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: September 6, 2016

TO: Mark Cicchetti, Chief of Finance, Tax & Cost Recovery, Division of Accounting & Finance

FROM: Division of Accounting & Finance (Vogel)
Division of Economics (Bruce)
Division of Engineering (Matthews)
Office of the General Counsel (Corbari)

RE: Docket No. 150257-WS Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC.

- STAFF REPORT –

This staff report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting.

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Case Background

East Marion Utilities, LLC (East Marion or utility) is a Class C utility serving approximately 103 water customers and 92 wastewater customers in Marion Counties. According to East Marion's 2014 annual report, the utility had water and wastewater operating revenues of $23,750 and $35,522, respectively, and operating expenses of $31,504 and $37,071, respectively, resulting in net operating losses of $7,754 and $1,550. The last approved staff-assisted rate case for the utility was in 2002.[1] East Marion was transferred to new ownership in Order No. PSC-15-0576-PAA-WS.[2]

East Marion was originally certificated in 1987.[3] In 1990 and 1997, there were transfers of majority organizational control.[4] Currently, the utility is owned by Mr. Michael Smallridge. Mr. Smallridge owns multiple small, Class C utilities in Florida. Florida Utility Services 1, LLC manages all of Mr. Smallridge's utilities.

In the instant docket, East Marion filed its application for a Staff-Assisted Rate Case (SARC) on December 3, 2015. February 1, 2016 was established as the official filing date in this case.

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

[1]Order No. PSC-02-1168-PAA-WS, issued August 26, 2002, in Docket No. 010869-WS, *In re: Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.*
[2]Order No. PSC-15-0576-PAA-WS, issued December 21, 2015, in Docket No. 150091-WS, *In re: Application for approval of transfer of Certificate Nos. 490-W and 425-S from East Marion Sanitary Systems, Inc. to East Marion Utilities, LLC, in Marion County.*
[3]Order No. 17837, issued July 7, 1987, in Docket No. 870389-WU, *In re: Application of East Marion Water Distribution, Inc. for a certificate to operate a water utility in Marion County, Florida.*
[4]Order No. 24553, issued May 20, 1991, in Docket No. 900603-WS, *In re: Application for transfer of majority organizational control of East Marion Water Distribution, Inc. and East Marion Sanitary Systems, Inc. in Marion County from Penelope A. Wagner, trustee for the Estate of Eric E. Wagner, to Forest Lake Village – Del American Ltd.*, and Order No. PSC-98-0928-FOF-WS, issued July 7, 1998, in Docket No. 971269-WS, *In re: Application for transfer of majority organizational control of East Marion Sanitary Systems, Inc. and East Marion Water Distribution, Inc. in Marion County from Del-American/First Federal of Osceola to Herbert Hein, and change in name on Certificate No. 490-W from East Marion Water Distribution, Inc. to East Marion Sanitary Systems, Inc.*

Discussion of Issues

Issue 1: Is the quality of service provided by East Marion Utilities, LLC satisfactory?

Preliminary Recommendation: Staff's recommendation regarding quality of service will not be finalized until after the October 4, 2016 Customer Meeting. (Matthews)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in water and wastewater rate cases, the Commission shall determine the overall quality of service provided by a utility. The determination is made from an evaluation of three separate components of the utility operations. The components evaluated are: (1) the quality of the utility's product; (2) the operational conditions of the utility's plant and facilities; and (3) the utility's attempt to address customer satisfaction. East Marion's compliance with the Department of Environmental Protection (DEP) and the St. John's River Water Management District regulations, as well as customer comments or complaints received by the Commission is also reviewed.

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

East Marion's service area is located near Ocala, Florida in Marion County. The raw water source is ground water, which is obtained from one well in the service area and then treated. The water treatment processing sequence is to pump raw water from the aquifer, treat the water by injecting chlorine, pump it into a pressurizing tank and then through the distribution system. The utility appears to be current in its required chemical analyses, and the finished water product is below the maximum contaminant levels allowed by DEP for all primary and secondary contaminants. The utility appears to have no water compliance issues with the facility.

Customer Satisfaction

As of August 22, 2016, the Commission had received no correspondence from customers concerning the rate case. There are no outstanding complaints in the Commission's Complaint Tracking System, and no complaints have been received by DEP in the previous five years. Any customer comments received at the October 4, 2016 Customer Meeting will be addressed after that time.

Summary

Quality of service will be determined at a later time, pending review of comments made at the October 4, 2016 Customer Meeting.

***Issue 2*:** What are the used and useful (U&U) percentages of East Marion Utilities, LLC's water treatment plant (WTP), wastewater treatment plant (WWTP) and distribution and collection systems?

Preliminary Recommendation: East Marion's WTP should be considered 100 percent U&U. The water distribution system should be considered 61 percent U&U. The WWTP should be considered 22.6 percent U&U. The wastewater collection system should be considered 53.6 percent U&U. There is no excessive unaccounted for water (EUW) and no excessive infiltration and inflow (I&I). (Matthews)

Staff Analysis: East Marion's water system has one 6-inch diameter well rated at 250 gallons per minute (gpm). Water from the well is treated with chlorine and pumped into a 6,000 gallon hydropneumatic tank for pressurization. The utility has no fire hydrants in its system. The distribution system consists of the following lengths and sizes of PVC pipe:

200 linear feet – 6 inch
8450 linear feet – 4 inch
1675 linear feet – 2 inch
375 linear feet – 1.5 inch

The East Marion WWTP is a single treatment plant, and is permitted by the DEP as a 50,000 gallons per day (gpd) annual average daily flow facility. According to the utility, the wastewater collection system includes 35 manholes and 2 lift stations. In addition, the wastewater collection system consists of the following sized components:

9,880 linear feet – 6 inch gravity main
950 linear feet – 4 inch gravity main
950 linear feet – 2 inch gravity main

Excessive Unaccounted for Water

Unaccounted for water is all water produced that is not documented in the records of the utility as having been sold to customers, or for which the utility has otherwise accounted. Rule 25-30.4325, F.A.C., describes EUW as water in excess of 10 percent of the amount produced for which the utility cannot account. When the establishing the Rule, the Commission recognized that some uses of water are readily measurable and others are not. The Rule provides that, in order to determine the necessity for adjustments to plant and operating expenses such as purchased electrical power and chemical costs, the Commission will consider the possible reasons for EUW, solutions implemented to correct problems, and the economic feasibility of any proposed solutions. Unaccounted for water is calculated by summing the total gallons sold to customers with the total gallons used for other purposes, such as flushing, and then subtracting the sum from the total gallons produced during the test year.

East Marion's records indicate that 5,368,000 gallons were produced during the test year. Therefore, the maximum allowable amount of EUW, which is 10 percent of the total, is 536,800 gallons. The utility's records indicate a total of 4,911,000 gallons were sold to customers in the test year. The difference between the gallons produced and the gallons sold is 457,000 gallons, which is less than the maximum allowable amount. Therefore, there is no EUW.

Infiltration and Inflow

Rule 25-30.432, F.A.C., provides that in determining the amount of U&U plant, the Commission will consider I&I. Every wastewater collection system experiences I&I. Typically, infiltration is a result of groundwater entering the wastewater collection system through broken or defective pipes and joints. Inflow is the result of water entering the collection system through manholes or lift stations.

The maximum allowable amount for infiltration is 500 gallons per day per inch of pipe diameter per mile of pipe length. This amount is calculated from each of the various sizes of pipe in the utility's wastewater collection system. In addition, 10 percent of the total gallons sold to customers is allowed for inflow. The calculated allowance for I&I is 3,452,923 gallons per year. Next, the amount of wastewater expected to be returned from the system is calculated. This figure is determined by summing 80 percent of water sold to residential users with 90 percent of water sold to non-residential users. The amount calculated is 3,973,500 gallons per year. In order to find the total amount of wastewater allowed, the I&I allowance and the expected return are summed, yielding 7,426,423 gallons per year. Finally, this total is compared to the total wastewater actually treated during the test year, which in this case is 4,463,839 gallons. The total wastewater treated does not exceed the total wastewater allowed. Therefore, there is no excessive I&I.

Used and Useful Percentages

Water Treatment Plant

East Marion Utilities, Inc. has one well providing its water. The U&U percentage is given in Rule 25-30.4325(4), F.A.C., which provides that a water treatment plant served by a single well is considered 100 percent U&U. Therefore, the WTP is 100 percent U&U.

Water Distribution System

The formula for calculating U&U for the water distribution system is given by (number of test year connections + growth) / capacity of the system. East Marion had an average number of 101.5 connections during the test year. Growth is obtained by the product of customer growth for the last five years using regression analysis and the statutory growth period. This calculation yields a growth of nine customers. The capacity of the system is 179 equivalent residential connections (ERCs). Therefore, the water distribution system is 61 percent U&U.

Wastewater Treatment Plant

The formula for calculating U&U for the wastewater treatment plant is given by (average daily flow + growth – excessive I&I) / permitted plant capacity. The average daily flow for East Marion is 10,704 gpd. The growth is calculated to be 582 gpd. There is no excessive I&I. The permitted capacity of the plant is 50,000 gpd. Therefore, the WWTP is 22.6 percent U&U.

Wastewater Collection System

The formula for calculating U&U for the wastewater collection system is given by (test year connections + growth) / capacity of the system. There was an average of 92 connections in the test year. Growth is calculated to be 5 ERCs per year, and the capacity of the system is 181 ERCs. Therefore, the wastewater collection system is 53.6 percent U&U.

Summary

East Marion's WTP should be considered 100 percent U&U. The water distribution system should be considered 61 percent U&U. The WWTP should be considered 22.6 percent U&U. The wastewater collection system should be considered 53.6 percent U&U. There is no EUW and no excessive I&I.

Issue 3: What is the appropriate average test year water rate base and wastewater rate base for East Marion Utilities, LLC?

Recommendation: The appropriate average test year water rate base for East Marion is $29,524 and the average test year wastewater rate base is $15,890. (Vogel)

Staff Analysis: East Marion's net book value was last established in its 2015 transfer docket by Order No. PSC-15-0576-PAA-WS.[5] East Marion's owner, Michael Smallridge, owns and manages other utilities in Florida and as of January 1, 2015 has been recording common costs on Florida Utility Services 1, LLC's (FUS1) books. These costs, which include salaries, transportation, and office supplies, have been allocated among all of the utilities they serve. All allocations are based on customer count. The test year ended December 31, 2015, was used for the instant case. A summary of each water rate base and wastewater rate base component, and recommended adjustments are discussed below.

Utility Plant in Service (UPIS)

The utility recorded UPIS of $142,734 for water and $482,102 for wastewater. East Marion has requested two pro forma items, a new steel hydropneumatic tank and a new turbine water meter. Staff has included these pro forma additions to water plant along with retirements for these items. Staff's analysis of the need and reasonableness of these additions is still underway and possible alternatives may follow. Staff has increased water plant in service by $7,769 for the pro forma items and the retirements associated with the additions. Staff also capitalized a major pump repair at the wastewater plant originally expensed to Account 636 and 736. The expense was allocated to both water and wastewater. Therefore, staff has increase wastewater plant by $1,908 and decreased Account 636 and 736 by $954 each. Staff has also included an averaging adjustment of negative $3,885 for water and negative $954 for wastewater. Staff's net adjustments increases UPIS by $3,885 for water and $954 for wastewater. Therefore, staff recommends that the appropriate UPIS balances are $146,619 for water and $483,056 for wastewater.

UPIS - Allocated

The utility did not record a balance in UPIS – Allocated for water or wastewater. Due to the utility's relationship with FUS1, staff has included allocated common plant from FUS1. Staff's audit included total FUS1 balances for Office Furniture & Equipment, Transportation Equipment, and Tools, Shop, and Garage Equipment. These balances totaled $21,770. After East Marion's 5 percent allocation (based on customer count), staff has increased UPIS – Allocated by $989, $495 for water and $495 for wastewater. Staff has also included an averaging adjustment of negative $22 for both water and wastewater. Therefore, staff recommends that the appropriate UPIS - Allocated balances are $473 for water and $473 for wastewater.

Land & Land Rights

The utility did not record a test year land balance, as the utility leases the land. No adjustments are necessary; therefore, staff recommends that Land & Land Rights balances remain $0.

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[5]Order No. PSC-15-0576-PAA-WS, issued December 21, 2015, in Docket No. 150091-WS, *In re: Application for approval of transfer of Certificate Nos. 490-W and 425-S from East Marion Sanitary Systems, Inc. to East Marion Utilities, LLC, in Marion County.*

Non-Used and Useful (non-U&U) Plant

The utility did not record a test year non-U&U plant balance for water or wastewater. As discussed in Issue 2, the WTP should be considered 100 percent U&U and the WWTP should be considered 22.6 percent U&U. In Issue 2, East Marion's water distribution system should be considered 61 percent U&U and wastewater collection systems were calculated as 54 percent U&U.

Application of the U&U percentage to the average plant balances and associated average accumulated depreciation balances results in net increases of $15,023 and $48,017 for water and wastewater non-U&U components, respectively. Therefore, staff's recommended non-U&U plant balances are $15,023 for water and $48,017 for wastewater.

Contributions In Aid of Construction (CIAC)

The utility recorded CIAC balances of $39,700 for water and $77,600 for wastewater. Commission audit staff found no additions in the test year, and determined that no adjustments are necessary. Staff's recommended CIAC is $39,700 and $77,600 for water and wastewater, respectively.

Accumulated Depreciation

East Marion recorded a test year accumulated depreciation balance of $99,112 for water and $390,285 for wastewater. Staff recalculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C., and depreciation associated with plant additions and retirements and has increased water by $26 and decreased wastewater by $11,787. Staff has also decreased this account by $23,166 for water pro forma plant additions and retirements. Staff has increased this account by $6,994 for water and decreased this account by $4,094 for wastewater to reflect the simple average. Staff's total adjustments to this account are a decrease of $16,146 for water and $15,881 for wastewater. Staff's adjustments to these accounts result in accumulated depreciation balances of $82,966 for water and $374,404 for wastewater.

Accumulated Depreciation – Allocated

The utility did not record a test year water or wastewater balance for Accumulated Depreciation – Allocated. Staff has included in this account accumulated depreciation for plant associated with FUS1's common plant that has been allocated to East Marion. Staff has included a new balance of $18 for both water and wastewater. Staff has also included an averaging adjustment of $7 for each account. Therefore, staff's adjustments to these accounts result in Accumulated Depreciation – Allocated balances of $11 for water and $11 for wastewater.

Accumulated Amortization of CIAC

The utility recorded test year Accumulated Amortization of CIAC balances of $18,101 for water and $29,279 for wastewater. Amortization of CIAC has been recalculated by staff using composite depreciation rates. Staff has decreased this account by $286 for water and $421 for wastewater. Also, staff has decreased this account by $639 for water and $659 for wastewater to reflect the simple average. Staff's adjustments result in a decrease of $925 for water and $1,080 for wastewater. Staff's recommended Accumulated Amortization of CIAC balances are $17,176 for water and $28,199 for wastewater.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of 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 $2,957 for water (based on O&M expense of $23,654/8), and $4,193 for wastewater (based on O&M expense of $33,545/8).

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base for water is $29,524 and the average test year rate base for wastewater is $15,890. Water and wastewater rate bases are shown on Schedule Nos. 1-A and 1-B, respectively. The related adjustments are shown on Schedule No. 1-C.

Issue 4: What is the appropriate return on equity and overall rate of return for East Marion Utilities, LLC?

Recommendation: The appropriate return on equity (ROE) is 11.16 percent with a range of 10.16 percent to 12.16 percent. The appropriate overall rate of return is 5.68 percent. (Vogel)

Staff Analysis: According to staff's audit, East Marion's test year capital structure reflected common equity of negative $172,102, long term debt of $90,325 and customer deposits of $3,625.

Staff has increased common equity by $10,000, to reflect the down payment made by the owner at the time of purchase. The retained earnings for the utility are negative $172,102. Since including negative equity would penalize the utility's capital structure by understating the overall rate of return, we have adjusted the total negative equity to zero. Adjusting negative equity to zero has been Commission practice in similar cases.[6] The utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE for the utility is 11.16 percent based upon the Commission-approved leverage formula currently in effect.[7] Staff recommends an ROE of 11.16 percent, with a range of 10.16 percent to 12.16 percent, and an overall rate of return of 5.68 percent. The ROE and overall rate of return are shown on Schedule No. 2.

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[6]Order No. PSC-08-0652-PAA-WS, issued October 6, 2008, in Docket No. 070722-WS, *In re: Application for staff-assisted rate case in Palm Beach County by W.P. Utilities, Inc.*

[7]Order No. PSC-16-0254-PAA-WS, issued June 29, 2016, in Docket No. 160006-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), F.S.*

Issue 5: What are the appropriate test year revenues for East Marion Utilities, LLC's water and wastewater systems?

Recommendation: The appropriate test year revenues for East Marion's water system and wastewater systems are $23,913 and $35,892, respectively. (Bruce)

Staff Analysis: East Marion recorded revenues of $23,718 for water and $34,144 for wastewater. The water revenues included $23,213 of service revenues and $505 of miscellaneous revenues. The wastewater revenues consisted of service revenues only. During the test year, the utility had a rate increase as a result of a price index. Therefore, staff annualized test year revenues by applying the rates in effect as of October 1, 2015, to the water and wastewater billing determinants. Staff determined that service revenues should be $23,593 for water and $35,572 for wastewater, which results in increases of $380 and $1,428 for water and wastewater, respectively.

Staff increased miscellaneous revenues by $75 for nonsufficient funds charges and $90 for two initial connections which the utility did not properly record. In addition, staff decreased miscellaneous revenues by $30 to reflect credits issued to six customers for duplicate late payment charges. For the reasons outlined above, the miscellaneous revenues should be $640 ($505+$75+$90-$30). As a result, staff increased miscellaneous revenues by $135 ($640-$505). The utility allocated all of the miscellaneous revenues to the water system. Staff recommends that the miscellaneous revenues be equally distributed between the water and wastewater systems.

The utility had eight occurrences wherein customers were charged $2.50 for using their credit card to pay their bill. However, the utility does not have an authorized tariff to charge customers for using their credit card to make a payment. In Issue 10, staff is recommended approval of a convenience charge. For the final recommendation, staff will annualize the number of occurrences of using a debit or credit card for bill payment and impute the revenues for the recommended convenience charge. In addition, staff will evaluate the appropriateness of refunds for the collection of the unauthorized convenience charge. Based on the above, the appropriate test year revenues for East Marion's water and wastewater system, including miscellaneous service revenues for water, are $23,913 ($23,593+$320) and $35,892 ($35,572+320) for wastewater. In addition, East Marion should be put on notice that, in the future, it may be subject to a show cause proceeding by the Commission, including penalties, if the utility charges amounts other than those approved by the Commission.

Issue 6: What is the appropriate amount of operating expense for East Marion Utilities, LLC?

Recommendation: The appropriate amount of operating expense for East Marion is $28,447 for water and $39,033 for wastewater. (Vogel)

Staff Analysis: East Marion recorded operating expense of $34,401 for water and $48,884 for wastewater for the test year ended June 30, 2015. The test year O&M expenses have been reviewed, including invoices, canceled checks, and other supporting documentation. Staff has also includes an allocated portion of FUS1's operating expenses for the test year ending December 31, 2015. Staff has made several adjustments to the utility's operating expenses as summarized below.

Salaries and Wages – Employees (601/701)
East Marion recorded salaries and wages – employees expense of $4,246 for water and $4,246 for wastewater. Staff has decreased this expense by $60 for both water and wastewater to remove a payroll markup. Staff has increased this expense by $225 for both water and wastewater to reclassify salary expense from Account 636 and 736. Staff also decreased this expense by $315 for both water and wastewater to reflect the appropriate payroll tax for the test year. Staff's net adjustments result in a decrease of $150 for water and $150 for wastewater. Therefore, staff is recommending a salaries and wages – employees expense of $4,096 for water and $4,096 for wastewater.

Salaries and Wages – Officers (603/703)
East Marion recorded salaries and wages – officers expense of $2,154 for water and $2,154 for wastewater. Staff has decreased this expense by $654 for both water and wastewater to remove the salary expense of the former owner. Staff's adjustments result in a decrease of $654 for water and $654 for wastewater. Therefore, staff is recommending a salaries and wages – officers expense of $1,500 for water and $1,500 for wastewater.

Employee Pensions and Benefits (604/704)
East Marion recorded employee pensions and benefits expense of $0 for water and $0 for wastewater. Staff has increased this expense by $512 for both water and wastewater, to include the appropriate amount of benefit expense for the test year. Staff's adjustments result in an increase of $512 for water and $512 for wastewater. Therefore, staff is recommending an employee pensions and benefits expense of $512 for water and $512 for wastewater.

Purchased Power (615/715)
The utility recorded purchased power expense of $1,267 for water and $5,158 for wastewater. Staff has increased these expense accounts by $205 for water and $56 for wastewater, to reflect the appropriate utility expense for the test year. Staff also decreased these expenses by $406 for water and $376 for wastewater to reflect proper allocation for East Marion's systems. Staff also removed late fees of $28 for wastewater. Staff's net adjustments are a decrease of $201 for water and $348 for wastewater. Therefore, staff recommends purchased power expense of $1,066 and $4,810 for water and wastewater, respectively.

Chemicals (618/718)

East Marion recorded chemicals expense of $1,189 for water and $1,189 for wastewater. Staff has decreased water by $347 and increased wastewater by $347 to properly allocate the test year expenses to the correct plant. Staff total adjustments result in a decrease of $347 for water and an increase of $347 for wastewater. Therefore, staff recommends chemicals expense of $842 for water and $1,536 for wastewater.

Materials & Supplies (620/720)

The utility recorded materials & supplies expense of $826 for water and $808 for wastewater. Staff has decreased these accounts by $68 for both water and wastewater, to remove purchases outside of the test year. Staff has also decreased these accounts by $132 for water and $91 for wastewater, to remove items not related to the utility. Staff also decreased these account by $43 for both water and wastewater, to reclassify these amounts to Account 650 and 750, transportation expense. Staff's total adjustments result in decreases of $243 for water and $202 for wastewater. Therefore, staff recommends materials & supplies expense of $583 for water and $606 for wastewater.

Contractual Services - Professional (631/731)

East Marion recorded contractual services – professional expense of $266 for water and $66 for wastewater. Staff has decreased water expense by $100 and increased wastewater expense by $100, to properly allocate these expenses between systems. Staff also removed $66 from both water and wastewater, relating to expenses from a lawsuit. Staff's total adjustments result in a decrease of $166 for water and an increase of $34 for wastewater. Therefore staff recommends a contractual services – professional expense of $100 for water and $100 for wastewater.

Contractual Services - Testing (635/735)

East Marion recorded contractual services – testing expense of $928 for water and $928 for wastewater. Staff has increased water expense by $928 and decreased wastewater expense by $928, to properly allocate the expense to the water plant. Staff's total adjustments result in an increase of $928 for water and a decrease of $928 for wastewater. Therefore, staff recommends contractual services – testing expense of $1,856 for water and $0 for wastewater.

Contractual Services - Other (636/736)

East Marion recorded contractual services – other expense of $10,755 for water and $8,801 for wastewater. Staff recommends the following adjustments to contractual services – other.

Table 6-1
Adjustments made to Contractual Services - Other

	Adjustment Description	Water	Wastewater
1.	To remove expenses outside the test year.	($98)	($98)
2.	To properly allocate expenses between systems.	(1,779)	1,757
3.	To remove an additional mowing bill.	(225)	0
4.	To remove a major pump repair and capitalize the project.	230	345
5.	To include an unrecorded bill.	(954)	(954)
6.	To amortize non-recurring tree trimming expense.	(420)	(420)
7.	To amortize non-recurring tank cleaning.	(1,440)	0
8.	To reclassify salary expense to Account 601 and 701.	(225)	(225)
9.	To remove items not related to the utility.	(160)	(141)
	Total	($5,071)	$264

Source: Utility Records and Audit Control No. 15-362-4-1

Based on the adjustments shown above, staff's net adjustment is a decrease of $5,071 to water and an increase of $264 to wastewater. Staff recommends contractual services – other expense of $5,684 for water and $9,065 for wastewater.

Rent Expense (640/740)

East Marion recorded rent expense of $5,857 for water and $2,395 for wastewater. These expenses are based on the current land lease for the utility. The utility did not properly allocate the costs of the land lease for the test year. The utility also did not include the lease payments for the month of January. After including all of the payments and allocating the total to the correct plant, staff's current rent expense is $3,814 for water and $5,122 for wastewater. Staff is still conducting discovery for this expense and the recommendation is preliminary in nature.

Transportation Expense (650/750)

East Marion recorded transportation expense of $512 for water and $446 for wastewater. Staff has decreased this account by $33 for water and increased this account by $33 for wastewater, to properly allocate this expense between plants. Staff has decreased both accounts by $100, to remove a truck loan not related to this utility. Staff has increased this account by $114 for both water and wastewater, to properly allocate vehicle insurance expense from FUS1. Staff also increased this expense by $43 for both water and wastewater, to reclassify expenses from Account 620 and 720. Staff's total adjustments result in an increase of $24 for water and $90 for wastewater. Therefore, staff's recommended transportation expense is $536 for water and $536 for wastewater.

Insurance Expense (655/755)

East Marion recorded insurance expense of $1,671 for water and $1,639 for wastewater for the test year. Staff has increased this expense by $21 for both water and wastewater, to reflect the appropriate test year expense. Staff has decreased this expense by $705 for water and $673 for wastewater, to remove the health insurance premiums from FUS1. Staff's net adjustments decrease insurance expense for water by $684 and for wastewater by $652. Therefore, staff recommends insurance expense for the test year of $987 for water and $987 for wastewater.

Regulatory Commission Expense (665/765)

East Marion did not record regulatory commission expense for the test year. Staff has increased this account but $147 for both water and wastewater, to include filing fees, noticing fees, and postage for the instant case. Therefore, staff recommends regulatory commission expense of $147 for water and $147 for wastewater.

Miscellaneous Expense (675/775)

East Marion recorded miscellaneous expense of $1,678 for water and $1,277 for wastewater. Staff has decreased these expenses by $16 for both water and wastewater, to remove overdraft fees. Staff has also decreased water expense by $70 and increased wastewater expense by $70, to properly allocate expenses. Staff also increased both water and wastewater expense accounts by $338, to reflect the appropriate amount of utility expense from FUS1. Staff's total adjustments increase water expense by $252 and wastewater expense by $392. Therefore, staff recommends miscellaneous expense of $1,930 for water and $1,669 for wastewater.

Operation and Maintenance Expenses Summary

Based on the above adjustments, staff recommends that the O&M expense balances are $23,654 for water and $33,545 for wastewater. Staff's recommended adjustments to O&M expense are shown on Schedule Nos. 3-A through 3-E.

Depreciation Expense (Net of Amortization of CIAC)

East Marion recorded depreciation expense of $4,616 for water and $19,975 for wastewater during the test year. Staff recalculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff decreased depreciation expense by $15 for water and $11,787 for wastewater, which includes removing expense for fully depreciated accounts, to reflect the appropriate depreciation expense. Staff also calculated depreciation expense for the pro forma plant additions and retirements the utility has requested. These additions result in an increase of $141 for water. Staff included depreciation expense for the pump repair that is being capitalize, this adjustment results in an increase in wastewater depreciation expense of $64. Also, staff decreased depreciation expense by $1,229 for water and $4,230 for wastewater, to reflect the non-U&U portion of the test year depreciation expense. East Marion recorded amortization of CIAC expense as $1,564 for water and $3,057 for wastewater during the test year. Staff also recalculated amortization of CIAC expense and increased these accounts by $286 for water and $1,739 for wastewater, to reflect the appropriate amount of this expense. Staff has increased both water and wastewater accounts by $77, to include depreciation expense for allocated plant from FUS1. Staff's net adjustments are decreases of $740 to water and $14,137 to wastewater, resulting in a net depreciation expense of $2,312 ($4,616 – $1,564 - $740) for water and $2,781 ($19,975 – $3,057 - $14,137) for wastewater.

Taxes Other Than Income (TOTI)

East Marion did not record a TOTI balance for water or wastewater. Staff has calculated the utility's property taxes using the updated 2015 rates and has increased this account $784 for water and $784 for wastewater. Staff also included property tax expense for the pro forma plant additions resulting in an increase of $122 to water and $30 for wastewater. Staff increased this account to include payroll taxes of $447 for both water and wastewater. Staff has increased this account by $1,090 for water and $1,601 for wastewater, to reflect the appropriate test year Regulatory Assessment Fees (RAFs) based on adjusted test year revenues. Staff has also included decreases of $272 for water and $448 for wastewater to include non-used and useful property tax.

In addition, as discussed in Issue 8, revenues have been increased by $6,899 for water and $6,495 for wastewater to reflect the change in revenue required to cover expenses and allow the recommended return on investment. As a result, TOTI should be increased by $310 for water and $292 for wastewater to reflect RAFs of 4.5 percent on the change in revenues. Staff's net adjustments are increases of $2,481 for water and $2,707 for wastewater. Therefore, staff recommends TOTI of $2,481 and $2,707 for water and wastewater, respectively.

Operating Expenses Summary

The application of staff's recommended adjustments to East Marion's test year operating expenses results in operating expenses of $28,447 for water and $39,033 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule Nos. 3-C, 3-D, and 3-E.

Issue 7: Should the Commission utilize the operating ratio methodology as an alternative means to calculate the water and wastewater revenue requirement for East Marion Utility, LLC, and, if so, what is the appropriate margin?

Recommendation: Yes, the Commission should utilize the operating ratio methodology for calculating the water and wastewater revenue requirements for East Marion. The margin should be 10 percent of O&M expense. (Vogel)

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 $275,000 per system may petition the Commission for staff assistance using alternative rate setting.

East Marion did not petition the Commission for alternative rate setting under the aforementioned rule, but staff believes that the Commission should 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 East Marion's O&M expenses plus a margin. This methodology has been applied in cases in which the traditional calculation of the revenue requirement would not provide sufficient revenue to protect against potential variances in revenues and expenses.

By Order No. PSC-96-0357-FOF-WU,[8] 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 criterion was applied again in Order No. PSC-97-0130-FOF-SU.[9] Most recently, the Commission approved the operating ratio methodology for setting rates in Order No. PSC-16-0126-PAA-WU.[10]

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) <u>Whether the utility's O&M expense exceeds rate base</u>. 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 wastewater rate base is less than the

[8]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.*
[9]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.*
[10]Issued March 28, 2016, in Docket No. 140220-WU, *In re: Application for staff-assisted rate case in Polk County by Sunrise Utilities, LLC.*

level of O&M expense. The utility's water rate base does currently exceed the O&M expenses, but staff does not believe the rate base is at an adequate level. The amount rate base exceeds O&M expense is due to the inclusion of pro forma plant that has not been completed or fully analyzed by staff. The utility's primary risk resides with covering its operating expense. Based on the staff's recommendation, the adjusted water and wastewater rate bases for the test year are $29,524 and $15,890, while adjusted O&M expenses are $23,654 for water and $33,545 for wastewater.

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. East Marion is a Class C utility and the recommended revenue requirements of $30,812 and $42,387 are substantially below the threshold level for Class B status ($250,000 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, the recommended quality of service will not be finalized until after the October 4, 2016 Customer Meeting.

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. East Marion operates water and wastewater treatment plants and a collection system.

Based on staff's review of the utility's situation relative to the above criteria, staff recommends that East Marion 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. East Marion's interest expense is not a concern in this case.

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 cost of the plant. Also, the operating ratio method recognizes that a major issue for small utilities is cash flow; therefore, the operating ratio method focuses more on cash flow than on investment. In the instant case, the utility's primary risk resides with covering its operating expense. A traditional calculation of the revenue requirement may not provide sufficient revenue to protect against potential variances in revenues and expenses. Under the rate base methodology, the return to East Marion would be $1,677 for water and $903 wastewater. Staff does not believe this would not provide the necessary financial cushion to successfully operate this utility.

Third, if the return on rate base method was applied, a normal return would generate such a small level of revenue that in the event revenues or expenses vary from staff's estimates, East Marion could be left with insufficient funds to cover operating expenses. Therefore, the margin should provide adequate revenue to protect against potential variability in revenues and expenses. If the utility's operating expenses increase or revenues decrease, East Marion may not have the funds required for day-to-day operations. Staff determined that a 10 percent margin would be applicable in this case.

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 East Marion with adequate cash flow to provide some assurance of safe and reliable service, staff recommends application of the operating ratio methodology at a margin of 10 percent of O&M expense for determining the water and wastewater revenue requirements.

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is $30,812 for water and $42,387 for wastewater, resulting in an annual increase of $6,899 (28.85 percent) for water and an annual increase of $6,495 (18.10 percent) for wastewater. (Vogel)

Staff Analysis: East Marion should be allowed an annual increase of $6,899 (28.85 percent) for water and an annual increase of $6,495 (18.10 percent) for wastewater. This will allow the utility the opportunity to recover its expenses as well as a 10 percent margin on O&M expenses for its water and wastewater systems. The calculations are shown in Tables 8-1 and 8-2 for water and wastewater, respectively:

Table 8-1
Water Revenue Requirement

Adjusted O&M Expense	$23,654
Operating Margin (%)	10.00%
Operating Margin ($)	$2,365
Adjusted O&M Expense	23,654
Depreciation Expense (Net)	2,312
Taxes Other Than Income	2,171
Test Year RAFs	295
Revenue Requirement	$30,812
Less Adjusted Test Year Revenues	23,913
Annual Increase	$6,899
Percent Increase	28.85%

Table 8-2
Wastewater Revenue Requirement

Adjusted O&M Expense	$33,545
Operating Margin (%)	10.00%
Operating Margin ($)	$3,355
Adjusted O&M Expense	33,545
Depreciation Expense (Net)	2,781
Taxes Other Than Income	2,415
Test Year RAFs	292
Revenue Requirement	$42,387
Less Adjusted Test Year Revenues	35,892
Annual Increase	$6,495
Percent Increase	18.10%

Issue 9: What are the appropriate rate structures and rates for East Marion Utilities, LLC's water and wastewater systems?

Recommendation: The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. 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. (Bruce)

***Staff Analysis*:**

Water Rates

East Marion is located in Marion County within the St. Johns River Water Management District (SJRWMD). The utility provides water service to approximately 94 residential customers of which 9 customers have a separate meter for irrigation. There are no general service customers. Approximately 8 percent of the residential customer bills during the test year had zero gallons, indicating a non-seasonal customer base. The average residential water demand is 3,973 gallons per month. The average residential water demand excluding zero gallon bills is 4,300 per month. The utility's current water system rate structure for residential customers consists of a base facility charge (BFC) and two-tier inclining block rate structure. The rate blocks are: (1) 0-10,000 gallons and (2) all usage in excess of 10,000 gallons per month. The general service rate structure consists of a BFC and uniform gallonage charge.

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

In this case, staff recommends that 40 percent of the water revenues should be generated from the BFC, which will provide sufficient revenues to design gallonage charges that send pricing signals to customers using above the non-discretionary level. The average people per household served by the water system is 2.5; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 4,000 gallons per month. Staff recommends a BFC and a three-tier inclining block rate structure, which includes separate gallonage charges for discretionary and non-discretionary usage for residential water customers. The rate blocks are: (1) 0-4,000 gallons; (2) 4,001-10,000 gallons; and (3) all usage in excess of 10,000 gallons per month. This rate structure sends the appropriate pricing signals because it targets customers with high consumption levels and minimizes price increases for customers at non-discretionary levels. In addition, the third tier provides an additional pricing signal to customers using in excess of 10,000 gallons of water per month, which includes approximately 16 percent of the water demand. General service customers should be billed a BFC and uniform gallonage charge.

Based on a recommended revenue increase of 27.1 percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 358,000 gallons resulting in anticipated average residential demand of 3,677 gallons per month. Staff recommends a 7.3 percent reduction in test year residential gallons for ratesetting purposes and corresponding reductions of $78 for purchased power, $61 for chemicals, and $7 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of $30,011.

Wastewater Rates

East Marion provides wastewater service to 94 residential customers. There are no general service customers. Currently, the residential wastewater rate structure consists of a uniform BFC for all meter sizes and a gallonage charge with a 10,000 gallon cap per month. The general service rate structure consists of a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

Staff performed an analysis of the utility's billing data to evaluate various BFC cost recovery percentages and gallonage caps for the residential customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the utility's customers; and (3) implement a gallonage cap that considers approximately the amount of water that may return to the wastewater system.

The Commission's practice is to allocate at least 50 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants. Therefore, an allocation of 50 percent of the wastewater revenue to the BFC is appropriate. It is Commission practice to set the wastewater cap at approximately 80 percent of residential water gallons sold. Based on staff's review of the billing analysis, 83 percent of the water gallons sold are captured at the 8,000 gallon consumption level. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. For this reason, staff recommends that the gallonage cap of 10,000 per month be reduced to 8,000 gallons. Staff also recommends that the general service gallonage charge be 1.2 times greater than the residential gallonage charge which is consistent with Commission practice.

In addition, based on the expected reduction in water demand described above, staff recommends that a repression adjustment also be made for wastewater. Because wastewater rates are calculated based on customers' water demand, if those customers' water demand is expected to decline, then the billing determinants used to calculate wastewater rates should also be adjusted. Therefore, staff recommends that a repression adjustment should also be made to calculate wastewater rates. Based on the billing analysis for the wastewater system, staff recommends a repression adjustment of 60,501 gallons to reflect the anticipated reduction in water demand used to calculate wastewater rates. Staff recommends a 1.63 percent reduction in total residential consumption and corresponding reductions of $78 for purchased power, $25 for chemicals, $47 for sludge removal, and $7 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of $41,910. Staff recommends a BFC based on an allocation of 50 percent of the wastewater revenue requirement. Staff recommends that the gallonage cap of

10,000 per month be reduced to 8,000 gallons. Staff also recommends that the general service gallonage charge be 1.2 times greater than the residential gallonage charge which is consistent with Commission practice. Staff's recommended rate structure and rates are shown on Schedule No. 4-B.

Summary

Based on the foregoing, the recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. 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 10: Should the Commission approve the utility's request to implement convenience charge for customers who opt to pay their bill by debit or credit card?

Staff Recommendation: Yes. The utility's request to implement a convenience charge for customers who opt to pay their bill by debit or credit card should be approved. Staff recommends a convenience charge of $3.50. The charge should be effective for services rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice. (Bruce)

Staff Analysis: Section 367.091, F.S., authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or service availability charges. The utility is requesting a $3.43 convenience charge to recover the cost of supplies, administrative labor, and equipment. Staff has rounded the utility's request to the nearest tenth, which is $3.50. As required by Section 367.091, F.S., the utility's cost analysis breakdown for its requested charge is shown below.

Table 10-1
Convenience Charge Cost Justification

Activity	Cost
Labor	$.54
Supplies	$.06
Credit Card Machines	$2.83
Total Requested	$3.43

Source: Utility Correspondence

The Commission recently approved a charge of $3.00[11] for customers who opt to pay their bill with debit or credit cards for Charlie Creek Utilities, LLC.[12] In this case, the charges were designed to recover the cost of supplies, administrative labor, and equipment. An electronic bill payment charge of $3.50 was approved for Florida Public Utilities Company's (FPUC) gas customers in 2004.[13] In that case, the Commission found the charge was necessary to recover the additional costs incurred by FPUC to facilitate payments by credit card, debit card, or electronic check. The Commission also approved a charge of $3.50 for residential customers and 3.5 percent of the total bill amount for all other FPUC electric customers in 2005.[14] The charge was designed to recover the costs incurred for customer contact, supervision, and bank and credit card processing.

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[11]The utility's request is slightly higher than previous requested convenience charge due to an increase in bank charges.

[12]Order No. PSC-16-0043-PAA-WU, issued January 25, 2016, in Docket No. 150186-WU, *In re: Application for certificate to operate a water utility in Hardee County by Charlie Creek Utilities, LLC.*

[13]Order No. PSC-04-1110-PAA-GU, issued November 8, 2004, in Docket No. 040216-GU, *In re: Application for rate increase by Florida Public Utilities Company.*

[14]Order No. PSC-05-0676-TRF-EI, issued June 20, 2005, in Docket No. 050244-EI, *In re: Request to establish charge for customers paying by credit card, debit card or electronic check, by the Florida Public Utilities Company.*

Staff believes that the recommended $3.50 convenience charge is reasonable for customers who opt to pay their bill by debit or credit card. The utility's requested charge benefits the customers by allowing them to expand their payment options. Furthermore, this fee will insure the utility's remaining customers do not subsidize those customers who choose to pay using this option.

Based on the above, the utility's request to implement a convenience charge for customers who opt to pay their bill by debit or credit card should be approved. Staff recommends a convenience charge of $3.50. The charge should be effective for services rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 11: What is the appropriate amount by which rates should be reduced in four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816 F.S.?

Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B, to remove rate case expense grossed-up for RAFs 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. East Marion 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. (Vogel, Bruce)

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 return in working capital, and the gross-up for RAFs. The total reductions are $162 and $162 for water and wastewater, respectively.

The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B to remove rate case expense grossed-up for RAFs 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. East Marion 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 12: Should the recommended rates be approved for East Marion Utility, LLC on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the utility. East Marion 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's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Vogel)

Staff Analysis: This recommendation proposes an increase in water and wastewater 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. East Marion 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.

East Marion 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 $9,068. 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.

Should the recommended rates be approved by the Commission on a temporary basis, East Marion should maintain a record of the amount of the security, 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's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Issue 13: Should the utility be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision?

Recommendation: Yes. East Marion should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. East Marion should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable NARUC USOA primary accounts have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Vogel)

Staff Analysis: East Marion should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. East Marion should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Issue 14: 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. (Corbari)

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.

EAST MARION UTILITIES, LLC TEST YEAR ENDED 12/31/15 SCHEDULE OF WATER RATE BASE			SCHEDULE NO. 1-A DOCKET NO. 150257-WS
DESCRIPTION	**BALANCE PER UTILITY**	**STAFF ADJUSTMENTS TO UTIL. BAL.**	**BALANCE PER STAFF**
UTILITY PLANT IN SERVICE	$142,734	$3,885	$146,619
UTILITY PLANT IN SERVICE- ALLOCATED	0	473	473
LAND & LAND RIGHTS	0	0	0
NON-USED AND USEFUL COMPONENTS	0	(15,023)	(15,023)
CIAC	(39,700)	0	(39,700)
ACCUMULATED DEPRECIATION	(99,112)	16,146	(82,966)
ACCUMULATED DEPRECIATION- ALLOCATED	0	(11)	(11)
AMORTIZATION OF CIAC	18,101	(925)	17,176
WORKING CAPITAL ALLOWANCE	0	2,957	2,957
WATER RATE BASE	$22,023	$7,501	$29,524

EAST MARION UTILITIES, LCC — **SCHEDULE NO. 1-B**
TEST YEAR ENDED 12/31/15 — **DOCKET NO. 150257-WS**
SCHEDULE OF WASTEWATER RATE BASE

DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	$482,102	$954	$483,056
UTILITY PLANT IN SERVICE – ALLOCATED	0	473	473
LAND & LAND RIGHTS	0	0	0
NON-USED AND USEFUL COMPONENTS	0	(48,017)	(48,017)
CIAC	(77,600)	0	(77,600)
ACCUMULATED DEPRECIATION	(390,285)	15,881	(374,404)
ACCUMULATED DEPRECIATION - ALLOCATED	0	(11)	(11)
AMORTIZATION OF CIAC	29,279	(1,080)	28,199
WORKING CAPITAL ALLOWANCE	0	4,193	4,193
WASTEWATER RATE BASE	$43,496	($27,606)	$15,890

	EAST MARION UTILITIES, LLC TEST YEAR ENDED 12/31/15 ADJUSTMENTS TO RATE BASE	SCHEDULE NO. 1-C DOCKET NO. 150257-WS	
		WATER	**WASTEWATER**
	UTILITY PLANT IN SERVICE		
1.	To reflect pro forma plant replacements and retirements.	$7,769	$0
2.	To capitalize a pump repair previously placed in Acct. 636 and 736.	0	1,908
3.	Averaging adjustment.	(3,885)	(954)
	Total	$3,885	$954
	UTILITY PLANT IN SERVICE – ALLOCATED		
1.	To allocated common plant from FUS1.	$495	$495
2.	Averaging adjustment.	(22)	(22)
	Total	$473	$473
	NON-USED AND USEFUL PLANT		
1.	To reflect non-used and useful plant.	($44,077)	($269,802)
2.	To reflect non-used and useful accumulated depreciation.	29,054	221,785
	Total	($15,023)	($48,017)
	ACCUMULATED DEPRECIATION		
1.	To reflect pro forma plant replacements and retirements.	$23,166	$0
2.	Depreciation adjustment per Rule 25-30.140 F.A.C.	(26)	11,787
3.	Averaging adjustment.	(6,994)	4,094
	Total	$16,146	$15,881
	ACCUMULATED DEPRECIATION – ALLOCATED		
1.	To reflect the appropriate Accumulated Depreciation – Allocated.	($18)	($18)
2.	Averaging adjustment.	7	7
	Total	($11)	($11)
	AMORTIZATION OF CIAC		
1.	To reflect the appropriate amount of amortization.	($286)	($421)
2.	To reflect an averaging adjustment.	(639)	(659)
	Total	($925)	($1,080)
	WORKING CAPITAL ALLOWANCE		
	To reflect 1/8 of test year O&M expenses.	$2,957	$4,193

EAST MARION UTILITIES, LLC **SCHEDULE NO. 2**
TEST YEAR ENDED 12/31/15 **DOCKET NO. 150257-WS**
SCHEDULE OF CAPITAL STRUCTURE

	CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	COMMON EQUITY	$0	$10,000	$10,000	$0	$0	0.00%	11.16%	0.00%
2.	RETAINED EARNINGS	(172,102)	162,102	(10,000)	0	0	0.00%	0.00%	0.00%
3.	LONG-TERM DEBT	(6,675)	97,000	90,325	(48,536)	41,789	92.02%	6.00%	5.52%
4.	SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
5.	PREFERRED STOCK	0	0	0	0	0	0.00%	0.00%	0.00%
6.	CUSTOMER DEPOSITS	3,493	132	3,625	0	3,625	7.98%	2.00%	0.16%
7.	TOTAL	($175,284)	$269,234	$93,950	($48,536)	$45,414	100.00%		5.68%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	10.16%	12.16%
OVERALL RATE OF RETURN	5.68%	5.68%

EAST MARION UTILITIES, LLC TEST YEAR ENDED 12/31/15 SCHEDULE OF WATER OPERATING INCOME					SCHEDULE NO. 3-A DOCKET NO. 150257-WS
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. **OPERATING REVENUES**	$23,833	$80	$23,913	$6,899	$30,812
				28.85%	
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	$31,349	($7,695)	$23,654	$0	$23,654
3. DEPRECIATION (NET)	3,052	(740)	2,312	0	2,312
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	0	2,171	2,171	310	2,481
6. INCOME TAXES	0	0	0	0	0
7. **TOTAL OPERATING EXPENSES**	$34,401	($6,265)	$28,136	$310	$28,447
8. **OPERATING INCOME/(LOSS)**	($10,568)		($4,223)		$2,365
9. **WATER O&M EXPENSES**	$31,349		$23,654		$23,654
10. **OPERATING MARGIN**					10.00%

EAST MARION UTILITIES, LLC — **SCHEDULE NO. 3-B**
TEST YEAR ENDED 12/31/15 — **DOCKET NO. 150257-WS**
SCHEDULE OF WASTEWATER OPERATING INCOME

		TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**OPERATING REVENUES**	$34,144	$1,748	$35,892	$6,495	$42,387
					18.10%	
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$31,966	$1,579	$33,545	$0	$33,545
3.	DEPRECIATION (NET)	16,918	(14,137)	2,781	0	2,781
4.	AMORTIZATION	0	0	0	0	0
5.	TAXES OTHER THAN INCOME	0	2,415	2,415	292	2,707
6.	INCOME TAXES	0	0	0	0	0
7.	**TOTAL OPERATING EXPENSES**	$48,884	($10,143)	$38,741	$292	$39,033
8.	**OPERATING INCOME/(LOSS)**	($14,740)		($2,849)		$3,355
9.	**WASTEWATER O&M EXPENSES**	$31,966		$33,545		$33,545
10.	**OPERATING RATIO**					10.00%

	EAST MARION UTILITIES, LLC TEST YEAR ENDED 12/31/15 ADJUSTMENTS TO OPERATING INCOME	SCHEDULE NO. 3-C DOCKET NO. 150257-WS Page 1 of 3	
		WATER	**WASTEWATER**
	OPERATING REVENUES		
1.	To reflect the appropriate test year revenues.	$380	$1,108
2.	To reflect miscellaneous revenues.	(300)	320
	Subtotal	$80	$1,428
	OPERATION AND MAINTENANCE EXPENSES		
1.	Salaries and Wages – Employees (601/701)		
	a. To remove a payroll markup.	($60)	($60)
	b. To reclassify salary expense from Acct. 636/736.	225	225
	c. To reflect the appropriate payroll tax.	(315)	(315)
	Subtotal	($150)	($150)
2.	Salaries and Wages – Officers (603/703)		
	To remove former owner’s salary.	($654)	($654)
3.	Employee Pension & Benefits (604/704)		
	To reflect appropriate amount of benefit expense.	$512	$512
4.	Purchased Power (615/715)		
	a. To include appropriate utility expenses for the test year.	$205	$205
	b. To properly allocate expenses between systems.	(406)	(376)
	c. To remove late fees.	0	(28)
	Subtotal	($201)	($348)
5.	Chemicals (618/718)		
	To properly allocate expenses between systems.	($347)	$347
6.	Materials & Supplies (620/720)		
	a. To remove purchases outside the test year.	($68)	($68)
	b. To remove items not related to the utility.	(132)	(91)
	c. To reclassify expenses to Account 650/750).	(43)	(43)
	Subtotal	($243)	($202)
7.	Contractual Services – Professional (631/731)		
	a. To properly allocate expenses between systems.	($100)	$100
	b. To exclude expenses from a lawsuit.	(63)	(63)
	c. To exclude expenses allocated from a lawsuit.	(3)	(3)
	Subtotal	($166)	$34
8.	Contractual Services – Testing (635/735)		
	To properly allocate expenses between systems.	$928	($928)

EAST MARION UTILITIES, LLC TEST YEAR ENDED 12/31/15 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE NO. 3-C DOCKET NO. 150257-WS Page 2 of 3
	WATER	**WASTEWATER**
9. Contractual Services - Other (636/736)		
a. To remove expenses outside the test year.	($98)	($98)
b. To properly allocate expenses between systems.	(1,779)	1,757
c. To remove an additional mowing bill.	(225)	0
d. To include an unrecorded bill.	230	345
e. To remove a major pump repair and capitalize the expense.	(954)	(954)
f. To amortize non-recurring tree trimming expense.	(420)	(420)
g. To amortize non-recurring tank cleaning.	(1,440)	0
h. To reclassify salary expense to Accounts 601 and 701.	(225)	(225)
i. To remove items not related to the utility.	(160)	(141)
Subtotal	($5,071)	$264
10. Rent Expense (640/740)		
a. To reflect appropriate amount and allocation of expenses.	($2,016)	$2,697
b. To reflect the appropriate allocated expenses from FUS1.	(27)	30
Subtotal	($2,043)	$2,727
11. Transportation Expense (650/750)		
a. To reallocate expenses appropriately.	($33)	$33
b. To remove a truck loan not related to the utility.	(100)	(100)
c. To appropriately allocate expenses to the utility.	114	114
d. To reclassify expenses from Accounts 620 and 720.	43	43
Subtotal	$24	$90
12. Insurance Expense (655/755)		
a. To reflect appropriate insurance expense.	$21	$21
b. To remove health insurance premiums.	(705)	(673)
Subtotal	($684)	($652)
13. Regulatory Commission Expense (665/765)		
To include rate case expense.	$147	$147
14. Miscellaneous Expense (675/775)		
a. To remove overdraft fees.	($16)	($16)
b. To reflect the appropriate allocation of expenses.	(70)	70
c. To reflect the appropriate amount of utility expense from FUS1.	338	338
Subtotal	$252	$392
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	($7,695)	$1,579

	EAST MARION UTILITIES, LLC TEST YEAR ENDED 12/31/15 ADJUSTMENTS TO OPERATING INCOME	SCHEDULE NO. 3-C DOCKET NO. 150257-WS Page 3 of 3	
		WATER	WASTEWATER
	DEPRECIATION EXPENSE		
1.	To reflect test year depreciation calculated per Rule 25-30.140, F.A.C..	($15)	($11,787)
2.	To reflect appropriate depreciation expense from allocated plant.	77	77
3.	To include depreciation expense for pro forma plant.	141	0
4.	To include depreciation expense for pump repair.	0	64
5.	To reflect non-used and useful depreciation expense.	(1,229)	(4,233)
6.	To reflect the appropriate amount of amortization expense of CIAC.	286	1,739
	Total	($740)	($14,140)
	TAXES OTHER THAN INCOME		
1.	To reflect property taxes.	784	784
2.	To reflect appropriate property tax for pro forma plant and additions.	122	30
3.	To reflect payroll taxes.	447	447
4.	To reflect the appropriate test year RAFs.	$1,090	$1,601
5.	To reflect non-used and useful property tax.	(272)	(448)
	Total	$2,171	$2,415

EAST MARION UTILITIES, LLC TEST YEAR ENDED 12/31/15 ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			SCHEDULE NO. 3-D DOCKET NO. 150257-WS
	TOTAL PER UTILITY	STAFF ADJUST-MENTS	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	$4,246	($150)	$4,096
(603) SALARIES AND WAGES - OFFICERS	2,154	(654)	1,500
(604) EMPLOYEE PENSIONS AND BENEFITS	0	512	512
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	1,267	(201)	1,066
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	1,189	(347)	842
(620) MATERIALS AND SUPPLIES	826	(243)	583
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	266	(166)	100
(633) CONTRACTUAL SERVICES – TESTING	928	928	1,856
(636) CONTRACTUAL SERVICES - OTHER	10,755	(5,071)	5,684
(640) RENTS	5,857	(2,043)	3,814
(650) TRANSPORTATION EXPENSE	512	24	536
(655) INSURANCE EXPENSE	1,671	(684)	987
(665) REGULATORY COMMISSION EXPENSE	0	147	147
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSE	1,678	252	1,930
	$31,349	($7,695)	$23,654

EAST MARION UTILITIES, LLC TEST YEAR ENDED 12/31/15 ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE			SCHEDULE NO. 3-E DOCKET NO. 150257-WS
	TOTAL PER UTILITY	STAFF ADJUST-MENTS	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	$4,246	($150)	$4,096
(703) SALARIES AND WAGES - OFFICERS	2,154	(654)	1,500
(704) EMPLOYEE PENSIONS AND BENEFITS	0	512	512
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	2,859	0	2,859
(715) PURCHASED POWER	5,158	(348)	4,810
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	1,189	347	1,536
(720) MATERIALS AND SUPPLIES	808	(202)	606
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	66	34	100
(735) CONTRACTUAL SERVICES - TESTING	928	(928)	0
(736) CONTRACTUAL SERVICES - OTHER	8,801	264	9,065
(740) RENTS	2,395	2,727	5,122
(750) TRANSPORTATION EXPENSE	446	90	536
(755) INSURANCE EXPENSE	1,639	(652)	987
(765) REGULATORY COMMISSION EXPENSE	0	147	147
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSE	1,277	392	1,669
	$31,966	$1,579	$33,545

EAST MARION UTILITIES, LLC. TEST YEAR ENDED DECEMBER 31, 2015 MONTHLY WATER RATES			SCHEDULE NO. 4-A DOCKET NO. 150257-WS	
	RATES AT TIME OF FILING	**RECOMMENDED INTERIM RATES**	**STAFF RECOMMENDED RATES**	**4 YEAR RATE REDUCTION**
Residential, Irrigation, and General Service				
Base Facility Charge by Meter Size				
5/8" x 3/4"	$10.05	$11.73	$9.82	$0.05
3/4"	$15.10	$17.60	$14.73	$0.08
1"	$25.15	$29.33	$24.55	$0.14
1-1/2"	$50.29	$58.65	$49.10	$0.27
2"	$80.47	$93.84	$78.56	$0.44
3"	$160.94	$187.68	$157.12	$0.88
4"	$251.47	$293.25	$245.50	$1.37
6"	$502.93	$586.50	$491.00	$2.75
Charge per 1,000 gallons - Residential and Irrigation Service				
0-10,000 gallons	$2.11	$2.46		
Over 10,000 gallons	$3.15	$3.68		
0-4,000 gallons			$3.46	$0.02
4,000- 10,000 gallons			$4.34	$0.02
Over 10,000 gallons			$6.51	$0.04
Charge per 1,000 gallons - General Service	$2.46	$2.87	$4.01	$0.02
Typical Residential 5/8" x 3/4" Meter Bill Comparison				
4,000 Gallons	$18.49	$21.57	$23.66	
8,000 Gallons	$26.93	$31.41	$41.02	
10,000 Gallons	$31.15	$36.33	$49.70	

EAST MARION UTILITIES, LLC. TEST YEAR ENDED DECEMBER 31, 2015 MONTHLY WASTEWATER RATES			SCHEDULE NO. 4-B DOCKET NO. 150257-WS
	RATES AT TIME OF FILING	**STAFF RECOMMENDED RATES**	**4 YEAR RATE REDUCTION**
Residential			
Base Facility Charge - All Meter Sizes	$15.37	$18.65	$0.08
Charge Per 1,000 gallons			
10,000 gallon cap	$4.69		
8,000 gallon cap		$5.72	$0.02
-			
General Service			
Base Facility Charge by Meter Size			
5/8" x 3/4"	$15.37	$18.65	$0.08
3/4"	$23.05	$27.98	$0.11
1"	$38.42	$46.63	$0.19
1-1/2"	$76.84	$93.25	$0.38
2"	$122.92	$149.20	$0.60
3"	$245.86	$298.40	$1.21
4"	$384.16	$466.25	$1.88
6"	$768.28	$932.50	$3.77
Charge per 1,000 gallons	$5.63	$6.86	$0.03
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
4,000 Gallons	$34.13	$41.53	
8,000 Gallons	$52.89	$64.41	
10,000 Gallons	$62.27	$64.41	