

Nickalus Holmes

From: Kate Hamrick
Sent: Wednesday, August 02, 2017 4:37 PM
To: Braulio Baez; Apryl Lynn; Mark Futrell; Keith Hetrick; Mary Anne Helton; CLK - Agenda Staff; Cindy Muir; Commissioners & Staffs; Andrew Maurey; Dale Buys; Mark Cicchetti; Cheryl Bulecza-Banks; Christopher Richards; Charles Murphy; Lee Eng Tan; Greg Shafer; Tom Ballinger
Cc: Jacqueline Moore; Kathy Shoaf; Nancy Harrison
Subject: FW: Request for Oral Modification to Item 2 on the August 3, 2017 Commission Conference
Attachments: LP Oral Modification - Type and Strike of Pertinent Issues and Schedules.docx

Please see the approved oral modification for the August 4, 2017, Commission Conference Item 2 (Docket No. 20160222-WS)

Thanks,

Kate Hamrick
Executive Assistant to
Mark Futrell
Deputy Executive Director: Technical
Florida Public Service Commission
850-413-6304

From: Braulio Baez
Sent: Wednesday, August 02, 2017 4:31 PM
To: Cheryl Bulecza-Banks
Cc: Mark Futrell; Kathy Shoaf; Kate Hamrick; Andrew Maurey
Subject: RE: Request for Oral Modification to Item 2 on the August 3, 2017 Commission Conference

Approved. Thanks.

From: Cheryl Bulecza-Banks
Sent: Wednesday, August 02, 2017 4:15 PM
To: Braulio Baez
Cc: Mark Futrell; Kathy Shoaf; Kate Hamrick; Andrew Maurey
Subject: Request for Oral Modification to Item 2 on the August 3, 2017 Commission Conference

Staff requests approval to make an oral modification to Item 2 scheduled for the August 3, 2017 Commission Conference, Docket No. 20160222-WS, Application for staff-assisted rate case in Highland County by LP Waterworks, Inc. Subsequent to filing its recommendation staff became aware of errors in the calculations of wastewater accumulated depreciation and depreciation expense related to plant retirements, and an error in working capital applicable to both water and wastewater.

As a result, modifications to staff's recommendation are necessary to Issue 3 (Rate Base) for the accumulated depreciation and working capital errors, and Issue 6 (Operating Expenses) to correct depreciation expense.

The remaining changes are the result of fall-out calculations that affect Issue 3 (total Rate Base), Issue 4 (Return on Equity and Overall Rate of Return), Issue 6 (Operating Expenses –Taxes Other and Total Operating Expenses), Issue 7 (Revenue Requirement), and Issue 13 (Temporary Rates).

The modifications requested by staff increase the water revenue requirement from \$119,566 to \$119,681, or a \$115 increase. The modifications increase the wastewater revenue requirement from \$109,702 to \$109,881, a \$179 increase. As these increases are small, staff is requesting administrative authority to recalculate rates subsequent to the Commission's vote on this item.

The attached file reflects type and strike changes to the recommendation and revenue requirement schedules.

Staff has also included the updated revenue requirements schedules in type and strike format.

The following type and strike modifications reflect staff's recommended changes:

ISSUE 3, page 11

Accumulated Depreciation

The Utility recorded a balance for accumulated depreciation of \$362,984 and \$311,950 for water and wastewater, respectively. Staff reduced wastewater accumulated depreciation by **\$19,519** **\$17,286** (**\$16,091** **\$13,858** + \$3,428) for the retirement of the control panel, pumps, and diffusers. Staff increased accumulated depreciation for water by \$40, and wastewater by \$293 for pro forma plant. Staff reduced accumulated depreciation associated with the retirement or pro forma projects by \$837 for water and \$3,922 for wastewater. Staff further adjusted wastewater accumulated depreciation by \$4,921 to reconcile the Utility's beginning accumulated depreciation balance to that approved by the Commission in Order PSC-2014-0413-PAA-WS.⁵ Staff also adjusted wastewater accumulated depreciation by \$457 (\$383 + \$39 + \$35) for additions to Structures and Improvements, Collection Sewers, and Pumping Equipment. Staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C., and has also made an averaging adjustment of \$9,295 for water and **\$7,765** **\$8,227** for wastewater. Based on the above adjustments, staff recommends an accumulated depreciation balance of \$352,892 (\$362,984 - \$10,092) for water and **\$275,659** **\$277,430** (\$311,950 - **\$36,291** **\$34,520**) for wastewater. Staff's adjustments are reflected in Table 3-3 below.

**Table 3-3
Accumulated Depreciation Adjustments**

Staff Adjustments	Water	Wastewater
Retirement of control panel, pumps, and diffusers	\$0	\$19,519 \$17,286
Depreciation on Pro Forma Plant	(40)	(293)
Retirement of Plant associated with Pro Forma Plant	837	3,922
Reconciliation of wastewater beginning balance	0	4,921
Additions to Structures and Improvements, Collection Sewers, and Pumping Equipment	0	457
Averaging Adjustment	9,295	7,765 8,227
Total	<u>\$10,092</u>	\$36,291 \$34,520

Source: Utility Records, Response to Staff Data Requests, and Staff Audit Report.

ISSUE 3, page 12

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Staff also removed the unamortized balance of rate case expense of \$421 for water and \$351 for wastewater pursuant to Section 367.081(9), F.S.⁶ Applying this formula, staff recommends a working capital allowance of **\$11,453** ~~\$11,084~~ for water (based on O&M expense of $(\$92,044 - \$421) \div 8 - \$421$ for water) and **\$9,493** ~~\$9,186~~ for wastewater (based on O&M expense of $(\$76,295 - \$351) \div 8 - \$351$ for wastewater).

ISSUE 6, page 20

Depreciation Expense

The Utility's records reflect test year water depreciation expense of \$19,511 and CIAC amortization expense of \$9,861, resulting in a net water depreciation expense of \$9,650 ($\$19,511 - \$9,861 = \$9,650$). Also, the Utility's records reflect test year wastewater depreciation expense of \$16,426 and CIAC amortization expense of \$3,434, resulting in a net wastewater depreciation expense of \$12,992 ($\$16,426 - \$3,434 = \$12,992$). Staff calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and also determined the adjustments necessary to reflect the pro forma additions and retirements discussed previously in Issue 3. Based on the staff audit adjustments and recalculated depreciations expense, staff **increased** ~~decreased water depreciation expense by \$40 and~~ decreased wastewater depreciation expense by **\$602** ~~\$648~~. **Staff increased water depreciation expense by \$40 to reflect the pro forma plant additions.** In addition, staff calculated CIAC amortization based on composite rates, and determined that no adjustments are necessary. This results in a net depreciation expense of **\$9,690** ~~\$9,610~~ ($\$9,650 + \40) for water, and a net depreciation expense of **\$12,390** ~~\$12,344~~ ($\$12,992 - \$602 - \$648$) for wastewater. Therefore, staff recommends net depreciation expense of **\$9,690** ~~\$9,610~~ and **\$12,390** ~~\$12,344~~ for water and wastewater, respectively.

THE FOLLOWING ARE FALL OUT CALCULATIONS BASED ON THE CHANGES ABOVE.

ISSUE 3, page 9

Issue 1: What is the appropriate simple average rate base for the test year ended August 31, 2016 for LP Waterworks, Inc.?

Recommendation: The appropriate simple average rate base for the test year ended August 31, 2016 is \$109,632 \$109,264 for water and \$164,803 \$162,724 for wastewater. (Richards, Wooten)

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$109,632 \$109,264 for water and \$164,803 \$162,724. Rate base is shown on Schedule No. 1-A for water and on Schedule No. 1-B for wastewater. The related adjustments for water and wastewater are shown on Schedule No. 1-C.

ISSUE 4, page 13

Finally, staff made a pro rata adjustment to reconcile the average rate base to the average capital structure by increasing common equity and long-term debt by \$41,954 \$40,136 and \$3,682 \$3,053, respectively. The resulting average capital structure based on investor sources only used to determine the ROE consists of common equity of \$203,853 \$202,035 ($\$147,317 + \$14,582 +$ \$41,954 40,136) and long-term debt of \$67,229 \$66,660 ($\$63,547 +$ \$3,682 3,053). The equity ratio used for determining the allowed mid-point ROE is 75.21 percent of investors' sources which excludes customer deposits.

ISSUE 6, page 15

Issue 2: What is the appropriate amount of Operating Expense for the test year ended August 31, 2016?

Recommendation: The appropriate amount of operating expense for the LP Waterworks, Inc. is \$111,031 \$110,945 for water and \$96,878 \$96,863 for wastewater. (Richards)

ISSUE 6, pages 20-21

Taxes Other Than Income (TOTI)

LP recorded taxes other than income (TOTI) for the test year of \$7,605 and \$8,190 for water and wastewater, respectively. The Utility recorded regulatory assessment fees (RAFs) of \$4,823 and \$3,791 for water and wastewater, respectively. Staff determined that RAFs should be decreased by \$95 for water and increased by \$64 for wastewater to reflect the appropriate amount of RAFs for the test year.

Utility recorded property tax expense of \$2,782 for water and \$4,399 for wastewater. Audit staff determined that the Utility's actual property taxes for the test year were \$3,907 for water and \$3,141 for wastewater. Therefore, staff increased water property taxes by \$1,125 and decreased wastewater property taxes by \$1,258 to reflect the proper amounts for the test year.

Staff also made an adjustment to reflect the appropriate property taxes related to the pro forma plant additions discussed in Issue 3 **and the plant retirement related to the pumping equipment**. The pro forma plant additions increased property taxes by \$4 and \$146 for water and wastewater, respectively. **In Issue 3, staff recommends a plant retirement of \$13,858 which reduced property taxes by \$39 for wastewater.** Staff's net adjustments to TOTI are an increase of \$1,034 for water and a decrease of **\$1,087 \$1,048** for wastewater.

In addition, as discussed in Issue 7, revenues have been increased by **\$14,616 \$14,501** for water and **\$24,222 \$24,043** 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 **\$658 \$653** for water and **\$1,090 \$1,082** for wastewater to reflect RAFs of 4.5 percent for the increase in revenues.

Therefore, staff recommends TOTI of **\$9,296 \$9,291** (\$7,605 + \$1,034 + **\$658 \$653**) for water and **\$8,193 \$8,224** (\$8,190 - **\$1,087 \$1,048** + **\$1,090 \$1,082**) for wastewater.

Operating Expense Summary

The application of staff's recommended adjustments to the Utility's adjusted test year operating expenses results in staff's recommended operating expenses of **\$111,031 \$110,946** for water and **\$96,878 \$96,863** for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B for water and wastewater, respectively. The related adjustments for water and wastewater are shown on Schedule No. 3-C.

ISSUE 7, page 22

Issue 7: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is **\$119,681 \$119,566** for water and **\$109,881 \$109,702** for wastewater, resulting in an annual increase of **\$14,616 \$14,501** (**13.91 13.80** percent) for water and an annual increase of **\$24,222 \$24,043** (**28.28 28.07** percent) for wastewater. (Richards)

Staff Analysis: The Utility should be allowed an annual increase of **\$14,616** **\$14,501** (**13.91** **13.80** percent) for water and **\$24,222** **\$24,043** (**28.28** **28.07** percent) for wastewater. This will allow the Utility the opportunity to recover its expenses as well as a 7.89 percent return on its investment. The calculations are shown in Table 7-1 for water and Table 7-2 for wastewater.

**Table 7-1
Water Revenue Requirement**

Adjusted Rate Base	\$109,632	\$109,264
Rate of Return		7.89%
Return on Rate Base	8,650	8,621
Adjusted O&M Expense		92,044
Depreciation Expense (Net)	9,690	9,610
Taxes Other Than Income	9,296	9,291
Income Taxes		0
Revenue Requirement	\$119,681	\$119,566
Less Test Year Revenues		105,065
Annual Increase / (Decrease)	\$14,616	\$14,501
Percent Increase / Decrease	13.91%	13.80%

Source: Staff Analysis

**Table 7-2
Wastewater Revenue Requirement**

Adjusted Rate Base	\$164,803	\$162,724
Rate of Return		7.89%
Return on Rate Base	13,003	12,840
Adjusted O&M Expense		76,295
Depreciation Expense (Net)	12,390	12,344
Taxes Other Than Income	8,193	8,224
Income Taxes		0
Revenue Requirement	\$109,881	\$109,702
Less Test Year Revenues		85,659
Annual Increase / (Decrease)	\$24,222	\$24,043
Percent Increase / Decrease	28.28%	28.07%

Source: Staff Analysis

ISSUE 13, page 33

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 **\$26,047** **\$25,850**. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

SCHEDULE NO. 1-A, page37

LP WATERWORKS, INC.		SCHEDULE NO. 1-A	
TEST YEAR ENDED 08/31/2016		DOCKET NO. 20160222-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$527,435	(\$230)	\$527,205
2. LAND & LAND RIGHTS	27,412	0	27,412
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. ACCUMULATED DEPRECIATION	(362,984)	10,092	(352,892)
5. CIAC	(266,480)	417	(266,063)
6. AMORTIZATION OF CIAC	167,447	(4,930)	162,517
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>11,453</u>	<u>11,453</u>
		<u>11,084</u>	<u>11,084</u>
8. WATER RATE BASE	<u>\$92,830</u>	<u>\$16,802</u>	<u>\$109,632</u>
		<u>\$16,434</u>	<u>\$109,264</u>

SCHEDULE 1-B, page 38

LP WATERWORKS, INC.		SCHEDULE NO. 1-B	
TEST YEAR ENDED 08/31/2016		DOCKET NO. 20160222-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$441,119	(\$7,742)	\$433,377
2. LAND & LAND RIGHTS	36,000	0	36,000
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. ACCUMULATED DEPRECIATION	(311,950)	36,291 34,520	(275,659) (277,430)
5. CIAC	(92,400)	0	(92,400)
6. AMORTIZATION OF CIAC	55,709	(1,717)	53,992
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	9,493 9,186	9,493 9,186
8. WASTEWATER RATE BASE	<u>\$128,478</u>	\$36,325 \$34,246	\$164,803 \$162,724

SCHEDULE 1-C, page 39

LP WATERWORKS, INC.		SCHEDULE NO. 1-C	
TEST YEAR ENDED 08/31/2016		DOCKET NO. 20160222-WS	
ADJUSTMENTS TO RATE BASE			
	<u>WATER</u>	<u>WASTEWATER</u>	
<u>UTILITY PLANT IN SERVICE</u>			
1.	To reflect retirement of Control Panel and Pumps to Acct. 371 per Audit Request 5.	\$0	(\$13,858)
2.	To reflect retirement of replacement Diffuser to Acct. 380 per Audit Finding 1.	0	(3,428)
3.	To reflect pro forma Manhole repair to Acct. 354.	0	8,236
4.	To reflect pro forma replacement of Contactor and Overload to Acct. 371.	0	519
5.	To reflect pro forma Surge Pump at WWTP to Acct. 371.	0	3,303
6.	To reflect pro forma repairs to Wash-down Well at WWTP to Acct. 371.	0	1,408
7.	To reflect pro forma replacement of Chlorine Injector at WTP # 2 to Acct. 320.	1,116	0
8.	To reflect 75 percent retirement on pro forma projects.	(837)	(3,922)
9.	To reflect an averaging adjustment.	<u>(509)</u>	<u>0</u>
	Total	<u>(\$230)</u>	<u>(\$7,742)</u>
<u>ACCUMULATED DEPRECIATION</u>			
1.	To reflect retirement of Control Panel and Pumps to Acct. 371 per Audit Request 5.	\$0	\$16,091
			\$13,858
2.	To reflect retirement of replacement Diffuser to Acct. 380 per Audit Finding 1.	0	3,428
3.	To reflect an addition to Structure Improvements to Acct. 354 per Audit Finding 2.	0	383
4.	To reflect an addition to Collection Sewers - Gravity Acct. 361 per Audit Finding 2.	0	39
5.	To reflect an addition to Pumping Equipment Acct. 371 per Audit Finding 2.	0	35
6.	Adjustment to reconcile with Order No. PSC-2014-0413-PAA-WS per Audit Finding 1.	0	4,921
7.	To reflect 75 percent retirement on pro forma projects.	837	3,922
8.	To reflect pro forma accumulated depreciation per Rule 25-30.140.	(40)	(293)
9.	To reflect an averaging adjustment.	<u>9,295</u>	7,765
	Total	<u>\$10,092</u>	8,227
			\$36,291
			\$34,520
<u>CIAC</u>			
	To reflect an averaging adjustment.	<u>\$417</u>	<u>\$0</u>
<u>AMORTIZATION OF CIAC</u>			
	To reflect an averaging adjustment.	<u>(\$4,930)</u>	<u>(\$1,717)</u>
<u>WORKING CAPITAL ALLOWANCE</u>			
	To reflect 1/8 of test year O&M expenses.	<u>\$11,084</u>	<u>\$9,186</u>

SCHEDULE 2, page 40

LP WATERWORKS, INC. TEST YEAR ENDED 08/31/2016 SCHEDULE OF CAPITAL STRUCTURE			SCHEDULE NO. 2 DOCKET NO. 20160222-WS			
CAPITAL COMPONENT	TEST YEAR AVERAGE CAPITAL STRUCTURE	ADJUSTMENT FOR PRO FORMA PLANT*	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON EQUITY	\$147,317	\$56,536 \$54,718	\$203,853 \$202,035	74.28%	9.27%	6.89%
2. LONG TERM DEBT	63,547	3,682 3,053	67,229 66,600	24.49%	4.00%	0.98%
3. CUSTOMER DEPOSITS	<u>3,353</u>	<u>0</u>	<u>3,353</u>	<u>1.23%</u>	2.00%	<u>0.02%</u>
4. TOTAL	<u>\$214,217</u>	\$60,218 <u>\$57,771</u>	\$274,435 <u>\$271,988</u>	<u>100.00%</u>		<u>7.89%</u>
RANGE OF REASONABLENESS				<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY				<u>8.27%</u>	<u>10.27%</u>	
OVERALL RATE OF RETURN				<u>7.15%</u>	<u>8.63%</u>	

SCHEDULE 3-A, page 41

LP WATERWORKS, INC. TEST YEAR ENDED 08/31/2016 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 20160222-WS		
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$107,183</u>	<u>(\$2,118)</u>	<u>\$105,065</u>	<u>\$14,616</u> \$14,501 13.91% 13.80%	<u>\$119,681</u> \$119,566
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$93,242	(\$1,198)	\$92,044	\$0	\$92,044
3. DEPRECIATION (NET)	9,650	<u>40</u> (40)	<u>9,690</u> 9,610	0	<u>9,690</u> 9,610
4. TAXES OTHER THAN INCOME	7,605	1,034	8,639	<u>658</u> 653	<u>9,296</u> 9,291
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. TOTAL OPERATING EXPENSES	<u>\$110,497</u>	<u>(\$124)</u> (\$204)	<u>\$110,373</u> \$110,293	<u>\$658</u> \$653	<u>\$111,031</u> \$110,945
7. OPERATING INCOME/(LOSS)	<u>(\$3,314)</u>		<u>(\$5,308)</u> (\$5,228)		<u>\$8,650</u> \$8,621
8. WATER RATE BASE	<u>\$92,830</u>		<u>\$109,632</u> \$109,264		<u>\$109,632</u> \$109,264
9. RATE OF RETURN	<u>-3.57%</u>		<u>-4.84%</u> -4.78%		<u>7.89%</u>

SCHEDULE 3-B, page 42

LP WATERWORKS, INC. TEST YEAR ENDED 08/31/2016 SCHEDULE OF WASTEWATER OPERATING INCOME			SCHEDULE NO. 3-B DOCKET NO. 20160222-WS		
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$84,240</u>	<u>\$1,419</u>	<u>\$85,659</u>	<u>\$24,222</u> \$24,043 28.28% 28.07%	<u>\$109,881</u> <u>\$109,702</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$75,203	\$1,092	\$76,295	\$0	\$76,295
3. DEPRECIATION (NET)	12,922	<u>(602)</u> (648)	<u>12,390</u> <u>12,344</u>	0	<u>12,390</u> <u>12,344</u>
4. TAXES OTHER THAN INCOME	8,190	<u>(1,087)</u> (1,048)	<u>7,103</u> <u>7,142</u>	<u>1,090</u> <u>1,082</u>	<u>8,193</u> <u>8,224</u>
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. TOTAL OPERATING EXPENSES	<u>\$96,385</u>	<u>(\$597)</u> (\$604)	<u>\$95,788</u> <u>\$95,781</u>	<u>\$1,090</u> <u>\$1,082</u>	<u>\$96,878</u> <u>\$96,863</u>
7. OPERATING INCOME/(LOSS)	<u>(\$12,145)</u>		<u>(\$10,129)</u> (\$10,122)		<u>\$13,003</u> <u>\$12,839</u>
8. WASTEWATER RATE BASE	<u>\$128,478</u>		<u>\$164,803</u> <u>\$162,724</u>		<u>\$164,803</u> <u>\$162,724</u>
9. RATE OF RETURN	<u>-9.45%</u>		<u>-6.15%</u> -6.22%		<u>7.89%</u>

SCHEDULE 3-C, page 44

LP WATERWORKS, INC.

TEST YEAR ENDED 08/31/2016

ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-C

DOCKET NO. 20160222-WS

Page 2 of 2

	WATER	WASTEWATER
7. Insurance Expense (655/755) To reflect staff auditor's adjustments.	<u>\$26</u>	<u>\$26</u>
8. Regulatory Commission Expense (665/765) a. To reflect the 4-year amortization of current RCE.	(\$9)	(\$79)
b. To reflect 1 year of amortized prior rate case expense.	<u>347</u>	<u>347</u>
Subtotal	<u>\$338</u>	<u>\$268</u>
9. Bad Debt Expense (670/770) To reflect 1 percent of test year revenue.	<u>\$1,459</u>	<u>\$700</u>
10. Miscellaneous Expense (675) Reclassification of Rent Expense per audit adjustment.	<u>\$220</u>	<u>\$0</u>
TOTAL OPERATING & MAINTENANCE ADJUSTMENTS	<u>(\$1,198)</u>	<u>\$1,092</u>
DEPRECIATION EXPENSE (NET)		
1. To reflect staff auditor's adjustments.	\$0	<u>(\$895)</u> (\$355)
2. To reflect Pro forma Plant Addition Projects Depreciation Expense.	<u>40</u> (40)	<u>293</u> (293)
Total	<u>\$40</u> (\$40)	<u>(\$602)</u> (\$648)
TAXES OTHER THAN INCOME		
1. To reflect appropriate Test Year RAFs.	(95)	64
2. To Reflect appropriate Test Year Property Tax per Audit Finding 6.	\$1,125	(\$1,258)
3. To reflect property taxes associated with pro forma plant additions.	4	146
4. To reflect reduction to property taxes related to wastewater plant retirements.	<u>0</u>	<u>(\$39)</u>
Total	<u>\$1,034</u>	<u>(\$1,087)</u> (\$1,048)

SCHEDULE 5-B, page 50

LP WATERWORKS, INC.			SCHEDULE NO. 5-B	
TEST YEAR ENDED 08/31/2016			DOCKET NO. 20160222-WS	
SCHEDULE OF WASTEWATER PLANT, DEPRECIATION, CIAC & CIAC AMORTIZATION BALANCES				
ACCT. NO.	DEPR. RATE PER RULE	DESCRIPTION	UPIS 8/31/2016 (DEBIT)	ACCUM. DEPR. 8/31/2016 (CREDIT)*
351	2.50%	Organization	\$400	\$134
354	3.70%	Structures and Improvements	43,191	41,286
360	3.70%	Collection Sewers - Force	11,557	10,880
361	2.50%	Collection Sewers - Gravity	161,264	94,297
362	2.70%	Special Collecting Structures	1,040	482
363	2.86%	Service to Customers	111,860	84,434
371	6.67%	Pumping Equipment	5,367	(12,533) (10,299)
380	6.67%	Treatment and Disposal Equipment	87,561	67,918
390.7	6.67%	Office Furniture and Equipment	645	266
393.7	6.67%	Tools, Shop and Garage Equipment	947	947
		Total	<u>\$423,832</u>	<u>\$288,111</u> <u>\$290,345</u>
			CIAC AMORT. 8/31/2016 (DEBIT)*	CIAC 8/31/2016 (CREDIT)
			\$55,709	\$92,400

*The plant and accumulated depreciation balances exclude the pro forma projects. Staff-recommended averaging adjustments that are used only for rate setting purposes are excluded and should not be reflected on the Utility's books.