Nickalus Holmes

From: Kathy Shoaf
Sent: Friday, September 29, 2017 3:49 PM
To: Cindy Muir; Lee Eng Tan; Charles Murphy; Tom Ballinger; Andrew Maurey; Greg Shafer; Dale Mailhot; Clayton Lewis; Robert Graves; Cheryl Bulecza-Banks; Shannon Hudson; Sonica Bruce; Lynn Deamer; Mark Cicchetti; Todd Brown; Apryl Lynn; Braulio Baez; Carlotta Stauffer; Cayce Hinton; Cindy Muir; CLK - Agenda Staff; Commissioners & Staffs; Jacqueline Moore; Kate Hamrick; Kathy Shoaf; Keith Hetrick; Mark Futrell; Mary Anne Helton
Subject: Request for approval to make oral modification to Item #5 of the October 3, 2017 Commission Conference
Attachments: APPROVED- Staff's Oral Modification for Lakeside Waterworks Inc. Docket No. 20160195-WS.pdf

Greetings:

Please see the attached APPROVED Request to make an Oral Modification to Item #5, scheduled for the October 3, 2017, Commission Conference, Docket No. 20160195-WS, Lakeside Waterworks Inc.

Kathy Shoaf
Executive Assistant to
Braulio Baez, Executive Director
Florida Public Service Commission
Telephone: (850)413-6053
kshoaf@psc.state.fl.us

From: Braulio Baez
Sent: Friday, September 29, 2017 3:37 PM
To: Tom Ballinger
Cc: Mark Futrell; Andrew Maurey; Greg Shafer; Kate Hamrick; Kathy Shoaf
Subject: RE: Request for approval to make oral modification to Item #5 of the October 3, 2017 Commission Conference

Approved. Thanks

From: Tom Ballinger
Sent: Friday, September 29, 2017 2:47 PM
To: Braulio Baez
Cc: Mark Futrell; Andrew Maurey; Greg Shafer; Kate Hamrick; Kathy Shoaf
Subject: Request for approval to make oral modification to Item #5 of the October 3, 2017 Commission Conference

Staff requests approval to make an oral modification to Item 5 scheduled for the October 3, 2017 Commission Conference, Docket No. 20160195-WS, Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc. Subsequent to filing its recommendation, staff became aware that its proposed accounting treatment of abandonment losses could not be applied to a Class C utility. Staff has therefore modified its proposed accounting treatment which affects non-used and useful accumulated depreciation, accumulated

depreciation, and rate base (Issue 3), regulatory assessment fees, and total operating expenses (Issue 6), and fall out Issues 7 (revenue requirements) 8 (rate structure and rates) and 12 (temporary rates.)

The modifications requested by staff decrease the water revenue requirement for water by $288, and decrease the revenue requirement for wastewater by $249.

The attached type and strike modifications reflect staff's recommended changes.

Staff has also included the updated revenue requirements schedules in type and strike format (Schedule Nos. 1-A, 1-B, 1-C, 2, 3-A, 3-B, 4-A, 4-B, and 5-A.)

Please let me know if you need any additional information.

Tom Ballinger
Director, Division of Engineering
Florida Public Service Commission
(850) 413-6680

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Issue 3, page 10

Issue 3: Should the Commission approve a year-end rate base for Lakeside, and if so, what is the appropriate year-end water and wastewater test year rate base?

Recommendation: Yes. The Commission should approve a year-end rate base for Lakeside. The appropriate year-end water test year rate base is $140,313 ~~$143,573~~, and the appropriate year-end wastewater test year rate base is $131,295 ~~$134,117~~. (Golden, Wilson, Lewis)

Issue 3, page 13, 2nd paragraph

Staff believes the Utility's capitalization of the well rehabilitation work was an appropriate accounting treatment at the time the work was performed and was consistent with NARUC guidelines. Further, the Utility's proposed accounting treatment of the retirement is consistent with the NARUC guidelines. Staff also notes that if the rehabilitation efforts had been successful, that work would have served to extend the useful service life of the well and would have been depreciated normally over time, further supporting the traditional accounting treatment at the time the repairs were completed. Therefore, staff decreased water plant by $33,024 to reflect the retirement of the collapsed well and well rehabilitation work. ~~In addition, staff believes it would be appropriate to establish a regulatory asset to remove the negative accumulated depreciation that resulted from the retirement of the well rehabilitation work and allow the Utility to amortize the unrecovered well rehabilitation costs. Staff's recommended adjustments to establish the regulatory asset will be discussed later in this issue under the Accumulated Depreciation and Regulatory Asset sections. The calculation of both the amortization period and amortization expense for the water and wastewater early retirement losses will be discussed further in Issue 6.~~

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Issue 3, page 16, 1st paragraph

Non-Used and Useful Plant

As discussed in Issue 2, Lakeside's distribution and collection systems are considered 100 percent U&U. Also, the water treatment plant should be considered 81 percent U&U, and the wastewater treatment plant should be considered 92 percent U&U. As discussed above, staff recommends that the Commission approve a year-end rate base for Lakeside. Therefore, staff applied the non-U&U percentages to the year-end balances for water and wastewater. Application of the non-U&U percentages to plant and the associated accumulated depreciation results in net adjustments of $21,037 ~~$18,497~~ for water and $7,625 ~~$7,872~~ for wastewater. Therefore, water rate base should be reduced by $21,037 ~~$18,497~~ to remove the 19 percent of the water treatment plant that is non-U&U, and wastewater rate base should be reduced by $7,625 ~~$7,872~~ to remove the 8 percent of the wastewater treatment plant that is non-U&U.

Issue 3, pages 17-18

Staff also decreased this account by $156 for water and $92 for wastewater to reflect the accumulated depreciation associated with the pro forma retirements.

Based on staff's review in the instant docket, staff increased this account by $31 for water to reflect the accumulated depreciation associated with the water line repair that was reclassified from a wastewater expense account to a water plant account, as discussed above. Staff decreased water accumulated depreciation by $33,024 to reflect the retirement of the collapsed well and well rehabilitation work. Staff also decreased this account by $3,517 to reflect the well abandonment and removal costs associated with abandoning the collapsed well. The retirement of the well rehabilitation work results in a negative accumulated depreciation balance because the Utility has not recovered its investment in these plant assets. While not common, such situations can occur. To allow for recovery of this investment, staff is recognizing the negative accumulated depreciation balance, but is recommending that the balance be reduced over seven years through an annual loss amortization expense. This will allow the Utility to earn a return on its prudent investment, but will prevent the abandoned assets from remaining on the Utility's books indefinitely. Based on the Utility's filing history and need for future rate cases to recover additional plant investments, staff believes it would be appropriate to recognize only one year of the accumulated amortization for ratesetting purposes. Therefore, staff increased this account by a total of $3,069, which represents the annual amortization of $721 for the collapsed well and $2,348 for the well rehabilitation work. The calculation of both the amortization period and amortization expense for both the water and wastewater early retirement losses will be discussed further in Issue 6. ~~As discussed above, staff believes it would be appropriate to establish a regulatory asset to remove the negative accumulated depreciation that resulted from the early retirement of the well rehabilitation work. The net unrecovered balance of the well rehabilitation costs is $16,436, which is the total $17,068 rehabilitation cost less $632 in accumulated depreciation that was recovered during the test year while the repairs were in service ($17,068 - $632 = $16,436). Therefore, staff increased accumulated depreciation for water by $16,436 to establish the regulatory asset, thereby, removing the negative accumulated depreciation. Staff's remaining adjustments related to the establishment of the regulatory asset will be discussed below in the Regulatory Asset section.~~ In addition, staff increased this account by $1,012 to

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reflect the accumulated depreciation associated with the pro forma water line installation, pump repairs, well pump replacement, and well materials correction.

In addition, staff increased wastewater accumulated depreciation by $5,835 to reflect the pro forma WWTP replacement. Further, staff decreased this account by $33,921 for wastewater to reflect the retirement of the replaced WWTP. Staff also decreased this account by $5,760 to reflect the portion of the WWTP removal costs related to dewatering services. The Utility is currently reviewing options for removing the physical structure of the replaced WWTP. As such, it is anticipated that Lakeside will incur additional removal costs in the future. Staff recommends that the Commission authorize Lakeside to record any additional WWTP removal costs it incurs in the future to Account 186 Miscellaneous Deferred Debits pending Commission review in a future rate proceeding. As will be discussed further in Issue 6, staff believes it would be appropriate to allow the Utility to recover the loss that resulted from the prudent early retirement of the WWTP. The WWTP retirement also resulted in a negative accumulated depreciation balance. Staff is recommending that the balance be reduced over four years through an annual loss amortization expense. Accordingly, staff increased this account by $3,068, to reflect one year of accumulated amortization. Subsequent to the test year, the Utility repaired a WWTP sprayfield pump that staff has included in plant above. Accordingly, staff has increased the wastewater accumulated depreciation by $32 to reflect the depreciation associated with this plant repair.

Finally, staff calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. After taking into consideration the adjustments discussed above, staff determined that an additional increase of $927 for water and a decrease of $322 for wastewater is necessary to reflect the appropriate test year balances. Again, no averaging adjustment is necessary to the water or wastewater accumulated depreciation balances due to the use of the year-end rate base method. Staff's net adjustments are decreases of $37,864 ~~$24,496~~ and $39,462 ~~$42,530~~ to water and wastewater, respectively. Therefore, staff recommends accumulated depreciation balances of $80,210 ~~$93,578~~ for water and $64,407 ~~$61,339~~ for wastewater.

Accumulated Amortization of CIAC

Lakeside recorded amortization of CIAC balances of $7,379 for water and $7,517 for wastewater. As discussed above, the end of test year balances from the 2013 SARC inadvertently included the averaging adjustments that are only used for ratesetting purpose and should not have been included in the end of test year balances. Lakeside properly adjusted its books and records in accordance with the Commission's Order in the last SARC, which resulted in accumulated amortization of CIAC being understated by $245 for water and $139 for wastewater due to the averaging adjustments. In order to reflect the correct 2013 test year balances, staff increased this account by $245 for water and $139 for wastewater. Staff calculated amortization of CIAC using composite depreciation rates. Accordingly, staff decreased water amortization of CIAC by $359 and decreased wastewater amortization of CIAC by $463. In addition, staff increased the water account by $10 to reflect the pro forma amortization of CIAC associated with the pro forma CIAC additions discussed above. Staff's net adjustments are decreases of $104 for water and $324 for wastewater. Therefore, staff recommends accumulated amortization of CIAC balances of $7,275 for water and $7,193 for wastewater.

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~~**Regulatory Asset**~~

~~As discussed above, staff believes it would be appropriate to establish a regulatory asset to remove the negative accumulated depreciation that resulted from the early retirement of the well rehabilitation work and allow the Utility to amortize the unrecovered balance. Therefore, staff increased Account 186.3 Miscellaneous Deferred Debits – Regulatory Assets by $16,436 to establish a regulatory asset to allow the Utility to recover the net unrecovered balance of the well rehabilitation costs. As noted above, $16,436 is the net balance resulting from the total cost of $17,068 less the accumulated depreciation of $632 that was accumulated during the test year while the well repairs were in service. Staff believes an appropriate annual amortization expense for the regulatory asset is $2,348. Accordingly, staff decreased this account by $2,348 to reflect the accumulated amortization on the regulatory asset, resulting in a net adjustment of $14,088. Therefore, staff recommends a regulatory asset balance of $14,088 for the test year. Staff's calculation of the amortization period and annual amortization expense will be discussed in Issue 6.~~

Issue 3, page 19

Rate Base Summary

Based on the foregoing, staff recommends that the Commission approve a year-end rate base for Lakeside. The appropriate year-end water test year rate base is $140,313 ~~$143,573~~, and the appropriate year-end wastewater test year rate base is $131,295 ~~$134,117~~. Rate base is shown on Schedule Nos. 1-A and 1-B. The related adjustments are shown on Schedule No. 1-C.

Issue 6, page 22

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

Recommendation: The appropriate amount of operating expense for the Utility is $64,794 ~~$64,807~~ for water and $65,567 ~~$65,578~~ for wastewater. (Golden, Wilson)

Issue 6, page 28, 1st paragraph

replacements and early retirements were necessary to ensure that the customers receive safe and reliable service, as well as ensure that the Utility be in compliance with DEP requirements. Therefore, staff believes it is appropriate to allow the Utility to recover the losses resulting from the early retirement of the collapsed well, water well rehabilitation costs, and WWTP. ~~As discussed previously in Issue 3, staff is recommending that a regulatory asset be established to recover the portion of the Utility's loss related to the well rehabilitation work due to the negative accumulated depreciation that resulted because the repair was in service less than a year.~~ In addition, staff believes it would be appropriate to calculate the amortization expense to recover the losses on the early retirement of the collapsed well and WWTP using Rule 25-30.433(9), F.A.C.

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Issue 6, page 31, 3rd paragraph

Regarding the appropriate amortization period and annual amortization expense to recover the loss on the well rehabilitation work ~~through the regulatory asset, Rule 25-30.433(8), F.A.C., specifies that non-recurring expenses shall be amortized over a five-year period unless a shorter or longer period of time can be justified. It is generally preferred that a regulatory asset be written off as soon as possible to remove the non-productive asset from a utility's books. Although staff is recommending a different recovery method for this portion of the loss due to the resulting negative accumulated depreciation, the well rehabilitation work was essentially part of the well that was ultimately abandoned. Therefore~~, staff believes it would be appropriate to apply the same seven-year amortization period that is being applied to the portion of the loss related to the collapsed well. The net unrecovered balance of the well rehabilitation costs is $16,436, which is the total $17,068 rehabilitation cost less $632 in accumulated depreciation that was recovered during the test year while the repairs were in service ($17,068 - $632 = $16,436).~~Staff believes that this offers a reasonable compromise between the preferred shorter five-year amortization period permitted under Rule 25-30.433(8), F.A.C., and OPC's requested 10-year amortization period. A seven-year amortization period will help to mitigate the impact of the loss amortization expense on rates, while still offering the Utility the opportunity to recover its loss in a reasonable time period~~. The resulting annual amortization expense is $2,348, which is the net unrecovered balance of $16,436 divided by seven years ($16,436/7 = $2,348).

Issue 6, page 32

Taxes Other Than Income (TOTI)

Lakeside recorded TOTI of $3,370 for water and $3,124 for wastewater for the test year. The Utility recorded RAFs of $2,686 for water and $2,440 for wastewater for the test year. Based on staff's recommended test year revenues of $62,886 for water and $57,123 for wastewater, the Utility's RAFs should be $2,830 and $2,571 for water and wastewater, respectively. Therefore, staff increased these accounts by $144 for water and $131 for wastewater to reflect the appropriate test year RAFs. The Utility also recorded property tax accruals of $684 each for water and wastewater for the test year. Audit staff determined that the Utility's property taxes for the test year were $676 each for water and wastewater. Subsequent to the audit, the 2016 property tax records became available, indicating that Lakeside's actual property taxes were $653 each for water and wastewater. Accordingly, staff decreased property taxes by $31 for water and $31 for wastewater to reflect the appropriate property taxes going forward. Staff's net adjustments to test year TOTI are an increase of $113 for water ($144 - $31 = $113) and $100 for wastewater ($131 - $31 = $100).

In addition, as discussed in Issue 7, revenues have been increased by $13,764 ~~$14,052~~ for water and $19,539 ~~$19,788~~ for wastewater to reflect the change in revenue required to cover expenses and allow the recommended rate of return. As a result, TOTI should be increased by $619 ~~$632~~ for water and $879 ~~$890~~ for wastewater to reflect RAFs of 4.5 percent of the change in revenues. Therefore, staff recommends TOTI of $4,102 ~~$4,115~~ for water and $4,103 ~~$4,114~~ for wastewater.

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Operating Expenses Summary

The application of staff's recommended adjustments to Lakeside's test year operating expenses results in operating expenses of $64,794 ~~$64,807~~ for water and $65,567 ~~$65,578~~ for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The adjustments are shown on Schedule No. 3-C.

Issue 7, pages 33-34

Issue 7: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is $76,650 ~~$76,938~~ for water and $76,662 ~~$76,911~~ for wastewater, resulting in an annual increase of $13,764 ~~$14,052~~ for water (21.89 ~~22.35~~ percent) and $19,539 ~~$19,788~~ for wastewater (34.20 ~~34.64~~ percent). (Golden, Wilson)

Staff Analysis: Lakeside should be allowed an annual increase of $13,764 ~~$14,052~~ for water (21.89 ~~22.35~~ percent) and $19,539 ~~$19,788~~ for wastewater 34.20 ~~34.64~~ percent). This will allow the Utility the opportunity to recover its expenses and earn an 8.45 percent return on its investment. The calculations are shown below, in Tables 7-1 and 7-2 for water and wastewater, respectively:

Table 7-1
Water Revenue Requirement

Adjusted Rate Base	$140,313 ~~$143,573~~
Rate of Return	x 8.45%
Return on Rate Base	$11,856 ~~$12,132~~
Adjusted O&M Expense	51,258
Depreciation Expense (Net)	6,365
Amortization	3,069
Taxes Other Than Income	4,102 ~~4,115~~
Income Taxes	0
Revenue Requirement	$76,650 ~~$76,938~~
Less Adjusted Test Year Revenues	62,886
Annual Increase	$13,764 ~~$14,052~~
Percent Increase	21.89% ~~22.35%~~

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Table 7-2
Wastewater Revenue Requirement

Adjusted Rate Base	$131,295 ~~$134,117~~
Rate of Return	x 8.45%
Return on Rate Base	$11,094 ~~$11,333~~
Adjusted O&M Expense	50,653
Depreciation Expense (Net)	7,743
Amortization	3,068
Taxes Other Than Income	4,103 ~~4,114~~
Income Taxes	0
Revenue Requirement	$76,662 ~~$76,911~~
Less Adjusted Test Year Revenues	57,123
Annual Increase	$19,539 ~~$19,788~~
Percent Increase	34.20% ~~34.64%~~

Issue 8, page 35

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

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

Staff Analysis:

Water Rates

Lakeside's water system is located within the SJRWMD. The Utility provides service to approximately 182 residential water customers, of which 74 have separate irrigation meters. In addition, the Utility provides water service to two general service irrigation meters and a clubhouse. Approximately 20 percent of the residential customer bills during the test year had zero gallons indicating a somewhat seasonal customer base. The average residential water

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demand was 2,386 ~~2.386~~ gallons per month. The average water demand excluding zero gallon bills was 2,775 per month. The Utility's current residential rate structure consists of a base facility charge (BFC) and two-tier inclining block rate structure. The rate blocks are 0-4,000 gallons and all usage in excess of 4,000 gallons per month. The general service rates consist of a BFC and gallonage charge. The residential irrigation rate structure consists of a gallonage charge only.

Issue 8, page 36, 2nd Full Paragraph

Based on a recommended revenue increase of 22.0 ~~22.5~~ percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 650,000 ~~659,000~~ gallons resulting in anticipated average residential demand of 2,177 ~~2,175~~ gallons per month. Staff recommends an 8.7 ~~8.8~~ percent reduction in test year residential gallons for ratesetting purposes and corresponding reductions of $226 ~~$229~~ for purchased power, $109 ~~$111~~ for chemicals, and $16 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of $75,912 ~~$76,195~~. Table 8-1 on the following page contains staff's recommended rate structure and rates as well as alternative rate structures, which include varying revenue allocations to the BFC and rate blocks. Staff's recommended rate structure minimizes the rate impact for customers at non-discretionary levels of consumption while sending the appropriate pricing signals to target demand in excess of 10,000 gallons per month. Alternative I leaves the current rate structure in place which results in a slightly higher percentage price increase for non-discretionary demand. Alternative II provides a similar percentage increase for non-discretionary demand; however, does not send as significant of a signal to customers using above 10,000 gallons per month.

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Table 8-1, page 37

Table 8-1
Staff's Recommended and Alternative Water Rate Structures and Rates

	RATES AT TIME OF FILING	STAFF RECOMMENDED RATES (45% BFC)	ALTERNATIVE I (45% BFC)	ALTERNATIVE II (50% BFC)
Residential				
5/8" x 3/4" Meter Size	$13.76	$14.70 ~~$14.75~~	$14.73~~$14.78~~	$16.35~~$16.41~~
Charge per 1,000 gallons				
0-4,000 gallons	$3.47		$5.34 ~~$5.36~~	
Over 4,000 gallons	$4.49		$5.98 ~~$6.02~~	
0-4,000 gallons		$4.43 ~~$4.44~~		$4.02 ~~$4.04~~
4,001-10,000 gallons		$5.68 ~~$5.72~~		$4.83 ~~$4.86~~
Over 10,000 gallons		$9.94 ~~$10.01~~		$8.45 ~~$8.51~~
Typical Residential 5/8" x 3/4" Meter Bill Comparison				
4,000 Gallons	$27.64	$32.42 ~~$32.51~~	$36.09 ~~$36.22~~	$32.43 ~~$32.57~~
6,000 Gallons	$36.62	$43.78 ~~$43.95~~	$48.05 ~~$48.26~~	$42.09 ~~$42.29~~
10,000 Gallons	$54.58	$66.50 ~~$66.83~~	$71.97 ~~$72.34~~	$61.41 ~~$61.73~~

Issue 8, page 38, 2nd Paragraph

Table 8-2 below contains staff's recommended rate structure and rates as well an alternative rate structure, which include varying revenue allocations for the BFC. Alternative I provides less revenue stability, which is contrary to rate design for a seasonal customer base~~.~~ and a greater increase for non-discretionary demand.

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Table 8-2, page 38

Table 8-2
Staff's Recommended and Alternative Wastewater Rate Structures and Rates

	RATES AT TIME OF FILING	STAFF RECOMMENDED RATES (50% BFC)	ALTERNATIVE I (45% BFC)
Residential			
5/8" x 3/4" Meter Size	$14.49	$18.20 ~~$18.25~~	$16.38 ~~$16.43~~
Charge per 1,000 gallons	$6.24	$9.03 ~~$9.06~~	$9.93 ~~$9.96~~
6,000 gallon cap			
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
4,000 Gallons	$39.45	$54.32 ~~$54.49~~	$56.10 ~~$46.31~~
6,000 Gallons	$51.93	$72.38 ~~$72.61~~	$75.96 ~~$76.19~~
10,000 Gallons	$51.93	$ 72.38 ~~$72.61~~	$ 75.96 ~~$76.19~~

Issue 12, pages 42

Issue 12: Should the recommended rates be approved for Lakeside on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility?

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

The Utility should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of $22,366 ~~$22,727~~. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

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Schedule No. 1-A, page 46

	LAKESIDE WATERWORKS, INC. TEST YEAR ENDED 06/30/2016 SCHEDULE OF WATER RATE BASE			SCHEDULE NO. 1-A DOCKET NO. 20160195-WS
	DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTILITY BALANCE	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	$263,806	($21,253)	$242,553
2.	LAND & LAND RIGHTS	0	0	0
3.	NON-USED AND USEFUL COMPONENTS	0	(21,037)~~(18,497)~~	(21,037)~~(18,497)~~
4.	CIAC	(14,251)	(335)	(14,586)
5.	ACCUMULATED DEPRECIATION	(118,074)	37,864 ~~24,496~~	(80,210)~~(93,578)~~
6.	AMORTIZATION OF CIAC	7,379	(104)	7,275
~~7.~~	~~REGULATORY ASSET~~	~~0~~	~~14,088~~	~~14,088~~
7. ~~8.~~	WORKING CAPITAL ALLOWANCE	0	6,318	6,318
8. ~~9.~~	WATER RATE BASE	$138,860	$1,453 ~~$4,713~~	$140,313 ~~$143,573~~

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Schedule No. 1-B, page 47

	LAKESIDE WATERWORKS, INC. TEST YEAR ENDED 06/30/2016 SCHEDULE OF WASTEWATER RATE BASE		SCHEDULE NO. 1-B DOCKET NO. 20160195-WS	
	DESCRIPTION	**BALANCE PER UTILITY**	**STAFF ADJUSTMENTS TO UTILITY BALANCE**	**BALANCE PER STAFF**
1.	UTILITY PLANT IN SERVICE	$153,449	$54,815	$208,264
2.	LAND & LAND RIGHTS	0	0	0
3.	NON-USED AND USEFUL COMPONENTS	0	(7,625) ~~(7,872)~~	(7,625) ~~(7,872)~~
4.	CIAC	(18,388)	0	(18,388)
5.	ACCUMULATED DEPRECIATION	(103,869)	39,462 ~~42,530~~	(64,407)~~(61,339)~~
6.	AMORTIZATION OF CIAC	7,517	(324)	7,193
7.	WORKING CAPITAL ALLOWANCE	0	6,259	6,259
8.	WASTEWATER RATE BASE	$38,709	$92,586 ~~$95,408~~	$131,295 ~~$134,117~~

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Schedule No. 1-C, pages 48-49

LAKESIDE WATERWORKS, INC.			**SCHEDULE NO. 1-C**
TEST YEAR ENDED 06/30/2016			**DOCKET NO. 20160195-WS**
ADJUSTMENTS TO RATE BASE			**Page 1 of 2**
		WATER	**WASTEWATER**
	UTILITY PLANT IN SERVICE		
1.	To remove unsupported generation addition per 2015 Order.	($603)	$0
2.	To remove unsupported pumping equipment addition per 2015 Order.	0	(245)
3.	To reflect retirement related to pump starter addition per 2015 Order.	0	(563)
4.	To reflect retirements for pro forma additions approved by 2015 Order.	(6,563)	(2,768)
5.	To remove unsupported additions from Acct. Nos. 301 and 351.	(463)	(398)
6.	To reclassify water line repair to water Acct. No. 331.	1,165	0
7.	To reflect retirement of collapsed well & rehab work to Acct. No. 307.	(33,024)	0
8.	To reflect pro forma water line installation to Acct. No. 333.	1,338	0
9.	To reflect pro forma high service pump repair to Acct. No. 311.	1,967	0
10.	To reflect pro forma well pump replacement to Acct. No. 311.	14,012	0
11.	To reflect pro forma correction of new well invoice to Acct. No. 307.	917	0
12.	To reflect pro forma WWTP replacement to Acct. No. 380.	0	91,755
13.	To reflect retirement of replaced WWTP to Acct. No. 380.	0	(33,921)
14.	To reflect pro forma WWTP spray field pump repair to Acct. No. 371.	0	955
	Total	($21,253)	$54,815
	NON-USED AND USEFUL PLANT		
1.	To reflect non-U&U plant.	($23,523)	($7,377)
2.	To reflect non-U&U accumulated depreciation.	2,486 ~~5,026~~ ($21,037)	(248)~~(495)~~
	Total	~~($18,497)~~	($7,625) ~~($7,872)~~
	CIAC		
	To reflect pro forma CIAC.	($335)	$0

Continued on next page

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LAKESIDE WATERWORKS, INC. | **SCHEDULE NO. 1-C**
TEST YEAR ENDED 06/30/2016 | **DOCKET NO. 20160195-WS**
ADJUSTMENTS TO RATE BASE (Continued) | **Page 2 of 2**

		WATER	WASTEWATER
	ACCUMULATED DEPRECIATION		
1.	To reflect 2013 test year balance per 2015 Order.	($464)	$5,534
2.	To reflect test year balance for water Acct. No. 310 per 2015 Order.	107	0
3.	To reflect retirements for pro forma additions approved in 2015 Order.	6,563	2,768
4.	To reflect acc. dep. related to pro forma retirements from 2015 Order.	156	92
5.	To reflect reclassification of line repair to water Acct. No. 331.	(31)	0
6.	To reflect retirement of collapsed well & rehabilitation work.	33,024	0
7.	To reflect well abandonment/removal costs.	3,517	0
8.	To reflect accumulated amortization on collapsed well, well rehabilitation work, and WWTP. ~~establish a regulatory asset to recover well rehabilitation costs.~~	(3,069) ~~(16,436)~~	(3,068) ~~0~~
9.	To reflect various pro forma water projects and well materials correction.	(1,012)	0
10.	To reflect pro forma WWTP replacement.	0	(5,835)
11.	To reflect retirement of replaced WWTP.	0	33,921
12.	To reflect WWTP removal costs.	0	5,760
13.	To reflect pro forma WWTP spray field pump repair.	0	(32)
14.	To reflect accumulated depreciation per Rule 25-30.140, F.A.C.	(927)	322
	Total	$37,864 ~~$24,496~~	$39,462 ~~$42,530~~
	AMORTIZATION OF CIAC		
1.	To reverse averaging adjustment recorded from 2015 Order.	$245	$139
2.	To reflect appropriate test year amortization of CIAC.	(359)	(463)
3.	To reflect pro forma amortization of CIAC.	10	0
	Total	($104)	($324)
~~-~~	~~**REGULATORY ASSET**~~		
~~1.~~	~~To establish regulatory asset to recover well rehabilitation costs.~~	~~$16,436~~	~~$0~~
~~2.~~	~~To reflect accumulated amortization of regulatory asset.~~	~~(2,348)~~	~~0~~
	~~Total~~	~~$14,088~~	~~$0~~
	WORKING CAPITAL ALLOWANCE		
	To reflect 1/8 of test year O&M expenses.	$6,318	$6,259

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Schedule No. 2, page 50

LAKESIDE WATERWORKS, INC. **SCHEDULE NO. 2**
TEST YEAR ENDED 06/30/2016 **DOCKET NO. 20160195-WS**
SCHEDULE OF CAPITAL STRUCTURE (YEAR-END)

	CAPITAL COMPONENT	PER UTILITY	STAFF ADJUST-MENTS	TEST YEAR BALANCE PER STAFF	ADJUSTMENTS TO RECONCILE TO RATE BASE	RECONCILED CAPITAL STRUCTURE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	COMMON STOCK	$0	$0	$0	$0	$0			
2.	CAPITAL STOCK	0	120,000	120,000	(12,144) ~~(9,698)~~	107,856 ~~110,302~~			
3.	RETAINED EARNINGS	0	0	0	0	0			
4.	PAID IN CAPITAL	0	0	0	0	0			
5.	OTHER COMMON EQUITY	158,808	0	158,808	(16,072) ~~(12,835)~~	142,736 ~~145,973~~			
	TOTAL COMMON EQUITY	$158,808	$120,000	$278,808	($28,216)~~($22,533)~~	$250,592 ~~$256,275~~	92.26% ~~92.29%~~	8.85%	8.17%
6.	LONG-TERM DEBT	$19,566	$0	$19,566	($1,980) ~~($1,581)~~	$17,586 ~~$17,985~~	6.47% ~~6.48%~~	4.00%	0.26%
7.	SHORT-TERM DEBT	0	0	0	0	0	0.00%		
8.	PREFERRED STOCK	0	0	0	0	0	0.00%		
	TOTAL DEBT	$19,566	$0	$19,566	($1,980) ~~($1,581)~~	$17,586 ~~$17,985~~	6.47% ~~6.48%~~		
9.	CUSTOMER DEPOSITS	$3,430	$0	$3,430	$0	$3,430	1.26% ~~1.24%~~	2.00%	0.02%
10.	TOTAL	$181,804	$120,000	$301,804	($30,196)~~($24,114)~~	$271,608 ~~$277,690~~	100.00%		8.45%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	7.85%	9.85%
OVERALL RATE OF RETURN	7.53%	9.38%

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Schedule No. 3-A, page 51

LAKESIDE WATERWORKS, INC. **SCHEDULE NO. 3-A**
TEST YEAR ENDED 06/30/2016 **DOCKET NO. 20160195-WS**
SCHEDULE OF WATER OPERATING INCOME

		TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**OPERATING REVENUES**	$59,676	$3,210	$62,886	$13,764 ~~$14,052~~ 21.89% ~~22.35%~~	$76,650 ~~$76,938~~
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$51,567	($309)	$51,258	$0	$51,258
3.	DEPRECIATION (NET)	4,656	1,709	6,365	0	6,365
4.	AMORTIZATION	0	3,069	3,069	0	3,069
5.	TAXES OTHER THAN INCOME	3,370	113	3,483	619 ~~632~~	4,102 ~~4,115~~
6.	INCOME TAXES	0	0	0	0	0
7.	**TOTAL OPERATING EXPENSES**	$59,593	$4,581	$64,174	$619 ~~$632~~	$64,794 ~~$64,807~~
8.	**OPERATING INCOME/(LOSS)**	$83		($1,288)		$11,856 ~~$12,132~~
9.	**WATER RATE BASE**	$138,860		$140,313 ~~$143,573~~		$140,313 ~~$143,573~~
10.	**RATE OF RETURN**	0.06%		(0.92%) ~~(0.90%)~~		8.45%

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Schedule No. 3-B, page 52

LAKESIDE WATERWORKS, INC. **SCHEDULE NO. 3-B**
TEST YEAR ENDED 06/30/2016 **DOCKET NO. 20160195-WS**
SCHEDULE OF WASTEWATER OPERATING INCOME

		TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**OPERATING REVENUES**	$54,216	$2,907	$57,123	$19,539 ~~$19,788~~ 34.20% ~~34.64%~~	$76,662 ~~$76,911~~
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$50,662	($9)	$50,653	$0	$50,653
3.	DEPRECIATION (NET)	4,330	3,413	7,743	0	7,743
4.	AMORTIZATION	0	3,068	3,068	0	3,068
5.	TAXES OTHER THAN INCOME	3,124	100	3,224	879 ~~890~~	4,103 ~~4,114~~
6.	INCOME TAXES	0	0	0	0	0
7.	**TOTAL OPERATING EXPENSES**	$58,116	$6,572	$64,688	$879 ~~$890~~	$65,567 ~~$65,578~~
8.	**OPERATING INCOME/(LOSS)**	($3,900)		($7,565)		$11,094 ~~$11,333~~
9.	**WASTEWATER RATE BASE**	$38,709		$131,295 ~~$134,117~~		$131,295 ~~$134,117~~
10.	**RATE OF RETURN**	(10.08%)		(5.76%) ~~(5.64%)~~		8.45%

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Schedule No. 4-A, page 57

LAKESIDE WATERWORKS, INC. TEST YEAR ENDED 06/30/2016 MONTHLY WATER RATES			SCHEDULE NO. 4-A DOCKET NO. 20160195-WS
	RATES AT TIME OF FILING *	STAFF RECOMMENDED RATES *	4 YEAR RATE REDUCTION
Residential, General Service, and Irrigation			
Base Facility Charge by Meter Size			
5/8" x 3/4"	$13.76	$14.70 ~~$14.75~~	$0.08
3/4"	$20.64	$22.05 ~~$22.13~~	$0.12
1"	$34.40	$36.75 ~~$36.88~~	$0.20
1-1/2"	$68.79	$73.50 ~~$73.75~~	$0.40
2"	$110.07	$117.60 ~~$118.00~~	$0.64
3"	$220.13	$235.20 ~~$236.00~~	$1.28
4"	$343.96	$367.50 ~~$368.75~~	$1.99 ~~$2.00~~
6"	$687.91	$735.00 ~~$737.50~~	$3.99 ~~$4.00~~
* Residential irrigation customers do not pay a base facility charge.			
Charge per 1,000 Gallons - Residential and Residential Irrigation			
0-4,000 gallons	$3.47		
Over 4,000 gallons	$4.49		
0-4,000 gallons		$ 4.43 ~~$4.44~~	$0.02
4,000-10,000 gallons		$5.68 ~~$5.72~~	$0.03
Over 10,000 gallons		$9.94 ~~$10.01~~	$0.05
Charge per 1,000 gallons - General Service and General Service Irrigation	$3.80	$5.79 ~~$5.82~~	$0.03
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
4,000 Gallons	$27.64	$32.42 ~~$32.51~~	
6,000 Gallons	$36.62	$43.76 ~~$43.95~~	
10,000 Gallons	$54.58	$66.50 ~~$66.83~~	

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Schedule No. 4-B, page 58

LAKESIDE WATERWORKS, INC. TEST YEAR ENDED 06/30/2016 MONTHLY WASTEWATER RATES			SCHEDULE NO. 4-B DOCKET NO. 20160195-WS
	RATES AT TIME OF FILING	**STAFF RECOMMENDED RATES**	**4 YEAR RATE REDUCTION**
Residential			
Base Facility Charge - All Meter Sizes	$14.49	$ 18.20 ~~$18.25~~	$0.06
Charge Per 1,000 gallons			
6,000 gallon cap	$6.24	$9.03 ~~$9.06~~	$0.03
General Service			
Base Facility Charge by Meter Size			
5/8" x 3/4"	$14.49	$18.20 ~~$18.25~~	$0.06
3/4"	$21.74	$27.30 ~~$27.38~~	$0.10
1"	$36.23	$45.50 ~~$45.63~~	$0.16
1-1/2"	$72.47	$ 91.00 ~~$91.25~~	$0.32
2"	$115.95	$145.60 ~~$146.00~~	$0.51 ~~$0.52~~
3"	$231.89	$291.20 ~~$292.00~~	$1.02 ~~$1.04~~
4"	$362.33	$455.00 ~~$456.25~~	$1.59 ~~$1.62~~
6"	$724.67	$910.00 ~~$912.50~~	$3.19 ~~$3.25~~
Charge per 1,000 gallons	$7.50	$10.83 ~~$10.87~~	$0.04
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
4,000 Gallons	$39.45 ~~$33.21~~	$54.32 ~~$54.49~~	
6,000 Gallons	$51.93	$72.38 ~~$72.61~~	
10,000 Gallons	$51.93	$72.38 ~~$72.61~~	

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Schedule No. 5-A, page 51

LAKESIDE WATERWORKS, INC. **SCHEDULE NO. 5-A**

TEST YEAR ENDED 06/30/2016 **DOCKET NO. 20160195-WS**

SCHEDULE OF WATER PLANT, DEPRECIATION, CIAC, & CIAC AMORTIZATION BALANCES (YEAR-END RATE BASE)

ACCT NO.	DEPR. RATE PER RULE 25-30.140	DESCRIPTION	UPIS 6/30/2016 (DEBIT)*	ACCUM. DEPR. 6/30/2016 (CREDIT)*
301	2.50%	ORGANIZATION	$1,010	$441
304	3.70%	STRUCTURES AND IMPROVEMENTS	5,000	3,239
307	3.70%	WELLS AND SPRINGS	99,148	(6,754) ~~9,682~~
309	3.13%	SUPPLY MAINS	300	216
310	5.88%	POWER GENERATION EQUIPMENT	0	0
311	5.88%	PUMPING EQUIPMENT	9,017	3,484
320	5.88%	WATER TREATMENT EQUIPMENT	10,340	9,833
330	3.03%	DISTRIBUTION RESERVOIRS AND STANDPIPES	5,829	1,631
331	2.63%	TRANSMISSION AND DISTRIBUTION MAINS	53,510	25,702
333	2.86%	SERVICES	7,675	7,675
334	5.88%	METERS AND METER INSTALLATIONS	28,989	28,600
339	5.00%	OTHER PLANT AND MISCELLANEOUS EQUIPMENT	3,501	2,063
		TOTAL	$224,319	$76,130 ~~$92,566~~

	CIAC AMORT. 6/30/2016 (DEBIT)*	CIAC 6/30/2016 (CREDIT)*
	$7,265	$14,251

* The plant, accumulated depreciation, CIAC, and CIAC amortization balances exclude the pro forma adjustments.