

HC WATERWORKS, INC.

December 6, 2019

Office of Commission Clerk
Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

Re: Docket No. 20190166-WU Application for increase in water rates in Highlands County by HC Waterworks, Inc. – *Response to Staff Second Deficiency Letter*

Dear Commission Clerk,

HC Waterworks, Inc. hereby submits its response to Staff's Second Deficiency Letter dated December 6, 2019. Attached are the following Revised Minimum Filing Requirement schedules containing the appropriate revisions:

- Revised Schedule B-1
- Revised Schedule B-7
- Revised Schedule D-1
- Revised Schedule E-2w

Respectfully Submitted,



Troy Rendell
Vice President
Investor Owned Utilities
// for HC Waterworks, Inc.

Schedule of Water Net Operating Income

Florida Public Service Commission

HC Waterworks, Inc.
 Docket No. 20190166-WS
 Historical Test Year Ending June 30, 2019
 Historical & Pro Forma

REVISED Schedule: B-1
 Page: 1 of 1
 Preparer: W T Rendell

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Per Books Test Year	(3) Utility Test Year Adjustment	(4) Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	(7) Supporting Schedules
1	OPERATING REVENUES	574,165	1,570	575,735	168,229	743,964	B-4, E-2
2	Operation & Maintenance	376,618	9,770	386,388	3,296	389,684	B-5, B-3
3	Depreciation, net of CIAC Amort., U&U	129,717	4,835	134,552	0	134,552	B-13, B-3
4	Amortization	(74,935)	0	(74,935)	0	(74,935)	B-3
5	Taxes Other Than Income	55,559	9,081	64,640	7,570	72,210	B-15, B-3
6	Provision for Income Taxes	0	0	0	0	0	C-1, B-3
7	OPERATING EXPENSES	486,959	23,686	510,646	10,866	521,512	
8	NET OPERATING INCOME	87,206	(22,116)	65,090	157,363	222,453	
9	RATE BASE	2,555,030	455,067	3,010,097		3,010,097	A-1
10	RATE OF RETURN	3.41%		2.16%		7.39%	

Operation & Maintenance Expense Comparison - Water

Florida Public Service Commission

HC Waterworks, Inc.

REVISED

Schedule: B-7

Docket No. 20190166-WS

Page: 1 of 1

Historical Test Year Ending June 30, 2019

Preparer: W T Rendell

Explanation: Complete the following comparison of the applicant's current and prior test year O & M expenses before this Commission. Provide an explanation of all differences which are not attributable to the change in customer growth and the CPI-U. If the applicant has not had a previous rate case, use the year 5 years prior to the test year for comparison. Provide an additional schedule, if necessary, to explain differences.

	(1)	(2)	(3)	(4)	(5)	(6)
			Prior Test	Test Year		
Line No.	Acct No.	Account Name	Year 2014	Adjusted	Difference	% Difference
1	601	Salaries & Wages - Employees	0	0	0	
2	603	Salaries & Wages - Bonus	9,120	10,000	880	10%
3	604	Employee Pensions & Benefits	0	0	0	
4	610	Purchased Water	0	0	0	
5	615	Purchased Power	51,043	39,975	(11,068)	-22%
6	616	Fuel for Power Production	0	0	0	
7	618	Chemicals	27,371	35,152	7,781	28%
8	620	Materials & Supplies	86	0	(86)	-100%
9	630	Contractual Services - Other	0	200	200	
10	631	Contractual Services - Engineering	0	5,179	5,179	
11	632	Contractual Services - Accounting	2,388	0	(2,388)	-100%
12	633	Contractual Services - Legal	0	150	150	
13	634	Contractual Services - Mgmt. Fees	0	0	0	
14	635	Contractual Services - Testing	0	31	31	
15	636	Contractual Services - Other	194,848	263,131	68,283	35%
16	641	Rental of Building/Real Prop.	0	0	0	
17	642	Rental of Equipment	0	0	0	
18	650	Transportation Expenses	0	0	0	
19	656	Insurance - Vehicle	0	0	0	
20	657	Insurance - General Liability	2,073	1,800	(273)	-13%
21	658	Insurance - Workman's Comp.	0	0	0	
22	659	Insurance - Other	0	0	0	
23	660	Advertising Expense	0	0	0	
24	666	Reg. Comm. Exp. - Rate Case Amort.	1,523	1,125	(398)	-26%
25	667	Reg. Comm. Exp. - Other	0	0	0	
26	670	Bad Debt Expense	7,434	8,151	717	10%
27	675	Miscellaneous Expense	4,510	9,273	4,763	106%
28						
29						
30	TOTAL WATER O & M EXPENSES		300,396	374,167	73,771	24.56%
31						
32		Total SFR Customers	955	949	(6)	0.00%
33		Consumer Price Index - U				7.77%
34		Growth Plus Inflation				7.77%

Supporting Schedules: B-5, F-9

Year	Jun	Annual % Change	Annual Cum Incr
2014	238.343		
2015	238.638	0.12%	0.12%
2016	241.018	1.00%	1.12%
2017	244.955	1.63%	2.77%
2018	251.989	2.87%	5.73%
2019	256.143	1.65%	7.47%

Schedule of Requested Cost of Capital
 13 Month Average balance
 HC Waterworks, Inc.
 Docket No. 20190166-WS
 Historical Test Year Ending June 30, 2019
 Historical [X] Projected []

Florida Public Service Commission

REVISED Schedule: D-1
 Page: 1 of 2
 Preparer: W T Rendell

Explanation: Provide a schedule which calculates the requested Cost of Capital on a 13-month average basis.
 If a year-end basis is used submit an additional schedule reflecting year-end calculations.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Line		Reconciled		Cost	Weighted		Supporting
No. Class of Capital		To Test Yr	Ratio	Rate	Cost	Cost	Schedules
		Rate Base			Rate	Cost	
COMPOSITE WATER & SEWER							
1	Long-Term Debt	1,495,402	49.68%	5.25%	2.61%		D-2, D-5
2	Short-Term Debt	0	0.00%	0.00%	0.00%		D-2
3	Preferred Stock	0	0.00%	0.00%	0.00%		D-2
4	Common Equity	1,482,729	49.26%	9.67%	4.76%		D-2
5	Customer Deposits	31,966	1.06%	2.00%	0.02%		D-2
6	Accumulated Deferred Income Taxes	0	0.00%	0.00%	0.00%		D-2
7							
8	Total	<u>3,010,097</u>	<u>100.00%</u>		<u>7.39%</u>		

Revenue Schedule at Present and Proposed Rates

Florida Public Service Commission

HC Waterworks, Inc.
 Docket No. 20190166-WS
 Historical Test Year Ending June 30, 2019
 Water [X] or Sewer []

Schedule: E-2w **REVISED**
 Page: 1 of 1
 Preparer: W T Rendell

Explanation: Provide a calculation of revenues at present and proposed rates using the billing analysis. Explain any differences between these revenues and booked revenues. If a rate change occurred during the test year, a revenue calculation must be made for each period.

Line No.	(1) Class/Meter Size	(2) Test Year Bills	(3) TY Cons in 1,000 gal.	(4) Test Year Rate	(5) Test Year Revenue	(6) Adjusted Bills	(7) Adjusted Cons	(8) Rate Prior to Filing	(9) Revenue at Rate Prior	(10) ProForma Block Cons	(11) Repressed Block Cons	(12) Proposed Rate/W/Rprsn	(13) Revenue at Rpsn Rates
1	Residential												
2	5/8" X 3/4"	11,508		20.99	241,553	11,229		20.99	235,697			31.64	355,286
3	3/4"	0		31.49	0	0		31.49	0			47.46	0
4	1"	25		52.48	1,312	22		52.48	1,155			79.10	1,740
5	1-1/2"	0		104.97	0	0		104.97	0			158.20	0
6	2"	0		167.95	0	0		167.95	0			253.12	0
7	3"	0		335.89	0	0		335.89	0			506.23	0
8	4"	0		524.83	0	0		524.83	0			790.99	0
9	Gallage Charge, per 1,000 gallons												
10	0 - 3,000 gal.		19,243	8.07	155,291	(4)	19,239	8.07	155,259	0	19,239	11.39	219,132
11	Over 3,000		8,722	10.10	88,092	(27)	8,895	10.10	87,820	(1,375)	7,320	17.08	125,026
12					0		0		0	0	0		0
13	Total Residential	11,533	27,965		486,248	11,251	27,934		479,930	(1,375)	26,559		701,184
14	Average Bill				42.16		2.483		42.66				62.32
15													
16	General Service												
17	5/8" X 3/4"	78		20.99	1,637	72		20.99	1,511			31.64	2,278
18	3/4"	0		31.49	0	0		31.49	0			47.46	0
19	1"	24		52.48	1,260	12		52.48	630			79.10	949
20	1-1/2"	13		104.97	1,365	12		104.97	1,260			158.20	1,898
21	2"	13		167.95	2,183	12		167.95	2,015			253.12	3,037
22	3"	0		335.89	0	0		335.89	0			506.23	0
23	4"	0		524.83	0	0		524.83	0			790.99	0
24	6"	0		1,049.66	0	0		1,049.66	0			1,581.98	0
25	8"	0		1,679.46	0	0		1,679.46	0			2,531.17	0
26	Gallage		1,474	8.66	12,765		1,474	8.66	12,765	1,474	1,474	12.47	18,381
27	Total General Serv	128	1,474		19,210	108	1,474		18,181	1,474	1,474		26,544
28	Average Bill				150.07				168.34				245.78
29													
30	General Service 2												
31	RV Park	13		1,574.49	20,468	12	NA	1,574.49	18,894			2,373.00	28,476
32	Gallage Charge												
33	per 1,000 gallons		3,778	8.66	32,717	3,778	0	8.66	32,717	0	0	12.47	47,112
34			0		0	0			0	0	0		0
35			0		0	0			0	0	0		0
36			0		0	0			0	0	0		0
37	Total General Service 2	13	3,778		53,186	3,790	0		51,611	0	0		75,588
38	Average Bill				4,091.22				3,970.10				5,814.44
39													
40	Fire Protection												
41	2"	0	NA	14.00	0	0		14.00	0			21.09	0
42	3"	0	NA	27.99	0	0		27.99	0			42.19	0
43	4"	0	NA	43.74	0	0		43.74	0			65.92	0
44	6"	12	NA	87.47	1,050	12		87.47	1,050			131.83	1,582
45	8"	0	NA	139.95	0	0		139.95	0			210.93	0
46	10"	0	NA	201.19	0	0		201.19	0			303.21	0
47	Total Fire Protect	12	NA		1,050	12	NA		1,050	NA			1,582
48	Average Bill				87.47								
49													
50	Subtot Billd Rev	11,686	33,217		559,693	15,161	29,408		550,771	99	28,033		804,897
51	Unbilled Revenues		2,768										
52	Guaranteed Revenues				5,805				5,805				5,805
53	Misc. Service Charge				10,237				10,237				10,237
54	Adjustments to Customers												
55	Total Billed Rev				575,735				566,813				820,939
56	Booked Revenue per GL				574,165				574,165				
57	Adjustments to Booked				0				0				
58	Bkd Rev Adjst				574,165				574,165				
59	Difference				1,570	0.3%			(7,352)	-1.28%			