

State of Florida



# Public Service Commission

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

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

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**DATE:** June 18, 2025

**TO:** Elisabeth J. Draper, Director, Division of Economics

**FROM:** Division of Economics (Bethea)  
Division of Accounting & Finance (Folkman)  
Division of Engineering (M. Watts)

**RE:** Docket No. 20250013-WS - Application for staff assisted rates case in Highlands County, LP Waterworks, Inc.

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– STAFF REPORT –

**This Staff Report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting scheduled for July 9, 2025.**

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## Case Background

LP Waterworks, Inc. (LP or utility) is a Class C water and wastewater Utility located in Highlands County. The utility is currently providing water service to approximately 418 residential, 22 general service, and 2 private fire protection customers. For its wastewater service, the utility provides service to approximately 360 residential customers and 17 general service customers. The utility is located in the water use caution area of the Southwest Florida Water Management District (SWFWMD). According to LP's 2024 Annual Report, total gross water revenue was \$172,922, total gross wastewater revenue was \$128,512, total water operating expense was \$169,841, and total wastewater operating expense was \$136,679.

On March 13, 2014, the Commission approved the transfer of L.P. Utilities Corporation's water and wastewater systems and Certificate Nos. 620-W and 533-S to LP Waterworks, Inc.<sup>1</sup> The Commission last established LP's water rates in a staff assisted rate case in 2023,<sup>2</sup> and its wastewater rates in 2017.<sup>3</sup> Subsequently, the utility was approved for a 2023 price index increase.

On January 7, 2025, the utility filed an application for a staff-assisted rate case (SARC) requesting an increase for its water and wastewater rates. The utility requested the test year ending October 31, 2024. The official filing date was established as March 6, 2025. LP's request for a SARC is due to the capital improvements and the request of additional proforma expense to the water and wastewater systems.

This Staff Report is a preliminary analysis of the utility prepared by the Commission staff to give utility 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 22, 2025, for the September 4, 2025 Commission 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 pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 366.091 and 367.121, Florida Statutes (F.S.).

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<sup>1</sup>Order No. PSC-2014-0130-PAA-WS, issued March 17, 2014, in Docket No. 20130055, *In re: Application for approval of transfer of LP Utilities Corporation's water and wastewater systems and Certificate Nos. 620-W and 533-S, to LP Waterworks, Inc., in Highlands County.*

<sup>2</sup>Order No. PSC-2023-0101-PAA-WS, issued February 28, 2023, in Docket No. 20220099-WS, *In re: Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.*

<sup>3</sup>Order No. PSC-2017-0334-PAA-WS, issued August 23, 2017, in Docket No. 20160222-WS, *In re: Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.*

## Discussion of Issues

**Issue 1:** Is the quality of service provided by LP Waterworks, Inc. satisfactory?

**Preliminary Recommendation:** Staff's recommendation regarding quality of service will not be finalized until after the July 9, 2025 customer meeting. (M. Watts)

**Staff Analysis:** Pursuant to Section 367.081(2)(a)1, F.S., and 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 the utility. This determination is made from an evaluation of the quality of the utility's product (water), and the utility's attempt to address customer satisfaction (water and wastewater). The Rule further states that the most recent chemical analyses for the water system, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the county health department, and 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 the Commission are also reviewed. The operating conditions of the water and wastewater systems are addressed in Issue 2.

### Quality of Utility's Product

In evaluation of LP's product quality, staff reviewed the utility's compliance with the DEP primary and secondary drinking water standards. Primary standards protect public health while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. Staff reviewed the chemical analysis of samples dated April 15, 2024, and June 26, 2024. All of the contaminants were below the maximum contaminant level set by the DEP.

### The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the complaints filed in the Commission's Consumer Activity Tracking System (CATS), received by the utility, and filed with the DEP for the test year and four years prior. There were 10 complaints filed in CATS. Three of these complaints were related to quality of service, one was for a repair, and the others were related to billing. The utility reported that it received 46 complaints during this timeframe. The DEP reported that it did not receive any wastewater complaints, but it has not responded to date regarding water complaints. A review of the customer complaints indicates the utility has resolved all of the complaints filed with the Commission and with the utility. Table 1-1 summarizes the number of complaints by source and subject for the test year and four years prior.

**Table 1-1**  
**Number of Complaints by Source and Subject**

| <b>Subject of Complaint</b> | <b>CATS Records</b> | <b>DEP Records</b> | <b>Utility Records</b> | <b>Total</b> |
|-----------------------------|---------------------|--------------------|------------------------|--------------|
| Water Quality               | 2                   | -                  | 3                      | 5            |
| Water Leak                  | 0                   | -                  | 11                     | 11           |
| Repair                      | 1                   | -                  | 3                      | 4            |
| Customer Service            | 1                   | -                  | -                      | 1            |
| Disconnected                | -                   | -                  | 1                      | 1            |
| Service Interruption        | -                   | -                  | 15                     | 15           |
| Water pressure              | -                   | -                  | 9                      | 9            |
| Sewer Backup                | -                   | -                  | 1                      | 1            |
| Billing                     | 6                   | -                  | -                      | 6            |
| Delay in Connection         | -                   | -                  | 3                      | 3            |
| <b>Total*</b>               | <b>10</b>           | <b>-</b>           | <b>46</b>              | <b>56</b>    |

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

**Conclusion**

Staff's recommendation regarding quality of service will not be finalized until after the customer meeting scheduled for July 9, 2025.

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**Issue 2:** Are the infrastructure and operating condition of LP's water and wastewater system in compliance with the DEP regulations?

**Preliminary Recommendation:** Staff's recommendation regarding DEP compliance will not be finalized until after the customer meeting scheduled for July 9, 2025. (M. Watts)

**Staff Analysis:** Rule 25-30.225(2), F.A.C., requires each water utility to maintain and operate its plant and facilities by employing qualified operators in accordance with the rule of the DEP. Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, the Commission must consider testimony of the DEP and county health department officials, compliance evaluations, inspections, citations, violations, consent orders issued to the utility, customer testimony, comments, complaints, utility testimony, and responses to the aforementioned items.

### **Operating Condition of the Utility's Plant and Facilities**

LP's water treatment system has two wells rated at 850 gallons per minute (gpm) and 350 gpm. The utility's water system has two ground storage tanks totaling 25,000 gallons in capacity. There are seven fire hydrants present throughout the service area. The distribution system is comprised of varying sizes of polyvinyl chloride (PVC) pipes ranging from 1 inch to 8 inches. Staff reviewed the utility's last DEP Sanitary Survey, dated January 27, 2023. The DEP noted five deficiencies, which the utility corrected. The deficiencies included two minor plant repair items, an overdue inspection and cleaning for the hydropneumatic tanks, an overdue water quality test for total xylenes, and no standby plan on site for the generator. LP provided photos of the repair items, performed the overdue inspections, cleanings and water quality tests, and supplied the required standby plan. The DEP issued a return to compliance letter on April 26, 2024.

LP only provides wastewater service to a portion of its service territory, primarily the Camp Florida Resort. Furthermore, the wastewater system serves seasonal customers which have peak flows from January through March. The wastewater treatment system consists of a 50,000 gallons per day (gpd) extended aeration system, a lift station, 8,549 feet of PVC collecting mains, and a 918-foot force main. Staff reviewed the utility's last DEP Compliance Evaluation Inspection report, dated October 29, 2024. The DEP noted eight deficiencies, which the utility corrected. Five of the deficiencies noted excessive solids and scum in various parts of the wastewater treatment plant (WWTP). The utility addressed these by having the sludge that had built up in the system hauled away and the timing of processes adjusted to prevent future buildup. One of the deficiencies concerned an overdue flow meter calibration, which LP completed and submitted to the DEP. One deficiency noted transcription errors on some of the Discharge Monitoring Reports (DMRs). The utility corrected and resubmitted the DMRs. The final deficiency concerned an effluent exceedance reported on one of the DMRs. After conferring with the plant operator and hearing the explanation, the DEP inspector concluded there was no exceedance. The DEP issued a return to compliance letter on December 10, 2024.

### **Conclusion**

Staff's recommendation regarding DEP compliance will not be finalized until after the customer meeting scheduled for July 9, 2025.

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**Issue 3:** What are the used and useful percentages (U&U) of LP Waterworks, Inc. water treatment plant (WTP), water storage, wastewater treatment plant (WWTP), and distribution and collection systems?

**Preliminary Recommendation:** LP's WTP, water storage, water distribution system, WWTP, and wastewater collection system should all be considered 100 percent U&U. Staff recommends an 8 percent adjustment to purchased power and chemicals should be made for excessive unaccounted for water. These are preliminary determinations and are subject to change. (M. Watts)

**Staff Analysis:** As stated in Issue 2, LP's water treatment system has two wells rated at 850 gpm and 350 gpm. The utility's water system has two ground storage tanks totaling 25,000 gallons in capacity. There are seven fire hydrants present throughout the service area. The distribution system is comprised of varying sizes of PVC pipes. The LP wastewater treatment plant is permitted by the DEP as a 50,000 gallon per day annual average daily flow extended aeration facility. According to the utility, the LP wastewater collection system is comprised of varying sizes of PVC collecting mains and a 918-foot force main. There are 47 manholes present throughout the service area.

#### **Water System U&U**

Rule 25-30.4325, F.A.C., addresses the method by which the U&U of a water system is determined. LP's U&U percentages were last determined in Docket No. 20160222-WS, and the Commission found the water treatment facilities, distribution system, and storage were 100 percent U&U. The utility has not increased the capacity of its facilities and the service area is built out. Staff evaluated the circumstances under which the system was considered 100 percent U&U, and it appears that there has been no change and the system should still be considered 100 percent U&U.

#### **Wastewater System U&U**

Rule 25-30.432, F.A.C., addresses the method by which the U&U of a wastewater system is determined. LP's U&U percentages were last determined in Docket No. 20160222-WS, and the Commission found the wastewater treatment facilities were 96 percent U&U and the collection system was 100 percent U&U. The utility has not increased the capacity of its facilities and the service area is built out. Staff has made a preliminary evaluation of the circumstances under which the WWTP and the collection system were considered 96 and 100 percent U&U, respectively, and it appears that there has been no change and the WWTP and collection system should still be considered 96 and 100 percent U&U, respectively.

#### **Excessive Unaccounted For Water**

Rule 25-30.4325, F.A.C., defines Excessive Unaccounted for Water (EUW) as "unaccounted for water in excess of 10 percent of the amount produced." Unaccounted for water is all water produced that is not sold, metered, or accounted for in the records of the utility. In determining whether adjustments to plant and operating expenses are necessary in accordance with Rule 25-30.4325(10), F.A.C., staff considers several factors. These include the causes of EUW, any corrective action taken, or the economic feasibility of a proposed solution. EUW is calculated by

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subtracting both the gallons sold to customers and the gallons used for other services, such as flushing, from the total gallons pumped for the test year.

The Monthly Operating Reports that the utility files with the DEP indicate that the utility treated 10,694,237 gallons during the test year. In response to a staff data request the utility indicated that it purchased no water and used 601,400 gallons for other uses during the test year. According to the staff audit report, the utility sold 8,197,000 gallons of water for the test year. When both the gallons sold and water used for other uses is subtracted from the total gallons pumped there is an amount of 1,895,837 gallons that are unaccounted for. The formula for unaccounted for water is given by gallons of unaccounted for water / (total gallons pumped + gallons purchased). The resulting unaccounted for water is 18 percent and the excessive unaccounted for water is 8 percent. However, staff's recommendation for EUW is preliminary, and therefore, no adjustment to purchased power and chemicals is recommended 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 inflow and infiltration (I&I). Excessive I&I is a calculation that is based on a comparison of the allowable wastewater treated to the actual amount of wastewater treated. Allowable treated wastewater was calculated as 4,633,300 gallons and the actual amount of wastewater treated was 3,808,000 gallons. The actual amount does not exceed the allowable amount, therefore there is no excessive I&I and no adjustment to operating expenses is necessary.

### **Conclusion**

LP's WTP, water storage, water distribution system, WWTP, and wastewater collection system should all be considered 100 percent U&U. Staff recommends an 8 percent adjustment to purchased power and chemicals should be made for excessive unaccounted for water. These are preliminary determinations and are subject to change.

**Issue 4:** What is the appropriate average test year water rate base and wastewater rate base amounts for LP Waterworks, Inc.?

**Preliminary Recommendation:** The appropriate average test year rate bases for LP Waterworks, Inc. are \$195,718 for water and \$136,706 for wastewater. (Folkman)

**Staff Analysis:** The appropriate components of the utility's rate base include utility plant in service (UPIS), land and land rights, accumulated depreciation, contributions-in-aid of construction (CIAC), accumulated amortization of CIAC, and working capital. Staff selected the test year ended October 31, 2024, for the instant rate case. Commission audit staff determined that the utility's books and records are in compliance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). A summary of each component and the recommended adjustments are discussed below.

### **Utility Plant in Service**

The utility recorded UPIS of \$685,567 for the water system and \$513,667 for wastewater system. Staff decreased this amount by \$4,713 to water UPIS and \$35,835 to wastewater UPIS to reflect an averaging adjustment and therefore recommends an average UPIS of \$680,854 for water and \$477,832 for wastewater.

### **Used and Useful**

As discussed in Issue 2, the utility's system is considered 100 percent U&U. Therefore, no U&U adjustment is necessary.

### **Land and Land Rights**

The utility recorded a test year land and land rights balance of \$27,412 for the water system and \$36,000 for the wastewater system. Staff did not make any adjustments to this account, and therefore recommends a land and land rights balance of \$27,412 for water and \$36,000 for wastewater.

### **Accumulated Depreciation**

The utility recorded accumulated depreciation of \$497,127 for the water system and \$385,888 for the wastewater system. Audit staff increased accumulated depreciation by \$4,900 for water and decreased accumulated depreciation by \$5,419 for wastewater to reflect the correct depreciation rates per Rule 25-30.140, F.A.C. Additionally, staff decreased accumulated depreciation by \$7,721 for water and \$4,674 for wastewater to reflect an averaging adjustment. Therefore, staff recommends an average accumulated depreciation balance of \$494,306 for water and \$375,795 for wastewater.

### **CIAC**

The utility recorded CIAC of \$271,795 for water and \$92,400 for wastewater. Staff made no adjustments to CIAC, and therefore recommends an average CIAC balance of \$271,795 for water and \$92,400 for wastewater.

### **Accumulated Amortization of CIAC**

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The utility recorded accumulated amortization of CIAC of \$236,585 for water and \$77,650 for wastewater. Audit staff increased accumulated amortization by \$1,910 for water and decreased accumulated amortization by \$816 for wastewater to reflect the effect of the change in accumulated depreciation. Staff made an averaging adjustment to reduce accumulated amortization of CIAC by \$4,602 for water and \$706 for wastewater. Therefore, staff recommends an average accumulated amortization of CIAC balance of \$233,893 for water and \$76,128 for wastewater.

### **Working Capital Allowance**

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(3), F.A.C., staff used the one-eighth operation and maintenance (O&M) expense (less rate case expense) formula for calculating the working capital allowance. As such, staff removed the rate case expense of \$1,217 for water and \$479 for wastewater. This resulted in an adjusted O&M expense balance of \$157,287 for water and \$119,536 for wastewater. Applying this formula, staff recommends a working capital allowance of \$19,661 for water and \$14,942 for wastewater.

### **Rate Base Summary**

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$195,718 for water and \$136,706 for wastewater. Rate base is shown on Schedule No. 1-A for water and Schedule No. 1-B for wastewater. The related adjustments are shown on Schedule No. 1-C.

**Issue 5:** What is the appropriate return on equity and overall rate of return for LP Waterworks, Inc.?

**Preliminary Recommendation:** The appropriate return on equity (ROE) is 8.66 percent with a range of 7.66 percent to 9.66 percent. The appropriate overall rate of return is 8.45 percent. (Folkman)

**Staff Analysis:** The utility's capital structure consist of common equity and customer deposits. The utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 8.66 percent based on the Commission-approved leverage formula currently in effect.<sup>4</sup> Staff recommends an ROE of 8.66 percent with a range of 7.66 percent to 9.66 percent, and an overall rate of return of 8.45 percent. The ROE and overall rate of return are shown on Schedule No. 2.

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<sup>4</sup>Order No. PSC-2024-0165-PAA-WS, issued on May 22, 2024, in Docket No. 20240006-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.*

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**Issue 6:** What are the appropriate amount of test year operating revenues for LP Waterworks, Inc.'s water and wastewater systems?

**Preliminary Recommendation:** The appropriate test year operating revenues for LP's water system are \$190,201 and \$143,112 for the wastewater system. (Bethea)

**Staff Analysis:** The utility recorded total test year operating revenues of \$172,065 for water and \$124,079 for wastewater. The water revenues included \$167,675 of service revenues and \$4,390 of miscellaneous revenues. The wastewater revenues included \$124,080 of service revenues and no miscellaneous revenues.

Subsequent to the test year, LP was approved for a price index rate adjustment, which was effective September 1, 2024. Based on staff's review of the utility's billing determinants and the service rates, staff annualized service revenues by applying the number of billing determinants to the rates in effect as of September 1, 2024. As a result, staff determined test year service revenues should be \$190,201 for water and \$143,112 for wastewater. This results in an increase to service revenue of 18,136 ( $\$190,201 - \$172,065$ ) for water and \$19,033 ( $\$143,112 - \$124,079$ ) for wastewater.

Staff also annualized miscellaneous revenues by applying the number of occurrences to the rates in effect as of September 1, 2024, resulting in miscellaneous revenues of \$5,496. The utility recorded all miscellaneous revenues to the water system. When both water and wastewater services are provided, only a single miscellaneous service charge is appropriate. Since water customers represents approximately 64 percent of the customer base, staff determined miscellaneous revenues should be allocated as \$3,517 for water, and \$1,979 for the wastewater system.

Based on the above, the appropriate test year operating revenues for LP's water system are \$190,201 ( $\$186,684 + \$3,517$ ) and \$144,252 ( $\$141,504 + \$1,979$ ) for the wastewater system.

**Issue 7:** What is the appropriate operating expense for LP Waterworks, Inc.?

**Preliminary Recommendation:** The appropriate amount of operating expenses are \$197,818 for water and \$138,836 for wastewater. (Folkman, M. Watts)

**Staff Analysis:** The utility recorded operating expenses of \$191,931 for water and \$139,782 for wastewater. The test year O&M expenses have been reviewed by staff, including invoices and other supporting documentation. Staff has made several adjustments to the utility's operating expense as described below.

### **Operation and Maintenance Expenses**

#### ***Contractual Services – Other (636/736)***

The utility recorded contractual services-other expense of \$126,147 for water and \$97,938 for wastewater. LP is requesting cost recovery for submitting a Lead and Copper Rule Revision (LCRR) inventory to the state DEP. On January 15, 2021, the United States Environmental Protection Agency issued the LCRR that amended the Lead and Copper Rule (40 CFR sections 141.80-90). This amendment requires all water systems to create an inventory of all service lines. The LCRR also required the inventory to be sent to the state DEP no later than October 16, 2024. The utility contracted with U.S. Water Services Corporation (U.S. Water) to perform this inventory. This project was outside of the normal operations contracted with U.S. Water. The project was completed and the LCRR inventory was submitted on October 15, 2024. The invoice for this project is \$12,751.51. LP stated this amount was not included in the O&M expenses filed in this SARC.<sup>5</sup> Since this project was required by the EPA, the utility has submitted a paid invoice, and the costs appear reasonable, staff believes LP should be allowed to recover the project's costs. Staff increased this amount by \$2,550 (12,751.51/5) for the water system to reflect a pro-forma expense amortized over five years associated with a required Lead Service Line Inventory, and therefore recommends a contractual services – other expense of \$128,697 for water and \$97,938 for wastewater.

#### ***Sludge Removal Expense (711)***

The utility is also requesting cost recovery of sludge removal from several components of its WWTP to correct deficiencies noted in the DEP's October 29, 2024 compliance evaluation inspection. Sludge removal is a typical O&M expense for a wastewater utility, although the frequency can vary. Since LP did not incur any sludge removal expenses during the test year, it is requesting it as a pro forma expense. Staff believes the utility should be allowed to recover the sludge hauling expense.

#### ***Rate Case Expense (665/765)***

The utility recorded an instant rate case expense of \$336 for water and \$336 for wastewater. Further, audit staff made an adjustment to reflect the utility's prior regulatory commission expense of \$698 for the water system as prescribed by Order No. PSC-2023-0101-PAA-WS.

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<sup>5</sup> Document No. 00411-2025, filed January 23, 2025, in Docket No. 20240168-WU, *In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.*

The utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, interim rates, final rates, and four-year rate reduction. Staff calculated noticing costs to be \$1,496. Staff calculated the distance from the utility to Tallahassee as 226 miles. Based on the 2025 IRS business mileage rate of \$0.70, staff calculated round-trip travel and lodging expense to the Commission Conference of \$516.<sup>6</sup> Additionally, the utility paid a filing fee of \$2,000.

Staff recommends a total current rate case expense, consisting of noticing costs, travel and lodging expenses and filing fee of \$2,076 for water and \$1,937 for wastewater, which amortized over four years is \$519 for water and \$484 for wastewater. Therefore, staff recommends an increase of \$881 for water and \$143 for wastewater and a total regulatory commission expense of \$1,217 for water and \$479 for wastewater.

#### ***Bad Debt Expense (670/770)***

The utility recorded bad debt expense of \$161 for water and \$121 for wastewater. Staff notes that it is Commission practice to calculate bad debt expense using a three-year average when the information is available. In its three most recent Annual Reports (2022, 2023, and 2024), the utility recorded bad debt expenses of \$2,856, (\$1,959), and \$848 for water and \$123, \$121, and \$0 for wastewater. Staff calculated the average bad debt expense for these previous three years to be \$582 for water and \$81 which represents an increase of \$421 for water and a decrease of \$40 for wastewater. Therefore, staff recommends bad debt expense of \$582 for water and \$81 for wastewater.

#### **Operation and Maintenance Expense Summary**

The utility recorded test year O&M expense of \$154,652 for water and \$119,912 for wastewater. Based on the above adjustments, staff recommends that the O&M expense balance be increased by \$3,852 and \$104 for water and wastewater, respectively. This results in a total O&M expense of \$158,504 for water and \$120,016 for wastewater. Staff's recommended adjustments to O&M are shown on Schedule No. 3-D and Schedule No. 3-E, respectively.

#### **Depreciation Expense**

The utility recorded depreciation expense of \$18,414 for water and \$11,360 for wastewater. Using the depreciation rates prescribed in Rule 25-30.140, F.A.C., staff decreased these amounts by \$80 for water and \$2,048 for wastewater. Therefore, staff recommends depreciation expense of \$18,334 for water and \$9,312 for wastewater.

#### **Amortization Expense of CIAC**

The utility recorded amortization expense of CIAC of \$7,342 for water and \$2,228 for wastewater. Audit staff made an adjustment of \$32 for water and \$336 for wastewater. Therefore staff recommends amortization expense of CIAC of \$7,310 for water and \$1,892 for wastewater.

#### **Taxes Other Than Income (TOTI)**

The utility recorded TOTI of \$11,523 for water and \$6,282 for wastewater. Audit staff increased this amount by \$314 for water and \$25 for wastewater to reflect 2024 property tax assessments. Additionally, audit staff increased TOTI by \$777 for water and \$772 for wastewater to reflect

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<sup>6</sup><https://www.irs.gov/newsroom/irs-increases-the-standard-mileage-rate-for-business-use-in-2025-key-rate-increases-3-cents-to-70-cents-per-mile>

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regulatory assessment fees (RAFTs) based on corrected Utility test year revenues. As discussed in Issue 9, staff recommends revenues be increased by \$22,617 for water and \$10,068 for wastewater in order to reflect the change in revenue required to cover expenses and allow an opportunity to earn the recommended operating margin. As a result, TOTI should be increased by \$1,018 for water and \$453 for wastewater to reflect RAFTs of 4.5 percent of the change in revenues. Therefore, staff recommends TOTI of \$13,671 for water and \$7,616 for wastewater.

**Operating Expense Summary**

The utility recorded operating expenses of \$191,931 for water and \$139,782 for wastewater. The application of staff's recommended adjustments to the utility's recommended operating expense results in a total operating expense of \$198,170 for water and \$139,193 for wastewater. Operating expenses are shown on Schedule No. 3-A for water and Schedule No. 3-B for wastewater, and the related adjustments are shown on Schedule No. 3-C.

**Issue 8:** Does LP Waterworks, Inc. meet the criteria for application of the operating ratio methodology?

**Preliminary Recommendation:** Yes, LP does meet the requirement for application of the operating ratio methodology for calculating the water and wastewater revenue requirements. (Folkman)

**Staff Analysis:** Rule 25-30.4575(2), F.A.C., provides that, in rate cases processed under Rule 25-30.455, F.A.C., the Commission will use the operating ratio methodology to establish the utility's revenue requirement when its rate base is not greater than 125 percent of O&M expenses, less regulatory commission expense, and the use of the operating ratio methodology does not change the utility's qualification for a SARC.

With respect to LP, staff has recommended a rate base of \$195,718 for water and \$136,706 for wastewater. After removal of rate case expense, staff has calculated an adjusted O&M expense of \$157,287 for water and \$119,536 for wastewater. Based on staff's preliminary recommended amounts, the utility's water rate base is 124.43 percent of its adjusted O&M expense and wastewater rate base is 114.36 percent of its adjusted O&M expense. Based on this, the utility does qualify for application of the operating ratio methodology.

**Issue 9:** What is the appropriate revenue requirement for LP Waterworks, Inc.?

**Preliminary Recommendation:** The appropriate revenue requirement is \$212,818 for water and \$153,180 for wastewater, resulting in an annual increase of \$22,617 (11.89 percent) for water and \$10,068 (7.04 percent) for wastewater. (Folkman)

**Staff Analysis:** LP should be allowed an annual increase of \$22,617 (11.89 percent) for water and \$10,068 (7.04 percent) for wastewater. This should allow the utility the opportunity to recover expenses and earn an operating margin of \$15,000 for water and \$14,344 for wastewater. The calculations of revenue requirement are shown on Table 9-1 and Table 9-2.

**Table 9-1  
Water Revenue Requirement**

|                         |                  |
|-------------------------|------------------|
| Adjusted O&M Expense    | \$157,287        |
| Operating Margin (%)    | <u>12.00%</u>    |
| Operating Margin (\$)   | <u>\$15,000</u>  |
| Water O&M Expense       | 158,504          |
| Depreciation Expense    | 18,334           |
| Amortization            | 7,310            |
| Taxes Other Than Income | <u>13,671</u>    |
| Revenue Requirement     | <u>\$212,818</u> |
| Less Test Year Revenues | \$190,201        |
| Annual Increase         | \$22,617         |
| Percent Increase        | 11.89%           |

Source: Staff calculations.

**Table 9-2  
Wastewater Revenue Requirement**

|                         |                  |
|-------------------------|------------------|
| Adjusted O&M Expense    | \$119,536        |
| Operating Margin (%)    | <u>12.00%</u>    |
| Operating Margin (\$)   | <u>\$14,344</u>  |
| Wastewater O&M Expense  | 120,016          |
| Depreciation Expense    | 9,312            |
| Amortization            | 1,892            |
| Taxes Other Than Income | <u>7,616</u>     |
| Revenue Requirement     | <u>\$153,180</u> |
| Less Test Year Revenues | \$141,112        |
| Annual Increase         | \$10,068         |
| Percent Increase        | 7.04%            |

Source: Staff calculations.

Date: June 18, 2025

**Issue 10:** What are the appropriate rate structures and rates for LP Waterworks, Inc.?

**Preliminary Recommendation:** Staff recommends that the rate increase of 12.12 percent for water and 7.13 percent for wastewater be applied as an across-the-board increase to service rates. The recommended rate structure and monthly water 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 sheets 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. (Bethea)

**Staff Analysis:**

**Water Rates**

LP is located in Highlands County within the South Florida Water Management District. The utility provides water service to approximately 418 residential and 22 general service, and two private fire protection customers. Approximately 54 percent of the residential customer bills during the test year had zero gallons, indicating a highly seasonal customer base. The average residential water demand is 1,102 gallons per month. The average water demand excluding zero gallon bills is 2,394 gallons per month. Currently, the utility’s water rate structure consists of a monthly base facility charge (BFC) and a two-tier inclining block rate structure, which includes separate gallonage charges for discretionary and non-discretionary usage for residential water customers. The rate blocks are: (1) 0-3,000 gallons; and (2) all usage in excess of 3,000 gallons per month. The general service rate structure consists of a monthly BFC and a uniform gallonage charge.

Due to the customers’ low average monthly consumption and high seasonal customer base, staff recommends 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 should be removed from the test year revenues.

| <u>Water</u>                             |           |
|------------------------------------------|-----------|
| Total Test Year Revenues                 | \$190,201 |
| Less: Miscellaneous Revenues             | \$3,517   |
| Test Year Revenues from Service Rates    | \$186,684 |
| Revenues Increase                        | \$22,617  |
| % Service Rate Increase (Line 4/ Line 3) | 12.12%    |

**Wastewater Rates**

LP provides wastewater service to approximately 360 residential customers and 17 general service customers. Currently, the residential wastewater rate structure consists of a uniform BFC for all meter sizes and a gallonage charge with an 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.

In addition, for the same reasons provided for the water system, staff recommends a continuation of 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 should be removed from the test year revenues.

| <u>Wastewater</u>                        |           |
|------------------------------------------|-----------|
| Total Test Year Revenues                 | \$143,112 |
| Less: Miscellaneous Revenues             | \$1,979   |
| Test Year Revenues from Service Rates    | \$141,133 |
| Revenues Increase                        | \$10,068  |
| % Service Rate Increase (Line 4/ Line 3) | 7.13%     |

Based on the above, staff recommends that the rate increase of 12.12 percent for water and 7.13 percent for wastewater be applied as an across-the-board increase to service rates. The recommended rate structure and monthly water 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 sheets 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.

Date: June 18, 2025

**Issue 11:** What is the appropriate initial customer deposits for LP Waterworks, Inc.?

**Recommendation:** The appropriate initial customer deposit should be \$58 for the 5/8 inch x 3/4 inch meter size for water and \$64 for 5/8 inch x 3/4 inch meter size for wastewater. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding. (Bethea)

**Staff Analysis:** Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.<sup>7</sup> Currently, the utility's initial deposit for water customers is \$48 for the 5/8 inch x 3/4 inch meter size and two times the average estimated bill for the general service customers. For wastewater, the utility's initial deposit is \$50 for the 5/8 inch x 3/4 inch meter size and two times the average estimated bill for the general service customers. However, this amount does not cover two months' average bills based on staff's recommended rates. Based on the staff recommended rates the appropriate initial customer deposit should be \$58 for water and \$64 for wastewater to reflect an average residential customer bill for two months. The monthly average residential water bill is \$25.83 and the monthly average residential wastewater bill is \$32.98

Based on the above, the appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size are \$52 for water and \$64 for wastewater. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

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<sup>7</sup> 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.*

**Issue 12:** What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.081(8).F.S.?

**Preliminary Recommendation:** The rates should be reduced as shown on Schedule Nos. 4-A, and 4-B, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. LP should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and rationale no later than one month prior to the effective date of the new rates. If the utility files revised tariffs reflecting 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 and the reduction in the rates due to the amortized rate case expense. (Folkman, Bethea)

**Staff Analysis:** Section 367.081(8), F.S., requires that the rates be reduced by the amount of the rate case expense previously included in rates immediately following the expiration of the recovery period. 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 \$543 for water and \$502 for wastewater.

Staff recommends that the rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. LP should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and rationale no later than one month prior to the effective date of the new rates. If the utility files revised tariffs reflecting 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 and the reduction in the rates due to the amortized rate case expense.

**Issue 13:** Should the recommended rates be approved for LP Waterworks, Inc. on 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. LP should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for services 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. Further, prior to implementing any temporary rates, the utility should provide appropriate financial 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 both the current monthly and total amount 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. (Folkman)

**Staff Analysis:** This recommendation proposes an increase in rates. A timely protest might delay a 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 proposed rates be approved on a temporary basis. LP should file revised tariff sheets and a proposed customer notice reflecting 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 it has been received by the customers. The additional revenue produced by staff's recommended rates and collected by the utility should be subject to the refund provisions discussed below.

LP should be authorized to initiate the temporary rates upon staff's approval of an appropriate security for the potential refund and cost of the proposed customer notice. Security should be in the form of either a bond or letter of credit in the amount of \$16,345 for water and \$8,431 for wastewater. Alternatively, the utility may establish an escrow agreement with an independent financial institution.

If the utility chooses a bond for securing the potential refund, 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 for securing the potential refund, the letter of credit should contain the following conditions:

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

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

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

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

The utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the utility should file reports with the Commission Clerk's office no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

| <b>LP WATERWORKS, INC.<br/>TEST YEAR ENDED 10/31/2024<br/>SCHEDULE OF WATER RATE BASE</b> |                                    | <b>SCHEDULE NO. 1-A<br/>DOCKET NO. 20250013-WS</b> |                                  |  |
|-------------------------------------------------------------------------------------------|------------------------------------|----------------------------------------------------|----------------------------------|--|
| <b>DESCRIPTION</b>                                                                        | <b>BALANCE<br/>PER<br/>UTILITY</b> | <b>STAFF<br/>ADJ.</b>                              | <b>BALANCE<br/>PER<br/>STAFF</b> |  |
| 1. UTILITY PLANT IN SERVICE                                                               | \$685,567                          | (\$4,713)                                          | \$680,854                        |  |
| 2. LAND & LAND RIGHTS                                                                     | 27,412                             | 0                                                  | 27,412                           |  |
| 3. ACCUMULATED DEPRECIATION                                                               | (497,127)                          | 2,821                                              | (494,306)                        |  |
| 4. CIAC                                                                                   | (271,795)                          | 0                                                  | (271,795)                        |  |
| 5. ACCUM. AMORT. CIAC                                                                     | 236,585                            | (2,692)                                            | 233,893                          |  |
| 6. WORKING CAPITAL ALLOWANCE                                                              | <u>0</u>                           | <u>19,661</u>                                      | <u>19,661</u>                    |  |
| <b>WATER RATE BASE</b>                                                                    | <b><u>\$180,642</u></b>            | <b><u>\$15,076</u></b>                             | <b><u>\$195,718</u></b>          |  |

| <b>LP WATERWORKS, INC.</b><br><b>TEST YEAR ENDED 10/31/2024</b><br><b>SCHEDULE OF WASTEWATER RATE BASE</b> |                           | <b>SCHEDULE NO. 1-B</b><br><b>DOCKET NO. 20250013-WS</b> |                         |
|------------------------------------------------------------------------------------------------------------|---------------------------|----------------------------------------------------------|-------------------------|
| DESCRIPTION                                                                                                | BALANCE<br>PER<br>UTILITY | STAFF<br>ADJ.                                            | BALANCE<br>PER<br>STAFF |
| 1. UTILITY PLANT IN SERVICE                                                                                | \$513,667                 | (\$35,835)                                               | \$477,832               |
| 2. LAND & LAND RIGHTS                                                                                      | 36,000                    | 0                                                        | 36,000                  |
| 3. ACCUMULATED DEPRECIATION                                                                                | (385,888)                 | 10,093                                                   | (375,795)               |
| 4. CIAC                                                                                                    | (92,400)                  | 0                                                        | (92,400)                |
| 5. ACCUM. AMORT. CIAC                                                                                      | 77,650                    | (1,522)                                                  | 76,128                  |
| 6. WORKING CAPITAL ALLOWANCE                                                                               | <u>0</u>                  | <u>14,942</u>                                            | <u>14,942</u>           |
| WATER RATE BASE                                                                                            | <u>\$149,029</u>          | <u>(\$12,323)</u>                                        | <u>\$136,706</u>        |

| <b>LP WATERWORKS, INC.<br/>TEST YEAR ENDED 10/31/2024<br/>ADJUSTMENTS TO RATE BASE</b> | <b>SCHEDULE NO. 1-C<br/>DOCKET NO. 20250013-WS</b> |                   |
|----------------------------------------------------------------------------------------|----------------------------------------------------|-------------------|
|                                                                                        | <b>WATER</b>                                       | <b>WASTEWATER</b> |
| <b>UTILITY PLANT IN SERVICE</b>                                                        |                                                    |                   |
| 1. To reflect averaging adjustments.                                                   | (\$4,713)                                          | (\$35,835)        |
| <b>ACCUMULATED DEPRECIATION</b>                                                        |                                                    |                   |
| 2. To reflect audit adjustments.                                                       | (\$4,900)                                          | \$5,419           |
| 3. To reflect averaging adjustments.                                                   | <u>7,721</u>                                       | <u>4,674</u>      |
| Total                                                                                  | <u>\$2,821</u>                                     | <u>\$10,093</u>   |
| <b>ACCUM. AMORT. CIAC</b>                                                              |                                                    |                   |
| 4. To reflect auditing adjustments.                                                    | \$1,910                                            | (\$816)           |
| 5. To reflect averaging adjustments.                                                   | <u>(4,602)</u>                                     | <u>(706)</u>      |
| Total                                                                                  | <u>(\$2,692)</u>                                   | <u>(\$1,522)</u>  |
| <b>WORKING CAPITAL ALLOWANCE</b>                                                       |                                                    |                   |
| 6. To reflect 1/8 of test year O&M expenses (less RCE).                                | <u>\$19,661</u>                                    | <u>\$14,942</u>   |

| LP WATERWORKS, INC.<br>TEST YEAR ENDED 10/31/2024<br>SCHEDULE OF CAPITAL STRUCTURE |                  |                   |                   | SCHEDULE NO. 2<br>DOCKET NO. 20250013-WS |                   |                    |  |
|------------------------------------------------------------------------------------|------------------|-------------------|-------------------|------------------------------------------|-------------------|--------------------|--|
| CAPITAL COMPONENT                                                                  | PER UTILITY      | PRO RATA ADJ.     | BALANCE PER STAFF | PERCENT OF TOTAL                         | COST              | WEIGHTED COST      |  |
| 1. COMMON EQUITY                                                                   | 352,423          | (30,395)          | 322,028           | 96.87%                                   | 8.66%             | 8.39%              |  |
| 2. CUSTOMER DEPOSITS                                                               | <u>11,378</u>    | <u>(981)</u>      | <u>10,397</u>     | <u>3.13%</u>                             | 2.00%             | <u>0.06%</u>       |  |
| TOTAL CAPITAL                                                                      | <u>\$363,801</u> | <u>(\$31,293)</u> | <u>\$332,424</u>  | <u>100.00%</u>                           |                   | <u>8.45%</u>       |  |
| <b><u>RANGE OF REASONABLENESS</u></b>                                              |                  |                   |                   |                                          | <b><u>LOW</u></b> | <b><u>HIGH</u></b> |  |
| RETURN ON EQUITY                                                                   |                  |                   |                   |                                          | 7.66%             | 9.66%              |  |
| OVERALL RATE OF RETURN                                                             |                  |                   |                   |                                          | 7.48%             | 9.42%              |  |

| <b>LP WATERWORKS, INC.</b><br><b>TEST YEAR ENDED 10/31/2024</b><br><b>SCHEDULE OF WATER OPERATING INCOME</b> |                                                                                |                                                                              | <b>SCHEDULE NO. 3-A</b><br><b>DOCKET NO. 20250013-WS</b>                          |                                                                            |                                                     |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------|
|                                                                                                              | <b>TEST<br/>                     YEAR PER<br/>                     UTILITY</b> | <b>STAFF<br/>                     ADJUST-<br/>                     MENTS</b> | <b>STAFF<br/>                     ADJUSTED<br/>                     TEST YEAR</b> | <b>ADJ.<br/>                     FOR<br/>                     INCREASE</b> | <b>REVENUE<br/>                     REQUIREMENT</b> |
| 1. <b>TOTAL OPERATING REVENUES</b>                                                                           | \$172,065                                                                      | \$18,136                                                                     | \$190,201                                                                         | \$22,617<br>11.89%                                                         | \$212,818                                           |
| <b>OPERATING EXPENSES:</b>                                                                                   |                                                                                |                                                                              |                                                                                   |                                                                            |                                                     |
| 2. OPERATION & MAINTENANCE                                                                                   | \$154,652                                                                      | \$3,852                                                                      | \$158,504                                                                         |                                                                            | \$158,504                                           |
| 3. DEPRECIATION                                                                                              | 18,414                                                                         | (80)                                                                         | 18,334                                                                            |                                                                            | 18,334                                              |
| 4. AMORTIZATION                                                                                              | 7,342                                                                          | (32)                                                                         | 7,310                                                                             |                                                                            | 7,310                                               |
| 5. TAXES OTHER THAN INCOME                                                                                   | <u>11,523</u>                                                                  | <u>1,130</u>                                                                 | <u>12,653</u>                                                                     | <u>1,018</u>                                                               | <u>13,671</u>                                       |
| <b>TOTAL OPERATING EXPENSES</b>                                                                              | <u>\$191,931</u>                                                               | <u>\$4,870</u>                                                               | <u>\$196,801</u>                                                                  | <u>\$1,018</u>                                                             | <u>\$198,818</u>                                    |
| 7. <b>OPERATING INCOME/(LOSS)</b>                                                                            | (\$19,866)                                                                     |                                                                              | (\$6,600)                                                                         |                                                                            | \$15,000                                            |
| 8. <b>WATER RATE BASE</b>                                                                                    | \$180,642                                                                      |                                                                              | 15,076                                                                            |                                                                            | \$195,718                                           |
| 9. <b>OPERATING MARGIN</b>                                                                                   |                                                                                |                                                                              |                                                                                   |                                                                            | 12.00%                                              |

| LP WATERWORKS, INC.<br>TEST YEAR ENDED 10/31/2024<br>SCHEDULE OF WASTEWATER OPERATING INCOME |                             |                           | SCHEDULE NO. 3-B<br>DOCKET NO. 20250013-WS |                         |                        |
|----------------------------------------------------------------------------------------------|-----------------------------|---------------------------|--------------------------------------------|-------------------------|------------------------|
|                                                                                              | TEST<br>YEAR PER<br>UTILITY | STAFF<br>ADJUST-<br>MENTS | STAFF<br>ADJUSTED<br>TEST YEAR             | ADJ.<br>FOR<br>INCREASE | REVENUE<br>REQUIREMENT |
| 1. TOTAL OPERATING REVENUES                                                                  | \$124,080                   | \$19,032                  | \$143,112                                  | \$10,068<br>7.04%       | \$153,180              |
| <b>OPERATING EXPENSES:</b>                                                                   |                             |                           |                                            |                         |                        |
| 2. OPERATION & MAINTENANCE                                                                   | \$119,912                   | \$104                     | \$120,016                                  |                         | \$120,016              |
| 3. DEPRECIATION                                                                              | 11,360                      | (2,048)                   | 9,312                                      |                         | 9,312                  |
| 4. AMORTIZATION                                                                              | 2,228                       | (336)                     | 1,892                                      |                         | 1,892                  |
| 5. TAXES OTHER THAN INCOME                                                                   | <u>6,282</u>                | <u>881</u>                | <u>7,079</u>                               | <u>453</u>              | <u>7,616</u>           |
| TOTAL OPERATING EXPENSES                                                                     | <u>\$139,782</u>            | <u>(\$1,399)</u>          | <u>\$138,383</u>                           | <u>\$453</u>            | <u>\$138,836</u>       |
| 7. OPERATING INCOME/(LOSS)                                                                   | (\$15,702)                  |                           | \$4,729                                    |                         | \$14,344               |
| 8. WATER RATE BASE                                                                           | \$149,029                   |                           | (\$12,323)                                 |                         | \$136,706              |
| 9. OPERATING MARGIN                                                                          |                             |                           |                                            |                         | 12.00%                 |

| <b>LP WATERWORKS, INC.<br/>TEST YEAR ENDED 10/31/2024<br/>ADJUSTMENTS TO OPERATING INCOME</b> | <b>SCHEDULE NO. 3-C<br/>DOCKET NO. 20250013-WS</b> |                          |
|-----------------------------------------------------------------------------------------------|----------------------------------------------------|--------------------------|
|                                                                                               | <u><b>WATER</b></u>                                | <u><b>WASTEWATER</b></u> |
| <b>OPERATING REVENUES</b>                                                                     |                                                    |                          |
| 1. To reflect adjustments to Service Revenues.                                                | \$19,009                                           | \$17,053                 |
| 2. To reflect adjustments to Miscellaneous Revenues.                                          | <u>(873)</u>                                       | <u>1,979</u>             |
| Total                                                                                         | <u>\$18,136</u>                                    | <u>\$19,032</u>          |
| <b>OPERATION AND MAINTENANCE EXPENSE</b>                                                      |                                                    |                          |
| 1. Contractual Services – Other (636/736)                                                     |                                                    |                          |
| To reflect pro forma expense amortized over 5 years.                                          | \$2,550                                            | \$0                      |
| 2. Rate Case Expense (665/765)                                                                |                                                    |                          |
| To reflect an auditing adjustment.                                                            | \$698                                              | \$0                      |
| To reflect 1/4 rate case expense.                                                             | <u>183</u>                                         | <u>143</u>               |
| Subtotal                                                                                      | <u>\$881</u>                                       | <u>\$143</u>             |
| 3. Bad Debt Expense (670/770)                                                                 |                                                    |                          |
| To reflect three year average Bad Debt expenses.                                              | \$421                                              | (\$40)                   |
| <b>TOTAL OPERATION AND MAINTENANCE ADJUSTMENTS</b>                                            | <u><b>\$4,188</b></u>                              | <u><b>\$104</b></u>      |
| <b>DEPREICATION EXPENSE</b>                                                                   |                                                    |                          |
| To reflect auditing adjustments.                                                              | (\$80)                                             | (\$2,048)                |
| <b>AMORTIZATION EXPENSE (NET)</b>                                                             |                                                    |                          |
| To reflect auditing adjustments.                                                              | (\$32)                                             | (\$336)                  |
| <b>TAXES OTHER THAN INCOME</b>                                                                |                                                    |                          |
| To reflect auditing adjustments.                                                              | \$1,130                                            | \$881                    |
| <b>TOTAL OPERATING EXPENSE</b>                                                                | <u><b>\$5,206</b></u>                              | <u><b>(\$1,399)</b></u>  |

| <b>LP WATERWORKS, INC.</b>                |                                             | <b>SCHEDULE NO. 3-D</b>          |                                   |                                |
|-------------------------------------------|---------------------------------------------|----------------------------------|-----------------------------------|--------------------------------|
| <b>TEST YEAR ENDED 10/31/2024</b>         |                                             | <b>DOCKET NO. 20250013-WS</b>    |                                   |                                |
| <b>ANALYSIS OF WATER O&amp;M EXPENSES</b> |                                             |                                  |                                   |                                |
| <b>ACCT.#</b>                             | <b>DESCRIPTION</b>                          | <b>TOTAL<br/>PER<br/>UTILITY</b> | <b>STAFF<br/>ADJUST-<br/>MENT</b> | <b>TOTAL<br/>PER<br/>STAFF</b> |
| 603                                       | Salaries and Wages – Officers and Directors | \$6,300                          | \$0                               | \$6,300                        |
| 615                                       | Purchased Power                             | 3,520                            | 0                                 | 3,520                          |
| 618                                       | Chemicals                                   | 505                              | 0                                 | 505                            |
| 632                                       | Contractual Services – Accounting           | 262                              | 0                                 | 262                            |
| 633                                       | Contractual Services – Legal                | 150                              | 0                                 | 150                            |
| 635                                       | Contractual Services – Testing              | 524                              | 0                                 | 524                            |
| 636                                       | Contractual Services – Other                | 126,147                          | 2,550                             | 128,697                        |
| 657                                       | Insurance Expense – General Liability       | 1,057                            | 0                                 | 1,057                          |
| 665                                       | Rate Case Expense                           | 336                              | 881                               | 1,217                          |
| 670                                       | Bad Debt Expense                            | 161                              | 421                               | 582                            |
| 675                                       | Miscellaneous Expenses                      | <u>15,390</u>                    | <u>0</u>                          | <u>15,690</u>                  |
|                                           | Total O&M Expense                           | <u>\$154,652</u>                 | <u>\$3,852</u>                    | <u>\$158,504</u>               |
|                                           | Working Capital is 1/8 of O&M less RCE      |                                  |                                   | \$19,661                       |

| <b>LP WATERWORKS, INC.</b>                     |                                             | <b>SCHEDULE NO. 3-E</b>          |                                   |                                |
|------------------------------------------------|---------------------------------------------|----------------------------------|-----------------------------------|--------------------------------|
| <b>TEST YEAR ENDED 10/31/2024</b>              |                                             | <b>DOCKET NO. 20250013-WS</b>    |                                   |                                |
| <b>ANALYSIS OF WASTEWATER O&amp;M EXPENSES</b> |                                             |                                  |                                   |                                |
| <b>ACCT.#</b>                                  | <b>DESCRIPTION</b>                          | <b>TOTAL<br/>PER<br/>UTILITY</b> | <b>STAFF<br/>ADJUST-<br/>MENT</b> | <b>TOTAL<br/>PER<br/>STAFF</b> |
| 703                                            | Salaries and Wages – Officers and Directors | \$6,300                          | \$0                               | \$6,300                        |
| 711                                            | Sludge Removal Expense                      | 2,420                            | 0                                 | 2,420                          |
| 715                                            | Purchased Power                             | 7,654                            | 0                                 | 7,654                          |
| 718                                            | Chemicals                                   | 3,034                            | 0                                 | 3,034                          |
| 732                                            | Contractual Services – Accounting           | 263                              | 0                                 | 263                            |
| 733                                            | Contractual Services – Legal                | 150                              | 0                                 | 150                            |
| 736                                            | Contractual Services – Other                | 97,938                           | 0                                 | 97,938                         |
| 755                                            | Insurance Expense                           | 1,057                            | 0                                 | 1,057                          |
| 765                                            | Rate Case Expense                           | 336                              | 143                               | 479                            |
| 770                                            | Bad Debt Expense                            | 121                              | (40)                              | 81                             |
| 775                                            | Miscellaneous Expenses                      | <u>639</u>                       | <u>0</u>                          | <u>639</u>                     |
|                                                | <b>Total O&amp;M Expense</b>                | <b><u>\$119,912</u></b>          | <b><u>\$104</u></b>               | <b><u>\$120,016</u></b>        |
|                                                | Working Capital is 1/8 of O&M less RCE      |                                  |                                   | \$14,942                       |

| LP WATERWORKS, INC.<br>TEST YEAR ENDED OCTOBER 31, 2024<br>MONTHLY WATER RATES |                             | SCHEDULE NO. 4-A<br>DOCKET NO. 20250013-WS |                             |
|--------------------------------------------------------------------------------|-----------------------------|--------------------------------------------|-----------------------------|
|                                                                                | UTILITY<br>CURRENT<br>RATES | STAFF<br>RECOMMENDED<br>RATES              | 4 YEAR<br>RATE<br>REDUCTION |
| <b><u>Residential and General Service</u></b>                                  |                             |                                            |                             |
| Base Facility Charge by Meter Size                                             |                             |                                            |                             |
| 5/8"X3/4"                                                                      | \$15.65                     | \$17.55                                    | \$0.04                      |
| 3/4"                                                                           | \$23.48                     | \$26.33                                    | \$0.07                      |
| 1"                                                                             | \$39.13                     | \$43.88                                    | \$0.11                      |
| 1-1/2"                                                                         | \$78.25                     | \$87.75                                    | \$0.22                      |
| 2"                                                                             | \$125.20                    | \$140.40                                   | \$0.35                      |
| 3"                                                                             | \$250.40                    | \$280.80                                   | \$0.70                      |
| 4"                                                                             | \$391.25                    | \$438.75                                   | \$1.10                      |
| 6"                                                                             | \$782.50                    | \$877.50                                   | \$2.19                      |
| Charge per 1,000 gallons - Residential                                         |                             |                                            |                             |
| 0 - 3,000 gallons                                                              | \$9.24                      | \$10.36                                    | \$0.03                      |
| Over 3,000 gallons                                                             | \$13.86                     | \$15.54                                    | \$0.04                      |
| Charge per 1,000 gallons - General Service                                     |                             |                                            |                             |
|                                                                                | \$2.45                      | \$2.75                                     | \$0.01                      |
| <b><u>Private Fire Protection</u></b>                                          |                             |                                            |                             |
| 5/8"X3/4"                                                                      | \$1.30                      | \$1.46                                     | \$0.00                      |
| 3/4"                                                                           | \$1.96                      | \$2.19                                     | \$0.01                      |
| 1"                                                                             | \$3.26                      | \$3.66                                     | \$0.01                      |
| 1-1/2"                                                                         | \$6.52                      | \$7.31                                     | \$0.02                      |
| 2"                                                                             | \$10.43                     | \$11.70                                    | \$0.03                      |
| 3"                                                                             | \$20.87                     | \$23.40                                    | \$0.06                      |
| 4"                                                                             | \$32.60                     | \$36.56                                    | \$0.09                      |
| 6"                                                                             | \$65.21                     | \$73.13                                    | \$0.18                      |
| <b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>            |                             |                                            |                             |
| 1,000 Gallons                                                                  | \$24.89                     | \$27.91                                    |                             |
| 3,000 Gallons                                                                  | \$43.37                     | \$48.63                                    |                             |
| 5,000 Gallons                                                                  | \$71.09                     | \$79.71                                    |                             |

| LP WATERWORKS, INC.<br>TEST YEAR ENDED OCTOBER 31, 2024<br>MONTHLY WASTEWATER RATES |                             | SCHEDULE NO. 4-B<br>DOCKET NO. 20250013-WS |                             |
|-------------------------------------------------------------------------------------|-----------------------------|--------------------------------------------|-----------------------------|
|                                                                                     | UTILITY<br>CURRENT<br>RATES | STAFF<br>RECOMMENDED<br>RATES              | 4 YEAR<br>RATE<br>REDUCTION |
| <b><u>General Service</u></b>                                                       |                             |                                            |                             |
| Base Facility Charge by Meter Size                                                  |                             |                                            |                             |
| 5/8" X 3/4"                                                                         | \$19.34                     | \$20.72                                    | \$0.06                      |
| 3/4"                                                                                | \$29.01                     | \$31.08                                    | \$0.10                      |
| 1"                                                                                  | \$48.35                     | \$51.80                                    | \$0.16                      |
| 1-1/2"                                                                              | \$96.70                     | \$103.60                                   | \$0.32                      |
| 2"                                                                                  | \$154.72                    | \$165.76                                   | \$0.51                      |
| 3"                                                                                  | \$309.44                    | \$331.52                                   | \$1.03                      |
| 4"                                                                                  | \$483.50                    | \$518.00                                   | \$1.61                      |
| 6"                                                                                  | \$967.00                    | \$1,036.00                                 | \$3.21                      |
| Charge per 1,000 gallons - General Service                                          | \$12.00                     | \$12.86                                    | \$0.04                      |
| <b><u>Residential Service</u></b>                                                   |                             |                                            |                             |
| All Meter Sizes                                                                     | \$19.34                     | \$20.72                                    | \$0.06                      |
| Charge per 1,000 gallons - Residential Service<br>6,000 Gallonage Cap               | \$9.99                      | \$10.70                                    | \$0.03                      |
| <b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>                 |                             |                                            |                             |
| 1,000 Gallons                                                                       | \$29.33                     | \$31.42                                    |                             |
| 3,000 Gallons                                                                       | \$49.31                     | \$52.82                                    |                             |
| 5,000 Gallons                                                                       | \$69.29                     | \$74.22                                    |                             |