

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 13, 2013

TO: Office of Commission Clerk (Cole)

FROM: Division of Economics (Thompson, Daniel, Hudson) *SDH*
Division of Accounting and Finance (Golden, Maurey, Mouring, Prestwood) *KE*
Division of Engineering (Ellis, McRoy) *AE PV*
Office of the General Counsel (Murphy) *CM AT ALM 73*

RE: Docket No. 120270-SU – Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.

AGENDA: 06/25/13 – Regular Agenda – Proposed Agency Action – Except Issue Nos. 12 and 13 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Balbis

CRITICAL DATES: 03/26/14 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECO\WP\120270.RCM.DOC

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Table of Contents

<u>Issue</u>	<u>Description</u>	<u>Page</u>
	Case Background.....	3
1	Quality of Service (Ellis, McRoy).....	4
2	Used and Useful (Ellis, McRoy)	6
3	Allocations (Golden)	7
4	Rate Base (Golden).....	9
5	Return on Equity (Golden).....	12
6	Test Year Revenues (Thompson).....	13
7	Operating Expense (Golden, Maurey).....	14
8	Operating Ratio Method (Golden).....	21
9	Revenue Requirement (Golden).....	24
10	Rate Structure (Thompson)	25
11	Rates (Thompson)	26
12	Four-Year Rate Reduction (Thompson).....	27
13	Temporary Rate (Golden).....	28
14	Proof of Adjustments (Golden)	30
15	Close Docket (Murphy).....	31
	Schedule No. 1-A Wastewater Rate Base	32
	Schedule No. 1-B Adjustments to Rate Base	33
	Schedule No. 2-A Schedule of Wastewater Operating Income	34
	Schedule No. 2-B Adjustments to NOI	35
	Schedule No. 2-C Wastewater O&M Expense.....	38
	Schedule No. 3 Wastewater Rates	39

Case Background

West Lakeland Wastewater, Inc. (West Lakeland or Utility) is a Class C wastewater utility that serves approximately 312 customers in Polk County. Water service is provided by the City of Lakeland. According to West Lakeland's 2012 annual report, total gross revenues were \$88,304 and total operating expenses were \$95,782, resulting in a net loss of \$7,478.

The Utility, previously known as ABCA, Inc., has been providing service to customers in Polk County since 1972. On January 9, 1990, the Polk County Commission granted a franchise to Ameribanc Investors Group for a system known as Village Lakeland. Polk County subsequently came under Commission jurisdiction on July 11, 1996. In 1998, the Commission granted the Utility Certificate No. 515-S to provide wastewater service.¹ Rate base was first established in the Utility's 1999 staff-assisted rate case (SARC).² ABCA's certificate was transferred to West Lakeland in 2001.³

By letter dated March 26, 2009, West Lakeland gave notice of abandonment effective June 30, 2009. On May 13, 2009, the Polk County Attorney filed a Petition for Appointment of Receiver for West Lakeland in the Circuit Court of the Tenth Judicial Circuit (Circuit Court). The Circuit Court appointed Mr. Mike Smallridge as receiver for the wastewater system. On September 8, 2009, the Commission acknowledged West Lakeland's abandonment and the Court's appointment of Mr. Smallridge as receiver.⁴

On October 25, 2012, the Commission received an application for a SARC from West Lakeland, which is the subject of this recommendation. In addition, Mr. Smallridge has become the owner of West Lakeland and has since filed an application for transfer of Certificate No. 515-S in Polk County from West Lakeland Wastewater, Inc. to West Lakeland Wastewater, LLC.⁵

The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.0814, 367.101, and 367.121, F.S.

¹ See Order No. PSC-98-0752-FOF-SU, issued June 1, 1998, in Docket No. 971531-SU, In re: Application for grandfather certificate to operate wastewater utility in Polk County by ABCA, Inc.

² See Order No. PSC-00-1163-PAA-SU, issued June 26, 2000, in Docket No. 990937-SU, In re: Application for staff-assisted rate case in Polk County by ABCA, Inc.

³ See Order No. PSC-01-1271-PAA-SU as modified by Order No. PSC-01-1576-FOF-SU, issued July 30, 2001, in Docket No. 010382-SU, In re: Application for transfer of Certificate No. 515-S in Polk County from ABCA, Inc. to West Lakeland Wastewater, Inc.

⁴ See Order No. PSC-09-0607-FOF-SU as amended by PSC-09-0607A-FOF-SU, issued February 16, 2010, in Docket No. 090154-SU, In re: Notice of abandonment of wastewater system for The Village of Lakeland Mobile Home Park in Polk County, by West Lakeland Wastewater, Inc.

⁵ See Docket No. 130065-SU, In re: Application for transfer of Certificate No. 515-S in Polk County from West Lakeland Wastewater, Inc. to West Lakeland Wastewater, LLC.

Discussion of Issues

Issue 1: Is the quality of service provided by West Lakeland satisfactory?

Recommendation: Yes. West Lakeland is in compliance with DEP rules and regulations, the wastewater treatment plants are operating normally, and the Utility appears to address customer complaints in a timely manner. Therefore, staff recommends that the overall quality of service provided by West Lakeland be considered satisfactory. (Ellis, McRoy)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), the Commission determines the overall quality of service a utility provides by evaluating the quality of its product, the operational condition of its plant and facilities, and its attempt to address customer satisfaction.

Quality of the Utility's Product and Operating Condition of Utility's Facilities

West Lakeland's wastewater treatment plant (WWTP) operating permit was renewed by the Florida Department of Environmental Protection (DEP) on January 11, 2010, and will expire on January 10, 2015. On March 1, 2012, DEP conducted a compliance inspection of the WWTP. Three deficiencies were noted in the inspection report, including the need for the Utility to provide a current flow calibration record for the propeller, replace the scum baffle in each clarifier, and remove the solids from the chlorine contact chamber (CCC) and wet well.

The Utility's response to DEP on April 4, 2012, indicated that the flow calibration was completed on January 4, 2012, that the baffles would be repaired within 60 days, and the CCC and wet well will be cleaned within 30 days. The Utility responded again on May 11, 2012, and verified that these corrections had been completed.

A staff field investigation of the service area was conducted the afternoon of April 24, 2013. At that time, the WWTP had experienced an abnormal event in the morning that resulted in the spillage of untreated wastewater, estimated by the system operator as less than 3,000 gallons. The Utility reported the incident to DEP and immediately responded by applying lime and collecting the wastewater from the plant property and connecting roads, including pumping out two nearby stormwater collection basins. Staff conducted a second field investigation on April 25, 2013, at which time the plant had returned to normal operation with no evidence of spillage outside of the Utility's plant.

The Utility's Attempt to Address Customer Satisfaction

A review of the customers' complaints over the last three years indicates that the Utility has resolved all of the complaints in a timely manner. There were five complaints filed with the Commission's Consumer Activity Tracking System during the past three years. A customer meeting was held on April 24, 2013, in Lakeland, FL. Fifty-nine customers attended the meeting, and eighteen spoke. Staff has also received ten written comments. The customers expressed concerns regarding rates and the usage of water consumption for wastewater billing.

Summary

West Lakeland is in compliance with DEP rules and regulations, the wastewater treatment plants are operating normally, and the Utility appears to address customer complaints in a timely manner. Therefore, staff recommends that the overall quality of service provided by West Lakeland be considered satisfactory.

Issue 2: What are the used and useful percentages of the West Lakeland WWTP and collection system?

Recommendation: West Lakeland's WWTP should be considered 100 percent used and useful (U&U), consistent with the Commission's previous Order, and the collection system should be considered 100 percent U&U, based upon the system being built out. (Ellis, McRoy)

Staff Analysis: The West Lakeland wastewater system was constructed in 1972. The service area includes 312 single family residential lots. The collection system is composed of polyvinyl chloride (PVC) pipes and there are three lift stations in the service area. The WWTP is a Type III contact stabilization plant and is permitted by the DEP at 70,000 gallons per day (GPD) based on the three-month rolling average daily flow. Liquid chlorine disinfection is applied prior to wastewater effluent flowing into the percolation ponds and spray field.

Pursuant to Rule 25-30.432, F.A.C., the U&U percentage for a WWTP is based on the plant flows and a growth allowance less excessive inflow and infiltration (I&I) divided by the permitted capacity of the plant. Other factors, such as whether the service area is built out and whether the plant flows have decreased due to conservation may also be considered.

In the Utility's last rate case, the WWTP was found to be 100 percent U&U.⁶ There has been no change in capacity at the WWTP, the service area has had no growth in the past five years, and there are no plans for expansion; therefore, pursuant to Rule 25-30.432(4), F.A.C., and consistent with the Commission's previous Order, staff recommends that the WWTP be considered 100 percent U&U.

The U&U calculations for wastewater collection systems are determined by dividing the number of lots connected to the systems by the number of lots available for service. The average number of connections during the test year was 312 equivalent residential connections (ERCs). The distribution and collection systems were designed to serve a total of 333 ERCs. However, the service area has had no growth in the past five years, and there are no plans for expansion. Therefore, pursuant to Rule 25-30.432, F.A.C., the wastewater collection systems should be considered 100 percent U&U.

⁶ See Order No. PSC-00-1163-PAA-SU, issued June 26, 2000, in Docket No. 990937-SU, In re: Application for staff-assisted rate case in Polk County by ABCA, Inc.

Issue 3: What is the appropriate allocation of common costs from Florida Utility Service to West Lakeland?

Recommendation: The appropriate allocation of common costs from Florida Utility Service to West Lakeland is 29.08 percent for billing and fixed costs and 34.06 percent for maintenance costs. (Golden)

Staff Analysis: West Lakeland's owner currently provides billing and/or maintenance services to five other utilities. Specifically, West Lakeland's owner also owns and operates Pinecrest Utilities, LLC, serves as the court-appointed receiver for Bimini Bay Utilities and Four Points Utility Corporation, and provides billing services for East Marion Sanitary Systems and Lake Forest Utility. As of January 1, 2013, the common costs related to these six utilities have been recorded in a company called Florida Utility Service (Common Office). Commission practice is to allocate common administrative and general expenses based on the number of ERCs.⁷ Since the Common Office provides billing services to all six utilities, but only provides maintenance services to four utilities, two sets of allocation percentages need to be developed. The appropriate allocation percentages are calculated as follows:

Table 3-1

<u>Name of System</u>	<u>Number of ERCs</u>	<u>Percentage of Allocation</u>
<u>Allocation of Billing and Fixed Costs:</u>		
Bimini Bay Utilities	201	18.73%
East Marion Sanitary Systems	91	8.48%
Four Points Utility Corporation	258	24.04%
Lake Forest Utilities	66	6.15%
Pinecrest Utilities	145	13.51%
West Lakeland Wastewater	<u>312</u>	<u>29.08%</u>
Total	<u>1,073</u>	<u>100.00%</u>
<u>Allocation of Maintenance Related Costs:</u>		
Bimini Bay Utilities	201	21.94%
Four Points Utility Corporation	258	28.17%
Pinecrest Utilities	145	15.83%
West Lakeland Wastewater	<u>312</u>	<u>34.06%</u>
Total	<u>916</u>	<u>100.00%</u>

⁷ See Order Nos. PSC-01-0323-PAA-WU, issued February 5, 2001, in Docket No. 000580-WU, In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc. (Alturas Water Works); PSC-05-0442-PAA-WU, issued April 25, 2005, in Docket No. 040254-WU, In re: Application for staff-assisted rate increase in Polk County by Keen Sales, Rentals and Utilities, Inc.; PSC-09-0716-PAA-WU, issued October 28, 2009, in Docket No. 090072-WU, In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.

As shown above, West Lakeland represents 29.08 percent of the ERCs for all six utilities receiving billing services and 34.06 percent of the ERCs for the four utilities receiving maintenance services. Therefore, staff recommends that Florida Utility Service's reasonable and prudent common expenses should be allocated to the West Lakeland wastewater system based on the allocated portion of 29.08 percent for billing and fixed costs and 34.06 percent for maintenance costs. This equitably reflects the distribution of costs between these systems. It should be noted that these allocation percentages also apply to common plant allocations.

Issue 4: What is the appropriate average test year rate base for West Lakeland?

Recommendation: The appropriate average test year rate base for West Lakeland is zero. West Lakeland should complete the pro forma items within 12 months of the issuance of the consummating order. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing. (Golden)

Staff Analysis: West Lakeland's rate base was last established in its 1999 staff-assisted rate case (SARC) by Order No. PSC-00-1163-PAA-SU.⁸ Staff selected the test year ended September 30, 2012, for the instant rate case. A summary of each component and the recommended adjustments are discussed below:

Utility Plant in Service (UPIS): The Utility recorded a test year UPIS balance of \$237,239. Due to abandonment of the Utility by its prior owners in 2009, Commission audit staff was unable to obtain books or records between 1999 and 2009. However, audit staff was able to confirm the addition of several plant items since 2007. Staff recommends the following adjustments to the Utility's recorded UPIS.

Table 4-1

	<u>Adjustment Description</u>	<u>Wastewater</u>
1.	To reflect 2007 plant addition of a new lift station panel to Acct. No. 370.	\$2,651
2.	To reflect 2007 retirement of lift station panel to Acct. No. 370.	(1,988)
3.	To reflect 2009 plant addition of replacement discharge pipe in lift station to Acct. No. 370.	2,438
4.	To reflect 2009 retirement of discharge pipe in lift station to Acct. No. 370.	(1,829)
5.	To reflect 2010 plant addition of pump in lift station to Acct. No. 370.	2,282
6.	To reflect 2010 plant addition of auto dialer at wastewater treatment plant to Acct. No. 380.	2,480
7.	To record 2011 retirement of pump to Acct. No. 370 (retired 7/11/2011).	(1,016)
8.	To record 2011 retirement of pump to Acct. No. 370 (retired 10/11/2011).	(1,071)
9.	To reclassify 2011 pump from expense Acct. No. 720 to Acct. No. 371.	218
10.	To reclassify 2012 pump from expense Acct. No. 775 to Acct. No. 371.	500
11.	To reflect 2012 plant addition of pump to Acct. 360.	1,342
12.	To reflect the Utility's share of allocated common plant.	1,461
13.	To reflect pro forma plant addition for manhole ring replacement/raising to Acct. No. 361.	2,530
14.	To reflect pro forma plant addition for lift station rehabilitation to Acct. No. 371.	8,023
15.	To reflect pro forma plant addition for check valve replacement to Acct. No. 380.	967
16.	To reflect pro forma retirement of replaced check valve to Acct. No. 380.	(725)
17.	To reflect an averaging adjustment.	(1,939)
	Total	<u>\$16,323</u>

⁸ See Order No. PSC-00-1163-PAA-SU, issued June 26, 2000, in Docket No. 990937-SU, In re: Application for staff-assisted rate case in Polk County by ABCA, Inc.

As shown in Table 3-1 above (items 13, 14, and 15), West Lakeland has requested consideration of three pro forma plant additions in the instant case. In accordance with Commission practice, staff calculated a Phase II revenue requirement for the pro forma additions and determined that the Phase II revenue requirement would be only \$726 or 0.65 percent above the Phase I revenue requirement. If the pro forma items are included in Phase I, rate case expense can be reduced by a total of \$222 or \$56 per year over the 4-year amortization period due to elimination of the additional customer noticing that would be required upon implementation of the Phase II rate increase. While pro forma plant additions are often addressed using a phased approach, because of the minimal impact of the pro forma plant additions on the initial revenue requirement, as well as the additional benefit of reducing rate case expense, staff believes it would be appropriate to include the pro forma plant additions in the initial revenue requirement. West Lakeland should complete the pro forma items within 12 months of the issuance of the consummating order. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing. Based on the adjustments shown above, staff's net adjustment to UPIS is an increase of \$16,323. Staff recommends a UPIS balance of \$253,562.

Land & Land Rights: The Utility recorded a test year land value of \$356. In the Utility's 1999 SARC, the Utility's land value was established at \$59,727 by Order No. PSC-00-1163-PAA-SU. However, in 2006, the Utility's prior owners sold the two parcels of land containing the Utility's percolation ponds and spray irrigation fields. The same owners subsequently abandoned the Utility in 2009. The Utility has since adjusted its records to reflect the Commission's previously established land value of \$356 for the remaining parcel of land upon which the treatment plant is located. The Utility is currently working with the purchaser of the other two parcels of land to obtain a long-term easement for continued use of the percolation ponds and sprayfields. The land use issue will be addressed further in the Utility's pending certificate transfer docket.⁹ No adjustments are necessary at this time, therefore, staff recommends a land balance of \$356.

Non-Used and Useful Plant: As discussed in Issue 2, West Lakeland's WWTP and collection system are considered 100 percent U&U. Therefore, a used and useful adjustment is not necessary.

Contribution in Aid of Construction (CIAC): The Utility recorded a CIAC balance of \$163,400 as established in the Utility's 1999 SARC by Order No. PSC-00-1163-PAA-SU. According to West Lakeland's 2001 through 2008 annual reports, the Utility has been collecting CIAC and added 66 additional customers since the 1999 SARC. Therefore, staff has increased CIAC by \$58,080 to reflect the appropriate account balance. Staff recommends a CIAC balance of \$221,480.

Accumulated Depreciation: West Lakeland recorded a test year accumulated depreciation balance of \$225,003. Staff calculated the annual accruals to accumulated depreciation since June 30, 1999, using the prescribed rates set forth in Rule 25-30.140, F.A.C., and determined that accumulated depreciation should be increased by \$1,672 to reflect the correct balance for the test year. In addition, staff has increased accumulated depreciation by \$180 to reflect West

⁹ Docket No. 130065-SU, Application for transfer of Certificate No. 515-S in Polk County from West Lakeland Wastewater, Inc. to West Lakeland Wastewater, LLC.

Lakeland's share of allocated common plant depreciation. Staff also increased accumulated depreciation by \$693 to include depreciation for the three pro forma plant additions discussed above, and decreased accumulated depreciation by \$725 to reflect a pro forma retirement, resulting in a net decrease of \$32. Further, staff has decreased this account by \$146 to reflect an averaging adjustment. Staff's net adjustment to accumulated depreciation is an increase of \$1,674, resulting in an accumulated depreciation balance of \$226,677.

Accumulated Amortization of CIAC: West Lakeland recorded amortization of CIAC of \$125,305. Amortization of CIAC has been calculated by staff using composite depreciation rates. As a result, accumulated amortization of CIAC should be decreased by \$18,667. Also, staff has increased accumulated amortization of CIAC by \$7,186 to reflect additions made since the Utility's 1999 SARC. In addition, staff has decreased this account by \$255 to reflect an averaging adjustment. Staff's net adjustment to accumulated amortization of CIAC is a decrease of \$11,736, resulting in an amortization of CIAC balance of \$113,569.

Working Capital Allowance: Working capital is defined as the investor-supplied funds that are necessary to meet operating expenses or going-concern requirements of the Utility. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, staff recommends a working capital allowance of \$11,814 (based on O&M expense of \$94,509/8). Staff has increased the working capital allowance by \$11,814.

Rate Base Summary: Applying all of the above adjustments results in a negative rate base of \$68,857. In accordance with Commission practice, staff has adjusted the rate base to zero for ratemaking purposes.¹⁰ Based on the forgoing, staff recommends that the appropriate test year average rate base is zero. Further, West Lakeland should complete the pro forma items within 12 months of the issuance of the consummating order. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

¹⁰ See e.g., Order No. PSC-97-0540-FOF-WS, issued May 12, 1997, in Docket No. 960799-WS, In re: Application for staff-assisted rate case in DeSoto County by Lake Suzy Utilities, Inc.

Issue 5: What is the appropriate return on equity for West Lakeland?

Recommendation: The appropriate return on equity (ROE) is 11.16 percent with a range of 10.16 percent to 12.16 percent. (Golden)

Staff Analysis: West Lakeland has negative equity and negative rate base. As discussed in Issue 8, staff is recommending the operating ratio methodology be used in this case. Although the traditional rate of return does not apply in this case due to the negative rate base, staff recommends that an ROE still be established for this Utility. The appropriate ROE is 11.16 percent based upon the Commission-approved leverage formula currently in effect.¹¹ Staff recommends an ROE of 11.16 percent, with a range of 10.16 percent to 12.16 percent.

¹¹ See Order No. PSC-12-0339-PAA-WS, issued June 28, 2012, in Docket No. 120006-WS, In re: Water and Wastewater Industry Annual Reestablishment of Authorized Range of Return on Common Equity for Water and Wastewater Utilities Pursuant to Section 367.081(4)(f), Florida Statutes.

Issue 6: What is the appropriate amount of test year revenues?

Recommendation: The appropriate test year revenues for the West Lakeland wastewater system are \$89,977. (Thompson)

Staff Analysis: West Lakeland recorded total test year revenues of \$21,650, including wastewater service revenues of \$20,677 and \$973 of miscellaneous revenues. The Utility's test year is October 2011 to September 2012. The Utility did not record any revenues in its 2012 general ledger. Based on staff's review of the Utility's billing determinants and the rates that were in effect during the test year, staff determined service revenues should be increased by \$64,948 to reflect total test year service revenues of \$85,625. Staff also made an adjustment to miscellaneous revenues. Staff's audit indicated miscellaneous revenues should be \$4,352. Staff recommends miscellaneous revenues be increased by \$3,379 to reflect the appropriate miscellaneous revenues for the test year.

Based on the above adjustments, staff recommends test year revenues of \$89,977 for the wastewater system. Test year revenues should be increased by \$68,327 (\$64,948 + \$3,379).

Issue 7: What is the appropriate amount of operating expense?

Recommendation: The appropriate amount of operating expense for the Utility is \$103,955. (Golden, Maurey)

Staff Analysis: West Lakeland recorded operating expenses of \$89,774 during the test year ended September 30, 2012. The test year O&M expenses have been reviewed and invoices, canceled checks, and other supporting documentation have been examined. Staff made several adjustments to the Utility's operating expenses, as summarized below. Also, staff notes that the Utility's allocation of expenses during the test year sometimes resulted in West Lakeland providing subsidies to other sister utilities, as well as receiving subsidies from other sister utilities, depending upon the type of expense. Staff's allocation of common costs based upon the number of ERCs is intended to produce a more uniform distribution of costs.

Salaries and Wages – Employees (701) – West Lakeland recorded \$0 for salaries in this account. As discussed in Issue 3, as of January 1, 2013, common costs are recorded to Florida Utility Service. Prior to January 1, 2013, West Lakeland received billing and maintenance service on a contractual basis. Currently, Florida Utility Service pays a billing employee and a maintenance employee salaries of \$19,760 and \$22,880, respectively. During the test year, the Utility received billing services on a contractual basis from several individuals at an hourly rate ranging from \$7.50 to \$9.50 depending upon the specific task. The current billing employee salary is based upon an hourly rate of \$9.50 for a 40-hour work week. Also, during the test year, the Utility received maintenance service on a contractual basis at an hourly rate of \$10 per hour. The current maintenance employee salary is based upon an hourly rate of \$11.00 per hour for a 40-hour work week plus 24-hour on-call duty. The billing and maintenance employees' duties are allocated based on the percentages discussed in Issue 3. Staff has determined that the billing salary attributable to West Lakeland is \$5,746 ($\$19,760 \times 29.08$ percent) and the maintenance salary attributable to West Lakeland is \$7,793 ($\$22,880 \times 34.06$ percent), for a net increase of \$13,539. Therefore, staff recommends salaries and wages – employees expense for the test year of \$13,539.

Salaries and Wages – Officers (703) – West Lakeland recorded \$0 for salaries in this account. The Utility's owner/president has requested a salary of \$60,000 to be allocated to all the utilities that he owns or manages. This amount is below the average salary range provided in the 2012 Compensation Survey issued by the American Water Works Association. Staff has determined that the president's salary attributable to West Lakeland is \$17,446 ($\$60,000 \times 29.08$ percent). Therefore, staff recommends salaries and wages – officers expense for the test year of \$17,446.

Employee Pensions and Benefits (704) – West Lakeland recorded \$0 for salaries in this account. The Utility's owner/president has requested benefits of a \$5,500 contribution to a pension fund for the owner/president and health insurance for the maintenance employee at an annual cost of \$1,476. Based upon the appropriate allocation of costs, West Lakeland's allocation of the president's pension benefit is \$1,599 ($\$5,500 \times 29.08$ percent) and the health insurance benefit is \$503 ($\$1,476 \times 34.06$ percent), for a net adjustment of \$2,102. Staff recommends employee pensions and benefits expense for the test year of \$2,102.

Sludge Removal Expense (711) – The Utility recorded sludge removal expense of \$8,250. The Utility must regularly pump out and dispose of excess sludge. However, it appears the test year expense was significantly higher than in recent years due to additional sludge removal for plant stabilization and one emergency plant clean up. A review of the Utility's prior annual reports indicates that this facility has periodically experienced a spike in its annual sludge removal expense. Engineering staff believes the test year is more representative of a high year rather than a typical year. Staff has decreased this account by \$1,416 to normalize the emergency sludge removal and clean up expense over 5 years. In addition, staff has decreased this account by \$720 to reflect the appropriate annual sludge removal expense. Staff's net adjustment to this account is a decrease of \$2,136. Staff recommends sludge removal expense of \$6,114.

Purchased Power (715) – The Utility recorded purchased power expense of \$11,897, which included \$582 for West Lakeland's share of the common office purchased power expense. The total purchased power expense for the common office is \$1,385. West Lakeland's allocated share of the purchased power expense is \$403 ($\$1,385 \times 29.08$ percent). Therefore, staff has decreased this account by \$179 ($\$403 - \582) to reflect West Lakeland's allocated share of common office purchased power expense. Also, staff has decreased purchased power by \$597 to remove penalties and interest. Staff's net adjustment to this account is a decrease of \$776. Staff recommends purchased power expense for the test year of \$11,121.

Chemicals (718) – West Lakeland recorded chemical expense of \$3,029. Staff has decreased chemical expense by \$324 to remove chemical expenses that occurred outside the test year. Further, the Florida Rural Water Association (FRWA) conducted a video review of West Lakeland's collection system. According to the FRWA, the Utility will be using Root X treatment on its collection system six times a year at an annual cost of \$814. Accordingly, staff has increased this account by \$814 to reflect inclusion of this expense as a pro forma adjustment. Staff's net adjustment to this account is an increase of \$490. Staff recommends chemical expense for the test year of \$3,519.

Material and Supplies (720) – The Utility recorded materials and supplies expense of \$2,203. Staff has decreased this account by \$218 to reclassify a pump to plant Account No. 371 pumping equipment. Also, staff has decreased this account by \$372 to amortize non-recurring material and supplies expenses over 5 years. Staff's net adjustment to this account is a decrease of \$590. Staff recommends material and supplies expense for the test year of \$1,613.

Contractual Services - Professional (731) – West Lakeland recorded contractual services – professional expense of (\$9,481). The negative balance is due to correcting entries that were made for items outside the test year that exceeded the test year balance. Excluding those adjustments, the test year balance would have been \$4,694. In December 2011, the Utility made entries to correct charges between Account Nos. 731 contractual services – professional, 735 contractual services – testing, and 736 contractual services – other. However, because these entries include items outside the test year, staff has reversed the entries. Staff's reversing adjustment to Account No. 731 contractual services – professional is an increase of \$14,174. Also, staff has decreased this account by \$200 to remove two payments for annual report preparation services by the Utility's engineering consultant that were already expensed to Account No. 735 contractual services – testing.

The following adjustments were made to identify and remove the test year bookkeeping expense and replace it with the new allocation. During the test year, the Utility received bookkeeping services on a contractual basis at an hourly rate of \$15. The Utility recorded \$1,471 for 3 months of bookkeeping services in this account. In addition, the Utility recorded \$5,853 for the remaining 9 months of bookkeeping services in Account No. 736 contractual services – other. Staff has increased this account to reclassify \$5,853 of bookkeeping expenses from Account No. 736 contractual services – other to Account No. 731 contractual services – professional, resulting in a total test year bookkeeping expense of \$7,324. Effective January 1, 2013, Florida Utility Service employed a new bookkeeper on a contractual basis for \$36,400 per year based upon an hourly rate of \$17.50 for a 40-hour work week. Staff has determined that West Lakeland’s allocated share of the bookkeeping expense is \$10,584 ($\$36,400 \times 29.08$ percent). Therefore, staff has increased this account by \$3,260 ($\$10,584 - \$7,324$) to reflect the Utility’s allocated share of contractual bookkeeping expense.

In addition, staff has increased this account by \$425 to reclassify professional fees for annual report and regulatory assessment fee (RAF) form preparation from Account No. 736 contractual services – other to Account No. 731 contractual services – professional. Also, staff has increased this account by \$120 to reflect the 5-year amortization of professional fees for an original cost study reclassified from Account No. 736 contractual services – other. Further, the Utility indicated that it plans to file annual price index applications and that its accountant charges a fee of \$400 for this service. Staff has increased this account by \$400 to reflect a pro forma adjustment for this accounting service.

During the test year, the Utility recorded a portion of its contractual testing and operational services expenses in this account. Staff has made the following adjustments to reclassify those expenses to the appropriate accounts. Specifically, staff has decreased this account by \$182 to reclassify 2 months of testing expenses to Account No. 735 contractual services – testing. Staff has also made the following adjustments to reclassify various operational expenses to Account No. 736 contractual services – other: (1) a decrease of \$1,755 to reclassify 3 months of operator contractual service fees, (2) a decrease of \$781 to reclassify non-recurring operational repairs, and (3) a decrease of \$305 to reclassify 1 month of meter reading fees. Staff’s net adjustment to this account is an increase of \$21,010. Therefore, staff recommends contractual services - professional expense for the test year of \$11,529.

Contractual Services – Testing (735) – The Utility recorded contractual services – testing expense of \$2,041. As discussed above, the Utility made correcting entries between several accounts, but the entries included items outside the test year. Staff has decreased this account by \$728 to reverse the Utility’s correcting adjustment. In addition, staff has increased this account by \$182 to reclassify 2 months of testing expense from Account No. 731 contractual services – professional. Staff has also increased this account by \$182 to reclassify 2 months of testing expense from Account No. 736 contractual services – other. Lastly, staff has decreased this account by \$585 to reclassify 1 month of operator contractual service fees to Account No. 736 contractual services – other. Staff’s net adjustment to this account is a decrease of \$949. Staff recommends contractual services - testing expense of \$1,092.

Contractual Services - Other (736) – West Lakeland recorded contractual services – other expense of \$45,927. As discussed above, the Utility made correcting entries between several accounts, but the entries included items outside the test year. Staff has made two reversing adjustments to Account No. 736 contractual services – other, which are a decrease of \$14,174 and an increase of \$728 for a combined decrease of \$13,446. During the test year, this account included entries for several contractual services which are being replaced by new allocations as discussed above. Staff has made the following adjustments to either remove or reclassify some contractual services.

Table 7-1

	<u>Adjustment Description</u>	<u>Wastewater</u>
1.	To remove test year maintenance services included in maintenance employee position.	(\$1,731)
2.	To remove test year operator services included in maintenance employee position.	(791)
3.	To remove test year management fees replaced with officer's salary.	(10,916)
4.	To remove test year billing services included in billing employee position.	(1,989)
5.	To reclassify test year bookkeeping services to Acct. No. 731.	(5,853)
6.	To reclassify annual report and RAF form preparation fees to Acct. No. 731.	(425)
7.	To reclassify non-recurring fees for original cost study to Acct. No. 731.	(600)
8.	To reclassify 2 months of testing expense to Acct. No. 735.	(182)
	Subtotal	<u>(\$22,488)</u>

Regarding the operator and meter reading contractual services that will remain in this account, staff has made the following adjustments. The Utility included \$4,680 in this account for 8 months of operator contractual service fees. Staff has increased this account by \$1,755 to reclassify 3 months of operator contractual service fees from Account No. 731 contractual services – professional, and has increased this account by \$585 to reclassify 1 month of operator contractual service fees from Account No. 735 contractual services – testing, resulting in a total test year expense of \$7,020 for operator contractual services. In addition to performing the contractual plant operation duties, the contract operator also provided additional repair and maintenance services during the test year. Staff has decreased this account by \$1,308 to amortize the non-recurring operator services over 5 years. Staff has also increased this account by \$156 to reflect the 5-year amortization of non-recurring operator repairs that were reclassified from Account No. 731 contractual services – professional.

In addition, the Utility included \$3,355 in this account for 11 months of meter reading services. Staff has increased this account by \$305 to reclassify 1 month of meter reading fees from Account No. 731 contractual services – professional, resulting in a total test year expense of \$3,660 for meter reading services. Lastly, staff has decreased this account by \$46 to remove non-utility expenses. Staff's net adjustment to this account is a decrease of \$34,487. Staff recommends contractual services - other expense for the test year of \$11,440.

Rent Expense (740) – The Utility recorded rent expense of \$281 for the test year for the Utility’s share of common rent expense. The Utility’s records include \$4,274 for 8 months of common office rent, however, nearly \$3,993 of that total was allocated to and recovered from the other utilities. Consequently, West Lakeland’s allocated share of the test year office rent was only 6.6 percent for that 8 month period. During the test year, the common office rent expense increased from \$530 to \$566 per month and has been annualized to reflect the current annual total of \$6,792 per year. Staff has determined that West Lakeland’s allocated share of rent expense is \$1,975 ($\$6,792 \times 29.08$ percent). Therefore, staff has increased this account by \$1,694 ($\$1,975 - \281) to reflect West Lakeland’s allocated share of common office rent expense. In addition, the Utility pays a monthly rental fee of \$149.60 ($\$1,795$ annually) for a storage shed located at the treatment plant site. Staff has reclassified \$1,795 for shed rental expense from Account No. 775 miscellaneous expense. Staff’s net adjustment to this account is an increase of \$3,489. Staff recommends rent expense of \$3,770.

Transportation Expense (750) – West Lakeland recorded a total of \$8,271 for transportation expense for the test year. Included in this total is \$5,804 of fuel costs allocated to West Lakeland. The fuel costs allocated to West Lakeland represent over 70 percent of the total common fuel costs of \$6,166. Staff believes this allocation overstates West Lakeland’s share of the total fuel expense. Commission engineering staff has reviewed the estimated mileage from the main office to each utility, as well as the frequency of weekly trips to each utility, and has determined that a more appropriate allocation for West Lakeland is approximately 18 percent or \$1,100. Accordingly, staff has decreased this account by \$4,704 ($\$1,100 - \$5,804$) to reflect the Utility’s appropriate allocated share of the common fuel expense. Also, staff has decreased this account by \$162 to amortize non-recurring truck maintenance expenses over 5 years. Currently, West Lakeland has use of an older truck that is shared among the utilities. Staff has increased this account by \$170 to reflect West Lakeland’s allocated share of truck maintenance expense on this vehicle.

Further, during the test year, West Lakeland had use of a new truck that was purchased by Pinecrest. The Utility owner had planned to reassign the truck and related expenses to Florida Utility Service and allocate a portion of the common costs to West Lakeland. However, the truck was totaled in an accident while still owned by Pinecrest. West Lakeland recorded \$2,151 in this account for truck loan payments, however, the payments should have been recorded in Pinecrest’s ledger instead. Therefore, staff has decreased this account by \$2,151 to remove the truck loan payments. Staff’s net adjustment to this account is a decrease of \$6,848. Staff recommends transportation expense for the test year is \$1,422.

Insurance Expense (755) – The Utility recorded insurance expense of \$2,581 for the test year. Commission audit staff noted that the Utility’s most recent property insurance invoice was \$292 less than the test year expense. Accordingly, staff has decreased this account by \$292 to make a pro forma adjustment to reflect the appropriate property insurance expense for the West Lakeland plant. Also, staff has increased this account by \$685 ($\$2,356 \times 29.08$ percent) to reflect West Lakeland’s allocated share of common property insurance expense, which also includes insurance coverage of the shared truck. Staff’s net adjustment to this account is an increase of \$393. Therefore, staff recommends insurance expense for the test year of \$2,974.

Date: June 13, 2013

Regulatory Commission Expense (765) – West Lakeland did not record any regulatory commission expense for the test year. The Utility is required by Rule 25-22.0407, F.A.C., to provide notices of the customer meeting and notices of final rates in this case to its customers. For noticing, staff has estimated \$287 for postage expense, \$218 for printing expense, and \$32 for envelopes. This results in \$537 for the noticing requirement. The Utility paid a \$1,000 rate case filing fee. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period. Based on the above, staff recommends total rate case expense of \$1,537 (\$537+ \$1,000), which amortized over 4 years is \$384. Therefore, staff recommends regulatory commission expense of \$384.

Miscellaneous Expense (775) – The Utility recorded miscellaneous expense of \$8,164. Staff has increased this account by \$609 to reverse a credit that did not relate to any charges in the test year and for which no support could be found. Also, the Utility recorded \$744 in this account for 15 months of garbage expense. In December 2012, the Utility's monthly fee for garbage service increased slightly from approximately \$50 per month to \$52 per month. Staff has annualized the Utility's current monthly fee and determined that the annual expense is \$625. Therefore, staff has decreased this account by \$119 to reflect the appropriate garbage expense.

During the test year, the Utility used several non-NARUC account numbers to identify and separate some miscellaneous expenses, such as a portion of the postage, office supplies, and meter reading equipment expenses. Since some of these items will be replaced with the new common cost allocations, staff has reclassified these expenses to this account to be incorporated with the other miscellaneous expense adjustments. Accordingly, staff has increased this account by \$3,084 to reclassify miscellaneous expenses from non-NARUC Account Nos. 921.0, 921.1, 921.2, 921.3, 921.4, and 604. In addition, staff has made adjustments to recognize the appropriate level of common miscellaneous expenses, as well as reclassify or remove certain expenses. Staff recommends the following additional adjustments to Account No. 775 miscellaneous expenses:

Table 7-2

	<u>Adjustment Description</u>	<u>Wastewater</u>
1.	To reflect the Utility's allocated share of phone, cell phone, and internet service expense (\$1,676-\$3,909).	(2,233)
2.	To reflect the Utility's allocated share of office supplies and post office box rental (\$1,448-\$591).	857
3.	To reclassify shared meter reading equipment to common allocated plant.	(988)
4.	To reclassify pump to plant Acct. No. 371.	(500)
5.	To reclassify shed rental expense to Acct. No. 740.	(1,795)
6.	To remove bank charges that occurred outside the test year and remove non-utility expenses.	(635)
	Subtotal	<u>(\$5,294)</u>

Staff's net adjustment to this account is a decrease of \$1,720. Staff recommends a miscellaneous expense balance of \$6,444.

Operation and Maintenance Expense (O&M Summary) – Based on the above adjustments, O&M expense should be increased by \$11,347. Staff's recommended adjustments to O&M expense are shown on Schedule Nos. 2-A and 2-B.

Depreciation Expense (Net of Amortization of CIAC) – The Utility did not record depreciation expense. Staff has calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff calculated test year depreciation expense of \$608. In addition, staff has increased depreciation expense by \$180 to reflect West Lakeland's allocated share of depreciation expense on common plant. Staff has also increased depreciation expense by \$693 to reflect depreciation expense for the three pro forma plant additions discussed in Issue 4. Lastly, staff has increased amortization of CIAC by \$509 based on composite rates. This results in a net depreciation expense of \$972. Therefore, staff recommends net depreciation expense of \$972.

Taxes Other Than Income (TOTI) – West Lakeland recorded a TOTI balance of \$6,613. Staff has decreased this account by \$1,498 to reflect the appropriate test year RAFs. Staff has also decreased this account by \$65 to reflect the appropriate test year utility property taxes. In addition, staff has increased TOTI by \$2,370 to reflect West Lakeland's allocated share of Federal Insurance Contributions Act tax (FICA) on the owner/president, billing, and maintenance employees' salaries. Staff's net adjustment to test year TOTI is an increase of \$808. In addition, as discussed in Issue 9, revenues have been increased by \$23,429 to reflect the change in revenue required to cover expenses and allow an opportunity to earn the recommended return on investment. As a result, TOTI should be increased by \$1,054 to reflect RAFs of 4.5 percent on the change in revenues. Therefore, staff recommends TOTI of \$8,475.

As additional information, West Lakeland is presently operating under a payment plan to address past due RAFs. As a result of this plan, the Utility has made significant contributions toward the past due balances for 2011 and 2012 and has paid the outstanding 2010 balance in full. As of the time of the filing of this recommendation, West Lakeland is current with respect to its RAF payment plan.

Income Tax – The Utility did not have any income tax expense for the test year. West Lakeland is a limited liability company. The tax liability is passed on to the owners' personal tax returns. Therefore, staff did not make an adjustment to this account.

Operating Expenses Summary – The application of staff's recommended adjustments to West Lakeland's test year operating expenses result in operating expenses of \$103,955. Operating expenses are shown on Schedule Nos. 2-A and 2-B. The adjustments are shown on Schedule No. 2-C.

Issue 8: Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for West Lakeland, and, if so, what is the appropriate margin?

Recommendation: Yes, the Commission, on its own motion, should utilize the operating ratio methodology for calculating the revenue requirement for West Lakeland. The margin should be 10.00 percent of O&M expense. (Golden)

Staff Analysis: Section 367.0814(9), F.S., provides that the Commission may, by rule, establish standards and procedures for setting rates and charges of small utilities using criteria other than those set forth in Sections 367.081(1), (2)(a), and (3), F.S. Rule 25-30.456, F.A.C., provides an alternative to a staff-assisted rate case as described in Rule 25-30.455, F.A.C. As an alternative, utilities with total gross annual operating revenue of less than \$250,000 per system may petition the Commission for staff assistance in alternative rate setting.

Although West Lakeland did not petition the Commission for alternative rate setting under the aforementioned rule, staff believes that the Commission should exercise its discretion to employ the operating ratio methodology to set rates in this case. The operating ratio methodology is an alternative to the traditional calculation of revenue requirements. Under this methodology, instead of applying a return on the Utility's rate base, the revenue requirement is based on the margin of West Lakeland's O&M expenses. This methodology has been applied in cases in which the traditional calculation of revenue requirements would not provide sufficient revenue to protect against potential variances in revenues and expenses.

By Order No. PSC-96-0357-FOF-WU,¹² the Commission, for the first time, utilized the operating ratio methodology as an alternative means for setting rates. This order also established criteria to determine the use of the operating ratio methodology and a guideline margin of 10 percent of O&M expense. This criteria was applied again in Order No. PSC-97-0130-FOF-SU.¹³ Most recently, the Commission approved the operating ratio methodology for setting rates in Order No. PSC-13-0126-PAA-SU.¹⁴

By Order No. PSC-96-0357-FOF-WU, the Commission established criteria to determine whether to utilize the operating ratio methodology for those utilities with low or non-existent rate base. The qualifying criteria established by Order No. PSC-96-0357-FOF-WU, and how they apply to the Utility are discussed below:

1) Whether the Utility's O&M expense exceeds rate base. The operating ratio method substitutes O&M expense for rate base in calculating the amount of return. A Utility generally would not benefit from the operating ratio method if rate base exceeds O&M expense. The decision to use the operating ratio method depends on the determination of whether the primary risk resides in capital costs or operating expenses. In the instant case, the rate base is less than

¹² Issued March 13, 1996, in Docket No. 950641-WU, In re: Application for staff-assisted rate case in Palm Beach County by Lake Osborne Utilities Company, Inc.

¹³ Issued February 10, 1997, in Docket No. 960561-SU, In re: Application for staff-assisted rate case in Citrus County by Indian Springs Utilities, Inc.

¹⁴ Issued March 14, 2013, in Docket No. 120078-SU, In re: Application for staff-assisted rate case in Brevard County by TKCB.

the level of O&M expense. The Utility's primary risk resides with covering its operating expense. Based on the staff's recommendation, the adjusted rate base for the test year is negative \$68,857, adjusted to zero for ratemaking purposes, while adjusted O&M expense is \$94,509.

2) Whether the Utility is expected to become a Class B utility in the foreseeable future. Pursuant to Section 367.0814(9), F.S., the alternative form of regulation being considered in this case only applies to small utilities with gross annual revenue of \$250,000 or less. West Lakeland is a Class C utility and the recommended revenue requirement of \$113,406 is substantially below the threshold level for Class B status (\$200,000 per system). The Utility's service area has not had any significant growth in the last five years. Therefore, the Utility will not become a Class B utility in the foreseeable future.

3) Quality of service and condition of plant. As discussed in Issue 1, staff is recommending the quality of service be found satisfactory.

4) Whether the Utility is developer-owned. The current Utility owner is not a developer.

5) Whether the Utility operates treatment facilities or is simply a distribution and/or collection system. The issue is whether or not purchased water and/or wastewater costs should be excluded in the computation of the operating margin. West Lakeland operates a wastewater treatment plant and collection system.

Based on staff's review of the Utility's situation relative to the above criteria, staff recommends that West Lakeland is a viable candidate for the operating ratio methodology.

By Order Nos. PSC-96-0357-FOF-WS and PSC-97-0130-FOF-WU, the Commission determined that a margin of 10 percent shall be used unless unique circumstances justify the use of a greater or lesser margin. The important question is not what the return percentage should be, but what level of operating margin will allow the utility to provide safe and reliable service and remain a viable entity. The answer to this question requires a great deal of judgment based upon the particular circumstances of the utility.

Several factors must be considered in determining the reasonableness of a margin. First, the margin must provide sufficient revenue for the Utility to cover its interest expense. However, in this case, the Utility is not paying interest expense.

Second, use of the operating ratio methodology rests on the contention that the principal risk to the utility resides in operating cost rather than in capital cost of the plant. The fair return on a small rate base may not adequately compensate the utility owner for incurring the risk associated with covering the much larger operating cost. Therefore, the margin should adequately compensate the utility owner for that risk. Under the rate base method, the return to West Lakeland would be zero due to the Utility's negative rate base, providing no financial cushion.

Third, if the return on rate base method was applied, West Lakeland could be left with insufficient funds to cover operating expenses. Therefore, the margin should provide adequate revenue to protect against potential variability in revenue and expenses. The return on rate base

method would provide the Utility no return. If the Utility's operating expenses increase and revenue decreases, West Lakeland would not have the funds required for day-to-day operations.

In conclusion, staff believes the above factors show that the Utility needs a higher margin of revenue over operating expenses than the traditional return on rate base method would allow. Therefore, in order to provide West Lakeland with adequate cash flow to meet environmental requirements and to provide some assurance of safe and reliable service, staff recommends application of the operating ratio methodology at a margin of 10.00 percent of O&M expense for determining the revenue requirement.

Issue 9: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$113,406, resulting in an annual increase of \$23,429 (26.04 percent). (Golden)

Staff Analysis: West Lakeland should be allowed an annual increase of \$23,429 (26.04 percent). This will allow the Utility the opportunity to recover its expenses and a 10.00 percent cushion over its O&M expenses. The calculations are as follows:

Table 9-1

<u>Wastewater Revenue Requirement</u>	
Adjusted O&M Expense	\$94,509
Operating Margin Ratio	<u>10.00%</u>
Operating Margin	\$9,451
Adjusted O&M Expense	94,509
Depreciation expense (Net)	972
Amortization	0
Taxes Other Than Income	8,475
Income Tax	<u>0</u>
Revenue Requirement	\$113,406
Less Adjusted Test Year Revenues	<u>\$89,977</u>
Annual Increase	<u>\$23,429</u>
Percent Increase/(Decrease)	<u>26.04%</u>

Issue 10: Should West Lakeland's current wastewater system rate structure be changed, and, if so, what is the appropriate adjustment?

Recommendation: No. West Lakeland's wastewater system rate structure, which consists of a monthly base facility charge (BFC) and uniform gallonage charge rate structure, should remain unchanged. The wastewater system's BFC allocation of 50 percent should remain unchanged. Staff recommends the residential wastewater gallonage cap be set at 6,000 gallons a month. Furthermore, staff recommends that the general service gallonage charge be 1.2 times greater than the residential gallonage charge. (Thompson)

Staff Analysis: West Lakeland's current rate structure is the traditional BFC and gallonage charge rate structure. The water service is provided by the City of Lakeland. The Commission's preferred wastewater rate structure is a BFC and uniform rate structure. For this reason, staff recommends a continuation of the BFC and uniform gallonage charge rate structure.

The Utility's current residential wastewater cap is set at 8,000 gallons per month. It is Commission practice to set the residential wastewater gallonage cap at a consumption level equal to at least 80 percent of residential water sold. Staff's review of the billing data indicates that at the 6,000 gallon consumption level, 86 percent of the gallons sold are captured. For this reason, the Utility's wastewater gallonage cap of 8,000 gallons should be reduced to 6,000 gallons. There is no cap for general service customers. Furthermore, staff recommends the general service gallonage charge remain at 1.2 times greater than the residential gallonage charge. The proposed BFC recovers approximately 50 percent of the recommended revenue requirement, consistent with Commission practice.

Based on the foregoing, staff recommends that West Lakeland's wastewater system rate structure, which consists of a monthly BFC and uniform gallonage charge rate structure, should remain unchanged. The wastewater system's BFC allocation of 50 percent should remain unchanged. Staff recommends the residential wastewater gallonage cap be set at 6,000 gallons a month. Furthermore, staff recommends that the general service gallonage charge be 1.2 times greater than the residential gallonage charge.

Issue 11: What are the appropriate rates for West Lakeland?

Recommendation: The appropriate monthly wastewater rates are shown on Schedule No. 3. The recommended rates should be designed to produce service revenues of \$109,054. 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 sheet, 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. (Thompson)

Staff Analysis: The wastewater revenue requirement of \$113,406 should be adjusted to remove miscellaneous revenues of \$4,352. The resulting wastewater rates should be designed to produce service revenues of \$109,054.

Based on the foregoing, the appropriate monthly wastewater rates are shown on Schedule No. 3. The recommended rates should be designed to produce service revenues of \$109,054. 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 sheet, 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 12: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Recommendation: The wastewater rates should be reduced as shown on Schedule No. 3, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. West Lakeland should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Golden, Thompson)

Staff Analysis: Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense, the associated operating margin, and the gross-up for RAFs. The total reduction is \$442.

The wastewater rates should be reduced as shown on Schedule No. 3, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. West Lakeland should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 13: Should the recommended rates be approved for West Lakeland on a temporary basis, subject to refund, 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, in the event of a protest filed by a party other than the Utility. West Lakeland 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 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 Clerk's office 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. (Golden)

Staff Analysis: This recommendation proposes an increase in rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the recommended rates be approved as temporary rates. West Lakeland 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 \$15,629. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, 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 as a security, it should contain the following conditions:

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

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

- 1) No monies in the escrow account may be withdrawn by the Utility without the express approval of the Commission;
- 2) The escrow account shall be an interest bearing account;
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility;
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 7) 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;
- 8) The Commission Clerk must be a signatory to the escrow agreement; and
- 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 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.

Issue 14: Should West Lakeland be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all applicable NARUC Uniform System of Accounts (USOA) primary accounts associated with the Commission-approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, West Lakeland should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made. (Golden)

Staff Analysis: To ensure that the Utility adjusts its books in accordance with the Commission's decision, West Lakeland should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made.

Issue 15: 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 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. (Murphy)

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 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.

WEST LAKELAND WASTEWATER, LLC		SCHEDULE NO. 1-A	
TEST YEAR ENDED 09/30/12		DOCKET NO. 120270-SU	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$237,239	\$16,323	\$253,562
LAND & LAND RIGHTS	356	0	356
NON-USED AND USEFUL COMPONENTS	0	0	0
CIAC	(163,400)	(58,080)	(221,480)
ACCUMULATED DEPRECIATION	(225,003)	(1,674)	(226,677)
AMORTIZATION OF CIAC	125,305	(11,736)	113,569
WORKING CAPITAL ALLOWANCE	0	11,814	11,814
WASTEWATER RATE BASE	<u>(\$25,503)</u>	<u>(\$43,354)</u>	<u>(\$68,857)</u>

WEST LAKELAND WASTEWATER, LLC
TEST YEAR ENDED 09/30/12
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1-B
DOCKET NO. 120270-SU
PAGE 1 OF 1

UTILITY PLANT IN SERVICE

1.	To reflect 2007 plant addition of a new lift station panel to Acct. No. 370.	\$2,651
2.	To reflect 2007 retirement of lift station panel to Acct. No. 370.	(1,988)
3.	To reflect 2009 plant addition of replacement discharge pipe in lift station to Acct. No. 370.	2,438
4.	To reflect 2009 retirement of discharge pipe in lift station to Acct. No. 370.	(1,829)
5.	To reflect 2010 plant addition of pump in lift station to Acct. No. 370.	2,282
6.	To reflect 2010 plant addition of auto dialer at wastewater treatment plant to Acct. No. 380.	2,480
7.	To record 2011 retirement of pump to Acct. No. 370 (retired 7/11/2011).	(1,016)
8.	To record 2011 retirement of pump to Acct. No. 370 (retired 10/11/2011).	(1,071)
9.	To reclassify 2011 pump from expense Acct. No. 720 to Acct. No. 371.	218
10.	To reclassify 2012 pump from expense Acct. No. 775 to Acct. No. 371.	500
11.	To reflect 2012 plant addition of pump to Acct. 360.	1,342
12.	To reflect the Utility's share of allocated common plant.	1,461
13.	To reflect pro forma plant addition for manhole ring replacement/raising to Acct. No. 361.	2,530
14.	To reflect pro forma plant addition for lift station rehabilitation to Acct. No. 371.	8,023
15.	To reflect pro forma plant addition for check valve replacement to Acct. No. 380.	967
16.	To reflect pro forma retirement of check valve replacement to Acct. No. 380.	(725)
17.	To reflect an averaging adjustment.	(1,939)
	Total	<u>\$16,323</u>

CIAC

1.	To reflect 2000 CIAC additions.	(\$20,240)
2.	To reflect 2001 CIAC additions.	(20,240)
3.	To reflect 2005 CIAC additions.	(6,160)
4.	To reflect 2008 CIAC additions.	(11,440)
	Total	<u>(\$58,080)</u>

ACCUMULATED DEPRECIATION

1.	To reflect accumulated depreciation per Rule 25-30.140.	(\$1,672)
2.	To reflect accumulated depreciation on Utility's share of allocated common plant.	(180)
3.	To reflect pro forma accumulated depreciation for plant additions and retirements.	32
4.	To reflect averaging adjustment.	146
	Total	<u>(\$1,674)</u>

AMORTIZATION OF CIAC

1.	To adjust amortization of CIAC based on composite rates.	(\$18,667)
2.	To reflect additions to amortization of CIAC based on composite rates.	7,186
3.	To reflect averaging adjustment	(255)
	Total	<u>(\$11,736)</u>

WORKING CAPITAL ALLOWANCE

	To reflect 1/8 of test year O & M expenses.	<u>\$11,814</u>
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WEST LAKELAND WASTEWATER, LLC			SCHEDULE NO. 2-A		
TEST YEAR ENDED 09/30/12			DOCKET NO. 120270-SU		
SCHEDULE OF WASTEWATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$21,650</u>	<u>\$68,327</u>	<u>\$89,977</u>	<u>\$23,429</u> 26.04%	<u>\$113,406</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$83,162	\$11,347	\$94,509	\$0	\$94,509
3. DEPRECIATION (NET)	0	972	972	0	972
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	6,613	808	7,421	1,054	8,475
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$89,774</u>	<u>\$13,127</u>	<u>\$102,901</u>	<u>\$1,054</u>	<u>\$103,955</u>
8. OPERATING INCOME/(LOSS)	<u>(\$68,125)</u>		<u>(\$12,924)</u>		<u>\$9,451</u>
9. WASTEWATER RATE BASE	<u>(\$25,503)</u>		<u>(\$68,857)</u>		<u>\$0</u>
10. OPERATING RATIO					<u>10.00%</u>

WEST LAKELAND WASTEWATER, LLC TEST YEAR ENDED 09/30/12 ADJUSTMENTS TO OPERATING INCOME	Schedule No. 2-B DOCKET NO. 120270-SU Page 1 of 3
OPERATING REVENUES	
1. To reflect the appropriate test year services revenues.	\$64,948
2. To reflect the appropriate test year miscellaneous service revenues.	<u>3,379</u>
Subtotal	<u>\$68,327</u>
OPERATION AND MAINTENANCE EXPENSES	
1. Salaries and Wages - Employees (701)	
a. To reflect the Utility's allocated share of billing employee's salary.	\$5,746
b. To reflect the Utility's allocated share of maintenance employee's salary.	<u>7,793</u>
Subtotal	<u>\$13,539</u>
2. Salaries and Wages - Officers (703)	
a. To reflect the Utility's allocated share of president's salary.	<u>\$17,446</u>
3. Employee Pensions and Benefits (704)	
a. To reflect the Utility's allocated share of president's benefits.	\$1,599
b. To reflect the Utility's allocated share of employee health insurance.	<u>503</u>
Subtotal	<u>\$2,102</u>
4. Sludge Removal Expense (711)	
a. To reflect 5-year normalization of emergency sludge removal expense.	(\$1,416)
b. To reflect the appropriate annual sludge removal expense.	<u>(720)</u>
Subtotal	<u>(\$2,136)</u>
5. Purchased Power (715)	
a. To reflect the Utility's allocated share of purchased power expense.	(\$179)
b. To remove penalties and interest on the treatment plant purchased power expense.	<u>(597)</u>
Subtotal	<u>(\$776)</u>
6. Chemicals (718)	
a. To remove chemical expenses that occurred outside the test year.	(\$324)
b. To reflect pro-forma adjustment for Root X chemical expense.	<u>814</u>
Subtotal	<u>\$490</u>
7. Materials and Supplies (720)	
a. To reclassify pump to plant Acct. No. 371.	(\$218)
b. To reflect 5-year amortization of non-recurring materials and supplies expense.	<u>(372)</u>
Subtotal	<u>(\$590)</u>
8. Contractual Services - Professional (731)	
a. To reverse correcting entries that occurred outside the test year.	\$14,174
b. To remove two accounting service payments that were expensed to Acct. No. 735.	(200)
c. To reclassify test year bookkeeping expense from Acct. No. 736	5,853
d. To reflect the Utility's allocated share of contractual bookkeeping expense.	<u>3,260</u>
e. To reclassify fees for annual report and RAF form preparation from Acct. No. 736.	425
f. To reflect 5-year amort. of original cost study reclassified from Acct. No. 736 (\$600/5).	120
g. To reflect pro-forma adjustment for annual price index filing preparation.	400
h. To reclassify 2 months of testing expense to Acct. No. 735.	<u>(182)</u>

WEST LAKELAND WASTEWATER, LLC TEST YEAR ENDED 09/30/12 ADJUSTMENTS TO OPERATING INCOME	Schedule No. 2-B DOCKET NO. 120270-SU Page 2 of 3
8. Contractual Services - Professional (731) - Continued	
i. To reclassify 3 months of operator contractual service fees to Acct. No. 736.	(1,755)
j. To reclassify non-recurring operational repairs to Acct. No. 736.	(781)
k. To reclassify 1 monthly meter reading fee to Acct. No. 736.	(305)
Subtotal	<u>\$21,010</u>
9. Contractual Services - Testing (735)	
a. To reverse correcting entries that occurred outside the test year.	(\$728)
b. To reclassify 2 months of testing expense from Acct. No. 731.	182
c. To reclassify 2 months of testing expense from Acct. No. 736.	182
d. To reclassify 1 month of operator contractual service fees to Acct. No. 736.	(585)
Subtotal	<u>(\$949)</u>
10. Contractual Services - Other (736)	
a. To reverse correcting entries that occurred outside the test year.	(\$13,446)
b. To remove test year maintenance services included in maintenance employee position.	(1,731)
c. To remove test year operator services included in maintenance employee position.	(791)
d. To remove test year management fees replaced with officer's salary.	(10,916)
e. To remove test year billing services included in billing employee position.	(1,989)
f. To reclassify test year bookkeeping services to Acct. No. 731.	(5,853)
g. To reclassify fees for annual report and RAF form preparation to Acct. No. 731.	(425)
h. To reclassify non-recurring fees for original cost study to Acct. No. 731.	(600)
i. To reclassify 2 months of testing expense to Acct. No. 735.	(182)
j. To reclassify 3 months of operator contractual service fees from Acct. No. 731.	1,755
k. To reclassify 1 month of operator contractual service fees from Acct. No. 735.	585
l. To amortize non-recurring operator services over 5 years.	(1,308)
m. To reflect 5-yr. amort. of non-recurring repairs reclassified from Acct. No. 731 (\$781/5).	156
n. To reclassify 1 monthly meter reading fee from Acct. No. 731.	305
o. To remove non-utility expense.	(46)
Subtotal	<u>(\$34,487)</u>
11. Rent Expense (740)	
a. To reflect the Utility's allocated share of rent expense.	\$1,694
b. To reclassify shed rental expense from Acct. No. 775.	1,795
Subtotal	<u>\$3,489</u>
12. Transportation Expense (750)	
a. To reflect the Utility's appropriate allocated share of common fuel expense.	(\$4,704)
b. To amortize non-recurring truck maintenance expense over 5 years.	(162)
c. To reflect the Utility's allocated share of truck maintenance expense.	170
d. To remove truck loan payments.	(2,151)
Subtotal	<u>(\$6,848)</u>
13. Insurance Expenses (755)	
a. To reflect pro-forma adjustment to reflect appropriate plant insurance expense.	(\$292)
b. To reflect the Utility's allocated share of property insurance expense.	\$685
Subtotal	<u>\$393</u>

WEST LAKELAND WASTEWATER, LLC TEST YEAR ENDED 09/30/12 ADJUSTMENTS TO OPERATING INCOME	Schedule No. 2-B DOCKET NO. 120270-SU Page 3 of 3
14. Regulatory Commission Expense (765)	
a. To reflect 4-year amortization of rate case expense (\$1,537/4).	<u>\$384</u>
15. Miscellaneous Expense (775)	
a. To reverse a misclassified credit.	\$609
b. To reflect appropriate garbage expense for Utility plant.	(119)
c. To reclassify misc. expenses from non-NARUC Acct. Nos. 921.0-921.4 and 604.	3,084
d. To reflect the Utility's allocated share of phone, cell phone, and internet service expense.	(2,233)
e. To reflect the Utility's allocated share of office supplies and post office box rental.	857
f. To reclassify shared meter reading equipment to common allocated plant.	(988)
g. To reclassify pump to plant Acct. No. 371.	(500)
h. To reclassify shed rental expense to Acct. No. 740.	(1,795)
i. To remove bank charges that occurred outside the test year and non-utility expenses.	(635)
Subtotal	<u>(\$1,720)</u>
 TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	 <u>\$11,347</u>
 DEPRECIATION EXPENSE	
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$608
2. To reflect test year depreciation on allocated common plant.	180
3. To reflect depreciation expense for pro forma plant additions.	693
4. To reflect the appropriate amortization of CIAC:	(509)
Total	<u>\$972</u>
 TAXES OTHER THAN INCOME	
1. To reflect the appropriate test year RAFs.	(\$1,498)
2. To reflect appropriate test year utility property taxes.	(65)
3. To reflect the Utility's allocated share of FICA on employee salaries.	<u>2,370</u>
Total	<u>\$808</u>

WEST LAKELAND WASTEWATER, LLC		SCHEDULE NO. 2-C	
TEST YEAR ENDED 09/30/12		DOCKET NO. 120270-SU	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENTS	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$13,539	\$13,539
(703) SALARIES AND WAGES - OFFICERS	0	17,446	17,446
(704) EMPLOYEE PENSIONS AND BENEFITS	0	2,102	2,102
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	8,250	(2,136)	6,114
(715) PURCHASED POWER	11,897	(776)	11,121
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	3,029	490	3,519
(720) MATERIALS AND SUPPLIES	2,203	(590)	1,613
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	(9,481)	21,010	11,529
(735) CONTRACTUAL SERVICES - TESTING	2,041	(949)	1,092
(736) CONTRACTUAL SERVICES - OTHER	45,927	(34,487)	11,440
(740) RENTS	281	3,489	3,770
(750) TRANSPORTATION EXPENSE	8,271	(6,848)	1,422
(755) INSURANCE EXPENSE	2,581	393	2,974
(765) REGULATORY COMMISSION EXPENSES	0	384	384
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	<u>8,164</u>	<u>(1,720)</u>	<u>6,444</u>
	<u>\$83,162</u>	<u>\$11,347</u>	<u>\$94,509</u>

WEST LAKELAND WASTEWATER, LLC
TEST YEAR ENDED SEPTEMBER 30, 2012
MONTHLY WASTEWATER RATES

SCHEDULE NO. 3

	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential</u>			
Base Facility Charge - All Meter Sizes	\$13.39	\$14.57	\$0.06
<u>Gallonge Charge</u>			
Per 1,000 Gallons (6,000 gallon cap)	N/A	\$5.41	\$0.02
Per 1,000 Gallons (8,000 gallon cap)	\$3.26	N/A	N/A
<u>General Service</u>			
Base Facility Charge by Meter Size:			
5/8"X3/4"	\$13.39	\$14.57	\$0.06
1"	\$18.29	\$36.43	\$0.15
1-1/2"	\$28.09	\$72.85	\$0.30
2"	\$52.61	\$116.56	\$0.47
3"	\$82.02	\$233.12	\$0.94
4"	\$160.45	\$364.25	\$1.48
6"	\$248.71	\$728.50	\$2.95
8"	\$493.82	\$1,165.60	\$4.72
<u>General Service Gallonge Charge</u>			
Per 1,000 Gallons	\$3.89	\$6.49	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$23.17	\$30.80	
6,000 Gallons	\$32.95	\$47.03	
10,000 Gallons	\$39.47	\$47.03	