

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Polk County by West Lakeland Wastewater,
LLC.

DOCKET NO. 20180202-SU
ORDER NO. PSC-2019-0503-PAA-SU
ISSUED: November 25, 2019

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
JULIE I. BROWN
DONALD J. POLMANN
GARY F. CLARK
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING RATE INCREASE FOR WEST LAKELAND WASTEWATER, LLC,
AND FINAL ORDER ON RECOVERY OF RATE CASE EXPENSES,
TEMPORARY RATES, AND ACCOUNTING ADJUSTMENTS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the actions discussed herein, except for (1) the reduction of rates after four years based upon the recovery of rate case expense, (2) the granting of temporary rates in the event of protest, and (3) the requirement for proof of adjustment of books and records, are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.). The reduction of rates after four years, the granting of temporary rates in the event of protest, and the requirement for proof of adjustment of books and records are final agency actions and subject to reconsideration and appeal as described below under the heading, "NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW."

Background

West Lakeland Wastewater, LLC (West Lakeland or Utility) is a Class C wastewater only utility providing service to approximately 315 residential customers and one general service customer in Polk County. The City of Lakeland provides the water service to the customers and monthly billing data to the Utility. Effective June 6, 2001, West Lakeland Wastewater, Inc. was granted the approval of transfer for Certificate No. 515-S from ABCA, Inc.¹ In 2009, the Utility

¹ Order No. PSC-2001-1271-PAA-SU, issued June 6, 2001, in Docket No. 010382-SU, *In re: Application for transfer of Certificate No. 515-S in Polk County from ABCA, Inc. to West Lakeland Wastewater, Inc.*

was abandoned and appointed to Michael Smallridge as receiver of the wastewater system.² On December 9, 2014, the Utility was approved for a limited proceeding rate increase.³ Subsequently, those rates were amended through three price index rate adjustments, and a four year rate reduction for fully amortized rate case expense. On July 30, 2018, we approved the transfer of West Lakeland Wastewater, Inc. to West Lakeland Wastewater, LLC.⁴ According to West Lakeland's 2018 annual report, total gross revenues were \$133,665, and total operating expenses were \$113,159.

On October 30, 2018, West Lakeland filed an application for a staff-assisted rate case (SARC). Pursuant to Section 367.0814(2), Florida Statutes (F.S.), the official filing date of the SARC was December 31, 2018. The 12-month period ended October 31, 2018, was selected by our staff as the test year for the instant docket. West Lakeland is seeking recovery of legal expenses associated with prior dockets as well as pro forma items. The Florida Department of Environmental Protection (DEP) conducted a compliance evaluation inspection which noted three deficiencies to which the Utility responded and addressed all noted deficiencies. The plant is therefore in compliance with DEP rules and regulations pursuant to Rule 25-30.433(2), F.A.C.

This Order addresses West Lakeland's Commission-approved rates. We have jurisdiction pursuant to Sections 367.081, 367.0814, and 367.091, F.S.

Review and Decision

1. Quality of Service

Pursuant to Section 367.081(2)(a)1., F.S., and Rule 25-30.433(1), F.A.C., in wastewater rate cases, we shall determine the overall quality of service provided by the utility. For a wastewater only utility, the determination is made from an evaluation of the utility's attempt to address customer satisfaction. The Rule further states that 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, or complaints received by this Commission are also reviewed.

A. The Utility's Attempt to Address Customer Satisfaction

We reviewed the complaints filed in our Consumer Activity Tracking System (CATS), filed with the DEP, and received by the Utility from September 1, 2013, through October 31, 2018. We performed a supplemental review of complaints filed in CATS within the period

² Order No. PSC-09-0607-FOF-SU, as amended by PSC-09-0607A-FOF-SU, issued February 16, 2010, in Docket No. 20090154-SU, *In re: Notice of abandonment of wastewater system for The Village of Lakeland Mobile Home Park in Polk County, by West Lakeland Wastewater, Inc.*

³ Order No. PSC-14-0679-PAA-SU issued December 9, 2014, in Docket No. 140106-SU, *In re: Application for limited proceeding rate increase in Polk County by West Lakeland Wastewater, Inc.*

⁴ Order No. PSC-2018-0377-PAA-SU, as amended by PSC-2018-0377-PAA-SU, issued on September 6, 2019, in Docket No. 20170246-SU, *In re: Application for authority to transfer facilities and Certificate No. 515-S in Polk County from West Lakeland Wastewater, Inc. to West Lakeland Wastewater, LLC.*

following the May 22, 2019, customer meeting. Table 1 below shows the number of complaints categorized by complaint type and source.

Table 0
Number of Complaints by Type and Source

Complaint Type	CATS Record	DEP Records	Utility Records	Total
Billing Issues	7	0	8	15
Odor Issues	3	2	2	7
Equipment/Facility Condition	1	0	1	2
Total*	11	2	11	24

*A single customer complaint may be counted multiple times if it fits into multiple categories.

The CATS recorded 11 complaints during the five years prior to the test year, the most recent from 2015. Seven complaints were related to improper billing, and four were related to quality of service. All of the complaints were resolved in a timely manner. The DEP received two complaints, in 2015 and 2016, regarding odor from the wastewater treatment plant (WWTP). The Utility addressed the 2015 odor complaint to the DEP's satisfaction, and the complaint was closed. The second odor complaint was substantiated after a DEP inspection, and will be more thoroughly discussed below in Section 2. The Utility also received 11 complaints during the past five years – one related to equipment condition concerns, two related to odor issues, and eight related to billing credit inquiries. All of the complaints were resolved by the Utility.

A customer meeting was held on May 22, 2019. Approximately 20 customers were in attendance, and seven customers provided oral comments. At the meeting, a majority of customers cited facility odor issues, and a few customers were concerned with the condition of the facility. When West Lakeland was asked what would be done to address the concerns from the customer meeting, the Utility denied a current odor issue, but proposed an odor control program. We note that as the Utility is currently in compliance with DEP, the proposed odor control program should only be implemented, if necessary, for future odor complaints.

B. Conclusion

West Lakeland has been responsive to customer complaints and is currently in compliance with the DEP. Therefore, we find that the quality of service provided by West Lakeland shall be considered satisfactory.

2. Operating Conditions

Rule 25-30.225(2), F.A.C., requires each 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, we must consider testimony of the DEP and county health department officials, compliance evaluation inspections, citations, violations, and consent orders issued to

the Utility, customer testimony, comments, and complaints, and Utility testimony and responses to the aforementioned items.

A. Wastewater System Operating Condition

West Lakeland's wastewater system is a Type III contact stabilization domestic wastewater treatment facility with a permitted plant capacity of 70,000 gallons per day (gpd) based on a Three-Month Rolling Average Daily Flow (3MRADF). This facility is operated to provide secondary treatment with basic disinfection. On July 17, 2019, DEP conducted a compliance evaluation inspection (CEI) designed to verify the Utility's compliance with applicable requirements and schedules for chemical and biological self-monitoring programs. During the inspection, the DEP noted minor deficiencies with effluent quality, effluent disposal, and the Sanitary Sewer Overflow Survey. All deficiencies were corrected, and the DEP states that as of August 26, 2019, the Utility is in compliance.

As discussed in Section 1, the DEP received two odor complaints. On March 1, 2016, the DEP noted an odor complaint regarding the wastewater facility that when investigated, was deemed accurate by the inspector. This odor complaint and confirmation was referenced during the DEP's March 4, 2016 CEI. Because of the odor emanating from the facility, the DEP determined that the Utility was in violation of Rule 62-600.400(2)(a), F.A.C., and therefore out of compliance. There was no odor detected during the DEP's most recent inspection of the facility, conducted on July 19, 2019.

B. Conclusion

The West Lakeland wastewater system is currently in compliance with the DEP.

3. Used and Useful (U&U)

The West Lakeland wastewater system was constructed in 1972. The Utility's last SARC was in 2012.⁵ The collection system is composed of polyvinyl chloride (PVC) pipes and there are three lift stations in the service area. West Lakeland's WWTP is permitted by the DEP as a 70,000 gpd facility. According to the Utility, its wastewater collection system is comprised of 1,835 feet of 4-inch PVC force mains and 13,376 feet of 6-inch PVC collecting mains. There are 12 manholes present throughout the service area. Liquid chlorine disinfection is applied prior to wastewater effluent flowing into the percolation ponds and spray field.

A. Wastewater Treatment Plant

⁵ Order No. PSC-13-0327-PAA-SU, issued July 16, 2013, in Docket No. 120270-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.*

In the Utility's last SARC in 2012, the WWTP was found to be 100 percent U&U. There has been no change in service area or plant additions in the past five years, and there are no plans for expansion; therefore, consistent with our decision in 2012, the WWTP shall be considered 100 percent U&U.

B. Wastewater Collection

During the previous rate case, the wastewater collection system was found to be 100 percent U&U. The service area has had no growth in the past five years or change in capacity; therefore, consistent with our decision in 2012, the collection system shall be considered 100 percent U&U.

C. Infiltration and Inflow (I&I)

Rule 25-30.432, F.A.C., provides that in determining the amount of U&U plant, we will consider I&I. We calculate the allowable infiltration based on system parameters, and calculate the allowable inflow based on water sold to customers. The sum of these amounts is the allowable I&I. We next calculate 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. There was no adjustment made for I&I in the Utility's previous rate case.

Using the pipe lengths of the Utility's collection system, the infiltration allowance is calculated to be 3,027,703 gallons per year. Ten percent of the total gallons sold to customers is allowed for inflow, which totals 2,106,070 gallons. The sum of these amounts is the total allowable I&I which is 5,133,773 gallons per year. The amount calculated for estimated return is 11,563,096 gallons per year. In order to find the total amount of wastewater allowed, the total allowable I&I and the estimated return are summed, yielding 16,696,869 gallons per year. Finally, this total is compared to the total wastewater actually treated during the test year, which is 21,060,700 gallons. The actual amount exceeds the allowable amount with an excess I&I of 4,363,831 gallons, and therefore there is 20.7 percent excessive I&I. Therefore, we find that a 20.7 percent adjustment to purchased power and chemicals shall be made for excessive I&I.

D. Conclusion

West Lakeland's WWTP and wastewater collection system shall both be considered 100 percent U&U. We also find that a 20.7 percent adjustment to purchased power and chemicals shall be made for excessive infiltration and inflow.

4. Average Test Year Rate Base

The appropriate components of the Utility's rate base include Utility plant in service (UPIS), land, accumulated depreciation, contributions-in-aid-of-construction (CIAC), accumulated amortization of CIAC, and working capital. The last proceeding that established balances for rate base was Docket No. 20120270-SU.⁶ We selected the test year ended October 31, 2018, for the instant rate case. A summary of each component and the Commission-approved adjustments follows.

A. Utility Plant in Service (UPIS)

The Utility recorded \$274,694 for UPIS. Based on our staff's audit and supporting documentation, we made several adjustments to UPIS resulting in a net increase of \$492. In addition, we decreased UPIS by \$6,470 to include an averaging adjustment. The Utility also requested several pro forma plant projects, as listed in the table on the next page.

⁶ Order No. PSC-13-0327-PAA-SU, issued July 16, 2013, in Docket No. 20120270-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC*.

Table 2
Pro Forma Plant Items

Project	Acct. No.	Description	Amount
Rebuild Electrical and Blower Housing Building	354	Self-build, Materials List quote	\$1,176
		Retirement	(\$882)
Shut Off Valves (3 inch and 4 inch)	363	3 inch and 4 inch shut off valves (22)	\$672
Replace Pump #1	371	Replace Pump #1 at lift station	\$5,900
		Retirement	(\$4,425)
Replace Pump #2	371	Replace Pump #2 at lift station	\$5,900
		Retirement	(\$4,425)
Replace Effluent Lift Station existing Electrical Panel	380	Install new DEP rated electrical panel	\$5,591
		Retirement	(\$4,194)
New Computer	390	Purchased additional Computer	\$65
		Retirement	(\$0)
Utility Truck	391	Replacement 2018 Ford F-250 for totaled 2003 Ford Ranger	\$3,124
		Retirement	(\$250)

Source: Responses to Commission staff data requests

The Utility's requested pro forma includes rebuilding the electrical and blower housing building, that is in a state of disrepair and must be rebuilt. The Utility received two verbal estimates for replacing the electrical and blower housing building, both in excess of \$10,000. In order to reduce Utility costs, the Utility has opted to self-build the electrical and blower housing building using Utility staff. The materials are estimated to cost \$1,176. We hereby find that these pro forma project costs are appropriate.

According to the Utility, untimely payments by some ratepayers are a recurring problem. When a late payment occurs and after multiple warnings, the Utility would cap the wastewater lines of the customer to discontinue service. Capping a customer's wastewater line involves the Utility renting equipment to access the wastewater line, and upon receiving a customer's payment would require an equipment rental to access the line again and restore service. In an effort to efficiently address these concerns, the Utility has begun installing shut off valves on customers' wastewater lines to avoid the interruption of service revenues, and the continual cost of capping and uncapping. In response to our staff's data request, the Utility stated that 4 shut off valves were installed between 2017 and 2018, with the intention to install the remaining 311 by the end of 2019. In a later response, the Utility stated that approximately 18 shut off valves had been installed as of June 30, 2019, for a total of 22. The Utility further stated no additional valves were planned to be installed between July 1, 2019, and September 1, 2019. The Utility indicated that the shut off valve installation program would be a continuous process throughout 2019, but has shown little action towards completing installation of the remaining 293 shut off valves. We hereby find that the costs for the currently installed 22 shut off valves are appropriate.

The Utility recently replaced a malfunctioned pump which required immediate replacement; therefore, there were no bids. In an effort to accommodate future replacement needs and redundancy, a second similar pump was purchased simultaneously. The Utility installed the pumps which required a new effluent lift station electrical panel also be installed. The Utility received two quotes for the electrical panel, constructed with either stainless steel or fiberglass, and chose the less expensive fiberglass material for the replacement. We hereby find that these pro forma project costs are appropriate.

The Utility is requesting an additional computer for office use. The Utility provided an invoice to install. The total purchase price of the computer was \$650, and it will be allocated across all of the sister utilities. We hereby find that this pro forma project cost is appropriate.

The Utility is requesting a replacement truck in this rate case, as the previous Commission-approved truck was totaled in an accident.⁷ The Utility received three quotes and chose the lowest of the 3 quotes. The total purchase price of the replacement truck is \$37,436, and it will be allocated across all of the sister utilities. The Utility received an insurance payout of \$6,204 to offset the cost of the new truck. We netted the insurance payout and cost of the new vehicle before allocating \$3,124 ($\$37,436 - \$6,204 * 0.10$) to West Lakeland.

West Lakeland requested four additional pro forma projects: a replacement lawnmower; a wastewater plant cleaning; a new van; and, a program to address the excessive infiltration and inflow. The Utility withdrew its request for the wastewater plant cleaning project, and failed to provide a response to our staff's data request seeking information regarding the additional projects. Without sufficient information, we are unable to determine the appropriateness of the three additional pro forma projects; therefore, these projects are not included within our approved pro forma amounts.

Table 3
Pro Forma Plant

Acct.	Addition	Retirement	Dep Exp.	Net Plant	Net A/D Adj.
354	\$1,176	(\$882)	\$11	\$294	(\$871)
363	672	0	19	672	19
371	5,900	(4,425)	99	1,475	(898)
371	5,900	(4,425)	99	1,475	(898)
380	5,591	(4,194)	93	1,397	(4,100)
390	65	0	4	65	4
391	<u>3,124</u>	<u>(250)</u>	<u>479</u>	<u>2,874</u>	<u>229</u>
	<u>\$22,428</u>	<u>(\$14,176)</u>	<u>\$804</u>	<u>\$8,252</u>	<u>(\$6,515)</u>

Source: Utility response to Commission staff data requests

We made an adjustment increasing UPIS by \$22,428 to reflect pro forma plant additions which were offset by a decrease of \$14,176 to reflect pro forma plant retirements. Therefore, we

⁷ Order No. PSC-13-0327-PAA-SU, issued July 16, 2013, in Docket No. 120270-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC*

hereby find the average UPIS balance to be \$276,968 ($\$274,694 + \$492 - \$6,470 + \$22,428 - \$14,176$).

B. Land & Land Rights

The Utility recorded a test year land balance of \$356. Based on our review, no adjustments are necessary. Therefore, we hereby find that the land and land rights balance shall remain \$356.

C. Accumulated Depreciation

West Lakeland recorded a test year accumulated depreciation balance of \$249,723. We recalculated the accumulated depreciation balance using the prescribed depreciation rates set forth in Rule 25-30.140, F.A.C., and included depreciation associated with plant additions and retirements. As a result, we increased accumulated depreciation by \$943. We also made an averaging adjustment to accumulated depreciation that resulted in a decrease of \$1,538. Further, we made corresponding adjustments to accumulated depreciation based on the pro forma plant additions and retirements resulting in an additional decrease of \$6,515. Our adjustments result in a net decrease to accumulated depreciation of \$7,110 ($\$6,515 + \$1,538 - \943). We hereby approve an accumulated depreciation balance of \$242,613 ($\$249,723 - \$7,110$).

D. Contributions in Aid of Construction (CIAC)

The Utility recorded a CIAC balance of \$221,480. Based on our review, no adjustment is necessary. Therefore, we find that the appropriate balance is \$221,480.

E. Accumulated Amortization of CIAC

The Utility recorded a test year accumulated amortization of CIAC balance of \$132,041. We reduced accumulated amortization of CIAC by \$667 to make an adjustment based on composite depreciation rates. We also made an averaging adjustment to accumulated amortization of CIAC that resulted in a decrease of \$1,228. As such, we hereby approve an accumulated amortization of CIAC balance of \$130,146 ($\$132,041 - \$667 - \$1,228$).

F. Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(3), F.A.C., we used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Section 367.081(9), F.S., prohibits a utility from earning a return on the unamortized balance of rate case expense. As such, we removed the rate case expense balance of \$390 for this calculation resulting in an adjusted O&M expense balance of \$114,295 ($\$114,685 - \390). Applying this formula approach to the adjusted O&M expense balance, we hereby find that the working capital allowance shall be \$14,287 ($\$114,295 / 8$).

G. Rate Base Summary

Applying all of the above adjustments results in a negative rate base of \$42,335. In accordance with Commission practice, we have adjusted the rate base to zero for ratemaking purposes.⁸ Based on the forgoing, we find that the appropriate test year average rate base is zero. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

5. Rate of Return

West Lakeland has negative equity and negative rate base. As discussed in Section 8, we approve use of the operating ratio methodology in this case. Although the traditional rate of return does not apply in this case due to the negative rate base, we find that an ROE shall still be established for this Utility. The appropriate ROE for the Utility is 10.55 percent based upon the Commission-approved leverage formula currently in effect.⁹ We find an ROE of 10.55 percent, with a range of 9.55 percent to 11.55 percent, to be appropriate.

6. Test Year Revenues

West Lakeland recorded total test year revenues of \$131,916, which included \$126,092 of service revenues and \$5,823 of miscellaneous revenues. Based on our review of the Utility's billing determinants and the rates that were in effect during the test year, we determined service revenues shall be increased by \$3,924 to reflect annualized test year service revenues of \$130,016.¹⁰ In addition, we increased miscellaneous revenues by \$555 to reflect revenues collected as a result of miscellaneous services occurrences during the test year. Therefore, we increased miscellaneous revenues by \$555 to reflect total miscellaneous revenues of \$6,378 (\$5,823 + \$555). Based on the above, we find that the appropriate test year revenues for West Lakeland are \$136,394 (\$130,016 + \$6,378).

7. Operating Expense

West Lakeland recorded operating expense of \$113,723 for the test year ended October 31, 2018. The test year O&M expenses have been reviewed, including invoices and other supporting documentation. We have made the following adjustments to the Utility's operating expenses as discussed below.

⁸ Order No. PSC-97-0540-FOF-WS, issued May 12, 1997, in Docket No. 960799-WS, *In re: Application for staff-assisted rate case in DeSoto County by Lake Suzy Utilities, Inc.*; Order No. PSC-13-0327-PAA-SU, issued July 16, 2013, in Docket No. 120270-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.*

⁹ Order No. PSC-2019-0267-PAA-WS, issued July 1, 2019, in Docket No. 20190006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

¹⁰ The Utility filed a 2018 Index that became effective on October 5, 2018.

A. Operation & Maintenance Expense

Salaries and Wages – Employees (701)

Florida Utility Services 1 (FUS1) is a service company that owns and operates Commission-regulated utilities, including West Lakeland. The current staffing level and salaries for FUS1 employees were last evaluated by us in Order No. PSC-2018-0439-PAA-WU.¹¹ As of September 30, 2018, FUS1 now manages 14 utilities with a total of 3,114 customers. West Lakeland recorded salaries and wages – employees expense of \$21,934. We increased this expense by \$623 to reflect the appropriate allocations for current employees' annualized salaries. West Lakeland's allocation is 10 percent unless otherwise noted.

In addition, the Utility requested the allocation of two new maintenance technicians to West Lakeland. A sister company made a similar request for two new Maintenance Technicians in Docket No. 20170230-WU; however, we determined that the two Maintenance Technicians should not be allocated to Orange Land Utilities, LLC, as the Utility utilized contractors for the system's operations. Furthermore, our staff cited the ability of the President and Operations Supervisor to provide sufficient additional field support. In the present case, West Lakeland indicated that the services provided by contractors are limited to water and wastewater operations and governmental reporting requirements. Additionally, the President has increased administrative work duties due to the increase in customers, utility systems, and employees. Similarly, the Operations Supervisor has increased supervisory responsibilities that were once performed by the President.

FUS1 has changed operations from employees being assigned to a specific utility system to the Operations Supervisor assigning employees based upon work load for each of the 14 utility systems. Maintenance Technicians will be working on all of FUS1's systems, meaning all maintenance and repairs of FUS1 utility systems will be performed by FUS1 employees and other contract vendors as needed. We find that the change in FUS1's operations and increased duties of both the President and Operations Supervisor necessitates additional employees to provide service to the utility systems. We further find that the two additional maintenance technicians are needed and shall be allocated to all of the FUS1's systems, including West Lakeland. Based on the requested salary of \$37,900 and the ten-percent allocation for West Lakeland, we increased the salary and wages – employees expense by \$7,580 ($\$37,900 \times 2 \times 0.10$) As such, we hereby approve a salaries and wages – employees expense of \$30,137 ($\$21,934 + \$623 + \$7,580$).

Salaries and Wages – Officers (703)

West Lakeland recorded a salaries and wages – officers expense of \$7,670. In Order No. PSC-2018-0439-PAA-WU, the President was approved a salary of \$80,000.¹² As such, we

¹¹ Order No. PSC-2018-0439-PAA-WU, issued August 28, 2018, in Docket No. 20170230-WU, *In re: Application for staff-assisted rate case in Pasco County by Orange Land Utilities, LLC.*

¹² Order No. PSC-2018-0439-PAA-WU, issued in Docket No. 20170230-WU, *In re: Application for staff-assisted rate case in Pasco County by Orange Land Utilities, LLC.*

annualized the approved salary which results in a salaries and wages – officers expense of \$8,000 ($\$80,000 \times 0.10$). West Lakeland’s allocation is 10 percent unless otherwise noted. Therefore, we hereby approve an increase of \$330 ($\$8,000 - \$7,670$).

Pensions and Benefits (704)

West Lakeland recorded a pensions and benefits expense of \$1,034. In its response to our staff’s second data request, the Utility indicated that it incurred the pensions and benefits expense in the amount of \$500 per month, allocated across all systems. The Utility also indicated that the requested two new maintenance technicians would receive benefit expense at \$500 per month per person. These expenses would result in an annual pensions and benefits expense of \$1,800 ($\$500 \times 3 \times 12 \times 0.10$). Therefore, we hereby approve an increase of \$766 ($\$1,800 - \$1,034$).

Sludge Removal (711)

West Lakeland recorded a sludge removal expense of \$8,732. We decreased the sludge removal expense by \$92 to remove the payment of late fees. Therefore, we hereby approve a sludge removal expense of \$8,640 ($\$8,732 - \92).

Purchased Power (715)

The Utility recorded a purchased power expense of \$10,930. We increased this account by \$1,108 to reflect the proper test year period, and to account for provided bills not yet booked during the test year. As discussed in Section 2, we made an adjustment to decrease the purchased power and chemical expenses by 20.7 percent for excessive I&I. This results in a decrease of \$2,492 to the purchased power expense. As such, we hereby approve a purchased power expense of \$9,546 ($\$10,930 + \$1,108 - \$2,492$).

Fuel for Power Production Expense (716)

West Lakeland recorded a fuel for power production expense of \$105 for the test year. We decreased this expense by \$13 to remove power production purchases that were not substantiated with invoices. As such, we hereby approve a fuel for power production expense of \$92 ($\$105 - \13).

Chemicals Expense (718)

The Utility recorded a chemicals expense of \$1,721. We decreased the chemicals expense by \$843 to reallocate professional testing services provided by a vendor to contractual services – other expense. As discussed above and in Section 3, we made an adjustment to decrease purchased power and chemical expenses by 20.7 percent for excessive I&I. This results in a decrease of \$182 to the chemicals expense. As such, we hereby approve a chemicals expense of \$696 ($\$1,721 - \$843 - \182).

Materials and Supplies Expense (720)

West Lakeland recorded a materials and supplies expense of \$5,025. We reduced the materials and supplies expense by \$153 to reflect actual invoices and proper allocations for West Lakeland. Therefore, we hereby approve a materials and supplies expense of \$4,872 (\$5,025 - \$153).

Contractual Services - Professional (731)

The Utility recorded a contractual services - professional expense of \$504. In a letter dated September 3, 2019, the Utility requested pro forma contractual services expense for accounting services. Through correspondence with the Utility, our staff determined that the contract accounting services would be used primarily for work related to filing the owner's personal tax returns. The contract accounting services would also be used for reviewing annual reports. However, the Utility already has contractual services included in the test year for preparing annual reports. As such, we disallow this pro forma expense. Therefore, we hereby approve a contractual services – professional expense of \$504.

Contractual Services – Other (736)

The Utility recorded a contractual services - other expense of \$25,007. We increased contractual services – other expense by \$912 to reflect the provided invoices and to reallocate the invoices mistakenly charged to chemicals expense. In its response to our staff's first data request, the Utility indicated that it had made an agreement with the water provider (City of Lakeland) to receive meter readings each month. The Utility had contractual services expense of \$3,693 during the test year to manually read all meters. We reduced the contractual services – other expense by \$3,693 as this expense is no longer incurred. As such, we hereby approve a contractual services – other expense of \$22,226 (\$25,007 + \$912 - \$3,693).

Rent Expense (740)

The Utility recorded a rent expense of \$2,087. In response to our staff's third data request, the Utility provided a lease for a new office beginning on February 1, 2019. The new office lease indicates \$2,700 a month for rent. After allocation, this results in an annual rent expense of \$3,240 (\$2,700 x 12 x 0.10) for West Lakeland. Therefore, we hereby approve an increase of \$1,153 (\$3,240 - \$2,087).

Transportation Expense (750)

The Utility recorded a transportation expense of \$3,855. Based on our review, no adjustment is necessary. Therefore, we hereby approve a transportation expense of \$3,855.

Insurance Expense (755)

West Lakeland recorded an insurance expense of \$5,153 for the test year. In a letter dated June 24, 2019, the Utility requested pro forma expense to recover an increase in workman's comp expense. The new workman's comp policy that the Utility provided indicated an annual expense of \$8,149. West Lakeland's allocation of this expense is \$815 ($\$8,149 \times 0.10$). The Utility's letter also indicated that there was \$644 in the test year for workman's comp. We approve an increase to insurance expense of \$171 ($\$815 - \644) to make up the difference. Therefore, we hereby find that the appropriate insurance expense is \$5,324 ($\$5,153 + \171).

Regulatory Commission Expense (765)

West Lakeland recorded a regulatory commission expense of \$1,500 for the filing fee for the current docket. The filing fee for the current docket is only \$1,000. Therefore, West Lakeland has applied for a refund of \$500.¹³ We have calculated a total of \$1,558 in regulatory commission expense for the current docket. This amount includes the \$1,000 filing fee and \$558 in noticing costs for the instant case. On February 21, 2019, West Lakeland requested the recovery of \$190 of rate case expense for attorney fees associated with the review of our staff's first data request. According to Section 367.0814(3), F.S., we may not award rate case expense for the recovery of attorney fees before the initial Commission staff report is made available to the customers. Therefore, the Utility's request for the recovery of \$190 in legal fees shall be denied. Pursuant to Section 367.081(8), F.S., the Commission-approved total rate case expense of \$1,558 shall be amortized over four years, as the Utility did not request a different amortization period be used. This represents an annual expense of \$390 ($\$1,558 / 4$). As such, we hereby approve a regulatory commission expense of \$390, which results in a decrease of \$1,110 ($\$1,500 - \390).

Bad Debt Expense (770)

The Utility recorded a bad debt expense of \$1,531. Based on the Utility's annual reports, the bad debt expense decreased significantly after the test year. The Utility reported a bad debt expense of \$1,485 in 2016, \$1,531 in 2017, and \$159 in 2018. We used a three year average to adjust for the decrease in the bad debt expense. This results in a bad debt expense of \$1,058 ($\$1,485 + \$1,531 + \$159 / 3$), which is a decrease of \$473. Therefore, we hereby approve a bad debt expense of \$1,058.

Miscellaneous Expense (775)

The Utility recorded a miscellaneous expense of \$7,633. We decreased this account by \$462 to properly reflect the amount from provided invoices and the appropriate allocation to West Lakeland. In addition, West Lakeland has requested the recovery of deferred legal fees approved in Order No. PSC-16-0030-PAA-SU. The Utility's initial request was based on legal invoices totaling \$6,250, with the last invoice dated July 31, 2015. Rule 25-30.433, F.A.C, states that nonrecurring expenses shall be amortized over a five-year period unless a shorter or longer

¹³ Document No. 00641-2019.

period can be justified. West Lakeland requested an amortization period of three years because of the length of time that has passed since the fees were incurred. Upon discovery of additional invoices, the legal fees totaled \$29,017 with the last invoice dated November 30, 2017. We used a 4-year amortization period because the legal expenses were incurred over the course of four years. Additionally, these legal expenses are analogous to rate case expense, which are amortized over four years unless a longer or shorter period can be justified. Therefore, we increased the miscellaneous expense by \$7,254 ($\$29,017 / 4$). In the Utility's response to our staff's third data request, the Utility requested pro forma expense to recover repairs to a computer. The invoice provided indicated that \$128 was expensed for computer consulting. After allocation, West Lakeland's miscellaneous expense was increased by \$13 ($\128×0.10). Additionally, in reviewing pro forma plant for installation of shut off valves, we determined that \$134 was included in expenses during the test year for West Lakeland. Therefore, we reduced the miscellaneous expense by \$134. As such, we hereby approve a miscellaneous expense of \$14,304 ($\$7,633 - \$462 + \$7,254 + \$13 - \134).

B. Operation & Maintenance Expense Summary

Based on the above adjustments, we hereby find that O&M expense shall be increased by \$10,264, resulting in total O&M expense of \$114,685. Our adjustments to O&M expense are shown on Schedule No. 3-C.

C. Depreciation Expense (Net of Amortization of CIAC)

West Lakeland recorded a depreciation expense of \$4,484 during the test year. We recalculated depreciation expense for the test year and as such, decreased the expense by \$1,408. We further calculated the depreciation expense for the pro forma plant additions and retirements that the Utility requested. These additions result in an increase of \$804. This results in a depreciation expense of \$3,880 ($\$4,484 - \$1,408 + \804).

In addition, West Lakeland recorded an amortization expense of \$3,672. We decreased amortization of CIAC by \$1,187 to reflect appropriate the amortization expense based on composite rates. This results in an amortization expense of \$2,485 ($\$3,672 - \$1,187$). Therefore, we hereby approve a net depreciation expense of \$1,395 ($\$3,880 - \$2,485$).

D. Taxes Other Than Income (TOTI)

West Lakeland recorded a TOTI balance of \$8,490 during the test year. We increased TOTI by \$73 to reflect the increase to annualize the director's salary, and by \$580 to reflect the increase to salaries and wages expense for the new maintenance technicians. We increased the Regulatory Assessment Fees (RAFs) by \$273 to reflect the adjusted test year revenues. We decreased property tax expense by \$65 to reflect the appropriate amount of property tax. In addition, we increased TOTI by \$58 to reflect the appropriate business tax receipts. We also increased TOTI by \$73 as a corresponding adjustment to the annualized salary expense. We increased TOTI by \$580 to correspond to the addition of two maintenance technicians. We increased TOTI by \$312 corresponding to property tax for pro forma projects. This results in a net increase of \$1,231 ($\$273 - \$65 + \$58 + \$73 + \$580 + \312).

In addition, as discussed in Section 9, revenues have been increased by \$3,318 to reflect the change in revenue required to cover expenses, and allow the Commission-approved operating margin. As a result, TOTI shall be increased by \$149 to reflect RAFs of 4.5 percent on the change in revenues. Our adjustments result in a net increase of \$1,380 (\$1,231 + \$149). Therefore, we hereby approve a TOTI of \$9,870 (\$8,490 + \$1,380).

E. Operating Expenses Summary

The application of the Commission-approved adjustments to West Lakeland's test year operating expenses results in operating expenses of \$125,951. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule Nos. 3-B and 3-C.

8. Operating Ratio Methodology

Rule 25-30.4575(2), F.A.C., requires that we use the operating ratio methodology if the utility's rate base is below 125 percent of O&M expenses. The Rule states that we will apply a margin of 12 percent when determining the revenue requirement, up to \$15,000. The operating ratio methodology will be applied when the utility's rate base is no greater than 125 percent of O&M expenses, and use of the operating ratio methodology does not change the utility's qualification for a staff-assisted rate case under Rule 25-30.455(1), F.A.C.

The operating ratio methodology is an alternative to the traditional calculation of revenue requirements. Under this methodology, instead of applying a return on the Utility's rate base, the revenue requirement is based on West Lakeland's operating expenses plus a margin of 12 percent. This methodology has been applied in cases in which the traditional calculation of the revenue requirement would not provide sufficient revenue to protect against potential variances in revenues and expenses. As discussed in Sections 4 and 7, we have approved a rate base of zero. Furthermore, the application of the operating ratio methodology does not change the Utility's qualification for a staff assisted rate case. As such, West Lakeland meets the criteria for the operating ratio methodology established in Rule 25-30.4575(2), F.A.C. Therefore, we hereby approve the application of the operating ratio methodology at a margin of 12 percent of O&M expense for determining the revenue requirement.

9. Revenue Requirement

We hereby find that West Lakeland shall be allowed an annual increase of \$3,318 (2.43 percent). The calculations are shown on the next page in Table 4:

Table 4
Revenue Requirement

Adjusted O&M	\$114,685
Operating Margin (%)	x 12.00%
Operating Margin (\$15,000 Cap)	\$13,762
Adjusted O&M Expense	114,685
Depreciation Expense (Net)	1,395
Taxes Other Than Income	9,870
Income Tax	0
Revenue Requirement	\$139,713
Less Adjusted Test Year Revenues	136,395
Annual Increase	<u>\$3,318</u>
Percent Increase	<u>2.43%</u>

10. Rate Structure

The Utility provides service to 315 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 6,000 gallon cap per month. The general service rate structure consists of a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge. Due to the relatively low revenue requirement increase, we hereby approve a continuation of the existing rate structure and the percentage increase be applied as an across-the-board increase to existing service rates. To determine the appropriate percentage increase to apply to the service rates, miscellaneous revenues shall be removed from the test year revenues. The calculation is as follows:

Table 5
Service Rate Increase

	<u>Wastewater</u>
Total Test Year Revenues	\$136,395
Less: Miscellaneous Revenues	\$6,378
Test Year Revenues from Service Rates	\$130,016
Revenues Increase	\$3,318
% Service Rate Increase (Line 4 / Line 3)	2.55%

Based on the above, we hereby find that the rate increase of 2.55 percent for wastewater shall be applied as an across-the-board increase to monthly service rates. The rates, as shown on Schedule No. 4, shall be effective for service rendered on or after the stamped approval date on

the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date that notice was given within 10 days of the date of the notice.

11. Rate Case Expense Rate Reduction (Final Agency Action)

Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reduction is \$408.

The rates shall be reduced as shown on Schedule No. 4 to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.081(8), F.S. West Lakeland shall 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 shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

12. Initial Customer Deposit

Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost-causer. Historically, we have set initial customer deposits equal to two times the average estimated bill.¹⁴ Currently, the Utility has an initial customer deposit of \$40. However, this amount does not cover two months' average bills based on our approved rates. The Utility indicated that the average monthly residential water usage is 3,765 gallons per customer. Therefore, the average residential monthly bill based on our approved rates is approximately \$39.

We hereby find that the appropriate initial customer deposit is \$78 for all residential meter sizes. The initial customer deposits for all general service meter sizes shall be two times the average estimated monthly bill. The approved initial customer deposits shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility shall be required to collect the approved initial customer deposits until authorized by us to change them in a subsequent proceeding.

¹⁴ Order No. PSC-15-0142-PAA-SU, issued March 26, 2015, in Docket No. 130178-SU, *In re: Application for staff assisted rate case in Polk County by Crooked Lake Park Sewerage Company*.

13. Temporary Rates (Final Agency Action)

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

West Lakeland shall be authorized to collect the temporary rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$2,242. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

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

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

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

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

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

- 1) The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement;
- 2) No monies in the escrow account may be withdrawn by the Utility without the express approval of the Commission;
- 3) The escrow account shall be an interest bearing account;
- 4) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 5) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility;

- 6) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 7) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 8) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to *Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments;
- 9) The account must specify by whom and on whose behalf such monies were paid.

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

Should the Commission-approved rates be approved on a temporary basis, West Lakeland shall maintain a record of the amount of the security, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility shall file reports with this 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 shall also indicate the status of the security being used to guarantee repayment of any potential refund.

14. Proof of Adjustment (Final Agency Action)

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

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the quality of service provided by West Lakeland Wastewater, LLC shall be considered satisfactory. It is further

ORDERED that West Lakeland Wastewater LLC's wastewater treatment plant and wastewater collection system shall both be considered 100 percent used and useful. It is further

ORDERED that a 20.7 percent adjustment to purchased power and chemicals shall be made for West Lakeland Wastewater, LLC's excessive infiltration and inflow. It is further

ORDERED that that the appropriate test year average rate base for West Lakeland Wastewater, LLC is zero. It is further

ORDERED that the appropriate return on equity for West Lakeland Wastewater, LLC is 10.55 percent, with a range of 9.55 percent to 11.55 percent. It is further

ORDERED that the appropriate test year revenues for West Lakeland Wastewater, LLC are \$136,394. It is further

ORDERED that West Lakeland Wastewater LLC's approved operating expense is \$125,951. It is further

ORDERED that the application of the operating methodology at a margin of 12 percent of operation and maintenance expense for determining the wastewater revenue requirement for West Lakeland Wastewater, LLC is approved. It is further

ORDERED that the appropriate revenue requirement for West Lakeland Wastewater, LLC is \$139,713, resulting in an annual increase of \$3,318 (2.43 percent). It is further

ORDERED that West Lakeland Wastewater, LLC's approved rate increase of 2.55 percent for wastewater shall be applied as an across-the-board increase to monthly service rates. It is further

ORDERED that West Lakeland Wastewater, LLC's rates, as shown on Schedule No. 4, shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that West Lakeland Wastewater, LLC shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that West Lakeland Wastewater, LLC's rates shall be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for Regulatory Assessment Fees and amortized over a four-year period. The decrease in rates shall become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S. West Lakeland Wastewater, LLC shall file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (*Final Agency Action*) It is further

ORDERED that that West Lakeland Wastewater, LLC's appropriate initial customer deposit is \$78 for all residential meter sizes. The initial customer deposits for all general service meter sizes shall be two times the average estimated monthly bill. The approved initial customer deposits shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. West Lakeland Wastewater, LLC shall be required to collect the approved initial customer deposits until authorized by us to change them in a subsequent proceeding. It is further

ORDERED that the rates for West Lakeland Wastewater, LLC are approved on a temporary basis subject to refund with interest, in the event of a protest filed by a party other than the Utility. West Lakeland Wastewater, LLC shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. (*Final Agency Action*) It is further

ORDERED that West Lakeland Wastewater, LLC shall provide appropriate security. Temporary rates collected by West Lakeland Wastewater, LLC shall be subject to refund as provided in the body of this Order. (*Final Agency Action*) It is further

ORDERED that after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., West Lakeland Wastewater, LLC shall file reports with this 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 shall also indicate the status of the security being used to guarantee repayment of any potential refund. (*Final Agency Action*) It is further

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

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of this Order, a Consummating Order shall be issued. The docket shall remain open for our staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by our staff. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 25th day of November, 2019.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

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

AJW

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our actions are preliminary in nature, except for (1) the reduction of rates after four years based upon the recovery of rate case expense, (2) the granting of temporary rates in the event of protest, and (3) the requirement for proof of adjustment of books and records. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 16, 2019. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

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

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by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

WEST LAKELAND UTILITIES, LLC.		SCHEDULE NO. 1-A	
TEST YEAR ENDED 10/31/2018		DOCKET NO. 20180202-SU	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$274,694	\$2,274	\$276,968
LAND & LAND RIGHTS	356	0	356
ACCUMULATED DEPRECIATION	(249,723)	7,110	(242,613)
CIAC	(221,480)	0	(221,480)
AMORTIZATION OF CIAC	132,041	(1,895)	130,146
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>14,287</u>	<u>14,287</u>
RATE BASE	<u>(\$64,112)</u>	<u>\$21,777</u>	<u>(\$42,335)</u>

WEST LAKELAND UTILITIES, LLC.	SCHEDULE NO. 1-B
TEST YEAR ENDED 10/31/2018	DOCKET NO. 20180202-SU
ADJUSTMENTS TO RATE BASE	
UTILITY PLANT IN SERVICE	
1. To reduce Structures and Improvements for lack of documentation.	(\$4,798)
2. To reduce Acct. No. 360 for lack of documentation.	(830)
3. To reduce Acct. No. 361 for lack of documentation.	(2,600)
4. To increase Pumping Equipment for the unrecorded purchase of 3 pumps.	8,333
5. To increase Transportation Equipment for recalculation of plant accounts.	387
6. To reflect pro forma plant addition for electrical and blower housing rebuild to Acct. No. 354.	1,176
7. To reflect pro forma retirement of electrical and blower housing to Acct. No. 354.	(882)
8. To reflect pro forma plant addition for shut off valve installations to Acct. No. 363.	672
9. To reflect pro forma plant addition for replacement of existing pump to Acct. No. 371.	5,900
10. To reflect pro forma retirement of pumping equipment to Acct. No. 371.	(4,425)
11. To reflect pro forma plant addition for replacement of existing pump to Acct. No. 371.	5,900
12. To reflect pro forma retirement of pumping equipment to Acct. No. 371.	(4,425)
13. To reflect pro forma plant addition for replacement of existing electrical panel to Acct. No. 380.	5,591
14. To reflect pro forma retirement of electrical panel to Acct. No. 380.	(4,194)
15. To reflect pro forma addition for West Lakeland's allocation of new computer to Acct. No. 390	65
16. To reflect pro forma plant addition for West Lakeland's allocation of new truck to Acct. No. 391.	3,124
17. To reflect pro forma retirement of transportation equipment to Acct. No. 391.	(250)
18. To reflect an averaging adjustment.	<u>(6,470)</u>
Total	<u>\$2,274</u>
ACCUMULATED DEPRECIATION	
1. To reflect accumulated depreciation per Rule 25-30.140, F.A.C.	(\$943)
2. To reflect pro forma accumulated depreciation for pro forma plant additions and retirements.	6,515
3. To reflect an averaging adjustment.	<u>1,538</u>
Total	<u>\$7,110</u>
ACCUMULATED AMORTIZATION OF CIAC	
1. To adjust amortization of CIAC based on composite rates.	(\$667)
2. To reflect an averaging adjustment.	<u>(1,228)</u>
Total	<u>(\$1,895)</u>
WORKING CAPITAL ALLOWANCE	
To reflect 1/8 of test year O & M expenses.	<u>\$14,287</u>

WEST LAKELAND WASTEWATER, LLC.
TEST YEAR ENDED 10/31/2018
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 20180202-SU

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATE ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST RATE	WEIGHTED COST
1. LONG-TERM DEBT	\$8,921	(\$156)	\$8,765	(\$8,946)	(\$181)	0.00%	6.62%	0.00%
2. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
3. PREFERRED STOCK	0	(21,854)	0	0	0	0.00%	0.00%	0.00%
4. COMMON EQUITY	137,436	(1,088)	115,582	(117,975)	(2,393)	0.00%	10.55%	0.00%
5. CUSTOMER DEPOSITS	3,662	0	2,574	0	2,574	100.00%	2.00%	2.00%
6. DEFERRED INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
7. TOTAL CAPITAL	<u>\$150,019</u>	<u>(\$23,098)</u>	<u>\$126,921</u>	<u>(\$126,921)</u>	<u>\$0</u>	<u>100.00%</u>		<u>2.00%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>9.55%</u>	<u>11.55%</u>	
OVERALL RATE OF RETURN						<u>2.00%</u>	<u>2.00%</u>	

WEST LAKELAND UTILITIES, LLC.						SCHEDULE NO. 3-A
TEST YEAR ENDED 10/31/2018						DOCKET NO. 20180202-SU
SCHEDULE OF WASTEWATER OPERATING INCOME						
	TEST YEAR	COMMISSION	COMMISSION	ADJUSTMENT	REVENUE	
	PER UTILITY	ADJUSTMENTS	ADJUSTED	FOR	REQUIREMENT	
			TEST YEAR	INCREASE		
1. OPERATING REVENUES	\$131,916	\$4,479	\$136,395	\$3,318 2.43%	\$139,713	
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$104,421	\$10,264	\$114,685	\$0	\$114,685	
3. DEPRECIATION (NET)	812	583	1,395	0	1,395	
4. TAXES OTHER THAN INCOME	<u>8,490</u>	<u>1,231</u>	<u>9,721</u>	<u>149</u>	<u>9,870</u>	
5. TOTAL OPERATING EXPENSES	<u>\$113,723</u>	<u>\$12,079</u>	<u>\$125,802</u>	<u>\$149</u>	<u>\$125,951</u>	
6. OPERATING INCOME/(LOSS)	<u>\$18,193</u>		<u>\$10,593</u>		<u>\$13,762</u>	
7. RATE BASE	<u>(\$64,112)</u>		<u>(\$42,335)</u>		<u>\$0</u>	
8. OPERATING RATIO						<u>12.00%</u>

WEST LAKELAND UTILITIES, LLC.	SCHEDULE NO. 3-B
TEST YEAR ENDED 10/31/2018	DOCKET NO. 20180202-SU
ADJUSTMENTS TO OPERATING INCOME	PAGE 1 OF 2

OPERATING REVENUES

1.	To reflect the appropriate test year services revenues.	\$3,924
2.	To reflect the appropriate test year miscellaneous service revenues.	<u>555</u>
	Total	<u>\$4,479</u>

OPERATION AND MAINTENANCE EXPENSES

1.	Salaries and Wages - Employees (701)	
	a. To reflect appropriate allocation of current annualized employee salaries.	\$623
	b. To reflect the allocation of two additional maintenance technicians.	<u>7,580</u>
	Subtotal	<u>\$8,203</u>
2.	Salaries and Wages - Officers (703)	
	To reflect appropriate allocation of annualized salary and wages – officers.	<u>\$330</u>
3.	Employee Pensions and Benefits (704)	
	To reflect appropriate allocation of current annualized and pro forma employee benefits.	<u>\$766</u>
4.	Purchased Water/Purchased Sewage Treatment (710)	
	To remove late fees.	<u>(\$92)</u>
6.	Purchased Power (715)	
	To adjust for previous credits and debits to reflect proper period.	\$1,108
	To adjust for excessive I&I.	<u>(2,492)</u>
	Subtotal	<u>(\$1,384)</u>
7.	Fuel for Power Production (716)	
	To remove power production purchases that were not substantiated with invoices.	<u>(\$13)</u>
8.	Chemicals (718)	
	To remove professional testing services provided by a vendor (recorded in Acct. No. 736).	(\$843)
	To adjust for excessive I&I.	<u>(182)</u>
	Subtotal	<u>(\$1,025)</u>
9.	Materials and Supplies (720)	
	To reflect actual invoices and allocation details provided.	<u>(\$153)</u>
10.	Contractual Services - Other (736)	
	To reflect provided invoices and reallocate \$750 mistakenly charged to Acct. No. 718.	\$912
	To remove meter reading expense no longer incurred.	<u>(3,693)</u>
	Subtotal	<u>(\$2,781)</u>
11.	Rent (740)	
	To reflect new lease agreement.	<u>\$1,153</u>
12.	Insurance Expense (755)	
	To reflect new workman’s comp contract.	<u>\$171</u>
13.	Regulatory Commission Expense (765)	
	To reflect four-year amortization of rate case expense (\$1,560 / 4).	<u>(\$1,110)</u>

WEST LAKELAND UTILITIES, LLC.		SCHEDULE NO. 3-B
TEST YEAR ENDED 10/31/2018		DOCKET NO. 20180202-SU
ADJUSTMENTS TO OPERATING INCOME		PAGE 2 OF 2
14.	Bad Debt Expense (770) To reflect three year average adjustment.	<u>(\$473)</u>
15.	Miscellaneous Expense (775)	
	a. To reflect the amount from provided invoices and allocation schedules.	(\$462)
	b. To reflect the recovery of deferred legal fees amortized over four years.	7,254
	c. To reflect West Lakeland's allocation for computer consulting expense.	13
	d. To remove test year expense that is capitalized for shut off valves.	<u>(134)</u>
	Subtotal	<u>\$6,671</u>
	TOTAL OPERATION AND MAINTENANCE ADJUSTMENTS	<u>\$10,264</u>
	DEPRECIATION EXPENSE	
1.	To reflect appropriate depreciation expense.	(\$1,408)
2.	To reflect pro forma depreciation.	804
	Total	<u>(\$604)</u>
	AMORTIZATION EXPENSE	
	To reflect appropriate amortization expense.	<u>\$1,187</u>
	TAXES OTHER THAN INCOME	
1.	To reflect the appropriate test year RAFs.	\$273
2.	To reflect appropriate property taxes.	(65)
3.	To reflect appropriate business tax receipts.	58
4.	To reflect corresponding adjustment to payroll tax for annualized salaries and wages.	73
5.	To reflect corresponding adjustment to payroll tax for pro forma addition of two employees.	580
6.	To reflect corresponding adjustments for pro forma property taxes	<u>312</u>
	Total	<u>\$1,231</u>

WEST LAKELAND UTILITIES, LLC.		SCHEDULE NO. 3-C	
TEST YEAR ENDED 10/31/2018		DOCKET NO. 20180202-SU	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	COMMISSION ADJUST- MENT	TOTAL PER COMMISSION
(701) SALARIES AND WAGES - EMPLOYEES	\$21,934	\$8,203	\$30,137
(703) SALARIES AND WAGES - OFFICERS	7,670	330	8,000
(704) EMPLOYEE PENSIONS AND BENEFITS	1,034	766	1,800
(711) SLUDGE REMOVAL	8,732	(92)	8,640
(715) PURCHASED POWER	10,930	(1,384)	9,546
(716) FUEL FOR POWER PRODUCTION	105	(13)	92
(718) CHEMICALS	1,721	(1,025)	696
(720) MATERIALS AND SUPPLIES	5,025	(153)	4,872
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	504	0	504
(735) CONTRACTUAL SERVICES - TESTING	0	0	0
(736) CONTRACTUAL SERVICES - OTHER	25,007	(2,781)	22,226
(740) RENT	2,087	1,153	3,240
(750) TRANSPORTATION EXPENSE	3,855	0	3,855
(755) INSURANCE EXPENSE	5,153	171	5,324
(765) REGULATORY COMMISSION EXPENSE	1,500	(1,110)	390
(770) BAD DEBT EXPENSE	1,531	(473)	1,058
(775) MISCELLANEOUS EXPENSE	<u>7,633</u>	<u>6,671</u>	<u>14,304</u>
TOTAL	<u>\$104,421</u>	<u>\$10,264</u>	<u>\$114,685</u>

WEST LAKELAND WASTEWATER, LLC.		SCHEDULE NO. 4	
TEST YEAR ENDED 10/ 31/2018		DOCKET NO. 20180202-SU	
MONTHLY WASTEWATER RATES			
	RATES AT TIME OF FILING	COMMISSION APPROVED RATES	4 YEAR RATE REDUCTION
<u>Residential</u>			
Base Facility Charge - All Meter Sizes	\$15.82	\$16.22	\$0.05
Charge Per 1,000 gallons			
6,000 gallon cap	\$5.88	\$6.03	\$0.02
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$15.82	\$16.22	\$0.05
3/4"	N/A	\$24.33	\$0.07
1"	\$39.55	\$40.55	\$0.12
1-1/2"	\$79.08	\$81.10	\$0.25
2"	\$126.53	\$129.76	\$0.40
3"	\$253.06	\$259.52	\$0.79
4"	\$395.41	\$405.50	\$1.24
6"	\$790.83	\$811.00	\$2.48
8"	\$1,265.32	\$1,297.60	\$3.97
Charge per 1,000 gallons	\$7.05	\$7.23	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$27.58	\$28.28	
4,000 Gallons	\$39.34	\$40.34	
6,000 Gallons	\$51.10	\$52.40	