

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 23, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Slemkewicz, Mouring, D. Buys)
Division of Economics (Johnson, Hudson)
Division of Engineering (Mtenga)
Office of the General Counsel (Mapp)

Handwritten initials and signatures: JS, M, DB, BZ, CABB, ALM, CJ, PA, SH, G, TB, S.M.C.

RE: Docket No. 150269-WS – Application for limited proceeding water rate increase in Marion, Pasco, and Seminole Counties, by Utilities, Inc. of Florida.

AGENDA: 07/07/16 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Utilities, Inc. of Florida (UIF or Utility) is a Class A utility providing water and wastewater service to twenty systems in the following counties: Marion, Orange, Pasco, Pinellas, and Seminole. On December 30, 2015, the Utility requested a limited proceeding water rate increase for Marion, Pasco, and Seminole Counties. UIF is a wholly-owned subsidiary of Utilities, Inc. (UI). The Utility's last rate case was in 2012.¹

¹ Order No. PSC-14-0025-PAA-WS, issued January 10, 2014, in Docket No. 120209-WS, *In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.*

On March 24, 2016, the Office of Public Counsel (OPC) filed its notice of intervention in this proceeding, and an Order acknowledging intervention was issued on April 4, 2016.² Prior to the notice of intervention, OPC submitted a letter, dated February 2, 2016, outlining concerns that OPC had with the Utility's petition for Marion, Pasco, and Seminole Counties.³

Customer meetings were held April 12 and 13, 2016, in New Port Richey and Ocala, respectively. Staff notes that no customers attended the meeting held on April 13, 2016, for the customers of Marion and Seminole Counties.

UIF filed a petition for a limited proceeding pursuant to Rule 25-30.446, Florida Administrative Code (F.A.C.). Driving the limited proceeding were (1) galvanized service line replacement costs in Marion County, (2) the loss of irrigation customers, plant additions, and purchased water costs in Pasco County, and (3) interconnection plant addition costs in Seminole County.

By letter dated June 8, 2016, UIF requested that the portion of this limited proceeding addressing a rate increase in Pasco County be bifurcated from the portion addressing rate increases in Marion and Seminole Counties.⁴ OPC filed a response to UIF's bifurcation request on June 13, 2016.⁵ As such, this recommendation addresses only the Utility's request for a limited proceeding water rate increase in Marion and Seminole Counties.

On April 12, 2016, the Commission acknowledged the reorganization and name change of UI's systems in Florida.⁶ The instant docket applies only to the former Utilities Inc., of Florida systems, and does not include Utilities, Inc. of Longwood (Longwood) and Sanlando Utilities Corporation (Sanlando) in Seminole County.

The Commission has jurisdiction pursuant to Sections 367.081 and 367.0822, Florida Statutes (F.S.).

² Order No. PSC-16-0135-PCO-WS, issued April 4, 2016.

³ Document No. 00669-16

⁴ Document No. 03459-16

⁵ Document No. 03641-16

⁶ Order No. PSC-16-0143-FOF-WS, issued April 12, 2016, in Docket No. 150235-WS, *In re: Joint application for acknowledgement of corporate reorganization and request for approval of name changes on water and/or wastewater certificates of Cypress Lakes Utilities, Inc. in Polk County; Utilities, Inc. of Eagle Ridge in Lee County; Utilities, Inc. of Florida in Marion, Orange, Pasco, Pinellas, and Seminole Counties; Labrador Utilities, Inc. in Pasco County; Lake Placid Utilities, Inc. in Highlands County; Lake Utility Services, Inc. in Lake County; Utilities, Inc. of Longwood in Seminole County; Mid-County Services, Inc. in Pinellas County; Utilities, Inc. of Pennbrooke in Lake County; Utilities, Inc. of Sandalhaven in Charlotte County; Sanlando Utilities Corporation in Seminole County; and Tierra Verde Utilities, Inc. in Pinellas County, to Utilities, Inc. of Florida.*

Discussion of Issues

Issue 1: Should the Utility's requested increases be approved as filed?

Recommendation: No. However, the Commission should approve water rate increases of \$45,663 (or 28.85 percent) for Marion County and \$16,142 (or 1.61 percent) for Seminole County, excluding Longwood and Sanlando. (Slemkewicz, Mtenga)

Staff Analysis: In its petition, UIF requested a Marion County water rate increase of \$52,725 (or 33.83 percent) for the replacement of galvanized service lines. In Seminole County, the Utility requested a water rate increase of \$20,693 (or 2.11 percent) for an interconnection project.

Rate Base

In its filing, the Utility requested a rate base increase of \$310,779 for Marion County and \$97,132 for Seminole County. The rate base components were Utility Plant in Service, Accumulated Depreciation, and Cash Working Capital.

Utility Plant in Service

In Marion County, the Utility replaced galvanized iron pipes, which were in place since the 1970s, and associated meter boxes because of ongoing pipe failures that caused significant water loss. The project was completed in April 2015 and cost \$313,978. The Utility had implemented a practice of replacing each water service line as it failed but decided to replace all of the 125 water service lines to take advantage of economies of scale. UIF estimated that continuing the process of replacing the pipes as needed could be up to one and a half times more costly. In response to staff's data request, the Utility provided the three bids it received and notes that it chose the lowest cost option. Staff believes that, given the age and condition of the water service lines and economies of scale associated with replacing the 125 water service lines at once, the project is reasonable, and UIF should be allowed to recover these costs.

In Seminole County, the Utility requested approval for costs associated with interconnecting its Ravenna Park and Crystal Lake water systems including upgrades to the Ravenna Park water treatment plant storage facilities which were completed in July 2015. UIF stated that the project was initiated after excess infiltration of sand into the well pump of the sole water supply well, built in the 1950s, at Crystal Lake water system. The Utility proposed an interconnection after exploring two alternatives for the well failure. First, it explored downsizing the pump assembly and motor but found this option would not meet system demands and would lead to more pump replacements in the future. Second, it considered drilling a new well but found that the existing property's footprint was too small to allow for a new well. The cost for this interconnection project is \$98,033 which includes the engineering evaluation, design, geotechnical services, bid documentation, permitting, and well abandonment costs. In response to staff's data request, UIF provided the four bids submitted for the interconnection and the lowest cost option was selected. Based on staff's review, the cost to complete the interconnection is reasonable and will meet customer demand.

Accumulated Depreciation

UIF included accumulated depreciation of \$3,651 and \$1,400 for Marion and Seminole Counties, respectively. Staff has reviewed the calculation of the depreciation expense and the accumulated depreciation and recommends they are appropriate in accordance with Rule 25-30.140, Florida Administrative Code (F.A.C.).

Working Capital Allowance

In its filing, UIF included a working capital allowance of \$452 for Marion County and \$499 for Seminole County. These amounts represent 1/8th of the rate case expense. However, staff has reduced the amount included in the working capital allowance based on the reductions made to the recommended amount of the total rate case expense. As a result, staff recommends that the appropriate amount of working capital is \$211 and \$242 for Marion and Seminole Counties, respectively.

After reviewing UIF's requested rate base increase, staff recommends that the adjusted amounts for rate base are \$310,538 for Marion and \$96,875 for Seminole as shown in Schedule Nos. 1 and 2.

Rate of Return

Per Schedule No. 11 of its filing for both Marion and Seminole Counties, UIF calculated an 8.03 percent rate of return (ROR). This ROR was based on a capital structure ended December 31, 2014, that only included long-term debt with a cost rate of 6.65 percent and common equity with a return on equity of 9.38 percent. That capital structure is not consistent with the capital structure used in the Utility's last rate case for Marion and Seminole Counties.⁷ In addition, Rule 25-30.445(4)(e), F.A.C., requires that the weighted average cost of capital shall be calculated based on the most recent 12-month period using the mid-point of the range of the last authorized rate of return on equity and all of the appropriate capital structure components. In this instance, the most recent period available is the 12 months ended December 31, 2015. UIF calculated a December 2015 ROR of 7.85 percent on Schedule F-5 of its 2015 Annual Report. However, UIF did not use the mid-point equity cost rate of 10.38 percent or the minimum 2.00 percent cost rate for customer deposits pursuant to Rule 25-30.311(4)(a), F.A.C. Based on the foregoing, staff recalculated a December 2015 ROR of 7.68 percent as shown on Schedule No. 3.

Operating Expenses

In its filing, UIF requested operating expense increases, excluding income taxes, of \$16,091 and \$9,062 for Marion and Seminole Counties, respectively. These increases are related to depreciation and property taxes for the additional plant, as well as rate case expense.

Depreciation Expense

⁷ Order No. PSC-14-0025-PAA-WS, issued January 10, 2014, in Docket No. 120209-WS, *In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida*

UIF included increased depreciation expense of \$7,302 for Marion and \$2,801 for Seminole related to the additional plant that was added. Staff reviewed the additional plant amounts and associated depreciation rates used in the calculation of the increased depreciation expense. In accordance with Rule 25-30.140, F.A.C., staff recommends that the requested depreciation expense increase is appropriate.

Rate Case Expense

In its filing, UIF estimated that the total rate case expense would be \$46,779 for Marion, Pasco and Seminole Counties. Per Schedule No. 12 of its filing, UIF requested total rate case expenses of \$14,474 and \$15,967 for Marion and Seminole Counties, respectively. The resulting 4-year amortization amounts were \$3,619 for Marion and \$3,992 for Seminole. In response to a staff data request, UIF submitted an updated total rate case expense of \$28,779 on June 10, 2016.⁸ Staff reviewed the details of the updated rate case expense and determined that \$6,349 of the expense was related directly to Pasco County. While UIF's request for Pasco County has been bifurcated from this proceeding, staff believes rate case expense should still be allocated across all three counties. As a result, the remaining balance to be allocated among the three counties is \$22,430 (\$28,779 - \$6,349), of which \$17,959 of the \$22,430 rate case expense should be allocated equally among the three counties. The remaining \$4,471 of rate case expense related to customer notices postage and stock should be allocated on a 16.9 percent for Marion, 39.3 percent for Seminole, and 43.9 percent for Pasco basis. The resulting annual rate case expense amortization is \$1,684 (\$6,737 divided by four years) for Marion County and \$1,936 (\$7,743 divided by four years) for Seminole County as shown on Schedule No. 4. The 4-year rate reduction for rate case expense is \$1,760 and \$2,023 for Marion and Seminole Counties, respectively. The recovery of any rate case expense related to Pasco County will be determined in the bifurcated portion of the limited proceeding.

Taxes Other Than Income

The Utility included increased Taxes Other Than Income (TOTI) of \$5,170 and \$2,269 for Marion and Seminole Counties, respectively. The increases were mainly related to the property taxes on the additional plant that was added. Staff has reviewed the property tax calculations of \$5,170 for Marion and \$1,495 for Seminole and recommends that they are reasonable. In Seminole County, however, UIF incorrectly included an additional \$775 for regulatory assessment fees related to its calculation of annualized revenue. Staff has excluded this amount from its calculation resulting in increased TOTI of \$5,170 and \$1,495 for Marion and Seminole Counties, respectively.

Based on staff's review, the appropriate operating expense increases, excluding income taxes, are \$14,156 for Marion County and \$6,232 for Seminole County.

Calculation of Water Rate Increases

UIF calculated water rate increases of \$52,725 (or 33.83 percent) for Marion County and \$20,693 (or 2.11 percent) for Seminole County. Staff would note one error that the Utility made in its calculation of the income subject to state and federal income taxes. In calculating the taxable income amount, UIF multiplied the increased rate base amount by the total overall ROR of 8.03 percent. The proper calculation would be to multiply the increased rate base amount by

⁸ Document No. 03733-16.

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only the common equity weighted cost component of the ROR. In its calculation, staff used a common equity weighted cost component of 4.87 percent rather than the total overall ROR of 7.68 percent. Based on its adjustments, staff has calculated water rate increases of \$45,663 (or 28.85 percent) for Marion County and \$16,142 (or 1.61 percent) for Seminole County, excluding Longwood and Sanlando, as shown in Schedule Nos. 1 and 2.

Issue 2: What are the appropriate rates?

Recommendation: The recommended rate increase of 29.30 percent for Marion County and 1.65 percent for Seminole County, excluding Longwood and Sanlando, should be applied as an across-the-board increase to their respective existing service rates. The rates, as shown on Schedule Nos. 5 and 6, 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. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. 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. The rates should be reduced as shown on Schedule Nos. 5 and 6, 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. (Johnson)

Staff Analysis: Staff recommends that service rates for Utilities, Inc. of Florida be designed to allow the utility the opportunity to generate annual operating revenues of \$203,940 and \$1,017,618 for Marion County and Seminole County, excluding Longwood and Sanlando, respectively. Before removal of miscellaneous revenues, this would result in an increase of \$45,663 (or 28.85 percent) for Marion County and \$16,142 (or 1.61 percent) for Seminole County. To determine the appropriate increase to apply to the service rates, miscellaneous revenues should be removed from the test year revenues. The calculation is as follows:

**Table 2-1
 Percentage Service Rate Increase**

	<u>Marion</u>	<u>Seminole</u>
1 Total Test Year Revenues	\$158,277	\$1,001,476
2 Less: Miscellaneous Revenues	<u>\$2,446</u>	<u>\$21,103</u>
3 Test Year Revenues from Service Rates	\$155,831	\$980,373
4 Revenue Increase	<u>\$45,663</u>	<u>\$16,142</u>
5 Percentage Service Rate Increase (Line 4/Line 3)	<u>29.30%</u>	<u>1.65%</u>

Source: Staff's Recommended Revenue Requirement and MFRs

Staff recommends that the rate increase of 29.30 percent for Marion County and 1.65 percent for Seminole County, excluding Longwood and Sanlando, should be applied as an across-the-board increase to the existing service rates. The rates, as shown on Schedule Nos. 5 and 6, 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. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. 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. The rates should be reduced as shown on Schedule Nos. 5 & 6, 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.

Issue 3: Should the recommended rates 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?

Recommendation: Yes. 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. UIF 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 temporary rates should only be implemented after the Utility has provided written guarantee of its corporate undertaking in a cumulative amount of \$41,308. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed 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. (Mouring, Slemkewicz, D. Buys, Mapp)

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. As a result, staff recommends that the recommended rates be approved as temporary rates.

Section 367.0822(1), F.S., provides

Upon petition or by its own motion, the commission may conduct limited proceedings to consider, and action upon, any matter within its jurisdiction, including any matter the resolution of which requires a utility to adjust its rates. The commission shall determine the issues to be considered during such a proceeding and may grant or deny any request to expand the scope of the proceeding to include other related matters. However, unless the issue of rate of return is specifically address in the limited proceeding, the commission shall not adjust rates if the effect of the adjustment would be to change the last authorized rate of return.

While Section 367.0822(1), F.S. does not expressly provide for the granting of temporary rates, it is well settled Commission precedent that temporary rates in the event of a protest may be approved on a case-by-case basis.⁹

Further, Section 367.081(2), F.S., provides that this Commission must fix rates that are just, reasonable, compensatory, and not unfairly discriminatory. Pursuant to its authority to grant just and reasonable rates, the Commission has granted emergency and temporary rates in limited

⁹ Order No. PSC-09-0651-PAA-SU, issued September 28, 2009, in Docket No. 090121-SU, *Application for limited proceeding rate increase in Seminole County by Alafaya Utilities, Inc.*; and Order No. PSC-10-0682-PAA-WS, issued November 15, 2010, in Docket No. 090349-WS, *Application for limited proceeding rate increase in Polk County by Cypress Lakes Utilities, Inc.*

proceedings where a timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Similarly, in the instant case, staff believes that the granting of temporary rates is warranted because a timely protest of the PAA Order may delay a justified rate increase for several months while the matter is adjudicated at hearing. Moreover, staff believes that the ratepayers are adequately protected because all rates collected by the Utility will be subject to the corporate undertaking as discussed below.

For the foregoing reasons, staff believes that the recommended rates should be approved for the Utility on a temporary basis, subject to the corporate undertaking discussed below. In order to ensure that the Utility may not unfairly benefit from the issuance of temporary rates and in order to comport with the granting of temporary rates in proceedings filed pursuant to Sections 367.081 and 367.0814, F.S., staff further recommends that temporary rates should only be allowed in the event of a protest filed by an entity or individual other than the Utility

Corporate Undertaking Memorandum

Utilities, Inc. of Florida is a wholly-owned subsidiary of UI, which provides all investor capital to its subsidiaries. Based on the amount subject to refund for Marion and Seminole Counties the incremental increase in UI's corporate undertaking is \$30,519 and \$10,789, respectively. There are no other current corporate undertaking amounts outstanding for other UI systems in Florida, so therefore, the total cumulative outstanding guarantee is \$41,308.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Staff reviewed UI's 2013, 2014, and 2015 financial statements to determine if the company can support a corporate undertaking on behalf of its subsidiary. In its 2013 financial statements, UI reported an insufficient working capital amount and an inadequate current ratio and interest coverage ratio. In 2014, UI reported insufficient working capital and an inadequate current ratio; however, the interest coverage ratio improved to adequate. In 2015, UI had sufficient working capital, and both the current ratio and interest coverage ratio were adequate. In addition, UI achieved sufficient profitability and reported adequate ownership equity over the entire 3-year review period.

Based on staff's review of the financial reports submitted by UI, staff believes UI has adequate resources to support a corporate undertaking in the amount requested. Based on this analysis, staff recommends that a cumulative corporate undertaking of \$41,308 is acceptable contingent upon receipt of the written guarantee of UI and written confirmation that the cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed \$1.2 million (inclusive of all Florida utilities).

The brief financial analysis above is only appropriate for deciding if UI can support a corporate undertaking in the amount proposed and should not be considered a finding regarding staff's position on other issues in this proceeding.

The Utility should maintain a record of the amount of the corporate undertaking memorandum, 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

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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.

Further, 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.

Conclusion

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. UIF 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 temporary rates should only be implemented after the Utility has provided written guarantee of its corporate undertaking in a cumulative amount of \$41,308. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed in staff's 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.

Issue 4: Should this docket be closed?

Recommendation: 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 remain open pending the Commission's decision on the Utility's requested rate increase in Pasco County. (Mapp)

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 remain open pending the Commission's decision on the Utility's requested rate increase in Pasco County.

UTILITIES, INC. OF FLORIDA - MARION COUNTY		SCHEDULE NO. 1	
WATER REVENUE REQUIREMENTS INCREASE		DOCKET NO. 150269-WS	
		UTILITY FILING	STAFF RECOMMENDATION
<u>Line</u>			
<u>No.</u>			
1	Utility Plant in Service (UPIS)	\$313,978	\$313,978
2	Retirements	-	-
3	Accumulated Depreciation	(3,651)	(3,651)
4	Contributions in Aid of Construction (CIAC)	-	-
5	Accumulated Amortization of CIAC	-	-
6	Working Capital	452	211
7	Total Increase in Rate Base	<u>\$310,779</u>	<u>\$310,538</u>
8	Weighted Cost of Capital	8.03%	7.68%
9	Return Required	<u>\$24,968</u>	<u>\$23,849</u>
10	Increase in Depreciation Expenses Due to UPIS Increase	\$7,302	\$7,302
11	Decrease in Depreciation Expense Due to Retirements	-	-
12	Increase in CIAC Amortization	-	-
13	Increase in Rate Case Expense	3,619	1,684
14	Increase in Taxes Other Than Income Taxes	5,170	5,170
15	Total Increase in Operating Expenses Before Income Taxes	<u>\$16,091</u>	<u>\$14,156</u>
16	Total State Taxable Income	\$24,968	\$15,123
17	Multiply by State Income Tax (5.5%)	1,373	832
18	Total Federal Taxable Income	\$23,595	\$14,291
19	Multiply by Federal Income Tax (34%)	8,022	4,859
20	Total Revenue Increase Before RAF (L9 + L15 + L17 + L19)	<u>\$50,454</u>	<u>\$43,697</u>
21	Multiply by RAF (4.5%)	2,270	1,966
22	Total Water Revenue Increase	<u>\$52,725</u>	<u>\$45,663</u>
23	Annualized Revenues	<u>\$155,831</u>	<u>\$158,277</u>
24	Percentage Increase in Rates	<u>33.83%</u>	<u>28.85%</u>
25	4-Year Rate Reduction (Rate Case Expense)		<u>\$1,760</u>

UTILITIES, INC. OF FLORIDA - SEMINOLE COUNTY (EXCLUDING SANLANDO)		SCHEDULE NO. 2	
WATER REVENUE REQUIREMENTS INCREASE		DOCKET NO. 150269-WS	
		UTILITY FILING	STAFF RECOMMENDATION
<u>Line No.</u>			
1	Utility Plant in Service (UPIS)	\$98,033	\$98,033
2	Retirements	-	-
3	Accumulated Depreciation	(1,400)	(1,400)
4	Contributions in Aid of Construction (CIAC)	-	-
5	Accumulated Amortization of CIAC	-	-
6	Working Capital	499	242
7	Total Increase in Rate Base	<u>\$97,132</u>	<u>\$96,875</u>
8	Weighted Cost of Capital	8.03%	7.68%
9	Return Required	<u>\$7,804</u>	<u>\$7,440</u>
10	Increase in Depreciation Expenses Due to UPIS Increase	\$2,801	\$2,801
11	Decrease in Depreciation Expense Due to Retirements	-	-
12	Increase in CIAC Amortization	-	-
13	Increase in Rate Case Expense	3,992	1,936
14	Increase in Taxes Other Than Income Taxes	2,269	1,495
15	Total Increase in Operating Expenses Before Income Taxes	<u>\$9,062</u>	<u>\$6,232</u>
16	Total State Taxable Income	\$7,804	\$4,718
17	Multiply by State Income Tax (5.5%)	429	259
18	Total Federal Taxable Income	\$7,374	\$4,458
19	Multiply by Federal Income Tax (34%)	2,507	1,516
20	Total Revenue Increase Before RAF (L9 + L15 + L17 + L19)	<u>\$19,802</u>	<u>\$15,447</u>
21	Multiply by RAF (4.5%)	891	695
22	Total Water Revenue Increase	<u>\$20,693</u>	<u>\$16,142</u>
23	Annualized Revenues	<u>\$980,373</u>	<u>\$1,001,476</u>
24	Percentage Increase in Rates	<u>2.11%</u>	<u>1.61%</u>
25	4-Year Rate Reduction (Rate Case Expense)		<u>\$2,023</u>

UTILITIES, INC. OF FLORIDA			SCHEDULE NO. 3	
CAPITAL STRUCTURE			DOCKET NO. 150269-WS	
DECEMBER 31, 2015				
	(\$) AMOUNT	RATIO	COST RATE	WEIGHTED COST
<u>PER 2015 ANNUAL REPORT</u>				
Common Equity	\$5,330,494	46.96%	10.69%	5.02%
Long-Term Debt	4,751,261	41.86%	6.66%	2.79%
Short-Term Debt	14,899	0.13%	10.08%	0.01%
Customer Deposits	53,988	0.48%	6.00%	0.03%
Deferred Income Taxes	1,199,429	10.57%	0.00%	0.00%
Total	<u>\$11,350,071</u>	<u>100.00%</u>		<u>7.85%</u>
<u>STAFF RECOMMENDATION</u>				
Common Equity	\$5,330,494	46.96%	10.38%	4.87%
Long-Term Debt	4,751,261	41.86%	6.66%	2.79%
Short-Term Debt	14,899	0.13%	10.08%	0.01%
Customer Deposits	53,988	0.48%	2.00%	0.01%
Deferred Income Taxes	1,199,429	10.57%	0.00%	0.00%
Total	<u>\$11,350,071</u>	<u>100.00%</u>		<u>7.68%</u>

UTILITIES, INC. OF FLORIDA	SCHEDULE NO. 4			
RATE CASE EXPENSE	DOCKET NO. 150269-WS			
	STAFF			
	ADJUSTED	MARION	SEMINOLE	PASCO
Updated Total Rate Case Expense (a)	<u>\$28,779</u>			
Customer Notices - Postage	(3,963)			
Customer Notices - Stock	(508)			
Adjustments for PASCO County Items Only:				
12/27/15 - Loss of Irrigation Revenues	(252)			
03/31/16 - Staff's 3rd Data Request	(36)			
04/07/16 - Conference Call (\$72 x .667)	(48)			
04/08/16 - Conf. Call & Correspondence (\$72 x .667)	(48)			
04/12/16 - Pasco Customer Meeting Travel	(5,400)			
04/16/16 - Staff's 3rd Data Request	(72)			
04/16/16 - Pasco County Issue	(72)			
04/18/16 - Travel (Pasco)	(241)			
04/26/16 - Staff's 3rd Data Request	(72)			
05/04/16 - Staff's 4th Data Request	(36)			
05/13/16 - Staff's 4th Data Request	(72)			
Total Adjustments	<u>(\$10,820)</u>			
Adjusted Rate Case Expense (1/3 to each County)	\$17,959	\$5,986	\$5,986	\$5,987
Customer Notices - Postage (16.8%/39.3%/43.9%)	3,963	666	1,557	1,740
Customer Notices - Stock (16.8%/39.3%/43.9%)	508	85	200	223
Total Rate Case Expense	<u>\$22,430</u>	<u>\$6,737</u>	<u>\$7,743</u>	<u>\$7,950</u>
4-Year Amortization		<u>\$1,684</u>	<u>\$1,936</u>	
Notes:				
(a) Document No. 03733-16.				

UTILITIES, INC. OF FLORIDA - MARION COUNTY		SCHEDULE NO. 5	
MONTHLY WATER RATES		DOCKET NO. 150269-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"	\$3.70	\$4.78	\$0.04
1"	\$9.26	\$11.95	\$0.10
1-1/2"	\$18.52	\$23.90	\$0.21
2"	\$29.62	\$38.24	\$0.33
3"	\$59.24	\$76.48	\$0.67
4"	\$92.57	\$119.50	\$1.04
6"	\$185.13	\$239.00	\$2.08
Charge per 1,000 gallons	\$2.24	\$2.90	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$10.42	\$13.48	
8,000 Gallons	\$21.62	\$27.98	
16,000 Gallons	\$39.54	\$51.18	

UTILITIES, INC. OF FLORIDA - SEMINOLE COUNTY, EXCLUDING SANLANDO		SCHEDULE NO. 6	
MONTHLY WATER RATES		DOCKET NO. 150269-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" X3/4"	\$8.32	\$8.46	\$0.02
1"	\$20.79	\$21.15	\$0.04
1-1/2"	\$41.58	\$42.30	\$0.08
2"	\$66.52	\$67.68	\$0.14
3"	\$133.06	\$135.36	\$0.27
4"	\$207.89	\$211.50	\$0.42
6"	\$415.79	\$423.00	\$0.85
Charge per 1,000 gallons - Residential			
0 - 8,000 gallons	\$3.70	\$3.76	\$0.01
8,001 - 16,000 gallons	\$6.46	\$6.57	\$0.01
Over 16,000 gallons	\$8.31	\$8.45	\$0.02
Charge per 1,000 gallons - General Service	\$4.34	\$4.41	\$0.01
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$19.42	\$19.74	
8,000 Gallons	\$37.92	\$38.54	
16,000 Gallons	\$89.60	\$91.10	