



FILED 2/28/2024
DOCUMENT NO. 00957-2024
FPSC - COMMISSION CLERK

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February 28, 2024

Adam Teitzman, Clerk
Florida Public Service Commission

Re: Docket No. 20230120-WS; Application for staff assisted rate case in Lake County
by Sunlake Estates, L.L.C.

Dear Clerk Teitzman,

Attached as requested by staff is a copy the original cost study originally submitted as part of Exhibit B to Docket No. 20130180-WS in order to demonstrate the original cost rate bases of the utility systems at the time of the approval of original water and wastewater certificates for this utility.

We are filing this original cost study along with excerpts from Commission Order No. PSC-14-0018-PAA-WS issued in that case which made adjustments to that cost study in order to establish rate base. We would like the Commission to utilize this rate base as a starting point for the establishment of rates along with the additions in the most recent years since 2012 provided by the company and its consultant, and the pro forma adjustments outlined in the utility's original SARC application.

Should you or any members of the staff have any questions, please do not hesitate to contact me.

Sincerely,

/s/ F. Marshall Deterding

F. Marshall Deterding
Of Counsel

FMD/brf

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Schedule No. 2
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**SUNLAKE ESTATES UTILITIES, L.L.C.
WATER SYSTEM**

Water Rate Base

| | <u>Utility Proposed</u> | <u>Adjustment</u> | <u>Commission Approved</u> |
|--------------------------------------|-------------------------|-------------------|----------------------------|
| Utility Plant in Service | \$349,550 | \$22,969 | \$372,519 |
| Accumulated Depreciation | \$(99,707) | \$58,379 | \$(41,328) |
| Contributions In Aid of Construction | - | \$(6,790) | \$(6,790) |
| Accumulated Amortization of CIAC | - | \$179 | \$179 |
| Working Capital Allowance (1/8 O&M) | \$13,172 | \$(330) | \$12,842 |
| Water Rate Base | \$263,015 | \$74,407 | \$337,422 |

Water Revenue Requirement

| | <u>Utility Proposed</u> | <u>Adjustment</u> | <u>Commission Approved</u> |
|-----------------------------------|-------------------------|-------------------|----------------------------|
| Operating Revenues | \$151,557 | \$5,504 | \$157,061 |
| Operating and Maintenance (O & M) | \$105,375 | \$(2,637) | \$102,738 |
| Net Depreciation Expense | \$15,992 | \$1,204 | \$17,196 |
| Taxes Other Than Income | \$10,351 | \$1,487 | \$11,838 |
| Net Operating Income | \$19,839 | \$5,256 | \$25,296 |
| Water Rate Base | \$263,015 | | \$337,422 |
| Rate of Return | 7.54% | | 7.50% |

*Sunlake Ests
Utilities, LLC
Original Control*

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Schedule No. 3
 Page 1 of 2

**SUNLAKE ESTATES UTILITIES, L.L.C.
 WASTEWATER SYSTEM**

Wastewater Rate Base

| | <u>Utility Proposed</u> | <u>Adjustment</u> | <u>Commission Approved</u> |
|--------------------------------------|-------------------------|--------------------|----------------------------|
| Utility Plant in Service | \$734,266 | - | \$734,266 |
| Accumulated Depreciation | \$(36,643) | \$(162,847) | \$(199,490) |
| Contributions In Aid of Construction | | \$(18,422) | \$(18,422) |
| Accumulated Amortization of CIAC | | \$480 | \$480 |
| Working Capital Allowance (1/8 O&M) | \$14,623 | - | \$14,623 |
| Wastewater Rate Base | <u>\$712,245</u> | <u>\$(180,789)</u> | <u>\$531,457</u> |

Wastewater Revenue Requirement

| | <u>Utility Proposed</u> | <u>Adjustment</u> | <u>Commission Approved</u> |
|-----------------------------------|-------------------------|-------------------|----------------------------|
| Operating Revenues | \$225,460 | \$(13,719) | \$211,741 |
| Operating and Maintenance (O & M) | \$116,984 | - | \$116,984 |
| Net Depreciation Expense | \$36,643 | \$920 | \$37,563 |
| Taxes Other Than Income | \$18,109 | \$(747) | \$17,362 |
| Net Operating Income | <u>\$53,724</u> | <u>\$(13,650)</u> | <u>\$39,843</u> |
| Water Rate Base | \$712,245 | | \$531,457 |
| Rate of Return | 7.54% | | 7.50% |

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The Utility's water facilities include two 12-inch wells with vertical turbine pumps and a 10,500 gallon hydropneumatic tank. The plant has a design capacity of 0.639 million gallons per day (MGD), which is sufficient to accommodate the current average flows of 0.302 MGD annual average daily flow (AADF). One 12-inch well is equipped with a 500 gallon per minute (GPM) pump and the second 12-inch well is equipped with a 588 GPM pump, for a combined pumping capacity of 1,088 GPM. Water is chlorinated prior to entering the hydropneumatic tank and then pumped to the distribution system.

The existing wastewater treatment facilities have a capacity of 0.058 MGD, permitted on an AADF basis. The manner of treatment for the wastewater facilities is contact stabilization. This consists of contact, reeration, secondary clarification, chlorination, aerobic digestion of the biosolids and disposal by two rapid infiltration basins. DEP considers rapid infiltration basins as a reuse system.

Rate Base

Consistent with Commission practice in applications for original certificates, rate base is identified only as a tool to aid in setting initial rates and is not intended to formally establish rate base. The Utility's proposed water and wastewater rate base calculations, as well as our adjustments, are described below.

Sunlake proposed a utility plant-in-service balance of \$349,550 for water as shown on Schedule No. 2 and \$734,266 for wastewater as shown on Schedule No. 3. These balances include the estimated original cost of existing plant as well as additional pro forma plant improvements. Plant improvements for the water system include maintenance on water mains and meter replacements totaling \$32,382. Plant improvements for the wastewater system include the construction of a wastewater treatment plant totaling \$217,595. Only one improvement, meter replacements, required further adjustments.

In its application, the Utility reported a total of 460 meters and included \$27,789 to replace 131 meters that were malfunctioning. In response to a Commission staff data request, the Utility stated that the water meters seem to be breaking more often than normal and that it believes it is reasonable to replace them all to assure the accuracy of consumption data. This would result in an additional 329 meters that need to be replaced. The Utility stated it would replace the remainder of the meters in a 24 month time period after the order is issued. The additional replacements increase pro forma plant by \$83,061.

The Utility did not include any retirement adjustments in its initial filing, so a corresponding adjustment shall be made to recognize the retirement of the old meters. As such, plant shall be decreased by \$60,092 to reflect the correct amount of meter retirements. In total, the adjustment associated with the Utility's meter replacement program shall result in a net \$22,969 increase to plant for water. Corresponding adjustments shall also be made to decrease accumulated depreciation by \$58,742 and increase depreciation expense by \$1,351 for water.

Sunlake's working capital balance is based on one-eighth of the O&M expense. However, the purchased power expense for water shall be decreased by \$2,637 to remove the

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costs associated with the community's golf course well, a non-utility function. Therefore, the Utility's requested working capital allowance of \$13,172 for water shall be decreased by \$330. As a result, we find that working capital of \$12,842 shall be approved for water and \$14,623 for wastewater.

The Utility's reported accumulated depreciation balances for water and wastewater were \$99,707 and \$36,643, respectively. However, due to a clerical error related to depreciation, the Utility's balance of accumulated depreciation was understated. To correct this error, the accumulated depreciation reflected in wastewater rate base was increased by \$152,887. In addition, it was determined that a few of the plant accounts used incorrect depreciation rates. After adjusting the rates to reflect average service life guidelines set forth in Rule 25-30.140, F.A.C., accumulated depreciation increased by \$363 for water and \$9,960 for wastewater. The net increase to accumulated depreciation for water and wastewater is \$58,379 and \$162,847, respectively.

The Utility recorded zero balances for Contribution In Aid of Construction (CIAC) and amortization of CIAC for both the water and wastewater systems. Although the service territory is a mobile home park in which Community Sunlake Joint Venture primarily rents lots to customers, there are a few lot owners. In accordance with Rule 25-30.570, F.A.C., without any record of CIAC, the amount of CIAC was imputed using the amounts attributable to the transmission and distribution mains for water and collection sewers (both force and gravity) for wastewater in proportion to the number of lot owners. The imputation of these costs increased CIAC for water and wastewater by \$6,790 and \$18,422 respectively. Corresponding adjustments were made to increase the amortization of CIAC, using the same prescribed rates for depreciating each system, in the amounts of \$179 for water and \$480 for wastewater.

Based on the foregoing, we find that the appropriate projected rate base is \$337,422 for water and \$531,457 for wastewater. Rate base and our adjustments for water and wastewater are shown on Schedule Nos. 2 and 3, respectively.

Cost of Capital

As required by Rule 25-30.033(1)(w), F.A.C., the application contained a schedule of the Utility's capital structure, including a statement of the methods of financing the Utility's operations. The Utility's capital structure, as shown on Schedule No. 1, consists of 33.40 percent equity and 66.60 percent debt. The Utility's proposed return on equity (ROE) is 11.30 percent. Sunlake's proposed cost of debt is 5.66 percent.

We find that the Utility's ROE shall be based on the most recent leverage formula at the time of the vote in this matter, consistent with prior Commission decisions regarding applications for original certificates.³ Using the most recent leverage formula, the ROE shall be 11.16 percent. We find an overall cost of capital of 7.50 percent for the Utility based on a capital

³ See Order No. PSC-13-0241-PAA-WS, issued June 3, 2013, in Docket No. 130006-WS, In re: Water and wastewater industry annual reestablishment of authorized rate of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

SUNLAKE ESTATES UTILITIES, L.L.C.

ORIGINAL CERTIFICATE APPLICATION

SPECIAL REPORT

Exhibit B
to
Original Certificate
Application
DK 130180-WS

SUNLAKE ESTATES UTILITIES, L.L.C.

ORIGINAL CERTIFICATE APPLICATION

SPECIAL REPORT

**Sunlake Estates Utility
Original Certificate Application
Special Report
Index**

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**Sunlake Estates Utility
Proposed Rates**

| Line # | Description | Monthly Rates | |
|--------|---|---------------|--------------|
| | | Water | Waster Water |
| 1 | <u>Residential</u> | | |
| 2 | Base Facility Charges | | |
| 3 | 5/8" x 3/4" | \$ 4.22 | \$ 7.85 |
| 4 | Gallonge Charge (Maximum of 8,000 gallons) | | \$ 1.84 |
| 5 | Gallonge Charge per 1,000 Gallons (0 - 5,000) | \$ 1.03 | |
| 6 | Gallonge Charge per 1,000 Gallons (5,001 - 7,000) | \$ 1.24 | |
| 7 | Gallonge Charge per 1,000 Gallons (7,001+) | \$ 1.49 | |
| 8 | <u>General Service</u> | | |
| 9 | Base Facility Charges | | |
| 10 | 5/8" x 3/4" | \$ 4.22 | \$ 7.85 |
| 11 | 1" | \$ 10.55 | \$ 19.63 |
| 12 | 1.5" | \$ 21.10 | \$ 39.27 |
| 13 | 2" | \$ 33.76 | \$ 62.83 |
| 14 | 3" | \$ 63.30 | \$ 117.81 |
| 15 | 4" | \$ 105.50 | \$ 196.35 |
| 16 | 6" | \$ 211.00 | \$ 392.70 |
| 17 | Note (1): Amounts on lines 3, 4, & 5 from schedules B-9 & C-9 | | |

**Sunlake Estates Utility
Capital Structure**

| Line # | | Estimated Amount | Percent Ratio | Cost of Each Percent | Weighted Cost |
|---------------|--------|-----------------------------|--------------------------|-------------------------------------|--------------------------|
| 1 | Equity | \$ 5,784,193.12 | 33.40% | 11.30% | 3.77% |
| 2 | Debt | <u>\$ 11,534,096.39</u> | <u>66.60%</u> | <u>5.66%</u> | <u>3.77%</u> |
| 3 | Total | \$ 17,318,289.51 | 100.00% | | 7.54% |

**Sunlake Estates Utility
Existing Water System
Rate Base, Rate of Return and Operating Income**

| Line # | Description | Schedule Ref. | Balance |
|--------|--|---------------|----------------------|
| 1 | Utility Plant in Service | B-2 | \$ 349,549.80 |
| 2 | Accumulated Depreciation | B-2 | \$ (99,707.40) |
| 3 | | | \$ 249,842.40 |
| 4 | Allowance for Working Capital (1) | B-7 | \$ 13,171.91 |
| 5 | Rate Base | | <u>\$ 263,014.31</u> |
| 6 | Rate of Return | A-2 | <u>7.54%</u> |
| 7 | Operating Income | B-6 | <u>\$ 19,838.87</u> |
| 8 | Note (1): Based on 12.5% of O&M Expense per schedule B-7 | | |

**Sunlake Estates Utility
Existing Water System
Summary of Utility Plant Cost, Accumulated Depreciation and Expense**

| Line # | NARUC Acct. # | Description | Original Costs | PSC Dep Rate Percent | Depreciation Expense | Accumulated Depreciation (B-5) |
|--------|------------------------------|-----------------------------|----------------------|----------------------|----------------------|--------------------------------|
| 1 | Original System Costs | | | | | |
| 2 | 301 | Organization (1) | \$ 15,000.00 | 3.85% | \$ 577.50 | \$ 288.75 |
| 3 | 304 | Structures & Improvements | \$ 37,398.92 | 3.57% | \$ 1,335.14 | \$ 11,348.70 |
| 4 | 307 | Wells & Springs | \$ 24,855.35 | 3.70% | \$ 919.65 | \$ 6,897.36 |
| 5 | 310 | Power Generation Equipment | \$ 76,251.40 | 5.88% | \$ 4,483.58 | \$ 26,901.49 |
| 6 | 311 | Pumping Equipment | \$ 59,358.22 | 5.88% | \$ 3,490.26 | \$ 26,176.98 |
| 7 | 320 | Water Treatment Equip | \$ 10,474.98 | 5.88% | \$ 615.93 | \$ 3,695.57 |
| 8 | 330 | Distribution/Res/Standpipes | \$ 6,878.66 | 3.03% | \$ 208.42 | \$ 1,458.96 |
| 9 | 331 | Trans/Distr Mains | \$ 44,031.93 | 2.63% | \$ 1,158.04 | \$ 10,951.33 |
| 10 | 333 | Services | \$ - | 2.86% | \$ - | \$ - |
| 11 | 334 | Meters & Installations | \$ 39,089.99 | 5.88% | \$ 2,298.49 | \$ 7,461.96 |
| 12 | 335 | Hydrants | \$ 36,210.35 | 2.50% | \$ 905.26 | \$ 4,526.29 |
| 13 | Total | | \$ 349,549.80 | | \$ 15,992.28 | \$ 99,707.40 |

14 Notes: (1) Organization costs are based on 50% of the total estimated legal, accounting, and engineering
 15 costs being incurred to obtain an original PSC Certificate. Such costs have been allocated equally to
 16 water & wastewater.

**Sunlake Estates Utility
Existing Water System
Summary of Projected Utility Plant Cost In Service At Year End**

| Line # | NARUC Acct. # | Description | Original Costs | Proforma Adjustment | Total Before Permitting & Engineering | Percent Of Total Assets | Permitting / Engineering (10%) | Total Plant Costs |
|--------|---------------|---|----------------------|---------------------|---------------------------------------|-------------------------|--------------------------------|----------------------|
| 1 | | <u>Original System Costs</u> | | | | | | |
| 2 | 301 | Organization | \$ 15,000.00 | | \$ 15,000.00 | 4.70% | \$ - | \$ 15,000.00 |
| 3 | 304 | Structures & Improvements | \$ 33,999.02 | | \$ 33,999.02 | 10.65% | \$ 3,399.90 | \$ 37,398.92 |
| 4 | 307 | Wells & Springs | \$ 22,595.77 | | \$ 22,595.77 | 7.08% | \$ 2,259.58 | \$ 24,855.35 |
| 5 | 310 | Power Generation Equipment | \$ 69,319.45 | | \$ 69,319.45 | 21.72% | \$ 6,931.95 | \$ 76,251.40 |
| 6 | 311 | Pumping Equipment | \$ 53,962.02 | | \$ 53,962.02 | 16.91% | \$ 5,396.20 | \$ 59,358.22 |
| 7 | 320 | Water Treatment Equip | \$ 9,522.71 | | \$ 9,522.71 | 2.98% | \$ 952.27 | \$ 10,474.98 |
| 8 | 330 | Distribution/Res/Standpipes | \$ 6,253.33 | | \$ 6,253.33 | 1.96% | \$ 625.33 | \$ 6,878.66 |
| 9 | 331 | Trans/Distr Mains | \$ 35,435.53 (A) | \$ 4,593.50 | \$ 40,029.03 | 12.54% | \$ 4,002.90 | \$ 44,031.93 |
| 10 | 333 | Services | | | \$ - | 0.00% | \$ - | \$ - |
| 11 | 334 | Meters & Installations | \$ 7,747.32 (B) | \$ 27,789.03 | \$ 35,536.35 | 11.14% | \$ 3,553.64 | \$ 39,089.99 |
| 12 | 335 | Hydrants | \$ 32,918.50 | | \$ 32,918.50 | 10.31% | \$ 3,291.85 | \$ 36,210.35 |
| 13 | | <u>Total</u> | <u>\$ 286,753.65</u> | <u>\$ 32,382.53</u> | <u>\$ 319,136.18</u> | <u>100.00%</u> | <u>\$ 30,413.62</u> | <u>\$ 349,549.80</u> |
| 14 | | <u>Proforma Adjustments:</u> | | | | | | |
| 15 | (A) | Maintenance on 7 miles of water mains per signed contract with Utility Services Associates. | | | | | | |
| 16 | (B) | Meter installation & replacement per signed contract with Kiley & Sons: | | | | | | |
| 17 | | Cost per meter | \$ 212.13 | | | | | |
| 18 | | Meters Replaced | 131.00 | | | | | |
| 19 | | <u>Total Cost</u> | <u>\$ 27,789.03</u> | | | | | |

**Sunlake Estates Utility
Existing Water System
Calculation of AFUDC**

| Line # | Description |
|--------|--|
| 1 | No AFUDC or interest during construction was charged in the construction of the original plant |
| 2 | or distribution systems. |

Sunlake Estates Utility
Existing Water System
Projected Accumulated Depreciation & Expense at Year End

| Line # | NARUC Acct. # | Description | Total Plant Costs | Years In Service | PSC Dep Rate Percent | Accumulated Depreciation | Depreciation Expense |
|--------|------------------|------------------------------------|----------------------|---------------------|-------------------------|-----------------------------|-------------------------|
| 1 | | Original System Costs | | | | | |
| 2 | 301 | Organization (2013) | \$ 15,000.00 | 0.5 | 3.85% | \$ 288.75 | \$ 577.50 |
| 3 | 304 | Structures & Improvements (2005) | \$ 37,398.92 | 8.5 | 3.57% | \$ 11,348.70 | \$ 1,335.14 |
| 4 | 307 | Wells & Springs (2006) | \$ 24,855.35 | 7.5 | 3.70% | \$ 6,897.36 | \$ 919.65 |
| 5 | 310 | Power Generation Equipment (2008) | \$ 76,251.40 | 6 | 5.88% | \$ 26,901.49 | \$ 4,483.58 |
| 6 | 311 | Pumping Equipment (2006) | \$ 59,358.22 | 7.5 | 5.88% | \$ 26,176.98 | \$ 3,490.26 |
| 7 | 320 | Water Treatment Equip (2008) | \$ 10,474.98 | 6 | 5.88% | \$ 3,695.57 | \$ 615.93 |
| 8 | 330 | Distribution/Res/Standpipes (2007) | \$ 6,878.66 | 7 | 3.03% | \$ 1,458.96 | \$ 208.42 |
| 9 | 331 | Trans/Distr Mains (2003) | \$ 39,438.43 | 10.5 | 2.63% | \$ 10,890.92 | \$ 1,037.23 |
| 10 | 331 | Trans/Distr Mains (2013) | \$ 4,593.50 | 0.5 | 2.63% | \$ 60.40 | \$ 120.81 |
| 11 | 333 | Services | \$ - | 0.5 | 2.86% | \$ - | \$ - |
| 12 | 334 | Meters & Installations (2004) | \$ 11,300.96 | 10 | 5.88% | \$ 6,644.96 | \$ 664.50 |
| 13 | 334 | Meters & Installations (2013) | \$ 27,789.03 | 0.5 | 5.88% | \$ 817.00 | \$ 1,633.99 |
| 14 | 335 | Hydrants (2008) | \$ 36,210.35 | 5 | 2.50% | \$ 4,526.29 | \$ 905.26 |
| 15 | | Total | \$ 349,549.80 | | | \$ 99,707.40 | \$ 15,992.28 |

16 Note (1): Accumulated depreciation through December 31, 2013 was calculated using PSC guideline rates, estimated original costs, and the age of each plant facility .

**Sunlake Estates Utility
Existing Water System
Constructed Statement of Operations**

| Line # | Description | Amount | Proforma Adjustments | Proforma Amount | Schedule Reference |
|--------|---|------------------------|--------------------------|----------------------|-----------------------|
| 1 | Operating Revenue | | <u>\$ 151,557.04</u> (A) | <u>\$ 151,557.04</u> | |
| 2 | Operating Expenses: | | | | |
| 3 | O&M Expense | \$ 105,375.32 | | \$ 105,375.32 | B-7 |
| 4 | Depreciation | \$ 15,992.28 | | \$ 15,992.28 | B-5 |
| 5 | Taxes other than Income | \$ 3,530.50 | \$ 6,820.07 (B) | \$ 10,350.57 | B-8 |
| 6 | Total Operating Expenses | <u>\$ 124,898.10</u> | <u>\$ 6,820.07</u> | <u>\$ 131,718.16</u> | |
| 7 | Operating Income (Loss) | <u>\$ (124,898.10)</u> | <u>\$ 144,736.97</u> | <u>\$ 19,838.88</u> | B-1 |
| 8 | Rate Base | <u>\$ 263,014.31</u> | | <u>\$ 263,014.31</u> | B-1 |
| 9 | Rate of Return | <u>-47.49%</u> | | <u>7.54%</u> | A-2 |
| 10 | Proforma Adjustments | | | | |
| 11 | (A) Total Revenue Requested to Realize 7.54% Rate of Return | | | <u>\$ 151,557.04</u> | |
| 12 | (B) Regulatory Assessment Fees | | | | |
| 13 | Total Revenue Requested | | | <u>\$ 151,557.04</u> | |
| 14 | RAF Rate | | | <u>4.50%</u> | |
| 15 | Regulatory Assessment Fees | | | <u>\$ 6,820.07</u> | |

**Sunlake Estates Utility
Existing Water System
Detail of O&M Expenses**

| Line # | NARUC Acct. # | Description | Amount |
|--------|------------------|---|----------------------|
| 1 | 615 | Purchased Power | \$ 20,315.09 |
| 2 | 618 | Chemicals | \$ 4,770.57 |
| 3 | | Contractual Services: | |
| 4 | 631 | Engineering | \$ 1,800.00 |
| 6 | 633 | Legal | \$ 1,200.00 |
| 7 | 634 | Management Fees (Admin, Accounting, Tax & Customer Service) | \$ 44,945.00 |
| 8 | 634 | Management Fees (Operator & Billing Fees) | \$ 10,558.50 |
| 9 | 635 | Testing | \$ 5,000.00 |
| 10 | 636 | Plant Maintenance | \$ 6,770.57 |
| 11 | 655 | Insurance - Property & Liability | \$ 7,515.59 |
| 12 | 675 | Miscellaneous | \$ 2,500.00 |
| 13 | | Total Estimated O&M Expense | \$ 105,375.32 |

14 Note (1) : Per estimates based on historical data from 2009-2013

**Sunlake Estates Utility
Existing Water System
Projected Taxes Other Than Income Taxes**

| Line # | Description | Cost | Millage Rate | Projected Tax |
|--------|--|-----------------------|-----------------|--------------------|
| 1 | <u>Tangible Personal Property (Excludes Organization Cost)</u> | | | |
| 2 | Total Projected Cost | \$ 334,549.80 | | |
| 3 | Accumulated Depreciation | <u>\$ (99,707.40)</u> | | |
| 4 | Estimated Taxable Value | <u>\$ 234,842.40</u> | 0.0150335 | <u>\$ 3,530.50</u> |

**Sunlake Estates Utility
Existing Water System
Rate Computation**

| Line # | Operation & Maintenance (O&M) | | Percent Allocation | | Rate Component | |
|--------|---|----------------------|--------------------|-----------|---------------------|----------------------|
| | | | BFC | Gallorage | BFC | Gallorage |
| 1 | Purchased Power | \$ 20,315.09 | 0.00% | 100.00% | \$ - | \$ 20,315.09 |
| 2 | Chemicals | \$ 4,770.57 | 0.00% | 100.00% | \$ - | \$ 4,770.57 |
| 3 | <u>Contractual Services:</u> | | | | | |
| 4 | Engineering | \$ 1,800.00 | 25.00% | 75.00% | \$ 450.00 | \$ 1,350.00 |
| 5 | Legal | \$ 1,200.00 | 25.00% | 75.00% | \$ 300.00 | \$ 900.00 |
| 6 | Management Fees (Admin, Accounting, Tax & Customer Service) | \$ 44,945.00 | 25.00% | 75.00% | \$ 11,236.25 | \$ 33,708.75 |
| 7 | Management Fees (Operator & Billing Fees) | \$ 10,558.50 | 25.00% | 75.00% | \$ 2,639.63 | \$ 7,918.88 |
| 8 | Testing | \$ 5,000.00 | 25.00% | 75.00% | \$ 1,250.00 | \$ 3,750.00 |
| 9 | Plant Maintenance | \$ 6,770.57 | 25.00% | 75.00% | \$ 1,692.64 | \$ 5,077.93 |
| 10 | Insurance - Property & Liability | \$ 7,515.59 | 25.00% | 75.00% | \$ 1,878.90 | \$ 5,636.69 |
| 11 | Miscellaneous | \$ 2,500.00 | 25.00% | 75.00% | \$ 625.00 | \$ 1,875.00 |
| 12 | Total Estimated O&M Expense | \$ 105,375.32 | | | | |
| 13 | Depreciation Expense (Net) | \$ 15,992.28 | 25.00% | 75.00% | \$ 3,998.07 | \$ 11,994.21 |
| 14 | <u>Taxes Other than Income</u> | | | | | |
| 15 | Real Estate & Property Taxes | \$ 3,530.50 | 25.00% | 75.00% | \$ 882.63 | \$ 2,647.88 |
| 16 | Regulatory Assessment Fees | \$ 6,820.07 | 25.00% | 75.00% | \$ 1,705.02 | \$ 5,115.05 |
| 17 | | <u>\$ 10,350.57</u> | | | | |
| 18 | Operating Income | \$ 19,838.88 | 0.00% | 100.00% | \$ - | \$ 19,838.88 |
| 19 | Total Revenue Requested | \$ 151,557.04 | | | \$ 26,658.13 | \$ 124,898.91 |
| 20 | Number of ERC's at build-out level of operation | | | | <u>526</u> | |
| 21 | Number of months | | | | <u>12</u> | |
| 22 | Annual No of Monthly ERC's | | | | <u>6,312</u> | |
| 23 | Estimated annual gallons sold - thousands | | | | | <u>120,940</u> |
| 24 | Rates - Base Facility Charge / Gallorage Charge per 1,000 Gallons | | | | \$ 4.22 | \$ 1.03 |
| 25 | Gallorage Charge per 1,000 Gallons (0 - 5,000) | | | | | \$ 1.03 |
| 26 | Gallorage Charge per 1,000 Gallons (5,001 - 7,000) | | | | | \$ 1.24 |
| 27 | Gallorage Charge per 1,000 Gallons (7,001+) | | | | | \$ 1.49 |

**Sunlake Estates Utility
Existing Wastewater System
Rate Base, Rate of Return and Operating Income**

| Line # | Description | Schedule Reference | Proforma Balance |
|--------|--|--------------------|-----------------------|
| 1 | Utility Plant in Service | C-2 | \$ 734,265.59 |
| 2 | Accumulated Depreciation | C-2 | <u>\$ (36,643.33)</u> |
| 3 | Total | | <u>\$ 697,622.26</u> |
| 4 | Allowance For Working Capital (1) | C-7 | <u>\$ 14,622.95</u> |
| 5 | Rate Base | | \$ 712,245.20 |
| 6 | Rate of Return | A-2 | <u>7.54%</u> |
| 7 | Operating Income | C-6 | <u>\$ 53,723.85</u> |
| 8 | Note (1): Based on 12.5% of O&M Expense per schedule C-7 | | |

**Sunlake Estates Utility
Existing Wastewater System
Summary of Utility Plant Cost, Accumulated Depreciation and Expense**

| Line # | NARUC Acct. # | Description | Original Costs | PSC Dep Rate Percent | Depreciation Expense | Accumulated Depreciation (C-5) |
|--------|------------------------------|----------------------------|----------------------|----------------------|----------------------|--------------------------------|
| 1 | <u>Original System Costs</u> | | | | | |
| 2 | 351 | ORGANIZATION | \$ 15,000.00 | 4.76% | \$ 357.00 | \$ 714.00 |
| 3 | 354 | STRUCTURES & IMPROVEMENTS | \$ 5,885.00 | 3.70% | \$ 2,068.58 | \$ 217.75 |
| 4 | 355 | POWER GENERATION EQUIPMENT | \$ 28,470.93 | | \$ 10,044.54 | \$ 1,674.09 |
| 5 | 360 | COLLECTION SEWERS-FORCE | \$ 15,506.89 | 3.33% | \$ 4,647.41 | \$ 516.38 |
| 6 | 361 | COLLECTION SEWERS-GRAVITY | \$ 103,963.20 | 2.50% | \$ 18,193.56 | \$ 2,599.08 |
| 7 | 363 | SERVICES TO CUSTOMERS | \$ - | 2.63% | \$ - | \$ - |
| 8 | 364 | FLOW MEASURING DEVICES | \$ 4,228.59 | 20.00% | \$ 8,880.03 | \$ 845.72 |
| 9 | 370 | RECEIVING WELLS | \$ 72,244.27 | 4.00% | \$ 23,118.17 | \$ 2,889.77 |
| 10 | 371 | PUMPING EQUIPMENT | \$ 108,258.83 | 5.56% | \$ 48,153.53 | \$ 6,019.19 |
| 11 | 380 | TREATMENT/DISP EQUIPMENT | \$ 380,707.89 | 5.56% | \$ 68,018.07 | \$ 9,069.08 |
| 12 | 381 | PLANT SEWERS | \$ - | 5.56% | \$ 6,049.14 | \$ 12,098.28 |
| 13 | <u>Total</u> | | <u>\$ 734,265.59</u> | | <u>\$ 189,530.04</u> | <u>\$ 36,643.33</u> |

14 Notes: (1) Organization costs are based on 50% of the total estimated legal, accounting, and engineering
 15 costs being incurred to obtain an original PSC Certificate. Such costs have been allocated equally to
 16 water & wastewater.

**Sunlake Estates Utility
Existing Wastewater System
Summary of Projected Utility Plant Cost In Service At Year End**

| Line # | NARUC Acct. # | Description | Original Costs | Proforma Adjustment | Total Before Permitting & Engineering | Percent Of Total Assets | Permitting / Engineering (10%) | Total Plant Costs |
|--------|---------------|--|----------------------|----------------------|---------------------------------------|-------------------------|--------------------------------|----------------------|
| 1 | | <u>Original System Costs</u> | | | | | | |
| 2 | 351 | ORGANIZATION | \$ 15,000.00 | \$ - | \$ 15,000.00 | | \$ - | \$ 15,000.00 |
| 3 | 354 | STRUCTURES & IMPROVEMENTS | \$ 5,350.00 | \$ - | \$ 5,350.00 | 0.82% | \$ 535.00 | \$ 5,885.00 |
| 4 | 355 | POWER GENERATION EQUIPMENT | \$ 25,882.66 | \$ - | \$ 25,882.66 | 3.96% | \$ 2,588.27 | \$ 28,470.93 |
| 5 | 360 | COLLECTION SEWERS-FORCE | \$ 14,097.17 | \$ - | \$ 14,097.17 | 2.16% | \$ 1,409.72 | \$ 15,506.89 |
| 6 | 361 | COLLECTION SEWERS-GRAVITY | \$ 94,512.00 | \$ - | \$ 94,512.00 | 14.45% | \$ 9,451.20 | \$ 103,963.20 |
| 7 | 363 | SERVICES TO CUSTOMERS | \$ - | \$ - | \$ - | 0.00% | \$ - | \$ - |
| 8 | 364 | FLOW MEASURING DEVICES | \$ 3,844.17 | \$ - | \$ 3,844.17 | 0.59% | \$ 384.42 | \$ 4,228.59 |
| 9 | 370 | RECEIVING WELLS | \$ 65,676.61 | \$ - | \$ 65,676.61 | 10.04% | \$ 6,567.66 | \$ 72,244.27 |
| 10 | 371 | PUMPING EQUIPMENT | \$ 98,417.12 | \$ - | \$ 98,417.12 | 15.05% | \$ 9,841.71 | \$ 108,258.83 |
| 11 | 380 | TREATMENT/DISP EQUIPMENT | \$ 128,503.08 (A) | \$ 217,595.00 | \$ 346,098.08 | 52.93% | \$ 34,609.81 | \$ 380,707.89 |
| 12 | 381 | PLANT SEWERS | \$ - | | \$ - | 0.00% | \$ - | \$ - |
| 13 | | <u>Total</u> | <u>\$ 436,282.81</u> | <u>\$ 217,595.00</u> | <u>\$ 653,877.81</u> | | <u>\$ 65,387.78</u> | <u>\$ 734,265.59</u> |
| 14 | | <u>Proforma Adjustments:</u> | | | | | | |
| 15 | (A) | Construction of WWTP including: new aeration, surge, digester, clarifiers, chlorine contact chambers, and effluent dosing chambers | | | | | | |
| 16 | | per signed contracts 5250 & 5251 with Utility Technicians. | | | | | | |

**Sunlake Estates Utility
Existing Wastewater System
Calculation of AFUDC**

| Line # | Description |
|--------|--|
| 1 | No AFUDC or interest during construction was charged in the construction of the original plant |
| 2 | or distribution systems. |

**Sunlake Estates Utility
Existing Wastewater System
Projected Accumulated Depreciation and Expense**

| Line # | NARUC Acct. # | Description | Total Plant Costs | Years In Service | PSC Dep Rate Percent | Accumulated Depreciation | Depreciation Expense |
|--------|------------------------------|-----------------------------------|----------------------|------------------|----------------------|--------------------------|----------------------|
| 1 | Original System Costs | | | | | | |
| 2 | 351 | ORGANIZATION | \$ 15,000.00 | 0.5 | 4.76% | \$ 357.00 | \$ 714.00 |
| 4 | 354 | STRUCTURES & IMPROVEMENTS (2004) | \$ 5,885.00 | 9.5 | 3.70% | \$ 2,068.58 | \$ 217.75 |
| 5 | 355 | POWER GENERATION EQUIPMENT (2008) | \$ 28,470.93 | 6.0 | 5.88% | \$ 10,044.54 | \$ 1,674.09 |
| 6 | 360 | COLLECTION SEWERS-FORCE (2005) | \$ 15,506.89 | 9.0 | 3.33% | \$ 4,647.41 | \$ 516.38 |
| 7 | 361 | COLLECTION SEWERS-GRAVITY (2006) | \$ 103,963.20 | 7.0 | 2.50% | \$ 18,193.56 | \$ 2,599.08 |
| 8 | 363 | SERVICES TO CUSTOMERS | \$ - | | 2.63% | \$ - | \$ - |
| 9 | 364 | FLOW MEASURING DEVICES (2003) | \$ 4,228.59 | 10.5 | 20.00% | \$ 8,880.03 | \$ 845.72 |
| 10 | 370 | RECEIVING WELLS (2006) | \$ 72,244.27 | 8.0 | 4.00% | \$ 23,118.17 | \$ 2,889.77 |
| 11 | 371 | PUMPING EQUIPMENT (2006) | \$ 108,258.83 | 8.0 | 5.56% | \$ 48,153.53 | \$ 6,019.19 |
| 12 | 380 | TREATMENT/DISP EQUIPMENT (2006) | \$ 163,112.89 | 7.5 | 5.56% | \$ 68,018.07 | \$ 9,069.08 |
| 13 | 380 | TREATMENT/DISP EQUIPMENT (2013) | \$ 217,595.00 | 0.5 | 5.56% | \$ 6,049.14 | \$ 12,098.28 |
| 14 | 381 | PLANT SEWERS (2006) | \$ - | | 5.56% | \$ - | \$ - |
| 15 | Total | | \$ 734,265.59 | | | \$ 189,530.04 | \$ 36,643.33 |

16 Note (1): Accumulated depreciation through December 31, 2013 was calculated using PSC guideline rates, estimated original costs, and the age of each plant facility .

**Sunlake Estates Utility
Existing Wastewater System
Constructed Statement of Operations**

| Line # | Description | Amount | Proforma Adjustments | Proforma Amount | Schedule Reference |
|--------|---|------------------------|-------------------------|--------------------------|-----------------------|
| 1 | Operating Revenue | | <u>\$ 225,460.24</u> | (A) <u>\$ 225,460.24</u> | |
| 2 | Operating Expenses: | | | | |
| 3 | O&M Expense | \$ 116,983.57 | | \$ 116,983.57 | C-7 |
| 4 | Depreciation | \$ 36,643.33 | | \$ 36,643.33 | C-5 |
| 5 | Taxes other than Income | <u>\$ 7,963.78</u> | <u>\$ 10,145.71</u> | (B) <u>\$ 18,109.49</u> | C-8 |
| 6 | Total Operating Expenses | <u>\$ 161,590.68</u> | <u>\$ 10,145.71</u> | <u>\$ 171,736.39</u> | |
| 7 | Operating Income (Loss) | <u>\$ (161,590.68)</u> | <u>\$ 215,314.53</u> | <u>\$ 53,723.85</u> | C-1 |
| 8 | Rate Base | <u>\$ 712,245.20</u> | | <u>\$ 712,245.20</u> | C-1 |
| 9 | Rate of Return | <u>-22.69%</u> | | <u>7.54%</u> | A-2 |
| 10 | Proforma Adjustments | | | | |
| 11 | (A) Total Revenue Requested to Realize 7.54% Rate of Return | | | <u>\$ 225,460.24</u> | |
| 12 | (B) Regulatory Assessment Fees | | | | |
| 13 | Total Revenue Requested | | | \$ 225,460.24 | |
| 14 | RAF Rate | | | <u>4.50%</u> | |
| 15 | Regulatory Assessment Fees | | | <u>\$ 10,145.71</u> | |

**Sunlake Estates Utility
Existing Water System
Detail of O&M Expenses**

| Line # | NARUC Acct. # | Description | Amount |
|--------|------------------|--|---------------|
| 1 | 711 | Sludge Removal | \$ 22,365.00 |
| 2 | 715 | Purchased Power | \$ 9,076.41 |
| 3 | 718 | Chemicals | \$ 4,770.57 |
| 4 | | <u>Contractual Services:</u> | |
| 5 | 731 | Engineering | \$ 1,800.00 |
| 7 | 733 | Legal | \$ 1,200.00 |
| 8 | 734 | Management Fees (Administration, accounting, Tax, and Cust. Serv.) | \$ 44,945.00 |
| 9 | 734 | Management Fees (Operator and Billing Fees) | \$ 11,040.43 |
| 10 | 735 | Testing | \$ 5,000.00 |
| 11 | 736 | Plant Maintenance | \$ 6,770.57 |
| 12 | 755 | Insurance - Property, Casualty & Liability | \$ 7,515.59 |
| 13 | 775 | Miscellaneous | \$ 2,500.00 |
| 14 | | Total Estimated O&M Expenses | \$ 116,983.57 |

15 Note (1) : Per estimates based on historical data from 2009-2013.

**Sunlake Estates Utility
Existing Wastewater System
Projected Taxes Other Than Income Taxes**

| Line # | Description | Cost | Millage Rate | Projected Tax |
|--------|--|------------------------|--------------|--------------------|
| 1 | <u>Tangible Personal Property (Excludes Organization Cost)</u> | | | |
| 2 | Total Projected Cost | \$ 719,265.59 | | |
| 3 | Accumulated Depreciation | <u>\$ (189,530.04)</u> | | |
| 4 | Estimated Taxable Value | <u>\$ 529,735.55</u> | 0.0150335 | <u>\$ 7,963.78</u> |

**Sunlake Estates Utility
Existing Wastewater System
Rate Computation**

| Line # | Operation & Maintenance (O&M) | <u>Percent Allocation</u> | | <u>Rate Component</u> | |
|--------|--|---------------------------|----------------|-----------------------|-----------------------------------|
| | | <u>BFC</u> | <u>Gallage</u> | <u>BFC</u> | <u>Gallage</u> |
| 1 | Sludge Removal | \$ 22,365.00 | 0.00% | 100.00% | \$ - \$ 22,365.00 |
| 2 | Purchased Power | \$ 9,076.41 | 0.00% | 100.00% | \$ - \$ 9,076.41 |
| 3 | Chemicals | \$ 4,770.57 | 0.00% | 100.00% | \$ - \$ 4,770.57 |
| 4 | <u>Contractual Services:</u> | | | | \$ - \$ - |
| 5 | Engineering | \$ 1,800.00 | 25.00% | 75.00% | \$ 450.00 \$ 1,350.00 |
| 6 | Legal | \$ 1,200.00 | 25.00% | 75.00% | \$ 300.00 \$ 900.00 |
| 7 | Management Fees (Administration, accounting, Tax, and Cust. Serv.) | \$ 44,945.00 | 25.00% | 75.00% | \$ 11,236.25 \$ 33,708.75 |
| 8 | Management Fees (Operator and Billing Fees) | \$ 11,040.43 | 25.00% | 75.00% | \$ 2,760.11 \$ 8,280.32 |
| 9 | Testing | \$ 5,000.00 | 25.00% | 75.00% | \$ 1,250.00 \$ 3,750.00 |
| 10 | Plant Maintenance | \$ 6,770.57 | 25.00% | 75.00% | \$ 1,692.64 \$ 5,077.93 |
| 11 | Insurance - Property, Casualty & Liability | \$ 7,515.59 | 25.00% | 75.00% | \$ 1,878.90 \$ 5,636.69 |
| 12 | Miscellaneous | \$ 2,500.00 | 25.00% | 75.00% | \$ 625.00 \$ 1,875.00 |
| 13 | <u>Total Estimated O&M Expense</u> | <u>\$ 116,983.57</u> | | | |
| 14 | <u>Depreciation Expense (Net)</u> | <u>\$ 36,643.33</u> | 25.00% | 75.00% | <u>\$ 9,160.83 \$ 27,482.50</u> |
| 15 | <u>Taxes Other than Income</u> | | | | |
| 16 | Real Estate & Property Taxes | \$ 7,963.78 | 25.00% | 75.00% | \$ 1,990.94 \$ 5,972.83 |
| 17 | Regulatory Assessment Fees | \$ 10,145.71 | 25.00% | 75.00% | \$ 2,536.43 \$ 7,609.28 |
| 18 | | <u>\$ 18,109.49</u> | | | <u>\$ 4,527.37 \$ 13,582.12</u> |
| 19 | Operating Income | \$ 53,723.85 | 25.00% | 75.00% | <u>\$ 13,430.96 \$ 40,292.89</u> |
| 20 | Total Revenue Requested | <u>\$ 225,460.24</u> | | | <u>\$ 47,312.06 \$ 178,148.18</u> |
| 21 | Number of ERC's at build-out level of operation | | | | 502 |
| 22 | Number of months | | | | <u>12</u> |
| 23 | Annual No of Monthly ERC's | | | | <u>6,024</u> |
| 24 | Estimated annual gallons sold - thousands (Based on 80% of water sold) | | | | <u>96,752</u> |
| 25 | Rates - Base Facility Charge / Gallage Charge per 1,000 Gallons | | | | <u>\$ 7.85 \$ 1.84</u> |