expense resulting from the pro forma WWTP replacement. Staff also increased this account by \$19 to reflect the increase in water depreciation resulting from the pro forma water line installation. Finally, staff decreased depreciation expense by \$2,003 for water and \$520 for wastewater to reflect the non-U&U portion of the test year depreciation expense, including the pro forma WWTP replacement.

In addition, audit staff calculated CIAC amortization based on composite rates, and determined that test year CIAC amortization expense should be decreased by \$37 for water and \$3 for wastewater. This results in CIAC amortization expense of \$378 for water and \$586 for wastewater. Based on the above, staff's net adjustment to water is an increase of \$132 ($\$2,153 + \$19 - \$2,003 - \$37 = \132), resulting in a net depreciation expense for water of \$4,788 ($\$4,656 + \$132 = \$4,788$). Further, staff's net adjustment to wastewater is an increase of \$3,443 ($\$3,966 - \$520 - \$3 = \$3,443$), resulting in a net depreciation expense for wastewater of \$7,773 ($\$4,330 + \$3,443 = \$7,773$). Therefore, staff recommends net depreciation expense of \$4,788 and \$7,773 for water and wastewater, respectively.

Amortization of Loss on Water Well and WWTP Replacements

As discussed previously, the Utility experienced a well collapse of the primary well supplying potable water to the customers. The Utility attempted to rehabilitate the well with a private well driller, but ultimately was required to replace the well. The Utility believed it was prudent to attempt rehabilitation first because it would have been less costly than drilling the new well. Also, as discussed previously, Lakeside found it necessary to replace the WWTP in order to be in compliance with the DEP requirements. The Utility is requesting that the Commission approve the retirement and recovery of the losses on the collapsed well, water well rehabilitation costs, and WWTP that were all retired early.

In its application, Lakeside initially estimated an annual amortization expense of \$3,791 for water and \$224 for wastewater to be recovered over a ten-year amortization period. The Utility proposed the ten-year amortization period because it is consistent with recent prior Commission

decisions.¹³ Staff's initial review indicates that the Utility acted prudently in both instances, and that the replacements and early retirements were necessary to ensure that the customers receive safe and reliable service, as well as ensure that the Utility be in compliance with DEP requirements. Therefore, staff believes it is appropriate to allow the Utility to recover the losses resulting from the early retirement of the collapsed well, water well rehabilitation costs, and WWTP.

Rule 25-30.433(9), F.A.C., provides the formula that shall be used to determine the number of years over which a utility may recover a loss that occurs due to a forced abandonment or prudent early retirement of plant assets. Specifically, Rule 25-30.433(9), F.A.C., states:

The amortization period for forced abandonment or the prudent retirement, in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts, of plant assets prior to the end of their depreciable life shall be calculated by taking the ratio of the net loss (original cost less accumulated depreciation and contributions-in-aid-of-construction (CIAC) plus accumulated amortization of CIAC plus any costs incurred to remove the asset less any salvage value) to the sum of the annual depreciation expense, net of amortization of CIAC, plus an amount equal to the rate of return that would have been allowed on the net invested plant that would have been included in rate base before the abandonment or retirement. This formula shall be used unless the specific circumstances surrounding the abandonment or retirement demonstrate a more appropriate amortization period.

Lakeside subsequently provided additional information regarding the costs it incurred to abandon the collapsed well and remove the WWTP. Also, as discussed previously, staff is recommending several adjustments to the Utility's test year accumulated depreciation and depreciation expense. Staff has determined that there is no CIAC or amortization of CIAC associated with these retirements because Lakeside's CIAC only represents main extension fees, meter installation fees, and the prior imputation of CIAC for the lines. In addition, no salvage values have been identified for the collapsed well or retired WWTP. Staff's calculation of the net loss, amortization period, and annual amortization expense including the Utility's removal costs and staff's recommended depreciation adjustments are shown on Tables 6-1 and 6-2 below.

¹³Order No. PSC-15-0569-PAA-WS, issued December 15, 2015, in Docket No. 140239-WS, *In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation*; Order No. PSC-16-0013-PAA-SU, issued January 6, 2016, in Docket No. 150102-SU, *In re: Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven*.

**Table 6-1
 Net Loss Calculation**

	<u>Water</u>	<u>Wastewater</u>
Plant Retired		
Collapsed Well	\$15,956	
Well Rehabilitation	<u>19,153</u>	
Wastewater Treatment Plant		<u>\$37,611</u>
Total Plant Retired	<u>\$35,109</u>	<u>\$37,611</u>
Less Associated Accumulated Depreciation		
Collapsed Well	(\$14,135)	
Well Rehabilitation	<u>(1,064)</u>	
Wastewater Treatment Plant		<u>(\$34,241)</u>
Total Associated Accum. Depreciation	<u>(\$15,199)</u>	<u>\$34,241</u>
Less Associated CIAC	\$0	\$0
Plus Associated Amortization of CIAC	\$0	\$0
Plus Removal Cost	\$3,517	\$5,760
Less Salvage Value	<u>\$0</u>	<u>\$0</u>
Equals Net Loss	<u>\$23,427</u>	<u>\$9,130</u>

**Table 6-2
 Amortization Period and Annual Amortization Expense Calculation**

	<u>Water</u>	<u>Wastewater</u>
Net Loss	<u>\$23,427</u>	<u>\$9,130</u>
Divided by the sum of:		
Annual Depreciation Expense	\$1,299	\$2,509
Less CIAC Amortization Expense	0	0
Plus Return on Net Invested Plant (8.31% ROR) ¹⁴	<u>1,654</u>	<u>280</u>
Annual Total Before Plant Retirement	<u>\$2,953</u>	<u>\$2,789</u>
Equals Amortization Period (rounded to nearest year)	8 Years	3 Years
Annual Amortization of Loss (Net Loss divided by Amortization Period):	<u>\$2,928</u>	<u>\$3,043</u>

Based on the formula provided by Rule 25-30.433(9), F.A.C., the appropriate amortization period is eight years for the water loss and three years for the wastewater loss. The rule specifies that this formula shall be used unless the specific circumstances surrounding the abandonment or retirement demonstrate a more appropriate amortization period. As discussed above, Lakeside initially proposed a ten-year amortization period based on recent prior Commission decisions. However, staff notes that in the two referenced dockets the formula produced a 15-year amortization period, and the Commission's decision in each of those cases was to allow each Utility to recover the loss over a shorter time period. Applying a ten-year amortization period in the instant case would have the opposite effect by requiring Lakeside to recover the losses over a longer period than is required by the rule based on Lakeside's specific circumstances. Therefore, staff recommends that the appropriate amortization period to recover the losses resulting from the early retirement of the collapsed well, water well rehabilitation costs, and WWTP is eight years for the water loss and three years for the wastewater loss. In addition, staff recommends annual amortization of \$2,928 for water and \$3,043 for wastewater.

¹⁴Based on staff's recommended overall rate of return of 8.31 percent, as discussed in Issue 4.

Taxes Other Than Income (TOTI)

Lakeside recorded TOTI of \$3,370 for water and \$3,124 for wastewater for the test year. The Utility recorded RAFs of \$2,686 for water and \$2,440 for wastewater for the test year. Based on staff's recommended test year revenues of \$62,735 for water and \$57,123 for wastewater, the Utility's RAFs should be \$2,823 and \$2,571 for water and wastewater, respectively. Therefore, staff increased these accounts by \$137 for water and \$131 for wastewater to reflect the appropriate test year RAFs. Also, the Utility recorded property tax accruals of \$684 each for water and wastewater for the test year. Audit staff determined that the Utility's actual property taxes for the test year were \$676 each for water and wastewater. Accordingly, staff decreased property taxes by \$8 for water and \$8 for wastewater to reflect the appropriate test year property taxes. Staff's net adjustments to test year TOTI are an increase of \$129 for water ($\$137 - \$8 = \129) and \$123 for wastewater ($\$131 - \$8 = \123).

In addition, as discussed in Issue 6, revenues have been increased by \$14,997 for water and \$20,233 for wastewater to reflect the change in revenue required to cover expenses and allow the recommended rate of return. As a result, TOTI should be increased by \$675 for water and \$910 for wastewater to reflect RAFs of 4.5 percent of the change in revenues. Therefore, staff recommends TOTI of \$4,174 for water and \$4,157 for wastewater.

Operating Expenses Summary

The application of staff's recommended adjustments to Lakeside's test year operating expenses results in operating expenses of \$68,492 for water and \$65,915 for wastewater. Operating expenses are shown on Schedules No. 3-A and 3-B. The adjustments are shown on Schedule No. 3-C.

Issue 7: What is the appropriate revenue requirement?

Preliminary Recommendation: The appropriate revenue requirement is \$77,732 for water and \$77,356 for wastewater, resulting in an annual increase of \$14,997 for water (23.91 percent) and \$20,233 for wastewater (35.42 percent). (Golden, Wilson)

Staff Analysis: Lakeside should be allowed an annual increase of \$14,997 for water (23.91 percent) and \$20,233 for wastewater (35.42 percent). This will allow the Utility the opportunity to recover its expenses and earn an 8.31 percent return on its investment. The calculations are shown below, in Tables 7-1 and 7-2 for water and wastewater, respectively:

**Table 7-1
 Water Revenue Requirement**

Adjusted Rate Base	\$111,193
Rate of Return	x 8.31%
Return on Rate Base	\$9,240
Adjusted O&M Expense	56,602
Depreciation Expense (Net)	4,788
Amortization	2,928
Taxes Other Than Income	4,174
Income Taxes	0
Revenue Requirement	\$77,732
Less Adjusted Test Year Revenues	62,735
Annual Increase	\$14,997
Percent Increase	23.91%

Table 7-2
Wastewater Revenue Requirement

Adjusted Rate Base	\$137,680
Rate of Return	x 8.31%
Return on Rate Base	\$11,441
Adjusted O&M Expense	50,941
Depreciation Expense (Net)	7,773
Amortization	3,043
Taxes Other Than Income	4,157
Income Taxes	0
Revenue Requirement	\$77,356
Less Adjusted Test Year Revenues	57,123
Annual Increase	\$20,233
Percent Increase	35.42%

Issue 8: What are the appropriate rate structures and rates for Lakeside's water and wastewater systems?

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

Staff Analysis:

Water Rates

Lakeside's water system is located within the SJRWMD. The Utility provides service to approximately 182 residential water customers, of which 74 have separate irrigation meters. In addition, the Utility provides water service to two general service irrigation meters and a clubhouse. Approximately 20 percent of the residential customer bills during the test year had zero gallons, indicating a somewhat seasonal customer base. The average residential water demand was 3,083 gallons per month. The average water demand excluding zero gallon bills was 3,858 per month. The Utility's current residential demand rate structure consists of a base facility charge (BFC) and two-tier inclining block rate structure. The rate blocks are 0-4,000 gallons and all usage in excess of 4,000 gallons per month. The general service rates consist of a BFC and gallonage charge. The residential irrigation rate structure consists of a gallonage charge only.

Staff 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 Commission practice.

Due to the customers' low average monthly consumption and somewhat seasonal customer base, staff recommends 45 percent of the revenue requirement should be recovered through the BFC. This will allow the Utility to have sufficient cash flow to cover fixed costs. The average number of people per household served by the water system is 2.15; therefore, based on the number of persons per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 4,000 gallons per month. Based on staff's analysis of the billing data, approximately 25 percent of the demand is above 10,000 gallons. Therefore, staff recommends 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 should be: (1) 0-4,000 gallons; (2) 4,001-10,000 gallons; and (3) all usage in excess of 10,000 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 10,000 gallons of water per month. General service customers should be billed a BFC and uniform gallonage charge.

Staff evaluated whether the residential irrigation service should be assessed a BFC. Based on staff's analysis, the residential irrigation customers' average consumption is 808 gallons per month, which does not indicate high usage for irrigation customers with separate meters. In a prior rate case, the Commission found that the separate irrigation meter did not place any additional demand on the Utility's water system and irrigation customers should only be assessed the gallonage charge for the water usage registered by the separate irrigation meter.¹⁵ For the staff report, staff recommends that the residential irrigation customers should continue a gallonage charge only rate structure. However, for the final recommendation staff will evaluate the configuration of the irrigation meters and determine whether or not it is appropriate to assess a BFC.

The Utility does not have customers for private fire protection; however, the Utility would like to maintain a rate structure for that customer class in the event it is needed in the future. The private fire protection rate should be one-twelfth of the approved BFC, pursuant to Rule 25-30.465, F.A.C.

Based on a recommended revenue increase of 24.1 percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 540,000 gallons resulting in anticipated average residential demand of 2,837 gallons per month. Staff recommends an 8 percent reduction in test year residential gallons for rate setting purposes and corresponding reductions of \$197 for purchased power, \$91 for chemicals, and \$14 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$77,044.

Wastewater Rates

Lakeside provides wastewater service to approximately 170 residential customers. The Utility's current rate structure for the wastewater system consists of a uniform BFC for all residential meter sizes and a gallonage charge with a 6,000 gallon cap. General service customers are billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

Staff performed an analysis of the Utility's billing data to evaluate various BFC cost recovery percentages and gallonage caps for the residential customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; and (3) implement a gallonage cap that considers approximately the amount of water that may return to the wastewater system.

As mentioned earlier, the customer base is somewhat seasonal; therefore, 50 percent of the wastewater revenue should be allocated to the BFC. The Commission typically establishes

¹⁵See Order No. PSC-00-0259-PAA-WS, issued February 8, 2000, in Docket No. 990080-WS, *In re: Complaint and request for hearing by Linda J. McKenna and 54 petitioners regarding unfair rates and charges of Shangri-La by the Lake Utilities, Inc. in Lake County*, p. 28.

monthly residential wastewater gallonage caps at 10,000, 8,000, or 6,000 gallons.¹⁶ The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. It is Commission practice to set the wastewater cap at approximately 80 percent of residential water sold. Based on staff's review of the billing analysis, approximately 80 percent of the residential gallons are captured at the 12,000 gallon consumption level. In this case, a 12,000 gallon cap does not properly reflect the estimated water gallons returned to the wastewater system. For this reason, staff recommends a continuation of the Utility's current gallonage cap of 6,000 gallons per month. General service customers should continue to be billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge. The expected wastewater repression is de minimis because of the low average customer demand. Therefore, staff does not recommend a repression adjustment for wastewater.

Summary

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

¹⁶See Order No. PSC-93-1675-FOF-WS, issued November 18, 1993, in Docket No. 920148-WS, *In re: Application for a rate increase in Pasco County by Jasmine Lake Utilities Corporation.*

Date: May 9, 2017

Issue 9: What are the appropriate initial customer deposits for Lakeside's water and wastewater systems?

Preliminary Recommendation: The appropriate initial customer deposits should be \$56 and \$88 for the residential 5/8 inch x 3/4 inch meter size for water and wastewater, respectively. 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 and wastewater. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding. (Bruce)

Staff Analysis: Rule 25-30.311, F.A.C., provides 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. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.¹⁷ Currently, the Utility's initial deposit for residential water is \$55 for the 5/8 inch x 3/4 inch meter size and two times the average estimated bill for the general service meter sizes. For wastewater, the current initial customer deposit for the 5/8 x 3/4 inch meter size is \$76 and two times the average estimated bill for the general service meter sizes. Based on the staff recommended water rates and post repression average residential demand, the appropriate initial customer deposit for water should be \$56 to reflect an average residential customer bill for two months. The appropriate initial customer deposit for wastewater should be \$88 to reflect an average residential customer bill for two months.

Staff recommends the appropriate initial customer deposits should be \$56 and \$88 for the residential 5/8 inch x 3/4 inch meter size for water and wastewater, respectively. 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 and wastewater. The approved initial customer deposits should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

¹⁷Order No. PSC-15-0142-PAA-SU, issued March 26, 2015, in Docket No. 130178-SU, *In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.*

Issue 10: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense?

Preliminary Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period. The Utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If Lakeside files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Bruce, Golden, Wilson)

Staff Analysis: Lakeside's water and wastewater rates should be reduced immediately following the expiration of the four-year rate case expense recovery period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for RAFs which is \$418 and \$275 for water and wastewater, respectively. Using the Utility's current revenues, expenses, and customer base, the reduction in revenues will result in the rate decrease shown on Schedule Nos. 4-A and 4-B.

Lakeside should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility also should be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. If Lakeside files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 11: Should the recommended rates be approved for Lakeside on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility?

Preliminary Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's office no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Golden, Wilson)

Staff Analysis: This recommendation proposes an increase in rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the recommended rates be approved as temporary rates. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

The Utility should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$23,612. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

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

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

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

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

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

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

The Utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's office no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Issue 12: Should Lakeside be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision?

Preliminary Recommendation: Yes. The Utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Lakeside should 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 Schedules No. 5-A and 5-B, have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Golden, Wilson).

Staff Analysis: The Utility should be required to notify the Commission, in writing that it has adjusted its books in accordance with the Commission's decision. Schedules No. 5-A and 5-B reflects the accumulated plant, depreciation, CIAC, and amortization of CIAC balances as of June 30, 2016. Lakeside should 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-A and 5-B, have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Issue 13: Should this docket be closed?

Preliminary Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order 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, and that the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Also, the docket should remain open to allow staff to verify that the pro forma items have been completed, and the rates properly implemented. Once these actions are complete, this docket should be closed administratively. (Lherisson, Murphy)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order 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, and that the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Also, the docket should remain open to allow staff to verify that the pro forma items have been completed, and the rates properly implemented. Once these actions are complete, this docket should be closed administratively.

LAKESIDE WATERWORKS, INC.		SCHEDULE NO. 1-A	
TEST YEAR ENDED 6/30/2016		DOCKET NO. 160195-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTILITY BALANCE	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$263,806	(\$32,249)	\$231,557
2. LAND & LAND RIGHTS	0	0	0
3. NON-USED AND USEFUL COMPONENTS	0	(45,733)	(45,733)
4. CIAC	(14,251)	0	(14,251)
5. ACCUMULATED DEPRECIATION	(118,074)	43,464	(74,610)
6. AMORTIZATION OF CIAC	7,379	(175)	7,204
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>7,026</u>	<u>7,026</u>
8. WATER RATE BASE	<u>\$138,860</u>	<u>(\$27,667)</u>	<u>\$111,193</u>

LAKESIDE WATERWORKS, INC.		SCHEDULE NO. 1-B	
TEST YEAR ENDED 6/30/2016		DOCKET NO. 160195-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTILITY BALANCE	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$153,450	\$59,114	\$212,564
2. LAND & LAND RIGHTS	0	0	0
3. NON-USED AND USEFUL COMPONENTS	0	(8,021)	(8,021)
4. CIAC	(18,388)	0	(18,388)
5. ACCUMULATED DEPRECIATION	(103,869)	41,523	(62,346)
6. AMORTIZATION OF CIAC	7,517	19	7,536
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>6,335</u>	<u>6,335</u>
8. WASTEWATER RATE BASE	<u>\$38,710</u>	<u>\$98,970</u>	<u>\$137,680</u>

LAKESIDE WATERWORKS, INC.		SCHEDULE NO. 1-C	
TEST YEAR ENDED 6/30/2016		DOCKET NO. 160195-WS	
ADJUSTMENTS TO RATE BASE			
	<u>WATER</u>	<u>WASTEWATER</u>	
<u>UTILITY PLANT IN SERVICE</u>			
1. To reflect appropriate balance for Account Nos. 301 and 351.	(\$463)	(\$398)	
2. To reflect appropriate balances per Order No. PSC-15-0013-PAA-WS.	1,985	20	
3. To reflect retirement of collapsed well and rehabilitation costs.	(35,109)		
4. To reflect pro forma WWTP replacement.		97,103	
5. To reflect retirement of replaced WWTP.		<u>(37,611)</u>	
6. To reflect pro forma water line installation to Acct. No. 333.	<u>1,338</u>		
Total	<u>(\$32,249)</u>	<u>\$59,114</u>	
<u>NON-USED AND USEFUL PLANT</u>			
1. To reflect non-U&U plant.	(\$49,349)	(\$7,807)	
2. To reflect non-U&U accumulated depreciation.	<u>3,616</u>	<u>(214)</u>	
Total	<u>(\$45,733)</u>	<u>(\$8,021)</u>	
<u>ACCUMULATED DEPRECIATION</u>			
1. To reflect accumulated depreciation per Rule 25-30.140, F.A.C.	\$4,858	\$2,166	
2. To reflect retirement of collapsed well and rehabilitation costs.	35,109		
3. To reflect well abandonment/removal costs.	3,517		
4. To reflect pro forma WWTP replacement.		(6,474)	
5. To reflect retirement of replaced WWTP.		37,611	
6. To reflect WWTP removal costs.		5,760	
7. To reflect pro forma water line installation.	<u>(19)</u>		
8. To reflect an averaging adjustment.		2,460	
Total	<u>\$43,464</u>	<u>\$41,523</u>	
<u>AMORTIZATION OF CIAC</u>			
1. To reflect appropriate amortization of CIAC	(\$175)	\$315	
2. To reflect an averaging adjustment.	<u>0</u>	<u>(296)</u>	
Total	<u>(\$175)</u>	<u>\$19</u>	
<u>WORKING CAPITAL ALLOWANCE</u>			
To reflect 1/8 of test year O&M expenses.	<u>\$7,026</u>	<u>\$6,335</u>	

LAKESIDE WATERWORKS, INC. TEST YEAR ENDED 6/30/2016 SCHEDULE OF CAPITAL STRUCTURE							SCHEDULE NO. 2 DOCKET NO. 160195-WS		
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE RECONCILE TO RATE BASE	ADJUST-MENTS	BALANCE PER STAFF	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>158,808</u>	<u>0</u>	<u>158,808</u>						
TOTAL COMMON EQUITY	\$158,808	\$0	\$158,808	\$59,712	\$218,520	87.80%	8.94%	7.85%	
5. LONG TERM DEBT	\$19,566	\$0	\$19,566	\$7,357	\$26,923	10.82%	4.00%	0.43%	
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	\$19,566	\$0	\$19,566	\$7,357	\$26,923	10.82%			
8. CUSTOMER DEPOSITS	<u>\$3,430</u>	<u>\$0</u>	<u>\$3,430</u>	<u>\$0</u>	<u>\$3,430</u>	<u>1.38%</u>	2.00%	<u>0.03%</u>	
9. TOTAL	<u>\$181,804</u>	<u>\$0</u>	<u>\$181,804</u>	<u>\$67,069</u>	<u>\$248,873</u>	<u>100.00%</u>			
RANGE OF REASONABLENESS						LOW	HIGH		
RETURN ON EQUITY						<u>7.94%</u>	<u>9.94%</u>		
OVERALL RATE OF RETURN						<u>7.43%</u>	<u>9.19%</u>		

LAKESIDE WATERWORKS, INC. TEST YEAR ENDED 6/30/2016 SCHEDULE OF WATER OPERATING INCOME		SCHEDULE NO. 3-A DOCKET NO. 160195-WS				
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT	
1. OPERATING REVENUES	<u>\$59,676</u>	<u>\$3,059</u>	<u>\$62,735</u>	<u>\$14,997</u> 23.91%	<u>\$77,732</u>	
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$51,567	\$5,035	\$56,602	\$0	\$56,602	
3. DEPRECIATION (NET)	4,656	132	4,788	0	4,788	
4. AMORTIZATION	0	2,928	2,928	0	2,928	
5. TAXES OTHER THAN INCOME	3,370	129	3,499	675	4,174	
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7. TOTAL OPERATING EXPENSES	<u>\$59,593</u>	<u>\$8,224</u>	<u>\$67,817</u>	<u>\$675</u>	<u>\$68,492</u>	
8. OPERATING INCOME/(LOSS)	<u>\$83</u>		<u>(\$5,082)</u>		<u>\$9,240</u>	
9. WATER RATE BASE	<u>\$145,306</u>		<u>\$111,193</u>		<u>\$111,193</u>	
10. RATE OF RETURN	<u>0.06%</u>		<u>(4.57%)</u>		<u>8.31%</u>	

LAKESIDE WATERWORKS, INC.		SCHEDULE NO. 3-B				
TEST YEAR ENDED 6/30/2016		DOCKET NO. 160195-WS				
SCHEDULE OF WASTEWATER OPERATING INCOME						
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT	
1. OPERATING REVENUES	<u>\$54,216</u>	<u>\$2,907</u>	<u>\$57,123</u>	<u>\$20,233</u> 35.42%	<u>\$77,356</u>	
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$50,662	\$279	\$50,941	\$0	\$50,941	
3. DEPRECIATION (NET)	4,330	3,443	7,773	0	7,773	
4. AMORTIZATION	0	3,043	3,043	0	3,043	
5. TAXES OTHER THAN INCOME	3,124	123	3,247	910	4,157	
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7. TOTAL OPERATING EXPENSES	<u>\$58,116</u>	<u>\$6,888</u>	<u>\$65,004</u>	<u>\$910</u>	<u>\$65,915</u>	
8. OPERATING INCOME/(LOSS)	<u>(\$3,900)</u>		<u>(\$7,881)</u>		<u>\$11,441</u>	
9. WASTEWATER RATE BASE	<u>\$45,043</u>		<u>\$137,680</u>		<u>\$137,680</u>	
10. RATE OF RETURN	<u>(8.66%)</u>		<u>(5.72%)</u>		<u>8.31%</u>	

LAKESIDE WATERWORKS, INC.		SCHEDULE NO. 3-C	
TEST YEAR ENDED 6/30/2016		DOCKET NO. 160195-WS	
ADJUSTMENTS TO OPERATING INCOME			
		<u>WATER</u>	<u>WASTEWATER</u>
OPERATING REVENUES			
1.	To reflect appropriate test year service revenues.	\$3,468	\$2,520
2.	To reflect appropriate test year miscellaneous service revenues.	(409)	387
	Subtotal	<u>\$3,059</u>	<u>\$2,907</u>
OPERATION AND MAINTENANCE EXPENSES			
1.	Purchased Power (615/715)		
	a. To reflect appropriate test year purchased power expense.	<u>\$131</u>	<u>\$60</u>
2.	Contractual Services – Professional (631/731)		
	a. To remove accounting expense reversals to reflect appropriate balance.	<u>\$1,050</u>	<u>\$825</u>
3.	Contractual Services - Other (636/736)		
	a. To reflect annualized contractual services - other expense.	\$276	\$258
	b. To reflect pro forma change in contractual services - other expense.	3,699	0
	c. To reclassify water line repair from Acct. No. 736 to Acct. No. 636.	<u>1,165</u>	<u>(1,165)</u>
	Subtotal	<u>\$5,140</u>	<u>(\$907)</u>
4.	Rents (640/740)		
	a. To reflect annualized land lease expense.	<u>\$12</u>	<u>\$12</u>
5.	Insurance Expense (655/755)		
	a. To reflect annualized general liability insurance expense.	<u>(\$39)</u>	<u>\$29</u>
6.	Regulatory Commission Expense (665/765)		
	a. To reflect 4-year amortization of rate case expense (\$2,622 total, split \$1,582/4 for water and \$1,040/4 for wastewater).	<u>\$395</u>	<u>\$260</u>
7.	Miscellaneous Expense (675/775)		
	a. To remove an incorrectly recorded RAF adjustment.	<u>(\$1,655)</u>	<u>\$0</u>
	TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$5,035</u>	<u>\$279</u>
DEPRECIATION EXPENSE			
1.	To reflect test year depreciation calculated per Rule 25-30.140, F.A.C.	\$2,153	\$0
2.	To reflect pro forma WWTP replacement.		3,966
3.	To reflect pro forma water line installation.	19	
4.	To reflect non-used and useful test year depreciation.	(2,003)	(520)
5.	To reflect appropriate test year CIAC amortization expense.	<u>(37)</u>	<u>(3)</u>
	Total	<u>\$132</u>	<u>\$3,443</u>
AMORTIZATION			
	To reflect loss on well retirement and WWTP retirement.	<u>\$2,928</u>	<u>\$3,043</u>
TAXES OTHER THAN INCOME			
1.	To reflect the appropriate test year RAFs.	\$137	\$131
2.	To reflect appropriate test year utility property taxes.	(8)	(8)
	Total	<u>\$129</u>	<u>\$123</u>

LAKESIDE WATERWORKS, INC.		SCHEDULE NO. 3-D	
TEST YEAR ENDED 6/30/2016		DOCKET NO. 160195-WS	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENTS	TOTAL PER STAFF
(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	2,737	131	2,868
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	1,319	0	1,319
(620) MATERIALS AND SUPPLIES	0	0	0
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	(559)	1,050	491
(635) CONTRACTUAL SERVICES - TESTING	0	0	0
(636) CONTRACTUAL SERVICES - OTHER	39,390	5,140	44,530
(640) RENTS	2,463	12	2,475
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	602	(39)	563
(665) REGULATORY COMMISSION EXPENSE	0	395	395
(670) BAD DEBT EXPENSE	414	0	414
(675) MISCELLANEOUS EXPENSE	<u>2,201</u>	<u>(1,655)</u>	<u>546</u>
	<u>\$51,567</u>	<u>\$5,035</u>	<u>\$56,602</u>

LAKESIDE WATERWORKS, INC.	SCHEDULE NO. 3-E		
TEST YEAR ENDED 6/30/2016	DOCKET NO. 160195-WS		
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENTS	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(703) SALARIES AND WAGES - OFFICERS	3,000	0	3,000
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	2,275	0	2,275
(715) PURCHASED POWER	3,479	60	3,539
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	416	0	416
(720) MATERIALS AND SUPPLIES	0	0	0
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	(334)	825	491
(735) CONTRACTUAL SERVICES - TESTING	0	0	0
(736) CONTRACTUAL SERVICES - OTHER	38,452	(907)	37,545
(740) RENTS	2,465	12	2,477
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	534	29	563
(765) REGULATORY COMMISSION EXPENSE	0	260	260
(770) BAD DEBT EXPENSE	375	0	375
(775) MISCELLANEOUS EXPENSE	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$50,662</u>	<u>\$279</u>	<u>\$50,941</u>

LAKESIDE WATERWORKS, INC.		SCHEDULE NO. 4-A		
TEST YEAR ENDED JUNE 30, 2016		DOCKET NO. 160195-WS		
MONTHLY WATER RATES		RATES AT TIME OF FILING	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential, General Service, and Irrigation</u>				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$13.76	\$14.92	\$0.08	
3/4"	\$20.64	\$22.38	\$0.12	
1"	\$34.40	\$37.30	\$0.20	
1-1/2"	\$68.79	\$74.60	\$0.40	
2"	\$110.07	\$119.36	\$0.65	
3"	\$220.13	\$238.72	\$1.29	
4"	\$343.96	\$373.00	\$2.02	
6"	\$687.91	\$746.00	\$4.05	
* Residential irrigation customers do not pay a base facility charge.				
Charge per 1,000 Gallons - Residential and Residential Irrigation				
0-4,000 gallons	\$3.47			
Over 4,000 gallons	\$4.49			
0-4,000 gallons		\$4.57	\$0.02	
4,000-10,000 gallons		\$5.76	\$0.03	
Over 10,000 gallons		\$10.08	\$0.05	
Charge per 1,000 gallons - General Service and General Service Irrigation				
	\$3.80	\$5.79	\$0.03	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
3,000 Gallons	\$24.17	\$28.63		
6,000 Gallons	\$36.62	\$44.72		
12,000 Gallons	\$63.56	\$87.92		

LAKESIDE WATERWORKS, INC.		SCHEDULE NO. 4-B	
TEST YEAR ENDED JUNE 30, 2016		DOCKET NO. 160195-WS	
MONTHLY WASTEWATER RATES			
	RATES AT TIME OF FILING	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential</u>			
Base Facility Charge - All Meter Sizes	\$14.49	\$18.36	\$0.07
Charge Per 1,000 gallons			
6,000 gallon cap	\$6.24	\$9.11	\$0.03
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$14.49	\$18.36	\$0.07
3/4"	\$21.74	\$27.54	\$0.10
1"	\$36.23	\$45.90	\$0.16
1-1/2"	\$72.47	\$91.80	\$0.33
2"	\$115.95	\$146.88	\$0.52
3"	\$231.89	\$293.76	\$1.05
4"	\$362.33	\$459.00	\$1.64
6"	\$724.67	\$918.00	\$3.28
Charge per 1,000 gallons	\$7.50	\$10.93	\$0.04
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$33.21	\$45.69	
6,000 Gallons	\$51.93	\$73.02	
10,000 Gallons	\$51.93	\$73.02	

LAKESIDE WATERWORKS, INC.			SCHEDULE NO. 5-A	
TEST YEAR ENDED 6/30/2016			DOCKET NO. 160195-WS	
SCHEDULE OF WATER PLANT, DEPRECIATION, CIAC, & CIAC AMORTIZATION BALANCES (YEAR END RATE BASE)				
ACCT NO.	DEPR. RATE PER RULE 25-30.140	DESCRIPTION	UPIS 6/30/2016 (DEBIT)	ACCUM. DEPR. 6/30/2016 (CREDIT)*
301	2.50%	ORGANIZATION	\$1,010	\$440
304	3.70%	STRUCTURES AND IMPROVEMENTS	10,296	3,636
307	3.70%	WELLS AND SPRINGS	97,063	(9,182)
309	3.13%	SUPPLY MAINS	300	211
310	5.88%	POWER GENERATION EQUIPMENT	0	484
311	5.88%	PUMPING EQUIPMENT	9,017	3,607
320	5.88%	WATER TREATMENT EQUIPMENT	12,106	11,163
330	3.03%	DISTRIBUTION RESERVOIRS AND STANDPIPES	5,829	1,631
331	2.63%	TRANSMISSION AND DISTRIBUTION MAINS	54,433	24,454
333	2.86%	SERVICES	7,675	7,568
334	5.88%	METERS AND METER INSTALLATIONS	28,989	28,604
339	5.00%	OTHER PLANT AND MISCELLANEOUS EQUIPMENT	<u>3,501</u>	<u>1,975</u>
		TOTAL	<u>\$230,219</u>	<u>\$74,591</u>
			CIAC AMORT. 6/30/2016 (DEBIT)*	CIAC 6/30/2016 (CREDIT)
			<u>\$7,204</u>	<u>\$14,251</u>

* The plant and accumulated depreciation balances exclude the pro forma water line installation.

LAKESIDE WATERWORKS, INC.			SCHEDULE NO. 5-B	
TEST YEAR ENDED 6/30/2016			DOCKET NO. 160195-WS	
SCHEDULE OF WASTEWATER PLANT, DEPRECIATION, CIAC, & CIAC AMORT. BALANCES				
ACCT NO.	DEPR. RATE PER RULE 25-30.140	DESCRIPTION	UPIS 6/30/2016 (DEBIT)	ACCUM. DEPR. 6/30/2016 (CREDIT)*
351	2.50%	ORGANIZATION	\$1,010	\$448
354	3.70%	STRUCTURES AND IMPROVEMENTS	6,080	6,080
360	3.70%	COLLECTION SEWERS – FORCE	3,138	3,138
361	2.50%	COLLECTION SEWERS – GRAVITY	73,983	28,830
362	2.70%	SPECIAL COLLECTING STRUCTURES	200	121
363	2.86%	SERVICES TO CUSTOMERS	5,145	5,061
364	20.00%	FLOW MEASURING DEVICES	2,474	2,474
365	2.86%	FLOW MEASURING INSTALLATIONS	2,540	1,634
370	4.00%	RECEIVING WELLS	16,000	16,000
371	6.67%	PUMPING EQUIPMENT	1,738	1,169
380	6.67%	TREATMENT AND DISPOSAL EQUIPMENT	37,611	34,241
389	6.67%	OTHER PLANT AND MISCELLANEOUS EQUIPMENT	2,949	2,307
393	6.67%	TOOLS, SHOP, AND GARAGE EQUIPMENT	<u>203</u>	<u>230</u>
		TOTAL	<u>\$153,071</u>	<u>\$101,704</u>
			CIAC AMORT. 6/30/2016 (DEBIT)*	CIAC 6/30/2016 (CREDIT)
			<u>\$7,536</u>	<u>\$18,388</u>

* The plant and accumulated depreciation balances exclude the pro forma wastewater treatment plant replacement. Also, the accumulated depreciation and accumulated amortization of CIAC balances exclude the staff-recommended averaging adjustments that are used only for rate setting purposes and should not be reflected on the Utility's books.