

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: November 13, 2020

TO: Laura V. King, Chief of Reliability & Resource Planning, Division of Engineering

FROM: Division of Engineering (P. Buys, Kistner, Ramos) *TB*
Division of Accounting and Finance (Richards, D. Brown) *ALM*
Division of Economics (Sibley, Hudson) *JGH*
Office of the General Counsel (Murphy) *TLT*

RE: Docket No. 20200169-WS – Application for staff-assisted rate case in Lake County, and request for interim rate increase, by Lake Yale Utilities, LLC.

--STAFF REPORT--

This Staff Report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting scheduled on December 16, 2020.

Table of Contents

Case Background	1
Issue 1 Quality of Service	2
Issue 2 Infrastructure and Operating Condition	3
Issue 3 Used and Useful.....	5
Issue 4 Average Test Year Rate Base	8
Issue 5 Rate of Return.....	10
Issue 6 Test Year Revenues	11
Issue 7 Operating Expenses	12
Issue 8 Operating Ratio Methodology	16
Issue 9 Appropriate Revenue Requirement	17
Issue 10 Appropriate Rate Structure	19
Issue 11 Customer Deposits.....	22
Issue 12 Non-Sufficient Funds Charges	23
Issue 13 Four-Year Rate Reduction.....	24
Issue 14 Recommended Rates	25
Issue 15 Book Adjustment	27
Schedule No. 1-A Water Rate Base.....	28
Schedule No. 1-B Wastewater Rate Base	29
Schedule No. 1-C Adjustments to Rate Base.....	30
Schedule No. 2 Capital Structure.....	31
Schedule No. 3-A Water Operating Income	32
Schedule No. 3-B Wastewater Operating Income	33
Schedule No. 3-C Adjustment to Income	34
Schedule No. 3-D Analysis of Water O&M Expenses	35
Schedule No. 3-E Analysis of Wastewater O&M Expenses	36
Schedule No. 4-A Monthly Water Rates	37
Schedule No. 4-B Monthly Wastewater Rates	38

Case Background

Lake Yale Utilities, LLC (Lake Yale or Utility) is a Class C utility providing water and wastewater services to approximately 298 residential customers and one general service customer in Lake County. The Utility also provides irrigation service to 88 of its residential customers. The service area is located in the Southwest Florida Water Management District. The Utility's rates were last set by the Commission in an original certificate proceeding in 1994.¹ This is the Utility's first staff-assisted rate case; however, its rates have been amended through eight price index rate increases. The Utility was transferred to the present operator in 2018.² According to Lake Yale's 2019 Annual Report, total gross water revenue was \$68,906, total gross wastewater revenue was \$55,021, total water operating expense was \$62,611, and total wastewater operating expense was \$64,539. On June 19, 2020, Lake Yale filed its application for a staff-assisted rate case. Staff selected the test year ending December 31, 2019, for the instant case.

This Staff Report is a **preliminary** analysis of the Utility prepared by Commission staff to give customers and the Utility an advanced look at what staff may be proposing. The final recommendation to the Commission is currently scheduled to be filed February 18, 2021, for consideration at the March 2, 2021 Commission Conference. The recommendation will be revised as necessary using any updated information, responses from pending data requests and the results of customer quality of service concerns or other relevant information received at the December 16, 2020, customer meeting. The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 367.091, and 367.121, Florida Statutes (F.S.).

¹ Order No. PSC-94-0171-FOF-WS, issued February 10, 1994, in Docket No. 19930133-WS, *In re: Application for Water and Wastewater Certificates in Lake County by LAKE YALE CORPORATION d/b/a LAKE YALE UTILITY COMPANY.*

² Order No. PSC-2018-0554-PAA-WS, issued November 20, 2018, in Docket No. 20170220-WS, *In re: Application for approval of transfer of Lake Yale Treatments Associates, Inc. water and wastewater systems and Certificate Nos. 560-W and 488-S in Lake County to Lake Yale Utilities, LLC.*

Discussion of Issues

Issue 1: Is the quality of service provided by Lake Yale satisfactory?

Preliminary Recommendation: Staff's recommendation regarding quality of service will not be finalized until after the December 16, 2020, customer meeting. (Kistner)

Staff Analysis: Pursuant to Section 367.081(2)(a)1, F.S., and Rule 25-30.433(1), Florida Administrative Code (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 utility's product (water) and the utility's attempt to address customer satisfaction (water and wastewater). The Rule requires 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, any customer testimony, comments, or complaints shall also be considered. The operating condition of the water and wastewater systems are addressed in Issue 2.

Quality of Utility's Product

In evaluation of Lake Yale's product quality, staff 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 comprehensive chemical analyses were performed in October 2018 and additional primary standard testing was done in June 2019 and March 2020 for both systems Lake Yale Estates and Sandpiper. All results were in compliance with the DEP's standards.

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the Commission's complaint records for the test year and four years prior. The Commission received three complaints from the Utility's customers, one of which was reported while under previous ownership. These complaints included the following issues: damaged meter box lids, damaged fences, low water pressure, and excess foliage in the retention pond. All three complaints were addressed by the Utility. DEP has received no complaints since January 2015.

Staff requested all complaints received by the Utility during the test year and four years prior. The Utility received a total of 20 customer complaints during this timeframe. Most of the complaints were related to meter leaks or customer questions on meter accuracy.

Conclusion

Staff's recommendation regarding quality of service will not be finalized until after the December 16, 2020, customer meeting.

Issue 2: Are the infrastructure and operating conditions of Lake Yale’s water and wastewater systems in compliance with DEP regulations?

Preliminary Recommendation: Staff’s recommendation regarding the DEP compliance will not be finalized until after the December 16, 2020, customer meeting. (Kistner)

Staff Analysis: Rule 25-30.225(2), F.A.C., requires each water and wastewater 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 for water systems and compliance evaluation inspections on wastewater systems, citations, violations, consent orders issued to the utility, customer testimony, comments, complaints, and utility testimony and responses to the aforementioned items.

Water and Wastewater System Operating Conditions

Lake Yale’s water system has a permitted design capacity of 468,000 gallons per day (gpd) for Lake Yale Estates and 162,000 gpd for Sandpiper. The Utility’s water system has three wells, two for Lake Yale Estates and one for Sandpiper with a combined pumping capacity of 955 gallons per minute (gpm), and two hydropneumatic storage tanks with a combined 15,000 gallon capacity. Staff reviewed the sanitary surveys conducted by the DEP for both systems to determine the Utility’s overall water facility compliance. A review of the surveys conducted on May 13, 2018, and August 30, 2018, indicated that Lake Yale Estates’ water treatment facility was missing permitting for a change in its disinfection process and for a permanent interconnection between the two systems. In addition, on October 16, 2019, the DEP issued a Consent Order which determined that the drinking water facility at Lake Yale Estates had inadequate security for its wellheads and pumping facilities and required that they be enclosed by lockable access. Based on the Consent Order’s case closure letter, dated February 26, 2020, these issues have since been resolved. Both Lake Yale Estates’ and Sandpiper’s water systems are currently in compliance with the DEP’s rules and regulations.

Lake Yale’s wastewater system is a 55,000 gpd design capacity extended aeration domestic wastewater treatment plant (WWTP). Staff reviewed the Utility’s compliance evaluation inspections conducted by the DEP to determine the Utility’s overall wastewater facility compliance. A review of the inspection conducted on June 22, 2018, and the October 16, 2019, Consent Order, indicated that Lake Yale’s wastewater treatment facility was not in compliance with the DEP’s rules and regulations. DEP found excess vegetation growth in the rapid infiltration basins and excessive noise coming from the WWTP. However, based on the Consent Order’s case closure letter dated February 26, 2020, the facility is now in compliance.

Conclusion

Staff's recommendation regarding the DEP compliance will not be finalized until after the December 16, 2020, customer meeting.

Issue 3: What are the used and useful (U&U) percentages of Lake Yale's water treatment plant (WTP), wastewater treatment plant (WWTP), water distribution system, and wastewater collection system?

Preliminary Recommendation: Lake Yale's WTP, WWTP, water distribution system and wastewater collection system should be considered 100 percent U&U. Additionally, staff recommends no adjustment to purchased power and chemicals should be made for excessive unaccounted for water (EUW) or excessive infiltration and inflow (I&I) at this time. These are preliminary determinations and are subject to change. (P. Buys)

Staff Analysis: Lake Yale's water treatment system consists of two water plants, Lake Yale Estates and Sandpiper. Both water plants are interconnected and work with virtual telemetry to control the lead/lag alternating setup. Together, there are three wells with pumping capacities of 451, 156, and 56 gpm and two hydropneumatic storage tanks with 10,000 and 5,000 gallon capacities. Lake Yale's water distribution system is composed of 1,110 feet of 2-inch polyvinyl chloride (PVC) pipe, 32,934 feet of 4-inch PVC pipe, 4,085 feet of 6-inch PVC pipe, and 5,364 feet of 8-inch PVC pipe.

Lake Yale's wastewater treatment system has a permitted capacity of 55,000 gpd with an average daily flow of 11,000 gpd. The wastewater collection system is composed of PVC pipes and four lift stations. The Utility's wastewater collection system comprises 600 feet of 3-inch PVC force mains, 2,712 feet of 4-inch PVC force mains, 600 feet of 6-inch PVC force mains, 2,009 feet of 4-inch PVC collecting mains, 2,210 feet of 6-inch PVC collecting mains, and 6,287 feet of 8-inch PVC collecting mains. There are approximately 29 manholes in the service area.

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 and Rule 25-30.432, F.A.C., addresses the method by which the U&U of a wastewater system is determined. Lake Yale's rates were last set in its original certificate Docket No. 19930133-WS; however, the U&U percentages were not determined in that docket.

Water U&U

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 $[2 \times (\text{Maximum Day Peak Demand} - \text{EUW}) + \text{Fire Flow} + \text{Growth}] / \text{Firm Reliable Capacity}$. This calculation is based on a water treatment system with no storage, as hydropneumatic storage tanks are not considered usable pursuant to Rule 25-30.4325(8), F.A.C. The maximum day peak demand is the single maximum day in the test year where there are no unusual occurrences, such as a fire or line break. Based on Lake Yale's Monthly Operating Reports, the Max Day usage during the test year was 173,000 gpd or 120 gpm, which occurred in July 2019. As discussed below, there appears to be no EUW. The Utility has 12 fire hydrants and the Fire Flow is 650 gpm. Growth allowance is based on the requirements outlined in Rule 25-30.431, F.A.C., which requires the Commission to consider the rate of growth in equivalent residential connections (ERCs), in its determination of U&U. There is a pending staff data request asking questions about the Utility's growth. Based on a preliminary review, the growth for the WTP is approximately six gpm. Firm Reliable Capacity assumes loss of the largest capacity well (451 gpm) and is therefore 212 gpm.

This preliminary calculation results in a U&U greater than 100 percent, as such, staff recommends the WTP be considered 100 percent U&U.

Wastewater U&U

Rule 25-30.432, F.A.C., addresses the method by which the U&U of wastewater system is determined. The formula for calculating U&U for the WWTP is given by (Customer Demand Flow – I&I + Growth)/ Permitted Capacity. In this calculation, customer demand is measured on the same basis as permitted capacity. The permitted capacity for the WWTP is 55,000 gpd annual average daily flow (AADF). The AADF for 2019 was 6,000 gpd. As discussed below, there appears to be no excessive I&I. In addition, as discussed above, there is a pending data request regarding the Utility's growth. Based on a preliminary review, the growth for the WWTP is approximately 251 gpd. This preliminary calculation results in a U&U less than 100 percent; however, at this time, with the pending data request, staff recommends the WWTP be considered 100 percent U&U.

Water Distribution and Wastewater Collection Systems U&U

The water distribution and wastewater collection systems are evaluated based on ERCs consisting of growth, customer demand, and system capacity. As discussed previously, there is a pending data request regarding the Utility's growth. Based on staff's preliminary review, the growth for the water distribution system and wastewater collection system is considered to be 3 ERCs. The customer demand is 344 ERCs for both the water and wastewater systems and the system capacity is 199 ERCs for both. This results in a U&U percent greater than 100 percent; therefore, staff preliminary recommends the water distribution and wastewater collections systems 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. EUW is defined 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. Staff's pending data request also inquires about Lake Yale's monthly operating reports. Based on staff's preliminary review, Lake Yale produced 13,190,000 gallons of water for 2019. Per the audit completed by staff, the Utility sold 10,537,411 gallons of water to customers. The Utility documented 2,114,000 gallons of water usage for other uses in its 2019 annual report. The resulting calculation $([13,190,000 - 10,537,411 - 2,114,000] / 13,190,000)$ for unaccounted for water is 4.1 percent; therefore, there is no EUW. Staff's preliminary recommendation is that no adjustments should be made to purchased power and chemicals at this time.

Infiltration and Inflow

Infiltration typically results from groundwater entering a wastewater collection system through broken or defective pipes and joints; whereas, inflow results from water entering a wastewater collection system through manholes or lift stations. By convention, the allowance for infiltration is 500 gpd per inch diameter pipe per mile, and an additional 10 percent of residential water

billed is allowed for inflow. Rule 25-30.432, F.A.C., provides that in determining the WWTP amount of U&U, the Commission will consider I&I.

Since all wastewater collection systems experience I&I, the conventions noted above provide guidance for determining whether the I&I experienced at a WWTP is excessive. Staff calculates the allowable infiltration based on system parameters, and calculates the allowable inflow based on water sold to customers. The sum of these amounts is the allowable I&I. Staff next calculates the estimated amount of wastewater returned from customers. The estimated return is determined by summing 80 percent of the water sold to residential customers with 90 percent of the water sold to non-residential customers. Adding the estimated return to the allowable I&I yields the maximum amount of wastewater that should be treated by the wastewater system without incurring adjustments to operating expenses. If this amount exceeds the actual amount treated, no adjustment is made. If it is less than the gallons treated, then the difference is the excessive amount of I&I.

For 2019, the allowance for infiltration was calculated as 3,036,136 gallons, and the allowance for inflow was calculated as 655,813 gallons; therefore, the total I&I allowance was calculated as 3,691,950 gallons. Based on staff's audit, the total water sold to residential customers was 6,547,754 gallons. The Utility also sold 10,380 gallons to its one general service customer. Therefore, the estimated amount of wastewater returned from customers was calculated as 5,247,545 ($[6,547,754 * 0.8] + [10,380 * 0.9]$) gallons. Summing the estimated return and the allowable I&I results in a maximum of 8,939,495 (3,691,950 + 5,247,545) gallons of wastewater that should be treated by the wastewater system without incurring adjustments to operating expenses. Based on the Utility's discharge monitoring reports, the actual amount of wastewater treated was 2,187,000 gallons for 2019. Therefore, the excessive I&I is -6,752,495 gallons, or 0 percent. Staff is not recommending an adjustment to purchased power and chemicals at this time.

Conclusion

Lake Yale's WTP, WWTP, water distribution system and wastewater collection system should be considered 100 percent U&U. Additionally, staff recommends no adjustment to purchased power and chemicals should be made for EUW or excessive I&I at this time. These are preliminary determinations and are subject to change.

Issue 4: What is the appropriate average test year water rate base and wastewater rate base for Lake Yale?

Preliminary Recommendation: The appropriate average test year rate bases for Lake Yale are \$108,617 for water and \$21,188 for wastewater. (Richards)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service (UPIS), land, accumulated amortization, contributions-in-aid-of-construction (CIAC), accumulated amortization of CIAC, and working capital. The Utility's rate base was established as part of its transfer proceeding, in Docket No. 20170220-WS.³ Staff selected the test year ended December 31, 2019, for the instant rate case. Commission 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 and the recommended adjustments follows.

Utility Plant in Service (UPIS)

Lake Yale recorded UPIS of \$396,485 for water and \$438,790 for wastewater. Staff decreased UPIS by \$2,918 for water and increased UPIS by \$500 for wastewater to reflect averaging adjustments. Therefore, staff recommends UPIS balances of \$393,568 (\$396,485 – \$2,918) for water and \$439,290 (\$438,790 + \$500) for wastewater.

Land & Land Rights

The Utility does not own any land. In the 2017 transfer docket, the seller and the Utility entered into an assignment and assumption of agreements as of June 28, 2017. This document includes a 99-year lease dated January 1, 1999, for land associated with the Utility's water and wastewater treatment plants, its water transmission and distribution system, and its wastewater collection system. Therefore, the land balance as of June 30, 2017, is \$0.⁴ There have been no additions to land since the transfer; therefore, no adjustments are necessary.

Used & Useful

As discussed in Issue 3, Lake Yale's WTP and distribution system, as well as its WWTP and collection system, are considered 100 percent U&U. Therefore, no U&U adjustments are necessary.

Accumulated Depreciation

Lake Yale recorded an accumulated depreciation balance of \$279,366 for water and \$409,804 for wastewater. Audit staff made an adjustment decreasing accumulated depreciation by \$3,430 and \$4,538 for water and wastewater. Additionally, staff decreased accumulated depreciation by \$5,467 and \$4,540 to reflect an averaging adjustment for water and wastewater, respectively. Therefore, staff recommends accumulated depreciation balances of \$270,470 (\$279,366 – \$3,430 – \$5,467) for water and \$400,727 (\$409,804 – \$4,538 – \$4,540) for wastewater.

³ Order No. PSC-2018-0554-PAA-WS, issued November 20, 2018, in Docket No. 20170220-WS, *In re: Application for approval of transfer of Lake Yale Treatments Associates, Inc. water and wastewater systems and Certificate Nos. 560-W and 488-S in Lake County to Lake Yale Utilities, LLC.*

⁴ Ibid.

Contributions in Aid of Construction (CIAC)

The Utility recorded a test year CIAC balance of \$132,607 for water and \$121,125 for wastewater. Staff believes that a \$125 meter installation charge for the water system, and plant capacity charges of \$250 and \$425 in the water and wastewater systems respectively, were incorrectly recorded as miscellaneous revenue. Based on staff's review, these amounts should be recorded as CIAC. Staff increased CIAC by \$375 ($\$125 + \250) for water and by \$425 for wastewater to reflect these adjustments. Additionally, staff decreased CIAC by \$188 and \$213 to reflect averaging adjustments for water and wastewater, respectively. Therefore, staff recommends appropriate CIAC balances of \$132,795 ($\$132,607 + \$375 - \188) for water and \$121,338 ($\$121,125 + \$425 - \213) for wastewater.

Accumulated Amortization of CIAC

Lake Yale recorded \$111,539 of accumulated amortization of CIAC for water and \$96,300 for wastewater. Staff increased accumulated amortization of CIAC by \$16 for water to reflect the meter installation charge and plant capacity charge in accordance with Rule 25-30.140, F.A.C. Staff also increased accumulated amortization of CIAC by \$16 for wastewater to reflect the plant capacity charge. Additionally, staff decreased accumulated amortization of CIAC by \$1,936 and \$1,522 to reflect an averaging adjustment for water and wastewater, respectively. Therefore, staff recommends an accumulated amortization of CIAC balance of \$109,620 ($\$111,539 + \$16 - \$1,936$) for water and \$94,794 ($\$96,300 + \$16 - \$1,522$) for wastewater.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(3), F.A.C., staff used one-eighth of the operation and maintenance expense (less rate case expense) formula 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, staff removed the unamortized balance of rate case expense of \$1,220 for water and \$1,095 for wastewater. Staff recommends a working capital allowance of \$8,694 ($\$69,548 \div 8$) for water, based on the adjusted O&M expense of \$69,548 ($\$70,768 - \$1,220$). Further, staff recommends a working capital allowance of \$9,168 ($\$73,347 \div 8$) for wastewater, based on the adjusted O&M expense of \$73,347 ($\$74,442 - \$1,095$).

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$108,617 for water and \$21,188 for wastewater. Rate base is shown on Schedule Nos. 1-A and 1-B. The related adjustments are shown on Schedule No. 1-C.

Issue 5: What is the appropriate return on equity and overall rate of return for Lake Yale?

Preliminary Recommendation: The appropriate return on equity (ROE) is 10.55 percent with a range of 9.55 percent to 11.55 percent. The appropriate rate of return is 5.98 percent. (Richards)

Staff Analysis: The Utility has negative common equity of \$105,271. In accordance with Commission practice, staff set the negative equity to zero.⁵ When reconciled with staff's preliminary rate base, the Utility's capital structure for the test year ended December 31, 2019, has a long-term debt balance of \$129,498 and \$50 in customer deposits. The Utility has no equity.

The Utility's proposed capital structure has been reconciled with staff's preliminary recommended rate base. The appropriate ROE for the Utility is 10.55 percent based upon the Commission-approved leverage formula currently in effect.⁶ Staff recommends an ROE of 10.55 percent, with a range of 9.55 percent to 11.55 percent, and an overall rate of return of 5.98 percent. The ROE and overall rate of return are shown on Schedule No. 2.

⁵ Order Nos. PSC-2019-0461-PAA-SU, issued October 25, 2019, in Docket No. 20180138-SU, *In re: Application for staff-assisted rate in Volusia County by North Peninsula Utilities Corporation*; PSC-2016-0537-PAA-WU, issued November 23, 2016, in Docket No. 20150181-WU, *In re: Application for staff-assisted rate case in Duval County by Neighborhood Utilities, Inc.* PSC-2015-0535-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.*; PSC-2013-0140-PAA-WU, issued March 25, 2013, in Docket No. 20120183-WU, *In re: Application for staff-assisted rate case in Lake County by TLP Water, Inc.*

⁶ Order No. PSC-2020-0222-PAA-WS, issued June 29, 2020, in Docket No. 20200006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

Issue 6: What are the appropriate amounts of test year revenues for Lake Yale?

Preliminary Recommendation: The appropriate test year revenues for Lake Yale are \$68,461 for water and \$57,090 for wastewater. (Sibley)

Staff Analysis: The Utility recorded total test year revenues of \$68,906 for water and \$55,021 for wastewater. The water revenues included \$66,875 of service revenues and \$2,031 of miscellaneous revenues. The wastewater revenues included \$55,021 of service revenues and no miscellaneous revenues.

Subsequent to the test year, Lake Yale was approved for a price index rate adjustment, which was effective June 5, 2020. As a result, staff annualized the test year revenues. Based on staff's review of the Utility's billing determinants and the service rates in effect as of June 5, 2020, staff determined test year service revenues should be \$67,846 for water and \$56,474 for wastewater. This results in test year revenue increases of \$971 (\$67,846 – \$66,875) for water and \$1,453 (\$56,474 – \$55,021) for wastewater.

Staff also made adjustments to the miscellaneous revenues for water and wastewater. Staff decreased Lake Yale's water miscellaneous revenues by \$800 to remove water and wastewater service availability charges that were erroneously reflected in miscellaneous revenues. This results in miscellaneous revenues of \$1,231 (\$2,031 – \$800). The Utility recorded all miscellaneous revenues to the water system. When both water and wastewater services are provided, only a single miscellaneous service charge is appropriate. Since the customers are the same for both water and wastewater, staff allocated the miscellaneous revenues between the two systems. Therefore, staff determined miscellaneous revenues to be \$615 for the water system and \$616 for the wastewater system.

Based on the above, the appropriate test year revenues for Lake Yale are \$68,461 (\$67,846 +\$615) for water and \$57,090 (\$56,474 +\$616) for wastewater.

Issue 7: What are the appropriate amount of operating expenses for Lake Yale Utility?

Preliminary Recommendation: The appropriate amounts of operating expenses are \$85,083 for the water system and \$90,899 for the wastewater system. These are preliminary determinations and are subject to change. (Richards, P. Buys)

Staff Analysis: The Utility recorded operating expense of \$79,426 for water and \$81,796 for wastewater. The test year operation and maintenance (O&M) expenses have been reviewed by staff, including invoices and other supporting documentation. Staff has made several adjustments to the Utility's operating expenses as discussed below.

Operation & Maintenance Expense

The Commission approved common O&M expenses to be shared by all utilities operating under the parent company, Florida Utility Services 1 (FUS1). The O&M common costs are allocated among all of the utilities in the FUS1 system based on number of customers.⁷ Based on the number of customers for Lake Yale, the allocation of FUS1 common costs for this Utility is 6 percent for water and 6 percent for wastewater.

Salaries and Wages – Employees (601 / 701)

Lake Yale recorded salaries and wages expense for employees of \$21,682 for water and \$21,862 for wastewater. Staff increased this amount by \$4,443 for both water and wastewater to reflect the Utility's allocated portion of a \$74,046 increase approved in Docket No. 20200152-WS.⁸ This amount included salary increases for eight positions and the addition of one new Compliance Technician position. Therefore, staff's preliminary recommendation for salaries and wages expense for the test year is \$26,125 (\$21,682 + \$4,443) for water and \$26,125 (\$21,682 + \$4,443) for wastewater.

Purchased Power (615/715)

Lake Yale recorded purchased power of \$3,355 for water and \$7,095 for wastewater. Staff increased purchased power for water by \$152 to reflect the actual amount spent, less any reimbursements. Additionally, staff increased purchased power for wastewater by \$1,304 to reflect an increase in energy usage. While staff included the adjustments for purposes of the staff report, it notes that both adjustments require additional review. Therefore, staff recommends purchased power expense for the test year is \$3,507 (\$3,355 + \$152) for water and \$8,399 (\$7,095 + \$1,304) for wastewater.

Contractual Services – Testing (635/735)

The Utility recorded contractual services – testing expense of \$3,493 for water and \$3,180 wastewater. As a result of the staff audit, contractual services – testing was decreased by \$15 for wastewater because an invoice was overstated in the general ledger. Staff made no adjustment to contractual services – testing for water. Therefore, staff's preliminary recommendation for

⁷ Order No. PSC-2019-0503-PAA-SU, issued November 25, 2019, in Docket No. 20180202-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.*

⁸ Order No. PSC-2020-0396-PAA-WS, issued October 22, 2020, in Docket No. 20200152-WS, *In re: Application for a limited alternative rate increase proceeding in Polk and Marion Counties, by Alturas Water, LLC, Sunrise Water, LLC, Pinecrest Utilities, LLC, and East Marion Utilities, LLC.*

contractual services – testing expense for the test year is \$3,493 for water and \$3,165 (\$3,180 – \$15) for wastewater.

Contractual Services – Other (636/736)

The Utility recorded contractual services – other expense of \$6,511 for water and \$5,583 for wastewater. The \$6,511 for water reflects direct expense of \$6,447 in addition to a common expense of \$64 allocated for FUS1. The \$5,583 for wastewater reflects direct expense of \$5,519 in addition to a common expense of \$64 allocated for FUS1. Staff increased this amount by \$80 for both water and wastewater to reflect the allocated portion of replacing an air conditioning system at FUS1's New Port Richey offices. The total cost for the system was \$6,650. The Commission approved the expense of the air conditioning system in Docket No. 20200152-WS, and determined that the cost should be amortized over five years.⁹ As such, staff increased contractual services – other for all FUS1 systems by \$1,330 ($\$6,650 \div 5$ years). The allocated portion attributable to Lake Yale is \$80 each for water and wastewater. For purposes of the staff report, staff increased contractual services – other for water by \$15 to reflect an increase in operations, and increased wastewater by \$585 to reflect lake and wetland service expenses, but notes that both adjustments require additional review. Therefore, staff's preliminary recommendation for contractual services – other expense for the test year is \$6,605 ($\$6,511 + \$80 + \15) for water and \$6,247 ($\$5,583 + \$80 + \585) for wastewater.

Insurance Expense (655 / 755)

The Utility recorded insurance expense of \$3,082 for water and \$3,082 wastewater for the test year. This reflects Lake Yale's direct expense of \$1,921 in addition to a common expense of \$1,161 allocated for FUS1 for each system. Additionally, staff increased insurance expense by \$428 in both water and wastewater to reflect the allocated portion of a \$7,130 increase approved by the Commission in Docket No. 20200152-WS.¹⁰ This increase covers auto insurance based on the premium for the policy period November 2019 through November 2020 as reflected in support documentation in that docket. The amount also includes a \$200 increase for workman's compensation insurance based on the estimated premium for November 2019 to November 2020. Therefore, staff's preliminary recommendation for insurance expense for the test year is \$3,510 ($\$3,082 + \428) for water and \$3,510 ($\$3,082 + \428) for wastewater.

Regulatory Commission Expense (665 / 765)

Lake Yale recorded regulatory commission expense of \$843 for both water and wastewater, to reflect the 2019 amortized amount of regulatory commission expense incurred as part of the 2018 transfer.¹¹ The Utility did not record any other rate case expense.

Regarding the instant case, the Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, the interim rates as approved by Order No. PSC-2020-0310-PCO-WS, final rates, and four-year rate reduction. Staff estimates noticing costs to be \$1,016, which should be split evenly between water and wastewater. Staff did not include any travel expense as the

⁹ Ibid.

¹⁰ Ibid.

¹¹ Order No. PSC-2018-0554-PAA-WS, issued November 20, 2018, in Docket No. 20170220-WS, *In re: Application for approval of transfer of Lake Yale Treatments Associates, Inc. water and wastewater systems and Certificate Nos. 560-W and 488-S in Lake County to Lake Yale Utilities, LLC.*

customer meeting and Commission Conference are currently scheduled to be held remotely. Additionally, the Utility paid a \$1,000 filing fee for water and a \$500 filing fee for wastewater.¹² Staff recommends noticing costs and filing fee for water of \$1,508 (\$1,000 + \$508), which amortized over four years is \$377 ($\$1,508 \div 4$). Additionally, staff recommends noticing costs and filing fee for wastewater of \$1,008 (\$500 + \$508), which amortized over four years is \$252 ($\$1,008 \div 4$). Therefore, staff's preliminary recommendation for regulatory commission expense is \$1,220 ($\$843 + \377) for water and \$1,095 ($\$843 + \252) for wastewater.

Bad Debt Expense (670 / 770)

The Utility recorded bad debt expense of \$391 for water and \$0 for wastewater for the test year. Staff believes that it is likely that bad debt expense may have increased since the end of the test year as a result of the financial difficulties some customers may have experienced due to the COVID-19 pandemic. For purposes of the staff report, staff increased bad debt expense by \$978 for water and \$1,142 for wastewater to reflect bad debt as 2 percent of revenues for the Utility, but notes that the preliminary recommended increase requires additional review. Therefore, staff recommends, on a preliminary basis, bad debt expense for the test year of \$1,369 ($\$391 + \978) for water and \$1,142 for wastewater.

Operation and Maintenance Expense Summary

The Utility recorded O&M expenses of \$64,296 for water and \$66,224 for wastewater for the test year. Based on the above adjustments, staff recommends that the O&M expense balance be increased by \$6,473 and \$8,218 for water and wastewater, respectively. This increase results in a total O&M expense of \$70,768 ($\$64,296 + \$6,473$) for water and \$74,442 ($\$66,224 + \$8,218$) for wastewater. Staff's recommended adjustments to O&M expense are reflected on Schedule Nos. 3-C and 3-E.

Depreciation Expense

The Utility's records reflect test year depreciation expense of \$11,530 for water and \$13,045 for wastewater for the test year. Staff calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and found that no adjustments were necessary. Therefore, staff recommends net depreciation expense of \$11,530 for water and \$13,045 for wastewater.

Amortization Expense

The Utility recorded amortization expense of \$2,056 for water and \$2,504 for wastewater. As result of the staff audit, increases of \$1,801 and \$1,097 were made to water and wastewater amortization expense, respectively. Additionally, staff increased both water and wastewater by \$16 to reflect the CIAC adjustments previously discussed in Issue 4. Therefore, staff recommends an amortization expense of \$3,873 ($\$2,056 + \$1,801 + \16) for water and \$3,617 ($\$2,504 + \$1,097 + \16) for wastewater.

Taxes Other Than Income (TOTI)

Lake Yale recorded TOTI of \$5,657 for water and \$5,032 for wastewater. As a result of the staff audit, an adjustment was made to decrease the water amount by \$25 and increase the wastewater amount by \$21. Staff further decreased TOTI by \$14 for water and increased it by \$53 for

¹² Document No. 04296-2020, filed on August 7, 2020.

wastewater to reflect the appropriate Regulatory Assessment Fees (RAFs) based on corrected Utility test year revenues.

As discussed in Issue 6, revenues have been increased by \$23,119 for water and \$42,742 for wastewater to reflect the change in revenue required to cover expenses and allow an opportunity to earn the recommended rate of return for water, and allow an opportunity to recover the operating margin on wastewater. As a result, TOTI should be increased by \$1,040 for water and \$1,923 for wastewater to reflect RAFs of 4.5 percent of the change in revenues. Therefore, staff is recommending TOTI of \$6,658 ($\$5,657 - \$25 - \$14 + \$1,040$) for water and \$7,029 ($\$5,032 + \$21 + \$53 + \$1,923$) for wastewater.

Operating Expenses Summary

The application of staff's recommended adjustments to the Utility's test year operating expenses result in a total operating expense of \$85,083 for water and \$90,899 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B for water and wastewater. The related adjustments are shown on Schedule No. 3-C. These are preliminary determinations and are subject to change.

Issue 8: Does Lake Yale meet the criteria for the application of the Operating Ratio Methodology?

Preliminary Recommendation: Yes. Lake Yale meets the requirement for application of the operating ratio methodology for calculating the wastewater revenue requirement. The margin should be 12 percent of wastewater O&M expenses. (D. Brown)

Staff Analysis: Rule 25-30.4575(2), F.A.C., provides that, in rate cases processed under Rule 25-30.455, F.A.C., the Commission will use the operating ratio methodology to establish the utility's revenue requirement when the utility's rate base is no greater than 125 percent of O&M expenses and the use of the operating ratio methodology does not change the utility's qualification for a SARC. Under the operating ratio methodology, instead of calculating the utility's revenue requirement based on a rate of return on the utility's rate base, the revenue requirement is calculated using a margin of 12 percent of O&M expenses, not to exceed \$15,000. Purchased water and wastewater must be removed from O&M expenses prior to calculating the margin of 12 percent.

As discussed in Issues 4 and 7, staff has recommended a rate base of \$108,617 for water and \$21,188 for wastewater and O&M expense of \$70,768 for water and \$74,442 for wastewater. Based on the recommended amounts, Lake Yale's water rate base exceeds 125 percent of O&M expense, and as a result does not qualify for the operating ratio methodology. Wastewater rate base on the other hand is only 28.46 percent of its O&M expense. In addition, the application of the operating ratio methodology does not change the wastewater system's qualification for a SARC. As such, Lake Yale's wastewater system meets the criteria for the operating ratio methodology established in Rule 25-30.4575(2), F.A.C. Therefore, staff recommends the application of the operating ratio methodology at a margin of 12 percent of O&M expense for determining the wastewater revenue requirement.

Issue 9: What are the appropriate revenue requirements for Lake Yale?

Preliminary Recommendation: The appropriate revenue requirements are \$91,580 and \$99,832 for water and wastewater, respectively. These revenue requirements result in annual increases of \$23,119 (33.77 percent) and \$42,742 (74.87 percent) for water and wastewater, respectively. (D. Brown)

Staff Analysis: Lake Yale should be allowed annual increases of \$23,119 (33.77 percent) for water and \$42,742 (74.87 percent) for wastewater. This should allow the Utility the opportunity to recover its expenses and earn a 5.98 percent return on its water system investment and a 12.00 percent margin on wastewater O&M. The calculations for water and wastewater are shown in Tables 9-1 and 9-2, respectively:

**Table 9-1
Water Revenue Requirement**

Rate Base	\$108,617
Rate of Return (%)	<u>x 5.98%</u>
Return on Rate Base	\$6,497
O&M Expense	70,768
Depreciation Expense (Net)	7,657
Taxes Other Than Income	<u>6,658</u>
Revenue Requirement	\$91,580
Less Adjusted Test Year Revenues	<u>68,461</u>
Annual Increase	<u>\$23,119</u>
Percent Increase	<u>33.77%</u>

Table 9-2
Wastewater Revenue Requirement

O&M Expense	\$74,442
Operating Margin (%)	<u>x 12.00%</u>
Operating Margin	\$8,933
O&M Expense	74,442
Depreciation Expense (Net)	9,428
Taxes Other Than Income	<u>7,029</u>
Revenue Requirement	\$99,832
Less Adjusted Test Year Revenues	<u>57,090</u>
Annual Increase	<u>\$42,742</u>
Percent Increase	<u>74.87%</u>

Issue 10: What are the appropriate rate structures and rates for Lake Yale?

Preliminary Recommendation: The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Sibley)

Staff Analysis:

Water Rates

Lake Yale is located in Lake County within the Southwest Florida Water Management District. The Utility provides water service to approximately 298 residential customers of which 88 customers have separate meters for residential irrigation. In addition, Lake Yale has one general service customer. Approximately 44 percent of the residential customer bills during the test year had 1,000 gallons or less, indicating a seasonal customer base. The average residential water demand is 2,279 gallons per month. The average water demand for customer bills greater than 1,000 gallons is 3,947 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.

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

Since the customer base is seasonal, staff recommends that 55 percent of the water revenues be generated from the BFC, which will provide revenue stability and 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.¹³ Staff recommends a BFC and a two-tier inclining block rate structure, which includes separate gallonage charges for non-discretionary and discretionary usage for residential water customers. The rate blocks are: (1) 0-5,000 gallons and (2) all usage in excess of 5,000 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 second tier provides an additional pricing signal to customers using in excess of

¹³ Average person per household was obtained from www.census.gov/quickfacts/lakecountyflorida.

5,000 gallons of water per month, which includes approximately 23 percent of the water demand. General service customers should be billed a BFC and uniform gallonage charge.

Based on the customer billing data provided by the Utility, approximately 23 percent of total residential consumption is discretionary and subject to the effects of repression. Customers will typically reduce their discretionary consumption in response to a price increase, while non-discretionary consumption remains relatively unresponsive. Based on a recommended revenue increase of 34.1 percent for water, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 870,000 gallons resulting in anticipated average residential demand of 2,091 gallons per month. Staff recommends an 8.3 percent reduction in test year residential gallons for rate setting purposes and corresponding reductions of \$289 for purchased power, \$321 for chemicals, and \$29 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$90,325.

Wastewater Rates

The Utility provides wastewater service to 298 residential customers and 1 general service customer. Currently, the residential wastewater rate structure consists of a uniform BFC for all meter sizes and a gallonage charge with a 10,000 gallonage cap. The general service rate structure consists of a uniform BFC for all meter sizes and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

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

Consistent with Commission practice, staff allocated 50 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants.¹⁴ Lake Yale's current residential wastewater cap is 10,000 gallons per month. It is Commission practice to set the wastewater cap at approximately 80 percent of residential water gallons sold, which typically results in gallonage caps of 6,000, 8,000, or 10,000.

The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. However, due to the seasonality of the Utility's customer base, 80 percent of the total water sold is captured at 3,000 gallons, which is lower than gallonage caps typically approved for wastewater. Although staff typically bases its recommended residential wastewater cap on 80 percent of the total water sold, in this case, it would yield an exceptionally low residential wastewater cap. In addition, staff believes that lowering the gallonage cap below 6,000 gallons would have an adverse effect on the residential gallonage charge and resulting customer bills. Therefore, staff believes that 6,000 gallons per month is a reasonable residential wastewater cap. Additionally, staff recommends that the general service gallonage charge be 1.2 times greater than the residential gallonage charge which is consistent with Commission practice.

¹⁴ Order No. PSC-2020-0119-PAA-WS, issued April 20, 2020, in Docket No. 20190113-WS, *Application for staff-assisted rate case in Manatee County by Heather Hills Utilities, LLC*.

Wastewater rates are calculated based on customers' water demand; if those customers' water demand is expected to decline, then the billing determinants used to calculate wastewater rates should also be adjusted. However, in this instance, the water demand includes a significant amount of irrigation usage, which is measured through a separate water meter. This irrigation usage does not return to the wastewater system and is not used as billing determinants to calculate wastewater rates. As a result of the Utility's low average water consumption and the irrigation usage, the regression adjustment in this case is de minimis. Staff recommends no regression adjustment for wastewater.

Conclusion

Based on the above, the recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of this notice.

Date: November 13, 2020

Issue 11: What are the appropriate initial customer deposits for Lake Yale's water and wastewater systems?

Preliminary Recommendation: The appropriate initial customer deposit for the residential 5/8 inch x 3/4 inch meter size should be \$38 for water and \$62 for wastewater. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill. The approved initial customer deposits should 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 should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding. (Sibley)

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. Currently, the Utility's initial customer deposit for the 5/8 inch x 3/4 inch meter size is \$28 for water and \$33 for wastewater. For the general service meter sizes, initial customer deposits are two times the average estimated bill. However, these amounts do not cover two months' average bills based on staff's recommended rates. The Utility's anticipated post repression average monthly residential usage is 2,091 gallons per customer. Therefore, the average residential monthly bill is approximately \$18.86 for water and \$30.92 for wastewater service based on the staff's recommended rates.

Staff recommends the appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size should be \$38 for water and \$62 for wastewater. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill. The approved initial customer deposits should 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 should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

Issue 12: Should Lake Yale be authorized to collect Non-Sufficient Funds (NSF) charges?

Preliminary Recommendation: Yes. Lake Yale should be authorized to collect NSF charges. Staff recommends that Lake Yale revise its tariffs to reflect the NSF charges currently set forth in Section 68.065, F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the charges should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given within 10 days of the date of the notice. (Sibley)

Staff Analysis: Section 367.091, F.S., requires that rates, charges, and customer service policies be approved by the Commission. The Commission has authority to establish, increase, or change a rate or charge. Staff believes that Lake Yale should be authorized to collect NSF charges consistent with Section 68.065, F.S., which allows for the assessment of charges for the collection of worthless checks, drafts, or orders of payment. As currently set forth in Sections 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 prior Commission decisions.¹⁵ 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, staff recommends that Lake Yale revise its tariffs to reflect the NSF charges currently set forth in Section 68.065, F.S. The NSF charges should 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 should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given within 10 days of the date of the notice.

¹⁵ Order Nos. PSC-202-0402-PAA-WU, issued October 26, 2020, in Docket No. 20200155-WU, *In re: Application for certificate to operate water utility in Okaloosa County and application for pass through increase of regulatory assessment fees, by Okaloosa Waterworks, Inc.*; and PSC-2020-0086-PAA-WU, issued 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.*

Issue 13: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense?

Preliminary Recommendation: The rates should be reduced as shown on Schedule No. 4-A and 4-B, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S. Lake Yale 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. (Sibley, D. Brown)

Staff Analysis: 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 reductions are \$395 for water and \$264 for wastewater.

Staff recommends that the rates should be reduced as shown on Schedule No. 4-A and 4-B, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S. Lake Yale 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 published effective date to reflect the removal of the amortized rate case expense.

Issue 14: Should the recommended rates be approved for Lake Yale on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility?

Preliminary Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Lake Yale should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (D. Brown) (Procedural Agency Action)

Staff Analysis: This recommendation proposes an increase in rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the utility, staff recommends that the recommended rates be approved as temporary rates. Lake Yale should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

Lake Yale should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$15,421 for water and \$28,510 for wastewater. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond should contain wording to the effect that it will be terminated only under the following conditions:

1. The Commission approves the rate increase; or,
2. If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If the Utility chooses a letter of credit as a security, it should contain the following conditions:

1. The letter of credit is irrevocable for the period it is in effect.
2. The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions should be part of the agreement:

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

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase should be maintained by the Utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's office 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 should also indicate the status of the security being used to guarantee repayment of any potential refund.

Issue 15: Should the Utility be required to notify the Commission in writing that it has adjusted its books in accordance with the Commission's decision?

Preliminary Recommendation: Yes. Lake Yale should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Lake Yale should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable National Association of Regulatory and Utility Commissioners Uniform System of Accounts (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. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (D. Brown) (Procedural Agency Action)

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

LAKE YALE UTILITIES, LLC		SCHEDULE NO. 1-A	
TEST YEAR ENDED 12/31/2019		DOCKET NO. 20200169-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$396,485	(\$2,918)	\$393,568
2. LAND & LAND RIGHTS	0	0	0
3. ACCUMULATED DEPRECIATION	(279,366)	8,897	(270,470)
4. CIAC	(132,607)	(188)	(132,795)
5. ACCUMULATED AMORTIZATION OF CIAC	111,539	(1,919)	109,620
6. ACQUISITION ADJUSTMENT (NET)	0	0	0
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>8,694</u>	<u>8,694</u>
8. WATER RATE BASE	<u>\$96,051</u>	<u>\$12,566</u>	<u>\$108,617</u>

LAKE YALE UTILITIES, LLC TEST YEAR ENDED 12/31/2019 SCHEDULE OF WASTEWATER RATE BASE		SCHEDULE NO. 1-B DOCKET NO. 20200169-WS		
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST.	BALANCE PER STAFF	
1. UTILITY PLANT IN SERVICE	\$438,790	\$500	\$439,290	
2. LAND & LAND RIGHTS	0	0	0	
3. ACCUMULATED DEPRECIATION	(409,804)	9,078	(400,727)	
4. CIAC	(121,125)	(213)	(121,338)	
5. ACCUMULATED AMORTIZATION OF CIAC	96,300	(1,506)	94,794	
6. ACQUISITION ADJUSTMENT (NET)	0	0	0	
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>9,168</u>	<u>9,168</u>	
8. WASTEWATER RATE BASE	<u>\$4,161</u>	<u>\$17,027</u>	<u>\$21,188</u>	

LAKE YALE UTILITIES, LLC		SCHEDULE NO. 1-C	
TEST YEAR ENDED 12/31/2019		DOCKET NO. 20200169-WS	
ADJUSTMENTS TO RATE BASE			
	<u>WATER</u>	<u>WASTEWATER</u>	
<u>UTILITY PLANT IN SERVICE</u>			
To reflect an averaging adjustment.	<u>\$2,918</u>	<u>\$500</u>	
<u>ACCUMULATED DEPRECIATION</u>			
1. To reflect an auditing adjustment.	\$3,430	\$4,538	
2. To reflect an averaging adjustment.	<u>5,467</u>	<u>4,540</u>	
Total	<u>\$8,897</u>	<u>\$9,078</u>	
<u>CIAC</u>			
1. To reflect a meter installation charge.	(\$125)	\$0	
2. To reflect a plant capacity charge.	(250)	(425)	
3. To reflect an averaging adjustment.	<u>188</u>	<u>213</u>	
Total	<u>(\$188)</u>	<u>(\$213)</u>	
<u>ACCUMULATED AMORTIZATION OF CIAC</u>			
1. To reflect a meter installation charge.	\$7	\$0	
2. To reflect a plant capacity charge.	9	16	
3. To reflect an averaging adjustment.	<u>(1,936)</u>	<u>(1,522)</u>	
Total	<u>(\$1,919)</u>	<u>(\$1,506)</u>	
<u>WORKING CAPITAL ALLOWANCE</u>			
To reflect 1/8 of test year O&M expenses.	<u>\$8,694</u>	<u>\$9,168</u>	

LAKE YALE UTILITIES, LLC TEST YEAR ENDED 12/31/2020 SCHEDULE OF CAPITAL STRUCTURE							SCHEDULE NO. 2 DOCKET NO. 20200169-WS		
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE AFTER ADJUSTMENT	PRO RATA ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST	
1. COMMON STOCK	\$0	\$0	\$0	\$0	\$0	0.00%			
2. RETAINED EARNINGS	(105,271)	105,271	0	0	0	0.00%			
3. PAID IN CAPITAL	368	0	368	(368)	0	0.00%			
4. OTHER EQUITY	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>			
TOTAL EQUITY	<u>(\$104,903)</u>	<u>\$105,271</u>	<u>\$368</u>	<u>(\$368)</u>	<u>\$0</u>	<u>0.00%</u>	10.55%	0.00%	
5. LONG-TERM DEBT	\$135,124	\$0	\$135,124	(\$5,369)	\$129,755	99.96%			
6. SHORT-TERM DEBT	0	0	0	0	0	0.00%			
7. PREFERRED STOCK	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>			
TOTAL DEBT	<u>\$135,124</u>	<u>\$0</u>	<u>\$135,124</u>	<u>(\$5,369)</u>	<u>\$129,755</u>	<u>99.96%</u>	5.98%	5.98%	
8. CUSTOMER DEPOSITS	\$50	\$0	\$50	\$0	\$50	0.04%	2.00%	0.00%	
9. DEFERRED INCOME TAXES	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
10. TOTAL	<u>\$30,271</u>	<u>\$105,271</u>	<u>\$135,542</u>	<u>(\$5,736)</u>	<u>\$129,806</u>	<u>100.00%</u>		<u>5.98%</u>	
<u>RANGE OF REASONABLENESS</u>									
RETURN ON EQUITY							<u>LOW</u>	<u>HIGH</u>	
OVERALL RATE OF RETURN							9.55%	11.55%	
							5.98%	5.98%	

LAKE YALE UTILITIES, LLC		SCHEDULE NO. 3-A			
TEST YEAR ENDED 12/31/2019		DOCKET NO. 20200169-WS			
SCHEDULE OF WATER OPERATING INCOME					
	PER UTILITY	STAFF ADJUST- METNS	STAFF ADJUSTED TEST YEAR	ADJUST FOR INCREASE	REV. REQ.
1. TOTAL OPERATING REVENUE	<u>\$68,906</u>	<u>(\$445)</u>	<u>\$68,461</u>	<u>\$23,119</u> 33.77%	<u>\$91,580</u>
OPERATING EXPENSES					
2. OPERATION & MAINTENANCE	\$64,296	\$6,473	\$70,768	\$0	\$70,768
3. DEPRECIATION (NET)	11,530	0	11,530	0	11,530
4. AMORTIZATION (NET)	(2,056)	(1,817)	(3,873)	0	(3,873)
5. TAXES OTHER THAN INCOME	5,657	(39)	5,618	1,040	6,658
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSE	<u>\$79,426</u>	<u>\$4,617</u>	<u>\$84,043</u>	<u>\$1,040</u>	<u>\$85,083</u>
7. OPERATING INCOME / LOSS	<u>(\$10,520)</u>		<u>(\$15,582)</u>		<u>\$6,497</u>
8. WATER RATE BASE	<u>\$96,051</u>		<u>\$12,566</u>		<u>\$108,617</u>
9. RATE OF RETURN					<u>5.98%</u>

LAKE YALE UTILITIES, LLC TEST YEAR ENDED 12/31/2019 SCHEDULE OF WASTEWATER OPERATING INCOME		SCHEDULE NO. 3-B DOCKET NO. 20200169-WS			
	PER UTILITY	STAFF ADJUST- METNS	STAFF ADJUSTED TEST YEAR	ADJUST FOR INCREASE	REV. REQ.
1. TOTAL OPERATING REVENUE	<u>\$55,021</u>	<u>\$2,069</u>	<u>\$57,090</u>	<u>\$42,742</u> 74.87%	<u>\$99,832</u>
OPERATING EXPENSES					
2. OPERATION & MAINTENANCE	\$66,224	\$8,218	\$74,442	\$0	\$74,442
3. DEPRECIATION (NET)	13,045	0	13,045	0	13,045
4. AMORTIZATION (NET)	(2,504)	(1,113)	(3,617)	0	(3,617)
5. TAXES OTHER THAN INCOME	5,032	74	5,106	1,923	7,029
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSE	<u>\$81,796</u>	<u>\$7,179</u>	<u>\$88,976</u>	<u>\$1,923</u>	<u>\$90,899</u>
7. OPERATING INCOME / LOSS	<u>(\$26,775)</u>		<u>(\$31,886)</u>		<u>\$8,933</u>
8. WASTEWATER RATE BASE	<u>\$4,161</u>		<u>\$17,027</u>		<u>\$21,188</u>
9. OPERATING MARGIN					<u>12.00%</u>

LAKE YALE UTILITIES, LLC		SCHEDULE NO. 3-C	
TEST YEAR ENDED 12/31/2019		DOCKET NO. 20200169-W5	
ADJUSTMENTS TO OPERATING INCOME			
	<u>WATER</u>	<u>WASTEWATER</u>	
OPERATING REVENUES			
1. To reflect an auditing adjustment to Service Revenues.	(\$132)	\$893	
2. To reflect the appropriate test year Service Revenues.	1,103	560	
3. To reflect the appropriate test year Miscellaneous Revenues.	<u>(1,416)</u>	<u>616</u>	
Total	<u>(\$445)</u>	<u>\$2,069</u>	
OPERATION AND MAINTENANCE EXPENSE			
1. Salaries and Wages – Employees (601/701)			
To reflect 6 percent allocated increase.	<u>\$4,443</u>	<u>\$4,443</u>	
2. Purchased Power (615/715)			
a. To reflect actual amount spent, less any reimbursements.	\$152	\$0	
b. To reflect an increase in energy usage.	<u>0</u>	<u>1,304</u>	
Total	<u>\$152</u>	<u>\$1,304</u>	
3. Contractual Services – Testing (635/735)			
To reflect an auditing adjustment.	<u>\$0</u>	<u>(\$15)</u>	
4. Contractual Services – Other (636/736)			
a. To reflect 6 percent allocated increase.	\$80	\$80	
b. To reflect an increase in water operations.	15	0	
c. To reflect lake and wetland service expenses.	<u>0</u>	<u>585</u>	
Total	<u>\$95</u>	<u>\$665</u>	
5. Insurance Expense (655/755)			
To reflect 6 percent allocated increase.	<u>\$428</u>	<u>\$428</u>	
6. Regulatory Commission Expense (665/765)			
To reflect 1/4 rate case expense.	<u>\$377</u>	<u>\$252</u>	
7. Bad Debt Expense (670/770)			
To reflect 2 percent of test year revenues.	<u>\$978</u>	<u>\$1,142</u>	
TOTAL OPERATION AND MAINTENANCE ADJUSTMENTS	<u>\$6,473</u>	<u>\$8,218</u>	
AMORTIZATION EXPENSE (NET)			
1. To reflect an auditing adjustment.	(\$1,801)	(\$1,097)	
2. To reflect CIAC adjustment to Miscellaneous Revenues.	<u>(16)</u>	<u>(16)</u>	
Total	<u>(\$1,817)</u>	<u>(\$1,113)</u>	
TAXES OTHER THAN INCOME			
1. To reflect an auditing adjustment.	(\$25)	\$21	
2. To reflect appropriate test year RAFs.	<u>(14)</u>	<u>53</u>	
Total	<u>(\$39)</u>	<u>\$74</u>	
TOTAL OPERATING EXPENSE	<u>\$4,617</u>	<u>\$7,179</u>	

LAKE YALE UTILITIES, LLC		SCHEDULE NO. 3-D		
TEST YEAR ENDED 12/31/2019		DOCKET NO. 20200169-WS		
ANALYSIS OF WATER O&M EXPENSE				
ACCT. #	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
601	Salaries and Wages – Employees	\$21,682	\$4,443	\$26,125
603	Salaries and Wages – Officers	4,800	0	4,800
604	Employee Pensions and Benefits	1,080	0	1,080
615	Purchased Power	3,355	152	3,507
618	Chemicals	3,892	0	3,892
620	Materials and Supplies	5,794	0	5,794
631	Contractual Services – Professional	1,256	0	1,256
635	Contractual Services – Testing	3,493	0	3,493
636	Contractual Services – Other	6,511	95	6,605
640	Rents	1,869	0	1,869
650	Transportation Expense	2,313	0	2,313
655	Insurance Expense	3,082	428	3,510
665	Regulatory Commission Expense	843	377	1,220
670	Bad Debt Expense	391	978	1,369
675	Miscellaneous Expenses	<u>3,935</u>	<u>0</u>	<u>3,935</u>
	Total O&M Expense	<u>\$64,296</u>	<u>\$6,473</u>	<u>\$70,768</u>
	Working Capital is 1/8 O&M Less RCE			8,694

LAKE YALE UTILITIES, LLC		SCHEDULE NO. 3-E		
TEST YEAR ENDED 12/31/2019		DOCKET NO. 20200169-WS		
ANALYSIS OF WASTEWATER O&M EXPENSE				
ACCT. #	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
701	Salaries and Wages – Employees	\$21,682	\$4,443	\$26,125
703	Salaries and Wages – Officers	4,800	0	4,800
704	Employee Pensions and Benefits	1,080	0	1,080
711	Sludge Removal Expense	4,686	0	4,686
715	Purchased Power	7,095	1,304	8,399
718	Chemicals	2,594	0	2,594
720	Materials and Supplies	2,683	0	2,683
731	Contractual Services – Professional	835	0	835
735	Contractual Services – Testing	3,180	(15)	3,165
736	Contractual Services – Other	5,583	665	6,247
740	Rents	1,869	0	1,869
750	Transportation Expense	2,313	0	2,313
755	Insurance Expense	3,082	428	3,510
765	Regulatory Commission Expense	843	252	1,095
770	Bad Debt Expense	0	1,142	1,142
775	Miscellaneous Expenses	<u>3,899</u>	<u>0</u>	<u>3,899</u>
	Total O&M Expense	<u>\$66,224</u>	<u>\$8,218</u>	<u>\$74,442</u>
	Working Capital is 1/8 O&M Less RCE			\$9,168

LAKE YALE UTILITIES, LLC.		SCHEDULE NO. 4-A	
TEST YEAR ENDED DECEMBER 30, 2019		DOCKET NO. 20200169-WS	
MONTHLY WATER RATES			
	UTILITY CURRENT RATES	STAFF PRELIMINARY RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$10.35	\$10.73	\$0.05
3/4"	\$15.53	\$16.10	\$0.07
1"	\$25.88	\$26.83	\$0.12
1-1/2"	\$51.75	\$53.65	\$0.24
2"	\$82.80	\$85.84	\$0.38
3"	\$165.60	\$171.68	\$0.76
4"	\$258.75	\$268.25	\$1.18
6"	\$517.50	\$536.50	\$2.36
8"	\$828.00	\$858.40	\$3.78
Charge per 1,000 gallons - Residential Service			
All gallons	\$1.89	N/A	N/A
0 - 5,000 gallons	N/A	\$3.89	\$0.02
Over 5,000 gallons	N/A	\$5.83	\$0.03
Charge per 1,000 gallons - General Service	\$1.89	\$4.20	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$16.02	\$22.40	
6,000 Gallons	\$21.69	\$36.01	
8,000 Gallons	\$25.47	\$47.67	

LAKE YALE UTILITIES, LLC		SCHEDULE NO. 4-B			
TEST YEAR ENDED DECEMBER 31, 2019		DOCKET NO. 20200169-WS			
MONTHLY WASTEWATER RATES					
	UTILITY CURRENT RATES	COMMISSION APPROVED INTERIM RATES**	STAFF PRELIMINARY RECOMMENDED RATES	4 YEAR RATE REDUCTION	
<u>Residential Service</u>					
Base Facility Charge - All Meter Sizes	\$10.86	\$12.60	\$13.90	\$0.04	
Charge per 1,000 gallons 10,000 gallon cap	\$2.77	\$3.21	N/A	N/A	
Charge per 1,000 gallons 6,000 gallon cap	N/A	N/A	\$8.14	\$0.02	
<u>General Service</u>					
Base Facility Charge by Meter Size					
5/8"X3/4"	\$10.86	\$12.60	\$13.90	\$0.04	
3/4"	\$16.29	\$18.90	\$20.85	\$0.06	
1"	\$27.15	\$31.50	\$34.75	\$0.09	
1-1/2"	\$54.30	\$63.00	\$69.50	\$0.19	
2"	\$86.88	\$100.80	\$111.20	\$0.30	
3"	\$173.76	\$201.60	\$222.40	\$0.60	
4"	\$271.50	\$315.00	\$347.50	\$0.94	
6"	\$543.00	\$630.00	\$695.00	\$1.88	
8"	\$868.80	\$1,008.00	\$1,112.00	\$1.88	
Charge per 1,000 gallons	\$3.30	\$3.83	\$9.77	\$0.03	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>					
3,000 Gallons	\$19.17	\$22.23	\$38.32		
6,000 Gallons	\$27.48	\$31.86	\$62.74		
8,000 Gallons	\$33.02	\$38.28	\$62.74		
** The Utility has not implemented interim rates					