

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.	DOCKET NO. 130153-WS ORDER NO. PSC-14-0413-PAA-WS ISSUED: August 14, 2014
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The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING SETTLEMENT AND ESTABLISHING RATES
AND
FINAL ORDER GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST

BY THE COMMISSION:

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

Case Background

On February 28, 2013, an application was filed in Docket No. 130055-WS, for the transfer of the water and wastewater systems and Certificate Nos. 620-W and 533-S from L.P. Utilities Corporation (LPUC) to LP Waterworks, Inc. (LPWWI or Utility). On March 13, 2014, the Commission approved the transfer.

On May 24, 2013, LPUC c/o LPWWI filed an application for a staff-assisted rate case (SARC). LPWWI is a Class C water and wastewater utility providing service in Highlands County. The Utility is located in the water use caution area of the Southwest Florida Water Management District (SWFWMD). A significant portion of LPWWI's residential customer base is seasonal. Based on the billing data for the 12 months ended May 31, 2013, the Utility served approximately 370 individually metered, residential and several general service water and wastewater customers in the Camp Florida Resort RV Park (RV Park or Park). In addition, the

Utility provided water only service to approximately 54 residential customers in the Hickory Hills and Lake Ridge Estates subdivisions and a few general service customers outside the Park.

The current rates were set by Order No. PSC-03-1051-FOF-WS, issued on September 22, 2003.¹ The official filing date of the instant SARC is July 22, 2013. A customer meeting was held on January 16, 2014, at the Lakeview Clubhouse in the RV Park. In a letter filed on January 24, 2014, the Office of Public Counsel (OPC) identified concerns regarding matters raised at the customer meeting and the information included in the staff report that addressed the preliminary review of the requested rate increase. The issues raised by customers included unaccounted for water, billing, financial efficiency, and rate shock. In addition, letters from customers opposing the rate increase were also filed in the docket. Many customers stated that the increase would cause a hardship and they would prefer a gradual increase phased in over three to five years.

On June 2, 2014, OPC, the Utility, and the Camp Florida Property Owners Association (Association) (collectively Parties or Stakeholders) entered into a settlement agreement (Settlement) which is attached to this Order as Attachment 1. On July 7, 2014, the Parties filed a Joint Motion Requesting Commission Approval of the Settlement (Joint Motion). In general terms, the Settlement addressed contractual services, bad debt expense, pro forma plant additions, established two phases of rate implementation² and provided that the Utility would seek a rate increase no sooner than September 2016.

We have jurisdiction in this case pursuant to Sections 367.011, 367.0814, 367.101, and 367.121, Florida Statutes (F.S.).

Analysis and Decision

Joint Motion and Settlement

Having considered the Joint Motion, the Settlement, and the discussion at our Agenda Conference, we shall grant the Joint Motion and approve the Settlement which the Stakeholders of this proceeding have joined. In addition to specific adjustments that are reflected throughout this Order, the Settlement provides that:

the water and wastewater rate increases shall be implemented in two phases. Phase I shall recover only the recommended operation and maintenance expenses, property taxes and regulatory assessment fee (RAF) expense, as modified by this Agreement. There shall be no recovery of the Utility's return on rate base, including modified water and wastewater pro forma plant additions, including depreciation net of [contributions in aid of

¹ In Docket No. 020010-WS, *In re: Application for staff-assisted rate case in Highlands County by The Woodlands of Lake Placid, L. P.*

² Under which the Utility initially would recover only operation and maintenance expenses, property taxes and regulatory assessment fee expense associated with the Phase I rate increase.

construction] CIAC amortization, in Phase I rates, which are estimated to be implemented sometime in September, 2014.

Phase II rates shall not be implemented any sooner than 1 year after implementation of the Phase I rates, which is estimated to be in September, 2015. Phase II rates shall include the recovery of the Utility's return on rate base, including the modified water and wastewater pro forma plant additions, including depreciation net of CIAC amortization, together with the recovery of the approved operation and maintenance expenses, property taxes and RAF expense, as modified by this Agreement.

The Utility agrees not to file a new rate case before one year after implementation of the Phase II rate increase, which is estimated to be no sooner than September, 2016.

Quality of Service

Pursuant to Rule 25-30.433(1), F.A.C, we determine the overall quality of service a utility provides by evaluating the quality of its product, the operational condition of its plant and facilities, and its attempt to address customer satisfaction.

The operation of the Utility is subject to various environmental requirements such as permitting, testing, on-site review, and monitoring under the jurisdiction of the Florida Department of Environmental Protection (DEP). DEP's jurisdiction covers the quality of the Utility's water product and the operational condition of its water and wastewater plant and facilities.

To prevent contamination of drinking water supplies, DEP conducts sanitary surveys and compliance inspections on a routine basis. In a letter dated April 10, 2013, DEP identified items in a compliance inspection report that the Utility should address. The noted deficiencies included a buildup of vegetation around the east well, a lock requirement for the shut off valve, and documentation for the last inspection for the east tank. The Utility responded to DEP's sanitary survey report and addressed all noted deficiencies. We found no outstanding enforcement issues regarding the operational conditions of the Utility's water facilities.

DEP also has jurisdiction over the operational condition of the wastewater treatment plant and facilities. DEP's comprehensive evaluation of a wastewater facility's overall compliance status is based on review of past monitoring data and results from inspections such as its Compliance Evaluation Inspection (CEI). On May 24, 2012, DEP conducted a CEI designed to verify the Utility's compliance with applicable requirements and compliance schedules for chemical and biological self-monitoring programs. The Utility responded to DEP's CEI report and addressed all noted deficiencies. We found no outstanding enforcement issues regarding the operational conditions of the Utility's wastewater facilities.

A customer meeting was held on January 16, 2014, with approximately 40 customers in attendance. Several customers spoke at the meeting. Concerns raised at the meeting related to a high water pressure incident, low water pressure incidents, response speed to address reported problems in contrast to the previous owner.

The Utility did not dispute the high pressure incident which was caused by a defective pressure switch. The defective pressure switch was replaced and the air relief valve was checked as part of the corrective actions. The Utility also provided information and assistance to the affected customers to address damage claims.

Low pressure incidents were due to the power fluctuations from the electric supplier which caused the Programmable Logic Controller (PLC) to fault. The attempt to troubleshoot the PLC with the assistance from the manufacturer was unsuccessful; however, the Utility bypassed the PLC and the repair corrected the problem.

The Utility acknowledged that the previous owner was able to address problems faster and has hired a maintenance technician who lives close by the service area.

Upon review, we find that the Utility has taken reasonable actions to comply with DEP's regulations and to address customer concerns. Therefore, we find that the quality of service provided by the Utility to be satisfactory.

Used and Useful

Pursuant to Rules 25-30.431, 25-30.432, and 25-30.4325, F.A.C., our used and useful (U&U) evaluation of water and wastewater systems includes consideration of the formula-based method and all relevant factors such as prior decisions, conservation, and change in customer base. In simple terms, the formula-based method calculates the customer demand as a percentage of the capacity. The customer demand is based on the actual demand in the test period and the estimated demand over the five-year statutory growth period.

Water System

By Order PSC-02-1739-PAA-WS, issued December 10, 2002, in Docket No. 020010-WS, the Utility's water treatment facilities and distribution system were determined to be 100 percent and 87 percent U&U, respectively.

There has been no change in the capacity of the water treatment facilities. The actual test year demand by the fire flow requirements of 500 gallons per minute (gpm) is greater than the firm reliable capacity of 380 gpm. Therefore, based on the same formula-based method used in the last SARC decision, the water treatment plant shall continue to be 100 percent U&U.

For the distribution system, the evaluation is based on the demand and capacity measured on the basis of equivalent residential connections. The customer demand is the sum of the 389 connections for the test year and the additional 7 connections estimated over the five-year

statutory growth period. The total demand is 87 percent of the distribution capacity of 457 connections. Therefore, the water distribution system is 87 percent U&U.

Wastewater System

In the last SARC decision, referenced above, the Utility's wastewater treatment plant and collection system were determined to be 59 percent and 85 percent U&U, respectively.

There has been no change in capacity of the wastewater treatment plant, which is permitted by the DEP to operate at no more than 50,000 gallons per day (gpd) of monthly Average Daily Flow (ADF). Daily flows are measured and reported to DEP monthly. Monthly ADF for the system typically peaks in February, therefore, February ADF is used to measure the actual demand in the test period.

Based on the flow data reported to DEP, the ADF for February 2013 was 9,250 gpd which represents less than 20 percent of the plant capacity. Upon further review, we noted a significantly lower flow beginning in June 2012. The Utility tested the Ultrasonic Flow Meter at the treatment plant on August 21, 2013, and found that the meter was only registering flow up to 15 gpm. For future reports, the Utility obtained DEP's permission to measure the flow at the lift station. The flow data reported subsequently indicate that the reported 9,250 gpd of ADF for February 2013 is very likely due to the faulty meter.

Due to the lack of accurate flow data, we examined additional data which suggests that the growth of wastewater customers has remained relatively flat over the past 12 years. The wastewater plant only serves the RV Park and we did not identify any significant growth in that customer base. Therefore, we find that the wastewater treatment plant is 59 percent U&U, consistent with Order No. PSC-02-1739-PAA-WS.

The rationale of no customer growth applies to the collection system as well. Because the existing collection system was designed to serve the RV Park, we find that the collection system is 100 percent U&U.

Unaccounted For Water

During the test year ended May 31, 2013, 18.0 million gallons of treated water were metered at the water treatment facilities. Of those, 14.7 million gallons, or 81.5 percent of the amount produced, were metered and billed to customers. The remaining 18.5 percent of the amount produced was not generating revenues. Rule 25-30.4325(1)(e), F.A.C., provides that excessive unaccounted for water (EUW) is unaccounted for water in excess of 10 percent of the amount produced. Therefore, EUW is 8.5 percent after the 10 percent allowance by Commission practice.

Accordingly, we find that the test year water treatment cost of purchased power and chemicals shall be reduced by 8.5 percent. This adjustment will be made to water treatment cost of purchased power and chemicals below under the heading Operating Expense.

Test Year Rate Base

Based upon the Settlement, we find that the appropriate average test year rate base is \$86,395 for water and \$104,668 for wastewater.

Return on Equity

Upon review, we find that the appropriate return on equity (ROE) is 8.74 percent with a range of 7.74 percent to 9.74 percent. The appropriate overall rate of return is 8.74 percent. However, as provided in the Settlement, the Phase I increase does not include a return on the Utility's test year rate base. The ROE and overall rate of return are shown on Schedule No. 2.

Test Year Revenues

LP recorded total test year water revenues of \$57,226, which include water service revenues of \$56,346 and miscellaneous revenues of \$880. The Utility recorded total test year wastewater service revenues of \$46,581. Based on our review of the Utility's billing determinants and the rates that were in effect during the test year ended May 31, 2013, service revenues for the water system shall be increased by \$1,965 to reflect total test year service revenues of \$59,191. Service revenues for the wastewater system shall be increased by \$1,061 to reflect total test year service revenues of \$47,642. Test year revenues are shown on Schedule Nos. 3-A and 3-B.

Operating Expense

The Utility recorded operating expense of \$74,113 for water and \$67,534 for wastewater for the test year ended May 31, 2013. The test year O&M expenses have been reviewed, and invoices, canceled checks, and other supporting documentation have been examined. We have made several adjustments to the Utility's operating expenses as summarized below:

Salaries and Wages - Employees (601/701): L.P. Waterworks, Inc. recorded \$11,069 for water and \$9,056 for wastewater employee salaries expense in these accounts. We made adjustments to remove these amounts because the amounts are captured in the Contractual Services – Other account. We shall approve \$0 expense for these accounts for water and wastewater.

Salaries and Wages - Officers (603/703): The Utility recorded \$2,767 for water and \$2,233 for wastewater officer salaries expense. We increased these accounts by \$3,233 for water and \$3,767 for wastewater because the officers administer and oversee the Utility's management services agreement. We shall approve salaries and wages for officers of \$6,000 for water and \$6,000 for wastewater.

Purchased Power (615/715): The Utility recorded \$4,941 for purchased power expense for water and \$4,800 for wastewater in these accounts. We reviewed the invoices from the Utility and made adjustments to remove \$1,265 for water and \$312 for wastewater to reflect the appropriate test year purchased power expense. As discussed above under the heading Used and Useful, we

removed \$321 for excessive unaccounted for water. The sum of these adjustments removes \$1,578 from water purchased power and \$312 from wastewater purchased power. We shall approve purchased power expense of \$3,363 for water and \$4,479 for wastewater.

Chemicals (618/718): The Utility recorded \$1,053 for water and \$96 for wastewater for chemicals expense, based on invoices covering a partial year. We reviewed additional invoices from the Utility to annualize this expense and shall approve increases of \$1,175 for water and \$175 for wastewater. As discussed above under the heading Used and Useful, we shall also remove \$90 of water expense for EUW. The net of these adjustments results in increases of \$1,085 for water and \$175 for wastewater. We shall approve chemical expense of \$2,138 for water and \$271 for wastewater.

Materials and Supplies (620): The Utility recorded \$0 for materials and supplies. We have increased this account by \$15, based on an audit adjustment. We shall approve a balance of \$15 for this account.

Contractual Services - Professional (631/731): L.P. Waterworks, Inc. recorded \$1,829 for water and \$26,398 for wastewater in Contractual Services - Professional. We have made adjustments to remove these amounts because the amounts are captured in the Contractual Services – Other account. Thus, we shall approve \$0 for both water and wastewater.

Contractual Services - Testing (635/735): The Utility recorded \$5,994 for water and \$0 for wastewater for testing expense. We made an adjustment to Contractual Services - Testing to remove \$5,994 for water because this expense is captured in the Contractual Services – Other account. Thus, we shall approve \$0 for Contractual Services - Testing for both water and wastewater.

Contractual Services – Other (636/736): The Parties agree to accept for settlement purposes Contractual Services - Other expenses of \$77,184 for water and \$58,692 for wastewater.

Rents (640/740): The Utility recorded rent expense of \$210 for water and \$172 for wastewater. We made adjustments to remove these amounts because no supporting documents were provided. Therefore, we shall approve rent expense of \$0 for water and wastewater.

Insurance Expense (655/755): The Utility recorded \$0 insurance expense for water and \$433 for wastewater. Based on an audit-related adjustment, we increased these accounts by \$551 for water, and by \$118 for wastewater. Therefore, we shall approve insurance expense of \$551 for water and \$551 for wastewater.

Regulatory Commission Expense (665/765): The Utility recorded \$0 for regulatory Commission expense. Regarding the current rate case, pursuant to Rule 25-22.0407, F.A.C., the Utility is required to mail notices of the customer meeting and notices of final rates to its customers. For the customer meeting notices, we estimated \$213 for postage expense, \$217 for printing expense, and \$22 for envelopes, for a cost of \$452. In addition, we estimated \$213 for postage expense, \$87 for printing expense, and \$22 for envelopes, for the cost of noticing water and wastewater

customers of new rates, for a total of \$322. The Utility paid a \$1,000 rate case filing fee for the water utility, and a \$1,000 rate case filing fee for the wastewater utility. The total rate case expense including postage, notices, envelopes, and filing fee is \$2,774. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a four-year period, which is \$694 per year (\$2,774/4). Our net adjustments to this account result in increases of \$347 for water, and \$347 for wastewater. We shall approve regulatory Commission expense of \$347 for water and \$347 for wastewater.

Bad Debt Expense (670/770): The Utility recorded bad debt expense of \$1,123 for water and \$907 for wastewater. In accordance with the Settlement, we shall approve bad debt expense of \$1,123 for water and \$907 for wastewater.

Miscellaneous Expense (675/775): The Utility recorded \$6,735 for water and \$5,367 for wastewater for miscellaneous expense. We made audit-related adjustments to reclassify a \$15 expense and remove \$5,253 from water. We made an additional adjustment of \$169 from water to remove a billing cards expense. We also made an audit-related adjustment to remove \$4,993 from wastewater, and an additional adjustment of \$138 for removing a billing card expense. The sum of these adjustments reduces miscellaneous expense by \$5,437 for water and \$5,131 for wastewater. We shall approve miscellaneous expense of \$1,298 for water and \$236 for wastewater.

Sludge Removal Expense (711): The Utility recorded \$0 for wastewater sludge removal. We made an adjustment to increase this account by \$3,300. In a document the Utility provided to us on January 16, 2014, sludge removal expenses were estimated to cost \$1,800 in January and about \$980 every three months thereafter. We amortized the \$1,800 expense over five years, and calculated three occurrences of the \$980 expense per year for a total of \$3,300. Thus, we shall approve a sludge removal expense of \$3,300 for wastewater.

Operation and Maintenance Expenses (O&M) Summary: Total adjustments to O&M expense result in an increase of \$33,986 for water and \$25,320 for wastewater. We shall approve O&M expense of \$92,852 for water and \$74,782 for wastewater.

Depreciation Expense (Net of Related Amortization of CIAC): For Settlement purposes, the Phase I rate increase does not include return on the Utility's test year rate base including depreciation expense.

Taxes Other Than Income (TOTI): The Utility recorded \$9,129 for water and \$7,461 for wastewater for TOTI. Based on audit-related adjustments, we decreased these amounts by \$4,486 and \$2,653 for water and wastewater, respectively. Therefore, we shall approve TOTI balances of \$4,643 for water and \$4,808 for wastewater.

Income Tax: The Utility is a limited liability company and did not record income tax for the test year.

Operating Expenses Summary: The application of our adjustments and the Settlement to the Utility's recorded test year operating expenses result in approved operating expenses of \$99,299

for water and \$81,096 for wastewater. Operating expenses are shown on Schedule No. 3-A for water and Schedule No. 3-B for wastewater. The related adjustments for water and wastewater are shown on Schedule No. 3-C.

Revenue Requirement

Upon review, we shall approve annual increases of \$40,108 for water (67.76 percent) and \$33,454 for wastewater (70.22 percent). This will allow the Utility the opportunity to recover its operating expenses. The calculations are shown in Table 1 and Table 2 for water and wastewater, respectively:

Table 1

Water Revenue Requirement	
Adjusted Rate Base	\$86,395
Rate of Return	x .0000
Return on Rate Base	\$ 0
Adjusted O&M expense	92,852
Depreciation expense	0
Amortization	0
Taxes Other Than Income	6,448
Income Taxes	0
Revenue Requirement	\$99,299
Less Test Year Revenues	59,191
Annual Increase	\$40,108
Percent Increase/(Decrease)	67.76%

Table 2

Wastewater Revenue Requirement	
Adjusted Rate Base	\$104,668
Rate of Return	x .0000
Return on Rate Base	\$ 0
Adjusted O&M expense	74,782
Depreciation expense	0
Amortization	0
Taxes Other Than Income	6,314
Income Taxes	0
Revenue Requirement	\$81,096
Less Test Year Revenues	47,642
Annual Increase	\$33,454
Percent Increase/(Decrease)	70.22%

Rate Structures

We find that 40 percent of the Phase I water revenues shall be generated from the base facility charge (BFC), which will provide sufficient revenues to design a gallonage charge that will send a pricing signal to customers using above non-discretionary usage. Thus, a non-discretionary usage threshold of 3,000 gallons per month is appropriate in this case. In addition, we find that a traditional BFC and gallonage charge rate structure with an additional gallonage charge for non-discretionary usage for residential water customers is appropriate. General service and irrigation customers shall be billed a BFC and uniform gallonage charge. A reduction of \$603 for purchased power, \$383 for chemicals, and \$46 for RAFs shall be made to reflect the anticipated repression.

We find that 60 percent of the Phase I wastewater revenues shall be generated from the BFC. The residential wastewater customers' rate structure shall consist of a BFC for all meter sizes, with a cap of 8,000 gallons. General service wastewater customers shall be billed a BFC and gallonage charge that is 1.2 times higher than the residential gallonage charge. In addition, based on the expected reduction in water demand, we find that a repression adjustment must also

be made for wastewater. Therefore, reductions of \$700 for purchased power, \$42 for chemicals, \$515 for sludge removal, and \$57 for RAFs shall be made to reflect the anticipated repression.

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

Phase II Rates

For settlement purposes, the Parties agree that pro forma plant, shown on Attachment 1 Exhibit A, shall be included in rate base for determining Phase II rates. As noted, Phase II rates shall include the recovery of the Utility's return on rate base, including the modified water and wastewater pro forma plant additions, including depreciation net of CIAC amortization, together with the recovery of the approved operation and maintenance expenses, property taxes and RAF expense, as modified by the Settlement. Pursuant to the Settlement, Phase II rate base is \$116,708 for water and \$130,064 for wastewater as shown on Schedules 5-A and 5-B. The resulting Phase II revenue requirement is \$119,444 for water and \$97,065 for wastewater as shown on Schedule Nos. 6-A and 6-B. The resulting increase of \$20,145 (20.29 percent) for water and \$15,969 (19.69 percent) for wastewater will provide the Utility with an opportunity to cover its expenses and earn a return of 8.74 percent on its investment.

The Phase II rates for LPWWI shall be applied as an across-the-board increase of 20.29 percent for water and 19.69 percent for wastewater. The Phase II rates shall not be implemented any sooner than one year after implementation of the Phase I rates. The approved Phase II rate structure and monthly water and wastewater rates are shown on Schedule Nos. 7-A and 7-B, respectively. The Utility shall file revised tariff sheets to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of issuance.

Rate Case Expense

Section 367.0816, F.S., requires that the Utility's rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction shall reflect the removal of revenue associated with the amortization of rate case expense, the associated return in working capital, and the gross-up for Regulatory Assessment Fees (RAFs). The total reduction is \$734 (\$367 for water and \$367 for wastewater). Using the Utility's current revenue, expenses, capital structure and customer base, the reduction in revenue will result in the rate decreases as shown on Schedule Nos. 4-A and 4-B.

The Utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility also shall be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction.

If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Customer Deposits

Rule 25-30.311, F.A.C., contains the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. Historically, we have set initial customer deposits equal to two times the average estimated bill.³ Currently, the Utility's existing initial deposit for residential 5/8" x 3/4" meters is \$35 each for both water and wastewater. Based on our approved rates, the existing initial customer deposits are not sufficient to cover two months' bills for water and wastewater, respectively. Therefore, the existing initial customer deposits shall be increased in order to ensure that the cost of providing service is recovered from those incurring the cost.

Upon review, the appropriate initial customer deposits shall be \$45 and \$50 for the residential 5/8" x 3/4" meter size for water and wastewater, respectively. The initial customer deposits for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for water and wastewater. The approved customer deposits shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. The Utility shall be required to charge the approved charges until authorized to change them by this Commission in a subsequent proceeding.

Temporary Rates

By this Order we approve an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, the rates shall be approved as temporary rates. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall

³ See e.g., Order No. PSC-03-1342-PAA-WS, issued November 24, 2003, in Docket No. 021228-WS, *In re: Application for staff-assisted rate case in Brevard County by Service Management Systems, Inc.* Order No. PSC-03-0845-PAA-WS, issued July 21, 2003, in Docket No. 021192-WS, *In re: Application for staff-assisted rate case in Highlands County by Damon Utilities, Inc.*

not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. The rates collected by the Utility shall be subject to the refund provisions discussed below.

The Utility shall be authorized to collect the temporary rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$70,197, based upon the commercial paper rate for March 2014. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond shall contain wording that indicates that it will be terminated regarding one of the following conditions:

- 1) The Commission approves the rate increase.
- 2) If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

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

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

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

- 1) No monies in the escrow account may be withdrawn by the Utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to L.P. Waterworks, Inc.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.

- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to *Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Commission Clerk must be a signatory to the escrow agreement.
- 9) The account must specify by whom and on whose behalf such monies were paid.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the Utility. Without respect to the form of security chosen by the Utility., an account of all monies received as a result of the rate increase shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

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

Adjustments to Books

To ensure that the Utility adjusts its books in accordance with our decisions, the Utility shall provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Joint Motion is hereby granted and the Settlement by the Stakeholders in this docket is hereby approved. It is further

ORDERED that the quality of service provided by LP Waterworks, Inc. is satisfactory. It is further

ORDERED that, for the water system, the treatment plant and the distribution system are, respectively, 100 percent and 87 percent used and useful. It is further

ORDERED that, for the wastewater system, the treatment plant and the collection system, respectively, are 59 percent and 100 percent used and useful. It is further

ORDERED that the appropriate average test year rate base balances for purposes of Phase I rates L.P. Waterworks, Inc. are \$86,395 for water and \$104,668 for wastewater. It is further

ORDERED that the appropriate average test year rate base balances for purposes of Phase II rates for L.P. Waterworks, Inc. are \$116,708 for water and \$130,064 for wastewater. It is further

ORDERED that the appropriate Phase I revenue requirement is \$99,299 for water and \$81,096 for wastewater. It is further

ORDERED that the appropriate Phase II revenue requirement is \$119,444 for water and \$97,065 for wastewater. It is further

ORDERED that the monthly Phase I water and wastewater rates are approved as shown on Schedule Nos. 4-A and 4-B. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within ten days of the date of the notice. It is further

ORDERED that the Phase II water and wastewater rates are approved as shown on Schedule Nos. 7A and 7B. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within ten days of the date of the notice. It is further

ORDERED that the water and wastewater rates shall be reduced as shown on Schedule Nos. 4-A and 4-B, to remove rate case expense grossed-up for regulatory assessment fees and

amortized over a four-year period. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. L.P. Waterworks, Inc. is hereby 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 shall be filed for the price index, and/or pass-through increase or decrease, and the reduction in the rates due to the amortized rate case expense. It is further

ORDERED that the appropriate initial customer deposits shall be \$45 and \$50 for the residential 5/8" x 3/4" meter size for water and wastewater, respectively. The initial customer deposits for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for water and wastewater. The approved customer deposits shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. L.P. Waterworks, Inc. is hereby required to charge the approved charges until authorized to change them by this Commission in a subsequent proceeding. It is further

ORDERED that, pursuant to Section 367.0814(7), F.S., rates shall be approved for L.P. Waterworks, Inc. on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. L.P. Waterworks, Inc. shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, L.P. Waterworks, Inc. shall provide appropriate security. The temporary rates collected by L.P. Waterworks, Inc. shall be subject to refund as set forth in the body of this Order. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the L.P. Waterworks, Inc. shall file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

ORDERED that, to ensure that L.P. Waterworks, Inc. adjusts its books in accordance with our decisions, the Utility shall provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made. It is further

ORDERED that, if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order shall be issued. Thereupon, this docket shall remain open for our staff's verification that the revised tariff sheets and customer notice have been filed by LP Waterworks, Inc. and for implementation of LP Waterworks, Inc.'s Phase II rates. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 14th day of August, 2014.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

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

CWM

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action, except for the granting of temporary rates in the event of a protest and proof of adjustments, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 4, 2014. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

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

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

“Contractual Services – Other (636/736): The Parties agree to accept for settlement purposes contractual services other expenses of \$77,184 for water and \$58,692 for wastewater.”

2. The discussion of Bad Debt Expense located on page 16 shall be deleted and the following language inserted in its place:

“Bad Debt Expense (670/770): L.P. Waterworks, Inc. recorded bad debt expense of \$1,123 for water and \$907 for wastewater. Staff recommends bad debt expense of \$1,123 for water and \$907 for wastewater.

3. The Parties agree to a reduced list of pro forma plant additions to be included in the revenue requirement of this case. The modified list of pro forma plant additions is detailed in Exhibit “A” attached hereto and made a part of this Settlement Agreement.

4. The water and wastewater revenue requirements provided by the Recommendation produce significant rate increases for the L.P. Waterworks customers. In an effort to moderate and delay the financial impact of these rate increases, the parties agree to the following:

- a. The water and wastewater rate increases shall be implemented in two phases. Phase I shall recover only the recommended operation and maintenance expenses, property taxes and regulatory assessment fee (RAF) expense, as modified by this Agreement. There shall be no recovery of the Utility’s return on rate base, including modified water and wastewater pro forma plant additions, including depreciation net of CIAC amortization, in Phase I rates, which are estimated to be implemented sometime in September, 2014.
- b. Phase II rates shall not be implemented any sooner than 1 year after implementation of the Phase I rates, which is estimated to be in September, 2015. Phase II rates shall include the recovery of the Utility’s return on rate base, including the modified water and wastewater pro forma plant additions, including depreciation net of CIAC

- amortization, together with the recovery of the approved operation and maintenance expenses, property taxes and RAF expense, as modified by this Agreement.
- c. The Utility agrees not to file a new rate case before one year after implementation of the Phase II rate increase, which is estimated to be no sooner than September, 2016.
5. Staff shall make all of the fall-out adjustments, including any required retirements, to the Recommendation consistent with the changes made by this Settlement Agreement.
 6. In keeping with the Commission's long-standing practice of encouraging parties to settle issues whenever possible, the Parties offer this Settlement Agreement. As with every Settlement Agreement, it offers compromises of each Party's positions and must be accepted or rejected without modification. Consequently, if the terms of this Agreement, without modification, are not accepted by Staff and incorporated into an amended Recommendation, which is approved, without modification by Commission Order, not subject to further proceedings or judicial review, then this Settlement Agreement shall be considered null and void, and no party may use the attempted Agreement in this or any other proceeding.

IN WITNESS WHEREOF, the Parties have hereunder caused this Settlement Agreement to be executed as of the date next to each signature, in counterparts, each counterpart to be considered an original.

OFFICE OF PUBLIC COUNSEL

**L.P. UTILITIES CORPORATION c/o
L.P. WATERWORKS, INC.**

By: _____
Stephen C. Reilly Date
Associate Public Counsel
On behalf of the Customers of
L.P. Waterworks, Inc.

By: _____
Gary Deremer Date
President

**CAMP FLORIDA PROPERTY
OWNERS ASSOCIATION**

By: _____
Bruce Ridley Date
President

EXHIBIT "A"

MODIFIED PRO FORMA PLANT ADDITIONS

<u>WATER</u>	
<u>Description of Plant Improvement</u>	<u>Cost</u>
1. Install chlorine monitoring system, two chlorine gas scales, safety equipment, automatic switchover units	\$3,800.00
2. Replace damaged roof @WTP #1	\$6,000.00
3. Alarm Upgrade to provide web based monitoring system at WTP #1	\$2,873.40
4. Improve chlorine feed system to meet safety codes at WTP #2	\$5,000.00
5. Alarm upgrade to provide web based monitoring system at WTP #2	\$2,873.40
6. Replace water meters that have up to 900,000 gallons of use (97 meters)	\$8,472.95
7. Replace self-contained breathing apparatus (SCUBA) with new equipment	\$2,500.00
8. Install new pressure gauge on hydro-pneumatic tank and install hardware cloth around fans in chlorine room for WTP #1	<u>\$1,137.70</u>
Water Total:	\$32,657.45

<u>Description of Plant Improvement</u>	<u>Cost</u>
1. Replace the existing air header with more reliable galvanized piping	\$3,800.00
2. Security fencing replacement	\$650.00
3. Replace one blower at WWTP	\$6,000.00
4. Repair check valve and replace pressure tank of washdown well	\$558.97
5. Replace float controls for surge tank pumps and replace valve	\$981.16
6. Replace existing 3HP pumps with 10 HP pumps to produce enough velocity to scour force main piping	<u>\$18,476.88</u>
Wastewater Total:	\$30,467.01

LP Waterworks, Inc TEST YEAR ENDED 5/31/2013 SCHEDULE OF WATER RATE BASE - PHASE I			SCHEDULE NO. 1-A DOCKET NO. 130153-WS
DESCRIPTION	BALANCE PER UTILITY	ADJUST. TO UTIL. BAL.	COMMISSION APPROVED
1. UTILITY PLANT IN SERVICE	\$469,295	\$27,922	\$497,217
2. LAND & LAND RIGHTS	20,598	0	20,598
3. NON-USED AND USEFUL COMPONENTS	0	(5,100)	(5,100)
4. CIAC	(204,307)	(61,339)	(265,646)
5. ACCUMULATED DEPRECIATION	(266,493)	(38,298)	(304,791)
6. AMORTIZATION OF CIAC	100,229	32,282	132,511
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>11,606</u>	<u>11,606</u>
8. WATER RATE BASE	<u>\$119,322</u>	<u>(\$32,927)</u>	<u>\$86,395</u>

LP Waterworks, Inc		SCHEDULE NO. 1-B		
TEST YEAR ENDED 5/31/2013		DOCKET NO. 130153-WS		
SCHEDULE OF WASTEWATER RATE BASE - PHASE I				
DESCRIPTION	BALANCE PER UTILITY	ADJUST. TO UTIL. BAL.	COMMISSION APPROVED	
1. UTILITY PLANT IN SERVICE	\$377,807	\$6,191	\$383,998	
2. LAND & LAND RIGHTS	36,000	0	36,000	
3. NON-USED AND USEFUL COMPONENTS	0	(3,072)	(3,072)	
4. CIAC	(65,600)	(26,800)	(92,400)	
5. ACCUMULATED DEPRECIATION	(291,400)	18,965	(272,435)	
6. AMORTIZATION OF CIAC	37,965	5,264	43,229	
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>9,348</u>	<u>9,348</u>	
8. WASTEWATER RATE BASE	<u>\$94,772</u>	<u>\$9,896</u>	<u>\$104,668</u>	

LP Waterworks, Inc
TEST YEAR ENDED 5/31/2013
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1-C
DOCKET NO. 130153-WS
PAGE 1 OF 2

	<u>WATER</u>	<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
1. To reflect plant balance (301) per Order No. PSC-02-1739-PAA-WS	\$414	\$0
2. To reflect plant balance (310) per Order No. PSC-02-1739-PAA-WS	2,506	0
3. To reflect plant balance (334) per Order No. PSC-02-1739-PAA-WS	27,663	0
4. To reclassify an O&M item to the appropriate account (336)	620	0
5. To reflect plant balance (340) per Order No. PSC-02-1739-PAA-WS	(3,281)	0
6. To reflect plant balance (351) per Order No. PSC-02-1739-PAA-WS	0	346
7. To reflect plant balance (380) per Order No. PSC-02-1739-PAA-WS	0	5,200
8. To reflect plant balance (390) per Order No. PSC-02-1739-PAA-WS	<u>0</u>	<u>645</u>
Total	<u>\$27,922</u>	<u>\$6,191</u>
 <u>CWIP</u>		
Not applicable	<u>\$0</u>	<u>\$0</u>
 <u>LAND</u>		
Not applicable	<u>\$0</u>	<u>\$0</u>
 <u>NON-USED AND USEFUL PLANT</u>		
1. To reflect non used and useful plant	(27,518)	(48,212)
2. To reflect non used and useful accumulated depreciation	13,792	45,140
3. To reflect non used and useful CIAC	15,899	0
4. To reflect non used and useful accumulated amortization	<u>(7,274)</u>	<u>0</u>
Total	<u>(\$5,100)</u>	<u>(\$3,072)</u>
 <u>CIAC</u>		
1. To reflect CIAC balance per Order No. PSC-03-1051-FOF-WS	(\$30,608)	\$0
2. To reflect CIAC additions for January 2002 through May 2012	<u>(30,731)</u>	<u>(26,800)</u>
Total	<u>(\$61,339)</u>	<u>(\$26,800)</u>

LP Waterworks, Inc

TEST YEAR ENDED 5/31/2013

ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1-C

DOCKET NO. 130153-WS

PAGE 2 OF 2

	<u>WATER</u>	<u>WASTEWATER</u>
<u>ACCUMULATED DEPRECIATION</u>		
To reflect the appropriate test year accumulated depreciation (AF3)	<u>(\$38,298)</u>	<u>\$18,965</u>
<u>AMORTIZATION OF CIAC</u>		
To reflect Amortization of CIAC per Order No. PSC-02-1739-PAA-WS	<u>\$32,282</u>	<u>\$5,264</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
1. To reflect 1/8 of test year O&M expenses.	<u>\$11,606</u>	<u>\$9,348</u>

LP Waterworks, Inc				SCHEDULE NO. 2					
TEST YEAR ENDED 5/31/2013				DOCKET NO. 130153-WS					
SCHEDULE OF CAPITAL STRUCTURE									
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE		BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST	
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS					
1. COMMON STOCK	\$322,313	\$0	\$322,313						
2. RETAINED EARNINGS	165,935	0	165,935						
3. PAID IN CAPITAL	0	0	0						
4. TREASURY STOCK	<u>0</u>	<u>0</u>	<u>0</u>						
5. TOTAL COMMON EQUITY	\$488,248	\$0	\$488,248	(297,185)	191,063	100.00%	8.74%	8.74%	
6. LONG TERM DEBT	\$0	\$0	\$0	0	0	0.00%	7.00%	0.00%	
7. LONG TERM DEBT	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	0.00%	6.00%	0.00%	
TOTAL LONG TERM DEBT	\$0	\$0	\$0	0	0	0.00%			
8. CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	2.00%	<u>0.00%</u>	
9. TOTAL	<u>\$488,248</u>	<u>\$0</u>	<u>\$488,248</u>	<u>-\$297,185</u>	<u>\$191,063</u>	<u>100.00%</u>		<u>8.74%</u>	
RANGE OF REASONABLENESS						LOW	HIGH		
RETURN ON EQUITY								<u>7.74%</u>	<u>9.74%</u>
OVERALL RATE OF RETURN								<u>7.74%</u>	<u>9.74%</u>

SCHEDULES

LP Waterworks, Inc				SCHEDULE NO. 3-A		
TEST YEAR ENDED 5/31/2013				DOCKET NO. 130153-WS		
SCHEDULE OF WATER OPERATING INCOME - PHASE I						
	TEST YEAR PER UTILITY	ADJUSTMENTS	ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT	
1. OPERATING REVENUES	<u>\$57,226</u>	<u>\$1,965</u>	<u>\$59,191</u>	<u>\$40,108</u> 67.76%	<u>\$99,299</u>	
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$58,866	\$33,986	\$92,852	\$0	\$92,852	
3. DEPRECIATION (NET)	12,286	(12,286)	0	0	0	
4. AMORTIZATION	(6,168)	6,168	0	0	0	
5. TAXES OTHER THAN INCOME	9,129	(4,486)	4,643	1,805	6,448	
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7. TOTAL OPERATING EXPENSES	<u>\$74,113</u>	<u>\$23,382</u>	<u>\$97,495</u>	<u>\$1,805</u>	<u>\$99,299</u>	
8. OPERATING INCOME/(LOSS)	<u>(\$16,887)</u>		<u>(\$38,304)</u>		<u>\$0</u>	
9. WATER RATE BASE	<u>\$119,322</u>		<u>\$86,395</u>		<u>\$86,395</u>	
10. RATE OF RETURN	<u>-14.15%</u>		<u>-44.34%</u>		<u>0.00%</u>	

SCHEDULES

LP Waterworks, Inc TEST YEAR ENDED 5/31/2013 SCHEDULE OF WASTEWATER OPERATING INCOME - PHASE I				SCHEDULE NO. 3-B DOCKET NO. 130153-WS		
	TEST YEAR PER UTILITY	ADJUSTMENTS	ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT	
1. OPERATING REVENUES	<u>\$46,581</u>	<u>\$1,061</u>	<u>\$47,642</u>	<u>\$33,454</u> 70.22%	<u>\$81,096</u>	
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$49,462	\$25,320	\$74,782	\$0	\$74,782	
3. DEPRECIATION (NET)	12,939	(12,939)	0	0	0	
4. AMORTIZATION	(2,328)	2,328	0	0	0	
5. TAXES OTHER THAN INCOME	7,461	(2,653)	4,808	1,505	6,314	
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7. TOTAL OPERATING EXPENSES	<u>\$67,534</u>	<u>\$12,056</u>	<u>\$79,590</u>	<u>\$1,505</u>	<u>\$81,096</u>	
8. OPERATING INCOME/(LOSS)	<u>(\$20,953)</u>		<u>(\$31,948)</u>		<u>\$0</u>	
9. WASTEWATER RATE BASE	<u>\$94,772</u>		<u>\$104,668</u>		<u>\$104,668</u>	
10. RATE OF RETURN	<u>-22.11%</u>		<u>-30.52%</u>		<u>0.00%</u>	

LP Waterworks, Inc		SCHEDULE NO. 3-C	
TEST YEAR ENDED 5/31/2013		DOCKET NO. 130153-WS	
ADJUSTMENTS TO OPERATING INCOME		PAGE 1 OF 2	
	<u>WATER</u>	<u>WASTEWATER</u>	
OPERATING REVENUES			
To adjust utility revenues to audited test year amount.	<u>\$1,965</u>	<u>\$1,061</u>	
OPERATION AND MAINTENANCE EXPENSES			
1. Salaries and Wages - Employees (601/701)			
To reflect the appropriate Salaries & Wages exp. for Employees	<u>(\$11,069)</u>	<u>(\$9,056)</u>	
2. Salaries and Wages Officers (603/703)			
To reflect the appropriate Salaries & Wages exp. for Officers	<u>\$3,233</u>	<u>\$3,767</u>	
3. Purchased Power (615/715)			
a. To reflect the appropriate Purchased Power expense	(\$1,265)	(\$321)	
b. To reflect an adjustment for excessive unaccounted water	<u>(312)</u>	<u>0</u>	
Subtotal	<u>(\$1,578)</u>	<u>(\$321)</u>	
4. Chemicals (618/718)			
a. To reflect the appropriate Chemicals expense	\$1,175	\$175	
b. To reflect an adjustment for excessive unaccounted water	<u>(90)</u>	<u>0</u>	
Subtotal	<u>\$1,085</u>	<u>\$175</u>	
5. Materials & Supplies (620)			
To reflect the appropriate Materials & Supplies exp. (AF6)	<u>\$15</u>	<u>\$0</u>	
6. Contractual Services - Professional (631/731)			
To reflect the appropriate accounting expense (631/731)	<u>(\$1,829)</u>	<u>(\$26,398)</u>	
7. Contractual Services - Testing (635/735)			
To reflect the appropriate testing expense	<u>(\$5,994)</u>	<u>\$0</u>	
8. Contractual Services - Other (636/736)			
To reflect the US Water management services agreement	<u>\$54,872</u>	<u>\$58,692</u>	
9. Rents (640/740)			
To reflect the appropriate rental expense (AF6)	<u>(\$210)</u>	<u>(\$172)</u>	
(O & M EXPENSES CONTINUED ON NEXT PAGE)			

LP Waterworks, Inc
TEST YEAR ENDED 5/31/2013
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-C
DOCKET NO. 130153-WS
PAGE 2 OF 2

(O & M EXPENSES CONTINUED)	<u>WATER</u>	<u>WASTEWATER</u>
10 Insurance Expense (655/755) To reflect the appropriate insurance expense	<u>\$551</u>	<u>\$118</u>
11 Bad Debt Expense (670/770) To reflect the appropriate bad debt expense	<u>\$0</u>	<u>\$0</u>
12 Regulatory Commission Expense (765) To reflect 4-year amortization of rate case expense (\$693/4)	<u>\$347</u>	<u>\$347</u>
13 Miscellaneous Expense (675/775) a. To reclassify amount to Materials & Supplies (620) (AF6)	(\$15)	\$0
b. To reflect the appropriate miscellaneous expenses	<u>(5,422)</u>	<u>(5,131)</u>
Subtotal	<u>(\$5,437)</u>	<u>(\$5,131)</u>
14 Sludge Removal Expense (711) To reflect the appropriate sludge removal expense	<u>\$0</u>	<u>\$3,300</u>
TOTAL O & M EXPENSE ADJUSTMENTS	<u>\$33,986</u>	<u>\$25,320</u>
DEPRECIATION EXPENSE		
To reflect test year depreciation calculated per 25-30.140, FAC		
1. (AF3)	(\$12,286)	(\$12,939)
2. Non used and useful depreciation expense	<u>0</u>	<u>0</u>
Total	<u>(\$12,286)</u>	<u>(\$12,939)</u>
AMORTIZATION OF CIAC		
1. To reflect the appropriate amount of amortization expense (AF4)	\$6,168	\$2,328
2. Non used and useful amortization expense	<u>0</u>	<u>0</u>
Total	<u>\$6,168</u>	<u>\$2,328</u>
TAXES OTHER THAN INCOME		
1. To reflect the appropriate property taxes	(\$4,272)	(\$2,495)
2. To reflect overstatement of RAFs (AF8)	<u>(214)</u>	<u>(158)</u>
Total	<u>(\$4,486)</u>	<u>(\$2,653)</u>

LP WATERWORKS, INC. TEST YEAR ENDED MAY 31, 2013 MONTHLY WATER RATES (PHASE I)		SCHEDULE NO. 4-A DOCKET NO. 130153-WS	
	UTILITY'S EXISTING RATES	COMMISSION APPROVED PHASE I RATES	4 YEAR RATE REDUCTION
<u>Residential Service</u>			
Base Facility Charge by Meter Size			
5/8"X3/4" RV Homes (.8 ERC)	\$4.82	N/A	
5/8"X3/4"	\$6.02	\$7.01	\$0.03
Charge per 1,000 gallons			
0 - 3,000 Gallons	N/A	\$4.03	\$0.02
Over 3,000 Gallons	N/A	\$5.91	\$0.02
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8"X3/4" RV Homes (.8 ERC)	\$4.82	N/A	
5/8"X3/4"	\$6.02	\$7.01	\$0.03
3/4"	\$9.04	\$10.52	\$0.04
1"	\$15.06	\$17.53	\$0.07
1-1/2"	\$30.13	\$35.05	\$0.14
2"	\$48.20	\$56.08	\$0.22
3"	\$96.40	\$112.16	\$0.43
4"	\$150.62	\$175.25	\$0.68
6"	\$301.25	\$350.50	\$1.35
Charge per 1,000 Gallons			
	\$2.14	\$4.85	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$12.44	\$19.10	
6,000 Gallons	\$18.86	\$36.83	
10,000 Gallons	\$27.42	\$60.47	

LP WATERWORKS, INC. TEST YEAR ENDED MAY 31, 2013 MONTHLY WASTEWATER RATES (PHASE I)		SCHEDULE NO. 4-B DOCKET NO. 130153-WS	
	UTILITY'S EXISTING RATES	COMMISSION APPROVED PHASE I RATES	4 YEAR RATE REDUCTION
<u>Residential Service</u>			
Base Facility Charge – All Meter Sizes	\$6.44	\$10.13	\$0.05
Charge per 1,000 Gallons 8,000 gallon cap	\$1.76	\$4.08	\$0.02
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$6.44	\$10.13	\$0.05
3/4"	\$9.67	\$15.20	\$0.07
1"	\$16.11	\$25.33	\$0.12
1-1/2"	\$32.23	\$50.65	\$0.24
2"	\$51.57	\$81.04	\$0.38
3"	\$103.14	\$162.08	\$0.76
4"	\$161.15	\$253.25	\$1.19
6"	\$322.30	\$506.50	\$2.37
Charge per 1,000 Gallons	\$2.10	\$4.89	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$11.72	\$22.37	
6,000 Gallons	\$17.00	\$34.61	
10,000 Gallons	\$20.52	\$42.77	

LP Waterworks, Inc		SCHEDULE NO. 5-A	
TEST YEAR ENDED 5/31/2013		DOCKET NO. 130153-WS	
SCHEDULE OF WATER RATE BASE - PHASE II			
DESCRIPTION	BALANCE PER UTILITY	ADJUST. TO UTIL. BAL.	BALANCE
1. UTILITY PLANT IN SERVICE	\$497,217	\$12,474	\$509,691
2. LAND & LAND RIGHTS	20,598	0	20,598
3. NON-USED AND USEFUL COMPONENTS	(5,100)	0	(5,100)
4. CIAC	(265,646)	0	(265,646)
5. ACCUMULATED DEPRECIATION	(304,791)	17,839	(286,952)
6. AMORTIZATION OF CIAC	132,511	0	132,511
7. WORKING CAPITAL ALLOWANCE	<u>11,606</u>	<u>0</u>	<u>11,606</u>
8. WATER RATE BASE	<u>\$86,395</u>	<u>\$30,313</u>	<u>\$116,708</u>

LP Waterworks, Inc TEST YEAR ENDED 5/31/2013 SCHEDULE OF WASTEWATER RATE BASE - PHASE II		SCHEDULE NO. 5-B DOCKET NO. 130153-WS	
DESCRIPTION	BALANCE PER UTILITY	ADJUST. TO UTIL. BAL.	BALANCE
1. UTILITY PLANT IN SERVICE	\$383,998	\$6,649	\$390,647
2. LAND & LAND RIGHTS	36,000	0	36,000
3. NON-USED AND USEFUL COMPONENTS	(3,072)	0	(3,072)
4. CIAC	(92,400)	0	(92,400)
5. ACCUMULATED DEPRECIATION	(272,435)	18,747	(253,688)
6. AMORTIZATION OF CIAC	43,229	0	43,229
7. WORKING CAPITAL ALLOWANCE	<u>9,348</u>	<u>(0)</u>	<u>9,348</u>
8. WASTEWATER RATE BASE	<u>\$104,668</u>	<u>\$25,396</u>	<u>\$130,064</u>

LP Waterworks, Inc		SCHEDULE NO. 5-C	
TEST YEAR ENDED 5/31/2013		DOCKET NO. 130153-WS	
ADJUSTMENTS TO RATE BASE			
	<u>WATER</u>	<u>WASTEWATER</u>	
<u>UTILITY PLANT IN SERVICE</u>			
To reflect proforma plant	<u>\$12,474.46</u>	<u>\$6,649.30</u>	
<u>ACCUMULATED DEPRECIATION</u>			
To reflect proforma plant	<u>\$17,838.53</u>	<u>\$18,746.99</u>	

SCHEDULES

LP Waterworks, Inc TEST YEAR ENDED 5/31/2013 SCHEDULE OF WATER OPERATING INCOME - PHASE II			SCHEDULE NO. 6-A DOCKET NO. 130153-WS			
	TEST YEAR PER UTILITY	ADJUSTMENTS	ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT	
1. OPERATING REVENUES	<u>\$99,299</u>	<u>\$0</u>	<u>\$99,299</u>	<u>\$20,145</u> 20.29%	<u>\$119,444</u>	
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$92,852	\$0	\$92,852	\$0	\$92,852	
3. DEPRECIATION (NET)	0	17,835	17,835	0	17,835	
4. AMORTIZATION	0	(8,798)	(8,798)	0	(8,798)	
5. TAXES OTHER THAN INCOME	6,448	0	6,448	907	7,354	
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7. TOTAL OPERATING EXPENSES	<u>\$99,299</u>	<u>\$9,037</u>	<u>\$108,337</u>	<u>\$907</u>	<u>\$109,243</u>	
8. OPERATING INCOME/(LOSS)	<u>(\$0)</u>		<u>(\$9,038)</u>		<u>\$10,200</u>	
9. WATER RATE BASE	<u>\$86,395</u>		<u>\$116,708</u>		<u>\$116,708</u>	
10. RATE OF RETURN	<u>0.00%</u>		<u>-7.74%</u>		<u>8.74%</u>	

SCHEDULES

LP Waterworks, Inc TEST YEAR ENDED 5/31/2013 SCHEDULE OF WASTEWATER OPERATING INCOME - PHASE II				SCHEDULE NO. 6-B DOCKET NO. 130153-WS		
	TEST YEAR PER UTILITY	ADJUSTMENTS	ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT	
1. OPERATING REVENUES	<u>\$81,096</u>	<u>\$0</u>	<u>\$81,096</u>	<u>\$15,969</u> 19.69%	<u>\$97,065</u>	
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$74,782	\$0	\$74,782	\$0	\$74,782	
3. DEPRECIATION (NET)	0	6,469	6,469	0	6,469	
4. AMORTIZATION	0	(2,586)	(2,586)	0	(2,586)	
5. TAXES OTHER THAN INCOME	6,314	0	6,314	719	7,032	
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7. TOTAL OPERATING EXPENSES	<u>\$81,096</u>	<u>\$3,883</u>	<u>\$84,979</u>	<u>\$719</u>	<u>\$85,698</u>	
8. OPERATING INCOME/(LOSS)	<u>\$0</u>		<u>(\$3,883)</u>		<u>\$11,368</u>	
9. WASTEWATER RATE BASE	<u>\$104,668</u>		<u>\$130,064</u>		<u>\$130,064</u>	
10. RATE OF RETURN	<u>0.00%</u>		<u>-2.99%</u>		<u>8.74%</u>	

LP Waterworks, Inc		SCHEDULE NO. 6-C	
TEST YEAR ENDED 5/31/2013		DOCKET NO. 130153-WS	
ADJUSTMENTS TO OPERATING INCOME			
		<u>WATER</u>	<u>WASTEWATER</u>
DEPRECIATION EXPENSE			
1.	To reflect proforma plant	\$1,304	\$300
2.	To include depreciation expense	<u>16,531</u>	<u>6,169</u>
	Total	<u>\$17,835</u>	<u>\$6,469</u>
AMORTIZATION OF CIAC			
	To include amortization expense	<u>(\$8,798)</u>	<u>(\$2,586)</u>

LP WATERWORKS, INC.		SCHEDULE NO. 7-A	
TEST YEAR ENDED MAY 31, 2013		DOCKET NO. 130153-WS	
MONTHLY WATER RATES (PHASE II)			
	COMMISSION APPROVED PHASE I RATES	COMMISSION APPROVED PHASE II RATES	
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$7.01	\$8.44	
3/4"	\$10.52	\$12.67	
1"	\$17.53	\$21.12	
1-1/2"	\$35.05	\$42.22	
2"	\$56.08	\$67.56	
3"	\$112.16	\$135.12	
4"	\$175.25	\$211.12	
6"	\$350.50	\$422.25	
Charge per 1,000 gallons - Residential			
0 - 3,000 Gallons	\$4.03	\$4.85	
Over 3,000 Gallons	\$5.91	\$7.12	
Charge per 1,000 Gallons - General Service			
	\$4.85	\$5.84	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$19.10	\$22.99	
6,000 Gallons	\$36.83	\$44.35	
10,000 Gallons	\$60.47	\$72.83	

LP WATERWORKS, INC. TEST YEAR ENDED MAY 31, 2013 MONTHLY WASTEWATER RATES (PHASE II)		SCHEDULE NO. 7-B DOCKET NO. 130153-WS	
	COMMISSION APPROVED PHASE I RATES	COMMISSION APPROVED PHASE II RATES	
<u>Residential Service</u>			
Base Facility Charge - All Meter Sizes	\$10.13		\$12.12
Charge per 1,000 Gallons			
8,000 gallon cap	\$4.08		\$4.88
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$10.13		\$12.12
3/4"	\$15.20		\$18.19
1"	\$25.33		\$30.32
1-1/2"	\$50.65		\$60.62
2"	\$81.04		\$97.00
3"	\$162.08		\$193.99
4"	\$253.25		\$303.11
6"	\$506.50		\$606.23
Charge per 1,000 Gallons	\$4.89		\$5.85
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$22.37		\$26.76
6,000 Gallons	\$34.61		\$41.40
10,000 Gallons	\$42.77		\$51.16