

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and
wastewater rates in Orange County by Pluris
Wedgfield, Inc.

DOCKET NO. 120152-WS
ORDER NO. PSC-13-0187-PAA-WS
ISSUED: May 2, 2013

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING AN INCREASE IN WATER AND WASTEWATER RATES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that except for the statutory four year rate reduction and the requirement for the Utility to adjust its books in accordance with our decisions in this Order which are final agency action, the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

Pluris Wedgfield, Inc. (Wedgfield or Utility) is a Class B utility providing service to approximately 1,598 water and 1,567 wastewater customers in Orange County. For the year ended December 31, 2011, the Utility reported operating revenues of \$985,446 for water and \$731,559 for wastewater. Additionally, the Utility reported an operating income of \$158,969 for water and an operating loss of \$127,780 for wastewater.

The Utility's last rate case was in 2008 for water and 1988 for wastewater.¹ On September 8, 2009, Wedgfield was transferred from Wedgfield Utilities, Inc. to Pluris

¹ See Order Nos. PSC-08-0827-PAA-WS, issued December 22, 2008, in Docket No. 070694-WS, In re: Application for increase in water and wastewater rates in Orange County by Wedgfield Utilities, Inc.; and 20270, issued November 1988, in Docket No. 871208-WS, In re: Application by Econ Utilities Corporation for rate increase in Orange County.

DOCUMENT NUMBER - DATE:

02452 MAY-2 2013

FPSC-COMMISSION CLERK

Wedgfield, LLC.² The Utility became Pluris Wedgfield, Inc. by Order No. PSC-09-0739-FOF-WS, issued November 9, 2009.³

On July 19, 2012, Wedgfield filed its application for the rate increase at issue in the instant docket. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and requested interim rates. The test year established for interim and final rates is the simple average period ended December 31, 2011.

The Utility was granted interim rates designed to generate annual revenues of \$1,350,198 for water and \$907,479 for wastewater. This represented an annual revenue increase of \$362,443 (36.69 percent) for water and \$175,476 (23.97 percent) for wastewater.⁴

Wedgfield requested final rates designed to generate annual revenues of \$1,379,982 for water and \$913,888 for wastewater. This represents a revenue increase of \$394,536 (40.04 percent) for water and \$182,329 (24.92 percent) for wastewater. Subsequent to filing its Minimum Filing Requirements (MFRs), Wedgfield submitted a request for additional pro forma plant in the amount of \$92,209 for repairs made to its water plant and a new bio filter for its water treatment facilities. The Utility also requested additional pro forma expenses in the amount of \$110,069 relating to the addition of call center staff, the addition of a Controller, and an increase in the Utility's property taxes. However, the Utility did not officially change its requested revenue requirement.

This Order addresses the Utility's requested final rates. We have jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

Quality of Service

Pursuant to Rule 25-30.433(1), F.A.C, this Commission determines the quality of service provided by a utility by evaluating three separate components of water and wastewater operations. These components include the quality of the utility's product, the operating condition of the utility's plants and facilities, and the utility's attempt to address customer satisfaction. Comments or complaints received by this Commission from the utility's customers and the utility complaint files are reviewed. The utility's current compliance with the regulations of the Department of Environmental Protection (DEP) and the Water Management District are also considered.

² See Order No. PSC-09-0610-FOF-W8, issued September 8, 2009, in Docket No. 090232-WS, In re: Joint application for authority to transfer assets and Certificate Nos. 404-W and 341-8 in Orange County from Wedgfield Utilities, Inc. to Pluris Wedgfield, LLC.

³ See Order No. PSC-09-0739-FOF-WS, issued November 9, 2009, in Docket No. 090418-WS, In re: Application for name change on Certificate Nos. 404-W and 341-S in Orange County from Pluris Wedgfield, LLC to Pluris Wedgfield, Inc.

⁴ See Order No. PSC-12-0554-PCO-WS, issued October 17, 2012, in Docket No. 120152-WS, In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgfield, Inc.

Quality of Utility's Product and Operational Condition of Plants and Facilities

In Orange County, the water and wastewater programs are regulated by the St. Johns River Water Management District (SJRWMD) and DEP. On November 12, 2011, DEP conducted a Sanitary Survey of the Wedgefield water treatment plant (WTP) with no deficiencies noted during the inspection.

On July 19, 2012, DEP conducted a Compliance Evaluation Inspection of the Wedgefield wastewater treatment plant (WWTP). The WWTP was found to be in substantial compliance. However, the report indicated the effluent quality was out of compliance due to a high Total Suspended Solids value reported on the Utility's April 2012 Discharge Monitoring Report. DEP indicated the exceedence was properly reported and no further action was required by the Utility.

Wedgefield is currently in compliance with all of the required chemical analyses and has met all required standards for both water and wastewater operations. The Utility has no outstanding consent orders or warning letters. A Commission staff field inspection of Wedgefield was conducted on December 5, 2012. Commission staff found no apparent problems with the operations of either the water or wastewater facilities. On the morning of December 6, 2012, Commission staff observed the Utility conducting its annual sewer line inspections and the installation of two new isolation valves at the WTP. The new isolation valves should allow the Utility to isolate affected areas of the service territory when a line break occurs. Based on a review of the maintenance records and a physical inspection, the general condition of the facilities appeared to be adequate. Therefore, we find that the quality of drinking water delivered to the customers, the wastewater effluent quality, and the operating condition of the Utility's water and wastewater plants and facilities are satisfactory.

The Utility's Attempt to Address Customer Satisfaction

A customer meeting was held on December 5, 2012, at the Wedgefield Country Club in Orlando, Florida. Over 200 customers attended the meeting with 24 customers providing verbal comments. Citing affordability concerns, the attendees were generally against the proposed rate increases for water and wastewater. Water quality in particular was cited as a reason for not justifying the rate increases. Although it was acknowledged that the water provided by the Utility met DEP health and safety standards, general consensus among the attendees was that the water was considered unfit to consume and not worth the rate increase because of frequent taste, odor, and discoloration problems. Several customers indicated the quality had not improved since the last rate case, while other customers made comments about public noticing concerning Precautionary Boil Water Notices (PBWNs). The Utility met with and responded to 23 of the 24 customers who spoke at the customer meeting. The Utility was unable to meet with one Wedgefield Home Owner Association representative, stating that several attempts to meet with him had failed. The Utility attempted to address each of the customer's concerns raised at the customer meeting. After meeting with the Utility, several customers submitted letters acknowledging that the Utility had met with them and addressed their concerns. A report titled

“Customer Comments Follow-up” and the customer letters were submitted to this Commission by the Utility and placed in the docket file.⁵

The collection and distribution system for the Wedgefield community was built in the early 1960's. Recently, a significant number of water line breaks have occurred. Several customers expressed concern relating to frequent water outages due to water line breakage. One particular area of the distribution system where a lot of the current outages have occurred is located at the area of the intersection of Majestic Street and Archer Boulevard. After further discussion with Wedgefield, it was noted that this line is constructed with Asphalt Concrete (AC) pipe. AC pipe was used in the 60's and 70's and as it ages, it becomes very difficult to repair if a leak develops. Wedgefield estimates there is approximately 19,200 linear feet of AC pipe ranging in sizes of 4, 6, and 8 inches within the distribution system. To help reduce the number of customers impacted by line breaks, the Utility has installed two new isolation valves at the WTP. The isolation valves should allow the Utility to better isolate affected areas of the service territory.

Commission staff questioned the Utility on its PBWN procedures. The Utility informed Commission staff that when PBWNs are required, customers are notified by multiple methods of communication consisting of robo calls, notifying the Wedgefield Country Club office, door hangers and signs. For all PBWNs, no matter how many customers are affected, an outbound telephone message is made to all affected customers who have an active phone number posted on their account. Once the PBWN is rescinded, another reverse robo call is issued to the same customers notifying them that the PBWN is no longer in effect. Depending on what time the disruption of service or water outage occurs, Wedgefield's field staff notifies the Wedgefield Country Club office. This method is most commonly used when a PBWN is issued during normal business hours. Once the PBWN is rescinded, Wedgefield staff notifies the office that the PBWN is no longer in effect. If the PBWN affects a small number of customer connections, the PBWN is attached to door hangers and left on the door of the affected customers' homes. Historically, water outages are typically limited to specific streets or portions of the distribution system. Once the PBWN is rescinded, notices are hung on the same doors with the news that the PBWN is no longer in effect. The Utility further indicated that in the case of a PBWN that requires notifying the whole community, signs are placed at both entrances to the Wedgefield development. Once the PBWN is rescinded, the signs are updated to reflect the rescission date.

Pursuant to Rule 25-30.251(2), F.A.C, the Utility shall notify this Commission of any interruptions in service which affect ten percent or more of its customers. Notification to this Commission shall be made within one work day of notification by the Utility that such an interruption has occurred, and within one work week after service has been restored. The Utility shall file a complete report of the interruption to this Commission. During the past outages, the Utility notified DEP and its customers, but did not notify us. Since Wedgefield's purchase of the system in 2009, this was the first time that the Utility did not notify us per the rule. During Commission staff's field inspection, Commission staff addressed the oversight with the Utility, and the Utility verbally agreed to notify this Commission per the rule on future outages.

⁵ See Document No. 00407-13.

Several customers also expressed considerable interest in having Orlando Utilities Commission (OUC) provide service to the community based on a perceived superior water quality. Commission staff reviewed the latest DEP Consumer Confidence Reports (CCR) for both OUC and Wedgefield and did a comparison for five of the most commonly recognized categories for drinking water analysis: Copper, Lead, Chlorine, Haloacetic Acids (HAA5) and Total Trihalomethanes (TTHM). The results are listed in Table 1.

Table 1

Wedgefield vs. OUC Commonly recognized categories for drinking water analysis				
Item	Wedgefield	Level Exceeded (Y/N)	OUC	Level Exceeded (Y/N)
Copper (ppm)	0.07	N	0.48	N
Lead (ppb)	0.005	N	0.48	N
Chlorine (ppm)	1.75	N	2.09* (annual average 1.04)	N
Haloacetic Acid (HAA5) (ppb)	38.2	N	31* (annual average 18)	N
Total Trihalomethanes (TTHM) (ppb)	55.2	N	88* (annual average 49)	N

* OUC note – Compliance levels are based on running annual averages.

Based on the published CCR reports, both utilities produced water similar in chemical content and both were in compliance for all five of the categories.

There are currently two active water complaints on file at this Commission, and there were no complaints indicated for wastewater. The Utility’s complaint log for the test year (2011) indicated that approximately six customer complaints were received. The majority of the water complaints during this time dealt with billing, while one complaint was involved discolored water. We received approximately 60 letters. The letters were generally against the proposed rate increases. Water quality, in particular, was cited as a reason for not justifying the rate increase.

We find the Utility’s efforts to respond to customer concerns demonstrates its willingness to address customer satisfaction. Treating the water used for all purposes by all customers to the highest customer expectation can come at significant cost to customers. For most systems, point-of-use treatment systems are often the most cost effective mechanism to achieve individual customer quality objectives. Although there have been water line breaks that have inconvenienced customers, we find that the Utility has notified its customers and reestablished

service as required by rule. Therefore, we find that Wedgefield's attempt to address customer satisfaction is satisfactory.

Conclusion

We find that, pursuant to Rule 25-30.433(1), F.A.C., Wedgefield's quality of product, operating condition of its plants and facilities, and its attempt to address customer satisfaction are satisfactory.

Rate Base

Audit Adjustments to Rate Base

The Utility was afforded an opportunity to address all of the findings issued by the Commission auditing staff and provide additional support documentation for those areas it felt were unjustified. On December 7, 2012, the Utility provided its response to Audit Finding No. 2 that included information pertaining to unsupported plant additions. As the Utility did not respond to the other audit findings contained in the report, these adjustments are the approved audit adjustments.

Table 2

Audit Findings	Description of Audit Adjustments
Finding No. 1	To correctly reflect the appropriate adjustments to plant, depreciation expense and accumulated depreciation from the prior order.
Finding No. 3	To correctly reflect the appropriate balance of the land associated with the Utility's water plant.

Based on the forgoing findings, the following adjustments shall be made:

Table 3

<u>Water</u>				
Audit Adjustments	Plant	Land	Accum. Depreciation	Depreciation Expense
Finding No. 1	\$95,740		(\$51,596)	\$5,597
Finding No. 3		(\$3,964)		
Adjustment Totals	<u>\$95,740</u>	<u>(\$3,964)</u>	<u>(\$51,596)</u>	<u>\$5,597</u>
<u>Wastewater</u>				
Audit Adjustments	Plant	Land	Accum. Depreciation	Depreciation Expense
Finding No. 1	(\$118,384)		\$51,596	(\$4,976)
Finding No. 3				
Adjustment Totals	<u>(\$118,384)</u>		<u>\$51,596</u>	<u>(\$4,976)</u>

Contested Audit Adjustment

The Utility provided partial responses to requests for support documentation relating to Audit Finding No. 2, reduction to the Utility's wastewater plant for unsupported additions. Based on the audit, we find that a reduction of the Utility's wastewater plant in the amount of \$161,862, with corresponding reductions in accumulated depreciation of \$20,982 and depreciation expense of \$5,150 is appropriate.

In its response to the audit report, Wedgefield provided additional support documentation in the amount of \$26,577. As a result, plant, accumulated depreciation, and depreciation expense were recalculated. We note that the Utility shall not be precluded from receiving a return on its investment in plant in a subsequent rate case if more information becomes available to the Utility. Based on the above, the Utility's wastewater plant shall be reduced by \$135,285 (\$161,862 - \$26,577). Accordingly, corresponding adjustments shall be made to decrease accumulated depreciation and depreciation expense by \$17,184 and \$4,318, respectively.

Pro Forma Plant Additions

The Utility requested in its MFR filing several pro forma plant improvements in the amount of \$44,665 for water and \$11,082 for wastewater. These pro forma plant items included Variable Frequency Drives (VFD), weir replacements, and work on the Utility's Supervisory Control and Data Acquisition (SCADA) system. We find that the pro forma additions are reasonable and prudent because they will help extend the life of the water and wastewater facilities and address several other maintenance issues.

As a part of the review relating to the prudence of these additions, Commission staff requested a statement of why each addition is necessary and a copy of all invoices and support documentation for the additions. In response, Wedgefield provided invoices from E&R Mechanical totaling \$50,893 for water and \$12,412 for wastewater, as well as the necessary permit from DEP for the addition of the VFD. Therefore, we order a \$6,228 (\$50,893 - \$44,665) increase for water and a \$1,330 (\$12,412 - \$11,082) increase for wastewater. However, the Utility did not include a pro forma retirement adjustment for the replacement of the weirs at its wastewater facilities. When the original cost is not known, or the year that retired plant was placed in service, it is Commission practice to determine the retirement cost by using 75 percent of the replacement cost.⁶ In accordance with our past practice, wastewater plant and accumulated depreciation shall both be reduced by \$9,309 (\$12,412 x 75 percent). This results in a net plant reduction of \$7,979 (\$1,330 - \$9,309) for wastewater.

⁶ See Order Nos. PSC-11-0587-PAA-SU, issued December 21, 2011, in Docket No. 110153-SU, In re: Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge; PSC-10-0585-PAA-WS, issued September 22, 2010, in Docket No. 090462-WS, In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida; PSC-09-0632-PAA-WU, issued September 17, 2009, in Docket No. 080353-WU, In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.; and PSC-05-0624-PAA-WS, issued June 7, 2005, in Docket No. 040450-WS, In re: Application for rate increase in Martin County by Indiantown Company, Inc.

Further, the Utility requested additional pro forma plant subsequent to its MFR filing in the amount of \$92,209 for repairs made to its water plant and a new bio filter for its water treatment facilities. Upon review of the support documentation provided by the Utility, we find these adjustments are warranted. We find, however, that \$550 for employee time shall be removed as non-recurring, and \$11,440 shall be removed as duplicative with the pro forma amount that was initially requested in the Utility's MFRs. We find that a pro forma plant increase does include employee time that was incurred outside normal business hours in connection to the Utility's pipe breakages. Based on the above, we order an increase of \$80,219 (\$92,209 - \$550 - \$11,440) associated with these pro forma items. However, the Utility did not include a pro forma retirement adjustment for the additional pro forma plant. In accordance with our past practice the amount for plant and accumulated depreciation shall each be netted against \$45,089 (\$80,219 x 75 percent) to reflect the associated plant retirements.

Based on the above, we find that the appropriate pro forma plant additions are \$86,203 for water and \$3,103 for wastewater. This results in an incremental increase of \$41,358 (\$6,228 + \$80,219 - \$45,089) for water and decrease of \$7,979 (\$1,330 - \$9,309) for wastewater from the amounts requested in the Utility's initial filing. Using the depreciable life pursuant to Rule 25-30.140, F.A.C., corresponding adjustments shall be made to decrease accumulated depreciation by \$44,863 for water and \$9,235 for wastewater. In addition, depreciation expense shall be decreased by \$2,028 for water and \$391 for wastewater. Finally, pro forma property taxes shall be increased by \$2,243 for water and \$207 for wastewater.

Used and Useful Percentages

In its application, the Utility asserts that the WTP is 100 percent, WWTP is 72.1 percent, and the water distribution and wastewater collection systems are 85.1 percent Used and Useful (U&U). Below is a discussion for each facility.

Water Treatment Plant

Pursuant to Rule 25-30.4325, F.A.C., the U&U calculation for a WTP is determined by dividing the peak demand by the firm reliable capacity (FRC) of the WTP. Because the system has storage facilities, the calculation is in gallons per day (gpd). Consideration of growth, fire flow requirements, unaccounted for water, and other factors may also be included.

The WTP has two wells, rated at 400 and 600 gallon per minute (gpm). Pursuant to Rule 25-30.4325(6)(b), F.A.C., the FRC of a water treatment system with storage, excluding the largest well, is 384,000 (400 x 60 x 16) gpd. During the test year, the single maximum day peak demand was 567,000 gallons, and it occurred on May 2, 2011, based on the Utility's Monthly Operating Reports. Fire hydrants are located throughout the service area. It does not appear that there was a fire, line break, or other unusual occurrence on that day. Therefore, pursuant to Rule 25-30.4325(1)(d), F.A.C., a fire flow allowance of 500 gpm for 2 hours (60,000 gpd) shall be included in the U&U analysis. The Utility did not request any allowance for growth.

The Utility's F-1 schedule in the MFRs indicates the unaccounted for water was 7.64 percent of the amount produced, which is not excessive. Pursuant to Rule 25-30.4325, F.A.C.,

Excessive Unaccounted for Water (EUW) is unaccounted for water in excess of 10 percent of the amount pumped.

Pursuant to Rule 25-30.4325(5), F.A.C., we find that the WTP is 100 percent U&U based on a peak day of 567,000 gpd, a fire flow allowance of 60,000 gpd, EUW of 0 gpd, and FRC of 384,000 gpd.

Ground Storage Tank

Rules 25-30.4325(8) and (9), F.A.C., provide that the U&U percentage for a storage tank is determined by dividing the peak demand by the usable capacity of the tank. The Utility has a 350,000-gallon ground storage tank with the bottom of the tank below the centerline of the pumping unit. Therefore, pursuant to Rule 25-30.4325(9)(b), F.A.C., the usable capacity of the tank is 90 percent of the capacity or 315,000 gpd. Because the usable storage capacity is less than the peak day demand (567,000 gpd), the storage tank shall be considered 100 percent U&U, pursuant to Rule 25-30.4325(8), F.A.C.

Wastewater Treatment Plant

Pursuant to Rule 25-30.432, F.A.C., the U&U percentage for a WWTP is determined by dividing the customer demand, less excessive infiltration and inflow, plus a growth allowance. The rule also contains a provision for consideration of other factors, such as whether the service area is built out, whether the permitted capacity differs from design capacity, and whether flows have decreased due to conservation or reduction in the number of customers.

The current DEP permitted capacity is 330,000 gpd for the WWTP based on Annual Average Daily Flows (AADF). The AADF during the test year was 238,000 gpd. Commission staff did not identify any excessive infiltration and inflow in the collection system. The Utility did not request any allowance for growth. We agree with the Utility's position that, pursuant to Rule 25-30.432, F.A.C., and using the AADF during the test year, the WWTP shall be considered 72.1 percent U&U.

Water Distribution and Wastewater Collection Systems

The U&U calculations for the water distribution and wastewater collection systems are determined by dividing the number of customers connected to the systems by the number of lots available for service. The average number of connections during the test year was 1,594 Equivalent Residential Connection (ERCs). An annual customer growth rate of 6.5 ERCs was estimated with a statutory growth period of 5 years which equates to a total of 33 additional ERCs. The distribution and collection systems were designed to serve a total of 1,911 ERCs. Therefore, we agree with the Utility's position that, pursuant to Rule 25-30.432, F.A.C., the water distribution and wastewater collection systems shall be considered 85.1 $(1,594 + 33 / 1,911)$ percent U&U.

Used and Useful Conclusion

The Utility's WTP and storage shall be considered 100 percent U&U. The Utility's water distribution system shall be considered 85.1 percent U&U. As a result, corresponding adjustments are necessary for the non-U&U water distribution plant. Accordingly, water rate base shall be reduced by \$9,787. Corresponding adjustments shall be made to increase depreciation expense by \$302 and reduce property taxes by \$894. The Utility's WWTP shall be considered 72.1 percent U&U. The Utility's wastewater collection system shall be considered 85.1 percent U&U. Accordingly, wastewater rate base shall be reduced by \$14,186. Corresponding adjustments shall be made to increase depreciation expense by \$163 and reduce property taxes by \$2,465.

Working Capital Allowance

In its MFRs, the Utility reflected a working capital allowance of \$74,339 for water and \$75,482 for wastewater. Rule 25-30.433(2), F.A.C., requires that Class B utilities use the formula method, whereby the working capital allowance is based on one-eighth of operations and maintenance (O&M) expense. The Utility has properly filed its allowance for working capital using the formula method. However, based on the level of O&M expenses and adjustments, we find that a working capital allowance of \$71,950 for water and \$73,102 for wastewater is approved. This represents a reduction of \$2,389 for water and \$2,380 for wastewater.

Test Year Rate Base

In its MFRs, the Utility recorded rate base of \$4,334,962 for water and \$1,086,549 for wastewater. We calculated Wedgefield's water and wastewater rate bases using the Utility's MFRs with adjustments previously described in this Order. Accordingly, we find that the appropriate simple average rate base for the test year ended December 31, 2011, is \$4,440,777 for water and \$886,350 for wastewater. The water and wastewater rate bases are shown on Schedule Nos. 1-A and 1-B, respectively. The adjustments are shown on Schedule No. 1-C.

Cost of Capital

Return on Equity

The Utility requested an ROE of 11.16 percent. Although the Utility correctly utilized the current leverage formula, certain adjustments to the Utility's capital structure are discussed separately. These adjustments resulted in a higher equity ratio for the test year and thus a lower ROE. Based on the current leverage formula and an equity ratio of 42.97 percent, the appropriate ROE is 10.88 percent.⁷ An allowed range of plus or minus 100 basis points is recognized for ratemaking purposes.

⁷ See Order Nos. PSC-12-0339-PAA-WS, issued June 28, 2012, and PSC-12-0372-CO-WS, issued July 20, 2012, in Docket No. 120006-WS, In re: Water and Wastewater Industry Annual Reestablishment of Authorized Range of Return on Common Equity for Water and Wastewater Utilities Pursuant to Section 367.081(4)(f), Florida Statutes.

Weighted Average Cost of Capital

As shown on MFR Schedule D-1, Wedgefield requested an overall cost of capital of 8.33 percent. We find, however, that there are adjustments that shall be made to the Utility's capital structure. First, on Schedule A-19 of its filing, the Utility included "Advances from Associated Companies" in its long-term debt balance. In response to a Commission staff data request, the Utility noted that the advance has a zero percent cost rate. This Commission has previously held that debt from "associated companies" with no interest payments made shall be treated as common equity.⁸ In accordance with Rule 25-30.433(4), F.A.C., we find that \$252,431 of the Utility's long-term debt shall be reclassified as common equity.

Second, on Schedule D-1 of its filing, the Utility did not include "Deferred Income Tax" in its capital structure. However, the Utility recorded a deferred income tax asset of \$3,179 for 2010 and a deferred income tax liability of \$23,221 in 2011. In response to a Commission staff data request, the Utility noted that Wedgefield does not record deferred income taxes because the Utility has historically operated in a net loss position and does not expect to pay these taxes; therefore, any calculated deferred income taxes have been fully reserved. However, in accordance with Rule 25-30.433(3), F.A.C., we calculated the simple average of U&U debit deferred tax offsetting the net U&U credit deferred income tax. Therefore, the inclusion of \$9,444 of deferred income tax credit shall be included in the Utility's capital structure.

Based on the above, we find the capital structure yields an overall cost of capital of 8.36 percent.⁹ Schedule No. 2 contains the approved capital structure.

Net Operating Income

Test Year Revenues

Wedgefield recorded total test year revenues of \$985,446 for water and \$731,559 for wastewater. The water revenues included \$945,414 of service revenues and \$40,032 of miscellaneous revenues. The Utility did not include any miscellaneous revenues for the wastewater system.

Based on our review of the Utility's billing determinants and the rates that were in effect during the test year, we find it is necessary to order adjustments to the test year water service revenues. The Utility incorrectly billed residential irrigation customers \$5.02 per 1,000 gallons which was the general service gallonage charge. The approved rate structure for residential irrigation customers was an inclining block rate structure. We adjusted the water test year revenues by \$452 to correct this error. The Utility has corrected its billing for residential

⁸ See Order Nos. PSC-00-1165-PAA-WS, issued June 27, 2000, in Docket No. 990243-WS, In re: Application for limited proceeding increase and restructuring of water rates by Sun Communities Finance Limited Partnership in Lake County, and overearnings investigation, p. 20; and PSC-02-1449-PAA-WS, issued October 21, 2002, in Docket No. 011451-WS, In re: Investigation of water and wastewater rates for possible overearnings by Plantation Bay Utility Co. in Volusia County, p. 8.

⁹ This represents a 3-basis point increase to the requested overall cost of capital, which equates to an increase of approximately \$1,000 from the total company requested revenue requirement.

irrigation to reflect the approved tariff rates. In addition, the test year service revenues were adjusted by \$2,307 to reflect the Utility's billing determinants and the rates in effect during the test year. Therefore, the test year water service revenues shall be increased by \$2,759 to reflect total test year water service revenues of \$948,173.

We also made several adjustments to test year miscellaneous revenues. The Utility recorded \$330 of meter installation charges as miscellaneous revenues. We reduced miscellaneous revenues and increased CIAC for water by \$330 to properly record the meter installation charges.

Further, in 2010, Wedgefield began offering customers the ability to make online payments through a third party vendor. Wedgefield collected \$2 per online payment transaction, a portion of which was recorded as miscellaneous revenues, and the remainder was remitted to a third party vendor. The Utility's Commission-approved tariff does not authorize the collection of an online payment fee. As of August 2012, the Utility discontinued the online payment fee. The Utility indicated it may seek to establish a tariff rate at a later date for an online payment fee.

Wedgefield indicated that from October 2010 to August 2012 it collected \$18,544 of online payment fees and retained \$8,080 of that amount. During the test year, the Utility recorded miscellaneous revenues of \$7,906 related to the collection of the online payment fees. Commission staff contacted the Utility to determine if it could make customer-specific refunds to those customers who paid the online payment fees. Wedgefield indicated it does not have a method readily available to determine which customers would be entitled to a refund and cannot quantify the work that would be required to make the customer-specific refund determination. As result, we find that the net amount the Utility retained as online payments fees from October 2010 to August 2012, \$8,080, shall be recorded as CIAC in lieu of a refund. By recording the online payment fees to CIAC, it will benefit the general body of rate payers by decreasing rate base. In addition, test year miscellaneous revenues shall be reduced by \$7,906 to remove the online payment fees recorded during the test year.

The Utility decreased miscellaneous revenues by \$12,595 when it reversed a prior year accrual. Wedgefield's reversal understates test year miscellaneous revenues. We increased miscellaneous revenues to remove the reversal adjustment. Also, the Utility recorded an accrual in the amount of \$968. Wedgefield was unable to provide supporting documentation for the accrual; therefore, we removed the accrual from the test year.

Lastly, Wedgefield's miscellaneous revenues included late payment fees of \$29,056. The Utility's late payment fee was implemented during the test year ended December 31, 2011. Commission staff questioned the Utility in regard to whether it experienced the same level of late fee payments for calendar year 2012. The Utility indicated the late payment fees collected in 2012 averaged \$21,271, which was a decreased of \$7,784 or 27 percent. The test year level of late payment fees are reflective of the customers responsiveness to the initial implementation of the late payment fee. The level of late payment fees may decrease as the customers adjust to Wedgefield's enforcement for late payments, whereas the previous owners did not have a late

payment fee. We find that miscellaneous revenues shall be decreased by \$7,784 to reflect the amount of late payment fees the Utility is expected to collect prospectively.

The Utility recorded \$731,559 for wastewater service revenues during the test year. Based on our review of the Utility's billing determinants and the rates that were in effect during the test year, we calculated test year revenue of \$732,003. The Utility incorrectly billed a gallonage charge of \$4.59 instead of \$4.56 for its general service wastewater customers. The Utility has corrected its billing to reflect approved rate. We find that increasing wastewater service revenues by \$444 to reflect the appropriate test year revenue.

Table 4

TEST YEAR REVENUES WATER - ADJUSTMENTS	
Billing Determinant Correction	\$2,759
Meter Installation	(\$330)
Online Payment Fees	(\$7,906)
Prior Year Accrual	\$12,595
Undocumented Accrual	(\$968)
Late Payment Fees	(\$7,784)
NET INCREASE (DECREASE)	(\$1,634)

Based on the above, the test year revenues of \$983,812 for the water system and \$732,003 for the wastewater system. Test year revenues for the water system shall be decreased by \$1,634 (as reflected in Table 4 above) and CIAC for water shall be increased by \$8,410 (\$8,080 + \$330). Wastewater test year revenues shall be increased by \$444. Test year revenues are shown on Schedule Nos. 3-A and 3-B.

Contractual Services and Management Fees

In MFR Schedule B-9, the Utility included \$193,938 (split equally between water and wastewater) for Contractual Services – Management Fees for utility management. With information supplied by the Utility through data requests, the Commission staff audit, and input from the Office of Public Counsel (OPC), we find there are several adjustments necessary to Contractual Services – Management Fees.

Before covering the Utility's post-filing adjustments and our subsequent adjustments, we find it would be appropriate to first discuss the Utility's allocation methodology, the required analysis of affiliate charges, and the Commission staff audit.

Allocation Methodology

Pluris Holdings, LLC (Pluris) is the parent company to five utilities.¹⁰ The parent costs are allocated for the most part based on number of customers. This allocation method involves dividing the total number of Equivalent Dwelling Units (EDUs) of each utility, by the total number of EDUs of all the utilities to determine the percentages, and then applying the prorated allocation of expenses to the individual utilities.¹¹

Payroll-related costs are allocated using the same methodology with the exception of Pluris Southgate, Inc. (Southgate) which reports its direct labor costs to Sarasota County. Southgate is a regulated franchised utility subject to the jurisdiction of Sarasota County. Sarasota County ordinance (Resolution No. 2003-12) requires timesheets to be completed by corporate management and actual hours for services billed to Southgate in lieu of allocation by EDUs. The following table is MFR Schedule G-1 which outlines the Utility's allocated indirect costs and labor costs.¹²

**Schedule G-1
 Pluris Wedgefield, Inc.
 Statement of Corporate Allocation by Utility
 For the Test Year Ended 12/31/11**

Pluris Holdings, LLC Indirect Expense and Salary Allocations by Utility

Utility	Indirect Expense Allocation (1)			Salary and Benefits Allocation (2)					
	Total EDU's	Indirect Allocation Percentage	Indirect Allocated Amount	Salary EDU's	Salary Allocation Percentage	Salary Allocated Amount	Direct Salary Allocation	Total Salary Allocation	Total Allocated Costs
Pluris Eastlake, Inc.	1,890	11.43%	\$ 74,656	1,890	17.25%	\$ 38,111		\$ 38,111	\$ 110,767
Pluris PCU, Inc.	3,119	18.86%	123,188	3,119	28.48%	59,619		59,619	182,805
Pluris, LLC	2,635	15.93%	104,048	2,635	24.06%	50,368		50,368	154,415
Pluris Southgate, Inc.	5,585	33.77%	220,572	-	-	-	\$ 167,007	167,007	387,579
Pluris Wedgefield, Inc.	3,309	20.01%	130,887	3,309	30.21%	63,241	-	63,241	193,938
Totals	16,538	100.00%	\$ 853,160	10,953	100.00%	\$ 209,337	\$ 167,007	\$ 376,344	\$1,029,504

Notes: (1) The allocation methodology for indirect costs is based on the total EDU's of each managed utility. These EDU's include both water and wastewater customers and are detailed on Schedules G-3, G-4, G-5, G-6 and G-7.

(2) Salaries and benefits are allocated on the EDU's of each managed utility (as referenced above) except for the Southgate system. For the Southgate system, a direct allocation of corporate salaries and benefits is required by the County regulators.

¹⁰ Pluris, LLC in Sneads Ferry, North Carolina with 2,635 ERCs; Pluris Eastlake, Inc. in Hillsborough County, Florida with 1,890 ERCs; Pluris PCU, Inc. in Hillsborough County, Florida with 3,119 ERCs; Pluris Wedgefield, Inc. in Orange County, Florida with 3,309 ERCs; and Pluris Southgate, Inc. in Sarasota County, Florida with 5,585 ERCs.

¹¹ EDUs are equivalent to ERCs as they are determined in the same manner through the use of the American Water Works Association's (AWWA) meter equivalent factors.

¹² See Document No. 04836-12.

Required Analyses of Affiliate Charges

It is the utility's burden to prove that its costs are reasonable. This burden is even greater when the transaction is between related parties for two reasons: (1) affiliate transactions raise the concern of self-dealing where market forces do not necessarily drive prices, and (2) utilities have a natural business incentive to shift costs from non-regulated operations to regulated monopoly operations since recovery is more certain with captive ratepayers. Although a transaction between related parties is not per se unreasonable, related party transactions require closer scrutiny. The legislature has recognized the need to scrutinize affiliate transactions by specifically granting this Commission access to non-regulated affiliate records. Specifically, Section 367.156(1), F.S., states:

The Commission shall continue to have reasonable access to all utility records and records of affiliated companies, including its parent company, regarding transactions or cost allocations among the utility and such affiliated companies, and such records necessary to ensure that a utility's ratepayers do not subsidize nonutility activities. Upon request of the utility or any other person, any records received by the Commission which are shown and found by the Commission to be proprietary confidential business information shall be kept confidential and shall be exempt from s. 119.07(1).

(Emphasis added). Florida's Supreme Court has enunciated the standard for which this Commission shall review affiliate transactions stating, "(w)e believe the standard must be whether the transactions exceed the going market rate or are otherwise inherently unfair."¹³

Commission Staff Audit

Commission staff auditors performed an analytical review of Pluris' costs to determine whether selected costs could be traced back to supporting source documentation. An audit of the gross costs at the parent level was performed which included an examination of costs for proper timing, amount, and classification. The auditors also examined the costs to determine whether any costs were non-utility related, non-recurring, unreasonable or imprudent.

Post-Filing Utility Adjustments

The first set of adjustments pertain to the Utility's allocated operating expenses as outlined in MFR Schedule G-2, which reflects total parent operating expenses of \$529,393 with Wedgefield's allocation of \$105,930. In response to numerous Commission staff data requests, including concerns raised by OPC, the Utility withdrew in part, or total, certain expenses it determined should not have been included in the allocated overhead.

¹³ GTE v. Deason, 642 So. 2d 545, 548 (Fla. 1994).

Table 5

Utility Adjusted Expenses				
Expense Description	Jan - Dec 11 Pluris (Parent)	Jan - Dec 11 Wedgefield Allocation	Adjusted Pluris Expense	Adjusted Wedgefield Allocation
Travel	\$98,238	\$19,657	\$77,152	\$15,438
Meals and Entertainments	10,356	2,072	0	0
Dues and Subscriptions	17,187	3,439	1,863	373
Education and Seminars	3,959	792	450	90
Relocation Cost	43,047	8,614	26,442	5,291
Total Expense	\$529,393	\$105,930	\$462,513	\$92,548
Other Income	(\$2,386)	(\$477)	0	\$0
Interest Expense	121,267	24,266	0	0
Income Taxes	116	23	0	0
Total Other Income/Expense	\$118,997	\$23,812	\$0	\$0

The above table includes the original MFR filing and Utility-made adjustments resulting in a reduction of \$13,382 (\$105,930 - \$92,548) from the allocated parent expenses. Additionally, Wedgefield removed 'Other Income' from a vehicle sold in North Carolina in the allocated amount of \$477, 'Interest Expense' in the allocated amount of \$24,266, and 'Corporate Income Tax Expense' of \$23. This represents a total reduction of O&M expense allocated to Wedgefield of \$38,148 (\$24,266 + \$23 + \$477 + \$13,382).

Commission staff issued several data requests to Wedgefield seeking additional and clarifying information for Pluris' proposed cost allocations. Although the Utility withdrew some of its requested allocated costs, we find further reductions on these items and additional items are necessary and identified several expenses that shall be adjusted to reflect the proper amount of costs to be allocated from Pluris to Wedgefield.

Accounting/Tax Fees

In its MFRs, the Utility recorded \$24,535 at the parent-level with \$4,909 (\$24,535 x 20.01 percent) allocated to Wedgefield for various accounting expenses. This amount includes the processing of personal tax returns in the amount of \$400 at the parent-level and \$80 (\$400 x 20.01 percent) allocated to Wedgefield. During the Commission conference, OPC made Commission staff aware of the inclusion of non-utility related expenses in the management fees. As a result, we find that \$80 shall be removed from the costs allocated from Pluris to Wedgefield.

Automobile Expense

In its MFRs, the Utility recorded \$47,305 at the parent-level with \$9,466 (\$47,305 x 20.01 percent) allocated to Wedgefield for various vehicle expenses. This amount includes the annual lease expense for two company vehicles in the amount of \$28,436 at the parent-level and \$5,690 (\$28,436 x 20.01 percent) allocated to Wedgefield. In response to a Commission staff

data request, the Utility submitted that company vehicles supplied to the executive staff were part of their compensation package. Although it is important for utility companies to offer attractive compensation packages to hire and retain qualified management, we find the magnitude of this expense exceeds the benefit to the ratepayers.

Further, the Utility provided in response to a Commission staff data request its company travel policy, which states that employees are limited to rent mid-sized vehicles. The Utility also provided annual lease estimates for vehicles typically rented while on travel by Wedgefield employees, including an annual lease amount of \$5,920 for a Chevrolet Impala (same size as rental policy). We find it is reasonable to include the annual lease amount in line with the company's stated rental policy for vehicles. This equates to parent-level and allocated vehicle lease expense for executive staff of \$11,840 and \$2,369, respectively. Thus, we order a reduction in annual expense of \$16,596 (\$28,436 - \$11,840) at the parent-level and \$3,321 (\$5,690 - \$2,369) allocated to Wedgefield.

Travel

In its MFRs, the Utility recorded \$98,238 at the parent-level with \$19,657 (\$98,238 x 20.01 percent) allocated to Wedgefield for travel incurred in the test year. In response to a Commission staff data request, the Utility removed \$21,086 that it believed was recorded incorrectly resulting in a total travel expense at the parent-level of \$77,152 (\$98,238 - \$21,086). The Utility provided a spreadsheet with all of the test year travel expenses as support documentation of the expense. The revised travel expenses and identified additional charges shall be removed from the test year amount.

First, costs identified and associated with travel for potential acquisitions, non-utility costs, and/or items that can be directly identified as a cost to be booked by a subsidiary other than Wedgefield. We find that \$20,725 is the appropriate amount of travel expenses at the parent-level to be allocated down, of which \$4,147 (\$20,725 x 20.01 percent) shall be allocated to Wedgefield. The net result of this adjustment is a reduction of \$11,291 to travel expenses.

The second part of the adjustment to travel expense relates to expenses that were non-recurring outside the test year. In accordance with Rule 25-30.433, F.A.C., non-recurring test year expenses shall be amortized over five years. Several of the travel costs incurred in the test year were directly identified as relocation expenses. As such, we find \$11,129 shall be amortized over five years or \$2,226 annually with \$445 (\$2,226 x 20.01 percent) allocated to Wedgefield. Based on the forgoing, we order reduction in travel expenses of \$11,736 (\$11,291 + \$445) allocated to Wedgefield.

Dues and Subscriptions

In its MFRs, the Utility recorded \$17,187 in dues and subscriptions at the parent-level with \$3,439 (\$17,187 x 20.01 percent) allocated to Wedgefield. In response to a Commission staff data request, the Utility removed \$15,324 of this amount, resulting in a total dues and subscriptions expense at the parent-level of \$1,863 (\$17,187 - \$15,324). We reviewed the

revised dues and subscriptions expenses and identified an additional charge that shall be removed from the test year. We find that \$325 for dues to the Georgia Rural Water association shall be removed from management fees as a non-utility related expense. We find that \$1,538 is the appropriate amount of dues and subscriptions at the parent-level that shall be allocated down, of which \$308 ($\$1,538 \times 20.01$ percent) shall be allocated to Wedgefield.

Wages

In its MFRs, the Utility recorded \$376,344 in labor costs at the parent-level. As discussed above, payroll-related costs are allocated using the same methodology as its expenses. However, the Utility's Southgate unit is required to report its direct labor costs to Sarasota County. The removal of the Southgate system increases the relative allocation percentage for salaries and benefits allocated to Wedgefield to 30.21 percent. However, this higher factor is applied to a lower base cost of \$209,337 reflecting the removal of the Southgate-specific payroll costs. The allocated labor costs to Wedgefield are \$63,241.

In response to a Commission staff data request, the Utility provided job descriptions for the three employees included in the wages expense: Managing Member and Principal Engineer, Manager, and Administrative Assistant.

We determined the appropriateness of the management's compensation by comparing the salaries with the appropriate average salary levels found in the 2011 Water Utility Compensation Survey (WUCS) published by the American Water Works Association (AWWA). This Commission has previously utilized the AWWA's WUCS to determine appropriate compensation levels.¹⁴

The total wages for these three positions amounted to \$259,842 ($\$112,477 + \$93,890 + \$53,475$). Therefore a reduction in the Utility's requested wages in the amount of \$66,970 ($\$376,344 - \$259,842$) is appropriate. Corresponding adjustments shall also be made to payroll expense, payroll tax expense, and employee benefits in the amount of \$680 ($\$3,314 - \$2,634$), \$4,154 ($\$20,267 - \$16,113$), and \$5,316 ($\$25,950 - \$20,634$), respectively. The table below shows the calculation of the appropriate compensation levels adjusted to the test year:

¹⁴ See Order Nos. PSC-10-0380-PAA-WU, issued June 15, 2010, in Docket No. 090477-WU, In re: Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.; PSC-10-0126-PAA-WU, issued March 3, 2010, in Docket No. 090230-WU, In re: Application for staff-assisted rate case in St. Johns County by Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility; PSC-09-0587-PAA-WU, issued August 31, 2009, in Docket No. 080715-WU, In re: Application for staff-assisted rate case in Lake County by CWS Communities LP; PSC-08-0640-AS-WU, issued October 3, 2008, in Docket No. 070601-WU, In re: Application for staff-assisted rate case in Pasco County by Orangeland Water Supply; and PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, In re: Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.

Table 6

AWWA Compensation Survey						
Work Performed	Parent Compensation per Utility	Top Executive	Top Admin Executive	Office/Adm Mgr	Adjustment to Parent	Approved Wages
Salary	\$326,812	\$112,477	\$93,890	\$53,475	(\$66,970)	\$259,842
Payroll Expense	3,314	1,140	952	542	(680)	2,634
Payroll Tax Expense	20,267	6,975	5,822	3,316	(4,154)	16,113
Employee Benefits	25,950	8,932	7,456	4,246	(5,316)	20,634
Total	<u>\$376,343</u>				<u>(\$77,120)</u>	<u>\$299,223</u>

Thus, we find the appropriate labor costs at the parent-level is \$299,223 (\$376,343 - \$77,120), of which \$166,440 is the available amount for allocation to Wedgefield. As discussed above, the Utility's Southgate unit is required to report its direct labor costs to Sarasota County. Therefore, the relative decrease in its salaries at the parent-level associated with the Southgate equates to approximately 44 percent or \$132,784 (\$299,223 x 44 percent). Based on the above, utilizing the Utility's allocation factor of 30.21 percent, we find \$50,281 (\$166,440 x 30.21 percent) shall be allocated to Wedgefield.

However, we find an adjustment related to the allocation percentage for salaries and benefits is required. Upon reviewing the Utility's filing, we note that Pluris did not allocate any of its parent-level costs or salaries and benefits to Pluris Alabama, LLC (PAL). In response to a Commission staff data request, the Utility provided an organization chart consisting of one parent company and six subsidiaries. The Utility also noted that it was responsible for the costs associated with three miles of Polyvinyl Chloride (PVC) main water lines booked directly to PAL. A review of the Utility's travel logs revealed that the managing partner spent time traveling to Alabama during the test year. We find that since there is management time associated with PAL, the corresponding ERCs associated with PAL shall be included in the allocation of the salary and benefit expense. We determined the appropriate ERCs to allocate for PAL utilizing the AWWA meter equivalent factors for an eight inch meter. As a result, we find the appropriate amount of ERCs associated with the PAL system is 115 (8 x 14.38).

Table 7

Adjusted Salary Allocation		
System	EDUs	Allocation %
Pluris Eastlake, Inc.	1,890	17.08%
Pluris PCU, Inc.	3,119	28.18%
Pluris, LLC	2,635	23.81%
Pluris Southgate, Inc.	0	0.00%
Pluris Wedgefield, Inc.	3,309	29.90%
Pluris Alabama, LLC	115	1.04%
	<u>11,068</u>	<u>100.00%</u>

We order the following adjustment to the allocated amount of salaries at the parent-level require a corresponding adjustment to reduce the base payroll cost, reflecting the removal of the Southgate-specific payroll costs, to \$166,440. Based on the above, we are lowering the allocation factor for Wedgefield to 29.90 percent resulting in an allocated salary amount of \$49,761 ($\$166,440 \times 29.90$ percent) to Wedgefield. This equates to a total reduction in allocated salary of \$13,480 ($\$63,241 - \$49,761$).

Comparison of Pluris' Allocated Costs to Other Florida Water and Wastewater Utilities

For comparative purposes only, we note in the recent Aqua Utilities of Florida, Inc. 2010 rate case, staff compiled the total average O&M expense per customer of all utilities under our jurisdiction.¹⁵ Based on all 2009 regulated utilities' annual reports on file with this Commission, the total average O&M expense per customer of all utilities is approximately \$399. On a total O&M basis, including management fees, the current cost per customer for Wedgefield is \$370, which is comparable to the average amount for all utilities under our jurisdiction.

Contractual Services – Management Fees Conclusion

The appropriate amount of allocated expenses from Pluris Holdings, LLC to Wedgefield in Contractual Services – Management Fees is \$127,106, which represents a decrease of \$66,832 ($\$193,938 - \$127,106$). This equates to a reduction of \$33,416 for both water and wastewater.

During the Commission Conference, Office of Public Counsel raised a concern regarding a provision in the Utilities Partners' contract concerning the potential for a 10 percent bonus for the plant operators under certain circumstances. The Utility responded that, over the term of the contract, this bonus provision has never been triggered. In the spirit of compromise, however, the Utility offered and agreed to remove this provision from the contract going forward.

Rate Case Expense

The Utility included in its MFRs an estimate of \$107,600 for current rate case expense. On February 11, 2013, the Utility submitted a revised estimated Rate Case Expense (RCE) through completion of the PAA process of \$133,488.

Pursuant to Section 367.081(7), F.S., this Commission shall determine the reasonableness of rate case expense and shall disallow all rate case expense determined to be unreasonable. We have examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. Based on our review, we find several adjustments are necessary to the revised rate case expense estimate.

¹⁵ See Order No. PSC-12-0102-FOF-WS, issued March 5, 2012, in Docket No. 100330-WS, In re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

Table 8

<u>Description</u>	<u>MFR B-10 Estimated</u>	<u>Actual as of 2/11/13</u>	<u>Additional Estimated</u>	<u>Revised Total</u>
Thomas Craig & Company, LLP	\$9,600	\$23,122	\$0	\$23,122
Sundstorm, Friedman & Fumero, LLP	45,000	22,054	14,181	36,235
Stockdale Investment Group	25,000	25,000	0	25,000
Primoris Inc	15,000	13,650	1,500	15,150
Primoris Inc	5,000	4,750	0	4,750
Filing Fee	4,000	0	4,000	4,000
Customer Notices	4,000	1,459	0	1,459
Managing Partner	0	11,872	2,500	14,372
Controller	0	7,400	2,000	9,400
Total Rate Case Expense	\$107,600	\$109,306	\$24,181	\$133,487

Thomas Craig & Company, LLP (TC&C)

The first adjustment relates to costs incurred to correct deficiencies in the MFR filing and the corresponding annual reports. In its MFRs, Wedgefield estimated \$9,600 for accounting and preparation of the MFRs. The revised MFR Schedule B-10 reflected actual accounting consultant charges of \$23,122 through February 11, 2013. However, the invoices provided as support of the requested amount totaled \$21,309. Additionally, based on our review of invoices from Mr. Wessman of TC&C, \$7,818 (75.25 hours x \$103.90/hr) was billed for correcting the MFR deficiencies, the 2010 and 2011 annual reports, and revising the Utility's filing. This Commission has previously disallowed rate case expense associated with correcting MFR deficiencies because of duplicate filing costs.¹⁶ Accordingly, the TC&C fees shall be decreased by \$9,631 (\$1,812 + \$7,818) as duplicative rate case expense.

Sundstrom, Friedman & Fumero, LLP (SF&F)

The second adjustment relates to the Utility's legal fees. The Utility included in its MFRs \$45,000 in legal fees to complete the rate case. The Utility provided invoices through February 11, 2013, showing legal expenses associated with the rate case totaling \$36,235. According to the invoices, the law firm of SF&F, billed the Utility 2.4 hours related to filing an extension for its MFRs and for the correction of MFR deficiencies. Based on the law firm's hourly rate of \$340 per hour, the total amount billed to Wedgefield was \$816 (\$340 x 2.4). As discussed above, this Commission has previously disallowed rate case expense associated with

¹⁶ See Order Nos. PSC-05-0624-PAA-WS, issued June 7, 2005, in Docket No. 040450-WS, In re: Application for rate increase in Martin County by Indiantown Company, Inc.; and PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

correcting MFR deficiencies because of duplicate filing costs. Based on the above, the SF&F fees shall be reduced by \$816 as duplicative rate case expense.

Primoris, Inc. (Primoris)

The third adjustment relates to services provided by a consultant at Primoris for a billing analysis. In the support documentation that the Utility provided, the consultant billed the Utility 91 hours for collecting billing data for the years of 1995 to 2012. We find that only one year, the test year, of billing data is necessary in the instant docket and shall be included in RCE. We calculated that one year of billing data would have taken the consultant 5.35 hours to compile (91 hrs/17 yrs). Based on the consultant's hourly rate of \$75 per hour, the excess amount billed to Wedgefield was \$6,424 ($\75×85.65 hrs). Further, in its revised rate case expense schedule, the Utility included \$1,500 that was unsupported and shall also be removed. Based on the above, the Primoris fees shall be reduced by \$7,924 ($\$6,424 + \$1,500$) as excessive rate case expense.

Finally, the Utility included \$5,000 in its MFR filing for accounting work associated with Primoris. However, the invoice provided as support by the Utility showed an actual amount of \$4,750. We find it is appropriate to include the actual amount billed in the amount of total revised rate case expense.

Customer Notices

The fourth adjustment relates to customer notices and postage. The Utility included in its MFRs expenses \$4,000 for customer notices and postage. In its revised rate case expense schedule, Wedgefield included an invoice for \$1,459 for copying, printing and mailing out of the interim notice. Wedgefield is responsible for sending four notices: the interim notice, the initial notice, customer meeting notice, and notice of the final rate increase. The initial notice and customer meeting notice were combined in this docket. As such, we estimated the additional costs using the breakdown of costs provided by the Utility. We find an additional \$1,137 ($\569×2) for the postage, \$1,159 ($\580×2) for the coping, and \$927 ($\$371 + \556) for the printing.¹⁷ We also recognized the discount given by the vendor in the amount of \$120 ($\60×2). Based on these components, the total cost for the additional customer notices and postage is \$3,103 ($\$1,137 + \$1,159 + \$927 - \120). Accordingly, the rate case expense shall be increased by \$4,561 ($\$1,459 + \$3,103$).

Items not included in original MFR schedule B-10

On February 11, 2013, the Utility submitted a revised estimated rate case expense through completion of the PAA process. The revised support documentation for actual and expected costs associated with the instant docket included two items that were not part of the original MFR schedule B-10. Those amounts totaled \$23,772 ($\$14,372 + \$9,400$) for the Managing Partner and Controller of Pluris. In response to a Commission staff data request, the Utility provided job descriptions and duties for these employees of the parent company. We find

¹⁷ The combined initial and customer meeting notice sent by the Utility was six pages, and we anticipate that the final notice will be approximately four pages.

including the executive management team in its rate case expense is double recovery of the allocated compensation for the positions above. This adjustment is consistent with our recent decisions for four Utilities, Inc. subsidiaries.¹⁸ Therefore, the costs associated with Pluris executives of \$23,772 shall be disallowed in rate case expense.

Items Without Adjustments

There are two items included in the Utility's rate case expense deemed reasonable without adjustments. First, the Utility included in its MFRs \$25,000 for the preparation of its MFR filing. We reviewed the invoice provided as support by the Utility to its requested amount and compared the amount to other rate cases that have come before this Commission. We find that no adjustment in this account was necessary. Second, the Utility included in its MFRs \$4,000 for the filing fee associated with the instant docket. We verified that this amount was not already imbedded in another expense account and find it is appropriate to include this amount in the total revised rate case expense.

Conclusion

It is the Utility's burden to justify its requested costs.¹⁹ Further, we have broad discretion with respect to the allowance of rate case expense. It would constitute an abuse of discretion to automatically award rate case expense without reference to the prudence of the costs incurred in the rate case proceedings. In summary, we find that Wedgefield's revised rate case expense shall be decreased by \$13,153 for unsupported or unreasonable rate case expense. The appropriate total rate case expense is \$94,447. A breakdown of rate case expense is as follows:

¹⁸ See Order Nos. PSC-11-0587-PAA-SU, issued December 21, 2011, in Docket No. 110153-SU, In re: Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge, at p. 16-18; PSC-12-0206-PAA-WS, issued April 17, 2012, in Docket No. 110264-WS, In re: Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc., at pp. 23-25; PSC-12-0667-PAA-WS, issued December 26, 2012, in Docket No. 120037-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke, at p. 16; and PSC-13-0085-PAA-WS, issued February 14, 2013, in Docket No. 110257-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation, at p. 20.

¹⁹ See Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (Fla. 1982).

Table 9

Description	Utility		Adjustments	Total
	MFR Estimated	Revised Actual & Estimated		
Thomas Craig & Company, LLP	\$9,600	\$23,122	(\$9,631)	\$13,491
Sundstorm, Friedman & Fumero, LLP	45,000	36,235	(816)	35,419
Stockdale Investment Group	25,000	25,000	0	25,000
Primoris Inc	15,000	15,150	(7,924)	7,226
Primoris Inc	5,000	4,750	0	4,750
Filing Fee	4,000	4,000	0	4,000
Customer Notices	4,000	1,459	3,103	4,561
Managing Partner	0	14,372	(14,372)	0
Controller	0	9,400	(9,400)	0
Total Rate Case Expense	<u>\$107,600</u>	<u>\$133,488</u>	<u>(\$39,040)</u>	<u>\$94,447</u>
Annual Amortization	<u>\$26,900</u>	<u>\$33,372</u>	<u>(\$9,760)</u>	<u>\$23,612</u>

In its MFRs, Wedgefield requested total rate case expense of \$107,600, which amortized over four years is \$26,900 annually. On February 11, 2013, the Utility submitted a revised estimated rate case expense through completion of the PAA process of \$133,488. We find the level of rate case expense represents a reduction of \$13,153 (\$107,600 - \$94,447) from the amount originally filed in the MFRs and a reduction of \$39,041 (\$133,488 - \$94,447) from the Utility's revised estimate. The annual amortization of rate case expense shall be reduced by \$3,289 (\$26,900 - \$23,612) per year. This represents a reduction of \$1,680 for water and \$1,609 for wastewater.

The total rate case expense shall be amortized over four years, pursuant to Section 367.0816, F.S. Based on the data provided by Wedgefield and the adjustments discussed above, the appropriate amount of rate case expense is \$94,447. This expense shall be recovered over four years for an annual expense of \$23,612 or \$12,061 (\$23,616 x 51 percent) for water and \$11,551 (\$23,616 x 49 percent) for wastewater.

Pro Forma Expense Items

The Utility requested several pro forma expenses be included in the instant docket subsequent to its MFR filing. The Utility requested additional pro forma expenses relating to the addition of call center staff, the addition of a Controller, and an increase in the Utility's property taxes.²⁰ We reviewed the support documentation for the requested pro forma expenses and find there are necessary adjustments.

²⁰ See Document Nos. 07583-12; 08349-12; and 00809-13.

Pro Forma Salaries

We determined that the call center staff was left out of the expenses allocated to Wedgefield from its parent. In response to a Commission staff data request, the Utility stipulated that the MFRs were filed prior to the customer call center services being performed by Pluris. Utility Partners provided the services through the end of 2011 based on a verbal agreement outside its contract.

We reviewed the total requested compensation package for seven call center employees, which equated to an allocated amount of \$75,432 (\$249,694 x 30.21 percent) to Wedgefield. Based on the methodology described previously, the requested in-house call center employees would result in an allocated increase of \$12,457 (\$41,661 x 29.90 percent) to Wedgefield above the \$40,665 amount charged by UP and included in test year expenses. After the discussion at the April 9, 2013 Commission Conference, we have included \$12,457 for pro forma customer care center compensation. Table 10 outlines the requested post-filing pro forma customer care center compensation analysis.

Table 10

Customer Care Center Compensation	
Call Center Service Charged by UP	\$40,665
Additional Requested Amount for 7 Employees	\$34,767
Total Adjusted Customer Care Center Compensation	<u>\$75,432</u>
Percentage Available without Southgate	55%
Total Amount Available to be Allocated	\$41,661
Allocation Factor	29.9%
Incremental Amount to Pluris Wedgefield	<u>\$12,457</u>

Furthermore, we evaluated the appropriateness of the requested Controller's compensation by comparing the salary with the appropriate average salary levels found in the 2008 WUCS published by the AWWA. This Commission has previously utilized the AWWA's WUCS to determine appropriate compensation levels.²¹ The Utility provided the updated 2011 WUCS at the April 9, 2013 Commission Conference, we find utilizing the 2011 WUCS is appropriate. As a result, we find the appropriate increase to O&M expense for the addition of the Controller is \$19,528, to be split equally between water and wastewater. Table 11 outlines the requested post-filing pro forma controller compensation.

²¹ See Order Nos. PSC-10-0380-PAA-WU, issued June 15, 2010, in Docket No. 090477-WU, In re: Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.; PSC-10-0126-PAA-WU, issued March 3, 2010, in Docket No. 090230-WU, In re: Application for staff-assisted rate case in St. Johns County by Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility; PSC-09-0587-PAA-WU, issued August 31, 2009, in Docket No. 080715-WU, In re: Application for staff-assisted rate case in Lake County by CWS Communities LP; PSC-08-0640-AS-WU, issued October 3, 2008, in Docket No. 070601-WU, In re: Application for staff-assisted rate case in Pasco County by Orangeland Water Supply; and PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, In re: Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.

Table 11

Pro Forma Controller Compensation	
	Top Finance Executive
AWWA Compensation Survey	\$102,692
Benefits (Payroll and Payroll tax expenses, Employee Benefits)	15.16%
Total Adjusted Salary	<u>118,256</u>
Percentage Available without Southgate	55%
Total Amount Available to be Allocated	65,313
Allocation Factor	29.90%
Total Amount to Pluris Wedgefield	<u>\$19,528</u>

Pro Forma Property Taxes

In its MFRs, Wedgefield included property taxes in the amount of \$108,593 for the approved test year. However, during the course of the instant docket, the Utility received its 2012 property tax bill in the amount of \$175,968. Subsequently, the Utility requested a pro forma adjustment to property taxes in the amount of \$67,375 (\$175,968 - \$108,593). We have examined the requested pro forma adjustment and find the Utility will continue to incur this level of property taxes in the foreseeable future. However, we calculated the property taxes as invoiced to Wedgefield and found the actual amount to be \$168,929. Additionally, as noted in Commission staff Audit Finding No. 6, the Utility failed to take advantage of the early filing discount of 4 percent. As a result, we find that taxes other than income be increased by \$29,091 (\$168,929 x 48 percent) for water and \$31,245 (\$168,929 x 52 percent) for wastewater to reflect the appropriate amount of property taxes for the Utility's facilities based on their respective percentages of plant.

Pro Forma Expenses Conclusion

Based on the discussion above, O&M expense shall be increased by \$15,992 (\$6,228 + \$9,764) for both water and wastewater. Additionally, property taxes shall be increased by \$29,091 for water and \$31,245 for wastewater.

Income Tax Expense

In its MFRs, the Utility requested total income tax expense of \$118,022 for water and \$28,646 for wastewater. In its response to a Commission staff data request, the Utility noted that it has a net operating loss (NOL) carry-forward balance of \$196,839 that it projects will be utilized by 2014. The Utility further stated that it "holds the position that the equity owners have financed the past losses of the Utility, and therefore shall not be further penalized by a reduction to the revenue requirement requested for the period required to remove the NOL carry-forward." However, consistent with Commission practice, we find that the Utility's tax liability shall be offset with NOL carry-forwards because the ratepayers have not benefited from the tax losses

Wedgfield has accumulated.²² Specifically, in the Sebring Gas System, Inc.'s 2004 rate proceeding, this Commission found that:

[a] corporation may carry-forward a NOL [net operating loss] up to 20 years. Although the Company may reflect positive net income in 2005 and the years to follow due to this rate increase, we find that it will take several years before the Company will be able to fully utilize the NOL carry-forwards. Further, the customers have not benefited from the tax losses the Company has accumulated over the years, as evidenced by zero income tax expense reflected in prior years' Annual Reports and Earnings Surveillance Reports. Therefore, we find that the amount of income tax expense reflected in the MFRs shall be zero and the federal and state income tax factors in the revenue expansion factor shall be omitted.

The difference between the Sebring case and the instant docket is that Wedgfield will exhaust its NOL carry-forwards by 2014 rather than over the course of several years as in the Sebring case. Due to the inevitable changes in customer consumption via usage behavior or resulting from the amount of rainfall, it would be difficult to anticipate exactly when the Utility may exhaust all its available NOL carry-forwards. As such, we do not find a phased-rate approach is appropriate to account for the treatment of the Utility's available NOL carry-forwards. Thus, we find the available NOL carry-forwards shall be amortized over a certain period which is discussed more fully below.

Based on an estimated effective date of May 31, 2013 for final rates, we calculated available NOL carry-forwards of \$105,282 for which \$86,207 is attributed to water and \$19,075 is attributable to wastewater. When evaluating the appropriate amortization period, we looked at how often Class A and B utilities had filed for rate relief in the past 10 years. Over this 10-year period, there were 38 rate relief petitions filed by Class A and B utilities for which the average time between each rate petition was approximately six and a half years. During this period of time, 22 of these utilities filed only one rate relief petition and 16 other utilities on average filed for rate relief every 3 years. Only time will reveal how long until Wedgfield might seek rate relief in the future. Given the above, we find a four-year amortization period is appropriate as it attempts to normalize the test year provision of income taxes. This period coincides with the four-year amortization period of rate case expense.

We have calculated income tax provisions of \$112,336 for water and \$24,857 for wastewater. The four-year amortization amount of available NOL carry-forwards is \$21,552 (\$86,207 divided by 4) for water and \$4,769 (\$19,075 divided by 4) for wastewater. Therefore, the appropriate amount of income tax expense is \$90,679 for water and \$20,193 for wastewater as reflected on Schedules 3-A and 3-B, respectively.

²²See Order Nos. PSC-06-0170-PAA-WS, issued March 1, 2006, in Docket No. 050281-WS, In re: Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company; and PSC-04-1260-PAA-GU, issued December 20, 2004, in Docket No. 040270-GU, In re: Application for rate increase by Sebring Gas System, Inc.

Appropriate Revenue Requirement

In its filing, Wedgefield requested revenue requirements to generate annual revenue of \$1,379,982 and \$913,888 for water and wastewater, respectively. We find the appropriate revenue requirement shall be \$1,378,478 for water and \$888,445 for wastewater. This represents an increase in revenues of \$394,666 (or 40.12 percent) for water and \$156,442 (or 21.37 percent) for wastewater. This increase will allow the Utility the opportunity to recover its operating expenses and earn an 8.36 percent return on its combined investment in water and wastewater rate base. As noted in the background, Wedgefield submitted pro forma expense and capital items subsequent to filing its MFRs. However, the Utility did not request an increase in revenue requirement. As a result, the revenue requirement for the Utility's water system is nearly equal to the amount requested by the Utility despite the numerous adjustments mandated throughout this Order.

Rates

Water Rates

Wedgefield is located in Orange County, within the SJRWMD in the Central Florida Caution Area (CFCA). Over the past few years, the District has requested, whenever possible, that an inclining block rate structure be implemented. Wedgefield's current rate structure consists of an inclining block rate structure which was approved in the prior rate case.²³ The current rate structure for the water system consists of a BFC and a three-tier inclining block gallonage charge. The BFC is \$23.39 and the gallonage charges per 1,000 gallons are \$4.04 for gallons up to 5,000 gallons; \$5.05 from 5,001 to 10,000 gallons; and \$8.09 for gallons greater than 10,000.

We performed a detailed analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages, usage blocks, and usage block rate factors for the residential rate class. The goal of the evaluation was to select rate design parameters that: 1) allow the Utility to recover its revenue requirement; 2) equitably distribute cost recovery among the Utility's customers; and 3) implement, where appropriate, water conservation rate structures consistent with this Commission's Memorandum of Understanding (MOU) with the state's five Water Management Districts.

Our analysis indicates that the overall average residential consumption for this customer base is 5,427 gallons per month and the customer base is non-seasonal. Also, our analysis of the billing data indicates that there is little discretionary usage for this customer base. The service area consists of a population of some retirees and families with children. For this reason, we find that the non-discretionary threshold shall be set at 5,000 gallons per month (3 people x 50 gallons per day per person x 30 days) consistent with the prior rate case. Previously we did not

²³ See Order No. PSC-08-0827-PAA-WS, issued December 22, 2008, in Docket No. 070694-WS, In re: Application for increase in water and wastewater rates in Orange County by Wedgefield Utilities, Inc.

apply a regression adjustment to non-discretionary usage. Therefore, The existing three-tier rate structure shall be continued with usage block rate factors of .80, 1.00, and 1.50, respectively.

The approved rate design for the water system is shown on Table 12.

TABLE 12			
PLURIS WEDGEFIELD, INC. COMMISSION APPROVED WATER RATE STRUCTURES AND RATES			
Test Year Rate Structure ¹ and Rates		Approved Rate Structure and Rates	
3-Tier Inclining Block Rate Structure 1.00, 1.25, and 2.00 BFC = 40%		3-Tier Inclining Block Rate Structure Rate Factors .81, 1.00 and 1.50 BFC = 35%	
BFC	\$23.39	BFC	\$24.53
0-5 kgals	\$4.04	0-5 kgals	\$7.73
5-10 kgals	\$5.05	5-10 kgals	\$9.57
10+ kgals	\$8.09	10+ kgals	\$14.36
Typical Monthly Bills		Typical Monthly Bills	
Consumption (kgals)		Consumption (kgals)	
0	\$23.39	0	\$24.53
1	\$27.43	1	\$32.36
3	\$35.51	3	\$47.72
5	\$43.59	5	\$63.18
10	\$68.84	10	\$111.03
20	\$149.74	20	\$254.63
¹ The Test Year Rate Structure reflects the Commission approved rate structure pursuant to Order No. PSC-08-0827-PAA-WS. The rates were designed with a BFC allocation of 40%. However, due to varying billing determinants since the last rate case, the rates now generate a BFC allocation of approximately 47% for the test year.			

The BFC allocation shall be set at 35 percent. BFC allocation allows a rate structure that minimizes the rate impact on retirees and families with children who are already conserving. This BFC allocation also falls within the SJRWMD's guideline of setting the BFC allocation no greater than 40 percent. Furthermore, the BFC allocation and rate factors target the small amount of discretionary usage above 10,000 gallons.

Based on the foregoing, the approved rate structure for Wedgefield's residential class is a three-tier inclining block rate structure. The three-tier rate structure for monthly consumption consists of usage blocks of: a) 0-5,000 gallons; b) 5,001-10,000 gallons; and c) all usage in excess of 10,000 gallons and usage block rate factors of .80, 1.00, and 1.5, respectively. The appropriate rate structure for the non-residential class is a continuation of the BFC and gallonage charge rate structure. The BFC recovery percentages shall be set at 35 percent.

Wastewater

Wedgfield's current rate structure for the wastewater system's residential and non-residential classes is the traditional BFC and gallonage charge rate structure. The BFC is \$21.07 and the residential gallonage charge is \$3.82 per 1,000 gallons.

The Utility's proposed BFC allocation is 60 percent. This BFC cost recovery falls within our practice of setting the BFC allocation to at least 50 percent due to the capital intensive nature of wastewater plants. Therefore, the Utility's proposed BFC allocation shall be implemented.

The Utility's current residential wastewater cap is set at 10,000 gallons per month. It is Commission practice to set the residential wastewater gallonage cap at a consumption level equal to 80 percent of residential water sold. A review of the billing data indicates that at 8,000 gallon consumption level, 83 percent of the gallons sold are captured. For this reason, the Utility's wastewater gallonage cap of 10,000 gallons shall be reduced to 8,000 gallons. Furthermore, the non-residential gallonage charge shall be 1.2 times greater than the residential charge. The rate design for the wastewater system is shown on Table 13.

Based on the foregoing, we find that the appropriate rate structure for the wastewater system's residential and non-residential classes is a continuation of the monthly BFC and gallonage charge rate structure. The current wastewater gallonage cap shall be changed from 10,000 gallons to 8,000 gallons per month. The general service gallonage charge shall be 1.2 times greater than the residential charge.

TABLE 13			
PLURIS WEDGEFIELD, INC. COMMISSION APPROVED WASTEWATER RATE STRUCTURES AND RATES			
Test Year Rate Structure and Rates		Approved Rate Structure and Rates	
Monthly BFC/ uniform kgals charge BFC = 52.58%		Monthly BFC/ uniform kgals charge BFC = 60%	
BFC	\$21.07	BFC	\$28.58
0-10,000 gallons	\$3.82	0-8,000 gallons	\$4.17
Typical Monthly Bills		Typical Monthly Bills	
Consumption (kgals)		Consumption (kgals)	
0	\$21.07	0	\$28.58
1	\$24.89	1	\$32.75
3	\$32.53	3	\$41.09
6	\$43.99	6	\$53.60
8	\$51.63	8	\$61.94
10	\$59.27	10	\$61.94

Repression Adjustment

We analyzed the consumption patterns of the Utility's residential customers as well as the increase in residential bills resulting from the increase in revenue requirements. This analysis showed the average residential consumption is 5,427 gallons per month. This does not indicate a high level of consumption. However, the billing data also indicates that 12 percent of the customers consume over 10,000 gallons of water per month. As stated previously we find that the threshold for the customer's essential usage be 5,000 gallons per month. Therefore, the repression adjustment only applies to water consumption above 5,000 gallons per month.

We calculated a repression adjustment for this Utility based upon the our approved increase in revenue requirements in this case and the historically observed response rates of consumption to changes in price in prior cases.²⁴ This methodology restricts any price changes due to repression from being applied to non-discretionary consumption (consumption less than 5,000 gallons per month) and allocates all cost recovery due to repression to discretionary levels of consumption (consumption above 5,000 gallons per month).

Therefore, based on this methodology, we calculate that the test year residential consumption for this Utility shall be reduced by 7,149,000 gallons. Purchased power expense shall be reduced by \$4,340, chemical expense shall be reduced by \$3,974, and Regulatory Assessment Fees (RAFs) shall be reduced by \$392. The final post-repression revenue requirement shall be \$1,334,134.

Appropriate Rates

The rates shall be designed to produce the post-repression revenue requirement for the water system including miscellaneous revenues. The pre-repression water revenue requirement of \$1,378,478 shall be adjusted to remove miscellaneous revenues of \$35,639 and \$8,705 of expenses associated with repression adjustments. The resulting water rates shall be designed to produce post-repression service revenues of \$1,334,134. The wastewater rates shall be designed to produce service revenues of \$888,444.

Based on the foregoing, the appropriate rates for monthly service for the water and wastewater systems are shown on Schedule Nos. 4-A and 4-B. The approved rates shall be effective for service rendered on or after stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. In addition, the approved rates shall not

²⁴ See Order Nos. PSC-10-0400-PAA-WS, issued June 18, 2010, in Docket No. 090392-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke; PSC-10-0423-PAA-WS, issued July 1, 2010, in Docket 090402-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation; PSC-10-0117-PAA-WU, issued February 26, 2010, in Docket No. 080695-WU, In re: Application for general rate increase by Peoples Water Service Company of Florida, Inc.; and PSC-09-0623-PAA-WS, issued September 15, 2009, in Docket No. 080597-WS, In re: Application for general rate increase in water and wastewater systems in Lake County by Southlake Utilities, Inc.

be implemented until Commission staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

Interim Rate Refund

By Order No. PSC-12-0554-PCO-WS (Interim Order), this Commission allowed the collection of interim water and wastewater rates, and required the Utility to hold 26.84 percent of the current water revenues subject to refund, and 19.34 percent of the current wastewater revenues subject to refund pursuant to Section 367.082, F.S.²⁵

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

Using the principles discussed above, we calculate an adjusted interim revenue requirement of \$1,270,897 for water and \$855,204 for wastewater utilizing the same data used to establish final rates. Rate case expense was excluded because this item is prospective in nature and did not occur during the interim collection period. Additionally, the Utility incurred no tax liability during the interim period; therefore, the effective tax rate was zero percent for the interim period due to the offset of the NOL carry-forwards. The adjusted water interim revenue requirement of \$1,270,897 is lower than the interim revenue requirement of \$1,350,198 granted in the Interim Order. This results in 5.87 percent required refund for water. The adjusted wastewater interim revenue requirement of \$855,204 is lower than the interim revenue requirement of \$907,479 granted in the Interim Order. This results in 5.76 percent required refund for wastewater.

Four Year Rate Reduction

Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense, the associated return in working capital, and the gross-up for RAFs. The total reduction is \$12,762 and \$12,222 for water and wastewater, respectively. Using Wedgefield's current revenues, expenses, capital structure and customer base, the reduction in revenues will result in the rate decreases as shown on Schedule Nos. 4-A and 4-B.

The Utility shall be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. Wedgefield also shall be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment,

²⁵ See Order No. PSC-12-0554-PCO-WS, issued October 17, 2012, in Docket No. 120152-WS, In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc.

separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Proof of Adjustment

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

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission the Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc. is granted in part as set out in the body of this Order. It is further

ORDERED that the findings set forth in the body of this Order are hereby approved. It is further

ORDERED that all matters contained in the schedules appended hereto are incorporated herein by reference. It is further

ORDERED that the Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates shall not be implemented until Commission staff has approved the proposed customer notice. The Utility shall provide proof of the date the notice was given within 10 days of the date of the notice. It is further

ORDERED that the proper interim rate refund amount shall be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This results in a refund of 5.87 percent for water and 5.76 percent for wastewater. The refunds shall be made with interest in accordance with Rule 25-30.360(4), F.A.C. Pluris Wedgefield, Inc. shall be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. Pluris Wedgefield, Inc. shall treat any unclaimed refunds as CIAC pursuant to Rule 25.360(8), F.A.C. Furthermore, the escrow account funds shall be released upon Commission staff's verification that the required refunds have been made. It is further

ORDERED that in accordance with Section 367.0816, F.S. the water and wastewater rates shall be reduced as shown on Schedule Nos. 4-A and 4-B, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four year period. The decrease in rates shall become effective upon the expiration of the four year rate case recovery period. The Utility shall be required to file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates shall not be implemented until Commission staff has approved the proposed customer

notice. Pluris Wedgefield, Inc. shall provide proof of the date notice was given within 10 days of the date of the notice. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense. It is further

ORDERED that Pluris Wedgefield, Inc. shall provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by Commission staff, and that the interim refund has been completed and verified by Commission staff. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 2nd day of May, 2013.



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

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

MTL

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action, except for the statutory four year rate reduction and the requirement for the Utility to adjust its books in accordance with our decisions in this Order which are final agency action, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on May 23, 2013. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

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

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

Pluris Wedgefield, Inc. Schedule of Water Rate Base Test Year Ended 12/31/11		Schedule No. 1-A Docket No. 120152-WS				
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Adjust- ments	Adjusted Test Year
1	Plant in Service	\$7,386,857	\$44,665	\$7,431,522	\$137,098	\$7,568,620
2	Land and Land Rights	5,407	0	5,407	(3,964)	1,443
3	Non-used and Useful Components	0	(93,228)	(93,228)	(9,787)	(103,015)
4	Accumulated Depreciation	(2,250,019)	(1,608)	(2,251,627)	(6,733)	(2,258,360)
5	CIAC	(1,411,363)	0	(1,411,363)	(8,410)	(1,419,773)
6	Amortization of CIAC	579,912	0	579,912	0	579,912
7	Working Capital Allowance	<u>72,755</u>	<u>1,584</u>	<u>74,339</u>	<u>(2,389)</u>	<u>71,950</u>
8	Rate Base	<u>\$4,383,549</u>	<u>(\$48,587)</u>	<u>\$4,334,962</u>	<u>\$105,815</u>	<u>\$4,440,777</u>

Pluris Wedgefield, Inc.		Schedule No. 1-B				
Schedule of Wastewater Rate Base		Docket No. 120152-WS				
Test Year Ended 12/31/11						
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Adjust- ments	Adjusted Test Year
1	Plant in Service	\$7,843,119	\$11,082	\$7,854,201	(\$261,648)	\$7,592,553
2	Land and Land Rights	96,500	0	96,500	0	96,500
3	Non-used and Useful Components	0	(264,027)	(264,027)	(14,186)	(278,213)
4	Accumulated Depreciation	(4,401,148)	(616)	(4,401,764)	78,015	(4,323,749)
5	CIAC	(3,997,722)	0	(3,997,722)	0	(3,997,722)
6	Amortization of CIAC	1,723,879	0	1,723,879	0	1,723,879
7	Working Capital Allowance	<u>74,230</u>	<u>1,252</u>	<u>75,482</u>	<u>(2,380)</u>	<u>73,102</u>
8	Rate Base	<u>\$1,338,858</u>	<u>(\$252,309)</u>	<u>\$1,086,549</u>	<u>(\$200,199)</u>	<u>\$886,350</u>

Pluris Wedgefield, Inc. Adjustments to Rate Base Test Year Ended 12/31/11		Schedule No. 1-C Docket No. 120152-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 Audit Finding No. 1	\$95,740	(\$118,384)	
2 Audit Finding No. 2	0	(135,285)	
3 To reflect the proforma plant improvements.	41,358	(7,979)	
Total	<u>\$137,098</u>	<u>(\$261,648)</u>	
<u>Land</u>			
Audit Finding No. 3	<u>(\$3,964)</u>	<u>\$0</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment.	<u>(\$9,787)</u>	<u>(\$14,186)</u>	
<u>Accumulated Depreciation</u>			
1 Audit Finding No. 1	(\$51,596)	\$51,596	
2 Audit Finding No. 2	0	17,184	
3 To reflect the corresponding proforma adjustments.	44,863	9,235	
Total	<u>(\$6,733)</u>	<u>\$78,015</u>	
<u>CIAC</u>			
1 CIAC from improper online billing.	(\$8,080)	\$0	
2 To appropriately reflect revenue from meter installation.	(330)	0	
Total	<u>(\$8,410)</u>	<u>\$0</u>	
<u>Working Capital</u>			
To reflect appropriate working capital.	<u>(\$2,389)</u>	<u>(\$2,380)</u>	

Pluris Wedgefield, Inc. Capital Structure-Simple Average Test Year Ended 12/31/11							Schedule No. 2 Docket No. 120152-WS	
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	\$4,218,721	\$0	\$4,218,721	(\$942,026)	\$3,276,695	60.44%	6.51%	3.93%
2 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	2,736,042	0	2,736,042	(\$610,998)	2,125,044	39.20%	11.16%	4.37%
5 Customer Deposits	19,771	0	19,771	\$0	19,771	0.36%	6.00%	0.02%
6 Deferred Taxes	0	0	0	\$0	0	0.00%	0.00%	0.00%
7 Total Capital	<u>\$6,974,534</u>	<u>\$0</u>	<u>\$6,974,534</u>	<u>(\$1,553,024)</u>	<u>\$5,421,510</u>	<u>100.00%</u>		<u>8.33%</u>
Per Commission								
8 Long-term Debt	\$4,218,721	(\$252,431)	\$3,966,290	(\$944,899)	\$3,021,391	56.72%	6.51%	3.69%
9 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
11 Common Equity	2,736,042	252,431	2,988,473	(711,952)	2,276,521	42.73%	10.88%	4.65%
12 Customer Deposits	19,771	0	19,771	0	19,771	0.37%	6.00%	0.02%
13 Deferred Taxes	0	9,444	9,444	0	9,444	0.18%	0.00%	0.00%
14 Total Capital	<u>\$6,974,534</u>	<u>\$9,444</u>	<u>\$6,983,978</u>	<u>(\$1,656,851)</u>	<u>\$5,327,127</u>	<u>100.00%</u>		<u>8.36%</u>
						LOW	HIGH	
RETURN ON EQUITY						<u>9.88%</u>	<u>11.88%</u>	
OVERALL RATE OF RETURN						<u>7.94%</u>	<u>8.79%</u>	

Pluris Wedgefield, Inc. Statement of Water Operations Test Year Ended 12/31/11						Schedule No. 3-A Docket No. 120152-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Adjust- ments	Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$985,446</u>	<u>\$394,536</u>	<u>\$1,379,982</u>	<u>(\$396,170)</u>	<u>\$983,812</u>	<u>\$394,666</u> 40.12%	<u>\$1,378,478</u>
Operating Expenses							
2 Operation & Maintenance	\$582,041	\$12,664	\$594,705	(\$19,103)	\$575,602		\$575,602
3 Depreciation	194,204	(2,817)	191,387	3,871	195,258		195,258
4 Taxes Other Than Income	46,499	68,700	115,199	12,612	127,811	17,760	145,571
5 Income Taxes	<u>3,734</u>	<u>114,288</u>	<u>118,022</u>	<u>(142,383)</u>	<u>(24,361)</u>	<u>115,040</u>	<u>90,679</u>
6 Total Operating Expense	<u>826,478</u>	<u>192,835</u>	<u>1,019,313</u>	<u>(145,003)</u>	<u>874,310</u>	<u>132,800</u>	<u>1,007,110</u>
7 Operating Income	<u>\$158,968</u>	<u>\$201,701</u>	<u>\$360,669</u>	<u>(\$251,167)</u>	<u>\$109,502</u>	<u>\$261,867</u>	<u>\$371,368</u>
8 Rate Base	<u>\$4,383,549</u>		<u>\$4,334,962</u>		<u>\$4,440,777</u>		<u>\$4,440,777</u>
9 Rate of Return	<u>3.63%</u>		<u>8.32%</u>		<u>2.47%</u>		<u>8.36%</u>

Pluris Wedgefield, Inc. Statement of Wastewater Operations Test Year Ended 12/31/11						Schedule No. 3-B Docket No. 120152-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Adjust- ments	Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$731,559</u>	<u>\$182,329</u>	<u>\$913,888</u>	<u>(\$181,885)</u>	<u>\$732,003</u>	<u>\$156,442</u> 21.37%	<u>\$888,445</u>
Operating Expenses							
2 Operation & Maintenance	\$593,839	\$10,012	\$603,851	(\$19,032)	\$584,819		\$584,819
3 Depreciation	122,448	(24,010)	98,438	(9,523)	88,915		88,915
4 Taxes Other Than Income	143,052	(50,500)	92,552	20,802	113,354	7,040	120,394
5 Income Taxes	<u>0</u>	<u>28,646</u>	<u>28,646</u>	<u>(54,054)</u>	<u>(25,408)</u>	<u>45,601</u>	<u>20,193</u>
6 Total Operating Expense	<u>859,339</u>	<u>(35,852)</u>	<u>823,487</u>	<u>(61,806)</u>	<u>761,681</u>	<u>52,640</u>	<u>814,322</u>
7 Operating Income	<u>(\$127,780)</u>	<u>\$218,181</u>	<u>\$90,401</u>	<u>(\$120,079)</u>	<u>(\$29,678)</u>	<u>\$103,801</u>	<u>\$74,123</u>
8 Rate Base	<u>\$1,338,858</u>		<u>\$1,086,549</u>		<u>\$886,350</u>		<u>\$886,350</u>
9 Rate of Return	<u>-9.54%</u>		<u>8.32%</u>		<u>-3.35%</u>		<u>8.36%</u>

Pluris Wedgefield, Inc. Adjustment to Operating Income Test Year Ended 12/31/11		Schedule No. 3-C Docket No. 120152-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$394,536)	(\$182,329)	
2 To reflect the appropriate amount of test year revenues.	(1,634)	444	
Total	<u>(\$396,170)</u>	<u>(\$181,885)</u>	
<u>Operation and Maintenance Expense</u>			
1 Contractual Services - Mgmt Fees.	(\$33,416)	(\$33,416)	
2 Rate Case Expense.	(1,680)	(1,609)	
3 Pro Forma Controller.	9,764	9,764	
6 Call Center Employees	6,228	6,228	
Total	<u>(\$19,103)</u>	<u>(\$19,032)</u>	
<u>Depreciation Expense - Net</u>			
Audit Finding No. 1	\$5,597	(\$4,976)	
1 Audit Finding No. 2	0	(4,318)	
2 To reflect the corresponding proforma adjustments.	(2,028)	(391)	
3 To remove net depreciation on non-U&U adjustment above.	302	163	
4 Total	<u>\$3,871</u>	<u>(\$9,523)</u>	
<u>Taxes Other Than Income</u>			
RAFs on revenue adjustments above.	(\$17,828)	(\$8,185)	
1 Reflect the appropriate pro forma property taxes.	2,243	207	
2 To reflect appropriate non-U&U property taxes.	(894)	(2,465)	
3 To reflect appropriate test year property taxes.	29,091	31,245	
4 Total	<u>\$12,612</u>	<u>\$20,802</u>	

Pluris Wedgefield, Inc.
 Test Year Ended 12/31/11
 Monthly Water Rates

	UTILITY'S EXISTING RATES	COMMISSION APPROVED INTERIM**	COMMISSION APPROVED RATES	4 YEAR RATE REDUCTION
<u>Residential</u>				
<u>All Meter Sizes</u>				
<u>Base Facility Charge by Meter Size:</u>				
5/8"X3/4"	\$23.39	\$32.34	\$24.62	\$0.24
3/4"	\$35.09	\$48.51	\$36.93	\$0.35
1"	\$58.49	\$80.86	\$61.55	\$0.59
1-1/2"	\$116.97	\$161.70	\$123.10	\$1.18
2"	\$187.14	\$258.71	\$196.96	\$1.88
3"	\$374.29	\$517.43	\$393.92	\$3.77
4"	\$584.83	\$808.49	\$615.50	\$5.89
6"	\$1,169.65	\$1,616.97	\$1,231.00	\$11.78
<u>Residential Service and RS Irrigation Gallonage Chg.</u>				
0 - 5,000 gallons	\$4.04	\$5.59	\$7.76	\$0.07
5,001 - 10,000 gallons	\$5.05	\$6.98	\$9.64	\$0.09
Over 10,000	\$8.09	\$11.18	\$14.46	\$0.14
<u>General Service and GS Irrigation Gallonage Chg.</u>				
Per 1,000 Gallons	\$5.02	\$6.94	\$8.75	\$0.08
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
3,000 Gallons	\$35.51	\$49.11	\$47.90	
5,000 Gallons	\$43.59	\$60.29	\$63.42	
10,000 Gallons	\$68.84	\$95.19	\$111.62	
** Subsequent to the implementation of interim rates, rates were reduced by 3.46% to remove rate case expense from previous rate case pursuant to Order No. PSC-08-0827-PAA-WS				

Pluris Wedgefield, Inc.
Test Year Ended 12/31/11
Monthly Wastewater Rates

	UTILITY'S EXISTING RATES	COMMISSION APPROVED INTERIM	COMMISSION APPROVED RATES	4 YEAR RATE REDUCTION
<u>Residential</u>				
Base Facility Charge - All Meter Sizes	\$21.07	\$26.12	\$28.85	\$0.40
<u>Gallongage Charge</u>				
Per 1,000 Gallons (8,000 gallon cap)	N/A	N/A	\$4.21	\$0.06
Per 1,000 Gallons (10,000 gallon cap)	\$3.82	\$4.74	N/A	N/A
<u>General Service</u>				
<u>Base Facility Charge by Meter Size:</u>				
5/8"X3/4"	\$21.07	\$26.12	\$28.85	\$0.40
3/4"	\$31.64	\$39.22	\$43.28	\$0.60
1"	\$52.74	\$65.38	\$72.13	\$0.99
1-1/2"	\$105.44	\$130.72	\$144.25	\$1.98
2"	\$168.73	\$209.18	\$230.80	\$3.18
3"	\$337.44	\$418.33	\$461.60	\$6.35
4"	\$528.09	\$654.68	\$721.25	\$9.92
6"	\$843.60	\$1,045.83	\$1,442.50	\$19.84
<u>General Service Gallongage Chg.</u>				
Per 1,000 Gallons	\$4.56	\$5.65	\$5.05	\$0.07
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
3,000 Gallons	\$32.53	\$40.34	\$41.48	
5,000 Gallons	\$40.17	\$49.82	\$49.90	
10,000 Gallons	\$59.27	\$73.52	\$62.53	