

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Polk County by Crooked Lake Park Sewerage
Company.

DOCKET NO. 130178-SU
ORDER NO. PSC-15-0142-PAA-SU
ISSUED: March 26, 2015

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
JULIE I. BROWN
JIMMY PATRONIS

**NOTICE OF PROPOSED AGENCY ACTION ORDER APPROVING RATE INCREASE FOR
WASTEWATER AND FINAL ORDER ESTABLISHING TEMPORARY RATES**

BY THE COMMISSION:

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

BACKGROUND

Crooked Lake Park Sewerage Company (Crooked Lake or Utility) is a Class C wastewater utility serving approximately 324 customers in Polk County. Water service is provided by Park Water Company, Inc. (Park Water). According to Crooked Lake's 2013 Annual Report, total gross revenues were \$129,567 and total operating expenses were \$126,602 resulting in a net operating income of \$2,965.

On December 13, 1957, Polk County granted a franchise to Park Water to operate a water and wastewater system. In 1978, the wastewater treatment plant and collection system were sold to Warner Southern College, and the name was changed to Crooked Lake Park Sewerage Company. On September 30, 1988, the Utility was sold, but continued to operate under the existing name. Polk County came under the Florida Public Service Commission's (Commission) jurisdiction on July 11, 1996. In 1998, we granted the Utility grandfather Certificate No. 517-S for its wastewater system.¹ In 2006, the Department of Environmental Protection (DEP) issued the Utility a Notice of Violation, which later resulted in a Final Judgment for failing to comply with DEP's regulation. However, in 2014, the Utility reached a resolution and a settlement with DEP regarding the Final Judgment. Finally, by Order No. PSC-

¹ See Order No. PSC-98-1247-FOF-SU, issued September 21, 1998, in Docket No. 961478-SU, In re: Application for grandfather certificate to operate a wastewater utility in Polk County by Crooked Lake Park Sewerage Company.

15-0053-FOF-SU issued January 21, 2015,² we approved a transfer of majority organizational control of Crooked Lake Park Sewerage Company, in Polk County, to Glenbrook Properties, LLC. Glenbrook Properties, LLC also owns College Park Mobile Home Park (College Park), a bulk customer within the Utility's service territory.

The Utility's last rate increase was a staff-assisted rate case (SARC) approved in 2007.³ Crooked Lake has never requested any price index/pass-through rate adjustments. In the instant docket, the Utility filed its application on June 27, 2013. The official date of filing is August 26, 2013. The Utility filed two extensions that extended the statutory timeframe during our staff's investigation.

The Office of Public Counsel (OPC) proposed several changes to our staff's recommendation at the March 3, 2015 Agenda Conference.

We have jurisdiction in this case pursuant to Sections 367.011, 367.0814, 367.101, and 361.121, Florida Statutes (F.S.).

DECISION

Quality of Service

Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in water and wastewater rate cases, we shall determine the overall quality of service provided by a utility. This is derived from an evaluation of three separate components of the utility operations. These components are the quality of the utility's product, the operating conditions of the utility's plant and facilities, and the utility's attempt to address customer satisfaction. The rule further states that sanitary surveys, outstanding citations, violations, and consent orders on file with the DEP and the county health department over the preceding three-year period shall be considered in addition to customer comments or complaints.

Crooked Lake provides wastewater service only. The Utility's operation of its wastewater treatment system is subject to various environmental requirements such as permitting, testing, and discharge monitoring under the jurisdiction of the DEP. In the Utility's last SARC, we found the quality of the treatment plant unsatisfactory noting that the Utility's operating permit for the wastewater treatment plant (WWTP) had expired in 2005 and the Utility remained out of compliance with the requirement by DEP for mandated improvements.⁴ The compliance issues with DEP's enforcement actions resulted in a Final Judgment, Case No. 2006-CA-2084, entered in the Circuit Court in Polk County on July 9, 2008. The Final Judgment

² In re: Application for transfer of majority organizational control of Crooked Lake Park Sewerage Co. in Polk County, to Glenbrook Properties, LLC, a Florida limited liability company.

³ See Order No. PSC-07-0077-PAA-SU, issued January 29, 2007, in Docket No. 060406-SU, In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

⁴ Id.

assessed civil penalties and costs against the Utility and provided corrective action options for the Utility.

One of the corrective action options contemplated by DEP in the Final Judgment was to bypass the Utility's WWTP and connect to the wastewater system of the City of Lake Wales. The City Commission decided not to allow the connection based on a memorandum dated November 10, 2010. Among the reasons, the memorandum cited the high cost, projected to be \$1,517,085, and the default risk of the owner of the Utility.

On June 7, 2011, DEP filed its second motion for contempt against the Utility for failing to comply with the Final Judgment, including payment due for various penalties totaling \$435,000. This amount reflects the severity of the compliance issue.

As discussed in the case background, the operation of the Utility has been under the new ownership and control of Glenbrook Properties, LLC, since September 26, 2012. The new owner has taken actions to improve the operations and on July 31, 2013, DEP issued an operating permit for the WWTP. The permit contains specific compliance requirements for the construction of a surge tank, digester tank, and sludge bed. On May 27, 2014, the Utility reached a resolution and settlement with DEP regarding the Final Judgment and the outstanding compliance issues. Based on the settlement agreement, DEP agreed to release the Utility from all penalties in exchange for \$50,000. The judgment has been deemed paid in full and satisfied as indicated by DEP's filing with the court on July 15, 2014.

A review of customer complaints indicates the Utility has resolved all of the complaints tracked by us. Our Consumer Activity Tracking System (CATS) recorded three complaints since January 2001. Of the three complaints, two were related to billing and one was related to service quality. The last recorded complaint was closed on May 3, 2005. Our staff conducted a site visit on December 18, 2013, inspected the plant, and confirmed that there were no new DEP enforcement actions against the Utility under the new ownership.

A customer meeting was held on July 17, 2014, at the Lake Wales Public Library. Of the 12 customers that were present at the meeting, 2 customers signed up to comment. Customers who did not sign up were also given an opportunity to speak.

At the meeting, a customer raised a concern that customers on Easton Street experienced problems regarding sewage back-up. As a follow-up to address the concerns raised at the customer meeting, our staff requested that the Utility provide information on the extent of the problem and explain any actions taken to address the problem. In response, the Utility provided a list of nine reported sewage back-up incidents, including the Easton Street incident mentioned above, which occurred in 2013 and 2014. The Utility used a water jet to clear the obstruction and resolved the issue for these customers. In addition, the Utility has planned to improve the WWTP and the collection system. As further discussed, these pro forma items include the installation of a new surge tank, digester tank, and sludge drying bed at the WWTP, and three projects for the collection system to locate, map and clean the lines, replace up to 2,100 feet of

pipes, and replace an electrical control panel. The Utility stated that these projects will improve the flow and help prevent back-up issues in the future.

Summary

The Utility has taken reasonable actions to comply with DEP's regulations and to address customer concerns. The DEP judgment has been satisfied and pro forma items shall improve quality. All quality of service issues have been resolved. We find that the quality of service provided by the Utility to be satisfactory.

Used and Useful (U&U)

We evaluated the U&U for the Utility's wastewater plant in service including The Infiltration and Inflow (I&I) and its pro forma plant items. The U&U percentage of the Utility's wastewater system, which includes its WWTP and collection system, was determined to be 100 percent U&U in its last SARC in Docket No. 060406-SU. There has been no growth in the customer base, no change in capacity, no excessive I&I that warrant adjustments, or any plan for expansion. Based on the above, we find that the WWTP and collection system is 100 percent U&U with no adjustment due to I&I.

Test Year Rate Base

The appropriate components of the Utility's rate base include utility plant in service, land, accumulated depreciation, contributions-in-aid-of-construction (CIAC), amortization of CIAC, and working capital. Crooked Lake's rate base was last established in its 2006 SARC by Order No. PSC-07-0077-PAA-SU.⁵ Our staff selected the test year ended June 30, 2013 for the instant case.

The Utility experienced a change in ownership in the middle of the test year.⁶ Although the new owner attempted to obtain all records from the prior owner, our audit staff determined that the Utility was missing documentation for some of the prior owner's test year expenses. As will be discussed further, we reviewed an additional 12 months of the Utility's expense data from July 2013 through June 2014 (supplemental data or supplemental year) to help fill in the gaps in the expense records. The supplemental data also included information on several plant additions made by the Utility after the test year. Based on that information, several pro forma adjustments were made to rate base. In addition, we made adjustments in response to concerns raised by the Office of Public Counsel (OPC) in its August 22, 2014 letter filed in this docket. A summary of each rate base component and the approved adjustments are discussed below:

Utility Plant in Service (UPIS): The Utility recorded a test year UPIS balance of \$452,262 as of June 30, 2013. The UPIS balance approved in Crooked Lake's 2006 SARC included a \$3,616 averaging adjustment for ratesetting purposes only. The Utility inadvertently included the

⁵ Issued in Docket No. 060406-SU.

⁶ The prior owner operated the Utility during the first half of the test year from July 2012 through December 2012, and the new owner operated the Utility during the second half of the test year from January 2013 through June 2013.

averaging adjustment when adjusting its books, resulting in an unintended decrease to UPIS. We increased this account by \$3,616 to reflect the correct starting balance. We decreased this account by \$3,872 and \$77,500 to remove unsupported plant additions and to reverse the recording of an unapproved acquisition adjustment, respectively.

Between July 2012 and June 2014, the Utility made a significant number of repairs and plant additions. Our audit staff identified several test year repair expenses that should be reclassified to UPIS. In addition, in its August 22 letter, OPC expressed concern about the overall level of test year repair expenses. OPC believes that some of the repairs may be an accumulation of deferred maintenance items that the new owner was forced to address. OPC supports the improvement of the system, but does not believe the repair costs represent an appropriate annual level of expense for setting rates. In order to allow the new owner to recover the investment in these repairs, OPC proposed that one roof repair be reclassified to rate base and that the remaining repairs be amortized over a four or five year period. We agree with OPC that it would be appropriate to capitalize the roof repair. Further, we find it appropriate to capitalize two repairs to replace a clarifier gear box and to raise the height of a concrete pad around a lift station to reduce infiltration.

Based on supplemental data received from the Utility, the Utility capitalized several collection system repairs and a blower motor replacement during the 12 months following the test year. In addition, the Utility purchased a second truck. The Utility currently employs two part-time maintenance employees who use the Utility's two trucks. The first truck is kept on-site at the treatment plant, near the service area. The second truck is kept at the Utility office when not in use, which is located approximately 16 miles away from the plant and service area. We approve the collection system repairs and blower motor replacement as pro forma additions to UPIS. However, we find that the Utility has not sufficiently demonstrated the need for the second truck, and therefore, deny addition of the second truck to UPIS. A complete list of approved adjustments to UPIS, including associated retirements, is shown on Schedule No. 1-B. Our net adjustment to UPIS is a decrease of \$98,387, resulting in an approved UPIS balance of \$353,875.

Land and Land Rights: The Utility recorded a test year land balance of \$6,197. No adjustments are necessary, therefore, we find the land and land rights balance is \$6,197.

Non-Used and Useful Plant: Crooked Lake's WWTP and collection system are considered 100 percent U&U. Therefore, a U&U adjustment is unnecessary.

Contributions-in-Aid-of-Construction (CIAC): The Utility's recorded test year CIAC balance is \$127,636. The CIAC balance approved in Crooked Lake's 2006 SARC included a \$300 averaging adjustment for ratesetting purposes only. The Utility inadvertently included the averaging adjustment when adjusting its books. We increased CIAC by \$300 to reflect the correct starting balance. We find the CIAC balance is \$127,936.

Accumulated Depreciation: Crooked Lake recorded a test year accumulated depreciation balance of \$260,657. We decreased this account by \$3,529 to remove the 2006 SARC averaging adjustment that was inadvertently included by the Utility when adjusting its books. Also, we

calculated the annual accruals to accumulated depreciation since December 31, 2005, including our proposed test year and pro forma plant additions, using the prescribed rates set forth in Rule 25-30.140, F.A.C., and determined that accumulated depreciation shall be decreased by \$3,838 to reflect the correct balance for the test year. Also, we increased this account by \$13,838 to reflect an averaging adjustment in the instant case. Our net adjustment to accumulated depreciation is an increase of \$6,471, resulting in an accumulated depreciation balance of \$267,128.

Accumulated Amortization of CIAC: Crooked Lake's recorded balance of amortization of CIAC is \$117,782. We increased this account by \$460 to remove the 2006 SARC averaging adjustment recorded by the Utility. Also, amortization of CIAC has been calculated using composite depreciation rates. As a result, accumulated amortization of CIAC shall be increased by \$9,694, which results in the Utility's CIAC becoming fully amortized during the test year. Because the CIAC is now fully amortized, no averaging adjustment is necessary in this case. Our total adjustment to accumulated amortization of CIAC is an increase of \$10,154, resulting in an amortization of CIAC balance of \$127,936.

Working Capital Allowance: Working capital is defined as the investor-supplied funds that are necessary to meet operating expenses of the Utility. Consistent with Rule 25-30.433(2), F.A.C., we used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, we find a working capital allowance of \$14,325 (based on O&M expense of \$114,598/8).

Rate Base Summary: Based on the foregoing, we find that the appropriate average test year rate base is \$107,269. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

Return on Equity and Overall Rate of Return

According to our audit, the Utility's test year capital structure reflected common equity of \$79,090 and long-term debt of \$141,249. However, our audit staff determined that the Utility inadvertently posted one note payable to two separate accounts. We decreased long-term debt by \$27,770 to remove the additional posting. Also, we made a pro forma adjustment to increase long-term debt by \$50,000 to reflect an additional loan that was entered into during the test year, but for which payments did not begin until after the test year. Our net adjustment to long-term debt is an increase of \$22,230, resulting in total long-term debt of \$163,479.

The Utility's capital structure has been reconciled with our approved rate base. The appropriate ROE is 11.16 percent based upon our-approved leverage formula currently in effect.⁷ We find an ROE of 11.16 percent, with a range of 10.16 percent to 12.16 percent, and an overall rate of return of 9.94 percent. The ROE and overall rate of return are shown on Schedule No. 2.

⁷ See Order No. PSC-14-0272-PAA-WS, issued May 29, 2014, in Docket No. 140006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

Test Year Revenues

Crooked Lake recorded test year service revenues of \$117,975 for wastewater. During the test year, the Utility's revenues were understated. Pursuant to Audit Finding No. 1, the Utility uses a cash basis accounting method rather than an accrual basis accounting method for posting transactions. According to Audit Finding No. 4, Crooked Lake did not record several months of revenues from the College Park Mobile Home Park and College Park was billed an incorrect base facility charge (BFC) during the test year.

College Park is a bulk service customer that is served by a 2" master meter. College Park was billed a BFC based on the 2" meter size, which is 8 equivalent residential connections (ERCs). However, pursuant to Order No. PSC-07-0077-PAA-SU,⁸ College Park should be billed a BFC based on the number of units or ERCs behind the master meter. There are 100 ERCs behind the master meter. We adjusted the test year billing determinants for College Park. Based on the appropriate billing determinants and the rates in effect during the test year, we determined service revenues to be \$143,300. There are no miscellaneous revenues. Therefore, service revenues shall be increased by \$25,325. Based on the above, we find that the appropriate test year revenues for Crooked Lake are \$143,300.

Test Year Operating Expenses

Crooked Lake recorded operating expenses of \$150,881 for the test year ended June 30, 2013. The test year operating expenses have been reviewed and invoices, canceled checks, and other supporting documentation have been examined. However, we find that the test year does not adequately reflect a full year of the Utility's normal operations going forward for some expense accounts. The Utility experienced a change in ownership in the middle of the test year, resulting in a lack of documentation for some expenses. In addition, the new owner began making operational changes during the latter half of the test year and beyond that are not fully captured by the test year. Therefore, to help fill in the gaps and better assess the Utility's expenses going forward, we also reviewed an additional 12 months of the Utility's expense data following the test year for July 2013 through June 2014. Based upon the test year and supplemental data, we made several adjustments to the Utility's operating expenses, as summarized below. In addition, our staff made several adjustments in response to concerns raised by the OPC in its August 22, 2014 letter filed in this docket.

Expense Reclassifications – Crooked Lake recorded total O&M expenses of \$132,836 for the test year. Pursuant to Rule 25-30.115, F.A.C., water and wastewater utilities are required to maintain their accounts and records in conformity with the 1996 National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). Crooked Lake has maintained a majority of its expense accounts using the NARUC USOA. However, during the test year, a number of expenses were misclassified, either to an incorrect NARUC account or a non-NARUC subaccount. We reclassified those expenses to the correct NARUC accounts. The

⁸ See Order No. PSC-07-0077-PAA-SU.

reclassifications are revenue neutral, have no impact on the revenue requirement, and are made simply to adjust the Utility's test year account balances to the correct starting balances for ratesetting purposes. The adjusted account balances are reflected on Schedule No. 3-C in the "Total Per Utility" column, which continues to reflect the Utility's test year O&M expense total of \$132,836 following the reclassifications. Our remaining adjustments that have a revenue impact are discussed in detail below.

Salaries and Wages – Employees (701) – Crooked Lake recorded \$19,741 for salaries in this account. The Utility experienced significant employee turnover and, as a result, did not record salaries expense every month during the test year. Near the end of the test year, the Utility employed an office manager and maintenance worker. The office manager works approximately 20 hours per week at an hourly rate of \$12.50, resulting in annual salary of \$13,000. The maintenance worker was initially employed to work 15 hours per week at an hourly rate of \$10, resulting in an annual salary of \$7,800. Based on the supplemental data, the maintenance worker's hours increased to an average of 23 hours per week. Also, a representative of the Utility advised that the Utility had increased the wage for maintenance work to \$11 per hour. The increase in the hourly rate and average hours worked increased the maintenance worker's annual salary to \$13,156. Total annual salaries for both positions equals \$26,156 (\$13,000 + \$13,156), an increase of \$6,415 over the Utility's test year balance of \$19,741 ($\$26,156 - \$19,741 = \$6,415$).

In August 2014, the maintenance employee resigned from the Utility to take another job, and the Utility hired two new part-time maintenance employees. Each new employee was hired to work up to 20 hours per week at an hourly rate of \$11. The supplemental data only provides salary information for one maintenance worker through June 2014. A representative of the Utility advised that the two new maintenance workers' hours per week will vary depending upon the work required in each particular week. The Utility anticipates that the average of 23 hours per week reflected during the supplemental year for the former maintenance employee should be sufficient to cover both of the new maintenance positions, and that no additional increase in salary expense is necessary at this time.

Based on the 2012 AWWA Compensation Survey, the hourly rate for an office/administrative services manager ranges from approximately \$20 to \$21 per hour. The Compensation Survey does not provide salary information for the maintenance worker positions, however, the Commission has previously approved maintenance worker salaries based on an hourly rate of \$11. The Utility's salaries are on the low end of the scale, and as such do not warrant any downward adjustments.

Also, for informational purposes, the Utility initially contracted with a third party vendor to handle payroll services near the end of the test year. The third party vendor charged for this service by including an additional percentage factor in the payroll calculations. However, based on the supplemental data, the Utility subsequently arranged for the College Park Mobile Home Park office, a related party, to process the Utility's payroll. A Utility representative informed our staff that the Utility had discontinued using the third party vendor because it was less expensive for College Park to provide the payroll services. College Park does not charge the Utility for the payroll services. The total salaries expense would be approximately \$1,150 higher than the

approved expense if the Utility had continued receiving payroll services through the third party vendor.

Based on the above, we increased this account by \$6,415 to reflect the current total salaries expense of \$26,156. We find that the salaries and wages – employees expense is \$26,156.

Employee Pensions and Benefits (704) – The Utility did not record any expenses in this account during the test year. Based on the supplemental data, the Utility applies an employee benefits factor of approximately 7.2 percent to the office manager and maintenance employee salaries for disability, health, vision, and dental insurance. Therefore, we increased this account by \$1,895 to reflect the employee benefits associated with the office manager and maintenance employee positions.

Sludge Removal Expense (711) – The Utility recorded sludge removal expense of \$2,220 during the test year. However, this amount only covers two instances of sludge removal that occurred near the end of the test year under the new owner’s operation. A review of the supplemental data indicates that the Utility required sludge removal services 11 times in the year following the test year, for a total of \$12,170. Three instances of sludge removal totaling \$2,088 appear to be repair related. Sludge removal required in conjunction with repairs is typically recorded as a repair under Account No. 736, Contractual Services – Other, and therefore, is not considered to be part of the Utility’s normal sludge removal process. Consequently, the total expense for routine sludge removal equals \$10,082 (\$12,170 - \$2,088). We find that the Utility will continue to require this level of sludge removal going forward until both the treatment plant and collection system are upgraded. Therefore, we increased this account by \$7,862 to reflect the appropriate annual sludge removal expense. We find that the sludge removal expense is \$10,082.

Purchased Power (715) – The Utility recorded purchased power expense of \$8,935. This total includes late fees and penalties that are not recoverable in a rate proceeding, but excludes five additional power bills applicable to the test year. The net adjustment for removing the late fees and penalties and adding the missing power bills is an increase of \$132. Therefore, we increased this account by \$132 to reflect the appropriate test year purchased power expense. The test year included sufficient supporting documentation to establish annual purchased power expense, therefore, we did not pursue the use of supplemental data to adjust this account. A cursory review of the supplemental data suggests that the purchased power expense may have decreased following the test year. However, it is anticipated that the Utility’s purchased power expense will increase after completion of the new surge tank and second digester tank. The potential increase in purchased power expense resulting from the new plant additions has not been determined yet. Therefore, in consideration of the sufficient test year data, as well as the anticipated future increase in purchased power expense, we do not find any further adjustments are appropriate at this time. We find that the purchased power expense for the test year is \$9,067.

Chemicals (718) – The Utility recorded chemicals expense of \$4,793. We decreased this account by \$610 to remove two of the prior owner’s invoices that lacked supporting documentation. Also, we decreased this account by \$62 to remove surcharges that were raised as a concern by

OPC. In its August 22 letter, OPC noted that there were several instances in the latter part of the test year in which Garrard Framing and Drywall, Inc. (GF&D), a related company, made purchases on behalf of the Utility and assessed a 10 percent surcharge. OPC believes the ratepayers should not be required to pay for the surcharges resulting from this related party purchase arrangement. During the test year, a total of \$229 in surcharges was assessed on eight invoices reflected in the chemicals, materials and supplies, contractual services – other, and miscellaneous expense accounts. Regarding the chemicals expense account, OPC proposed that \$62 be removed for surcharges applied to two chemical purchase invoices.

It is not uncommon for businesses to assess surcharges to cover additional expenses such as fuel cost, services, travel time, and equipment use. We find GF&D is entitled to assess a surcharge to cover any additional expenses it incurs in providing a service, even if the work or service is performed for a related company. However, the expenses in question would not ordinarily include a surcharge if the purchases had been made directly by the Utility rather than a third party. For this reason and in consideration of OPC's objection, we find it would be acceptable to remove the GF&D surcharges. Accordingly, as previously noted, we decreased this account by \$62 to remove the surcharges. Based on test year data, chemicals expense shall be decreased by \$672 ($\$610 + \62), resulting in test year chemicals expense of \$4,121.

However, we find the lack of some supporting documentation from the prior owner, combined with the variation in types of chemicals purchased and number of vendors used, warrants consideration of the supplemental data related to chemicals expense to better assess this expense going forward. Near the end of the test year, the new owner began purchasing all chemicals from a single vendor, thereby providing more stability to the data reflected in this account. According to the supplemental data, the Utility incurred \$3,719 in chemicals expense in the year following the test year, which is \$402 less than our adjusted test year expense of \$4,121. We find it appropriate to decrease this account by \$402 to annualize the chemicals expense based on the supplemental data. Our total adjustment to this account based on both the test year data and supplemental data is a decrease of \$1,074. Therefore, we find that the chemicals expense is \$3,719.

Materials and Supplies (720) – The Utility recorded materials and supplies expense of \$2,252. As discussed above, OPC proposed removing surcharges assessed to the Utility by GF&D. Specifically, OPC proposed removing a total of \$70 for surcharges applied to three invoices for materials and supplies. Consequently, we have decreased this account by \$70, resulting in a materials and supplies expense of \$2,182 for the test year.

Contractual Services - Billing (730) – The Utility recorded contractual services – billing expense of \$5,757. Crooked Lake contracts with Park Water to bill and collect the applicable wastewater revenues. Based upon the contract rate of approximately \$576 per month, the annual billing expense is \$6,909. The Utility's test year balance of \$5,757 only reflects 10 months of billing expense, therefore, we increased this account by \$1,152 to reflect 12 months of billing expense ($\$5,757 + \$1,152 = \$6,909$). The supplemental data indicates that the contract rate for the billing service has not changed since the test year. Therefore, we find that the contractual services – billing expense is \$6,909.

Contractual Services - Professional (731) – Crooked Lake recorded contractual services – professional expense of \$630. Our audit staff determined that the Utility incurred an additional \$6,650 in test year accounting service expense, resulting in a total accounting service expense of \$7,280 for the test year. Based on the supplemental data, the Utility incurred a total of \$6,550 in accounting services expense during the 12 months following the test year.

In its August 22 letter, OPC expressed concern that the test year included duplicative charges and non-recurring expenses that should be removed. We agree that \$630 of the test year expense reflects accounting services that occurred prior to the test year. In addition, a portion of the \$6,650 invoice reflects non-recurring expenses that shall be amortized. Based on the supplemental data, we find that the appropriate annual accounting services expense is \$6,550. Therefore, we increased this account by \$5,920 ($\$6,550 - \$630 = \$5,920$) to reflect the annual accounting services expense of \$6,550. Also, we find it appropriate to amortize the \$100 difference between the test year and supplemental year accounting service fees as non-recurring ($\$6,650 - \$6,550 = \$100$). Rule 25-30.433(8), F.A.C., requires that non-recurring expenses be amortized over a 5-year period unless a shorter or longer period of time can be justified. Accordingly, we increased this account by \$20 to reflect the 5-year amortization of the non-recurring test year accounting services.

Based on the supplemental data, the Utility incurred \$5,240 for legal services related to its DEP permit renewal, PSC certificate application docket, and SARC. We find it appropriate to recognize those expenses in this case. As will be discussed below under Account No. 765, Regulatory Commission Expense, we find it appropriate to include \$250 of the legal fees in rate case expense. The remaining legal fees of \$4,990 ($\$5,240 - \250) are non-recurring and shall be amortized. We increased this account by \$998 ($\$4,990/5$) to reflect the 5-year amortization of legal services expense.

Finally, the supplemental data indicates that as of June 2014, the Utility incurred \$1,095 in contractual engineering fees related to the pro forma plant additions included in the Phase II revenue requirement. The Utility shall be authorized to hold this expense and any other preliminary pro forma project expenses in Account 183 – Preliminary Survey and Investigation Charges. Upon completion of the pro forma projects, the expenditures held in this account will be charged to the appropriate utility plant account associated with the pro forma projects.

Our total adjustment to this account is an increase of \$6,938. Therefore, we find that the contractual services - professional expense for the test year is \$7,568.

Contractual Services - Other (736) – Crooked Lake recorded contractual services – other expense of \$32,764. As shown on Schedule No. 3-B, we decreased this account by a net adjustment of \$5,922. We increased this account by \$35,151 to reverse an unsupported accounting journal entry to reclassify 2013 capital improvements from this account. Also, we decreased this account by \$5,941 and \$197 to remove unsupported contractual service expenses and two non-utility repairs, respectively. We also reclassified a number of test year repairs to UPIS to be included in rate base based on audit findings, an OPC proposed adjustment, and additional review. In its August 22 letter, OPC proposed that this account should be adjusted to remove any contractual services that are now covered under the salaried maintenance positions. We

agree with OPC that there is some duplication of work and that some additional adjustments are warranted. We identified and removed \$384 in test year contractual services that are now covered by the salaried maintenance position or are now performed by new contractual service providers. Also, we increased the initial fence replacement cost of \$2,205 to \$2,385 to include \$180 in additional contractual labor related to that project that shall also be reclassified to UPIS.

OPC believes that some of the repairs may be an accumulation of deferred maintenance items that the new owner was forced to address, and that it would be appropriate to amortize the repairs as non-recurring expenses. We agree with OPC that a number of repairs are non-recurring and shall be amortized. However, based on our engineering staff's review, it is anticipated that the Utility will continue to require a high level of certain types of repairs due to accelerated wear and tear on the system caused by the condition of the collection system. In order to determine an appropriate expense level going forward, we compared test year expenses to the repair and contractual service expenses incurred during the supplemental year. After taking into consideration the Utility's current recurring contractual service expenses, routine maintenance repairs, anticipated recurring repairs, and repairs that should be reclassified to UPIS for inclusion in rate base, we determined that the Utility will need approximately \$26,800 in total contractual services – other expense.

Although the Utility originally estimated it would cost \$1,500 to conduct the smoke test on the collection system, the Utility was subsequently able to arrange to have the smoke test performed by the Florida Rural Water Association (FRWA) as a member service. Consequently, the total cost for the smoke test was reduced to \$427, which included \$341 in labor costs for assistance received from the Utility's contract operator and \$86 in repairs following the smoke test. Amortized over 5 years, the total cost reflected in this account associated with the smoke test is \$85.

A complete list of our approved adjustments to this account is shown on Schedule No. 3-B. Based on our review of both the test year and supplemental data, the net adjustment to this account is a decrease of \$5,922, resulting in approved contractual services – other expense of \$26,842.

Transportation Expense (750) – Crooked Lake recorded \$5,475 for transportation expense for the test year. We decreased this account by \$3,250 to remove two of the prior owner's invoices that lacked supporting documentation. Also, we decreased this account by \$1,122 to remove several adjusting journal entries for 2012 that lacked sufficient supporting documentation.

As discussed above, the Utility owns two trucks that are used by the maintenance employees. However, neither the test year nor the supplemental year reflect any fuel purchases for the trucks. A representative of the Utility advised that fuel is purchased for the Utility's trucks using a related party's fuel credit card. Specifically, College Park's fuel credit card is used to purchase fuel for one truck owned by the mobile home park and the two trucks owned by the Utility.

A Utility representative advised that the total fuel purchases for all three trucks averages \$400 per month, and estimated that only half of the total or \$200 per month was attributable to

the Utility's two trucks because the Utility's on-site truck does not require refueling as often as the Utility's other truck or College Park's truck. An average of \$200 per month equates to an annual fuel expense of \$2,400, or an average of \$46 per week. As discussed above, we deny addition of the second truck to UPIS. However, we find that the Utility's fuel needs will not decrease if the two maintenance employees share a truck because the required duties and driving distance between the office and treatment plant will remain the same whether the employees use one truck or two. Therefore, we approve an annual vehicle fuel allowance of \$2,400. Our net adjustment to this account is a decrease of \$1,972. We find that the transportation expense for the test year is \$3,503.

Insurance Expense (755) – The Utility recorded insurance expense of \$14,747 for the test year. The recorded amount included insurance coverage purchased by the prior Utility owner. Our audit staff determined that the expense for the automobile insurance for the Utility's truck and commercial general liability insurance for the Utility's operations purchased by the new owner would be \$9,498, resulting in a decrease of \$5,249. A review of the supplemental data indicates that the insurance premium for the approved truck increased in 2014, increasing the Utility's annual insurance expense to \$10,164.

However, the supplemental data did not include payments for general liability insurance. A representative of the Utility advised that the Utility had dropped the general liability coverage, but was planning to purchase liability insurance again in a few months. Both the test year and supplemental data demonstrate that the Utility has diverted a significant amount of financial resources toward repairing and improving the Utility facilities during the past two years, possibly limiting the cash flow available for other expenditures. In consideration of the Utility's test year purchase of liability insurance, and the stated intent to purchase liability insurance again in the near future, we find that it is appropriate to include an allowance for the liability insurance in the Utility's Phase I revenue requirement, contingent upon the Utility subsequently providing proof that the insurance coverage has resumed and payments are being made.

We have previously allowed this approach for the establishment of employee pension plans.⁹ Consistent with the Commissions' decisions in those cases, we find it is appropriate to require the Utility to provide proof within 90 days of the effective date of the final order that the commercial general liability insurance has been purchased. In addition, the Utility shall be required to provide documentation showing all subsequent payments that have been made on the insurance premiums as proof of continued payment prior to implementation of the Phase II rate increase. In the event that the Utility does not purchase the liability insurance and begin making regular payments, the Phase II rates shall be reduced to remove the test year annual commercial general liability insurance expense of \$8,017. Therefore, we decreased this account by \$4,583 to reflect the Utility's current and estimated insurance costs for the automobile and general liability insurance. We find that the insurance expense for the test year is \$10,164.

⁹ See Order Nos. PSC-01-2511-PAA-WS, issued December 24, 2001, in Docket No. 010396-WS, In re: Application for staff-assisted rate case in Brevard County by Burkim Enterprises, Inc., PSC-01-1574-PAA-WS, issued July 30, 2001, in Docket No. 000584-WS, In re: Application for approval of staff-assisted rate case in Martin County by Laniger Enterprises of America, Inc., and PSC-14-0626-PAA-WU, issued October 29, 2014, in Docket No. 130265-WU, In re: Application for staff-assisted rate case in Charlotte County by Little Gasparilla Water Utility, Inc.

Regulatory Commission Expense (765) – Crooked Lake recorded regulatory commission expense of \$6,132 for the test year to reflect the Utility’s 2012 regulatory assessment fee (RAF) payment. The test year RAF’s are discussed below in the Taxes Other Than Income section. Consequently, we decreased this account by \$6,132 to remove the 2012 RAF payment from this account. Also, we increased this account by \$150 to reflect the 5-year amortization of the Utility’s certificate docket filing fee ($\$750/5 = \150).

Regarding the instant case, the Utility is required by Rule 25-22.0407, F.A.C., to provide notices of the customer meeting and notices of final rates for Phases I and II in this case to its customers. We estimated a total cost for the three notices comprised of \$476 for postage expense, \$324 for printing expense, and \$49 for envelopes. This results in \$849 for the noticing requirement. The Utility paid a \$1,000 rate case filing fee. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period. Also, based on the supplemental data, the Utility received assistance with this case from the contract operator and attorney. The contract operator provided assistance on two occasions with answering Commission-issued data requests at a cost of \$385, and the attorney provided \$250 in legal services, resulting in total consulting fees for this case of \$635. Based on the above, we find a total rate case expense of \$2,484 ($\$849 + \$1,000 + \635), which amortized over 4 years is \$621. Our net adjustment to this account is a decrease of \$5,361. We find that the regulatory commission expense is \$771.

Bad Debt Expense (770) – Crooked Lake recorded bad debt expense of \$22,710 for the test year. The bad debt expense was written off at the end of 2012 following the sale of the Utility. The prior Utility owner did not report any bad debt expense in any of the annual reports filed with us from the Utility’s last rate proceeding in 2006 through 2012. Our audit staff conducted a review of the Utility’s customer accounts receivable balance for the 3-year period of 2010 through 2012, and determined that bad debt expense of \$3,734 is a more reasonable estimate of the Utility’s average annual uncollectable revenues.

The Utility subsequently filed its 2013 Annual Report, which reflected bad debt expense of \$5,131. In its August 22 letter, OPC agreed that the 3-year average is a reasonable approach, but proposed that it be updated to use the most recent data available, namely 2011 through 2013. We agree with OPC that it would be acceptable to update the bad debt estimate using more current information. Consequently, our audit staff conducted an additional review of the Utility’s reported bad debt of \$5,131 for 2013, and determined that only \$3,532 of that total represented bad debt for customer accounts receivable balances greater than 90 days delinquent. Using the updated 2013 data, our audit staff determined that an appropriate average bad debt expense is \$3,654. Therefore, we have decreased this account by \$19,056. We find that the bad debt expense is \$3,654 for the test year.

Miscellaneous Expense (775) – The Utility recorded miscellaneous expense of \$6,679. We decreased this account by \$4,240 to reflect the 5-year amortization of the Utility’s pro forma wastewater treatment plant permit renewal fee. Also, we decreased this account by \$543 to remove non-utility expenses of the prior owner. As discussed above, OPC proposed removing surcharges assessed to the Utility by GF&D. Accordingly, we decreased this account by \$32 to remove surcharges applied to one miscellaneous expense invoice.

The test year included an expense for the Utility's annual FRWA membership of approximately \$238. Based on the supplemental data, the dues have increased slightly since the test year to approximately \$253. Therefore, we increased this account by \$15 to reflect the increase in the Utility's FRWA membership dues. In addition, the supplemental data reflected additional business license and reporting expenses that were not included in the test year but represent recurring expenses. Accordingly, we made adjustments to increase this account by \$58 to reflect the Utility's annual business license fee, and also increased this account by \$150 to reflect the Utility's annual Florida Department of State annual report fee. Our net adjustment to this account is a decrease of \$4,592. Therefore, we find that the miscellaneous expense is \$2,087 for the test year.

Operation and Maintenance Expense (O&M Summary) – Based on the above adjustments, O&M expense shall be decreased by \$18,237, resulting in total O&M expense of \$114,598. Our approved adjustments to O&M expense are shown on Schedule Nos. 3-A and 3-B.

Depreciation Expense (Net of Amortization of CIAC) – The Utility's records reflect test year depreciation and CIAC amortization of \$14,724 and (\$994), respectively, for a net depreciation expense of \$13,730 (\$14,724 - \$994) for the test year. We calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. and determined depreciation expense to be \$12,896. Therefore, we decreased this account by \$1,828 (\$14,724 - \$12,896). As discussed above, the Utility's CIAC became fully amortized during the test year. Therefore, the CIAC amortization expense also ended during the test year. In order to reflect removal of the CIAC amortization expense going forward, we increased this account by \$994 to zero out the test year balance. This results in a net depreciation expense of \$12,896 (\$12,896 - \$0). Therefore, we find that the net depreciation expense is \$12,896.

Taxes Other Than Income (TOTI) – Crooked Lake recorded a TOTI balance of \$4,315. We increased this account by \$6,449 to reflect the appropriate test year RAFs. Our audit staff determined the Utility's annual property taxes based on a 2012 tax year. Subsequent to the audit, the 2013 property tax records become available. In its August 22 letter, OPC noted that the Utility's 2013 property taxes were lower than in previous years, and proposed that the 2013 taxes be used. However, following OPC's letter, the 2014 property taxes became available, reflecting additional changes and a slight increase over the 2013 taxes. We agree with OPC that the current property tax information is more reflective of the Utility's property taxes going forward. Accordingly, we decreased TOTI by \$1,565 (\$4,315 - \$2,750) to reflect the appropriate property taxes based on the 2014 tax year.

In addition, we increased this account by \$2,949 to reflect the appropriate payroll taxes. Our net adjustment to test year TOTI is an increase of \$7,832. In addition, revenues have been increased by \$7,334 to reflect the change in revenue required to cover expenses and allow an opportunity to earn the approved rate of return. As a result, TOTI shall be increased by \$330 to reflect RAFs of 4.5 percent on the change in revenues. Therefore, we find that the TOTI is \$12,477.

Income Tax – The Utility is an 1120 Corporation and did not record income tax for the test year. Based on its current income tax return, Crooked Lake has a large amount of net loss carry

forwards. These net loss carry forwards are sufficient enough to offset any income tax liability for the next few years. Therefore, we have not made any adjustments to this account.

Operating Expenses Summary – The application of our approved adjustments to Crooked Lake’s test year operating expenses result in operating expenses of \$139,972. The Utility shall be required to provide proof within 90 days of the effective date of the final order that the commercial general liability insurance has been purchased. Also, the Utility shall be required to provide proof of continued payment of the commercial general liability insurance premiums prior to implementation of the Phase II rate increase. In the event that the Utility does not purchase the liability insurance and begin making regular payments, the Phase II rates shall be reduced to remove this expense. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The adjustments are shown on Schedule No. 3-C.

Phase I Revenue Requirement

Crooked Lake shall be allowed an annual increase of \$7,334 (5.12 percent). This will allow the Utility the opportunity to recover its expenses and earn a 9.94 percent return on its investment. The calculations are as follows:

Table 7-1

<u>Wastewater Revenue Requirement</u>	
Adjusted Rate Base	\$107,269
Rate of Return	x 9.94%
Return on Rate Base	\$10,663
Adjusted O&M Expense	114,598
Depreciation Expense (Net)	12,896
Taxes Other Than Income	12,477
Income Taxes	0
Revenue Requirement	\$150,634
Less Adjusted Test Year Revenues	143,300
Annual Increase	\$7,334
Percent Increase	5.12%

Wastewater Rate Structures and Rates

Crooked Lake is located in Polk County and serves two mobile home parks, Crooked Lake Mobile Home Park (Crooked Lake Park) and College Park. Crooked Lake Park consists of

323 residential customers that are billed individually. College Park consists of approximately 100 residential customers and a clubhouse which are billed as a bulk service customer. The average water demand for the residential and bulk wastewater customers is 4,753 gallons. Currently, the Utility's residential rate structure consists of a uniform base facility charge (BFC) for all meter sizes and a gallonage charge with an 8,000 gallon cap. General service customers are billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge. The bulk service customer is billed a BFC based on the number of ERCs behind the meter and a gallonage charge with an 8,000 gallon cap per connection.

Our staff performed an analysis of the Utility's billing data to evaluate various BFC cost recovery percentages and gallonage caps for the residential customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the approved revenue requirement; (2) equitably distribute cost recovery among the utility's customers; and (3) implement a gallonage cap that considers approximately the amount of water that may return to the wastewater system.

Typically, our practice is to allocate at least 50 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants. Therefore, we find a BFC allocation of 50 percent. Currently, the Utility's residential wastewater gallonage cap is set at 8,000 gallons per month. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. It is our practice to set the wastewater cap at approximately 80 percent of residential water sold. Based on our review of the billing analysis, 84 percent of the gallons are captured at the 6,000 gallon consumption level. For this reason, we find that the gallonage cap for residential customers is reduced to 6,000 gallons. We also find that the general service gallonage charge is 1.2 times greater than the residential gallonage charge which is consistent with our practice. Furthermore, the demand for customers of College Park is very similar to the demand for the customers in the single family homes. Therefore, we find that the bulk service rate structure shall consist of a BFC based on the number of ERCs behind the meter and a gallonage charge with a 6,000 gallon cap per ERC.

Because water service is provided by Park Water, we find that any impact on water demand based on an increase in the wastewater rates of Crooked Lake Park would be de minimis. Therefore, we do not find a repression adjustment.

Based on the foregoing, we find that 50 percent of the wastewater revenues is generated from the BFC. The residential wastewater customers' rate structure shall consist of a BFC for all meter sizes with a cap of 6,000 gallons. General service wastewater customers shall be billed a BFC based on meter size and gallonage charge that is 1.2 times higher than the residential gallonage charge. The bulk service customer's rate structure shall consist of a BFC based on the number of ERCs behind the meter and a gallonage charge with a 6,000 gallon cap per ERC. A repression adjustment is not appropriate in this rate case. Our approved rate structure and the resulting wastewater rates are shown on Schedule Nos. 4-A and 4-B.

The approved rate structure and monthly wastewater rates are shown on Schedule Nos. 4-A and 4-B, respectively. The Utility shall file revised tariff sheets and a proposed customer

notice to reflect our approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

Rate Reduction for Amortized Rate Case Expense

(Final Agency Action)

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 the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense, the associated return on working capital, and the gross-up for RAFs which is \$658. Using the Utility's current revenues, expenses, and customer base, the reduction in revenues will result in the rate decrease shown on Schedule No. 4-B.

Crooked Lake shall be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility also shall be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. If Crooked Lake files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Phase II Increase for Pro Forma Items

The Utility has taken actions to improve the operating conditions of the WWTP and bring the Utility into compliance with DEP requirements. In addition, the Utility proposes to locate, map, and clean the collection system and replace an electrical control panel. The Utility has requested recognition of the pro forma plant items in the instant case. The following table summarizes the pro forma plant items, estimated cost, and estimated time to complete.

Table 10-1

<u>Crooked Lake Pro Forma Plant Items</u>				
Project	Description	Benefit (Reason)	Estimated Cost	Estimated Time to Complete
WWTP Modification	Construct surge tank, digester tank, and sludge bed per DEP permit	To comply with the specific requirements for such additions in DEP WWTP permit issued in 2013.	\$359,612	About 90 days after start
Collection System	Map current pipe locations and	To locate lines that need to be replaced and to	\$50,000	About 15 days after start

Mapping and Cleaning	thoroughly clean	allow a better flow to main lift station.		
Replacement of Electrical Control Panel	Install NEMA 4X duplex control panel	To fix float sticking and failure at lift station.	\$6,050	Within one week after start
Replacement of 4" Force Main	Replace up to 2,100 feet of 4" pipes	To repair and replace pipes to improve service	<u>\$61,622</u>	About 15 days after start
Total:			<u>\$477,284</u>	

The WWTP permit issued by DEP contains specific compliance requirements for the construction of a new surge tank, digester tank, and sludge bed. Section 367.081(2)(a)2, F.S., provides that notwithstanding the in-service plant U&U considerations, a utility should be allowed to recover from customers the full amount of environmental compliance costs. The Statute further provides that for purposes of this requirement, the term "environmental compliance costs" includes all reasonable expenses and fair return on any prudent investment incurred by a utility in complying with the requirements or conditions contained in any permitting, enforcement, or similar decisions of the DEP, a water management district, or any other governmental entity with similar regulatory jurisdiction. In addition, the Utility proposes three projects for the collection system to locate, map and clean the lines, replace up to 2,100 feet of 4 inch pipes, and replace an electrical control panel.

Based on our review and site visit, these pro forma items appear to be needed for compliance and for improvement of service. In addition, the Utility has provided competitive bids that demonstrated its actions to minimize the cost of the proposed plant improvements. Also, regarding the severity of the compliance issue, the cost for the alternative corrective option contemplated by DEP, estimated at \$1,517,085 by the City of Lake Wales, was cost prohibitive.

The pro forma costs shall be allowed to be recovered upon verification that all items have been completed and documentation provided showing that the improvements have been made. The Utility shall be required to submit a copy of the fully itemized invoices for all pro forma plant items prior to inclusion in rates. The detailed documentation is to ensure that the Utility takes prudent actions to verify that the contracted work was built as planned, and completed at the lowest possible cost.

We approve a Phase II revenue requirement associated with the pro forma items for a number of reasons. First, it assures that the pro forma items are completed prior to the Utility's recovery of the investment in rates. In the past, there have been instances when the Commission approved an increase in revenue requirement associated with pro forma items only to have the utility in question fail to complete the pro forma investments. In addition, addressing the pro forma items in a single case saves additional rate case expense to the customers because the Utility would not need to file another rate case or limited proceeding to seek recovery for these

items. We have recently approved a Phase-In approach in Docket Nos. 110238-WU, 110165-SU, 100471-SU, and 130265-WU.¹⁰

The Utility's Phase II revenue requirement shall be \$221,638 which equates to a 47.14 percent increase over the Phase I revenue requirement. The increase shall be applied as an across-the-board increase to the Phase I rates. Crooked Lake shall complete the pro forma items within 12 months of the issuance of the consummating order. Phase II rate base is shown on Schedule Nos. 5-A and 5-B. The Utility plans to fund the pro forma construction through debt. The capital structure for Phase II is shown on Schedule No. 6. The revenue requirement is shown on Schedule Nos. 7-A and 7-B. The resulting rates are shown on Schedule No. 8.

Crooked Lake shall be required to complete the pro forma items within 12 months of the issuance of the consummating order. The Utility shall also be required to submit a copy of the final invoices and cancelled checks for all pro forma plant items. In addition, the Utility shall be required to provide proof of continued payment of the commercial general liability insurance premiums prior to implementation of the Phase II rates. In the event that the Utility does not purchase the liability insurance and begin making regular payments, the Phase II rates shall be reduced to remove this expense. The Utility shall be allowed to implement the above rates once all pro forma items have been completed, documentation has been provided showing that the improvements have been made, and the status of the commercial general liability insurance expense has been determined. Once verified, the rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. The rates shall not be implemented until notice has been received by the customers. Crooked Lake shall provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility shall immediately notify the Commission in writing.

Initial Customer Deposits

Rule 25-30.311, F.A.C., contains the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.¹¹ Currently, the Utility's existing initial deposit for residential customers is \$45.¹² Based on our

¹⁰ See Order Nos. PSC-12-0533-PAA-WU, issued October 9, 2012, in Docket No. 110238-WU, In re: Application for staff-assisted rate case in Polk County by Sunrise Utilities, LLC.; PSC-12-0410-PAA-SU, issued August 13, 2012, in Docket No. 110165-SU, In re: Application for staff-assisted rate case in Highlands County by Utility Corporation of Florida, Inc.; PSC-11-0444-PAA-SU, issued October 7, 2011, in Docket No. 100471-SU, In re: Application for staff-assisted rate case in Marion County by S&L Utilities, Inc.; and PSC-14-0626-PAA-WU, issued October 29, 2014, in Docket No. 130265-WU, In re: Application for staff-assisted rate case in Charlotte County by Little Gasparilla Water Utility, Inc.

¹¹ See Order No. PSC-13-0611-PAA-WS, issued November 19, 2013, in Docket No. 130010-WS, In re: Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC. Order No. PSC-14-0016-TRF-WU, issued January 6, 2014, in Docket No. 130251-WU, In re: Application for approval of miscellaneous service charges in Pasco County, by Crestridge Utility Corporation.

¹² See Order No. PSC-98-1247-FOF-SU, issued September 21, 1998, in Docket No. 961478-SU, In re: Application for grandfather certificate to operate a wastewater utility in Polk County by Crooked Lake Park Sewerage Company.

approved rates, the existing initial customer deposit is not sufficient to cover two months' bills for wastewater service. We find it appropriate that the existing initial customer deposit is increased to reflect two times the average estimated bill for wastewater service to ensure that the cost of providing service is recovered from those incurring cost.

We find that the appropriate initial customer deposit for the residential wastewater customers shall be \$69. The initial customer deposits for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for wastewater. The approved customer deposits shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. The Utility shall be required to charge the approved charges until authorized to change them by the Commission in a subsequent proceeding.

Temporary Rates

(Final Agency Action)

By this Order, we propose an increase in rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, we find that the approved rates are approved as temporary rates. Crooked Lake shall file revised tariff sheets and a proposed customer notice to reflect our approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. The approved rates collected by the Utility shall be subject to the refund provisions discussed below.

The Utility shall be authorized to collect the temporary rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$4,892. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

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

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

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

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

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

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

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

Adjusting Books to Reflect Commission's Decision

The NARUC USOA requires that the books of accounts of all wastewater utilities shall be kept by the double entry method, on an accrual basis. Further, each utility shall keep its accounts monthly and shall close its books at the end of each calendar year. Our audit staff noted that the Utility's current accounting system is not in full compliance with the NARUC requirement. Specifically, the Utility's records are maintained on a cash basis during the year by the Utility's office manager. At the end of the year, the Utility's outside accountant changes the general ledger to an accrual basis through a series of journal entry adjustments. The differences between a cash basis and accrual basis of accounting, and the fact that the test year did not

equate to a calendar year, complicated our audit staff's effort to adapt the information from the Utility's accounting system for this proceeding. In order to use the Utility's records for ratemaking purposes, our audit staff was required to convert half of the Utility's test year accounting records from a cash basis to an accrual basis, considerably increasing our audit staff's work.

Although it is acceptable for the Utility to continue to maintain its records on a cash basis for other purposes, such as income taxes, the Utility must take steps to establish monthly records using the accrual basis in order to comply with the NARUC USOA. Based on a cursory review of the supplemental data, it appears that the Utility may have already taken steps to convert its records to an accrual basis.

To ensure that the Utility adjusts its books in accordance with the Commission's decision, Crooked Lake shall provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made. In addition, the Utility shall be required to establish and maintain its records using the accrual basis.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Crooked Lake Park Sewerage Company's application for an increase in rates and charges is hereby approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order are hereby approved in every respect. It is further

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

ORDERED that the appropriate average test year rate base for Crooked Lake is \$107,269. It is further

ORDERED that the appropriate return on equity (ROE) is 11.16 percent with a range of 10.16 percent to 12.16 percent. The appropriate overall rate of return is 9.94 percent. It is further

ORDERED that the appropriate test year revenues for Crooked Lake are \$143,300. It is further

ORDERED that the appropriate amount of operating expenses for the Utility is \$139,972. It is further

ORDERED that the appropriate Phase I revenue requirement \$150,634, resulting in an annual increase of \$7,334 (5.12 percent). It is further

ORDERED that subject to the conditions set forth in the body of this Order the recommended rate structures and monthly wastewater rates are shown on Schedule Nos. 4-A and 4-B, respectively are hereby approved. It is further

ORDERED that the appropriate Phase II revenue requirement is associated with pro forma items and shall be \$221,638 which equates to a 47.14 percent increase over the Phase I revenue requirement. The increase shall be applied as an across-the-board increase to the Phase I rates. It is further

ORDERED that Crooked Lake shall be required to complete the pro forma items within 12 months of the issuance of the consummating order. The Utility shall also be required to submit a copy of the final invoices and cancelled checks for all pro forma plant items. It is further

ORDERED that the appropriate initial customer deposit for the residential wastewater customers should be \$69. The initial customer deposits for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for wastewater. The approved customer deposits shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. The Utility shall be required to charge the approved charges until authorized to change them by the Commission in a subsequent proceeding. It is further

ORDERED that the Utility shall be required to provide proof within 90 days of the effective date of the final order that the commercial general liability insurance has been purchased. Also, the Utility shall be required to provide proof of continued payment of the commercial general liability insurance premiums prior to implementation of the Phase II rate increase. In the event that the Utility does not purchase the liability insurance and begin making regular payments, the Phase II rates shall be reduced to remove this expense. It is further

ORDERED that the Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates for Phase I and again for Phase II, respectively, as approved in the body of this Order. The approved rates shall be effective for services rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that for each Phase the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that subject to the conditions set forth in the body of this Order, following the expiration of the four-year rate case expense recovery period, wastewater rates shall be reduced as shown on Schedule No. 4-B, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. (Final Agency Action) It is further


ORDERED that, subject to the conditions set forth in the body of this Order, rates approved for Crooked Lake Park Sewerage Company are also approved on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than Crooked Lake Park Sewerage Company. (Final Agency Action) It is further

ORDERED that Crooked Lake Park Sewerage Company shall provide proof, within 90 days of the Final Order in this Docket, that the adjustments for all applicable NARUC USOA primary accounts have been made. It is further

ORDERED that 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, F.A.C., is received by the Office of 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, if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order shall be issued. The shall docket remain open for 1) our staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, 2) that the Utility has provided our staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made, 3) our staff's verification that commercial general liability insurance coverage has been established and payments have begun, Phase II pro forma items have been completed, and the Phase II rates properly implemented. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 26th day of March, 2015.



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

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

TLT

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 that is available under Section 120.57, 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 will be granted or result in the relief sought.

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.

Except as identified in the body of this Order as a Final Agency Action, and reflected in corresponding ordering paragraphs, our action proposed herein 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 16, 2015.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) 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, identified as a Final Agency Action and reflected in the corresponding ordering paragraphs, 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.

CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 1-A	
TEST YEAR ENDED 06/30/13		DOCKET NO. 130178-SU	
SCHEDULE OF WASTEWATER RATE BASE (PHASE I)			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$452,262	(\$98,387)	\$353,875
2. LAND & LAND RIGHTS	6,197	0	6,197
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(127,636)	(300)	(127,936)
5. ACCUMULATED DEPRECIATION	(260,657)	(6,471)	(267,128)
6. AMORTIZATION OF CIAC	117,782	10,154	127,936
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>14,325</u>	<u>14,325</u>
8. WASTEWATER RATE BASE	<u>\$187,948</u>	<u>(\$80,679)</u>	<u>\$107,269</u>

CROOKED LAKE PARK SEWERAGE COMPANY
TEST YEAR ENDED 06/30/13
ADJUSTMENTS TO RATE BASE (PHASE I)

SCHEDULE NO. 1-B
DOCKET NO. 130178-SU
PAGE 1 of 2

UTILITY PLANT IN SERVICE

1.	To restore 2006 SARC averaging adjustment.	\$3,616
2.	To remove unsupported plant additions and retirements from 1/1/06 - 6/30/12.	(3,872)
3.	To remove an inappropriate acquisition adjustment for 7/1/12 - 6/30/13.	(77,500)
4.	To reflect 2012 plant addition of lift station pump to Acct. No. 370.	2,618
5.	To record 2012 retirement of lift station pump to Acct. No. 370.	(1,964)
6.	To reflect 2012 actual cost of new truck to Acct. No. 391.	(362)
7.	To reflect 2012 retirement of truck owned by prior utility owner to Acct. No. 391.	(24,984)
8.	To reclassify 2013 fence repairs from Acct. No. 736 to Acct. No. 354.	2,385
9.	To record 2013 fence retirement to Acct. No. 354.	(1,789)
10.	To reclassify 2013 WWTP lift station shed & pump roof repairs from expense Acct. No. 736 to Acct. No. 354.	1,991
11.	To record 2013 WWTP lift station shed & pump roof retirements to Acct. No. 354.	(1,493)
12.	To reclassify 2013 raising of lift station concrete pad from expense Acct. No. 736 to Acct. No. 360 (there are no retirements associated with this repair).	225
13.	To reclassify 2013 pump repairs from Acct. No. 736 to Acct. No. 370.	7,244
14.	To record 2013 pump retirement to Acct. No. 370.	(5,433)
15.	To reclassify 2013 chlorine pump repairs from Acct. No. 736 to Acct. No. 380.	780
16.	To record 2013 chlorine pump retirement to Acct. No. 380.	(585)
17.	To reclassify 2013 clarifier gear box repair from Acct. No. 736 to Acct. 380.	1,326
18.	To record 2013 clarifier gear box retirement to Acct. 380.	(995)
19.	To reflect pro forma 2014 collection system repairs to Acct. No. 360.	5,709
20.	To reflect pro forma 2014 collection system repair retirements to Acct. No. 360.	(4,282)
21.	To reflect pro forma 2014 blower motor replacement to Acct. No. 380.	1,094
22.	To reflect pro forma 2014 blower motor replacement retirement to Acct. No. 380.	(820)
23.	To reflect an averaging adjustment.	<u>(1,296)</u>
	Total	<u>(\$98,387)</u>

CIAC

	To restore 2006 SARC averaging adjustment.	<u>(\$300)</u>
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CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 1-B
TEST YEAR ENDED 06/30/13		DOCKET NO. 130178-SU
ADJUSTMENTS TO RATE BASE (PHASE I)		PAGE 2 of 2
<u>ACCUMULATED DEPRECIATION</u>		
1.	To restore 2006 SARC averaging adjustment.	\$3,529
2.	To reflect accumulated depreciation per Rule 25-30.140, F.A.C.	3,838
3.	To reflect an averaging adjustment.	<u>(13,838)</u>
	Total	<u>(\$6,471)</u>
<u>AMORTIZATION OF CIAC</u>		
1.	To restore 2006 SARC averaging adjustment.	\$460
2.	To reflect amortization of CIAC based on composite rates.	<u>9,694</u>
	Total	<u>\$10,154</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
	To reflect 1/8 of test year O & M expenses.	<u>\$14,325</u>

CROOKED LAKE PARK SEWERAGE COMPANY							SCHEDULE NO. 2		
TEST YEAR ENDED 06/30/13							DOCKET NO. 130178-SU		
SCHEDULE OF CAPITAL STRUCTURE (PHASE I)									
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST	
1. COMMON STOCK	\$3,000	\$0	\$3,000						
2. RETAINED EARNINGS	(49,430)	0	(49,430)						
3. PAID IN CAPITAL	125,520	0	125,520						
4. OTHER COMMON EQUITY	<u>0</u>	<u>0</u>	<u>0</u>						
TOTAL COMMON EQUITY	\$79,090	\$0	\$79,090	(\$44,115)	\$34,975	32.61%	11.16%	3.64%	
5. LONG-TERM DEBT	\$141,249	\$22,230	\$163,479	(\$91,185)	\$72,294	67.39%	9.35%	6.30%	
6. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%	
7. PREFERRED STOCK	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	0.00%	
TOTAL DEBT	\$141,249	\$22,230	\$163,479	(\$91,185)	\$72,294	67.39%			
8. CUSTOMER DEPOSITS	<u>\$0</u>	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	2.00%	<u>0.00%</u>	
9. TOTAL	<u>\$220,339</u>	<u>\$22,230</u>	<u>\$242,569</u>	<u>(\$135,300)</u>	<u>\$107,269</u>	<u>100.00%</u>		<u>9.94%</u>	
RANGE OF REASONABLENESS						LOW	HIGH		
RETURN ON EQUITY						<u>10.16%</u>	<u>12.16%</u>		
OVERALL RATE OF RETURN						<u>9.62%</u>	<u>10.27%</u>		

CROOKED LAKE PARK SEWERAGE COMPANY			SCHEDULE NO. 3-A		
TEST YEAR ENDED 06/30/13			DOCKET NO. 130178-SU		
SCHEDULE OF WASTEWATER OPERATING INCOME (PHASE I)					
	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$117,975</u>	<u>\$25,325</u>	<u>\$143,300</u>	<u>\$7,334</u> 5.12%	<u>\$150,634</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$132,836	(\$18,237)	\$114,598	\$0	\$114,598
3. DEPRECIATION (NET)	13,730	(834)	12,896	0	12,896
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	4,315	7,832	12,147	330	12,477
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$150,881</u>	<u>(\$11,239)</u>	<u>\$139,642</u>	<u>\$330</u>	<u>\$139,972</u>
8. OPERATING INCOME/(LOSS)	<u>(\$32,906)</u>		<u>\$3,658</u>		<u>\$10,663</u>
9. WASTEWATER RATE BASE	<u>\$187,948</u>		<u>\$107,269</u>		<u>\$107,269</u>
10. RATE OF RETURN	<u>(17.51%)</u>		<u>3.41%</u>		<u>9.94%</u>

CROOKED LAKE PARK SEWERAGE COMPANY TEST YEAR ENDED 06/30/13 ADJUSTMENTS TO OPERATING INCOME (PHASE I)		SCHEDULE NO. 3-B DOCKET NO. 130178-SU PAGE 1 of 3
OPERATING REVENUES		
1.	To reflect the appropriate test year service revenues.	<u>\$25,325</u>
OPERATION AND MAINTENANCE EXPENSES		
1.	Salaries and Wages - Employees (701) a. To annualize office manager and maintenance employees' salaries.	<u>\$6,415</u>
2.	Employee Pensions and Benefits (704) a. To reflect office manager and maintenance employees' benefits.	<u>\$1,895</u>
3.	Sludge Removal Expense (711) a. To reflect annual sludge removal expense.	<u>\$7,862</u>
4.	Purchased Power (715) a. To reflect appropriate purchased power expense.	<u>\$132</u>
5.	Chemicals (718) a. To remove unsupported chemicals expense. b. To remove affiliate surcharge. c. To reflect annual chemicals expense. Subtotal	 (\$610) (62) (402) <u>(\$1,074)</u>
6.	Materials and Supplies (720) a. To remove affiliate surcharge.	<u>(\$70)</u>
7.	Contractual Services - Billing (730) a. To reflect appropriate annual billing expense.	<u>\$1,152</u>
8.	Contractual Services - Professional (731) a. To reflect annual accounting services expense. b. To reflect 5-year amortization of non-recurring accounting services. c. To reflect pro forma 5-year amortization of non-recurring legal services. Subtotal	 \$5,920 20 998 <u>\$6,938</u>
9.	Contractual Services - Other (736) a. To reverse an unsupported adjusting journal entry to reclassify 2013 capital improvements. b. To remove unsupported contractual services expense. c. To remove non-utility contractual services repairs. d. To reclassify and capitalize fence repairs to Acct. No. 354. e. To reclassify and capitalize roof repairs to Acct. No. 354. f. To reclassify and capitalize raising lift station concrete pad to Acct. No. 360. g. To reclassify and capitalize lift station pump repairs to Acct. No. 370. h. To reclassify and capitalize chlorine pump repairs to Acct. No. 380. i. To reclassify and capitalize clarifier gear box repair to Acct. No. 380.	 \$35,151 (5,941) (197) (2,385) (1,991) (225) (7,244) (780) (1,326)

CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 3-B
TEST YEAR ENDED 06/30/13		DOCKET NO. 130178-SU
ADJUSTMENTS TO OPERATING INCOME (PHASE I)		PAGE 2 of 3
Contractual Services - Other (736) - Continued		
j.	To reflect appropriate contract operator expense.	(4,023)
k.	To reflect appropriate testing expense.	(653)
l.	To remove contractual maintenance expenses included in maintenance position.	(384)
m.	To reflect 5-year amortization of non-recurring contractual service expenses.	(19,607)
n.	To reflect annualized contractual percolation pond maintenance expense.	900
o.	To reflect annualized quarterly blower maintenance expense.	580
p.	To reflect pro forma annual grounds maintenance expense.	2,100
q.	To reflect pro forma annual WWTP chlorine maintenance expense.	82
r.	To reflect pro forma 5-year amortization of smoke test and repairs.	85
s.	To remove affiliate surcharge.	(65)
	Subtotal	<u>(\$5,922)</u>
10.	Transportation Expense (750)	
a.	To remove four adjusting journal entries for 2012.	(\$1,122)
b.	To remove unsupported transportation expense.	(3,250)
c.	To reflect pro forma vehicle fuel expense.	2,400
	Subtotal	<u>(\$1,972)</u>
11.	Insurance Expenses (755)	
a.	To reflect appropriate insurance expense.	<u>(\$4,583)</u>
12.	Regulatory Commission Expense (765)	
a.	To remove 2012 RAF payment.	(\$6,132)
b.	To reflect 5-year amortization of certificate filing fee (\$750/5).	150
c.	To reflect 4-year amortization of rate case expense (\$2,484/4).	621
	Subtotal	<u>(\$5,361)</u>
13.	Bad Debt Expense (770)	
a.	To reflect appropriate bad debt expense.	<u>(\$19,056)</u>
14.	Miscellaneous Expense (775)	
a.	To reflect 5-year amortization of pro forma WWTP application fee.	(\$4,240)
b.	To remove non-utility expense of prior owner.	(543)
c.	To remove affiliate surcharge.	(32)
d.	To reflect annualized FRWA membership dues.	15
e.	To reflect pro forma annual business license fee.	58
f.	To reflect pro forma annual Florida Dept. of State Annual Report fee.	150
	Subtotal	<u>(\$4,592)</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS		<u>(\$18,236)</u>

CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 3-B
TEST YEAR ENDED 06/30/13		DOCKET NO. 130178-SU
ADJUSTMENTS TO OPERATING INCOME (PHASE I)		PAGE 3 of 3
DEPRECIATION EXPENSE		
1.	To reflect test year depreciation calculated per 25-30.140, F.A.C.	(\$1,828)
2.	To reflect the appropriate amortization of CIAC.	<u>994</u>
	Total	<u>(\$834)</u>
TAXES OTHER THAN INCOME		
1.	To reflect the appropriate test year RAFs.	\$6,449
2.	To reflect appropriate test year utility property taxes.	(1,565)
3.	To reflect appropriate payroll taxes.	<u>2,949</u>
	Total	<u>\$7,832</u>

CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 3-C	
TEST YEAR ENDED 06/30/13		DOCKET NO. 130178-SU	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE (PHASE I)			
	TOTAL PER UTILITY*	COMMISSION ADJUST- MENTS	TOTAL PER COMMISSION
(701) SALARIES AND WAGES - EMPLOYEES	\$19,741	\$6,415	\$26,156
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	1,895	1,895
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	2,220	7,862	10,082
(715) PURCHASED POWER	8,935	132	9,067
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	4,793	(1,074)	3,719
(720) MATERIALS AND SUPPLIES	2,252	(70)	2,182
(730) CONTRACTUAL SERVICES - BILLING	5,757	1,152	6,909
(731) CONTRACTUAL SERVICES - PROFESSIONAL	630	6,938	7,568
(735) CONTRACTUAL SERVICES - TESTING	0	0	0
(736) CONTRACTUAL SERVICES - OTHER	32,764	(5,922)	26,842
(740) RENTS	0	0	0
(750) TRANSPORTATION EXPENSE	5,475	(1,972)	3,503
(755) INSURANCE EXPENSE	14,747	(4,583)	10,164
(765) REGULATORY COMMISSION EXPENSES	6,132	(5,361)	771
(770) BAD DEBT EXPENSE	22,710	(19,056)	3,654
(775) MISCELLANEOUS EXPENSES	<u>6,679</u>	<u>(4,592)</u>	<u>2,087</u>
	<u>\$132,836</u>	<u>(\$18,237)</u>	<u>\$114,598</u>

CROOKED LAKE SEWERAGE COMPANY		SCHEDULE NO. 4-A	
TEST YEAR ENDED 6/30/13		DOCKET NO. 130178-SU	
COMMISSION APPROVED AND ALTERNATIVE WASTEWATER RATE STRUCTURES AND RATES			
Test Year Rate Structure and Rates		Approved Rate Structure and Rates	
Monthly BFC/uniform kgals charge BFC generated from current rates = 52%		Monthly BFC/uniform kgals charge BFC = 50%	
BFC	\$15.46	BFC	\$14.83
per 1 kgal	\$3.06	per 1 kgal	\$4.09
(8 kgal cap)		(6 kgal cap)	
Typical Monthly Bills		Typical Monthly Bills	
Consumption (kgals)		Consumption (kgals)	
0	\$15.46	0	\$14.83
1	\$18.52	1	\$18.92
2	\$21.58	2	\$23.01
3	\$24.64	3	\$27.10
4	\$27.70	4	\$31.19
5	\$30.76	5	\$35.28
6	\$33.82	6	\$39.37
8	\$39.94	8	\$39.37
Alternative 1 Rate Structure and Rates		Alternative 2 Rate Structure and Rates	
Monthly BFC/uniform kgals charge BFC = 55%		Monthly BFC/uniform kgals charge BFC =50%	
BFC	\$16.32	BFC	\$14.83
per 1 kgal	\$3.68	per 1 kgal	\$3.91
(6 kgal cap)		(8 kgal cap)	
Typical Monthly Bills		Typical Monthly Bills	
Consumption (kgals)		Consumption (kgals)	
0	\$16.32	0	\$14.83
1	\$20.00	1	\$18.74
2	\$23.68	2	\$22.65
3	\$27.36	3	\$26.56
4	\$31.04	4	\$30.47
5	\$34.72	5	\$34.38
6	\$38.40	6	\$38.29
8	\$38.40	8	\$46.11

CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 4-B	
TEST YEAR ENDED JUNE 30, 2013		DOCKET NO. 130178-SU	
MONTHLY WASTEWATER RATES (PHASE I)			
	UTILITY CURRENT RATES	COMMISSION APPROVED RATES	4 YEAR RATE REDUCTION
<u>Residential Service</u>			
Base Facility Charge for All Meter Sizes	\$15.46	\$14.83	\$0.07
Charge per 1,000 gallons - Residential			
8,000 gallon cap	\$3.06		
6,000 gallon cap		\$4.09	\$0.02
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$15.46	\$14.83	\$0.07
3/4"	\$23.19	\$22.25	\$0.10
1"	\$38.65	\$37.08	\$0.16
1-1/2"	\$77.30	\$74.15	\$0.33
2"	\$123.68	\$118.64	\$0.52
3"	\$247.36	\$237.28	\$1.04
4"	\$386.50	\$370.75	\$1.63
6"	\$773.00	\$741.50	\$3.26
Charge per 1,000 gallons - General Service	\$3.67	\$4.90	\$0.02
<u>Bulk Service</u>			
College Park	\$1,546.00	\$1,483.00*	\$6.53
Charge per 1,000 gallons - Bulk			
800,000 gallon cap	\$3.06		
600,000 gallon cap		\$4.09	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$24.64	\$27.10	
6,000 Gallons	\$33.82	\$39.37	
8,000 Gallons	\$39.94	\$39.37	
*The approved BFC is based on 100 ERCs			

CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 5-A	
TEST YEAR ENDED 06/30/13		DOCKET NO. 130178-SU	
SCHEDULE OF WASTEWATER RATE BASE (PHASE II)			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$353,875	\$426,530	\$780,405
2. LAND & LAND RIGHTS	6,197	0	6,197
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(127,936)	0	(127,936)
5. ACCUMULATED DEPRECIATION	(267,128)	35,036	(232,092)
6. AMORTIZATION OF CIAC	127,936	0	127,936
7. WORKING CAPITAL ALLOWANCE	<u>14,325</u>	<u>0</u>	<u>14,325</u>
8. WASTEWATER RATE BASE	<u>\$107,269</u>	<u>\$461,566</u>	<u>\$568,835</u>

CROOKED LAKE PARK SEWERAGE COMPANY
TEST YEAR ENDED 06/30/13
ADJUSTMENTS TO RATE BASE (PHASE II)

SCHEDULE NO. 5-B
DOCKET NO. 130178-SU

UTILITY PLANT IN SERVICE

1.	To reflect pro forma construction of surge tank, digester tank, and sludge bed to Acct. No. 380.	\$359,612
2.	To reflect pro forma collection system mapping and cleaning to Acct. No. 361.	50,000
3.	To reflect pro forma replacement of electrical control panel to Acct. No. 360.	6,050
4.	To reflect retirement of electrical control panel to Acct. No. 360.	(4,538)
5.	To reflect pro forma plant repair/replacement of force main to Acct. No. 360.	61,622
6.	To reflect retirement of force main to Acct. No. 360.	<u>(46,217)</u>
	Total	<u>\$426,530</u>

ACCUMULATED DEPRECIATION

1.	To reflect retirement of electrical control panel and force main.	\$50,754
2.	To reflect pro forma accumulated depreciation per Rule 25-30.140, F.A.C.	<u>(15,718)</u>
	Total	<u>\$35,036</u>

CROOKED LAKE PARK SEWERAGE COMPANY							SCHEDULE NO. 6		
TEST YEAR ENDED 06/30/13							DOCKET NO. 130178-SU		
SCHEDULE OF CAPITAL STRUCTURE (PHASE II)									
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST	
1. COMMON STOCK	\$3,000	\$0	\$3,000						
2. RETAINED EARNINGS	(49,430)	0	(49,430)						
3. PAID IN CAPITAL	125,520	0	125,520						
4. OTHER COMMON EQUITY	<u>0</u>	<u>0</u>	<u>0</u>						
TOTAL COMMON EQUITY	\$79,090	\$0	\$79,090	(\$16,592)	\$62,498	10.99%	11.16%	1.23%	
5. LONG-TERM DEBT	\$163,479	\$477,284	\$640,763	(\$134,426)	\$506,337	89.01%	9.84%	8.75%	
6. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%	
7. PREFERRED STOCK	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	0.00%	
TOTAL DEBT	\$163,479	\$477,284	\$640,763	(\$134,426)	\$506,337	89.01%			
8. CUSTOMER DEPOSITS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	2.00%	<u>0.00%</u>	
9. TOTAL	<u>\$242,569</u>	<u>\$477,284</u>	<u>\$719,853</u>	<u>(\$151,018)</u>	<u>\$568,835</u>	<u>100.00%</u>		<u>9.98%</u>	
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>		
RETURN ON EQUITY						<u>10.16%</u>	<u>12.16%</u>		
OVERALL RATE OF RETURN						<u>9.87%</u>	<u>10.09%</u>		

CROOKED LAKE PARK SEWERAGE COMPANY
TEST YEAR ENDED 06/30/13
SCHEDULE OF WASTEWATER OPERATING INCOME (PHASE II)

	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$150,634</u>	\$0	<u>\$150,634</u>	<u>\$71,004</u> 47.14%	<u>\$221,638</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	<u>\$114,598</u>	0	<u>\$114,598</u>	\$0	<u>\$114,598</u>
3. DEPRECIATION (NET)	<u>12,896</u>	15,718	<u>28,614</u>	0	<u>28,614</u>
4. AMORTIZATION	<u>0</u>	0	<u>0</u>	0	<u>0</u>
5. TAXES OTHER THAN INCOME	<u>12,477</u>	5,984	<u>18,461</u>	<u>3,195</u>	<u>21,656</u>
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$139,973</u>	<u>\$21,701</u>	<u>\$161,674</u>	<u>\$3,195</u>	<u>\$164,869</u>
8. OPERATING INCOME/(LOSS)	<u>\$10,662</u>		<u>(\$11,039)</u>		<u>\$56,770</u>
9. WASTEWATER RATE BASE	<u>\$107,269</u>		<u>\$568,835</u>		<u>\$568,835</u>
10. RATE OF RETURN	<u>9.94%</u>		<u>(1.94%)</u>		<u>9.98%</u>

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CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 7-B
TEST YEAR ENDED 06/30/13		DOCKET NO. 130178-SU
ADJUSTMENTS TO OPERATING INCOME (PHASE II)		
DEPRECIATION EXPENSE		
To reflect pro forma depreciation calculated per 25-30.140, F.A.C.		<u>\$15,718</u>
TAXES OTHER THAN INCOME		
To reflect pro forma utility property taxes.		<u>\$5,984</u>

CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 7-C	
TEST YEAR ENDED 06/30/13		DOCKET NO. 130178-SU	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE (PHASE II)			
	TOTAL PER UTILITY	COMMISSION ADJUST- MENTS	TOTAL PER COMMISSION
(701) SALARIES AND WAGES - EMPLOYEES	\$26,156	\$0	\$26,156
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	1,895	0	1,895
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	10,082	0	10,082
(715) PURCHASED POWER	9,067	0	9,067
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	3,719	0	3,719
(720) MATERIALS AND SUPPLIES	2,182	0	2,182
(730) CONTRACTUAL SERVICES - BILLING	6,909	0	6,909
(731) CONTRACTUAL SERVICES - PROFESSIONAL	7,568	0	7,568
(735) CONTRACTUAL SERVICES - TESTING	0	0	0
(736) CONTRACTUAL SERVICES - OTHER	26,842	0	26,842
(740) RENTS	0	0	0
(750) TRANSPORTATION EXPENSE	3,503	0	3,503
(755) INSURANCE EXPENSE	10,164	0	10,164
(765) REGULATORY COMMISSION EXPENSES	771	0	771
(770) BAD DEBT EXPENSE	3,654	0	3,654
(775) MISCELLANEOUS EXPENSES	<u>2,087</u>	0	<u>2,087</u>
	<u>\$114,598</u>	<u>\$0</u>	<u>\$114,598</u>

CROOKED LAKE SEWERAGE COMPANY		SCHEDULE NO. 8	
TEST YEAR ENDED JUNE 13, 2013		DOCKET NO. 130178-SU	
MONTHLY WASTEWATER RATES (PHASE II)			
	COMMISSION APPROVED PHASE I RATES	COMMISSION APPROVED PHASE II RATES	
<u>Residential Service</u>			
Base Facility Charge for All Meter Sizes	\$14.83	\$21.82	
Charge per 1,000 gallons- Residential 6,000 gallon cap	\$4.09	\$6.01	
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$14.83	\$21.82	
3/4"	\$22.25	\$32.73	
1"	\$37.08	\$54.55	
1-1/2"	\$74.15	\$109.10	
2"	\$118.64	\$174.56	
3"	\$237.28	\$349.12	
4"	\$370.75	\$545.50	
6"	\$741.50	\$1,091.00	
Charge per 1,000 Gallons -General Service	\$4.90	\$7.21	
<u>Bulk Service</u>			
College Park (100 ERCs)	\$1,483.00	\$2,182.00	
Charge per 1,000 gallons - Bulk 600,000 gallon cap	\$4.09	\$6.01	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$27.10	\$39.85	
6,000 Gallons	\$39.37	\$57.88	
8,000 Gallons	\$39.37	\$57.88	