

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: May 27, 2025

TO: Devlin Higgins, Chief of Finance, Tax, and Cost Recovery, Division of Accounting and Finance

FROM: Division of Accounting and Finance (Folkman, Cohn, G. Kelley) *gk*
Division of Economics (Bruce, Chambliss, Hudson) *sh*
Division of Engineering (P. Buys, Ramos, Smith II) *MR*
Office of the General Counsel (Marquez, Farooqi) *sf*

RE: Docket No. 20240168-WU – Application for staff-assisted rate case in Highlands County, by Country Walk Utilities, Inc.

-STAFF REPORT-

This Staff Report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting scheduled for June 24, 2025.

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Case Background

Country Walk Utilities, Inc. (Country Walk or Utility) is a Class C utility providing water service to approximately 70 residential customers and one general service customer in Highlands County. The Utility's service territory is located in the Southwest Florida Water Management District (SWFWMD). The Utility's last staff-assisted rate case (SARC) was in 2018.¹ Subsequently, the Utility was approved for a limited alternative rate increase (LARI) in 2022.²

The Utility was granted water Certificate No. 579-W in 2014, in Docket No. 20130294-WU.³

On December 19, 2024, the Utility filed an application for a SARC.⁴ Staff selected the test year ended October 31, 2024. According to the Utility's 2024 Annual Report, total gross revenues were \$55,712 and its operating expenses were \$55,896.

This Staff Report is a preliminary analysis of the Utility's books and records. This report is prepared by Commission staff to give customers and the Utility an initial understanding of staff's potential recommendations. The final recommendation is scheduled to be filed on August 22, 2025, for the September 4, 2025 Commission Conference. The potential recommendations may be revised as necessary using any new or updated information and the results of customer quality of service or other relevant comments, if any, received at the customer meeting scheduled for June 24, 2025.

The Commission has jurisdiction pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 366.091, and 367.121, Florida Statutes (F.S.).

¹Order No. PSC-2018-0553-PAA-WU, issued November 19, 2018, in Docket No. 20180021-WU, *In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.*

²Order No. PSC-2022-0141-PAA-WU, issued April 12, 2022, in Docket No. 20210182-WU, *In re: Application for a limited alternative rate increase proceeding in Highlands County by Country Walk Utilities, Inc.*

³Order No. PSC-2014-0495-PAA-WU, issued September 17, 2014, in Docket No. 20130294-WU, *In re: Application for transfer of water systems and Certificate No. 549-W in Highlands County from Holmes Utilities, Inc. to Country Walk Utilities, Inc.*

⁴Document No. 10302-2024.

Discussion of Issues

Issue 1: Is the quality of service provided by Country Walk Utilities, Inc. satisfactory?

Recommendation: Staff's recommendation regarding quality of service will not be finalized until after the June 24, 2025 Customer Meeting. (P. Buys)

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 Department of Environmental Protection (DEP) and the county health department, and any DEP and county health department official's 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 Country Walk's 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. Staff reviewed the DEP's Safe Drinking Water Program chemical analysis of samples taken at the point of entry on March 28, 2024, and November 19, 2024, and all of the contaminants were in compliance with DEP standards.⁵ In addition, staff reviewed the most current Disinfection Byproducts chemical analysis taken on August 19, 2024, and the results were in compliance with DEP standards.⁶

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the Commission's Consumer Activity Tracking System (CATS) records, and discovered that no complaints were recorded during the test year and four years prior for Country Walk. Staff requested all complaints received by Country Walk during the test year and four years prior, and the Utility provided 31 complaints it received during this timeframe. Table 1-1 shows the number of complaints, by subject and year, received by the Utility during the specified timeframe.

⁵Document No. 00411-2025, filed January 23, 2025, in Docket No. 20240168-WU, *In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.*

⁶Document No. 01129-2025, filed February 26, 2025, in Docket No. 20240168-WU, *In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.*

Table 1-1
Number of Utility Complaints by Subject

| Subject of Complaint | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Water Service Interruption | 4 | 0 | 3 | 7 | 2 | 16 |
| Pressure Issue | 3 | 1 | 2 | 3 | 1 | 10 |
| Water Quality | 2 | 0 | 0 | 2 | 1 | 5 |
| Total | 9 | 1 | 5 | 12 | 4 | 31 |

Source: Utility responses to staff data requests.

The water service interruption complaints were due to an electrical relay at the high service pump going bad and the compressor at the hydropneumatic storage tank not running in 2022 and 2023,⁷ and a main break in 2020. Country Walk made repairs and restored the service. The pressure issue complaints were due to various reasons including clogged service lines, transfer pump had tripped, and home filters being clogged. In response, the Utility unclogged the lines and reset the systems.⁸ The water quality complaints were about the water smell and color. In response, Country Walk flushed the water at the homes, valves, and the main lines to resolve the issues. Staff also requested all complaints received by the DEP during the test year and four years prior. The DEP responded that it did not receive any complaints for Country Walk during this timeframe.⁹ For reference, Country Walk serves approximately 71 customers.

Conclusion

Staff's recommendation regarding quality of service will not be finalized until after the June 24, 2025 Customer Meeting.

⁷Document No. 03013-2025, filed April 21, 2025, in Docket No. 20240168-WU, *In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.*

⁸Document No. 00411-2025, filed January 23, 2025, in Docket No. 20240168-WU, *In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.*

⁹Document No. 02512-2025, filed April 1, 2025, in Docket No. 20240168-WU, *In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.*

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Issue 2: Is the infrastructure and operating conditions of Country Walk Utilities, Inc. in compliance with DEP regulations?

Recommendation: Staff's recommendation regarding DEP compliance will not be finalized until after the June 24, 2025 Customer Meeting. (P. Buys)

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, and consent orders issued to the utility, customer testimony, comments, and complaints, and utility testimony and responses to the aforementioned items.

Water System Operating Conditions

Country Walk's water system has a permitted capacity of 100,600 gallons per day. The system has one well with a pumping capacity of 80 gallons per minute (gpm), one hydropneumatic storage tank with a capacity of 5,000 gallons, and one ground storage tank with a capacity of 5,000 gallons. Groundwater from the well is treated through hypochlorination. Staff reviewed Country Walk's most recent Sanitary Survey Report conducted by the DEP to determine the Utility's overall water facility compliance. A review of the Report dated December 12, 2024, indicated that Country Walk's water treatment facility was out of compliance. The DEP found that the chlorine residual was over the maximum amount, there was no valve exercising plan available on site, the bacteriological sampling plan had the wrong number of service connections, the disinfection byproducts sampling plan needed updating with the correct sample requirements, and the ammonia container was not secured. Country Walk corrected all deficiencies, and the DEP found the Utility in compliance on February 25, 2025.¹⁰

Conclusion

Staff's recommendation regarding DEP compliance will not be finalized until after the June 24, 2025 Customer Meeting.

¹⁰Document No. 01129-2025, filed February 26, 2025, in Docket No. 20240168-WU, *In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.*

Issue 3: What are the used and useful percentages (U&U) of Country Walk Utilities, Inc. water treatment plant (WTP) and water distribution system?

Recommendation: Country Walk's WTP, storage, and water distribution system should be considered 100 percent U&U. No adjustment is recommended for excessive unaccounted for water (EUW) at this time. These are preliminary determinations and are subject to change. (P. Buys)

Staff Analysis: As stated in Issue 2, Country Walk's water system has one well with pumping capacity of 80 gpm, one hydropneumatic storage tank with a capacity of 5,000 gallons, and one ground storage tank with a capacity of 5,000 gallons. Country Walk's water distribution system is composed of 3,815 feet of 2-inch polyvinyl chloride (PVC) pipe and 1,802 feet of 4-inch PVC pipe. There are no fire hydrants throughout the water distribution system.

Used and Useful Percentages

Rule 25-30.4325, F.A.C., addresses the method by which the U&U of a water system is determined. In its last SARC, Country Walk's WTP, storage, and water distribution system were found to be 100 percent U&U.¹¹ The Utility has not increased the capacity of its WTP since rates were last established. The Utility's water distribution system continues to only provide service to existing customers, the service area remains built out, and there continues to be no potential for expansion of the service area. Therefore, consistent with the Commission's previous decision, staff recommends that the Utility's WTP, storage, and water distribution system be considered 100 percent U&U.

Excessive Unaccounted for Water

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 and purchased for the test year, and dividing by the sum of gallons pumped and purchased. The amount in excess of 10 percent, if any, is the EUW percentage.

Based on monthly operating reports, Country Walk produced 2,257,700 gallons of water from November 1, 2023, through October 31, 2024. No water was purchased during the test year. From the audit completed by staff, the Utility sold 1,977,000 gallons of water to customers. The Utility estimated 351,200 gallons of water usage for line flushing and main breaks. The calculation $([2,257,700 + 0 - 1,977,000 - 351,200] / [2,257,700 + 0])$ results in no unaccounted for water. Therefore, there is no EUW based on this preliminary analysis. Staff recommends that no adjustments be made to purchased power and chemicals at this time.

¹¹Order No. PSC-2018-0553-PAA-WU, issued November 9, 2018, in Docket No. 201800021-WU, *In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.*

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Conclusion

Country Walk's WTP, storage, and water distribution system should be considered 100 percent U&U. No adjustment is recommended for EUW at this time. These are preliminary determinations and are subject to change.

Issue 4: What is the appropriate average test year rate base for Country Walk Utilities, Inc.?

Recommendation: The appropriate average test year rate base for Country Walk Utilities, Inc. is \$138,412. (Folkman, Cohn)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service (UPIS), land and land rights, accumulated depreciation, contributions in aid of construction (CIAC), accumulated amortization of CIAC, acquisition adjustment, and working capital. Staff selected the test year ended October 31, 2024 for the instant rate case. Commission audit staff determined that the Utility's books and records are in compliance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). A summary of each component and the recommended adjustments are discussed below.

Utility Plant in Service

The Utility recorded UPIS of \$257,741. Staff reduced this amount by \$8,019 to reflect an averaging adjustment, and therefore recommends a UPIS of \$249,723.

Land and Land Rights

The Utility recorded a test year land and land rights balance of \$1,495. Staff did not make any adjustments to this account, and therefore recommends a land and land rights balance of \$1,495.

Accumulated Depreciation

The Utility recorded accumulated depreciation of \$120,685. The Utility based depreciation on the date the plant item was placed in service. However, it is Commission policy to use the half-year convention, and to calculate depreciation for a half-year in the first year of service. Thus, audit staff increased this amount by \$366. Additionally, staff reduced this amount by \$4,672 to reflect an averaging adjustment. Staff's adjustments to accumulated depreciation result in a decrease of \$4,306. Therefore, staff recommends an average accumulated depreciation balance of \$116,380.

Contributions In Aid of Construction

The Utility recorded CIAC of \$24,200. Staff made no adjustments, and therefore recommends an average CIAC balance of \$24,200.

Accumulated Amortization of CIAC

The Utility recorded accumulated amortization of CIAC of \$24,200. The Utility used a composite rate for all CIAC accounts. However, it is Commission policy to use the rates specific to the related plant accounts, and reserving the use of a composite rate for unknown plant accounts. As such, audit staff reduced this amount by \$1,641. Staff increased this amount by \$821 to reflect an averaging adjustment. Therefore, staff recommends an average accumulated amortization of CIAC balance of \$23,380.

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Acquisition Adjustment

The Utility recorded a negative acquisition adjustment of \$20,064, which is consistent with the amount approved by the Commission in its transfer docket.¹² Therefore, no adjustment is necessary.

Accumulated Amortization of Acquisition Adjustment

The Utility recorded an accumulated amortization of acquisition adjustment of \$20,064. Staff recalculated this amount based on the method set forth in Rule 25-30.0371, F.A.C. Staff's calculation results in a decrease of \$618. Therefore, staff recommends an accumulated amortization of acquisition adjustment balance of \$19,446.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of operation and maintenance (O&M) expense (less rate case expense) formula for calculating the working capital allowance. As such, staff removed the rate case expense of \$435. This resulted in an adjusted O&M expense balance of \$40,101. Applying this formula, staff recommends a working capital allowance of \$5,013.

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$138,412. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

¹²Order No. PSC-2014-0495-PAA-WU, issued September 17, 2014, in Docket No. 20130294-WU, *In re: Application for transfer of water systems and Certificate No. 579-W in Highlands County from Holmes Utilities, Inc. to Country Walk Utilities, Inc.*

Issue 5: What is the appropriate return on equity and overall rate of return for Country Walk Utilities, Inc.?

Recommendation: The appropriate return on equity (ROE) is 8.66 percent with a range of 7.66 percent to 9.66 percent. The appropriate overall rate of return is 8.58 percent. (Folkman, Cohn)

Staff Analysis: The Utility's capital structure consists of common equity and customer deposits. The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 8.66 percent based on the Commission-approved leverage formula currently in effect.¹³ Staff recommends an ROE of 8.66 percent with a range of 7.66 percent to 9.66 percent, and an overall rate of return of 8.58 percent. The ROE and overall rate of return are shown on Schedule No. 2.

¹³Order No. PSC-2024-0165-PAA-WS, issued on May 22, 2024, in Docket No. 20240006-WS; *In re: Water and wastewater industry annual reestablishment cf authorized range cf return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

Issue 6: What are the appropriate test year operating revenues for the water system of Country Walk Utilities, Inc.?

Recommendation: The appropriate test year revenues for Country Walk's water system is \$63,962. (Chambliss)

Staff Analysis: Country Walk recorded test year revenues of \$60,989 for water. The water revenues included \$60,013 of service revenues and \$977 of miscellaneous revenues. To determine the appropriate service revenues, staff applied the number of billing determinants to the utility's existing rates. As a result, staff determined that service revenues for water should be \$62,985, which is an increase of \$2,972. Based on the above, staff recommends the appropriate test year revenues for Country Walk's water system is \$63,962.

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Issue 7: What is the appropriate amount of operating expense for Country Walk Utilities, Inc.?

Recommendation: The appropriate amount of operating expense for Country Walk is \$40,536. (Folkman, Cohn, P. Buys)

Staff Analysis: The Utility recorded operating expense of \$38,407. 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.

Pro Forma O&M

Country Walk is requesting recovery of costs to submit a Lead and Copper Rule Revision (LCRR) inventory to the state DEP. On January 15, 2021, the United States Environmental Protection Agency issued the LCRR that amended the Lead and Copper Rule (40 CFR sections 141.80-90). This amendment requires all water systems to create an inventory of all service lines. The LCRR also required the inventory to be sent to the state DEP no later than October 16, 2024. Country Walk contracted with U.S. Waterworks to perform this inventory. This project was outside of the normal operations contracted with U.S. Waterworks. The project was completed and the LCRR inventory was submitted on October 15, 2024. The invoice for this project is \$4,257. Country Walk stated this amount was not included in the O&M expenses filed in this SARC.¹⁴ Because this project was required by the EPA, Country Walk has submitted a paid invoice, and the costs appear reasonable, staff believes Country Walk should be allowed to recover the project's costs. Staff's proposal for amortization expense is discussed in contractual services – other.

Operation and Maintenance Expenses

Salaries and Wages – Officers and Directors (603)

The Utility recorded salaries and wages – officers and directors expense of \$2,750. Staff increased this account by \$250 to reflect an auditing adjustment to record an expense that was not entered into the general ledger. Therefore, staff recommends salaries and wages – officers and directors expense of \$3,000.

Contractual Services – Other (636)

The Utility recorded contractual services – other expense of \$28,097. Further, during the pendency of the case, the utility requested pro forma contractual service O&M of \$4,257 as discussed above. Staff amortized this amount over five years bringing the test year expense to \$851. Thus, total contractual services - other for the test year is \$28,948.

Insurance Expense – General Liability (657)

The Utility recorded insurance expense – general liability of \$1,630. Staff increased this figure by \$145 to reflect an auditing adjustment based on the current insurance policy received. Therefore, staff recommends a general liability insurance expense of \$1,775.

¹⁴Document No. 00411-2025, filed January 23, 2025, in Docket No. 20240168-WU, *In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.*

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Regulatory Commission Expense (665)

The Utility recorded an annual rate case expense of \$208. However, the amount that was authorized in Order No. PSC-2022-0141-PAA-WU, issued on April 12, 2022 was \$362. Thus, audit staff made a test year adjustment of \$154. The Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, interim rates, final rates, and four-year rate reduction. Staff calculated noticing costs to be \$237. Staff calculated a distance of 215 miles from the Utility to Tallahassee. Based on the 2024 Internal Revenue Service (IRS) business mileage rate of \$0.70, staff calculated round trip travel and lodging expense to the Commission Conference of \$501. Additionally, the Utility paid a filing fee of \$1,000.

Staff recommends a total rate case expense, consisting of noticing costs, travel and lodging expenses, consulting fees, and filing fee of \$1,738, which amortized over four years is \$435. Therefore, staff recommends a total annual rate case expense of \$797.

Bad Debt Expense (670)

Country Walk recorded a bad debt expense of \$226 for the test year. In its three most recent Annual Reports (2021, 2022, 2023), the Utility recorded bad debt expenses of \$434, \$1,031, and \$97, respectively. Staff calculated the average bad debt expense for these previous three years to be \$521 which represents an increase of \$295. Therefore, staff recommends bad debt expense of \$521.

Operation and Maintenance Expense Summary

The Utility recorded test year O&M expense of \$38,407. Based on the above adjustments, staff recommends O&M expense be increased by \$2,129. This results in a total O&M expense of \$40,536. Staff's recommended adjustments to O&M are shown on Schedule No. 3-C.

Depreciation Expense

The Utility recorded depreciation expense of \$11,421. Using the half-year convention prescribed by Commission policy, staff increased this amount by \$395. Therefore, staff recommends depreciation expense of \$11,816.

Amortization of CIAC

The Utility recorded no amortization of CIAC. Staff increased this figure by \$288 to reflect an auditing adjustment, and therefore recommends an amortization of CIAC of \$288.

Amortization of Acquisition Expense

The Utility recorded no amortization of acquisition expense. Audit staff made an amortization of acquisition expense adjustment of \$904. Therefore, staff recommends an amortization of acquisition expense of \$904.

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Taxes Other Than Income (TOTI)

The Utility recorded TOTI of \$4,159. Staff increased TOTI by \$164 to reflect auditing adjustments to property taxes. Additionally, staff increased TOTI by \$134 to reflect the appropriate regulatory assessment fees (RAFs) based on corrected Utility test year revenues. Those adjustments result in a test year TOTI of \$4,456. This amount combined with the additional TOTI related to staff's recommended revenue requirement increase of \$6,197, results in a total TOTI value of \$4,735.

Total Operating Expenses Summary

The Utility recorded operating expenses of \$38,407. The application of staff's recommended adjustments to the Utility's recommended operating expense results in a total operating expense of \$40,536, an increase of \$2,129. Operating expenses are shown on Schedule No. 3-A, and the related adjustments are shown on Schedule No. 3-B.

Issue 8: Does Country Walk Utilities, Inc. meet the criteria for application of the operating ratio methodology?

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

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 Country Walk, staff has recommended a rate base of \$138,412. After removal of rate case expense, staff has calculated an adjusted O&M expense of \$40,101. Based on staff's preliminary recommended amounts, the Utility's rate base is 348.30 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 Country Walk Utilities, Inc.?

Recommendation: The appropriate revenue requirement is \$70,159, resulting in an annual increase of \$6,197 (9.69 percent). (Folkman, Cohn)

Staff Analysis: Country Walk should be allowed an annual increase of \$6,197 (9.69 percent). This should allow the Utility the opportunity to recover expenses and earn 8.58 percent return on rate base. The calculations for revenue requirement are shown on Table 9-1.

Table 9-1
Revenue Requirement

| | |
|-------------------------|-----------------|
| Water Rate Base | \$138,412 |
| Rate of Return | 8.58% |
| Return on Rate Base | <u>\$11,880</u> |
| Water O&M Expense | \$40,536 |
| Depreciation Expense | \$11,816 |
| Amortization Expense | \$1,192 |
| Taxes Other Than Income | <u>\$4,735</u> |
| Revenue Requirement | <u>\$70,159</u> |
| Less Test Year Revenues | \$63,962 |
| Annual Increase | \$6,197 |
| Percent Increase | 9.69% |

Source: Staff calculations.

Issue 10: What are the appropriate rate structure and rates for Country Walk Utilities, Inc.?

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. (Chambliss)

Staff Analysis: The Utility provides water service to 70 residential customers and 1 general service customer. A review of the billing data indicates approximately 13 percent of the residential customer bills during the test year had zero gallons. However, the billing data at the 1,000 gallon level indicates 38 percent of the residential customer bills, which is an indication of a moderate seasonal customer base. The average residential water demand was 2,340 gallons per month during the test period. The average water demand, excluding zero gallons bills, was 2,689 gallons per month. The Utility's current rate structure consists of a monthly base facility charge (BFC) and a two-tier inclining block rate structure. The rate blocks are: 1) 0-3,000 gallons and 2) all usage in excess of 3,000 gallons per month. The general service rate structure consists of a BFC and uniform gallonage charge.

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

Due to the Utility's moderate seasonal customer base coupled with low average consumption, staff recommends that 60 percent of the revenue requirement be recovered through the BFC in an effort to maintain a sufficient revenue stability. The average number of people per household is two; therefore, based on the number of people per household, 50 gallons per day, per person, and the number of days per month the discretionary threshold should remain at 3,000 gallons per month. However, due to the low average consumption and low revenue requirement increase, a repression adjustment is not appropriate in this case. Therefore, staff recommends that the Utility's current rate structure remain unchanged.

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.

Issue 11: What are the appropriate initial customer deposits for Country Walk Utilities, Inc.?

Recommendation: The appropriate initial customer deposit should be \$159 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. (Chambliss)

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.¹⁵ Currently, the Utility has an initial customer deposit of \$120 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 Utility's average monthly residential consumption, the appropriate initial customer deposit should be \$159 to reflect an average residential customer bill for two months. The monthly average residential bill is \$79.74.

Staff recommends that the appropriate initial customer deposit should be \$159 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.

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

Date: May 27, 2025

Issue 12: Should the miscellaneous service charges be revised to conform to Rule 25-30.360, F.A.C.?

Recommendation: Yes. The initial connection and normal reconnections charges should be removed. The premises visit charge should be revised to \$60.62 for normal hours and \$68.68 for after hours. 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 notice. (Chambliss)

Staff Analysis: The Utility did not request to revise its existing miscellaneous service charges. Section 367.091, F.S., authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or service availability charges. The Utility's miscellaneous service charges include an initial connection charge of \$33.01 for normal hours and \$38.43 for after hours. In addition, the miscellaneous service charges include a normal reconnection charge of \$60.62 for normal hours and \$68.68 for after hours. Rule 25-30.460, F.A.C., does not allow for initial connection and normal reconnection charges and should be removed from the tariff. The definitions for initial connection charges and normal reconnection charges were subsumed in the definition of the premises visit charge. Since the premises visit entails a broader range of tasks, staff recommends the premises visit charge shall reflect the amount of the normal reconnection charge, which is \$60.62 for normal business hours and \$68.68 for after hours calls.

Based on the above, the initial connection and normal reconnections charges should be removed. The premises visit charge should be revised to \$60.62 for normal hours and \$68.68 for after hours. 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 notice.

Date: May 27, 2025

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

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. Country Walk 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, Cohn)

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 \$455.

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. Country Walk 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: May 27, 2025

Issue 14: Should the recommended rates be approved for Country Walk Utilities, Inc. on 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. Country Walk should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate 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 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 (Folkman, Cohn)

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 recommended rates be approved as temporary rates. Country Walk should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

The Utility should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$4,251. Alternatively, the Utility could 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.

Date: May 27, 2025

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.

Schedule No. 1-A

| COUNTRY WALK UTILITIES, INC. TEST YEAR ENDED 10/31/2024 SCHEDULE OF WATER RATE BASE | | SCHEDULE NO. 1-A DOCKET NO. 20240168-WU | | |
|---|---------------------------|--|------------------|-------------------------|
| DESCRIPTION | | BALANCE PER UTILITY | STAFF ADJ. | BALANCE PER STAFF |
| 1. | UTILITY PLANT IN SERVICE | \$257,741 | (\$8,019) | \$249,723 |
| 2. | LAND & LAND RIGHTS | 1,495 | 0 | 1,495 |
| 3. | ACCUMULATED DEPRECIATION | (120,685) | 4,306 | (116,380) |
| 4. | CIAC | (24,200) | 0 | (24,200) |
| 5. | ACCUM. AMORT. CIAC | 24,200 | (821) | 23,380 |
| 6. | ACQUISITION ADJUSTMENT | (20,064) | 0 | (20,064) |
| 7. | ACCUM. AMORT. ACQ. ADJ. | 20,064 | (618) | 19,446 |
| 8. | WORKING CAPITAL ALLOWANCE | <u>\$4,869</u> | <u>\$144</u> | <u>\$5,013</u> |
| | WATER RATE BASE | <u>\$143,420</u> | <u>(\$5,008)</u> | <u>\$138,412</u> |

Schedule No. 1-B

| COUNTRY WALK UTILITIES, INC. TEST YEAR ENDED 10/31/2024 ADJUSTMENTS TO RATE BASE | | SCHEDULE NO. 1-B DOCKET NO. 20240168-WU |
|--|--|--|
| | | WATER |
| UTILITY PLANT IN SERVICE | | |
| 1. | To reflect an averaging adjustment. | (\$8,019) |
| ACCUMULATED DEPRECIATION | | |
| 1. | To reflect auditing adjustments. | (\$366) |
| 2. | To reflect an averaging adjustment. | <u>4,672</u> |
| | Total | <u>\$4,306</u> |
| ACCUM. AMORT. CIAC | | |
| 1. | To reflect an auditing adjustment. | (\$1,641) |
| 2. | To reflect an averaging adjustment. | <u>821</u> |
| | Total | <u>(\$821)</u> |
| ACCUM. AMORT. ACQ. ADJ. | | |
| 1. | To reflect an auditing adjustment. | (\$618) |
| WORKING CAPITAL ALLOWANCE | | |
| | To reflect 1/8 of test year O&M expenses (less RCE). | <u>\$144</u> |

Schedule No. 2

| COUNTRY WALK UTILITIES, INC. TEST YEAR ENDED 10/31/2024 SCHEDULE OF CAPITAL STRUCTURE | | | | | SCHEDULE NO. 2 DOCKET NO. 20240168-WU | | |
|---|----------------------|------------------|---------------------------------------|-------------------------|--|-------------------|--------------------|
| | CAPITAL COMPONENT | PER UTILITY | PRO RATA ADJ. | BALANCE PER STAFF | PERCENT OF TOTAL | COST | WEIGHTED COST |
| 1. | COMMON EQUITY | \$194,713 | (57,903) | 136,810 | 98.84% | 8.66% | 8.56% |
| 2. | CUSTOMER DEPOSITS | <u>2,280</u> | <u>(678)</u> | <u>1,602</u> | <u>1.16%</u> | 2.00% | <u>0.02%</u> |
| | TOTAL CAPITAL | <u>\$196,993</u> | <u>(\$58,581)</u> | <u>\$138,412</u> | <u>100.00%</u> | | <u>8.58%</u> |
| | | | <u>RANGE OF REASONABLENESS</u> | | | <u>LOW</u> | <u>HIGH</u> |
| | | | RETURN ON EQUITY | | | 7.66% | 9.66% |
| | | | OVERALL RATE OF RETURN | | | 7.59% | 9.57% |

Schedule No. 3-A

| COUNTRY WALK UTILITIES, INC. TEST YEAR ENDED 10/31/2024 SCHEDULE OF WATER OPERATING INCOME | | | SCHEDULE NO. 3-A DOCKET NO. 20240168-WU | | |
|--|-----------------------------|---------------------------|--|-------------------------|------------------------|
| | TEST YEAR PER UTILITY | STAFF ADJUST- MENTS | STAFF ADJUSTED TEST YEAR | ADJ. FOR INCREASE | REVENUE REQUIREMENT |
| 1. TOTAL OPERATING REVENUES | \$60,990 | \$2,972 | \$63,962 | \$6,197 9.69% | \$70,159 |
| OPERATING EXPENSES: | | | | | |
| 2. OPERATION & MAINTENANCE | \$38,407 | \$2,129 | \$40,536 | | \$40,536 |
| 3. DEPRECIATION (NET) | 11,421 | 395 | 11,816 | | 11,816 |
| 4. AMORTIZATION | 0 | 1,192 | 1,192 | | 1,192 |
| 5. TAXES OTHER THAN INCOME | 4,159 | 298 | 4,456 | 279 | 4,735 |
| TOTAL OPERATING EXPENSES | <u>\$53,987</u> | <u>\$4,014</u> | <u>\$58,000</u> | <u>\$279</u> | <u>\$58,279</u> |
| 6. OPERATING INCOME/(LOSS) | \$7,003 | | \$5,962 | | \$11,880 |
| 7. WATER RATE BASE | \$143,420 | | (5,008) | | \$138,412 |
| 8. RATE OF RETURN | | | | | 8.58% |

Schedule No. 3-B

| COUNTRY WALK UTILITIES, INC. TEST YEAR ENDED 10/31/2024 ADJUSTMENTS TO OPERATING INCOME | | SCHEDULE 3-B DOCKET NO. 20240168-WU |
|---|--|--|
| | | WATER |
| OPERATING REVENUES | | |
| To reflect auditing adjustments to Service Revenues. | | \$2,972 |
| OPERATION & MAINTENANCE EXPENSE | | |
| 1. Salaries and Wages – Officers and Directors (603) | | |
| To reflect an auditing adjustment. | | \$250 |
| 2. Contractual Services – Other (636) | | |
| To reflect LCRR pro forma project amortized over five years. | | \$851 |
| 3. Insurance Expense – General Liability (657) | | |
| To reflect an auditing adjustment. | | \$145 |
| 4. Rate Case Expense (665) | | |
| To reflect an auditing adjustment. | | \$154 |
| To reflect 1/4 rate case expense. | | <u>\$435</u> |
| <u>Subtotal</u> | | <u>\$589</u> |
| 5. Bad Debt Expense (670) | | |
| To reflect three years of Bad Debt expense average. | | \$295 |
| TOTAL OPERATION & MAINTENANCE ADJUSTMENTS | | <u>(\$1,984)</u> |
| DEPRECIATION EXPENSE | | |
| To reflect an auditing adjustment. | | \$395 |
| AMORTIZATION EXPENSE (NET) | | |
| To reflect an auditing adjustments. | | \$1,192 |
| TAXES OTHER THAN INCOME | | |
| To reflect auditing adjustments. | | \$298 |
| TOTAL OPERATING EXPENSE ADJUSTMENTS | | <u>(\$3,869)</u> |

Schedule No. 3-C

| COUNTRY WALK UTILITIES, INC. TEST YEAR ENDED 10/31/2024 ANALYSIS OF WATER O&M EXPENSES | | SCHEDULE NO. 3-C DOCKET NO. 20240168-WU | | |
|--|---|--|--------------------------|-----------------------|
| ACCT.# | DESCRIPTION | TOTAL PER UTILITY | STAFF ADJUST- MENT | TOTAL PER STAFF |
| 603 | Salaries and Wages – Officers and Directors | \$2,750 | \$250 | \$3,000 |
| 615 | Purchased Power | 1,187 | 0 | 1,187 |
| 618 | Chemicals | 2,329 | 0 | 2,329 |
| 632 | Contractual Services – Accounting | 525 | 0 | 525 |
| 633 | Contractual Services – Legal | 300 | 0 | 300 |
| 635 | Contractual Services – Testing | 905 | 0 | 905 |
| 636 | Contractual Services – Other | 28,097 | 851 | 28,948 |
| 657 | Insurance Expense – General Liability | 1,630 | 145 | 1,775 |
| 665 | Regulatory Commission Expense | 208 | 589 | 797 |
| 670 | Bad Debt Expense | 226 | 295 | 521 |
| 675 | Miscellaneous Expenses | <u>\$250</u> | <u>\$0</u> | <u>\$250</u> |
| | Total O&M Expense | <u>\$38,407</u> | <u>\$2,129</u> | <u>\$40,536</u> |
| | Working Capital is 1/8 of O&M less RCE | | | \$5,013 |

Schedule No. 4

| COUNTRY WALK UTILITIES, LLC TEST YEAR ENDED OCTOBER 31, 2024 MONTHLY WATER RATES | | SCHEDULE NO. 4 DOCKET NO. 20240168-WS | |
|--|-----------------------------|--|-----------------------------|
| | UTILITY 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" | \$33.05 | \$48.78 | \$0.31 |
| 3/4" | \$49.58 | \$73.17 | \$0.46 |
| 1" | \$82.63 | \$121.95 | \$0.77 |
| 1-1/2" | \$165.25 | \$243.90 | \$1.54 |
| 2" | \$264.40 | \$390.24 | \$2.46 |
| 3" | \$528.80 | \$780.48 | \$4.92 |
| 4" | \$826.25 | \$1,219.50 | \$7.68 |
| 6" | \$1,652.50 | \$2,439.00 | \$15.37 |
| Charge per 1,000 gallons - Residential | | | |
| 0 - 3,000 gallons | \$14.81 | \$13.23 | \$0.08 |
| Over 3,000 gallons | \$26.92 | \$16.53 | \$0.10 |
| Charge per 1,000 gallons - General Service | | | |
| | \$17.22 | \$14.00 | \$0.09 |
| <u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u> | | | |
| 2,000 Gallons | \$62.67 | \$75.24 | |
| 4,000 Gallons | \$104.40 | \$105.00 | |
| 6,000 Gallons | \$158.24 | \$138.06 | |