

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-**

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**DATE:** January 27, 2023

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

**FROM:** Division of Economics (Bruce, Hudson) *JGH*  
Division of Accounting and Finance (Sowards) *ALM*  
Division of Engineering (P. Buys, King) *TB*  
Office of the General Counsel (Trierweiler, Harper, Sparks) *AH*

**RE:** Docket No. 20220099-WS – Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.

**AGENDA:** 02/08/23 – Regular Agenda – Proposed Agency Action Except Issues Nos. 13, 14, and 15 – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Graham

**CRITICAL DATES:** 10/16/23 (15-Month Effective Date (SARC))

**SPECIAL INSTRUCTIONS:** None

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### Case Background

LP Waterworks, Inc. (LP or utility) is a Class C water and wastewater utility located in Highlands County. The utility is currently providing service to approximately 425 residential customers, 21 general service customers, and 2 fire flow customers for its water system. The utility is located in the water use caution area of the Southwest Florida Water Management District (SWFWMD). According to the utility's 2021 Annual Report, the utility's operating revenues were \$133,280 and operating expenses were \$143,523 for water.

On March 13, 2014, the Commission approved the transfer of L.P. Utilities Corporation's water and wastewater systems and Certificate Nos. 620-W and 533-S to LP Waterworks, Inc.<sup>1</sup> The Commission last established LP's rates in a limited alternative rate increase proceeding in 2019.<sup>2</sup>

On May 17, 2022, the utility filed an application for a staff-assisted rate case (SARC) requesting an increase for its water rates only. Staff selected the test year ended December 31, 2021. The official filing date was established as July 15, 2022. LP's request for a SARC is due to the significant decrease in water consumption. A virtual customer meeting was held on November 15, 2022. No customers spoke at the customer meeting.

The Commission has jurisdiction pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 366.091, and 367.121, Florida Statutes (F.S.).

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<sup>1</sup>Order No. PSC-2014-0130-PAA-WS, issued March 17, 2014, in Docket No. 20130055, *In re: Application for approval of transfer of LP Utilities Corporation's water and wastewater systems and Certificate Nos. 620-W and 533-S, to LP Waterworks, Inc., in Highlands County.*

<sup>2</sup>Order No. PSC-2019-0141-PAA-WS, issued April 22, 2019, in Docket No. 20180215-WS, *In re: Petition for limited alternative rate increase in Highlands County by LP Waterworks, Inc.*

## Discussion of Issues

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

**Recommendation:** Yes. LP has been responsive to customer complaints and is currently in compliance with the Department of Environmental Protection (DEP) standards; therefore, the quality of service should be considered satisfactory. (P. Buys)

**Staff Analysis:** Pursuant to Section 367.081(2)(a)1, F.S., and Rule 25-30.433(1), Florida Administrative Code (F.A.C.), the Commission, in every rate case, shall make a determination of the quality of service provided by the utility by evaluating the quality of the utility's product (water) and the utility's attempt to address customer satisfaction (water and wastewater). The Rule requires that the most recent chemical analyses, outstanding citations, violations, and consent orders on file with the DEP and the county health department, along with any DEP and county health department officials' testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints shall also be considered. The operating condition of the water system is addressed in Issue 2.

### Quality of Utility's Product

In evaluation of LP's product quality, staff reviewed the utility's compliance with the DEP primary and secondary drinking water standards. Primary standards protect public health, while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. The most recent comprehensive chemical analysis was performed on November 29, 2021. All results were in compliance with the DEP's standards.

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

Staff reviewed the complaints filed in the Commission's Consumer Activity Tracking System (CATS), filed with the DEP, and received by the utility for the test year and four years prior. During this time period, there were nine customer complaints filed in CATS, which were regarding billing and quality of service. These complaints addressed items such as poor water taste and poor customer service. There was one complaint received by the DEP stating the water was not properly chlorinated. However, DEP staff visited the facility and tested the chlorine residual and found it to be within the appropriate range.

Over the past five years, the utility received 22 complaints associated with service interruptions, 8 complaints regarding pressure issues, and 7 complaints addressing water quality. Several of the service interruption complaints were due to outages the system experienced following Hurricane Irma and the remaining complaints were related to issues such as water main breaks or disconnections due to non-payment. Customer complaints regarding water quality included reports of odor or cloudy water. All complaints were resolved by the utility. Staff notes that customer complaints have been decreasing over the past five years.

A virtual customer meeting was held on November 15, 2022. No customers spoke at the customer meeting. Staff performed a supplemental review of the complaints filed in CATS following the customer meeting and found no additional complaints. Four written comments were submitted, three regarding billing and one regarding service quality.

**Conclusion**

LP has been responsive to customer complaints and is currently in compliance with the DEP standards; therefore, the quality of service should be considered satisfactory.

**Issue 2:** Are the infrastructure and operating conditions of LP's water system in compliance with DEP regulations?

**Recommendation:** Yes. LP's water system is currently in compliance with the DEP regulations. (P. Buys)

**Staff Analysis:** Rule 25-30.225 F.A.C., requires that each water utility shall operate and maintain its plant and facilities by employing qualified operators in accordance with the rules of the DEP in order to provide safe and efficient service up to and including the point of delivery into the piping owned by the customer. During a rate making proceeding, Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, the Commission must consider testimony of the DEP and county health department officials, sanitary surveys for water systems and compliance evaluation inspections for wastewater systems, citations, violations, and consent orders issued to the utility, customer testimony, comments, and complaints, and utility testimony and responses to the aforementioned items.

### **Water System Operating Conditions**

LP's water system has two wells; one well is rated at 300 gallons per minute (gpm) and the other well is rated at 280 gpm. Staff reviewed the November 19, 2020, sanitary survey conducted by the DEP to determine the utility's overall water facility compliance. The DEP found no deficiencies or violations, and the system was determined to be in compliance.

### **Conclusion**

LP's water system is currently in compliance with the DEP regulations.

**Issue 3:** What are the used and useful (U&U) percentages for LP's water treatment plant (WTP) and water distribution system?

**Recommendation:** LP's water treatment plant (WTP) and water distribution system should be considered 100 percent U&U. Additionally, there is 12.2 percent excessive unaccounted for water (EUW); therefore, staff recommends a 12.2 percent adjustment be made to operating expenses for chemicals and purchased power. (P. Buys)

**Staff Analysis:** LP's water treatment system has two wells. One well is rated at 300 gpm and the second well is rated at 280 gpm. The utility's water system has two hydropneumatic storage tanks totaling 22,000 gallons in capacity. The distribution system is comprised of varying sizes of polyvinyl chloride pipes.

### **Used and Useful Percentages**

Rule 25-30.4325, F.A.C., addresses the method by which the U&U of a water system is determined. LP's U&U percentages were last determined in Docket No. 20160222-WS, and the Commission found the treatment facilities and distribution system were 100 percent U&U. The utility has not increased the capacity of its facilities and the service area is built out. Therefore, consistent with the Commission's previous decision, staff recommends the utility's WTP and distribution system be considered 100 percent U&U.

### **Excessive Unaccounted for Water**

Rule 25-30.4325, F.A.C., additionally provides factors to be considered in determining whether adjustments to operating expenses are necessary for EUW. EUW is defined as "unaccounted for water in excess of 10 percent of the amount produced." Unaccounted for water is all water produced that is not sold, metered, or accounted for in the records of the utility. A review of the utility's Monthly Operating Reports, 2021 Annual Report, and audited billing data indicate that LP treated 12,522,000 gallons and sold 6,929,000 gallons with 236,950 gallons used for flushing and 2,580,000 gallons recorded for water main breaks during the test year. The resulting calculation  $([12,522,000 - 6,929,000 - 236,950 - 2,580,000]/12,522,000)$  for unaccounted for water is 22.2 percent; therefore, there is 12.2 percent EUW.

### **Conclusion**

LP's WTP and water distribution system should be considered 100 percent U&U. Additionally, there is 12.2 percent EUW; therefore, staff recommends a 12.2 percent adjustment be made to operating expenses for chemicals and purchased power.

**Issue 4:** What is the appropriate average test year rate base for LP?

**Recommendation:** The appropriate average test year rate base for LP is \$176,001 for the water system. (Sewards, P. Buys)

**Staff Analysis:** The appropriate components of the utility’s rate base include utility plant in service (UPIS), land and land rights, accumulated depreciation, contributions in aid of construction (CIAC), accumulated amortization of CIAC, and working capital. Staff selected the test year ended December 31, 2021, for the instant case. Commission audit staff determined that the utility’s books and records are in compliance with the National Association of Regulatory Utility Commissioners’ Uniform System of Accounts (NARUC USOA). A summary of each component and the recommended adjustments are discussed below.

**Utility Plant in Service**

The utility recorded UPIS of \$664,237 for its water system. There were auditing adjustments increasing UPIS by a net amount of \$1,912 to reflect unrecorded retirements and to capitalize an item that was expensed. In order to reflect the test year beginning and ending UPIS average balance, staff made an adjustment decreasing UPIS by \$16,328.

**Pro Forma Plant Additions**

The utility requested one pro forma item be included in rate base. The utility replaced the generator controller at the water treatment plant due to a high voltage issue. The paid invoice for this project shows a cost of \$3,174. As shown in Table 4-1, staff made a net adjustment increasing UPIS by \$794 for water pro forma plant additions.

As is Commission practice, staff requested that three bids be provided for the pro forma project. However, due to the time-sensitive nature of this repair, the utility did not obtain three bids. The new G series conversion on the transfer switch was replaced due to a high voltage issue. This repair was necessary to ensure the generator remained functional in the event of a power loss. The replacement of the generator controller at the water treatment plant was necessary for the utility to provide safe and reliable service to its customers. Staff reviewed the paid invoice provided by the utility and recommends that the cost for this project is appropriate.

**Table 4-1  
 Pro Forma Plant Addition**

Project	Acct. No.	Description	Amount
			Water
Generator Controller	310	Installed and programed new G series conversion.	\$3,174
		Associated Retirement	(\$2,381)
Net Adjustment			\$794

Source: Document No. 05055-2022.

Based on the above, staff increased UPIS by \$3,174 to reflect pro forma additions, offset by a decrease of \$2,381 for pro forma retirements.



As described above and summarized in Table 4-2 below, staff's adjustments to UPIS result in a decrease of \$13,622. Thus, staff recommends an average UPIS balance of \$650,615 (\$664,237 - \$13,622) for the water system.

**Table 4-2  
 Staff Adjustments to UPIS**

<b>Description</b>	<b>Adjustment</b>
To reflect auditing adjustments.	\$1,912
To reflect an averaging adjustment.	(16,328)
To reflect pro forma additions.	3,174
To reflect pro forma retirements.	(2,381)
Total adjustment to UPIS.	<u>(\$13,622)</u>

**Land and Land Rights**

The utility recorded a land and land rights balance of \$27,412 for its water system. Staff made no adjustments to this account, and therefore recommends a land and land rights balance of \$27,412 for the water system.

**Accumulated Depreciation**

The utility recorded an accumulated depreciation balance of \$460,542 for its water system. Staff made auditing adjustments increasing accumulated depreciation by \$21,358 to reflect unrecorded retirements and to capitalize an item that was expensed. In order to reflect the test year beginning and ending accumulated average balance, staff decreased accumulated depreciation by \$19,329. Staff also made an adjustment decreasing accumulated depreciation by \$2,334 to reflect pro forma adjustments.

As described above and summarized in Table 4-3 below, staff's adjustments to accumulated depreciation result in a decrease of \$305. As such, staff recommends an average accumulated depreciation balance of \$460,237 (\$460,542 - \$305) for the water system.

**Table 4-3  
 Staff Adjustments to Accumulated Depreciation**

<b>Description</b>	<b>Adjustment</b>
To reflect auditing adjustments.	(\$21,358)
To reflect an averaging adjustment.	19,329
To reflect pro forma adjustments.	<u>2,334</u>
Total adjustment to accumulated depreciation.	<u>\$305</u>

**Contributions in Aid of Construction**

The utility recorded a CIAC balance of \$268,967 for its water system. In order to reflect the test year beginning and ending accumulated average balance, staff decreased CIAC by \$125. Thus, staff recommends an average CIAC balance of \$268,842 (\$268,967 - \$125) for the water system.

Date: January 27, 2023

### **Accumulated Amortization of CIAC**

The utility recorded an accumulated amortization of CIAC balance of \$215,860 for its water system. Using the correct composite rates to calculate amortization expense staff made auditing adjustments decreasing accumulated amortization of CIAC by \$312. In order to reflect the test year beginning and ending accumulated average balance, staff decreased accumulated amortization of CIAC by \$3,954. Staff's adjustments to accumulated amortization of CIAC result in a decrease of \$4,266. As such, staff recommends an average accumulated amortization of CIAC balance of \$211,595 (\$215,860 - \$4,266) for the water system.

### **Working Capital Allowance**

The utility recorded a working capital balance of \$15,221 for its water system. Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(3), F.A.C., staff used the one-eighth operation and maintenance (O&M) expense (less rate case expense) formula for calculating the working capital allowance. Section 367.081(9), F.S., prohibits a utility from earning a return on the unamortized balance of rate case expense. As such, for this calculation staff removed the rate case expense balance of \$698. This resulted in an adjusted O&M expense balance of \$123,669 (\$124,367 - \$698). Applying this formula, staff recommends a working capital allowance of \$15,459 (\$123,669/8) for the water system. Thus, staff recommends working capital allowance should be increased by \$238 (\$15,459 - \$15,221).

### **Rate Base Summary**

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$176,001 for the water system. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

**Issue 5:** What is the appropriate return on equity and overall rate of return for LP?

**Recommendation:** The appropriate return on equity (ROE) is 7.84 percent with a range of 6.84 percent to 8.84 percent. The appropriate overall rate of return is 7.33 percent. (Sewards)

**Staff Analysis:** The utility's reported capital structure consists of \$200,588 in common equity and \$19,094 in customer deposits. The utility has no debt. Staff recommends no test year adjustments are necessary. The utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 7.84 percent based upon the Commission-approved leverage formula currently in effect.<sup>3</sup> Staff recommends an ROE of 7.84 percent, with a range of 6.84 percent to 8.84 percent, and an overall rate of return of 7.33 percent. The ROE and overall rate of return are shown on Schedule No. 2.

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<sup>3</sup>Order No. PSC-2022-0208-PAA-WS, issued June 15, 2022, in Docket No. 20220006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

**Issue 6:** What are the appropriate test year revenues for LP's water system?

**Recommendation:** The appropriate test year revenues for LP's water system are \$122,343.  
(Bruce)

**Staff Analysis:** LP recorded test year revenues of \$133,280. The water revenues included \$128,056 of service revenues and \$5,224 of miscellaneous revenues. Staff annualized service revenues by applying the number of billing determinants to the utility's existing rates, which became effective September 22, 2021. As a result, staff determined that service revenues should be \$117,062, which is a decrease of \$10,994 ( $\$128,056 - \$117,062$ ). Using the number of occurrences and the approved miscellaneous service charges, staff determined that miscellaneous revenues should be \$5,281, which is an increase of \$57 ( $\$5,281 - 1,224$ ). Based on the above, the appropriate test year revenues for LP's water system, including miscellaneous revenues are \$122,343 ( $\$117,062 + \$5,281$ ).

**Issue 7:** What is the appropriate amount of operating expense for LP?

**Recommendation:** The appropriate amount of operating expense for LP is \$151,509 for its water system. (Sewards, P. Buys)

**Staff Analysis:** The utility recorded operating expense of \$149,439 for its water system. The test year O&M expenses have been reviewed by staff, including invoices and other supporting documentation. Staff has made several adjustments to the utility's operating expenses as described below.

## **Operation and Maintenance Expenses**

### ***Purchased Power (615)***

The utility recorded a purchased power expense of \$2,406 for its water system. Staff made an auditing adjustment to increase purchased power expense by \$132 based on the calculation of actual power bills. Additionally, as discussed in Issue 3, staff has recommended a 12.2 percent reduction to purchased power expense to reflect EUW. As such, staff made an adjustment to reduce purchased power expense by \$310. Staff's adjustments result in a net decrease of \$178. Therefore, staff recommends a purchased power expense of \$2,228 (\$2,406 - \$178) for the water system.

### ***Chemicals (618)***

The utility did not record any chemicals expense for its water system as it did not purchase chemicals in the test year. To correct this error, LP requested a pro forma increase to chemicals expense of \$1,000. Additionally, as discussed in Issue 3, staff has recommended a 12.2 percent reduction to chemicals expense to reflect EUW. As such, staff made an adjustment to reduce chemicals expense by \$122. Thus, staff recommends a chemicals expense of \$878 (\$1,000 - \$122) for the water system.

### ***Rental Expense (640)***

The utility recorded a rental expense of \$855 for its water system. Staff made an auditing adjustment to reclassify the rental expense as a miscellaneous expense. As such, staff recommends a rental expense of \$0 for the water system.

### ***Insurance Expense (655)***

The utility recorded an insurance expense of \$878 for its water system. Staff made an auditing adjustment to increase insurance expense by \$75 based on the actual bill amount. Therefore, staff recommends an insurance expense of \$953 (\$878 + \$75) for the water system.

### ***Rate Case Expense (665)***

The utility recorded a rate case expense of \$619. The utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, final rates, and four-year rate reduction. Staff calculated noticing costs to be \$1,322. Staff calculated the distance from the utility to Tallahassee as 215 miles. Based on the 2022 IRS business mileage rate of \$0.625, staff calculated a round-trip travel expense to the Commission Conference and back, as well as one night of lodging to be \$469. Staff calculated a total amount of noticing costs and travel expense of \$1,790 (\$1,322 + \$469). Additionally, the utility paid a filing fee of \$1,000. Staff recommends total rate case expense of \$2,790 (\$1,790 + \$1,000), which amortized over four years is \$698

(\$2,790 ÷ 4 years); Thus, staff recommends an increase to rate case expense of \$79 and an annual rate case expense of \$698 (\$619 + \$79) for the water system.

### **Miscellaneous Expenses (675)**

The utility recorded miscellaneous expenses of \$863. As discussed above, staff made an auditing adjustment to reclassify \$855 recorded in rental expense as a miscellaneous expense. LP requested a pro forma increase of \$1,127 to account for emergency monitoring system services. As such, staff recommends miscellaneous expenses of \$2,845 (\$863 + \$1,127 + \$855) for the water system.

### **Operation and Maintenance Expense Summary**

The utility recorded test year O&M expenses of \$122,386 for its water system. Based on the above adjustments, staff recommends the O&M expense be increased by \$1,981. This results in total O&M expenses of \$124,367 (\$122,386 + \$1,981) for the water system. Staff's recommended adjustments to O&M expenses are shown on Schedule 3-C.

### **Depreciation Expense (Net of Amortization of CIAC)**

The utility recorded net depreciation expense of \$12,015 (\$20,233 depreciation expense less \$8,218 CIAC amortization expense) for its water system. Using the depreciation rates prescribed in Rule 25-30.140, F.A.C., staff increased depreciation expense for water by \$47 to reflect the incremental depreciation expense associated with pro forma investments. LP recorded CIAC amortization expense of \$8,218. Using the correct composite rates, staff made an auditing adjustment to increase CIAC amortization expense by \$1,626. As such, staff recommends CIAC amortization expense of \$9,844 (\$8,218 + \$1,626) for the water system. Therefore, staff recommends net depreciation expense of \$10,436 (\$20,233 + \$47 - 9,844) for the water system.

### **Amortization Expense**

The utility recorded amortization expense of \$4,299 for a non-recurring expense related to sandblasting and painting of a hydro tank completed in January, 2019. LP provided an invoice supporting the expense.<sup>4</sup> According to the provided invoice, the total cost was \$21,494. Rule 25-30.433(9), F.A.C., requires that non-recurring expenses be amortized over a five-year period unless a shorter or longer period of time can be justified. Staff verified one year of amortization expense to be \$4,299 (\$21,494/5). Additionally, a five-year period will not expire until 2024. Therefore, staff recommends an amortization expense of \$4,299 for the water system.

### **Taxes Other Than Income (TOTI)**

The utility recorded TOTI of \$10,739 for its water system. Staff made auditing adjustments to decrease TOTI by \$222 to reflect the proper amount of property taxes, as well as Regulatory Assessment Fees (RAFs) based on the auditor's test year revenues. Staff further decreased TOTI by \$12 to reflect the RAFs based on corrected utility test year revenues. Staff increased TOTI by \$10 to reflect property taxes associated with pro forma additions. As discussed in Issue 9, staff recommends revenues be increased by \$42,071 in order to reflect the change in revenue required to cover expenses and allow an opportunity to earn the recommended rate of return. As a result, TOTI should be increased by \$1,893 to reflect RAFs of 4.5 percent of the change in revenues. As

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<sup>4</sup> DN 00218-2023

such, staff recommends TOTI of \$12,408 ( $\$10,739 - \$222 - \$12 + \$10 + \$1,893$ ) for the water system.

**Operating Expenses Summary**

The utility recorded operating expenses of \$149,439 for its water system. The application of staff's recommended adjustments to the utility's operating expenses result in a total operating expense of \$151,509. Operating expenses are shown on Schedule No. 3-A, and the related adjustments are shown on Schedule No. 3-B.

**Issue 8:** Does LP meet the criteria for the application of the Operating Ratio Methodology?

**Recommendation:** No. LP does not meet the requirement for application of the Operating Ratio Methodology for calculating the revenue requirement. (Sewards)

**Staff Analysis:** Rule 25-30.4575(2), F.A.C., provides that, in rate cases processed under Rule 25-30.455, F.A.C., the Commission will use the operating ratio methodology to establish the utility's revenue requirement when its rate base is not greater than 125 percent of O&M expenses and the use of the Operating Ratio Methodology does not change the utility's qualification for a SARC.

Under the Operating Ratio Methodology, instead of calculating the utility's revenue requirement based on a rate of return on rate base, the revenue requirement is calculated using a margin of 12 percent of O&M expenses, not to exceed \$15,000. Purchased water and wastewater expenses, if any, must be removed from O&M expense prior to calculating the margin of 12 percent.

With respect to LP, staff has recommended a rate base of \$176,001 for the water system (Issue 4). Staff has also calculated an O&M expense of \$124,367 (Issue 7). Based on staff's recommended amounts, the utility's rate base is 142 percent of its O&M expense for its water system. Based on the above, the utility does not qualify for application of the Operating Ratio Methodology.



**Issue 9:** What is the appropriate revenue requirement for LP's water system?

**Recommendation:** The appropriate revenue requirement is \$164,414 for the water system, resulting in an annual increase of \$42,071 (34.39 percent). (Sewards)

**Staff Analysis:** LP should be allowed an annual increase of \$42,071 (34.39 percent) for its water system. This should allow the utility the opportunity to recover its expenses and earn a 7.33 percent return on rate base. The calculations for the water system are shown in Table 8-1.

**Table 8-1**  
**Water Revenue Requirement**

Water Rate Base	\$176,001
Rate of Return	7.33%
Return on Rate Base	<u>\$12,905</u>
Water O&M Expense	\$124,367
Depreciation Expense	\$10,436
Amortization Expense	\$4,299
Taxes Other Than Income	<u>\$12,408</u>
Revenue Requirement	<u>\$164,414</u>
Less Test Year Revenues	<u>\$122,343</u>
Annual Increase	\$42,071
Percent Increase	34.39%

Source: Staff calculations.

**Issue 10:** What are the appropriate rate structure and rates for LP's water system?

**Recommendation:** The recommended rate structure and monthly water rates are shown on Schedule No. 4. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff 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 and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice. (Bruce)

**Staff Analysis:** LP is located in Highlands County within the SWFWMD. The utility provides water service to approximately 425 residential customers, 2 fire flow customers, and 21 general service customers. Approximately 51 percent of the residential customer bills had zero gallons indicating a very seasonal customer base. The average water demand is 1,100 gallons per month. The average water demand excluding zero gallon bills is 2,266 gallons per month. Currently, the utility's residential water rate structure consists of a base facility charge (BFC) and a two-tier inclining block rate structure. The rate blocks are: (1) 0-3,000 gallons and (2) all usage in excess of 3,000 gallons per month. The general service rate consists of a BFC and uniform gallonage charge. Moreover, the utility's private fire protection service rates are based on one-twelfth of the utility's BFC for each meter size pursuant to Rule 25-30.465, F.A.C.

Staff performed an analysis of the utility's billing in order to evaluate the appropriate rate structure for the residential water customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the utility's customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with Commission practice.

As mentioned above, the customer base is very seasonal coupled with low average consumption. The utility's current BFC allocation is 52 percent, which is typical for a seasonal customer base. In this case, the utility has experienced a significant decrease in consumption and staff believes it is appropriate to have more of the cost recovery in the BFC. For this reason, staff recommends that 60 percent of the revenue requirement be recovered through the BFC in an effort to provide revenue stability for this utility. Furthermore, the average people per household served by the water system is 2; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month the discretionary usage threshold should be 3,000 gallons per month.<sup>5</sup> Staff's review of the billing data indicate that discretionary usage above 3,000 gallons represents 7 percent of the bills, which accounts for approximately 37 percent of the water demand. This is an indication that there is a significant amount of discretionary usage above 3,000 gallons.

For this case, staff recommends a continuation of the utility's current rate structure, which includes separate gallonage charges for discretionary and non-discretionary usage for residential water customers. The rate blocks are: (1) 0-3,000 gallons and (2) all usage in excess of 3,000 gallons per month. Due to the high usage above 3,000 gallons per month staff believes that it is

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<sup>5</sup>Average person per household was obtained from [www.census.gov/quickfacts/polkcouny](http://www.census.gov/quickfacts/polkcouny).

appropriate in this case to recommend a rate factor of 1.50 in the second tier because it will target those customers with high consumption levels. General service customers should continue to be billed a BFC and a gallonage charge.

Based on staff's recommended revenue increase of 35.9 percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 105,000 gallons resulting in anticipated average residential demand of 1,078 gallons per month. Staff recommends a 2.1 percent reduction in test year gallons for ratesetting purposes. As a result, the corresponding reductions are \$34 for purchased power expense, \$13 for chemical expense, and \$2 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$159,084.

**Issue 11:** Should LP's miscellaneous service charges be revised to conform to amended Rule 25-30.460, F.A.C.?

**Recommendation:** Yes. Staff recommends the miscellaneous service charges for both water and wastewater be revised to conform to the recent amendment to Rule 25-30.460, F.A.C. The tariff should be revised to reflect the removal of initial connection and normal reconnection charges. LP should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Bruce)

**Staff Analysis:** Effective June 24, 2021, Rule 25-30.460, F.A.C., was amended to remove initial connection and normal reconnection charges.<sup>6</sup> The definitions for initial connection charges and normal reconnection charges were subsumed in the definition of the premises visit charge.

LP's current miscellaneous service charges consist of initial connection and normal reconnection charges. Since the premises visit entails a broader range of tasks, staff believes the premises visit should reflect the amount of normal reconnection charges of \$57.89 for normal hours and \$65.50 for after hours. Although this proceeding is for the water system, in order to maintain uniformity with the miscellaneous service charges, the wastewater miscellaneous service charges should be revised pursuant to the amended rule. Therefore, staff recommends that the initial connection and normal reconnection charges be removed for both water and wastewater, and the definition for the premises visit charge be updated to comply with amended Rule 25-30.460, F.A.C. The premises visit charge should be revised from \$31.53 for normal hours and \$36.70 for after hours to \$57.89 for normal hours and \$65.60 for after hours for both water and wastewater. The violation reconnection will also remain at \$57.89 for normal hours and \$65.60 for after hours and at actual cost for wastewater. The utility's current miscellaneous service charges and staff's recommended miscellaneous service charges are shown below in Tables 11-1 and 11-2.

**Table 11-1**

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<sup>6</sup>Order No. PSC-2021-0201-FOF-WS, issued June 4, 2020, in Docket No. 20200240-WS, *In re: Proposed amendment of Rule 25-30.460, F.A.C., Application for Miscellaneous Service Charges.*

**Utility's Current Miscellaneous Service Charges**

	<u>Normal Hours</u>	<u>After Hours</u>
Initial Connection Charge	\$31.53	\$36.70
Normal Reconnection Charge	\$57.89	\$65.60
Violation Reconnection Charge - Water	\$57.89	\$65.60
Violation Reconnection Charge - Wastewater	Actual Cost	Actual Cost
Premises Visit Charge (in lieu of disconnection)	\$31.53	\$36.70

**Table 11-2  
 Staff Recommended Miscellaneous Service Charges**

	<u>Normal Hours</u>	<u>After Hours</u>
Violation Reconnection Charge - Water	\$57.89	\$65.60
Violation Reconnection Charge -Wastewater	Actual Cost	Actual Cost
Premises Visit Charge	\$57.89	\$65.60

**Conclusion**

Based on the above, staff recommends the miscellaneous service charges for both water and wastewater be revised to conform to the recent amendment to Rule 25-30.460, F.A.C. The tariff should be revised to reflect the removal of initial connection and normal reconnection charges. LP should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

**Issue 12:** What are the appropriate initial customer deposits for LP's water service?

**Recommendation:** The appropriate initial customer deposits should be \$48 for the residential 5/8 inch x 3/4 inch meter size for water. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding. (Bruce)

**Staff Analysis:** Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.<sup>7</sup> Currently, the utility's initial deposit for residential water is \$45 for the 5/8 inch x 3/4 inch meter size and two times the average estimated bill for all other meter sizes and all general service meter sizes. However, this amount does not cover two months' average bills based on staff's recommended rates. The utility's average monthly residential water usage after repression is 1,078 gallons per customer. Therefore, the average residential monthly bill based on staff's recommended rates is approximately \$23.94.

Staff recommends the appropriate initial customer deposits should be \$48 for the residential 5/8 inch x 3/4 inch meter size for water. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The approved initial customer deposits should 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 should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

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<sup>7</sup>Order No. PSC-2015-0142-PAA-SU, issued March 26, 2015, in Docket No. 20130178-SU, *In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company*.

**Issue 13:** What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense?

**Recommendation:** The rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for regulatory assessment fees (RAFs) and amortized over a four-year period. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. LP 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, the utility shall file separate data for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Bruce, Sowards)

**Staff Analysis:** Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the recovery period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reduction for water is \$730.

Staff recommends that the rates be reduced as shown on Schedule No 4, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S. LP 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, the utility shall file separate data 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 14:** Should the recommended rates be approved for LP on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the utility?

**Recommendation:** Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the utility. LP should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Further, prior to implementing any temporary rates, the utility should provide appropriate financial security.

If the recommended rates are approved on a temporary basis, the rates collected by the utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating both the current monthly and total amount subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Sewards)

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

LP should be authorized to initiate the temporary rates upon staff's approval of an appropriate security for the potential refund and cost of the proposed customer notice. Security should be in the form of either a bond or letter of credit in the amount of \$28,816. Alternatively, the utility may establish an escrow agreement with an independent financial institution.

If the utility chooses a bond for securing the potential refund, the bond should contain wording to the effect that it will be terminated only under the following conditions:

1. The Commission approves the rate increase; or,
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 for securing the potential refund, the letter of credit should 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 should be part of the agreement:

1. The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement.
2. No monies in the escrow account may be withdrawn by the utility without the prior written authorization of the Commission Clerk, or his or her designee.
3. The escrow account shall be an interest bearing account.
4. If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
5. If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
6. All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
7. The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
8. This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to *Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
9. The account must specify by whom and on whose behalf such monies were paid.

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

The utility should 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 should file reports with the Commission Clerk's office no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

**Issue 15:** Should LP be required to notify the Commission 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)?

**Recommendation:** Yes. LP should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. LP should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable NARUC USOA primary accounts as shown on Schedule No. 5 have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice providing good cause should be filed not less than seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Sewards)

**Staff Analysis:** LP should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. LP should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts as shown on Schedule No. 5 have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice providing good cause should be filed not less than seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

**Issue 16:** Should this docket be closed?

**Recommendation:** No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Proposed Agency Action 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. (Trierweiler)

**Staff Analysis:** If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Proposed Agency Action Order, a consummating order should be issued. This docket should remain open for staff's verification that the revised tariff sheets and customer notices have been filed by the utility and approved by staff. Once these actions are complete, this docket should be closed administratively.

<b>LP WATERWORKS, INC.</b>		<b>SCHEDULE NO. 1-A</b>		
<b>TEST YEAR ENDED 12/31/2021</b>		<b>DOCKET NO. 20220099-WS</b>		
<b>SCHEDULE OF WATER RATE BASE</b>				
<b>DESCRIPTION</b>	<b>BALANCE PER UTILITY</b>	<b>STAFF ADJUST.</b>	<b>BALANCE PER STAFF</b>	
1. UTILITY PLANT IN SERVICE	\$664,237	(\$13,622)	\$650,615	
2. LAND & LAND RIGHTS	27,412	0	27,412	
3. ACCUMULATED DEPRECIATION	(460,542)	305	(460,237)	
4. CIAC	(268,967)	125	(268,842)	
5. ACCUMULATED AMORT. CIAC	215,860	(4,266)	211,595	
6. WORKING CAPITAL ALLOWANCE	<u>15,221</u>	<u>238</u>	<u>15,459</u>	
7. WATER RATE BASE	<u>\$193,221</u>	<u>(\$17,220)</u>	<u>\$176,001</u>	

<b>LP WATERWORKS, INC. TEST YEAR ENDED 12/31/2021 ADJUSTMENTS TO RATE BASE</b>	<b>SCHEDULE NO. 1-B DOCKET NO. 20220099-WS</b>
	<b><u>WATER</u></b>
<b><u>UTILITY PLANT IN SERVICE</u></b>	
1. To reflect unrecorded retirements and reclassify expense.	\$1,912
2. To reflect an averaging adjustment.	(16,328)
3. To reflect pro forma additions.	3,174
4. To reflect pro forma retirements.	<u>(2,381)</u>
Total	<u>(\$13,622)</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>	
1. To reflect corresponding adjustments made to plant.	(\$21,358)
2. To reflect an averaging adjustment.	19,329
3. To reflect pro forma adjustments.	<u>2,334</u>
Total	<u>\$305</u>
<b><u>CIAC</u></b>	
To reflect an averaging adjustment.	<u>\$125</u>
<b><u>ACCUMULATED AMORTIZATION OF CIAC</u></b>	
1. To reflect calculations using correct composite rates.	(\$312)
2. To reflect an averaging adjustment.	<u>(3,954)</u>
Total	<u>(\$4,266)</u>
<b><u>WORKING CAPITAL ALLOWANCE</u></b>	
To reflect 1/8 of test year O&M expenses.	<u>\$238</u>

<b>LP WATERWORKS, INC.</b>				<b>SCHEDULE NO. 2</b>		
<b>TEST YEAR ENDED 12/31/2021</b>				<b>DOCKET NO. 20220099-WS</b>		
<b>SCHEDULE OF CAPITAL STRUCTURE</b>						
<b>COMPONENT</b>	<b>BALANCE PER UTILITY</b>	<b>PRO RATA ADJUST- MENTS</b>	<b>BALANCE PER STAFF</b>	<b>PERCENT OF TOTAL</b>	<b>COST</b>	<b>WEIGHTED COST</b>
1. LONG-TERM DEBT	\$0	\$0	\$0	0.00%	0.00%	0.00%
2. SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
3. COMMON EQUITY	200,588	(39,885)	160,703	91.31%	7.84%	7.16%
4. CUSTOMER DEPOSITS	19,094	(3,797)	15,297	8.69%	2.00%	0.17%
5. DEFERRED INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>
6. TOTAL CAPITAL	<u>\$219,682</u>	<u>(\$43,681)</u>	<u>\$176,001</u>	<u>100.00%</u>		<u>7.33%</u>
<b>RANGE OF REASONABLENESS</b>					<b><u>LOW</u></b>	<b><u>HIGH</u></b>
RETURN ON EQUITY					6.84%	8.84%
OVERALL RATE OF RETURN					6.42%	8.25%

<b>LP WATERWORKS, INC.</b> <b>TEST YEAR ENDED 12/31/2021</b> <b>SCHEDULE OF WATER OPERATING INCOME</b>			<b>SCHEDULE NO. 3-A</b> <b>DOCKET NO. 20220099-WS</b>			
	<b>TEST YEAR PER UTILITY</b>	<b>STAFF ADJUST- MENTS</b>	<b>STAFF ADJUSTED TEST YEAR</b>	<b>ADJUST FOR INCREASE</b>	<b>REVENUE REQUIREMENT</b>	
1.	<b>TOTAL OPERATING REVENUES</b>	\$133,280	(\$10,937)	\$122,343	\$42,071 34.39%	\$164,414
	<b>OPERATING EXPENSES</b>					
2.	OPERATION & MAINTENANCE	\$122,386	\$1,981	\$124,367	\$0	\$124,367
3.	NET DEPRECIATION	12,015	(1,579)	10,436	0	10,436
4.	AMORTIZATION	4,299	0	4,299	0	4,299
5.	TAXES OTHER THAN INCOME	10,739	(224)	10,515	1,893	12,408
6.	INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<b>TOTAL OPERATING EXPENSES</b>	<u>\$149,439</u>	<u>\$177</u>	<u>\$149,616</u>	<u>\$1,893</u>	<u>\$151,509</u>
7.	<b>OPERATING INCOME / (LOSS)</b>	<u>(\$16,159)</u>		<u>(\$27,273)</u>		<u>\$12,905</u>
8.	<b>WATER RATE BASE</b>	<u>\$193,221</u>		<u>\$176,001</u>		<u>\$176,001</u>
9.	<b>RATE OF RETURN</b>	<u>(8.36%)</u>		<u>(15.50%)</u>		<u>7.33%</u>

<b>LP WATERWORKS, INC. TEST YEAR ENDED 12/31/2021 ADJUSTMENTS TO OPERATING INCOME</b>	<b>SCHEDULE NO. 3-B DOCKET NO. 20220099-WS</b>
	<b><u>WATER</u></b>
<b>OPERATING REVENUES</b>	
1. To reflect an auditing adjustment to service revenues.	(\$10,994)
2. To reflect an auditing adjustment to miscellaneous revenues.	<u>57</u>
Total	<u>(\$10,937)</u>
<b>OPERATION AND MAINTENANCE EXPENSE</b>	
1. Purchased Power (615)	
a. To reflect actual amount from power bills.	\$132
b. To reflect EUW adjustment.	<u>(310)</u>
Total	<u>(\$178)</u>
2. Chemicals Expense (618)	
a. To reflect pro forma for unrecorded chemical expense.	\$1,000
b. To reflect EUW adjustment.	<u>(122)</u>
Total	<u>\$894</u>
3. Rental Expense (640)	
To reclassify property owner's association fees.	<u>(\$855)</u>
4. Insurance Expense (655)	
To reflect actual bill amounts.	<u>\$75</u>
5. Rate Case Expense (665)	
To reflect 1/4 rate case expense.	<u>\$79</u>
6. Miscellaneous Expense (675)	
a. To reclassify property owner's association fees.	\$855
b. To reflect pro forma for emergency monitoring service.	<u>1,127</u>
Total	<u>\$1,982</u>
<b>TOTAL OPERATION AND MAINTENANCE EXPENSE</b>	<b><u>\$1,981</u></b>
<b>NET DEPRECIATION EXPENSE</b>	
1. To reflect corresponding adjustments of pro forma plant additions.	\$47
2. To reflect auditing adjustment to amortization of CIAC expense	<u>(1,626)</u>
Total	<u>(\$1,579)</u>



<b>LP WATERWORKS, INC.</b>		<b>SCHEDULE NO. 3-B</b>
<b>TEST YEAR ENDED 12/31/2021</b>		<b>DOCKET NO. 20220099-WS</b>
<b>ADJUSTMENTS TO OPERATING INCOME</b>		
		<b><u>WATER</u></b>
<b>TAXES OTHER THAN INCOME</b>		
1.	To reflect auditing calculation of RAFs and property tax.	( <u>\$222</u> )
2.	To reflect appropriate test year RAFs.	( <u>12</u> )
3.	To reflect property taxes associated with pro forma adjustment.	<u>10</u>
	Total	( <u>\$224</u> )
<b>TOTAL OPERATING EXPENSE ADJUSTMENTS</b>		<u>\$177</u>

<b>LP WATERWORKS, INC.</b>		<b>SCHEDULE NO. 3-C</b>		
<b>TEST YEAR ENDED 12/31/2021</b>		<b>DOCKET NO. 20220099-WS</b>		
<b>ANALYSIS OF WATER O&amp;M EXPENSE</b>				
<b>ACCT.</b>	<b>DESCRIPTION</b>	<b>TOTAL PER UTILITY</b>	<b>STAFF ADJUST- MENT</b>	<b>TOTAL PER STAFF</b>
601	Salaries and Wages – Employees	\$6,300	\$0	\$6,300
615	Purchased Power	2,406	(178)	2,228
618	Chemicals	0	878	878
632	Contractual Services – Accounting	425	0	425
633	Contractual Services – Legal	150	0	150
636	Contractual Services – Other	109,890	0	109,890
640	Rental Expense	855	(855)	0
655	Insurance Expense	878	75	953
665	Rate Case Expense	619	79	698
675	Miscellaneous Expenses	<u>863</u>	<u>1,982</u>	<u>2,845</u>
	Total O&M Expense	<u>\$122,386</u>	<u>\$1,981</u>	<u>\$124,367</u>
	Working Capital is 1/8 O&M less RCE	<u>\$15,221</u>	<u>\$238</u>	<u>\$15,459</u>

<b>LP WATERWORKS, INC.</b>		<b>SCHEDULE NO. 4</b>	
<b>TEST YEAR ENDED 12/31/2021</b>		<b>DOCKET NO. 20220099-WS</b>	
<b>MONTHLY WATER RATES</b>			
	<b>UTILITY'S EXISTING RATES</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" x 3/4"	\$11.78	\$14.51	\$0.07
3/4"	\$17.67	\$21.77	\$0.10
1"	\$29.45	\$36.28	\$0.17
1-1/2"	\$58.90	\$72.55	\$0.33
2"	\$94.24	\$116.08	\$0.53
3"	\$188.48	\$232.16	\$1.07
4"	\$294.50	\$362.75	\$1.67
6"	\$589.00	\$725.50	\$3.33
Charge per 1,000 gallons - Residential			
0-3,000 gallons	\$6.77	\$8.57	\$0.04
Over 3,000 gallons	\$9.95	\$12.86	\$0.06
Charge per 1,000 gallons - General Service	\$8.15	\$9.33	\$0.04
<b><u>Private Fire Protection Service</u></b>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$0.98	\$1.21	\$0.01
3/4"	\$1.47	\$1.81	\$0.01
1"	\$2.45	\$3.02	\$0.01
1-1/2"	\$4.91	\$6.05	\$0.03
2"	\$7.85	\$9.67	\$0.04
3"	\$15.71	\$19.35	\$0.09
4"	\$24.54	\$30.23	\$0.14
6"	\$49.08	\$60.46	\$0.28
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>			
2,000 Gallons	\$25.32	\$31.65	
6,000 Gallons	\$61.94	\$78.80	
10,000 Gallons	\$101.74	\$130.24	

LP WATERWORKS, INC.			SCHEDULE NO. 5
TEST YEAR ENDED 12/31/2021			DOCKET NO. 20220099-WS
SCHEDULE OF WATER PLANT, DEPRECIATION, CIAC, & CIAC AMORTIZATION BALANCES			
ACCT.	DESCRIPTION	UPIS	ACCUMULATED DEPRECIATION
301	Organization	\$471	(\$251)
304	Structures and Improvements	75,171	(74,124)
307	Wells and Springs	41,707	(38,091)
309	Supply Mains	1,040	(732)
310	Power Generation Equipment	12,086	(11,375)
311	Pumping Equipment	616	(1,989)
320	Water Treatment Equipment	42,547	(6,129)
330	Dist. Reservoirs and Standpipes	123,439	(54,878)
331	Trans. and Distribution Lines	212,706	(152,537)
333	Services	60,079	(52,974)
334	Meters and Meter Installations	78,344	(73,904)
335	Hydrants	5,364	(4,258)
336	Backflow Prevention Devices	1,874	(2,869)
340	Office Furniture and Equipment	698	(710)
346	Communication Equipment	9,281	(6,984)
347	Miscellaneous Equipment	<u>726</u>	<u>(95)</u>
	Total	<u>\$666,149</u>	<u>\$481,900</u>
		<u>CIAC</u>	<b>Accum.</b>
		(\$268,967)	<b>Amort.</b>
			<u>CIAC</u>
			\$215,548