

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: March 3, 2015
TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk
FROM: Amber M. Norris, Public Utilities Supervisor, Division of Accounting & Finance *Amber*
RE: 150069-WS - Settlement proposal for possible overearnings by Southlake Utilities, Inc. in Lake County.

Please place the following e-mails and attachments in the docket referenced above.

RECEIVED FPSC
15 MAR -3 PM 1:20
COMMISSION
CLERK

Amber Norris

From: Amber Norris
Sent: Thursday, January 29, 2015 12:55 PM
To: Denise Vandiver (VANDIVER.DENISE@leg.state.fl.us); 'seamist2@comcast.net'; reilly.steve@leg.state.fl.us
Cc: Bart Fletcher; Cheryl Bulecza-Banks; Andrew Maurey; Keino Young
Subject: Southlake Utilities Proposed Rate Schedules
Attachments: SOUTHLAKE UTILITIES Rate Schedules.doc

Good Afternoon,

Attached are the proposed rate schedules that staff referenced this morning in the meeting regarding Southlake Utilities. If you have any questions, please feel free to contact me or Bart Fletcher (850-413-7017).

Thank you,

Amber Mitchell Norris
Public Utilities Supervisor
Division of Accounting and Finance
Florida Public Service Commission
AMNorris@PSC.STATE.FL.US
850-413-6984(phone)
850-413-6985 (fax)

SOUTHLAKE UTILITIES, INC.
TEST YEAR ENDED DECEMBER 31, 2013
MONTHLY WATER RATES

SCHEDULE NO. 4-A
UNDOCKETED

	UTILITY EXISTING RATES	PROPOSED RATES
<u>Residential, General, and Bulk Service</u>		
Base Facility Charge by Meter Size		
5/8" x 3/4"	\$8.72	\$6.83
1"	\$21.81	\$17.08
1 1/2"	\$43.63	\$34.15
2"	\$69.81	\$54.64
3"	\$139.63	\$109.28
4"	\$218.16	\$170.75
6"	\$436.31	\$341.50
Charge per 1,000 gallons - Residential		
0-10,000 Gallons	\$0.98	\$0.77
10,001 - 20,000 gallons	\$1.47	\$1.15
Over 20,000 Gallons	\$1.97	\$1.54
Charge per 1,000 gallons - General and Bulk	\$1.29	\$1.01
<u>Fire Protection Service</u>		
Base Facility Charge by Meter Size		
1 1/2"	\$3.63	\$2.85
2"	\$5.82	\$4.55
3"	\$11.63	\$9.11
4"	\$18.18	\$14.23
6"	\$36.37	\$28.46
8"	\$58.18	\$45.53
10"	\$80.00	\$65.45
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>		
3,000 Gallons	\$11.66	\$9.14
5,000 Gallons	\$13.62	\$10.68
10,000 Gallons	\$18.52	\$14.53

SOUTHLAKE UTILITIES, INC.
TEST YEAR ENDED DECEMBER 31, 2013
MONTHLY WASTEWATER RATES

SCHEDULE NO. 4-B
UNDOCKETED

	UTILITY EXISTING RATES	PROPOSED RATES
<u>Residential Service</u>		
Base Facility Charge - All Meter Sizes	\$14.45	\$14.34
Charge per 1,000 gallons - Residential *10,000 gallon cap	\$1.35	\$1.34
<u>General and Bulk Service</u>		
Base Facility Charge by Meter Size		
5/8 x 3/4"	\$14.45	\$14.34
1"	\$36.12	\$35.85
1 1/2"	\$72.23	\$71.70
2"	\$115.56	\$114.72
3"	\$231.12	\$229.44
4"	\$361.12	\$358.50
6"	\$722.25	\$717.00
Charge per 1,000 Gallons - General and Bulk Service	\$1.62	\$1.61
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>		
3,000 Gallons	\$18.50	\$18.36
5,000 Gallons	\$21.20	\$21.04
10,000 Gallons	\$27.95	\$27.74

Amber Norris

From: Amber Norris
Sent: Thursday, January 22, 2015 3:13 PM
To: 'seamist2@comcast.net'; Denise Vandiver (VANDIVER.DENISE@leg.state.fl.us)
Cc: Bart Fletcher; Cheryl Bulecza-Banks; Andrew Maurey; Keino Young; reilly.steve@leg.state.fl.us
Subject: Southlake Utilities
Attachments: Southlake_5_12_2014 updated from 2013 AR.xls

Good Afternoon,

In anticipation of our meeting next Thursday, January 29th, I have attached staff's revised work papers regarding Southlake's overearnings. In order to facilitate a more efficient meeting, please review and provide any preliminary questions or concerns by COB next Monday, January 26th. We appreciate your continued efforts in resolving this matter.

Amber Mitchell Norris

Public Utilities Supervisor
Division of Accounting and Finance
Florida Public Service Commission
AMNorris@PSC.STATE.FL.US
850-413-6984(phone)
850-413-6985 (fax)

Southlake Earnings Review

Water	(\$233,076)	28.68%		
Wastewater	(\$8,387)		\$	(241,463) (Times 12) (Divided by 6)
Total Overearnings	\$ (241,463)		\$	33,600

33,600	Number of Bills			
505,638,000	Total Gallons Sold		\$	(14.37)
15,049	Average Customer Water Usage		\$	(14.37) per month over 6 months

\$	8.72	Base Facilities Charge
\$	9.80	First 10,000 Gallons
\$	7.35	10,001-20,000 Gallons
\$	<u>25.87</u>	Average Customer Bill

\$	7.42	Total Rate Impact
\$	1.24	Monthly Rate Impact over 6 months

	Water	Wastewater
Net Plant	\$704,134	\$755,042
Lake County Mileage Rate	<u>0.0148335</u>	<u>0.0148335</u>
Pro Forma Property Tax Adjustment	\$10,444.76	\$11,199.91

Index and Pass through History

10/27/2011	Southlake Utilities, Inc.	B	11-0107	Monica		1/1/2012	12/9/2011	12/9/2011	1/1/2012	Index and Pthru
8/7/2013	Southlake Utilities, Inc.	B	13-0103	Amber		10/1/2013	9/9/2013	9/9/2013	10/1/2013	Pthru and 4yr Rate

SOUTHLAKE UTILITIES, INC.

Case No.	Case Description	Effective Date	Case Type	Category	Start	End	Rate	Rate	Rate	Rate	Rate	Effective Date	
900738-WS	24564	05/21/1991	CERTIFICATI	W	55,788	55,788	12-11%	14.11%	13.11%	10.83%	10.09%	10.46%	05/21/1991
				S	14,840	14,840							
WS-99-0060	---	---	INDEX	W	3,194	3,194							05/30/1999
				S	4,031	4,031							
WS-01-0032	---	---	INDEX	W	2,366	2,366							06/18/2001
				S	2,543	2,543							
WS-02-0078	---	---	INDEX/PT	W	17,837	17,837							11/03/2002
				S	10,801	10,801							
080597-WS	PSC-09-0623-PAA-WS	02/25/2009	RATE CASE	W	183,853	208,872	8.67%	10.67%	9.67%	8.52%	10.41%	9.47%	09/15/2009
				S	487,912	408,587							
WS-11-0107	---	---	INDEX/PT	W	3,353	3,353							01/01/2012
				S	5,461	5,461							
WS-13-0103			P-T	W	(34,497)	(34,497)							11/01/2013
				S	(34,497)	(34,497)							

Southlake Utilities, Inc. Schedule of Water Rate Base Test Year Ended 12/31/13		Schedule No. 1-A Undocketed Earnings Analysis			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$7,538,289	\$0	\$7,538,289	\$729,250	\$8,267,539
2 Land and Land Rights	75,900	0	75,900	20,000	95,900
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	-2,495,721	0	-2,495,721	-25,117	-2,520,838
5 CIAC	-4,305,778	0	-4,305,778	0	-4,305,778
6 Amortization of CIAC	1,545,027	0	1,545,027	0	1,545,027
7 CWIP	0	0	0	0	0
8 Advances for Construction	0	0	0	0	0
9 Working Capital Allowance	50,850	0	50,850	-11,278	39,572
10 Other	0	0	0	0	0
11 Rate Base	\$2,408,567	\$0	\$2,408,567	\$712,855	\$3,121,422

Southlake Utilities, Inc. Schedule of Wastewater Rate Base Test Year Ended 12/31/13		Schedule No. 1-B Undocketed Earnings Analysis			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$7,182,623	\$0	\$7,182,623	\$500,607	\$7,683,230
2 Land and Land Rights	\$350,585	0	350,585	-50,585	300,000
3 Non-used and Useful Components	(\$101,114)	0	-101,114	-116,522	-217,636
4 Accumulated Depreciation	(\$3,637,541)	0	-3,637,541	62,159	-3,575,382
5 CIAC	(\$6,142,343)	0	-6,142,343	0	-6,142,343
6 Amortization of CIAC	\$2,806,658	0	2,806,658	0	2,806,658
7 CWIP	0	0	0	0	0
8 Advances for Construction	0	0	0	0	0
9 Working Capital Allowance	109,122	0	109,122	6,512	115,634
10 Other	0	0	0	0	0
11 Rate Base	\$567,990	\$0	\$567,990	\$402,170	\$970,160

Southlake Utilities, Inc.						Schedule No. 3-A	
Statement of Water Operations						Undocketed Earnings Analysis	
Test Year Ended 12/31/13							
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$1,085,709</u>	<u>\$0</u>	<u>\$1,085,709</u>	<u>\$0</u>	<u>\$1,085,709</u>	<u>(\$233,076)</u>	<u>\$852,633</u>
						-21.47%	
Operating Expenses							
2 Operation & Maintenance	<u>\$406,797</u>	<u>\$0</u>	<u>\$406,797</u>	<u>(\$90,222)</u>	<u>\$316,575</u>		<u>\$316,575</u>
3 Depreciation	<u>207,701</u>	<u>0</u>	<u>207,701</u>	<u>27,683</u>	<u>235,384</u>		<u>235,384</u>
4 Amortization	<u>(\$138,428)</u>	<u>0</u>	<u>(138,428)</u>	<u>0</u>	<u>(138,428)</u>		<u>(138,428)</u>
5 Taxes Other Than Income	<u>\$111,513</u>	<u>0</u>	<u>111,513</u>	<u>10,445</u>	<u>121,958</u>	<u>(10,488)</u>	<u>111,469</u>
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expense	<u>587,583</u>	<u>0</u>	<u>587,583</u>	<u>(\$2,094)</u>	<u>535,489</u>	<u>(10,488)</u>	<u>525,001</u>
8 Operating Income	<u>\$498,126</u>	<u>\$0</u>	<u>\$498,126</u>	<u>\$52,094</u>	<u>\$550,220</u>	<u>(\$222,588)</u>	<u>\$327,632</u>
9 Rate Base	<u>\$2,408,567</u>		<u>\$2,408,567</u>		<u>\$3,121,422</u>		<u>\$3,121,422</u>
10 Rate of Return	<u>20.68%</u>		<u>20.68%</u>		<u>17.63%</u>		<u>10.50%</u>

Southlake Utilities, Inc.						Schedule No. 3-A	
Statement of Wastewater Operations						Undocketed Earnings Analysis	
Test Year Ended 12/31/13							
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$1,155,351</u>	<u>\$0</u>	<u>\$1,155,351</u>	<u>\$0</u>	<u>\$1,155,351</u>	<u>(\$8,387)</u>	<u>\$1,146,964</u>
						-0.73%	
Operating Expenses							
2 Operation & Maintenance	<u>\$872,976</u>	<u>\$0</u>	<u>\$872,976</u>	<u>\$52,095</u>	<u>\$925,071</u>		<u>\$925,071</u>
3 Depreciation	<u>262,377</u>	<u>0</u>	<u>262,377</u>	<u>16,616</u>	<u>278,993</u>		<u>278,993</u>
4 Amortization	<u>(275,523)</u>	<u>0</u>	<u>(275,523)</u>	<u>0</u>	<u>(275,523)</u>		<u>(275,523)</u>
5 Taxes Other Than Income	<u>114,647</u>	<u>0</u>	<u>114,647</u>	<u>2,323</u>	<u>116,970</u>	<u>(377)</u>	<u>116,592</u>
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expense	<u>974,477</u>	<u>0</u>	<u>974,477</u>	<u>71,034</u>	<u>1,045,511</u>	<u>(377)</u>	<u>1,045,134</u>
8 Operating Income	<u>\$180,874</u>	<u>\$0</u>	<u>\$180,874</u>	<u>(\$71,034)</u>	<u>\$109,840</u>	<u>(\$8,010)</u>	<u>\$101,830</u>
9 Rate Base	<u>\$567,990</u>		<u>\$567,990</u>		<u>\$970,160</u>		<u>\$970,160</u>
10 Rate of Return	<u>31.84%</u>		<u>31.84%</u>		<u>11.32%</u>		<u>10.50%</u>

Southlake Utilities, Inc.
 Adjustments to Rate Base
 Test Year Ended 12/31/13

Schedule No. 1-C
 Undocketed Earnings Analysis

Explanation	Water	Wastewater
<u>Plant In Service</u>		
1 Pro Forma Items	\$732,000	\$597,332
2 Pro Forma Retirements	(\$2,750)	(\$96,725)
3	\$0	\$0
Total	<u>\$729,250</u>	<u>\$500,607</u>
<u>Land</u>		
1 Purchase Land	\$20,000	(\$50,585)
2	\$0	\$0
3	\$0	\$0
4	\$0	\$0
5	\$0	\$0
6	\$0	\$0
Total	<u>\$20,000</u>	<u>(\$50,585)</u>
<u>Non-used and Useful</u>		
To reflect net non-used and useful adjustment	<u>\$0</u>	<u>(\$116,522)</u>
<u>Accumulated Depreciation</u>		
1 Pro Forma Items	(\$27,867)	(\$34,566)
2 Pro Forma Retirements	\$2,750	\$ 96,725.00
3	\$0	\$0
4	\$0	\$0
Total	<u>(\$25,117)</u>	<u>\$62,159</u>
<u>CIAC</u>		
1	\$0	\$0
2	\$0	\$0
3	\$0	\$0
Total	<u>\$0</u>	<u>\$0</u>
<u>Accumulated Amortization of CIAC</u>		
1	\$0	\$0
2	\$0	\$0
3	\$0	\$0
4	\$0	\$0
5	\$0	\$0
Total	<u>\$0</u>	<u>\$0</u>
<u>Working Capital</u>		
	<u>(\$11,278)</u>	<u>\$6,512</u>

Southlake Utilities, Inc.
Adjustment to Operating Income
Test Year Ended 12/31/13

Schedule No. 3-C
Undocketed Earnings Analysis

Explanation	Water	Wastewater
<u>Operating Revenues</u>		
1 Remove requested final revenue increase.	\$0	\$0
2 To reflect the appropriate amount of annualized revenues.	\$0	\$0
3	\$0	\$0
4	<u>\$0</u>	<u>\$0</u>
Total	<u>\$0</u>	<u>\$0</u>
<u>Operation and Maintenance Expense</u>		
1 Pro Forma Items	\$2,000	\$13,200
2 Reallocation of Salaries	(\$41,470)	\$41,470
3 Reallocation of Management Fees	(\$40,848)	\$40,848
4 Rent Reduction	(\$11,778)	(\$45,299)
5 Regulatory Expense (Mr. deNagy)	\$1,875	\$1,875
6	\$0	\$0
7	\$0	\$0
8	\$0	\$0
9	<u>\$0</u>	<u>\$0</u>
10 Total	<u>(\$90,222)</u>	<u>\$52,095</u>
<u>Depreciation Expense - Net</u>		
1 Pro Forma Items	\$27,867	\$34,566
2 Pro Forma Retirements	(\$183)	(\$6,448)
3	\$0	\$0
4	\$0	\$0
5 To remove net depreciation on non-U&U adjustment above.	\$0	(\$11,501)
6	<u>\$0</u>	<u>\$0</u>
Total	<u>\$27,683</u>	<u>\$16,616</u>
<u>Amotization-Other Expense</u>		
	<u>\$0</u>	<u>\$0</u>
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above	\$0	\$0
2 Pro Forma Items	\$10,445	\$8,348
3 To remove property taxes on non-U&U adjustment above.	\$0	(\$6,025)
4	<u>\$0</u>	<u>\$0</u>
Total	<u>\$10,445</u>	<u>\$2,323</u>

Southlake Utilities, Inc.
 Depreciation Expense Worksheet
 for Five Year Strategic Plan - Expenditures
 Southlake Utilities, Inc.
 Depreciation Expense Worksheet
 for Five Year Strategic Plan - Expenditures

2013 W/WW	Description	Estimated Costs	Average Service Life (in yrs)	Depreciation Rate (%)	A.S.L. Rate (annual)
W	Place well into service	\$700,000	30	3.33	\$23,333
WW	Install -resue connection with Polk Co.	0	43	2.33	\$0
W	Install security camera and recording system at WTP	12,000	10	10	\$1,200
WW	Relocate 8" wastewater force main in two locations	0	30	3.33	\$0
W/WW	New billing system and new office computers	40,000	6	16.67	\$6,667
		<u>\$752,000</u>			<u>\$31,200</u>

2014 W/WW	Description	Estimated Costs	Average Service Life (in yrs)	Depreciation Rate (%)	A.S.L. Rate (annual)
WW	Replace 3 small blowers at WWTP	\$125,300	15	6.67	\$8,353
WW	Install 12" WM under US 27	0	30	3.33	\$0
WW	Rehabilitate Woddcrest LS	50,000	18	5.56	\$2,778
WW	Install emergency generator	60,557	20	5	\$3,028
WW	Purchase traileed generator	0	20	5	\$0
		<u>\$235,857</u>			<u>\$14,159</u>

2015 W/WW	Description	Estimated Costs	Average Service Life (in yrs)	Depreciation Rate (%)	A.S.L. Rate (annual)
WW	Install Emergency Generator at Summer Bay L/S	\$ 60,000	20	5	\$3,000
WW	Install Emergency Generator at Walmart L/S	\$ 60,000	20	5	\$3,000
WW	Install Emergency Generator at Glenbrook Bay L/S	\$ 60,000	20	5	\$3,000
WW	Install Emergency Generator at Sunrise Bay L/S	\$ 60,000	20	5	\$3,000
WW	Install Emergency Generator at Woodcrest Bay L/S	\$ 56,475	20	5	\$2,824
WW	Install Emergency Generator at Silver Creek L/S	\$ 45,000	20	5	\$2,250
		<u>\$ 341,475</u>			<u>\$17,074</u>

\$1,329,332

	Water	Wastewater
Net Plant	\$704,133	\$562,766
Lake County Mileage Rate	0.0148335	0.0148335
Pro Forma Property Tax Adjustment	\$10,444.76	\$8,347.79

Associated Retirement for New billing system and new office computers
 Original Cost of Old Billing System Placed into service : \$ 5,500
 Service Life used was 15 years

	JE	W	WW
Accum. Depr. Plant	\$ 5,500	\$ 5,500	
Adjustments			
Plant	\$ (5,500)	\$ (2,750)	\$ (2,750)
Accum Depreciation	\$ 5,500	\$ 2,750	\$ 2,750
Depreciation Expense	\$ (367)	\$ (183)	\$ (183)

Associated Retirements with new blowers
 Replacement Cost of Blowers \$125,300
 75% Retirement Methodology \$93,975.00
 Service Life (years) 15

	WW
Plant	(\$93,975.00)
Accum Depreciation	\$93,975.00
Depreciation Expense	(\$6,265.00)

Total Retirement Adjustments	W	WW
Plant	\$ (2,750)	\$ (96,725.00)
Accum Depreciation	\$ 2,750	\$ 96,725.00
Depreciation Expense	\$ (183)	\$ (6,448.33)

Southlake Utilities, Inc.
 Capital Structure-Simple Average
 Test Year Ended 12/31/13

Schedule No. 2
 Undocketed Earnings Analysis

Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
Per Utility									
1 Long-term Debt	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
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	6,978,488	0	\$6,978,488	0	\$6,978,488	96.53%	9.67%	9.33%	
5 Customer Deposits	250,563	0	\$250,563	0	\$250,563	3.47%	6.00%	0.21%	
6 Deferred Income Taxes	0	0	\$0	0	\$0	0.00%	0.00%	0.00%	
10 Total Capital	<u>\$7,229,051</u>	<u>\$0</u>	<u>\$7,229,051</u>	<u>\$0</u>	<u>\$7,229,051</u>	<u>100.00%</u>		<u>9.54%</u>	
Per Staff									
11 Long-term Debt	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
12 Short-term Debt	0	0	\$0	\$0	0	0.00%	0.00%	0.00%	
13 Preferred Stock	0	0	\$0	\$0	0	0.00%	0.00%	0.00%	
14 Common Equity	6,483,382	0	\$6,483,382	-\$2,544,043	3,939,339	96.28%	10.67%	10.27%	
15 Customer Deposits	250,563	0	\$250,563	-\$98,320	152,243	3.72%	6.00%	0.22%	
16 Deferred Income Taxes	0	0	\$0	\$0	0	0.00%	0.00%	0.00%	
20 Total Capital	<u>\$6,733,945</u>	<u>\$0</u>	<u>\$6,733,945</u>	<u>-\$2,642,362</u>	<u>\$4,091,583</u>	<u>100.00%</u>		<u>10.50%</u>	
						LOW	HIGH		
RETURN ON EQUITY						<u>9.67%</u>	<u>11.67%</u>		
OVERALL RATE OF RETURN						<u>9.53%</u>	<u>11.46%</u>		