

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: April 23, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Lewis, Johnson, Knoblauch, Ramos) *TB*
Division of Accounting and Finance (Norris, Thurmond) *AM*
Division of Economics (Bethea, Hudson) *JH*
Office of the General Counsel (Schrader) *JC*

RE: Docket No. 20190166-WS – Application for increase in water rates in Highlands County by HC Waterworks, Inc.

AGENDA: 05/05/20 – Regular Agenda – Proposed Agency Action, Except for Issues 17, 18 and 19 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: 05/13/20 (5-Month Effective Date (PAA Rate Case))

SPECIAL INSTRUCTIONS: None

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Case Background

HC Waterworks, Inc. (HC or Utility) is a Class B utility providing water service to approximately 949 residential customers, 9 general service customers, and 1 private fire protection customer in the Leisure Lakes, Lake Josephine, and Sebring Lakes subdivisions in Highlands County. HC also provides wastewater service to 323 residential wastewater customers in the Leisure Lakes subdivision.¹ In the instant docket, the Utility is only requesting a rate increase for HC's water service, not the wastewater service. The service area is in the Southwest Florida Water Management District (SWFWMD) and is in a water use caution area.

By Order No. PSC-14-0314-PAA-WS, the Commission approved the transfer of Certificate Nos. 422-W and 359-S from Aqua Utilities Florida, Inc. (AUF) to HC.² Water rates were last established for the Utility in 2015.³ On October 15, 2019, HC filed its application for an increase in water rates. Accompanying the Utility's application were minimum filing requirement (MFRs) schedules required by Section 367.081, Florida Statutes (F.S.), and Rule 25-30.437, Florida Administrative Code (F.A.C.). The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and a test year ended June 30, 2019. The Utility was notified of deficiencies in the MFRs on November 12, 2019, and December 6, 2019. The deficiencies were cured and December 13, 2019, was established as the official filing date. In its 2019 Annual Report, HC reported total operating revenues of \$582,926 and a net operating income of \$106,946.

The Utility is requesting an increase to recover reasonable and prudent costs for providing service and a reasonable rate of return on its investments. These investments include: (1) a water main relocation project due to a road widening/realignment project required by Highlands County and Florida Department of Transportation (FDOT); (2) modifications to the Lake Josephine water treatment plant (WTP); and (3) modifications to the Leisure Lakes WTP. The upgrades to both WTPs were mandated by the Florida Department of Environmental Protection (DEP).

By Order No. PSC-2019-0547-PCO-WS, the Commission suspended final rates proposed by the Utility and approved interim rates to allow staff sufficient time to process this case.⁴ Staff conducted a customer meeting on February 20, 2020, in Sebring, Florida. Eighteen residential customers spoke at the meeting and approximately 35 residential customers were in attendance.

The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 367.091, and 367.121, F.S.

¹Document No. 01811-2020, filed April 7, 2020.

²Order No. PSC-14-0314-PAA-WS, issued June 13, 2014, in Docket No. 20130171-WS, *In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 422-W and 359-S of Aqua Utilities Florida, Inc. to HC Waterworks, Inc. in Highlands County.*

³Order 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.*

⁴Order No. PSC-2019-0547-PCO-WS, issued December 23, 2019, in Docket No. 20190166-WS, *In re: Application for increase in water rates in Highlands County by HC Waterworks, Inc.*

Discussion of Issues

Issue 1: Is the quality of service provided by HC Waterworks satisfactory?

Recommendation: No. While the Utility is in compliance with the DEP and customer complaints have declined overall since 2016, there are still many customer complaints on the pressure, color, and smell of the water provided by HC. Pursuant to Rule 25-30.433(1)(d), F.A.C., customer testimony, comments, and complaints shall be considered in the determination of the quality of service provided by the Utility. Therefore, the overall quality of service should be considered unsatisfactory due to the high number of customer complaints and the Utility's Return on Equity (ROE) should be reduced by 50 basis points. (Lewis, Johnson, Knoblauch)

Staff Analysis: Pursuant to Rule 25-30.433(1), F.A.C., the Commission, in every rate case, shall make a determination of the quality of service provided by the Utility by evaluating the quality of the Utility's product (water) and the Utility's attempt to address customer satisfaction (water and wastewater). The rule states that the most recent chemical analysis, outstanding citations, violations, and consent orders on file with the 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, any customer testimony, comments, and complaints shall also be considered.

Quality of Utility's Product

HC's water system consists of two independent water systems: the Leisure Lakes system and the Lake Josephine system. Previously, HC was composed of three water systems, but in October 2002, the Sebring Lakes system was interconnected with the Lake Josephine system. This connection was originally intended to only provide water to the Lake Josephine customers as necessary. However, due to system pressurization problems in the Lake Josephine water system, in 2010, the valve between the two systems was permanently opened. Since the permanent opening of the valve, the Lake Josephine and Sebring Lakes systems have been treated as one system by the DEP and the Commission; therefore, throughout this recommendation the Lake Josephine and Sebring Lakes systems are referred to as the Lake Josephine system.

In evaluating HC's product quality, staff reviewed the Utility's compliance with the DEP's 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.

Lake Josephine

As discussed in Order No. PSC-15-0282-PAA-WS, the previous owner attempted to address water quality issues primarily related to hydrogen sulfides. In 2012, the DEP approved the installation of AdEdge filtration systems at both the Lake Josephine and Leisure Lakes WTPs. However, the filters did not resolve the issues associated with disinfection byproducts reflected in the color, odor, and taste of the finished water. HC also instituted a flushing program, but it did not abate the problem either. On December 23, 2016, the DEP issued the Utility a permit to install packed tower aeration systems to remove hydrogen sulfides, in another effort to address HC's water quality issues.

On April 20, 2017, the DEP conducted a sanitary survey at the Lake Josephine WTP. On May 19, 2017, the DEP sent a warning letter to HC indicating the Utility was not in compliance with Rule 62-555.350(2), F.A.C., which states that the Utility shall maintain its necessary public water system components in good operating condition. HC was not in compliance with this rule since the manganese dioxide from its AdEdge filters was turning the potable water brown. The warning letter directed HC to arrange a meeting with the DEP within 15 days, to discuss the Sanitary Survey and the Utility's plans to resolve the manganese dioxide issue. It appears the DEP and the Utility came to an agreement, no enforcement action was taken, and the DEP closed its inquiry, on July 3, 2019. The DEP conducted a Sanitary Survey on January 29, 2020, at the Lake Josephine WTP. On March 30, 2020, the DEP issued its results and found two minor deficiencies: cracks in the pad at Well #1, and a protective screen was absent from the vent at Well #2. On April 6, 2020, the Utility indicated to staff that these deficiencies have been corrected.⁵

The DEP performed a chemical analysis at the Lake Josephine WTP on November 27, 2018, testing for compliance with all primary and secondary water standards. The WTP was deemed in compliance on December 17, 2018. On August 3, 2019, and November 19, 2019, partial chemical analyses were conducted and the WTP was again deemed in compliance both times. Full testing of primary and secondary water standards are performed every three years; therefore, the next scheduled analysis should be completed in 2021.

Leisure Lakes

The DEP conducted a Sanitary Survey on November 21, 2017, at the Leisure Lakes WTP. On January 18, 2018, the DEP issued the results and indicated the Utility was deficient with respect to Rule 62-555.350(2), F.A.C., and the Utility was cited for not keeping the WTP in good working condition. On October 1, 2018, the DEP executed a Consent Order against HC because of exceedances in the level of haloacetic acids, a primary water standard. Haloacetic acids are a type of chlorination disinfection by-product that are formed when the chlorine used to disinfect drinking water reacts with the naturally occurring organic matter in water. The Utility was required to make quarterly updates on its efforts to resolve the issue. On April 15, 2020, the DEP determined that all conditions of the Consent Order have been completed.

The DEP performed a chemical analysis at the Leisure Lakes WTP on October 3, 2018, testing for compliance with all primary and secondary water standards. The WTP was deemed in compliance on October 31, 2018. On August 18, 2019, a partial chemical analysis was conducted at the Leisure Lakes WTP which was deemed in compliance. Full testing of primary and secondary water standards are performed every three years; therefore, the next scheduled analysis should be completed in 2021.

⁵Document No. 01811-2020.

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the complaints filed in the Commission's Consumer Activity Tracking System (CATS), with the DEP, and with the Utility from January 2015 through December 2019. Customer complaints are categorized as either billing or service issues. Customer complaints regarding billing disputes or meter readings are considered billing issues; whereas customer complaints regarding water outages, pressure, leaks, and quality are considered service issues. Table 1-1 provides the number of complaints by type, source, and year.

**Table 1-1
 Number of Complaints by Type, Source, and Year**

Year	CATS Records		DEP Records		Utility Records		Total
	Billing	Service	Billing	Service	Billing	Service	
2015	3	2	0	23	56	280	364
2016	5	1	0	22	87	393	508
2017	4	1	0	11	83	206	305
2018	5	3	0	41	94	192	335
2019	1	5	0	2	52	109	169
Total*	18	12	0	99	372	1,180	1,681

*A single customer complaint may be counted multiple times if it fits into multiple categories, was reported to multiple agencies, or was reported multiple times.

The complaints from the Commission's CATS records associated with billing issues are mainly attributable to improper billing disputes and the service issues are mainly attributable to water quality and pressure. The service issue complaints received by the DEP address the color, odor, and pressure of the water and peaked in 2018. The Utility received the most service related complaints compared to those received from CATS and the DEP. Of the 1,180 service related complaints received by the Utility, shown in Table 1-1, the majority were regarding water outages (448 complaints) and water quality (470 complaints). However, water outage complaints received by the Utility decreased annually from 167 complaints in 2015 to 41 complaints in 2019. The water quality complaints received by the Utility peaked in 2016 with 228 complaints and decreased to 35 complaints in 2019. In addition, customer comments provided at the customer meeting expressed frustration with the water quality and are discussed in greater detail below.

The noticed customer meeting was held on February 20, 2020, at the Highlands County Administration Building, in Sebring, Florida. Approximately 35 customers attended and 18 customers spoke. The majority of the 18 customers who spoke noted dark colored water around the time the Utility had to temporarily by-pass Lake Josephine's aeration treatment system to fix a hole in the ground storage tank on January 29, 2020. When the aeration system was by-passed, the hydrogen sulfides were not being removed. However, this problem was resolved once the aeration system came back online and extensive flushing was performed. Four customers also stated their experience with water pressure issues. Additionally, several customers stated they

recently experienced customer service issues when contacting the Utility for assistance. Specifically, one customer stated they were hung-up on while making a service request and two others stated their requests were not acted upon by the Utility. Five customers mentioned they had not received boil water notices (BWNs) in the past, but instead, only received notice rescinding the BWNs.⁶

Similar to the comments made at the customer meeting for the Utility's previous rate case in 2015, many customers at the 2020 customer meeting expressed their discontent with the water quality; specifically, odor and color. In addition, three customers noted skin irritation when bathing which they attribute to the chemicals in the water. The customers also described their water having particulates such as sand and clay. A few customers described the overall water quality as poor. Additionally, customers expressed that the cost of the water far exceeds its quality and they have no choice but to purchase bottled water, further stating the Utility should not receive a rate increase, but instead should be fined.

A representative from Highlands County attended the meeting and on April 7, 2020, a letter was filed with the Commission on behalf of the Highlands County Board of County Commissioners. The letter summarized the customer comments from the customer meeting and asked the Commission to investigate HC's water quality. Additionally, prior to filing its letter with the Commission, on February 18, 2019, a representative from Highlands County also filed a complaint with the DEP on behalf of several customers; the complaint included water contamination concerns related to finding bugs in the water and several customers developing stomach issues. Last, as of April 16, 2020, the Commission received comments from 12 customers which have been placed in the docket file. These customer comments also discuss poor water quality and objections to the overall rate increase.

After the customer meeting, the Utility reached out to the customers who spoke by sending the utility manager to each home on March 9 and 10, 2020.⁷ The Utility reported the majority of the customers were Lake Josephine customers that were upset with the water quality issues that arose during the time of the tank repair when the aeration system had to be temporarily bypassed, around January 29, 2020. The Utility further stated the majority of the customers were appreciative of the in-person visit and expressed that water quality has improved. The Utility filed a response to the Highlands County letter on April 9, 2020.⁸ In the letter, the Utility summarized its actions to address the water quality issues, including installation of the aeration treatment systems, and its follow up with customers after the customer meeting, as discussed above.

As discussed above, in the Utility's last rate case, HC attempted to correct its water quality issues. To address the foul odor of its water, HC converted its WTPs to chloramines for disinfection, and tests conducted subsequent to each conversion show that the conversions were effective in bringing the contaminant levels to well below the DEP standards. While the chloramine conversion provided the appropriate disinfection, the secondary considerations of

⁶The Utility's BWN is a door hanger that is hand-delivered to affected customers. Pursuant to Order No. PSC-15-0282-PAA-WS, while not foolproof, this is a method accepted by the DEP and it is generally an effective method for notifying customers.

⁷Document No. 01540-2020, filed March 2, 2020

⁸Document No. 01870-2020, filed April 10, 2020

taste and odor worsened for customers. The chloramines used to keep the disinfection byproduct levels low were less effective than free chlorine at disinfection. Since many Leisure Lakes customers are seasonal, the water in some areas of the service territory could become stagnant. This allowed the hydrogen sulfides to reform in the distribution system. Therefore, DEP issued a permit to add the packed aeration filters to both systems in 2016.

In HC's previous rate case, the Commission deemed the quality of service provided by the Utility as satisfactory. In that case, there were 111 complaints and majority of the complaints were regarding the overall rate increase. While the Utility's customer complaints have declined since 2016, the overall volume of complaints have increased since the Utility's last rate case, with the majority of complaints regarding the water quality. The appropriate agency, the DEP, has issued Consent Orders and has been working with the Utility to improve HC's water quality over the past several years, as discussed previously. HC is currently in compliance with the DEP and all of the Utility's system improvements have been in place since 2018. Additionally, staff reviewed HC's complaint records from CATS, the DEP, and the Utility from January 2020 through April 2020, and found additional complaints addressing the pressure, color, and smell of the water.

The Commission has discretion when determining the most appropriate action for a Utility whose quality of service is determined to be unsatisfactory. In past cases, the Commission has reduced ROE between 25 and 100 basis points.⁹ In addition, the Commission has reduced the utility president's or officer's salary.¹⁰ Staff recognizes the Utility is in compliance with the DEP and the overall customer complaints have been declining since 2016; however, due to the volume of customer complaints reviewed in the instant docket, staff recommends the Utility's quality of service be deemed unsatisfactory and its ROE reduced by 50 basis points.

Conclusion

While the Utility is in compliance with the DEP and customer complaints have declined overall since 2016, there are still many customer complaints on the pressure, color, and smell of the water provided by HC. Pursuant to Rule 25-30.433(1)(d), F.A.C., customer testimony, comments, or complaints shall be considered in the determination of the quality of service provided by the Utility. Therefore, the overall quality of service should be considered unsatisfactory due to customer complaints and the Utility's ROE should be reduced by 50 basis points.

⁹Order Nos. PSC-2011-0256-PAA-WS, issued June 13, 2011, in Docket. 20100330-WS, *In re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.* and PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities Inc. of Florida.*

¹⁰Order Nos. PSC-2020-0087-PAA-WS, issued March 25, 2020, in Docket No. 20190125-WS, *In re: Application for staff-assisted rate case in Sumter County by the Woods Utility Company*; PSC-17-0209-PAA-WU, issued May 30, 2017, in Docket No. 20160065-WU, *In re: Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.* and 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.*

Issue 2: Are the infrastructure and operating conditions of HC Waterworks, Inc.'s water systems in compliance with DEP regulations?

Recommendation: Yes. HC's water system infrastructure and operating conditions are currently in compliance with the DEP. (Johnson)

Staff Analysis: 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 rules of the DEP. Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, the Commission must consider 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.

Water System Operating Conditions

As discussed in Issue 1, HC's water system consists of two independent water systems: the Leisure Lakes system and the Lake Josephine system. Previously, HC was composed of three water systems, but in October 2002, the Sebring Lakes system was interconnected with the Lake Josephine system. The Lake Josephine and Sebring Lakes systems are treated as one system by the DEP and the Commission.

Lake Josephine

Lake Josephine's water system has a permitted design capacity of 600,000 gallons per day (gpd). The Lake Josephine water system has four wells with respective pumping capacities of 250, 400, 400, and 400 gallons per minute (gpm). This water system also has two ground storage tanks with capacities of 71,000 gallons and 15,000 gallons, along with a hydropneumatic storage tank with a 10,000-gallon capacity.

Staff reviewed the Lake Josephine sanitary surveys conducted by the DEP to determine the Utility's overall water facility compliance. A review of the inspection conducted on January 29, 2020, indicated that the water treatment facility had two minor compliance violations with the DEP's rules and regulations. The violations were a slight crack in the well pad and a protective screen was off a well. On April 6, 2020, the Utility indicated that these violations have been corrected.

Leisure Lakes

Leisure Lakes' water system has a permitted plant design capacity of 72,000 gpd. Leisure Lakes' water system has two wells with respective pumping capacities of 200 and 50 gpm, and a ground storage tank with a 50,000 gallons capacity.

HC and the DEP entered into a Consent Order, on October 1, 2018. This Consent Order required HC to install a packed tower aeration system/forced draft degasification tower and install a 4,000-gallon hydropneumatic (pressure) tank, among other modifications. The construction of the forced draft aeration system is the remedy for the non-compliance issues from 2017 that resulted in the October 1, 2018 Consent Order.

Staff reviewed Leisure Lakes' sanitary surveys conducted by the DEP to determine this system's overall water facility compliance. Also, staff received an email from the DEP, dated February 6, 2020, in which the DEP stated, "In regard to the Leisure Lakes Consent Order, all the corrective action items listed in the consent order have been completed." After completing items in the Consent Order, the Leisure Lakes WTP is currently in compliance with the DEP.

Conclusion

Staff believes that HC's water system infrastructure and operating conditions are currently in compliance with the DEP.

Issue 3: Should the audit adjustments to rate base to which the Utility agrees be made?

Recommendation: Yes. Plant should be decreased by \$7,383 and accumulated depreciation should be decreased by \$1,021. A corresponding adjustment should be made to decrease depreciation expense by \$261. (Thurmond)

Staff Analysis: Staff's audit report was filed on February 3, 2020. HC did not file a formal response to the audit because it did not oppose any of the findings. The audit adjustments are set forth in Table 3-1.

**Table 3-1
Audit Adjustments**

Audit Adjustment	Description	Plant	Accumulated Depreciation	Depreciation Expense
Finding 1	Commission-Ordered Adjustments	(\$7,383)	\$1,021	(\$261)

Source: Staff Audit Report

Issue 4: Should further adjustments be made to test year rate base?

Recommendation: Yes, plant should be increased by \$31,138 and accumulated depreciation should be decreased by \$7,707. A corresponding adjustment should be made to decrease depreciation expense by \$1,463. (Johnson, Knoblauch, Thurmond)

Staff Analysis: Staff has reviewed the test year rate base components along with support documentation. Staff believes further adjustments are necessary to HC's rate base, as discussed below.

Test Year Plant Additions

Highlands County and the FDOT initiated a road widening project, and notified HC that its water mains, in the right-of-way of Lake Josephine Drive, would need to be relocated. In its MFRs, HC requested \$516,589 for a water main relocation project within its Lake Josephine system. The Utility received two bids and the lowest bidder was selected. The selected bidder was also the contractor utilized by Highlands County; therefore, the contractor was already on-site. The water main relocation project was completed in January 2018, and the Utility provided invoices for an actual project cost of \$514,039, including engineering and permitting costs.

In its MFRs, HC recorded \$493,015 for a water quality improvement project at its Lake Josephine WTP required by the DEP. In May 2017, HC met with the DEP to discuss ongoing water quality issues with its Lake Josephine system. The Utility stated that the DEP had indicated it was prepared to issue a Consent Order if HC did not promptly address the hydrogen sulfide in the water. In September 2017, the DEP issued a construction permit to the Utility for the addition of a new treatment system at the Lake Josephine WTP. The new treatment system implemented was a packed tower aeration treatment system for removal of hydrogen sulfide. The Utility received three bids for the aeration project and the Utility chose the lowest bidder, U.S. Water Services Corporation (USWSC). The aeration tower was completed and placed into service in June 2018; having received partial clearance from the DEP. The DEP indicated that all portions of the project would need to be completed before granting full clearance. Some of the remaining portions of the project included the installation of a new hydropneumatic tank, chemical pumping skids, telemetry system, upgraded electrical controls, and bypass piping. These remaining portions were all completed in 2019. Based on the invoices provided by the Utility, the total cost for the project was \$547,980. The Utility stated that some expenditures had inadvertently not been included in its filing, but the correct project cost was \$547,980, which included engineering and permitting costs.¹¹

As both the Lake Josephine water main relocation project and the Lake Josephine water quality improvement project were required by governmental agencies, staff believes the projects were necessary. The Utility obtained multiple bids for each project, and invoices supporting the costs were reviewed by staff. Therefore, staff recommends approval of the Lake Josephine water main relocation project and the Lake Josephine water quality project at a cost of \$514,039 and \$547,980, respectively.

¹¹Document No. 01540-2020, filed on March 20, 2020.

Based on the additional amount and reclassification of plant additions in the test year, plant should be increased by \$31,138 and accumulated depreciation should be decreased by \$67. A corresponding adjustment should be made to decrease depreciation expense by \$74. Staff notes that the adjustments are based on using a half-year convention for test year additions and the use of a simple average rate base for the test year.¹²

Accumulated Depreciation

In the Utility's prior rate case, accumulated depreciation was removed for specific plant accounts without balances. One of these accounts, transportation, still maintained an accumulated depreciation balance in the current test year, along with depreciation expense. Consistent with the Commission's prior decision, staff reduced accumulated depreciation by \$7,640 to reflect the removal of this balance. Staff also made a corresponding adjustment to decrease depreciation expense by \$1,389.

Conclusion

Based on the adjustments above, plant should be increased by \$31,138, accumulated depreciation should be decreased by \$7,707 (\$67+\$7,640), and depreciation expense should be decreased by \$1,463 (\$74+\$1,389).

¹²A half-year convention method allows only half of the full-year depreciation in the first year the depreciable asset is placed into service, while the remaining balance is deducted in the final year of the depreciable asset's useful life.

Issue 5: What are the used and useful (U&U) percentages of HC Waterworks, Inc.'s water treatment plant (WTP), storage, and water distribution system?

Recommendation: HC's WTP should be considered 89.9 percent U&U, and its storage should be considered 100 percent U&U. The Utility's water distribution system should be considered 100 percent U&U. Additionally, staff recommends an adjustment of 2.23 percent be made to purchased power and chemical expenses for excessive unaccounted for water (EUW). To reflect the appropriate U&U percentages, staff recommends an increase to plant of \$35,793 and an increase to accumulated depreciation of \$7,419. Additionally, CIAC and accumulated amortization of CIAC should be decreased by \$1,944 and \$219, respectively. Collectively, these adjustments decrease the Utility's non-U&U component by \$30,098 (\$35,793 - \$7,419 + \$1,944 + \$219). Corresponding adjustments should be made to increase net depreciation expense by \$929. Further, a corresponding adjustment should be made to increase property tax by \$504. (Johnson, Knoblauch, Thurmond)

Staff Analysis: HC's three WTPs, and their associated storage and distribution systems, were initially owned and operated independently of one another. In their respective rates cases over the years, the Commission has assigned each system different U&U percentages. However, in its last rate case, the Commission combined the systems using a weighted average to obtain a single U&U percentage for the total system and staff utilized this same methodology in the instant docket.¹³

Used and Useful Percentages

Rule 25-30.4325, F.A.C., addresses the method by which the U&U of a water system is determined. HC's U&U percentages were last determined in Docket No. 20140158-WS. In that docket, the Commission determined the Utility's WTP to be 89.9 percent U&U and water storage to be 100 percent U&U. Additionally, the Utility's water distribution system should be considered 100 percent U&U, due to the lack of vacant lots. HC's water service area has had insignificant growth (less than one percent) for the past five years, and the Utility has not expanded its territory. Therefore, consistent with the Commission's previous decision, staff recommends the Utility's WTP be considered 89.9 percent and water storage be considered 100 percent U&U, and the Utility's water distribution system be considered 100 percent U&U.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., additionally provides factors to be considered in determining whether adjustments to operating expenses are necessary for EUW. Rule 25-30.425(1)(e), 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. 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.

According to HC's records, the Utility pumped a combined total of 53,224,000 gallons during the test year. In its MFRs, the Utility indicated that it purchased no water and estimated 12,944,919 gallons for other uses, including flushing for maintenance, filter backwash,

¹³Order 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.*

main/service line breaks or customer leak adjustments. In the Utility's response to staff's third data request, HC reported that there was an additional 585,000 gallons that were utilized for those other uses.¹⁴ According to staff's billing determinants, the Utility sold 33,186,000 gallons of water during the test year. Thus, staff calculated the total amount of unaccounted for water to be 6,508,081 gallons, or 12.23 percent (6,508,081/53,224,000), yielding an EUW of 2.23 percent. As such, staff recommends that a 2.23 percent adjustment to purchased power and chemical expenses be made for excessive EUW.

Conclusion

HC's WTP should be considered 89.9 percent U&U, and its storage should be considered 100 percent U&U. The Utility's water distribution system should be considered 100 percent U&U. Additionally, staff recommends an adjustment of 2.23 percent to be made to purchased power and chemical expenses for EUW.

In its filing, HC made non-U&U adjustments to decrease rate base by \$107,752, depreciation expense by \$6,614, and property tax expense by \$354. However, it did not include an adjustment to CIAC in its proposed adjustment. To reflect the appropriate non-U&U percentages applied to all components of rate base, staff recommends an increase of plant of \$35,793 and an increase to accumulated depreciation of \$7,419. Additionally, CIAC and accumulated amortization of CIAC should be decreased by \$1,944 and \$219, respectively. Collectively, these adjustments decrease the Utility's non-U&U component by \$30,098 ($\$35,793 - \$7,419 + \$1,944 + \219). Corresponding adjustments should be made to increase net depreciation expense by \$929. Further, a corresponding adjustment should be made to increase property tax by \$504.

¹⁴Document No. 00818-2020, filed February 7, 2020.

Issue 6: Should any adjustments be made to the Utility's pro forma plant?

Recommendation: Yes. Pro forma plant should be increased by \$56,499. Corresponding adjustments should also be made to increase accumulated depreciation by \$14,030 and depreciation expense by \$14,030. Additionally, property taxes should be increased by \$3,219. (Johnson, Knoblauch, Thurmond)

Staff Analysis: In its MFRs, HC requested \$525,970 for a water quality project at its Leisure Lakes WTP. HC and the DEP entered into a Consent Order, for the Leisure Lakes system, on October 1, 2018, for disinfection byproduct exceedances. The Utility also stated that like Lake Josephine, there were elevated levels of hydrogen sulfide in the water for the Leisure Lakes' system. As such, the Utility decided to implement the same packed tower aeration treatment system for Leisure Lakes that was being utilized at the Lake Josephine WTP. As with Lake Josephine, the Utility received three bids for the Leisure Lakes aeration project, and the Utility chose the lowest bidder, USWSU. The aeration system received clearance from the DEP and was placed into service in September 2019. Based on the invoices provided by the Utility, the total cost for the project will be \$582,468.

Considering that the Leisure Lakes water quality project was required by the DEP, staff believes the project is needed. The Utility obtained multiple bids for the project, and invoices supporting the costs were reviewed by staff. Therefore, staff recommends approval of Leisure Lakes' water quality project at a cost of \$582,468. The Utility stated that the bid amount requested for the project did not include engineering costs, and the updated project cost is \$582,468.¹⁵

In total, pro forma plant should be increased by \$56,499. Corresponding adjustments should also be made to increase accumulated depreciation by \$14,030 and depreciation expense by \$14,030. Additionally, property taxes should be increased by \$3,219.

¹⁵Document Nos. 00183-2020, filed on January 10, 2020, and 00818-2020, filed on February 7, 2020.

Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$49,885. As such, the working capital allowance should be increased by \$1,586. (Thurmond)

Staff Analysis: Rule 25-30.433(3), F.A.C., requires Class B utilities to use the formula method, or one-eighth of operation and maintenance (O&M) expenses, to calculate the working capital allowance. The Utility has properly filed its allowance for working capital using the formula method. Staff recommended adjustments to HC's O&M expenses. As a result, staff recommends working capital of \$49,885. This reflects an increase of \$1,586 to the Utility's requested working capital allowance of \$48,299.

Issue 8: What is the appropriate rate base for the test year ended June 30, 2019?

Recommendation: Consistent with staff's other recommended adjustments, the appropriate rate base for the test year ended June 30, 2019, is \$3,116,734. (Thurmond)

Staff Analysis: In its MFRs, the Utility requested a rate base of \$3,010,098. Based on staff's previously recommended adjustments, the appropriate rate base is \$3,116,734. The schedule for rate base is attached as Schedule No. 1-A, and the adjustments are shown on Schedule No. 1-B.

Issue 9: What is the appropriate return on equity?

Recommendation: Based on the Commission's leverage formula currently in effect and staff's recommended adjustment for unsatisfactory quality of service discussed in Issue 1, the appropriate return on equity (ROE) is 9.17 percent with an allowed range of plus or minus 100 basis points. (Thurmond)

Staff Analysis: The ROE included in the Utility's MFRs is 9.67 percent. Based on the current leverage formula in effect and the equity ratio of 49.79 percent, the appropriate ROE is 9.67 percent.¹⁶ However, as discussed in Issue 1, staff is recommending a reduction of 50 basis points for unsatisfactory quality of service. Therefore, the appropriate ROE is 9.17 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

¹⁶Order No. PSC-2019-0267-PAA-WS, issued July 7, 2019, Docket No. 20190006, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

Issue 10: What is the appropriate weighted average cost of capital based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended June 30, 2019?

Recommendation: The appropriate weighted average cost of capital for the test year ended June 30, 2019, is 7.14 percent. (Thurmond)

Staff Analysis: In its filing, HC requested an overall cost of capital of 7.39 percent. The Utility's capital structure consists of long term debt, common equity, and customer deposits. Based upon the proper components, amounts, and cost rates associated with the capital structure, staff recommends a weighted average cost of capital of 7.14 percent. Schedule No. 2 details staff's recommended overall cost of capital.

Issue 11: What are the appropriate test year revenues for HC Waterworks' water system?

Recommendation: The appropriate test year revenues for HC's water system are \$561,027, which is a decrease of \$14,708 to the Utility's recorded test year revenues. (Bethea)

Staff Analysis: According to the Utility's MFRs, the Utility reflected total test year revenues of \$575,735 for water. The water revenues included \$559,693 of service revenues, \$10,237 of miscellaneous revenues, and \$5,805 of guaranteed revenues.

The Utility made adjustments to its billing data to account for duplicate bills that occurred as a result of move in/move outs and prorated bills for a rate change. For move ins/move outs, there is a final bill for the old customer and bill for the new customer at the same address. The billing analysis reflected both bills when there should only be one bill per address. The Utility's rates were increased for a price index rate adjustment in the first month of the test year. The change in the base facility charge was prorated and reflected as two separate charges on a customer's bill. However, the two separate charges were recognized as two separate bills in the Utility's billing analysis. Staff agrees with the Utility's adjustments because the two scenarios overstate the Utility's billing determinants. Subsequent to the test year, the Utility's rates decreased reflecting the expiration of amortized rate case expense. Since there was a rate change subsequent to the test year, staff has annualized the test year service revenues using the adjusted billing determinants and the rates that became effective August 6, 2019. Staff determined water test year service revenues to be \$550,790, which is a decrease of \$8,903 (\$559,693 - \$550,790).

In addition, the Utility included guaranteed revenues as part of its test year revenues. The revenues were actually a result of the Utility assessing its allowance for funds prudently invested (AFPI) charges. AFPI is considered below the line for ratemaking purposes. As a result, staff decreased test year revenues by \$5,805. Staff had no adjustments to miscellaneous revenues.

Based on the above, the appropriate test year revenues for HC's water system are \$561,027 (\$550,790 + \$10,237), which is a decrease of \$14,708 (\$8,903 + \$5,805) to the Utility's recorded test year revenues.

Issue 12: Should further adjustments be made to the Utility's O&M expense?

Recommendation: Yes. O&M expense should be increased by \$9,503. (Johnson, Knoblauch, Thurmond)

Staff Analysis: Based on its review of test year O&M expense, staff recommends several adjustments to the Utility's O&M expense as summarized below.

Purchased Power

In its filing, HC reflected purchased power expense of \$47,237, which included a pro forma increase of \$7,262. The Utility stated that the new water treatment system at the Leisure Lakes WTP would increase purchased power. This is because the water would have "to be pumped twice, once through the aeration then back out of the storage tank into the distribution system."¹⁷ However, the Utility did not provide any invoices or documentation to support the requested adjustment of \$7,262. Therefore, staff recommends no adjustment to purchased power expense for the Leisure Lakes new water treatment system. However, as discussed in Issue 5, staff recommends an adjustment of 2.23 percent be made to purchased power expense for EUW. As such, staff recommends reducing purchased power by \$1,053 (2.23 percent x \$47,237).

Chemicals

In its filing, HC reflected chemicals expense of \$38,625, which included a pro forma increase of \$3,473. The Utility explained that new chemicals were required for the water treatment system at the Leisure Lakes WTP, which was not captured in the test year expense. Invoices for the new chemicals were provided by the Utility from August 2019 through February 2020 totaling \$3,528.¹⁸ Utilizing these invoices, staff calculated the average monthly cost for the new chemicals, and subsequently calculated an annual cost of \$6,048. Therefore, staff recommends an increase of \$6,048 to chemicals expense. Additionally, as discussed in Issue 5, staff recommends an adjustment of 2.23 percent be made to chemicals expense for EUW, which results in a decrease of \$996 (2.23 percent x \$44,673). As such staff recommends increasing chemicals by \$5,052 (\$6,048 - \$996).

Contractual Services-Other

During the test year, the Utility recorded contractual services - other expense of \$263,131. HC receives all of its operational and administrative services under a contract with an affiliated company, USWSC. Pursuant to the contract, HC 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.

On January 7, 2020, HC submitted documentation containing additional information related to its outside contractual services agreement with USWSC. According to the Utility, USWSC currently operates in 60 of Florida's 67 counties, providing service to over 1,000 utility systems, and over 1,000,000 customers daily. USWSC's president and majority shareholder has been in

¹⁷Document No. 01540-2020, filed on March 20, 2020.

¹⁸Document No. 01540-2020, filed on March 20, 2020.

the water utility management and operations industry for over 30 years. HC contracts with USWSC for the following services:

1. Water and Wastewater 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 the Utility, each of the service contracts that USWSC enters into with a utility “are different and are priced differently depending on numerous factors.” 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.

Additional support offered by the Utility included the “2016 American Water Works Association Benchmarking Performance Indicators for Water and Wastewater” (AWWA Benchmark) and 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, with a range from \$331.25 to \$639.82.

The contract and benchmarking review commissioned by FGUA was undertaken to review charges by USWSC in comparison to similar water 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. These were charges to FGUA by USWSC. While the Utility represented that there was a flaw in the data presented in the 2013 study, staff’s greater concern is the age of some of the underlying data, which can be tied to AWWA’s 2011 Benchmarking Performance Indicators. As such, staff believes that the 2016 Benchmarking Performance Indicators are a more appropriate reference point.

Staff also compared HC to five “sister” water utilities that share common ownership and had a rate case approved in the last five years by calculating a three-year average O&M per equivalent residential connection (ERC) expense using information contained in each utility’s 2016, 2017, and 2018 Annual Reports.¹⁹ Staff then compared HC to five non-USWSC affiliated water

¹⁹Order 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-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*; 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.*; 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.*; 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.*

utilities using the same criteria. Table 12-2 reflects the comparative average O&M expense per ERC for HC, its USWSC sister utilities, and non-USWSC utilities. For comparison purposes, the average O&M expense per ERC incorporated in staff's proposed water revenue requirements are also represented in Table 12-2.

Table 12-2
Water O&M Expense Per ERC

	Utility O&M Exp./ERC
USWSC Sister Utilities (3-Yr. Avg.)	\$306.60
Non-USWSC Utilities (3-Yr. Avg.)	\$486.71
HC Waterworks (Staff Recommended)	\$386.19

Source: 2016-2018 Annual Reports and staff calculations.

At the March 3, 2020 Commission Conference, the Commission approved the USWSC contractual services agreements for three additional "sister" utilities, based, in part, on comparisons to other utilities with similar agreements.²⁰ The contractual services agreements in those dockets also appeared reasonable when compared to the O&M expenses per ERC of industry peers as reflected in the AWWA Benchmark.

Staff notes that the Commission previously approved similar USWSC agreements and related costs in prior cases involving twelve of HC's sister utilities during fourteen rate case proceedings. Two sister utilities, LP Waterworks, Inc. and Lakeside Waterworks, Inc., each had two SARCs in which the Commission reviewed and approved expenses related to USWSC management services contracts. 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* 254-255 (1988). We believe the standard must be whether the transactions exceed the going market rate or otherwise inherently unfair . . . if the answer is "no," then the PSC may not reject the utility's position.

GTE v. Deason, 642 So. 2d at 547-548.

On February 7, 2020, HC provided staff an internal audit conducted in 2018 to capture the actual costs of USWSC that demonstrate the reasonableness of the contract. After reviewing this audit, staff believes that despite the higher per ERC cost, HC's contractual services agreement with

²⁰Order Nos. PSC-2020-0086-PAA-WU, issued March 24, 2020, 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.*; PSC-2020-0088-PAA-SU, issued March 25, 2020, in 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.*; PSC-2020-0087-PAA-WS, issued March 25, 2020, in Docket No. 20190125-WS, *In re: Application for staff-assisted rate case in Sumter County by The Woods Utility Company.*

USWSC is reasonable, especially given that the system requires additional resources to address water quality issues. Staff believes that USWSC and its employees bring considerable management and operational experience at a comparably reasonable cost. As a result, staff believes that the Utility's customers are experiencing operational benefits that might not be realized if HC was to purchase and provide these services itself.

Through its contract with USWSC, the Utility asserted that it made significant plant improvements. In the instant case, staff believes that the contract reflects the market conditions of the Utility's service area. HC asserted that if it was required to hire its own personnel for maintenance, customer service, accounting, regulatory compliance, etc., the cost would exceed that of the current USWSC contract. Absent the USWSC contract, staff believes the costs to provide service would most likely be higher. For the reasons discussed above, staff believes that the Utility's contract with USWSC is reasonable and the cost should be included for recovery in the Utility's proposed rates.

The USWSC contract amount increased over the test year to reflect an increase based on the 2018 audit in September 2018 and an index increase in April 2019 that mirrored the same amount approved by the Commission.²¹ This results in a total contract amount of \$273,067. As approved for its three sister utilities by the Commission at the March 3, 2020 Commission Conference,²² staff believes an adjustment should be made to annualize the increase in the test year. This adjustment results in an increase of \$9,936.

Bad Debt Expense

In its filing, HC reflected bad debt expense of \$8,151 in the test year and included an adjustment to increase the expense by \$3,432, which represented 2 percent of its requested revenue increase. Staff reviewed the test year amount and compared it to the 3-year average for the Utility. The difference is immaterial and staff believes the test year amount is reasonable.

Staff believes the Utility's request to include a factor for bad debt expense in respect to the revenue increase is also reasonable, as such a factor is consistent with similar factors used in the gas and electric industries. It is parallel to the inclusion of regulatory assessment fees (RAFs) factored into revenue requirement based on the revenue increase. However, staff believes the percentage applied to the revenue increase should reflect the Utility's three-year average, which is 1.37 percent. Staff removed the Utility's pro forma increase of \$3,432 in order to apply the 1.37 percent to staff's final recommended revenue increase addressed in Issue 14. In total, staff is recommending bad debt expense of \$10,657.

²¹Order No. PSC-2018-0612-PAA-WS, issued December 27, 2018, in Docket No. 20180005-WS, *In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.*

²²Order Nos. PSC-2020-0086-PAA-WU, issued March 24, 2020, 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.*; PSC-2020-0088-PAA-SU, issued March 25, 2020, in 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.*; PSC-2020-0087-PAA-WS, issued March 25, 2020, in Docket No. 20190125-WS, *In re: Application for staff-assisted rate case in Sumter County by The Woods Utility Company.*

Miscellaneous

In its filing, HC reflected miscellaneous expense of \$9,273. However, in its response to staff's first data request HC stated that \$1,000 for FDEP annual permits included in miscellaneous expense should have been booked to wastewater. Thus, staff recommends a decrease to miscellaneous expense of \$1,000.

Summary

Based on the adjustments discussed above, O&M expense should be increased by \$9,503 (- \$1,053 + \$5,052 + \$9,936 - \$3,432 - \$1,000).

Issue 13: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$7,915. This expense should be recovered over four years for an annual expense of \$1,979. Therefore, annual rate case expense should be increased by \$493. (Thurmond)

Staff Analysis: In its MFRs, HC requested \$5,945 for current rate case expense. Staff requested an update on the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On February 3, 2020, the Utility submitted its last revised estimate of rate case expense, through completion of the PAA process, which totaled \$7,137.

**Table 13-1
 HC's Initial and Revised Rate Case Expense Request**

	MFR B-10 Estimated	Actual	Additional Estimated	Revised Total
Noticing	\$1,995	\$1,004	\$2,008	\$3,012
Travel	450	400	225	625
Filing Fee	<u>3,500</u>	<u>3,500</u>	<u>0</u>	<u>3,500</u>
Total	<u>\$5,945</u>	<u>\$4,904</u>	<u>\$2,233</u>	<u>\$7,137</u>

Source: MFR Schedule B-10 and Utility responses to staff data requests

Pursuant to Section 367.081(7), F.S., the Commission shall determine the reasonableness of rate case expense and shall disallow all rate case expense determined to be unreasonable. Staff has examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. Based on its review, staff believes the following adjustments to HC's rate case expense estimate are appropriate.

Noticing

The Utility's initial filing reflected costs associated with sending two notices—the customer meeting and final notice. In its revised estimate, it included an additional amount to reflect the interim notice. Upon review, staff noted that the Utility failed to include noticing costs for the four-year rate reduction. Using the noticing costs provided by the Utility, staff recommends increasing rate case expense by \$1,004 to reflect the additional notice.

Travel

HC's initial filing reflected estimated travel expenses of \$450. In its update of actual travel expenses, the Utility reflected \$400 associated with utility representatives attending the customer meeting and an additional estimate of \$225 to attend the Commission Conference. At the time the estimate was provided to staff, the Commission Conference was scheduled to be held in traditional in-person format. After HC filed its estimate, the Commission Conference was changed to a teleconference format in response to COVID-19. As such, estimated costs associated with travel to attend the Commission Conference are no longer necessary. Staff recommends that estimated travel expenses associated with attending the Commission

Conference should be removed. Accordingly, staff recommends that rate case expense be reduced by \$225.

Conclusion

Based upon the adjustment discussed above, staff recommends that HC’s revised rate case expense of \$7,137 be increased by \$779 (\$1,004 - \$225) to reflect staff’s adjustment, for a total of \$7,915. A breakdown of staff’s recommended rate case expense is as follows.

**Table 13-2
 Staff Recommended Rate Case Expense**

Description	MFR Estimated	Utility Revised Actual & Estimated	Staff Adjustment	Recommended Total
Noticing	\$1,995	\$3,012	\$1,004	\$4,016
Travel	450	625	(225)	\$400
Filing Fee	<u>3,500</u>	<u>3,500</u>	<u>0</u>	<u>\$3,500</u>
Total	<u>\$5,945</u>	<u>\$7,137</u>	<u>\$779</u>	<u>\$7,915</u>

Source: MFR Schedule B-10 and responses to staff data requests

In its MFRs, HC requested total rate case expense of \$5,945. When amortized over four years, this represents an annual expense of \$1,486. The recommended total rate case expense of \$7,915 should be amortized over four years, pursuant to Section 367.081(8), F.S., as the Utility did not request or justify a longer amortization period. This represents an annual expense of \$1,979. Based on the above, staff recommends that annual rate case expense be increased by \$493 (\$1,979 - \$1,486) compared to the original request in the MFRs.

Issue 14: What is the appropriate revenue requirement for the test year ended June 30, 2019?

Recommendation: Staff recommends the following revenue requirement be approved.

Test Year Revenue	\$ Increase	Revenue Requirement	% Increase
\$561,027	\$182,937	\$743,964	32.61%

(Thurmond)

Staff Analysis: In its filing, the Utility requested a revenue requirement to generate annual revenue of \$743,964. This requested revenue requirement represents a revenue increase of \$168,229, or approximately 29.57 percent, over the test year revenues of \$575,735 in HC's initial filing. Consistent with recommendations concerning rate base, cost of capital, and operating income issues, the resulting revenue requirement is \$775,366. However, it is Commission practice to limit the revenue requirement to the total amount sought in a utility's petition.²³ Therefore, staff recommends that the appropriate revenue requirement should be \$743,964. The schedule for operating income is attached as Schedule No. 3-A, and the adjustments are shown on Schedule No. 3-B.

²³Order Nos. PSC-16-0249-PCO-WS, issued June 29, 2016, in Docket No. 20160030-WS, *In re: Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.*; PSC-13-0673-FOF-WS, issued December 19, 2013, in Docket No. 20130212-WS, *In re: Application for increase in water/wastewater rates in Polk County by Cypress Lakes Utilities, Inc.*; PSC-07-0568-PAA-WU, issued July 9, 2007, in Docket No. 20070041-SU, *In re: Application for limited proceeding rate increase in Monroe County by Key Haven Utility Corporation*; PSC-05-0287-PAA-SU, issued March 17, 2005, in Docket No. 20040972-SU, *In re: Application for rate increase in Pinellas County by Ranch Mobile WWTP, Inc.*; and PSC-95-0191-FOF-WS, issued February 9, 1995, in Docket No. 19940917-WS, *In re: Application for rate increase for increased water and wastewater rates in Seminole, Orange, and Pasco Counties by Utilities, Inc. of Florida.*

Issue 15: What are the appropriate rate structures and rates for HC Waterworks' water system?

Recommendation: The recommended rate structures and monthly water rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of this notice. (Bethea)

Staff Analysis: The Utility is located in Highlands County within the SWFWMD. HC provides water service to approximately 949 residential and 9 general service customers. One of the general service customers is a 189 unit RV Park. In addition, the Utility has one private fire protection customer. Staff determined that approximately 23 percent of the residential customer bills during the test year had zero gallons, indicating a seasonal customer base. The average residential water demand is 2,483 gallons per month. The average water demand excluding zero gallon bills is 3,223 gallons per month. The Utility's current water system rate structure for residential customers consists of a traditional base facility charge (BFC) with separate rate blocks for non-discretionary and discretionary usage. The rate blocks are: 1) 0-3,000 gallons and 2) all usage in excess of 3,000 gallons. General service customers are billed based on a BFC and uniform gallonage charge. In addition, the Utility's private fire protection services rates are based on one-twelfth of the Utility's BFC for the respective meter size pursuant to Rule 25-30.465, F.A.C.

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

The Utility's current rates allow for 47 percent of the revenues to be recovered through the BFC. Due to the customers' low average monthly consumption and seasonal customer base, staff recommends 47 percent of the revenue requirement should continue to be recovered through the BFC in an effort to maintain revenue stability. The average people per household served by the water system is approximately 2.5; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 4,000 gallons per month.²⁴ This rate structure sends the appropriate pricing signals to customers using in excess of 4,000 gallons of water per month, which represents approximately 22 percent of the usage. Staff recommends a traditional BFC with separate rate blocks for non-discretionary and discretionary usage for residential water customers. The rate blocks are: 1) 0-4,000 gallons and 2) all usage in excess of 4,000 gallons. General service customers should be billed based on a BFC and uniform gallonage charge. In addition, the utility's private fire protection services rates should be based on one-twelfth of the Utility's BFC for the respective meter size, pursuant to Rule 25-30.465, F.A.C.

²⁴Average person per household was obtained from www.census.gov/quickfacts/highlandscountyflorida.

Furthermore, in the last rate case, the Commission determined that the BFC for the RV park should be based on the demand the RV park places on the water system.²⁵ The water demand was 2,270,000 in the last rate case. During the test year, the RV park's water demand was 3,778,000 gallons, which is an approximately 66 percent increase since the last rate case. Consistent with the methodology in the last rate case, the water demand of the RV park compared to the average residential water demand of 2,483 gallons per month represents approximately 127 ERCs ($3,778,000/2,483/12$). This change in ERCs allows the RV park to pay its pro rata share of cost based on the water demand that it places on the system. Therefore, staff recommends a BFC based on 127 ERCs for the RV park and a uniform gallonage charge.

In addition, based on a recommended revenue increase of approximately 33.2 percent, excluding miscellaneous revenues, the residential consumption can be expected to decline by 830,000 gallons resulting in anticipated repressed average residential demand of 2,409 gallons per month. Staff recommends a 3 percent reduction in total residential consumption and corresponding reductions of \$1,155 for purchased power, \$1,093 for chemicals, and \$106 for RAFs to reflect the anticipated repression, which results in a post-repression revenue requirement of \$731,373.

The recommended rate structures and monthly water rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of this notice.

²⁵Order 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.*

Issue 16: What are the appropriate water initial customer deposits for HC Waterworks?

Recommendation: The appropriate initial customer deposits should be \$108 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 should be two times the average estimated bill for water. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding. (Bethea)

Staff Analysis: 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, the Commission has set initial customer deposits equal to two times the average estimated bill.²⁶ Currently, the Utility has an initial customer deposit of \$99 for the residential 5/8 inch x 3/4 inch meter size for water. However, this amount does not cover two months' average bills based on staff's recommended rates. The Utility's average monthly residential water usage after repression is 2,409 gallons per customer. Therefore, the average residential monthly bill based on staff's recommended rates is approximately \$54.

The appropriate initial customer deposits should be \$108 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 should be two times the average estimated bill for water. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

²⁶Order Nos. 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 PSC-17-0113-PAA-WS, issued March 28, 2017, in Docket No. 20130105-WS, *In re: Application for certificates to provide water and wastewater service in Hendry and Collier Counties, by Consolidated Services of Hendry & Collier, LLC.*

Issue 17: What is the appropriate amount by which rates should be reduced to reflect the removal of the amortized rate case expense?

Recommendation: The water rates should be reduced, as shown on Schedule No. 4, to remove the annual amortization of rate case expense grossed-up for RAFs. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. HC should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Procedural Agency Action) (Bethea, Thurmond)

Staff Analysis: The water rates should be reduced, as shown on Schedule No. 4, to remove the annual amortization of rate case expense grossed-up for RAFs. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S. HC should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 18: In determining whether any portion of the interim water revenue increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The appropriate refund amount should be calculated using the same data used to establish final rates, excluding rate case expense and other items not in effects during the interim period. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenues granted. Based on this methodology, no refund is necessary.(Procedural Agency Action) (Thurmond)

Staff Analysis: The Commission authorized HC to collect interim water rates, subject to refund, pursuant to section 367.082, F.S. The approved interim revenue requirement of \$636,075 represented an increase of \$66,364 or 11.65 percent.

According to Section 367.082, F.S., any refund should be calculated to reduce the rate of return of the Utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period that interim rates are in effect should be removed. Rate case expense is an example of an adjustment which is recovered only after final rates are established.

In this proceeding, the test period for establishment of interim and final rates is the 12-month period ended June 30, 2019. HC's approved interim rates did not include any provisions for pro forma or projected operating expenses or plant. The interim increase was designed to allow recovery of actual interest expense, and the lower limit of the last authorized range for equity earnings.

To establish the proper refund amount, staff calculated adjusted interim period revenue requirements utilizing the same data used to establish final rates. Rate case expense was excluded because this item is prospective in nature and did not occur during the interim collection period. Using the principles discussed above, staff calculated an adjusted interim revenue requirement of \$743,964. The adjusted interim revenue requirement of \$743,964 is higher than the interim revenue requirement of \$636,075, resulting in no refund.

Issue 19: Should the Utility be required to notify, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Commissioners Uniform System of Accounts (NARUC USOA) associated with the Commission approved adjustments?

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

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

Issue 20: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Proposed Agency Action Order, a Consummating Order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has provided staff with proof that the adjustments for all applicable NARUC USOA accounts have been made. Once these actions are complete, this docket should be closed administratively. (Schrader)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Proposed Agency Action Order, a Consummating Order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has provided staff with proof that the adjustments for all applicable NARUC USOA accounts have been made. Once these actions are complete, this docket should be closed administratively.

HC Waterworks Schedule of Water Rate Base Test Year Ended 06/30/19		Schedule No. 1-A Docket No. 20190166-WS				
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1	Plant in Service	\$4,654,511	\$525,970	\$5,180,481	\$80,254	\$5,260,735
2	Land and Land Rights	25,450	0	25,450	0	25,450
3	Less: Non-used and Useful Components	0	(107,752)	(107,752)	30,098	(77,654)
4	Less: Accumulated Depreciation	(1,358,277)	(11,449)	(1,369,726)	(5,303)	(1,375,029)
5	Less: CIAC	(915,715)	0	(915,715)	0	(915,715)
6	Accumulated Amortization of CIAC	623,602	0	623,602	0	623,602
7	Acquisition Adjustments	(809,041)	0	(809,041)	0	(809,041)
8	Less: Accum. Amort. Of Acq. Adjustments	334,500	0	334,500	0	334,500
9	Working Capital Allowance	<u>0</u>	<u>48,299</u>	<u>48,299</u>	<u>1,586</u>	<u>49,885</u>
10	Rate Base	<u>\$2,555,030</u>	<u>\$455,068</u>	<u>\$3,010,098</u>	<u>\$106,636</u>	<u>\$3,116,734</u>

HC Waterworks Adjustments to Rate Base Test Year Ended 06/30/19		Schedule No. 1-B Docket No. 20190166-WS
Explanation	Water	
<u>Plant In Service</u>		
1 Per Audit.		(\$7,383)
2 To reflect test year adjustments to plant additions.		31,138
3 To reflect pro forma plant additions.		<u>56,499</u>
Total		<u>\$80,254</u>
<u>Non-used and Useful</u>		
To reflect net non-used and useful adjustment.		<u>\$30,098</u>
<u>Accumulated Depreciation</u>		
1 Per Audit		\$1,021
2 To reflect test year adjustments to plant additions.		67
3 To remove account with no plant balance.		7,640
4 To reflect pro forma plant additions.		<u>(14,030)</u>
Total		<u>(\$5,303)</u>
<u>Working Capital</u>		
To reflect the appropriate amount of working capital.		<u>\$1,586</u>

HC Waterworks Capital Structure-Simple Average Test Year Ended 06/30/19							Schedule No. 2 Docket No. 20190166-WS		
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
Per Utility									
1	Long-term Debt	\$1,592,168	\$0	\$1,592,168	(\$96,766)	\$1,495,402	49.68%	5.25%	2.61%
2	Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
3	Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4	Common Equity	1,578,675	0	1,578,675	(95,946)	1,482,729	49.26%	9.67%	4.76%
5	Customer Deposits	34,034	0	34,034	(2,068)	31,966	1.06%	2.00%	0.02%
6	Total Capital	<u>\$3,204,877</u>	<u>\$0</u>	<u>\$3,204,877</u>	<u>(\$194,780)</u>	<u>\$3,010,097</u>	<u>100.00%</u>		<u>7.39%</u>
Per Staff									
7	Long-term Debt	\$1,592,168	\$0	\$1,592,168	(\$44,259)	\$1,547,909	49.66%	5.25%	2.61%
8	Short-term Debt	0	0	0	\$0	0	0.00%	0.00%	0.00%
9	Preferred Stock	0	0	0	\$0	0	0.00%	0.00%	0.00%
10	Common Equity	1,578,675	0	1,578,675	(\$43,884)	1,534,791	49.24%	9.17%	4.52%
11	Customer Deposits	<u>34,034</u>	<u>0</u>	<u>34,034</u>	<u>0</u>	<u>34,034</u>	<u>1.10%</u>	2.00%	<u>0.02%</u>
12	Total Capital	<u>\$3,204,877</u>	<u>\$0</u>	<u>\$3,204,877</u>	<u>(\$88,143)</u>	<u>\$3,116,734</u>	<u>100.00%</u>		<u>7.14%</u>
						LOW	HIGH		
RETURN ON EQUITY						<u>8.17%</u>	<u>10.17%</u>		
OVERALL RATE OF RETURN						<u>6.65%</u>	<u>7.64%</u>		

HC Waterworks Statement of Water Operations Test Year Ended 06/30/19							Schedule No. 3-A Docket No. 20190166-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement	
1 Operating Revenues:	<u>\$574,165</u>	<u>\$169,799</u>	<u>\$743,964</u>	<u>(\$182,937)</u>	<u>\$561,027</u>	<u>\$182,937</u> 32.61%	<u>\$743,964</u> -	
Operating Expenses								
2 Operation & Maintenance	\$376,618	\$13,066	\$389,684	\$9,995	\$399,679	\$2,506	\$402,185	
3 Depreciation	129,717	4,835	134,552	13,235	147,787		147,787	
4 Amortization	(74,935)	0	(74,935)	0	(74,935)		(74,935)	
5 Taxes Other Than Income	55,559	16,651	72,210	(4,509)	67,701	8,232	75,933	
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u> -	
7 Total Operating Expense	<u>486,959</u>	<u>34,552</u>	<u>521,511</u>	<u>18,722</u>	<u>540,233</u>	<u>10,738</u>	<u>550,971</u> -	
8 Operating Income	<u>\$87,206</u>	<u>\$135,247</u>	<u>\$222,453</u>	<u>(\$201,659)</u>	<u>\$20,794</u>	<u>\$172,199</u>	<u>\$192,993</u> -	
9 Rate Base	<u>\$2,555,030</u>		<u>\$3,010,098</u>		<u>\$3,116,734</u>		<u>\$3,116,734</u> -	
10 Rate of Return	<u>3.41%</u>		<u>7.39%</u>		<u>0.67%</u>		<u>6.19%</u> (1)	

(1) Reflects the revenue requirement being limited, per Commission practice.

HC Waterworks		Schedule No. 3-B
Adjustment to Operating Income		Docket No. 20190166-WS
Test Year Ended 06/30/19		
Explanation	Water	
<u>Operating Revenues</u>		
1 To remove the requested increase.	(\$168,229)	
2 To reflect test year revenues.	<u>(14,708)</u>	
Total	<u>(\$182,937)</u>	
<u>Operation and Maintenance Expense</u>		
1 To reflect EUW adjustment. (Purch. Power & Chem.)	(\$2,050)	
2 To reflect appropriate pro forma chemicals expense.	6,048	
3 To annualize increase in contractual services contract.	9,936	
4 To adjust pro forma bad debt expense.	(3,432)	
5 To remove wastewater permit expense.	(\$1,000)	
6 To reflect the appropriate amount of rate case expense.	<u>493</u>	
Total	<u>\$9,995</u>	
<u>Depreciation Expense - Net</u>		
1 Per Audit.	(\$261)	
2 To reflect test year adjustments to plant additions.	(74)	
3 To remove account with no plant balance.	(1,389)	
4 To remove net depreciation on non-U&U adjustment.	929	
5 To reflect pro forma plant additions.	<u>14,030</u>	
Total	<u>\$13,235</u>	
<u>Taxes Other Than Income</u>		
1 To reflect removal of revenue increase.	(\$7,570)	
2 To reflect test year RAF's.	(662)	
3 To reflect property tax on non-used and useful plant.	504	
4 To reflect additional property taxes for pro forma plant.	<u>3,219</u>	
Total	<u>(\$4,509)</u>	

HC WATERWORKS INC. TEST YEAR ENDED JUNE 30, 2019 MONTHLY WATER RATES		SCHEDULE NO. 4 DOCKET NO. 20190166-WU			
	RATES AT TIME OF FILING	COMMISSION APPROVED INTERIM RATES	UTILITY REQUESTED FINAL	STAFF RECOMMENDED RATES	FOUR YEAR RATE REDUCTION
<u>Residential and General Service</u>					
Base Facility Charge by Meter Size					
5/8" X3/4"	\$20.99	\$23.48	\$31.63	\$26.21	\$0.07
3/4"	\$31.49	\$35.22	\$47.45	\$39.32	\$0.11
1"	\$52.48	\$58.70	\$79.08	\$65.53	\$0.18
1-1/2"	\$104.97	\$117.40	\$158.16	\$131.05	\$0.37
2"	\$167.95	\$187.84	\$253.06	\$209.68	\$0.59
3"	\$335.89	\$375.68	\$506.11	\$419.36	\$1.17
4"	\$524.83	\$587.00	\$790.80	\$655.25	\$1.83
6"	\$1,049.66	\$1,174.00	\$1,581.61	\$1,310.50	\$3.67
8"	\$1,679.46	\$1,878.40	\$2,530.57	\$2,096.80	\$5.87
10"	\$2,414.22	\$2,700.20	\$3,637.70	\$3,014.15	\$8.44
Charge per 1,000 gallons - Residential					
0 - 3,000 gallons	\$8.07	\$9.03	\$10.82	N/A	N/A
Over 3,000 gallons	\$10.10	\$11.30	\$16.23	N/A	N/A
Charge per 1,000 gallons - Residential					
0 - 4,000 gallons	N/A	N/A	N/A	\$11.42	\$0.03
Over 4,000 gallons	N/A	N/A	N/A	\$14.27	\$0.04
Charge per 1,000 gallons - General Service (GS1)					
	\$8.66	\$9.69	\$12.47	\$11.98	\$0.03
<u>General Service 2 - RV Park</u>					
3" Meter Size - (75 ERCs)	\$1,574.49	\$1,761.00	\$2,372.25	N/A	N/A
3" Meter Size - (127 ERC's)	N/A	N/A	N/A	\$3,328.67	\$9.32
Charge per 1,000 gallons - General Service (GS2)					
	\$8.66	\$9.69	\$12.47	\$11.98	\$0.03
<u>Private Protection</u>					
Base Facility Charge by Meter Size					
2"	\$14.00	\$15.65	\$21.09	\$17.47	
3"	\$27.99	\$31.31	\$42.18	\$34.95	
4"	\$43.74	\$48.92	\$65.90	\$54.60	
6"	\$87.47	\$97.83	\$131.80	\$109.21	
8"	\$139.95	\$156.53	\$210.88	\$174.73	
10"	\$201.19	\$225.02	\$303.14	\$251.18	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>					
2,000 Gallons	\$37.13	\$41.54	\$53.27	\$49.05	
4,000 Gallons	\$55.30	\$61.87	\$80.32	\$71.89	
6,000 Gallons	\$75.50	\$84.47	\$112.78	\$100.43	