

State of Florida



# Public Service Commission

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

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

**DATE:** November 1, 2013

**TO:** Office of Commission Clerk (Cole)

**FROM:** Division of Accounting and Finance (T. Brown, Bullard, Fletcher, Maurey)  
Division of Economics (Bruce, Daniel, Hudson, Roberts, Thompson)  
Division of Engineering (P. Buys, Rieger)  
Office of the General Counsel (Lawson)

*Handwritten notes:*  
BOJ 9/11/13  
ALM  
HB  
CRB  
PD  
CD

**RE:** Docket No. 120209-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

**AGENDA:** 11/14/13 – Regular Agenda – Proposed Agency Action Except for Issue Nos. 23 and 24 – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Edgar

**CRITICAL DATES:** 5-Month Effective Date Waived Through 11/14/13

**SPECIAL INSTRUCTIONS:** None

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### Case Background

Utilities, Inc. of Florida (UIF or Utility) is a Class A utility providing water and wastewater service to twenty systems in the following counties: Marion, Orange, Pasco, Pinellas, and Seminole. (See Attachment A) Of the twenty systems, eighteen are a part of this proceeding. UIF is a wholly-owned subsidiary of Utilities, Inc. (UI). The Utility's last rate case was in 2009.<sup>1</sup>

By letter dated July 31, 2012, UIF requested test year approval in order to file an application for general rate relief for 4 of its counties. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and requested interim rates.

UIF's requested test year for final and interim purposes is the historical year ended December 31, 2011. On March 29, 2013, the Utility filed minimum filing requirements (MFRs) to justify its requested rate increase. By letter dated April 26, 2013, UIF was notified that the MFRs were deficient. UIF corrected the deficiencies through information submitted on May 29, 2013. UIF did not request rate relief for its Marion County water and wastewater systems. However, to ensure that there was no cross-subsidization between the systems and that Marion County was not earning above its last authorized rate of return, staff expanded its review, including the audit, to include Marion County. Based on staff's review, Marion County is not overearning and therefore, due to the Utility's request, will not be part of this case.

On June 25, 2013, the Commission approved interim rates<sup>2</sup> designed to generate the following water and wastewater revenues:

<u>County</u>	<u>Water Revenue Increase</u>	<u>% Increase</u>	<u>Wastewater Revenue Increase</u>	<u>% Increase</u>
Orange	\$17,111	14.77%	N/A	N/A
Pasco <sup>3</sup>	\$46,325	5.13%	N/A	N/A
Pinellas <sup>4</sup>	\$0	0.00%	N/A	N/A
Seminole	\$42,687	4.88%	\$23,389	2.90%

The interim rates are subject to refund with interest, pending the conclusion of the rate case.

The Utility requested final rates designed to generate total annual water revenues of \$2,735,513, an increase of \$736,881 or 36.87 percent, and total annual wastewater revenues of \$1,601,009, an increase of \$258,703 or 19.27 percent.

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<sup>1</sup> See Order No. PSC-10-0585-PAA-WS, issued September 22, 2010, in Docket No. 090462-WS, In re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

<sup>2</sup> See Order No. PSC-13-0332-PCO-WS, issued July 22, 2013.

<sup>3</sup> UIF did not request interim rates for Pasco County wastewater, but is asking for a final revenue increase.

<sup>4</sup> Staff calculated a revenue decrease of \$1,922, or 1.83 percent, for Pinellas County water based on its maximum authorized ROE. However, since Pinellas County water was currently operating within its authorized range, no interim revenue decrease was granted by the Commission.

Customer meetings were held August 7 and 8, 2013, in New Port Richey and Altamonte Springs, respectively.

On October 28, 2013, the Office of Public Counsel (OPC) filed a Notice of Intervention in this docket, and an order acknowledging intervention was issued on October 30, 2013.<sup>5</sup> Prior to the Notice of Intervention, OPC submitted a letter and a CD dated October 25, 2013, composed of customer complaints and protests from the Utility's Summertree customers.

The original five-month statutory deadline for the Commission to address the Utility's requested final rates was October 29, 2013. However, by letter dated June 19, 2013, UIF waived the statutory time frame by which the Commission is required to address the Utility's final requested rates through November 14, 2013.<sup>6</sup>

This recommendation addresses the Utility's requested final rates and the appropriate disposition of the interim rates and regulatory assets. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, F.S.

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<sup>5</sup> See Order No. PSC-13-0549-PCO-WS, issued October 30, 2013.

<sup>6</sup> See Document No. 03430-13, filed June 19, 2013.

## Discussion of Issues

### QUALITY OF SERVICE

**Issue 1:** Is the quality of service provided by UIF satisfactory?

**Recommendation:** Yes. The Utility is current in meeting water quality standards for all required chemical analyses and the water provided by the Utility is meeting applicable primary and secondary standards as prescribed in the rules of the Department of Environmental Protection (DEP). While some customers state that the water quality at the Summertree and Park Ridge systems have undesirable attributes, including taste, odor, and color, it appears that home treatment systems or point-of-use devices might be the best alternative to help reach customers' expectations for improved water quality. Treatment alternatives can be implemented by the Utility; however, those improvements will result in additional capital costs and ultimately higher rates to customers. Therefore, the overall quality of service for the UIF systems in Pasco, Pinellas, Orange, and Seminole Counties is satisfactory. (P. Buys, Rieger)

**Staff Analysis:** Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in every water and wastewater rate case, the Commission shall determine the overall quality of service provided by a utility by evaluating: 1) the quality of the utility's product; 2) the operational conditions of the utility's plant and facilities; and, 3) the utility's attempt to address customer satisfaction. The rule further states sanitary surveys, outstanding citations, violations, and consent orders on file with the DEP and the county Health Department, over the preceding three-year period, shall be considered, along with input from the DEP and Health Department officials and consideration of customer comments and complaints.

#### Quality of Product and Operational Condition of the Plant and Facilities

UIF has fourteen water systems in Pasco, Pinellas, Orange, and Seminole Counties. There are no outstanding notices of violation, corrective orders, or other infractions for the water systems. The water quality for the systems is meeting DEP standards. Plant inspections by the DEP are current, having been performed in the last three years for each of the systems. UIF has four wastewater systems in Pasco and Seminole Counties. Since Orangewood, Summertree, Ravenna Park, and Weathersfield purchase bulk wastewater treatment, these systems do not have plants for DEP to inspect.

In the last rate case, per Order No. PSC-10-0585-PAA-WS, the Utility was to re-test the quality of the Summertree water system to determine if it met the primary and secondary DEP standards. The extra testing was required within sixty days of the issuance of the Order. On September 3, 2010, the Utility provided updated tests and the results revealed the Utility continued to meet the primary and secondary DEP standards. The Utility was also required to meet with the residents of Summertree, within eight months after the issuance of the Order, to discuss water quality improvement options. In a response to staff's data request, the Utility stated that in December 2010, representatives from the Utility met with the Summertree residents and discussed several items. One outcome of the meeting to improve the water quality in Summertree was the installation of automatic flushing valves at three locations on dead end lines. This would allow the Utility to better maintain the chlorine residual in the system and

reduce the presence of sulfur odors at the tap. Therefore, the Utility complied with both requirements of Order No. PSC-10-0585-PAA-WS.

As stated in the last rate case, the Summertree water system was exceeding state standards for total trihalomethanes and five halo acetic acids in 2005 and 2006. The Utility converted its disinfection process from chlorine to chloramines and the water quality reached compliance with DEP standards in 2008. The source water has sulfide, and system flushing is performed to help maintain adequate chlorine residual and reduce the sulfide taste and odor.

In 2012, the Summertree system tested high for iron at one back-up well. The Utility added iron sequestering to its treatment process; and, to reduce iron discoloration in the water, chlorine was added. Too much chlorine raises the trihalomethanes levels. To bring the trihalomethanes levels back down, chloramine disinfection was added to the treatment process. DEP explained that finding a balance with high iron and high trihalomethanes is difficult. DEP is satisfied with the Utility's action plans for Summertree.

The Park Ridge system is also on a chloramine disinfection treatment process. Park Ridge started the chloramine disinfection process in 2012 to correct the high levels of trihalomethanes. Sometimes byproducts of the chloramine disinfection are residue and slime. To help reduce those byproducts, Park Ridge was under a DEP approved "chlorine burn" from July 24, 2013 to October 27, 2013. Since the Utility also replaced some galvanized pipe, the Park Ridge system may return to the regular chlorine disinfection process and has received many favorable comments from the customers indicating the burn has significantly improved the water quality.

Staff conducted field inspections of all of the Utility's Pasco and Pinellas County systems on August 7, 2013; and, on August 8 and 9, 2013, all of the Orange and Seminole County systems were inspected. The water and wastewater facilities were in good working order and no deficiencies were observed.

The Utility's systems are meeting all DEP requirements and appear to be operating properly. The Utility is showing initiative in the DEP-approved action plans. DEP appears to be satisfied with the Utility's action plans; therefore, staff recommends that the quality of the treated water and wastewater and the operational condition of the plant and facilities should be considered satisfactory.

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

In its filing, the Utility provided a copy of the customer complaints that it received during the test year. The complaints included billing concerns, water quality, equipment repair, and miscellaneous. In total, the Utility received 1,543 complaints and 122 or 8 percent were related to water quality. Approximately 68 percent of the complaints received by the Utility were billing issues and most of the billing complaints came from residents in Ravenna Park. Staff believes the Utility responded timely to each complaint and endeavored to resolve each one. Currently, there are no unresolved complaints and it appears the Utility is promptly responding to customers' water and wastewater concerns.

The Commission's Complaint Activity Tracking System (CATS) was also reviewed. For the year 2012, the Commission received six complaints. All of these complaints (100 percent) were categorized as Quality of Service/Customer Satisfaction related to billing. For January 2013 through September 2013, the Commission received eight complaints and 75 percent of these complaints were also billing related issues. There are currently no outstanding complaints in the Commission's CATS program for the Utility.

Customer meetings were held in Altamonte Springs and New Port Richey. Four customers attended the Altamonte Springs meeting and all were from the Park Ridge subdivision. The customers commented that the bills go up and water quality goes down. The customers also stated the water is dirty, smelly, and that there is dark colored sediment in sinks and tubs. The customers also said they are afraid to use the water and that the Utility is non-responsive. One customer stated the Utility did work with her concerning her water quality issues. In this instance, the Utility requested that she flush her pipes in her house and provided a usage allowance for flushing. As a result, the customer stated the water quality improved, but she is afraid it is only temporary. Another customer mentioned having an asbestos distribution line and would like it replaced. Staff provided supplemental information to the customer concerning asbestos distribution lines.

Eighty-three customers attended the New Port Richey meeting and twenty customers spoke. Of the twenty customers that spoke at the meeting, all were from the Summertree subdivision. Most of the customers mentioned billing issues and compared their bills to Pasco County Utility bills. The customers' believe their bills are higher and the water quality is worse and they would prefer to have Pasco County as their water service provider instead of Utilities, Inc. of Florida. Some customers argued the Utility should have a rate decrease, not an increase. Other customers noted the water quality has an odor, slime, iron and a calcium build-up. Another customer mentioned the Utility has come a long way since 2009 and that the Utility gave the Home Owners Association (HOA) a contact person. Other customers stated that they use home filtration systems because of the quality of the water and believed the Utility takes too long to fix problems and that there have been no infrastructure improvements with the exception of auto-flushing.

The Summertree customers thought the Utility was going to build a new water treatment facility. However, in the last rate case, the Utility stated the additional treatment plant for Summertree had been designed and the plans were shared with the homeowner's association members. The estimated cost was nearly \$2 million, and if constructed, would have been a significant increase to customers' rates. Instead of building the new facility and raising the customers' rates, an extensive auto-flushing program was implemented at Summertree. Currently, the Utility is meeting primary and secondary standards as set forth by DEP's rules.

Several customers also stated the Utility was warning them not to drink the water in the Utility's Customer Confidence Report (CCR). The customers were referring to the "EPA Wants You to Know" section of the CCR. The customers were quoting "[s]ome people may be more vulnerable to contaminants in drinking water than the general population. These people should seek advice about drinking water from their health care providers." Staff verified with DEP that this language is required by the Federal Environmental Protection Agency and all utilities are



required to have the statement in the CCR. DEP approves the CCR reports before the utilities send them to its customers.

Of the twenty-five written customer comments sent to the Commission regarding this rate case, twenty-one were from Summertree in Pasco County, two were from Park Ridge in Seminole County, one comment was from Lake Tarpon, and one from Little Wekiva. All the customers are opposed to a rate increase and most noted the water quality at Summertree and Park Ridge was undesirable with many stating they have water softeners or filters at their home and purchase bottled water to drink, opting not to drink the Utility's water. Representative Corcoran and Senator Simpson also sent letters to the Commission on behalf of residents.

Water provided at the Summertree system is in compliance with primary and secondary standards according to DEP. Drinking water is tested at the point of entry into the distribution system and, depending upon water usage by customers, water quality can diminish during low consumption periods. As stated above, DEP is aware of the situation at Summertree and is satisfied with the Utility's action plan. DEP responds to all customer complaints by contacting the Utility. In turn, the Utility dispatches a service representative to the customer's home.

The customer complaints, which are part of the Utility's filing in this docket, have been responded to by the Utility. Staff believes a concerted effort is being made to satisfy its customers' concerns. For the majority of customers, it appears they are satisfied with the service provided by the Utility. Although there are customer concerns specifically about water quality in Summertree and Park Ridge, the Utility's records indicated it responds to each complaint in an attempt to provide a satisfactory resolution. Most complaints were resolved with a visit from a Utility service representative who flushed the water main or suggested that the customer bypass the water softener to restore chlorine levels in the water.

### Summary

In the last rate case, per Order No. PSC-10-0585-PAA-WS, the Utility was to re-test the quality of the Summertree water system to determine if it met the primary and secondary DEP standards. The extra testing was required within sixty days of the issuance of the Order. The Utility was also required to meet with the residents of Summertree, within eight months after the issuance of the Order, to discuss water quality improvement options. The Utility complied with both requirements of the Order.

The Utility is current in meeting water quality standards for all required chemical analyses. While water quality at the Summertree and Park Ridge systems have some undesirable attributes, including taste, odor, and color, it appears that home treatment systems or point-of-use devices might be the best alternative to help reach customers' expectations for improved water quality. Treatment alternatives can be implemented by the Utility; however, those improvements would result in additional capital costs and ultimately higher rates to customers. Water provided by the Utility is meeting applicable primary and secondary standards as prescribed in the rules of the DEP.

Docket No. 120209-WS  
Date: November 1, 2013

Based upon the discussion above, staff recommends that the overall quality of the water and wastewater systems for the Utility's systems in Orange, Pasco, Pinellas, and Seminole Counties is satisfactory.

**RATE BASE**

**Issue 2:** Should the audit adjustments to rate base and net operating income to which the Utility agrees be made?

**Recommendation:** Yes. Based on the audit adjustments agreed to by the Utility and staff, the following adjustments should be made to rate base and net operating income as set forth in staff's analysis below. (T. Brown)

**Staff Analysis:** In its response to the staff's audit report and other correspondence, UIF agreed to the audit adjustments as set forth in the tables below.

Table 2-1

<u>UIF Audit Adjustments</u>	<u>Description of Adjustments</u>
Finding No. 1	Reflect prior Commission-ordered adjustments.
Finding No. 2	Reflect additions to Contributions-in-Aid-of-Construction adjustments.
Finding No. 4	Reclassification of expenses associated with total power purchased.
Finding No. 5	Correct erroneous and misclassified O&M expenses.
<u>Affiliate Audit Adjustments</u>	<u>Description of Adjustments</u>
Finding No. 1	Reflect transportation equipment retirements.
Finding No. 4	Correct misclassified accumulated depreciation adjustments.
Finding No. 5 <sup>7</sup>	Cost of Capital (Only revised equity amount.)
Finding No. 6	Correct allocation factor for four expense accounts.
Finding No. 7	Remove adjustment to expenses allocated from Altamonte Springs Headquarters.
Finding No. 8 <sup>8</sup>	Remove adjustment to expenses allocated from Northbrook, Illinois Headquarters.

In response to UIF Audit Finding No. 1, the Utility provided a corrected net depreciation adjustment for Seminole County water. Staff agrees with the Utility's explanation and has included the Utility's corrected increase of \$697, instead of the \$4,247 increase in net depreciation calculated by audit staff. In addition, staff notes that UIF Audit Finding Nos. 3 and 7 were made for information purposes only. The Utility acknowledged that these two findings were informational in nature, but did not expressly agree or disagree with audit staff's findings.

In regard to the Seminole County wastewater portion of Affiliate Audit Finding No. 7, the Utility agreed with audit staff's rationale, but calculated a different adjustment amount. The Utility contended that the Seminole County lift station expenses should have been charged directly to the lift station's division (Weathersfield). Staff agrees with the Utility and made the appropriate corresponding adjustment. The net effect is an increase in expenses of \$1,563 instead of a reduction of \$318.

<sup>7</sup> The Utility agrees with the revised equity amount, but disagrees with the remainder of Finding No. 5.

<sup>8</sup> Audit Finding No. 8 addressed numerous audit staff adjustments. While the Utility agreed with most of the adjustments, a couple of adjustments were contested. The contested adjustments are addressed in Issue 11.

Based on the audit adjustments agreed to by the Utility, staff recommends that the adjustments set forth in Tables 2-2 through 2-7 should be made to rate base and net operating income.

Table 2-2

<u>Orange County Water</u>						
<u>UIF</u> <u>Audit Adjustments</u>	<u>Plant</u>	<u>Acc.</u> <u>Dep.</u>	<u>CIAC</u>	<u>Acc. Amort.</u> <u>of CIAC</u>	<u>Net</u> <u>Dep.</u>	<u>O&amp;M</u> <u>Exp.</u>
Finding No. 2	\$0	\$0	(\$115)	\$3	(\$6)	\$0
<u>Affiliate</u> <u>Audit Adjustments</u>	<u>Plant</u>	<u>Acc.</u> <u>Dep.</u>	<u>CIAC</u>	<u>Acc. Amort.</u> <u>of CIAC</u>	<u>Net</u> <u>Dep.</u>	<u>O&amp;M</u> <u>Exp.</u>
Finding No. 1	4,760	(4,956)	0	0	565	(261)
Finding No. 4	0	(10,229)	0	0	0	0
Finding No. 6	0	0	0	0	0	(1,708)
Finding No. 7	0	0	0	0	0	(69)
Finding No. 8	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(108)</u>
Adjustment Totals	<u>\$4,760</u>	<u>(\$15,185)</u>	<u>\$115</u>	<u>\$3</u>	<u>\$559</u>	<u>(\$2,146)</u>

Table 2-3

<u>Pasco County Water</u>						
<u>UIF</u> <u>Audit Adjustments</u>	<u>Plant</u>	<u>Acc.</u> <u>Dep.</u>	<u>CIAC</u>	<u>Acc. Amort.</u> <u>of CIAC</u>	<u>Net</u> <u>Dep.</u>	<u>O&amp;M</u> <u>Exp.</u>
Finding No. 1	\$0	\$0	\$0	(\$30,610)	\$0	\$0
Finding No. 2	0	0	(672)	70	(34)	0
Finding No. 4	0	0	0	0	0	(488)
Finding No. 5	0	0	0	0	0	(285)
<u>Affiliate</u> <u>Audit Adjustments</u>	<u>Plant</u>	<u>Acc.</u> <u>Dep.</u>	<u>CIAC</u>	<u>Acc. Amort.</u> <u>of CIAC</u>	<u>Net</u> <u>Dep.</u>	<u>O&amp;M</u> <u>Exp.</u>
Finding No. 1	39,541	(34,174)	0	0	3,711	(92)
Finding No. 4	0	(98,798)	0	0	0	0
Finding No. 7	0	0	0	0	0	(666)
Finding No. 8	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,079)</u>
Adjustment Totals	<u>\$39,541</u>	<u>(\$132,972)</u>	<u>(\$672)</u>	<u>(\$30,540)</u>	<u>\$3,677</u>	<u>(\$2,610)</u>

Table 2-4

<u>Pasco County Wastewater</u>						
<u>UIF</u> <u>Audit Adjustments</u>	<u>Plant</u>	<u>Acc.</u> <u>Dep.</u>	<u>CIAC</u>	<u>Acc. Amort.</u> <u>of CIAC</u>	<u>Net</u> <u>Dep.</u>	<u>O&amp;M</u> <u>Exp.</u>
Finding No. 1	\$0	\$0	\$0	(\$23,424)	\$0	\$0
Finding No. 4	0	0	0	0	0	488
Finding No. 5	0	0	0	0	0	(264)
<u>Affiliate</u> <u>Audit Adjustments</u>	<u>Plant</u>	<u>Acc.</u> <u>Dep.</u>	<u>CIAC</u>	<u>Acc. Amort.</u> <u>of CIAC</u>	<u>Net</u> <u>Dep.</u>	<u>O&amp;M</u> <u>Exp.</u>
Finding No. 1	15,591	(13,475)	0	0	1,463	(36)
Finding No. 4	0	(38,957)	0	0	0	0
Finding No. 7	0	0	0	0	0	(263)
Finding No. 8	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(424)</u>
Adjustment Totals	<u>\$15,591</u>	<u>(\$52,432)</u>	<u>\$0</u>	<u>(\$23,424)</u>	<u>\$1,463</u>	<u>(\$499)</u>

Table 2-5

<u>Pinellas County Water</u>						
<u>UIF</u> <u>Audit Adjustments</u>	<u>Plant</u>	<u>Acc.</u> <u>Dep.</u>	<u>CIAC</u>	<u>Acc. Amort.</u> <u>of CIAC</u>	<u>Net</u> <u>Dep.</u>	<u>O&amp;M</u> <u>Exp.</u>
Finding No. 5	\$0	\$0	\$0	\$0	\$0	(\$251)
<u>Affiliate</u> <u>Audit Adjustments</u>	<u>Plant</u>	<u>Acc.</u> <u>Dep.</u>	<u>CIAC</u>	<u>Acc. Amort.</u> <u>of CIAC</u>	<u>Net</u> <u>Dep.</u>	<u>Dep.</u> <u>Exp.</u>
Finding No. 1	5,891	(5,093)	0	0	553	(6)
Finding No. 4	0	(14,738)	0	0	0	0
Finding No. 7	0	0	0	0	0	(99)
Finding No. 8	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(166)</u>
Adjustment Totals	<u>\$5,891</u>	<u>(\$19,831)</u>	<u>0</u>	<u>0</u>	<u>\$553</u>	<u>(\$522)</u>

Table 2-6

<u>Seminole County Water</u>						
<u>UIF</u> <u>Audit Adjustments</u>	<u>Plant</u>	<u>Acc.</u> <u>Dep.</u>	<u>CIAC</u>	<u>Acc. Amort.</u> <u>of CIAC</u>	<u>Net</u> <u>Dep.</u>	<u>Trans.</u> <u>Exp.</u>
Finding No. 1	\$0	\$0	\$296,212	(\$117,931)	\$34,367	\$0
Finding No. 2	0	0	(9,744)	239	(362)	0
<u>Affiliate</u> <u>Audit Adjustments</u>	<u>Plant</u>	<u>Acc.</u> <u>Dep.</u>	<u>CIAC</u>	<u>Acc. Amort.</u> <u>of CIAC</u>	<u>Net</u> <u>Dep.</u>	<u>Trans.</u> <u>Exp.</u>
Finding No. 1	44,171	(43,255)	0	0	4,912	(2,662)
Finding No. 4	0	(88,845)	0	0	0	0
Finding No. 7	0	0	0	0	0	(599)
Finding No. 8	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(971)</u>
Adjustment Totals	<u>\$44,171</u>	<u>(\$132,100)</u>	<u>\$286,468</u>	<u>(\$117,692)</u>	<u>\$38,917</u>	<u>(\$4,232)</u>

Table 2-7

<u>Seminole County Wastewater</u>						
<u>UIF</u> <u>Audit Adjustments</u>	<u>Plant</u>	<u>Acc.</u> <u>Dep.</u>	<u>CIAC</u>	<u>Acc. Amort.</u> <u>of CIAC</u>	<u>Net</u> <u>Dep.</u>	<u>O&amp;M</u> <u>Exp.</u>
Finding No. 1	\$0	\$0	\$269,264	(\$2,195)	\$697	\$0
<u>Affiliate</u> <u>Audit Adjustments</u>	<u>Plant</u>	<u>Acc.</u> <u>Dep.</u>	<u>CIAC</u>	<u>Acc. Amort.</u> <u>of CIAC</u>	<u>Net</u> <u>Dep.</u>	<u>O&amp;M</u> <u>Exp.</u>
Finding No. 1	23,431	(22,945)	0	0	2,606	(1,412)
Finding No. 4	0	(47,128)	0	0	0	0
Finding No. 7	0	0	0	0	0	1,563
Finding No. 8	0	0	0	0	0	(513)
Adjustment Totals	<u>\$23,431</u>	<u>(\$70,073)</u>	<u>\$269,264</u>	<u>(\$2,195)</u>	<u>\$3,303</u>	<u>(\$362)</u>

Summary

Based on the agreed to audit adjustments, staff recommends the following adjustments to rate base and net operating income be made.

Table 2-8

<u>Summary of UIF's Agreed to Audit Adjustments</u>						
<u>System</u>	<u>Plant</u>	<u>Acc.</u> <u>Dep.</u>	<u>CIAC</u>	<u>Acc. Amort.</u> <u>of CIAC</u>	<u>Net</u> <u>Dep.</u>	<u>O&amp;M</u> <u>Exp.</u>
Orange Water	\$4,760	(\$15,185)	(\$115)	\$3	\$559	(\$2,146)
Pasco Water	39,541	(132,972)	(672)	(30,540)	3,677	(2,610)
Pasco Wastewater	15,591	(52,432)	0	(23,424)	1,463	(499)
Pinellas Water	5,891	(19,831)	0	0	553	(522)
Seminole Water	44,171	(132,100)	286,468	(117,692)	38,917	(4,232)
Seminole Wastewater	<u>23,431</u>	<u>(70,073)</u>	<u>269,264</u>	<u>(2,195)</u>	<u>3,303</u>	<u>(362)</u>
Adjustment Totals	<u>\$133,385</u>	<u>(\$422,593)</u>	<u>\$554,945</u>	<u>(\$173,848)</u>	<u>\$48,472</u>	<u>(\$10,371)</u>

**Issue 3:** Should any adjustments be made to the Utility's Project Phoenix Financial/Customer Care Billing System (Phoenix Project)?

**Recommendation:** Yes. Plant should be reduced by \$74,020 for water and \$30,119 for wastewater. Corresponding adjustments should be made to reduce accumulated depreciation by \$9,881 for water and \$3,991 for wastewater and reduce depreciation expense by \$7,402 for water and \$3,012 for wastewater. Computer maintenance expense should be reduced by \$11,434 for water and \$4,631 for wastewater. In addition, consistent with the Commission's previous decisions, UIF should be authorized to create a regulatory asset or liability for costs associated with the Phoenix Project, and to accrue interest on the regulatory asset or liability at the 30-day commercial paper rate until the establishment of rates in UIF's next rate proceeding. Finally, when appropriate, the regulatory asset or liability should be amortized over four years.

County	Water Plant In Service	Wastewater Plant In Service	Water Accum. Depr.	Wastewater Accum. Depr.	Water Dep. Expense	Wastewater Dep. Expense	Water Computer Maint. Exp.	Wastewater Computer Maint. Exp.
Orange	(\$3,430)	\$0	\$457	\$0	(\$343)	\$0	(\$550)	\$0
Pasco	(34,371)	(13,646)	4,591	1,805	(3,437)	(1,365)	(5,313)	(2,095)
Pinellas	(5,300)	0	706	0	(530)	0	(793)	0
Seminole	<u>(30,919)</u>	<u>(16,473)</u>	<u>4,127</u>	<u>2,186</u>	<u>(3,092)</u>	<u>(1,647)</u>	<u>(4,778)</u>	<u>(2,535)</u>
Totals	<u>(\$74,020)</u>	<u>(\$30,119)</u>	<u>\$9,881</u>	<u>\$3,991</u>	<u>(\$7,402)</u>	<u>(\$3,012)</u>	<u>(\$11,434)</u>	<u>(\$4,631)</u>

(T. Brown, Fletcher)

**Staff Analysis:** The purpose of the Phoenix Project is to improve accounting, customer service, customer billing, and financial and regulatory reporting functions of UI and its subsidiaries. UI's Phoenix Project became operational in December 2008. Since 2009, the Commission has approved recovery of the cost of the Phoenix Project in several UI rate cases.<sup>9</sup> In those cases, UI allocated the Phoenix Project costs based on each subsidiary's equivalent residential connections (ERCs) to UI's total ERCs.

Allocation of Phoenix Project Costs

In the instant case, UI allocated 3.57 percent of its costs to UIF based on the ratio of its ERCs to the total ERCs at the corporate level.<sup>10</sup> In a recent Commission decision for a sister

<sup>9</sup> See Docket Nos. 120076-SU, 120037-WS, 110257-WS, 110264-WS, 110153-SU, 100426-WS, 090531-WS, 090462-WS, 090402-WS, 090392-WS, 080250-SU, 080249-WS, 080248-SU, 080247-SU, 070695-WS, 070694-WS, and 070693-WS.

<sup>10</sup> The amount of costs allocated to UIF is based on its ERC ratio to the total ERCs at the corporate level. The Utility calculated the allocation ratio at 3.57 percent using the following figures. In 2011, the Illinois office allocated 0.11 percent to Orange County, 1.54 percent to Pasco County, 0.17 percent to Pinellas County, and 1.52 percent to Seminole County. Each county then allocates the cost from headquarters between its water and wastewater systems by each system's ERCs.

utility, the total Phoenix Project costs for the test year were \$22,397,283,<sup>11</sup> of which UIF's allocated share was 3.57 percent, or \$799,583.

### 2009 Divestitures of UI Subsidiaries

In 2009, UI divested several Florida subsidiaries including Miles Grant Water and Sewer Company, Utilities, Inc. of Hutchinson Island, and Wedgefield Utilities, Inc., as well as subsidiaries in other states. In Order No. PSC-10-0585-PAA-WS, the Commission found that allocating costs according to equivalent residential connections (ERCs) is an appropriate methodology to spread the cost of the Phoenix Project, but it did not believe the Phoenix Project costs previously allocated to the divested subsidiaries should be reallocated to the surviving utilities.<sup>12</sup> Because no added benefit was realized by the remaining subsidiaries, the Commission found that it was not fair, just, or reasonable for ratepayers to bear any additional allocated Phoenix Project costs. Thus, the Commission ruled that the divested subsidiaries' allocation amounts should be deducted from the total cost of the Phoenix Project before any such costs are allocated to the remaining UI subsidiaries.

### Affiliate Audit Finding Nos. 2 and 3

In Order No. PSC-10-0407-PAA-SU, the Commission established the total cost of the Phoenix Project as of December 31, 2008, at \$21,617,487 and then required UI to deduct \$1,724,166 from the total cost of the Phoenix Project for divestitures, resulting in a balance of \$19,893,321, before allocating costs to the remaining UI subsidiaries.<sup>13</sup> According to staff's affiliate audit report, the Utility did not make adjustments in the MFRs to reflect the amounts ordered for Project Phoenix. The Utility's restatement schedule shows the Project Phoenix balance at December 31, 2008, to be \$21,525,403. The difference between the Utility's balance and the ordered amount is \$1,632,082. Affiliate Audit Finding No. 2 recommends that plant and accumulated depreciation be reduced for each county and system to reflect the allocated share of the Commission-ordered Project Phoenix cost of \$19,893,321.

In Affiliate Audit Finding No. 3, audit staff discovered that the Utility did not change the depreciable life for the Phoenix Project from eight to ten years as directed in Order No. PSC-10-0407-PAA-SU. Audit staff adjusted the accumulated depreciation and depreciation expense on Phoenix Project from eight to ten years to comply with the Order.

In its response to the affiliate audit, the Utility disagreed with Affiliate Audit Finding Nos. 2 and 3. Moreover, the Utility believes this matter will be resolved upon the closing of the UI Generic Docket No. 120161-WS.<sup>14</sup> No additional information was provided by the Utility.

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<sup>11</sup> See Order No. PSC-12-0667-PAA-WS, issued December 26, 2012, in Docket No. 120037-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke, at p. 7.

<sup>12</sup> See Order No. PSC-10-0585-PAA-WS, issued September 22, 2010, in Docket No. 090462-WS, In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida, at p. 10.

<sup>13</sup> See Order No. PSC-10-0407-PAA-SU, issued on June 21, 2010, in Docket No. 090381-WS, In re: Application for increase in wastewater rates in Seminole County by Utilities Inc. of Longwood, at p. 6.

<sup>14</sup> On May 23, 2012, Utilities, Inc. of Eagle Ridge, on behalf of its Florida-subsiaries and pursuant to a stipulation and settlement agreement entered into with the Office of Public Counsel, filed a petition for the establishment of a



Staff believes that the appropriate depreciable life for the Phoenix Project is still ten years. Based on Affiliate Audit Finding Nos. 2 and 3, the Commission’s prior orders, and the additional subsidiary divestitures discussed below, staff believes that the following adjustments need to be made to plant, accumulated depreciation, and depreciation expense.

Additional Divestitures of UI Subsidiaries

In 2010, UI divested four additional systems and subsidiaries in North Carolina, South Carolina, and Florida. The 4 divested systems collectively represent 9,518 ERCs. In Order No. PSC-12-0206-PAA-WS, the Commission further reduced the total cost of the Phoenix Project for systems divested in 2010.<sup>15</sup> Consistent with prior Commission decisions, the adjustment to deduct the proportional amount of the divested companies from the total cost of the Phoenix Project should also be made for subsequent divestitures. In 2011 and 2012, a total of 9 additional systems were divested by UI, representing an additional 7,909 ERCs. For purposes of this adjustment, the net number of ERCs related to the divested systems is 17,427 (9,518 + 7,909), or 6.63 percent of the total number of ERCs for UI. The divested systems and the corresponding ERCs are shown in the table below.

Table 3-1

ERC/Percentage of Divested Subsidiaries		
<u>System</u>	<u>ERCs</u>	<u>ERC %</u>
Bio Tech Admin.	0	0.00%
Carolina Water Serv., Inc. of N.C.	327	0.12%
South Carolina Utilities, Inc. (United Utility Company)	246	0.09%
Alafaya Utilities, Inc. (as of 12/31/07)	8,945	3.41%
Carolina Water Serv., Inc. of N.C.	512	0.19%
Cabarrus Woods	5,175	1.97%
Forest Ridge	518	0.20%
Lamplighter Village	349	0.13%
Britley	123	0.05%
Windsor Chase	135	0.05%
Bayside Utility Services	437	0.17%
Sandy Creek Services	370	0.14%
Woodbury Subdivision	<u>290</u>	<u>0.11%</u>
Total	<u>17,427</u>	<u>6.63%</u>

Consistent with the Commission’s prior decisions, the total cost of the Phoenix Project for UI should be reduced by an additional 6.63 percent, or \$1,485,836 (\$22,397,283 x 0.06634), to account for the divestiture of subsidiaries through 2012. The effect on the filing is a decrease to

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generic docket to address the Commission's treatment of the Phoenix Project costs. This generic docket has been assigned Docket No. 120161-WS.

<sup>15</sup> See Order No. PSC-12-0206-PAA-WS, issued April 17, 2012, in Docket No. 110264-WS, In re: Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc., at p. 12.

plant by \$49,626. Corresponding adjustments should also be made to decrease both accumulated depreciation and depreciation expense by \$2,481 and \$4,962, respectively.

In this case, audit staff determined that the Utility did not make the adjustment for the Phoenix Project that the Commission had previously ordered. Therefore, staff adjusted plant by \$54,512. Corresponding adjustments should also be made to increase accumulated depreciation by \$16,354, and decrease depreciation expense by \$5,452. The depreciation calculation is based on a depreciable life of ten years for the Phoenix Project. Tables 3-2 through 3-4 show the plant, accumulated depreciation, and depreciation expense adjustments described above by water or wastewater service for each county, as well as the total adjustment for each county which is reflected on the appropriate Schedule Nos. 1-C and 3-C.

Table 3-2

Plant Adjustments			
<u>System</u>	<u>Divestiture Plant Adj.</u>	<u>Prior Order Plant Adj.</u>	<u>Total Adjustment</u>
Orange - Water	(\$1,634)	(\$1,795)	(\$3,430)
Pasco - Water	(16,344)	(18,027)	(34,371)
Pasco - Wastewater	(6,538)	(7,108)	(13,646)
Pinellas - Water	(2,526)	(2,775)	(5,300)
Seminole - Water	(14,710)	(16,209)	(30,919)
Seminole - Wastewater	<u>(7,875)</u>	<u>(8,598)</u>	<u>(16,473)</u>
Total	<u>(\$49,626)</u>	<u>(\$54,512)</u>	<u>(\$104,139)</u>

Table 3-3

Accumulated Depreciation Adjustments			
<u>System</u>	<u>Divestiture Acc. Dep. Adj.</u>	<u>Prior Order Acc. Dep. Adj.</u>	<u>Total Adjustment</u>
Orange - Water	(\$82)	\$539	\$457
Pasco - Water	(817)	5,408	4,591
Pasco - Wastewater	(327)	2,132	1,805
Pinellas - Water	(126)	832	706
Seminole - Water	(735)	4,863	4,127
Seminole - Wastewater	<u>(394)</u>	<u>2,580</u>	<u>2,186</u>
Total	<u>(\$2,481)</u>	<u>\$16,354</u>	<u>\$13,872</u>

Table 3-4

Depreciation Expense Adjustments			
<u>System</u>	<u>Divestiture Dep. Exp. Adj.</u>	<u>Prior Order Dep. Exp. Adj.</u>	<u>Total Adjustment</u>
Orange - Water	(\$163)	(\$180)	(\$343)
Pasco - Water	(1,634)	(1,803)	(3,437)
Pasco - Wastewater	(654)	(711)	(1,365)
Pinellas - Water	(253)	(277)	(530)
Seminole - Water	(1,471)	(1,621)	(3,092)
Seminole - Wastewater	<u>(787)</u>	<u>(860)</u>	<u>(1,647)</u>
Total	<u>(\$4,962)</u>	<u>(\$5,452)</u>	<u>(\$10,414)</u>

Computer Maintenance Expense

In several recent rate cases involving UIF's sister companies, the Commission recognized the volatility of computer maintenance expense, determined that a five-year average is an appropriate basis for ratemaking purposes, and excluded the portion of Phoenix Project IT maintenance charges associated with UI divested systems, consistent with the Commission's treatment of the Phoenix Project costs per ERC.<sup>16</sup> Based on the 5-year average and UIF's ERC allocation percentage, staff calculated a reduction of \$15,436, \$10,987 for water and \$4,449 for wastewater. Moreover, to remove the Phoenix Project computer maintenance charge for the divested systems' share, computer maintenance expense should be further reduced by \$448 for water and \$181 for wastewater. The following table shows the adjustments described above by water or wastewater service for each county, as well as the total adjustment for each county which is reflected on the appropriate Schedule No. 3-C.

Table 3-5

Computer Maintenance Expense Adjustments			
<u>System</u>	<u>5-yr. Avg. Exp. Adj.</u>	<u>Divest. Adj.</u>	<u>Total Adj.</u>
Orange - Water	(\$529)	(\$22)	(\$550)
Pasco - Water	(5,105)	(208)	(5,313)
Pasco - Wastewater	(2,013)	(82)	(2,095)
Pinellas - Water	(762)	(31)	(793)
Seminole - Water	(4,591)	(187)	(4,778)
Seminole - Wastewater	<u>(2,436)</u>	<u>(99)</u>	<u>(2,535)</u>
Total	<u>(\$15,436)</u>	<u>(\$629)</u>	<u>(\$16,064)</u>

<sup>16</sup> See Order Nos. PSC-12-0667-PAA-WS and PSC-12-0206-PAA-WS.

### Creation of a Regulatory Asset or Liability

In Docket No. 110153-SU, as part of a proposed settlement of PAA protests, Utilities, Inc. (UIF's parent company) with the consent and support of OPC, petitioned this Commission to open a separate generic docket to address the protested issue relating to the Utility's Phoenix Project. In that Agreement, the Parties agreed, and this Commission subsequently ordered,<sup>17</sup> that if there is an upward or downward adjustment to the previously approved revenue requirement for Utilities Inc. of Eagle Ridge resulting from a final Commission decision in Docket No. 120161-WS, the Utility should be authorized to create a regulatory asset or liability, and accrue interest on the regulatory asset<sup>18</sup> or liability,<sup>19</sup> at the 30-day commercial paper rate until the establishment of rates in Utilities Inc. of Eagle Ridge's next rate proceeding. The Commission also ordered that the regulatory asset or liability be amortized over four years. The Commission has ordered this same treatment for other UIF sister companies, including Sanlando Utilities Corporation and Utilities, Inc. of Pennbrooke.<sup>20</sup> Therefore, consistent with the Commission's actions in Docket No. 110153-SU, staff recommends that UIF be authorized to create a regulatory asset or liability for costs associated with the Phoenix Project, and to accrue interest on the regulatory asset or liability at the 30-day commercial paper rate until the establishment of rates in UIF's next rate proceeding. Furthermore, the regulatory asset or liability should be amortized over 4 years.

### Conclusion

Staff recommends that plant be reduced by \$74,020 for water and \$30,119 for wastewater. Corresponding adjustments should be made to reduce accumulated depreciation by \$9,881 for water and \$3,991 for wastewater and reduce depreciation expense by \$7,402 for water and \$3,012 for wastewater. Computer maintenance expense should be reduced by \$11,434 for water and \$4,631 for wastewater. In addition, consistent with the Commission's previous decisions, UIF should be authorized to create a regulatory asset or liability for costs associated with the Phoenix Project, and to accrue interest on the regulatory asset or liability at the 30-day commercial paper rate until the establishment of rates in UIF's next rate proceeding. Furthermore, the regulatory asset or liability should be amortized over 4 years.

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<sup>17</sup> See Order No. PSC-12-0346-FOF-SU, issued July 10, 2012, in Docket No. 110153-SU, In re: Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge, at pp. 2, 9.

<sup>18</sup> A regulatory asset typically involves a cost incurred by a regulated utility that would normally be expensed currently but for an action by the regulator or legislature to defer the cost as an asset to the balance sheet. This allows a utility to amortize the regulatory asset over a period greater than one year. For example, unamortized rate case expense in the water and wastewater industry is a regulatory asset. Normally, the costs of a rate case would be expensed when incurred. However, Section 367.0816, F.S., requires that water and wastewater utilities amortize rate case expense over a four-year period, thus creating a regulatory asset. The Commission's approval to defer entitled revenues and amortize the recovery of those revenues over a period greater than one year can also create a regulatory asset.

<sup>19</sup> An example of a regulatory liability would be the deferral of past overearnings to future periods.

<sup>20</sup> See Order Nos. PSC-13-0085-PAA-WS, issued February 14, 2013, in Docket No. 110257-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation; and PSC-12-0667-PAA-WS, issued December 21, 2012, in Docket No. 120037-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke.

Table 3-6

<u>County</u>	<u>Water Plant In Service</u>	<u>Wastewater Plant In Service</u>	<u>Water Accum. Depr.</u>	<u>Wastewater Accum. Depr.</u>	<u>Water Dep. Expense</u>	<u>Wastewater Dep. Expense</u>	<u>Water Computer Maint. Exp.</u>	<u>Wastewater Computer Maint. Exp.</u>
Orange	(\$3,430)	\$0	\$457	\$0	(\$343)	\$0	(\$550)	\$0
Pasco	(34,371)	(13,646)	4,591	1,805	(3,437)	(1,365)	(5,313)	(2,095)
Pinellas	(5,300)	0	706	0	(530)	0	(793)	0
Seminole	<u>(30,919)</u>	<u>(16,473)</u>	<u>4,127</u>	<u>2,186</u>	<u>(3,092)</u>	<u>(1,647)</u>	<u>(4,778)</u>	<u>(2,535)</u>
Total	<u>(\$74,020)</u>	<u>(\$30,119)</u>	<u>\$9,881</u>	<u>\$3,991</u>	<u>(\$7,402)</u>	<u>(\$3,012)</u>	<u>(\$11,434)</u>	<u>(\$4,631)</u>

**Issue 4:** Should any additional test year plant adjustments be made?

**Recommendation:** Yes. Pasco County's Contractual Services – Engineering expense should be decreased by \$1,367 and plant should be increased by \$1,367. Accordingly, corresponding adjustments should be made to increase accumulated depreciation by \$62, depreciation expense by \$62, and taxes other than income by \$20. Accumulated deferred income taxes should also be increased by \$254. (T. Brown, P. Buys, Rieger)

**Staff Analysis:** According to Pasco County's MFR Schedule B-7, Contractual Services – Engineering expense increased by \$1,367 during the test year. The explanation provided states, "Eng. Services used in support of permitting activities in Summertree regarding addition of polyphosphate." Staff asked the Utility to clarify whether the costs were reflective of total costs or the amortized portion of the total cost in its First Data Request. According to the Utility, the costs associated with the Sequestrant Injection Improvements are reflective of the total cost of this one-time event.<sup>21</sup> As such, staff believes that engineering expenses related to the polyphosphate addition should be capitalized to plant since they are a one-time event.

Accordingly, staff recommends that this expense be removed from Pasco County water's Contractual Services – Engineering expense and capitalized to plant. Pasco County's Contractual Services – Engineering expense should be decreased by \$1,367 and plant should be increased by \$1,367. Consequently, corresponding adjustments should be made to increase accumulated depreciation by \$62, depreciation expense by \$62, and taxes other than income by \$20. Accumulated deferred income taxes should also be increased by \$254.

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<sup>21</sup> See Document No. 04035-13, filed July 15, 2013, Utility's Responses to Staff's First Data Request, p. 21.

**Issue 5:** Should any adjustments be made to the Utility's pro forma plant additions and associated expenses?

**Recommendation:** Yes. The appropriate amount of pro forma plant additions are \$1,014,737 for water and \$210,001 for wastewater. UIF's pro forma plant, accumulated depreciation, depreciation expense, and property taxes should be adjusted as shown below. In addition, accumulated deferred income taxes (ADITs) should be increased by \$270,409.

County	Plant		Accum. Dep.		Dep. Expense		Prop. Tax	
	Water	W/water	Water	W/water	Water	W/water	Water	W/water
Pasco	(\$56,299)	\$0	(\$15,188)	\$0	(\$780)	\$0	\$4,514	\$0
Pinellas	(3,216)	0	(1,543)	0	(76)	0	4,936	0
Seminole	(128,545)	(2,999)	4,374	(675)	(4,778)	(88)	8,407	3,334
Total	(\$188,060)	(\$2,999)	(\$12,357)	(\$675)	(\$5,634)	(\$88)	\$17,857	\$3,334

(T. Brown, P. Buys, Rieger)

**Staff Analysis:** In its MFRs, UIF reflected pro forma additions of \$1,202,797 for water and \$213,000 for wastewater net of retirements. The following table provides a breakdown of each pro forma plant addition.

Table 5-1

<u>Pro Forma Projects/Retirements by County</u>	<u>Water</u>	<u>Wastewater</u>
<b><u>Pasco</u></b>		
Summertree - Well 13 Hydro Tank Replacement	\$70,000	
Retirement for Hydro Tank	(13,741)	
Orangewood/Buena Vista - Water Dist. Plant Replacement	300,000	
Retirement for Water Dist. Plant	<u>(46,638)</u>	
Total Pasco	<u>\$309,621</u>	
<b><u>Pinellas</u></b>		
Lake Tarpon - Replacement of a Portion of Dist. System	\$300,000	
Retirement for Dist. System	<u>(49,563)</u>	
Total Pinellas	<u>\$250,437</u>	
<b><u>Seminole</u></b>		
Park Ridge - Water Dist. and Valve Replacement	\$280,000	
Retirement for Water Dist. and Valve	(35,860)	
Park Ridge - WTP Electrical Equipment Replacement	80,000	
Retirement for Park Ridge WTP Electrical Equipment	(10,191)	
Park Ridge - Emergency Interconnect with Sanford	65,000	
Ravenna Park - WTP Electrical Equipment Replacement	100,000	
Retirement for Ravenna Park WTP Electrical Equipment	(12,739)	
Phillips - WTP Electrical Equipment Replacement	80,000	
Retirement for Phillips WTP Electrical Equipment	(10,191)	
Weathersfield - WTP Electrical Equipment Replaced	65,000	
Retirement for Weathersfield WTP Electrical Equipment	(8,280)	
Weathersfield - Valve Installation	<u>50,000</u>	
Ravenna Park - Force Main Replacement		\$80,000
Retirement for Ravenna Park Force Main		(22,765)
Ravenna Park - Reduction of I&I		<u>155,765</u>
Total Seminole	<u>\$642,739</u>	<u>\$213,000</u>
TOTAL ADDITIONS	<u>\$1,202,797</u>	<u>\$213,000</u>

Staff has reviewed the supporting documentation and the prudence of these pro forma plant additions. Staff believes that the pro forma additions are reasonable and prudent, because they will help extend the life of the water and wastewater facilities, decrease water loss, improve water quality, and address several other maintenance issues. As a part of staff's review relating to the prudence of these additions, staff requested a statement of why each addition is necessary and copies of all invoices and support documentation for the plant additions. According to the Utility, only the emergency interconnect with Sanford (Seminole water) is not moving forward at this time. As such, staff has removed the \$65,000 related to this plant addition. In addition, staff made adjustments to reflect the difference between actual costs and estimated pro forma plant. Staff's adjustments to plant resulted in corresponding flow-through adjustments to accumulated



depreciation, depreciation expense, property taxes,<sup>22</sup> and accumulated deferred income taxes (ADITs). Staff's recommended adjustments are shown in the following tables.

Table 5-2

Plant Adjustments			
<u>Pro Forma Projects</u>	<u>MFR Plant</u>	<u>Staff Plant</u>	<u>Plant Adj.</u>
<u>Pasco</u>			
Summertree - Well 13 Hydro Tank Replacement	\$70,000	\$57,430	(\$12,570)
Retirement for Hydro Tank	(13,741)	(11,839)	1,902
Orangewood/Buena Vista - Water Dist. Plant Replacement	300,000	239,757	(60,243)
Retirement for Water Dist. Plant	(46,638)	(32,027)	14,611
Total Pasco	<u>\$309,621</u>	<u>\$253,322</u>	<u>(\$56,299)</u>
<u>Pinellas</u>			
Lake Tarpon - Replacement of a Portion of Dist. System	\$300,000	\$295,125	(\$4,875)
Retirement for Dist. System	(49,563)	(47,904)	1,659
Total Pinellas	<u>\$250,437</u>	<u>\$247,221</u>	<u>(\$3,216)</u>
<u>Seminole</u>			
Park Ridge - Water Dist. and Valve Replacement	\$280,000	\$286,110	\$6,110
Retirement for Water Dist. and Valve	(35,860)	(44,339)	(8,479)
Park Ridge - WTP Electrical Equipment Replacement	80,000	78,600	(1,400)
Retirement for Park Ridge WTP Electrical Equipment	(10,191)	(10,013)	178
Park Ridge - Emergency Interconnect with Sanford	65,000	0	(65,000)
Ravenna Park WTP Electrical Equipment Replacement	100,000	80,700	(19,300)
Retirement for Ravenna Park - WTP Electrical Equipment	(12,739)	(10,280)	2,459
Phillips - WTP Electrical Equipment Replacement	80,000	55,400	(24,600)
Retirement for Phillips WTP Electrical Equipment	(10,191)	(7,057)	3,134
Weathersfield - WTP Electrical Equipment Replaced	65,000	41,339	(23,661)
Retirement for Weathersfield WTP Electrical Equipment	(8,280)	(5,266)	3,014
Weathersfield - Valve Installation	<u>50,000</u>	<u>49,000</u>	<u>(1,000)</u>
Total Seminole Water	<u>\$642,739</u>	<u>\$514,194</u>	<u>(\$128,545)</u>
Ravenna Park - Force Main Replacement	\$80,000	\$77,226	(\$2,774)
Retirement for Ravenna Park Force Main	(22,765)	(21,975)	790
Ravenna Park - Reduction of I&I	<u>155,765</u>	<u>154,750</u>	<u>(1,015)</u>
Total Seminole Wastewater	<u>\$213,000</u>	<u>\$210,001</u>	<u>(\$2,999)</u>
<b>TOTAL PLANT</b>	<u><b>\$1,415,797</b></u>	<u><b>\$1,224,738</b></u>	<u><b>(\$191,059)</b></u>

<sup>22</sup> No property tax was included in the Utility's pro forma plant calculations. In an effort to accurately reflect the impact of the pro forma plant additions, staff calculated a property tax adjustment for each addition.

Table 5-3

Accumulated Depreciation Adjustments			
<u>Pro Forma Projects</u>	MFR Acc. <u>Dep.</u>	Staff Acc. <u>Dep.</u>	Acc. Dep. <u>Adj.</u>
<u>Pasco</u>			
Summertree - Well 13 Hydro Tank Replacement	(\$1,892)	(\$1,641)	\$251
Retirement for Hydro Tank	13,741	11,839	(1,902)
Orangewood/Buena Vista - Water Dist. Plant Replacement	(8,134)	(7,060)	1,074
Retirement for Water Dist. Plant	<u>46,638</u>	<u>32,027</u>	<u>(14,611)</u>
Total Pasco	<u>\$50,353</u>	<u>\$35,165</u>	<u>(\$15,188)</u>
<u>Pinellas</u>			
Lake Tarpon - Replacement of a Portion of Dist. System	(\$8,401)	(\$8,285)	\$116
Retirement for Dist. System	<u>49,563</u>	<u>47,904</u>	<u>(1,659)</u>
Total Pinellas	<u>\$41,162</u>	<u>\$39,619</u>	<u>(\$1,543)</u>
<u>Seminole</u>			
Park Ridge - Water Dist. and Valve Replacement	(\$6,823)	(\$7,211)	(\$388)
Retirement for Water Dist. and Valve	35,860	44,339	8,479
Park Ridge WTP Electrical Equipment Replacement	(4,000)	(3,930)	70
Retirement for Park Ridge WTP Electrical Equipment	10,191	10,013	(178)
Park Ridge - Emergency Interconnect with Sanford	(1,857)	0	1,857
Ravenna Park - WTP Electrical Equipment Replacement	(5,000)	(4,035)	965
Retirement for Ravenna Park WTP Electrical Equipment	12,739	10,280	(2,459)
Phillips - WTP Electrical Equipment Replacement	(4,000)	(2,770)	1,230
Retirement for Phillips WTP Electrical Equipment	10,191	7,057	(3,134)
Weathersfield - WTP Electrical Equipment Replaced	(3,250)	(2,067)	1,183
Retirement for Weathersfield WTP Electrical Equipment	8,280	5,266	(3,014)
Weathersfield - Valve Installation	<u>(1,163)</u>	<u>(1,400)</u>	<u>(237)</u>
Total Seminole Water	<u>\$51,168</u>	<u>\$55,542</u>	<u>\$4,374</u>
Ravenna Park - Force Main Replacement	(\$2,667)	(\$2,574)	\$93
Retirement for Ravenna Park Force Main	22,765	21,975	(790)
Ravenna Park - Reduction of I&I	<u>(3,461)</u>	<u>(3,439)</u>	<u>22</u>
Total Seminole Wastewater	<u>\$16,637</u>	<u>\$15,962</u>	<u>(\$675)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>\$159,320</u>	<u>\$146,288</u>	<u>(\$13,032)</u>

Table 5-4

Depreciation Expense Adjustments			
<u>Pro Forma Projects - Plant</u>	<u>MFR Dep. Exp.</u>	<u>Staff Dep. Exp.</u>	<u>Dep. Exp. Adj.</u>
<u>Pasco</u>			
Summertree - Well 13 Hydro Tank Replacement	\$1,892	\$1,641	(\$251)
Retirement for Hydro Tank	(371)	(338)	33
Orangewood/Buena Vista - Water Dist. Plant Replacement	8,134	7,060	(1,074)
Retirement for Water Dist. Plant	<u>(1,534)</u>	<u>(1,022)</u>	<u>512</u>
Total Pasco	<u>\$8,121</u>	<u>\$7,340</u>	<u>(\$781)</u>
<u>Pinellas</u>			
Lake Tarpon - Replacement of a Portion of Dist. System	\$8,401	\$8,285	(\$116)
Retirement for Dist. System	<u>(1,712)</u>	<u>(1,671)</u>	<u>41</u>
Total Pinellas	<u>\$6,689</u>	<u>\$6,614</u>	<u>(\$75)</u>
<u>Seminole</u>			
Park Ridge - Water Dist. and Valve Replacement	\$6,823	\$7,211	\$388
Retirement for Water Dist. and Valve	(949)	(1,486)	(537)
Park Ridge - WTP Electrical Equipment Replacement	4,000	3,930	(70)
Retirement for Park Ridge WTP Electrical Equipment	(510)	(501)	9
Park Ridge - Emergency Interconnect with Sanford	1,857	0	(1,857)
Ravenna Park - WTP Electrical Equipment Replacement	5,000	4,035	(965)
Retirement for Ravenna Park WTP Electrical Equipment	(637)	(514)	123
Phillips - WTP Electrical Equipment Replacement	4,000	2,770	(1,230)
Retirement for Phillips WTP Electrical Equipment	(510)	(353)	157
Weathersfield - WTP Electrical Equipment Replaced	3,250	2,067	(1,183)
Retirement for Weathersfield WTP Electrical Equipment	(414)	(263)	151
Weathersfield - Valve Installation	<u>1,163</u>	<u>1,400</u>	<u>237</u>
Total Seminole Water	<u>\$23,073</u>	<u>\$18,296</u>	<u>(\$4,778)</u>
Ravenna Park - Force Main Replacement	\$2,667	\$2,574	(\$93)
Retirement for Ravenna Park Force Main	(759)	(733)	27
Ravenna Park - Reduction of I&I	<u>3,461</u>	<u>3,439</u>	<u>(22)</u>
Total Seminole Wastewater	<u>\$5,369</u>	<u>\$5,280</u>	<u>(\$88)</u>
TOTAL DEPRECIATION EXPENSE	<u>\$43,252</u>	<u>\$37,530</u>	<u>(\$5,722)</u>

Table 5-5

Property Tax Adjustments			
<u>Pro Forma Projects</u>	<u>MFR Prop. Tax</u>	<u>Staff Prop. Tax</u>	<u>Prop. Tax Adj.</u>
<u>Pasco</u>			
Summertree - Well 13 Hydro Tank Replacement	\$0	\$873	\$873
Orangewood/Buena Vista - Water Dist. Plant Replacement	<u>0</u>	<u>3,641</u>	<u>3,641</u>
Total Pasco	<u>\$0</u>	<u>\$4,514</u>	<u>\$4,514</u>
<u>Pinellas</u>			
Lake Tarpon - Replacement of a Portion of Dist. System	<u>\$0</u>	<u>\$4,936</u>	<u>\$4,936</u>
Total Pinellas	<u>\$0</u>	<u>\$4,936</u>	<u>\$4,936</u>
<u>Seminole</u>			
Park Ridge - Water Dist. and Valve Replacement	\$0	\$4,115	\$4,115
Park Ridge - WTP Electrical Equipment Replacement	0	1,102	1,102
Park Ridge - Emergency Interconnect with Sanford	0	0	0
Ravenna Park - WTP Electrical Equipment Replacement	0	1,131	1,131
Phillips - WTP Electrical Equipment Replacement	0	777	777
Weathersfield - WTP Electrical Equipment Replaced	0	579	579
Weathersfield - Valve Installation	<u>0</u>	<u>702</u>	<u>702</u>
Total Seminole Water	<u>\$0</u>	<u>\$8,407</u>	<u>\$8,407</u>
Ravenna Park - Force Main Replacement	\$0	\$1,101	\$1,101
Ravenna Park - Reduction of I&I	<u>0</u>	<u>2,233</u>	<u>2,233</u>
Total Seminole Wastewater	<u>\$0</u>	<u>\$3,334</u>	<u>\$3,334</u>
TOTAL PROPERTY TAX	<u>\$0</u>	<u>\$21,191</u>	<u>\$21,191</u>

Based on the information above, staff recommends that the appropriate pro forma plant additions are \$1,014,737 for water and \$210,001 for wastewater. This results in an incremental decrease of \$188,060 for water and decrease of \$2,999 for wastewater from the amounts requested in the Utility's MFRs. Using the depreciable lives pursuant to Rule 25-30.140, F.A.C., corresponding adjustments should be made to decrease accumulated depreciation by \$12,357 for water and \$675 for wastewater. Depreciation expense should be increased by \$5,634 for water and \$88 for wastewater. In addition, pro forma property taxes should be increased by \$17,857 for water and \$3,334 for wastewater. Based on the additional pro forma plant and changes in depreciation recommended above, \$270,409 of ADITs are created. Staff has included this amount in the capital structure shown in Schedule No. 1. Staff's recommended pro forma plant adjustments, excluding ADITs, are included in Table 5-6 below:

Table 5-6

County	Plant		Accum. Dep.		Dep. Expense		Prop. Tax	
	Water	W/water	Water	W/water	Water	W/water	Water	W/water
Pasco	(\$56,299)	\$0	(\$15,188)	\$0	(\$780)	\$0	\$4,514	\$0
Pinellas	(3,216)	0	(1,543)	0	(76)	0	4,936	0
Seminole	(128,545)	(2,999)	4,374	(675)	(4,778)	(88)	8,407	3,334
Total	<u>(\$188,060)</u>	<u>(\$2,999)</u>	<u>(\$12,357)</u>	<u>(\$675)</u>	<u>(\$5,634)</u>	<u>(\$88)</u>	<u>\$17,857</u>	<u>\$3,334</u>

**Issue 6:** What are the used and useful percentages of the Utility's water and wastewater systems?

**Recommendation:** UIF's water plants, water transmission and distribution systems, and wastewater collection systems should be considered 100 percent used and useful (U&U). Staff recommends that no adjustment be made for excess unaccounted for water for any of the Utility's water systems. Consistent with the last rate case, a 33.02 percent adjustment to purchased wastewater treatment expense for Ravenna Park should be made to reflect the Utility's excessive infiltration and inflow (I&I). Accordingly, purchased wastewater expense should be decreased by \$63,900 for Seminole County – Wastewater. (P. Buys, Rieger, T. Brown)

**Staff Analysis:** The Utility has fourteen water systems in this docket. Crescent Heights and Davis Shores in Orange County purchase potable water from the Orlando Utilities Commission and Orange County. The other twelve systems in Pasco, Pinellas, and Seminole Counties have water plants that produce potable water. Six of these systems received minimal amounts of potable water during the test year via emergency interconnects with other utilities.

UIF has four wastewater systems in this proceeding. The Summertree and Orangetown systems in Pasco County purchase bulk wastewater treatment from Pasco County, while the Ravenna Park and Weathersfield systems in Seminole County purchase bulk wastewater from the cities of Sanford and Altamonte Springs.

#### Used and Useful (U&U)

In its MFRs, the Utility did not include U&U adjustments for any of its water or wastewater systems. In the Utility's last rate case, in Order No. PSC-10-0585-PAA-WS, the Commission found all of the water and wastewater plants to be 100 percent U&U. That finding was consistent with earlier rate cases, where in Order Nos. PSC-07-0505-SC-WS and PSC-03-1440-FOF-WS, the Commission also found all of the water and wastewater systems to be 100 percent U&U.<sup>23</sup>

All of the Utility's systems, since the last rate case, have either lost customers or have had no significant growth. Staff recommends that, consistent with the last rate case, the water and wastewater systems for Orange, Pasco, Pinellas, and Seminole Counties are 100 percent U&U because none of the systems are oversized and the service areas are substantially built out.

#### Excessive Unaccounted for Water (EUW)

Rule 25-30.4325, F.A.C., describes EUW as unaccounted for water in excess of 10 percent of the amount produced. The rule provides that to determine whether adjustments to plant and operating expenses, such as chemical, electrical, and purchased water costs are necessary, the Commission will consider all relevant factors as to the reason for EUW, solutions implemented to correct the problem, or whether a proposed solution is economically feasible. According to the MFRs, during the test year the Utility had 8 systems of the 14 systems with

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<sup>23</sup>See Order Nos. PSC-07-0505-SC-WS, issued June 13, 2007, in Docket No. 060253-WS, In re: Application for increase water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida; and PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

unaccounted for water greater than 10 percent, including Crescent Heights (11.1 percent) in Orange County, Orangewood (18.9 percent) and Summertree (10.5 percent) in Pasco County; Lake Tarpon (24.0 percent) in Pinellas County; Bear Lake (12.8 percent), Phillips (22.8 percent), Ravenna Park (12.4 percent), and Weathersfield (15.8 percent) all in Seminole County.

For Crescent Heights and Weathersfield, customer meter inaccuracy is suspected as the cause of EUW. The Utility indicated it has replaced over 10 percent of the customer meters and will continue the project in an effort to reduce EUW for these systems. The Utility has a pro-forma project for Orangewood, which includes replacing galvanized pipe water mains and associated water laterals as well as replacing over 470 customer meters. The Utility believes this project will reduce the water loss. For Summertree, the Utility believes it is not economically worthwhile to pursue any action because the EUW has decreased from its last rate case and the amount of EUW is very small. The Utility also has a pro forma project for Lake Tarpon which includes replacing all the remaining galvanized pipe water mains and water laterals along with relocating meters to the nearest lot line to reduce theft. A system survey will be completed to identify irrigation wells and possible cross connections.

For Bear Lake, the Utility reported there is no evidence of any significant problems. The Utility has advised its staff to securely close all blow-off valves after flushing. In Phillips, the EUW was attributed to a malfunctioning well meter. The meter has been sent to an independent facility for evaluation and the results are not available at this time.

For Ravenna Park, over 40 percent of the customer meters have been replaced; however, this action has not significantly improved the EUW. Ultimately, the well meter was found to be the source of the EUW. A new meter was installed and is measuring with an accuracy of 99.49 percent. It appears the Utility is actively addressing the EUW based on the above information; therefore, staff recommends that no adjustments should be made for EUW.

### I&I

Typically, infiltration results from groundwater entering a wastewater collection system through broken or defective pipes and joints; whereas, inflow results from water entering a wastewater collection system through manholes or lift stations. The allowance for infiltration is 500 gpd per inch diameter pipe per mile, and an additional 10 percent of water sold is allowed for inflow. Rule 25-30.432, F.A.C., provides that in determining the amount of used and useful plant, the Commission will consider I&I. Additionally, adjustments to operating expenses such as chemical, electrical, and purchased wastewater treatment costs are also considered necessary.

Staff reviewed the flows from the Ravenna Park wastewater system in Seminole County. It appears that this system was sending more wastewater to be treated than expected based on the amount of water billed to its customers. This finding is considered a possible indication of excessive I&I. The Utility's MFRs indicates an estimated excessive I&I at 33.02 percent for Ravenna Park or 8,743,065 gallons in excess I&I during the test year.

In the Utility's last rate case, it was determined that the Ravenna Park wastewater system in Seminole County had 40.79 percent excessive I&I resulting in an \$87,662 reduction in purchased wastewater treatment. As a pro forma plant addition for 2011, the Utility allocated

\$155,765 towards the correction of the I&I situation at Ravenna Park. The description of the project was to clean and video inspect 3,012 linear feet of the eight inch vitrified clay pipe gravity sewer main. The results of the project were predicted to show a reduction of the average flow by approximately 19,000 gpd and reduce the excessive I&I. The project was completed in November and December of 2012; however, the Utility reported that a bulk meter experienced a failure and could not be replaced until March 2013. Accurate results of the I&I situation at Ravenna Park will not be known until the Utility has 12 full months of data.

Staff agrees with the Utility's calculations that show excessive I&I reduced to 33.02 percent for Ravenna Park. Consistent with the last rate case, purchased wastewater expense for Ravenna Park (Seminole County) was \$193,520 and therefore should be reduced by \$63,900 ( $\$193,520 \times 33.02$  percent) as referenced in Seminole County's Schedule No. 3-C.

### Summary

Based on the analysis above, staff recommends that UIF's water plants, water transmission and distribution systems, and wastewater collection systems should be considered to be 100 percent U&U. Staff recommends that no adjustment be made for EUW for any of the Utility's water systems. A 33.02 percent adjustment to purchased wastewater treatment expense for Ravenna Park should be made to reflect the Utility's excessive I&I. Accordingly, purchased wastewater expense should be decreased by \$63,900 for Seminole County – Wastewater.



**Issue 7:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance for each system is shown in the table below.

<u>County</u>	<u>Working Cap. Per ERC</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted</u>
Orange – Water	\$24,180	(\$8,006)	\$16,174
Pasco – Water	\$233,719	(\$77,384)	\$156,335
Pasco – Wastewater	\$92,188	(\$30,523)	\$61,665
Pinellas – Water	\$34,835	(\$11,534)	\$23,301
Seminole – Water	\$210,219	(\$69,603)	\$140,616
Seminole – Wastewater	\$111,532	(\$36,928)	\$74,604

(T. Brown)

**Staff Analysis:** Rule 25-30.433(2), F.A.C., requires that Class A utilities use the balance sheet method to calculate the working capital allowance (working capital). The balance sheet approach generally defines working capital as current assets and deferred debits that are utility-related and do not already earn a return, less current liabilities, deferred credits and operating reserves that are utility-related and upon which a utility does not already pay a return.

In its filing, the Utility used the balance sheet approach to calculate interim working capital, which is appropriate for a Class A utility. The calculated total company working capital was \$755,640, which was allocated to each of UIF's systems based on Equivalent Residential Connections (ERCs) as of December 31, 2011.

It is Commission practice to include one-half of the approved amount of rate case expense from prior cases and one-half of the approved amount from the instant case in the working capital calculation for Class A water and wastewater utilities.<sup>24</sup> The Utility included \$543,462 in its working capital calculation for deferred rate case expense. In UIF's last rate case, the Commission approved total rate case expense of \$303,552.<sup>25</sup> Consistent with the Utility's last rate case and Commission practice, one-half of the total rate case expense, or \$151,776, should be included in working capital.<sup>26</sup> In Issue 13, staff is recommending rate case

<sup>24</sup> See Order Nos. PSC-08-0327-FOF-EI, issued May 19, 2008, in Docket No. 070304-EI, In re: Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company; PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.; and PSC-97-1225-FOF-WU, issued October 10, 1997, in Docket No. 970164-WU, In re: Application for increase in rates in Martin County by Hobe Sound Water Company.

<sup>25</sup> See Order No. PSC-10-0585-PAA-WS, p. 30.

<sup>26</sup> See Order No. PSC-10-0585-PAA-WS, p. 19.

expense of \$282,990 for the current rate case. Consistent with Commission practice, one-half of the total current rate case expense, or \$141,495, should be included in working capital.

Accordingly, staff believes that appropriate deferred rate case expense is \$293,271 (\$151,776 + \$141,495). As such, deferred rate case expense should be reduced by \$250,191 (\$293,271 - \$543,462). Staff's \$250,191 reduction results in a working capital allowance of \$505,449. This amount should be allocated to each UIF system, consistent with the Utility's MFRs. The following table shows the working capital allowance by county and type of service as filed by the Utility and as adjusted by staff.

Table 7-1

<u>County</u>	<u>Working Cap. Per ERC</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted</u>
Orange – Water	\$24,180	(\$7,713)	\$16,488
Pasco – Water	233,719	(74,369)	159,367
Pasco – Wastewater	92,188	(29,321)	62,860
Pinellas – Water	34,835	(11,116)	23,754
Seminole – Water	210,219	(66,842)	143,342
Seminole – Wastewater	<u>111,532</u>	<u>(35,466)</u>	<u>76,051</u>
Total	<u>\$706,689<sup>27</sup></u>	<u>(\$224,826)<sup>28</sup></u>	<u>\$481,863<sup>29</sup></u>

<sup>27</sup> This amount does not reflect \$48,951 of working capital attributable to Marion County water and wastewater.

<sup>28</sup> This amount does not reflect the \$25,365 adjustment to working capital attributable to Marion County water and wastewater.

<sup>29</sup> This amount does not reflect the adjusted working capital of \$23,586 for Marion County water and wastewater.

**Issue 8:** What are the appropriate rate bases for the December 31, 2011, test year?

**Recommendation:** The appropriate rate bases for the UIF systems for the test year ended December 31, 2011, are as shown below.

<u>County</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Orange	\$227,634	N/A	\$227,634
Pasco	\$3,189,201	\$1,031,676	\$4,220,877
Pinellas	\$598,683	N/A	\$598,683
Seminole	\$3,070,303	\$2,399,860	\$5,470,163

(Bullard, T. Brown)

**Staff Analysis:** Staff has calculated UIF's water and wastewater rate bases by system and by county using the Utility's MFRs with adjustments as recommended in the preceding issues. The appropriate rate bases for the UIF systems for the test year ended December 31, 2011, are shown in Table 8-1.

Table 8-1

<u>County</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Orange	\$227,634	N/A	\$227,634
Pasco	\$3,189,201	\$1,031,676	\$4,220,877
Pinellas	\$598,683	N/A	\$598,683
Seminole	\$3,070,303	\$2,399,860	\$5,470,163

## **COST OF CAPITAL**

**Issue 9:** What is the appropriate return on equity?

**Recommendation:** Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 10.69 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes. (Bullard, T. Brown)

**Staff Analysis:** The ROE included in the Utility's filing is 10.36 percent. Based on the current leverage formula and an equity ratio of 49.47 percent, the appropriate ROE is 10.69 percent.<sup>30</sup> Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

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<sup>30</sup> See Order Nos. PSC-13-0241-PAA-WS, issued June 3, 2013, and PSC-13-0307-CO-WS, issued July 8, 2013, in Docket No. 130006-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), Florida Statutes.

**Issue 10:** What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2011?

**Recommendation:** The appropriate weighted average cost of capital for the test year ended December 31, 2011, is 7.41 percent for all UIF systems. (T. Brown)

**Staff Analysis:** The Utility included the following weighted average cost of capital for the systems in each county in its MFRs.

Table 10-1

<u>County</u>	<u>Weighted Avg. Cost of Capital, As Filed</u>
Orange	7.29%
Pasco	7.63%
Pinellas	7.81%
Seminole	7.76%

Staff revised the cost rate for common equity proposed by the Utility. The appropriate ROE of 10.69 percent is discussed in Issue 9. In several issues, staff also recommended adjustments to accumulated deferred taxes, resulting in a deferred tax credit of \$270,663.

According to Affiliate Audit Finding No. 5, the Utility allocated rate base to equity and long-term debt based on the consolidated capital structure of Utilities, Inc. However, the total equity balances used did not agree with the audited financial statements. According to the Utility, the inadvertent error was made because balances before the completion of the external audit were used in the filing. The audit finding included a revised 13-month average equity balance of \$176,219,021 which reflects an adjustment of \$2,810,248. The Utility agreed with the revised equity amount.

Based upon the decisions in preceding issues and the proper components, amounts, and cost rates associated with the capital structure, staff recommends the appropriate weighted average cost of capital for all UIF systems for purposes of setting rates in this proceeding is 7.41 percent, as shown on Schedule No. 1.

**NET OPERATING INCOME**

**Issue 11:** Should adjustments be made to miscellaneous test year revenues?

**Recommendation:** Yes. Miscellaneous revenues should be increased as shown below to reflect the appropriate test year revenues.

<u>System</u>	<u>Increase</u>
Orange County – Water	\$192
Pasco County – Water	\$1,900
Pasco County – Wastewater	\$101
Pinellas County – Water	\$174
Seminole County – Water	\$2,860
Seminole County – Wastewater	\$455

(Hudson, Thompson, Bruce, Roberts)

**Staff Analysis:** During the test year, the Utility charged \$15 for approximately 300 initial connections and normal reconnections. UIF’s tariff approved charge for initial connections and normal reconnections is \$21 each. As a result, the Utility under-collected miscellaneous revenues during the test year. Miscellaneous revenues should be imputed to reflect the tariff approved charge.

Based on the above, miscellaneous revenues should be increased as shown below to reflect the appropriate test year revenues.

Table 11-1

<u>System</u>	<u>Increase</u>
Orange County – Water	\$192
Pasco County – Water	\$1,900
Pasco County – Wastewater	\$101
Pinellas County – Water	\$174
Seminole County – Water	\$2,860
Seminole County – Wastewater	\$455

**Issue 12:** Should any adjustments contested by the Utility be made to test year O&M expenses?

**Recommendation:** Yes. UIF's test year Operations & Maintenance (O&M) water expenses should be reduced by \$21 for Orange County, \$212 for Pasco County, \$33 for Pinellas County, and \$190 for Seminole County. Wastewater expenses should be reduced by \$85 for Pasco County, and \$102 for Seminole County. (T. Brown)

**Staff Analysis:** Staff's audit reports for UIF and UI (affiliate transactions) were released on July 12, 2013. The Utility's responses were received on August 1, and August 2, 2013, respectively. The only remaining contested adjustments relate to the affiliate transactions audit, specifically Audit Finding Nos. 2, 3, 5, 8 (partial), 9, and 10. Only Finding No. 8 will be discussed here, while the other audit findings are addressed elsewhere in this recommendation as shown below.

Table 12-1

<u>Affiliate Audit Finding</u>	<u>Issue</u>
Finding No. 2 - Project Phoenix	3
Finding No. 3 - Project Phoenix Depreciation	3
Finding No. 5 - Cost of Capital	10
Finding No. 9 - Payroll, Benefits, and Taxes	13
Finding No. 10 - Salaries in Rate Case Expense	14

In regard to Affiliate Audit Finding No. 8, audit staff identified \$125,347 in total company adjustments that should be made. When allocated to UIF, these adjustments reduced total water expenses by approximately \$3,232 and total wastewater expenses by approximately \$1,242. The Utility disagreed with audit staff's total company adjustments for the Windstream Communications invoices (\$10,444), tax return review fees (\$8,800), lobbying expenses (\$1,222), and a portion of the costs related to code violations (\$7,219). The total amount of these contested audit adjustments allocated to UIF's systems is approximately \$990.

Staff agrees with the Utility's position that expenses related to Windstream Communications and the tax return review fees should be included in O&M expenses. According to the Utility's audit response, Windstream is used by the company for their MPLS network, toll-free numbers, a line for the Pahrump office, and local service in the Northbrook, Altamonte Springs, and Charlotte offices. In regard to the tax return review fees, staff believes it is reasonable to assume some level of tax return review and associated expense will continue going forward.

In regard to the costs related to violations and the lobbying expenses identified in the audit report, staff agrees with the audit finding. As such, staff believes that these expenses should be removed from the Utility's expenses. With respect to legal bills, audit staff concluded that the costs are unlikely to be recurring. Likewise, staff believes that the lobbying expenses identified in the audit should be removed since the Commission has traditionally disallowed lobbying expense. The contested adjustments per the audit report and staff's recommended adjustments are shown in Table 12-2 below:

Table 12-2

<u>County</u>	<u>Audit Report</u>	<u>Staff Recom. Amount</u>	<u>Adjustment</u>
Orange	\$30	\$9	(\$21)
Pasco - Water	305	93	(212)
Pasco - Wastewater	122	37	(85)
Pinellas	47	14	(33)
Seminole - Water	274	84	(190)
Seminole - Wastewater	147	45	(102)
Total	<u>\$925</u>	<u>\$282</u>	<u>(\$643)</u>

Accordingly, water expenses should be reduced by \$21 for Orange County, \$212 for Pasco County, \$33 for Pinellas County, and \$190 for Seminole County. Wastewater expenses should be reduced by \$85 for Pasco County, and \$102 for Seminole County.



**Issue 13:** Should any adjustments be made to the Utility's salaries and wages, pensions and benefits, and payroll taxes?

**Recommendation:** Yes. Salaries and wages expense should be reduced by \$29,860 for water and \$11,486 for wastewater. Corresponding adjustments should also be made to reduce pensions and benefits by \$1,955 for water and \$752 for wastewater, and to reduce payroll taxes by \$2,284 for water and \$879 for wastewater. (T. Brown)

**Staff Analysis:** In its MFRs, the Utility reflected the following water and wastewater salaries and wages, and employee pensions and benefits:

Table 13-1

Adj. Test Year Amounts (MFR Schedules B-7 and B-8)				
<u>County</u>	<u>Salary &amp; Wages Employees</u>	<u>Salary &amp; Wages Officers, Etc.</u>	<u>Pensions &amp; Benefits</u>	<u>Total</u>
Orange – Water	\$20,549	\$2,661	\$5,563	\$28,773
Pasco – Water	130,951	27,306	23,244	181,501
Pasco – Wastewater	51,759	10,767	9,200	71,726
Pinellas – Water	14,285	5,385	3,082	22,752
Seminole – Water	51,528	24,773	20,891	97,192
Seminole – Wastewater	<u>26,044</u>	<u>13,150</u>	<u>10,730</u>	<u>49,924</u>
Total	<u>\$295,116</u>	<u>\$84,042</u>	<u>\$72,710</u>	<u>\$451,868</u>

The adjusted test year amounts shown above include the following pro forma salaries and pensions and benefits adjustments for 2012 and scheduled 2013 pay increases:

Table 13-2

Pro Forma Salary & Wages and Pensions & Benefits				
<u>County</u>	<u>Salary &amp; Wages Employees</u>	<u>Salary &amp; Wages Officers, Etc.</u>	<u>Pensions &amp; Benefits</u>	<u>Total</u>
Orange - Water	\$1,697	\$220	\$459	\$2,376
Pasco - Water	19,584	2,100	4,394	26,078
Pasco - Wastewater	7,723	828	1,733	10,284
Pinellas - Water	2,772	313	652	3,737
Seminole - Water	12,664	1,893	3,955	18,512
Seminole - Wastewater	<u>6,719</u>	<u>1,004</u>	<u>2,098</u>	<u>9,821</u>
Total	<u>\$51,159</u>	<u>\$6,358</u>	<u>\$13,291</u>	<u>\$70,808</u>

According to Affiliate Audit Finding No. 9, UI allocates costs monthly to the divisions. In prior Utilities, Inc. subsidiary rate cases, the parent company provided schedules by employee. In these schedules the parent company allocated the most current annualized salary and allocated

the salary, benefits, and taxes using the appropriate ERC allocation factor based on the employees duties. The schedule was then compared to the costs recorded in the ledger by division and the difference adjusted in the filings. In this case, audit staff determined that only pro forma adjustments were made to the filing for 2012 and April 2013 salary increases.

As part of their review, staff auditors requested the Utility prepare schedules for this case using the salaries at the end of April 2013 and the ERC factors at the end of April 2013. Since the schedule already included the salaries after the 2012 and April 2013 salary increases, audit staff recommended that no pro forma salary adjustment was necessary. As a result, audit staff reduced payroll, benefits, and taxes totaling \$142,298 for water and \$56,067 for wastewater.<sup>31</sup>

The Utility provided updated salary work papers to both audit staff and again in response to the audit report where it disagreed with Affiliate Audit Finding No. 9. These salary work papers reflected decreased amounts from what was requested in the Utility's MFR filing. The Utility believes the revised amounts provided in response to the audit report should be the salary expense allowed here. According to the Utility, the revised amounts reflect actual salaries as of May 2013, with no proposed pro forma increase for raises or merit adjustments.<sup>32</sup>

Instead of utilizing audit staff's recommendation or the Utility's proposal, staff evaluated the reasonableness of the requested compensation levels by comparing the salary with the average salary levels for comparable positions found in the 2012 Water Utility Compensation Survey (CS) published by the American Water Works Association (AWWA). Staff was able to compare the duties and responsibilities of twenty corporate positions in order to examine the reasonableness of their salary levels with those contained in the AWWA's CS. Those positions are identified in the table below.

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<sup>31</sup> See Document No. 04060-13, Auditor's Report: Utilities, Inc. Audit of Affiliate Transactions, filed July 16, 2013, pp. 29-31.

<sup>32</sup> See Document No. 05729-13, filed September 26, 2013, p. 11.

Table 13-3

<u>UI Title</u>	<u>AWWA Title</u>
Controller	Accounting Manager/Controller
Corporate Accounting Manager	Accounting Manager/Controller
Senior Corporate Accountant	Senior Accountant
Senior Financial Analyst	Senior Accountant
Financial Planning & Analysis Manager	Accounting Manager/Controller
Director of Human Resources	Top HR Executive
Chief Operating Officer	Top Administration Executive
Chief Financial Officer	Top Finance Executive
Chief Regulatory Officer	No comparable position in CS
Vice President General	No comparable position in CS
President & CEO	Top Executive
Vice President Corporate Development	Top Administration Executive
IT Manager	Inf. Services Manager
Regional Vice-President	Top O&M Executive
Regulatory Accounting Manager	Accounting Manager/Controller
Regulatory Staff Accountant II (3 positions)	Accountant
Director of Governmental Affairs	Top Public Affairs Executive
Regional Director	Top Engineering Executive

Staff notes that not every Utility position matched a job category covered in the CS. Positions that could not be matched were not included in staff's analysis. However, for the Chief Regulatory Officer and Vice President General, staff used the AWWA Top Executive salary of \$121,948 and reduced it by 5 percent since there was not a corresponding position in the CS. Staff believed that a 5-percent reduction from the Top Executive salary was appropriate and reasonable since these positions would normally have fewer corporate duties and responsibilities than that of the top executive.

The Utility provided salary and benefit information during the staff audit and has requested that the information be treated as proprietary confidential business information. Accordingly, staff will not address specific adjustments as they relate to individual positions. Recently, the Commission has used the maximum salary limit in the CS as a guide for determining corporate salaries.<sup>33</sup> The Commission had previously used the mid-point salary level in the CS to determine the appropriate employee salary where a utility failed to include any salary or an insufficient salary.<sup>34</sup> The difference between the AWWA CS maximum salary and the annual

<sup>33</sup> See Order No. PSC-13-0187-PAA-WS, pp. 18-19, issued May 2, 2013, in Docket No. 120152-WS, In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc.

<sup>34</sup> See Order Nos. PSC-10-0380-PAA-WU, issued June 15, 2010, in Docket No. 090477-WU, In re: Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.; PSC-10-0126-PAA-WU, issued March 3, 2010, in Docket No. 090230-WU, In re: Application for staff-assisted rate case in St. Johns County by Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility; PSC-09-0587-PAA-WU, issued August 31, 2009, in Docket No. 080715-WU, In re: Application for staff-assisted rate case in Lake County by CWS Communities LP; PSC-08-0640-AS-WU, issued October 3, 2008, in Docket No. 070601-WU, In re: Application for staff-assisted rate case in Pasco County by Orangeland Water Supply; and PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, In re: Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.

salary was then allocated based on the allocation type. Of the 20 positions staff compared, 17 positions fell into the WSC (3.55 percent allocation) and 3 fell into the Regional allocation type (5.89 percent allocation), resulting in a staff salary reduction of \$38,667. Corresponding adjustments should also be made to reduce payroll tax expense and employee benefits in the amount of \$2,532 and \$2,958, respectively. The table below shows how these adjustments are allocated to each system:

Table 13-4

<u>County</u>	<u>Salaries &amp; Wages</u>	<u>Pensions &amp; Benefits</u>	<u>Payroll Taxes</u>	<u>Total</u>
Orange – Water	(\$1,323)	(\$87)	(\$101)	(\$1,511)
Pasco – Water	(12,788)	(837)	(978)	(14,603)
Pasco – Wastewater	(5,044)	(330)	(386)	(5,760)
Pinellas – Water	(1,906)	(125)	(146)	(2,177)
Seminole – Water	(11,503)	(753)	(880)	(13,136)
Seminole – Wastewater	(6,103)	(400)	(467)	(6,970)
Total	<u>(\$38,667)</u>	<u>(\$2,532)</u>	<u>(\$2,958)</u>	<u>(\$44,157)</u>

Summary

In summary, staff recommends salaries and wages expense be reduced by \$27,520 for water and \$11,147 for wastewater. Corresponding adjustments should also be made to reduce pensions and benefits by \$1,802 for water and \$730 for wastewater, and reduce payroll taxes by \$2,105 for water and \$853 for wastewater.

**Issue 14:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate amount of rate case expense is \$282,990. This expense of should be recovered over four years for an annual expense of \$70,748. Therefore, annual rate case expense should be adjusted as indicated below:

<u>County</u>	<u>Requested RCE 4-Yr. Amortization</u>	<u>Staff Rec. 4-Yr. Amortization</u>	<u>Staff Rec. Adjustment</u>
Orange - Water	\$4,625	\$2,423	(\$2,202)
Pasco - Water	\$44,699	\$23,400	(\$21,299)
Pasco - Wastewater	\$17,631	\$9,228	(\$8,403)
Pinellas - Water	\$6,662	\$3,491	(\$3,171)
Seminole - Water	\$40,205	\$21,042	(\$19,163)
Seminole - Wastewater	\$21,331	\$11,164	(\$10,167)

(T. Brown)

**Staff Analysis:** UIF requested \$578,071 for current rate case expense in its MFRs. Staff requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On September 26, 2013, the Utility submitted a revised estimate of rate case expense through completion of the PAA process of \$519,105.

Table 14-1

	<u>MFR B-10 Estimated</u>	<u>Actual as of 9/26/13</u>	<u>Additional Estimated</u>	<u>Revised Total</u>
Legal Fees	\$117,250	\$37,173	\$9,895	\$47,068
Accounting Consultant Fees	254,550	268,488	13,600	282,087
Engineering Consultant Fees	16,950	15,150	3,000	18,150
WSC In-house Fees	165,121	136,215	7,353	143,568
Filing Fee	4,000	0	0	0
WSC Travel	3,200	0	0	0
WSC FedEx/Misc.	12,000	0	12,000	12,000
Cust. Notices and Postage	<u>5,000</u>	<u>1,547</u>	<u>1,500</u>	<u>3,047</u>
Total	<u>\$578,071</u>	<u>\$458,573</u>	<u>\$47,348</u>	<u>\$505,921</u>

Pursuant to Section 367.081(7), F.S., the Commission shall determine the reasonableness of rate case expenses and shall disallow all rate case expenses determined to be unreasonable. Also, it is a utility's burden to justify its requested costs.<sup>35</sup> Further, the Commission has broad discretion with respect to allowance of rate case expense. However, it would constitute an abuse of discretion to automatically award rate case expense without reference to the prudence of the

<sup>35</sup> See Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (Fla. 1982).

costs incurred in the rate case proceedings.<sup>36</sup> As such, staff has examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. In addition, staff reviewed the Commission's Orders in the Utility's 2009 rate case. Based on our review, staff believes several adjustments are necessary to the revised rate case expense estimate.

### Legal Fees

The first adjustment relates to the Utility's legal fees. The Utility included in its MFRs \$117,250 in legal fees to complete the rate case. The Utility provided invoices through July 31, 2013, showing actual expenses associated with the rate case totaling \$37,173 and estimated \$9,895 to complete the rate case. According to the invoices, the law firm of Sundstrom, Friedman & Fumero, LLP (SFF) billed the Utility \$630 related to the correction of MFR deficiencies. The Commission has previously disallowed rate case expense associated with correcting MFR deficiencies because of duplicate filing costs.<sup>37</sup> Accordingly, staff believes that \$630 should be removed as duplicative and unreasonable rate case expense.

Staff also recommends an adjustment to the \$9,000 filing fee paid by SFF in this case. On April 8, 2013, SFF filed a letter with the Commission requesting a refund of \$1,000 that was overpaid at the time of filing. It is staff's understanding that this request is being processed and will be sent to SFF. In order to avoid double recovery, staff believes that SFF's actual expenses should be reduced by \$1,000.

Additionally, staff also recommends an adjustment to the estimated cost to complete this case. SFF's estimate to complete included fees for 26.5 hours at \$350/hr. and additional costs totaling \$620. Staff believes that most of the estimated hours to complete appear reasonable, except for 15 hours requested to "prepare for and attend Agenda conference, discuss Agenda with client and staff." In the Utility's last rate case, the approved amount of time for the same task was 12 hours.<sup>38</sup> Although the Utility's attorney is handling another item at this Commission Conference and fees were adjusted in that recommendation, staff believes that 12 hours in the instant case is appropriate given the complexity involving multiple systems in 4 counties. As a result, staff recommends a reduction of \$1,050 (\$350 x 3). Based on the above, staff recommends that SFF's legal fees be reduced by a total of \$2,680 (\$630 + \$1,000 + \$1,050).

### Accounting Consultant Fees

The second adjustment relates to Milian, Swain and Associates, Inc.'s (MS&A) actual and estimated fees of \$282,088, which was comprised of \$268,488 in actual costs and \$13,600 in estimated fees to complete the rate case as of June 30, 2013.

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<sup>36</sup> See Meadowbrook Util. Sys., Inc. v. FPSC, 518 So. 2d 326, 327 (Fla. 1st DCA 1987), 529 So. 2d 694 (Fla. 1988).

<sup>37</sup> See Order Nos. PSC-05-0624-PAA-WS, issued June 7, 2005, in Docket No. 040450-WS, In re: Application for rate increase in Martin County by Indiantown Company, Inc.; and PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

<sup>38</sup> See Order No. PSC-10-0585-PAA-WS, p. 27.

In regard to MS&A's actual expenses, staff reviewed the supporting documentation and found that many of the invoices referenced hours related to rollovers/roll-forwards, as well as, preparation of MFRs for Marion County. Based on staff's review of MS&A's invoices, approximately 149 hours of Senior Staff Accountant time, or \$22,350 (149 hrs. x \$150/hr.), was spent preparing Marion County's MFRs. An additional 17 hours of the Principal's time, or \$3,400 (17 hrs. x \$200/hr.), was spent reviewing Marion County's MFRs. Staff notes that no MFRs were filed by the Utility for Marion County in this proceeding. As such, staff believes that approximately \$25,750 (\$22,350 + \$3,400), related to the preparation of Marion County's MFRs should be removed from rate case expense.

Staff believes that an additional adjustment to actual expense is necessary to remove the time and expense related to rollover/roll-forward adjustments made by MS&A. Based on the activity descriptions provided in the invoices, staff identified approximately 222.25 hours (204 hrs. for the Senior Staff Accountant and 18.25 hrs. for the Principal) related roll-forwards. In several sister utility dockets, the Commission disallowed the additional time spent making "roll-forward" adjustments to account for regulatory accounting and prior Commission ordered adjustments.<sup>39</sup> Staff believes that the Utility's ratepayers should not be required to bear the added cost of making these adjustments as part of rate case expense. Accordingly, staff believes that MS&A's actual expenses should be decreased by \$30,600 for the Senior Staff Accountant (204 hrs. x \$150/hr.) and \$3,650 (18.25 hrs. x \$200/hr.) for the Principal. Staff's total recommended adjustment related to roll-forwards is \$34,250 (\$30,600 + \$3,650).

MS&A estimates that a total of 88 hours are needed to complete the case. According to MS&A's summary, the consultant estimates 27 hours to "assist with responses to formal and informal data requests from Staff and OPC, including updates to Rate Case Expense," 22 hours to "assist with responses to Audit Requests, review Audit Reports and discuss with client noting potential discrepancies, assist with responses to audits," 33 hours to "review Staff recommendation, conference with client regarding recommendation, evaluate issues and calculate potential impact on revenue requirement," and 6 more hours to "review PAA Order, conference with client, wrap up files."

In short, staff believes the number of hours estimated for accounting consultant fees are excessive and unreasonable. MS&A has estimated 27 hours to respond to data request responses and provide updates to rate case expense. While four additional data requests were sent after MS&A's summary was assembled, staff believes that responding to these data requests would require minimal time from the accounting consultant. In fact, it is likely that these data requests would be more appropriately addressed by WSC In-House employees. In addition, most of the audit findings were agreed to,<sup>40</sup> or were carry-over adjustments from previous rate cases. No additional updates to rate case expense were received from this consultant. As such, staff

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<sup>39</sup> See Order Nos. PSC-11-0587-PAA-SU, issued December 21, 2011, in Docket No. 110153-SU, In re: Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge, pp. 14-15; and PSC-11-0514-PAA-WS, issued November 3, 2011, in Docket No. 100426-WS, In re: Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc., p. 27.

<sup>40</sup> The UIF Audit Report contained seven audit findings. All seven findings were agreed to by the Utility, with UIF providing an alternate adjustment for Audit Finding No. 1. The Affiliate Audit Report contained 11 audit findings. UI agreed to four findings outright and portions of at least two more audit findings.

believes that a total of 13.5 hours should be sufficient to address any remaining tasks. Accordingly, staff recommends a reduction to audit related hours of 13.5 hours (12.5 hours for M. Bravo, 1 hour for D. Swain).

MS&A included 22 hours in connection with audit requests, responses, and audit report review. Staff notes that there would be little work remaining related to any responses to audit requests as described in MS&A's summary, especially since audit staff's reports were issued on July 12, 2013. Staff also believes that the bulk of any follow-up responses would likely be addressed by WSC In-House employees. As such, staff believes that a total of 11 hours should be sufficient to address any remaining audit-related tasks. Accordingly, staff recommends a reduction of 11 hours (10 hours for M. Bravo, 1 hour for D. Swain).

MS&A included 39 hours to complete from the filing of staff recommendation to the completion of the PAA process. This consultant has worked with UIF, and other UI systems, on numerous dockets before this Commission through the years. The consultant's familiarity with the Utility and this Commission led staff to believe that the request is excessive and unreasonable. Absent additional support, staff believes that a total of 19.5 hours is an ample amount of time to review staff's recommendation and the Commission's PAA Order, as well as consult with their client in the instant case. Accordingly, staff recommends a reduction to audit related hours of 19.5 hours (17.5 hours for M. Bravo, 2 hours for D. Swain).

In summary, staff recommends reducing the associate accountant's estimated hours to complete from 80 to 40, and the accounting firm partner's estimated hours to complete from 8 to 4. As such, staff believes that an additional \$6,000 (40 hrs. x \$150/hr.) should be removed for M. Bravo and \$800 (4 hrs. x \$200/hr.) be removed for D. Swain. Accordingly, staff recommends that accounting consultant fees be reduced by \$66,800 (\$25,750 + \$34,250 + \$6,000 + \$800).

#### Engineering Consultant Fees

The third adjustment relates to the Utility's engineering consulting fees. The Utility included \$16,950 for engineering fees in its MFRs to complete the rate case. UIF provided invoices through August 30, 2013, showing actual expenses associated with the rate case totaling \$15,150 and estimated \$3,000 to complete the rate case.

Staff reviewed the supporting documentation and found that many of the invoices containing charges from April – August 2012 referenced Marion County, either specifically, or included it under "All Counties." No MFRs were filed by the Utility for Marion County in this proceeding. As such, staff believes that the consultant's hours related to Marion County should be removed from rate case expense. Where invoices referenced "Marion, Pasco, and Pinellas Counties," staff believes the costs should be split between them based on the number of systems. Under this scenario, a total of three water and two wastewater systems are represented, with Marion having one of each. In those instances, staff removed two-fifths, or 40 percent, of the hours for Marion County. Likewise, if the invoice referenced "All Counties," there would be a total of five water and three wastewater systems. Marion would still have one of each, or one-fourth of the total systems. The table below shows staff's recommended adjustment to remove time for work on Marion County's MFRs and corresponding adjustment to expense.



Table 14-2

<u>Date</u>	<u>Invoice Entry</u>	<u>Hours Billed</u>	<u>Ratio</u>	<u>Adj.</u>	<u>Rate</u>	<u>Staff Adj.</u>
4/23/2012	Marion, Pasco, Pinellas	19	0.40	7.60	\$150	\$1,140
4/30/2012	Marion, Pasco, Pinellas	5	0.40	2.00	\$150	300
5/1/2012	Marion, Pasco, Pinellas	18	0.40	7.20	\$150	1,080
6/2/2012	All Counties	5	0.25	1.25	\$150	188
6/4/2012	All Counties	20.5	0.25	5.13	\$150	769
6/11/2012	All Counties	10	0.25	2.50	\$150	375
8/6/2012	All Counties	3	0.25	0.75	\$150	113
8/27/2012	All Counties	<u>5</u>	0.25	<u>1.25</u>	\$150	<u>188</u>
Total		<u>85.5</u>		<u>28</u>		<u>\$4,151</u>

According to the invoices, Management & Regulatory Consultants, Inc. (MRC) billed the Utility \$825 (\$150 x 5.5 hrs.) to assist with responses related to UAW deficiencies. As discussed above, the Commission has previously disallowed rate case expense associated with correcting deficiencies because of duplicate filing costs. Accordingly, staff believes that \$825 should be removed.

The estimate to complete the rate case included \$3,000 for 20 hours to assist with and respond to data requests and new information. MRC's last invoice, dated August 30, 2013, includes time for assisting with responses to Staff's Third and Fourth Data Requests. One additional data request was sent by staff on August 27, 2013, that addressed the possibility of consolidating wastewater rates for Pasco County. Since no additional data requests were sent by staff after the date of MRC's invoice, staff believes no additional time should be required of the engineering consultant to respond to potential data requests. As such, staff believes that all estimated hours to complete for the engineering consultant should be removed, which results in a reduction of \$3,000 (\$150 x 20 hrs.). Accordingly, staff recommends that engineering consultant fees be reduced by a total of \$7,976 (\$4,151 + \$825 + \$3,000).

#### WSC In-House Employee Fees

The fourth adjustment relates to the WSC In-House Employee fees. In its revised rate case expense estimate, the Utility requested \$143,568 for expenses related to WSC In-House Employees to process the instant case. UIF reported that the total number of actual hours incurred by WSC In-House employees as of September 9, 2013, was 2,896, and estimated an additional 135 hours to complete the rate case, for a total of 3,031 hours.

In Affiliate Audit Finding No. 10, audit staff removed the In-House employees from rate case expense because they are already included in test-year expense. However, in response to the staff audit, the Utility objected to this finding. Staff notes that in Utilities, Inc. of Pennbrooke, the Utility did not object to a similar audit finding.<sup>41</sup> In addition, the Commission

<sup>41</sup> See Order No. PSC-12-0667-PAA-WS, p. 16.

has disallowed WSC In-House Employee fees in several additional dockets involving sister companies.<sup>42</sup> In consideration of the aforementioned, staff believes that by requesting rate case expense for the hours WSC In-House employees incurred to process the rate case in addition to the expense for allocated salaries and wages of these same WSC employees, the Utility is seeking double recovery of the allocated compensation for the positions. Consistent with other Commission decisions, staff recommends that all of the hours associated with WSC In-House Employee fees of \$143,568 related to the instant rate case be disallowed.

#### Filing Fee

The Utility included \$4,000 in its MFR Schedule B-10 for the filing fee. In all other filings related to rate case expense, the filing was listed as \$0 for both the actual and estimate to complete. Staff notes that according to the documentation provided by SFF, the filing fee (\$9,000) was paid as part of the legal fees. As such, the filing fee is addressed in staff's legal fees recommendation above.

#### WSC Travel Expenses

In its MFRs, UIF estimated \$3,200 for travel. However, the Utility provided no documentation to support this expense. Furthermore, based on several previous UI rates cases, it is staff's experience that for PAA rate cases, UI does not send a representative from its Illinois office to attend the Commission Conference. Therefore, staff recommends that \$3,200 of rate case expense associated with WSC Travel Expense be disallowed.

#### WSC FedEx Expenses

The fifth adjustment relates to WSC expenses for FedEx Corporation (FedEx) and other miscellaneous costs. In its revised rate case expense estimate, the Utility requested \$12,000 for these items, but did not provide any support of these expenses. Therefore, staff recommends that rate case expense be decreased by \$12,000.

#### Customer Notices and Postage

Staff's final rate case expense adjustment relates to customer notices and postage. In its revised rate case expense schedule, UIF reflected no actual charges incurred for customer noticing and postage and \$5,000 as an estimate to complete. In an earlier request, the Utility represented that it had incurred \$1,547 in actual expenses and an additional \$1,500 in estimated costs for a total of \$3,047. UIF is responsible for sending four notices: the interim notice, the initial notice, customer meeting notice, and notice of the final rate increase. The interim notice and the initial notice were combined in this docket.

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<sup>42</sup> See Order Nos. PSC-13-0085-PAA-WS, issued February 14, 2013, in Docket No. 110257-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation; PSC-12-0667-PAA-WS, issued December 21, 2012, in Docket No. 120037-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke; PSC-12-0206-PAA-WS, issued April 19, 2012, in Docket No. 110264-WS, In re: Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.; and PSC-11-0587-PAA-SU, issued December 21, 2011, in Docket No. 110534-SU, In re: Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge.

Staff believes that despite the lack of support provided for the \$5,000 estimate to complete, that amount will likely not begin to cover the cost of providing these notices to thousands of customers. Staff estimates the postage cost for the notices to be approximately \$6,139 (6,001 customers x \$0.34 pre-sorted rate x 3 notices).<sup>43</sup> Staff estimates envelope costs to be \$900 (6,001 customers x \$0.05 per envelope x 3 notices) and copying costs to be \$6,102 (\$0.10 per copy x 61,022 pages).<sup>44</sup> Based on these components, the total cost for customer notices and postage is \$13,141 (\$6,139 + \$900 + \$6,102). In the Utility's last rate case, UIF was allowed to recover \$13,064 for customer notices and postage.<sup>45</sup> Staff believes that its calculated expense is reflective of the actual conditions in the instant docket while remaining comparable to the expense in the 2009 rate case. As such, staff recommends increasing the revised estimate for customer notices and postage expense by \$10,094 (\$13,141 - \$3,047).

Conclusion

In summary, staff recommends that UIF's requested rate case expense of \$505,921 be decreased by \$229,930. The appropriate total rate case expense is \$282,990. A breakdown of rate case expense is as follows:

Table 14-3

<u>Description</u>	<u>MFR Estimated</u>	<u>Utility Revised Act.&amp; Est.</u>	<u>Staff Adj.</u>	<u>Recom. Total</u>
Legal Fees	\$117,250	\$47,068	(\$2,680)	\$44,388
Accounting Consultant Fees	254,550	282,087	(66,800)	215,288
Engineering Consultant Fees	16,950	18,150	(7,976)	10,174
WSC In-House Fees	165,121	143,568	(143,568)	0
Filing Fee	4,000	0	0	0
WSC Travel	3,200	0	0	0
WSC FedEx/Misc.	12,000	12,000	(12,000)	0
Cust. Notices and Postage	<u>5,000</u>	<u>3,047</u>	<u>10,094</u>	<u>13,141</u>
Total	<u>\$578,071</u>	<u>\$505,921</u>	<u>(\$229,930)</u>	<u>\$282,990</u>

In its MFRs, the Utility requested total rate case expense of \$578,071. When amortized over four years, this represents an annual expense of \$144,518. The recommended annual rate case expense of \$70,748 (\$282,990 divided by four) should be recovered over four years, pursuant to Section 367.016, F.S. Therefore, annual rate case expense should be adjusted as indicated below:

<sup>43</sup> Number of customers based on information provided by the Utility in MFR Schedule E-3. Staff used UI's presorted postage rate of \$0.341.

<sup>44</sup> The initial notice and interim notice were combined in the instant docket. The size of the combined notice (number of pages) varied depending on the system, ranging from four to seven pages. Staff anticipates that the final notice will be two pages.

<sup>45</sup> See Order No. PSC-10-0585-PAA-WS, p. 30.

Table 14-4

<u>County</u>	<u>Requested RCE 4-Yr. Amortization</u>	<u>Staff Rec. 4-Yr. Amortization</u>	<u>Staff Rec. Adjustment</u>
Orange - Water	\$4,625	\$2,423	(\$2,202)
Pasco - Water	44,699	23,400	(21,299)
Pasco - Wastewater	17,631	9,228	(8,403)
Pinellas - Water	6,662	3,491	(3,171)
Seminole - Water	40,205	21,042	(19,163)
Seminole - Wastewater	<u>21,331</u>	<u>11,164</u>	<u>(10,167)</u>
Total	<u>\$135,153<sup>46</sup></u>	<u>\$70,748</u>	<u>(\$64,405)</u>

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<sup>46</sup> This amount represent the amortized rate case expense included in the MFRs for these systems. The remaining \$9,365 (\$144,518 – \$135,153), is the portion originally allocated to Marion County’s water and wastewater systems.

**Issue 15:** Should any adjustments be made to bad debt expense?

**Recommendation:** Yes. Bad debt expense should be based on a 3-year average. Accordingly, UIF's bad debt expense should be adjusted as indicated below:

<u>County</u>	<u>Water</u>	<u>Wastewater</u>
Orange	(\$665)	N/A
Pasco	\$4,971	(\$3,914)
Pinellas	\$13	N/A
Seminole	\$5,210	(\$8,196)

(T. Brown)

**Staff Analysis:** The Utility recorded bad debt expense of \$43,457<sup>47</sup> for 2011. In numerous decisions, the Commission has set bad debt expense using the 3-year average in electric,<sup>48</sup> gas,<sup>49</sup> and water and wastewater cases.<sup>50</sup> The Commission approved a 3-year average in these cases based on the premise that a 3-year average fairly represented the expected bad debt expense. Overall, the basis for determining bad debt expense has been whether the amount is representative of the bad debt expense to be incurred by the Utility.

Staff initially calculated the 3-year average using the bad debt expense reported in the Utility's annual reports for 2009, 2010, and 2011. However, staff believes that the bad debt expense for 2009 is an anomaly when compared to the bad debt expense included in the Utility's recent annual reports, as reflected in the following table.

Table 15-1

<u>Annual Report</u>	<u>Total Bad Debt Exp.</u>
2008	\$45,120
2009	\$92,018
2010	\$48,522
2011	\$41,501
2012	\$32,793

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<sup>47</sup> The total amount includes \$549 and (\$16) for Marion County water and wastewater, respectively.

<sup>48</sup> See Order Nos. PSC-94-0170-FOF-EI, issued February 10, 1994, in Docket No. 930400-EI, In re: Application for a Rate Increase for Marianna electric operations by Florida Public Utilities Company, at p. 20; PSC-93-0165-FOF-EI, issued February 2, 1993, in Docket No. 920324-EI, In re: application for a rate increase by Tampa Electric Company, at pp. 69-70; and PSC-92-1197-FOF-EI, issued October 22, 1992, in Docket No. 910890-EI, In re: Petition for a rate increase by Florida Power Corporation, at p. 48.

<sup>49</sup> See Order Nos. PSC-92-0924-FOF-GU, issued September 3, 1992, in Docket No. 911150-GU, In re: Application for a rate increase by Peoples Gas System, Inc., at p. 6; and PSC-92-0580-FOF-GU, issued June 29, 1992, in Docket No. 910778-GU, In re: Petition for a rate increase by West Florida Natural Gas Company, at pp. 30-31.

<sup>50</sup> See Order No. PSC-07-0505-SC-WS, issued June 13, 2007, in Docket No. 060253-WS, In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida, at pp. 41-42.

Consistent with Commission practice, bad debt expense should be based on a 3-year average, as shown in the table below, using amounts from 2010, 2011, and 2012. The three-year average for the Pasco and Seminole wastewater systems resulted in a negative amount. Staff recognizes that it is not typical for bad debt expense to be negative. Thus, instead of using the negative amount, staff set the average for these systems at \$0 for the purpose of calculating the recommended adjustment.

Table 15-2

<u>County</u>	<u>Test Year</u>	<u>3-year Avg.</u>	<u>Adjustment</u>
Orange – Water	\$5,098	\$4,433	(\$665)
Pasco – Water	9,923	14,894	4,971
Pasco – Wastewater	3,914	0	(3,914)
Pinellas – Water	343	356	13
Seminole – Water	15,450	20,660	5,210
Seminole – Wastewater	<u>8,196</u>	<u>0</u>	<u>(8,196)</u>
Total	<u>\$42,924</u>	<u>\$40,343</u>	<u>(\$2,581)</u>

Based on the 3-year average calculation, UIF should be expected to incur bad debt expense of \$40,343, which staff believes is representative of UIF’s bad debt expense. As a result, staff recommends that UIF’s bad debt expense be reduced as indicated below:

Table 15-3

<u>County</u>	<u>Water</u>	<u>Wastewater</u>
Orange	(\$665)	N/A
Pasco	\$4,971	(\$3,914)
Pinellas	\$13	N/A
Seminole	\$5,210	(\$8,196)

**Issue 16:** Should additional adjustments be made to test year O&M expenses?

**Recommendation:** Yes. Based on adjustments set forth above, staff recommends decreasing O&M expense by \$338 for Orange water, \$5,452 for Pasco water, \$534 for Pasco wastewater, \$8,721 for Seminole water, and \$5,370 for Seminole wastewater. Adjustments to O&M expense are shown on Schedule No. 3-C for each system. (T. Brown, P. Buys, Rieger)

**Staff Analysis:** Staff has reviewed the test year O&M expenses and examined invoices, canceled checks, and other supporting documentation. As such, staff is recommending several adjustments to the Utility's operating expenses, as summarized below.

Contractual Services – Engineering (631/731)

Based on information contained in Pasco wastewater's MFRs, \$539 in Contractual Services – Engineering expense was recorded by the Utility. Staff notes that the Utility did not recover any engineering expense for Pasco wastewater in the last rate case.<sup>51</sup> Using amounts contained in the Utility's 2009, 2010, and 2011 Annual Reports, the three-year average for Pasco wastewater's engineering expense is actually \$5. As such, staff believes that is appropriate to reduce test year Contractual Services – Engineering expense for Pasco wastewater by \$534 (\$ - \$539).

According to Seminole County's MFR Schedule B-7, Contractual Services – Engineering increased by approximately \$7,100 during the test year for a permitting change in water treatment method at Park Ridge. In response to a staff data request, the Utility responded that the notation was made in error. According to the Utility, the entry should in fact reflect the cost to have a registered professional engineer perform an interior and exterior inspection of each ground storage tank and hydropneumatic tank in Seminole County (13 tanks). Based on this information, staff believes that Seminole water's Contractual Services – Engineering expense should be reduced by \$5,680 (\$7,100 x 4/5) to normalize the cost of the tank inspections, which occur every five years.

Seminole wastewater recorded \$3,780 in Contractual Services – Engineering expense for in the test year. In UIF's last rate case, the Commission approved \$2,740 for the same expense.<sup>52</sup> However, based on amounts contained in the Utility's 2009, 2010, and 2011 Annual Reports, the three-year average for engineering expense is actually \$6. As such, staff believes that is appropriate to reduce test year Contractual Services – Engineering expense for Seminole wastewater by \$3,774 (\$6 - \$3,780).

Contractual Services – Testing (635)

Pasco County water recorded \$22,823 in this account for testing expense in the current test year. This represented a 57.36 percent increase over the test year used in the last rate case. Based on information received from the Utility, it appears that a large portion of the increase,

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<sup>51</sup> See Order No. PSC-10-0585-PAA-WS.

<sup>52</sup> Id.

\$8,178, was due to triennial testing that occurred in 2011, but not in 2008. According to the Utility, the Florida Department of Environmental Protection adjusted the timing of the testing cycles. Staff believes that Pasco water's Contractual Services – Testing expense should be reduced by \$5,452 ( $\$8,178 \times 2/3$ ) to normalize the cost of triennial testing, which occurs every three years.

Transportation Expense (650/750)

In its MFRs, the Utility recorded transportation expense in Seminole County of \$18,464 for water and \$9,796 for wastewater. These amounts represent increases of 94.37 percent and 93.02 percent, respectively. In Orange County, UIF recorded transportation expense of \$2,147, an 84.62 percent increase. In response to a data request, the Utility contends that when MFRs were filed in 2009, there was only one vehicle that was older than 4 years old.<sup>53</sup> At the end of 2012, there were 18 vehicles older than 4 years. The Utility added that as the fleet ages, repair costs increase exponentially. They added that fuel prices have also risen by 12 percent during the same period.

Staff believes that the increase is excessive despite the additional information provided by the Utility, especially when viewed against the modest decreases for transportation expenses reflected in Pasco County and a small increase in Pinellas County.<sup>54</sup> Additionally, staff notes that transportation expenses actually decreased for each system between 2011 and 2012 according to the Utility's annual reports.<sup>55</sup> Given the size of the increase as recorded and the fact that transportation costs actually decreased in 2012, staff believes it is appropriate to use a three-year average to determine the appropriate amount of transportation expense for the systems in Orange and Seminole County. Using the transportation expense recorded in the 2009, 2010, and 2011 Annual Reports for each system, staff calculated the following three-year averages:

Table 16-1

<u>Year</u>	<u>Orange Water</u>	<u>Seminole Water</u>	<u>Seminole Wastewater</u>
2009	\$1,460	\$12,582	\$6,619
2010	1,820	15,608	8,381
2011	2,147	18,459	9,801
Average	<u>\$1,809</u>	<u>\$15,550</u>	<u>\$8,267</u>

<sup>53</sup> See Document No. 05754-13, filed September 26, 2013, p. 12.

<sup>54</sup> Based on information contained in the MFRs, Pasco County transportation expense reflected a 2.69-percent decrease for water and a 2.41-percent decrease for wastewater. Pinellas County transportation expense reflected an 8.15 percent increase.

<sup>55</sup> Transportation expense decreased to \$1,991 for Orange water, \$16,993 for Seminole water, and \$8,994 based on information provided in the Utility's 2012 Annual Report.



Using the three-year averages, staff recommends the following adjustments:

Table 16-2

<u>County</u>	<u>3-yr. Average</u>	<u>MFR Trans. Exp.</u>	<u>Staff Adj.</u>
Orange – Water	\$1,809	\$2,147	(\$338)
Seminole – Water	\$15,550	\$18,464	(\$2,914)
Seminole – Wastewater	\$8,267	\$9,796	(\$1,529)

Miscellaneous Expense (675/775)

During the test year, UIF Seminole County was charged non-sufficient funds (NSF) fees in four separate months, totaling \$194. Staff believes that this is an avoidable expense and ratepayers should not have to pay these penalties. Therefore, staff recommends this account be reduced by \$127 for water and \$67 for wastewater to remove the NSF fees.

Summary

Based on adjustments set forth above, staff recommends decreasing O&M expense by \$338 for Orange water, \$5,452 for Pasco water, \$534 for Pasco wastewater, \$8,721 (\$5,680 + \$2,914 + \$127) for Seminole water, and \$5,370 (\$3,774 + \$1,529 + \$67) for Seminole wastewater. Adjustments to O&M expense are shown on Schedule No. 3-C for each system.

**Issue 17:** Should additional adjustments be made to pro forma O&M expense?

**Recommendation:** No. Based on the information provided by the Utility, no additional adjustments to pro forma O&M expense are necessary. (T. Brown, P. Buys, Rieger)

**Staff Analysis:** In the Utility's filing, UIF included pro forma adjustments for Salaries and Wages, Pensions and Benefits, Purchased Water, Purchased Wastewater Treatment, and Contractual Services – Testing. Pro forma adjustments are known and measurable changes that are anticipated to occur beyond the test year period. Each of the Utility's requested pro forma adjustments is discussed below.

Salaries & Wages (601/701), Salaries & Wages (603/703), and Employee Pensions & Benefits (604/704)

UIF requested increases of \$57,517 for pro forma salaries and wages and \$13,291 for pro forma pension and benefits. Staff addressed the Utility's requested pro forma expenses for these issues in additional detail in Issue 13. Any adjustments concerning the these expenses are addressed in that issue.

Purchased Water and Purchased Wastewater Treatment (610/710)

UIF requested a total of \$834 for pro forma increases in purchased water for Seminole County from the City of Sanford, the City of Altamonte Springs Utilities, and Seminole County Water and Sewer. In addition, several smaller pro forma purchased water increases for Orange (\$289) and Pinellas County (\$65) were also included in the Utility's MFRs.

UIF also requested a total of \$24,525 for pro forma increases in purchased wastewater treatment for Seminole County. The MFRs included purchased wastewater treatment expenses of \$7,362 from the City of Altamonte Springs Utilities for the Weathersfield system, and \$17,163 from the City of Sanford for the Ravenna/Lincoln Heights system. In its Pasco County filing, UIF requested a pro forma increase of \$6,282 for increases in purchased wastewater treatment from Pasco County Utility Department for the Summertree and Orangewood/WisBar systems.

Staff verified the largest pro forma increases against information provided by the Utility in response to the auditor's data requests. As such, staff agrees with the Utility's adjustments.

Contractual Services – Testing (635)

The Utility increased its pro forma expenses for Contractual Services – Testing expense to adjust annual expenses for additional sampling and analysis mandated by the Stage 2 Disinfection Byproducts (DBP) Rule. The Utility requested pro forma testing increases of \$450 for Orange County, \$300 for Pasco County, \$150 for Pinellas County, and \$1,350 for Seminole County.

Docket No. 120209-WS  
Date: November 1, 2013

Per Rule 62-550.822, F.A.C., Initial Distribution System Evaluation and Stage 2 Disinfection Byproducts Requirements, the requirements contained in 40 C.F.R. Part 141, Subpart V (Sections 141.620 through 141.629) are adopted and incorporated by reference. Subpart V – Stage 2 DBP Requirements state that if the system is serving less than 10,000, then the testing must start by October 1, 2013 and will be required annually. Based on this information, staff believes that the increase for pro forma testing appears reasonable and no adjustment is necessary.

#### Summary

Based on the information provided by the Utility, no additional adjustments to pro forma O&M expense are necessary.

**REVENUE REQUIREMENT**

**Issue 18:** What is the appropriate revenue requirement for the December 31, 2011, test year?

**Recommendation:** The following revenue requirements should be approved.

<u>System</u>	<u>Test Year Revenues</u>	<u>(\$ Decrease)/ \$ Increase</u>	<u>Revenue Requirement</u>	<u>(% Decrease)/ % Increase</u>
Orange Water	\$116,050	\$30,157	\$146,207	25.99%
Pasco Water	\$905,659	\$239,418	\$1,145,077	26.44%
Pasco Wastewater	\$527,690	\$6,246	\$533,935	1.18%
Pinellas Water	\$105,176	\$65,331	\$170,507	62.12%
Seminole Water	\$876,873	\$254,890	\$1,131,763	29.07%
Seminole Wastewater	\$816,716	\$123,081	\$939,797	15.07%

(Bullard, T. Brown)

**Staff Analysis:** Consistent with staff's recommendations concerning the underlying rate base, cost of capital, and operating income issues, staff recommends approval of rates that are designed to generate pre-repression revenue requirements as shown in Table 18-1.

Table 18-1

<u>System</u>	<u>Test Year Revenues</u>	<u>(\$ Decrease)/ \$ Increase</u>	<u>Revenue Requirement</u>	<u>(% Decrease)/ % Increase</u>
Orange Water	\$116,050	\$30,157	\$146,207	25.99%
Pasco Water	\$905,659	\$239,418	\$1,145,077	26.44%
Pasco Wastewater	\$527,690	\$6,246	\$533,935	1.18%
Pinellas Water	\$105,176	\$65,331	\$170,507	62.12%
Seminole Water	\$876,873	\$254,890	\$1,131,763	29.07%
Seminole Wastewater	\$816,716	\$123,081	\$939,797	15.07%

## **RATES**

**Issue 19:** What are the appropriate rate structures for the Utility's water and wastewater systems?

**Recommendation:** Staff recommends that 26 percent of the revenues from the Orange County water system should be generated from the BFC. The non-discretionary usage threshold for residential customers should be 5,000 gallons. The appropriate discretionary usage rate blocks are: (1) 5,001-8,000 gallons; (2) 8,001-16,000 gallons; and usage in excess of 16,000 gallons, with discretionary usage block rate factors of 1.00, 1.50, and 1.75, respectively. General service customers should continue to be billed a BFC and gallonage charge.

In Pasco County, the appropriate rate structure should generate 50 percent of the water system revenues from the BFC. Staff recommends that the existing BFC and gallonage charge rate structure, with an additional rate block for the non-discretionary usage below 3,000 gallons be continued for residential customers. General service customers should continue to be billed a BFC and gallonage charge. Residential wastewater customers in Pasco County should continue the existing BFC and gallonage charge rate structure with a 6,000 gallon cap for both the Summertree and Orangewood systems. The multi-residential flat rate for Orangewood wastewater customers should also be continued. The recommended wastewater increase should be applied across-the-board to existing rates.

In Pinellas County, the appropriate rate structure should generate 45 percent of the revenues from the BFC. Staff recommends that the existing BFC and gallonage charge rate structure, with an additional rate block for the non-discretionary usage below 3,000 gallons, be continued for residential customers. General service customers should continue to be billed a BFC and gallonage charge.

Staff recommends that 25 percent of the revenues from the Seminole County water system should be generated from the BFC. The non-discretionary usage threshold should be 4,000 gallons for residential customers. The appropriate discretionary usage rate blocks are: (1) 4,001-8,000 gallons; (2) 8,001-16,000 gallons; and usage in excess of 16,000 gallons, with discretionary usage block rate factors of 1.00, 1.75, and 2.25, respectively. General service customers should continue to be billed a BFC and gallonage charge. Staff recommends that the Seminole County residential wastewater customers' rate structure should consist of a BFC for all meter sizes, based on an allocation of 25 percent of the revenue requirement, with a cap of 8,000 gallons. General service customers should continue to be billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge. (Hudson, Thompson, Bruce, Roberts)

**Staff Analysis:** Staff performed an analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages, usage blocks, and usage block rate factors for the residential rate class. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement excluding repression adjustments and miscellaneous revenues; (2) equitably distribute cost recovery among the utility's customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression which is

based on the number of persons per household, 50 gallons per day per person, and the number of days per month; and (4) implement, where appropriate, water conserving rate structures consistent with Commission practice. The systems in Pasco and Pinellas Counties are located in the Southwest Florida Water Management District (SWFWMD). The systems in Orange and Seminole County are located in the St. Johns River Water Management District (SJRWMD).

In the Utility's 2009 rate case, the rate structures were maintained from the previous rate case. However, an additional rate block was created due to the restriction of repression to non-discretionary usage for each water system. A discussion of the appropriateness of these rate structures in the instant case follows on a county-by-county basis.

### Orange County

The Utility's Orange County water system provides service to 297 residential and 3 general service customers. Approximately 4 percent of the residential customer bills during the test year had zero gallons indicating a non-seasonal customer base. The average residential water demand was 6,235 gallons per month, which is a 4 percent decrease since the Utility's last rate case.

Currently, the Utility's residential rate structure for its water system consists of a BFC and a 3 tier inclining block rate structure with a non-discretionary rate block. The non-discretionary threshold is set at 6,000 gallons which recognizes an average household size of 3.5 people. The rate blocks are: (1) 0-6,000 gallons (non-discretionary); (2) 6,001-8,000 gallons; (3) 8,001-16,000 gallons; and usage in excess of 16,000 gallons, with discretionary usage block rate factors of 1.00, 1.25, and 1.5, respectively. General service customers are billed based on a BFC and gallonage charge.

The existing rates were designed to generate 26 percent of the water revenue from the BFC. Staff believes this allocation provides sufficient revenues to design rate blocks that will send pricing signals to customers using above non-discretionary usage. Therefore, staff recommends that 26 percent of the revenues continue to be generated from the BFC.

The Utility's existing non-discretionary usage threshold is set at 6,000 gallons. However, based on the most recent census data, the average person per household served by UIF's water system in Orange County is 3 which results in 5,000 gallons per month of non-discretionary usage. Therefore, staff recommends that the non-discretionary usage threshold be reduced to 5,000 gallons. The appropriate discretionary usage rate blocks are: (1) 5,001-8,000 gallons; (2) 8,001-16,000 gallons; and usage in excess of 16,000 gallons with discretionary usage block rate factors of 1.00, 1.50, and 1.75, respectively. This rate structure minimizes the rate increase at non-discretionary levels, but increases rates for customers in the higher usage levels. General service customers should continue to be billed a BFC and gallonage charge. Staff's recommended rate structures for the Orange County water system are shown on Schedule No. 4-A, along with two alternate rate structures.

## Pasco County

### Water System

The Utility's customer base in Pasco County consists of 2,727 residential and 59 general service water customers. Approximately 27 percent of the residential customer bills during the test year had zero gallons indicating a seasonal customer base. The average residential water demand was 2,500 gallons per month, which is an 11 percent decrease since the Utility's last rate case.

Currently, the Utility's residential rate structure consists of a traditional BFC and gallonage charge with an additional gallonage charge for non-discretionary usage. The non-discretionary usage threshold is set at 3,000 gallons which recognizes an average household size of two people. The rate blocks are: 1) 0-3,000 gallons (non-discretionary) and 2) usage in excess of 3,000 gallons. General service customers are also billed based on a BFC and gallonage charge.

The Utility's existing rates were designed to generate 45 percent of the revenues from the BFC. Due to the customer's low average monthly consumption and the seasonal nature of the customer base, staff recommends that 50 percent of the revenues should be generated from the BFC in order to ensure that the Utility will have sufficient cash flow to cover fixed costs. The most recent census data indicates that the existing non-discretionary usage threshold of 3,000 gallons is appropriate. Therefore, staff recommends that the traditional BFC and gallonage rate structure with an additional rate block for the non-discretionary usage threshold of 3,000 gallons be continued. This rate structure minimizes increases at lower levels of consumption while maintaining revenue sufficiency for the Utility. General service customers should continue to be billed a BFC and gallonage charge. Staff's recommended rate structures for the Pasco County water system are shown on Schedule No. 4-A, along with two alternate rate structures.

### Wastewater System

UIF operates two wastewater systems in Pasco County, Orangewood and Summertree. The Utility purchases bulk wastewater treatment from Pasco County and provides service to 1,215 residential, 3 multi-residential, and 5 general service customers. Approximately 26 percent of the residential customers' bills during the test year had zero gallons indicating a very seasonal customer base.

Currently, the residential rate structures for the Summertree and Orangewood wastewater systems consist of uniform BFCs for all meter sizes and gallonage charges with a 6,000 gallon cap for residential customers. There is also a flat rate for three multi-residential wastewater only customers in the Orangewood system. General service customers for both systems are billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

Due to the low recommended revenue requirement increase of 1.04 percent, coupled with low average consumption, staff recommends that the 1.04 percentage increase be applied as an across-the-board increase to the existing Pasco County wastewater rates for both Orangewood and Summertree. The residential wastewater monthly gallonage cap should continue at 6,000 gallons.

### Pinellas County

There are 501 residential and 6 general service customers in the Pinellas County water system. The Utility's service area consists primarily of mobile homes. Approximately 28 percent of the residential customer bills during the test year had zero gallons indicating a very seasonal customer base. The customers' average monthly residential consumption is 2,100 gallons per month, which is a 16 percent decrease since the Utility's last rate case.

Currently, the Utility's residential rate structure consists of a traditional BFC and gallonage charge with an additional gallonage charge for non-discretionary usage. The non-discretionary usage threshold is set at 3,000 gallons which recognizes an average household size of two people. The rate blocks are: 1) 0-3,000 gallons (non-discretionary) and 2) usage in excess of 3,000 gallons. General service customers rate consists of a traditional BFC and gallonage charge.

The existing rates were designed to generate 45 percent of the revenues from the BFC. Due to the customers' low average monthly consumption, the seasonal nature of the customers, and the decrease in average consumption since the Utility's last rate case, an increase in the BFC would help ensure revenue sufficiency. However, staff does not recommend increasing the BFC allocation above 45 percent because the customers at the lower levels of consumption would experience a greater percentage increase than those customers at higher levels of consumption. The most recent census data indicates that the existing non-discretionary usage threshold of 3,000 gallons is appropriate.

Staff recommends a continuation of the BFC and gallonage rate structure with a non-discretionary usage threshold of 3,000 gallons. Staff recommends that 45 percent of the revenue requirement continue to be generated from the BFC. This rate structure will help the Utility maintain a sufficient cash flow, while minimizing the rate impact at non-discretionary levels of consumption. The Utility should continue a traditional BFC and gallonage charge for its general service customers.

Staff's recommended rate structure for the Pinellas water system is shown on Schedule No. 4-A, along with two alternate rate structures.

### Seminole County

#### Water System

Water service is provided to 2,554 residential and 14 general service customers in the Utility's Seminole County water system. Approximately 5 percent of the residential bills during



the test year had zero gallons indicating a non-seasonal customer base. The average residential water demand was 5,679 gallons per month, which is an 11 percent decrease since the Utility's last rate case.

Currently, the Utility's water system's residential rate structure consists of a BFC and a three tier inclining block rate structure with a non-discretionary rate block. The non-discretionary threshold is set at 6,000 gallons which recognizes an average household size of 3.5 people. The rate blocks are: (1) 0-6,000 gallons (non-discretionary); (2) 6,001-8,000 gallons; (3) 8,001-16,000 gallons; and usage in excess of 16,000 gallons, with discretionary usage block rate factors of 1.00, 1.75, and 2.25, respectively. General service customers are billed based on a BFC and gallonage charge.

The existing rates were designed to generate 25 percent of the water revenue from the BFC. Staff believes this allocation provides sufficient revenues to design rate blocks that will send pricing signals to customers using above non-discretionary usage.

The Utility's existing non-discretionary usage threshold is set at 6,000 gallons. However, based on the most recent census data, the average person per household served by the UIF's water systems in Seminole County is 2.5 which results in 4,000 gallons of non-discretionary usage per month. As a result, staff recommends that the non-discretionary usage threshold be reduced from 6,000 to 4,000 gallons. The appropriate discretionary usage rate blocks are: (1) 4,001-8,000 gallons; (2) 8,001-16,000 gallons; and usage in excess of 16,000 gallons with discretionary usage block rate factors of 1.00, 1.75, and 2.25, respectively. Staff recommends that 25 percent of the revenues continue to be generated from the BFC. This rate structure minimizes the rate increase at non-discretionary levels, but increases rates for customers in the higher usage levels. General service customers should continue to be billed a BFC and gallonage charge.

Staff's recommended rate structure for the Seminole County water system is shown on its Schedule 4-A, along with two alternate rate structures.

#### Wastewater System

The Utility's Seminole County wastewater system serves 1,441 residential and 7 general service customers. The Utility purchases bulk wastewater treatment from Sanford and Altamonte Springs for the Ravenna Park/Lincoln Heights and Weathersfield systems in Seminole County. Approximately 4 percent of the wastewater residential customer bills during the test year had zero gallons indicating that the customer base is non-seasonal. The average water demand for wastewater customers was 5,032 gallons per month.

The existing rate structure for residential customers consists of a uniform BFC for all meter sizes and a gallonage charge with a 10,000 gallon cap. General service customers are billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

The Utility's proposed BFC allocation is 26 percent. Typically, the Commission's practice is to set the BFC allocation to at least 50 percent due to the capital intensive nature of wastewater plants. However, UIF purchases bulk wastewater service and does not have the same capital investment level as a system with a wastewater treatment plant. Therefore, staff recommends that 25 percent of the revenues be generated by the BFC.

The Utility's existing residential gallonage cap is set at 10,000 per month. The gallonage cap recognizes that not all water used by residential customers is returned to the wastewater system. The cap reflects the maximum amount a residential customer would pay for wastewater service. Typically, the residential wastewater cap is set at approximately 80 percent of the water demand. Based on the Utility's wastewater billing analysis, the 6,000 gallon level is where approximately 80 percent of the water demand is captured. However, reducing the gallonage cap lowers the number of gallons being used in the rate design and results in a significant increase to the gallonage charge. Staff believes it is appropriate to gradually reduce the gallonage cap. Therefore, staff recommends that residential customers' rate structure consists of a uniform BFC for all meter sizes with a cap at 8,000 gallons. General service customers should continue a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge. This rate structure minimizes the rate increase at lower usage levels while maintaining revenue sufficiency.

Staff's recommended rate design for the Seminole County wastewater system is shown on Schedule No. 4-C, along with two alternative rate structures to illustrate other recovery methodologies.

### Conclusion

Based on the above, staff recommends that 26 percent of the revenues from the Orange County water system be generated from the BFC. The non-discretionary usage threshold for residential customers should be reduced to 5,000 gallons. The appropriate discretionary usage rate blocks are: (1) 5,001-8,000 gallons; (2) 8,001-16,000 gallons; and usage in excess of 16,000 gallons, with discretionary usage block rate factors of 1.00, 1.50, and 1.75, respectively. General service customers should continue to be billed a BFC and gallonage charge.

In Pasco County, the appropriate rate structure should generate 50 percent of the water system revenues from the BFC. Staff recommends that the existing BFC and gallonage charge rate structure with an additional rate block for the non-discretionary usage below 3,000 gallons be continued for residential customers. General service customers should continue to be billed a BFC and gallonage charge. Residential wastewater customers should continue the existing BFC and gallonage charge rate structure with a 6,000 gallon cap for both the Summertree and Orangewood systems. The multi-residential flat rate for Orangewood wastewater customers should also be continued. The recommended wastewater increase should be applied across-the-board to existing rates.

In Pinellas County, the appropriate rate structure should generate 45 percent of the revenues from the BFC. Staff recommends that the existing BFC and gallonage charge rate structure, with an additional rate block for the non-discretionary usage below 3,000 gallons be

continued for residential customers. General service customers should continue to be billed a BFC and gallonage charge.

Staff recommends that 25 percent of the revenues from the Seminole County water system should be generated from the BFC. The non-discretionary usage threshold should be reduced to 4,000 gallons for residential customers. The appropriate discretionary usage rate blocks are: (1) 4,001-8,000 gallons; (2) 8,001-16,000 gallons; and usage in excess of 16,000 gallons, with discretionary usage block rate factors of 1.00, 1.75, and 2.25, respectively. General service customers should continue to be billed a BFC and gallonage charge. For wastewater, staff recommends that the Seminole County residential customers' rate structure should consist of a BFC for all meter sizes, based on an allocation of 25 percent of the revenue requirement, and the cap should be 8,000 gallons. General service customers should continue to be billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

**Issue 20:** Are repression adjustments appropriate in this case, and, if so, what are the appropriate reductions in gallons and corresponding expense for the respective water systems?

**Recommendation:** Yes, repression adjustments are appropriate for the water systems in Orange, Pasco, Pinellas, and Seminole Counties. The appropriate reduction in gallons and corresponding reduction in expenses adjustments are as follows.

<u>Water System</u>	<u>Gallon Reduction</u>	<u>Purchased Power</u>	<u>Chemicals</u>	<u>Purchased Water</u>	<u>RAFs</u>	<u>Total Expense Reduction</u>
Orange	1,098,000	\$0	\$0	\$2,149	\$101	\$2,250
Pasco	3,608,000	\$665	\$345	\$0	\$47	\$1,057
Pinellas	919,000	\$157	\$69	\$21	\$12	\$259
Seminole	11,360,000	\$2,065	\$1,804	\$752	\$218	\$4,839

(Hudson, Thompson, Bruce, Roberts)

**Staff Analysis:** A repression adjustment quantifies changes in consumption patterns in response to an increase in price. Customers will typically reduce their discretionary consumption (i.e. outdoor irrigation, etc.) in response to price changes, while non-discretionary consumption (indoor uses such as cooking, cleaning, drinking, bathing, etc.) remains relatively unresponsive to price changes. Non-discretionary consumption is not subjected to a repression adjustment. Based on the historically observed ratio of the level of consumption to changes in price, staff determined that repression adjustments to discretionary usage were necessary for all counties.

#### Orange County

As discussed in Issue 19, the Orange County customer base is non-seasonal and the non-discretionary threshold is 5,000 gallons per month. Based on the customer billing data provided by the Utility, approximately 39 percent of total residential consumption is discretionary usage and, therefore, subject to the effects of repression. The calculated repression adjustment shows that residential discretionary consumption can be expected to decline by 1,098,000 gallons. Staff recommends a 4.9 percent reduction in total residential consumption and corresponding reductions of \$2,149 for purchased water and \$101 for regulatory assessment fees (RAFs).

#### Pasco County

As previously discussed, the Pasco County customer base is very seasonal and the non-discretionary threshold is 3,000 gallons per month. Based on the customer billing data, approximately 34 percent of total residential consumption is discretionary usage and, therefore, subject to the effects of repression. The calculated repression adjustment shows that residential discretionary consumption can be expected to decline by 3,608,000 gallons. Staff recommends a 4.4 percent reduction in total residential consumption and corresponding reductions of \$665 for purchase power expense, \$345 for chemicals expense, and \$47 for RAFs.

Pinellas County

The customer base in Pinellas County is very seasonal and the non-discretionary threshold is 3,000 gallons per month. Based on the customer billing data, approximately 26 percent of total residential consumption is discretionary usage and, therefore, subject to the effects of repression. The calculated repression adjustment shows that residential discretionary consumption can be expected to decline by 919,000 gallons. Staff recommends a 7.2 percent reduction in total residential consumption and corresponding reductions of \$157 for purchase power expense, \$69 for chemicals expense, \$21 for purchased water, and \$12 for RAFs.

Seminole County

The customer base in Seminole County is non-seasonal and the non-discretionary threshold is 4,000 gallons per month. Based on the customer billing data, approximately 43 percent of total residential consumption is discretionary usage and therefore subject to the effects of repression. The calculated repression adjustment shows that residential discretionary consumption can be expected to decline by 11,360,000 gallons. Staff recommends a 6.5 percent reduction in total residential consumption and corresponding reductions of \$2,065 for purchase power expense, \$1,804 for chemicals expense, \$752 for purchased water and \$218 for RAFs.

Conclusion

Staff recommends that repression adjustments are appropriate for the water systems in Orange, Pasco, Pinellas, and Seminole Counties. The appropriate reduction in gallons and the corresponding reduction in expenses are as follows.

Table 20-1

<u>Water System</u>	<u>Gallon Reduction</u>	<u>Purchased Power</u>	<u>Chemicals</u>	<u>Purchased Water</u>	<u>RAFs</u>	<u>Total Expense Reduction</u>
Orange	1,098,000	\$0	\$0	\$2,149	\$101	\$2,250
Pasco	3,608,000	\$665	\$345	\$0	\$47	\$1,057
Pinellas	919,000	\$157	\$69	\$21	\$12	\$259
Seminole	11,360,000	\$2,065	\$1,804	\$752	\$218	\$4,839

**Issue 21:** What are the appropriate rates for monthly service for the water and wastewater systems?

**Recommendation:** The appropriate monthly water and wastewater rates are shown on Schedule Nos. 4-A through 4-D. The recommended water rates are designed to produce the recommended revenue requirements, excluding repression adjustments and miscellaneous revenues. The recommended wastewater rates are designed to produce the recommended revenue requirements less miscellaneous revenues. The appropriate revenue requirements for ratesetting are as follows.

<u>System</u>	<u>Revenue Requirement for Ratesetting</u>
Orange County -Water	\$140,547
Pasco County - Water	\$1,129,675
Pasco County - Wastewater	\$532,250
Pinellas County - Water	\$169,110
Seminole County - Water	\$1,105,374
Seminole County - Wastewater	\$936,867

The Utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the respective systems. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Hudson, Thompson, Bruce, Roberts)

**Staff Analysis:** The staff recommended water rates are designed to produce the pre-repression revenue requirements, less the repression adjustments discussed in Issue 20 and miscellaneous revenues. The appropriate post-repression revenue requirements for ratesetting are as follows.

Table 21-1

<u>System</u>	<u>Pre-Repression Revenue Requirement</u>	<u>Repression Reduction</u>	<u>Misc. Revenues</u>	<u>Post-Repression Revenue</u>
Orange County -Water	\$146,207	\$2,250	\$3,410	\$140,547
Pasco County - Water	\$1,145,077	\$1,057	\$14,345	\$1,129,675
Pinellas County - Water	\$170,507	\$259	\$1,138	\$169,110
Seminole County - Water	\$1,131,763	\$4,839	\$21,550	\$1,105,374

There is no repression for wastewater. The staff recommended wastewater rates are designed to produce the recommended revenue requirements excluding miscellaneous revenues. The appropriate revenue requirements for ratesetting are as follows.

Table 21-2

<u>System</u>	<u>Total Revenue Requirement</u>	<u>Miscellaneous Revenues</u>	<u>Revenue Requirement for Ratesetting</u>
Pasco County - Wastewater	\$533,935	\$1,685	\$532,250
Seminole County - Wastewater	\$939,797	\$2,930	\$936,867

Based on the above, the appropriate monthly water and wastewater rates are shown on Schedule Nos. 4-A through 4-D. The recommended water rates are designed to produce the recommended revenue requirements, excluding repression adjustments and miscellaneous revenues. The recommended wastewaters rates are designed to produce the recommended revenue requirements less miscellaneous revenues. The appropriate revenue requirements for ratesetting are as follows.

Table 21-3

<u>System</u>	<u>Revenue Requirement for Ratesetting</u>
Orange County - Water	\$140,547
Pasco County - Water	\$1,129,675
Pasco County - Wastewater	\$532,250
Pinellas County - Water	\$169,110
Seminole County - Water	\$1,105,374
Seminole County - Wastewater	\$936,867

The Utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the respective systems. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

**OTHER ISSUES**

**Issue 22:** In determining whether any portion of the water or wastewater interim increases granted should be refunded, how should the refunds be calculated, and what are the amounts of the refunds, if any?

**Recommendation:** The appropriate refund amounts should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenues granted. The revenue requirements granted in the Interim Order for the test year are less than the revised revenue requirements for the interim collection period, which results in no recommended interim refunds. Upon issuance of the consummating order in this docket, the corporate undertaking should be released. (T. Brown)

**Staff Analysis:** By Order No. PSC-13-0332-PCO-WS (Interim Order), issued July 22, 2013, the Commission authorized the collection of interim water and wastewater rates, subject to refund, pursuant to Section 367.082, F.S. UIF did not request rate relief for its Marion County water and wastewater systems. The Utility did not request interim rates for its wastewater system in Pasco County. In addition, no interim increase was applied to the Pinellas County water system. Table 22-1 shows the Commission-approved interim revenue requirements.

Table 22-1

<u>County</u>	<u>Adjusted Test Year Revenues</u>	<u>Revenue Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Orange – Water	\$115,858	\$17,111	\$132,969	14.77%
Pasco – Water	\$903,759	\$46,325	\$950,084	5.13%
Seminole - Water	\$874,012	\$42,687	\$916,699	4.88%
Seminole - Wastewater	\$806,130	\$23,389	\$829,519	2.90%

According to Section 367.082, F.S., any refund should be calculated to reduce the rate of return of the Utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period interim rates are in effect should be removed. Rate case expense is an example of an adjustment which is recovered only after final rates are established.

In this proceeding, the test period for establishment of interim and final rates is the 12-month period ended December 31, 2011. UIF’s approved interim rates did not include any provisions for pro forma operating expenses or plant. The interim increase was designed to allow recovery of actual interest costs, and the lower limit of the last authorized range of return on equity. To establish the proper refund amount, staff calculated revised interim revenue requirements utilizing the same data used to establish final rates. Rate case expense was excluded because this item is prospective in nature and did not occur during the interim collection period.



Using the principles discussed above, the revenue requirements granted in the Interim Order for the test year are less than the revised revenue requirements for the interim collection period. This results in no interim refunds. Table 22-2 shows the interim test year revenues and staff's recalculated interim period revenues.

Table 22-2

<u>County</u>	<u>Interim Test Year Revenues Granted</u>	<u>Recalculated Interim Period Revenues</u>
Orange – Water	\$132,969	\$146,888
Pasco – Water	\$950,084	\$1,133,020
Seminole – Water	\$916,699	\$1,128,419
Seminole – Wastewater	\$829,519	\$928,107

Upon issuance of the consummating order in this docket, the corporate undertaking should be released.

**Issue 23:** What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

**Recommendation:** The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A through 4-D, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period.

<u>System</u>	<u>Staff Recommended Reduction</u>	<u>Staff Recommended Rate Reduction</u>
Orange County - Water	\$2,913	2.07%
Pasco County - Water	28,134	2.49%
Pasco County - Wastewater	11,095	2.08%
Pinellas County - Water	4,197	2.48%
Seminole County - Water	25,299	2.29%
Seminole County - Wastewater	<u>13,423</u>	1.43%
Total	<u>\$85,060</u>	

The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. UIF should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Hudson, Thompson, Bruce, Roberts)

**Staff Analysis:** Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year amortization period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of \$85,060 of revenue associated with the amortization of rate case expense, the associated return on deferred rate case expense included in working capital, and the gross-up for RAFs. Using UIF's current revenues, expenses, capital structure, and customer base, the reduction in revenues will result in the rate decreases shown on Schedule Nos. 4-A through 4-D.

Table 23-1

<u>System</u>	<u>Staff Recommended Reduction</u>	<u>Staff Recommended Rate Reduction</u>
Orange County - Water	\$2,913	2.07%
Pasco County - Water	28,134	2.49%
Pasco County - Wastewater	11,095	2.08%
Pinellas County - Water	4,197	2.48%
Seminole County - Water	25,299	2.29%
Seminole County - Wastewater	<u>13,423</u>	1.43%
Total	<u>\$85,060</u>	

The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. UIF should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

**Issue 24:** Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts associated with the Commission approved adjustments?

**Recommendation:** Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, UIF should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made. (T. Brown)

**Staff Analysis:** To ensure that the Utility adjusts its books in accordance with the Commission's decision, UIF should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

**Issue 25:** Should this docket be closed?

**Recommendation:** No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively. (Lawson, T. Brown)

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

ATTACHMENT A

<u>County</u>	<u>System</u>	<u>Water Customers</u>	<u>Wastewater Customers</u>
Marion	Golden Hills/Crownwood	<u>528</u>	<u>76</u>
Total		<u>528</u>	<u>76</u>
Orange	Crescent Heights	254	
	Davis Shores	<u>45</u>	
Total		<u>299</u>	
Pasco	Orangewood/Wis-Bar/Buena Vista	1,704	158
	Summertree	<u>1,179</u>	<u>980</u>
Total		<u>2,883</u>	<u>1,138</u>
Pinellas	Lake Tarpon	<u>430</u>	
Total		<u>430</u>	
Seminole	Bear Lake	220	
	Crystal Lakes	176	
	Jansen	251	
	Little Wekiva	58	
	Oakland Shores	225	
	Park Ridge	100	
	Phillips	79	
	Ravenna Park/Lincoln Heights	340	240
	Weathersfield/Trail Wood/Oakland Hills	<u>1,145</u>	<u>1,136</u>
Total		<u>2,594</u>	<u>1,376</u>
COMPANY TOTAL		<u>6,734</u>	<u>2,590</u>

\*Source – Utilities, Inc. of Florida’s 2011 Annual Report

Utilities, Inc. of Florida - All Counties Capital Structure Test Year Ended 12/31/11							Schedule No. 1-A Docket No. 120209-WS			
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost		
<b>Per Staff</b>										
1	Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$175,158,322)	\$4,841,678	43.99%	6.65%	2.93%	
2	Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%	
3	Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4	Common Equity	179,029,269	(2,810,248)	176,219,021	(171,479,044)	4,739,977	43.07%	10.38%	4.47%	
5	Customer Deposits	71,266	0	71,266	0	71,266	0.65%	2.00%	0.01%	
6	Investment Tax Credits	95,966	0	95,966	0	95,966	0.87%	0.00%	0.00%	
7	Deferred Income Taxes	<u>986,142</u>	<u>270,663</u>	<u>1,256,805</u>	<u>0</u>	<u>1,256,805</u>	<u>11.42%</u>	0.00%	<u>0.00%</u>	
8	<b>Total Capital</b>	<u>\$360,182,643</u>	<u>(\$2,539,585)</u>	<u>\$357,643,058</u>	<u>(\$346,637,366)</u>	<u>\$11,005,692</u>	<u>100.00%</u>		<u>7.41%</u>	
						<b>LOW</b>	<b>HIGH</b>			
						RETURN ON EQUITY	<u>9.69%</u>	<u>11.69%</u>		
						OVERALL RATE OF RETURN	<u>6.93%</u>	<u>7.76%</u>		

Utilities, Inc. of Florida - Orange County Capital Structure Test Year Ended 12/31/11							Schedule No. 1-B Docket No. 120209-WS	
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
<b>Per Utility</b>								
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$179,893,683)	\$106,317	42.72%	6.65%	2.84%
2 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	179,029,269	0	179,029,269	(178,923,546)	105,723	42.48%	10.36%	4.40%
5 Customer Deposits	2,281	0	2,281	0	2,281	0.92%	6.00%	0.05%
6 Investment Tax Credits	2,955	0	2,955	0	2,955	1.19%	0.00%	0.00%
7 Deferred Income Taxes	<u>31,581</u>	<u>0</u>	<u>31,581</u>	<u>0</u>	<u>31,581</u>	<u>12.69%</u>	0.00%	<u>0.00%</u>
8 <b>Total Capital</b>	<u>\$359,066,086</u>	<u>\$0</u>	<u>\$359,066,086</u>	<u>(\$358,817,229)</u>	<u>\$248,857</u>	<u>100.00%</u>		<u>7.29%</u>



Utilities, Inc. of Florida - Pasco County Capital Structure Test Year Ended 12/31/11							Schedule No. 1-C Docket No. 120209-WS	
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
<b>Per Utility</b>								
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$177,931,510)	\$2,068,490	44.76%	6.65%	2.98%
2 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	179,029,269	0	179,029,269	(176,972,330)	2,056,939	44.51%	10.36%	4.61%
5 Customer Deposits	30,739	0	30,739	0	30,739	0.67%	6.00%	0.04%
6 Investment Tax Credits	39,802	0	39,802	0	39,802	0.86%	0.00%	0.00%
7 Deferred Income Taxes	<u>425,306</u>	<u>0</u>	<u>425,306</u>	<u>0</u>	<u>425,306</u>	<u>9.20%</u>	0.00%	<u>0.00%</u>
8 <b>Total Capital</b>	<u>\$359,525,116</u>	<u>\$0</u>	<u>\$359,525,116</u>	<u>(\$354,903,840)</u>	<u>\$4,621,276</u>	<u>100.00%</u>		<u>7.63%</u>

Utilities, Inc. of Florida - Pinellas County Capital Structure Test Year Ended 12/31/11							Schedule No. 1-D Docket No. 120209-WS	
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
<b>Per Utility</b>								
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$179,709,166)	\$290,834	45.94%	6.65%	3.05%
2 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	179,029,069	0	179,029,069	(178,740,059)	289,010	45.68%	10.36%	4.73%
5 Customer Deposits	3,288	0	3,288	0	3,288	0.52%	6.00%	0.03%
6 Investment Tax Credits	4,258	0	4,258	0	4,258	0.67%	0.00%	0.00%
7 Deferred Income Taxes	<u>45,503</u>	<u>0</u>	<u>45,503</u>	<u>0</u>	<u>45,503</u>	<u>7.19%</u>	0.00%	<u>0.00%</u>
8 <b>Total Capital</b>	<u>\$359,082,118</u>	<u>\$0</u>	<u>\$359,082,118</u>	<u>(\$358,449,225)</u>	<u>\$632,893</u>	<u>100.00%</u>		<u>7.81%</u>

Utilities, Inc. of Florida - Seminole County Capital Structure Test Year Ended 12/31/11							Schedule No. 1-E Docket No. 120209-WS		
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
<b>Per Utility</b>									
1 Long-term Debt	\$2,482,275	\$0	\$2,482,275	\$0	\$2,482,275	45.63%	6.65%	3.03%	
2 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%	
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	2,468,413	0	2,468,413	0	2,468,413	45.37%	10.36%	4.70%	
5 Customer Deposits	30,341	0	30,341	0	30,341	0.56%	6.00%	0.03%	
6 Investment Tax Credits	39,287	0	39,287	0	39,287	0.72%	0.00%	0.00%	
7 Deferred Income Taxes	<u>419,804</u>	<u>0</u>	<u>419,804</u>	<u>0</u>	<u>419,804</u>	<u>7.72%</u>	0.00%	<u>0.00%</u>	
8 <b>Total Capital</b>	<u>\$5,440,120</u>	<u>\$0</u>	<u>\$5,440,120</u>	<u>\$0</u>	<u>\$5,440,120</u>	<u>100.00%</u>		<u>7.76%</u>	

Utilities, Inc. of Florida - Orange County Schedule of Water Rate Base Test Year Ended 12/31/11				Schedule No. 2-A Docket No. 120209-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$433,577	(\$22,559)	\$411,018	\$1,330	\$412,348
2 Land and Land Rights	106	0	106	0	106
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(220,690)	22,675	(198,015)	(14,728)	(212,743)
5 CIAC	46,479	(42,081)	4,398	(115)	4,283
6 Amortization of CIAC	22,171	(15,022)	7,149	3	7,152
7 CWIP	1	(1)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>24,201</u>	<u>24,201</u>	<u>(7,713)</u>	<u>16,488</u>
9 <b>Rate Base</b>	<u>\$281,644</u>	<u>(\$32,787)</u>	<u>\$248,857</u>	<u>(\$21,223)</u>	<u>\$227,634</u>

<b>Utilities, Inc. of Florida - Orange County</b>		<b>Schedule No. 2-C</b>
<b>Adjustments to Rate Base</b>		<b>Docket No. 120209-WS</b>
<b>Test Year Ended 12/31/11</b>		
<b>Explanation</b>	<b>Water</b>	
<u>Plant In Service</u>		
1	Audit adjustments agreed to by Utility. (Issue 2)	\$4,760
2	Phoenix Project adjustment. (Issue 3)	<u>(3,430)</u>
	Total	<u>\$1,330</u>
<u>Accumulated Depreciation</u>		
1	Audit adjustments agreed to by Utility. (Issue 2)	(\$15,185)
2	Phoenix Project adjustment. (Issue 3)	<u>457</u>
	Total	<u>(\$14,728)</u>
<u>CIAC</u>		
	Audit adjustments agreed to by Utility. (Issue 2)	<u>(\$115)</u>
<u>Accumulated Amortization of CIAC</u>		
	Audit adjustments agreed to by Utility. (Issue 2)	<u>\$3</u>
<u>Working Capital</u>		
	Reflect appropriate working capital allowance. (Issue 7)	<u>(\$7,713)</u>

Utilities, Inc. of Florida - Orange County Statement of Water Operations Test Year Ended 12/31/11						Schedule No. 3-A Docket No. 120209-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$115,683</u>	<u>\$39,909</u>	<u>\$155,592</u>	<u>(\$39,542)</u>	<u>\$116,050</u>	<u>\$30,157</u> 25.99%	<u>\$146,207</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	89,748	10,875	100,623	(\$7,332)	\$93,291		\$93,291
3 Depreciation	23,397	(5,351)	18,046	216	18,262		18,262
4 Amortization	0	2,015	2,015	0	2,015		2,015
5 Taxes Other Than Income	5,683	4,467	10,150	(1,881)	8,269	1,357	9,626
6 Income Taxes	<u>18</u>	<u>6,587</u>	<u>6,605</u>	<u>(11,300)</u>	<u>(4,695)</u>	<u>10,837</u>	<u>6,142</u>
7 <b>Total Operating Expense</b>	<u>118,846</u>	<u>18,593</u>	<u>137,439</u>	<u>(20,296)</u>	<u>117,143</u>	<u>12,194</u>	<u>129,337</u>
8 <b>Operating Income</b>	<u>(\$3,163)</u>	<u>\$21,316</u>	<u>\$18,153</u>	<u>(\$19,246)</u>	<u>(\$1,093)</u>	<u>\$17,962</u>	<u>\$16,870</u>
9 <b>Rate Base</b>	<u>\$281,644</u>		<u>\$248,857</u>		<u>\$227,634</u>		<u>\$227,634</u>
10 <b>Rate of Return</b>	<u>(1.12%)</u>		<u>7.29%</u>		<u>(0.48%)</u>		<u>7.41%</u>

<b>Utilities, Inc. of Florida - Orange County</b>		<b>Schedule No. 3-C</b>
<b>Adjustment to Operating Income</b>		<b>Docket No. 120209-WS</b>
<b>Test Year Ended 12/31/11</b>		
<b>Explanation</b>	<b>Water</b>	
<u>Operating Revenues</u>		
1 Remove requested final revenue increase.	(\$39,734)	
2 To reflect appropriate misc. service charge and impute incremental increase. (Issue 11)	192	
Total	<u>(\$39,542)</u>	
<u>Operation and Maintenance Expense</u>		
1 Audit adjustments agreed to by Utility. (Issue 2)	(\$2,146)	
2 Reflect appropriate amount of computer maintenance expense. (Issue 3)	(550)	
3 Contested audit adjustments. (Issue 12)	(21)	
4 Reflect salary and benefits adjustment. (Issue 13)	(1,410)	
5 Reflect appropriate rate case expense. (Issue 14)	(2,202)	
6 Reflect appropriate bad debt expense. (Issue 15)	(665)	
7 Reflect additional adjustment to O&M expense. (Issue 16)	<u>(338)</u>	
Total	<u>(\$7,332)</u>	
<u>Depreciation Expense - Net</u>		
1 Audit adjustments agreed to by Utility. (Issue 2)	\$559	
2 Phoenix Project adjustment. (Issue 3)	<u>(343)</u>	
Total	<u>\$216</u>	
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above.	(\$1,779)	
2 Reflect salary and benefits adjustment. (Issue 13)	<u>(101)</u>	
Total	<u>(\$1,881)</u>	

**Schedule No. 4-A**

<b>UTILITIES, INC. OF FLORIDA (ORANGE COUNTY) STAFF'S RECOMMENDED AND ALTERNATIVE WATER RATE STRUCTURES AND RATES</b>			
<b>Test Year Rate Structure and Rates</b>		<b>Recommended Rate Structure and Rates</b>	
3 Tier Inclining Block Rate Structure Rate Factors 1.00, 1.25, and 1.50 BFC = 26%		3-Tier Inclining Block Rate Structure Rate Factors 1.00, 1.50, and 1.75 BFC =26%	
BFC	\$8.03	BFC	\$9.87
0-6 kgals (non-discretionary)	\$3.27	0-5 kgals (non-discretionary)	\$4.04
6-8 kgals	\$3.46	5-8 kgals	\$4.48
8-16 kgals	\$4.33	8-16 kgals	\$6.72
16+ kgals	\$5.18	16+ kgals	\$7.84
<b>Typical Monthly Bills</b>		<b>Typical Monthly Bills</b>	
Consumption (kgals)		Consumption (kgals)	
0	\$8.03	0	\$9.87
1	\$11.30	1	\$13.91
3	\$17.84	3	\$21.99
6	\$27.65	6	\$34.55
10	\$43.23	10	\$56.95
20	\$89.93	20	\$128.63
<b>Alternative 1 Rate Structure and Rates</b>		<b>Alternative 2 Rate Structure and Rates</b>	
3-Tier Inclining Block Rate Structure Rate Factors 1.00, 1.25, and 1.50 BFC =26%		3-Tier Inclining Block Rate Structure Rate Factors 1.00, 1.50, and 1.75 BFC =27.50%	
BFC	\$9.87	BFC	\$10.44
0-5 kgals (non-discretionary)	\$4.26	0-5 kgals (non-discretionary)	\$3.96
5-8 kgals	\$4.66	5-8 kgals	\$4.37
8-16 kgals	\$5.83	8-16 kgals	\$6.56
16+ kgals	\$6.99	16+ kgals	\$7.65
<b>Typical Monthly Bills</b>		<b>Typical Monthly Bills</b>	
Consumption (kgals)		Consumption (kgals)	
0	\$9.87	0	\$10.44
1	\$14.13	1	\$14.40
3	\$22.65	3	\$22.32
6	\$35.83	6	\$34.61
10	\$56.81	10	\$56.47
20	\$119.75	20	\$126.43



<b>Utilities, Inc. of Florida - Orange County</b>				<b>Schedule No. 4-B</b>	
<b>Water Monthly Service Rates</b>				<b>Docket No. 120209-WS</b>	
<b>Test Year Ended 12/31/11</b>					
	<b>Utility Current Rates</b>	<b>Commission Approved Interim</b>	<b>Utility Requested Final</b>	<b>Staff Recommended Rates</b>	<b>4 Year Rate Reduction</b>
<b><u>Residential and General Service</u></b>					
Base Facility Charge by Meter Size					
5/8"x3/4"	\$8.03	\$9.25	\$10.86	\$9.87	\$0.20
1"	\$20.10	\$23.15	\$27.18	\$24.68	\$0.51
1-1/2"	\$40.19	\$46.29	\$54.34	\$49.35	\$1.02
2"	\$64.31	\$74.08	\$86.95	\$78.96	\$1.64
3"	\$128.61	\$148.15	\$173.88	\$157.92	\$3.27
4"	\$200.96	\$231.49	\$271.70	\$246.75	\$5.11
6"	\$401.91	\$462.96	\$543.38	\$493.50	\$10.23
Charge per 1,000 Gallons - Residential					
0 - 6,000 gallons	\$3.27	\$3.77	\$4.42	N/A	N/A
6,001 - 8,000 gallons	\$3.46	\$3.99	\$4.68	N/A	N/A
0 - 5,000 gallons	N/A	N/A	N/A	\$4.04	\$0.08
5,001 - 8,000 gallons	N/A	N/A	N/A	\$4.48	\$0.09
8,001 - 16,000 gallons	\$4.33	\$4.99	\$5.85	\$6.72	\$0.14
Over 16,000 gallons	\$5.18	\$5.97	\$7.00	\$7.84	\$0.16
Charge per 1,000 Gallons - General Service	\$3.55	\$4.09	\$4.80	\$4.74	\$0.10
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>					
3,000 Gallons	\$17.84	\$20.56	\$24.12	\$21.99	
6,000 Gallons	\$27.65	\$31.87	\$37.38	\$34.55	
10,000 Gallons	\$43.23	\$49.83	\$58.44	\$56.95	

<b>Utilities, Inc. of Florida - Pasco County</b>				<b>Schedule No. 2-A</b>	
<b>Schedule of Water Rate Base</b>				<b>Docket No. 120209-WS</b>	
<b>Test Year Ended 12/31/11</b>					
<b>Description</b>	<b>Test Year Per Utility</b>	<b>Utility Adjust- ments</b>	<b>Adjusted Test Year Per Utility</b>	<b>Staff Adjust- ments</b>	<b>Staff Adjusted Test Year</b>
1 Plant in Service	\$4,778,638	\$257,354	\$5,035,992	(\$49,762)	\$4,986,230
2 Land and Land Rights	2,899	10,754	13,653	0	13,653
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(1,424,772)	(81,851)	(1,506,623)	(143,631)	(1,650,254)
5 CIAC	(595,036)	(12,627)	(607,663)	(672)	(608,335)
6 Amortization of CIAC	434,351	(115,271)	319,080	(30,540)	288,540
7 Working Capital Allowance	<u>0</u>	<u>233,736</u>	<u>233,736</u>	<u>(74,369)</u>	<u>159,367</u>
8 <b>Rate Base</b>	<u>\$3,196,080</u>	<u>\$292,095</u>	<u>\$3,488,175</u>	<u>(\$298,974)</u>	<u>\$3,189,201</u>

Utilities, Inc. of Florida - Pasco County Schedule of Wastewater Rate Base Test Year Ended 12/31/11				Schedule No. 2-B Docket No. 120209-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$1,329,707	\$929,024	\$2,258,731	\$1,945	\$2,260,676
2 Land and Land Rights	10,500	(1,546)	8,954	0	8,954
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(524,536)	(464,695)	(989,231)	(50,627)	(1,039,858)
5 CIAC	(531,736)	(55,519)	(587,255)	0	(587,255)
6 Amortization of CIAC	449,165	(99,443)	349,722	(23,424)	326,298
7 CWIP	10	(10)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>92,181</u>	<u>92,181</u>	<u>(29,321)</u>	<u>62,860</u>
9 <b>Rate Base</b>	<u>\$733,110</u>	<u>\$399,992</u>	<u>\$1,133,102</u>	<u>(\$101,426)</u>	<u>\$1,031,676</u>

<b>Utilities, Inc. of Florida - Pasco County</b>		<b>Schedule No. 2-C</b>	
<b>Adjustments to Rate Base</b>		<b>Docket No. 120209-WS</b>	
<b>Test Year Ended 12/31/11</b>			
<b>Explanation</b>	<b>Water</b>	<b>Wastewater</b>	
<u>Plant In Service</u>			
1	Audit adjustments agreed to by Utility. (Issue 2)	\$39,541	\$15,591
2	Phoenix Project adjustment. (Issue 3)	(34,371)	(13,646)
3	Reflect contractual services - engineering adjustment. (Issue 4)	1,367	0
4	Reflect appropriate pro forma plant adjustments. (Issue 5)	<u>(56,299)</u>	<u>0</u>
	Total	<u>(\$49,762)</u>	<u>\$1,945</u>
<u>Accumulated Depreciation</u>			
1	Audit adjustments agreed to by Utility. (Issue 2)	(\$132,972)	(\$52,432)
2	Phoenix Project adjustment. (Issue 3)	4,591	1,805
3	Reflect contractual services - engineering adjustment. (Issue 4)	(62)	0
4	Reflect appropriate pro forma plant adjustments. (Issue 5)	<u>(15,188)</u>	<u>0</u>
	Total	<u>(\$143,631)</u>	<u>(\$50,627)</u>
<u>CIAC</u>			
	Audit adjustments agreed to by Utility. (Issue 2)	<u>(\$672)</u>	<u>\$0</u>
<u>Accumulated Amortization of CIAC</u>			
	Audit adjustments agreed to by Utility. (Issue 2)	<u>(\$30,540)</u>	<u>(\$23,424)</u>
<u>Working Capital</u>			
	Reflect appropriate working capital allowance. (Issue 7)	<u>(\$74,369)</u>	<u>(\$29,321)</u>

Utilities, Inc. of Florida - Pasco County Statement of Water Operations Test Year Ended 12/31/11						Schedule No. 3-A Docket No. 120209-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$833,526</u>	<u>\$398,145</u>	<u>\$1,231,671</u>	<u>(\$326,012)</u>	<u>\$905,659</u>	<u>\$239,418</u> 26.44%	<u>\$1,145,077</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	659,410	(76,065)	583,345	(\$44,908)	\$538,437		\$538,437
3 Depreciation	182,883	(18,733)	164,150	(479)	163,671		163,671
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	153,181	(32,277)	120,904	(11,114)	109,790	10,774	120,564
6 Income Taxes	<u>170</u>	<u>96,936</u>	<u>97,106</u>	<u>(97,088)</u>	<u>18</u>	<u>86,039</u>	<u>86,057</u>
7 <b>Total Operating Expense</b>	<u>995,644</u>	<u>(30,139)</u>	<u>965,505</u>	<u>(153,589)</u>	<u>811,916</u>	<u>96,813</u>	<u>908,728</u>
8 <b>Operating Income</b>	<u>(\$162,118)</u>	<u>\$428,284</u>	<u>\$266,166</u>	<u>(\$172,423)</u>	<u>\$93,743</u>	<u>\$142,605</u>	<u>\$236,349</u>
9 <b>Rate Base</b>	<u>\$3,196,080</u>		<u>\$3,488,175</u>		<u>\$3,189,201</u>		<u>\$3,189,201</u>
10 <b>Rate of Return</b>	<u>(5.07%)</u>		<u>7.63%</u>		<u>2.94%</u>		<u>7.41%</u>

Utilities, Inc. of Florida - Pasco County Statement of Wastewater Operations Test Year Ended 12/31/11						Schedule No. 3-B Docket No. 120209-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$477,751</u>	<u>\$92,636</u>	<u>\$570,387</u>	<u>(\$42,697)</u>	<u>\$527,690</u>	<u>\$6,246</u> 1.18%	<u>\$533,935</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	134,890	223,423	358,313	(\$20,904)	\$337,409		\$337,409
3 Depreciation	38,575	10,302	48,877	98	48,975		48,975
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	0	45,282	45,282	(2,307)	42,975	281	43,256
6 Income Taxes	<u>67</u>	<u>31,443</u>	<u>31,510</u>	<u>(5,916)</u>	<u>25,594</u>	<u>2,244</u>	<u>27,839</u>
7 <b>Total Operating Expense</b>	<u>173,532</u>	<u>310,450</u>	<u>483,982</u>	<u>(29,029)</u>	<u>454,953</u>	<u>2,525</u>	<u>457,478</u>
8 <b>Operating Income</b>	<u>\$304,219</u>	<u>(\$217,814)</u>	<u>\$86,405</u>	<u>(\$13,668)</u>	<u>\$72,737</u>	<u>\$3,720</u>	<u>\$76,457</u>
9 <b>Rate Base</b>	<u>\$733,110</u>		<u>\$1,133,102</u>		<u>\$1,031,676</u>		<u>\$1,031,676</u>
10 <b>Rate of Return</b>	<u>41.50%</u>		<u>7.63%</u>		<u>7.05%</u>		<u>7.41%</u>

<b>Utilities, Inc. of Florida - Pasco County Adjustment to Operating Income Test Year Ended 12/31/11</b>		<b>Schedule No. 3-C Docket No. 120209-WS</b>	
<b>Explanation</b>	<b>Water</b>	<b>Wastewater</b>	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase	(\$327,912)	(\$44,343)	
2 To reflect the appropriate service revenue based on billing determinants. (Issue 11)	0	1,503	
3 To reflect appropriate misc. service charge and impute incremental increase. (Issue 11)	<u>1,900</u>	<u>143</u>	
Total	<u>(\$326,012)</u>	<u>(\$42,697)</u>	
<u>Operation and Maintenance Expense</u>			
1 Audit adjustments agreed to by Utility. (Issue 2)	(\$2,610)	(\$499)	
2 Reflect appropriate amount of computer maintenance expense (Issue 3)	(5,313)	(2,095)	
3 Reflect contractual services - engineering adjustment. (Issue 4)	(1,367)	(534)	
4 Contested audit adjustments. (Issue 12)	(212)	(85)	
5 Reflect salary and benefits adjustment. (Issue 13)	(13,626)	(5,375)	
6 Reflect appropriate rate case expense. (Issue 14)	(21,299)	(8,403)	
7 Reflect appropriate bad debt expense. (Issue 15)	4,971	(3,914)	
8 Reflect additional adjustment to O&M expense. (Issue 16)	<u>(5,452)</u>	<u>0</u>	
Total	<u>(\$44,908)</u>	<u>(\$20,904)</u>	
<u>Depreciation Expense - Net</u>			
1 Audit adjustments agreed to by Utility. (Issue 2)	\$3,677	\$1,463	
2 Phoenix Project adjustment. (Issue 3)	(3,437)	(1,365)	
3 Reflect contractual services - engineering adjustment. (Issue 4)	62	0	
4 Reflect appropriate pro forma plant adjustments. (Issue 5)	<u>(781)</u>	<u>0</u>	
Total	<u>(\$479)</u>	<u>\$98</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$14,671)	(\$1,921)	
2 Reflect contractual services - engineering adjustment. (Issue 4)	20	0	
3 Reflect appropriate pro forma plant adjustments. (Issue 5)	4,514	0	
4 Reflect salary and benefits adjustment. (Issue 13)	<u>(978)</u>	<u>(386)</u>	
Total	<u>(\$11,114)</u>	<u>(\$2,307)</u>	

**Schedule No. 4-A**

<b>UTILITIES, INC. OF FLORIDA (PASCO COUNTY)</b>			
<b>STAFF'S RECOMMENDED AND ALTERNATIVE WATER RATE STRUCTURES AND RATES</b>			
<b>Test Year Rate Structure and Rates</b>		<b>Recommended Rate Structure and Rates</b>	
BFC/gallonage rate structure BFC = 45%		BFC/gallonage rate structure BFC =50 %	
BFC	\$12.35	BFC	\$15.72
0-3 kgals (non-discretionary)	\$3.71	0-3 kgals (non-discretionary)	\$4.81
3+ kgals	\$4.02	3+ kgals	\$5.28
<b>Typical Monthly Bills</b>		<b>Typical Monthly Bills</b>	
Consumption (kgals)		Consumption (kgals)	
0	\$12.35	0	\$15.72
1	\$16.06	1	\$20.53
3	\$23.48	3	\$30.15
6	\$35.54	6	\$45.99
10	\$51.62	10	\$67.11
20	\$91.82	20	\$119.91
<b>Alternative 1 Rate Structure and Rates</b>		<b>Alternative 2 Rate Structure and Rates</b>	
BFC/gallonage rate structure BFC =45%		BFC/gallonage rate structure BFC =40%	
BFC	\$14.15	BFC	\$12.57
0-3 kgals(non-discretionary)	\$5.29	0-3 kgals (non-discretionary)	\$5.77
3+ kgals	\$5.90	3+ kgals	\$6.55
<b>Typical Monthly Bills</b>		<b>Typical Monthly Bills</b>	
Consumption (kgals)		Consumption (kgals)	
0	\$14.15	0	\$12.57
1	\$19.44	1	\$18.34
3	\$30.02	3	\$29.88
6	\$47.72	6	\$49.53
10	\$71.32	10	\$75.73
20	\$130.32	20	\$141.23



<b>Utilities, Inc. of Florida – Pasco County</b>				<b>Schedule No. 4-B</b>	
<b>Monthly Water Rates</b>				<b>Docket No. 120209-WS</b>	
<b>Test Year Ended 12/31/11</b>					
	<b>Utility Current Rates</b>	<b>Commission Approved Interim</b>	<b>Utility Requested Final</b>	<b>Staff Recommended Final</b>	<b>4 Year Rate Reduction</b>
<b><u>Residential and General</u></b>					
<b><u>Service</u></b>					
Base Facility Charge by Meter					
Size					
5/8" X 3/4"	\$12.35	\$12.99	\$16.89	\$15.72	\$0.39
3/4"	\$18.54	\$19.50	\$25.36	\$23.58	\$0.59
1"	\$30.89	\$32.50	\$42.25	\$39.30	\$0.98
1-1/2"	\$61.76	\$64.97	\$84.48	\$78.60	\$1.96
2"	\$98.82	\$103.96	\$135.17	\$125.76	\$3.13
3"	\$197.63	\$207.91	\$270.32	\$251.52	\$6.26
4"	\$308.80	\$324.86	\$422.38	\$393.00	\$9.79
6"	\$617.61	\$649.73	\$844.77	\$786.00	\$19.57
Charge per 1,000 Gallons - Residential					
0-3,000 Gallons	\$3.71	\$3.90	\$5.07	\$4.81	\$0.12
Over 3,000 Gallons	\$4.02	\$4.23	\$5.50	\$5.28	\$0.13
Charge per 1,000 Gallons – General Service					
	\$3.78	\$3.98	\$5.17	\$4.95	\$0.12
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>					
3,000 Gallons	\$23.48	\$24.69	\$32.10	\$30.15	
6,000 Gallons	\$35.54	\$37.38	\$48.60	\$45.99	
10,000 Gallons	\$51.62	\$54.30	\$70.60	\$67.11	

Utilities, Inc. of Florida – Pasco County Monthly Wastewater Rates - Summertree Test Year Ended 12/31/11			Schedule No. 4-C Docket No. 120209-WS	
Summertree System	Utility Current Rates	Utility Requested Final	Staff Recommended Rates	4 Year Rate Reduction
<b><u>Residential</u></b>				
Base Facility Charge - All Meter Sizes	\$14.49	\$15.71	\$14.66	\$0.31
Charge per 1,000 Gallons – Residential* *6,000 gallon cap	\$12.31	\$13.35	\$12.46	\$0.26
<b><u>General Service</u></b>				
Base Facility Charge by Meter Size				
5/8"X3/4"	\$14.49	\$15.71	\$14.66	\$0.31
1"	\$21.74	\$23.58	\$21.99	\$0.46
1-1/2"	\$36.23	\$39.29	\$36.65	\$0.76
2"	\$72.45	\$78.57	\$73.30	\$1.53
3"	\$115.92	\$125.72	\$117.28	\$2.44
4"	\$231.82	\$251.41	\$234.56	\$4.89
6"	\$362.23	\$392.84	\$366.50	\$7.64
8"	\$724.47	\$785.69	\$733.00	\$15.28
Charge per 1,000 Gallons – General Service	\$16.34	\$17.72	\$16.53	\$0.34
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>				
3,000 Gallons	\$51.42	\$55.76	\$52.04	
6,000 Gallons	\$88.35	\$95.81	\$89.42	
10,000 Gallons	\$88.35	\$95.81	\$89.42	

<b>Utilities, Inc. of Florida – Pasco County Monthly Wastewater Rates - Orangewood Test Year Ended 12/31/11</b>			<b>Schedule No. 4-D Docket No. 120209-WS</b>	
<b>Orangewood System</b>	<b>Utility Current Rates</b>	<b>Utility Requested Final</b>	<b>Staff Recommended Rates</b>	<b>4 Year Rate Reduction</b>
<b><u>Residential</u></b>				
Base Facility Charge - All Meter Sizes	\$11.16	\$12.10	\$11.29	\$0.24
Charge per 1,000 Gallons – Residential* *6,000 gallon cap	\$8.29	\$8.99	\$8.39	\$0.17
<b><u>Multi-Residential</u></b>				
Flat Rate	\$27.91	\$30.27	\$28.24	\$0.59
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>				
3,000 Gallons	\$36.03	\$39.07	\$36.46	
6,000 Gallons	\$60.90	\$66.04	\$61.63	
10,000 Gallons	\$60.90	\$66.04	\$61.63	

Utilities, Inc. of Florida - Pinellas County Schedule of Water Rate Base Test Year Ended 12/31/11				Schedule No. 2-A Docket No. 120209-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$528,337	\$268,059	\$796,396	(\$2,625)	\$793,771
2 Land and Land Rights	6,258	0	6,258	0	6,258
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(160,642)	37,529	(123,113)	(20,668)	(143,781)
5 CIAC	(138,847)	(25,205)	(164,052)	0	(164,052)
6 Amortization of CIAC	82,734	0	82,734	0	82,734
7 Working Capital Allowance	<u>0</u>	<u>34,870</u>	<u>34,870</u>	<u>(11,116)</u>	<u>23,754</u>
8 <b>Rate Base</b>	<u>\$317,840</u>	<u>\$315,253</u>	<u>\$633,093</u>	<u>(\$34,410)</u>	<u>\$598,683</u>

Utilities, Inc. of Florida - Pinellas County Adjustments to Rate Base Test Year Ended 12/31/11	Schedule No. 2-C Docket No. 120209-WS
Explanation	Water
<u>Plant In Service</u>	
1 Audit adjustments agreed to by Utility. (Issue 2)	\$5,891
2 Phoenix Project adjustment. (Issue 3)	(5,300)
3 Reflect appropriate pro forma plant adjustments. (Issue 5)	<u>(3,216)</u>
Total	<u>(\$2,625)</u>
<u>Accumulated Depreciation</u>	
1 Audit adjustments agreed to by Utility. (Issue 2)	(\$19,831)
2 Phoenix Project adjustment. (Issue 3)	706
3 Reflect appropriate pro forma plant adjustments. (Issue 5)	<u>(1,543)</u>
Total	<u>(\$20,668)</u>
<u>Working Capital</u>	
Reflect appropriate working capital allowance. (Issue 7)	<u>(\$11,116)</u>

Utilities, Inc. of Florida - Pinellas County						Schedule No. 3-A	
Statement of Water Operations						Docket No. 120209-WS	
Test Year Ended 12/31/11							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$95,795</u>	<u>\$83,941</u>	<u>\$179,736</u>	<u>(\$74,560)</u>	<u>\$105,176</u>	<u>\$65,331</u> 62.12%	<u>\$170,507</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	63,729	13,292	77,021	(\$6,536)	\$70,485		\$70,485
3 Depreciation	18,945	3,360	22,305	(52)	22,253		22,253
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	3,273	9,599	12,872	1,435	14,307	2,940	17,247
6 Income Taxes	<u>25</u>	<u>18,038</u>	<u>18,063</u>	<u>(25,386)</u>	<u>(7,323)</u>	<u>23,478</u>	<u>16,155</u>
7 <b>Total Operating Expense</b>	<u>85,972</u>	<u>44,289</u>	<u>130,261</u>	<u>(30,540)</u>	<u>99,721</u>	<u>26,418</u>	<u>126,139</u>
8 <b>Operating Income</b>	<u>\$9,823</u>	<u>\$39,652</u>	<u>\$49,475</u>	<u>(\$44,020)</u>	<u>\$5,455</u>	<u>\$38,913</u>	<u>\$44,368</u>
9 <b>Rate Base</b>	<u>\$317,840</u>		<u>\$633,093</u>		<u>\$598,683</u>		<u>\$598,683</u>
10 <b>Rate of Return</b>	<u>3.09%</u>		<u>7.81%</u>		<u>0.91%</u>		<u>7.41%</u>

<b>Utilities, Inc. of Florida - Pinellas County</b> <b>Adjustment to Operating Income</b> <b>Test Year Ended 12/31/11</b>		<b>Schedule No. 3-C</b> <b>Docket No. 120209-WS</b>
<b>Explanation</b>	<b>Water</b>	
<u>Operating Revenues</u>		
1 Remove requested final revenue increase.		(\$74,734)
2 To reflect appropriate misc. service charge and impute incremental increase. (Issue 11)		<u>174</u>
Total		<u>(\$74,560)</u>
<u>Operation and Maintenance Expense</u>		
1 Audit adjustments agreed to by Utility. (Issue 2)		(\$522)
2 Reflect appropriate amount of computer maintenance expense. (Issue 3)		(793)
3 Contested audit adjustments. (Issue 12)		(33)
4 Reflect salary and benefits adjustment. (Issue 13)		(2,031)
5 Reflect appropriate rate case expense. (Issue 14)		(3,171)
6 Reflect appropriate bad debt expense. (Issue 15)		<u>13</u>
Total		<u>(\$6,536)</u>
<u>Depreciation Expense - Net</u>		
1 Audit adjustments agreed to by Utility. (Issue 2)		\$553
2 Phoenix Project adjustment. (Issue 3)		(530)
3 Reflect appropriate pro forma plant adjustments. (Issue 5)		<u>(75)</u>
Total		<u>(\$52)</u>
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above.		(\$3,355)
2 Reflect appropriate pro forma plant adjustments. (Issue 5)		4,936
3 Reflect salary and benefits adjustment. (Issue 12)		<u>(146)</u>
Total		<u>\$1,435</u>

**Schedule No. 4-A**

<b>UTILITIES, INC. OF FLORIDA (PINELLAS COUNTY)</b>			
<b>STAFF'S RECOMMENDED AND ALTERNATIVE</b>			
<b>WATER RATE STRUCTURES AND RATES</b>			
<b>Test Year Rate Structure and Rates</b>		<b>Recommended Rate Structure and Rates</b>	
BFC/gallonage rate structure BFC = 45%		BFC/ gallonage rate structure BFC = 45%	
BFC	\$7.17	BFC	\$11.64
0-3 kgals (non-discretionary)	\$3.94	0-3 kgals (non-discretionary)	\$6.60
3+ kgals	\$4.38	3+ kgals	\$8.82
<b>Typical Monthly Bills</b>		<b>Typical Monthly Bills</b>	
Consumption (kgals)		Consumption (kgals)	
0	\$7.17	0	\$11.64
1	\$11.11	1	\$18.24
3	\$18.99	3	\$31.44
6	\$32.13	6	\$57.90
10	\$49.65	10	\$93.18
20	\$93.45	20	\$181.38
<b>Alternative 1 Rate Structure and Rates</b>		<b>Alternative 2 Rate Structure and Rates</b>	
BFC/gallonage rate structure BFC =40%		BFC/gallonage rate structure BFC =50%	
BFC	\$10.34	BFC	\$12.93
0-3 kgals (non-discretionary)	\$7.20	0-3 kgals (non-discretionary)	\$6.00
3+ kgals	\$10.09	3+ kgals	\$7.67
<b>Typical Monthly Bills</b>		<b>Typical Monthly Bills</b>	
Consumption (kgals)		Consumption (kgals)	
0	\$10.34	0	\$12.93
1	\$17.54	1	\$18.93
3	\$31.94	3	\$30.93
6	\$62.21	6	\$53.94
10	\$102.57	10	\$84.62
20	\$203.47	20	\$161.32



**Utilities, Inc. of Florida – Pinellas County**  
**Monthly Water Rates**  
**Test Year Ended 12/31/11**

	<b>Utility Current Rates</b>	<b>Utility Requested Rates</b>	<b>Staff Recommended Rates</b>	<b>4 Year Rate Reduction</b>
<b><u>Residential Service and General Service</u></b>				
Base Facility Charge by Meter Size				
5/8"X3/4"	\$7.17	\$12.32	\$11.64	\$0.29
1"	\$17.93	\$30.81	\$29.10	\$0.72
1-1/2"	\$35.85	\$61.60	\$58.20	\$1.44
2"	\$57.38	\$98.60	\$93.12	\$2.31
3"	\$114.75	\$197.17	\$186.24	\$4.62
4"	\$179.29	\$308.07	\$291.00	\$7.22
6"	\$358.58	\$616.15	\$582.00	\$14.45
Charge per 1,000 Gallons - Residential				
0 - 3,000 gallons	\$3.94	\$6.77	\$6.60	\$0.16
3,001 - 6,000 gallons	\$4.38	\$7.53	\$8.82	\$0.22
Charge per 1,000 Gallons - General Service	\$4.03	\$6.92	\$7.05	\$0.17
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>				
3,000 Gallons	\$18.99	\$32.63	\$31.44	
6,000 Gallons	\$32.13	\$55.22	\$57.90	
10,000 Gallons	\$49.65	\$85.34	\$93.18	

Utilities, Inc. of Florida - Seminole County Schedule of Water Rate Base Test Year Ended 12/31/11			Schedule No. 2-A Docket No. 120209-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$3,708,270	\$1,371,637	\$5,079,907	(\$115,293)	\$4,964,614
2 Land and Land Rights	(1,714)	17,929	16,215	0	16,215
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(384,499)	(1,331,122)	(1,715,621)	(123,598)	(1,839,219)
5 CIAC	(1,214,604)	3,587	(1,211,017)	286,468	(924,549)
6 Amortization of CIAC	863,089	(35,497)	827,592	(117,692)	709,900
7 Working Capital Allowance	<u>0</u>	<u>210,184</u>	<u>210,184</u>	<u>(66,842)</u>	<u>143,342</u>
8 <b>Rate Base</b>	<u>\$2,970,542</u>	<u>\$236,718</u>	<u>\$3,207,260</u>	<u>(\$136,957)</u>	<u>\$3,070,303</u>

Utilities, Inc. of Florida - Seminole County Schedule of Wastewater Rate Base Test Year Ended 12/31/11			Schedule No. 2-B Docket No. 120209-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$1,613,859	\$1,764,826	\$3,378,685	\$3,959	\$3,382,644
2 Land and Land Rights	180,351	(161,339)	19,012	0	19,012
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(37,627)	(1,024,809)	(1,062,436)	(68,562)	(1,130,998)
5 CIAC	(1,042,129)	327,749	(714,380)	269,264	(445,116)
6 Amortization of CIAC	556,978	(56,515)	500,463	(2,195)	498,268
7 CWIP	10	(10)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>111,517</u>	<u>111,517</u>	<u>(35,466)</u>	<u>76,051</u>
9 <b>Rate Base</b>	<u>\$1,271,442</u>	<u>\$961,419</u>	<u>\$2,232,861</u>	<u>\$166,999</u>	<u>\$2,399,860</u>

<b>Utilities, Inc. of Florida - Seminole County</b>		<b>Schedule No. 2-C</b>	
<b>Adjustments to Rate Base</b>		<b>Docket No. 120209-WS</b>	
<b>Test Year Ended 12/31/11</b>			
<b>Explanation</b>	<b>Water</b>	<b>Wastewater</b>	
<u>Plant In Service</u>			
1 Audit adjustments agreed to by Utility. (Issue 2)	\$44,171	\$23,431	
2 Phoenix Project adjustment. (Issue 3)	(30,919)	(16,473)	
3 Reflect appropriate pro forma plant adjustments. (Issue 5)	<u>(128,545)</u>	<u>(2,999)</u>	
Total	<u>(\$115,293)</u>	<u>\$3,959</u>	
<u>Accumulated Depreciation</u>			
1 Audit adjustments agreed to by Utility. (Issue 2)	(\$132,100)	(\$70,073)	
2 Phoenix Project adjustment. (Issue 3)	4,127	2,186	
3 Reflect appropriate pro forma plant adjustments. (Issue 5)	<u>4,374</u>	<u>(675)</u>	
Total	<u>(\$123,598)</u>	<u>(\$68,562)</u>	
<u>CIAC</u>			
Audit adjustments agreed to by Utility. (Issue 2)	<u>\$286,468</u>	<u>\$269,264</u>	
<u>Accumulated Amortization of CIAC</u>			
Audit adjustments agreed to by Utility. (Issue 2)	<u>(\$117,692)</u>	<u>(\$2,195)</u>	
<u>Working Capital</u>			
Reflect appropriate working capital allowance. (Issue 7)	<u>(\$66,842)</u>	<u>(\$35,466)</u>	

Utilities, Inc. of Florida - Seminole County Statement of Water Operations Test Year Ended 12/31/11						Schedule No. 3-A Docket No. 120209-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$989,369</u>	<u>\$179,145</u>	<u>\$1,168,514</u>	<u>(\$291,641)</u>	<u>\$876,873</u>	<u>\$254,890</u> 29.07%	<u>\$1,131,763</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	780,041	(246,630)	533,411	(\$44,131)	\$489,280		\$489,280
3 Depreciation	148,603	26,149	174,752	31,048	205,800		205,800
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	180,766	(60,342)	120,424	(5,597)	114,827	11,470	126,297
6 Income Taxes	<u>(23,913)</u>	<u>114,800</u>	<u>90,887</u>	<u>(99,637)</u>	<u>(8,750)</u>	<u>91,599</u>	<u>82,849</u>
7 <b>Total Operating Expense</b>	<u>1,085,497</u>	<u>(166,023)</u>	<u>919,474</u>	<u>(118,317)</u>	<u>801,157</u>	<u>103,069</u>	<u>904,225</u>
8 <b>Operating Income</b>	<u>(\$96,128)</u>	<u>\$345,168</u>	<u>\$249,040</u>	<u>(\$173,324)</u>	<u>\$75,716</u>	<u>\$151,821</u>	<u>\$227,537</u>
9 <b>Rate Base</b>	<u>\$2,970,542</u>		<u>\$3,207,260</u>		<u>\$3,070,303</u>		<u>\$3,070,303</u>
10 <b>Rate of Return</b>	<u>(3.24%)</u>		<u>7.76%</u>		<u>2.47%</u>		<u>7.41%</u>

Utilities, Inc. of Florida - Seminole County Statement of Wastewater Operations Test Year Ended 12/31/11						Schedule No. 3-B Docket No. 120209-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$863,881</u>	<u>\$166,740</u>	<u>\$1,030,621</u>	<u>(\$213,905)</u>	<u>\$816,716</u>	<u>\$123,081</u> 15.07%	<u>\$939,797</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	394,656	230,877	625,533	(\$97,135)	\$528,398		\$528,398
3 Depreciation	73,644	15,855	89,499	1,567	91,066		91,066
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	0	78,943	78,943	(6,758)	72,185	5,539	77,723
6 Income Taxes	<u>(12,688)</u>	<u>75,964</u>	<u>63,276</u>	<u>(42,750)</u>	<u>20,526</u>	<u>44,231</u>	<u>64,758</u>
7 <b>Total Operating Expense</b>	<u>455,612</u>	<u>401,639</u>	<u>857,251</u>	<u>(145,075)</u>	<u>712,176</u>	<u>49,770</u>	<u>761,945</u>
8 <b>Operating Income</b>	<u>\$408,269</u>	<u>(\$234,899)</u>	<u>\$173,370</u>	<u>(\$68,830)</u>	<u>\$104,540</u>	<u>\$73,311</u>	<u>\$177,851</u>
9 <b>Rate Base</b>	<u>\$1,271,442</u>		<u>\$2,232,861</u>		<u>\$2,399,860</u>		<u>\$2,399,860</u>
10 <b>Rate of Return</b>	<u>32.11%</u>		<u>7.76%</u>		<u>4.36%</u>		<u>7.41%</u>

<b>Utilities, Inc. of Florida - Seminole County</b>		<b>Schedule No. 3-C</b>	
<b>Adjustment to Operating Income</b>		<b>Docket No. 120209-WS</b>	
<b>Test Year Ended 12/31/11</b>			
<b>Explanation</b>	<b>Water</b>	<b>Wastewater</b>	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$294,501)	(\$214,360)	
2 To reflect appropriate misc. service charge and impute incremental increase. (Issue 11)	<u>2,860</u>	<u>455</u>	
Total	<u>(\$291,641)</u>	<u>(\$213,905)</u>	
<u>Operation and Maintenance Expense</u>			
1 Audit adjustments agreed to by Utility. (Issue 2)	(\$4,232)	(\$362)	
2 Reflect appropriate amount of computer maintenance expense. (Issue 3)	(4,778)	(2,535)	
3 To adjust purchased wastewater for excess I & I. (Issue 6)	0	(63,900)	
4 Contested audit adjustments. (Issue 12)	(191)	(102)	
5 Reflect salary and benefits adjustment. (Issue 13)	(12,256)	(6,502)	
6 Reflect appropriate rate case expense. (Issue 14)	(19,163)	(10,167)	
7 Reflect appropriate bad debt expense. (Issue 15)	5,210	(8,196)	
8 Reflect additional adjustments to O&M expense. (Issue 16)	<u>(8,721)</u>	<u>(5,370)</u>	
Total	<u>(\$44,131)</u>	<u>(\$97,135)</u>	
<u>Depreciation Expense - Net</u>			
1 Audit adjustments agreed to by Utility. (Issue 2)	38,917	3,303	
2 Phoenix Project adjustment. (Issue 3)	(\$3,092)	(\$1,647)	
3 Reflect appropriate pro forma plant adjustments. (Issue 5)	<u>(4,778)</u>	<u>(88)</u>	
Total	<u>\$31,048</u>	<u>\$1,567</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$13,124)	(\$9,626)	
2 Reflect appropriate pro forma plant adjustments. (Issue 5)	8,407	3,334	
3 Reflect salary and benefits adjustment. (Issue 13)	<u>(880)</u>	<u>(467)</u>	
Total	<u>(\$5,597)</u>	<u>(\$6,758)</u>	

**Schedule No. 4-A**

<b>UTILITIES, INC. OF FLORIDA (SEMINOLE COUNTY)</b>			
<b>STAFF'S RECOMMENDED AND ALTERNATIVE</b>			
<b>WATER RATE STRUCTURES AND RATES</b>			
<b>Test Year Rate Structure and Rates</b>		<b>Recommended Rate Structure and Rates</b>	
3-Tier Inclining Block Rate Structure Rate Factors 1.00, 1.75, and 2.25 BFC = 25%		3-Tier Inclining Block Rate Structure Rate Factors 1.00, 1.75, and 2.25 BFC = 25%	
BFC	\$7.23	BFC	\$8.65
0-6 kgals (non-discretionary)	\$2.77	0-4 kgals (non-discretionary)	\$3.86
6-8 kgals	\$3.12	4-8 kgals	\$4.48
8-16 kgals	\$5.37	8-16 kgals	\$7.83
16+ kgals	\$6.92	16+ kgals	\$10.07
<b>Typical Monthly Bills</b>		<b>Typical Monthly Bills</b>	
Consumption (kgals)		Consumption (kgals)	
0	\$7.23	0	\$8.65
1	\$10.00	1	\$12.51
3	\$15.54	3	\$20.23
6	\$23.85	6	\$33.05
10	\$40.83	10	\$57.67
20	\$100.73	20	\$144.93
<b>Alternative 1 Rate Structure and Rates</b>		<b>Alternative 2 Rate Structure and Rates</b>	
3-Tier Inclining Block Rate Structure Rate Factors 1.00, 1.75, and 2.25 BFC = 21%		3-Tier Inclining Block Rate Structure Rate Factors 1.00, 1.75, and 2.25 BFC = 30%	
BFC	\$7.27	BFC	\$10.39
0-4 kgals (non-discretionary)	\$4.06	0-4 kgals	\$3.60
4-8 kgals	\$4.77	4-8 kgals	\$4.11
8-16 kgals	\$8.36	8-16 kgals	\$7.20
16+ kgals	\$10.74	16+ kgals	\$9.25
<b>Typical Monthly Bills</b>		<b>Typical Monthly Bills</b>	
Consumption (kgals)		Consumption (kgals)	
0	\$7.27	0	10.39
1	\$11.33	1	\$13.99
3	\$19.45	3	\$21.19
6	\$33.05	6	\$33.01
10	\$59.31	10	\$55.57
20	\$152.43	20	\$135.59



<b>Utilities, Inc. of Florida – Seminole County</b>				<b>Schedule No. 4-B</b>	
<b>Monthly Water Rates</b>				<b>Docket No. 120209-WS</b>	
<b>Test Year Ended 12/31/11</b>					
	<b>Utility Current Rates</b>	<b>Commission Approved Interim</b>	<b>Utility Requested Rates</b>	<b>Staff Recommended Rates</b>	<b>4 Year Rate Reduction</b>
<b><u>Residential and General Service</u></b>					
<b>Base Facility Charge by Meter Size:</b>					
5/8"X3/4"	\$7.23	\$7.59	\$9.72	\$8.65	\$0.20
1"	\$18.08	\$18.98	\$24.30	\$21.64	\$0.50
1-1/2"	\$36.17	\$37.96	\$48.61	\$43.27	\$0.99
2"	\$57.86	\$60.74	\$77.75	\$69.24	\$1.58
3"	\$115.72	\$121.47	\$155.50	\$138.47	\$3.17
4"	\$180.83	\$189.81	\$243.00	\$216.36	\$4.95
6"	\$361.64	\$379.61	\$485.97	\$432.72	\$9.90
<b>Charge per 1,000 Gallons - Residential</b>					
0 - 6,000 gallons	\$2.77	\$2.91	\$3.72	N/A	N/A
6,001 - 8,000 gallons	\$3.12	\$3.28	\$4.19	N/A	N/A
0 – 4,000 gallons	N/A	N/A	N/A	\$3.86	\$0.09
4,001 – 8,000	N/A	N/A	N/A	\$4.48	\$0.10
8,001- 16000 gallons	\$5.37	\$5.64	\$7.22	\$7.83	\$0.18
Over 16,000 gallons	\$6.92	\$7.27	\$9.30	\$10.07	\$0.23
<b>Charge per 1,000 Gallons - General Service</b>					
	\$3.50	\$3.67	\$4.70	\$4.80	\$0.11
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>					
3,000 gallons	\$15.54	\$16.32	\$20.88	\$20.23	
6,000 gallons	\$23.85	\$25.05	\$32.04	\$33.05	
10,000 gallons	\$40.83	\$42.89	\$54.86	\$57.67	

**Schedule No. 4-C**

<b>UTILITIES, INC. OF FLORIDA (SEMINOLE COUNTY)</b>			
<b>STAFF'S RECOMMENDED AND ALTERNATIVE</b>			
<b>WASTEWATER RATE STRUCTURES AND RATES</b>			
<b>Test Year Rate Structure and Rates</b>		<b>Recommended Rate Structure and Rates</b>	
BFC/gallage charge rate structure BFC =25%		BFC/gallage charge rate structure BFC =25%	
BFC	\$12.63	BFC	\$13.92
Per 1,000 gallons (capped at 10 kgals)	\$7.06	Per 1,000 gallons (capped at 8 kgals)	\$8.62
<b>Typical Monthly Bills</b>		<b>Typical Monthly Bills</b>	
Consumption (kgals)		Consumption (kgals)	
0	\$12.63	0	\$13.92
1	\$19.69	1	\$22.54
3	\$33.81	3	\$39.78
6	\$54.99	6	\$65.64
8	\$69.11	8	\$82.88
10	\$83.23	10	\$82.88
<b>Alternative 1 Rate Structure and Rates</b>		<b>Alternative 2 Rate Structure and Rates</b>	
BFC/gallage charge rate structure BFC = 20%		BFC/gallage charge rate structure BFC =30%	
BFC	\$11.14	BFC	\$16.71
Per 1,000 gallons (capped at 8 kgals)	\$9.19	Per 1,000 gallons (capped at 8 kgals)	\$8.04
<b>Typical Monthly Bills</b>		<b>Typical Monthly Bills</b>	
Consumption (kgals)		Consumption (kgals)	
0	\$11.14	0	\$16.71
1	\$20.33	1	\$24.75
3	\$38.71	3	\$40.83
6	\$66.28	6	\$64.95
8	\$84.66	8	\$81.03
10	\$84.66	10	\$81.03

<b>Utilities, Inc. of Florida – Seminole County</b>				<b>Schedule No. 4-D</b>	
<b>Monthly Wastewater Rates</b>				<b>Docket No. 120209-WS</b>	
<b>Test Year Ended 12/31/11</b>					
	<b>Utility Current Rates</b>	<b>Commission Approved Interim</b>	<b>Utility Requested Rates</b>	<b>Staff Recommended Rates</b>	<b>4 Year Rate Reduction</b>
<b><u>Residential</u></b>					
Flat Rate - Unmetered	\$42.79	\$43.50	\$54.04	N/A	N/A
Base Facility Charge - All Meter Sizes	\$12.63	\$12.84	\$15.95	\$13.92	\$0.20
Charge per 1,000 Gallons - Residential*					
* 8,000 gallon cap	N/A	N/A	N/A	\$8.62	\$0.12
*10,000 gallon cap	\$7.06	\$7.17	\$8.92	N/A	N/A
<b><u>General Service</u></b>					
Base Facility Charge by Meter Size					
5/8"x3/4"	\$12.63	\$12.84	\$15.95	\$13.92	\$0.20
1"	\$31.60	\$32.12	\$39.91	\$34.80	\$0.50
1-1/2"	\$63.17	\$64.22	\$79.78	\$69.60	\$1.00
2"	\$101.08	\$102.75	\$127.65	\$111.36	\$1.60
3"	\$202.16	\$205.49	\$255.31	\$222.72	\$3.19
4"	\$315.87	\$321.08	\$398.91	\$348.00	\$4.99
6"	\$631.74	\$642.16	\$797.82	\$696.00	\$9.97
Charge per 1,000 Gallons - General Service	\$8.46	\$8.60	\$10.68	\$10.34	\$0.15
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>					
3,000 Gallons	\$33.81	\$34.35	\$42.71	\$39.78	
6,000 Gallons	\$54.99	\$55.86	\$69.47	\$65.64	
10,000 Gallons	\$83.23	\$84.54	\$105.15	\$82.88	