

State of Florida



Public Service Commission

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

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

DATE: June 19, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Ramirez-Abundez, Ramos, Smith II) *TB*
Division of Accounting and Finance (Folkman, Higgins, Kelley, Lenberg) *ALM*
Division of Economics (Bruce, Richards) *CP*
Office of the General Counsel (Farooqi, Imig) *ACH*

RE: Docket No. 20240105-SU – Application for staff-assisted rate case in Polk County, by West Lakeland Wastewater, LLC.

AGENDA: 07/01/25 – Regular Agenda – Proposed Agency Action Except for Issue Nos. 13 and 14 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: 12/26/25 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

Case Background

West Lakeland Wastewater, LLC (West Lakeland or Utility) is a Class C utility providing wastewater service to approximately 316 residential customers in Polk County. Water service is provided by the City of Lakeland Utilities. The Utility's last staff-assisted rate case (SARC) was in 2018.¹ In June 2023, the Utility, along with several other sister utilities, was approved for a

¹ Order No. PSC-2019-0503-PAA-SU, issued November 25, 2019, in Docket No. 20180202-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.*

limited alternative rate increase.² According to the Utility's 2024 annual report, its operating revenues were \$194,398 and operating expenses were \$200,505.

West Lakeland has been in existence since 1972 and was granted a Grandfather Certificate by the Commission in 2001 in the name of ABCA, Inc., and was subsequently transferred to West Lakeland Wastewater, Inc.³ In 2009, the Utility was abandoned and Michael Smallridge was appointed as receiver of the wastewater system.⁴ Subsequent to the abandonment, the Utility was transferred to West Lakeland Wastewater, LLC.⁵

On July 25, 2024, the Utility filed an application for a SARC and the official filing date was established as September 20, 2024. The 12-month period ending on June 30, 2024, was selected as the test year. A customer meeting occurred on April 2, 2025, no customers provided comment.

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

² Order No. PSC-2023-0192-PAA-WS, issued June 30, 2023, in Docket No. 20220185-WS, *In re: Application for limited alternative rate increase in Hardee, Manatee, Marion, Polk, and Pasco Counties, by Charlie Creek Utilities, LLC, Crestridge Utilities, LLC, East Marion Utilities, LLC, Heather Hills Utilities, LCC, Holiday Gardens Utilities, LLC, Lake Yale Utilities, LLC, McLeod Garden Utilities, LLC, Orange Land Utilities, LLC, Sunny Shores Utilities, LLC, Sunrise Water, LLC and West Lakeland Wastewater, LLC.*

³ Order Nos. PSC-98-0752-FOF-SU, issued June 1, 1998, in Docket No. 19971531-SU, *In re: Application for grandfather certificate to operate wastewater utility in Polk County by ABCA, Inc. and PSC-01-1271-PAA-SU, issued June 6, 2001, in Docket No. 20010382-SU, In re: Application for transfer of Certificate No. 515-S in Polk County from ABCA, Inc. to West Lakeland Wastewater, Inc.*

⁴ Order No. PSC-09-0607-FOF-SU, as amended by PSC-09-0607A-FOF-SU, issued February 16, 2010, in Docket No. 20090154-SU, *In re: Notice of abandonment of wastewater system for The Village of Lakeland Mobile Home Park in Polk County, by West Lakeland Wastewater, Inc.*

⁵ Order No. PSC-2018-0377-PAA-SU, issued July 30, 2018, in Docket No. 20170246-SU, *In re: Application for authority to transfer facilities and certificate No. 515-S in Polk County from West Lakeland Wastewater, Inc. to West Lakeland Wastewater, LLC.*

Discussion of Issues

Issue 1: Is the quality of service provided by West Lakeland Wastewater, LLC satisfactory?

Recommendation: Yes. West Lakeland has been responsive to customer complaints and is currently in compliance with the Department of Environmental Protection (DEP); therefore, the quality of service should be considered satisfactory. (Ramirez-Abundez)

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 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 utility's attempt to address customer satisfaction. Rule 25-30.433, F.A.C., further states that the most recent outstanding citations, violations, and consent orders on file with the DEP, 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 condition of the wastewater system is addressed in Issue 2.

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 no complaints recorded in CATS, 1 complaint recorded by the DEP, and 19 complaints recorded by the Utility. Out of the 19 complaints recorded by the Utility, 14 were regarding quality of service, and 5 pertained to billing. The 14 quality of service complaints consisted of noise complaints due to the wastewater treatment plant alarm sounding, odor, and the sewer system backing up. The five billing complaints consisted of incorrect billing and late fees. The Utility indicated that all 19 complaints have been resolved. As stated above, the DEP received one complaint regarding a lift station spill near a customer's house. The Utility addressed the issue to the DEP's satisfaction, and the complaint was closed. As stated in the case background, West Lakeland serves approximately 316 customers.

A customer meeting was held on April 2, 2025, no customers spoke at the meeting; however, one customer comment was placed in the docket file. The customer comment opposed the proposed rate increase. Staff performed a supplemental review, through May 16, 2025, of complaints filed in CATS following the customer meeting and found no additional complaints.

Conclusion

West Lakeland has been responsive to customer complaints and is currently in compliance with the DEP standards; therefore, the quality of service should be considered satisfactory.

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Issue 2: Are the infrastructure and operating conditions of West Lakeland Wastewater, LLC's wastewater system in compliance with the DEP's regulations?

Recommendation: Yes. The West Lakeland wastewater system is currently in compliance with the DEP. (Ramirez-Abundez)

Staff Analysis: Rule 25-30.225(2), F.A.C., requires each wastewater utility to maintain and operate its plant and facilities by employing qualified operators in accordance with the 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.

Wastewater System Operating Conditions

West Lakeland's wastewater system is a Type III contact stabilization domestic wastewater treatment facility with a permitted capacity of 70,000 gallons per day (GPD), based on a Three-Month Rolling Average Daily Flow. This facility is operated to provide secondary treatment with basic disinfection. Liquid chlorine disinfection is applied prior to wastewater effluent flowing into the percolation ponds and spray field. Staff reviewed the Utility's compliance evaluation inspections conducted by the DEP to determine the Utility's overall wastewater facility compliance. A review of the inspection conducted on April 17, 2024, indicated that the DEP noted minor deficiencies with flow measurement and the Sanitary Sewer Overflow Survey. All deficiencies were corrected with information provided during and after the inspection. West Lakeland's wastewater treatment facility is in compliance with the DEP's rules and regulations.

While West Lakeland is currently in compliance with the DEP, prior to its most recent inspection, it entered into a Settlement Agreement (Settlement) with the DEP due to an overflow issue at a lift station.⁶ This Settlement was executed on October 4, 2024, as a result of a reported unauthorized discharge of approximately 1,920 gallons of untreated wastewater on February 21, 2024. In lieu of a civil penalty, the Utility opted to install a Mission Auto Dialer on lift station number two, as well as building an earthen berm around the lift station to contain any possible overflows. Both the Auto Dialer and earthen berm projects took place at the same lift station where the unauthorized discharged originally occurred. On January 6, 2025, the DEP acknowledged that the requirements of the Settlement have been completed by the Utility.⁷ The earthen berm project was completed during the test year. Therefore, those costs are reflected in the Utility's test year plant in service. However, the Mission Auto Dialer is part of the Utility's pro forma request and is discussed further in Issue 4.

Conclusion

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

⁶ This is a separate incident than the one addressed in Issue 1.

⁷ Document No. 00479-2025, filed January 27, 2025.

Issue 3: What are the used and useful (U&U) percentages of West Lakeland's wastewater treatment plant (WWTP) and the wastewater collections system?

Recommendation: West Lakeland's WWTP and wastewater collection system should both be considered 100 percent U&U. No adjustment to operating expenses is recommended for excessive infiltration and inflow (I&I). (Ramirez-Abundez)

Staff Analysis: As stated in Issue 2, West Lakeland's WWTP is permitted by the DEP as a 70,000 GPD facility. According to the Utility, its wastewater collection system is comprised of 1,835 feet of 4-inch polyvinyl chloride (PVC) force mains and 13,376 feet of 6-inch PVC collecting mains. There are 12 manholes and three lift stations throughout the service area. Liquid chlorine disinfection is applied prior to wastewater effluent flowing into the percolation ponds and spray field.

Wastewater Treatment Plant and Collection System U&U

In its last rate case, the Commission found the WWTP and wastewater collection system to be 100 percent U&U.⁸ There has been no change in service area or plant additions in the past five years, and there are no plans for expansion; therefore, in accordance with the Commission's previous order, staff recommends a U&U of 100 percent for the WWTP and wastewater collection system.

Infiltration and Inflow

Rule 25-30.432, F.A.C., provides that in determining the amount of U&U plant, the Commission will consider I&I. Staff calculated the allowable infiltration based on system parameters, and calculates the allowable inflow based on the water sold to customers. The sum of these amounts is the allowable I&I. Staff next calculates the estimated amount of wastewater returned from customers. The estimated return is determined by summing 80 percent of the water sold to residential customers with 90 percent of the water sold to non-residential customers. Adding the estimated return to the allowable I&I yields the maximum amount of wastewater that should be treated by the wastewater system without incurring an adjustment to operating expenses. By convention, the allowance for infiltration is 500 gpd per inch diameter pipe per mile, and an additional 10 percent of residential water billed is allowed for inflow.

Using the pipe lengths of West Lakeland's collection system, the infiltration allowance is calculated to be 3,027,703 gallons per year. Ten percent of the total gallons sold to customers is allowed for inflow, which totals 2,885,600 gallons. The sum of these amounts is the total allowable I&I, which is 5,913,303 gallons per year. The amount calculated for estimated return is 23,084,800 gallons per year. To find the total amount of wastewater allowed, the total allowable I&I and the estimated return are summed, yielding 28,998,103 gallons per year. Finally, this total is compared to the total wastewater treated during the test year, which is 17,519,000 gallons according to the Utility's daily flow report. This is less than the estimated maximum amount allowable. Therefore, there is no excessive I&I, and no adjustment to operating expenses is necessary.

⁸ Order No. PSC-2019-0503-PAA-SU, issued November 25, 2019, in Docket No. 20180202-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.*

Conclusion

Staff recommends that West Lakeland's WWTP and wastewater collection system should both be considered 100 percent U&U. There is no excessive I&I, and no adjustment to operating expenses is necessary.

Issue 4: What is the appropriate average test year rate base for West Lakeland Wastewater, LLC?

Recommendation: The appropriate average test year rate base for West Lakeland is \$10,861. (Richards, Ramirez-Abundez)

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 June 30, 2024, for the instant rate case. Commission audit staff determined that the Utility’s books and records are in compliance with the currently applicable 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 \$309,485. Staff made an averaging adjustment to reduce test year UPIS by \$69. Two pro forma projects were requested by the Utility: 1) the installation of a Mission Auto Dialer in the amount of \$7,980; and, 2) the allocated cost of a dump trailer in the amount of \$656.⁹ Therefore, staff recommends an average UPIS balance of \$318,051 (\$309,485 - \$69 + \$656 + \$7,980).

Pro Forma Plant Additions

Table 4-1 shows West Lakeland’s two pro forma plant items and their costs. The first item was the result of a DEP Settlement for an unauthorized discharge, as stated in Issue 2. The Utility opted to install a Mission Auto Dialer, which is a device attached to the lift station panel that notifies the Utility and its operators of any problems. This device gives the Utility the ability to respond to an emergency before any raw sewage gets to the ground, as its lift station is gravity flow. Staff believes that this project will benefit customers, more so than the Utility paying a fine, by helping prevent overflows at this lift station. Therefore, staff believes the cost of the Mission Auto Dialer should be recovered through rates. The Mission Auto Dialer was installed on October 31, 2024, with a total cost of \$7,980.

The Utility also requested cost recovery for a dump trailer for hauling and dumping dirt, sod, or larger items for wastewater line repairs. Other uses include tree removals and other utility repairs. The dump trailer was purchased by the Utility’s parent company, Florida Utility Services 1, LLC (FUS1), on December 2, 2024, to be used by all subsidiary systems including West Lakeland, for a total of \$7,294. The percentage allocated to West Lakeland is nine percent, for a total amount of \$8,636. These amounts are shown below in Table 4-1.

**Table 4-1
Pro Forma Plant Items**

Project	Acct. No.	Amount
Auto Dialer	396	\$7,980
Dump Trailer	391	\$656
Net Adjustment		\$8,636

⁹ Document No. 02110-2025, filed March 25, 2025.

The Auto Dialer was installed by Consta Flow, the Utility's operator. When asked if three bids were obtained - as is Commission practice - the Utility stated that it was unaware of any other companies in the area that performed this type of work. Staff believes the Utility provided a reasonable response for not obtaining additional bids. In addition, the Utility provided a paid invoice for this item.

West Lakeland also did not provide multiple bids for the dump trailer. In response to staff's data request, the Utility stated that it chose the vendor because they were the only company within a reasonable distance who could provide any needed repairs or warranty services.¹⁰ Staff believes the Utility provided a reasonable response for why no other bids were obtained. In addition, the Utility provided a paid invoice for the dump trailer. Staff recommends that these pro forma items costs are appropriate.

Used and Useful

As discussed in Issue 3, the Utility's system is considered 100 percent U&U. Therefore, no U&U adjustment is necessary.

Accumulated Depreciation

The Utility recorded accumulated depreciation of \$271,797. Audit staff reduced this amount by \$5,005 to align the Utility's records with regulatory standards and correct prior-year discrepancies. Additionally, staff increased accumulated depreciation by \$3,774 to reflect an averaging adjustment. Staff further increased this account by \$817 to reflect the appropriate accumulated depreciation adjustments for the pro forma projects discussed above. Therefore, staff recommends an average accumulated depreciation balance of \$271,383 ($\$271,797 - \$5,005 + \$3,774 + \817).

Contributions-In-Aid of Construction

The Utility recorded CIAC of \$221,480. Staff made no adjustments to CIAC, and therefore recommends an average CIAC balance of \$221,480.

Land and Land Rights

The Utility recorded land and land rights balance of \$356. Staff made no adjustment to land and land rights, and therefore recommends a land and land rights balance of \$356.

Accumulated Amortization of CIAC

The Utility recorded accumulated amortization of CIAC of \$164,343. Staff decreased this balance by \$1,600 to reflect an averaging adjustment. Therefore, staff recommends an average accumulated amortization of CIAC balance of \$162,743 ($\$164,343 - \$1,600$).

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, for this calculation, staff removed the rate case expense of

¹⁰ Document No. 02110-2025, filed March 25, 2025.

\$718. This resulted in an adjusted O&M expense balance of \$180,593 (\$181,311 - \$718). Applying this formula, staff recommends a working capital allowance of \$22,574 ($\$180,593 \div 8$).

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$10,861. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-A.

Issue 5: What is the appropriate return on equity and overall rate of return for West Lakeland Wastewater, LLC?

Recommendation: The appropriate return on equity is 11.2 percent, with a range of 10.24 percent to 12.24 percent. The appropriate overall rate of return is 5.92 percent. (Richards)

Staff Analysis: The Utility's capital structure consists of long-term debt and customer deposits. The Utility recorded \$123,013 as negative retained earnings in common equity. It is Commission practice to remove all negative retained earnings when calculating an overall rate of return. Therefore, staff made an adjustment zeroing out common equity.

The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate return on equity (ROE) is 11.24 percent based on the Commission-approved leverage formula currently in effect.¹¹ Staff recommends an ROE of 11.24 percent, with a range of 10.24 percent to 12.24 percent, and an overall rate of return of 5.92 percent. The ROE and overall rate of return are shown on Schedule No. 2.

¹¹ Order No. PSC-2024-0165-PAA-WS, issued May 22, 2024, in Docket No. 20240006-WS, *In re: Water and wastewater industry annual reestablishment cf authorized range cf return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(j), F.S.*

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Issue 6: What are the appropriate test year revenues for West Lakeland Wastewater, LLC?

Recommendation: The appropriate test year revenues for West Lakeland are \$199,727. (Lenberg)

Staff Analysis: West Lakeland recorded total test year revenues of \$190,996, which included \$183,393 of service revenues and \$7,603 of miscellaneous revenues. Staff made three adjustments to service revenues. Subsequent to the audit, staff reviewed the billing data and discovered a few customers with significantly high usage. Staff contacted the Utility and in response to staff's inquiry, the Utility adjusted the billing data to reflect the three customers that were incorrectly billed. The Utility also recorded \$58 for general service revenues; however, there are no general service customers. Therefore, staff removed the revenues of \$58 reflected for the general service customers. The Utility also had a price index that became effective on June 1, 2024. As a result, staff annualized service revenues by applying the number of adjusted billing determinants to the rates in effect as of June 1, 2024, and determined service revenues should be \$191,977, which is an increase of \$8,584.

In addition, staff made an adjustment to miscellaneous revenues to reflect revenues collected as a result of occurrences during the test year. Therefore, staff increased miscellaneous revenues by \$147 to reflect total miscellaneous revenues of \$7,750 (\$7,603 + \$147). Based on the above, the appropriate test year revenues for West Lakeland are \$199,727 (\$191,977+ \$7,750).

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Issue 7: What is the appropriate amount of operating expense for West Lakeland Wastewater, LLC?

Recommendation: The appropriate amount of operating expense for West Lakeland is \$211,272. (Richards, Ramirez-Abundez)

Staff Analysis: The Utility recorded an operating expense of \$207,252. The test year O&M expenses have been reviewed by staff, including invoices and other supporting documentation. Staff made several adjustments to the Utility's operating expense as described below.

Operation and Maintenance Expense

New Maintenance Technician Position

On January 27, 2025, the Utility requested a new maintenance technician position to be added to FUS1's currently approved positions. The maintenance technician's responsibilities include weekly lift station maintenance, spray field sprinkler maintenance, percolation pond maintenance, mowing grass, bar screen cleaning, digester tank skimming, tree trimming, hurricane season prep, running generators, sludge hauling, and cleaning up spills or sewage overflows. According to the Utility, this new maintenance technician is required, as FUS1 intends to promote a current employee to the level of Operations Supervisor, which would reduce the maintenance technician positions from 4 to 3 employees.

The Utility stated that reliance on overtime from current employees and using outside contractors has been required to maintain FUS1's systems. West Lakeland provided invoices from outside contractors and overtime payroll information to justify the need for a new maintenance technician position.¹² Additionally, the Utility filed a letter from Consta Flow, West Lakeland's outside Contractor, which addresses an operations cost increase for West Lakeland due to new technology, insurance costs, and employment costs.¹³

As such, staff recommends that in order to maintain the number of maintenance technician positions and reduce the additional costs incurred from overtime and outside contractors, the addition of a new maintenance technician position is appropriate.

Salaries and Wages – Employees (701)

The Utility recorded \$42,711 for salaries and wages – employees. Staff increased this amount by \$4,732 to reflect the Utility's allocated portion of an additional maintenance position discussed above.¹⁴ Therefore, staff recommends salaries and wages – employees expense of \$47,443 (\$42,711 + \$4,732).

Salaries and Wages – Officers and Directors (703)

The Utility recorded \$7,197 for salaries and wages – officers and directors. Staff made no adjustment to this amount, and therefore recommends salaries and wages – officers and directors expense of \$7,197.

¹² Document No. 03158-2025, filed April 23, 2025.

¹³ Document No. 10119-2024, filed December 2, 2024.

¹⁴ Document No. 00478-2025, filed January 27, 2025.

Employee Pensions and Benefits (704)

The Utility recorded \$5 for employee pensions and benefits. Staff decreased this amount by \$5 to reflect the removal of non-utility related expenses. Therefore, staff recommends employee pensions and benefits expense of \$0 (\$5 - \$5).

Purchased Wastewater Treatment (710)

The Utility recorded \$560 for purchased wastewater treatment. Audit staff decreased this amount by \$3 due to lack of supporting documentation. Therefore, staff recommends purchased wastewater treatment expense of \$557 (\$560 - \$3).

Sludge Removal Expense (711)

The Utility recorded \$33,918 for sludge removal. Audit staff decreased this amount by \$443 due to lack of supporting documentation. Therefore, staff recommends sludge removal expense of \$33,475 (\$33,918 - \$443).

Purchased Power (715)

The Utility recorded \$13,338 for purchased power. Staff made no adjustment to this amount and therefore recommends purchased power expense of \$13,338.

Chemicals (718)

The Utility recorded \$2,715 for chemicals expense. Staff made no adjustment to this amount and therefore recommends chemicals expense of \$2,715.

Materials and Supplies (720)

The Utility recorded \$8,000 for materials and supplies. Audit staff decreased this amount by \$863 due to lack of supporting documentation. Staff further decreased this amount by \$12 to remove non-utility related expenses. Therefore, staff recommends materials and supplies expense of \$7,125 (\$8,000 - \$863 - \$12).

Contractual Services – Professional (731)

The Utility recorded \$1,092 for contractual services – professional. Staff made no adjustment to this amount and therefore recommends contractual services – professional expense of \$1,092.

Contractual Services – Testing (735)

The Utility recorded \$1,240 for contractual services – testing. Staff made no adjustment to this amount and therefore recommends contractual services – testing expense of \$1,240.

Contractual Services – Other (736)

The Utility recorded \$30,148 for contractual services – other. Audit staff decreased this amount by \$807 due to lack of supporting documentation. The Utility submitted a new contract from Consta Flow, reflecting an increase in monthly costs from \$965 (\$11,580 annually) to \$1,062 (\$12,744 annually).¹⁵ This represents an annual increase of \$1,164 (\$12,744 - \$11,580). Therefore, staff recommends contractual services – other expense of \$30,505 (\$30,148 - \$807 + \$1,164).

¹⁵ Document No. 10119-2024, filed December 6, 2024.

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Rents (740)

The Utility recorded \$9,591 for rental expense. Audit staff decreased this amount by \$2,659 to reflect the appropriate allocated portion of rental expense. Therefore, staff recommends rental expense of \$6,932 (\$9,591 - \$2,659).

Transportation Expense (750)

The Utility recorded \$7,985 for transportation expense. Staff made no adjustment to this amount and therefore recommends transportation expense of \$7,985.

Insurance Expense (755)

The Utility recorded \$8,506 for insurance expense. Staff made no adjustment to this amount and therefore recommends insurance expense of \$8,506.

Rate Case Expense (765)

The Utility did not record any rate case expense. The Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, final rates, and four-year rate reduction. Staff calculated noticing costs to be \$1,103. Staff calculated the distance from the Utility to Tallahassee as 226 miles. Based on the 2025 Internal Revenue Service business mileage rate of \$0.70, staff calculated the round-trip mileage expense to the Commission Conference of \$316 plus \$200 for lodging for a total of \$516.¹⁶ However, because the Utility representative will be attending the Commission Conference for a sister utility as well, staff only allocated 50 percent, or \$258 of travel expense to West Lakeland.¹⁷ Additionally, the Utility paid a filing fee of \$1,000.¹⁸

On May 22, 2025, the Utility submitted its invoices for consulting fees from OCBOA Consulting, LLC, which serves as the Utility's accounting firm.¹⁹ The summary of expenses attached to the invoices reflect rate case expense of \$154, \$214, and \$143 for March, April, and May 2025, respectively. There was an additional estimated expense of \$380 included in the summary. Staff did not include the estimated portion, but believes the March, April and May amounts are reasonable. As such, staff included \$511 for consulting fees as part of rate case expense.

Staff recommends a total rate case expense, consisting of noticing costs, 50 percent of travel expense, filing fee, and consulting fee of \$2,872 (\$1,103 + \$258 + \$1,000 + \$511), which amortized over four years is \$718 (\$2,872 ÷ 4 years).

Bad Debt Expense (770)

The Utility recorded bad debt expense of \$4,506. Staff notes that it is Commission practice to calculate bad debt expense using a three-year average when the information is available. Using its 2021, 2022, and 2023 Annual Reports, the Utility recorded annual bad debt expenses of \$750, \$2,566 and \$3,914, respectively. Staff calculated the average bad debt expense for these previous

¹⁶ <https://www.irs.gov/tax-professionals/standard-mileage-rates>

¹⁷ Alturas Water, LLC, as Docket No. 20240119-WU, is currently scheduled for the same Commission Conference.

¹⁸ Document No. 09132-2024, filed September 20, 2024.

¹⁹ Document No. 03852-2025, filed May 22, 2025.

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three years to be \$2,410 $((\$750 + \$2,566 + \$3,914) \div 3)$ which represents a decrease of \$2,096. Therefore, staff recommends total bad debt expense of \$2,410 $(\$4,506 - \$2,096)$.

Miscellaneous Expenses (775)

The Utility recorded \$10,563 for miscellaneous expenses. Audit staff decreased this amount by \$467 and staff further decreased this amount by \$23 to remove allocated costs due to lack of supporting documentation. Therefore, staff recommends miscellaneous expenses of \$10,073 $(\$10,563 - \$467 - \$23)$.

Operation and Maintenance Expense Summary

The Utility recorded test year O&M expense of \$182,075. Based on the above adjustments, staff recommends O&M expense be reduced by \$764. This results in a total O&M expense of \$181,311 $(\$182,075 - \$764)$. Staff's recommended adjustments to O&M are shown on Schedule No. 3-C.

Depreciation Expense

The Utility recorded depreciation expense of \$9,516. Using the depreciation rates prescribed in Rule 25-30.140, F.A.C., staff increased this amount by \$1,757. Additionally, staff increased depreciation expense by \$817 to reflect the appropriate rates associated with the Utility's pro forma projects. Therefore, staff recommends depreciation expense of \$12,090 $(\$9,516 + \$1,757 + \$817)$.

Amortization of CIAC

The Utility recorded amortization of CIAC of \$3,200. Staff made no adjustments and therefore recommends amortization of CIAC of \$3,200.

Taxes Other Than Income (TOTI)

The Utility recorded TOTI of \$12,461; this amount included \$755 for property taxes, \$3,111 for payroll taxes and \$8,595 for RAFs.

Staff decreased property taxes by \$58 to reflect the appropriate amount of tangible property tax and real estate property tax.²⁰ Further, staff increased property taxes by \$102 to reflect the increase in plant associated with pro forma. As such, staff recommends property taxes of \$799 $(\$755 - \$58 + \$102)$.

Based on the Utility's response to the Staff Report, staff increased payroll taxes by \$210.²¹ As part of the Utility's request for a pro forma increase for an additional maintenance position, staff further increased payroll taxes by \$369.²² As such, staff recommends payroll taxes of \$3,690 $(\$3,111 + \$210 + \$369)$.

Audit staff increased TOTI by \$389 to reflect the appropriate regulatory assessment fees (RAFs) based on corrected Utility test year revenues. Based on revenues discussed in Issue 6, TOTI

²⁰ Tangible property tax calculated at \$587 and real estate property tax calculated at \$110.

²¹ Document No. 00955-2025, filed February 13, 2025.

²² Document No. 00478-2025, filed January 27, 2025.

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should be increased by \$4 to reflect RAFs of 4.5 percent of the change in revenues. As such, staff recommends the appropriate amount of test year RAFs be \$8,988 (\$8,595 + \$389 + \$4).

As discussed in Issue 9, staff recommends revenues be increased by \$26,545 in order to reflect the change in revenue required to cover expenses and allow the Utility to earn an operating margin of \$15,000. As a result, TOTI should be increased by \$1,195 to reflect RAFs of 4.5 percent of the change in revenues. Therefore, staff recommends TOTI of \$14,671 (\$799 + \$3,690 + \$8,988 + \$1,195).

Operating Expense Summary

The Utility recorded operating expenses of \$207,252. The application of staff's recommended adjustments to the Utility's recommended operating expense results in a total operating expense of \$211,272. Operating expenses are shown on Schedule No. 3-A, and the related adjustments are shown on Schedule No. 3-B.

Issue 8: Does West Lakeland Wastewater, LLC meet the criteria for application of the operating ratio methodology?

Recommendation: Yes, West Lakeland meets the requirement for application of the operating ratio methodology for calculating the revenue requirement. (Richards)

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 West Lakeland, staff recommended a rate base of \$10,861. After removal of rate case expense, staff calculated an O&M expense of \$180,593 (\$181,311 - \$718). Based on staff's recommended amounts, the Utility's rate base is 6.01 percent of its adjusted O&M expense. Based on this, the Utility qualifies for application of the operating ratio methodology.

Rule 25-30.4575, F.A.C., limits the operating ratio adjustment to \$15,000; therefore, staff recommends the appropriate margin is \$15,000.

Issue 9: What is the appropriate revenue requirement for West Lakeland Wastewater, LLC?

Recommendation: The appropriate revenue requirement is \$226,272, resulting in an annual increase of \$26,545 (13.29 percent). (Richards)

Staff Analysis: West Lakeland should be allowed an annual increase of \$26,545 (13.29 percent). This should allow the Utility the opportunity to recover expenses and earn an operating margin of \$15,000. The calculations for revenue requirement are shown on Table 9-1.

**Table 9-1
Revenue Requirement**

Adjusted O&M Expense	\$180,036
Operating Margin (%)	<u>12.00%</u>
Operating Margin (\$)	<u>\$15,000</u>
Wastewater O&M Expense	\$181,311
Depreciation Expense	12,090
Amortization	3,200
Taxes Other Than Income	<u>14,671</u>
Revenue Requirement	<u>\$226,272</u>
Less Test Year Revenues	\$199,727
Annual Increase	\$26,545
Percent Increase	13.29%

Source: Staff calculations.

Date: June 19, 2025

Issue 10: What are the appropriate rates and rate structure for West Lakeland Wastewater, LLC?

Recommendation: The recommended rate structures and monthly wastewater rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff 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. (Lenberg)

Staff Analysis: West Lakeland provides wastewater service to approximately 316 residential customers and no general service customers. Currently, the wastewater rate structure for residential customers consists of a monthly uniform base facility charge (BFC) for all meter sizes and a gallonage charge with a 6,000 gallonage cap. The general service rate structure consists of BFCs 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, where appropriate, that considers approximately the amount of water that may return to the wastewater system.

Consistent with Commission practice, staff allocated 50 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants. The Utility's current wastewater gallonage cap is set at 6,000 gallons per month. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. Based on staff's review of the billing data, staff recommends that the gallonage cap for residential customers remain at 6,000 gallons. Staff also recommends that the general service gallonage charge continue to be 1.2 times greater than the residential gallonage charge, which is consistent with Commission practice.

In addition, wastewater rates are calculated on customers' water demand; if those customers' water demand is expected to decline due to repression, then the billing determinants used to calculate wastewater rates should be adjusted accordingly. In determining the number of wastewater gallons subject to repression, staff uses the gallons between the non-discretionary threshold and the wastewater gallonage cap and applies the percentage reduction in water gallons. In this case, there is no water system to calculate repression. Therefore, a repression adjustment for wastewater is not applicable.

Issue 11: What are the appropriate initial customer deposits for West Lakeland Wastewater, LLC?

Recommendation: The appropriate initial customer deposit is \$115 for all residential meter sizes. The approved initial customer deposits should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding. (Lenberg)

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.²³ Currently, the Utility has an initial customer deposit of \$78. However, this amount does not cover two months' average bills based on staff's recommended rates. According to the Utility's billing data, the average monthly residential wastewater usage is 3,319 gallons per customer. Therefore, the average residential monthly bill based on staff's recommended rates is approximately \$57.49.

Staff recommends the appropriate initial customer deposit is \$115 for all residential meter sizes. The approved initial customer deposits should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding.

²³ Order No. PSC-15-0142-PAA-SU, issued March 26, 2015, in Docket No. 20130178-SU, *In re: Application for staff assisted rate case in Polk County by Crooked Lake Park Sewerage Company*.

Date: June 19, 2025

Issue 12: What are the appropriate miscellaneous service charges for West Lakeland Wastewater, LLC?

Recommendation: The appropriate miscellaneous service charges are shown on Table 12-4 and should be approved. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered or connections made 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 charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Lenberg)

Staff Analysis: West Lakeland is requesting to revise its existing miscellaneous service charges to reflect an increase in the amount of some of the charges. The Utility's existing miscellaneous service charges for wastewater were established in 1997.²⁴ The Utility's late payment charge was approved in 2011.²⁵ The Utility's convenience charge was approved in 2013.²⁶ Section 367.091, F.S., authorizes the Commission to change miscellaneous service charges. The Utility's violation reconnection charge and convenience charge will remain unchanged. The Utility's requested increase of miscellaneous service charges were accompanied with cost justification as required by Section 367.091(6), F.S. The Utility's existing and requested miscellaneous service charges are shown below in Tables 12-1.

Table 12-1
West Lakeland's Existing and Requested Miscellaneous Service Charges

	<u>Existing</u>	<u>Requested</u>
Initial Connection Charge	\$15.00	\$80.00
Normal Reconnection Charge	\$15.00	\$80.00
Violation Reconnection Charge	Actual Cost	Actual Cost
Premises Visit Charge	\$10.00	\$80.00
Late Payment Charge	\$7.00	\$7.85
Convenience Charge	\$2.50	N/A

Source: Utility's current tariffs and cost justification documentation.

Premises Visit Charge

As shown on Table 12-1, the Utility is requesting to increase the amount of some of its existing miscellaneous service charges. The existing miscellaneous service charges include initial connection and normal reconnection charges which are obsolete and inconsistent with the Rule 25-30.460, F.A.C. The Utility provided cost justification of \$81.02; however, the Utility requested a charge of \$80.00 for the premises visit which represents the cost of a trip to perform a specified service. Staff believes the cost justification is reasonable and impose the cost on the

²⁴ Order No. PSC-98-0752-FOF-SU, issued June 1, 1998, in Docket No. 19971531-SU, *In re: Application for grandfather certificate to operate wastewater Utility in Polk County by ABCA, Inc.*

²⁵ Order No. PSC-11-0204-TRF-SU, issued April 25, 2011, in Docket No. 20100413-SU, *In re: Request for approval of tariff amendment to include a late fee of \$14.00 in Polk County by West Lakeland Wastewater.*

²⁶ Order No. PSC-13-0426-TRF-SU, issued September 19, 2013, in Docket No. 20120289-SU, *In re: Request for approval of tariff sheets for miscellaneous service charges in Polk County by West Lakeland Wastewater LLC.*

cost causer. Based on the rule, staff recommends that the initial connection and normal reconnection charges be removed. Staff also recommends that the definition for the premises visit charge be updated to comply with Rule 25-30.460, F.A.C. The premises visit charge should be \$80.00. The Utility's calculation for the premises visit charge is shown below on Table 12-2.

Table 12-2
Calculation for Requested Premises Visit

	<u>Cost</u>
Mileage (\$0.70 per mile x 40)	\$28.00
Labor – Tech – Round Trip Drive (\$27.85 x 1.15)	32.03
Labor – Tech – Location Labor Time (\$27.85 x 0.50)	13.93
Labor – Tech – Customer Care Representative (28.25 x 0.25)	<u>7.06</u>
Total	<u>\$81.02</u>

Source: Utility's cost justification documentation.

Late Payment Charge

The Utility currently has a \$7.00 late payment charge. The Utility is requesting a \$7.85 late payment charge to recover the cost of labor, supplies, and postage associated with processing late payment notices. The purpose of this charge is not only to provide an incentive for customers to make timely payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing delinquent accounts solely upon those who are cost causers. The Utility calculated the actual costs for its late payment charges to be \$7.85. The Utility indicated that it will take approximately 15 minutes per account to research, compile, and produce late notices. The delinquent customer accounts will be processed by the administrative employee, which results in labor cost of \$7.06 (\$28.25 x 0.25hr). This is consistent with prior Commission decisions where the Commission has allowed 5-15 minutes per account per month for the administrative labor associated with processing delinquent customer accounts.²⁷ In addition, the Utility included material cost of \$0.79 for paper, envelopes, and postage, which results in total costs of \$7.85 (\$7.06 + \$0.79). The Utility's calculation for its costs associated with a late payment charge is shown on Table 12-3. Staff recommends the requested late payment charge of \$7.85 be approved.

²⁷ Order Nos. PSC-16-0041-TRF-WU, issued January 25, 2016, in Docket No. 20150215-WU, *In re: Request for approval of tariff amendment to include miscellaneous service charges for the Earlene and Ray Keen Subdivisions, the Ellison Park Subdivision and the Lake Region Paradise Island Subdivision in Polk County, by Keen Sales, and Utilities, Inc.* and PSC-15-0569-PAA-WS, issued December 16, 2015, in Docket No. 20140239-WS, *In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.*

Table 12-3
Calculation of Proposed Late Payment Charge

	<u>Cost</u>
Supply – Paper Envelope (\$0.10 x 1.00)	\$0.10
Supply – Postage (\$0.69 x 1.00)	0.69
Labor – Customer Care Representative (\$28.25 x 0.25)	7.06
Total	<u>\$7.85</u>

Source: Utility’s cost justification documentation.

Table 12-4
Staff’s Recommended Miscellaneous Service Charges

Premises Visit Charge	\$80.00
Late Payment Charge	\$7.85

Source: Staff’s Calculations.

Conclusion

The appropriate miscellaneous service charges are shown on Table 12-4 and should be approved. The Utility should be required to file a proposed customer notice to reflect the Commission approved charges. The approved charges should be effective for service rendered or connections made 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 charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Date: June 19, 2025

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

Recommendation: 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. West Lakeland 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. (Richards)

Staff Analysis: Section 367.081(8), F.S., requires that the rates be reduced by the amount of rate case expense previously included in rates immediately following the expiration of the recovery period. With respect to West Lakeland, 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 \$752.

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. West Lakeland 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.

Date: June 19, 2025

Issue 14: Should the recommended rates be approved for West Lakeland Wastewater, LLC on temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

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. West Lakeland 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. (Richards)

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. West Lakeland 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.

West Lakeland 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 \$18,208. 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.

Date: June 19, 2025

Issue 15: Should West Lakeland Wastewater, LLC be required to notify the Commission within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC USOA?

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

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

Issue 16: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the proposed agency action order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively. (Farooqi, Imig)

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

WEST LAKELAND WASTEWATER, LLC TEST YEAR ENDED 06/30/2024 SCHEDULE OF WASTEWATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 20240105-SU		
DESCRIPTION		BALANCE PER UTILITY	STAFF ADJ.	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	\$309,485	\$8,566	\$318,051
2.	LAND & LAND RIGHTS	356	0	356
3.	ACCUMULATED DEPRECIATION	(271,797)	414	(271,383)
4.	CIAC	(221,480)	0	(221,480)
5.	ACCUMULATED AMORTIZATION OF CIAC	164,343	(1,600)	162,743
6.	WORKING CAPITAL ALLOWANCE	\$0	\$22,574	\$22,574
	WASTEWATER RATE BASE	<u>(\$19,093)</u>	<u>\$29,954</u>	<u>\$10,861</u>

WEST LAKELAND WASTEWATER, LLC		SCHEDULE NO. 1-B
TEST YEAR ENDED 6/30/2024		DOCKET NO. 20240105-SU
ADJUSTMENTS TO RATE BASE		
		<u>WASTEWATER</u>
	<u>UTILITY PLANT IN SERVICE</u>	
1.	To reflect an averaging adjustment.	(\$69)
2.	To reflect pro forma plant additions.	<u>8,636</u>
	Total	<u>\$8,566</u>
	<u>ACCUMULATED DEPRECIATION</u>	
1.	To reflect auditing adjustments.	\$5,005
2.	To reflect an averaging adjustment.	(3,774)
3.	To reflect pro forma adjustments.	<u>(817)</u>
	Total	<u>\$414</u>
	<u>ACCUMULATED AMORTIZATION OF CIAC</u>	
	To reflect an averaging adjustment.	<u>(\$1,600)</u>
	<u>WORKING CAPITAL ALLOWANCE</u>	
	To reflect 1/8 O&M expense (less RCE).	<u>\$22,574</u>

WEST LAKELAND WASTEWATER, LLC							SCHEDULE NO. 2		
TEST YEAR ENDED 6/30/2024							DOCKET NO. 20240105-SU		
SCHEDULE OF CAPITAL STRUCTURE									
<u>CAPITAL COMPONENT</u>	<u>PER UTILITY</u>	<u>SPECIFIC ADJUSTMENTS</u>	<u>BALANCE AFTER ADJ.</u>	<u>PRO RATA ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>	
1. LONG-TERM DEBT	\$23,947	\$0	\$23,947	(\$15,722)	\$8,225	75.73%	7.18%	5.44%	
2. COMMON EQUITY	(123,013)	123,013	0	0	0	0.00%	11.24%	0.00%	
3. CUSTOMER DEPOSITS	7,675	0	7,675	(5,039)	2,636	24.27%	2.00%	0.49%	
TOTAL CAPITAL	(\$91,391)	\$123,013	\$31,622	(\$20,761)	\$10,861	100.00%		5.92%	
<u>RANGE OF REASONABLENESS</u>							<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY							10.24%	12.24%	
OVERALL RATE OF RETURN							5.92%	5.92%	

WEST LAKELAND WASTEWATER, LLC				SCHEDULE NO. 3-A	
TEST YEAR ENDED 6/30/2024				DOCKET NO. 20240105-SU	
SCHEDULE OF WASTEWATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. TOTAL OPERATING REVENUES	\$190,996	\$8,731	\$199,727	\$26,545 13.29%	\$226,272
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$182,075	(\$764)	\$181,311	\$0	\$181,311
3. DEPRECIATION	9,516	2,574	12,090	0	12,090
4. AMORTIZATION	3,200	0	3,200	0	3,200
5. TAXES OTHER THAN INCOME	<u>\$12,461</u>	<u>\$1,016</u>	<u>\$13,477</u>	<u>\$1,195</u>	<u>\$14,671</u>
TOTAL OPERATING EXPENSES	<u>\$207,252</u>	<u>\$2,826</u>	<u>\$210,078</u>	<u>\$1,195</u>	<u>\$211,272</u>
6. OPERATING INCOME/(LOSS)	(\$16,256)		(\$10,351)		\$15,000
7. WASTEWATER RATE BASE	(\$19,093)		\$29,954		\$10,861
8. OPERATING MARGIN					12.00%

WEST LAKELAND WASTEWATER, LLC		SCHEDULE 3-B
TEST YEAR ENDED 6/30/2024		DOCKET NO. 20240105-SU
ADJUSTMENTS TO OPERATING INCOME		PAGE 1 OF 2
		WASTEWATER
OPERATING REVENUES		
1.	To reflect an auditing adjustment to Service Revenues.	\$8,642
2.	To reflect the appropriate test year Service Revenues.	(58)
3.	To reflect the appropriate test year Miscellaneous Revenues.	147
	Total	<u>\$8,731</u>
OPERATION AND MAINTENANCE EXPENSES		
1.	Salaries and Wages – Employees (701) To reflect pro forma additional maintenance position.	<u>\$4,732</u>
2.	Employee Pensions and Benefits (704) To reflect removal of non-utility related expense.	(5)
3.	Purchased Sewage (710) To reflect an audit adjustment.	(3)
4.	Sludge Removal Expense (711) To reflect audit adjustments.	(443)
5.	Materials and Supplies (720) a. To reflect an audit adjustment.	(863)
	b. To reflect removal of non-utility related expense.	(12)
	Total	<u>(875)</u>
6.	Contractual Services – Other (736) a. To reflect audit adjustments.	(807)
	b. To reflect increase in Consta Flow contract.	1,164
	Total	<u>\$357</u>
7.	Rental Expense (740) To reflect an audit adjustment.	<u>(\$2,659)</u>
8.	Rate Case Expense (765) To reflect 1/4 rate case expense.	<u>\$718</u>
9.	Bad Debt Expense (770) To reflect three-year average of bad debt expense.	<u>(\$2,096)</u>
10.	Miscellaneous Expense (775) a. To reflect audit adjustments.	(467)
	b. To reflect removal of allocated cost due to lack of support.	(23)
	Total	<u>(\$490)</u>
TOTAL O&M ADJUSTMENT		<u>(\$764)</u>

WEST LAKELAND WASTEWATER, LLC.		SCHEDULE 3-B
TEST YEAR ENDED 6/30/2024		DOCKET NO. 20240105-SU
ADJUSTMENTS TO OPERATING INCOME		PAGE 2 OF 2
		WASTEWATER
DEPRECIATION EXPENSE		
1.	To reflect appropriate test year depreciation expense.	\$1,757
2.	To reflect pro forma additions.	<u>817</u>
	Total	<u>\$2,574</u>
TAXES OTHER THAN INCOME		
1.	To reflect an auditing adjustment for RAFs.	\$389
2.	To reflect appropriate test year RAFs	4
3.	To reflect appropriate property taxes.	(58)
4.	To reflect appropriate test year payroll taxes.	210
5.	To reflect pro forma payroll taxes.	369
6.	To reflect property taxes associated with pro forma additions.	<u>102</u>
	Total	<u>\$1,016</u>
TOTAL OPERATING EXPENSE ADJUSTMENTS		<u>\$2,826</u>

WEST LAKELAND WASTEWATER, LLC		SCHEDULE NO. 3-C		
TEST YEAR ENDED 6/30/2024		DOCKET NO. 20240105-SU		
ANALYSIS OF WASTEWATER O&M EXPENSE				
<u>ACCT.#</u>	<u>DESCRIPTION</u>	<u>TOTAL PER UTILITY</u>	<u>STAFF ADJUST- MENT</u>	<u>TOTAL PER STAFF</u>
701	Salaries and Wages – Employees	\$42,711	\$4,732	\$47,443
703	Salaries and Wages – Officers	7,197	0	7,197
704	Employee Pensions and Benefits	5	(5)	0
710	Purchased Wastewater Treatment	560	(3)	557
711	Sludge Removal Expense	33,918	(443)	33,475
715	Purchased Power	13,338	0	13,338
718	Chemicals	2,715	0	2,715
720	Materials and Supplies	8,000	(875)	7,125
731	Contractual Services – Professional	1,092	0	1,092
735	Contractual Services – Testing	1,240	0	1,240
736	Contractual Services – Other	30,148	357	30,505
740	Rents	9,591	(2,659)	6,932
750	Transportation Expense	7,985	0	7,985
755	Insurance Expense	8,506	0	8,506
765	Rate Case Expense	0	718	718
770	Bad Debt Expense	4,506	(2,096)	2,410
775	Miscellaneous Expenses	<u>\$10,563</u>	<u>(\$490)</u>	<u>\$10,073</u>
	Total O&M Expense	<u>\$182,075</u>	<u>(\$764)</u>	<u>\$181,311</u>
	Working Capital is 1/8 O&M Less RCE			\$22,574

WEST LAKELAND WASTEWATER, LLC		SCHEDULE NO. 4	
TEST YEAR ENDED 6/30/24		DOCKET NO. 20240105-SU	
MONTHLY WASTEWATER RATES			
	UTILITY'S CURRENT RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential</u>			
Base Facility Charge - All Meter Sizes	\$22.61	\$28.75	\$0.09
Charge per 1,000 gallons (6,000 gallon cap)	\$8.41	\$8.66	\$0.03
-			
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$22.61	\$28.75	\$0.09
3/4"	\$33.92	\$43.13	\$0.14
1"	\$56.53	\$71.88	\$0.23
1-1/2"	\$113.05	\$143.75	\$0.45
2"	\$180.88	\$230.00	\$0.72
3"	\$361.76	\$460.00	\$1.44
4"	\$565.25	\$718.75	\$2.25
6"	\$1,130.50	\$1,437.50	\$4.50
8"	\$1,808.80	\$2,300.00	\$7.20
Charge per 1,000 gallons	\$10.09	\$10.40	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$47.84	\$54.73	
6,000 Gallons	\$73.07	\$80.71	
8,000 Gallons	\$73.07	\$80.71	