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STATE OF FLORIDA



OFFICE OF THE GENERAL COUNSEL
CHARLIE BECK
GENERAL COUNSEL
(850) 413-6199

Public Service Commission

May 20, 2015

Mrs. Carol Cassidy Rhinehart
Orchid Springs Development Corporation
346 E. Central Avenue
Winter Haven, FL 33880

VIA ELECTRONIC MAIL

Re: Docket No. 140239-WS - Application for staff-assisted rate case in Polk County, by Orchid Springs Development Corporation.

Dear Mrs. Rhinehart:

This will confirm that Commission staff will hold a customer meeting on Thursday, June 11, 2015. We ask that, if at all possible, you or another knowledgeable representative of the utility attend the meeting in order to answer customer questions. The location of the customer meeting will be as follows:

6:00 p.m., Thursday June 11, 2015
Chain O' Lakes Complex
210 Cypress Gardens Blvd., West
Winter Haven, Florida 33880

As required by Rule 25-22.0407(9)(b), Florida Administrative Code (F.A.C.), the Utility must provide, in writing, a customer meeting notice to all customers within its service area no less than 14 days and no more than 30 days prior to the date of a customer meeting. A draft customer meeting notice is enclosed. Please note the date has been left blank so that you can fill in the date that the notice is sent to the customers. Please furnish me with a copy of the notice, as reproduced at the time it is distributed to your customers, together with a cover letter indicating the exact date(s) on which the notice was mailed or otherwise delivered to the customers.

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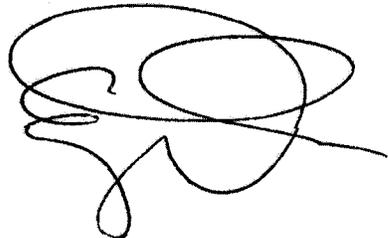
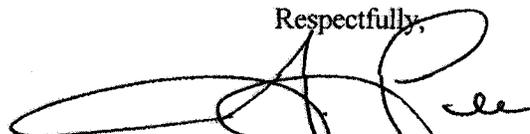
Mrs. Rhinehart
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Two copies of the staff report dated May 18, 2015 are also enclosed. Please ensure that a copy of the completed Application for Staff Assistance and the staff report are available for review, pursuant to Rule 25-22.0407(9)(a), F.A.C., by all interested persons at the following location:

Orchid Springs Development Corporation
346 East Central Avenue
Winter Haven, FL 33880

For your convenience, I have also enclosed a copy of Rule 25-22.0407(9), F.A.C. Should you have any questions about any of the matters contained herein, please do not hesitate to contact me at (850) 413-6191. In addition, you may contact Kelly Thompson at (850) 413-6986, with any questions.

Respectfully,



Lee Eng Tan
Senior Attorney

Enclosures

LET/kt

cc: Division of Economics (Daniel, Hudson, Thompson)
Division of Accounting & Finance (Fletcher, Norris, Monroe, T. Brown)
Division of Engineering (Vickery, T. Matthews)
Office of General Counsel (Young, Tan)
Office of Commission Clerk (Docket No. 140239-WS)

Rule 25-22.0407(9), Florida Administrative Code

(9) When a utility applies for a staff-assisted rate case in accordance with Section 367.0814, F.S. and Rule 25-30.455, F.A.C., and staff-assistance is granted, the requirements of subsections (2), (3), (4) and (5) of this rule shall not apply.

(a) Upon receipt of the staff reports, the utility shall place two copies of its application for staff-assistance and the staff reports at any business offices it has in its service area. Such copies shall be available for public inspection during the utility's regular business hours. If the utility does not have a business office in its service area, the utility shall place two copies of its application and the staff reports at the main county library, the local community center or other appropriate location that is within or most convenient to the service area and that is willing to accept and provide public access to the copies.

(b) No less than 14 days and no more than 30 days prior to the date of a customer meeting conducted by the Commission staff, the utility shall provide, in writing, a customer meeting notice to all customers within its service area and to all persons in the same service areas who have filed a written request for service or who have been provided a written estimate for service within the 12 calendar months prior to the month the petition is filed.

(c) The customer meeting notice shall be approved by the Commission staff prior to distribution and shall include the following:

1. The date the notice was issued;
2. The time, date, location, and purpose of the customer meeting;
3. A statement that the utility has applied for a staff-assisted rate case and the general reasons for doing so;
4. A statement of the location where copies of the application and the staff reports are available for public inspection and the times during which inspection may be made;
5. A comparison of current rates and charges and the proposed new rates and charges;
6. The utility's address, telephone number, and business hours;
7. A statement that written comments regarding utility service or the proposed rates and charges should be addressed to the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870, and that such comments should identify the docket number assigned to the proceeding;
8. A statement that complaints regarding service may be made to the Commission's Office of Consumer Assistance and Outreach at the following toll-free number: 1(800) 342-3552.
9. A statement that the Commission will be reviewing the utility's service availability charges in the pending case and that the Commission may adjust those charges.
10. The docket number assigned by the Commission's Office of Commission Clerk.

(d) The customer meeting notice shall be mailed to the out-of-town address of all customers who have provided the utility with an out-of-town address.

(e) If the proposed agency action order issued in the case is protested and any hearings are subsequently held, the utility shall give notice in accordance with subsections (6) and (7) above.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
NOTICE OF CUSTOMER MEETING
TO THE CUSTOMERS OF ORCHID SPRINGS DEVELOPMENT CORPORATION
AND
ALL OTHER INTERESTED PERSONS
DOCKET NO. 140239-WS
APPLICATION OF ORCHID SPRINGS DEVELOPMENT CORPORATION
FOR A STAFF-ASSISTED RATE CASE IN
POLK COUNTY

Issued:

NOTICE is hereby given that the Staff of the Florida Public Service Commission (Commission) will conduct a customer meeting to discuss Orchid Springs Development Corporation's (Orchid Springs or Utility) application for a staff-assisted rate case (SARC) in Polk County. The meeting will be held at the following time and place:

6:00 p.m., Thursday June 11, 2015
Chain O' Lakes Complex
210 Cypress Gardens Blvd., West
Winter Haven, Florida 33880

All persons who wish to comment are urged to be present at the beginning of the meeting, since the meeting may be adjourned early if no customers are present. One or more Commissioners of the Commission may attend and participate in this meeting. The meeting will begin as scheduled and will continue until all the customers have been heard.

If a named storm or other disaster requires cancellation of the meeting, Commission staff will attempt to give timely direct notice to the parties. Notice of the cancellation of the meeting will also be provided on the Commission's website (<http://www.psc.state.fl.us/>) under the Hot Topics link found on the home page. Cancellation can also be confirmed by calling the Commission's Office of the General Counsel at (850) 413-6199.

Any person requiring some accommodation at the customer meeting because of a physical impairment should call the Office of Commission Clerk at (850) 413-6770 at least five calendar days prior to the meeting. Any person who is hearing or speech impaired should contact the Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD).

PURPOSE

The purpose of this meeting is to give customers and other interested persons an opportunity to offer comments to Commission staff regarding the quality of service the Utility provides, the recommended rate increase, and to ask questions and comment on staff's preliminary rates included in this notice as well as other issues. Staff members will summarize Orchid Springs' filing: the preliminary work accomplished, and answer questions to the extent possible. A representative from the Utility has also been invited to respond to questions.

At the beginning of the meeting, procedures will be established for the order of comments. Commission staff will have sign-up sheets, and customers will be called to speak in the order that they sign up. Staff will be available to coordinate customers' comments and to assist members of the public.

Any person who wishes to comment or provide information to staff may do so at the meeting, orally or in writing. Written comments may also be sent to the Commission at the address given at the end of this notice. Your letter will be placed in the correspondence file of this docket. You may also submit comments through the Commission's toll-free facsimile line at 1-800-511-0809.

BACKGROUND

Orchid Springs Development Corporation (Orchid Springs or utility) is a Class C utility providing service to approximately 310 water and wastewater customers in Polk County. Effective July 7, 1998, Orchid Springs was granted Certificate Nos. 600-W and 516-S.¹ The utility has been in existence since 1969 providing water and wastewater service. The utility's rates and charges were last approved in a staff-assisted rate case in 1998.² The rates were subsequently reduced to reflect the expiration of rate case expense approved in 1998. The utility has filed numerous index and pass through applications since its last rate case. According to Orchid Springs' 2014 annual report, total gross revenues were \$94,634 for water and \$120,826 for wastewater. Total operating expenses were \$74,579 and \$170,343 for water and wastewater, respectively.

On December 11, 2014, Orchid Springs filed its application for a staff-assisted rate increase. In its application, the utility requested a test year ended December 31, 2014, for interim and final rates purposes. There are several factors that contributed to the rate case request. In 2009, the utility demolished its wastewater treatment plant (WWTP) based on a Florida Department of Environmental Protection (DEP) consent order. This led to the utility having to purchase wastewater instead of treating it themselves. In addition, this is the first requested rate increase since 1998. Interim rates were approved on February 3, 2015, for wastewater only.³ The

¹Order No. PSC-98-0918-FOF-WS, issued July 7, 1998, in Docket No. 970158-WS, In re: Application for grandfather certificate to operate a water and wastewater utility in Polk County, by Orchid Springs Development Corporation.

²Order No. PSC-98-1579-FOF-WS, issued November 25, 1998, in Docket No. 980441-WS, In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.

³Order No. PSC-15-0104-PCO-WS, issued February 13, 2015, in Docket No. 140239-WS, In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.

Commission has jurisdiction to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.).

CURRENT AND PRELIMINARY RATES AND CHARGES

Staff has compiled the following recommended rates for the purpose of discussion at the customer meeting. These rates are preliminary and subject to change based on information gathered at the customer meeting, further staff review, and the final decision by the Commission. The Utility's current and staff's recommended preliminary rates are as follows:

MONTHLY WATER RATES		
	RATES AT TIME OF FILING	STAFF PRELIMINARY RECOMMENDED RATES
<u>Residential and General Service</u>		
Base Facility Charge by Meter Size		
5/8" x 3/4"	\$9.67	\$9.95
3/4"	\$14.50	\$14.93
1"	\$24.17	\$24.88
1-1/2"	\$48.35	\$49.75
2"	\$77.38	\$79.60
3"	\$154.74	\$159.20
4"	\$241.76	\$248.75
6"	\$483.55	\$497.50
Charge per 1,000 gallons	\$1.76	\$1.81

MONTHLY WASTEWATER RATES

	RATES AT TIME OF FILING	COMMISSION APPROVED INTERIM	STAFF PRELIMINARY RECOMMENDED RATES
<u>Residential Service</u>			
Base Facility Charge for All Meter Sizes	\$14.13	\$16.42	\$32.53
Charge per 1,000 gallons - Residential			
10,000 gallon cap	\$3.08	\$3.58	
6,000 gallon cap			\$5.90
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" X 3/4"	\$14.13	\$16.42	\$32.53
3/4"	\$21.24	\$24.63	\$48.80
1"	\$35.40	\$41.05	\$81.33
1-1/2"	\$70.78	\$82.10	\$162.65
2"	\$113.26	\$131.36	\$260.24
3"	\$226.50	\$262.72	\$520.48
4"	\$353.90	\$410.50	\$813.25
6"	\$707.80	\$821.00	\$1,626.50
Charge per 1,000 gallons	\$3.72	\$4.32	\$7.08

STAFF REPORTS AND UTILITY APPLICATION

The results of staff's preliminary investigation are contained in a staff report dated May 18, 2015. Copies of the report may be examined by interested members of the public Monday through Friday from 9:00 a.m. – 5:00 p.m. at the following location:

Orchid Springs Development Corporation
346 East Central Avenue
Winter Haven, FL 33880

PROCEDURES AFTER CUSTOMER MEETING

After the customer meeting, Commission staff will prepare a recommendation which is tentatively scheduled to be submitted to the Commission on August 6, 2015. The Commission will then vote on staff's recommendation at its August 18, 2015 Commission Conference. The Commission will thereafter issue a proposed agency action (PAA) order containing rates which may be different from those contained in staff's final recommendation. Substantially affected persons have 21 days from the date that the PAA order is issued to protest the Commission's PAA order. Customers are able to obtain a copy of staff's recommendation and all documents filed in this docket from the Commission's website.

HOW TO CONTACT THE COMMISSION

Any person who wishes to comment or provide information to Commission staff may do so at the meetings, either orally or in writing. Other written comments regarding the Utility and the proposed rates, or requests to be placed on the mailing list for this case, may be directed to this address:

Director, Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

All correspondence should refer to "Docket No. 140239-WS, Orchid Springs Development Corporation". Your letter will be placed in the correspondence file of this docket. You may also submit comments through the Florida Public Service Commission's website available at <http://floridapsc.com/about/contact/form.aspx>, or through the Commission's email at clerk@psc.state.fl.us.

If you wish to contact the Florida Public Service Commission regarding complaints about service, you may call the Commission's Office of Consumer Assistance and Outreach at the following toll-free number: 1-800-342-3552.

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: May 18, 2015

TO: Patti Daniel, Bureau Chief, Bureau of Economic Impact and Rate Design

FROM: Division of Economics (Thompson, Hudson)
Division of Accounting and Finance (T. Brown, Norris, Monroe, Fletcher)
Division of Engineering (Matthews, Vickery)
Office of the General Counsel (Tan)

RE: Docket No. 140239-WS – Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.

– STAFF REPORT –

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

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Case Background

Orchid Springs Development Corporation (Orchid Springs or utility) is a Class C utility providing service to approximately 310 water and wastewater customers in Polk County. Effective July 7, 1998, Orchid Springs was granted Certificate Nos. 600-W and 516-S.¹ The utility has been in existence since 1969 providing water and wastewater service. The utility's rates and charges were last approved in a staff-assisted rate case in 1998.² The rates were subsequently reduced to reflect the expiration of rate case expense approved in 1998. The utility has filed numerous index and pass through applications since its last rate case. According to Orchid Springs' 2014 annual report, total gross revenues were \$94,634 for water and \$120,826 for wastewater. Total operating expenses were \$74,579 and \$170,343 for water and wastewater, respectively.

On December 11, 2014, Orchid Springs filed its application for a staff-assisted rate increase. In its application, the utility requested a test year ended December 31, 2014, for interim and final rates purposes. There are several factors that contributed to the rate case request. In 2009, the utility demolished its wastewater treatment plant (WWTP) based on a Florida Department of Environmental Protection (DEP) consent order. This led to the utility having to purchase wastewater instead of treating it themselves. In addition, this is the first requested rate increase since 1998. Interim rates were approved on February 3, 2015, for wastewater only.³

This Staff Report is a **preliminary** analysis of the utility prepared by the Commission staff to give customers and the utility an advanced look at what staff may be proposing. The final recommendation to the Commission (currently scheduled to be filed August 6, 2015, for the August 18, 2015 Agenda Conference) will be revised as necessary using updated information and results of customer quality of service or other relevant comments received at the customer meeting. The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.0814, 367.101, and 367.121, Florida Statutes (F.S.).

¹Order No. PSC-98-0918-FOF-WS, issued July 7, 1998, in Docket No. 970158-WS, In re: Application for grandfather certificate to operate a water and wastewater utility in Polk County, by Orchid Springs Development Corporation.

²Order No. PSC-98-1579-FOF-WS, issued November 25, 1998, in Docket No. 980441-WS, In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.

³Order No. PSC-15-0104-PCO-WS, issued February 13, 2015, in Docket No. 140239-WS, In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.

Discussion of Issues

Issue 1: Is the overall quality of service provided by Orchid Springs satisfactory?

Preliminary Recommendation: Staff's recommendation regarding quality of service will not be finalized until after the June 11, 2015 customer meeting. (Matthews)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in water and wastewater rate cases, the Commission shall determine the overall quality of service provided by a utility. The determination is made from an evaluation of three separate components of the utility operations. The components evaluated are the quality of the utility's product, the operational conditions of the utility's plant and facilities, and the utility's attempt to address customer satisfaction. Orchid Springs' compliance with DEP and the Southwest Florida Water Management District (SWFWMD) regulations, as well as customer comments or complaints received by the Commission is also reviewed.

Quality of Utility's Product and Operating Condition of the Utility's Plant and Facilities

Orchid Springs' service area is located near Winter Haven, Florida in Polk County. The raw water source is ground water, which is obtained from one well in the service area and then treated. In addition, Orchid Springs purchases treated water from the City of Winter Haven as a backup source of water. The water treatment processing sequence is to pump raw water from the aquifer, treat the water by injecting chlorine, pump it into a pressurizing tank and then through the distribution system. The utility appears to be current in its required chemical analyses, and the finished water product is below the maximum contaminant levels allowed by DEP for all primary and secondary contaminants. The utility appears to have no water compliance issues with the facility.

The wastewater treatment plant was taken offline in 2009, following a consent order by DEP. At that time, Orchid Springs made system modifications necessary to connect its wastewater collection system to the City of Winter Haven's wastewater treatment facility. Orchid Springs pays a monthly fee to the City of Winter Haven for processing the wastewater based on the volume received.

Customer Satisfaction

As of May 2015, the Commission has received no correspondence from customers concerning the rate case. There are no outstanding complaints in the Commission's Complaint Tracking System, and no complaints have been received by DEP in the previous five years. A customer meeting is scheduled for June 11, 2015, in Winter Haven. Any customer comments received at the meeting will be addressed after that time.

Summary

Quality of service will be determined at a later time, pending review of comments made at the June 11, 2015 customer meeting.

Date: May 18, 2015

Issue 2: What are the used and useful (U&U) percentages of Orchid Springs' water treatment plant (WTP), water distribution system, and wastewater collection systems?

Preliminary Recommendation: Orchid Springs' WTP and wastewater distribution and collection systems should be considered 100 percent U&U. (Matthews)

Staff Analysis: Orchid Springs' water system has one 10-inch diameter well rated at 375 gallons per minute (gpm). The second well was taken out of service following the issuance of a consent order by DEP in March 2009. In order to have a backup source for water, the Orchid Springs system was connected with the City of Winter Haven in May 2009. Water from the one remaining well is treated with chlorine and pumped into a 5,000-gallon hydropneumatic tank for pressurization. The utility reports having 11 fire hydrants in its service area. The distribution system consists of the following lengths and sizes of PVC pipe:

3,960 linear feet – 8 inch
5,520 linear feet – 6 inch
6,120 linear feet – 4 inch
7,250 linear feet – 2 inch

The Orchid Springs WWTP was taken out of service and demolished in 2009, following a consent order from DEP issued in 2008. The wastewater collection system was then connected with the City of Winter Haven, and all wastewater is sent to the City's WWTP for processing. Orchid Springs entered into a contract with the City to pay a per-gallon fee for treatment of its wastewater. In order to accomplish the connection of the two systems, a lift station and various mains were constructed in Orchid Springs' service area. The wastewater collection system consists of the following sized components:

140 linear feet – 10 inch gravity main
7,220 linear feet – 8 inch gravity main
6,020 linear feet – 6 inch gravity main
4,640 linear feet – 4 inch gravity main
3,400 linear feet – 4 inch PVC force main

According to the utility, the wastewater collection system includes 32 manholes and 4 lift stations.

In its previous rate case in Order No. PSC-98-1579-FOF-WS, in Docket No. 980441, the Orchid Springs WTP, water distribution system, and wastewater collection system were all found to be 100 percent U&U. No expansions to the distribution and collection systems have been made since that time. The only changes were the interconnections with the City of Winter Haven previously mentioned; therefore, all of the Orchid Springs system components are still 100 percent U&U.

Excessive Unaccounted for Water

Unaccounted for water is all water produced that is not documented in the records of the utility as having been sold to customers, or for which the utility has otherwise accounted. Rule 25-30.4325, F.A.C., describes excessive unaccounted for water (EUW) as water in excess of ten percent of the amount produced for which the utility cannot account. When establishing the Rule, the Commission recognized that some uses of water are readily measurable and others are not. The Rule provides that, in order to determine the necessity for adjustments to plant and operating expenses such as purchased electrical power and chemical costs, the Commission will consider the possible reasons for EUW, solutions implemented to correct problems, and the economic feasibility of any proposed solutions. Unaccounted for water is calculated by summing the total gallons sold to customers with the total gallons used for other purposes, such as flushing, and then subtracting the sum from the total gallons produced during the test year. Orchid Springs' records indicate that 26,682,000 gallons were produced during the test year, including the amount purchased from the City of Winter Haven. Therefore, the maximum allowable amount, which is ten percent of the total, is 2,668,200 gallons. The utility's records indicate a total of 21,573,000 gallons were sold to customers in the test year. However, staff has not yet been able to determine the appropriate amount to attribute to flushing and is continuing to investigate the matter. A determination of the EUW cannot be made at this time.

Infiltration and Inflow

Rule 25-30.432, F.A.C., provides that in determining the amount of U&U plant, the Commission will consider infiltration and inflow (I&I). Every wastewater collection system experiences I&I. Typically, infiltration is a result of groundwater entering the wastewater collection system through broken or defective pipes and joints. Inflow is the result of water entering the collection system through manholes or lift stations. Although Orchid Springs has not operated its own WWTP since 2009, it does have costs associated with the treatment of wastewater. After Orchid Springs' WWTP was shut down due to a Consent Order from DEP, Orchid Springs entered into a contract with the City of Winter Haven whereby its wastewater would be sent to the City's WWTP for processing. Orchid Springs pays the City for this service on a per gallon basis.

The maximum allowable amount for infiltration is 500 gallons per day per inch of pipe diameter per mile of pipe length. This amount is calculated from each of the various sizes of pipe in the utility's wastewater collection system. In addition, ten percent of the total gallons sold to customers is allowed for inflow. The calculated allowance for I&I is 4,604,459 gallons per year.

Next, the amount of wastewater expected to be returned from the system is calculated. This figure is determined by summing 80 percent of water sold to residential users with 90 percent of water sold to non-residential users. The amount calculated is 17,450,900 gallons per year. In order to find the total amount of wastewater allowed, the I&I allowance and the expected return are summed, yielding 22,055,359 gallons per year. Finally, this total is compared to the total wastewater actually treated during the test year, which in this case is 18,506,000 gallons. The total wastewater treated does not exceed the total wastewater allowed. Therefore, there is no excessive I&I.

Summary

Orchid Springs' WTP, water distribution, and wastewater collection systems should be considered 100 percent U&U. There is no excessive I&I. Staff is unable to make a determination of EUW at this time.

Issue 3: What is the appropriate average test year water rate base and wastewater rate base for Orchid Springs?

Preliminary Recommendation: The appropriate average test year water rate base is \$22,136 and the average test year wastewater rate base is a \$99,611. (Monroe)

Staff Analysis: The appropriate components of rate base include utility plant in service, land and land rights, accumulated depreciation, contributions in aid of construction (CIAC), accumulated amortization of CIAC, and working capital allowance. Orchid Springs' rate base was last established in its 1998 rate case.⁴ The test year ended December 31, 2014, was used for the instant case. A summary of each water rate base and wastewater rate base component, and recommended adjustments are discussed below.

Utility Plant in Service (UPIS)

The utility recorded UPIS of \$249,136 for water and \$668,207 for wastewater. The Orchid Springs audit noted several adjustments to the utility's water and wastewater UPIS balances as did Commission staff. Staff recommends the following adjustments to the utility's recorded UPIS.

**Table 3-1
 Summary of Adjustments to Water & Wastewater UPIS**

Adjustment Description	Water	Wastewater
To reflect the amount that the utility failed to adjust per the Order	\$22,065	\$56,766
To remove unsupported additions and retirements from 1999-2014	(19,281)	(208,785)
To reflect appropriate plant additions and retirements from 1999-2014	17,095	26,680
To reflect an averaging adjustment	0	(144)
Total	<u>\$19,878</u>	<u>(\$125,483)</u>

Based on the adjustments shown above, staff recommends an increase of \$19,878 to water rate base and a decrease of \$125,483 to wastewater rate base. Staff recommends that the appropriate UPIS balances are \$269,014 (\$249,136 + \$19,878) for water and \$542,725 (\$668,207 - \$125,483) for wastewater.

Land & Land Rights

The utility recorded a test year land value of \$480 for water and \$58,860 for wastewater. In its last rate case, the utility did not provide enough information to determine land value. The stamp deed value was provided in the instant case, and audit staff calculated water land value to be \$1,682. Therefore, staff increased water land value by \$1,202. In 2009, the utility demolished its WWTP based on a DEP consent order. Sludge was excavated from both of its existing percolation ponds and the land was levelled. Staff decreased wastewater land value by \$58,860

⁴Order No. PSC-98-1579-FOF-WS, issued November 25, 1998, in Docket No. 980441-WS, In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.

Date: May 18, 2015

because the land is no longer devoted to public utility use. As such, staff recommends that the appropriate balances are \$1,682 for water and \$0 for wastewater. If the utility does sell this land in the future, any gain on sale can be used to lower rates. The utility shall report to the Commission any future sale, transfer, or reassignment of this land to any person or entity within 60 days of such a transaction. At the time that it notifies the Commission, the utility shall also submit any documentation regarding the transaction, including, but not limited to, the market value of the land. The utility shall also submit its proposal as to how this transaction should be treated for ratemaking purposes.

Non-Used and Useful (U&U) Plant

As discussed in Issue 2, the utility's water system is 100 percent U&U and the utility's WWTP was demolished in 2009. Therefore, a U&U adjustment is not necessary.

Accumulated Depreciation

Orchid Springs recorded a test year accumulated depreciation balance of \$218,520 for water and \$484,173 for wastewater. Staff recalculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C., and depreciation associated with plant additions and retirements. Staff has increased this account balance by \$42,943 for water and decreased this account balance by \$19,729 for wastewater to reflect the correct balances for the test year. Staff also decreased the account balance by \$2,813 for water and increased the account balance by \$331 to reflect an averaging adjustment in the instant case. Staff's net adjustment to this account is an increase of \$40,130 for water and a decrease of \$19,398 for wastewater, resulting in accumulated depreciation balances of \$258,650 for water and \$464,775 for wastewater.

Contributions In Aid of Construction (CIAC)

The utility recorded CIAC balances of \$171,516 for water and \$302,109 for wastewater. Based on staff's review, no adjustments are necessary. Therefore, staff's recommended CIAC is \$171,516 and \$302,109 for water and wastewater, respectively.

Accumulated Amortization of CIAC

The utility recorded accumulated amortization of CIAC of \$171,252 for water and \$302,109 for wastewater. Staff increased amortization of CIAC by \$374 for water based on water CIAC being fully amortized by August 2015. Staff also reduced water accumulated amortization of CIAC by \$110 to reflect an averaging adjustment. This results in a net increase of \$264 to accumulated amortization of CIAC. No adjustment is necessary to accumulated amortization of CIAC for wastewater, as wastewater CIAC is fully amortized. Staff's recommended balances of accumulated amortization of CIAC are \$171,516 and \$302,109, for water and wastewater, respectively.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, staff recommends a working capital allowance of \$10,090 for water (based on 1/8 O&M expense of \$80,722), and \$21,661 for wastewater (based on 1/8 O&M expense of \$173,291).

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base for water is \$22,136, and the average test year rate base for wastewater is \$99,611. Water and wastewater rate bases are shown on Schedule Nos. 1-A and 1-B, respectively. The related adjustments are shown on Schedule No. 1-C.

Issue 4: What is the appropriate return on equity and overall rate of return for Orchid Springs?

Preliminary Recommendation: The appropriate return on equity (ROE) is 11.16 percent with a range of 10.16 percent to 12.16 percent. The appropriate overall rate of return is 4.42 percent. (Monroe)

Staff Analysis: According to staff's audit, Orchid Springs' test year capital structure reflected long-term debt of \$199,086, customer deposits of \$14,798, and common equity of \$8,000. The utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE for the utility is 11.16 percent based upon the Commission-approved leverage formula currently in effect.⁵ Staff recommends an ROE of 11.16 percent, with a range of 10.16 percent to 12.16 percent, and an overall rate of return of 4.42 percent. The ROE and overall rate of return are shown on Schedule No. 2.

⁵Order No. PSC-14-0272-PAA-WS, issued May 29, 2014, in Docket No. 140006-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 5: What are the appropriate test year revenues for the utility's water and wastewater systems?

Preliminary Recommendation: The appropriate test year revenues for the Orchid Springs' water and wastewater systems are \$90,016 and \$119,803, respectively. (Thompson)

Staff Analysis: Orchid Springs recorded total test year revenues of \$95,103 for water and \$120,827 for wastewater. The water revenues included service revenues of \$89,973 and miscellaneous revenues of \$5,130. The wastewater revenues did not include any miscellaneous revenues. Based on staff's review of the utility's billing determinants and the rates that were in effect during the test year, staff determined service revenues for water should be decreased by \$167 to reflect test year service revenues of \$89,806. Service revenues for wastewater should be decreased by \$1,024 to reflect test year service revenues of \$119,803. Staff also made an adjustment to miscellaneous revenues to account for late fees and insufficient funds fees that were inappropriately charged. As a result, miscellaneous revenues should be decreased by \$4,920 to reflect the appropriate amount of miscellaneous revenues of \$210 during the test year. Therefore, staff recommends that the appropriate test year revenues for Orchid Springs water system are \$90,016 (\$95,103-\$167-\$4,920) and \$119,803 (\$120,827-\$1,024) for the wastewater system. Test year revenues are shown on Schedule Nos. 3-A and 3-B.

Issue 6: What is the appropriate amount of operating expenses?

Preliminary Recommendation: The appropriate amount of operating expenses for Orchid Springs are \$91,651 for water and \$211,857 for wastewater. (T. Brown)

Staff Analysis: Orchid Springs recorded operating expenses of \$74,993 for water and \$179,130 for wastewater for the period ended December 31, 2014. The utility's operating expenses have been reviewed, and invoices, canceled checks, and other supporting documentation have been examined. Staff has made several adjustments to the utility's water and wastewater operating expenses as summarized below. In addition, staff has reclassified certain expenses to the correct accounts. These reclassifications have no effect on the revenue requirement and are reflected in Schedule Nos. 3-D and 3-E.

Operation and Maintenance Expenses

Purchased Power (615/715)

The utility recorded purchased power expense of \$3,000 for water and \$4,676 for wastewater. Based on invoices for the test year, the total amount should be \$3,220 for water and \$4,151 for wastewater. Therefore, staff increased this expense by \$220 (\$3,220 - \$3,000) for water and decreased it by \$525 (\$4,151 - \$4,676) for wastewater to reflect the appropriate amounts.

Chemicals (618)

The utility recorded chemical invoices totaling \$3,440 for water in the test year. Based on invoices for the test year, staff increased this account by \$31 (\$119-\$88) to reflect the appropriate amount of chemical expense.

Contractual Services – Professional/Management (631/731)

The utility recorded Contractual Services – Professional/Management expense of \$1,000 for water and \$1,400 for wastewater. The invoices provided totaled \$2,000 for test-year consultation fees in the instant case. There was no support provided for the remaining \$400. Staff believes that the consultation fees should be removed from this expense, equally divided, amortized over four years, and reclassified to Account 665/775 – Regulatory Commission Expense.

In its last rate case, the Commission approved a total of \$33,936 for each system for management services provided by Cassidy Organization, Inc. The utility stated that it no longer had the cash flow to compensate management services at the level approved in the utility's last docket and were not included in Contractual Services – Professional/Management's test year expenses. Staff analyzed expenses embedded in the test year and looked for duplicative costs. Based on staff's preliminary analysis, staff believes \$25,696 is an appropriate amount to compensate the utility for previously approved management services. Additional discovery is forthcoming to review the reasonableness of this expense given management's current duties and responsibilities as well as the utility's operation.

Contractual Services – Legal (633)

The utility recorded Contractual Services – Legal expense of \$150 for water. The utility misclassified its annual filing fee payment of \$150 to the Florida Division of Corporations and

allocated it to water only. This amount should be removed, divided evenly between water and wastewater, respectively, and reclassified into Account Nos. 675/775 – Miscellaneous Expense.

Contractual Services – Testing (635)

The utility recorded \$108 for water in this account. The utility did not add the December 2014 invoice to the general ledger. As such, staff increased Contractual Services – Testing by \$133.

Contractual Services – Other (636/736)

The utility recorded Contractual Services - Other expense in the amount of \$47,965 for water and \$25,496 for wastewater. Staff reduced this expense by \$5,026 for water and \$6,353 for wastewater due to unsupported invoices and discrepancies between the general ledger and support documentation. Staff also reduced this expense for water by \$2,000 to remove and reclassify the utility's filing fees for the instant docket.

Insurance Expense (655/755)

The utility recorded insurance expense of \$699 for both water and wastewater, respectively. An updated invoice of the general liability policy premium for 2015 supported insurance expense of \$1,380. The expense was allocated to water and wastewater based on each system's percentage of the total adjusted plant balance (33 percent for water and 67 percent for wastewater). The appropriate balances are \$457 ($\$1,380 \times 0.33$) and \$923 ($\$1,380 \times 0.67$) for water and wastewater, respectively. As such, water insurance expense should be decreased by \$242 ($\$457 - \699) and wastewater insurance expense should be increased by \$224 ($\$923 - \699).

Regulatory Commission Expense (665/765)

The utility recorded regulatory commission expense of \$4,294 for water and \$5,454 for wastewater. However, the utility incorrectly recorded the regulatory assessment fees (RAFs) for 2013 in this account for each respective system. Staff removed and reclassified these amounts to taxes other than income.

Regarding the instant case, the utility misclassified its filing fees and fees for outside consultants. As such, staff increased regulatory commission expense in the instant docket by \$4,000 to reclassify consultant expenses from Contractual Services – Professional/Management (\$2,000) and the filing fee which was originally charged to Contractual Services – Other (\$2,000). The utility is required by Rule 25-22.0407, F.A.C., to provide notices to its customers of the customer meeting and notices of interim and final rates in this case. In this docket, staff has estimated \$500 for postage expense, \$357 for printing expense, and \$51 for envelopes. These amounts result in \$908 for postage, mailing notices, and envelopes. Based on the above, staff recommends that total rate case expense is \$8,037. When amortized over four years, this represents an annual expense of \$2,009, with \$1,064 allocated to water and \$945 allocated to wastewater annually.

Bad Debt Expense (670/770)

The utility included bad debt expense of \$115 for both water and wastewater, respectively. Based on a three-year average, staff believes that \$419 is the appropriate amount of bad debt expense to include in the test year for each system. Accordingly, this expense should be increased by \$304 for both water and wastewater, respectively.

Miscellaneous Expense (675/775)

The utility recorded miscellaneous expense of \$2,289 for water and \$1,509 for wastewater. The invoices provided in support of this expense totaled \$1,340 and included shared expenses such as monthly billing mail outs. As such, staff believes it is appropriate to divide this expense along with the \$150 annual filing fee reclassified from Contractual Services - Legal evenly between the two systems. The appropriate amount for this account is \$745 (\$670 + \$75) for both water and wastewater. This represents a \$1,544 (\$2,289 - \$745) reduction for water and a \$764 (\$1,509 - \$745) reduction for wastewater.

Operation and Maintenance Expense (O&M) Summary

Total adjustments to O&M expense result in an increase of \$13,192 for water and \$12,674 for wastewater. Staff's recommended O&M expense is \$80,722 for water and \$173,291 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule Nos. 3-C.

Depreciation Expense (Net of Amortization of CIAC)

The utility recorded depreciation expense of \$1,736 for water and \$11,134 for wastewater during the test year. Staff recalculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff increased depreciation expense by \$3,413 for water and decreased depreciation expense by \$8,626 for wastewater to reflect the appropriate depreciation expense. Orchid Springs recorded amortization expense of CIAC as \$479 for water during the test year, and no amount for wastewater because CIAC is fully amortized. However, based on staff's adjustment to fully amortize water CIAC, addressed in Issue 2, amortization expense of CIAC should be removed. Staff's net adjustments result in an increase of \$2,934 (\$3,413 - \$479) to water and a decrease of \$8,626 to wastewater, resulting in a total depreciation expense of \$4,670 (\$1,736+\$2,934) for water and \$2,508 (\$11,134-\$8,626) for wastewater.

Amortization of WWTP Removal Costs

Based on a DEP consent order dated May 23, 2007, Orchid Springs ceased treating its wastewater and connected to the City of Winter Haven (City) for this function. The utility incurred environmental compliance costs to demolish the wastewater treatment plant (WWTP), which the utility is eligible to recover pursuant to 367.081, F.S. The utility provided staff with a list of invoices during the years 2008, 2009, and 2010 for these costs. Staff identified costs totaling \$122,250 and amortized the sum over 5 years consistent with Rule 25-30.433, F.A.C. for non-recurring expenses. Based on staff's adjustments to wastewater rate base addressed in Issue 2, these costs are not included in rate base. The annual amortization for wastewater is \$24,450. When the amortization period has concluded, the utility should file modified tariff sheets with the Commission to remove the recovery of this expense from its rates.

Taxes Other Than Income (TOTI)

TOTI balances of \$5,727 for water and \$7,379 for wastewater were documented by staff. These amounts include the RAFs reclassified from regulatory commission expense of \$4,294 for water and \$5,454 for wastewater. Staff increased TOTI by \$414 for water and decreased this expense by \$111 for wastewater to reflect the appropriate test year RAFs based on adjusted test year revenues.

In addition, as discussed in Issue 8, revenues have been increased by \$2,614 for water and \$96,459 for wastewater to reflect the change in revenue required to cover expenses and allow an opportunity to earn the recommended return on investment. As a result, TOTI should be increased by \$118 for water and \$4,341 for wastewater to reflect RAFs of 4.5 percent on the change in revenues. Staff's net adjustments are increases of \$532 for water and \$4,230 for wastewater. Therefore, staff recommends TOTI of \$6,259 and \$11,609 for water and wastewater, respectively.

Income Tax

The utility did not have any income tax expense for the test year. Orchid Springs has shown a net loss for the last several years in its Annual Reports. For purposes of this preliminary recommendation, staff is making no adjustment until further review.

Operating Expenses Summary

The application of staff's recommended adjustments to Orchid Springs' operating expenses result in staff's recommended operating expenses of \$91,651 for water and \$211,857 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule Nos. 3-C.

Issue 7: What is the appropriate revenue requirement?

Preliminary Recommendation: The appropriate revenue requirement is \$92,630 for water and \$216,262 for wastewater. (T. Brown)

Staff Analysis: Orchid Springs should be allowed an annual increase of \$2,614 (2.90 percent) for water and \$96,459 (80.51 percent) for wastewater. This will allow the utility the opportunity to recover its expenses and earn a 4.42 percent return on its investment. Staff's revenue requirement calculation is shown on Table 7-1 below:

**Table 7-1
 Revenue Requirement**

	Water	Wastewater
Adjusted Rate Base	\$22,136	\$99,611
Rate of Return	<u>x 4.42%</u>	<u>x 4.42%</u>
Return on Rate Base	\$980	\$4,403
Adjusted O&M Expense	80,722	173,291
Depreciation Expense	4,670	2,508
Amortization Expense	0	24,450
Taxes Other Than Income	<u>6,259</u>	<u>11,609</u>
Revenue Requirement	\$92,630	\$216,262
Less Adjusted Test Year Revenues	<u>90,016</u>	<u>119,803</u>
Annual Increase	<u>\$2,614</u>	<u>\$96,459</u>
Percent Increase	<u>2.90%</u>	<u>80.51%</u>

Issue 8: What are the appropriate rate structures and rates for Orchid Springs' water and wastewater systems?

Preliminary Recommendation: The recommended rate structures and 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. (Thompson)

Staff Analysis:

Water Rates

The Orchid Springs water system is located in Polk County within the SWFWMD. The utility provides water service to approximately 228 residential customers and 82 general service customers. Approximately 12 percent of the residential customer bills during the test year had zero gallons indicating a non-seasonal customer base. The average residential water demand is 4,244 gallons per month. Currently, the utility's rate structure consists of a monthly base facility charge (BFC) and uniform gallonage charge for all customers.

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

Staff recommends that the recommended 2.91 percent revenue increase be applied across-the-board to the service rates in effect since June 30, 2013. Based on the foregoing, the appropriate monthly water rates are shown on Schedule No. 4-A.

Wastewater Rates

The utility provides wastewater service to approximately 228 residential customers and 82 general service customers. Currently, the wastewater rate structure consists of a monthly uniform BFC for all meter sizes and a gallonage charge with a 10,000 gallon cap. General service customers are billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

Staff performed an analysis of the utility's billing data in order to evaluate various BFC cost recovery percentages and gallonage caps for the residential wastewater 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.

The Commission's practice is to allocate at least 50 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants. Therefore, an allocation of 50 percent of the wastewater revenue to the BFC is appropriate. In addition, it is Commission practice to set the wastewater cap at approximately 80 percent of residential water gallons sold. Based on staff's review of the billing analysis, the 6,000 gallon consumption level is where approximately 80 percent of the water demand is captured. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. For this reason, staff recommends that the gallonage cap of 10,000 per month be reduced to 6,000 gallons. Staff also recommends that the general service gallonage charge be 1.2 times greater than the residential gallonage charge which is consistent with Commission practice. Furthermore, staff recommends a BFC allocation based on 50 percent of the wastewater revenue requirement. Staff's recommended rate structure and rates are shown on Schedule No. 4-B.

Summary

The recommended rate structure and monthly 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.

Issue 9: Should Orchid Springs' request to implement a \$5 late payment charge be approved?

Preliminary Recommendation: Staff's recommendation regarding a \$5 late payment charge will not be finalized until after the June 11, 2015 customer meeting. (Thompson)

Staff Analysis: Section 367.091, F.S., authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or services availability charges. The utility is requesting a \$5 late payment charge to recover the cost of supplies and labor associated with processing late payment notices. Staff has requested cost justification to support its request for a \$5 late payment charge.

This recommendation is scheduled to be heard by the Commission at the August 18, 2015 Agenda Conference. Staff will reserve its recommendation on the \$5 late payment charge request until the cost justification information has been received from the utility and reviewed.

Issue 10: Should Orchid Springs be authorized to collect Non-Sufficient Funds (NSF) charges?

Preliminary Recommendation: Yes. Orchid Springs should be authorized to collect NSF charges. Staff recommends that Orchid Springs revise its tariffs to reflect the NSF charges currently set forth in Sections 68.065 and 832.08(5), 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. (Thompson)

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 Orchid Springs 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 832.08(5) and 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,
4. or five percent of the face amount of the check, whichever is greater.

Approval of NSF charges are consistent with prior Commission decisions.⁶ 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 Orchid Springs revise its tariffs to reflect the NSF charges currently set forth in Sections 68.065 and 832.08(5) 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. 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.

⁶Order Nos. PSC-10-0364-TRF-WS, issued June 7, 2010, in Docket No. 100170-WS, In re: Application for authority to collect non-sufficient funds charges, pursuant to Sections 68.065 and 832.08(5), F.S., by Pluris Wedgefield Inc., and PSC-10-0168-PAA-SU, issued March 23, 2010, in Docket No. 090182-SU, In re: Application for increase in wastewater rates in Pasco County by Ni Florida, LLC.

Issue 11: What are the utility's appropriate initial customer deposits for Orchid Springs' wastewater service?

Preliminary Recommendation: The appropriate wastewater initial customer deposit should be \$115 for the residential 5/8" x 3/4" meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for wastewater service. The approved customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. The utility should be required to charge the approved charges until authorized to change them by the Commission in a subsequent proceeding. (Thompson)

Staff Analysis: Rule 25-30.311, F.A.C., contains 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. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.⁷ Currently, the utility's wastewater initial customer deposit is \$50 for 5/8" x 3/4" meter size and two times the average estimated bill for all other meters sizes. Based on the staff recommended wastewater rates, the appropriate initial customer deposit should be \$115 for wastewater to reflect an average residential customer bill for two months.

Staff recommends the appropriate initial customer deposit should be \$115 for the residential 5/8" x 3/4" meter size 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 for wastewater. The approved customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. The utility should be required to charge the approved charges until authorized to change them by the Commission in a subsequent proceeding.

⁷Order Nos. PSC-13-0611-PAA-WS, issued November 19, 2013, in Docket No. 130010-WS, In re: Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC. and PSC-14-0016-TRF-WU, issued January 6, 2014, in Docket No. 130251-WU, In re: Application for approval of miscellaneous service charges in Pasco County, by Crestridge Utility Corporation.

Issue 12: What is the appropriate amount by which rates should be reduced in four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Preliminary Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Orchid Springs 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. (T. Brown, Thompson)

Staff Analysis: Section 367.0816, 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, the associated return in working capital, and the gross-up for RAFs. The total reduction is \$1,120 for water and \$955 for wastewater.

The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Orchid Springs should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 13: What is the appropriate amount by which rates should be reduced in five years after the published effective date to reflect the removal of amortized removal costs associated with the decommissioning of the utility's wastewater treatment plant?

Preliminary Recommendation: The wastewater rates should be reduced as shown on Schedule No. 4-B, to remove removal costs grossed-up for RAFs and amortized over a five-year period. The decrease in rates should become effective immediately following the expiration of the five-year recovery period of removal costs associated with the decommissioning of the utility's WWTP. Orchid Springs 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 expense. (Thompson, T. Brown)

Staff Analysis: As discussed in Issue 6, staff identified WWTP removal costs totaling \$122,250 and amortized the sum over five years as set forth in Rule 25-30.433(8), F.A.C. for non-recurring expenses. When the amortization period has concluded, the utility should remove the recovery of this amortized expense from its rates. The reduction will reflect the removal of revenue associated with the amortization of removal costs and the gross-up for RAFs. The total reduction is \$25,602 for wastewater.

Issue 14: Should the recommended rates 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?

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. Orchid Springs 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. (Monroe)

Staff Analysis: This recommendation proposes an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the utility, staff recommends that the recommended rates be approved as temporary rates. Orchid Springs 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.

The utility 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 \$66,049. 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, 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 should be part of the agreement:

- 1) No monies in the escrow account may be withdrawn by the utility without the express approval of the Commission;
- 2) The escrow account shall be an interest bearing account;
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility;
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 7) 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;
- 8) The Commission Clerk must be a signatory to the escrow agreement; and,
- 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 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 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.

Issue 15: Should the utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission approved adjustments?

Preliminary Recommendation: Yes. To ensure that the utility adjusts its books in accordance with the Commission's decision, Orchid Springs should provide proof, within 90 days of the final order in this docket, that the adjustments to all the applicable NARUC USOA accounts have been made to the utility's books and records. The utility's support documentation should include a list, by issue, of all Commission ordered adjustments and a reference to where the corresponding bookkeeping entries can be found in the general ledger that is provided. (T. Brown)

Staff Analysis: To ensure that the utility adjusts its books in accordance with the Commission's decision, Orchid Springs should provide proof, within 90 days of the final order in this docket, that the adjustments to all the applicable NARUC USOA accounts have been made to the utility's books and records.

The utility's support documentation should include a list, by issue, of all Commission ordered adjustments and a reference to where the corresponding bookkeeping entries can be found in the general ledger that is provided. All support documentation should follow the guidelines set forth in Rule 25-30.450, F.A.C., which states:

In each instance, the utility must be able to support any schedule submitted, as well as any adjustments or allocations relied on by the utility. The work sheets, etc., supporting the schedules and data submitted must be organized in a systematic and rational manner so as to enable Commission personnel to verify the schedules in an expedient manner and minimum amount of time. The supporting work sheets, etc., shall list all reference sources necessary to enable Commission personnel to trace to original source of entry into the financial and accounting system and, in addition, verify amounts to the appropriate schedules.

ORCHID SPRINGS DEVELOPMENT CORPORATION		SCHEDULE NO. 1-A	
TEST YEAR ENDED 12/31/14		DOCKET NO. 140239-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$249,136	\$19,878	\$269,014
2. LAND & LAND RIGHTS	480	1,202	1,682
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. ACCUMULATED DEPRECIATION	(218,520)	(40,130)	(258,650)
5. CIAC	(171,516)	0	(171,516)
6. ACCUMULATED AMORTIZATION OF CIAC	171,252	264	171,516
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>10,090</u>	<u>10,090</u>
8. WATER RATE BASE	<u>\$30,832</u>	<u>(\$8,696)</u>	<u>\$22,136</u>

ORCHID SPRINGS DEVELOPMENT CORPORATION		SCHEDULE NO. 1-B	
TEST YEAR ENDED 12/31/14		DOCKET NO. 140239-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$668,207	(\$125,483)	\$542,725
2. LAND & LAND RIGHTS	58,860	(58,860)	0
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. ACCUMULATED DEPRECIATION	(484,173)	19,398	(464,775)
5. CIAC	(302,109)	0	(302,109)
6. ACCUMULATED AMORTIZATION OF CIAC	302,109	0	302,109
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>21,661</u>	<u>21,661</u>
8. WASTEWATER RATE BASE	<u>\$242,894</u>	<u>(\$143,283)</u>	<u>\$99,611</u>

ORCHID SPRINGS DEVELOPMENT CORPORATION		SCHEDULE NO. 1-C	
TEST YEAR ENDED 12/31/14		DOCKET NO. 140239-WS	
ADJUSTMENTS TO RATE BASE			
	WATER	WASTEWATER	
<u>UTILITY PLANT IN SERVICE</u>			
1.	To reflect the appropriate amount of plant in service per audit.	\$19,878	(\$28,485)
2.	To reflect the appropriate retirement of the WWTP.	0	(959)
3.	To remove WWTP removal costs	0	(95,895)
4.	To reflect an averaging adjustment.	<u>0</u>	<u>(144)</u>
	Total	<u>\$19,878</u>	<u>(\$125,483)</u>
<u>LAND & LAND RIGHTS</u>			
1.	To reflect the appropriate land value.	\$1,202	\$0
2.	To remove land no longer used for Utility purposes.	<u>0</u>	<u>(58,860)</u>
	Total	<u>\$1,202</u>	<u>(\$58,860)</u>
<u>ACCUMULATED DEPRECIATION</u>			
1.	To reflect the appropriate accumulated depreciation.	(\$42,943)	\$19,729
2.	To reflect an averaging adjustment.	<u>2,813</u>	<u>(331)</u>
	Total	<u>(\$40,130)</u>	<u>\$19,398</u>
<u>ACCUMULATED AMORTIZATION OF CIAC</u>			
1.	To reflect full amortization of water CIAC.	\$374	\$0
2.	To reflect an averaging adjustment.	<u>(110)</u>	<u>0</u>
	Total	<u>\$264</u>	<u>\$0</u>
<u>WORKING CAPITAL ALLOWANCE</u>			
1.	To reflect 1/8 of test year O&M expenses.	<u>\$10,090</u>	<u>\$21,661</u>

ORCHID SPRINGS DEVELOPMENT CORPORATION
TEST YEAR ENDED 12/31/14
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 140239-WS

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	PERCENT OF TOTAL	WEIGHTED COST
1. COMMON EQUITY	\$16,000	(\$8,000)	\$8,000	(\$3,868)	\$4,132	3.39%	11.16%	0.38%
2. LONG-TERM DEBT	187,998	11,088	199,086	(96,268)	102,818	84.45%	4.50%	3.80%
3. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
4. PREFERRED STOCK	0	0	0	0	0	0.00%	0.00%	0.00%
5. CUSTOMER DEPOSITS	14,990	(192)	14,798	0	14,798	12.15%	2.00%	0.24%
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	<u>\$218,988</u>	<u>\$2,896</u>	<u>\$221,884</u>	<u>(\$100,136)</u>	<u>\$121,748</u>	<u>100.00%</u>	<u>17.66%</u>	<u>4.42%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>10.16%</u>	<u>12.16%</u>	
OVERALL RATE OF RETURN						<u>4.39%</u>	<u>4.46%</u>	

ORCHID SPRINGS DEVELOPMENT CORPORATION						SCHEDULE NO. 3-A
TEST YEAR ENDED 12/31/14						DOCKET NO. 140239-WS
SCHEDULE OF WATER OPERATING INCOME						
	TEST YEAR	STAFF	STAFF	ADJUST.	REVENUE	
	PER UTILITY	ADJUSTMENTS	ADJUSTED	FOR	REQUIREMENT	
			TEST YEAR	INCREASE		
1. OPERATING REVENUES	<u>\$95,103</u>	<u>(\$5,087)</u>	<u>\$90,016</u>	<u>\$2,614</u> 2.90%	<u>\$92,630</u>	
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	<u>\$67,530</u>	<u>\$13,192</u>	<u>\$80,722</u>	<u>\$0</u>	<u>\$80,722</u>	
3. DEPRECIATION (NET)	<u>1,736</u>	<u>2,934</u>	<u>4,670</u>	<u>0</u>	<u>4,670</u>	
4. AMORTIZATION	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
5. TAXES OTHER THAN INCOME	<u>5,727</u>	<u>414</u>	<u>6,141</u>	<u>129</u>	<u>6,259</u>	
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7. TOTAL OPERATING EXPENSES	<u>\$74,993</u>	<u>\$16,540</u>	<u>\$91,533</u>	<u>\$129</u>	<u>\$91,651</u>	
8. OPERATING INCOME/(LOSS)	<u>\$20,110</u>		<u>(\$1,517)</u>		<u>\$979</u>	
9. WATER RATE BASE	<u>\$30,832</u>		<u>\$22,136</u>		<u>\$22,136</u>	
10. RATE OF RETURN	<u>65.22%</u>		<u>(6.85%)</u>		<u>4.42%</u>	

ORCHID SPRINGS DEVELOPMENT CORPORATION						SCHEDULE NO. 3-B
TEST YEAR ENDED 12/31/14						DOCKET NO. 140239-WS
SCHEDULE OF WASTEWATER OPERATING INCOME						
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT	
1. OPERATING REVENUES	<u>\$120,827</u>	<u>(\$1,024)</u>	<u>\$119,803</u>	<u>\$96,459</u> 80.51%	<u>\$216,262</u>	
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$160,617	\$12,674	\$173,291	\$0	\$173,291	
3. DEPRECIATION (NET)	11,134	(8,626)	2,508	0	2,508	
4. AMORTIZATION	0	24,450	24,450	0	24,450	
5. TAXES OTHER THAN INCOME	7,379	(111)	7,268	4,341	11,609	
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7. TOTAL OPERATING EXPENSES	<u>\$179,130</u>	<u>\$28,387</u>	<u>\$207,517</u>	<u>\$4,341</u>	<u>\$211,857</u>	
8. OPERATING INCOME/(LOSS)	<u>(\$58,303)</u>		<u>(\$87,714)</u>		<u>\$4,405</u>	
9. WASTEWATER RATE BASE	<u>\$242,894</u>		<u>\$99,611</u>		<u>\$99,611</u>	
10. RATE OF RETURN	<u>(24.00%)</u>		<u>(88.06%)</u>		<u>4.42%</u>	

ORCHID SPRINGS DEVELOPMENT CORPORATION
TEST YEAR ENDED 12/31/14
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-C
DOCKET NO. 140239-WS
Page 1 of 2

	WATER	WASTEWATER
OPERATING REVENUES		
1. To reflect the appropriate test year services revenues.	\$0	(\$1,024)
2. To remove collection of unauthorized fees.	<u>(5,087)</u>	<u>0</u>
Subtotal	<u>(\$5,087)</u>	<u>(\$1,024)</u>
OPERATION AND MAINTENANCE EXPENSES		
1. Purchased Power (615/715)		
a. To reflect the appropriate test year purchased power.	<u>\$220</u>	<u>(\$525)</u>
Subtotal	<u>\$220</u>	<u>(\$525)</u>
2. Chemicals (618/718)		
a. To reflect the appropriate test year chemical expense.	<u>\$31</u>	<u>\$0</u>
Subtotal	<u>\$31</u>	<u>\$0</u>
3. Contractual Services - Professional (631/731)		
a. To remove inappropriately booked consultation fees.	(\$1,000)	(\$1,400)
b. Management Services expense.	<u>25,696</u>	<u>25,696</u>
Subtotal	<u>\$24,696</u>	<u>\$24,296</u>
4. Contractual Services - Legal (633/733)		
a. To remove annual filing fee to Florida Division of Corporations.	<u>(\$150)</u>	<u>\$0</u>
Subtotal	<u>(\$150)</u>	<u>\$0</u>
5. Contractual Services - Testing (635/735)		
a. To include additional test year invoice.	<u>\$133</u>	<u>\$0</u>
Subtotal	<u>\$133</u>	<u>\$0</u>
6. Contractual Services - Other (636/736)		
a. To reflect removal of unsupported invoices and discrepancies between general ledger and support documentation.	(\$5,026)	(\$6,353)
b. To remove filing fee for instant case.	<u>(2,000)</u>	<u>0</u>
Subtotal	<u>(\$7,026)</u>	<u>(\$6,353)</u>
7. Insurance Expense (655/755)		
a. To reflect appropriate test year insurance expense.	<u>(\$242)</u>	<u>\$224</u>
Subtotal	<u>(\$242)</u>	<u>\$224</u>
8. Regulatory Commission Expense (665/765)		
a. To reflect appropriate 4-year amortization of rate case expense.	\$1,064	\$945
b. To remove 2013 RAF payment.	<u>(4,294)</u>	<u>(5,454)</u>
Subtotal	<u>(\$3,230)</u>	<u>(\$4,509)</u>
9. Bad Debt Expense (670/770)		
a. To reflect the appropriate amount of bad debt expense.	<u>\$304</u>	<u>\$304</u>
Subtotal	<u>\$304</u>	<u>\$304</u>

ORCHID SPRINGS DEVELOPMENT CORPORATION		SCHEDULE NO. 3-C	
TEST YEAR ENDED 12/31/14		DOCKET NO. 140239-WS	
ADJUSTMENTS TO OPERATING INCOME		PAGE 2 OF 2	
		WATER	WASTEWATER
MISCELLANEOUS EXPENSE			
1.	To reflect the appropriate amount in invoices provided to staff.	(\$1,544)	(\$764)
	Subtotal	(\$1,544)	(\$764)
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS		\$13,192	\$12,674
DEPRECIATION EXPENSE			
1.	To reflect test year depreciation expense calculated per 25-30.140 F.A.C.	\$3,413	(\$8,626)
2.	To remove CIAC amortization expense.	(479)	0
	Total	<u>\$2,934</u>	<u>(\$8,626)</u>
AMORTIZATION			
1.	Amortization of WWTP removal costs.	\$0	\$24,450
	Total	<u>\$0</u>	<u>\$24,450</u>
TAXES OTHER THAN INCOME			
1.	To reflect appropriate test year property taxes.	(\$276)	\$0
2.	To reflect appropriate test year RAFs.	246	(63)
3.	To reflect appropriate tangible taxes.	444	(48)
	Total	<u>\$414</u>	<u>(\$111)</u>

ORCHID SPRINGS DEVELOPMENT CORPORATION		SCHEDULE NO. 3-D	
TEST YEAR ENDED 12/31/14		DOCKET NO. 140239-WS	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF PER ADJUST.	TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSION & BENEFITS	0	0	0
(610) PURCHASED WATER	1,149	0	1,149
(615) PURCHASED POWER	3,000	220	3,220
(616) FUEL FOR POWER PRODUCTION	40	0	40
(618) CHEMICALS	3,440	31	3,471
(620) MATERIALS AND SUPPLIES	115	0	115
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	1,000	24,696	25,696
(633) CONTRACTUAL SERVICES-LEGAL	150	(150)	0
(635) CONTRACTUAL SERVICES - TESTING	108	133	241
(636) CONTRACTUAL SERVICES - OTHER	47,965	(7,026)	40,939
(640) RENTS	3,070	0	3,070
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE - GEN LIABILITY	699	(242)	457
(663) REPAIRS AND MAINTENANCE	96	0	96
(665) REGULATORY COMMISSION EXPENSE	4,294	(3,230)	1,064
(670) BAD DEBT EXPENSE	115	304	419
(675) MISCELLANEOUS EXPENSES	<u>2,289</u>	<u>(1,544)</u>	<u>745</u>
TOTAL	<u>\$67,530</u>	<u>\$13,192</u>	<u>\$80,722</u>

ORCHID SPRINGS DEVELOPMENT CORPORATION		SCHEDULE NO. 3-E	
TEST YEAR ENDED 12/31/14		DOCKET NO. 140239-WS	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF PER ADJUST.	TOTAL PER PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSION & BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	117,987	0	117,987
(715) PURCHASED POWER	4,676	(525)	4,151
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	0	0	0
(720) MATERIALS AND SUPPLIES	115	0	115
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	1,400	24,296	25,696
(733) CONTRACTUAL SERVICES - LEGAL	0	0	0
(735) CONTRACTUAL SERVICES-TESTING	0	0	0
(736) CONTRACTUAL SERVICES - OTHER	25,496	(6,353)	19,143
(740) RENTS	3,070	0	3,070
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE - GEN LIABILITY	699	224	923
(763) REPAIRS AND MAINTENANCE	96	0	96
(765) REGULATORY COMMISSION EXPENSE	5,454	(4,509)	945
(770) BAD DEBT EXPENSE	115	304	419
(775) MISCELLANEOUS EXPENSES	<u>1,509</u>	<u>(764)</u>	<u>745</u>
TOTAL	<u>\$160,617</u>	<u>\$12,674</u>	<u>\$173,291</u>

ORCHID SPRINGS DEVELOPMENT CORPORATION TEST YEAR ENDED DECEMBER 31, 2014 MONTHLY WATER RATES		SCHEDULE NO. 4-A DOCKET NO. 140186-WU	
	RATES AT TIME OF FILING	STAFF PRELIMINARY RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$9.67	\$9.95	\$0.12
3/4"	\$14.50	\$14.93	\$0.18
1"	\$24.17	\$24.88	\$0.30
1-1/2"	\$48.35	\$49.75	\$0.60
2"	\$77.38	\$79.60	\$0.96
3"	\$154.74	\$159.20	\$1.93
4"	\$241.76	\$248.75	\$3.02
6"	\$483.55	\$497.50	\$6.03
Charge per 1,000 gallons	\$1.76	\$1.81	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
4,000 Gallons	\$16.71	\$17.19	
6,000 Gallons	\$20.23	\$20.81	
10,000 Gallons	\$27.27	\$28.05	

ORCHID SPRINGS DEVELOPMENT CORPORATION			SCHEDULE NO. 4-B		
TEST YEAR ENDED DECEMBER 31, 2014			DOCKET NO. 140239-WS		
MONTHLY WASTEWATER RATES					
	RATES AT TIME OF FILING	COMMISSION APPROVED INTERIM	STAFF PRELIMINARY RECOMMENDED RATES	4 YEAR RATE REDUCTION	5 YEAR WWTP AMMORTIZATION REDUCTION
Residential Service					
Base Facility Charge for All Meter Sizes	\$14.13	\$16.42	\$32.53	\$0.15	\$3.85
Charge per 1,000 gallons - Residential					
10,000 gallon cap	\$3.08	\$3.58			
6,000 gallon cap			\$5.90	\$0.03	\$0.70
General Service					
Base Facility Charge by Meter Size					
5/8" X 3/4"	\$14.13	\$16.42	\$32.53	\$0.15	\$3.85
3/4"	\$21.24	\$24.63	\$48.80	\$0.22	\$5.78
1"	\$35.40	\$41.05	\$81.33	\$0.37	\$9.63
1-1/2"	\$70.78	\$82.10	\$162.65	\$0.75	\$19.26
2"	\$113.26	\$131.36	\$260.24	\$1.20	\$30.81
3"	\$226.50	\$262.72	\$520.48	\$2.39	\$61.62
4"	\$353.90	\$410.50	\$813.25	\$3.74	\$96.28
6"	\$707.80	\$821.00	\$1,626.50	\$7.48	\$192.55
Charge per 1,000 gallons	\$3.72	\$4.32	\$7.08	\$0.03	\$0.84
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
4,000 Gallons	\$26.45	\$30.74	\$56.13		
6,000 Gallons	\$32.61	\$37.90	\$67.93		
10,000 Gallons	\$44.93	\$52.22	\$67.93		