

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 20170230-WU  
ORDER NO. PSC-2018-0439-PAA-WU  
ISSUED: August 28, 2018

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman  
JULIE I. BROWN  
DONALD J. POLMANN  
GARY F. CLARK  
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING RATE INCREASE FOR ORANGE LAND UTILITIES, LLC  
AND FINAL ORDER ON RECOVERY OF RATE CASE EXPENSES, TEMPORARY  
RATES, AND ACCOUNTING ADJUSTMENTS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the actions discussed herein, except for (1) the reduction of rates after four years based upon the recovery of rate case expense, (2) the granting of temporary rates in the event of protest, and (3) the requirement for proof of adjustment of books and records, are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.). The reduction of rates after four years, the granting of temporary rates in the event of protest, and the requirement for proof of adjustment of books and records are final agency actions and subject to reconsideration and appeal as described below under the heading, "NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW."

**Background**

Orange Land Utilities, LLC (Orange Land or Utility) is a Class C water utility serving approximately 74 residential and 2 general service customers in Pasco County. Orange Land's service territory is located in the Southwest Florida Water Management District (SWFWMD). We granted the transfer of Certificate No. 288-W from Orangeland Water Supply to Orange Land effective the date of our vote on February 7, 2017.<sup>1</sup> The Utility's rates were last established

---

<sup>1</sup>Order No. PSC-17-0092-PAA-WU, issued March 13, 2017, in Docket No. 20160144-WU, *In re: Application for transfer of Certificate No. 288-W in Pasco County from Orangeland Water Supply to Orange Land Utilities, LLC.*

in its 2008 staff-assisted rate case (SARC) settlement with the Office of Public Counsel (OPC) by Order No. PSC-08-0640-AS-WU.<sup>2</sup> Orange Land is currently owned by Michael Smallridge and operated under Florida Utility Services 1, LLC (FUS1).

On October 26, 2017, Orange Land filed an application for a SARC. Pursuant to Section 367.0814(2), Florida Statutes, (F.S.), the official filing date of the SARC has been determined to be December 15, 2017. Our staff selected the test year ended September 30, 2017, for the instant case. Orange Land is requesting recovery of plant additions, including the replacement of a hydropneumatic tank, well-house roof, electric panel, flow meter, and customer water meters. According to Orange Land's 2017 Annual Report, it reported total operating revenue of \$22,561 and a net operating loss of (\$3,886). We have jurisdiction in this case pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, and 367.091, F.S.

## **Review and Decision**

### 1. Quality of Service

Pursuant to Section 367.081(2)(a)1, F.S., in water and wastewater rate cases, we shall consider the overall quality of service provided by a utility. Rule 25-30.433(1), F.A.C., provides for the consideration of three separate components of the utility's operations.<sup>3</sup> The components are: (1) the quality of the utility's product; (2) the utility's attempt to address customer satisfaction; and (3) the operating conditions of the utility's plant and facilities. The Rule further states that sanitary surveys, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the county health department over the preceding three-year period shall be considered. Additionally, Section 367.0812(1), F.S., requires us to consider the extent to which the utility provides water service that meets secondary water quality standards as established by the DEP.

#### *A. Quality of the Utility's Product*

In evaluation of Orange Land's product quality, we 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 DEP compliance records from October 1, 2014, through September 30, 2017, indicates Orange Land's finished product met all primary and secondary water quality standards. The most recent chemical analyses were performed on December 1, 2015, and the results were in-compliance with DEP's standards. These chemical analyses are performed every three years; therefore, the next scheduled analysis should be completed in 2018.

At the customer meeting held on April 30, 2018, two customers voiced concerns related to the quality of Orange Land's water. The first customer stated that the quality of the water had

---

<sup>2</sup>Order No. PSC-08-0640-AS-WU, issued October 3, 2008, in Docket No. 20070601-WU, *In re: Application for staff-assisted rate case in Pasco County by Orangeland Water Supply*.

<sup>3</sup>Rule 25-30.433(1), F.A.C., was amended on July 11, 2018. Our analysis is based on the Rule at the time of the Utility's filing.

deteriorated since the prior owner. The customer further asserted that multiple repairs to their filtration system had been required, and brought to the customer meeting a sink faucet which the customer described as “corroded” and showing signs of excess chlorine.

The second customer expressed concerns regarding a notice on their water bills instructing customers to boil their water. The customer stated that the boil water notice referenced the last hurricane in 2017, and the notice had remained on customers’ bills up to the customer meeting. Both customers that spoke affirmed that they utilized a filtration system and used bottled water for consumption.

Eight customer comments were filed in the docket from four customers, including the two customers who spoke at the customer meeting. One customer filed a total of five comments, which included pictures of the customer’s water filter, as well as concerns about low pressure, DEP testing, boil water notices, and additional water testing that was completed by the prior Utility owner. The second customer filed comments in the docket that reiterated their concerns from the customer meeting, including apprehensions about the rate increase considering the quality of the water service. The customer also referenced low pressure, brown water, and a boil water notice due to a broken pipe. Comments were also received from two other customers, both of which referenced poor water quality.

While we have received some comments regarding the quality of Orange Land’s water, the water issues do not appear to be systemic considering the number of complaints that were received. The majority of complaints appear to be related to the aesthetics of the water. However, the Utility’s product is in compliance with DEP primary and secondary standards as indicated by Orange Land’s most recent tests performed on December 1, 2015. Therefore, we find that the quality of Orange Land’s product is satisfactory.

#### *B. Utility’s Attempt to Address Customer Satisfaction*

Two customers spoke at the April customer meeting and, as previously discussed, both customers described water quality issues. In addition to water quality, the second customer also expressed concerns regarding the size of the rate increase and its impact on customers.

The Utility filed a letter in the docket outlining its follow-up action addressing the concerns raised at the customer meeting. Orange Land stated that it spoke with the first customer and informed them that the water was in compliance with DEP and was safe to drink. Additionally, the customer was advised to maintain any customer installed filters and to flush their hot water heater biannually. The Utility also stated that the second customer was contacted and their questions and concerns were discussed.

In response to the comments filed in the docket, Orange Land responded that it had been in contact with the first customer that spoke at the customer meeting, who is the same customer that filed comments in the docket. The Utility indicated that the low water pressure had been due to an emergency repair at the water treatment plant (WTP), and the boil water notices had been removed from customer bills.

We reviewed our complaint records from October 1, 2012, through the end of the test year, and found one complaint received on February 10, 2017. The complaint involved the Utility's limited access to a customer's water meter, which was located inside of a fenced yard with a canine. A resolution letter was sent to the customer on August 22, 2017, following several failed attempts by our staff to contact the customer and the complaint was subsequently closed. We also reviewed the complaint records through July 24, 2018, and no additional complaints were received by this Commission.

Our staff requested all complaints received by the Utility during the test year and four years prior. The Utility provided one complaint which was received on May 8, 2017. The complaint stated that the bathroom sink faucet was dripping and dirty water was backing up into the customer's bathtub. To address the water dripping from the sink, the Utility cleaned the faucet, which contained sand. The issue of backup in the bathtub would not be an issue addressed by the water Utility.

Additionally, our staff did not identify any DEP complaints made during the test year or four years prior. However, our staff contacted DEP regarding complaints that were received after the test year and DEP indicated that two complaints had made. One of the complaints was from the first customer that spoke at the customer meeting. The customer raised similar concerns to those at the customer meeting on boil water notices, mold growing in filter system, colored rings forming in toilet, and high chlorine. DEP specified that the complainant's filter system was outside and it notified the customer that sun exposure could cause the growth of mold. Additionally, DEP conducted a site visit in response to the customer's concerns, and the chlorine residual was found to be below acceptable levels. DEP contacted the system operator, who stated that chlorine was subsequently added and the chlorine residual was testing within acceptable levels. DEP conducted a second site visit and the chlorine residual at the plant and at the complainant's home were again within acceptable levels.

The second DEP complaint was regarding color and odor, as well as residue in the water. Orange Land responded that the water had to be shut off because of a lightning strike at the well, and customers were notified of the service interruption. As a result of the power failure at the well, dirt had collected in the water. Additionally, the Utility indicated that the residue was calcium scale build-up, and advised the customer that a water softener and regular flushing of their hot water heater could be beneficial.

Orange Land appears to be responsive to customers based on the Utility's follow-up action after the customer meeting and in response to customer complaints. Therefore, based on our review of customer complaints, we find that Orange Land has satisfactorily attempted to address customer satisfaction.

### *C. Operating Condition of Utility's Plant and Facilities*

Orange Land's WTP has two wells and a hydropneumatic tank. The raw water obtained from the two wells is treated with chlorine bleach. We reviewed the Utility's last DEP Sanitary Survey, dated April 24, 2017, which identified six deficiencies at Orange Land's WTP. The

deficiencies found were bio-growth on the hydropneumatic tank and piping, lack of sampling and monitoring plans, low chlorine residual levels in the distribution system, and absence of meter accuracy checks. In a letter dated October 26, 2017, DEP stated that all deficiencies that were identified had been corrected and the system was determined to be in-compliance with DEP's rules and regulations. Based on the Utility's compliance with DEP, we find that the operating condition of Orange Land's plant and facilities is satisfactory.

#### *D. Conclusion*

We find that the overall quality of service provided by Orange Land is satisfactory.

### 2. Used and Useful (U&U)

Orange Land's WTP has two wells rated at 110 gallons per minute (gpm) and 100 gpm. The Utility's water system does not have a storage tank, but has one hydropneumatic tank totaling 1,000 gallons in capacity. The distribution system is composed of 960 linear feet of 4 inch polyvinyl chloride (PVC), 570 linear feet of 4 inch asbestos cement (AC), and 2,250 linear feet of 2 inch PVC pipes.

Rule 25-30.4325, F.A.C., addresses the method by which the U&U of a water system is determined. The U&U for Orange Land's WTP and distribution system were last determined by Order No. PSC-08-0309-PAA-WU.<sup>4</sup> In that order, this Commission determined the Utility's service territory was built-out and found the WTP and distribution system to be 100 percent U&U.

#### *A. Used and Useful Percentages*

As noted above, this Commission found both the WTP and distribution system to be 100 percent U&U in the prior rate case. The Utility has not increased the capacity of its water treatment facilities or distribution system since its last rate case. Therefore, consistent with this Commission's previous decision, we find that the Utility's WTP and water distribution system shall be considered 100 percent U&U.

#### *B. Excessive Unaccounted for Water (EUW)*

Rule 25-30.4325, F.A.C., additionally provides factors to be considered in determining whether adjustments to operating expenses are necessary for EUW. EUW is defined as "unaccounted for water in excess of 10 percent of the amount produced." Unaccounted for water is all water produced that is not sold, metered, or accounted for in the records of the Utility.

EUW is calculated by subtracting both the gallons sold to customers and the gallons used for other services, such as flushing, from the total gallons pumped for the test year. Based on monthly operating reports, Orange Land produced 4,107,000 gallons of water from October 1,

---

<sup>4</sup>PSC-08-0309-PAA-WU, issued May 13, 2008, in Docket No. 20070601-WU, *In re: Application for staff-assisted rate case in Pasco County by Orangeland Water Supply*.

2016, to September 30, 2017. From the audit completed by our staff, the Utility sold 3,680,739 gallons of water to customers. The Utility documented 18,000 gallons of water usage for line flushing. The resulting calculation  $([4,107,000 - 3,680,739 - 18,000] / 4,107,000)$  for unaccounted for water is 9.9 percent; therefore, there is no EUW. We find that no adjustments shall be made to purchased power and chemicals at this time.

### *C. Conclusion*

Orange Land's WTP and distribution system shall continue to be considered 100 percent U&U. Further, there appears to be no excessive unaccounted for water (EUW); therefore, we find that no adjustment shall be made to operating expenses for chemicals and purchased power.

### 3. Rate Base

The appropriate components of the Utility's rate base include utility plant in service, land, Contributions-In-Aid-of-Construction (CIAC), accumulated depreciation, amortization of CIAC, and working capital. Rate base was last established as of May 1, 2016, in Docket No. 20160144-WU.<sup>5</sup> Our staff selected the test year ended September 30, 2017, for the instant case. A summary of each rate base component and approved adjustments are discussed below.

#### *A. Utility Plant in Service (UPIS)*

The Utility recorded a test year UPIS balance of \$52,241. We increased UPIS by \$866 to include an averaging adjustment.

Orange Land has requested several pro forma plant projects. The pro forma projects include replacement of a hydropneumatic tank, flow meter, well-house roof, and electrical panel, as well as a meter replacement program. The Utility obtained two bids for the hydropneumatic tank, well-house roof, and electrical panel projects and the lowest bids were selected for each respective project. The replacement of the flow meter was completed by Orange Land, and the Utility will also be completing the work for the meter replacement program. As such, we increased UPIS by \$9,531.

---

<sup>5</sup>Order No. PSC-17-0092-PAA-WU, issued March 13, 2017, in Docket No. 20160144-WU, *In re: Application for transfer of Certificate No. 288-W in Pasco County from Orangeland Water Supply to Orange Land Utilities, LLC.*

**Table 1**  
**Pro Forma Projects**

| <b>Description</b> | <b>Pro Forma Cost</b> | <b>Retirement</b> | <b>Net Amount</b> | <b>Net Depreciation Expense</b> | <b>Net Acc. Depreciation</b> |
|--------------------|-----------------------|-------------------|-------------------|---------------------------------|------------------------------|
| Hydro Tank         | \$10,274              | (\$7,706)         | \$2,568           | \$86                            | \$7,364                      |
| Meter Replacement  | 3,450                 | (2,587)           | 863               | \$51                            | \$2,384                      |
| Well-House Roof    | 700                   | 0                 | 700               | \$26                            | (\$26)                       |
| Electrical Panel   | 5,122                 | 0                 | 5,122             | \$301                           | (\$301)                      |
| Flow Meter         | 278                   | 0                 | 278               | \$9                             | (\$9)                        |
| <b>Total</b>       | <u>\$19,824</u>       | <u>(\$10,293)</u> | <u>\$9,531</u>    | <u>\$472</u>                    | <u>\$9,412</u>               |

Source: Document Nos. 02337-2018, 02338-2018, and 04327-2018.

Our net adjustment to UPIS is an increase of \$10,397 (\$866 + \$9,531). Therefore, we find that the appropriate UPIS balance is \$62,638.

#### *B. Land & Land Rights*

The Utility recorded a test year land balance of \$1,000. Based on our review, no adjustment is necessary. Therefore, we find that the appropriate balance for land is \$1,000.

#### *C. Used & Useful*

As discussed in the Used & Useful section, Orange Land's WTP and distribution system are considered 100 percent U&U. Therefore, no U&U adjustments are necessary.

#### *D. Accumulated Depreciation*

Orange Land recorded a test year accumulated depreciation balance of \$44,378. We increased accumulated depreciation by \$825 to include an averaging adjustment. We also decreased accumulated depreciation by \$9,412 to reflect pro forma additions and corresponding retirements. Our adjustments result in a net decrease to accumulated depreciation of \$8,587 (\$9,412 - \$825). Therefore, we find that an accumulated depreciation balance of \$35,791 is appropriate.

#### *E. Contributions In Aid of Construction*

The Utility recorded a CIAC balance of \$7,350. Based on our review, no adjustment is necessary. Therefore, we find that the appropriate balance is \$7,350.

*F. Accumulated Amortization of CIAC*

The Utility recorded a test year accumulated amortization of CIAC balance of \$6,222. We reduced accumulated amortization of CIAC by \$54 to include an averaging adjustment. As such, we find that the appropriate accumulated amortization of CIAC balance is \$6,168.

*G. Working Capital Allowance*

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(2), F.A.C., we used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. This formula does not include rate case expense. Applying this formula, we find that the appropriate working capital allowance is \$2,716 (based on O&M expense of \$21,728/8).

*H. Rate Base Summary*

Based on the foregoing, we find that the appropriate average test year rate base for Orange Land is \$29,381. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

4. Return on Equity (ROE)

According to our staff's audit, Orange Land's test year capital structure reflected common equity of \$8,391 and long term debt of \$9,801. The Utility's capital structure has been reconciled with the Commission-approved rate base. The appropriate ROE for the Utility is 10.32 percent based upon the Commission-approved leverage formula currently in effect.<sup>6</sup> We hereby approve an ROE of 10.32 percent, with a range of 9.32 percent to 11.32 percent, and an overall rate of return of 8.46 percent. The ROE and overall rate of return are shown on Schedule No. 2.

5. Test Year Revenues

Orange Land recorded total revenues of \$22,351. The water revenues included \$21,975 of service revenues and \$376 of miscellaneous revenues. During the test year, the Utility had a rate increase as a result of a price index. Therefore, we annualized test year revenues by applying the rates in effect as of July 1, 2017, to the appropriate billing determinants. As a result, we determined that service revenues should be \$22,241, which is an increase of \$266. There is no adjustment to miscellaneous revenues. The appropriate test year revenues for Orange Land's water system, including miscellaneous revenues, are \$22,617 (\$22,241 + \$376).

---

<sup>6</sup>Order No. PSC-2018-0327-PAA-WS, issued June 26, 2018, in Docket No. 20180006-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.*



## 6. Operating Expense

Orange Land recorded operating expense of \$28,276 for the test year ended September 30, 2017. The test year O&M expenses have been reviewed, including invoices, canceled checks, and other supporting documentation. An allocated portion of FUS1's operating expenses were also included for the test year ended September 30, 2017. Allocations were based on the customer count of all utilities owned and managed by FUS1 in the test year. Our adjustments to the Utility's operating expenses are summarized below.

### *A. Operation & Maintenance Expense*

#### **Salaries and Wages – Employees (601)**

The Utility requested an increase in salaries and wages expense based on the need for an additional 2.5 employees on FUS1's workforce and the allocation of one FUS1 employee who was not previously allocated to Orange Land. In total, the Utility requested additional costs for Orange Land's allocated portion of three new Maintenance Technicians and for the increase in allocated costs related to expanding an existing part-time customer billing position to full-time.

We last evaluated the current staffing level and salaries for FUS1 employees in Order No. PSC-17-0107-PAA-WS.<sup>7</sup> At the time, FUS1 managed nine utilities with a total of 1,961 customers. As of September 30, 2017, FUS1 now owns and operates 12 utilities with a total of 2,791 customers.<sup>8</sup> With the additional customers added to FUS1, we find that it is appropriate to increase the part-time billing position to a full-time position.

The Utility requested that the salary of an existing Maintenance Technician be allocated to the Orange Land system. The Utility made a similar request in Docket No. 20150257-WS; however, this Commission determined that the Maintenance Technician should not be allocated to the East Marion system as the employee did not work on that particular system. In the present case, Orange Land indicated that the Maintenance Technician would be working on all of FUS1's systems moving forward. The Utility also requested two additional Maintenance Technicians, who would similarly be employed for the maintenance of all systems.

We find that it is appropriate to allocate the existing Maintenance Technician to Orange Land considering that the employee will now be maintaining the system. We also find that the addition of the Maintenance Technician to the Orange Land system will provide backup support in the event that the President and/or Operations Supervisor are unavailable. Given the number and size of the systems currently owned by FUS1, we consider three field employees to be adequate for providing service. We do not find it appropriate to allocate the two additional Maintenance Technicians to Orange Land as the Utility currently utilizes a contractor for the system's operations.

---

<sup>7</sup>Order No. PSC-17-0107-PAA-WS, issued March 24, 2017, in Docket No. 20150257-WS, *In re: Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC*.

<sup>8</sup>Three utilities are still being processed as transfers.

FUS1 is requesting a salary of \$37,900 for the Maintenance Technician. We used the American Water Works Associations' (AWWA) 2016 Compensation Survey in an effort to examine the reasonableness of the requested salary. The Maintenance Technician is currently being paid \$33,488 by FUS1. As stated earlier, the duties of the Maintenance Technician have increased as he now works on all of FUS1's systems. Furthermore, the requested \$37,900 represents the minimum for rural system Maintenance Technicians found in the AWWA 2016 Compensation Survey. Therefore, we find that the requested salary for the Maintenance Technician is appropriate.

Table 2 below details the requested and Commission-approved amounts for each of FUS1's positions, as well as the allocations for each position to Orange Land.

**Table 2**  
**Adjustments made to Salaries and Wages – Employees**

| <b>Title</b>         | <b>Requested</b> | <b>Commission-Approved</b> | <b>Allocation %</b> | <b>Commission-Approved Allocated</b> |
|----------------------|------------------|----------------------------|---------------------|--------------------------------------|
| Chief Financial Off. | \$54,366         | \$54,366                   | 2.65                | \$1,441                              |
| Office Manager       | \$39,500         | \$39,500                   | 2.65                | 1,047                                |
| Cust. Serv. Rep.     | \$34,000         | \$34,000                   | 2.65                | 901                                  |
| Billing Position     | \$20,800         | \$20,800                   | 2.65                | 551                                  |
| Oper. Supervisor     | \$39,000         | \$39,000                   | 2.65                | 1,034                                |
| Maintenance Tech.    | \$37,900         | \$37,900                   | 2.65                | 1,004                                |
| Maintenance Tech.    | \$37,900         | \$0                        | 2.65                | 0                                    |
| Maintenance Tech.    | \$37,900         | \$0                        | 2.65                | 0                                    |
| <b>Total</b>         |                  |                            |                     | <u>\$5,978</u>                       |

We find that the salary levels and allocation percentage are appropriate and necessary for Orange Land. Orange Land recorded salaries and wages – employees expense of \$8,116. Based on the most recent allocation of 2.65 percent, as reflected at the end of the test year, we increased salaries and wages by \$1,280 to account for the full-time billing position and Maintenance Technician. A corresponding adjustment shall also be made to decrease the account by \$3,418 to reflect the prospective allocation of test year salaries. Our total adjustments result in a decrease to salaries and wages – employees expense of \$2,138 (-\$3,418 + \$1,280). Therefore, we hereby approve a salaries and wages – employees expense of \$5,978 for Orange Land.

### **Salaries and Wages – Officers (603)**

Orange Land recorded salaries and wages – officer's expense of \$3,553. We reduced this account by \$900 to remove salary and wages expense misallocated from outside the test year. Additionally, Orange Land requested a pro forma increase to salaries and wages – officers expense to reflect the increase in salary for FUS1's President. Orange Land requested an allocated portion of \$80,000 for the President of FUS1.

The current salary for the President is \$72,704, as approved in Order No. PSC-17-0107-PAA-WS;<sup>9</sup> which ultimately fell between the minimum and mid-average salary range found on the 2016 AWWA Compensation Survey. In the instant case, we considered the last approved salary, along with the President's increased responsibilities in managing and overseeing FUS1's utilities. Since the President's last-approved salary, FUS1 has added three utilities and 830 customers, which represents a growth of 42 percent. In addition, the requested \$80,000 represents the mid average salary range found in the 2016 AWWA Compensation Survey. Therefore, we find that a President's salary for FUS1 of \$80,000 is appropriate.

Based on the most recent allocation of 2.65 percent, as reflected at the end of the test year, we increased salaries and wages – officers expense by \$193. This increase accounts for Orange Land's allocated portion of the President's pro forma salary increase. A corresponding adjustment shall also be made to decrease the account by \$726 to reflect the prospective allocation of test year salaries.

Our total adjustments result in a net decrease to salaries and wages – officers expense of \$1,433 (-\$900 - \$726 + \$193). Therefore, we hereby approve a salaries and wages– officers expense of \$2,120.

#### **Pensions and Benefits (604)**

Orange Land recorded pensions and benefits expense of \$958. We decreased this expense by \$304 to make a corresponding test year adjustment for an over-allocation of salaries from FUS1. We increased this expense by \$128 to reflect Orange Land's allocation of the increase in pensions and benefits based on two new full-time employees for FUS1. Our adjustments result in a net decrease to pensions and benefits expense of \$176 (-\$304 + \$128). Therefore, we hereby approve a pensions and benefits expense of \$782.

#### **Purchased Power (615)**

The Utility recorded purchased power expense of \$826. We decreased this account by \$5 for the removal of late payment fees. As such, we hereby approve a purchased power expense of \$821.

#### **Insurance Expense (655)**

Orange Land recorded insurance expense of \$1,624 for the test year. We decreased this expense by \$265 to reflect the amount associated with its insurance policy. Therefore, we hereby approve an insurance expense of \$1,359.

---

<sup>9</sup>Order No. PSC-17-0107-PAA-WS, issued March 24, 2017, in Docket No. 20150257-WS, *In re: Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC.*

### **Regulatory Commission Expense (665)**

Orange Land did not record regulatory commission expense for the test year. We calculated a total of \$1,137 in regulatory commission expense. This amount includes a \$1,000 filing fee and \$137 in noticing costs for the instant case. The Commission-approved total rate case expense of \$1,137 shall be amortized over four years, pursuant to Section 367.081(6), F.S. This represents an annual expense of \$284 ( $\$1,137/4$ ). As such, we hereby approve a regulatory commission expense of \$284.

### **Bad Debt Expense (670)**

Orange Land did not record bad debt expense for the test year. We collected two years of bad debt expense data using the Utility's 2016 and 2017 Annual Reports, totaling \$327. We calculated a two-year average of bad debt expense of \$164. We find that 24 months of data is a valid representation of bad debt expense for this Utility.<sup>10</sup> Therefore, we hereby approve a bad debt expense of \$164.

### **Operation and Maintenance Expense Summary**

Based on the above adjustments, we find that O&M expense shall be decreased by \$3,569, resulting in total O&M expense of \$22,013. The Commission-approved adjustments to O&M expense are shown on Schedule No 3-C.

#### *B. Depreciation Expense (Net of Amortization of CIAC)*

Orange Land recorded depreciation expense of \$751 during the test year. We calculated depreciation expense associated with the pro forma plant additions and retirements the Utility requested. These additions result in an increase of \$472. As such, we hereby approve a depreciation expense of \$1,223.

#### *C. Taxes Other Than Income (TOTI)*

Orange Land recorded a TOTI balance of \$1,943 during the test year. We increased property tax expense by \$313 as a corresponding adjustment to the pro forma plant additions. We also decreased TOTI by \$53 to reflect the appropriate amount of a property tax bill received by the Utility in November of 2017. Additionally, we decreased payroll taxes by \$198 as a corresponding adjustment to the Commission-approved adjustment to salaries and wages expense. We increased the Regulatory Assessment Fees (RAFs) by \$12 to reflect the adjusted test year revenues. This results in a net increase of \$74 ( $-\$53 - \$198 + \$12 + \$313$ ).

In addition, as discussed in the Revenue Requirement section, revenues have been increased by \$5,364 to reflect the change in revenue required to cover expenses and allow the

---

<sup>10</sup>Order No. PSC-17-0144-PAA-WU, p.15, issued April 27, 2017, in Docket No. 20160143-WU, *In re: Application for staff-assisted rate case in Hardee County by Charlie Creek Utilities, LLC*. (For this sister company we relied on 18 months of bad debt expense data.)

Commission-approved return on investment. As a result, TOTI shall be increased by \$241 to reflect RAFs of 4.5 percent on the change in revenues. Our adjustments result in a net increase of \$315 (\$74 + \$241). Therefore, we hereby approve a TOTI of \$2,258.

*D. Operating Expenses Summary*

The application of the Commission-approved adjustments to Orange Land’s test year operating expenses results in operating expenses of \$25,494. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule Nos. 3-B and 3-C.

7. Revenue Requirement

We hereby find that the appropriate revenue requirement for Orange Land is \$27,981 resulting in an annual increase of \$5,364 (23.72 percent). The calculations are shown below in Table 3.

**Table 3  
 Revenue Requirement**

|                                  |                |
|----------------------------------|----------------|
| Adjusted Rate Base               | \$29,381       |
| Rate of Return                   | <u>x 8.46%</u> |
| Return on Rate Base              | 2,487          |
| Adjusted O&M Expense             | 22,013         |
| Depreciation Expense (Net)       | 1,223          |
| Taxes Other Than Income          | 2,017          |
| Test Year RAFs                   | <u>241</u>     |
| Revenue Requirement              | 27,981         |
| Less Adjusted Test Year Revenues | <u>22,617</u>  |
| Annual Increase                  | <u>5,364</u>   |
| Percent Increase                 | <u>23.72%</u>  |

8. Rates and Rate Structure

Orange Land’s water system is located in Pasco County within the SWFWMD. The Utility provides water service to 74 residential water customers and 2 general service customers. Approximately 4 percent of the residential customer bills during the test year had zero gallons indicating a non-seasonal customer base. The average residential water demand is 4,303 gallons per month. The Utility’s current residential and general service rate structure consists of a base

facility charge (BFC) and a two-tier inclining block rate structure. The rate blocks are 0-5,000 gallons and all usage in excess of 5,000 gallons per month.

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

Currently, approximately 60 percent of the Utility's revenues are recovered through the BFC. Typically, we set the BFC cost recovery no greater than 40 percent unless the utility's customer base is seasonal; however, seasonality is not an issue for this Utility. We find that 45 percent of the revenue requirement shall be recovered through the BFC to mitigate the impact of the shift in the BFC cost recovery. Lowering the BFC cost recovery sends the appropriate pricing signals to target discretionary demand. The average persons per household served by the water system is 2.5; therefore, based on the number of person per household, 50 gallons per day per persons, and the number of days per month, the non-discretionary usage threshold should be 4,000 gallons per month. We find that a continuation of the two-tier rate structure with separate gallonage charges for discretionary and non-discretionary usage for residential water customers is appropriate. The rate blocks shall be: (1) 0-4,000 gallons; and (2) all usage in excess of 4,000 gallons per month. This rate structure will continue to send the appropriate pricing signals, which will target customers with high consumption levels and minimize price increases for customers at non-discretionary levels. The Commission-approved general service rates do not include an inclining block because general service customers are less likely to conserve since they typically pass the cost to their customers. Therefore, the general service rate structure shall be revised to include a BFC and uniform gallonage charge.

Based on the Commission-approved revenue increase of 23.72 percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 206,000 gallons resulting in anticipated average residential demand of 4,055 gallons per month. We hereby approve a 5.8 percent reduction in test year residential gallons for ratesetting purposes and corresponding reductions of \$46 for purchased power and \$2 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$27,557. Table 4 below shows a comparison of the Utility's rate structure and rates at the time of filing with the Commission-approved rate structure and rates.

**Table 4**  
**Water Rate Structures and Rates**

|   | <b>RATES AT<br/>TIME OF<br/>FILING</b> | <b>COMMISSION-<br/>APPROVED<br/>RATES<br/>(45% BFC)</b> |
|---|--|---|
| <b><u>Residential</u></b>   |  |   |
| 5/8" x 3/4" Meter Size  | \$14.91                                | \$14.12   |
| Charge per 1,000 gallons  |  |   |
| 0-5,000 gallons   | \$2.15                                 |   |
| Over 5,000 gallons  | \$3.17                                 |   |
| 0-4,000 gallons   |  | \$4.12  |
| Over 4,000 gallons  |  | \$4.85  |
| <b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b> |  |   |
| 4,000 Gallons   | \$23.51                                | \$30.60   |
| 8,000 Gallons   | \$35.17                                | \$50.00   |
| 10,000 Gallons  | \$41.51                                | \$59.70   |
|   |  |   |

Based on the above, the Commission-approved rate structure and monthly water rates are shown on Schedule No. 4. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

#### 9. Customer Deposits

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, this Commission has set initial customer deposits equal to two times the average estimated bill.<sup>11</sup> Currently, the Utility's initial deposit for residential water is \$42 for the 5/8 inch x 3/4 inch meter size and two times the average estimated bill for the general service meter sizes. Based on the Commission-approved water rates and post repression average residential demand, the appropriate initial customer deposit for water shall be \$64 to reflect an average residential customer bill for two months.

<sup>11</sup>Order No. PSC-15-0142-PAA-SU, issued March 26, 2015, in Docket No. 20130178-SU, *In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.*

We find that the appropriate initial customer deposits shall be \$64 for the residential 5/8 inch x 3/4 inch meter size for water. The initial customer deposits for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for water. The approved initial customer deposits shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility shall be required to collect the approved deposits until authorized to change them by us in a subsequent proceeding.

10. Rate Case Expense (Final Agency Action)

Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reduction is \$298.

The rates shall be reduced as shown on Schedule No. 4 to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.081(8), F.S. Orange Land shall be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

11. Temporary Rates (Final Agency Action)

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

Orange Land shall be authorized to collect the temporary rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$3,442. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

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



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

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

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

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

- 1) The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement;
- 2) No monies in the escrow account may be withdrawn by the Utility without the express approval of the Commission;
- 3) The escrow account shall be an interest bearing account;
- 4) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 5) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility;
- 6) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 7) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 8) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to *Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments;
- 9) The account must specify by whom and on whose behalf such monies were paid.

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

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

12. Adjustments to National Association of Regulatory Commissioners (NARUC) Uniform System of Accounts (USOA) Primary Accounts (Final Agency Action)

Orange Land shall be required to notify this Commission in writing, that it has adjusted its books in accordance with our decision. Orange Land shall submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice shall be provided within seven days prior to the deadline. Upon providing good cause, our staff is hereby given administrative authority to grant an extension of up to 60 days.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the overall quality of service provided by Orange Land is satisfactory. It is further

ORDERED that Orange Land Utilities, LLC's water treatment plant and distribution system shall continue to be considered 100 percent used and useful. It is further

ORDERED that no adjustment shall be made to operating expenses for chemicals and purchased power for excessive unaccounted for water. It is further

ORDERED that the appropriate average test year rate base for Orange Land is \$29,381. It is further

ORDERED that the approved return on equity for Orange Land Utilities, LLC is 10.32 percent, with a range of 9.32 percent to 11.32 percent. The approved overall rate of return is 8.46 percent. It is further

ORDERED that the appropriate test year revenues for Orange Land's water system, including miscellaneous revenues, are \$22,617. It is further

ORDERED that Orange Land Utilities, LLC's approved operating expense is \$25,494. It is further

ORDERED that the appropriate revenue requirement for Orange Land is \$27,981 resulting in an annual increase of \$5,364 (23.72 percent). It is further

ORDERED that Orange Land Utilities, LLC's approved rate structure and monthly water rates are shown on Schedule No. 4. It is further

ORDERED that Orange Land Utilities, LLC shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until our staff has

approved the proposed customer notice and the notice has been received by the customers. Orange Land Utilities, LLC shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that the appropriate initial customer deposits shall be \$64 for the residential 5/8 inch x 3/4 inch meter size for water. The initial customer deposits for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for water. The approved initial customer deposits shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. Orange Land Utilities, LLC shall be required to collect the approved deposits until authorized to change them by this Commission in a subsequent proceeding. It is further

ORDERED that Orange Land Utilities, LLC's rates shall be reduced as shown on Schedule No. 4 to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.081(8), F.S. Orange Land Utilities, LLC shall be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If Orange Land Utilities, LLC files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. It is further

ORDERED that the rates for Orange Land Utilities, LLC are approved on a temporary basis subject to refund with interest, in the event of a protest filed by a party other than the Utility. Orange Land Utilities, LLC shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. The temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. It is further

ORDERED that Orange Land Utilities, LLC shall provide appropriate security. Temporary rates collected by Orange Land Utilities, LLC shall be subject to refund as provided in the body of this Order. It is further

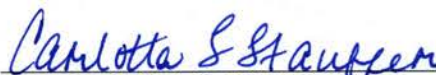
ORDERED that after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., Orange Land Utilities, LLC shall file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end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

ORDERED that Orange Land Utilities, LLC shall be required to notify this Commission in writing, that it has adjusted its books in accordance with our decision. Orange Land Utilities, LLC shall submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts have been made to the

Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice shall be provided within seven days prior to the deadline. Upon providing good cause, our staff is hereby given administrative authority to grant an extension of up to 60 days. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order shall be issued. The docket shall remain open for our staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by our staff, and the Utility has provided our staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 28th day of August, 2018.



CARLOTTA S. STAUFFER

Commission Clerk

Florida Public Service Commission

2540 Shumard Oak Boulevard

Tallahassee, Florida 32399

(850) 413-6770

[www.floridapsc.com](http://www.floridapsc.com)

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

MAD

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our actions are preliminary in nature, except for (1) the reduction of rates after four years based upon the recovery of rate case expense, (2) the granting of temporary rates in the event of protest, and (3) the requirement for proof of adjustment of books and records. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 18, 2018. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

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

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

| <b>ORANGE LAND UTILITIES, LLC.</b> |                                    | <b>SCHEDULE NO. 1-A</b>                             |                                       |
|------------------------------------|------------------------------------|---|---------------------------------------|
| <b>TEST YEAR ENDED 09/30/2017</b>  |                                    | <b>DOCKET NO. 20170230-WU</b>                       |                                       |
| <b>SCHEDULE OF WATER RATE BASE</b> |                                    |   |                                       |
| <b>DESCRIPTION</b>                 | <b>BALANCE<br/>PER<br/>UTILITY</b> | <b>COMMISSION<br/>ADJUSTMENTS<br/>TO UTIL. BAL.</b> | <b>BALANCE<br/>PER<br/>COMMISSION</b> |
| UTILITY PLANT IN SERVICE           | \$52,241                           | \$10,397  | \$62,638                              |
| LAND & LAND RIGHTS                 | 1,000                              | 0   | 1,000                                 |
| ACCUMULATED DEPRECIATION           | (44,378)                           | 8,587   | (35,791)                              |
| CIAC                               | (7,350)                            | 0   | (7,350)                               |
| AMORTIZATION OF CIAC               | 6,222                              | (54)  | 6,168                                 |
| WORKING CAPITAL ALLOWANCE          | <u>0</u>                           | <u>2,716</u>  | <u>2,716</u>                          |
| RATE BASE                          | <u>\$7,735</u>                     | <u>\$21,646</u>                                     | <u>\$29,381</u>                       |

| <b>ORANGE LAND UTILITIES, LLC.</b>      |   | <b>SCHEDULE NO. 1-B</b>       |
|---|---|-------------------------------|
| <b>TEST YEAR ENDED 09/30/2017</b>       |   | <b>DOCKET NO. 20170230-WU</b> |
| <b>ADJUSTMENTS TO RATE BASE</b>         |   |                               |
| <b>UTILITY PLANT IN SERVICE</b>         |   |                               |
| 1.                                      | To reflect an averaging adjustment.                   | \$866                         |
| 2.                                      | To reflect pro forma plant additions and retirements. | <u>9,531</u>                  |
|   | Total   | <u>\$10,397</u>               |
| <b>ACCUMULATED DEPRECIATION</b>         |   |                               |
| 1.                                      | To reflect an averaging adjustment.                   | (\$825)                       |
| 2.                                      | To reflect pro forma plant additions and retirements. | <u>9,412</u>                  |
|   | Total   | <u>\$8,587</u>                |
| <b>ACCUMULATED AMORTIZATION OF CIAC</b> |   |                               |
|   | To reflect an averaging adjustment.                   | <u>(\$54)</u>                 |
| <b>WORKING CAPITAL ALLOWANCE</b>        |   |                               |
|   | To reflect 1/8 of test year O & M expenses.           | <u>\$2,716</u>                |

| ORANGE LAND UTILITIES, LLC.    |                       |                 |                  |                                   |                  |                   | SCHEDULE NO. 2         |                    |                  |  |
|--------------------------------|-----------------------|-----------------|------------------|-----------------------------------|------------------|-------------------|------------------------|--------------------|------------------|--|
| TEST YEAR ENDED 09/30/2017     |                       |                 |                  |                                   |                  |                   | DOCKET NO. 20170230-WU |                    |                  |  |
| SCHEDULE OF CAPITAL STRUCTURE  |                       |                 |                  |                                   |                  |                   |                        |                    |                  |  |
|                                |                       | PER             | SPECIFIC         | BALANCE                           | PRO RATA         | BALANCE           | PERCENT                |                    |                  |  |
| CAPITAL COMPONENT              |                       | UTILITY         | ADJUST-<br>MENTS | BEFORE<br>PRO RATA<br>ADJUSTMENTS | ADJUST-<br>MENTS | PER<br>COMMISSION | OF<br>TOTAL            | COST               | WEIGHTED<br>COST |  |
| 1.                             | LONG-TERM DEBT        | \$9,801         | \$0              | \$9,801                           | 6,028            | \$15,829          | 53.88%                 | 6.88%              | 3.71%            |  |
| 2.                             | SHORT-TERM DEBT       | 0               | 0                | 0                                 | 0                | 0                 | 0.00%                  | 0.00%              | 0.00%            |  |
| 3.                             | PREFERRED STOCK       | 0               | 0                | 0                                 | 0                | 0                 | 0.00%                  | 0.00%              | 0.00%            |  |
| 4.                             | COMMON EQUITY         | 8,391           | 0                | 8,391                             | 5,161            | 13,552            | 46.12%                 | 10.32%             | 4.76%            |  |
| 5.                             | CUSTOMER DEPOSITS     | 0               | 0                | 0                                 | 0                | 0                 | 0.00%                  | 2.00%              | 0.00%            |  |
| 6.                             | DEFERRED INCOME TAXES | <u>0</u>        | <u>0</u>         | <u>0</u>                          | <u>0</u>         | <u>0</u>          | <u>0.00%</u>           | <u>0.00%</u>       | <u>0.00%</u>     |  |
| 7.                             | <b>TOTAL CAPITAL</b>  | <u>\$18,192</u> | <u>\$0</u>       | <u>\$18,192</u>                   | <u>\$11,189</u>  | <u>\$29,381</u>   | <u>100.00%</u>         |                    | <u>8.46%</u>     |  |
| <b>RANGE OF REASONABLENESS</b> |                       |                 |                  |                                   |                  |                   | <b><u>LOW</u></b>      | <b><u>HIGH</u></b> |                  |  |
| RETURN ON EQUITY               |                       |                 |                  |                                   |                  |                   | <u>9.32%</u>           | <u>11.32%</u>      |                  |  |
| OVERALL RATE OF RETURN         |                       |                 |                  |                                   |                  |                   | <u>8.00%</u>           | <u>8.93%</u>       |                  |  |



| ORANGE LAND UTILITIES, LLC.        |                          |                           |                                     |                            | SCHEDULE NO. 3-A       |  |
|------------------------------------|--------------------------|---------------------------|-------------------------------------|----------------------------|------------------------|--|
| TEST YEAR ENDED 09/30/2017         |                          |                           |                                     |                            | DOCKET NO. 20170230-WU |  |
| SCHEDULE OF WATER OPERATING INCOME |                          |                           |                                     |                            |                        |  |
|                                    | TEST YEAR<br>PER UTILITY | COMMISSION<br>ADJUSTMENTS | COMMISSION<br>ADJUSTED<br>TEST YEAR | ADJUST.<br>FOR<br>INCREASE | REVENUE<br>REQUIREMENT |  |
| 1. OPERATING REVENUES              | <u>\$22,351</u>          | <u>\$266</u>              | <u>\$22,617</u>                     | <u>\$5,364</u><br>23.72 %  | <u>\$27,981</u>        |  |
| <b>OPERATING EXPENSES:</b>         |                          |                           |                                     |                            |                        |  |
| 2. OPERATION & MAINTENANCE         | \$25,582                 | (\$3,569)                 | \$22,013                            | \$0                        | \$22,013               |  |
| 3. DEPRECIATION (NET)              | 751                      | 472                       | 1,223                               | 0                          | 1,223                  |  |
| 4. TAXES OTHER THAN INCOME         | <u>1,943</u>             | <u>74</u>                 | <u>2,017</u>                        | <u>241</u>                 | <u>2,258</u>           |  |
| 5. TOTAL OPERATING EXPENSES        | <u>\$28,276</u>          | <u>(\$3,023)</u>          | <u>\$25,253</u>                     | <u>\$241</u>               | <u>\$25,494</u>        |  |
| 6. OPERATING INCOME/(LOSS)         | <u>(\$5,925)</u>         |                           | <u>(\$2,636)</u>                    |                            | <u>\$2,487</u>         |  |
| 7. RATE BASE                       | <u>\$7,735</u>           |                           | <u>\$29,381</u>                     |                            | <u>\$29,381</u>        |  |
| 8. RATE OF RETURN                  | (76.60%)                 |                           | (8.97 %)                            |                            | <u>8.46 %</u>          |  |

**ORANGE LAND UTILITIES, LLC.**  
**TEST YEAR ENDED 09/30/2017**  
**ADJUSTMENTS TO OPERATING INCOME**

**Schedule No. 3-B**  
**Docket No. 20170230-WU**  
**Page 1 of 1**

**OPERATING REVENUES**

To reflect the appropriate test year revenues. \$266

**OPERATION AND MAINTENANCE EXPENSES**

1. Salaries & Wages – Employees (601)
  - a. To reflect test year adjustment to salaries and wages – employee expense. (\$3,418)
  - b. To reflect pro forma increase to salaries and wages – employee expense. \$1,280
  - Total (\$2,138)
2. Salaries & Wages – Officers (603)
  - a. To remove out of period salaries and wages expense. (\$900)
  - b. To reflect test year adjustment associated with allocations. (\$726)
  - c. To reflect pro forma increase to salaries and wages – officer expense. \$193
  - Total (\$1,433)
3. Employee Pensions & Benefits (604)
  - a. To reflect appropriate amount of employee pensions & benefits expense (\$176)
4. Purchased Power (615)
  - a. To reflect appropriate amount of purchased power expense. (\$5)
5. Insurance Expense (655)
  - a. To reflect appropriate amount of insurance expense. (\$265)
6. Regulatory Commission Expense (665)
  - a. To reflect amortization of rate case expense. \$284

**TOTAL OPERATION AND MAINTENANCE ADJUSTMENTS** (\$3,569)

**DEPRECIATION EXPENSE**

To reflect appropriate pro forma depreciation expense. \$472

**TAXES OTHER THAN INCOME**

1. To reflect the appropriate test year RAFs. \$12
2. To reflect pro forma property tax. 313
3. To reflect real property tax. (53)
4. To reflect payroll tax. (\$198)
- Total \$74

| <b>ORANGE LAND UTILITIES, LLC.</b>                         | <b>SCHEDULE NO. 3-C</b>          |  |                                     |
|--|----------------------------------|--|-------------------------------------|
| <b>TEST YEAR ENDED 09/30/2017</b>                          | <b>DOCKET NO. 20170230-WU</b>    |  |                                     |
| <b>ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE</b> |                                  |  |                                     |
|  | <b>TOTAL<br/>PER<br/>UTILITY</b> | <b>COMMISSION<br/>ADJUST-<br/>MENT</b> | <b>TOTAL<br/>PER<br/>COMMISSION</b> |
| (601) SALARIES AND WAGES - EMPLOYEES                       | \$8,116                          | (\$2,139)                              | \$5,977                             |
| (603) SALARIES AND WAGES - OFFICERS                        | 3,553                            | (1,433)                                | 2,120                               |
| (604) EMPLOYEE PENSIONS AND BENEFITS                       | 958                              | (176)                                  | 782                                 |
| (610) PURCHASED WATER                                      | 0                                | 0                                      | 0                                   |
| (615) PURCHASED POWER                                      | 826                              | (5)                                    | 821                                 |
| (616) FUEL FOR POWER PRODUCTION                            | 0                                | 0                                      | 0                                   |
| (618) CHEMICALS  | 0                                | 0                                      | 0                                   |
| (620) MATERIALS AND SUPPLIES                               | 474                              | 0                                      | 474                                 |
| (630) CONTRACTUAL SERVICES - BILLING                       | 0                                | 0                                      | 0                                   |
| (631) CONTRACTUAL SERVICES - PROFESSIONAL                  | 473                              | 0                                      | 473                                 |
| (633) CONTRACTUAL SERVICES - LEGAL                         | 0                                | 0                                      | 0                                   |
| (635) CONTRACTUAL SERVICES - TESTING                       | 465                              | 0                                      | 465                                 |
| (636) CONTRACTUAL SERVICES - OTHER                         | 3,460                            | 0                                      | 3,460                               |
| (640) RENTS  | 756                              | 0                                      | 756                                 |
| (650) TRANSPORTATION EXPENSE                               | 1,228                            | 0                                      | 1,228                               |
| (655) INSURANCE EXPENSE                                    | 1,624                            | (265)                                  | 1,359                               |
| (657) INSURANCE - GENERAL LIABILITY                        | 0                                | 0                                      | 0                                   |
| (665) REGULATORY COMMISSION EXPENSE                        | 0                                | 284                                    | 284                                 |
| (670) BAD DEBT EXPENSE                                     | 0                                | 164                                    | 164                                 |
| (675) MISCELLANEOUS EXPENSE                                | <u>3,649</u>                     | <u>0</u>                               | <u>3,649</u>                        |
|  | <u>\$25,582</u>                  | <u>(\$3,569)</u>                       | <u>\$22,013</u>                     |

| <b>ORANGE LAND UTILITIES, LLC.</b>                                  |  | <b>SCHEDULE NO. 4</b>                    |                                      |
|---|--|--|--------------------------------------|
| <b>TEST YEAR ENDED SEPTEMBER 30, 2017</b>                           |  | <b>DOCKET NO. 20170230-WU</b>            |                                      |
| <b>MONTHLY WATER RATES</b>  |  |  |                                      |
|   | <b>RATES AT<br/>TIME OF<br/>FILING</b> | <b>COMMISSION<br/>APPROVED<br/>RATES</b> | <b>4 YEAR<br/>RATE<br/>REDUCTION</b> |
| <b><u>Residential and General Service</u></b>                       |  |  |                                      |
| Base Facility Charge by Meter Size                                  |  |  |                                      |
| 5/8" x 3/4"   | \$14.91                                | \$14.12                                  | \$0.15                               |
| 3/4"  | \$22.37                                | \$21.18                                  | \$0.23                               |
| 1"  | \$37.28                                | \$35.30                                  | \$0.38                               |
| 1-1/2"  | \$74.55                                | \$70.60                                  | \$0.75                               |
| 2"  | \$119.28                               | \$112.96                                 | \$1.20                               |
| 3"  | \$238.56                               | \$225.92                                 | \$2.40                               |
| 4"  | \$372.75                               | \$353.00                                 | \$3.75                               |
| 6"  | \$745.50                               | \$706.00                                 | \$7.50                               |
| Charge per 1,000 gallons - Residential and General Service          |  |  |                                      |
| 0-5,000 gallons   | \$2.15                                 |  |                                      |
| Over 5,000 gallons  | \$3.17                                 |  |                                      |
| Charge per 1,000 gallons - Residential Service                      |  |  |                                      |
| 0-4,000 gallons   |  | \$4.12                                   | \$0.04                               |
| Over 4,000 gallons  |  | \$4.85                                   | \$0.05                               |
| Charge per 1,000 gallons - General Service                          |  |  |                                      |
|   |  | \$4.36                                   | \$0.05                               |
| <b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b> |  |  |                                      |
| 4,000 Gallons   | \$23.51                                | \$30.60                                  |                                      |
| 8,000 Gallons   | \$35.17                                | \$50.00                                  |                                      |
| 10,000 Gallons  | \$41.51                                | \$59.70                                  |                                      |