

State of Florida



Public Service Commission

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

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

DATE: June 19, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Wooten, Ellis, King) *TB*
Division of Accounting and Finance (Folkman, Higgins, Lenberg) *ALM*
Division of Economics (Bruce, Hudson, Richards) *OP*
Office of the General Counsel (Farooqi, Harper) *ACA*

RE: Docket No. 20240119-WU – Application for staff-assisted rate case in Polk County, by Alturas Water, LLC.

AGENDA: 07/01/25 – Regular Agenda – Proposed Agency Action Except for Issue Nos. 13 and 14 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: 12/19/25 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

Case Background

Alturas Water, LLC (Alturas or Utility) is a Class C utility providing water service to approximately 53 residential customers and 7 general service customers in Polk County. Wastewater service is provided by septic tanks. The Utility's last staff-assisted rate case (SARC) was in 2014.¹ In 2019, the Utility was transferred from Alturas Utilities, L.L.C. to Alturas Water, LLC.² In October 2020, the Utility, along with three sister utilities, was approved for a limited

¹ Order No. PSC-16-0128-PAA-WU, issued March 29, 2016, in Docket No. 20140219-WU, *In re: Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.*

² Order No. PSC-2019-0304-PAA-WU, issued July 29, 2019, in Docket No. 20180175-WU, *In re: Application to transfer facilities and Certificate No. 628-W in Polk County from Alturas Utilities, L.L.C. to Alturas Water, LLC.*

Docket No. 20240119-WU

Date: June 19, 2025

alternative rate increase.³ According to the Utility's 2024 Annual Report, its operating revenues were \$38,080 and operating expenses were \$41,637.

Alturas has been in existence since 1928 and was granted a Grandfather Certificate by the Commission in 1997 in the name of Alturas Water Works.⁴ The Utility's service territory is located in the Southwest Florida Water Management District (SWFWMD) and is subject to a year-round irrigation rule.

On August 12, 2024, the Utility filed an application for a SARC and the official date of filing was established as September 20, 2024. The 12-month period ending on June 30, 2024 was selected as the test year. A customer meeting occurred on April 2, 2025, no customers provided comments.

The Commission has jurisdiction pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, and 367.121, Florida Statutes (F.S.).

³ Order No. PSC-2020-0396-PAA-WS, issued October 22, 2020, in Docket No. 20200152-WS, *In re: Application for a limited alternative rate increase proceeding in Polk and Marion Counties, by Alturas Water, LLC, Sunrise Water, LLC, Pinecrest Utilities, LLC, and East Marion Utilities, LLC.*

⁴ Order No. PSC-97-0513-FOF-WU, issued May 5, 1997, in Docket No. 19961109-WU, *In re: Application for grandfather certificate to operate a water utility in Polk County by Alturas Water Works.*

Discussion of Issues

Issue 1: Is the quality of service provided by Alturas Water, LLC satisfactory?

Recommendation: Yes. Alturas has been responsive to customer complaints and the quality of the product is in compliance with the Department of Environmental Protection (DEP) standards; therefore, staff recommends that the quality of service be considered satisfactory. (Wooten)

Staff Analysis: Pursuant to Section 367.081(2)(a)(1), F.S., and Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in water rate cases, the Commission shall determine the overall quality of service provided by the utility. This determination is made from an evaluation of the quality of the utility's product, and the utility's attempt to address customer satisfaction. The Rule further states that the most recent chemical analyses for the water system, outstanding citations, violations, and consent orders on file with the DEP and the county health department, and any DEP and county health department officials' testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints received by the Commission are also reviewed. The operating condition of the water system is addressed in Issue 2.

Quality of the Utility's Product

In evaluation of Alturas' product quality, staff reviewed the Utility's compliance with the DEP's 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. In the DEP's last Sanitary Survey Report, dated March 20, 2023, no chemical or bacteriological exceedances were noted for the previous 12 months, and the Utility was determined to be in compliance with the DEP's standards. In the Utility's last Consumer Confidence Report, dated April 22, 2024, no violations of contaminant levels were noted for the testing period.

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the complaints filed in the Commission's Consumer Activity Tracking System (CATS), received by the Utility, and filed with the DEP for the test year and four years prior. There were six complaints filed in CATS. Five of these complaints were related to an outage caused by a lightning strike and one was related to low water pressure. The Utility reported that it received 21 complaints during this timeframe. Of these 21 complaints, 7 were related to billing, 7 were related to low water pressure and 7 were related to utility repair requests. The Utility indicated that all 21 complaints were resolved. The DEP indicated that it did not receive any complaints during this timeframe.

A customer meeting was held on April 2, 2025, no customers spoke at the meeting; however, one customer comment was placed in the docket file. This customer comment was in opposition of the rate increase and expressed frustration with the Utility for constant "boil water" notices, intermittent service disruptions, and water quality issues. Staff notes that three water service interruptions occurred in the service area between March 2025 and April 2025. Two of these service interruptions were due to water line breaks, and one service interruption was attributed to

a customer water tank installation, which were all resolved in a timely manner. Staff performed a supplemental review, through May 15, 2025, of complaints filed in the CATS following the customer meeting and found no additional complaints.

Conclusion

Alturas has been responsive to customer complaints and the quality of the product is in compliance with the DEP's standards; therefore, staff recommends that the quality of service be considered satisfactory.

Date: June 19, 2025

Issue 2: Are the infrastructure and operating conditions of Alturas Water, LLC in compliance with the DEP's regulations?

Recommendation: Yes. The Alturas water system is currently in compliance with the DEP. (Wooten)

Staff Analysis: Rule 25-30.225(2), F.A.C., requires each water utility to maintain and operate its plant and facilities by employing qualified operators in accordance with the rules of the DEP. Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, the Commission must consider testimony of the DEP and county health department officials, sanitary surveys for water systems, citations, violations, consent orders issued to the utility, customer testimony, comments, complaints, utility testimony, and responses to the aforementioned items.

Water System Operating Conditions

The Utility's water system has one well with a pumping capacity of 350 gallons per minute (gpm) and one hydropneumatic tank with a capacity of 3,000 gallons. Its permitted capacity is 108,000 gallons per day (gpd). The water system provides finished water obtained from a single well, which draws ground water from the aquifer. The raw water is injected with liquid chlorine prior to entering a 3,000-gallon hydropneumatic tank, and then pumped into the water distribution system. The distribution system is a composite network mix of polyvinyl chloride (PVC), concrete and galvanized pipe. Staff reviewed Alturas' sanitary survey reports conducted by the DEP to determine the Utility's overall water facility compliance. A review of the inspection conducted on March 20, 2023, indicated that Alturas' water treatment facility is in compliance with the DEP's rules and regulations.

Conclusion

The Alturas water system is currently in compliance with the DEP.

Date: June 19, 2025

Issue 3: What are the used and useful (U&U) percentages of the Alturas Water, LLC water treatment plant (WTP) and water distribution system?

Recommendation: Alturas' WTP and its distribution system should both be considered 100 percent U&U. Additionally, a 26.2 percent adjustment for Excessive Unaccounted for Water (EUW) should be made to operating expenses for chemicals and purchased power. (Wooten)

Staff Analysis: Alturas' water system is served by a single 6-inch diameter well, rated at 350 gpm. The raw water is injected with liquid chlorine prior to entering the 3,000-gallon hydropneumatic tank, and then pumped into the water distribution system. The Utility is permitted to withdraw an average of 34,200 gpd, up to 108,000 gpd peak. According to the Utility, there are no fire hydrants in the service area.

Water Treatment Plant and Distribution System U&U

The Commission found both the WTP and distribution system to be 100 percent U&U in the prior SARC.⁵ There have been no major plant additions or growth in the last five years. Therefore, consistent with the prior Commission decision, the WTP and distribution system should be considered 100 percent U&U.

Excessive Unaccounted for Water

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

In its reports to DEP, the Utility stated it produced a total of 4,700,969 gallons during the test year. In its review, staff determined June 2024 had abnormally low flows. In response to a staff data request, the Utility indicated that a flow meter failed to properly operate during the majority of June 2024, due to a blockage. As a result, complete data of the water treated for the test year was unavailable. Using the available flow data, from July 2023 through May 2024, staff calculated an average daily flow value of 13,580 gpd, and applied that to zero flow days to estimate the total gallons produced during the test year, resulting in a value of 4,999,722 gallons. In response to a staff data request, the Utility indicated that it purchased no water and used 163,460 gallons for other uses during the test year. According to the staff audit report, the Utility sold 3,028,000 gallons of water for the test year. Therefore, the total amount of unaccounted for water is 1,808,262 gallons or 36.2 percent $[(4,999,722 \text{ gal} - 163,460 \text{ gal} - 3,028,000 \text{ gal}) / (4,999,722 \text{ gal})]$ that are unaccounted for. Ten percent of the gallons produced is allowed per the

⁵ Order No. PSC-16-0128-PAA-WU, issued March 29, 2016, in Docket No. 20140219-WU, *In re: Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.*

rule; therefore, the EUW is 26.2 percent. Accordingly, staff recommends an adjustment of 26.2 percent be made to reduce operating expenses (chemicals and purchased power) due to EUW.

Conclusion

Alturas' water treatment plant and its distribution system should both be considered 100 percent U&U. Additionally, a 26.2 percent adjustment for EUW should be made to operating expenses for chemicals and purchased power.

Issue 4: What is the appropriate average test year rate base for Alturas Water, LLC?

Recommendation: The appropriate average test year rate base for Alturas is \$67,586. (Folkman, Wooten)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service (UPIS), land and land rights, accumulated depreciation, and working capital. Staff selected the test year ended June 30, 2024, for the instant rate case. Commission audit staff determined that the Utility's books and records are in compliance with the currently applicable National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). A summary of each component and the recommended adjustments are discussed below.

Utility Plant in Service

The Utility recorded UPIS of \$77,221. Audit staff made an adjustment decreasing UPIS by \$2,167 due to lack of supporting documentation. Further, staff made an averaging adjustment reducing this amount by \$1,333, and several pro forma adjustments as described below.

Pro Forma Plant Additions

Table 4-1 shows Alturas' two pro forma plant items and their costs. The first item is the replacement of the water storage tank which was struck by lightning and an emergency replacement was required. This included replacing the storage tank and piping. Also, crane rental, concrete and bacterial testing at the water treatment plant. The total cost of this project was \$40,169 and was completed in November 2024.

The second item is a dump trailer that will be used for hauling dirt, sod and other larger items used in maintaining the system.⁶ The dump trailer was purchased by Alturas' parent company, Florida Utility Services 1, LLC (FUS1), to be used by all subsidiary systems, including Alturas, for a total of \$7,294. This results in only a percentage of the total purchase being allocated to Alturas, as shown below in Table 4-1.

The Utility provided one bid for each pro forma item. As the water storage tank replacement was an emergency the Utility could not seek additional bids for this item. Regarding the dump trailer, the Utility indicated that the trailer vendor was the only option available in a reasonable distance that could provide service work or warranty repairs. Staff believes the Utility provided a reasonable response for why no other bids were obtained. Also, the Utility provided paid invoices for both items. Staff recommends that the pro forma project costs are appropriate.

⁶ Document No. 02110-2025, filed March 25, 2025, in Docket No. 20240105-SU.

**Table 4-1
 Pro Forma Plant Items**

<u>Description</u>	<u>Amount</u>
Emergency Water Storage Tank Replacement – Acct. No. 330	\$40,169
<i>Associated Retirement</i>	(\$30,127)
Dump Trailer – Acct. No. 341	\$146
Net Adjustment	<u>\$10,188</u>

As detailed above in Table 4-1, staff increased UPIS by \$40,315. This amount was offset by retirements of \$30,127. Table 4-2 below summarizes staff’s adjustments to UPIS.

**Table 4-2
 Staff Adjustments to UPIS**

<u>Description</u>	<u>Adjustment</u>
To reflect auditing adjustments.	(\$2,167)
To reflect an averaging adjustment.	(1,333)
To reflect pro forma additions.	40,315
To reflect associated pro forma retirements.	(30,127)
Net adjustment to UPIS	<u>\$6,688</u>

Source: Staff calculations.

As described above and summarized in Table 4-2, staff’s adjustments to UPIS result in an increase of \$6,688. Therefore, staff recommends an average UPIS balance of \$83,909 (\$77,221 - \$2,167 - \$1,333 + \$40,315 - \$30,127).

Land and Land Rights

The Utility recorded a land and land rights balance of \$500. Staff made no adjustments to this account, therefore recommends a land and land right balance of \$500.

Used and Useful

As previously discussed in Issue 3, the Utility’s systems are considered 100 percent U&U. Therefore, no U&U adjustments are recommended.

Accumulated Depreciation

The Utility recorded accumulated depreciation of \$46,391. Audit staff reduced this amount by \$142 to reflect the depreciation rates established by Rule 25-30.140, F.A.C. Additionally, staff increased accumulated depreciation by \$5,328 to reflect an averaging adjustment. Staff further decreased accumulated depreciation by \$29,804 for pro forma additions. Staff’s adjustments are summarized below in Table 4-3.

Table 4-3
Staff Adjustments to Accumulated Depreciation

<u>Description</u>	<u>Adjustment</u>
To reflect auditing adjustments.	(\$142)
To reflect an averaging adjustment.	5,328
To reflect pro forma adjustments.	(29,804)
Total adjustments to accumulated depreciation.	(\$24,618)

Source: Staff calculations.

As described above and summarized in Table 4-3, staff's adjustments to accumulated depreciation result in a decrease of \$24,618. Therefore, staff recommends an average accumulated depreciation balance of \$21,773 ($\$46,391 - \$142 + \$5,328 - \$29,804$).

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(3), F.A.C., staff used the one-eighth operation and maintenance (O&M) expense (less rate case expense) formula for calculating the working capital allowance. As such, for this calculation staff removed the rate case expense of \$480. This resulted in an adjusted O&M expense balance of \$39,599 ($\$40,079 - \480). Applying this formula, staff recommends a working capital allowance of \$4,950 ($\$39,599 \div 8$).

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$67,586. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

Issue 5: What is the appropriate return on equity and overall rate of return for Alturas Water, LLC?

Recommendation: The appropriate return on equity (ROE) is 11.24 percent with a range of 10.24 percent to 12.24 percent. The appropriate overall rate of return is 7.58 percent. (Folkman)

Staff Analysis: The Utility's capital structure consists of long-term debt, common equity, and customer deposits. In response to the audit, the Utility stated its equity consists of \$3,675 in allocated plant, \$85,825 in negative retained earnings, and a related party debt totaling \$94,858. It is Commission practice to treat related party debt as equity when no interest or scheduled payments on principal are being made.⁷ As such, staff adjusted the Utility's capital structure to reflect the related party debt as common equity. Therefore, the total equity balance for Alturas is \$12,708 (\$3,675 – \$85,825 + \$94,858). In response to a staff email, the Utility stated additional long-term debt of \$34,742 will be used to finance the pro forma items.

The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 11.24 percent based on the Commission-approved leverage formula currently in effect.⁸ Staff recommends an ROE of 11.24 percent with a range of 10.24 percent to 12.24 percent, and an overall rate of return of 7.58 percent. The ROE and overall rate of return are shown on Schedule No. 2.

⁷ Order No. PSC-2021-0106-PAA-WS, issued March 17, 2021, in Docket No. 20200169-WS; *In re: Application for staff-assisted rate case in Lake County, and request for interim rate increase, by Lake Yale Utilities, LLC.*

⁸ Order No. PSC-2024-0165-PAA-WS, issued May 22, 2024, in Docket No. 20240006-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)(j), F.S.*

Issue 6: What are the appropriate test year operating revenues for Alturas Water, LLC?

Recommendation: The appropriate test year revenues for Alturas are \$40,000. (Lenberg)

Staff Analysis: Alturas recorded total test year revenues of \$37,330, which included \$36,173 of service revenues and \$1,169 of miscellaneous revenues. The Utility had a price index that became effective on June 1, 2024, within the test year, and a four-year rate reduction subsequent to the test year, which became effective on November 18, 2024. Therefore, staff annualized revenues to reflect the change in rates. By applying the rates subsequent to the test year, along with the test year billing determinants, staff determined service revenues should be \$38,851. This results in an increase of \$2,678 ($\$38,851 - \$36,173$) to test year service revenues. Staff also made adjustments to miscellaneous revenues, which included removing an unapproved non-sufficient funds charge of \$50. The Utility did not record two normal reconNECTIONS during the test year in the amount of \$30 total. This results in miscellaneous revenues of \$1,149 ($\$1,169 + \$30 - \50). As a result, miscellaneous revenues should be decreased by \$20 ($\$1,169 - \$1,149$). Based on the above, the appropriate test year revenues for Alturas are \$40,000 ($\$38,851 + \$1,149$).

Issue 7: What are the appropriate operating expenses for Alturas Water, LLC?

Recommendation: The appropriate amount of operating expenses for Alturas are \$45,972. (Folkman)

Staff Analysis: The Utility recorded operating expenses of \$47,603. The test year O&M expenses have been reviewed by staff, including invoices and other supporting documentation. Staff has made several adjustments to the Utility's operating expense as described below.

Operation and Maintenance Expenses

New Maintenance Technician Position

On January 27, 2025, the Utility requested a new maintenance technician position be added to FUS1's currently approved positions. The maintenance technician's responsibilities include weekly lift station maintenance, spray field sprinkler maintenance, percolation pond maintenance, mowing grass, bar screen cleaning, digester tank skimming, tree trimming, hurricane season prep, running generators, sludge hauling, and cleaning up spills or sewage overflows. According to the Utility, this new maintenance technician is required, as FUS1 intends to promote a current employee to the level of Operations Supervisor, which would reduce the maintenance technician positions from 4 to 3 employees.

The Utility stated that reliance on overtime from current employees and contracting outside contractors has been required to maintain FUS1's systems. Alturas provided invoices from outside contractors and overtime payroll information to justify the need for a new maintenance technician position.⁹ Additionally, the Utility filed a letter from Consta Flow, Alturas' outside Contractor, which addresses an operations cost increase for Alturas due to new technology, insurance costs, and employment costs.¹⁰ As such, staff recommends that in order to maintain the number of maintenance technician positions and reduce the additional costs incurred from overtime and outside contractors, the addition of a new maintenance technician position is appropriate.

Salaries and Wages – Employees (601)

The Utility recorded salaries and wages – employees expense of \$8,915. Audit staff increased this amount by \$576 as calculated from allocations from the Utility's source documentation. Additionally, staff increased this account by \$1,067 to reflect the Utility's allocated portion of an additional maintenance position.¹¹ Therefore, staff recommends salaries and wages – employees expense of \$10,558 (\$8,915 + \$576 + \$1,067).

Salaries and Wages – Officers and Directors (603)

The Utility recorded \$1,600 for salaries and wages – officers and directors. Staff made no adjustment to this amount and therefore recommends salaries and wages – officers and directors expense of \$1,600.

⁹ Document No. 03159-2025, filed April 25, 2025.

¹⁰ Document No. 10118-2024, filed December 6, 2024.

¹¹ Document No. 00478-2025, filed January 27, 2025.

Employee Pensions and Benefits (604)

The Utility recorded employee pensions and benefits expense of \$6. Audit staff decreased this amount by \$6 to reflect an auditing adjustment to remove allocated non-utility related costs. Therefore, staff recommends employee pensions and benefits expense of \$0 (\$6 - \$6).

Purchased Power (615)

The Utility recorded purchased power expense of \$2,241. Audit staff decreased this amount by \$10 to reflect the Utility's source documentation. Staff further decreased this amount by \$363 to reflect an EUW adjustment. Therefore, staff recommends purchased power expense of \$1,868 (\$2,241 - \$10 - \$363).

Chemicals (618)

The Utility recorded an expense for chemicals of \$2,130. Audit staff decreased this amount by \$203 to reflect the Utility's source documentation. Staff further decreased this amount by \$345 to reflect an EUW adjustment. Therefore, staff recommends chemicals expense of \$1,582 (\$2,130 - \$203 - \$345).

Materials and Supplies (620)

The Utility recorded materials and supplies expense of \$2,525. Audit staff decreased this amount by \$2,022 to reflect the Utility's source documents. However, staff increased this amount by \$3,395 to reflect the documentation of costs that were provided by the Utility. Therefore, staff recommends materials and supplies expense of \$3,898 (\$2,525 - \$2,022 + \$3,395).

Contractual Services – Professional (631)

The Utility recorded contractual services – professional expense of \$265. Audit staff increased this amount by \$1,515 to reflect the Utility's source documentation and to add \$1,440 of expense erroneously entered as contractual services - testing. However, the \$1,440 that was originally posted to this account was reclassified by the Utility to Account 186.2 – Deferred Tank Inspection and should not be included as an expense. Staff decreased this amount by \$1,537 to reflect the deferred tank inspection and the appropriate allocated costs. Therefore, staff recommends contractual services – professional expense of \$243 (\$265 + \$1,515 - \$1,537).

Contractual Services – Testing (635)

The Utility recorded contractual services – testing expense of \$1,460. Audit staff decreased this amount by \$1,460 to reflect the Utility's source documentation and to remove \$1,440 of expense that was erroneously entered under this account instead of contractual services – professional. In response to Staff's Fourth Data Request, the Utility provided supporting documentation for \$4,410 of contractual services – testing.¹² However, one of the invoices included a triennial sample totaling \$2,568 that should be amortized over three years. Therefore, staff decreased this amount by \$1,712 to remove two years of expense. Staff recommends contractual services – testing expense of \$2,698 (\$1,460 - \$1,460 + \$4,410 - \$1,712).

Contractual Services – Other (636)

The Utility recorded contractual services other expense of \$7,092. Audit staff decreased this amount by \$32 to reflect the Utility's source documentation. Staff further decreased this amount

¹² Document No. 02074-2025, filed March 24, 2025.

Date: June 19, 2025

by \$144 to remove amortization of the tank inspection that was posted in error. Therefore, staff recommends contractual services – other expense of \$6,916 ($\$7,092 - \$32 - \144).

Rents (640)

The Utility recorded rental of building/real property expense of \$1,155. Audit staff decreased this amount by \$507 to reflect the appropriate allocated portion of rental expense. Therefore, staff recommends a rents expense of \$648 ($\$1,155 - \507).

Transportation Expense (650)

The Utility recorded transportation expense of \$1,777. Staff decreased this amount by \$2 to reflect the appropriate allocated portion from the Utility's source documentation. Therefore, staff recommends a transportation expense of \$1,775 ($\$1,777 - \2).

Insurance Expense (655)

The Utility recorded an insurance expense of \$4,706. Audit staff increased this amount by \$181 to reflect the Utility's source documentation. Staff decreased this amount by \$109 to reflect periodic policy changes within the test year that were provided in the Utility's response to the audit. Therefore, staff recommends an insurance expense of \$4,778 ($\$4,706 + \$181 - \109).

Rate Case Expense (665)

The Utility recorded an annual rate case expense of \$1,143. The Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, final rates, and, and four-year rate reduction. Staff calculated noticing costs to be \$200. Staff calculated the distance from the Utility to Tallahassee as 226 miles. Based on the 2025 Internal Revenue Service (IRS) business mileage rate of \$0.70, staff calculated round-trip travel and lodging expense to the Commission Conference of \$516.¹³ However, because the Utility representative will be attending the Commission Conference for a sister utility as well, staff allocated only 50 percent, or \$258, of travel expense to Alturas.¹⁴ Additionally, the Utility paid a filing fee of \$1,000.¹⁵

On May 22, 2025, the Utility submitted its invoices for consulting fees from OCBOA Consulting, LLC, which serves as the Utility's accounting firm.¹⁶ The summary of expenses attached to the invoices reflect rate case expense of \$154, \$166, and \$143 for March 2025, April 2025, and May 2025, respectively. There was an additional estimated expense of \$380 included in the summary. Staff did not include the estimated portion, but believes the March, April and May amounts are reasonable. As such, staff included \$463 for consulting fees as part of rate case expense.

Staff recommends a total rate case expense, consisting of noticing costs, travel and lodging expenses, consulting fees, and filing fee of \$1,922 ($\$200 + \$258 + \$1,000 + \463), which amortized over four years is \$480 ($\$1,922 \div 4$ years). Therefore, staff recommends a rate case expense decrease of \$663.

¹³ <https://www.irs.gov/tax-professionals/standard-mileage-rates>

¹⁴ West Lakeland Wastewater, LLC, as Docket No. 20240105-SU, is currently scheduled for the same Commission Conference.

¹⁵ Document No. 09130-2024, filed September, 20, 2024.

¹⁶ Document No. 03852-2025, filed May 22, 2025.

Bad Debt Expense (670)

The Utility recorded bad debt expense of \$647. Staff notes that it is Commission practice to calculate bad debt expense using a three-year average when the information is available. Using the Utility's 2021, 2022, and 2023 Annual Reports, the Utility recorded bad debt expenses of \$115, \$24, and \$647, respectively. Staff calculated the average bad debt expense for these previous three years to be \$262 $((\$647 + \$24 + \$115) \div 3)$ which represents a decrease of \$385. Therefore, staff recommends bad debt expense of \$262 $(\$647 - \$385)$.

Miscellaneous Expense (675)

The Utility recorded a miscellaneous expense of \$2,953. Staff decreased this amount by \$180 to remove allocated costs due to lack of supporting documentation and non-utility related costs. Therefore, staff recommends a miscellaneous expense of \$2,773 $(\$2,953 - \$180)$.

Operation and Maintenance Expense Summary

The Utility recorded test year O&M expense of \$38,615. Based on the above adjustments, staff recommends O&M expense be increased by \$1,464. This results in a total O&M expense of \$40,079 $(\$38,615 + \$1,464)$. Staff's recommended adjustments to O&M are shown on Schedule No. 3-C.

Depreciation Expense

The Utility recorded depreciation expense of \$2,448. Using the depreciation rates prescribed in Rule 25-30.140, F.A.C., staff increased this amount by \$80. Additionally, staff increased depreciation expense by \$322 due to pro forma additions. Therefore, staff recommends depreciation expense of \$2,850 $(\$2,448 + \$80 + \$322)$.

Taxes Other Than Income (TOTI)

The Utility recorded a TOTI of \$6,540; this amount included \$4,169 for property taxes, \$691 for payroll taxes, and \$1,680 for regulatory assessment fees (RAFs).

Staff decreased property taxes by \$600 to reflect a DEP fee that was included in Account 675. Additionally, staff removed \$3,506 to reflect a Polk County Service Tax that is a franchise fee assessed by Polk County and is remitted to the county and is not recorded as revenue. Furthermore, staff increased TOTI by \$129 to reflect property taxes associated with pro forma plant additions.

Staff increased payroll taxes by \$47 as calculated from allocations from the Utility's source documents. As part of the Utility's request for a pro forma increase for an additional maintenance position, staff further increased payroll taxes by \$83.¹⁷ As such, staff recommends payroll taxes of \$821 $(\$691 + \$47 + \$83)$.

Audit staff increased TOTI by \$147 to reflect the appropriate RAFs based on corrected Utility test year revenues. Based on revenues discussed in Issue 6, TOTI should be decreased by \$27 to reflect RAFs of 4.5 percent of the change in revenues. As such, staff recommends the appropriate amount of test year RAFs be \$1,800 $(\$1,680 + \$147 - \$27)$.

¹⁷ Document No. 00478-2025, filed January 27, 2025.

As discussed in Issue 9, staff recommends revenues be increased by \$11,377 in order to reflect the change in revenue required to cover expenses and allow the Utility to earn a 7.58 percent return on rate base. As a result, TOTI should be increased by \$512 to reflect RAFs of 4.5 percent of the change in revenues. Therefore, staff recommends TOTI of \$3,325 ($\$6,540 - \$600 - \$3,506 + \$129 + \$47 + \$83 + \$147 - \$27 + \512).

Operating Expense Summary

The Utility recorded operating expenses of \$47,603. The application of staff's recommended adjustments to the Utility's operating expense results in a total of \$46,254. Operating expenses are shown on Schedule No. 3-A, and the related adjustments are shown on Schedule No. 3-B.

Issue 8: Does Alturas Water, LLC meet the criteria for application of the operating ratio methodology?

Recommendation: No, Alturas does not meet the requirement for application of the operating ratio methodology for calculating the revenue requirement. (Folkman)

Staff Analysis: Rule 25-30.4575(2), F.A.C., provides that, in rate cases processed under Rule 25-30.455, F.A.C., the Commission will use the operating ratio methodology to establish the Utility's revenue requirement when its rate base is not greater than 125 percent of O&M expenses, less regulatory commission expense, and the use of the operating ratio methodology does not change the Utility's qualification for a SARC.

With respect to Alturas, staff has recommended a rate base of \$67,586. After removal of rate case expense, staff has calculated an adjusted O&M expense of \$39,598. Based on staff's preliminary recommended amounts, the Utility's rate base is 170.68 percent of its adjusted O&M expense. Based on this, the Utility does not qualify for application of the operating ratio methodology.

Issue 9: What is the appropriate revenue requirement for Alturas Water, LLC?

Recommendation: The appropriate revenue requirement is \$51,377, resulting in an annual increase of \$11,377 (28.44 percent). (Folkman)

Staff Analysis: Alturas should be allowed an annual increase of \$11,377 (28.44 percent). This should allow the Utility the opportunity to recover expenses and earn a 7.58 percent return on rate base. The calculations for revenue requirement are shown on Table 9-1.

Table 9-1
Revenue Requirement

Water Rate Base	\$67,586
Rate of Return	<u>7.58%</u>
Return on Rate Base	<u>\$5,123</u>
Water O&M Expense	40,079
Depreciation Expense	2,850
Taxes Other Than Income	<u>3,325</u>
Revenue Requirement	<u>\$51,377</u>
Less Test Year Revenues	\$40,000
Annual Increase	\$11,377
Percent Increase	28.44%

Source: Staff calculations.

Issue 10: What are the appropriate rates and rate structure for Alturas Water, LLC?

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

Staff Analysis: Alturas is located in Polk County within the SWFWMD. The Utility provides water service to 53 residential customers and there are 7 general service customers. Approximately 13 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 4,330 gallons per month. Currently, the Utility's water rate structure consists of a monthly base facility charge (BFC) and a charge per 1,000 gallons for residential and general service customers.

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

For this case, staff recommends that 30 percent of the water revenues be generated from the BFC, which will provide sufficient revenues to design gallonage charges that send pricing signals to customers using above the non-discretionary level. The average people per household served by the water system is 2.70;¹⁸ therefore, based on the number of people per household, 50 GPD per person, and the number of days per month, the non-discretionary usage threshold should be 5,000 gallons per month. Staff's review of the billing data indicates that discretionary usage above 5,000 gallons represents approximately 25 percent of the bills, which accounts for approximately 28 percent of water demand. This indicates that there is moderate amount of discretionary usage above 5,000 gallons.

Staff recommends a two-tier inclining block rate structure, which includes separate gallonage charges for non-discretionary and discretionary usage for residential water rates. The rate blocks are: 1) 0-5,000 gallons and 2) all usage in excess of 5,000 gallons per month. Due to the moderate usage above 5,000 gallons per month, staff believes that it is appropriate in this case to recommend a rate factor of 1.25 in the second tier because it will target those customers with higher levels of consumption. General service customers should continue to be billed a BFC and uniform gallonage charge.

Based on staff's recommended revenue increase of 29.3 percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 57,000 gallons, resulting in

¹⁸ Average person per household was obtained from www.census.gov/quickfacts/polkcounty, Florida.

Date: June 19, 2025

anticipated average residential demand of 4,243 gallons per month. Staff recommends a 2.0 percent reduction in test year residential gallons for rate setting purposes. As a result, the corresponding reductions are \$42 for purchased power expense, \$36 for chemicals expense, and \$4 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$50,147.

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

Issue 11: What are the appropriate initial customer deposits for Alturas Water, LLC?

Recommendation: The appropriate initial customer deposit should be \$131 for the 5/8 inch x 3/4 inch meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding. (Lenberg)

Staff Analysis: Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.¹⁹ Currently, the Utility has an initial customer deposit of \$86 for the 5/8 inch x 3/4 inch meter size. However, this amount does not cover two months' average bills based on staff's recommended rates. Based on the staff recommended water rates and the post repression average residential demand of 4,243, the appropriate initial customer deposit should be \$131 to reflect an average residential customer bill for two months. The monthly average residential bill is \$65.52.

Staff recommends that the appropriate initial customer deposit should be \$131 for the 5/8 inch x 3/4 inch meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

¹⁹ 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.*

Issue 12: What are the appropriate miscellaneous service charges for Alturas Water, LLC?

Recommendation: The appropriate miscellaneous service charges are shown on Table 12-4 and should be approved. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered or connections made 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 charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Lenberg)

Staff Analysis: Alturas is requesting to revise its existing miscellaneous service charges to reflect an increase in the amount of some of the charges. The late payment charge was established in 1997.²⁰ The Utility's existing miscellaneous service charges were established in 1996.²¹ Section 367.091, F.S., authorizes the Commission to change miscellaneous service charges. The Utility's requested miscellaneous charges were accompanied with cost justification as required by Section 367.091(6), F.S. The Utility's existing and requested miscellaneous service charges are shown below in Tables 12-1.

Table 12-1
Alturas' Existing and Requested Miscellaneous Service Charges

	<u>Existing</u>	<u>Requested</u>
Initial Connection Charge	\$15.00	\$30.00
Normal Reconnection Charge	\$15.00	\$30.00
Violation Reconnection Charge	\$15.00	\$30.00
Premises Visit Charge	\$10.00	\$30.00
Late Payment Charge	\$5.50	\$7.85
Investigation of Meter Tampering Charge	N/A	Actual Cost
Meter Tampering Charge	N/A	Actual Cost

Source: Utility's Current Tariffs and Application Filings.

Premises Visit Charge

As shown on Table 12-1, the Utility is requesting to increase the amount of some of its existing miscellaneous service charges. The existing miscellaneous service charges include initial connection and normal reconnection charges which are obsolete and inconsistent with Rule 25-30.460, F.A.C. The Utility provided cost justification of \$30.05; however, the utility requested a charge of \$30.00 for the premises visit which represents the cost of a trip to perform a specified service. Staff believes the cost justification is reasonable and imposes the cost on the cost causer. Based on the Rule, staff recommends that the initial connection and normal reconnection charges be removed. Staff also recommends that the definition for the premises visit charge be updated to

²⁰ Order No. PSC-98-1752-FOF-WU, issued December 22, 1998, in Docket No. 19980536-WU, *In re: Application for transfer of water facilities from Alturas Water Works to Keen Sales, Rentals and Utilities, Inc. in Polk County, cancellation of Alturas' Certificate No. 591-W, and amendment of Keen's Certificate No. 582-W to include additional territory.*

²¹ Order No. PSC-97-0513-FOF-WU, issued May 5, 1997, in Docket No. 19961109-WU, *In re: Application for grandfather certificate to operate a water utility in Polk County by Alturas Water Works.*

comply with Rule 25-30.460, F.A.C. The premises visit charge should be \$30.00. The Utility’s calculation for the premises visit charge is shown below on Table 12-2.

**Table 12-2
 Calculation for Requested Premises Visit**

<u>Activity</u>	<u>Cost</u>
Mileage (\$0.70 per mile x 1)	\$0.70
Labor – Tech – Round Trip Drive (\$27.85 x 0.30)	\$8.36
Labor – Tech – Location Labor Time (\$27.85 x 0.50)	\$13.93
Labor – Tech – Customer Care Representative (28.25 x 0.25)	\$7.06
Total	<u>\$30.05</u>

Source: Utility’s Cost Justification.

Late Payment Charge

The Utility currently has a \$5.50 late payment charge. The Utility is requesting a \$7.85 late payment charge to recover the cost of labor, supplies, and postage associated with processing late payment notices. The purpose of this charge is not only to provide an incentive for customers to make timely payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing delinquent accounts solely upon those who are cost causers. The Utility calculated the actual costs for its late payment charges to be \$7.85. The Utility indicated that it will take approximately 15 minutes per account to research, compile, and produce late notices. The delinquent customer accounts will be processed by the administrative employee, which results in labor cost of \$7.06 (\$28.25 x 0.25hr). This is consistent with prior Commission decisions where the Commission has allowed 5-15 minutes per account per month for the administrative labor associated with processing delinquent customer accounts. In addition, the Utility included material cost of \$0.79 for paper, envelopes, and postage, which results in total costs of \$7.85 (\$7.06 + \$0.79). The Utility’s calculation for its costs associated with a late payment charge is shown on Table 12-3. Staff recommends the requested late payment charge of \$7.85 be approved.

**Table 12-3
 Calculation of Proposed Late Payment Charge**

	<u>Cost</u>
Supply- Paper Envelope (\$0.10 x 1.00)	\$0.10
Supply - Postage (\$0.69 x 1.00)	\$0.69
Labor – Customer Care Representative (28.25 x 0.25)	\$7.06
Total	<u>\$7.85</u>

Source: Utility’s cost justification documentation.

**Table 12-4
 Staff’s Recommended Miscellaneous Service Charges**

Premises Visit Charge	\$30.00
Late Payment Charge	\$7.85

Source: Staff Calculations.

Conclusion

The appropriate miscellaneous service charges are shown on Table 12-4 and should be approved. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective 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 charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Date: June 19, 2025

Issue 13: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect removal of the amortized rate case expense?

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

Staff Analysis: Section 367.081, F.S., requires that the rates be reduced immediately following the expiration of the 4-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. This results in a reduction of \$503.

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

Date: June 19, 2025

Issue 14: Should the recommended rate be approved for Alturas Water, LLC on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Alturas should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Further, prior to implementing any temporary rates, the Utility should provide appropriate financial security.

If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating both the current monthly and total amount subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Folkman)

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

Alturas should be authorized to initiate the temporary rates upon staff's approval of an appropriate security for the potential refund and cost of the proposed customer notice. Security should be in the form of either a bond or letter of credit in the amount of \$7,804. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond for securing the potential refund, the bond should contain wording to the effect that it will be terminated only under the following conditions:

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

If the Utility chooses a letter of credit for securing the potential refund, the letter of credit should contain the following conditions:

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

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

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

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

The Utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's office no later than the 20th of every month indicating the monthly and total amount of money subject to refund

at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Date: June 19, 2025

Issue 15: Should Alturas Water, LLC be required to notify the Commission within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC USOA?

Recommendation: Yes. Alturas Water, LLC should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. The Utility should submit a letter within 90 days of the Commission's final order in this docket, confirming that the adjustments to all 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, a notice providing good cause should be filed not less than seven days prior to the deadline. Upon providing a notice of good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Folkman)

Staff Analysis: Alturas Water, LLC should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. The Utility should submit a letter within 90 days of the Commission's final order in this docket, confirming that the adjustments to all 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, a notice providing good cause should be filed not less than seven days prior to the deadline. Upon providing a notice of good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Issue 16: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the proposed agency action order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively. (Harper)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the proposed agency action order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively.

ALTURAS WATER, LLC TEST YEAR ENDED 06/30/2024 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 20240119-WU		
DESCRIPTION		BALANCE PER UTILITY	STAFF ADJ.	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	\$77,221	\$6,688	\$83,909
2.	LAND & LAND RIGHTS	500	0	500
3.	ACCUMULATED DEPRECIATION	(46,391)	24,618	(21,773)
4.	WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>4,950</u>	<u>4,950</u>
	WATER RATE BASE	<u>\$31,330</u>	<u>\$36,256</u>	<u>\$67,586</u>

ALTURAS WATER, LLC	SCHEDULE NO. 1-B
TEST YEAR ENDED 06/30/2024	DOCKET NO. 20240119-WU
ADJUSTMENTS TO RATE BASE	
	WATER
UTILITY PLANT IN SERVICE	
1. To reflect audit adjustments.	(\$2,167)
2. To reflect an averaging adjustment.	(1,333)
3. To reflect pro forma additions.	40,315
4. To reflect pro forma retirements.	<u>(30,127)</u>
Total	<u>\$6,688</u>
ACCUMULATED DEPRECIATION	
1. To reflect audit adjustments.	(\$142)
2. To reflect an averaging adjustment.	5,328
3. To reflect pro forma adjustments.	<u>(29,804)</u>
Total	<u>(\$24,618)</u>
WORKING CAPITAL ALLOWANCE	
To reflect 1/8 of test year O&M expenses (less RCE).	<u>\$4,950</u>

ALTURAS WATER, LLC						SCHEDULE NO. 2		
TEST YEAR ENDED 6/30/2024						DOCKET NO. 20240119-WS		
SCHEDULE OF CAPITAL STRUCTURE								
<u>CAPITAL COMPONENT</u>	<u>PER UTILITY</u>	<u>SPECIFIC ADJUSTMENTS</u>	<u>BALANCE AFTER ADJ.</u>	<u>PRO RATA ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
1. LONG-TERM DEBT	\$27,043	\$34,742	\$61,785	(\$6,939)	\$54,846	81.15%	6.98%	5.66%
2. COMMON EQUITY	(82,150)	94,858	12,708	(1,427)	11,281	16.69%	11.24%	1.88%
3. CUSTOMER DEPOSITS	1,644	0	1,644	(185)	1,459	2.16%	2.00%	0.04%
TOTAL CAPITAL	(\$53,463)	\$129,600	\$76,137	(\$8,551)	\$67,586	100.00%		7.58%
<u>RANGE OF REASONABLENESS</u>							<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY							10.24%	12.24%
OVERALL RATE OF RETURN							7.41%	7.75%

ALTURAS WATER, LLC TEST YEAR ENDED 06/30/2024 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 20240119-WU			
	TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR	ADJ. FOR INCREASE	REVENUE REQUIREMENT	
1.	TOTAL OPERATING REVENUES	\$37,329	\$2,671	\$40,000	\$11,377 28.44%	\$51,377
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	\$38,615	\$1,464	\$40,079		\$40,079
3.	DEPRECIATION	2,448	\$402	2,850		2,850
4.	TAXES OTHER THAN INCOME	6,540	(\$3,727)	2,813	512	3,325
	TOTAL OPERATING EXPENSES	<u>\$47,603</u>	<u>(\$1,861)</u>	<u>\$45,742</u>	<u>\$512</u>	<u>\$46,254</u>
5.	OPERATING INCOME/(LOSS)	(\$10,274)		(\$5,742)		\$5,123
6.	WATER RATE BASE	\$31,330		36,256		\$67,586
7.	RATE OF RETURN					7.58%

ALTURAS WATER, LLC.		SCHEDULE 3-B
TEST YEAR ENDED 6/30/2024		DOCKET NO. 20240119-WU
ADJUSTMENTS TO OPERATING INCOME		
		WASTEWATER
OPERATING REVENUES		
1.	To reflect auditing adjustments to Service Revenues.	\$3,260
2.	To reflect the appropriate test year Service Revenues.	(582)
3.	To reflect the appropriate test year Miscellaneous Revenues.	(7)
	Total	<u>\$2,671</u>
OPERATION & MAINTENANCE EXPENSE		
1.	Salaries and Wages – Employees (601)	
	To reflect an auditing adjustment.	\$576
	To reflect pro forma maintenance tech position addition.	1,067
	Subtotal	<u>\$1,643</u>
2.	Salaries and Wages – Officers and Directors (603)	
	To reflect an auditing adjustment.	\$444
	To remove auditing adjustment reversal.	(444)
	Subtotal	<u>\$0</u>
3.	Employee Pensions and Benefits (604)	
	To reflect an auditing adjustment.	(\$6)
4.	Purchased Power (615)	
	To reflect an auditing adjustment.	(\$10)
	To reflect EUW adjustment.	(363)
	Subtotal	<u>(\$373)</u>
5.	Chemicals Expense (618)	
	To reflect an auditing adjustment.	(\$203)
	To reflect EUW adjustment.	(345)
	Subtotal	<u>(\$548)</u>
6.	Materials and Supplies (620)	
	To reflect an auditing adjustment.	(\$2,022)
	To reflect documentation provided by the Utility.	3,395
	Subtotal	<u>\$1,373</u>
7.	Contractual Services – Professional (631)	
	To reflect an auditing adjustment.	\$1,515
	To reflect Utility response.	(1,537)
	Subtotal	<u>(\$22)</u>
8.	Contractual Services – Testing (635)	
	To reflect an auditing adjustment.	(\$1,460)
	To reflect documentation proved in Response to Staff’s data request.	4,410
	To reflect triennial sample amortization.	(1,712)
	Subtotal	<u>\$1,238</u>

9.	Contractual Services – Other (636)	
	To reflect an auditing adjustment.	(\$32)
	To remove double amortization of deferred tank inspection.	<u>(144)</u>
	Subtotal	<u>(\$176)</u>
10.	Rental Expense (640)	
	To reflect an auditing adjustment.	(\$507)
11.	Transportation Expense (650)	
	To reflect an auditing adjustment.	(\$2)
12.	Insurance Expense (655)	
	To reflect an auditing adjustment.	\$181
	To reflect Utility’s adjustment due to policy timing.	<u>(109)</u>
	Subtotal	<u>\$72</u>
13.	Rate Case Expense (665)	
	To reflect 1/4 rate case expense.	(663)
14.	Bad Debt Expense (670)	
	To reflect a three year average Bad Debt expense.	(385)
15.	Miscellaneous Expense (675)	
	To reflect unsupported expenses.	<u>(180)</u>
	TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$876</u>
	DEPRECIATION EXPENSE	
1.	To reflect appropriate depreciation expense.	\$80
2.	To reflect pro forma additions.	<u>322</u>
	Total	<u>\$402</u>
	TAXES OTHER THAN INCOME	
1.	To reflect auditing adjustments.	\$147
2.	To reflect appropriate test year RAFs.	(27)
3.	To reflect removal of DEP fee.	(600)
4.	To reflect removal of Polk County Service Tax.	(3,506)
5.	To reflect payroll tax auditing adjustment.	47
6.	To reflect payroll tax of pro forma maintenance technician addition.	83
7.	To reflect property taxes associated with pro-forma plant additions.	<u>129</u>
	Total	<u>(\$3,727)</u>
	TOTAL OPERATING EXPENSE ADJUSTMENTS	<u>(\$1,861)</u>

ALTURAS WATER, LLC		SCHEDULE NO. 3-C		
TEST YEAR ENDED 06/30/2024		DOCKET NO. 20240119-WU		
ANALYSIS OF WATER O&M EXPENSES				
ACCT.#	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
601	Salaries and Wages – Employees	\$8,915	\$1,643	\$10,558
603	Salaries and Wages – Officers and Directors	1,600	0	1,600
604	Employee Pensions and Benefits	6	(6)	0
615	Purchased Power	2,241	(373)	1,868
618	Chemicals	2,130	(548)	1,582
620	Materials and Supplies	2,525	1,373	3,898
631	Contractual Services – Professional	265	(22)	243
635	Contractual Services – Testing	1,460	1,238	2,698
636	Contractual Services – Other	7,092	(176)	6,916
640	Rents	1,155	(507)	648
650	Transportation Expense	1,777	(2)	1,775
655	Insurance Expense	4,706	72	4,778
665	Regulatory Commission Expense	1,143	(663)	480
670	Bad Debt Expense	647	(385)	262
675	Miscellaneous Expenses	<u>2,953</u>	<u>(180)</u>	<u>2,773</u>
	Total O&M Expense	<u>\$38,615</u>	<u>\$1,464</u>	<u>\$40,079</u>
	Working Capital is 1/8 of O&M less RCE			\$4,950

ALTURAS WATER, LLC		SCHEDULE NO. 4	
TEST YEAR ENDED 6/30/24		Docket NO. 20240119-WU	
MONTHLY WATER RATES			
	UTILITY'S CURRENT RATES	STAFF RECOMMENDED RATES	4-YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$17.85	\$18.55	\$0.18
3/4"	\$26.77	\$27.83	\$0.27
1"	\$44.62	\$46.38	\$0.45
1-1/2"	\$89.25	\$92.75	\$0.89
2"	\$142.80	\$148.40	\$1.42
3"	\$285.60	\$296.80	\$2.85
4"	\$446.25	\$463.75	\$4.45
6"	\$892.50	\$927.50	\$8.90
Charge per 1,000 gallons	\$8.05	N/A	N/A
Charge per 1000 gallons - Residential			
0 - 5,000 gallons	N/A	\$11.07	\$0.11
Over 5,000 gallons	N/A	\$13.84	\$0.13
Charge per 1,000 gallons - General Service	N/A	\$11.81	\$0.11
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$58.10	\$73.90	
6,000 Gallons	\$98.35	\$143.10	
8,000 Gallons	\$138.60	\$212.30	