BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

|  |  |
| --- | --- |
| In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc. | DOCKET NO. 20180021-WUORDER NO. PSC-2018-0553-PAA-WUISSUED: November 19, 2018 |

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman

JULIE I. BROWN

DONALD J. POLMANN

GARY F. CLARK

ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION ORDER

APPROVING RATE INCREASE

FOR COUNTRY WALK UTILITIES, INC.

AND FINAL ORDER

ON RECOVERY OF RATE CASE EXPENSES, TEMPORARY RATES,

AND ACCOUNTING

BY THE COMMISSION:

 NOTICE is hereby given by the Florida Public Service Commission (Commission) that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

**BACKGROUND**

 Country Walk Utilities, Inc. (Country Walk or Utility) is a Class C utility providing water service to approximately 70 residential water customers and one general service water customer in Highlands County, Florida. The service area is located in the Southwest Florida Water Management District. Wastewater treatment is provided by septic tank. Country Walk was granted Certificate No. 579-W in a transfer from Holmes Utilities, Inc. and its net book value was established in Docket No. 20130294-WU.[[1]](#footnote-1)

 On January 22, 2018, Country Walk filed its application for a staff-assisted rate case (SARC). We selected the test year ended December 31, 2017, for this case. According to Country Walk’s 2017 annual report, its total gross revenues were $28,552 and total operating expenses were $25,022. The Utility’s rates were last established in Docket No. 20010403-WU.[[2]](#footnote-2) A customer meeting was held in Lake Placid, Florida, on July 25, 2018.

 We have jurisdiction in matter pursuant to Sections 367.081, 367.0812, 367.0814, and 367.091, Florida Statutes (F.S.)

**REVIEW AND DECISION**

**1. Quality of Service**

 Pursuant to Section 367.081(2)(a)1, F.S., in water and wastewater rate cases, we consider the overall quality of service provided by a utility. Rule 25-30.433(1), F.A.C., provides for the consideration of three separate components of the utility’s operations.[[3]](#footnote-3) The components are: (1) the quality of the utility’s product; (2) the utility’s attempt to address customer satisfaction; and (3) the operating conditions of the utility’s plant and facilities. The Rule further provides that sanitary surveys, outstanding citations, violations, and consent orders on file with DEP and the county health department over the preceding three-year period also shall be considered. Section 367.0812(1), F.S., requires that we consider the extent to which the utility provides water service that meets secondary water quality standards as established by DEP.

A. Quality of Utility’s Product

 In evaluating Country Walk’s product quality, we reviewed the Utility’s compliance with DEP’s primary and secondary drinking water standards. Primary standards protect public health, while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. Pursuant to Rule 25-30.433, F.A.C., we reviewed DEP’s January 1, 2015, through December 31, 2017 compliance records,[[4]](#footnote-4) and identified two related areas of concern: (1) disinfection byproduct levels of Total Trihalomethanes (TTHM) and Haloacetic Acids (HAA5),[[5]](#footnote-5) had exceeded their maximum contaminant levels (MCL) on multiple occasions; and (2) the water color standard, measuring a secondary contaminant, was not met when last evaluated.

 Country Walk draws its water from a source containing high concentrations of hydrogen sulfides. Prior to recent plant modifications, Country Walk’s system employed a pump-and-chlorinate methodology. High doses of chlorine were required to maintain DEP mandated residual chlorine levels in the water distribution system because chlorine was being readily consumed through an oxidation reaction with the hydrogen sulfides. An August 16, 2014, sampling of Country Walk’s system, however, revealed that this methodology was resulting in TTHM and HAA5 MCL exceedances of DEP standards. At the same time, due to the residual hydrogen sulfides in the distribution system and the high levels of treatment required, Country Walk was receiving customer complaints regarding dark/foul smelling water and loss of pressure, the former being reflected in a May 12, 2015, secondary standards sampling that revealed water color standards were not being met.

 DEP responded to Country Walk’s sampling results by placing the Utility on a quarterly TTHM and HAA5 sampling requirement. In a follow-up letter to DEP, dated September 16, 2014, Country Walk explained that, through U.S. Water Services Corporation, a treatment system to remove the sulfides in the raw water was designed in conformance with DEP rules.[[6]](#footnote-6) Country Walk also explained that the treatment system’s estimated $100,000 cost would be, pending this Commission’s approval, passed on to Country Walk’s customers who, at the time, were not willing to take on the financial burden.

 On February 11, 2016, Country Walk held a meeting with the Homeowners Association and DEP during which Country Walk’s customers were made aware of the regulatory motivations for the proposed plant modifications and were provided an opportunity to participate in the funding of the project as a means to mitigate a rate increase. In a follow-up letter dated April 25, 2016, Country Walk’s Homeowners Association declined the option to participate in project funding but expressed its approval of the planned plant modifications. With approval from its customers, Country Walk began to implement its plans on May 2, 2016. In September 2017, Country Walk completed the plant modifications and placed its new forced draft aeration treatment system into service to begin removing the hydrogen sulfides from its raw water prior to chlorination. Sulfide analysis performed on samples taken downstream of the forced draft aeration treatment system on September 6, 2017, revealed undetectable levels of sulfides, indicating that the system is effectively volatizing and removing the hydrogen sulfides present in the raw water. Cost recovery for the forced draft aeration treatment system is discussed in Section 3 of this Order under the heading, “**Rate Base**.”

 While the design and construction of the forced draft aeration treatment system was underway, Country Walk was still operating on a DEP-imposed quarterly TTHM and HAA5 sampling schedule, under which Country Walk repeatedly reported disinfection byproduct MCL exceedances. By a letter dated February 6, 2018, DEP issued Country Walk a draft consent order, finding Country Walk to be in repeated violation of primary drinking water standards. In a responsive letter to DEP dated February 16, 2018, Country Walk explained that the new system had recently gone into service and that it would take some months for Country Walk to return to official compliance. Recent TTHM and HAA5 sampling indicated that Country Walk’s rolling annual average had fallen under the MCL and on October 19, 2018, the DEP released Country Walk from its quarterly sampling requirement and returned the Utility to routine annual monitoring.

 We reviewed lead and copper analyses of Country Walk’s system which reflect lead and copper concentrations at less than actionable levels. Sampling results for all other primary and secondary quality standards, performed on samples taken August 6, 2018, indicate that the Utility was in compliance with the exception of the pH of the finished water. Country Walk’s finished water, sampled at the entry point to distribution, was found to be slightly more acidic, with a pH of 6.38, than the normal finished water pH range of 6.5 – 8.5. Country Walk is still working with DEP to make modifications to its treatment methodology to achieve its finished water target pH of 7.3.We found no citations from the Highlands County Health Department.

 Based upon the foregoing, we find that Country Walk is working to incorporate DEP guidance into its operating methodology, is cooperating with sampling requirements, and has returned to compliance with disinfection byproduct standards following third quarter sampling results.

B.The Utility’s Attempt to Address Customer Satisfaction

 We reviewed the complaint records filed with this Commission, DEP, and Country Walk for the period starting October 23, 2013, and ending March 1, 2018. We also reviewed the complaints filed with us following the July 25, 2018, customer meeting. The table below reflects all complaints reviewed by source and subject.

**Number of Complaints by Source and Subject**

|  |  |  |  |
| --- | --- | --- | --- |
| **Subject of Complaint** | **PSC Records** | **DEP Records** | **Utility Records** |
| Dark/Foul Smelling Water | 3 | - | 48 |
| Decreased Water Pressure | 1 | - | 21 |
| High Water Pressure | 3 | - | 3 |
| Excessive Gallonage/Billing Errors | 5 | 1 | 25 |
| No Generator at Plant | 2 | - | - |
| Suspended Solids | 1 | - | - |
| Rate Concerns | 2 | - | - |
| Other | 1 | - | - |
| Total\* | 18 | 1 | 97 |

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

 Prior to recent plant modifications, Country Walk’s customers complained of dark/foul smelling water. This water quality issue originated from Country Walk’s prior treatment methodology and was exacerbated by the seasonal water use by Country Walk’s customers. Country Walk addressed these complaints by flushing customers’ water pipes until the water quality improved. Following installation of the new forced draft aeration treatment system, customers have reported a notable improvement in water quality. We became aware of new water quality complaints during the July 25, 2018 customer meeting. It appears that some customers have experienced green/blue staining of surfaces in contact with finished water. Country Walk has performed lead and copper analyses of its finished water to determine if this staining was related to potential mineral leaching from residents’ internal plumbing. These analyses revealed lead and copper concentrations at less than actionable levels. Country Walk explained that due to the seasonality of many of its customers and the volume of water contained in its distribution system, these issues will take some time to resolve. The Utility has urged customers to cycle the water in their hot water heaters and, when faced with acute water quality issues, to run faucets until the water quality improves. Country Walk has indicated that if further changes to its treatment methodology are required to address these complaints, it will consider adding a sequestrant or may convert to using chloramines as a disinfectant.

 Several customer complaints concerned a decrease or complete loss of pressure at customers’ homes, the cause of which varied by instance. If the cause of the pressure loss was known, such as a planned outage or a main break, Country Walk informed the customer of the issue and the estimated duration of the service interruption. If the cause was not immediately known, Country Walk responded to these complaints by issuing a service order for a technician to visit the property to inspect the water meter and perform a leak test. Leaks found on the Utility’s side of the meter were repaired. If a leak was believed to be on the customer’s side of the meter, Country Walk would advise the customer to seek a plumber’s expertise. At the February 11, 2016 customer meeting, there were multiple pressure loss complaints. Following the meeting, Country Walk representatives investigated the complaints and discovered that, due to both the age of the system and the high levels of chlorine required to treat the source water, calcium buildup had clogged the service lines where they tap into the water mains. At a few homes, service lines were dug up, the calcium buildup removed, and water pressure tested, revealing satisfactory pressure levels. As discussed in Section 3 of this Order under the heading “**Rate Base**,” Country Walk has undertaken a project to clear the calcium buildup from the service lines of every property served.

 On September 2017, an electrical failure associated with the newly installed forced draft aeration treatment system caused Country Walk’s distribution lines to become over-pressurized. This may have damaged some customers’ plumbing and contributed to a main line break that occurred around this time. Country Walk has since repaired the electrical components at the water treatment plant and begun working with affected customers to resolve their complaints. As of August 10, 2018, Country Walk reported that it had not received any documentation detailing damage to customer plumbing. To prevent future high-pressure events, Country Walk installed a pressure relief valve, designed to open at 80 psi, downstream of the high-service pumps which feed into the hydropneumatic tank.

 Customer complaints related to billing included excessive gallonage charges and other errors in billing. Country Walk’s initial response was typically to review a customer’s historical usage rates to determine if the usage in question differs by a large margin. If it did, or if a customer was still not satisfied by the usage review, Country Walk would schedule a visit by a technician to inspect and reread customers’ meters and test for leaks. If the meter was found to have been read incorrectly, the customer’s account was credited for the excessive gallonage charges. However, if the meter was found to have been read accurately and no leaks were found, Country Walk offered to perform a bucket test on the customer’s meter to determine if it was registering water flow appropriately. When the meter was found to be operating correctly, Country Walk notified the customer and, if the customer was still not satisfied, typically offered a credit to the customer’s account as a courtesy. Those meters found to be incorrectly registering water flow were replaced and, in some cases, the old meter was sent to an independent testing facility to confirm its erroneous measurements. In those cases, Country Walk’s customers were offered a credit to their accounts, calculated according to Rule 25-30.340, F.A.C. Country Walk recently analyzed consumption and reports that it found no anomalous values.

 At the July 25, 2018 customer meeting, Country Walk customers reported troubles experienced during a five to seven day period in September 2017 after Hurricane Irma. Country Walk lost power, and therefore, lost its capability to provide potable water to customers. Customers questioned whether Country Walk was required to have a standby generator at its water treatment plant. In accordance with DEP rules, a community water system serving, or designed to serve, 350 or more persons or 150 or more service connections is required to provide standby power for operation. Because Country Walk does not meet these criteria, it is not required to provide standby power. However, in an effort to address customer complaints, Country Walk communicated with the Homeowners Association regarding equipping the Utility’s water treatment plant with a generator. On August 31, 2018, the Homeowners Association responded that it does not want Country Walk to install and maintain a generator at the plant at this time.

 Following the July 25, 2018 customer meeting, we received additional customer complaints. One such complaint concerned clogging of a customer’s filtration equipment. Country Walk responded to the customer that filtration of its finished water is neither needed nor required. Country Walk also explained that its water treatment plant is neither equipped nor permitted to provide for filtration of its finished water. DEP is currently investigating the complaint. Customers have also expressed concerns over the proposed rate increase.

C. Operating Condition of the Utility’s Plant and Facilities

 Country Walk’s water treatment plant is served by a single well and raw water is pumped from a well rated at 80 gallons per minute (gpm). Prior to recent plant modifications, Country Walk treated the water with high levels of chlorine and pumped the treated water into its distribution system with a 5,000 gallon hydropneumatic tank. Country Walk has recently installed a forced draft aeration treatment system to remove the hydrogen sulfides from the raw water prior to chlorination.

 We reviewed the most recent available DEP Sanitary Survey for Country Walk’s water treatment plant (dated April 17, 2013). The Sanitary Survey predates Country Walk’s October 23, 2013 purchase of the water treatment system and identifies two deficiencies: (1) the previously used well had not been capped correctly following its retirement; and (2) the new well’s air release valve had not been installed correctly. By letter dated May 28, 2013, former owner Holmes Utilities, Inc. reported to DEP that all deficiencies had been corrected. On a July 26, 2018 site visit, our staff confirmed that both deficiencies had been corrected. As reflected in a Compliance Inspection Report dated June 27, 2014, DEP identified two areas of concern: (1) the new well for the system had total sulfide levels that required specialized treatment; and (2) Country Walk’s hydropneumatic tank was due for its five-year inspection and cleaning. By letter dated July 9, 2014, Country Walk responded to DEP that a preliminary conceptual design with an associated cost estimate was being prepared for the system required to treat the new well’s water (the forced draft aeration treatment system discussed above), and that the hydropneumatic tank was scheduled to be inspected and cleaned within the next 60 days. The hydropneumatic tank was inspected and cleaned on October 2, 2014. DEP indicates that Country Walk is scheduled for a Sanitary Survey during the next federal fiscal year, October 2018 through September 2019.

D. Conclusion

 Country Walk is currently working to incorporate DEP guidance into its operating methodology and has returned to compliance with disinfection byproduct standards. Country Walk has worked, and continues to work closely with its customers to address complaints in a timely manner and to discuss potential operational solutions to its customers’ needs. Finally, Country Walk’s water treatment plant is in sound operating condition. Upon review, we find that the overall quality of service is considered satisfactory.

**2. Used and Useful**

 Country Walk’s water treatment plant is served by a single well rated at 80 gpm. The Utility’s water system has two 5,000 gallon storage tanks, one underground tank and one hydropneumatic tank. Country Walk’s distribution system is composed of 3,815 linear feet of 2 inch polyvinyl chloride (PVC) pipe and 1,802 linear feet of 4 inch PVC pipe.

 Rule 25-30.4325, F.A.C., addresses the method by which the used and useful percentage (U&U) of a water system is determined. We last determined the U&U for Country Walk’s water treatment plant and distribution system in 2001.[[7]](#footnote-7) At that time, we found Country Walk’s water treatment plant and distribution system to be 100 percent and 90 percent U&U, respectively. Country Walk’s water storage is a recent addition to its system and, thus, a storage U&U determination has not previously been made.

A. Water Treatment Plant Used and Useful

 As noted above, we previously found the water treatment plant to be 100 percent U&U. The Utility has not increased the capacity of its water treatment facilities since the last rate case. Therefore, consistent with our previous decision, we find the Utility’s water treatment plant to be 100 percent U&U.

B. Water Storage Used and Useful

 Pursuant to Rule 25-30.4325(8), F.A.C., if the water system storage capacity is less than the peak demand, the storage system shall be considered 100 percent U&U. Country Walk stores its water in a 5,000 gallon underground concrete tank. In accordance with Rule 25-30.4325(9)(b), F.A.C., Country Walk’s water storage tank has a usable storage capacity of 4,500 gallons (90 percent of 5,000 gallons). Country Walk’s peak day demand is estimated at approximately 118,191 gallons, which exceeds the usable water storage amount. Therefore, we find that the water storage is 100 percent U&U.

C. Water Distribution System Used and Useful

 There are no large undeveloped parcels in Country Walk’s territory. While there are undeveloped lots interspersed throughout the distribution system, all lines are required to serve existing customers, and no portions of the distribution system could be isolated as not U&U. Therefore, we find Country Walk’s water distribution system to be 100 percent U&U.

D. Excessive Unaccounted for Water

 Unaccounted for water (UW) is all water produced that is not sold, metered, or accounted for in the records of the Utility. Rule 25-30.4325(1)(e), F.A.C., defines excessive unaccounted for water (EUW) as “unaccounted for water in excess of 10 percent of the amount produced.” Pursuant to Rule 25-30.4325, F.A.C, EUW is used in the U&U determinations. Additionally, Rule 25-30.4325(10), F.A.C., provides factors to be considered in determining whether adjustments to plant operating expenses are necessary for EUW.

 UW is calculated by subtracting test year totals of both the gallons sold to customers and the gallons used for other services, such as flushing, from the total gallons produced at the water treatment plant. Based on the monthly operating reports submitted to DEP, Country Walk produced 3,771,300 gallons of water from January 1, 2017, to December 31, 2017. Our audit indicates that the Utility sold 2,533,000 gallons of water to customers. Country Walk reported that an estimated 1,410,025 gallons of water were used for flushing and maintenance purposes during the test year, including estimations of leakage from main line breaks. Based on the data provided, several months were determined to exhibit negative UW, indicating that a greater amount of water had been accounted for than was actually produced. This likely resulted from either Country Walk’s overestimation of water lost to main line breaks or its flushing activities; the latter is discussed in Section 1 of this Order under the heading “**Quality of Service.**” For the purposes of EUW determination, we adjusted negative UW calculations to zero. After adjustment, Country Walk’s UW was calculated to be 1 percent, indicating that Country Walk has no EUW. As such, no adjustment shall be made to operating expenses for chemicals and purchased power.

E. Conclusion

 Country Walk’s water treatment plant, storage, and distribution system are 100 percent U&U. There appears to be no EUW; therefore, no adjustment shall be made to operating expenses for chemicals and purchased power.

**3. Rate Base**

 Country Walk’s net book value was established as of September 4, 2013, by Order No. PSC-14-0495-PAA-WU.[[8]](#footnote-8) The test year end December 31, 2017, is being used for the instant case. A summary of each rate base component and approved adjustments are discussed below.

A. Year-End Rate Base

 In its application, the Utility requested a year-end rate base for its water system in order to have an opportunity to recover its allowed rate of return on the capital improvement that was made during the test year. This improvement consisted of a forced draft aeration treatment system which was installed to remove the majority of the hydrogen sulfides from Country Walk’s well water, thereby addressing both the primary and secondary standards compliance issues discussed in Section 1 of this Order under the heading “**Quality of Service**.” Country Walk’s water system improvement represents an increase of $136,344 or 147.07 percent over the Utility’s 2016 year-end Utility Plant in Service (UPIS) balance. If an average rate base were used, the Utility would not be afforded the opportunity to recover its allowed rate of return on the new investment.

 We have authority to use a year-end rate base in extraordinary circumstances[[9]](#footnote-9) and find that extraordinary circumstances exist in the instant case. The Utility has made a significant improvement to its water system to address water quality concerns and the year-end rate base will provide Country Walk with an opportunity to recover its investment and ensure compensatory rates. The use of a year-end rate base in this case is consistent with other cases involving significant test year improvements.[[10]](#footnote-10) Upon review, we approve a year-end water rate base for Country Walk.

B. Utility Plant in Service (UPIS)

 Country Walk has modified its water treatment plant by installing a forced draft aeration treatment system to conform to the DEP’s disinfection by-product maximum contamination levels as discussed in Section 1 of this Order under the heading “**Quality of Service**.” The cost of purchasing and installing the treatment system through U.S. Water Services Corporation (USWSC) was $114,485. Country Walk explains that the actual cost of providing and installing the system from USWSC was $122,369 but that USWSC lowered the labor rate and the project margin below contracted amounts, and absorbed some of the travel expenses of the workers, resulting in an invoiced amount that is $7,884 lower. USWSC also provided design and permitting services for the forced draft aeration treatment system at an additional cost of $21,859, for a total cost of $136,344. Supporting documentation was provided in our audit. For comparative purposes, Country Walk provided a bid by Marolf Environmental Inc. for providing and installing a similar treatment system (not including design and permitting costs) which totaled $161,283. Therefore, we find that Country Walk was prudent in contracting with USWSC for the forced draft aeration treatment system; UPIS shall be adjusted accordingly.

 Country Walk recorded UPIS of $230,541. A second well was placed into service in 2012. However, only one well has been in service since 2012. Therefore, we hereby reduce Account 307 Wells and Springs by $16,306 to retire the original well that is no longer in service.

*Pro Forma Plant*

 As discussed in Section 1 of this Order under the heading “**Quality of Service,**” Country Walk’s customers have been experiencing low water pressure issues. Country Walk representatives investigated the complaints and discovered that, due to both the age of the system and the high levels of chlorine required to treat the source water, calcium buildup had clogged the service lines where they tap into the water mains. A few customers had their service lines dug up by the Utility and the calcium buildup removed, resulting in satisfactory pressure levels. Country Walk represents that it is necessary to conduct a system-wide project to address the remaining service connections. The Utility provided us with two bids for the project: one from USWSC for $16,085 and one from Oxford Pipeline Inc. for $21,000. Country Walk requested additional bids from other contractors but no other proposals were submitted. Country Walk selected the bid from USWSC and the work has begun. We find that this project is reasonable, prudent, and necessary to increase water pressure to acceptable levels.

 Country Walk also is requesting a pro forma plant item to install a bypass around its hydropneumatic tank that will allow the Utility to continue to provide water to its customers during times when its hydropneumatic tank is taken out of service. This will be required for upcoming sandblasting and coating discussed in Section 6 of this Order under the heading “**Operating Expenses**” at Subsection F, “Contractual Services – Other (636).” Without the bypass system, Country Walk will be forced to take its water system offline and issue boil water notices each time its hydropneumatic tank is serviced. Country Walk has provided one invoice from USWSC for $1,029 and did not seek additional bids from other contractors based upon the nature of the work and rural location. Based upon the cost and scope of the project, the competitiveness of the other USWSC bids reviewed during this rate case, and the lasting benefits to customers, we find this project to be reasonable and prudent.

 Based on the foregoing, we increased UPIS by $17,114 ($16,085 + $1,029) to reflect the service connection refurbishment project and the hydropneumatic tank bypass installation. Our adjustments result in a net increase to UPIS of $808 (-$16,306 + $17,114) Therefore, we approve a year-end UPIS balance of $231,349 ($230,541 +$808).

C. Land & Land Rights

 The Utility recorded a test year land value of $1,495. We did not make any adjustments to this account.

D. Contributions In Aid of Construction (CIAC)

 Country Walk recorded a CIAC balance of $23,950 as of December 31, 2017. This balance consists of $6,701 for the Distribution Reservoirs & Standpipes, $2,896 for Transmission & Distribution (T&D) Mains, and $14,353 for Cash. We did not make any adjustments to this account.

E. Accumulated Depreciation

 Country Walk recorded a test year accumulated depreciation balance of $64,064. We recalculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C., resulting in $66,515 as of December 31, 2017. This is an increase of $2,451. We also reduced accumulated depreciation by $16,306 to reflect the retirement of the original well discussed in this Section 3 at Subsection B, “Utility Plant in Service.” We increased accumulated depreciation by $520 to reflect the two pro forma projects, resulting in a total decrease of $13,335 ($2,451 - $16,306 + $520). Our adjustments result in an accumulated depreciation balance of $50,729 ($64,064 - $13,335).

F. Accumulated Amortization of CIAC

 The Utility recorded accumulated amortization of CIAC of $17,421 in its 2017 Annual Report. Based on our calculations, the appropriate components of accumulated amortization of CIAC are $4,739 for the Distribution Reservoirs & Standpipes, $1,788 for T&D Mains, and $11,402 for Cash. Therefore, we approve an accumulated amortization of CIAC balance of $17,929 ($4,739 + $1,788 + $11,402). The result is a net increase of $508 ($17,929 - $17,421).

G. Acquisition Adjustment

 The Utility recorded a negative acquisition adjustment of $20,064. We did not make any adjustments to this account.

H. Accumulated Amortization of Acquisition Adjustment

 The Utility recorded an accumulated amortization of acquisition adjustment of $10,127. We recalculated this amount in accordance with Rule 25-30.0371, F.A.C. Our calculation results in a decrease of $2,337. Therefore, we approve an accumulated amortization of acquisition adjustment balance of $7,790 ($10,127 - $2,337).

I. Working Capital Allowance

 Working capital is the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(2), F.A.C., we used the one-eighth of the operation and maintenance expense formula approach to calculate the working capital allowance. Applying this formula, we approve a working capital allowance of $3,956.

J. Rate Base Summary

 Based on the foregoing, we approve a $167,776 year-end rate base as shown on Schedule No. 1-A of this Order. The associated adjustments are shown on Schedule No. 1-B of this Order.

**4. Return on Equity/Rate of Return**

Country Walk’s test year capital structure reflects a total common equity balance of $35,848 and customer deposits of $744. The common equity balance consists of $250 in common stock, $21,704 of retained earnings, and $13,894 of paid-in capital. We did not make any adjustments to these amounts.

 Country Walk’s capital structure has been reconciled with its approved rate base. The appropriate ROE for the Utility is 8.11 percent based upon the approved leverage formula currently in effect.[[11]](#footnote-11) We approve a return on equity (ROE) of 8.11 percent, with a range of 7.11 percent to 9.11 percent, and an overall rate of return of 8.08 percent. The ROE and overall rate of return are shown on Schedule No. 2 of this Order.

**5. Test Year Revenues**

 Country Walk recorded $28,552 in test year revenues, which consists of $28,263 in service revenues and $289 in miscellaneous revenues. Based on the test year billing determinants and the service rates, service revenues should be $29,070, which is an $807 ($29,070-$28,263) increase to test year service revenues. This adjustment to service revenues is due to a timing difference between the billing register and the general ledger and annualizing prorated bills. For miscellaneous revenues, we applied the appropriate miscellaneous service charges to the test year occurrences and determined miscellaneous revenues should be $294, which is an increase of $5. Thus, we find that the appropriate test year revenues are $29,364 ($29,070+$294).

**6. Operating Expenses**

 Country Walk recorded operating expense of $27,804. We reviewed the Utility’s test year operating expenses, including invoices, canceled checks, and other supporting documentation and made several adjustments to the Utility's operating expenses as summarized below.

A. Salaries and Wages - Officers (603)

 Country Walk recorded salaries and wages - officers expense of $3,000. In the Utility’s last rate case, we approved an expense of $3,000 for this account. We compared this amount with Country Walk’s sister utilities and found it below the average. We find this amount to be reasonable; therefore, we approve salaries and wages - officers expense of $3,000.

B. Purchased Power (615)

 Our auditors initially found support for a test year purchased power expense of $1,224 in Account 615. The Utility subsequently provided invoices for the twelve-month period, August 2017 through July 2018, which averaged a monthly expense of $96 or $1,152 annually for purchased power. We made an adjustment of $72 to decrease purchased power expense to reflect the actual expense of $1,152. Therefore, we approve a purchased power expense of $1,152 ($1,224 - $72).

C. Chemicals (618)

 Country Walk recorded chemical expense of $2,969 in its General Ledger for the test year. Because of the new forced draft aeration water treatment system, the Utility was required to purchase two new chemicals to treat the water: sodium hydroxide and sulfuric acid. Country Walk provided its calculation of the annualized chemical expense of $3,749, and the actual chemical purchase expense of $3,673. The Utility determined the new water treatment system used approximately 5.8 gallons of sodium hydroxide during a 50-day period. However, the Utility purchased 280 gallons of sodium hydroxide at a cost of $4 per gallon, or $1,120. At a use rate of 5.8 gallons per 50 days, the utility would use only 42.3 gallons of sodium hydroxide per year at an annual cost of $169. Therefore, we find the appropriate annual cost for sodium hydroxide to be $169. Country Walk calculated its expenses for sulfuric acid and chlorine to be $2,324 and $326, respectively, which appears to reflect the actual use rates for those chemicals. Therefore, we find the appropriate annual chemical expense to be $2,819 ($2,324 + $326 + $169). Accordingly, we approve a $150 ($2,969 - $2,819) reduction to chemical expense.

D. Contractual Services - Accounting (632)

 The Utility recorded $350 for contractual services - accounting expense, which we approve.

E. Contractual Services - Legal (633)

 Country Walk recorded a contractual services - legal expense of $530 for legal fees related to annual corporate maintenance, including a Department of State filing fee. We approve the contractual services - legal expense of $530.

F. Contractual Services – Other (636)

 Country Walk recorded contractual services - other expense of $15,432 related to the USWSC service contract, which includes the expense for operating the new forced draft aeration water treatment system, meter reading, testing, and various repairs. In its filing, the Utility advised us of changes to the USWSC contract effective October 1, 2017, that increased the costs charged to the Utility. The revised USWSC contract takes into consideration similar USWSC agreements previously approved in prior cases involving seven of Country Walk’s sister utilities during nine rate case proceedings. We made adjustments to annualize the updated amount of the revised USWSC contract and approve an expense of $20,828, which equates to an increase of $5,396 or 24 percent.

 There are significant changes between the current USWSC contract (2017 contract) and the contract which was last revised on October 1, 2013 (2013 contract). The 2017 contract removes the addition of 1,000 potential ERCs that were included in the 2013 contract for a growth allowance that is no longer expected to occur. Actual costs for fuel and maintenance utilized in 2016 are included in the management and administrative portion of the 2017 contract. Also included in the 2017 contract are the allocated costs for in-house customer service and billing as well as necessary operator and maintenance technician positions that were excluded from the 2013 contract. According to USWSC, the 2013 contract did not reflect the full actual cost for other services incurred such as inspections required by DEP or calibrating the water well meter. The 2017 contract adjusted these costs to reflect the actual costs incurred by the Utility.

 In order to evaluate the reasonableness of the 2017 USWSC Service contract, we compared the total O&M costs approved in this case with our approved costs for similarly-sized Lake Idlewild and Charlie Creek utilities. We indexed the amounts from those cases using our approved index factors.[[12]](#footnote-12) This yielded per ERC amounts of $418 for Lake Idlewild and $454 for Charlie Creek compared to $446 per ERC in this docket. Upon review, we find the revised USWSC service contract amount to be reasonable.

 Country Walk is also requesting $5,000 for the sandblasting and recoating of a tank, which is a maintenance project required by DEP to be completed every five years. The estimated cost is based on a 2016 proposal from Crystal Coating, Inc. for $5,000. A second bid of $14,150 was received from PCI, Inc. for the same project. Country Walk is working with Crystal Coating, Inc. to schedule the project with other utilities in Highlands County in order to minimize the costs. Pursuant to Rule 25-30.433(9), F.A.C., non-recurring expenses are to be amortized over a 5-year period unless a shorter or longer period of time can be justified. Upon review, the $5,000 tank sandblasting and recoating expense shall be amortized over the required 5-year period and this account increased by $1,000 ($5,000 ÷ 5). Therefore, we approve contractual services - other expense of $21,828 ($15,432 + $5,396 + $1,000).

G. Insurance Expense - General Liability (657)

 The Utility recorded insurance expense of $1,300. Upon review, no adjustment is required.

H. Regulatory Commission Expense (665)

 By Rule 25-22.0407, F.A.C., Country Walk is required to mail notices of the customer meeting, notices of final rates, and notices of the four-year rate reduction in this case to its customers. We increased this account by $75 for printing and mailing notices for the customer meeting, $53 for printing and mailing notices of the final hearing, and $53 for the four-year rate reduction.

 The Utility requested travel and lodging expense of $250 to attend the customer meeting and $250 to attend the Agenda conference. We adjusted those amounts based on actual mileage and hotel receipts. We further adjusted these amounts in order to share them with Pine Harbour Waterworks, Inc. Pine Harbour is a sister utility of Country Walk that had its customer meeting the day after Country Walk’s, and was scheduled to be on the same Commission Agenda Conference. Based on these adjustments, we decreased this expense by $78 and approve travel expense of $422.

 Additionally, the Utility paid a $1,000 rate case filing fee. Based on foregoing, we approve total rate case expense of $1,603 ($75 + $53 + $53 + $422 + $1,000) which, amortized over four years, results in regulatory commission expense of $401 ($1,603 ÷ 4).

I. Bad Debt (670)

 Country Walk recorded a bad debt expense of $117 for the test year. It is our practice to calculate bad debt expense using a three-year average. However, we did not use a three-year average due to a negative balance recorded in 2016. The negative balance is not indicative of the actual bad debt expense incurred and is due to an accounting entry reflecting a write-off. In a prior SARC for sister utility, LP Waterworks, Inc., we determined that 1 percent of the revenue requirement was a reasonable percentage for bad debt.[[13]](#footnote-13) We find that 1 percent is also reasonable in the instant case as bad debt expense is expected to increase due to the substantial increase in the Utility’s revenue requirement. Thus we approve a bad debt expense of 1 percent of the approved revenue requirement, or $570 ($117 + $453). This represents an increase of $453.

J. Miscellaneous Expense (675)

 The Utility recorded miscellaneous expenses of $100 for DEP fees. We find this to be reasonable and make no adjustment.

K. Operation and Maintenance Expenses Summary

 Based on the foregoing, we approve O&M expenses of $32,050. Our approved adjustments to O&M expenses are shown on Schedule No. 3-B of this Order.

L. Depreciation Expense (Net of Amortization of CIAC)

 The Utility recorded depreciation expense of $4,328 and CIAC expense of $779, resulting in a net depreciation expense of $3,549 ($4,328 - $779) for the test year. The Utility used a half-year convention when calculating depreciation expense during the test year. We increased this expense to reflect the going-forward depreciation expense that is needed for the Utility to recover its investment in the forced draft aeration system. We recalculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and found that depreciation expense was understated by $7,084. Additionally, we reduced depreciation expense by $604 to reflect the well retirement discussed in Section 3 of this Order under the heading, “**Rate Base**.” We also increased depreciation expense by $520 to reflect the increase in depreciation expense for the pro forma plant additions. Thus, we approve deprecation expense of $11,328 ($4,328 + $7,084 - $604 + $520).

 We recalculated CIAC amortization expense using the methodology prescribed in the Utility’s last SARC and reduced this expense by $78. Therefore, we approve CIAC amortization expense of $701 ($779 - $78). Based on the foregoing, we approve a test year net depreciation expense of $10,627 ($11,328 - $701).

M. Amortization Expense for Acquisition Adjustment

 Country Walk recorded amortization expense for acquisition adjustment of ($2,337). We reviewed this amount and find it to be appropriate. Therefore we approve an amortization expense for acquisition adjustment of ($2,337).

N. Taxes Other Than Income (TOTI)

 Country Walk recorded TOTI of $1,570. We increased this amount by $253 to reflect the increase in property taxes related to the pro forma plant project. We increased TOTI by $1,242 to reflect RAFs associated with the revenue increase. Therefore, we approve TOTI of $3,065 ($1,570 + $253 + $1,242).

O. Total Operating Expenses Summary

 The application of our approved adjustments to Country Walk’s test year operating expenses results in total operating expenses of $43,405. Operating expenses are shown on Schedule No. 3-A of this Order. The related adjustments are shown on Schedule No. 3-B of this Order.

**8. Revenue Requirement**

 Country Walk shall be allowed an annual increase of $27,596 or 93.98 percent. This will allow the Utility the opportunity to recover its expenses and earn an 8.08 percent return on its water system. The calculations are shown in the table below.

**Revenue Requirement**

|  |
| --- |
|  |
| Adjusted Rate Base |   | $167,776  |
| Rate of Return |  | 8.08% |
| Return on Rate Base |  | $13,556  |
| Adjusted O&M Expense |  | 32,050 |
| Depreciation Expense (Net) |  | 10,627 |
| Amortization Expense |  | (2,337) |
| Taxes Other Than Income |  | 3,065 |
| Revenue Requirement |  | $56,960  |
| Less Adjusted Test Year Revenues |  | (29,364) |
| Annual Increase |  | $27,596  |
| Percent Increase |  | 93.98% |
|   |   |   |

**9. Rate Structure and Rates**

 Country Walk is located in Highlands County. The Utility provides water service to approximately 70 residential customers and a single general service customer. Approximately 22.9 percent of the residential customer bills during the test year had zero gallons, indicating some seasonality in the customer base. The average residential water demand is 2,794 gallons per customer. The average residential water demand excluding zero gallons bills is 3,625 gallons per customer. The Utility’s current water system rate structure for residential customers consists of a base facility charge (BFC) and two-tier inclining block rate structure. The rate blocks are: (1) 0-10,000 gallons and (2) all usage in excess of 10,000 gallons per month. The general service rate structure consists of a BFC and uniform gallonage charge.

 We reviewed the Utility’s billing data to evaluate the appropriate rate structure for the residential water customers. The goal of the evaluation was to select rate design parameters that: (1) produce the approved revenue requirement; (2) equitably distribute cost recovery among the Utility’s customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with our practice.

 Due to the customers’ low average monthly consumption and somewhat seasonal customer base, 45 percent of the revenue requirement shall be recovered through the BFC. The average number of people per household served by the water system is two; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold shall be 3,000 gallons per month. We approve a traditional BFC and gallonage charge rate structure with an additional gallonage charge for non-discretionary usage for residential water customers. General service customers shall be billed a BFC based on meter size and a uniform gallonage charge.

 Based on the customer billing data provided by the Utility, approximately 32 percent of total residential consumption is discretionary and subject to the effects of repression. Customers typically reduce their discretionary consumption in response to price changes, while non-discretionary consumption remains relatively unresponsive. Based on the approved revenue increase of 94 percent, the residential discretionary consumption (over 3,000 gallons per bill) can be expected to decline by 356,000 gallons resulting in anticipated average residential demand of 2,374 gallons per month. We approve a 15 percent reduction in test year gallons for rate setting purposes and corresponding reductions of $172 for purchased power, $420 for chemicals, and $28 for RAFs to reflect the anticipated repression. This results in a post-repression revenue requirement of $56,046. As shown in the table below, when compared to our approved rate structure and rates, Alternatives I and II, would result in lower bills for non-discretionary usage, but would send less of a pricing signal for discretionary usage.

 **Approved Rates Versus Alternative Water Rate Structures and Rates**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **RATES AT****TIME OF****FILING** | **APPROVED****RATES** | **ALTERNATIVE****I** | **ALTERNATIVE****II** |
|  |  | **(45% BFC)** | **(50% BFC)** | **(55% BFC)** |
| **Residential and General Service** |
| Base Facility Charge by Meter Size |  |  |  |  |
| 5/8"X3/4" | $16.45 | $29.16  | $32.42  | $35.70  |
|  |  |  |  |  |
| Charge per 1,000 gallons - Residential |  |  |  |  |
| 0-10,000 gallons | $6.17 |  |  |  |
| Over 10,000 gallons | $7.72 |  |  |  |
|  |  |  |  |  |
| 0-3,000 gallons |  | $13.07  | $11.88  | $10.69  |
| Over 3,000 gallons |  | $23.74  | $20.22  | $17.14  |
|  |  |  |  |  |
| Charge per 1,000 gallons - General Service | $6.17 | $15.19 | $13.63 | $12.11 |
|  |  |  |  |  |
| **Typical Residential 5/8" x 3/4" Meter Bill Comparison**  |
| 3,000 Gallons | $34.96 | $68.37 | $68.06 | $67.77 |
| 6,000 Gallons | $53.47 | $139.59 | $128.72 | $119.19 |
| 10,000 Gallons | $78.15 | $234.55 | $209.60 | $187.75 |

 The approved rate structure and monthly water rates are shown on Schedule No. 4 of this Order. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

**10. Customer Deposits**

 Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, we have set initial customer deposits equal to two times the average estimated bill. Currently, the Utility has an initial customer deposit of $62. However, this amount does not cover two months’ average bills based on the approved rates. Upon review, based upon anticipated average monthly residential usage and the approved rates, the initial customer deposit shall be $120 for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes shall be two times the average estimated monthly bill. The approved initial customer deposits shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility shall collect the approved deposits until authorized to change them by this Commission in a subsequent proceeding.

**11. Late Payment Charge**

 The Utility is requesting a $6.50 late payment charge to recover the costs associated with processing late payment notices. Country Walk’s current late payment charge is $5.00. However, the Utility is requesting $6.50 for its late payment charge, which is consistent with our practice and with its sister utilities managed by U.S. Water. 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. Section 367.091, F.S., authorizes us to establish, increase, or change a rate or charge other than monthly rates or service availability charges.

 Country Walk calculated the actual costs for its late payment charges to be $8.07. 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 contract employee, which results in labor cost of $7.00 ($28.00 x 0.25hr). This is consistent with decisions in which we allowed 10-15 minutes per account per month for the administrative labor associated with processing delinquent customer accounts. However, $8.07 would be the highest late payment charge of all water and wastewater utilities regulated by this Commission. Therefore, the Utility is requesting a charge of $6.50, consistent with our recent decisions. The Utility's calculation for its requested late payment charge is shown in the table below.

**Late Payment Charge Costs**

|  |  |
| --- | --- |
| Activity | Cost |
| Labor | $7.00 |
| Supplies | $0.22  |
| Postage | $0.49  |
| Markup for RAFs | $0.36 |
| Total Cost | $8.07 |

 Based on foregoing, Country Walk's request to implement a $6.50 late payment charge is approved. The Utility shall file a proposed customer notice to reflect the approved charge. The approved charge shall be effective 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 shall not be implemented until after our staff has approved the proposed customer notice and the notice has been received by customers. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

**12. Miscellaneous Service Charges**

 Country Walk’s current miscellaneous service charges were established in Docket Nos. 960244-WU, 150067-WU, and 150260-WS. Section 367.091, F.S., authorizes this Commission to change miscellaneous service charges. The Utility’s request to revise its miscellaneous charges was accompanied by its reason for requesting the charges, as well as the cost justification required by Section 367.091(6), F.S. The requested charges are consistent with those recently approved for its sister company, LP Waterworks, which is located in the same county. The calculations for charges for miscellaneous services, shown in the tables below, are rounded up to the nearest tenth. The Utility’s current miscellaneous service charges and those approved by this Order are set forth in this Section 12 in the table at Subsection E, “Conclusion.”

A. Initial Connection Charge

 The initial connection charge is levied for service initiation at a location where service did not exist previously. A utility representative makes one trip when performing the service of an initial connection. Based on labor and transportation to and from the service territory, we approve water system initial connection charges of $31.10 for normal hours and $36.20 for after hours. Our calculations are shown in the table below.

**Initial Connection Charge Calculation**

|  |  |  |  |
| --- | --- | --- | --- |
| Activity | Normal Hours Cost | Activity | After Hours Cost |
| Administrative Labor ($28/hr x 1/4 hr) | $7.00 | Administrative Labor($28/hr x 1/4 hr) | $7.00 |
| Field Labor ($30.42/hr x 1/3 hr) | $10.14 | Field Labor (45.63/hr x 1/3 hr) | $15.21 |
| Transportation($0.535/mile x 26 miles-to/from) | $13.91 | Transportation($0.535/mile x 26 miles-to/from) | $13.91 |
| Total | $31.05 | Total | $36.12 |

B.Normal Reconnection Charge

 A normal reconnection charge is levied for the reconnection of service subsequent to a customer requested disconnection. A normal reconnection requires two trips, which includes one to turn service off and the other to turn service on. Based on labor and transportation to and from the service territory, we approve water system normal reconnection charges $57.10 for normal hours and $64.70 for after hours. Our calculations are shown in the table below.

**Normal Reconnection Charge Calculation**

|  |  |  |  |
| --- | --- | --- | --- |
| Activity | Normal Hours Cost | Activity | After Hours Cost |
| Administrative Labor($28/hr x1/4hr x 2) | $14.00 | Administrative Labor($28/hr x1/4hr) | $14.00 |
| Field Labor ($30.42/hr x 1/4 hr x 2) | $15.21 | Field Labor($45.63/hr x 1/4hr x 2) | $22.82 |
| Transportation($0.535/mile x 26 miles-to/from x 2) | $27.82 | Transportation($0.535/mile x 26 miles-to/from x 2) | $27.82 |
| Total | $57.03 | Total | $64.64 |

C. Violation Reconnection Charge

 The violation reconnection charge is levied prior to reconnection of an existing customer after discontinuance of service for cause. The service performed for violation reconnection requires two trips, which includes one trip to turn off service and a subsequent trip to turn on service once the violation has been remedied. Based on labor and transportation to and from the service territory, we approve water system violation reconnection charges of $57.10 for normal hours and $64.70 for after hours. Our calculations are shown in the table below.

**Violation Reconnection Charge Calculation**

|  |  |  |  |
| --- | --- | --- | --- |
| Activity | Normal Hours Cost | Activity | After Hours Cost |
| Administrative Labor($28/hr x1/4hr x 2) | $14.00 | Administrative Labor($28/hr x1/4hr x 2) | $14.00 |
| Field Labor($30.42/hr x 1/4 hr x 2) | $15.21 | Field Labor($45.63hr x 1/4 hr x 2) | $22.82 |
| Transportation ($0.535/mile x 26 miles-to/from) x 2 | $27.82 | Transportation ($0.535/mile x 26 miles-to/from) x 2 | $27.82 |
| Total | $57.03 | Total | $64.64 |

D. Premises Visit Charge

 The premises visit charge is levied when a service representative visits premises at the customer’s request for complaint resolution and the problem is found to be the customer’s responsibility. The premises visit charge can also be levied when a service representative visits premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill. A premises visit requires one trip. Based on labor and transportation to and from the service territory, we approve premises visit charges of $31.10 for normal hours and $36.20 for after hours. Our calculations are shown in the table below.

**Premises Visit Charge Calculation**

|  |  |  |  |
| --- | --- | --- | --- |
| Activity | Normal Hours Cost | Activity | After Hours Cost |
| Administrative Labor($28.00/hr x1/4hr) | $7.00 | Administrative Labor($28.00/hr x1/4hr) | $7.00 |
| Field Labor($30.42/hr x 1/3 hr) | $10.14 | Field Labor($45.63/hr x 1/3 hr) | $15.21 |
| Transportation ($0.535/mile x 26 miles-to/from) | $13.91 | Transportation ($0.535/mile x 26 miles-to/from) | $13.91 |
| Total | $31.05 | Total | $36.12 |

E. Conclusion

 Based on the foregoing, the miscellaneous service charges identified in the table below are approved. The charges shall be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

**Miscellaneous Service Charges**

|  |  |  |
| --- | --- | --- |
|  | Current | Approved |
|  | Normal and AfterHours | NormalHours | AfterHours |
| Initial Connection Charge | $15.00 | $31.10 | $36.20 |
| Normal Reconnection Charge | $15.00 | $57.10 | $64.70 |
| Violation Reconnection Charge | $15.00 | $57.10 | $64.70 |
| Premises Visit Charge | $10.00 | $31.10 | $36.20 |

**13. Rate Case Expense** *(Final Agency Action)*

 Section 367.081(8), F.S., requires that rates be reduced immediately following the expiration of the 4-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense, the associated return in working capital, and the gross-up for RAFs. This results in a reduction of $420.

 The water rates shall be reduced, as shown on Schedule No. 4-A of this Order, to remove rate case expense grossed-up for RAFs and amortized over a 4-year period. The decrease in rates shall become effective immediately following the expiration of the 4-year rate case expense recovery period, pursuant to Section 367.0816(8), F.S. Country Walk shall file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

**14. Temporary Rates** *(Final Agency Action)*

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

 The Utility is authorized to collect the temporary rates upon our staff’s approval of an appropriate security for the potential refund and the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of $18,640. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

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

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

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

1) The letter of credit is irrevocable for the period it is in effect, and,

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

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

1) The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement; and,

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 *Consenting v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments;

9) The account must specify by whom and on whose behalf such monies were paid.

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

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

**15. National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) *(****Final Agency Action)*

 The Utility shall notify this Commission, in writing, that it has adjusted its books in accordance with our decision. Country Walk shall submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts, as shown on Attachment A of this Order, have been made to the Utility’s books and records. In the event the Utility needs additional time to complete the adjustments, notice shall be provided at least seven days prior to the deadline. Our staff has administrative authority to grant an extension of up to 60 days upon a showing of good cause by the Utility.

 Based on the foregoing, it is

 ORDERED by the Florida Public Service Commission that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the “Notice of Further Proceedings” attached hereto. It is further

 ORDERED that Country Walk Utilities, Inc.’s quality of service is considered satisfactory. It is further

 ORDERED that Country Walk Utilities, Inc.’s water treatment plant, storage, and distribution system is 100 percent used and useful. There appears to be no excessive unaccounted for water: therefore, no adjustment shall be made to operating expenses for chemicals and purchased power. It is further

 ORDERED that a year-end rate base is approved. The appropriate water rate base is $167,776 for the test year ended December 31, 2017. It is further

 ORDERED that the appropriate return on equity is 8.11 percent with a range of 7.11 percent to 9.11 percent. The appropriate overall rate of return is 8.08 percent. It is further

 ORDERED that the appropriate test year revenues are $29,364. It is further

 ORDERED that the appropriate amount of test year total operating expenses is $43,405. It is further

 ORDERED that the appropriate revenue requirement is $56,960, resulting in an annual increase of $27,596 or 93.98 percent. It is further

 ORDERED that the approved rate structure and monthly water rates are shown on Schedule No. 4 of this Order. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. Country Walk Utilities, Inc. shall provide proof of the date notice was given within 10 days of the date of this notice. It is further

 ORDERED that the initial customer deposits shall be $120 for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes shall be two times the average estimated monthly bill. The initial customer deposits shall be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility shall collect the approved deposits until authorized to change them by this Commission in a subsequent proceeding. It is further

 ORDERED that Country Walk Utilities, Inc.’s request to implement a $6.50 late payment charge is approved. The Utility shall file a proposed customer notice to reflect the approved charge. The approved charge shall be effective 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 shall not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice. It is further

 ORDERED that the miscellaneous service charges set forth in the Conclusion of Section 12 of this Order are approved. The charges shall be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. Country Walk Utilities, Inc. shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

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

 ORDERED that rates are approved for Country Walk Utilities, Inc. on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Country Walk shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility shall provide appropriate security. If the rates are approved on a temporary basis, the rates collected by the Utility shall be subject to the refund provisions set forth in Section 12 of this Order under the heading, “**Temporary Rates.**” In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility shall file reports with our Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund. *(Final Agency Action).* It is further

 ORDERED that Country Walk Utilities, Inc. shall notify this Commission, in writing, that it has adjusted its books in accordance with our decision. Country Walk shall submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts, as shown on Attachment A of this Order, have been made to the Utility’s books and records. In the event the Utility needs additional time to complete the adjustments, notice shall be provided at least seven days prior to the deadline. Upon good cause being provided by the Utility, our staff has administrative authority to grant an extension of up to 60 days. *(Final Agency Action)* It is further

 ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order shall be issued. The docket shall remain open for our staff’ to verify that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and that the Utility has submitted a letter to our staff confirming that the adjustments to all the applicable NARUC USOA primary accounts A have been made to the Utility’s books and records. Once these actions are complete, this docket shall be closed administratively.

 By ORDER of the Florida Public Service Commission this 19th day of November, 2018.

|  |  |
| --- | --- |
|  | /s/ Carlotta S. Stauffer |
|  | CARLOTTA S. STAUFFERCommission Clerk |

Florida Public Service Commission

2540 Shumard Oak Boulevard

Tallahassee, Florida 32399

(850) 413‑6770

www.floridapsc.com

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

CWM

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

 The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

 As identified in the body of this order, our actions proposed herein are preliminary in nature except the decisions regarding (1) the granting of temporary rates in the event of protest, (2) the reduction for rate case expense, and (3) the proof of adjustment to NARUC USOA accounts, which are final agency action. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 10, 2018.

 If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

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

 Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

















1. Order No. PSC-14-0495-PAA-WU, issued September 17, 2014, in Docket No. 20130294-WU, *In re: Application for transfer of water systems and Certificate No.579-W in Highlands County from Holmes Utilities, Inc. to Country Walk Utilities, Inc.* [↑](#footnote-ref-1)
2. Order No. PSC-01-2385-PAA-WU, issued December 10, 2001, in Docket No. 010403-WU, *In re: Application for staff-assisted rate case in Highlands County by Holmes Utilities, Inc.* [↑](#footnote-ref-2)
3. Rule 25-30.433(1), F.A.C., was amended on July 11, 2018. Our review is based on the Rule at the time of the Utility’s filing. [↑](#footnote-ref-3)
4. We also reviewed DEP records outside of this three-year period. [↑](#footnote-ref-4)
5. Both primary contaminants. [↑](#footnote-ref-5)
6. Rule 62-555.315, F.A.C., recommends the use of a packed tower aeration treatment system with pH adjustment. While Country Walk has referred to its recent plant modification as a “forced draft aeration treatment system”, it actually uses packed tower technology and pH adjustment as recommended. [↑](#footnote-ref-6)
7. Order No. PSC-01-2385-PAA-WU, issued December 10, 2001, in Docket No. 20010403-WU, *In re: Application for staff-assisted rate case in Highlands County by Holmes Utilities, Inc.* [↑](#footnote-ref-7)
8. Order No. PSC-14-0495-PAA-WU, issued September 17, 2014, in Docket No. 20130294-WU, *In re: Application for transfer of water systems and Certificate No.579-W in Highlands County from Holmes Utilities, Inc. to Country Walk Utilities, Inc.* [↑](#footnote-ref-8)
9. *See,* *Citizens of Florida v. Hawkins,* (FLA.1978), 356 So. 2d 254. [↑](#footnote-ref-9)
10. Order No. PSC-98-0763-FOF-SU, issued June 3, 1998, in Docket No. 19971182-SU, *In re: Application for staff-assisted rate case in Marion County by BFF Corp.*; Order No. PSC-00-1774-PAA-WU, issued September 27, 2000, in Docket No. 19991627-WU, *In re: Application for rate increase in Polk County by Park Water Company Inc.*; Order No. PSC-01-0323-PAA-WU, issued February 5, 2001, in Docket No. 20000580-WU, *In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc. (Alturas Water Works)*; and Order No. PSC-02-1449-PAA-WS, issued October 21, 2002, in Docket No. 20011451-WS, *In re: Investigation of water and wastewater rates for possible overearnings by Plantation Bay Utility Co. in Volusia County.* [↑](#footnote-ref-10)
11. Order No. PSC-2018-0327-PAA-WS, issued June 26, 2018, in Docket No. 20180006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.* [↑](#footnote-ref-11)
12. Order No. PSC-2017-0480-PAA-WS, issued December 21, 2017, in Docket No. 20170005-WS, *In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.* [↑](#footnote-ref-12)
13. Order No. PSC-2017-0334-PAA-WS, issued August 23, 2017, in Docket No. 20160222-WS, *In re: Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.* [↑](#footnote-ref-13)