

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Brevard County by Aquarina Utilities, Inc.

DOCKET NO. 150010-WS
ORDER NO. PSC-16-0583-PAA-WS
ISSUED: December 29, 2016

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
LISA POLAK EDGAR
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING RATES FOR AQUARINA UTILITIES, INC.
AND FINAL ORDER
ON RECOVERY OF RATE CASE EXPENSE, TEMPORARY RATES
AND ACCOUNTING

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that, the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.). Granting of temporary rates in the event of a protest, addressing rate case expense, and requiring adjustments to National Association of Regulatory Utility Commissioners Uniform System of Accounts are final agency actions and subject to reconsideration and appeal as described below under the heading, "NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW."

Background

Aquarina Utilities, Inc., (Aquarina or Utility) is a Class B utility providing service to approximately 296 water and 311 wastewater customers in Brevard County. Aquarina also provides non-potable water for irrigation to approximately 107 customers. Aquarina Developments, Inc. owned the system when it began providing service in 1984. In 1989, we granted the system water and wastewater certificate numbers 517-W and 450-S, respectively. Water and wastewater rates were last established in 2003, when the system was owned by Service Management Systems, Inc. Ownership was transferred to Aquarina in 2012.

On January 2, 2015, Aquarina filed an application for a Staff Assisted Rate Case (SARC). The test year ending December 31, 2014, was selected for this case. According to Aquarina's 2014 Annual Report, its total operating revenues for water and wastewater were \$269,405 and \$161,736, respectively. The Utility reported a net loss of \$45,050 for the water

service and net income of \$5,320 for the wastewater service. On July 14, 2015, Aquarina submitted an additional pro forma request for consideration in this docket. We received the final quotes on October 19, 2015. On January 19, 2016, the Utility requested consideration of additional well expenses.

A customer meeting was held on March 10, 2016, to receive customer questions and comments concerning the Utility's rate case and quality of service. We have jurisdiction in this case pursuant to Section 367.0814, Florida Statutes, (F.S.).

Decision

1. Quality of Service

Pursuant to Rule 25-30.433(1), F.A.C., in water and wastewater rate cases, we must determine the overall quality of service provided by the utility. This review is based upon an evaluation of three separate components of the operations: the quality of the utility's product; the operating conditions of the utility's plant and facilities; and, the utility's attempt to address customer satisfaction. The Rule provides that the following must be considered: sanitary surveys; outstanding citations; and, violations and consent orders for the preceding three year period that are on file with the Department of Environmental Protection (DEP) and the county health department. Additionally, Section 367.0812(1)(c), F.S., requires that we consider the extent to which the utility provides water service that meets secondary water quality standards as established by the DEP.

Based upon our initial review of the Utility's service and the foregoing criteria, it appeared that the service was satisfactory.¹ However, at our November 1, 2016, Agenda conference, further information provided to us reflected that there were significant concerns with the Utility's service. Among such concerns were the following:

- fire flow (including no water for fire suppression, low water pressure for fire suppression, and irrigation use disrupting water availability for fire suppression);
- water leaks;
- untimely repairs;
- debris in the line after repair;
- failure to issue boil water notices;
- failure to follow appropriate safety procedures after repairs;
- missing utility equipment;
- operation of the plant by a non-licensed operator;
- appropriate cost allocation of salaries, equipment, and machinery among entities owned by the Burges;
- communications with customers; and
- maintenance of complaint logs.

¹ See our staff's recommendation filed in this docket on September 29, 2016, (Document No. 07853-16) and revised on October 20, 2016, (Document No. 08364) at pp. 3-6.

Having heard these concerns, we find the Utility's service to be marginal and hereby direct our staff to conduct a thorough management audit of the Utility to address the matters raised by customers and other matters routinely included in such an audit.

2. Used and Useful (U&U)

A. Potable Water Treatment Plant Used & Useful

Pursuant to Rule 25-30.4325, F.A.C., the U&U calculation for a water treatment plant (WTP) is ((Max Day - excessive unaccounted for water (EUW) + Fire Flow + Growth)/ Firm Reliable Capacity). Based on Aquarina's Monthly Operating Reports (MORs) the Max Day usage during the test year was 70,000 gallons. The Utility's MORs indicate that there was no EUW during the test year. Fire flow is handled by a separate, non-potable system; therefore, it is not considered in our evaluation of WTP used and useful. Historic flows indicate negative growth since 2011; therefore, we are not making an adjustment for growth.

Rule 25-30.4325, F.A.C., provides that Firm Reliable Capacity (FRC) is expressed in gallons per day (gpd), based on 16 hours of pumping, for systems with storage capacity such as Aquarina's system. Typically, the FRC is calculated by using the pumping capacity of the smallest well in the system which, in this case, is rated at 450 gpm. Based on 16 hours of availability the FRC equals 432,000 gpd. However, the Rule contains a provision by which an alternative calculation may be considered if supporting justification is provided, including: service area or treatment capacity restrictions; changes in flows due to conservation or a reduction in the number of customers; and, alternative peaking factors. The most recent DEP sanitary survey for Aquarina's WTP, states that the Max Day capacity of the WTP is 86,400 gpd. Therefore, we find that that 86,400 gpd shall be used as the FRC. The resulting U&U calculation for the WTP equals 81 percent (70,000 - 0 + 0 + 0/86,400).

In the 2003 rate case, the water treatment plant was deemed 29.7 percent U&U. Rule 25-30.4325, F.A.C., became effective subsequent to our decision in that case. Review of the U&U analysis in the previous case shows that storage was considered in determining the FRC. Rule 25-30.4325(3), F.A.C., provides that separate used and useful calculations shall be made for the water treatment system and storage facilities. Our U&U calculation for Aquarina's storage facilities is discussed later in this order.

B. Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., describes EUW as unaccounted for water in excess of 10 percent of the amount produced. When establishing the Rule, we recognized that some uses of water are readily measurable and others are not. Unaccounted for water is all water that is produced that is not sold, metered or accounted for in the records of the Utility. The Rule provides that to determine whether adjustments to plant and operating expenses, such as purchased electrical power and chemicals cost, are necessary, we will consider all relevant reasons for EUW, solutions implemented to correct the problem, or whether a proposed solution

is economically feasible. The unaccounted for water is calculated by subtracting both the gallons used for other purposes, such as flushing, and the gallons sold to customers from the total gallons pumped for the test year.

Aquarina's MORs show that it treated 12,046,000 gallons and sold 12,322,490 gallons of water during the test year. This indicates the Utility sold 276,490 gallons more than it treated. Therefore, the Utility had an unaccounted for water value of negative 2.24 percent. The Utility explained that its flow meter has an error margin of 6 percent. Even if we were to approve an adjustment to account for the inaccuracy of the flow meter, the unaccounted for water would not exceed 10 percent. Therefore, no adjustment shall be made to operating expenses for chemicals and purchase power due to the EUW.

C. Potable Water Treatment Plant Storage Used & Useful

Pursuant to Rule 25-30.4325, F.A.C., the U&U calculation for WTP storage is ((Max Day - EUW + Fire Flow + Growth)/usable storage of the water storage tank). Aquarina's water storage tank is rated at 150,000 gallons. The resulting calculation, assuming the Max Day discussed in the previous section, equals 46.7 percent $((70,000 - 0 + 0 + 0)/150,000)$.

D. Potable Water Distribution System Used & Useful

In the previous rate case, distribution system U&U was based on the capacity of the system and the number of test year connections measured on the basis of equivalent residential connections (ERCs). A growth allowance of 60 ERCs was also considered in that case. In the instant case, the Utility does not have access to records which detail expansion or changes to the distribution system from 2003 to 2011, when the system was under prior ownership. Due to incomplete records regarding Aquarina's water distribution system, we are unable to determine the current capacity of that system.

In the 2003 rate case, it was noted that recent approvals from Brevard County expanded the system's growth potential from 436 ERCs to 600 ERCs. Therefore, it is reasonable to consider that expansion of the water distribution may have occurred in the 2003 to 2011 timeframe.

We considered whether or not the system should be considered built-out which would result in a U&U of 100 percent. However, based upon our review of the area, as well as communication with local community managers, it appears that there is potential for new construction in the area.

Given the lack of available information, we shall adhere to our prior decision to consider the water distribution system 62.6 percent U&U. As discussed below, we grant the Utility's request for Geographic Information System (GIS) mapping of its plant to determine the current connection capacity of its water distribution system. The GIS mapping will allow the Utility to provide accurate information regarding its distribution system.

E. Wastewater Treatment Plant Used & Useful

In the 2003 rate case, the WWTP was found to be 55.9 percent U&U. The Annual Average Daily Flow (AADF) from the Discharge Monitoring Reports filed monthly with DEP was 38,296 gpd. Pursuant to Rule 25-30.432, F.A.C., the U&U calculation for a WWTP is $((AADF - \text{excessive inflow \& infiltration (I\&I) + Growth}) / \text{permitted capacity})$. As discussed in greater detail below, I&I for the WWTP cannot be accurately determined at this time; therefore, we are not including an I&I value in this calculation. Based on historic flows, we do not find that an adjustment for growth should be made at this time. The facility has a permitted capacity of 99,000 gpd.

Based on the inputs discussed above, the resulting calculation equals 44.8 percent $((38,296 - 0 + 0) / 99,000 \text{ gpd})$ which is lower than our previously-ordered U&U percentage of 55.9 percent. Therefore, we shall adhere to our prior decision to consider the wastewater treatment plant to be 55.9 percent U&U.

F. Inflow & Infiltration (I&I)

Rule 25-30.432, F.A.C., provides that, in determining the amount of U&U plant, we will consider I&I. Typically, *inflow* results from water entering a wastewater collection system through manholes or lift stations. In contrast, *infiltration* results from groundwater entering a wastewater collection system through broken or defective pipes and joints. It is an industry standard and our practice to allow 10 percent of water sold as inflow plus 500 gpd per inch diameter pipe per mile for infiltration. The sum of these amounts is the allowable I&I.

The Utility was not able to provide the size and length of its wastewater mains and indicated that it has incomplete records. Absent this information, an allowance for infiltration cannot be accurately determined. Therefore, there shall be no adjustments to operating expenses due to I&I. This is consistent with our decision in the last rate case for this system wherein we identified I&I as “N/A” and no adjustment was made.

G. Wastewater Collection System Used & Useful

For the same reasons discussed in our U&U analysis of Aquarina’s water distribution system, we are unable to determine the current capacity of the Utility’s wastewater collection system. Therefore, consistent with our decision regarding the Utility’s distribution system, we shall adhere to our prior decision and consider the wastewater collection system to be 65.4 percent U&U.

H. Non-Potable Water System and Water Distribution System Used & Useful

Although there is no specific rule for non-potable water systems, we find that the U&U equation for a WTP might reasonably be applied to a non-potable water system. Aquarina’s non-potable water system is served by a single well. Pursuant to Rule 25-30.4325, F.A.C., a water treatment system is considered 100 percent U&U if the system is served by a single well. This

approach is consistent with the 2003 rate case, wherein the non-potable water distribution system was determined to be 100 percent U&U. We have no indication that the non-potable water distribution system has been expanded since that time. Based upon the foregoing, the non-potable water distribution system shall be considered 100 percent U&U.

I. Non-Potable Water Storage Used & Useful

Similar to our evaluation of Aquarina's non-potable water system, we find that the standards contained in Rule 25-30.4325, F.A.C., might reasonably be used to determine the U&U of the Utility's non-potable water storage. With this approach, the U&U of Aquarina's non-potable water system is $((\text{Max Day} - \text{EUW} + \text{Fire Flow} + \text{Growth}) / \text{Firm Reliable Capacity})$. For the Max Day, we relied on test year data and determined a value of 512,052 gallons based on a daily average for the peak month. The Utility is required to maintain 250,000 gallons for fire flow. Historic flows indicate negative growth since 2011; therefore, we shall not make an adjustment for growth. The FRC of the non-potable water storage is 1.25 million gallons.

Sufficient information was not available to determine EUW; therefore, we have no basis to support an adjustment for EUW. Based on the inputs discussed above, we approve a U&U of 61 percent $((512,052 - 0 + 250,000) / 1,250,000)$ for Aquarina's non-potable water storage.

J. Summary

The following U&U percentages for water, wastewater, and non-potable systems shall be considered in setting rates for Aquarina.

Plant	U&U Percentage
Water Treatment Plant	81.0 Percent
Water Distribution	62.6 Percent
Water Plant Storage	46.7 Percent
Wastewater Plant	55.9 Percent
Wastewater Collection System	65.4 Percent
Non-Potable Plant	100 Percent
Non-Potable Distribution	100 Percent
Non-Potable Storage	61.0 Percent

No adjustments to operating expenses shall be made for EUW or excessive I&I.

3. Test Year Rate Bases

Aquarina's net book value was last established by Order No. PSC-12-0577-PAA-WS, which was issued in its 2012 transfer docket. The test year ended December 31, 2014, was used

for the instant case. A summary of each rate base component and adjustments is discussed below.

A. Utility Plant in Service (UPIS)

The Utility recorded UPIS of \$1,907,336 for potable water, \$22,080 for non-potable water, and \$2,116,139 for wastewater. We have identified several adjustments resulting in an increase to UPIS for potable water, non-potable water, and wastewater of \$49,635, \$905, and \$7,708 respectively. These adjustments are shown on the following tables.

Potable Water Audit Adjustments			
Acct.	Description	Adjustments	Reason for Adjustment
304	Structures & Improvements	\$210	Correct transfer amount posted in 2011
311	Pumping Equip.	1,820	Reclassify O&M Expense to capitalize to plant net of retirement
320	Water Treatment Equip.	5,559	Correct transfer amount posted in 2011
331	T&D Mains	2,188	Correct transfer amount posted in 2011
333	Services	158	Correct transfer amount posted in 2011
334	Meters & Meter Installations	(5,956)	Correct transfer amount posted in 2011
339	Other Plant & Misc. Equip.	899	Correct transfer amount posted in 2011
341	Transportation Equip.	40,596	To reflect the appropriate allocation between water and wastewater
343	Tools, Shop, & Garage Equip.	900	Reclassify O&M Expense to capitalize to plant
344	Lab Equip.	2,000	Reclassify O&M Expense to capitalize to plant
347	Misc. Equip.	<u>1,261</u>	Correct transfer amount posted in 2011
	Total Adjustments	<u>\$49,635</u>	

Non-Potable Water Audit Adjustment			
Acct.	Description	Adjustment	Reason for Adjustment
311	Pumping Equip.	\$905	Reclassify O&M Expense to capitalize to plant net of retirement

Wastewater Audit Adjustments			
Acct.	Description	Adjustments	Reason for Adjustment
354	Structures & Improvements	\$774	Correct transfer amount posted in 2011
360	Collection - Sewers Forced	2,872	To capitalize plant addition
364	Flow Measurement Devices	1,475	Reclassify O&M Expense to capitalize to plant
380	Treatment & Disposal Equip.	(8,077)	Correct transfer amount posted in 2011
390	Office Furniture & Equip.	(10,200)	To remove transfer
391	Transportation Equip.	20,298	To reflect the appropriate allocation between water and wastewater
394	Laboratory Equipment	<u>565</u>	Correct transfer amount posted in 2011
	Total Adjustments	<u>\$7,708</u>	

In addition, we made adjustments to UPIS by decreasing UPIS for potable water and increasing UPIS for non-potable water in order to match the amount of audited Contributions in Aid of Construction (CIAC) for the non-potable system. This resulted in a decrease to potable water UPIS and a corresponding increase to non-potable water UPIS of \$90,305. We then

reduced UPIS for potable and non-potable water by \$36,324 and \$67,162, respectively, to retire CIAC accounts that were over-amortized.

We further reduced potable water UPIS and increased non-potable water UPIS by \$234,124 to reflect previously-required adjustments.² We reduced potable water and increased non-potable water by \$149,558, to impute Transmission and Distribution Mains for the non-potable system.

We also reduced wastewater UPIS and increased non-potable water UPIS by \$512,792 to reflect previously-required.³ Further, we made averaging adjustments to decrease UPIS for potable water, non-potable water, and wastewater by \$2,329, \$31, and \$1,436, respectively.

B. Pro Forma Plant

On July 6, 2015, the Utility submitted a request to replace several critical parts of its aging plant along with acquiring new system maps of its infrastructure.

i. Water Treatment Plant – Reverse Osmosis Skid

Aquarina requested replacement of its reverse osmosis skid due to its age. The Utility indicated that the unit has been in operation since 1984, it is fully depreciated and replacement parts are becoming scarce. Aquarina requested quotes for service contracts on the system, but none were provided, even from the vendor that sold Aquarina the original system. Upon review, we find that it is prudent for the Utility to replace its reverse osmosis skid at this time. The Utility provided five quotes from three manufactures ranging in price from \$42,637 to \$68,430. Aquarina selected the second to lowest bid based on the system's capacity to provide service to its existing and future customer base. The final quote was \$52,232 and includes maintenance services.

ii. Distribution and Collection Systems – GIS Mapping

When it purchased the systems, the Utility did not receive adequate records indicating the location and scope of its current distribution and collection systems. The maps and plans in the possession of the Utility do not represent the modifications and changes to the systems up to this date. Aquarina stated that plans and diagrams are needed to delineate its three systems (potable, non-potable, and sewer). The maps and plans will also allow the Utility to respond to 811 Florida One-Call. Aquarina requested two quotes to perform system mapping. Only one party provided a quote to the Utility in the amount of \$76,768. Upon review, this appears to be reasonable.

²See Order Nos. PSC-95-1417-FOF-WS, issued November 21, 1995, in Docket No. 941234-WS, *In re: Application for staff-assisted rate case in Brevard County by Aquarina Developments, Inc.* and PSC-03-1342-PAA-WS, issued November 24, 2003, in Docket No. 021228-WS, *In re: Application for staff-assisted rate case in Brevard County by Service Management Systems, Inc.*

³See Order No. PSC-95-1417-FOF-WS, issued November 21, 1995, in Docket No. 941234-WS, *In re: Application for staff-assisted rate case in Brevard County by Aquarina Developments, Inc.*

iii. Wastewater Treatment Plant – Catwalks & Sand Filter Blowers

The catwalks inside the WWTP are rusted and need repair. We approve a quote of \$9,431 to replace the catwalks. In addition, the blowers for the sand filters need to be replaced due to their age. We approve a quote of \$5,446 to replace the sand filter air compressors.

iv. Wastewater Treatment Plant – Blowers

The WWTP blowers are aged and often need repair. We approve a quote of \$27,912 to replace the blowers.

v. Meter Retirements and Safety Equipment

Several of the Utility's residential customer meters are not working properly and need to be replaced. The Utility has incorporated a meter replacement program into its maintenance program. The replacement of 40 meters per year at an estimated cost of \$2,800 per year is anticipated. Based upon information provided by the Utility, we find it reasonable for the Utility to replace approximately of 20 potable and 20 non-potable water meters per year. In addition, the Utility included the cost of protective gear (cones, vests, helmets and boots) which we agree is necessary and appropriate.

As a result, we made net adjustments increasing UPIS for potable water, non-potable water, and wastewater \$5,896, \$2,774, and \$2,424, respectively, for these pro forma plant additions. Therefore, we find that the appropriate UPIS balances are \$1,450,227 (\$1,907,336 + \$49,635 - \$90,305 - \$36,324 - \$234,124 - \$149,558 - \$2,329 + \$5,896) for potable water, \$945,345 (\$22,080 + \$905 + \$90,305 - \$67,162 + \$234,124 + \$149,558 + \$512,792 - \$31 + \$2,774) for non-potable water, and \$1,612,043 (\$2,116,139 + \$7,708 - \$512,792 - \$1,436 + \$2,424) for wastewater.

C. Land & Land Rights

The Utility recorded test year land values of \$62,080 for potable water and \$33,680 for wastewater. Based on our review, an adjustment was made to allocate a portion of land to non-potable water based on the ratio of potable to non-potable plant. Accordingly, we reduced the balance for potable water and increased the balance for non-potable water by \$24,498. Therefore, we find that the appropriate land balances are \$37,582 (\$62,080 - \$24,498) for potable water and \$24,498 for non-potable water. No adjustment was required to the Utility's wastewater land balance of \$33,680.

D. Non-Used and Useful (U&U) Plant

As discussed above under the heading "2. Used and Useful," the water treatment plant is 81.0 percent U&U. The water treatment storage is 46.7 percent U&U and the water distribution system is 62.6 percent U&U. The non-potable storage tank is 61.0 percent U&U. The wastewater treatment plant is 55.9 percent U&U and the wastewater collection system is 65.4 percent U&U.

Based on these U&U percentages, we have reduced potable water plant by \$490,147 and reduced potable water accumulated depreciation by \$416,953. We also reduced non-potable water plant and accumulated depreciation by \$199,989. Additionally, we reduced wastewater plant by \$480,926 and reduced accumulated depreciation by \$418,603. Thus, the non-U&U component is \$73,194 (\$490,147 - \$416,953) for potable water, \$0 (\$199,989 - \$199,989) for non-potable water, and \$62,323 (\$480,926 - \$418,603) for wastewater.

E. Accumulated Depreciation

The Utility recorded a test year Accumulated Depreciation balance of \$1,522,797 for potable water and \$1,866,188 for wastewater. No Accumulated Depreciation was recorded for non-potable water. We recalculated Accumulated Depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C., and increased these accounts by \$10,652 for potable water and \$18,566 for wastewater. We made an adjustment to allocate the appropriate amount of Accumulated Depreciation to the non-potable water system. This adjustment resulted in a decrease to the balance for potable water and an increase to the balance for non-potable water of \$10,365.

We also made adjustments to Accumulated Depreciation to match the amount of the audited balances of Accumulated Amortization of CIAC. Therefore, we decreased Accumulated Depreciation for potable water and increased this account for non-potable water by \$99,758. We reduced Accumulated Depreciation for potable and non-potable water by \$52,420 and \$86,236, respectively, to reflect the retirements associated with the fully amortized CIAC accounts.

We further decreased Accumulated Depreciation for potable water, increased this account for non-potable water by \$202,514, and decreased wastewater and increased non-potable water by \$512,792 to reflect the ordered adjustments discussed in this Section 3, under the heading "A. Utility Plant in Service." We decreased Accumulated Depreciation for potable water and increased this account for non-potable water by \$67,369 to reflect the imputation of T&D Mains for the non-potable water system.

We made averaging adjustments that resulted in decreases of \$20,232 for potable water, \$265 for non-potable water, and \$14,814 for wastewater. Further, we made adjustments based on pro forma plant additions and retirements resulting in a decrease of \$9,898 for potable water and \$923 for non-potable water, and an increase of \$45 for wastewater. Our adjustments result in Accumulated Depreciation balances of \$1,070,894 ($\$1,522,797 + \$10,652 - \$10,365 - \$99,758 - \$52,420 - \$202,514 - \$67,369 - \$20,232 - \$9,898$) for potable water, \$805,374 ($\$10,365 + \$99,758 - \$86,236 + \$202,514 + \$512,792 + \$67,369 - \$265 - \923) for non-potable water, and \$1,357,193 ($\$1,866,188 + \$18,566 - \$512,792 - \$14,814 + \45) for wastewater.

F. Contributions In Aid of Construction (CIAC)

The Utility recorded CIAC balances of \$483,149 for potable water and \$603,375 for wastewater. No CIAC was recorded for non-potable water. Based on our staff's audit, potable water CIAC was decreased by \$95,372 and non-potable water was increased by \$107,222 to reflect the appropriate CIAC balances. We reduced CIAC for potable and non-potable water by

\$36,324 and \$67,162, respectively, to reflect retirements we made to CIAC accounts that were over-amortized. Averaging adjustments were made to decrease the balances for potable water by \$13,585, non-potable water by \$4,275, and wastewater by \$6,032. Therefore, we find that the appropriate CIAC balances are \$337,868 (\$483,149 - \$95,372 - \$36,324 - \$13,585) for potable water, \$35,785 (\$107,222 - \$67,162 - \$4,275) for non-potable water, and \$597,343 (\$603,375 - \$6,032) for wastewater.

G. Accumulated Amortization of CIAC

The Utility recorded accumulated amortization of CIAC of \$276,662 for potable water and \$299,305 for wastewater. No accumulated amortization of CIAC was recorded for non-potable water. We recalculated accumulated amortization of CIAC using composite depreciation rates. As a result, we decreased the balance by \$70,242 for potable water, increased the balance by \$107,911 for non-potable water, and increased the balance for wastewater by \$58,562. We reduced this account for potable and non-potable by \$52,420 and \$86,236, respectively, associated with the CIAC retirements discussed above. We also decreased the balances by \$4,657 for potable water, \$1,564 for non-potable water, and \$7,758 for wastewater to reflect the appropriate averaging adjustments. Our approved accumulated amortization of CIAC balances are \$149,343 (\$276,662 - \$70,242 - \$52,420 - \$4,657) for potable water, \$20,111 (\$107,911 - \$86,236 - \$1,564) for non-potable water, and \$350,109 (\$299,305 + \$58,562 - \$7,758) for wastewater.

H. 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., we used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, we approve a working capital allowance of \$14,957 for potable water, \$23,792 for non-potable water and \$18,936 for wastewater.

I. Rate Base Summary

Based on the foregoing, we find that the appropriate average test year rate base is \$170,153 for potable water, \$172,587 for non-potable water, and (\$2,091) for wastewater. The approved potable water, non-potable water, and wastewater rate bases are shown on Schedule Nos. 1-A, 1-B, and 1-C of this order. The related adjustments are shown on Schedule No. 1-D of this order.

4. Return on Equity and Overall Rate of Return

Aquarina's test year capital structure reflected negative common equity of \$505,064 and a long-term debt balance of \$863,346. We increased long-term debt by \$8,921 to correct the outstanding principal balance for a State Revolving Fund Loan on the Utility's general ledger. We reduced long-term debt by \$425,516 and included it in common equity. This amount is

included in the Utility's Annual Reports as "Advances from Associated Companies" and represents deferred payments to or cash infusions by the Utility owners and related parties. In accordance our practice, we reduced the negative common equity to set it to zero. The Utility recorded customer deposits of \$193. We reduced customer deposits by \$32 to reflect an averaging adjustment. Therefore, we approve a customer deposit balance of \$161 (\$193 - \$32) and a long-term debt balance of \$446,751 (\$863,346 + \$8,921 - \$425,516). Finally, the Utility's capital structure was reconciled with the approved rate base.

The appropriate ROE for the Utility is 11.16 percent based upon our approved leverage formula currently in effect. We approve a Rate of Return (ROE) of 11.16 percent, with a range of 10.16 percent to 12.16 percent, and an overall rate of return of 3.66 percent. The approved ROE and overall rate of return are shown on Schedule No. 2 of this order.

5. Test Year Revenues for Water and Wastewater Systems

Aquarina recorded total test year revenues of \$266,168 for water and \$160,261 for wastewater. The water revenues included \$263,949 of service revenues and \$2,219 of miscellaneous revenues. The wastewater revenues included \$159,976 of service revenues and \$285 of miscellaneous revenues. In order to determine the appropriate test year service revenues, we normalized the number of bills by adjusting for customers moving in and out during the test year to reflect 12 months of bills. Based on our review of the Utility's billing determinants and the service rates that were in effect during the test year, we determined that test year service revenues are appropriately \$264,604 for water and \$161,166 for wastewater. This results in increases of \$655 and \$1,190 for water and wastewater test year service revenues, respectively.

We also made adjustments to miscellaneous revenues for water and wastewater. The Utility recorded unsupported revenues to miscellaneous water revenues and improperly recorded late payment charges for wastewater. As discussed below under the heading "12. Miscellaneous Service Charges," we increased the Utility's miscellaneous service charges for water and wastewater to allow the cost causer to pay the cost associated with those services; therefore, we annualized the Utility's miscellaneous service revenues. For this reason, we increased miscellaneous water service revenues by \$1,853 and increased miscellaneous wastewater service revenues by \$370. The table below represents a summary of our adjustments for test year revenues.

	Water*	Wastewater
Service Revenues		
Utility Recorded Service Revenues	\$263,949	\$159,976
Commission Adjustment	\$ 655	\$1,190
Total Service Revenues	\$264,605	\$161,166
Miscellaneous Revenues		
Utility Recorded Miscellaneous Revenues	\$2,219	\$285
Approved Miscellaneous Revenue Adjustments	\$1,853	\$370
Total Miscellaneous Revenues	\$4,072	\$655
Total Test Year Revenues	\$ 268,677	\$161,821
* Includes both potable and non-potable revenues		

Based on the foregoing, the appropriate test year revenues for Aquarina's water and wastewater systems, including miscellaneous revenues are \$268,677 and \$161,821, respectively.

6. Test Year Water and Wastewater Operating Expenses

Aquarina recorded operating expense of \$113,009 for potable water, \$170,010 for non-potable water, and \$146,926 for wastewater for the test year ended December 31, 2014. The test year O&M expenses have been reviewed, including invoices, canceled checks, and other supporting documentation. We have made several adjustments to the Utility's operating expenses as summarized below.

A. Operation and Maintenance Expenses

i. Salaries and Wages for Employees

Aquarina recorded Salaries and Wages for Employees expense of \$48,832 for potable water, \$74,014 for non-potable water, and \$61,423 for wastewater. We reduced potable water, non-potable water, and wastewater Salaries and Wages for Employees expense by \$1,707, \$2,587, and \$2,147, respectively. The adjustments are to normalize Salaries and Wages for Employees expense by removing payroll associated with two former employees that were not replaced by the Utility. We reduced potable water, non-potable water, and wastewater Salaries and Wages for Employees expense by \$183, \$278, and \$231, respectively, in order to remove an insurance reimbursement to an employee who no longer works for Aquarina and was not replaced. In addition, we reduced potable water, non-potable water, and wastewater Salaries and Wages for Employees expense by \$4,807, \$7,286, and \$6,046, respectively, in order to remove unpaid salary accruals from outside the test year. We increased potable water, non-potable water, and wastewater Salaries and Wages for Employees expense by \$28,663, \$43,444, and \$36,053, respectively, to include three new maintenance workers that were requested by the Utility. Aquarina's facilities are more than 30 years old; the new employees are needed to help maintain the system and to respond to customer complaints. Upon review, we find the addition of three employees to be reasonable and necessary.

All common O&M expenses were allocated between potable water and non-potable water based on the methodology described in the last rate case with the exception of accounts 632, 634, 635, 667, and 675. We find the expenses included in these accounts to be either directly allocable or to reflect fixed costs and have adjusted the percentages accordingly. The portions of the expenses that are fixed were allocated between potable water and non-potable water based on ERCs. The variable portion of these expenses is allocated based on gallons sold. This allocation method is shown on Attachment A of this order. Thus, we approve Salaries and Wages for Employees expenses of \$70,798 (\$48,832 - \$1,707 - \$183 - \$4,807 + \$28,663) for potable water, \$107,308 (\$74,014 - \$2,587 - \$278 - \$7,286 + \$43,444) for non-potable water, and \$89,052 (\$61,423 - \$2,147 - \$231 - \$6,046 + \$36,053) for wastewater.

ii. Employee Pension and Benefits

The Utility did not record any Employee Pension and Benefits expense. We increased potable water, non-potable water, and wastewater Employee Pension and Benefits expense by \$5,670, \$8,594, and \$7,132, respectively. These adjustments reclassify \$7,132 of insurance expense from Account 659/759 – Insurance Other and annualize that amount to provide health insurance for Aquarina’s two existing employees. The adjustments are based on an annualized premium of \$21,396 ($\$7,132 / 4 \text{ months} \times 12 \text{ months}$). We also increased potable water, non-potable water, and wastewater Employee Pension and Benefits expense by \$5,446, \$8,254, and \$6,850, respectively, in order to include health insurance and workers compensation insurance for the three new maintenance employees. Therefore, we approve Employee Pension and Benefits expenses of \$11,116 ($\$5,670 + \$5,446$) for potable water, \$16,848 ($\$8,594 + \$8,254$) for non-potable water, and \$13,982 ($\$7,132 + \$6,850$) for wastewater.

iii. Purchased Power

The Utility recorded Purchased Power expense of \$3,180 for potable water, \$32,150 for non-potable water, and \$17,665 for wastewater. We increased the expense for potable and non-potable water by \$357 and \$3,609, respectively, and reduced wastewater expense by \$4,254 to recognize the following adjustments. We replaced the December 2013 electric bills that were included in the general ledger with the December 2014 electric bills, resulting in a net increase of \$462, and removed a monthly allocation for office purchased power that ceased in May 2014 resulting in a decrease of \$750. The adjustments result in a net reduction of \$288 ($\$462 - \750) to Purchased Power expense. We also directly charged a lift station power bill to wastewater Purchased Power expense and reallocated the total common purchased power from 66.67 percent for water and 33.33 percent for wastewater to 75 percent for water and 25 percent for wastewater based on the power usage allocation established by Order No. PSC-03-1342-PAA-WS. Thus, we approve Purchased Power expenses of \$3,537 ($\$3,180 + \357) for potable water, \$35,759 ($\$32,150 + \$3,609$) for non-potable water, and \$13,411 ($\$17,665 - \$4,254$) for wastewater.

iv. Chemicals

The Utility recorded Chemical expense of \$1,564 for potable water, \$48 for non-potable water, and \$1,289 for wastewater. We have reviewed the invoices and charges to this account

and find this amount to be reasonable. Therefore, we approve Chemical expense of \$1,564 for potable water, \$48 for non-potable water, and \$1,289 for wastewater.

v. Materials and Supplies

The Utility recorded Materials and Supplies expense of \$6,424 for potable water, \$4,873 for non-potable water, and \$6,023 for wastewater. We increased Materials and Supplies expense for potable water, non-potable water, and wastewater by \$705, \$1,686, and \$1,196, respectively, to include reimbursement for an October miscellaneous expense voucher that was not posted to the general ledger. We also reduced Materials and Supplies expense for potable water by \$1,079 and non-potable water by \$2,578 to reclassify and capitalize to Account 311 – Pumping Equipment the cost to replace two 7 ½ horse power (hp) booster pumps at the water plant. We reduced Materials and Supplies expense for potable water, non-potable water and wastewater expense by \$110, \$263, and \$186, respectively, to remove non-utility purchases in June and September of the test year. Therefore, we approve Materials and Supplies expense of \$5,941 ($\$6,424 + \$705 - \$1,079 - \110) for potable water, \$3,717 ($\$4,873 + \$1,686 - \$2,578 - \263) for non-potable water, and \$7,033 ($\$6,023 + \$1,196 - \186) for wastewater.

vi. Contractual Services - Professional

Aquarina recorded Contractual Services – Professional expense of \$3,807 for potable water, non-potable water, and wastewater. This account consists of expenses related to income tax and PSC Annual Report preparation. We reduced this account by \$533 ($\$666 - \133) for potable water, non-potable water, and wastewater to remove accounting expenses associated with filing an extension for income taxes. Since this expense is non-recurring, we decreased this account by \$666 for potable water, non-potable water, and wastewater (to remove the expense) and increased this expense by \$133 for potable water, non-potable water, and wastewater (to amortize the amount over five years). Thus, we approve Contractual Services Professional Expenses of \$3,274 for potable water, non-potable water, and wastewater.

vii. Contractual Services – Management Fees

Aquarina recorded Contractual Services – Management Fees expense of \$1,930 for potable water, non-potable water, and wastewater. Upon review, we find this amount to be reasonable; however, we do not approve an increase related to payroll processing for the new employees requested by the Utility.

viii. Contractual Services - Testing

Aquarina recorded Contractual Services - Testing expense of \$669 for potable water and \$3,107 for wastewater. We reduced potable water by \$401 and wastewater by \$1,106. These adjustments remove non-utility testing expenses that were identified during the review of the contract vendors' invoices for testing services. Therefore, we approve Contractual Services – Testing expenses of \$268 ($\$669 - \401) for potable water and \$2,001 ($\$3,107 - \$1,106$) for wastewater.

ix. Contractual Services - Other

Aquarina recorded Contractual Services - Other expense of \$2,737 for potable water, \$6,541 for non-potable water, and \$2,154 for wastewater. We reduced non-potable water expense by \$3,620 to reclassify and capitalize to Account 311 – Pumping Equipment, the cost to replace a 75-hp non-potable well pump at the water plant. We increased potable water by \$2,703 and non-potable water by \$720 to include contract labor (to service the potable booster pumps) that was shown on an October miscellaneous expense voucher but not posted to the general ledger.

We also increased this expense for potable water by \$1,160, for non-potable water by \$36, and wastewater by \$298 to reflect an amortized amount of pro forma repairs. Since this increase is non-recurring, we have amortized this amount over five years in accordance with Rule 25-30.433(8), F.A.C. We also reduced this expense by \$783 for potable water, \$1,872 for non-potable water, and \$390 for wastewater to remove charges for meter reading that will be performed by one of the new employees.

We further reduced this expense by \$183 for potable water, \$437 for non-potable water, and \$584 for wastewater to remove and amortize non-recurring expenses in this account. Thus, we approve Contractual Services – Other expense of \$5,634 ($\$2,737 + \$2,703 + \$1,160 - \$783 - \183) for potable water, \$1,368 ($\$6,541 - \$3,620 + \$720 + \$36 - \$1,872 - \437) for non-potable water, and \$1,478 ($\$2,154 + \$298 - \$390 - \584) for wastewater.

x. Rental of Building/Property

Aquarina recorded Rental of Building/Property expense of \$334 for potable and non-potable water, and \$333 for wastewater. We decreased this expense for potable and non-potable water by \$334, and wastewater expense by \$333 for the test year. This adjustment removes the 2014 office rental expense for an office at the owner's home; that office is no longer needed as the Utility now has an onsite office. We then increased Rental of Building/Property expense by \$3,000 for potable water, non-potable water, and wastewater to reflect the rental of 1,200 square feet of a 2,400 square foot maintenance/storage building on the owner's property. This represents a price per square foot of \$0.63. While related party transactions require close scrutiny, the fact that the transaction is between related parties does not mean that the transaction is unreasonable. However, it is a Utility's burden to prove that its costs are reasonable. The burden is even greater when the transaction is between related parties. The Florida Supreme Court established that the standard to use in evaluating affiliate transactions is whether those transactions exceed the going market rate or are otherwise inherently unfair. Based on our review, we reduced Rental of Building/Property expense by \$396 for potable water, non-potable water, and wastewater to reflect a price per square foot of \$0.54. This price was derived by taking the average rental price for seven similarly-sized warehouse rentals in the City of Melbourne. Based on the foregoing, we approve Rental of Building/Property expense of \$2,604 ($\$334 - \$334 + \$3,000 - \396) for potable and non-potable water, and \$2,604 ($\$333 - \$333 + \$3,000 - \396) for wastewater.

xi. Rental of Equipment

Aquarina recorded Rental of Equipment expense of \$7,800 for potable water, non-potable water, and wastewater. The owners of the Utility own this equipment and lease it to the Utility. We reduced this expense for potable water, non-potable water, and wastewater by \$7,800 for the test year. These adjustments remove 2014 water and wastewater annual equipment lease expenses. We then increased Rental of Equipment expense by \$6,000 for potable water, non-potable water, and wastewater to include the 2015 water and wastewater lease expense. We reduced Rental of Equipment expense by \$1,200 for potable water, non-potable water, and wastewater. This adjustment removes the lease for a lawn mower (because Aquarina has purchased a mower), reduces a separate lawn equipment lease, and removes the electric golf cart and dump trailer (which are duplicative given the other equipment already rented by the Utility). Thus, we approve Rental of Equipment expense of \$4,800 ($\$7,800 - \$7,800 + \$6,000 - \$1,200$) for potable water, non-potable water, and wastewater.

xii. Transportation Expense

Aquarina recorded Transportation expense of \$3,731 for potable water, \$8,917 for non-potable water, and \$6,520 for wastewater. During the test year, Aquarina paid \$3,518 for mileage reimbursements to its employees and contractors.

The office manager uses her personal vehicle to travel to and from the bank, post office, and for other related duties. She estimated her monthly mileage to be 645 miles based on historical documents. Upon review, we find the mileage estimate to be reasonable given the remote location of the Utility with respect to commercial centers of business, such as the bank and post office. We approve reimbursement of the office manager for the business use of her personal vehicle at the IRS 2015 mileage rate of \$0.575 applied to an annual estimate of 7,740 miles (645 miles per month x 12 months). This results in an annual amount of \$4,451 ($7,740 \times \0.575). Thus, we made a net increase to Transportation expense of \$933 ($\$4,451 - \$3,518$), allocated at \$183 for potable water, \$439 for non-potable water, and \$311 for wastewater.

The fuel portion of the Transportation expense was reduced by \$733 for potable water, \$1,752 for non-potable water, and \$1,242 for wastewater to remove reimbursement for non-utility purchases. We also reduced Transportation expense by \$292 for potable water, \$699 for non-potable water, and \$496 for wastewater to remove repairs for non-utility vehicles. Finally, we removed expenses of \$148 for potable water, \$352 for non-potable water, and \$250 for wastewater related to unsupported costs for airline tickets. Thus, we approve Transportation expense of \$2,742 ($\$3,731 + \$183 - \$733 - \$292 - \148) for potable water, \$6,552 ($\$8,917 + \$439 - \$1,752 - \$699 - \352) for non-potable water, and \$4,843 ($\$6,520 + \$311 - \$1,242 - \$496 - \250) for wastewater.

xiii. Insurance - Vehicles

Aquarina recorded Insurance - Vehicle expense of \$1,728 for potable water, non-potable water, and wastewater. We reduced Insurance - Vehicle expense for potable water, non-potable

water, and wastewater by \$1,162 to remove the 2015 vehicle insurance premiums associated with the electric-powered golf cart and the dump trailer. Thus, we approve Insurance - Vehicle expense of \$566 (\$1,728 - \$1,162) for potable water, non-potable water, and wastewater.

xiv. Insurance - General Liability

Aquarina recorded Insurance - General Liability expense of \$2,624 for potable water, non-potable water, and wastewater. We reduced potable water and non-potable water by \$10, and wastewater expense by \$11 to remove the 2014 premium and include the 2015 general liability insurance premiums to reflect the actual going-forward cost for Aquarina. Thus, we approve Insurance - General Liability expense of \$2,614 (\$2,624 - \$10) for potable water and non-potable water, and \$2,613 (\$2,624 - \$11) for wastewater.

xv. Insurance - Other Expense

Aquarina recorded Insurance - Other expense of \$2,378 for potable water and non-potable water, and \$2,377 for wastewater. We reduced Insurance - Other expense by \$2,378 for potable water and non-potable water, and \$2,377 for wastewater, to remove the 2014 employee health insurance premiums that were reclassified to Account 604/704 – Employee Pension and Benefits expense.

xvi. Regulatory Commission Expense

Aquarina recorded Regulatory Commission expense of \$25 for potable water and non-potable water, and \$50 for wastewater. We reduced potable water and non-potable water by \$25 and reduced wastewater expense by \$50 to reclassify the Department of Environmental Regulation (DEP) permit fees to Accounts 675/775 – Miscellaneous expense. By Rule 25-22.0407, F.A.C., the Utility is required to mail notices of the customer meeting and notices of the Phase I and final rates in this case to its customers. For these notices, we have estimated \$581 for postage, \$406 for printing, and \$61 for envelopes. Additionally, Aquarina paid a \$2,000 rate case filing fee. The Utility also provided invoices and estimates for legal fees of \$7,670. This work relates to data requests, reviewing our staff's report and recommendation, and attending the agenda conference. We reviewed the billing rates and hours for this expense. We reduced the estimated attorney's fees by \$1,440 (4 hours at \$360 per hour) to split the estimated driving time to attend our Agenda Conference with another Utility that the attorney was representing at the same Agenda Conference. Based on the foregoing, we approve a total Regulatory Commission expense of \$9,277, which, amortized over four years, is \$2,319. This results in a Regulatory Commission expense of \$773 for potable water, non-potable water, and wastewater.

xvii. Miscellaneous Expense

Aquarina recorded Miscellaneous expense of \$4,239 for potable water, \$4,239 for non-potable water, and \$7,116 for wastewater, respectively. We made a net reduction to Miscellaneous expense of \$2,253 for potable water, non-potable water, and wastewater. This resulted from removing \$9,835 currently in these accounts for telephone and internet expenses

and including \$2,760 for the going-forward annual cost of one internet and business telephone provider, as well as two cellular telephones used by Aquarina's full-time employees.

We also reduced wastewater expense by \$2,872 to reclassify and capitalize to Account 360 – Collection Sewers – Force the cost to refurbish the master lift station pumps. We increased this expense for potable water and non-potable water by \$376 and wastewater by \$375, to include reimbursements for an October miscellaneous expense voucher that was not posted to the general ledger. We also reduced this expense for potable water, non-potable water, and wastewater by \$970 to remove reimbursements for non-utility meal purchases. We increased this expense by \$34 for potable water, and by \$33 for non-potable water and wastewater to reclassify DEP permit fees that were recorded in Accounts 667/767 – Regulatory Commission expense. Therefore, we approve a Miscellaneous Expense of \$1,425 ($\$4,239 - \$2,253 + \$376 - \$970 + \34) for potable water, \$1,424 ($\$4,239 - \$2,253 + \$376 - \$970 + \33) for non-potable water, and \$1,429 ($\$7,116 - \$2,253 - \$2,872 + \$375 - \$970 + \33) for wastewater.

B. Operation and Maintenance Expenses Summary

Based on the foregoing, we approve the following O&M expense balances: \$119,658 for potable water; \$190,332 for non-potable water; and, \$151,489 for wastewater. Our approved adjustments are shown on Schedule Nos. 3-A through 3-E.

C. Depreciation Expense

Aquarina did not record any Depreciation expense for the test year. We recalculated Depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., for a Depreciation expense of \$45,851 for potable water, \$601 for non-potable water, and \$28,200 for wastewater, for the test year. We have decreased Depreciation expense for potable water and increased this expense for non-potable water by \$9,782 to reflect the reclassification of UPIS from the potable to the non-potable water system. We also reduced this expense for potable water and increased it for non-potable by \$3,576 to reflect the imputation of the T&D Mains discussed above.

We increased Depreciation expense for non-potable water and decreased this expense for wastewater by \$12,820 to reflect the reclassification of the non-potable water tank. We decreased Depreciation expense for potable water by \$908 and non-potable by \$2,150 to reflect the retirements associated with CIAC.

We have increased Depreciation expense by \$163 for potable water, \$127 for non-potable water, and \$45 for wastewater, to reflect Depreciation expense related to pro forma plant additions. Based on the U&U percentages addressed under the heading "2. Used and Useful," we have decreased Depreciation expense by \$10,950 for potable water, and by \$4,419 for wastewater. Thus, we approve a Depreciation expense of \$20,797 ($\$45,851 - \$9,782 - \$3,576 - \$908 + \$163 - \$10,950$) for potable water, \$24,757 ($\$601 + \$9,782 + \$3,576 + \$12,820 - \$2,150 + \127) for non-potable water, and \$11,006 ($\$28,200 - \$12,820 + \$45 - \$4,419$) for wastewater.

D. CIAC Amortization Expense

Aquarina did not record any CIAC Amortization expense for the test year. Based on our staff's audit calculations, the Utility CIAC Amortization expenses are \$9,758 for potable water, \$2,684 for non-potable water, and \$15,514 for wastewater. As discussed under the heading, "3. Test Year Rate Bases," we have reduced these amounts by \$908 for potable water and by \$2,150 for non-potable water to reflect retirements. Thus, we approve CIAC Amortization expense of \$8,849 (\$9,758 - \$908) for potable water, \$534 (\$2,684 - \$2,150) for non-potable water, and \$15,514 for wastewater.

E. Taxes Other Than Income (TOTI)

Aquarina recorded TOTI of \$19,493 for potable water, \$16,413 for non-potable water, and \$19,126 for wastewater. We have decreased property taxes by \$118 for potable water, non-potable water, and wastewater, to reflect the appropriate test year property taxes. We decreased payroll taxes by \$130 for potable water, \$198 for non-potable water, and \$164 for wastewater, to remove the payroll taxes associated with the adjustment to salaries described in our staff's Audit Finding No. 8. We also increased payroll taxes by \$2,527 for potable water, \$3,830 for non-potable water, and \$3,178 for wastewater, to reflect the payroll taxes associated with the new employees.

We increased regulatory assessment fees (RAFs) by \$108 for potable water, \$62 for non-potable water, and \$134 for wastewater, to reflect the 2014 RAFs. In addition, we increased property taxes by \$91 for potable water, \$43 for non-potable water, and \$38 for wastewater, to reflect pro forma property taxes. We reduced property taxes by \$980 for potable water, by \$825 for non-potable water, and \$314 for wastewater associated with the approved non-U&U components. Finally, consistent with our decision set forth under the headings, "7. Revenue Requirement for Potable and Non-Potable Water," and "9. Wastewater Revenue Requirement," revenues have been decreased by \$12,593 for potable water, increased by \$148,954 for non-potable water and \$17,842 for wastewater, to reflect the change in revenue required to cover expenses and allow an opportunity to earn the approved return on investment. As a result, RAFs shall decrease by \$567 for potable water, and increase by \$6,703 for non-potable water and \$803 for wastewater to reflect RAFs of 4.5 percent on the change in revenues. Based on these adjustments, the approved TOTI expenses for potable water, non-potable water, and wastewater are \$20,423, \$25,911, and \$22,683, respectively.

F. Income Tax Expense

Aquarina recorded \$1,442 for Income Tax expense for potable water, non-potable water, and wastewater. However, Aquarina has shown a net loss for the last several years in its Annual Reports and income tax returns. This tax loss carry-forward is in excess of the income tax provision on a going-forward basis, and is expected to continue to be so for at least the next 10 years. In such a circumstance, it is our practice to allow no provision for income tax. Therefore, we reduced Income Tax expense to zero.

G. Operating Expenses Summary

The application of our adjustments to Aquarina's test year operating expenses results in operating expenses of \$152,028 for potable water, \$240,466 for non-potable water, and \$169,664 for wastewater. Operating expenses are shown on Schedule Nos. 3-A, 3-B, and 3-C. The related adjustments are shown on Schedule Nos. 3-D, 3-E, and 3-F.

7. Revenue Requirement for Potable and Non-Potable Water

The appropriate revenue requirement for the potable system results in a decrease of \$12,593 (or -7.37 percent). However, disposition of the revenue decrease will be addressed under the heading "10. Rate Structure for Water and Wastewater Systems." The calculations are shown below. Aquarina shall be allowed an annual increase of \$148,954 (or 152.26 percent) for non-potable water. This increase will allow the Utility the opportunity to recover its expenses and earn a 3.66 percent return on the investment for the non-potable water system.

Potable Water Revenue Requirement	
Adjusted Rate Base	\$170,153
Rate of Return	<u>x 3.66%</u>
Return on Rate Base	\$6,226
Adjusted O&M Expense	119,658
Depreciation Expense	20,797
CIAC Amortization Expense	(8,849)
Taxes Other Than Income	20,990
Test Year RAFs	<u>(7,688)</u>
Revenue Before RAFs	\$151,134
RAF Gross-up Factor	<u>x 0.955</u>
Total Revenues	\$158,255
Less Adjusted Test Year Revenues	<u>170,848</u>
Annual Increase	<u>(\$12,593)</u>
Percent Increase	<u>-7.37%</u>

Non-Potable Water Revenue Requirement	
Adjusted Rate Base	\$172,587
Rate of Return	<u>x 3.66%</u>
Return on Rate Base	\$6,317
Adjusted O&M Expense	190,332
Depreciation Expense	24,757
CIAC Amortization Expense	(534)
Taxes Other Than Income	19,208
Test Year RAFs	<u>(4,402)</u>
Revenues Before RAFs	\$235,678
RAF Gross-up Factor	<u>x 0.955</u>
Total Revenues	\$246,783
Less Adjusted Test Year Revenues	<u>97,829</u>
Annual Increase	<u>\$148,954</u>
Percent Increase	<u>152.26%</u>

8. Operating Ratio Methodology for Wastewater Revenue Requirement; Appropriate Margin

Section 367.0814(9), F.S., provides that we 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, in part, that as an alternative to a staff-assisted rate case as described in Rule 25-30.455, F.A.C., water utilities whose total gross annual operating revenues are less than \$275,000 per system may petition this Commission for staff assistance using alternative rate setting.

Although the Utility did not petition us for alternative rate setting under the aforementioned rule, we shall exercise our discretion to employ the operating ratio methodology in setting wastewater 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 a utility's rate base, the revenue requirement is based on the utility's O&M expenses plus a margin. This methodology has been applied in various dockets including cases in which the traditional calculation of the revenue requirement does not provide sufficient protection against potential variances in revenues and expenses.⁴ In this context, we have determined that a

⁴See Order No. PSC-96-0357-FOF-WU, 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.*; Order No. PSC-97-0130-FOF-SU, issued February 10, 1997, in Docket No. 960561-SU, *In re: Application for staff-assisted rate case in*

margin of 10 percent should be used, unless unique circumstances justify the use of a greater or lesser margin, with a suggested cap of \$10,000.⁵

The use of the operating ratio methodology is based on the principle that the risk to a utility resides in operating costs rather than in cost of the plant. Stated differently, the fair return on a small rate base may not adequately compensate a utility owner for incurring the risk associated with covering the much larger operating cost. The margin should adequately compensate the utility owner for the risk, which lies with the operating costs.

Upon review, we find that use of the operating ratio methodology is appropriate in this instance because:

Aquarina has a negative rate base and, under traditional rate base regulation, would not be entitled to any return on investment. The adjusted wastewater rate base for the test year is (\$2,091), while adjusted wastewater O&M expenses are \$151,489. The Utility's primary risk is covering its operating expense;

although Aquarina is a Class B utility, the revenue requirement of \$179,663 is well below the threshold level for Class B status (\$200,000 per system);

Aquarina's quality of service is marginal;

the Utility is not developer owned and significant growth is not expected;

Aquarina operates the wastewater treatment plant and thus, there is no concern regarding excluding purchased wastewater costs.

Aquarina's capital structure is 99.95 percent long-term debt, with an overall cost of capital of 3.66 percent. Upon review, we find that an operating margin of 6.60 percent, which equates to the cap of \$10,000, is appropriate. This will be sufficient to cover debt service obligations associated with regulated operations and provide protection against variability in revenues and expenses. In summation, we find 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 Aquarina with adequate cash flow to provide some assurance of safe and reliable service, we shall apply the operating ratio methodology at a margin of 6.60 percent of O&M expenses for determining the wastewater revenue requirement.

9. Wastewater Revenue Requirement

Based upon the calculations below, we find that the appropriate wastewater revenue requirement is \$179,094. This represents an annual increase of \$17,842 for wastewater and will

Citrus County by Indian Springs Utilities, Inc.; Order No. PSC-15-0535-PAA-WU, issued November 19, 2015, in Docket No. 140217-WU, *In re: Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc.*

⁵ *Id.*

allow the Utility the opportunity to recover its expenses and earn a 6.60 percent margin over its wastewater system's operating and maintenance expenses.

Wastewater Revenue Requirement	
O&M Expenses	\$151,489
Operating Ratio	<u>x 6.60%</u>
Operating Margin	\$10,000
Adjusted O&M Expense	151,489
Depreciation Expense	11,006
CIAC Amortization Expense	(15,514)
Taxes Other Than Income	21,880
Test Year RAFs	<u>(7,282)</u>
Revenue Before RAFs	\$171,579
RAF Gross-Up Factor	<u>x 0.955</u>
Total Revenues	\$179,663
Less Adjusted Test Year Revenues	<u>161,821</u>
Annual Increase (Decrease)	<u>\$17,842</u>
Percent Increase (Decrease)	<u>11.03%</u>

10. Rate Structure for Water and Wastewater Systems

A. Water Rates (Potable)

Aquarina is located in Brevard County within the St. Johns River Water Management District (SJRWMD). The Utility provides water service to approximately 271 residential customers and 25 general service customers including master-metered developments, clubhouses, and a fire station. Typically, we evaluate the seasonality of utility customers based on the percentage of bills at zero gallons, which is 13 percent. However, for this Utility, the customers are in residence periodically throughout each month rather than a few months out of the year. Therefore, we find that it is appropriate to evaluate the seasonality based on the percentage of bills at the 1,000 gallon level, which is 36 percent. As a result, it appears that the customer base is somewhat seasonal. The average residential water demand is 2,150 gallons per month. The average water demand excluding zero gallon bills is 2,479 per month. Currently, the Utility's water rate structure consists of a monthly base facility charge (BFC) and uniform gallonage charge for the residential and general service customers.

As discussed under the heading, “7. Revenue Requirement for Potable and Non-Potable Water,” the potable water system is overearning by 7.37 percent (or \$12,593). To the extent possible, when there are overearnings for a water and wastewater system, we find that it is appropriate to avoid decreasing water rates by netting the revenues of the systems if the customer bases are similar. Decreasing the potable water rates undermines conservation efforts. In this case, there is a minimal difference in the potable water and wastewater customer bases. There are 296 potable customers and 311 wastewater customers, which is a difference of 15 customers (approximately 5 percent). Due to the low percentage difference between potable water and wastewater customers, we find that it is appropriate to net the water system overearnings against the wastewater system increase. This will allow the water rates to remain unchanged rather than decrease. Because the rates will remain unchanged, a repression adjustment is not appropriate in this case.

B. Irrigation Rates (Non-Potable)

The Utility provides irrigation service to approximately 107 residential and general service customers including a golf course and master-metered irrigation systems through a non-potable system. Although the customer base is seasonal, the customers irrigate while out of residence. The average non-potable water demand is 97,325 gallons per month. The groundwater is pumped from a dedicated well and piped directly to irrigation customers without treatment. The current rate structure consists of a gallonage charge only and no base facility charge because the Utility previously was unable to locate the various meters.

We evaluated whether a gallonage charge only rate structure is appropriate on a going-forward basis. In this case, the Utility was able to locate all irrigation meters. Upon review, we find that it is appropriate to implement a BFC and uniform gallonage charge for irrigation customers to provide a fixed revenue stream while sending the appropriate pricing signals to target those customers with high levels of consumption. Therefore, 30 percent of the non-potable revenues shall be allocated to the BFC for rate setting purposes. This will allow lower bills for irrigation and promote the continued use of non-potable water for irrigation purposes.

C. Wastewater Rates

The Utility provides wastewater service to approximately 269 residential customers and 19 general service customers who also receive water service from Aquarina. The Utility also provides wastewater only service to 23 residential customers who receive their water service from the South Brevard Water Cooperative. Currently, the wastewater rate structure for residential customers consists of a monthly uniform BFC for all meter sizes and a gallonage charge with an 8,000 gallon cap. The wastewater-only customers are billed a flat rate, which reflects approximately 2,622 gallons per month of demand. General service customers are billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

As discussed above we approve netting the potable water system’s overearnings against the wastewater system’s increase to avoid a decrease in rates. Netting the potable water and

wastewater systems' revenues results in an increase of 3.25 percent for the wastewater system. However, a 3.15 percent increase reflects the approved revenue increase excluding miscellaneous revenue. Because of the low overall increase for wastewater, we approve an across-the-board increase of 3.15 to the existing rates.

D. Summary

The potable water system overearnings shall be netted against the wastewater system increase. The potable water rate structure and rates shall remain unchanged. We approve a BFC and uniform gallonage charge rate structure with 30 percent of the revenues allocated to the BFC for non-potable water. The wastewater rate structure shall be an across-the-board increase to the existing rates.

The approved rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall 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 shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

11. Rate Case Expense

Section 367.0816, F.S.,⁶ requires that rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the 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. This results in a reduction of \$813 for potable water, \$813 for non-potable water, and \$810 for wastewater.

The water and wastewater rates shall 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 shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Aquarina shall 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 shall 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.

⁶Section 367.0816, F.S., was repealed effective July 1, 2016. The Statute was in effect at the time Aquarina filed its staff-assisted rate case, therefore, the Statute applies.

12. Miscellaneous Service Charges

The Utility requested a \$25 meter box maintenance charge, \$40 meter lock-off charge, and a \$200 emergency call out charge. The Utility provided cost justification in support of its requested charges. Although titled differently by the Utility, we find that the proposed charges are consistent with the services provided under its existing miscellaneous service charges as provided in Rule 25-30.460, F.A.C.

Aquarina's current initial connection, normal reconnection, premises visit, and violation reconnection charges were last established in 1990, when the system was owned by Aquarina Developments, Inc. In reviewing the Utility's cost justification for the proposed charges, we determined that the existing miscellaneous service charges may not adequately recover the cost of the respective service. We find that the cost justification provided for the requested charges is consistent with the information needed to update the Utility's existing miscellaneous service charges. The charges are designed to ensure that when these services are provided by the Utility, the cost burden is placed on the cost causer. The changes and additions to the Utility's miscellaneous service charges are discussed below.

A. Initial Connection Charge

Currently, the Utility's initial connection charge is \$15 for water and wastewater. The initial connection charge is levied for service initiation at a location where service did not exist previously. The Utility representative makes one trip when performing the service of an initial connection. While the Utility did not specifically request an increase in the initial connection charge, based on labor and transportation to and from the service territory, we approve initial connection charges of \$26 and \$32 for normal and after hours, respectively for water and wastewater service. Our calculation is shown below.

Initial Connection Charge Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (Administrative) (\$36/hr x 1/4hr)	\$9.00	Labor (Administrative) (\$36/hr x 1/4hr)	\$9.00
Labor (Field) (\$36/hr x 1/3 hr)	\$12.00	Labor (Field) (\$54/hr x 1/3hr)	\$18.00
Transportation (\$.54/mile x 10 miles-to/from)	\$5.40	Transportation (\$.54/mile x 10 miles-to/from)	\$5.40
Total	\$26.40	Total	\$32.40

B. Normal Reconnection Charge

The Utility's existing normal reconnection charge is \$15 for water and wastewater. Normal reconnection is a charge to be levied for the transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer

requested disconnection. A normal reconnection requires two trips; one to turn service on, and the other to turn service off.

The Utility requested a \$40 meter lock-off charge. The majority of Aquarina's customer base is seasonal and the Utility encourages the customers to have their meter locked off to avoid any potential excessive water losses when the customer is not in residence. The Utility indicated that there is a fair amount of water loss from theft, running toilets, and damaged water heaters. The Utility believes it is a legitimate service to offer and requested a charge of \$25, which includes a premises visit and its existing normal reconnection charge. Subsequent to its original requested charge of \$25, Aquarina revised its requested meter box lock-off charge to \$40, which includes two premises visits of \$10, a normal reconnection charge of \$15, and \$5 to cover the expense of the lock.

Upon review, we find that the Utility could use its normal reconnection charge to achieve the same result without any special designation for meter box lock-off. As discussed above, a normal reconnection charge includes two trips, which would cover the Utility turning off the service and subsequently turning on the service when the customer returns. We do not find the \$5 lock charge to be appropriate. The Utility indicated that the locks will be re-useable. Therefore, we find that the lock is a cost of doing business.

Based on labor and transportation to and from the service territory, we find that the normal reconnection charge shall be \$38 and \$47 for normal and after hours, respectively for water and wastewater service. Our calculations are shown below.

Normal Reconnection Charge Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (Administrative) (\$36/hr x 1/4hr)	\$9.00	Labor (Administrative) (\$36/hr x 1/4hr)	\$9.00
Labor (Field) (\$36/hr x 1/4 hr x 2)	\$18.00	Labor (Field) (\$54/hr x 1/4hr x 2)	\$27.00
Transportation (\$.54/mile x 10 miles-to/from x 2)	<u>\$10.80</u>	Transportation (\$.54/mile x 10 miles-to/from x 2)	<u>\$10.80</u>
Total	\$37.80	Total	\$46.80

C. Violation Reconnection Charge

The Utility's existing violation reconnection charge is \$15 for water and actual cost for wastewater. The violation reconnection charge is levied prior to reconnection of an existing customer after discontinuance of service for cause. The service performed for violation reconnection requires two trips, which include one trip to turn off service and a subsequent trip to turn on service once the violation has been remedied. Based on labor and transportation to and

from the service territory, we approve water violation reconnection charges of \$38 and \$47 for normal and after hours, respectively. Due to the labor intensive nature of a wastewater disconnection and pursuant to Rule 25-30.460, F.A.C., wastewater violation reconnection is and shall remain at actual cost. Our calculations for water violation reconnection charges are shown below.

Violation Reconnection Charge Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (Administrative) (\$36/hr x 1/4hr)	\$9.00	Labor (Administrative) (\$36/hr x 1/4hr)	\$9.00
Labor (Field) (\$36/hr x 1/4 hr x 2)	\$18.00	Labor (Field) (\$54/hr x 1/4hr x 2)	\$27.00
Transportation (\$.54/mile x 10 miles-to/from x 2)	<u>\$10.80</u>	Transportation (\$.54/mile x 10 miles-to/from x 2)	<u>\$10.80</u>
Total	\$37.80	Total	\$46.80

D. Premises Visit

The Utility's existing premises visit is \$10 for water and wastewater. The premises visit charge is levied when a service representative visits a premises at the customer's request for complaint resolution and the problem is found to be the customer's responsibility. The premises visit can be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill. A premises visit requires one trip.

Aquarina requested a \$200 emergency hours call out charge to cover costs incurred when the Utility owners travel from their home after hours and on holidays at the customer's request. The Utility's proposed charge included two hours of labor for two people and mileage to and from the service area. Upon review, we do not approve labor for two people. We find that the Utility could use its premises visit charge to achieve the same result without any special designation for an emergency call out charge. We find that the after hours premises visit charge recovers the appropriate cost incurred for after hours emergency calls. For the after hours calculation, we included additional labor time and miles since the Utility representative would be traveling from a location other than the Utility's office. Based on labor and transportation to and from the service territory, we approve premises visit charges of \$26 and \$99 for normal and after hours, respectively for water and wastewater service. Our calculations are shown below.

Premises Visit Charge Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (Administrative) (\$36/hr x 1/4hr)	\$9.00	Labor (Administrative) (\$36/hr x 1/4hr)	\$9.00
Labor (Field) (\$36/hr x 1/3 hr)	\$12.00	Labor (Field) (\$54/hr x 1.10 hr)	\$59.40
Transportation (\$.54/mile x 10 miles-to/from)	\$5.40	Transportation (\$.54/mile x 28 miles-to/from)	\$30.24
Total	\$26.40	Total	\$98.64

The Utility also requested a \$25 meter box maintenance charge. This charge shall not be approved because it is the Utility's responsibility to maintain the customer's meters as provided by Rules 25-30.230 and 25-30.231, F.A.C. The approved miscellaneous service charges are set forth below.

Summary of Approved Miscellaneous Service Charges

Miscellaneous Service Charges	Water		Wastewater	
	During Hours	After Hours	During Hours	After Hours
Initial Connection Charge	\$26	\$32	\$26	\$32
Normal Reconnection Charge	\$38	\$47	\$38	\$47
Violation Reconnection Charge	\$38	\$47	Actual Cost	Actual Cost
Premises Visit Charge (in lieu of Disconnection)	\$26	\$99	\$26	\$99

E. Summary

Aquarina's approved miscellaneous service charges shall be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

13. Direct Debit Charge

The Utility has requested a direct debit charge and provided cost justification in support of the requested charge. The purpose of the charge is to cover the costs of Aquarina's bank debiting the bank account of a customer for the customer's utility bill. Aquarina mailed response cards to its customers to determine how many would actually use this method of payment and 55 customers provided the information required to use this payment option. For 40 or more debit items,

Aquarina's bank charges a \$10 monthly maintenance charge, \$45 for an automatic clearing house (ACH) Module (monthly service charge), \$12 per file sent (batch), and \$.14 per debit item. Upon review, we find a direct debit charge to be appropriate because it places the cost on the cost causer. The calculation for our approved direct debit charge is below.

Direct Debit Charge Calculation

Aquarina Bank Charges	
Monthly Maintenance	\$10.00
ACH Module	\$45.00
Charge Per File	<u>\$12.00</u>
Total Fixed Charges	\$67.00
# of customers per month	55
Per Customer Fixed Charge	\$1.22
Charge Per Debit Sent	<u>\$0.14</u>
Direct Debit Charge	\$1.36

The approved direct debit charge shall be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

14. Non-Sufficient Funds (NSF) Charges

Aquarina is hereby authorized to collect NSF charges consistent with Section 68.065, F.S., which allows the assessment of charges for the collection of worthless checks, drafts, or orders of payment. As currently set forth in Section 68.065(2), F.S., the following NSF charges may be assessed:

- \$25, if the face value does not exceed \$50;
- \$30, if the face value exceeds \$50 but does not exceed \$300;
- \$40, if the face value exceeds \$300; or
- 5 percent of the face amount of the check, whichever is greater.

Approval of NSF charges is consistent with our prior decisions. NSF charges place the cost on the cost-causer, rather than requiring that the costs associated with the return of the NSF checks to be spread across the general body of ratepayers. As such, Aquarina is authorized to collect NSF charges for both systems. Aquarina shall revise its tariff sheet to reflect the NSF charges currently set forth in Section 68.065, F.S. The NSF charges shall be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. The NSF charges shall not be implemented until our staff has approved the proposed customer notice. The Utility shall provide proof of the date the notice was given within 10 days of the date of the notice.

15. Service Availability Charges

The Utility's existing service availability charges, for the potable water system, consist of a \$500 main extension charge, a \$780 plant capacity charge, and a \$150 meter installation charge. The non-potable water system's existing service availability charges consist of a \$50 main extension charge, \$250 plant capacity charge, and a \$150 meter installation charge. For the wastewater system, the existing service availability charge is a \$635 main extension charge.

Service availability charges are one-time charges applicable to new connections, which allow a customer to pay their pro rata share of the facilities and plant costs. Rule 25-30.580, F.A.C., establishes guidelines for designing service availability charges. The Rule provides that the maximum amount of contributions-in-aid-of construction (CIAC), net of amortization, shall not exceed 75 percent of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity. The minimum amount of CIAC shall not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution system or wastewater collection system. The existing contribution levels are 63 percent, 7 percent, and 97 percent for potable water, non-potable water, and wastewater, respectively. A summary of the contributions-in-aid-of contribution levels for each system, based on the approved base, is below.

Contributions-in- Aid-of-Construction Levels

	Potable Water	Non-Potable Water	Wastewater
Utility Plant in Service	\$1,300,669	\$1,094,903	\$1,612,043
Accumulated Depreciation	\$1,003,525	\$872,742	\$1,357,193
CIAC	\$337,868	\$35,785	\$597,343
Amortization of CIAC	\$149,343	\$20,111	\$350,109
Contribution Level	63%	7%	97%

The Utility asked for our staff to evaluate the Utility's existing service availability charges, including any appropriate charges for irrigation service for new connections. Aquarina asked that its service availability charges be increased to account for stalled growth in the area. The Utility is also concerned that its existing service availability charges do not reflect the current costs of maintaining the plant.

The design and development plans of Aquarina's certificated territory have changed over time. According to the Utility, various lines have been constructed, connected, interconnected, and abandoned. The Utility requested, and we have approved, pro forma revenue for GIS mapping. The GIS mapping will allow the Utility to delineate the potable, non-potable, and wastewater distribution and collection systems. At that time, we will be able to determine the

appropriate number of equivalent residential connections to use in development of revised service availability charges. We find that the existing potable and non-potable service availability charges are sufficient within the guidelines of Rule 25-30.580 F.A.C., and shall remain unchanged at this time. However, the wastewater system's contribution level exceeds the maximum amount of 75 percent established by Rule 25-30.580, F.A.C.; therefore, the Utility's existing main extension charge for wastewater shall be discontinued. Once the GIS mapping is completed the Utility can file a service availability application and have its service availability charges evaluated.

In summation, the appropriate service availability charges are the Utility's existing charges for the potable and non-potable water systems. The wastewater main extension charge shall be discontinued.

Current and Approved Service Availability Charges

	Current and Approved		Current and Approved	
	Potable	Non Potable	Wastewater	
Meter Extension Charge	\$500	\$50	\$635	\$0
Plant Capacity Charge	\$780	\$250	N/A	N/A
Meter Installation Charge	\$150	\$150	N/A	N/A

16. Phase II Proforma Rates

As discussed under the heading, "3. Test Year Rate Bases," the Utility has requested recognition of several pro forma plant items. Several of the pro forma items either have been, or will be, completed before implementation of the Phase I rates; therefore, these items have been included in the Phase I revenue requirement. The Utility has additional pro forma items that are to be completed after Phase I rates become effective. The Phase II pro forma plant items and estimated cost are set forth in the table below under the heading, "Phase II Pro Forma Adjustments."

We have approved a Phase-In approach in other dockets for a number of reasons. This approach assures that the pro forma items are completed prior to the Utility's recovery of the investment in rates. Addressing the pro forma items in a single case saves additional rate case expense to the customers because the Utility does not need to file another rate case or limited proceeding to seek recovery for these items. Our adjustment to the Phase II UPIS balances results in increases of \$13,434 for potable water and \$11,005 for wastewater. We reduced accumulated depreciation by \$37,859 for potable water and \$30,431 for wastewater for retirements. We also reduced wastewater plant and accumulated depreciation by \$3,784 and

\$245, respectively, for non-U&U components. We increased the working capital allowance by \$1,221 for potable water, \$640 for non-potable water, and \$640 for wastewater.

Our adjustments for Phase II include an increase in O&M expenses of \$9,769 for potable water, \$5,117 for non-potable water, and \$5,117 for wastewater. We adjusted depreciation expense to reflect the pro forma additions, retirements, and U&U adjustments resulting in increases of \$610 for potable water and \$436 for wastewater. We increased TOTI by \$208 for potable water and \$170 for wastewater to reflect the increase in property taxes related to pro forma additions. Our total adjustment to operating expenses, including additional RAFs, results in increases of \$11,173 for potable water, \$5,360 for non-potable water, and \$5,993 for wastewater. The resulting operating expenses are \$163,201 for potable water, \$245,825 for non-potable water, and \$175,657 for wastewater.

Phase II Pro Forma Adjustments			
Description	UPIS	Accum Depr.	Depr. Expense
<u>Potable Water</u>			
Reverse Osmosis Skid	\$53,736	(\$2,443)	\$2,443
Retirement	<u>(40,302)</u>	<u>40,302</u>	<u>(1,832)</u>
Total	<u>\$13,434</u>	<u>\$37,859</u>	<u>\$611</u>
<u>Wastewater</u>			
Catwalks at Plant	\$9,703	(\$359)	\$359
Blower	28,716	(1,914)	1,914
Sand Filters	5,603	(311)	311
Retirements	<u>(33,016)</u>	<u>33,016</u>	<u>(1,939)</u>
Total	<u>\$11,005</u>	<u>\$30,431</u>	<u>\$646</u>

The Utility's Phase II revenue requirement is \$171,277 for potable water, \$252,165 for non-potable water, and \$185,657 for wastewater. These totals represent increases of 8.23 percent, 2.18 percent, and 3.34 percent for potable water, non-potable water, and wastewater, respectively, over the approved Phase I revenue requirements. As discussed under the heading, "10. Rate Structure for Water and Wastewater Systems," we approved netting the Phase I potable water system overearnings and wastewater system revenues. The netting of wastewater revenues to potable water revenues avoided a reduction to Phase I potable water rates. Including miscellaneous revenues, the Phase I rates generate 99.7 percent of the Phase II potable water revenue requirement. As a result, the potable water rates shall remain unchanged for Phase II. The wastewater rates are designed to generate revenues of \$185,002, excluding miscellaneous

revenues. The BFC allocation shall remain the same as the test year revenue allocation of 60 percent. The residential gallonage cap shall remain at 8,000 gallons. Consistent with our practice, the general service gallonage charge shall continue at 1.2 times the residential gallonage charge.

Phase II rate bases are shown on Schedule Nos. 5-A, 5-B, and 5-C. The capital structure for Phase II is shown on Schedule No. 6. The revenue requirements are shown on Schedule Nos. 7-A, 7-B, and 7-C. The resulting rates are shown on Schedule Nos. 8-A, 8-B, and 8-C.

Implementation of the Phase II rates is conditioned upon Aquarina completing the pro forma items within 12 months of the issuance of a consummating order in this docket. The Utility is required to submit a copy of the final invoices and cancelled checks for all pro forma plant items. The Utility is allowed to implement these rates once all pro forma items have been completed and documentation provided showing that the improvements have been made. Once verified by our staff, the rates shall 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. The rates shall not be implemented until notice has been received by the customers. Aquarina shall provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility shall immediately notify this Commission in writing.

17. Temporary Rates

By this order we propose 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, the rates are approved as temporary rates. Aquarina shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall 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 shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. The rates collected by the Utility are subject to the refund provisions discussed below.

The Utility is authorized to collect the temporary rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$102,802. Alternatively, the Utility can establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond shall 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 shall 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 shall be part of the agreement:

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

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall 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 shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility shall 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 shall file reports with the our 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 shall also indicate the status of the security being used to guarantee repayment of any potential refund.

18. National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA)

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

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application for staff assisted rate case by Aquarina Utilities, Inc. is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that the Schedules and Attachments to this Order are incorporated by reference herein. It is further

ORDERED that the overall quality of service provided by Aquarina Utilities, Inc. is marginal. It is further

ORDERED that a management audit of the Aquarina Utilities, Inc. shall be conducted by our staff as set forth in the body of this order. It is further

ORDERED that the used and useful percentages set forth in the body of this order for water, wastewater, and non-potable systems are hereby approved. No adjustments to operating expenses are made for excessive unaccounted for water or excessive inflow & infiltration. It is further

ORDERED that the appropriate average test year potable water, non-potable water, and wastewater rate bases are \$170,153, \$172,587, and (\$2,091), respectively. It is further

ORDERED that the appropriate return on equity is 11.16 percent with a range of 10.16 percent to 12.16 percent. The appropriate overall rate of return is 3.66 percent. It is further

ORDERED that the appropriate test year revenues for Aquarina Utilities, Inc.'s water and wastewater systems are \$268,677 (\$170,848 potable + \$97,829 non-potable) and \$161,821, respectively. It is further,

ORDERED that the appropriate amount of operating expense for Aquarina Utilities, Inc. is \$152,028 for potable water, \$240,466 for non-potable water, and \$169,664 for wastewater. It is further

ORDERED that the revenue requirement is \$158,255 for potable water and \$246,783 for non-potable water. It is further

ORDERED that the operating ratio methodology shall be used for calculating the wastewater revenue requirement for Aquarina Utilities, Inc. The margin shall be 6.60 percent of O&M expenses. It is further

ORDERED that the appropriate wastewater revenue requirement is \$179,094. It is further

ORDERED that the approved rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. Aquarina Utilities, Inc. shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall 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 shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. Aquarina Utilities, Inc. shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that the water and wastewater rates shall 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 shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Aquarina Utilities, Inc. shall 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 Aquarina Utilities, Inc. files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall 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. (Final) It is further

ORDERED that Aquarina Utilities, Inc.'s miscellaneous service charges shall be revised as set forth in the body of this order. The charges shall be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. Aquarina Utilities, Inc. shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that Aquarina Utilities, Inc.'s request for a direct debit charge is approved. The direct debit charge shall be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the

customers. The Aquarina Utilities, Inc. shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that Aquarina Utilities, Inc. is hereby authorized to collect NSF charges for both systems. As set forth in the body of this order, Aquarina Utilities, Inc. shall revise its tariffs to reflect the NSF charges currently set forth in Section 68.065, F.S. The NSF charges shall be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The charges shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date the notice was given within 10 days of the date of the notice. It is further

ORDERED that Aquarina Utilities, Inc.'s existing service availability charges for its potable and non-potable water systems are appropriate. However, its wastewater main extension charge shall be discontinued. It is further

ORDERED that a Phase II revenue requirement associated with pro forma items is hereby approved. Aquarina Utilities, Inc.'s Phase II revenue requirement is \$171,277 for potable water, \$252,165 for non-potable water, and \$185,657 for wastewater, which equates to increases of 8.23 percent, 2.18 percent, and 3.34 percent, respectively, over the Phase I revenue requirements. Potable water rates shall remain unchanged for Phase II. The Phase II wastewater rates are designed to produce revenues of \$185,002, excluding miscellaneous revenues. It is further

ORDERED that implementation of the Phase II rates is conditioned upon Aquarina Utilities, Inc. completing the pro forma items within 12 months of the issuance of a consummating order in this docket. The Aquarina Utilities, Inc. is required to submit a copy of the final invoices and cancelled checks or other payment confirmation documentation for all pro forma plant items. Aquarina Utilities, Inc. is allowed to implement the proforma rates once all pro forma items have been completed and documentation provided showing that the improvements have been made. Once verified by our staff, the rates shall 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. The rates shall not be implemented until notice has been received by the customers. Aquarina shall provide proof of the date notice was given within 10 days of the date of the notice. If Aquarina Utilities, Inc. encounters any unforeseen events that will impede the completion of the pro forma items, it shall immediately notify the Commission in writing. It is further

ORDERED that the approved rates are approved for the Aquarina Utilities, Inc. on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Aquarina Utilities, Inc. shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall 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 shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, Aquarina Utilities, Inc. shall provide appropriate security. Temporary rates collected by Aquarina Utilities, Inc. shall be subject to the refund provisions set forth in the body

of this order. Pursuant to Rule 25-30.360(6), F.A.C., Aquarina Utilities, Inc. shall file reports with our 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. Such reports shall also indicate the status of the security being used to guarantee repayment of any potential refund. (Final) It is further,

ORDERED that Aquarina Utilities, Inc. is required to notify this Commission, in writing, that it has adjusted its books in accordance with our decision. Aquarina Utilities, Inc. shall submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to its books and records. In the event Aquarina Utilities, Inc. needs additional time to complete the adjustments, notice shall be provided within seven days prior to deadline. Upon providing good cause, our staff is given administrative authority to grant an extension of up to 60 days. (Final). It is further

ORDERED that the provisions of this order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this docket shall remain open for our staff's verification that the outstanding Phase I pro forma items have been completed, the revised tariff sheets and customer notice have been filed by Aquarina Utilities, Inc. and approved by our staff, and Aquarina Utilities, Inc. has provided our staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. The docket shall also remain open to allow our staff to verify that the Phase II pro forma items have been completed, and the Phase II rates properly implemented. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 29th day of December, 2016.



HONG WANG
Chief Deputy Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

CWM

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our actions are preliminary in nature, with the exception of our decisions regarding the granting of temporary rates in the event of a protest, addressing rate case expense, and requiring specified accounting practices which are final agency actions. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 19, 2017. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

AQUARINA UTILITIES, INC.		SCHEDULE NO. 1-A	
TEST YEAR ENDED 12/31/2014		DOCKET NO. 150010-WS	
SCHEDULE OF POTABLE WATER RATE BASE PHASE I			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$1,907,336	(\$457,110)	\$1,450,227
LAND & LAND RIGHTS	62,080	(24,498)	37,582
NON-USED AND USEFUL COMPONENT	0	(73,194)	(73,194)
ACCUMULATED DEPRECIATION	(1,522,797)	451,903	(1,070,894)
CIAC	(483,149)	145,281	(337,868)
AMORTIZATION OF CIAC	276,662	(127,319)	149,343
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>14,957</u>	<u>14,957</u>
WATER RATE BASE	<u>\$240,132</u>	<u>(\$69,980)</u>	<u>\$170,153</u>

AQUARINA UTILITIES, INC.		SCHEDULE NO. 1-B	
TEST YEAR ENDED 12/31/2014		DOCKET NO. 150010-WS	
SCHEDULE OF NON-POTABLE WATER RATE BASE PHASE I			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$22,080	\$923,265	\$945,345
LAND & LAND RIGHTS	0	24,498	24,498
NON-USED AND USEFUL COMPONENT	0	0	0
ACCUMULATED DEPRECIATION	0	(805,374)	(805,374)
CIAC	0	(35,785)	(35,785)
AMORTIZATION OF CIAC	0	20,111	20,111
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>23,791</u>	<u>23,791</u>
WATER RATE BASE	<u>\$22,080</u>	<u>\$150,507</u>	<u>\$172,587</u>

AQUARINA UTILITIES, INC.		SCHEDULE NO. 1-C	
TEST YEAR ENDED 12/31/2014		DOCKET NO. 150010-WS	
SCHEDULE OF WASTEWATER RATE BASE PHASE I			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$2,116,139	(\$504,096)	\$1,612,043
LAND & LAND RIGHTS	33,680	0	33,680
NON-USED AND USEFUL COMPONENT	0	(62,323)	(62,323)
ACCUMULATED DEPRECIATION	(1,866,188)	508,995	(1,357,193)
CIAC	(603,375)	6,032	(597,343)
AMORTIZATION OF CIAC	299,305	50,804	350,109
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>18,936</u>	<u>18,936</u>
WASTEWATER RATE BASE	<u>(\$20,439)</u>	<u>\$18,348</u>	<u>(\$2,091)</u>

AQUARINA UTILITIES, INC. TEST YEAR ENDED 12/31/2014 ADJUSTMENTS TO RATE BASE PHASE I	SCHEDULE NO. 1-D DOCKET NO. 150010-WS PAGE 1 OF 1		
	WATER-P	NP-WATER	WASTEWATER
<u>UTILITY PLANT IN SERVICE</u>			
1. To reflect the audited plant balances. (AF 1)	\$49,635	\$905	\$7,708
2. To match CIAC adjustments in audit	(90,305)	90,305	0
3. To reflect retirements related to CIAC	(36,324)	(67,162)	0
4. To reflect reclassification from Potable to NP	(234,124)	234,124	0
5. To impute T&D Mains for NP system.	(149,558)	149,558	0
6. To reflect reclassification from Wastewater to NP	0	512,792	(512,792)
7. To reflect the appropriate averaging adjustment.	(2,329)	(31)	(1,436)
8. To reflect the appropriate pro forma additions.	<u>5,896</u>	<u>2,774</u>	<u>2,424</u>
Total	<u>(\$457,110)</u>	<u>\$923,265</u>	<u>(\$504,096)</u>
<u>LAND & LAND RIGHTS</u>			
To reflect appropriate land balances.	<u>(\$24,498)</u>	<u>\$24,498</u>	<u>\$0</u>
<u>NON-USED AND USEFUL COMPONENT</u>			
1. To reflect the appropriate Non-U&U UPIS.	(\$490,147)	(\$199,989)	(\$480,926)
2. To reflect the appropriate Non-U&U Accumulated Depreciation.	<u>416,953</u>	<u>199,989</u>	<u>418,603</u>
Total	<u>(\$73,194)</u>	<u>\$0</u>	<u>(\$62,323)</u>
<u>ACCUMULATED DEPRECIATION</u>			
1. To reflect the appropriate Accumulated Depreciation balances. (AF 5)	(\$10,652)	\$0	(\$18,566)
2. To reflect pro rata Potable/NP split.	10,365	(10,365)	0
3. To match CIAC adjustments in audit	99,758	(99,758)	0
4. To reflect retirements related to CIAC	52,420	86,236	0
5. To reflect reclassification from Potable to NP	202,514	(202,514)	0
6. To reflect reclassification from Wastewater to NP	0	(512,792)	512,792
7. To reflect imputation of T&D Mains for NP system.	67,369	(67,369)	0
8. To reflect the appropriate averaging adjustment.	20,232	265	14,814
9. To reflect the appropriate pro forma additions.	<u>9,898</u>	<u>923</u>	<u>(45)</u>
Total	<u>\$451,903</u>	<u>(\$805,374)</u>	<u>\$508,995</u>
<u>CIAC</u>			
1. To reflect the appropriate CIAC balance. (AF 4)	\$95,372	(\$107,222)	\$0
2. To reflect retirements	36,324	67,162	0
3. To reflect the appropriate CIAC averaging adjustments.	<u>13,585</u>	<u>4,275</u>	<u>6,032</u>
Total	<u>\$145,281</u>	<u>(\$35,785)</u>	<u>\$6,032</u>
<u>AMORTIZATION OF CIAC</u>			
1. To reflect the audited Accumulated Amortization of CIAC balance. (AF 6)	(\$70,242)	\$107,911	\$58,562
2. To reflect retirement of CIAC	(52,420)	(86,236)	0
3. To reflect the appropriate averaging adjustment.	<u>(4,657)</u>	<u>(1,564)</u>	<u>(7,758)</u>
Total	<u>(\$127,319)</u>	<u>\$20,111</u>	<u>\$50,804</u>
<u>WORKING CAPITAL ALLOWANCE</u>			
To reflect 1/8 of test year O & M expenses.	<u>\$14,957</u>	<u>\$23,792</u>	<u>\$18,936</u>

AQUARINA UTILITIES, INC.
TEST YEAR ENDED 12/31/2014
SCHEDULE OF CAPITAL STRUCTURE - PHASE I

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON STOCK	\$0	\$0	\$0					
2. RETAINED EARNINGS	0	0	0					
3. PAID IN CAPITAL	0	0	0					
4. OTHER COMMON EQUITY	<u>(505,064)</u>	<u>505,064</u>	<u>0</u>					
TOTAL COMMON EQUITY	(\$505,064)	\$505,064	\$0	\$0	\$0	0.00%	11.16%	0.00%
5. LONG-TERM DEBT	\$863,346	(\$416,595)	\$446,751	(\$106,263)	\$340,488	99.95%	3.66%	3.66%
6. SHORT-TERM DEBT	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	0.00%
TOTAL DEBT	\$863,346	(\$416,595)	\$446,751	(\$106,263)	\$340,488	99.95%		
7. CUSTOMER DEPOSITS	<u>193</u>	<u>(32)</u>	<u>161</u>	<u>0</u>	<u>161</u>	<u>0.05%</u>	<u>2.00%</u>	<u>0.00%</u>
8. TOTAL	<u>\$358,475</u>	<u>\$88,437</u>	<u>\$446,912</u>	<u>(\$106,263)</u>	<u>\$340,649</u>	<u>100.00%</u>		<u>3.66%</u>
RANGE OF REASONABLENESS						LOW	HIGH	
RETURN ON EQUITY						<u>10.16%</u>	<u>12.16%</u>	
OVERALL RATE OF RETURN						<u>3.66%</u>	<u>3.66%</u>	

AQUARINA UTILITIES, INC.			SCHEDULE NO. 3-A		
TEST YEAR ENDED 12/31/2014			DOCKET NO. 150010-WS		
SCHEDULE OF POTABLE WATER OPERATING INCOME PHASE I					
	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION APPROVED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
OPERATING REVENUES	<u>\$169,239</u>	<u>\$1,609</u>	<u>\$170,848</u>	<u>(\$12,593)</u> -7.37%	<u>\$158,255</u>
OPERATING EXPENSES:					
OPERATION & MAINTENANCE	\$92,074	\$27,582	\$119,658	\$0	\$119,658
DEPRECIATION EXPENSE	0	20,797	20,797	0	20,797
CIAC AMORTIZATION EXPENSE	0	(8,849)	(8,849)	0	(8,849)
TAXES OTHER THAN INCOME	19,493	1,497	20,990	(567)	20,423
INCOME TAXES	<u>1,442</u>	<u>(1,442)</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>\$113,009</u>	<u>\$39,586</u>	<u>\$152,595</u>	<u>(\$567)</u>	<u>\$152,028</u>
OPERATING INCOME/(LOSS)	<u>\$56,230</u>		<u>\$18,253</u>		<u>\$6,226</u>
WATER RATE BASE	<u>\$240,132</u>		<u>\$170,153</u>		<u>\$170,153</u>
RATE OF RETURN	<u>23.42%</u>		<u>10.73%</u>		<u>3.66%</u>

AQUARINA UTILITIES, INC.			SCHEDULE NO. 3-B		
TEST YEAR ENDED 12/31/2014			DOCKET NO. 150010-WS		
SCHEDULE OF NON-POTABLE WATER OPERATING INCOME PHASE I					
	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
OPERATING REVENUES	<u>\$96,929</u>	<u>\$900</u>	<u>\$97,829</u>	<u>\$148,954</u> 152.26%	<u>\$246,783</u>
OPERATING EXPENSES:					
OPERATION & MAINTENANCE	\$152,155	\$38,180	\$190,332	\$0	\$190,332
DEPRECIATION EXPENSE	0	24,757	24,757	0	24,757
CIAC AMORTIZATION EXPENSE	0	(534)	(534)	0	(534)
TAXES OTHER THAN INCOME	16,413	2,795	19,208	6,703	25,911
INCOME TAXES	<u>1,442</u>	<u>(1,442)</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>\$170,010</u>	<u>\$63,755</u>	<u>\$233,763</u>	<u>\$6,703</u>	<u>\$240,466</u>
OPERATING INCOME/(LOSS)	<u>(\$73,081)</u>		<u>(\$135,934)</u>		<u>\$6,317</u>
WATER RATE BASE	<u>\$22,080</u>		<u>\$172,587</u>		<u>\$172,587</u>
RATE OF RETURN	<u>-330.99%</u>		<u>-78.76%</u>		<u>3.66%</u>

AQUARINA UTILITIES, INC.			SCHEDULE NO. 3-C		
TEST YEAR ENDED 12/31/2014			DOCKET NO. 150010-WS		
SCHEDULE OF WASTEWATER OPERATING INCOME PHASE I					
	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
OPERATING REVENUES	<u>\$160,261</u>	<u>\$1,560</u>	<u>\$161,821</u>	<u>\$17,842</u> 11.03%	<u>\$179,663</u>
OPERATING EXPENSES:					
OPERATION & MAINTENANCE	\$126,358	\$25,131	\$151,489	\$0	\$151,489
DEPRECIATION EXPENSE	0	11,006	11,006	0	11,006
CIAC AMORTIZATION EXPENSE	0	(15,514)	(15,514)	0	(15,514)
TAXES OTHER THAN INCOME	19,126	2,754	21,880	803	22,683
INCOME TAXES	<u>1,442</u>	<u>(1,442)</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>\$146,926</u>	<u>\$21,935</u>	<u>\$168,861</u>	<u>\$803</u>	<u>\$169,664</u>
OPERATING INCOME/(LOSS)	<u>\$13,335</u>		<u>(\$7,040)</u>		<u>\$10,000</u>
WASTEWATER O&M EXPENSE	<u>\$126,358</u>		<u>\$151,489</u>		<u>\$151,489</u>
OPERATING MARGIN	<u>10.55%</u>		<u>-4.65%</u>		<u>6.60%</u>

AQUARINA UTILITIES, INC.	Schedule No. 3-D		
TEST YEAR ENDED 12/31/2014	DOCKET NO. 150010-WS		
ADJUSTMENTS TO OPERATING INCOME PHASE I	Page 1 of 3		
	<u>WATER-P</u>	<u>WATER-NP</u>	<u>WASTEWATER</u>
OPERATING REVENUES			
To reflect appropriate revenues for the systems.	<u>\$1,609</u>	<u>\$900</u>	<u>\$1,560</u>
OPERATION AND MAINTENANCE EXPENSES			
Salaries and Wages - Employees (601/701)			
a. To normalize salary expense to remove payroll for former employees. (AF 8)	(\$1,707)	(\$2,587)	(\$2,147)
b. To remove insurance reimbursement to former employee.	(183)	(278)	(231)
c. To remove unpaid salary accruals from outside the test year.	(4,807)	(7,286)	(6,046)
d. To include maintenance employees	<u>28,663</u>	<u>43,444</u>	<u>36,053</u>
	<u>\$21,966</u>	<u>\$33,294</u>	<u>\$27,629</u>
Employee Pensions and Benefits (604/704)			
a. To reflect the appropriate amount of pensions and benefits. (AF 8)	\$5,670	\$8,594	\$7,132
b. To reflect the increase for new maintenance employees.	<u>5,446</u>	<u>8,254</u>	<u>6,850</u>
Subtotal	<u>\$11,116</u>	<u>\$16,848</u>	<u>\$13,982</u>
Purchased Power (615/715)			
To reflect the correct amount of purchase power expense. (AF 8)	<u>\$357</u>	<u>\$3,609</u>	<u>(\$4,254)</u>
Materials and Supplies (620/720)			
a. To include reimbursement for October expense voucher. (AF8)	\$705	\$1,686	\$1,196
b. To reclassify potable booster pumps. (AF8)	(1,079)	(2,578)	0
c. To remove non-utility purchases. (AF8)	(110)	(263)	(186)
Subtotal	<u>(\$484)</u>	<u>(\$1,155)</u>	<u>\$1,010</u>
Contractual Services - Professional			
To remove and amortize non-recurring accounting fees	<u>(\$533)</u>	<u>(\$533)</u>	<u>(\$533)</u>
Contractual Services - Testing (635/735)			
To remove non-utility testing expenses. (AF 8)	<u>(\$401)</u>	<u>\$0</u>	<u>(\$1,106)</u>
Contractual Services - Other (636/736)			
a. To capitalize non-potable pump that was expensed. (AF 8)	\$0	(\$3,620)	\$0
b. Pump service expense that was not posted to ledger (AF 8)	2,703	720	0
c. To reflect amortization of pro forma repairs.	1,160	36	298
d. To remove meter reading expense.	(783)	(1,872)	(390)
e. To remove and amortize non-recurring repairs.	(183)	(437)	(584)
Subtotal	<u>\$2,897</u>	<u>(\$5,173)</u>	<u>(\$676)</u>
Rental of Building/Property (641/741)			
a. To remove 2014 amount of rental expense for office space. (AF 8)	(\$334)	(\$334)	(\$333)
b. To include 2015 storage building rental expense. (AF 8)	3,000	3,000	3,000
c. To reflect reduction in price per square foot.	(396)	(396)	(396)
Subtotal	<u>\$2,270</u>	<u>\$2,270</u>	<u>\$2,271</u>
Rental of Equipment (642/742)			
a. To remove 2014 amount of equipment rental expense. (AF 8)	(\$7,800)	(\$7,800)	(\$7,800)
b. To include 2015 rental expense. (AF 8)	6,000	6,000	6,000
c. To adjust rental expense.	(1,200)	(1,200)	(1,200)
Subtotal	<u>(\$3,000)</u>	<u>(\$3,000)</u>	<u>(\$3,000)</u>

AQUARINA UTILITIES, INC.	Schedule No. 3-D		
TEST YEAR ENDED 12/31/2014	DOCKET NO. 150010-WS		
ADJUSTMENTS TO OPERATING INCOME PHASE I	Page 2 of 3		
	<u>WATER-P</u>	<u>WATER-NP</u>	<u>WASTEWATER</u>
Transportation Expenses (650/750)			
a. To reflect the correct amount of mileage expenses. (AF 8)	\$183	\$439	\$311
b. To reflect the correct amount of mileage expenses. (AF 8)	(733)	(1,752)	(1,242)
c. To removed repairs to non-utility vehicles. (AF 8)	(292)	(699)	(496)
d. To remove unsupported airline tickets. (AF 8)	(148)	(352)	(250)
Subtotal	<u>(\$989)</u>	<u>(\$2,365)</u>	<u>(\$1,677)</u>
Insurance - Vehicle Expenses (656/756)			
To reflect the appropriate amount of insurance vehicle expense. (AF 8)	<u>(\$1,162)</u>	<u>(\$1,162)</u>	<u>(\$1,162)</u>
Insurance - General Liability Expenses (657/757)			
To reflect the correct amount of general liability insurance. (AF 8)	<u>(\$10)</u>	<u>(\$10)</u>	<u>(\$11)</u>
Insurance - Other Expenses (659/759)			
To reflect appropriate amount of insurance other expenses. (AF 8)	<u>(\$2,378)</u>	<u>(\$2,378)</u>	<u>(\$2,377)</u>
Regulatory Commission Expense (667/767)			
a. To reflect the correct amount of regulatory commission expense. (AF 8)	(\$25)	(\$25)	(\$50)
b. To reflect the appropriate amount of rate case expense.	<u>773</u>	<u>773</u>	<u>773</u>
Subtotal	<u>\$748</u>	<u>\$748</u>	<u>\$723</u>
Miscellaneous Expense (675/775)			
a. To reflect communication costs. (AF 8)	(\$2,253)	(\$2,253)	(\$2,253)
b. To reclassify and capitalize to Account 360.	0	0	(2,872)
c. To reflect reimbursements for October Misc. expenses.	376	376	375
d. To remove non-utility reimbursements.	(970)	(970)	(970)
e. To reflect reclassification for DEP permits .	<u>34</u>	<u>33</u>	<u>33</u>
Subtotal	<u>(\$2,814)</u>	<u>(\$2,815)</u>	<u>(\$5,687)</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$27,582</u>	<u>\$38,180</u>	<u>\$25,131</u>
DEPRECIATION EXPENSE			
a. To reflect audited depreciation expense.	\$45,851	\$601	\$28,200
b. To reflect reclassification from Potable to Non-Potable.	(9,782)	9,782	0
c. To reflect retirements imputation of T&D Mains for NP system.	(3,576)	3,576	0
d. To reflect reclassification from Wastewater to Non-Potable	0	12,820	(12,820)
e. To reflect retirements.	(908)	(2,150)	0
f. To reflect pro forma depreciation expense.	163	127	45
g. Non-U&U depreciation expense.	<u>(10,950)</u>	<u>0</u>	<u>(4,419)</u>
Total	<u>\$20,797</u>	<u>\$24,757</u>	<u>\$11,006</u>
AMORTIZATION OF CIAC EXPENSE			
a. To reflect audited amount of CIAC amortization expense.	(\$9,758)	(\$2,684)	(\$15,514)
b. To reflect retirements.	<u>908</u>	<u>2,150</u>	<u>0</u>
Total	<u>(\$8,849)</u>	<u>(\$534)</u>	<u>(\$15,514)</u>

AQUARINA UTILITIES, INC.		Schedule No. 3-D		
TEST YEAR ENDED 12/31/2014		DOCKET NO. 150010-WS		
ADJUSTMENTS TO OPERATING INCOME PHASE I		Page 3 of 3		
	<u>WATER-P</u>	<u>WATER-NP</u>	<u>WASTEWATER</u>	
TAXES OTHER THAN INCOME				
a. To reflect the correct amount of property taxes.	(\$118)	(\$118)	(\$118)	
b. To reflect the correct amount of payroll taxes.	(130)	(198)	(164)	
c. To reflect the appropriate amount of payroll taxes for new employees.	2,527	3,830	3,178	
d. To reflect the appropriate amount of regulatory assessment fees. (RAFs).	108	62	134	
e. To reflect pro forma property taxes.	91	43	38	
f. Non-U&U property taxes.	(980)	(825)	(314)	
Total	<u>\$1,497</u>	<u>\$2,795</u>	<u>\$2,754</u>	
INCOME TAX				
To reflect the correct amount of income tax expenses.	<u>(\$1,442)</u>	<u>(\$1,442)</u>	<u>(\$1,442)</u>	

AQUARINA UTILITIES, INC.	SCHEDULE NO. 3-E		
TEST YEAR ENDED 12/31/2014	DOCKET NO. 150010-WS		
ANALYSIS OF POTABLE WATER OPERATION AND MAINTENANCE EXPENSE PHASE I			
	TOTAL PER UTILITY	COMMISSION ADJUST- MENT	TOTAL PER COMMISSION
(601) SALARIES AND WAGES - EMPLOYEES	\$48,832	\$21,966	\$70,798
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	11,116	11,116
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	3,180	357	3,537
(616) FUEL FOR POWER PRODUCTION	74	0	74
(618) CHEMICALS	1,564	0	1,564
(620) MATERIALS AND SUPPLIES	6,424	(484)	5,941
(632) CONTRACTUAL SERVICES - PROFESSIONAL	3,807	(533)	3,274
(634) CONTRACTUAL SERVICES - MANAGEMENT FEE	1,930	0	1,930
(635) CONTRACTUAL SERVICES - TESTING	669	(401)	268
(636) CONTRACTUAL SERVICES - OTHER	2,737	2,897	5,634
(640) RENTS	0	0	0
(641) RENTAL OF BUILDING/PROPERTY	334	2,270	2,604
(642) RENTAL OF EQUIPMENT	7,800	(3,000)	4,800
(650) TRANSPORTATION EXPENSE	3,731	(989)	2,742
(656) INSURANCE - VEHICLE	1,728	(1,162)	566
(657) INSURANCE - GENERAL LIABILITY	2,624	(10)	2,614
(659) INSURANCE - OTHER	2,378	(2,378)	0
(667) REGULATORY COMMISSION EXPENSE	25	748	773
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSE	<u>4,239</u>	<u>(2,814)</u>	<u>1,425</u>
Total	<u>\$92,074</u>	<u>\$27,583</u>	<u>\$119,658</u>

AQUARINA UTILITIES, INC.	SCHEDULE NO. 3-F		
TEST YEAR ENDED 12/31/2014	DOCKET NO. 150010-WS		
ANALYSIS OF NON-POTABLE WATER OPERATION AND MAINTENANCE EXPENSE PHASE I			
	TOTAL PER UTILITY	COMMISSION ADJUST- MENT	TOTAL PER COMMISSION
(601) SALARIES AND WAGES - EMPLOYEES	\$74,014	\$33,294	\$107,308
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	16,848	16,848
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	32,150	3,609	35,759
(616) FUEL FOR POWER PRODUCTION	750	0	750
(618) CHEMICALS	48	0	48
(620) MATERIALS AND SUPPLIES	4,873	(1,155)	3,717
(632) CONTRACTUAL SERVICES - PROFESSIONAL	3,807	(533)	3,274
(634) CONTRACTUAL SERVICES - MANAGEMENT FEES	1,930	0	1,930
(635) CONTRACTUAL SERVICES - TESTING	0	0	0
(636) CONTRACTUAL SERVICES - OTHER	6,541	(5,173)	1,368
(640) RENTS	0	0	0
(641) RENTAL OF BUILDING/PROPERTY	334	2,270	2,604
(642) RENTAL OF EQUIPMENT	7,800	(3,000)	4,800
(650) TRANSPORTATION EXPENSE	8,917	(2,365)	6,552
(656) INSURANCE - VEHICLE	1,728	(1,162)	566
(657) INSURANCE - GENERAL LIABILITY	2,624	(10)	2,614
(659) INSURANCE - OTHER	2,378	(2,378)	0
(667) REGULATORY COMMISSION EXPENSE	25	748	773
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSE	<u>4,239</u>	<u>(2,815)</u>	<u>1,424</u>
Total	<u>\$152,155</u>	<u>\$38,179</u>	<u>\$190,332</u>

AQUARINA UTILITIES, INC.		SCHEDULE NO. 3-G	
TEST YEAR ENDED 12/31/2014		DOCKET NO. 150010-WS	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE PHASE I			
	TOTAL PER UTILITY*	COMMISSION ADJUST- MENT	TOTAL PER COMMISSION
(701) SALARIES AND WAGES - EMPLOYEES	\$61,423	\$27,629	\$89,052
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	13,982	13,982
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	0	0	0
(715) PURCHASED POWER	17,665	(4,254)	13,411
(716) FUEL FOR POWER PRODUCTION	412	0	412
(718) CHEMICALS	1,289	0	1,289
(720) MATERIALS AND SUPPLIES	6,023	1,010	7,033
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(732) CONTRACTUAL SERVICES - PROFESSIONAL	3,807	(533)	3,274
(733) CONTRACTUAL SERVICES - LEGAL	0	0	0
(734) CONTRACTUAL SERVICES - MANAGEMENT FEES	1,930	0	1,930
(735) CONTRACTUAL SERVICES - TESTING	3,107	(1,106)	2,001
(736) CONTRACTUAL SERVICES - OTHER	2,154	(676)	1,478
(741) RENTAL OF BUILDING/PROPERTY	333	2,271	2,604
(742) RENTAL OF EQUIPMENT	7,800	(3,000)	4,800
(750) TRANSPORTATION EXPENSE	6,520	(1,677)	4,843
(756) INSURANCE - VEHICLE	1,728	(1,162)	566
(757) INSURANCE - GENERAL LIABILITY	2,624	(11)	2,613
(759) INSURANCE OTHER	2,377	(2,377)	(0)
(767) REGULATORY COMMISSION EXPENSES	50	723	773
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSE	<u>7,116</u>	<u>(5,687)</u>	<u>1,429</u>
TOTAL O&M EXPENSES	<u>\$126,358</u>	<u>\$25,131</u>	<u>\$151,489</u>

AQUARINA UTILITIES, INC.		SCHEDULE NO. 4-A	
TEST YEAR ENDED SEPTEMBER 30, 2014		DOCKET NO. 150010-WS	
MONTHLY WATER RATES (Phase I)			
	RATES AT TIME OF FILING	COMMISSION APPROVED PHASE I RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$19.16	\$19.16	\$0.10
3/4"	\$28.74	\$28.74	\$0.15
1"	\$47.90	\$47.90	\$0.25
1-1/2"	\$95.79	\$95.79	\$0.50
2"	\$153.27	\$153.27	\$0.80
3"	\$306.55	\$306.55	\$1.61
4"	\$478.96	\$478.96	\$2.52
6"	\$957.93	\$957.93	\$5.03
Charge per 1,000 gallons - Residential and General Service	\$6.95	\$6.95	\$0.04
<u>Irrigation Service - Non-Potable</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"		\$13.86	\$0.05
3/4"		\$20.79	\$0.07
1"		\$34.65	\$0.11
1-1/2"		\$69.30	\$0.23
2"		\$110.88	\$0.37
3"		\$221.76	\$0.73
4"		\$346.50	\$1.14
6"		\$693.00	\$2.29
8"		\$1,108.80	\$3.66
Charge per 1,000 gallons - Irrigation Service	\$0.78	\$1.38	\$0.00
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$33.06	\$33.06	
6,000 Gallons	\$60.86	\$60.86	
8,000 Gallons	\$74.76	\$74.76	

AQUARINA UTILITIES, INC.		SCHEDULE NO. 4-B	
TEST YEAR ENDED SEPTEMBER 30, 2014		DOCKET NO. 150010-WS	
MONTHLY WASTEWATER RATES (PHASE I)			
	RATES AT TIME OF FILING	COMMISSION APPROVED PHASE I RATES	4 YEAR RATE REDUCTION
<u>Residential</u>			
Base Facility Charge - All Meter Sizes			
Charge Per 1,000 gallons	\$22.13	\$22.83	\$0.11
8,000 gallon cap	\$4.79	\$4.94	
Flat Rate Service	\$34.69	\$35.78	\$0.18
-			
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$22.13	\$22.83	\$0.11
3/4"	\$33.16	\$34.25	\$0.17
1"	\$55.28	\$57.08	\$0.28
1-1/2"	\$110.56	\$114.15	\$0.56
2"	\$176.90	\$182.64	\$0.90
3"	\$353.81	\$365.28	\$1.79
4"	\$552.83	\$570.75	\$2.80
6"	\$1,105.67	\$1,141.50	\$5.60
Charge per 1,000 gallons - General Service	\$5.76	\$5.94	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$31.71	\$32.71	
6,000 Gallons	\$50.87	\$52.47	
8,000 Gallons	\$60.45	\$62.35	

AQUARINA UTILITIES, INC.		SCHEDULE NO. 5-A	
TEST YEAR ENDED 12/31/2014		DOCKET NO. 150010-WS	
SCHEDULE OF POTABLE WATER RATE BASE PHASE II			
DESCRIPTION	PHASE I BALANCE	COMMISSION ADJUSTMENTS TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$1,450,227	\$13,434	\$1,463,661
LAND & LAND RIGHTS	37,582	0	37,582
NON-USED AND USEFUL COMPONENT	(73,194)	0	(73,194)
ACCUMULATED DEPRECIATION	(1,070,894)	37,859	(1,033,035)
CIAC	(337,868)	0	(337,868)
AMORTIZATION OF CIAC	149,343	0	149,343
WORKING CAPITAL ALLOWANCE	<u>14,957</u>	<u>1,221</u>	<u>16,178</u>
WATER RATE BASE	<u>\$170,153</u>	<u>\$52,514</u>	<u>\$222,667</u>

AQUARINA UTILITIES, INC.		SCHEDULE NO. 5-B	
TEST YEAR ENDED 12/31/2014		DOCKET NO. 150010-WS	
SCHEDULE OF NON-POTABLE WATER RATE BASE - PHASE II			
DESCRIPTION	PHASE I BALANCE	COMMISSION ADJUSTMENTS TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$945,345	\$0	\$945,345
LAND & LAND RIGHTS	24,498	0	24,498
NON-USED AND USEFUL COMPONENT	0	0	0
ACCUMULATED DEPRECIATION	(805,374)	0	(805,374)
CIAC	(35,785)	0	(35,785)
AMORTIZATION OF CIAC	20,111	0	20,111
WORKING CAPITAL ALLOWANCE	<u>23,791</u>	<u>640</u>	<u>24,432</u>
WATER RATE BASE	<u>\$172,587</u>	<u>\$640</u>	<u>\$173,227</u>

AQUARINA UTILITIES, INC.		SCHEDULE NO. 5-C	
TEST YEAR ENDED 12/31/2014		DOCKET NO. 150010-WS	
SCHEDULE OF WASTEWATER RATE BASE PHASE II			
DESCRIPTION	PHASE I BALANCE	COMMISSION ADJUSTMENTS TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$1,612,043	\$11,005	\$1,623,048
LAND & LAND RIGHTS	33,680	0	33,680
NON-USED AND USEFUL COMPONENT	(62,323)	(3,538)	(65,861)
ACCUMULATED DEPRECIATION	(1,357,193)	30,431	(1,326,762)
CIAC	(597,343)	0	(597,343)
AMORTIZATION OF CIAC	350,109	0	350,109
WORKING CAPITAL ALLOWANCE	<u>18,936</u>	<u>640</u>	<u>19,576</u>
WASTEWATER RATE BASE	<u>(\$2,091)</u>	<u>\$38,538</u>	<u>\$36,447</u>

AQUARINA UTILITIES, INC. TEST YEAR ENDED 12/31/2014 ADJUSTMENTS TO RATE BASE	SCHEDULE NO. 5-D DOCKET NO. 150010-WS		
	<u>WATER-P</u>	<u>WATER-NP</u>	<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>			
To reflect the appropriate pro forma additions.	<u>\$13,434</u>	<u>\$0</u>	<u>\$11,005</u>
<u>NON-USED AND USEFUL COMPONENT</u>			
To reflect the appropriate Non-U&U UPIS.	\$0	\$0	(\$3,784)
To reflect the appropriate Non-U&U Accumulated Depreciation.	<u>0</u>	<u>0</u>	<u>245</u>
Total	<u>\$0</u>	<u>\$0</u>	<u>(\$3,538)</u>
<u>ACCUMULATED DEPRECIATION</u>			
To reflect the appropriate pro forma additions.	<u>\$37,859</u>	<u>\$0</u>	<u>\$30,431</u>
<u>WORKING CAPITAL ALLOWANCE</u>			
To reflect 1/8 of test year O & M expenses.	<u>\$1,221</u>	<u>\$640</u>	<u>\$640</u>

AQUARINA UTILITIES, INC.
 TEST YEAR ENDED 12/31/2014
 SCHEDULE OF CAPITAL STRUCTURE- PHASE II

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON STOCK	\$0	\$0	\$0					
2. RETAINED EARNINGS	0	0	0					
3. PAID IN CAPITAL	0	0	0					
4. OTHER COMMON EQUITY	<u>(505,064)</u>	<u>505,064</u>	<u>0</u>				11.16%	
TOTAL	<u>(\$505,064)</u>	<u>\$505,064</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	<u>11.16%</u>	<u>0.00%</u>
5. LONG-TERM DEBT	\$446,751	\$0	\$446,751	(\$7,285)	\$439,466	99.96%	3.66%	3.66%
6. SHORT-TERM DEBT	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
TOTAL DEBT	\$446,751	\$0	\$446,751	(\$7,285)	\$439,466	99.96%	0.00%	0.00%
7. CUSTOMER DEPOSITS	161	0	161	0	161	<u>0.04%</u>	<u>2.00%</u>	<u>0.00%</u>
8. TOTAL	<u>(\$58,152)</u>	<u>\$505,064</u>	<u>\$446,912</u>	<u>(\$7,285)</u>	<u>\$439,627</u>	<u>100.00%</u>		<u>3.66%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>10.16%</u>	<u>12.16%</u>	
OVERALL RATE OF RETURN						<u>3.66%</u>	<u>3.66%</u>	

AQUARINA UTILITIES, INC.			SCHEDULE NO. 7-A		
TEST YEAR ENDED 12/31/2014			DOCKET NO. 150010-WS		
SCHEDULE OF POTABLE WATER OPERATING INCOME PHASE II					
	PHASE I	COMMISSION ADJS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
OPERATING REVENUES	<u>\$158,255</u>	<u>\$0</u>	<u>\$158,255</u>	<u>\$13,022</u> 8.23%	<u>\$171,277</u>
OPERATING EXPENSES:					
OPERATION & MAINTENANCE	\$119,658	\$9,769	\$129,427	\$0	\$129,427
DEPRECIATION (NET)	20,797	610	21,407	0	21,407
AMORTIZATION OF CIAC	(8,849)	0	(8,849)	0	(8,849)
TAXES OTHER THAN INCOME	20,423	208	20,631	586	21,217
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>\$152,028</u>	<u>\$10,587</u>	<u>\$162,615</u>	<u>\$586</u>	<u>\$163,201</u>
OPERATING INCOME/(LOSS)	<u>\$6,226</u>		<u>(\$4,361)</u>		<u>\$8,075</u>
WATER RATE BASE	<u>\$170,153</u>		<u>\$222,667</u>		<u>\$222,667</u>
RATE OF RETURN	<u>3.66%</u>		<u>-1.96%</u>		<u>3.63%</u>

AQUARINA UTILITIES, INC.			SCHEDULE NO. 7-B		
TEST YEAR ENDED 12/31/2014			DOCKET NO. 150010-WS		
SCHEDULE OF NON-POTABLE WATER OPERATING INCOME PHASE II					
	PHASE I	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
OPERATING REVENUES	<u>\$246,783</u>	<u>\$0</u>	<u>\$246,783</u>	<u>\$5,382</u> 2.18%	<u>\$252,165</u>
OPERATING EXPENSES:					
OPERATION & MAINTENANCE	\$190,332	\$5,117	\$195,450	\$0	\$195,450
DEPRECIATION (NET)	24,757	0	24,757	0	24,757
AMORTIZATION OF CIAC	(534)	0	(534)	0	(534)
TAXES OTHER THAN INCOME	25,911	0	25,911	242	26,153
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>\$240,466</u>	<u>\$5,117</u>	<u>\$245,583</u>	<u>\$242</u>	<u>\$245,825</u>
OPERATING INCOME/(LOSS)	<u>\$6,317</u>		<u>\$1,200</u>		<u>\$6,340</u>
WATER RATE BASE	<u>\$172,587</u>		<u>\$173,227</u>		<u>\$173,227</u>
RATE OF RETURN	<u>3.66%</u>		<u>0.69%</u>		<u>3.66%</u>

AQUARINA UTILITIES, INC.		SCHEDULE NO. 7-C			
TEST YEAR ENDED 12/31/2014		DOCKET NO. 150010-WS			
SCHEDULE OF WASTEWATER OPERATING INCOME PHASE II					
	PHASE I	COMMISSION ADJS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
OPERATING REVENUES	<u>\$179,663</u>	<u>\$0</u>	<u>\$179,663</u>	<u>\$5,994</u> 3.34%	<u>\$185,657</u>
OPERATING EXPENSES:					
OPERATION & MAINTENANCE	\$151,489	\$5,117	\$156,607	\$0	\$156,607
DEPRECIATION EXPENSE	11,006	436	11,442	0	11,442
AMORTIZATION OF CIAC	(15,514)	0	(15,514)	0	(15,514)
TAXES OTHER THAN INCOME	22,683	170	22,853	270	23,123
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>\$169,664</u>	<u>\$5,724</u>	<u>\$175,388</u>	<u>\$270</u>	<u>\$175,657</u>
OPERATING INCOME/(LOSS)	<u>\$9,999</u>		<u>\$4,275</u>		<u>\$10,000</u>
WASTEWATER OPERATING EXPENSES	<u>\$151,489</u>		<u>\$156,607</u>		<u>\$156,607</u>
OPERATING MARGIN	<u>6.60%</u>		<u>2.73%</u>		<u>6.39%</u>

AQUARINA UTILITIES, INC.	Schedule No. 7-D		
TEST YEAR ENDED 12/31/2014	DOCKET NO. 150010-WS		
ADJUSTMENTS TO OPERATING INCOME			
	<u>WATER-P</u>	<u>WATER-NP</u>	<u>WASTEWATER</u>
OPERATION AND MAINTENANCE EXPENSES			
Contractual Services - Professional (632/732) RO Service Contract.	<u>\$4,652</u>	<u>\$0</u>	<u>\$0</u>
Contractual Services - Other (636/736) To reflect amortization of GIS Mapping.	<u>\$5,117</u>	<u>\$5,117</u>	<u>\$5,117</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u><u>\$9,769</u></u>	<u><u>\$5,117</u></u>	<u><u>\$5,117</u></u>
DEPRECIATION EXPENSE			
a. To reflect pro forma depreciation expense.	\$610	\$0	\$646
b. To reflect Non-U&U depreciation expense.	<u>0</u>	<u>0</u>	<u>(210)</u>
Total	<u><u>\$610</u></u>	<u><u>\$0</u></u>	<u><u>\$436</u></u>
TAXES OTHER THAN INCOME			
To reflect pro forma property taxes.	<u><u>\$208</u></u>	<u><u>\$0</u></u>	<u><u>\$170</u></u>

AQUARINA UTILITIES, INC.		SCHEDULE NO. 8-A	
TEST YEAR ENDED SEPTEMBER 30, 2014		DOCKET NO. 150010-WS	
MONTHLY WATER RATES (Phase II)			
	COMMISSION APPROVED PHASE I RATES	COMMISSION APPROVED PHASE II RATES	
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$19.16	\$19.16	
3/4"	\$28.74	\$28.74	
1"	\$47.90	\$47.90	
1-1/2"	\$95.79	\$95.79	
2"	\$153.27	\$153.27	
3"	\$306.55	\$306.55	
4"	\$478.96	\$478.96	
6"	\$957.93	\$957.93	
Charge per 1,000 gallons - Residential and General Service	\$6.95	\$6.95	
<u>Irrigation Service - Non-Potable</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$13.86	\$14.16	
3/4"	\$20.79	\$21.24	
1"	\$34.65	\$35.40	
1-1/2"	\$69.30	\$70.80	
2"	\$110.88	\$113.28	
3"	\$221.76	\$226.56	
4"	\$346.50	\$354.00	
6"	\$693.00	\$708.00	
8"	\$1,108.80	\$1,132.80	
Charge per 1,000 gallons - Irrigation Service	\$1.38	\$1.41	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$33.06	\$33.06	
6,000 Gallons	\$60.86	\$60.86	
8,000 Gallons	\$74.76	\$74.76	

AQUARINA UTILITIES, INC.		SCHEDULE NO. 8-B	
TEST YEAR ENDED SEPTEMBER 30, 2014		DOCKET NO. 150010-WS	
MONTHLY WASTEWATER RATES (PHASE II)			
	COMMISSION APPROVED PHASE I RATES	COMMISSION APPROVED PHASE II RATES	
<u>Residential</u>			
Base Facility Charge - All Meter Sizes			
Charge Per 1,000 gallons	\$22.83	\$25.05	
8,000 gallon cap	\$4.94	\$5.68	
Flat Rate Service	\$35.78	\$37.32	
-			
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$22.83	\$25.05	
3/4"	\$34.25	\$37.58	
1"	\$57.08	\$62.63	
1-1/2"	\$114.15	\$125.25	
2"	\$182.64	\$200.40	
3"	\$365.28	\$400.80	
4"	\$570.75	\$626.25	
6"	\$1,141.50	\$1,252.50	
Charge per 1,000 gallons - General Service	\$5.94	\$6.81	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$32.71	\$36.41	
6,000 Gallons	\$52.47	\$59.13	
8,000 Gallons	\$62.35	\$70.49	

ATTACHMENT A

	Cost Recovery Allocation			Fixed Allocations		Variable Allocations	
	<u>Common Costs</u>	<u>Fixed</u>	<u>Variable</u>	<u>Potable - 50%</u>	<u>NP - 50%</u>	<u>Potable - 9%</u>	<u>NP - 91%</u>
(601) SALARIES AND WAGES - EMPLOYEES	\$122,846	75.00%	25.00%	\$46,067	\$46,067	\$2,764	\$27,947
(604) EMPLOYEE PENSIONS AND BENEFITS	0	75.00%	25.00%	\$0	\$0	\$0	\$0
(615) PURCHASED POWER	35,330	0.00%	100.00%	\$0	\$0	\$3,180	\$32,150
(616) FUEL FOR POWER PRODUCTION	824	0.00%	100.00%	\$0	\$0	\$74	\$750
(618) CHEMICALS	0	0.00%	100.00%	\$0	\$0	\$0	\$0
(620) MATERIALS AND SUPPLIES	6,570	50.00%	50.00%	\$1,642	\$1,642	\$296	\$2,989
(632) CONTRACTUAL SERVICES - PROFESSIONAL	7,613	100.00%	0.00%	\$3,807	\$3,807	\$0	\$0
(634) CONTRACTUAL SERVICES - MANAGEMENT FEES	3,860	100.00%	0.00%	\$1,930	\$1,930	\$0	\$0
(635) CONTRACTUAL SERVICES - TESTING	0	50.00%	50.00%	\$0	\$0	\$0	\$0
(636) CONTRACTUAL SERVICES - OTHER	9,278	50.00%	50.00%	\$2,320	\$2,320	\$418	\$4,221
(641) RENTAL OF BUILDING/PROPERTY	667	100.00%	0.00%	\$334	\$334	\$0	\$0
(642) RENTAL OF EQUIPMENT	15,600	100.00%	0.00%	\$7,800	\$7,800	\$0	\$0
(650) TRANSPORTATION EXPENSE	12,648	50.00%	50.00%	\$3,162	\$3,162	\$569	\$5,755
(656) INSURANCE - VEHICLE	3,456	100.00%	0.00%	\$1,728	\$1,728	\$0	\$0
(657) INSURANCE - GENERAL LIABILITY	5,247	100.00%	0.00%	\$2,624	\$2,624	\$0	\$0
(659) INSURANCE - OTHER	4,755	100.00%	0.00%	\$2,378	\$2,378	\$0	\$0
(667) REGULATORY COMMISSION EXPENSE	50	100.00%	0.00%	\$25	\$25	\$0	\$0
(675) MISCELLANEOUS EXPENSE	<u>8,477</u>	100.00%	0.00%	<u>\$4,239</u>	<u>\$4,239</u>	<u>\$0</u>	<u>\$0</u>
	<u>\$237,221</u>			<u>\$78,054</u>	<u>\$78,054</u>	<u>\$7,301</u>	<u>\$73,812</u>