BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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| In re: Application for staff-assisted rate case in Alachua County, and request for interim rate increase by Gator Waterworks, Inc. | DOCKET NO. 20190114-WUORDER NO. PSC-2020-0086-PAA-WUISSUED: March 24, 2020 |

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman

ART GRAHAM

JULIE I. BROWN

DONALD J. POLMANN

ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING RATE INCREASE FOR GATOR WATERWORKS, INC.

AND ORDER ON RECOVERY OF RATE CASE EXPENSES, TEMPORARY RATES,

AND ACCOUNTING ADJUSTMENTS

BY THE COMMISSION:

 NOTICE is hereby given by the Florida Public Service Commission (Commission) that the actions discussed herein, except for (1) the reduction of rates after four years based upon the recovery of rate case expense, (2) the granting of temporary rates in the event of protest, and (3) the requirement for proof of adjustment of books and records, are 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.). The reduction of rates after four years, the granting of temporary rates in the event of protest, and the requirement for proof of adjustment of books and records are procedural agency actions and subject to reconsideration and appeal as described below under the heading, “NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW.”

Background

 Gator Waterworks, Inc. (Gator or utility) is a Class C utility serving approximately 331 residential water customers and 4 general service customers in Alachua County. The utility has never had a staff-assisted rate case (SARC) before this Commission. According to Gator’s 2018 annual report, total gross revenue was $47,041 and total operating expense was $80,178.

 The utility began providing water service in 1965 under the name Kincaid Hills Water Company. On June 30, 1992, the Alachua County Board of County Commissioners adopted a resolution, which gave jurisdiction over the regulation of privately-owned water and wastewater utilities to this Commission. On November 18, 1992, Kincaid filed its application for an original certificate to provide water service in Alachua County under grandfather rights and Certificate No. 555-W was granted by Order No. PSC-93-1027-FOF-WU.[[1]](#footnote-1) The utility’s rates and charges were last approved in the grandfather certificate proceeding. However, the utility’s rates have been amended through three price index increases.

 Gator purchased Kincaid Hills Water Company on February 23, 2018, and filed an application for Transfer of Facilities and Certificate on March 12, 2018. We approved the transfer by Order No. PSC-2018-0587-PAA-WU (transfer order).[[2]](#footnote-2) On May 13, 2019, Gator filed its application for a SARC. In its application, the utility requested a test year ended March 31, 2019, for interim and final rate purposes. We approved interim rates designed to generate a revenue increase of 37.42 percent.[[3]](#footnote-3)

 We have jurisdiction pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 367.091 and 367.121, Florida Statutes (F.S.).

**Review and Decision**

1. Quality of Service

Pursuant to Rule 25-30.433(1), F.A.C., we must make a determination of the quality of service provided by the utility in every rate case by evaluating the quality of utility’s product (water) and the utility’s attempt to address customer satisfaction (water and wastewater). The Rule states that the most recent chemical analyses, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the county health department, along with any DEP and county health department officials’ testimony concerning quality of service shall be considered. In addition, we must also consider any customer testimony, comments, or complaints.

*A. Quality of Utility's Product*

 In evaluation of Gator's product quality, we reviewed the utility's compliance with the DEP primary and secondary drinking water standards. Primary standards protect public health, while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. The most recent chemical analyses were performed on October 3, 2018, and the results were in-compliance with the DEP’s standards. These chemical analyses are performed every three years; therefore, the next scheduled analyses should be completed in 2021.

*B. The Utility's Attempt to Address Customer Satisfaction*

We reviewed the Commission’s complaint records from January 2014 through January 2020. We received six complaints from 2014 to 2017 while the utility was known as Kincaid Hills Water Company. During this time, the DEP also received a total of four complaints with two occurring in 2014 and two occurring in 2017. In July 2014, the DEP received two complaints regarding low water pressure and chlorine residual. Both complaints were investigated and closed with no further action. One of the DEP complaints received in 2017 concerned lawn maintenance at the water treatment plant (WTP) while the other concerned the placement of a meter on customer property. All of these complaints were received prior to the utility’s transfer to Gator in December 2018. There have been no customer complaints received against the utility from 2018 through January 2020.

 Gator reported that the utility received 89 customer complaints from 2014 through 2019. The utility stated that the majority of the calls were concerning low pressure or no water due to line breaks. The low pressure calls were prior to the completion of the water plant rehabilitation projects. The WTP, wells, and tanks were deteriorated and needed to be replaced. In addition, numerous complaints concerned line breaks, which have been repaired. As a result of these repairs, the utility states that the water pressure issues have subsided.

 Our staff held a customer meeting on November 13, 2019 at the Headquarters Branch Library. Four customers attended and three spoke. One customer acknowledged his satisfaction with the decrease in service outages while two customers were dissatisfied with the proposed increase in the water rates. We have not received any additional customer complaints or concerns through January 31, 2020.

*C. Conclusion*

 The utility is in-compliance with the DEP and has been responsive to its customer complaints. Therefore, the quality of service provided by Gator shall be considered satisfactory.

2. Infrastructure and Operational Conditions

Rule 25-30.225(2), F.A.C., requires each water utility to maintain and operate its plant and facilities by employing qualified operators in accordance with the DEP’s rules. Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operational conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, we must consider any testimony of the DEP and county health department officials, sanitary surveys, citations, violations, and consent orders issued to the utility, customer testimony, comments, and complaints, and utility testimony and responses to the aforementioned items.

Gator’s water system has a design capacity of 236,400 gallons per day (gpd). The utility’s water system has two wells with a combined pumping capacity of 400 gallons per minute (gpm). On October 3, 2018, the utility was issued a permit from the DEP for removal of the existing storage and hydro-pneumatic tanks, and installation of a new 5,000 gallon capacity hydro-pneumatic tank. Additionally, the site piping and appurtenances were replaced, along with the utility’s emergency generator. We reviewed Gator’s sanitary surveys conducted by the DEP to determine the utility’s overall water facility compliance. A review of the inspection conducted on July 24, 2019, indicated that Gator’s water treatment facility was in compliance with the DEP’s rules and regulations.

 Based on the foregoing, we find that Gator’s water treatment facility is currently in compliance with DEP regulations.

3. Used and Useful (U&U)

Gator’s WTP has two wells rated at a combined 400 gpm. The utility’s water system does not have a storage tank, but has one hydro-pneumatic tank totaling 5,000 gallons in capacity. The distribution system is composed of varying sizes, from 2 to 6 inch, polyvinyl chloride (PVC) and asbestos cement (AC) pipes.

*A. Water Treatment Plant Used and Useful*

 This is the utility’s first staff-assisted rate case since receiving its grandfather certificate in 1993.[[4]](#footnote-4) Therefore, this is the first determination of used and useful percentages by this Commission.

 Rule 25-30.4325, F.A.C., addresses the method by which the U&U of a water system is determined. The formula for calculating U&U for the WTP is given by [2 x (Maximum Day Peak Demand – Excessive Unaccounted for Water)/1,440 + Fire Flow + Growth] / Firm Reliable Capacity. Peak demand is based on a peak hour for a water treatment system with no storage capacity. The formula for calculating peak hour demand is given by [((SMD – Excessive Unaccounted for Water)/1,440) x 2], where SMD is the single maximum day in the test year where there is no unusual occurrence on that day, such as a fire or line break. Based on the Monthly Operating Reports that the utility files with the DEP, the SMD in the test year was 191,150 gpd. As discussed below, there appears to be no Excessive Unaccounted for Water (EUW). Therefore, the peak hour demand is calculated to be 265 gpm [((191,150 gpd – 0)/1,440) x 2].

 The utility does not currently own any fire hydrants; consequently, there is no Fire Flow.[[5]](#footnote-5) Growth allowance is based on the requirements outlined in Rule 25-30.431, F.A.C., which states that a linear regression analysis using average equivalent residential connections (ERCs) for the last 5 years should be used to determine growth. Our staff attempted to obtain ERC data for the period of 2014-2018; however, no data was available for 2017. Instead, we utilized data from 2013-2016 and 2018 to perform a linear regression over 5 years, and the growth was calculated to be 14 gpm. Firm Reliable Capacity assumes loss of the largest capacity well (250 gpm) and is therefore 150 gpm. This calculation results in a U&U greater than 100 percent. As such, we find that Gator’s WTP shall be considered 100 percent U&U.

**EUW**

 Rule 25-30.4325, F.A.C., defines EUW as “unaccounted for water in excess of 10 percent of the amount produced.” Unaccounted for water is all water produced that is not sold, metered, or accounted for in the records of the utility. In determining whether adjustments to plant and operating expenses are necessary in accordance with Rule 25-30.4325(10), F.A.C., we consider several factors. These include (1) the causes of EUW, (2) any corrective action taken, or (3) the economical feasibility of a proposed solution. EUW is calculated by subtracting both the gallons sold to customers and the gallons used for other services, such as flushing, from the total gallons pumped for the test year.

 The Monthly Operating Reports indicate that the utility pumped 39,264,456 gallons during the test year. In response to a data request issued by our staff, the utility indicated that it purchased no water and estimated 9,637,134 gallons for other uses, such as flushing or water line breaks, during the test year. According to the billing data, the utility sold 25,735,000 gallons of water for the test year. When both the gallons sold and water used for other uses is subtracted from the total gallons pumped, 3,892,322 gallons are unaccounted for. The percentage of unaccounted for water is given by [gallons of unaccounted for water / (total gallons pumped + gallons purchased)]. The resulting unaccounted for water is 9.9 percent; therefore, there is no excessive unaccounted for water. Accordingly, we find that no adjustments to purchased power and chemical expenses are necessary.

*B. Water Distribution System Used and Useful*

 The water distribution system is evaluated based on ERCs consisting of growth, customer demand, and system capacity. The customer demand is 335 ERCs for the test year and the system capacity is 365 ERCs, resulting in a U&U percentage of 92 percent for the distribution system. However, the utility provided that there are only four vacant lots in the service territory; thus, the system is virtually built out. Considering all of the water mains are required to adequately serve the existing customers, and consistent with our prior decisions, we find that the distribution system shall be considered 100 percent U&U.[[6]](#footnote-6)

*C. Conclusion*

 We find that Gator’s WTP and water distribution system shall be considered 100 percent U&U. Additionally, there appears to be no EUW; therefore, we find that that no adjustments shall be made to operating expenses for chemicals and purchased power.

4. Rate Base

The appropriate components of a utility’s rate base include utility plant in service, contributions in aid of construction (CIAC), accumulated depreciation, amortization of CIAC, and working capital. This utility has never had a SARC before this Commission. The utility's rates, charges, and customer deposits were approved in the original grandfather certificate in 1993.[[7]](#footnote-7) The rates were subsequently amended through three price index increases. The utility requested the test year ended March 31, 2019, for the instant case. Our audit staff determined that the utility’s books and records are in compliance with the National Association of Regulatory Utility Commissioners’ Uniform System of Accounts (NARUC USOA). A summary of each component of rate base and our adjustments are discussed below.

*A. Year-End Rate Base*

 In its application, the utility requested a year-end rate base for its water system in order to have an opportunity to recover its allowed rate of return on the significant capital improvements that were made during the test year to install a new well and make additional plant improvements to address water quality concerns. In the transfer order, we approved net utility plant in service in the amount of $92,804, and total rate base of $63,321. In the utility’s 2018 annual report, Gator reported total plant in service of $466,889 and net plant of $205,755. This represents an increase in net plant in service of more than 120 percent. Subsequent to the acquisition of the utility, Gator made substantial improvements to the water system. The utility repaired numerous water main breaks over the past year totaling over $67,000 to date. In addition, during 2018, Gator replaced over 250 meters that were inoperable at a cost of over $40,000. If an average rate base is used, the utility will not be afforded the opportunity to recover its allowed rate of return on the new investment and will be put in the position of requesting a subsequent SARC at a later date.

 We have the authority to apply a year-end rate base, but should only apply a year-end rate base in extraordinary circumstances.[[8]](#footnote-8) We believe extraordinary circumstances exist in the instant case. Following the recent transfer of the utility, Gator stated that the water system was in immediate need of repairs. A complete rehabilitation of the existing WTP was completed, which included a new hydro-pneumatic tank, generator, well pump, disinfection system, disinfection shed, storage unit, and supply mains. The year-end rate base will provide the utility with an opportunity to recover the investment made to improve water quality and provide for compensatory rates for this utility in this rate case. We have previously authorized the use of a year-end rate base in other cases involving significant test year improvements.[[9]](#footnote-9) Therefore, we hereby approve a year-end rate base for Gator.

*B. Utility Plant in Service (UPIS)*

 The utility recorded a test year UPIS balance of $468,703. Based on our audit staff’s review of the utility’s books and records, no adjustments were necessary to reflect the appropriate UPIS test year balances. However, the utility also filed three separate requests for consideration of pro forma plant in this docket. The first project, included with the utility’s initial filing, totaled $158,790 for a rehabilitation and replacement project of the water treatment plant. The utility provided us with invoices. The second, filed on July 29, 2019, was for the replacement of water mains on two of the streets in the service territory that have experienced a high number of leaks and the addition of three new fire hydrants for added fire protection for the customers. The utility received three bid proposals for the project, and the bid with the lowest cost of $204,650 was selected. The third request, dated September 23, 2019, was for $13,204 related to emergency repairs. The utility provided us with invoices for the repairs. In total, Gator has requested recovery of $376,644 ($158,790 + $204,650 + $13,204) in pro forma plant in this docket.

 We calculated pro forma plant retirements based on our practice that a factor of 75 percent of replacement cost be used for retirements. We believe the amount of retirement to plant in service and accumulated depreciation reflected in the adjusted test year should be calculated based on either the 75 percent methodology or on the actual balance in the impacted plant in service account as of March 31, 2019, if that balance would be negative as a result of the 75 percent methodology. Therefore, when a retirement results in a negative plant balance, we limited the retirement amount to the test year plant balance so there would be no negative plant. This situation occurred in five plant accounts in this docket, as reflected in Table 1.

**Table 1
Capped Pro Forma Plant Retirements**

|  |  |  |  |
| --- | --- | --- | --- |
|   | Commission | TY  |   |
| Plant | Calculated | Plant |   |
| Account | Retirement | Balance | Difference |
| 304 | $35,566  | $12,500  | ($23,066) |
| 309 | $28,325  | $1,500  | ($26,825) |
| 310 | $27,427  | $18,300  | ($9,127) |
| 330 | $25,990  | $24,905  | ($1,085) |
| 333 | $62,187  | $5,716  | ($56,471) |

 Source: Audit Report and Commission calculations.

 Table 2 reflects our UPIS adjustments, by account.

**Table 2
Pro Forma UPIS Adjustments**

|  |  |  |
| --- | --- | --- |
|   | Pro Forma  | Pro Forma |
| Account | Plant | Retirement |
| 304 | $47,422  | $12,500  |
| 307 | 1,980  | 1,485  |
| 309 | 37,766  | 1,500  |
| 310 | 36,569  | 18,300  |
| 311 | 639  | 479  |
| 320 | 400  | 300  |
| 330 | 34,653  | 24,905  |
| 331 | 123,893  | 92,920  |
| 333 | 82,916  | 5,716  |
| 334 | 656  | 492  |
| 335 | 9,750  | 0  |
| Total | $376,644  | $158,597  |

 We also made corresponding adjustments to accumulated depreciation (elsewhere in this section), while depreciation expense and Taxes Other than Income adjustments for taxes related to pro forma plant are discussed in Section 7. Our adjustments to UPIS result in a net increase of $218,047 ($376,644 - $158,597). Therefore, we hereby approve a UPIS balance of $686,750 ($468,703 + $218,047).

*C. Land & Land Rights*

 The utility recorded a test year land balance of $8,000. We approved a land balance of $8,000 in the utility's 2018 transfer docket.[[10]](#footnote-10) There have been no additions to land since the transfer; therefore, no adjustments are necessary. Therefore, we find that a land and land rights balance of $8,000 is appropriate.

*D. U&U*

 As discussed in Section 3, Gator’s WTP and distribution system are considered 100 percent U&U. Therefore, no U&U adjustments are necessary.

*E. Accumulated Depreciation*

 Gator recorded a test year accumulated depreciation balance of $265,341. We increased accumulated depreciation by $167 to reflect depreciation pursuant to Rule 25-30.140, F.A.C. In addition, we made adjustments to accumulated depreciation based on the pro forma plant approved in UPIS. Like the capped retirements discussed above, we believe pro forma accumulated depreciation adjustments should be limited to the actual account balance when the adjustment would exceed the accumulated depreciation balance as of March 31, 2019. This situation impacted the same five accounts discussed above, as reflected in Table 3 below.

**Table 3
Capped Pro Forma Acc. Depreciation Adjustments**

|  |  |  |
| --- | --- | --- |
|   | Commission | TY  |
|   | Calculated | Acc. Dep. |
| Account | Acc. Dep. Adj. | Balance |
| 304 | $35,566  | $6,497  |
| 309 | $28,325  | $316  |
| 310 | $27,427  | $18,300  |
| 330 | $25,990  | $20,984  |
| 333 | $62,187  | $82  |

 Source: Audit Report and Commission calculations.

 Table 4 reflects our accumulated depreciation adjustments, by account.

**Table 4
Pro Forma Acc. Depreciation Adjustments**

|  |  |
| --- | --- |
|   | Approved |
| Account | Acc. Dep. Adj. |
| 304 | $6,497  |
| 307 | 1,485  |
| 309 | 316  |
| 310 | 18,300  |
| 311 | 479  |
| 320 | 300  |
| 330 | 20,984  |
| 331 | 92,920  |
| 333 | 82  |
| 334 | 492  |
| 335 | (244) |
| Total | $141,611  |

 Our adjustments to accumulated depreciation result in a net decrease of $141,444 (-$167 + $141,611). Therefore, we find that an accumulated depreciation balance of $123,897 ($265,341 - $141,444) is appropriate.

*F. Contribution in Aid of Construction (CIAC)*

 The utility recorded a test year CIAC balance of $165,685. Based on our review, no adjustment is necessary. Therefore, we find that the appropriate balance is $165,685.

*G. Accumulated Amortization of CIAC*

 The utility recorded a test year accumulated amortization of CIAC balance of $134,990. Based on our review, accumulated amortization of CIAC shall be reduced by $686. Therefore, we find that the appropriate balance is $134,304 ($134,990 - $686).

*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(3), F.A.C., we used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Section 367.081(9), F.S., prohibits a utility from earning a return on the unamortized balance of rate case expense. As such, we removed the rate case expense balance of $661 for this calculation resulting in an adjusted O&M expense balance of $73,997 ($74,658 - $661). Applying this formula approach to the adjusted O&M expense balance, we find that a working capital allowance of $9,250 ($73,997/8) is appropriate.

*I. Rate Base Summary*

 Based on the foregoing, we find that the appropriate year-end test year rate base is $548,722. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

5. Return on Equity (ROE)

Gator’s capital structure consists of $356,836 in common equity. The utility has no customer deposits. Our audit staff determined that no test year adjustments were necessary. The utility’s capital structure has been reconciled with the Commission-approved rate base. The appropriate ROE is 7.85 percent based upon the Commission-approved leverage formula currently in effect.[[11]](#footnote-11) Therefore, we hereby approve a ROE of 7.85 percent, with a range of 6.85 percent to 8.85 percent, and an overall rate of return of 7.85 percent. The ROE and overall rate of return are shown on Schedule No. 2.

6. Test Year Revenues

Gator recorded test year revenues of $56,351. The water revenues included $51,833 of service revenues and $4,518 of miscellaneous revenues. In order to determine the appropriate test year revenues, we applied the number of billing determinants by the rates in effect as of January 4, 2019. As a result, we determined that service revenues shall be $52,255, which is an increase of $422.

 We also made an adjustment to the miscellaneous revenues. During the test year, the utility incorrectly recorded the number of late payments. Therefore, we increased miscellaneous revenues by $8 for late payment charges to reflect miscellaneous revenues of $4,526. Based on the above, the appropriate test year revenues for Gator’s water system, including miscellaneous revenues are $56,781 ($52,255 +$4,526).

7. Operating Expense

Gator recorded operating expense of $89,965 for the test year ended March 31, 2019. The test year O&M expenses have been reviewed, including invoices, canceled checks, and other supporting documentation. We made a few adjustments to the utility's operating expenses as summarized below.

*A. Operation & Maintenance Expense*

**Salaries and Wages – Officers (603)**

 The utility recorded salaries and wages – officers expense of $5,000 in the test year to reflect the president's monthly salary of $417. According to the utility's 2018 annual report, Gator's officers also include an accounting manager who does not receive a salary reflected in this amount. In addition, the utility indicated in audit work papers that the president only receives compensation through distribution of retained earnings if there are any net operating profits from operations that are not used for continuing operations or capital improvements. We made no adjustments to this account. As such, we hereby approve a salaries and wages – officers expense of $5,000 for the test year.

**Purchased Power (615)**

 The utility recorded purchased power expense of $12,923 in the test year. Supporting documentation confirming the purchased power expense was provided. We made no adjustments to this account. As such, we hereby approve a purchased power expense of $12,293 for the test year.

**Chemicals Expense (618)**

 The utility recorded chemicals expense of $669 in the test year. Supporting documentation confirming the chemicals expense was provided. We made no adjustments to this account. As such, we hereby approve a chemicals expense of $669 for the test year.

**Contractual Services – Accounting (632)**

 The utility recorded contractual services – accounting expense of $400. Gator provided supporting documentation confirming the accounting expense was used for preparing and filing corporate taxes. We made no adjustments to accounting expense. Therefore, we hereby approve a contractual services – accounting expense of $400 for the test year.

**Contractual Services – Legal (633)**

 The utility recorded contractual services – legal expense of $300 in the test year. Supporting documentation confirming the legal expense was provided. We made no adjustments to this account. As such, we hereby approve a contractual services – legal expense of $300 for the test year.

**Contractual Services – Testing Expense (635)**

 The utility recorded contractual services – testing expense of $157 in the test year. This expense only included notices for two boil water notices. Normal testing is included in the operations contract with U.S. Water Services Corporation (USWSC or U.S. Water). As a result, we made no adjustments. Therefore, we approve a contractual services – testing expense of $157 for the test year.

**Contractual Services - Other Expense (636)**

 During the test year, the utility recorded contractual services - other expense of $49,732. Gator receives all of its operational and administrative services under a contract with an affiliated company, USWSC. Pursuant to the contract, Gator employed the services of USWSC to perform various functions: administrative management, operations, maintenance, and billing/collection for the utility. These include management and financial oversight, water system operations, maintenance, and customer service. The USWSC contract dated February 24, 2018, was originally in the amount of $49,732. According to the utility, this contract amount has increased to $50,906 as a result of an index increase.[[12]](#footnote-12) This represents a known and measurable increase of $1,174 ($50,906 - $49,732) over the amount included in the test year.

 On August 9, 2019, Gator submitted documentation containing additional information related to its outside contractual services agreement with USWSC.[[13]](#footnote-13) According to Gator, USWSC currently operates in 60 of Florida’s 67 counties, providing service to over 1,000 utility systems and services to over 1,000,000 customers daily. USWSC’s president and majority shareholder has been in the water and wastewater utility management and operations industry for over 30 years. Gator contracts with USWSC for the following services:

1. Water Operations
2. Meter Reading
3. System Maintenance and Repairs
4. Billing and Collections
5. Customer Service
6. Regulatory Affairs
7. Testing
8. Accounting
9. Office Space and Equipment

 According to Gator, each of the service contracts that USWSC enters into with a utility “are different and are priced differently depending on numerous factors.”[[14]](#footnote-14) These factors include the number of employees needed and the number of hours required per system for successful operation. Additional considerations include whether USWSC provides chemicals, power, offices, vehicles, etc., or if these items are provided by the utility.

 We note that similar relationships currently exist for three other regulated utilities in Marion County; BFF Corp. (BFF), C.F.A.T. H2O, Inc. (CFAT), and Tradewinds Utilities, Inc. (Tradewinds). All have contractual service agreements with MIRA International, Inc. (MIRA). Their respective agreements cover similar services to those included in the agreement between Gator and USWSC. In addition to a relationship established by their contractual service agreements, the same individuals own the three utilities listed above and MIRA. As such, the relationship is similar to that of Gator and USWSC.

 As detailed in Table 5 below, based on the three most recent annual reports, CFAT has an average O&M expense of $267.92 per ERC, and Tradewinds has an average O&M expense of $215.60 per ERC. BFF is a wastewater only utility and is not included in our comparison below. Gator was not included in the table because only the 2018 Annual Report was available due to a recent change in ownership.

**Table 5**

**Comparable Water O&M Expense Per ERC**

|  |  |  |
| --- | --- | --- |
| **Annual Report****Year** | **CFAT****(227 ERCs)** | **Tradewinds[[15]](#footnote-15)****(616 ERCs)** |
| 2016 | $222.31 | $197.94 |
| 2017 | $278.85 | $239.02 |
| 2018 | $302.61 | $209.84 |
| 3-Year Average | $267.92 | $215.60 |

 Source: CFAT and Tradewinds 2016-2018 Annual Reports, Commission calculations.

 Under the approved revenue requirement, Gator’s O&M expense is $213.31 per ERC. This expense is 20.38 percent less than that of CFAT and 1.06 percent less than Tradewinds.

 Additional support offered by Gator included the “2016 American Water Works Association Benchmarking Performance Indicators for Water and Wastewater” (AWWA Benchmark). Gator also provided an independent third-party contract and benchmarking review commissioned by the Florida Governmental Utility Authority (FGUA), which was issued in 2013. According to the AWWA Benchmark, the median O&M expense per account of the 44 water companies surveyed is $430.71, including customer service costs. This figure is 101.92 percent higher than the approved per ERC O&M expense ($213.31) for Gator.

 The contract and benchmarking review commissioned by FGUA was undertaken to review charges by USWSC in comparison to similar water and wastewater utilities throughout the United States. The FGUA study concluded that the USWSC costs on a per account basis fell within the top quartile (lower cost) of other utilities.[[16]](#footnote-16) These were charges to FGUA by USWSC. While the utility has represented that there was a flaw in the data presented in the 2013 study, our greater concern is the age of some of the underlying data, which can be tied to AWWA’s 2011 Benchmarking Performance Indicators. As such, we believe that the 2016 Benchmarking Performance Indicators are a more appropriate reference point.

 In its filing, Gator asserted that if it was required to establish a stand-alone utility with personnel for maintenance, customer service, accounting, regulatory compliance, etc., the cost would exceed that of the current USWSC contract.[[17]](#footnote-17) As the utility noted in its supplemental filing, O&M expenses would be incurred regardless of the size of the customer base. In regard to the appropriateness of utility contracts with affiliated companies, the utility cited *GTE v. Deason*, 642 So. 2d 545 (Fla. 1994), in which the Florida Supreme Court stated:

The mere fact that a utility is doing business with an affiliate does not mean that unfair or excess profits are being generated, without more. Charles F. Phillips, Jr., *The Regulation of Public Utilities* 254-55 (1988). We believe the standard must be whether the transactions exceed the going market rate or are otherwise inherently unfair . . . [i]f the answer is “no,” then the PSC may not reject the utility’s position.[[18]](#footnote-18)

 We compared Gator to six “sister” water utilities that had rate cases approved in the last five years, by calculating a three-year average O&M expense per ERC using information contained in each utility’s 2016, 2017, and 2018 Annual Reports.[[19]](#footnote-19) We then compared Gator to five non-U.S. Water affiliated water utilities using the same criteria. Based on that criteria, the average O&M expense per ERC of the sister utilities was $331.47. The average O&M expense per ERC for the non-U.S. Water utilities was $486.71. Gator will have O&M expense of $213.31 per ERC under the approved revenue requirement. Table 6 reflects the O&M expense per ERC for Gator, and the average O&M expense per ERC for its U.S. Water sister utilities, and non-U.S. Water utilities.

**Table 6**

**Water O&M Expense Per ERC**

|  |  |
| --- | --- |
| **Utility** | **O&M Exp./ERC** |
| U.S. Water Sister Utilities (3-Yr. Avg.) | $331.47 |
| Non-U.S. Water Utilities (3-Yr. Avg.) | $486.71 |
| Gator (Commission-Approved)  | $213.31 |

 Source: 2016-2018 Annual Reports and Commission calculations.

 Based on our review, Gator’s proposed expense is 35.65 percent less than that of the sister utilities and 56.17 percent less than that of the non-U.S. Water utilities.

 We note that we have previously approved similar USWSC agreements and related costs in prior cases involving nine of Gator’s sister utilities during eleven rate case proceedings.[[20]](#footnote-20) Two sister utilities, LP Waterworks, Inc. and Lakeside Waterworks, Inc., each had two SARCs in which we reviewed and approved expenses related to USWSC management services contracts. In addition to this docket, we considered the SARCs of two additional sister utilities with similar contracts at our March 3, 2020 Commission Conference,[[21]](#footnote-21) and a third additional sister utility has a file and suspend rate case pending.[[22]](#footnote-22)

 In addition, we believe that USWSC and its employees bring considerable management and operational experience at a comparably reasonable cost. As a result, we believe that Gator’s customers are realizing operational and cost benefits that might not be realized if the utility operated on a stand-alone basis. We note that the utility, through its contract with USWSC, has made significant plant improvements that should result in improved quality of service.

 Based on the discussion above, we believe Gator’s contractual services agreement with USWSC appears reasonable when compared to other utilities with similar agreements. The agreement also appears reasonable when compared to O&M expenses of industry peers as reflected in the AWWA Benchmark. We believe that Gator’s USWSC contract is appropriate, the adjusted cost is reasonable, and should be included in the utility’s proposed rates because it is known, measurable, and already in effect. Therefore, we hereby approve a contractual services - other expense of $50,906 for the test year.

**Insurance Expense (655)**

 The utility recorded insurance expense of $1,256 in the test year. We increased this amount by $251 to reflect the annualized expense to the utility. Therefore, we hereby approve an insurance expense of $1,507 ($1,256 + $251) for the test year.

**Regulatory Commission Expense (665)**

 The utility did not record any regulatory commission expense in this account. Rule 25-30.433(9), F.A.C., requires that non-recurring expenses be amortized over a five-year period unless a shorter or longer period of time can be justified. Accordingly, we increased this account by $300 ($1,500 / 5) to reflect the five-year amortization of the 2018 certificate transfer application filing fee.[[23]](#footnote-23)

 Regarding the instant case, the utility is required by Rule 25-22.0407, F.A.C., to provide notices of the customer meeting and notices of final rates in this case to its customers. For noticing, we estimated $728 for postage expense, $331 for printing expense, and $66 for envelopes. This results in $1,125 ($728 + $331 + $66) for the noticing requirement. The utility paid a $1,000 rate case filing fee. The utility requested travel and lodging expense of $250 to attend the customer meeting and $250 to attend the Commission Conference. We increased the utility’s customer meeting travel expense by $137 to reflect mileage and actual lodging cost for two utility employees to attend. This results in travel expense of $387 ($250 + $137) for the customer meeting. We also reduced the cost of travel to attend the Commission Conference in order to reflect the actual cost of lodging for one employee and appropriate mileage.[[24]](#footnote-24) We believe that the travel for the Commission Conference should be shared with Merritt Island Utility Company and The Woods Utility Company. The utilities are sister utilities of Gator which have SARCs scheduled for the same Commission Conference. As such, we find that it is appropriate to equally split travel costs for the Commission Conference between the three utilities, or $130 ($389 / 3) per utility. This results in a reduction of $120 ($130 - $250) for Gator’s travel expense for the Commission Conference. As such, we hereby approve a travel expense of $517 ($387 + $130). We note that we previously approved rate case related travel expenses ranging from $413 to $1,570 in the nine most recent dockets for Gator’s sister utilities. Based on our review, the requested travel expense appears reasonable.

 Based on the discussion above, we hereby approve a total rate case expense of $2,642 ($1,125 + $1,000 + $517), which amortized over four years is $661. Based on the discussion above, our total adjustment to this account is an increase of $961 ($300 + $661). As such, we find that the appropriate regulatory commission expense is $961.

**Bad Debt Expense (670)**

 The utility recorded $5,404 in this account for test year bad debt expense, which equals 3.46 percent of the approved revenue requirement. While our practice is to calculate bad debt expense using a three-year average, three years of records are not yet available for the current owners. The utility provided us with updated bad debt expense of $1,185 for the utility in 2019.[[25]](#footnote-25) Generally, the basis for determining bad debt expense has been whether the amount is representative of the bad debt expense to be incurred by the utility. As such, we believe the utility's updated 2019 bad debt expense is reasonable and is likely to be representative of the utility's expected bad debt expense going forward. This represents a decrease of $4,219 ($1,185 - $5,404) over the amount included in the test year. The updated amount equals 0.76 percent of the approved revenue requirement. Therefore, we hereby approve a bad debt expense of $1,185 for the test year.

**Miscellaneous Expense (675)**

 The utility recorded miscellaneous expense of $650. Gator provided supporting documentation confirming that the miscellaneous expense was used for an annual operating license fee through the DEP. Additionally, the utility provided its annual report. We made no adjustments to this account. As such, we hereby approve a miscellaneous expense of $650 for the test year.

*B. Operation & Maintenance Expense Summary*

 Based on the above adjustments, we find that O&M expense shall be decreased by $1,833, resulting in total O&M expense of $74,658. Our adjustments to O&M expense are shown on Schedule No. 3-C.

*C. Depreciation Expense (Net of Amortization of CIAC)*

 The utility's records reflect test year depreciation of $16,307 and CIAC amortization of $6,788, for a net depreciation expense of $9,519 ($16,307 - $6,788). We calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and determined test year depreciation expense to be $16,334, resulting in an increase to this account of $27. We also increased this account by $7,106 to reflect the incremental increases in depreciation expense related to several pro forma projects, net of retirements. These projects were previously discussed in Section 4. Our total adjustment to depreciation expense is a net increase of $7,133 ($27 + $7,106). Accordingly, we find that a depreciation expense of $23,440 ($16,307 + $7,133) is appropriate. In addition, we calculated test year CIAC amortization expense of $6,041. Accordingly, we decreased this account by $747 ($6,788 - $6,041). This results in net depreciation expense of $17,399 ($23,440 - $6,041). Therefore, we hereby approve a net depreciation expense of $17,399.

*D. Taxes Other Than Income (TOTI)*

 Gator recorded a TOTI balance of $3,955 during the test year, comprised of $2,705 for Regulatory Assessment Fees (RAFs) and $1,250 for property taxes. We decreased the RAFs by $150 to reflect the adjusted test year revenues. We also decreased this account by $416 to reflect the appropriate test year property taxes. The utility also requested consideration of pro forma taxes of $10,032.[[26]](#footnote-26) In 2018, Gator’s property taxes were $834 and no tangible taxes were assessed. Based on the utility’s 2019 Alachua County tax notices,[[27]](#footnote-27) Gator’s property taxes will increase and tangible taxes will be applied. We increased tax expense by $8,792 to reflect the appropriate amount of property tax going forward, based on the utility’s current tax notices less a four percent discount for early payment. Additionally, we increased this account by $4,266 to reflect the incremental increase in property taxes associated with the pro forma projects discussed in Section 4. This results in a net increase of $12,492 (-$150 - $416 + $8,792 + $4,266) to TOTI.

 In addition, as discussed in Section 8, revenues have been increased by $99,265 to reflect the change in revenue required to cover expenses and allow the approved operating margin. As a result, TOTI shall be increased by $4,467 to reflect RAFs of 4.5 percent on the change in revenues. Our adjustments result in an increase of $16,959 ($12,492 + $4,467). Therefore, we hereby approve a TOTI of $20,914 ($3,955 + $16,959).

*E. Income Tax*

 The utility is a Subchapter S Corporation and therefore did not record any income tax expense for the test year. As such, we find that no adjustment to income tax expense is necessary.

*F. Operating Expenses Summary*

 The application of our adjustments to Gator’s test year operating expenses results in operating expenses of $112,971. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule Nos. 3-B and 3-C.

8. Revenue Requirement

We hereby find that the appropriate revenue requirement for Gator is $156,046. Gator shall be allowed an annual increase of $99,265 (174.82 percent). The calculations are shown in Table 7:

**Table 7**

**Revenue Requirement**

|  |  |  |
| --- | --- | --- |
| Adjusted Rate Base  |  | $548,722 |
| Rate of Return (%) |  | x 7.85% |
| Return on Rate Base |  | $43,075 |
| Adjusted O&M Expense |  | 74,658 |
| Depreciation Expense (Net)  |  | 17,399 |
| Taxes Other Than Income |  | 20,914 |
| Revenue Requirement  |  | $156,046 |
| Less Adjusted Test Year Revenues |  | 56,781 |
| Annual Increase |  | $99,265 |
| Percent Increase |  | 174.82% |

9. Rates and Rate Structure

Gator is located in Alachua County within the St. Johns River Water Management District. This area has been designated as a water use caution area. The utility provides water service to approximately 331 residential customers and four general service customers. Approximately 20 percent of the residential customer bills during the test year had zero gallons, indicating a non-seasonal customer base. The average residential water demand is 6,181 gallons per month. The average water demand excluding zero gallon bills is 7,683 gallons 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.

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

 In this case, we find that 33 percent of the water revenues shall be generated from the BFC, which will provide sufficient revenues to design gallonage charges that send pricing signals to customers using above the non-discretionary level. The average people per household served by the water system is 3; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 5,000 gallons per month.[[28]](#footnote-28) Our review of the billing analysis indicates that the discretionary usage above 5,000 represents 30 percent of the bills, which account for approximately 53 percent of the water demand. This is considered high discretionary usage for this customer base. We also find that a BFC and a four-tier inclining block rate structure, which includes separate gallonage charges for discretionary and non-discretionary usage for residential water customers is appropriate. The rate blocks are: (1) 0-5,000 gallons; (2) 5,001-10,000 gallons; (3) 10,000-15,000 gallons and (4) all usage in excess of 15,000 gallons per month. This rate structure sends the appropriate pricing signals because it targets customers with high consumption levels and minimizes price increases for customers at non-discretionary levels. In addition, the fourth tier provides an additional pricing signal to customers using in excess of 15,000 gallons of water per month, which represents approximately 30 percent of the usage. General service customers shall be billed a BFC and uniform gallonage charge.

 Based on the approved revenue increase of 190 percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 12,681,000 gallons resulting in anticipated average residential demand of 3,065 gallons per month. We find that a 50.4 percent reduction in test year residential gallons for ratesetting purposes is appropriate. Typically, we make corresponding adjustments to variable costs, which are consistent with the percentage reduction in consumption. However, the utility expressed concern that there may not be a direct relationship between the consumption repressed and the adjustments to variable costs. We recognize that the utility may experience a revenue short fall if there is not a direct relationship as anticipated. Therefore, we find that only a 25 percent reduction to purchased power and chemical expenses is appropriate. As a result, the corresponding reductions are $3,184 for purchased power, $165 for chemicals, and $158 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of $141,739.

 The approved rate structures and monthly water rates are shown on Schedule No. 4. The utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-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.

 Furthermore, due to the magnitude of the revenue requirement increase, we believe it is important to monitor whether the customers reduce consumption as expected. Therefore, the utility shall prepare monthly reports detailing the number of bills rendered, the consumption billed, and the revenues billed. The utility shall also provide the corresponding purchased power invoices. The reports shall be filed in the docket file, on a quarterly basis, for a period of twelve months beginning with the first billing period after the approved rates go into effect. To the extent the utility makes adjustment to consumption in any month during the reporting period, the utility shall file a revised monthly report for that month within 30 days of any revision. Our staff will monitor and evaluate whether any adjustments to rates are necessary.

10. Customer Deposits

Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, we have set initial customer deposits equal to two times the average estimated bill.[[29]](#footnote-29) Currently, the utility’s initial deposit for residential water is $25 for the 5/8 inch x 3/4 inch meter size and two times the average estimated bill for the general service meter sizes. However, this amount does not cover two months’ average bills based on the approved rates. The utility’s average monthly residential water usage after repression is 3,065 gallons per customer. Therefore, the average residential monthly bill based on the approved rates is approximately $32.90.

 We find that the appropriate initial customer deposits shall be $66 for the residential 5/8 inch x 3/4 inch meter size for water. The initial customer deposits for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for water. The approved initial customer deposits shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The utility shall be required to collect the approved deposits until we authorize Gator to change them in a subsequent proceeding.

11. Non-Sufficient Funds (NSF) Charges

Section 367.091, F.S., requires that we approve a utility’s rates, charges, and customer service policies. We have authority to establish, increase, or change a rate or charge. Section 68.065, F.S., allows for 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:

1. $25, if the face value does not exceed $50.

2. $30, if the face value exceeds $50 but does not exceed $300.

3. $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.[[30]](#footnote-30) Furthermore, NSF charges place the cost on the cost-causer, rather than requiring that the costs associated with the return of the NSF checks be spread across the general body of ratepayers. As such, Gator is hereby authorized to collect NSF charges consistent with Section 68.065, F.S. Gator shall revise its tariffs to reflect the NSF charges currently set forth in Section 68.065, F.S. The NSF charges shall be effective after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, 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.

12. Late Payment Charge

Gator requested a $6.50 late payment charge to recover the cost of labor, supplies, postage, and RAFs associated with processing late payment notices. Gator’s current late payment charge is $2.00. However, the utility is requesting $6.50 for its late payment charge, which is consistent with our prior decisions and Gator’s sister utilities managed by U.S. Water.[[31]](#footnote-31) The purpose of this charge is not only to provide an incentive for customers to make timely payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing delinquent accounts solely upon those who are cost causers. Section 367.091, F.S., authorizes us to establish, increase, or change a rate or charge other than monthly rates or service availability charges.

 Gator calculated the actual costs for its late payment charges to be $8.07. The utility indicated that it will take approximately 15 minutes per account to research, compile, and produce late notices. The delinquent customer accounts will be processed by the administrative contract employee, which results in labor cost of $7.00 ($28.00 x 0.25hr). This is consistent with our prior decisions where we have allowed 10-15 minutes per account per month for the administrative labor associated with processing delinquent customer accounts.[[32]](#footnote-32) However, $8.07 would be the highest late payment charge amongst all other water and wastewater utilities regulated by this Commission.[[33]](#footnote-33) Therefore, the utility requested a charge of $6.50, consistent with our recent decisions. The utility's calculation for its actual costs associated with a late payment charge is shown in Table 8.

**Table 8**

**Late Payment Charge Cost Justification**

|  |  |
| --- | --- |
| Activity | Cost |
| Labor | $7.00 |
| Supplies | $0.22  |
| Postage | $0.49  |
| Markup for RAFs | $0.36 |
| Total Cost | $8.07 |

Source: Utility’s cost justification documentation

 Based on the above, Gator's request to implement a $6.50 late payment charge is hereby approved. The utility shall file a proposed customer notice to reflect the Commission-approved charge. The approved charge shall be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge shall not be implemented until after our staff has approved the proposed customer notice and the notice has been received by customers. The utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

13. Miscellaneous Service Charges

Gator’s current miscellaneous service charges were approved on July 13, 1993.[[34]](#footnote-34) Section 367.091, F.S., authorizes us to change miscellaneous service charges. The utility’s request to revise its miscellaneous charges was accompanied by its reason for requesting the charges, as well as the cost justification required by Section 367.091(6), F.S. The requested charges are consistent with those recently approved for its sister companies LP and Country Walk.[[35]](#footnote-35) The calculations for miscellaneous service charges, shown in the tables below, are rounded to the nearest tenth. The utility’s current and the Commission-approved miscellaneous service charges are shown in Table 13.

*A. Initial Connection Charge*

 The initial connection charge is levied for service initiation at a location where service did not exist previously. A Gator representative makes one trip when performing the service of an initial connection. Based on labor and transportation to and from the service territory, we hereby approve initial connection charges for Gator’s water system of $31.10 for normal hours and $36.20 for after hours. Our calculations are shown below in Table 9.

**Table 9**

**Initial Connection Charge Calculation**

|  |  |  |  |
| --- | --- | --- | --- |
| Activity | Normal Hours Cost | Activity | After Hours Cost |
| Labor (Administrative)($28/hr x1/4hr) | $7.00 | Labor (Administrative)($28/hr x1/4hr) | $7.00 |
| Labor (Field)($30.42/hr x 1/3 hr) | $10.14 | Labor (Field)($45.63/hr x 1/3 hr) | $15.21 |
| Transportation ($0.535/mile x 26 miles-to/from) | $13.91 | Transportation ($0.535/mile x 26 miles-to/from) | $13.91 |
| Total | $31.05 | Total | $36.12 |

*B. Normal Reconnection Charge*

 A normal reconnection charge is levied for the transfer of service subsequent to a customer requested disconnection. A normal reconnection requires two trips, which includes one to turn service on and the other to turn service off. Based on labor and transportation to and from the service territory, we hereby approve normal reconnection charges for Gator’s water system of $57.10 for normal hours and $64.70 for after hours. Our calculations are shown in Table 10.

**Table 10**

**Normal Reconnection Charge Calculation**

|  |  |  |  |
| --- | --- | --- | --- |
| Activity | Normal Hours Cost | Activity | After Hours Cost |
| Labor (Administrative)($28/hr x1/4hr x 2) | $14.00 | Labor (Administrative)($28/hr x1/4hr) | $14.00 |
| Labor (Field)($30.42/hr x 1/4 hr x 2) | $15.21 | Labor (Field) ($45.63/hr x 1/4hr x 2) | $22.82 |
| Transportation ($0.535/mile x 26 miles-to/from x 2) | $27.82 | Transportation ($0.535/mile x 26 miles-to/from x 2) | $27.82 |
| Total | $57.03 | Total | $64.64 |

*C. Violation Reconnection Charge*

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 includes 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 hereby approve violation reconnection charges for Gator’s water system of $57.10 for normal hours and $64.70 for after hours. Our calculations are shown in Table 11.

**Table 11**

**Violation Reconnection Charge Calculation**

|  |  |  |  |
| --- | --- | --- | --- |
| Activity | Normal Hours Cost | Activity | After Hours Cost |
| Labor (Administrative)($28/hr x1/4hr x 2) | $14.00 | Labor (Administrative)($28/hr x1/4hr x 2) | $14.00 |
| Labor (Field)($30.42/hr x 1/4 hr x 2) | $15.21 | Labor (Field)($45.63hr x 1/4 hr x 2) | $22.82 |
| Transportation ($0.535/mile x 26 miles-to/from) x 2 | $27.82 | Transportation ($0.535/mile x 26 miles-to/from) x 2 | $27.82 |
| Total | $57.03 | Total | $64.64 |

*D. Premises Visit Charge*

 The premises visit charge is levied when a service representative visits premises at the customer’s request for complaint resolution and the problem is found to be the customer’s responsibility. In addition, the premises visit charge 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.

 Based on labor and transportation to and from the service territory, we hereby approve premises visit charges of $31.10 for normal hours and $36.20 for after hours. Our calculations are shown in Table 12.

**Table 12**

**Premises Visit Charge Calculation**

|  |  |  |  |
| --- | --- | --- | --- |
| Activity | Normal Hours Cost | Activity | After Hours Cost |
| Labor (Administrative)($28.00/hr x1/4hr) | $7.00 | Labor (Administrative)($28.00/hr x1/4hr) | $7.00 |
| Labor (Field)($30.42/hr x 1/3 hr) | $10.14 | Labor (Field)($45.63/hr x 1/3 hr) | $15.21 |
| Transportation ($0.535/mile x 26 miles-to/from) | $13.91 | Transportation ($0.535/mile x 26 miles-to/from) | $13.91 |
| Total | $31.05 | Total | $36.12 |

**Table 13**

**Miscellaneous Service Charges**

|  |  |  |
| --- | --- | --- |
|  | Current | Commission-Approved |
|  | Normal and After Hours | Normal Hours | After Hours |
| Initial Connection Charge | $15.00 | $31.10 | $36.20 |
| Normal Reconnection Charge | $15.00 | $57.10 | $64.70 |
| Violation Reconnection Charge  | $15.00 | $57.10 | $64.70 |
| Premises Visit Charge  | $10.00 | $31.10 | $36.20 |

*E. Conclusion*

 Based on the above, the miscellaneous service charges identified in Table 13 are appropriate and are hereby approved. 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. The utility shall provide proof of the date notice was given within 10 days of the date of the notice.

14. Rate Case Expense (Procedural Agency Action)

Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the recovery period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reduction is $692.

 We find that the rates shall be reduced as shown on Schedule No. 4, 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 rate case expense recovery period, pursuant to Section 367.081(8), F.S., Gator 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, the utility shall file separate data for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

15. Temporary Rates (Procedural Agency Action)

This Order approves an increase in rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the utility, the approved rates are hereby approved as temporary rates. Gator shall file revised tariff sheets and a proposed customer notice to reflect the Commission-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 approved rates collected by the utility shall be subject to the refund provisions discussed below.

 Gator shall be 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 $66,889. Alternatively, the utility could 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 express approval of the Commission;

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 should be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase 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.

Gator 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 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.

16. Adjustments to NARUC USOA Primary Accounts (Procedural Agency Action)

Gator is required to notify this Commission, in writing, that it has adjusted its books in accordance with our decision. Gator shall submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts have been made to the Utility’s books and records. In the event the Utility needs additional time to complete the adjustments, notice providing good cause should be filed not less than seven days prior to the deadline. Our staff is hereby given administrative authority to grant such an extension for up to 60 days.

 Based on the foregoing, it is

 ORDERED by the Florida Public Service Commission that the overall quality of service provided by Gator Waterworks, Inc. is satisfactory. It is further

 ORDERED that Gator Waterworks, Inc.’s water treatment facility is currently in compliance with Department of Environmental Protection regulations. It is further

 ORDERED that Gator Waterworks, Inc.’s water treatment plant, storage, and water distribution system shall be considered 100 percent used and useful. It is further

 ORDERED that no EUW adjustments shall be made to operating expenses for chemicals and purchased power. It is further

 ORDERED that a year-end rate base shall be applied for Gator Waterworks, Inc. It is further

 ORDERED that the appropriate year-end test year rate base for Gator Waterworks, Inc. is $548,722. It is further

 ORDERED that the approved return on equity for Gator Waterworks, Inc. is 7.85 percent, with a range of 6.85 percent to 8.85 percent. The approved overall rate of return is 7.85 percent. It is further

 ORDERED that the appropriate test year revenues for Gator Waterworks, Inc. are $56,781. It is further

 ORDERED that Gator Waterworks, Inc.’s approved operating expense is $112,971. It is further

 ORDERED that the appropriate revenue requirement for Gator Waterworks, Inc. is $156,046, resulting in an annual increase of $99,265 (174.82 percent). It is further

 ORDERED that Gator Waterworks, Inc.’s approved rate structures and monthly water rates are shown on Schedule No. 4. It is further

 ORDERED that Gator Waterworks, Inc. shall file revised tariff sheets and a proposed customer notice to reflect the Commission-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 Commission staff has approved the proposed customer notice and the notice has been received by the customers. Gator Waterworks, 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 appropriate initial customer deposits shall be $66 for the residential 5/8 inch x 3/4 inch meter size for water. The initial customer deposits for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for water. The approved initial customer deposits shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. Gator Waterworks, Inc. shall be required to collect the approved deposits until this Commission authorizes Gator Waterworks, Inc. to change them in a subsequent proceeding. It is further

 ORDERED that Gator Waterworks, Inc. is hereby authorized to collect Non-sufficient funds charges consistent with Section 68.065, F.S. Gator shall revise its tariffs to reflect the Non-sufficient funds charges currently set forth in Section 68.065, F.S. The Non-sufficient funds charges shall be effective after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the Non-sufficient funds charges shall not be implemented until Commission staff has approved the proposed customer notice. Gator Waterworks, Inc. shall provide proof of the date the notice was given within 10 days of the date of the notice. It is further

 ORDERED that Gator Waterworks, Inc.’s request to implement a $6.50 late payment charge is hereby approved. Gator Waterworks, Inc. shall file a proposed customer notice to reflect the Commission-approved charge. The approved charge shall be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge shall not be implemented until after Commission staff has approved the proposed customer notice and the notice has been received by customers. Gator Waterworks, Inc. shall provide proof of the date notice was given no less than 10 days after the date of the notice. It is further

 ORDERED that the miscellaneous service charges identified in Table 13 are appropriate and are hereby approved. 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 Commission staff has approved the proposed customer notice and the notice has been received by the customers. Gator Waterworks, Inc. shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

 ORDERED that Gator Waterworks, Inc.’s rates shall be reduced as shown on Schedule No. 4, 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 rate case expense recovery period, pursuant to Section 367.081(8), F.S., Gator Waterworks, 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 Gator Waterworks, Inc. files this reduction in conjunction with a price index or pass-through rate adjustment, the utility shall file separate data for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (*Procedural Agency Action*) It is further

 ORDERED that the rates for Gator Waterworks, Inc. are approved on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility. Gator Waterworks, Inc. shall file revised tariff sheets and a proposed customer notice to reflect the Commission-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. The temporary rates shall not be implemented until Commission staff has approved the proposed notice, and the notice has been received by the customers. (*Procedural Agency Action*) It is further

 ORDERED that Gator Waterworks, Inc. shall provide appropriate security for the potential refund. Temporary rates collected by Gator Waterworks, Inc. shall be subject to refund as provided in the body of this Order. (*Procedural Agency Action*) It is further

 ORDERED that after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., Gator Waterworks, Inc. shall file reports with the Office of Commission Clerk no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee of any potential refund. (*Procedural Agency Action*) It is further

 ORDERED that Gator Waterworks, Inc. is required to notify this Commission, in writing, that it has adjusted its books in accordance with our decision. Gator Waterworks, 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 primary accounts have been made to the Utility’s books and records. In the event Gator Waterworks, Inc. needs additional time to complete the adjustments, notice providing good cause should be filed not less than seven days prior to the deadline. Commission staff is hereby given administrative authority to grant such an extension for up to 60 days. (*Procedural Agency Action*) 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 if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Proposed Agency Action Order, a consummating order shall be issued. This docket shall remain open for Commission staff’s verification that the revised tariff sheets and customer notices have been filed by the utility and approved by Commission staff. Also, the docket shall remain open to allow the utility to provide the required reporting information. Upon Commission staff’s approval of the tariff sheets and customer notices, along with Commission staff’s completion of its review of the required reporting information, this docket shall be closed administratively if no adjustments are necessary.

 By ORDER of the Florida Public Service Commission this 24th day of March, 2020.

|  |  |
| --- | --- |
|  | /s/ Adam J. Teitzman |
|  | ADAM J. TEITZMANCommission 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.

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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, except for (1) the reduction of rates after four years based upon the recovery of rate case expense, (2) the granting of temporary rates in the event of protest, and (3) the requirement for proof of adjustment of books and records. 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 April 14, 2020. 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 procedural 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.

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| **GATOR WATERWORKS, INC.** |   | **SCHEDULE NO. 1-A** |
| **TEST YEAR ENDED 3/31/2019** |  | **DOCKET NO. 20190114-WU** |
| **SCHEDULE OF WATER RATE BASE** |  |  |   |
|   | **BALANCE** | **COMMISSION** | **COMMISSION** |
|   | **PER** | **ADJUSTMENTS** | **APPROVED** |
| **DESCRIPTION** | **UTILITY** | **TO UTIL. BAL.** | **BALANCE** |
|  |  |  |  |
| UTILITY PLANT IN SERVICE | $468,703  | $218,047  | $686,750  |
|   |  |  |   |
| LAND & LAND RIGHTS | 8,000  | 0  | 8,000  |
|   |  |  |   |
| NON-USED AND USEFUL COMPONENTS | 0  | 0  | 0  |
|   |  |  |   |
| CIAC | (165,685) | 0  | (165,685) |
|   |  |  |   |
| ACCUMULATED DEPRECIATION | (265,341) | 141,444  | (123,897) |
|   |  |  |   |
| AMORTIZATION OF CIAC | 134,990  | (686) | 134,304  |
|   |  |  |   |
| WORKING CAPITAL ALLOWANCE | 0  | 9,250  | 9,250 |
|   |  |  |   |
| WATER RATE BASE | $180,667  | $368,055  | $548,722  |
|   |   |   |   |

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|   | **GATOR WATERWORKS, INC.** | **SCHEDULE NO. 1-B** |
|   | **TEST YEAR ENDED 3/31/2019** | **DOCKET NO. 20190114-WU** |
|   | **ADJUSTMENTS TO RATE BASE** |  **PAGE 1 OF 1** |
|   |  |  | **WATER** |
|   | **UTILITY PLANT IN SERVICE** |  |   |
| 1. | To reflect pro forma plant additions. |  | $376,644  |
| 2. | To reflect pro forma plant retirements. |  | (158,597) |
|   |  Total |  | $218,047  |
|   |  |  |  |
|   | **ACCUMULATED DEPRECIATION** |  |   |
| 1. | To reflect audit adjustment to accumulated depreciation. |  | ($167) |
| 2. | To reflect pro forma meter replacements. |  | 141,611  |
|   |  Total |  | $141,444  |
|   |  |  |  |
|   | **AMORTIZATION OF CIAC** |  |   |
|  | To reflect audit adjustment. |  | ($686) |
|   |  |  |  |
|   | **WORKING CAPITAL ALLOWANCE** |  |   |
|   | To reflect 1/8 of test year O & M expenses. |  | $9,250 |
|   |   |   |   |

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|   | **GATOR WATERWORKS, INC.** |   |   | **SCHEDULE NO. 2** |
|   | **TEST YEAR ENDED 3/31/2019** |  |  | **DOCKET NO. 20190114-WU** |
|   | **SCHEDULE OF CAPITAL STRUCTURE** |  |  |  |  |  |   |
|   |   |   |   | **BALANCE** |   |  |   |   |   |
|   |  |  | **SPECIFIC** | **BEFORE** |  | **BALANCE** | **PERCENT** |  |  |
|   |  | **PER** | **ADJUST-** | **PRO RATA** | **ADJUST-** | **PER** | **OF** |  | **WEIGHTED** |
|   | **CAPITAL COMPONENT** | **UTILITY** | **MENTS** | **ADJUSTMENTS** | **MENTS** | **COMMISSION** | **TOTAL** | **COST** | **COST** |
|   |  |  |  |  |  |  |  |  |  |
| 1. | COMMON STOCK | $122,500  | $0  | $122,500  |  |  |  |  |   |
| 2. | RETAINED EARNINGS | (33,137) | 0  | (33,137) |  |  |  |  |   |
| 3. | PAID IN CAPITAL | 267,473  | 0  | 267,473  |  |  |  |  |   |
| 4. | OTHER COMMON EQUITY | 0  | 0  | 0  |  |  |  |  |   |
|   |  TOTAL COMMON EQUITY | $356,836  | $0  | 356,836  | $191,866  | $548,722  | 100.00% | 7.85% | 7.85% |
|   |  |  |  |  |  |  |  |  |  |
|   |  |  |  |  |  |  |  |  |   |
| 5. | LONG-TERM DEBT | $0  | $0  | $0  | $0  | $0  | 0.00% | 0.00% | 0.00% |
| 6. | SHORT-TERM DEBT | 0  | 0  | 0  | 0  | 0  | 0.00% | 0.00% | 0.00% |
| 7. | PREFERRED STOCK | 0  | 0  | 0  | 0  | 0  | 0.00% | 0.00% | 0.00% |
|   |  TOTAL LONG-TERM DEBT | $0  | $0  | $0  | 0  | 0  | 0.00% |  |   |
|   |  |  |  |  |  |  |  |  |   |
| 8. | CUSTOMER DEPOSITS | 0  | 0  | 0  | 0  | 0  | 0.00% | 2.00% | 0.000% |
|   |  |  |  |  |  |  |  |  |   |
| 9. | TOTAL | $356,836  | $0  | $356,836  | $191,866  | $548,722  | 100.00% | 0.00% | 7.85% |
|   |  |  |  |  |  |  |  |  |   |
|   |  |  |  | **RANGE OF REASONABLENESS** |  | **LOW** | **HIGH** |   |
|   |  |  |  |  RETURN ON EQUITY |  | 6.85% | 8.85% |   |
|   |  |  |  |  OVERALL RATE OF RETURN |  | 6.85% | 8.85% |   |
|   |  |  |  |  |  |  |  |  |   |

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|   | **GATOR WATERWORKS, INC.** |   | **SCHEDULE NO. 3-A** |
|   | **TEST YEAR ENDED 3/31/2019** |  | **DOCKET NO. 20190114-WU** |
|   | **SCHEDULE OF WATER OPERATING INCOME** |   |   |   |
|   |   |  |  | **COMMISSION** | **ADJUST.** |  |
|   |  | **TEST YEAR** | **COMMISSION** | **ADJUSTED** | **FOR** | **REVENUE** |
|   |   | **PER UTILITY** | **ADJUSTMENTS** | **TEST YEAR** | **INCREASE** | **REQUIREMENT** |
|   |   |   |   |   |   |   |
| 1. | **OPERATING REVENUES**  | $56,351 | $430 | $56,781 | $99,265 | $156,046 |
|   |  |  |  |  | 174.82% |   |
|   | **OPERATING EXPENSES:** |  |  |  |  |   |
| 2. |  OPERATION & MAINTENANCE | $76,491  | ($1,833)  | $74,658  | $0  | $74,658  |
|   |  |  |  |  |  |   |
| 3. |  DEPRECIATION EXPENSE (NET)  | 16,307 | 7,133  | 23,440 | 0 | 23,440 |
|   |  |  |  |  |  |   |
| 4. |  AMORTIZATION EXPENSE | (6,788) | 747  | (6,041) | 0 | (6,041) |
|   |  |  |  |  |  |   |
| 5. |  TAXES OTHER THAN INCOME | 3,955 | 12,492  | 16,447 | 4,467 | 20,914 |
|   |  |  |  |  |  |   |
| 6. |  INCOME TAXES | 0 | 0 | 0 | 0 | 0  |
|   |  |  |  |  |  |   |
| 7. | **TOTAL OPERATING EXPENSES**  | $89,965 | $18,539  | $108,504 | $4,467  | $112,971 |
|   |  |  |  |  |  |   |
| 8. | **OPERATING INCOME/(LOSS)**  | ($33,614) |  | ($51,723) |  | $43,075  |
|   |  |  |  |  |  |   |
| 9. | **WATER RATE BASE**  | $180,667  |  | $548,722  |  | $548,722  |
|   |  |  |  |  |  |   |
| 10. | **RATE OF RETURN** | (18.61%) |  | (9.43%) |  | 7.85% |
|   |   |   |   |   |   |   |

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|   | **GATOR WATERWORKS, INC.** | **SCHEDULE NO. 3-B** |
|   | **TEST YEAR ENDED 3/31/2019** | **DOCKET NO. 20190114-WU** |
|   | **ADJUSTMENTS TO OPERATING INCOME** | **Page 1 of 1** |
|   |  |  | **WATER** |
|   | **OPERATING REVENUES** |  |   |
| 1. | To reflect test year revenues. |  | $422  |
| 2. | To reflect miscellaneous revenues. |  | 8  |
|   |  Subtotal |  | $430  |
|   |  |  |   |
|   | **OPERATION AND MAINTENANCE EXPENSES** |  |   |
| 1. | Contractual Services - Other (636) |  |   |
|   | To reflect current USWSC contract amount. |  | $1,174  |
|   |  |  |   |
| 2. | Insurance Expenses (655) |  |  |
|   | To reflect audit adjustment. |  | $251  |
|   |  |  |  |
| 3. | Regulatory Commission Expense (665) |  |  |
|   | a. To reflect 5-year amortization of transfer filing fee. | $300  |
|   | b. To reflect 4-year amortization of rate case expense ($2,642/4). | 661  |
|   |  Subtotal |  | $961  |
|   |  |  |  |
| 4. | Bad Debt Expense (670) |  |  |
|   | To reflect appropriate bad debt expense. |  | ($4,219)  |
|  |  |  |  |
|   | **TOTAL OPERATION & MAINTENANCE ADJUSTMENTS** |  | ($1,833)  |
|   |  |  |  |
|   | **DEPRECIATION EXPENSE** |  |   |
| 1. | To reflect audit adjustment per Rule 25-30.140(2). |  | $27  |
| 2. | To reflect pro forma plant additions (net of retirements). |  | 7,106  |
|   |  Total |  | $7,133  |
|   |  |  |   |
|   | **AMORTIZATION** |  |   |
|   | To reflect appropriate CIAC amortization expense. |  | $747  |
|   |  |  |   |
|   | **TAXES OTHER THAN INCOME** |  |   |
| 1. | To reflect the appropriate test year RAFs. |  | ($150) |
| 2. | To reflect the appropriate test year property taxes. |  | (416) |
| 3. | To reflect property associated with pro forma plant. |  | 4,266  |
| 4. | To reflect pro forma property taxes. |  | 8,792  |
|   |  Total |  | $12,492 |
|   |  |  |  |
|   | **INCOME TAX** |  | $0 |

|  |  |
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| **GATOR WATERWORKS, INC.** | **SCHEDULE NO. 3-C** |
| **TEST YEAR ENDED 3/31/2019** | **DOCKET NO. 20190114-WU** |
| **ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE** |   |
|   | **TOTAL** | **COMMISSION** | **TOTAL** |
|   | **PER** | **ADJUST-** | **PER** |
|   | **UTILITY** | **MENT** | **COMMISSION** |
| (601) SALARIES AND WAGES - EMPLOYEES | $0  | $0  | $0  |
| (603) SALARIES AND WAGES – OFFICERS | 5,000  | 0  | 5,000  |
| (604) EMPLOYEE PENSIONS AND BENEFITS | 0  | 0  | 0  |
| (610) PURCHASED WATER | 0  | 0  | 0  |
| (615) PURCHASED POWER | 12,923  | 0  | 12,923  |
| (616) FUEL FOR POWER PRODUCTION | 0  | 0  | 0  |
| (618) CHEMICALS | 669  | 0  | 669  |
| (620) MATERIALS AND SUPPLIES | 0  | 0  | 0  |
| (632) CONTRACTUAL SERVICES - ACCOUNTING | 400  | 0  | 400  |
| (633) CONTRACTUAL SERVICES – LEGAL | 300  | 0  | 300  |
| (635) CONTRACTUAL SERVICES - TESTING | 157  | 0  | 157  |
| (636) CONTRACTUAL SERVICES – OTHER | 49,732  | 1,174  | 50,906  |
| (640) RENTS | 0  | 0  | 0  |
| (650) TRANSPORTATION EXPENSE | 0  | 0  | 0  |
| (655) INSURANCE EXPENSE | 1,256  | 251  | 1,507  |
| (665) REGULATORY COMMISSION EXPENSE | 0  | 961  | 961  |
| (670) BAD DEBT EXPENSE | 5,404  | (4,219)  | 1,185  |
| (675) MISCELLANEOUS EXPENSE | 650  | 0  | 650  |
|   |  |  |  |
|   | $76,491  | ($1,833)  | $74,658  |
|   |   |   |   |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **GATOR WATERWORKS, INC.** |  |  |  | **SCHEDULE NO. 4** |
| **TEST YEAR ENDED 3/31/2019** |  |  |  | **DOCKET NO. 20190114-WU** |
| **MONTHLY WATER RATES** |  |  |  |  |
|  | **RATES**  | **COMMISSION** |  |   |
|  | **AT THE** | **APPROVED** | **COMMISSION** | **4 YEAR** |
|  | **TIME OF** | **INTERIM** | **APPROVED** | **RATE** |
|  | **FILING** | **RATES** | **RATES** | **REDUCTION** |
|   |  |  |  |   |
| **Residential and General Service** |  |  |  |   |
| All Meter Sizes | $6.94  | $9.76  |  |   |
|  |  |  |  |   |
| Base Facility Charge by Meter Size |  |  |  |   |
| 5/8"X3/4" |  |  | $11.36 | $0.06 |
| 3/4" |  |  | $17.04 | $0.08 |
| 1" |  |  | $28.40 | $0.14 |
| 1-1/2" |  |  | $56.80 | $0.28 |
| 2" |  |  | $90.88 | $0.45 |
| 3" |  |  | $181.76 | $0.89 |
| 4" |  |  | $284.00 | $1.39 |
| 6" |  |  | $568.00 | $2.78 |
|   |  |  |  |   |
| Charge per 1,000 Gallons - Residential |  |  |  |   |
| 0-5,000 gallons |  |  | $7.03 | $0.03 |
| 5,001-10,000 gallons |  |  | $8.79 | $0.04 |
| 10,000-15,000 gallons |  |  | $10.55 | $0.05 |
| Over 15,000 gallons |  |  | $14.07 | $0.07 |
|   |  |  |  |   |
| Charge per 1,000 gallons - General Service  | $0.92 | $1.29 | $7.27 | $0.04 |
|   |  |  |  |   |
|   |  |  |  |   |
| **Typical Residential 5/8" x 3/4" Meter Bill Comparison** |  |  |   |
| 5,000 Gallons | $11.54  | $16.21  | $46.51  |   |
| 8,000 Gallons | $14.30  | $20.08  | $72.88  |   |
| 10,000 Gallons | $16.14  | $22.66  | $90.46  |   |
|   |  |  |  |   |
|   |   |   |   |   |

1. Order No. PSC-93-1027-FOF-WU, issued July 13, 1993, in Docket No. 19921195-WU, *In re: Application for certificate to provide water service in Alachua County under grandfather rights by Kincaid Hills Water Company*. [↑](#footnote-ref-1)
2. Order No. PSC-2018-0587-PAA-WU, issued December 17, 2018, in Docket No. 20180066-WU; *In re: Application for transfer of facilities of Kincaid Hills Water Company and Water Certificate No. 555-W to Gator Waterworks, Inc.* [↑](#footnote-ref-2)
3. Order No. PSC-2019-0307-PCO-WU, issued July 29, 2019, in Docket No. 20190114-WU, *In re: Application for staff-assisted rate case in Alachua County, and request for interim rate increase by Gator Waterworks, Inc*. [↑](#footnote-ref-3)
4. Order No. PSC-93-1027-FOF-WU, issued July 13, 1993, in Docket No. 19921195-WU, *In re: Application for certificate to provide water service in Alachua County under grandfather rights by Kincaid Hills Water Company.* [↑](#footnote-ref-4)
5. We discuss new fire hydrants in Section 4. [↑](#footnote-ref-5)
6. Order No. PSC-98-1269-FOF-WS, issued September 24, 1998, in Docket No. 19971401-WS, *In re: Application for staff-assisted rate case in Bay County by Bayside Utilities, Inc.*

Order No. PSC-11-0345-PAA-WS, issued August 16, 2011, in Docket No. 20100359-WS, *In re: Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities, Incorporated.* [↑](#footnote-ref-6)
7. Order No. PSC-93-1027-FOF-WU, issued July 13, 1993, in Docket No. 19921195-WU, *In re: Application for certificate to provide water service in Alachua County under grandfather rights by Kincaid Hills Water Company.* [↑](#footnote-ref-7)
8. *See,* *Citizens of Florida v. Hawkins,* 356 So. 2d 254, (Fla 1978).; also *Miami v. Florida Public Service Commission*, 208 So. 2d 249 (Fla. 1968). [↑](#footnote-ref-8)
9. Order No. PSC-98-0763-FOF-SU, issued June 3, 1998, in Docket No. 19971182-SU, *In re: Application for staff-assisted rate case in Marion County by BFF Corp.*; Order No. PSC-00-1774-PAA-WU, issued September 27, 2000, in Docket No. 19991627-WU, *In re: Application for rate increase in Polk County by Park Water Company Inc.*; Order No. PSC-01-0323-PAA-WU, issued February 5, 2001, in Docket No. 20000580-WU, *In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc. (Alturas Water Works)*; and Order No. PSC-02-1449-PAA-WS, issued October 21, 2002, in Docket No. 20011451-WS, *In re: Investigation of water and wastewater rates for possible overearnings by Plantation Bay Utility Co. in Volusia County;* Order No.PSC-2017-0428-PAA-WS, issued November 7, 2017, in Docket No. 20160195-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.*, and Order No. PSC-2018-0553-PAA-WU, issued November 19, 2018, in Docket No. 20180021-WU, *In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.* [↑](#footnote-ref-9)
10. Order No. PSC-2018-0587-PAA-WU, issued December 17, 2018, in Docket No. 20180066-WU, *In re: Application for transfer of facilities of Kincaid Hills Water Company and Water Certificate No. 555-W to Gator Waterworks, Inc.* [↑](#footnote-ref-10)
11. Order No. PSC-2019-0267-PAA-WS, issued July 1, 2019, in Docket No. 20190006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.* [↑](#footnote-ref-11)
12. Document No. 07317-2019, filed August 9, 2019, pg. 5. [↑](#footnote-ref-12)
13. Document No. 07317-2019. [↑](#footnote-ref-13)
14. Document No. 07317-2019, pg. 7. [↑](#footnote-ref-14)
15. Tradewinds is a Class B utility. [↑](#footnote-ref-15)
16. Document No. 07317-2019, pg. 36. [↑](#footnote-ref-16)
17. Document No. 07317-2019, pg. 7. [↑](#footnote-ref-17)
18. Document No. 07317-2019, pg. 8. [↑](#footnote-ref-18)
19. Pine Harbour Waterworks, Inc. was not used in our calculations since three years of annual reports were not available. [↑](#footnote-ref-19)
20. Order No. PSC-14-0413-PAA-WS, issued August 14, 2014, in Docket No. 20130153-WS, *In re: Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.*; Order No. PSC-15-0013-PAA-WS, issued January 2, 2015, in Docket No. 20130194-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.*; Order No. PSC-15-0282-PAA-WS, issued July 8, 2015, in Docket No. 20140158-WS, *In re: Application for increase in water/wastewater rates in Highlands County by HC Waterworks, Inc.*; Order No. PSC-15-0329-PAA-WU, issued August 14, 2015, in Docket No. 20140186-WU, *In re: Application for staff-assisted rate case in Brevard County by Brevard Waterworks, Inc.*; Order No. PSC-15-0335- PAA-WS, issued August 20, 2015, in Docket No. 20140147-WS, *In re: Application for staff-assisted rate case in Sumter County by Jumper Creek Utility Company;* Order No. PSC-16-0256-PAA-WU, issued June 30, 2016, in Docket No. 20150199-WU, *In re: Application for staff-assisted rate case in Lake County by Raintree Waterworks, Inc.*; Order No. PSC-16-0305-PAA-WU, issued July 28, 2016, in Docket No. 20150236-WU, *In re: Application for staff-assisted rate case in Lake County, by Lake Idlewild Utility Company*; Order No. PSC-2017-0334-PAA-WS, issued August 23, 2017, in Docket No. 20160222-WS, *In re: Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.;* Order No. PSC-2017-0428-PAA-WS, issued November 7, 2017, in Docket No. 20160195-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.;* Order No. PSC-2018-0552-PAA-WU, issued November 19, 2018, in Docket No. 20180022-WU, *In re: Application for staff-assisted rate case in Lake County by Pine Harbour Waterworks, Inc.; and* Order No. PSC-2018-0553-PAA-WU, issued November 19, 2018, in Docket No. 20180021-WU, *In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.* [↑](#footnote-ref-20)
21. Docket No. 20190116-SU, *In re: Application for staff-assisted rate case in Brevard County, and request for interim rate increase by Merritt Island Utility Company*; and Docket No. 20190125-WS, *In re: Application for staff-assisted rate case in Sumter County by The Woods Utility Company.* [↑](#footnote-ref-21)
22. Docket No. 20190166-WS, *In re: Application for increase in water rates in Highlands County by HC Waterworks, Inc.* [↑](#footnote-ref-22)
23. Docket No. 20180066-WU, *In re:* ***Application for transfer of facilities of Kincaid Hills Water Company and Water Certificate No. 555-W to Gator Waterworks, Inc.*** [↑](#footnote-ref-23)
24. Document No. 00605-2020, filed January 28, 2020. [↑](#footnote-ref-24)
25. Document No. 00801-2020, filed February 5, 2020. [↑](#footnote-ref-25)
26. Document No. 08242-2019, filed on August 20, 2019. [↑](#footnote-ref-26)
27. Document No. 10753-2019, filed on November 5, 2019. [↑](#footnote-ref-27)
28. Average person per household was obtained from www.census.gov/quickfacts/alachuacountyflorida. [↑](#footnote-ref-28)
29. Order No. PSC-15-0142-PAA-SU, issued March 26, 2015, in Docket No. 20130178-SU, *In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.* [↑](#footnote-ref-29)
30. Order Nos. PSC-10-0364-TRF-WS, issued June 7, 2010, in Docket No. 100170-WS, *In re: Application for authority to collect non-sufficient funds charges, pursuant to Sections 68.065 and 832.08(5), F.S., by Pluris Wedgefield Inc.; and PSC-10-0168-PAA-SU*, issued March 23, 2010, in Docket No. 090182-SU, *In re: Application for increase in wastewater rates in Pasco County by Ni Florida, LLC.* [↑](#footnote-ref-30)
31. Order No. PSC-2018-0334-PAA-WU, issued June 28, 2018, in Docket No. 20170155-WU, *In re: Application for grandfather water certificate in Leon County and application for pass through increase of regulatory assessment fees, by Seminole Waterworks, Inc.* [↑](#footnote-ref-31)
32. Order Nos. PSC-16-0041-TRF-WU, issued January 25, 2016, in Docket No. 20150215-WU, *In re: Request for*

*approval of tariff amendment to include miscellaneous service charges for the Earlene and Ray Keen Subdivisions,*

*the Ellison Park Subdivision and the Lake Region Paradise Island Subdivision in Polk County, by Keen Sales,*

*Rentals and Utilities, Inc.* and PSC-15-0569-PAA-WS, issued December 16, 2015, in Docket No. 20140239-WS, *In*

*re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.* [↑](#footnote-ref-32)
33. Order Nos. PSC-14-0105-TRF-WS, issued February 20, 2014, in Docket No. 20130288-WS, *In re: Request for approval of late payment charge in Brevard County by Aquarina Utilities, Inc.*; PSC-15-0535-PAA-WU, issued November 19, 2015, in Docket No. 20140217-WU, *In re: Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc.; and PSC-15-0569-PAA-WS, issued December 16, 2015, in Docket No. 20140239-WS, In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.* [↑](#footnote-ref-33)
34. Order No. PSC-93-1027-FOF-WU, issued July 13, 1993, in Docket No. 921195-WU, *In re: Application for certificate to provide water service in Alachua County under grandfather rights by Kincaid Hills Water Company*. [↑](#footnote-ref-34)
35. Order Nos. PSC-2018-0553-PAA-WU, issued November 19, 2018, in Docket No. 20180021-WU, *In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.*; PSC-2017-0334-PAA-WS, issued August 23, 2017, in Docket No. 20160222-WS, *In re: Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.* [↑](#footnote-ref-35)