

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Glades and Highlands Counties by Silver Lake Utilities, Inc.	DOCKET NO. 150149-WS ORDER NO. PSC-16-0370-PAA-WS ISSUED: September 14, 2016
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The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION ORDER
APPROVING RATE INCREASE FOR SILVER LAKE UTILITIES, INC.
AND
FINAL ORDER ON RECOVERY OF RATE CASE EXPENSES,
TEMPORARY RATES AND ACCOUNTING ADJUSTMENTS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the action discussed herein, except for the granting of temporary rates in the event of protest, the four year rate reduction, and proof of adjustment of books and records, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.). The granting of temporary rates in the event of a protest, the four year rate reduction, and the proof of adjustment of books and records are final agency actions and subject to reconsideration and appeal as described below under the heading, "NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW."

BACKGROUND

Silver Lake Utilities, Inc. (Silver Lake or Utility) is a Class C utility¹ providing water service to approximately 39 residential and 23 general service customers. Silver Lake and the majority of the property in the Utility's service territory are owned by Lykes Bros, Inc.² Thus, Silver Lake primarily serves related parties.

¹ Section 367.021(12), F.S., defines "Utility" as "a water or wastewater utility and, except as provided Section 367.022, includes every person, lessee, trustee, or receiver owning, operating, managing, or controlling a system, or proposing construction of a system, who is providing, or proposes to provide, water or wastewater service to the public for compensation."

² Silver Lake is 100 percent owned by Lykes Bros. Inc.

Silver Lake is located in the South Florida Water Management District (SFWMD). Water rates were last established for Silver Lake in 2007 when it was certificated.³ Silver Lake had two amendments to its territory in 2008 and 2009, expanding water and wastewater service in Highlands County.⁴

On May 26, 2015, Silver Lake Utilities, Inc. filed an application for a Staff Assisted Rate Case (SARC) and the test year ending March 31, 2015, was selected for the instant case. According to Silver Lake's 2014 annual report, its total operating revenues for water was \$43,080, and reported a net loss of \$176,636.⁵

On January 1, 2016, our staff filed a preliminary recommendation (Staff Report) pending further review of this case. A customer meeting was subsequently held on February 11, 2016, at the Brighton Ranch Office in Okeechobee, Florida, to receive customer questions and comments concerning the Utility's rate case and quality of service. No customers attended the meeting.

On February 8, and April 11, 2016, the Office of Public Counsel (OPC) filed letters outlining its concerns with the Staff Report.

We have jurisdiction in this case pursuant to Chapter 367, Florida Statutes, (F.S.).

DECISION

Quality of Service

Pursuant to Rule 25-30.433(1), F.A.C., we must determine the overall quality of service provided by a utility in water and wastewater rate cases. In determining overall quality of service, we must evaluate three separate components of a utility's operations: (1) the quality of the utility's product; (2) the operating conditions of the utility's plant and facilities; and (3) the utility's attempt to address customer satisfaction. Rule 25-30.433, F.A.C., further provides that we consider sanitary surveys, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the county health department over the preceding three-year period. Input from DEP, health department officials, and customer comments or complaints is also considered. Additionally, Section 367.0812(1)(c), F.S., requires that we consider the extent to which the utility provides water service that meets secondary water quality standards as established by the DEP.

³ Order No. PSC-07-0983-PAA-WS, issued December 10, 2007, in Docket No. 060726-WU, *In re: Application for certificates to provide water and wastewater service in Glades County and water service in Highlands County by Silver Lake Utilities, Inc.*

⁴ Order No. PSC-08-0520-FOF-WU, issued August 12, 2008, in Docket No. 080213-WU, *In re: Application for amendment of Certificate 636-W to extend water service area in Highlands County by Silver Lake Utilities, Inc.*; and Order No. PSC-09-0086-FOF-SU, issued February 9, 2009, in Docket No. 080613-SU, *In re: Application for amendment of Certificate No. 546-S to extend certain areas in Highlands County by Silver Lake Utilities, Inc.*

⁵ Silver Lake Utilities, Inc. 2014 Annual Report filed April 28, 2015, <http://www.floridapsc.com/library/financials/WS907-DOCS/ANNUAL-REPORTS/WS907-14-AR.PDF>

Silver Lake's service area is located near Okeechobee, Florida, in Highlands and Glades Counties within the SFWMD. The Utility's water system provides finished water that is obtained from 26 systems with 28 wells.

Quality of Utility's Product

Our evaluation of Silver Lake's water quality consisted of a review of the Utility's compliance with the DEP primary and secondary drinking water standards and customer complaints regarding the water quality. Primary standards protect public health, while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. We also considered the Utility's compliance with local health departments.

Our review of the most recent chemical analyses for Silver Lake's systems that are regulated by the DEP (Brighton Ranch Office, Lake Placid, and Buckhorn Housing), indicated that all results complied with DEP standards. Additionally, Silver Lake is not currently under citation by the Highlands County or Glades County health departments.

No complaints regarding the quality of Silver Lake's product have been filed with this Commission. Our staff also requested complaints against the system filed with the DEP for the test year and four years prior. The DEP reported that it did not receive any complaints regarding the quality of Silver Lake's product during the period requested.

Based on our review, giving consideration to Silver Lake's current compliance with DEP and county health department standards, as well as the lack of customer complaints, we find the quality of Silver Lake's product to be considered satisfactory.

Operating Condition of the Utility's Plant and Facilities

Our evaluation of Silver Lake's facilities included a review of the Utility's compliance standards of operation as well as a site visit by our staff. A review of Silver Lake's most recent DEP sanitary survey reports, for Brighton Ranch Office, Lake Placid, and Buckhorn Housing, indicated that DEP found no deficiencies and that the system was in compliance with its rules and regulations. Currently, Silver Lake is not under citation by the Highlands County or Glades County health departments. Our staff did not identify any issues or concerns during the site visit of Silver Lake on February 11, 2016. Therefore, we find that the operating condition of Silver Lake's water treatment plants and facilities to be considered satisfactory.

The Utility's Attempt to Address Customer Satisfaction

We reviewed our complaint records from April 1, 2011, through July 12, 2016, and found no complaints. Our staff requested copies of complaints filed with Silver Lake during the test year and four years prior to the test year. Silver Lake responded that no complaints had been filed during the test year and four years prior to the test year.⁶ Our staff also requested

⁶ Document No. 05185-15, filed August 20, 2015.

complaints filed against the Utility with DEP for the test year and four years prior. DEP did not indicate it had received any complaints against Silver Lake during the time frame. A customer meeting was held in the Utility service territory on February 11, 2016. No customers attended the meeting, and no customers provided correspondence in this docket. Given that there have been no customer complaints during our period of review, we find that Silver Lake's attempt to address customer satisfaction to be considered satisfactory.

Conclusion

Based on reasons the outlined above, we find the overall quality of service provided by Silver Lake Utilities, Inc. to be satisfactory.

Excessive Unaccounted for Water (EUW)

Rule 25-30.4325, F.A.C., describes EUW as unaccounted for water in excess of 10 percent of the amount produced. When establishing the Rule, we recognized that some uses of water are readily measurable and others are not. Unaccounted for water is all water that is produced that is not sold, metered or accounted for in the records of the utility. The Rule provides that to determine whether adjustments to plant and operating expenses, such as purchased electrical power and chemical costs, are necessary, we will consider all relevant factors as to the reason for EUW, solutions implemented to correct the problem, or whether a proposed solution is economically feasible. The unaccounted for water is calculated by subtracting both the gallons used for other purposes, such as flushing, and the gallons sold to customers from the total gallons pumped for the test year.

The Monthly Operating Reports (MORs) that Silver Lake files with DEP, and the operational records Silver Lake provides for non-DEP systems, indicate an unaccounted for water value of 8 percent. Therefore, since there appears to be no EUW to be considered, we find that no adjustment shall be made to operating expenses for chemicals and purchased power due to EUW.

Used & Useful (U&U)

Silver Lake's water system is served by 28 total wells rated at a combined 856 gallons per minute (gpm). Water treatment varies by system based on quality of the groundwater. Water is treated by chlorination in 16 of the systems, by aeration in 5 of the systems, with a water softener in 3 of the systems, with a carbon filter in 3 of the systems, by ozone in 2 of the systems, and via reverse osmosis provided on the customer's side for 1 system. Eight of these systems are required to be permitted either by DEP or the SFWMD, and have a combined permitted capacity of 0.17 million gallons per day (MGD). There are no fire hydrants served by the systems. Analysis of the provided data indicates there has been no growth to the system in the past five years.

Water Treatment Plant (WTP) Used & Useful

The capacity of each WTP is separately rated. Pursuant to Rule 25-30.4325(4), F.A.C., a water treatment system with one well is 100 percent used and useful. Twenty-four of the 26 systems have one well each, and therefore, are considered 100 percent used and useful. In calculating the Firm Reliable Capacity (FRC) of a water system served by multiple wells, the pumping capacity of the wells, excluding the largest well for those systems with more than one well, is considered the FRC. The two systems with more than one well each are the Brighton Ranch Office WTP and the Brighton Grove Office WTP.

The U&U calculation for a WTP is $((\text{Max Day} - \text{EUW} + \text{Fire Flow} + \text{Growth})/\text{FRC})$. Brighton Ranch Office WTP has an FRC of 25 gpm based on the smallest well. The maximum daily usage for the test year was 4,300 gallons on April 28, 2014.⁷ It does not appear that there was a line break or unusual occurrence on that day. This results in a peak demand (Max Day) of 5.97 gpm $((4,300 / 1,440) * 2)$.⁸ There is no EUW and there is no Fire Flow. The Growth in connections appears to be zero. We find the resulting U&U calculation for Brighton Ranch Office is 23.9 percent $((5.97 + 0 + 0 + 0) / 25)$.

Silver Lake's Brighton Grove Office WTP has an FRC of 22 gpm based on the smallest well. The peak hour demand is calculated as 7.7 gpm.⁹ There is no EUW and there is no fire flow. The growth in connections appears to be zero. We find that the resulting U&U calculation for Brighton Grove Office is 35 percent $((7.7 + 0 + 0 + 0) / 22)$.

In its letter dated April 11, 2016, OPC submitted that it would be more appropriate to weigh the U&U percentages for these two systems based on their contribution to the Utility Plant in Service (UPIS) balance. We agree that a weighted average using UPIS contribution is a reasonable method for calculating U&U as it accounts for the investment associated with the individual plants. This methodology differs from that used in the Staff Report, which used a weighted average using ERC contribution and resulted in a U&U of 91 percent. We find that the 24 single-well systems, which are considered 100 percent U&U, combined with the Brighton Ranch Office U&U and the Brighton Grove Office U&U, produces an overall value of 75.62 percent U&U for water treatment plant.¹⁰ The calculation is shown in the Table below.

⁷ Document No. 05185-15, filed August 20, 2015.

⁸ See, Rule 25-30.4325(7)(a)(1), F.A.C., Water Treatment and Storage Used and Useful Calculations.

⁹ See, Rule 25-30.4325(7)(a)(2), F.A.C., Water Treatment and Storage Used and Useful Calculations (Peak hour demand, expressed in gallons per minute, shall be calculated as 1.1 gallons per minute per equivalent residential connection if the actual maximum day flow data is not available). This system is not regulated by DEP and thus daily flow data is not required to be kept and is unavailable.

¹⁰ Overall WTP U&U is calculated based on a weighted average which accounts for the relative size of each system (based on asset allocation, e.g. Brighton Ranch accounts for 23.2 percent of Silver Lake plant in service) and the U&U percentage for each system.

Summary of WTP U&U

System Name	U&U	UPIS Contribution*	UPIS U&U Contribution
Brighton Grove Office WTP	35.00%	\$105,265.80	\$36,843.03
Brighton Ranch Office WTP	23.90%	\$236,097.80	\$56,427.37
All other systems	100%	\$676,436.00	\$676,436.00
Overall Used and Useful	75.62%	\$1,017,800.00	\$769,706.40

Source: Plant accounts, net of depreciation, per audit.

Distribution System Used & Useful

There has been no growth in Silver Lake’s service area in the past five years and there are no plans for additional development in the immediate future. Therefore, we find that Silver Lake’s transmission and distribution lines are considered 100 percent U&U, pursuant to Rule 25-30.4325(4), F.A.C.

Conclusion

We find that Silver Lake’s WTP is 75.62 percent U&U and its distribution systems are 100 percent U&U.

Rate Base

In approving Silver Lake’s certificate applications, Order No. PSC-07-0983-PAA-WS¹¹ reflected the development of the Muse Village project into Silver Lake’s rate base. However, this project has not yet materialized. The test year ended March 31, 2015, was used for the instant case. A summary of each rate base component and adjustments are discussed below.

Utility Plant in Service (UPIS)

Silver Lake recorded UPIS of \$1,246,881. Our audit staff compiled all subsequent plant additions and retirements and our audit noted exceptions to the Utility’s UPIS balances. As a result, the following adjustments were made to UPIS. We decreased UPIS by \$57,525, to remove plant that is being held for future use associated with the Muse Village development. We increased UPIS by \$4,400, to capitalize two plant additions (\$1,805 + \$2,595) that were originally placed in Operation & Maintenance (O&M) expenses. We increased UPIS by \$2,694, to include pro forma plant additions made after the test year along with the appropriate retirements. We also decreased UPIS by \$3,547, to include an averaging adjustment. The result of our adjustments to UPIS is a net decrease of \$53,978. Therefore, we find the appropriate UPIS balance to be \$1,192,903.

¹¹ Order No. PSC-07-0983-PAA-WS, issued December 10, 2007, in Docket No. 060726-WS, *In re: Application for certificates to provide water and wastewater service in Glades County and water service in Highlands County by Silver Lake Utilities Inc.*

OPC raised concerns over Silver Lake's 2009 water treatment plant acquisitions, totaling \$644,747. In a May 27, 2016 response, Silver Lake explained that the Seminole Tribe of Florida once served two systems, the Brighton Ranch and the Brighton Grove. The Seminole Tribe of Florida decided to construct a new public water supply which drastically increased the costs to Silver Lake's parent company, Lykes, for water service to these areas. Other systems were acquired or constructed to expand Silver Lake territory, including one to "serve a new commercial/industrial facility in Palmdale." The 2009 acquisitions allowed Silver Lake to lower costs to all of these affected systems. Therefore, we find that the 2009 acquisitions made by Silver Lake were prudent.

Land & Land Rights

Silver Lake did not record a test year land value. Silver Lake does not own any land on which the plant operates and all land is used through land lease contracts with Lykes Bros., Inc. We approved the land lease contracts in the Utility's certificate docket by Order No. PSC-07-0983-PAA-WS.¹² We find that no adjustments to land balance are necessary, and the appropriate land balance is \$0.

Non-Used and Useful (non-U&U) Plant

As discussed in the U&U section above, we adjusted U&U. As a result of our adjustment, we increased non-U&U plant by \$184,555, and decreased non-U&U accumulated depreciation by \$78,414. Therefore, we find a net increase of \$106,141 to non-U&U plant.

Contributions In Aid of Construction (CIAC)

Silver Lake did not record a CIAC balance for the test year; however, it did include a CIAC account balance in its original certificate 2006 filing. This account includes all Transmission and Distribution lines. We increased CIAC by \$248,963, to include Transmission and Distribution lines, and find the appropriate CIAC balance to be \$248,963.

Accumulated Depreciation

Silver Lake recorded a test year accumulated depreciation balance of \$484,818. Silver Lake used the depreciation rates of a Class B utility because it expected to grow beyond that of a Class C, however the growth has yet to occur. Before the 2009 additions, Class B rates were being used, however, Class C rates would be applied to the new additions. Silver Lake and its accounting firm believed it would be easier to continue under Class B rates for all systems. In an email dated June 30, 2011, Silver Lake representative, Mr. Chris Shoemaker, stated that our staff deemed the Class B rates as acceptable. We find the use of Class B depreciation rates acceptable for Silver Lake rather than Class C depreciation rates.

¹² *Id.*

We recalculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C., and depreciation associated with plant additions and retirements. As a result, the following adjustments were made to accumulated depreciation. We increased accumulated depreciation by \$6,724, to reflect the appropriate accumulated depreciation. We also increased accumulated depreciation by \$639, to include pro forma plant and retirements associated with the pro forma items requested by Silver Lake. We decreased accumulated depreciation by \$19,938, for an averaging adjustment. The result of our total adjustments to accumulated depreciation is a net decrease of \$12,575. Therefore, we find the appropriate accumulated depreciation balance to be \$472,244.

Accumulated Amortization of CIAC

Silver Lake did not record accumulated amortization of CIAC. As stated above, we increased CIAC for the Utility. To account for this increase, we increased accumulated amortization of CIAC by \$134,852. Therefore, we find the appropriate accumulated amortization of CIAC balance to be \$134,852.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(2), F.A.C., we used the one-eighth of the O&M expense formula approach for calculating the working capital allowance. Applying this formula, we find the appropriate working capital allowance to be \$15,835 (based on O&M expense of \$126,684/8).

Rate Base Summary

For the reasons outlined above, we find that the appropriate average test year water rate base for Silver Lake is \$516,243. Water rate base is shown on Schedule No. 1-A attached hereto, and the related adjustments are shown on Schedule No. 1-B attached.

Rate of Return

Our audit demonstrated that Silver Lake's test year capital structure reflected common equity of \$370,892 and long-term debt of \$424,000. Silver Lake's capital structure has been reconciled with our approved rate base. We find the appropriate return on equity (ROE) for Silver Lake is 10.58 percent, based upon our approved leverage formula currently in effect.¹³ Therefore, we find the appropriate ROE for Silver Lake to be 10.58 percent, with a range of 9.58 percent to 11.58 percent. In addition, we find the appropriate overall rate of return for Silver Lake to be 6.54 percent. The approved ROE and overall rate of return are shown on Schedule No. 2 attached hereto.

¹³ Order No. PSC-16-0254-PAA-WS, issued June 29, 2016, in Docket No. 150006-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

Silver Lake recorded total test year revenues of \$43,397, which consists of only service revenues. During the test year, Silver Lake charged its citrus division the Utility's approved base facility charge for a 3" meter and \$0.91 per 1,000 gallons for raw water irrigation service. However, Silver Lake's tariff for raw water irrigation service is designed for bulk raw water service and includes a fixed base charge of \$5,500 based on a minimum demand of 500,000 gallons per month, in addition to the gallonage charge of \$0.91 per 1,000 gallons. The general service potable water rate includes a base facility charge based on meter size and a gallonage charge of \$3.79 per 1,000 gallons. In addition, we found a discrepancy in the amount of gallons billed and the amount of gallons sold in the billing analysis. We corrected Silver Lake's billing determinants and applied the rates that were in effect during the test year. As a result, we increased service revenues by \$3,765. As discussed in the Rates and Rate Structure section below, we find a new tariff charge for non-bulk raw water customers on a going-forward basis. Based on the above, we find the appropriate amount of test year revenues for Silver Lake's water system to be \$47,162.

Operating Expenses

Silver Lake recorded operating expense of \$201,343 for the test year ended March 31, 2015. After reviewing the test year O&M expenses, including invoices, canceled checks, and other supporting documentation, and we made several adjustments to the Utility's operating expenses as summarized below.

Operation and Maintenance Expenses

Purchased Water (610)

Silver Lake recorded Purchased Water expense of \$1,256, which is related to the royalties required in the land lease contracts. We increased this amount by \$108, to include an invoice from December of the test year. We find the appropriate Purchased Water expense to be \$1,364.

Purchased Power (615)

Silver Lake recorded Purchased Power expense of \$6,364. We increased this amount by \$47, to include an invoice not previously included, and also increased this account by \$96, to reclassify invoices from Account 618. Our total adjustments result in an increase of \$143 to Purchased Power expense. Therefore, we find the appropriate Purchased Power expense to be \$6,507.

Chemicals (618)

Silver Lake recorded Chemicals expense of \$2,326. We decreased this account by \$96, to remove invoices reclassified to Account 615, and decreased this account by \$107, to remove an invoice not supported. We also increased this account by \$113, to include an invoice not previously included. Our total adjustments result in a net decrease of \$90 to Chemicals expense. Therefore, we find the appropriate Chemicals expense to be \$2,236.

Materials and Supplies (620)

Silver Lake recorded Materials and Supplies expense of \$14,757. We decreased this account by \$1,805, to capitalize a plant addition into Account 331, and decreased this account by \$2,595, to capitalize a plant addition into Account 336. Our adjustments result in a decrease of \$4,400 to Materials and Supplies expense. Therefore, we find the appropriate Materials and Supplies expense to be \$10,357.

Contractual Services - Management (634)

Silver Lake recorded Contractual Services – Management expense of \$42,177, which includes both management expense and office support for the Utility’s operations. OPC disagreed with this account balance in its February 8, 2016 letter. Due to the physical size of the Silver Lake’s service territory (350,000 acres) and the remote locations of many of its facilities, we find this expense to be prudent and necessary in order to operate the Utility. Therefore, we find the appropriate Contractual Services – Management expense to be \$42,177.

Contractual Services - Testing (635)

Silver Lake recorded Contractual Services – Testing expense of \$6,346. We find this expense to be prudent due to the large number of wells Silver Lake maintains, and find the appropriate Contractual Services – Testing expense to be \$6,346.

Contractual Services - Other (636)

Silver Lake recorded Contractual Services – Other expense of \$37,177, which includes all contractual maintenance expenses for the Utility. OPC disagreed with this account balance in its February 8, 2015 letter. Due to the physical size of Silver Lake’s service territory (350,000 acres) and the remote locations of many of its facilities, we find this expense to be prudent and necessary in order to operate the Utility. We decreased this account by \$720, to amortize the non-recurring expense of \$900 over a five year period. We find the appropriate Contractual Services – Other expense to be \$36,457.

Rent of Buildings and Property (640)

Silver Lake recorded Rental of Buildings and Property expense of \$44,095, which includes the land lease contracts for twenty-five well sites and office space. OPC did not believe this expense was reasonable. By Order No. PSC-07-0983-FOF-WS,¹⁴ we approved the land lease contracts along with royalties in the Utility's revenue requirement. However, it is our practice to include either land lease contracts or royalties in a utility's revenue requirement, not both. In this matter, we find that only the royalties shall be approved for this account at this time. These adjustments result in a decrease of \$28,303. Therefore, we find the appropriate Rental of Buildings and Property expense to be \$15,792.

Regulatory Commission Expense (665)

Silver Lake recorded no Regulatory Commission expense for the test year. By Rule 25-30.0407, F.A.C., Silver Lake is required to mail notices of the customer meeting and notices of final rates in this case to its customers. For these notices, we estimated \$59 for postage, \$44 for printing, and \$6 for envelopes, for a total of \$109. Additionally, Silver Lake paid a \$1,000 rate case filing fee and received legal counsel from Mr. Martin Friedman throughout the course of this case. We included these legal fees, in the amount of \$9,051. Based on the above, we find a total rate case expense of \$10,160, which amortized over four years is \$2,540 annually. Therefore, we find the appropriate Regulatory Commission expense to \$2,540.

Miscellaneous Expense (675)

Silver Lake recorded Miscellaneous expense of \$2,908 for the test year. We do not find any adjustments are necessary to this account at this time, and find the appropriate Miscellaneous Expense to be \$2,908.

O&M Expenses Summary

Based on the adjustments outlined above, we find the appropriate O&M expenses for Silver Lake to be \$126,684. The adjustments to O&M expense are shown on Schedule No. 3-A, attached hereto.

Depreciation Expense (Net of Amortization of CIAC)

Silver Lake recorded Depreciation expense during the test year of \$40,778. We recalculated Depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and, as a result, decreased Depreciation expense by \$130, to reflect the appropriate Depreciation expense. Also, we decreased Depreciation expense by \$7,242, to reflect the non-U&U portion of Depreciation expense. Our total adjustments to Depreciation expense result in a decrease of \$7,372. Therefore, we find the appropriate Depreciation expense to be \$33,406.

¹⁴ Order No. 07-0717-FOF-WS, issued September 7, 2007, in Docket No. 060726-WS, *In re: Application for certificates to provide water and wastewater service in Glades County and water service in Highlands County by Silver Lake Utilities, Inc.*

Taxes Other Than Income (TOTI)

Silver Lake recorded a TOTI balance of \$3,159. We increased TOTI by \$1,109, to reflect the appropriate test year property taxes. We also increased TOTI by \$143, to reflect the appropriate Regulatory Assessment Fees. We increased TOTI by \$41, to include the property tax for the new pro forma plant addition. Lastly, we decreased TOTI by \$171 to reflect the non-U&U portion of TOTI. Our total adjustments result in an increase of \$1,122.

In addition, as discussed in the Revenue Requirement Section below, we increased revenues by \$158,085, to reflect the change in revenue required to cover expenses and allow the recommended return on investment. As a result, we increased TOTI by \$7,114 to reflect RAFs of 4.5 percent on the change in revenues. Therefore, we find the appropriate TOTI to be \$11,395 (\$3,159 + \$1,122 + \$7,114).

Operating Expenses Summary

Applying all of our adjustments to Silver Lake's test year operating expenses, we find a total operating expense of \$171,484 for Silver Lake. The Utility's operating expenses are shown on Schedule No. 3-A, attached hereto, and the related adjustments are shown on Schedule Nos. 3-B and 3-C.

Revenue Requirement

We find Silver Lake shall be allowed an annual increase of \$158,085 (335.20 percent), which will allow the Utility the opportunity to recover its expenses and earn a 6.54 percent return on its water system. The calculation is shown in Table below.

Water Revenue Requirement

Adjusted Rate Base	\$516,243
Rate of Return	<u>x 6.54%</u>
Return on Rate Base	\$33,762
Adjusted O&M Expense	126,684
Depreciation Expense (Net)	33,406
Taxes Other Than Income	4,281
Test Year RAFs	<u>7,114</u>
Revenue Requirement	\$205,247
Less Adjusted Test Year Revenues	<u>47,162</u>
Annual Increase	<u>\$158,085</u>
Percent Increase	<u>335.20%</u>

As stated above, Silver Lake is owned by Lykes. Silver Lake currently serves 62 customers, all but one of which are affiliated with Lykes, and the Utility's customer bills are paid by the divisions of the parent company. The only customer not directly affiliated with Lykes is Brighton Baptist Church. In a response to a our staff's data request, filed March 1, 2016, Silver Lake stated, "the church pays their monthly bill and, upon receipt, Lykes makes a monthly donation to the church in the amount of the bill."

At our Agenda Conference on August 9, 2016, we voiced concerns regarding the impact on the Utility's customers if the parent company discontinued the practice of paying customer bills. Mr. Noah Handley, the director of Silver Lake, explained that it is a long-standing policy of Lykes to provide its employees with a housing benefit, which includes providing housing and water service at no charge. Mr. Handley stated that Lykes has no plans to change this policy. In addition, Lykes has no plans to discontinue its policy of making a monthly donation to Brighton Baptist Church in the amount of the Church's monthly water bill. Finally, Silver Lake stated that it would notify all customers and this Commission, in writing, at least 60 days prior to any change in the payment policy of the Utility's customer bills.

OPC voiced concerns about the level of revenues based on the amount of customers currently served by Silver Lake and the possibility of overearnings if the Utility expanded. As stated, Silver Lake planned a large development in its service area when it filed for its certificates in 2006. Since 2006, Silver Lake did not experience the anticipated large growth and all but one of its current customers is affiliated with its parent company. In response to our staff's data requests, Silver Lake stated that it does not plan to expand in the immediate future, as the Muse Village development is currently on hold. At our Agenda Conference on August 9, 2016, the Utility stated that, while the development is still anticipated, it will occur at a time and pace that it is deemed economically beneficial. In addition, Silver Lake stated that it would provide this Commission at least 60 day written notice prior to any land development. Any expansion or overearning concerns will be detected and addressed by this Commission when the Utility files its required annual reports.

Due to Silver Lake's current operating loss of \$150,210, and its agreement to provide customers and this Commission with notice prior to any change in the circumstances discussed above, we find that an increase will not negatively affect any ratepayers not affiliated with Lykes, and approve compensatory rates. Silver Lake shall provide its customers and this Commission with written notice at least 60 days prior to: (1) any utility or land expansion development plans within its service territory; or (2) any change in the payment policy of its customers' water bills.

Rates and Rate Structure

Silver Lake's service territory is located in the SFWMD. The majority of the property in the Utility's service territory is owned by Lykes Bros Inc. The property is used primarily for cattle ranching, citrus, timber, sugar cane production, and employee housing. Silver Lake provides water only service to 39 residential, 23 general service customers, as well as a raw water irrigation customer.

Our analysis of Silver Lake's billing data indicates that approximately 1 percent of the residential customer bills during the test year had zero gallons indicating a non-seasonal customer base. The average residential water demand is 5,378 gallons per month. Currently, the water system rate structure for residential customers consists of a base facility charge (BFC) and a two-tier inclining block rate structure. The rate blocks are: (1) 0-5,000 gallons and (2) all usage in excess of 5,000 gallons per month. General service customers are billed a BFC based on meter size and a uniform gallonage charge. Silver Lake's existing BFC generates approximately 47 percent of the Utility's water revenues. Silver Lake does not have an approved tariff for non-bulk raw water irrigation service. Silver Lake has tariffed rates for bulk raw water and bulk treated water, however, it does not have any current customers for these services.

We performed an analysis of Silver Lake's billing data in order to evaluate the appropriate rate structure for the residential water customers. The goal of the evaluation was to select the rate design parameters that: 1) produce the recommended revenue requirement; 2) equitably distribute cost recovery among the utility's customers; and 3) implement, where appropriate, water conserving rate structures consistent with Commission practice.

As discussed in Revenue Requirement section above, we approved a revenue requirement increase for Silver Lake of 335.20 percent. When there is such a significant increase in revenues, staff would typically recommend a repression adjustment. However, in this instance, the customers' bills are paid by the parent company of the Utility rather than the customers. Since the customers do not pay for their water service, there would be no pricing signals sent to the customers for conservation efforts. As a result, we find it appropriate to keep the existing rate structure for residential customers. However, should the Muse Village development proceed, additional customers be added to the Utility's system, or the Utility's parent company cease to pay customer bills, Silver Lake shall provide its customers and this Commission with at least 60 day written notice.

General service and irrigation rates are designed to include a BFC and uniform gallonage charge. The raw water irrigation service gallonage charge is designed to recognize the reduction in cost associated with chemicals and electricity. Silver Lake's existing rates for bulk treated and raw water services, which were approved in the original certificate docket, were designed based on dedicated facilities with minimum take or pay rates. As previously discussed, Silver Lake does not currently have bulk customers and those facilities have not been constructed. We find that the existing bulk potable and raw water service rate shall continue at this time. However, we will reevaluate the rates in any subsequent rate proceeding by Silver Lake.

Rates and Rate Structure Summary

For the reasons outlined above, we find that the existing water system rate structure for residential customers, which consists of a BFC and a two-tier inclining block rate structure, shall be continued. The rate blocks are: (1) 0-5,000 gallons and (2) all usage in excess of 5,000 gallons per month. We find that general service and raw water irrigation customers shall be billed based on a BFC and a uniform gallonage charge. We find that the raw water irrigation gallonage charge shall exclude the cost of chemicals and electricity. Finally, we find that the existing bulk potable and raw water rates shall be continued.

The approved rate structure and monthly water rates for Silver Lake Utilities, Inc. are shown on Schedule No. 4, attached hereto. Silver Lake shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets 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. Silver Lake shall provide proof of the date notice was given within 10 days of the date of the notice.

Service Availability Charges

Silver Lake's existing service availability charges were last established in Docket No. 060726-WS¹⁵. The main extension charge is \$4,406 per equivalent residential connection (ERC). The plant capacity charge for water is \$2,200 per ERC. Silver Lake also has approved bulk raw water and bulk treated water plant capacity charges of \$875 and \$3,750 per ERC, respectively.

Rule 25-30.580, F.A.C., establishes guidelines for designing service availability charges. Pursuant to the Rule, the maximum amount of contributions-in-aid-of construction (CIAC), net of amortization, should not exceed 75 percent of the total original cost, net of accumulated depreciation, of the Utility's facilities and plant when the facilities and plant are at their designed capacity. The minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution system at design capacity. We determined that Silver Lake's existing contribution level is 16 percent, however, Silver Lake's facilities are not at their design capacity. Therefore, we find that the existing service availability charges are sufficient within the guidelines of Rule 25-30.580, F.A.C., and shall remain unchanged at this time.

¹⁵ 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.*; and 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.*

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, we have set initial customer deposits equal to two times the average estimated bill.¹⁶ Currently, Silver Lake's initial water customer deposit is \$76 for 5/8" x 3/4" meter size and two times the average estimated bill for all other meters sizes. Based on the water rates approved herein, the appropriate initial customer deposit for water is \$340 for a residential customer with a 5/8" x 3/4" meter to reflect an average residential customer bill for two months.

Therefore, we find the appropriate initial water customer deposit shall be \$340 for the residential 5/8" x 3/4" meter size. 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 water service. The wastewater initial customer deposit shall remain unchanged. The approved customer deposits shall be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. Silver Lake is required to charge the approved charges until authorized to change them by this Commission in a subsequent proceeding.

4-Year Rate Reduction

Section 367.0816, F.S., requires that rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction shall reflect the removal of revenue associated with the amortization of rate case expense, the associated return in working capital, and the gross-up for RAFs. The total reduction for Silver Lake shall be \$2,682.

Silver Lake's water rates shall be reduced as shown on Schedule No. 4, attached hereto, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Silver Lake is required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If Silver 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.

¹⁶ 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.*; and 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.*

Temporary Rates

This Order approves an increase in water 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 Silver Lake, staff recommends that the recommended rates be approved as temporary rates. Silver Lake shall file revised tariff sheets and a proposed customer notice to reflect this Commission's 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 recommended rates collected by Silver Lake shall be subject to the refund provisions discussed below.

Silver Lake 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 should be in the form of a bond or letter of credit in the amount of \$125,618. Alternatively, Silver Lake could establish an escrow agreement with an independent financial institution.

If Silver Lake 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 Silver Lake 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.
- 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) The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement;
- 2) No monies in the escrow account may be withdrawn by the Utility without the express approval of the Commission Clerk, or his or her designee;
- 3) The escrow account shall be an interest bearing account;
- 4) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 5) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility;

- 6) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 7) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 8) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to *Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments; 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 Silver Lake, 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.

Silver Lake shall maintain a record of the amount of the security, 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., Silver Lake shall file reports with the Commission's Office of Commission Clerk, no later than the 20th day 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.

Adjustment of Books

Silver Lake is required to notify this Commission, in writing that it has adjusted its books in accordance with our decision. Silver Lake shall submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records. In the event Silver Lake needs additional time to complete the adjustments, it shall provide notice at least seven days prior to deadline. Upon providing good cause, our staff is given administrative authority to grant an extension of up to 60 days.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Silver Lake Utilities, Inc.'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 is hereby approved in every respect. It is further,

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

ORDERED that the overall quality of service provided by Silver Lake Utilities, Inc. is satisfactory. It is further,

ORDERED that Silver Lake Utilities, Inc.'s water treatment plant is 75.62 percent Used & Useful and its distribution system is 100 percent Used & Useful. It is further,

ORDERED that, since Silver Lake Utilities, Inc. reported no excessive unaccounted for water, no adjustment is made to Silver Lake Utilities, Inc.'s operating expenses for chemicals and purchased power. It is further,

ORDERED that the appropriate average test year rate base for Silver Lake Utilities, Inc. is \$516,243. It is further,

ORDERED that the appropriate return on equity for Silver Lake Utilities, Inc. 10.58 percent, with a range of 9.58 percent to 11.58 percent. The appropriate overall rate of return is 6.54 percent. It is further,

ORDERED that the appropriate test year revenues for Silver Lake Utilities, Inc.'s water system are \$47,162. It is further,

ORDERED that the appropriate amount of operating expenses for Silver Lake Utilities, Inc. is \$171,484. It is further,

ORDERED that the appropriate revenue requirement for Silver Lake Utilities, Inc. is \$205,247, resulting in an annual increase of \$158,085 (335.20 percent). It is further,

ORDERED that the approved rate structure and monthly water rates for Silver Lake Utilities, Inc. are shown on Schedule No. 4. Silver Lake Utilities, Inc. shall file revised tariff sheets and a proposed customer notice to reflect the approved rates shown on Schedule 4. The revised tariff sheets shall be approved upon our staff's verification that the tariff sheets are consistent with our decision herein. It is further,

ORDERED that Silver Lake Utilities, Inc.'s approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. It is further,

ORDERED that Silver Lake Utilities, Inc.'s approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers as forth in this Order. Silver Lake Utilities, Inc. shall provide documentation to this Commission that the notice was provided to its customers within 10 days of the date of the notice. It is further,

ORDERED that Silver Lake Utilities, Inc. shall provide its customers and this Commission with written notice at least 60 days prior to: (1) any utility or land development expansion plans within its service territory; or (2) any change in the payment policy of its customers' water bills. It is further,

ORDERED that the existing service availability charges for Silver Lake Utilities, Inc.'s water system are appropriate and remain unchanged. It is further,

ORDERED that the appropriate initial customer deposit for Silver Lake Utilities, Inc. is \$340 for the residential 5/8" x 3/4" meter size for water. The initial customer deposit for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for water. 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. Silver Lake Utilities, Inc. shall be required to charge the approved charges until this Commission authorizes it to change them in a subsequent proceeding. 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, Silver Lake Utilities, Inc.'s rates shall be reduced as shown on Schedule No. 4 attached hereto, to remove rate case expense grossed-up for Regulatory Assessment Fees and amortized over a four-year period. It is further,

ORDERED that Silver Lake Utilities, Inc. shall be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction, no later than one month prior to the actual date of the required rate reduction. It is further,

ORDERED that, if Silver Lake Utilities, Inc. files this reduction in conjunction with a price index or pass-through rate adjustment, it shall file separate data for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. It is further,

ORDERED that the approved rates shall be approved for Silver Lake Utilities, Inc. on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility, pursuant to Section 367.0814(7), F.S. Silver Lake Utilities, Inc. shall file revised tariff sheets and a proposed customer notice, reflecting the approved temporary rates. The approved temporary 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. It is further,

ORDERED that prior to implementation of any temporary rates, Silver Lake Utilities, Inc. shall provide appropriate security for the potential refund of \$125,618, as set out in the body of this Order. The temporary rates collected by Silver Lake Utilities, Inc. shall be subject to refund provisions outlined in this Order. Silver Lake Utilities, Inc. may collect the temporary rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. It is further,

ORDERED that, irrespective of the form of the security chosen by Silver Lake Utilities, Inc., the Utility shall maintain an account of all monies received as a result of the rate increase. It is further,

ORDERED that, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., Silver Lake Utilities, Inc. shall file reports with the Office of the Commission Clerk 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 shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further,

ORDERED that Silver Lake Utilities, Inc. is required to notify this Commission in writing, within 90 days of the effective date of the final order in this docket, that it has adjusted its books for all applicable NARUC USOA primary accounts. Our staff has administrative authority to grant Silver Lake Utilities, Inc. an extension, of up to 60 days, upon the Utility providing good cause, in writing, for additional time to complete the adjustments. It is further,

ORDERED that, except for the granting of temporary rates in the event of protest, the reduction for rate case expense, and the proof of adjustment of books, which are final agency action, 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 the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further,

ORDERED that, 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. This docket shall remain open for our staff to verify that: (i) the required revised tariff sheets and customer notices have been filed by Silver Lake Utilities, Inc. and approved by our staff; and (ii) Silver Lake Utilities, Inc. has adjusted its books for all the applicable NARUC USOA primary accounts as outlined in this Order. Once these actions are complete, this docket shall be closed administratively.

ORDER NO. PSC-16-0370-PAA-WS
DOCKET NO. 150149-WS
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By ORDER of the Florida Public Service Commission this 14th day of September, 2016.



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.

KFC

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.

As identified in the body of this order, the actions proposed herein are preliminary in nature, except the decisions regarding (1) the granting of temporary rates in the event of protest, (2) the reduction for rate case expense, and (3) the proof of adjustment to NARUC USOC accounts, which are final agency action. 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 October 5, 2016.

If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become 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 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.

SILVER LAKE UTILITIES, INC.		SCHEDULE NO. 1-A	
TEST YEAR ENDED 03/31/15		DOCKET NO. 150149-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$1,246,881	(\$53,978)	\$1,192,903
LAND & LAND RIGHTS	0	0	0
NON-USED AND USEFUL COMPONENTS	0	(106,141)	(106,141)
CIAC	0	(248,963)	(248,963)
ACCUMULATED DEPRECIATION	(484,818)	12,575	(472,244)
AMORTIZATION OF CIAC	0	134,852	134,852
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>15,835</u>	<u>15,835</u>
WATER RATE BASE	<u>\$762,063</u>	<u>(\$245,820)</u>	<u>\$516,243</u>

SILVER LAKE UTILITIES, INC.	SCHEDULE NO. 1-B
TEST YEAR ENDED 03/31/15	DOCKET NO. 150149-WS
ADJUSTMENTS TO RATE BASE	
	<u>WATER</u>
<u>UTILITY PLANT IN SERVICE</u>	
1. To remove plant being held for Muse Development.	(\$57,525)
2. To capitalize pumping equipment from Acct. 620.	1,805
2. To capitalize backflow preventers from Acct. 620.	2,595
2. To include pro forma plant additions and retirements.	2,694
2. To reflect an averaging adjustment.	<u>(3,547)</u>
Total	<u>(\$53,978)</u>
<u>NON-USED AND USEFUL PLANT</u>	
1. To reflect non-used and useful plant.	(\$184,555)
2. To reflect non-used and useful accumulated depreciation.	78,414
Total	<u>(\$106,141)</u>
<u>CIAC</u>	
To include the appropriate amount of CIAC.	<u>(\$248,963)</u>
<u>ACCUMULATED DEPRECIATION</u>	
1. To reflect the appropriate Accumulated Depreciation.	(\$6,724)
2. To reflect pro forma plant additions and retirements.	(639)
3. To reflect an averaging adjustment.	19,938
Total	<u>\$12,575</u>
<u>AMORTIZATION OF CIAC</u>	
To include appropriate amount of Amortization of CIAC.	<u>\$134,852</u>
<u>WORKING CAPITAL ALLOWANCE</u>	
To reflect 1/8 of test year O&M expenses.	<u>\$15,835</u>

SILVER LAKE UTILITIES, INC.						SCHEDULE NO. 2		
TEST YEAR ENDED 03/31/15						DOCKET NO. 150149-WS		
SCHEDULE OF CAPITAL STRUCTURE								
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON EQUITY	\$370,892	\$0	\$370,892	(\$36,656)	\$334,236	46.66%	10.58%	4.94%
2. LONG-TERM DEBT	424,000	0	424,000	(41,904)	382,096	53.34%	3.00%	1.60%
3. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.08%
4. PREFERRED STOCK	0	0	0	0	0	0.00%	0.00%	0.00%
5. CUSTOMER DEPOSITS	0	0	0	0	0	0.00%	2.00%	0.00%
6. DEFERRED INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
7. TOTAL	<u>\$794,892</u>	<u>\$0</u>	<u>\$794,892</u>	<u>(\$78,560)</u>	<u>\$716,332</u>	<u>100.00%</u>		<u>6.54%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>9.58%</u>	<u>11.58%</u>	
OVERALL RATE OF RETURN						<u>6.07%</u>	<u>7.00%</u>	

SILVER LAKE UTILITIES, INC.			SCHEDULE NO. 3-A		
TEST YEAR ENDED 03/31/15			DOCKET NO. 150149-WS		
SCHEDULE OF WATER OPERATING INCOME					
	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$43,397</u>	<u>\$3,765</u>	<u>\$47,162</u>	<u>\$158,085</u> 335.20%	<u>\$205,247</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$157,406	(\$30,722)	\$126,684	\$0	\$126,684
3. DEPRECIATION (NET)	40,778	(7,372)	33,406	0	33,406
4. TAXES OTHER THAN INCOME	3,159	1,122	4,281	7,114	11,395
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. TOTAL OPERATING EXPENSES	<u>\$201,343</u>	<u>(\$36,972)</u>	<u>\$164,371</u>	<u>\$7,114</u>	<u>\$171,484</u>
7. OPERATING INCOME/(LOSS)	<u>(\$157,946)</u>		<u>(\$117,209)</u>		<u>\$33,762</u>
8. WATER RATE BASE	<u>\$762,063</u>		<u>\$516,243</u>		<u>\$516,243</u>
9. RATE OF RETURN	<u>(20.73%)</u>		<u>(22.70%)</u>		<u>6.54%</u>

SILVER LAKE UTILITIES, INC.
TEST YEAR ENDED 03/31/15
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-B
DOCKET NO. 150149-WS

WATER**OPERATING REVENUES**

To reflect the appropriate test year service revenues.

\$3,765**OPERATION AND MAINTENANCE EXPENSES**

1. Purchased Water (610)

To include an invoice from December of test year.

\$108

2. Purchased Power (615)

a. To include an invoice not previously included.

\$47

b. To reclassify invoices from Acct. 618.

96

Subtotal

\$143

3. Chemicals (618)

a. To reclassify invoices from Acct. 615.

(\$96)

b. To include invoices not previously included.

113

c. To remove unsupported invoices for chemicals.

(107)

Subtotal

(\$90)

4. Material and Supplies (620)

a. To reclassify invoices from Acct. 331.

(\$1,805)

b. To reclassify invoices from Acct. 336.

(2,595)

Subtotal

(\$4,400)

5. Contractual Services - Other (636)

To remove amortization of a non-recurring expense.

(\$720)

6. Rental of Buildings and Property (641)

To only include royalty payments in the land lease.

(\$28,303)

7. Regulatory Commission Expense (665)

a. To reflect 4-year amortization of filing fees and noticing expenses.

\$277

b. To reflect 4-year amortization of legal fees and expenses.

2,263

Subtotal

\$2,540**TOTAL OPERATION & MAINTENANCE ADJUSTMENTS**(\$30,722)**DEPRECIATION EXPENSE**

a. To reflect appropriate depreciation expense per Rule 25-30.140 F.A.C.

(\$130)

b. To reflect non-used and useful depreciation expense.

(7,242)

Subtotal

(\$7,372)**TAXES OTHER THAN INCOME**

a. To reflect the appropriate test year property taxes.

\$1,109

b. To reflect the appropriate RAFs.

143

d. To include pro forma property taxes

41

c. To reflect non-used and useful property taxes.

(171)

d. To reflect change in revenues with recommendation.

8,458

Total

\$9,580

SILVER LAKE UTILITIES, INC.		SCHEDULE NO. 3-C	
TEST YEAR ENDED 03/31/15		DOCKET NO. 150149-WS	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	COMMISSION ADJUST- MENTS	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	1,256	108	1,364
(615) PURCHASED POWER	6,364	143	6,507
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	2,326	(90)	2,236
(620) MATERIALS AND SUPPLIES	14,757	(4,400)	10,357
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	42,177	0	42,177
(633) CONTRACTUAL SERVICES - TESTING	6,346	0	6,346
(636) CONTRACTUAL SERVICES - OTHER	37,177	(720)	36,457
(640) RENTS	44,095	(28,303)	15,792
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	0	0	0
(665) REGULATORY COMMISSION EXPENSE	0	2,540	2,540
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSE	<u>2,908</u>	<u>0</u>	<u>2,908</u>
TOTAL WATER O&M EXPENSES	<u>\$157,406</u>	<u>(\$30,722)</u>	<u>\$126,684</u>

SILVER LAKE UTILITIES, INC.		SCHEDULE NO. 4	
TEST YEAR ENDED MARCH 31, 2015		DOCKET NO. 150149-WS	
MONTHLY WATER RATES			
	RATES AT TIME OF FILING	COMMISSION APPROVED RATES	4 YEAR RATE REDUCTION
<u>Residential, General Service, and Raw Water Irrigation</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$19.05	\$75.40	\$0.99
3/4"	\$28.58	\$113.10	\$1.48
1"	\$47.63	\$188.50	\$2.46
1-1/2"	\$95.25	\$377.00	\$4.93
2"	\$152.40	\$603.20	\$7.88
3"	\$304.80	\$1,206.40	\$15.76
4"	\$476.25	\$1,885.00	\$24.63
6"	\$952.50	\$3,770.00	\$49.25
Charge per 1,000 gallons - Residential Service			
0-5,000 gallons	\$3.79	\$16.73	\$0.22
Over 5,000 gallons	\$6.46	\$28.44	\$0.37
Charge per 1,000 gallons - General Service			
	\$3.79	\$19.19	\$0.25
Charge per 1,000 gallons - Raw Water Irrigation Service			
		\$17.01	\$0.22
<u>Bulk Raw Water Service</u>			
Base Facility Charge (2,000 ERCs)	\$5,500.00	\$5,500.00	
Charge per 1,000 gallons - Bulk Raw Water Service Minimum 500,000 gpd take or pay	\$0.91	\$0.91	
<u>Bulk Treated Water Service</u>			
Base Facility Charge (1,400 ERCs)	\$21,532.00	\$21,532.00	
Charge per 1,000 gallons - Bulk Treated Water Service Minimum 350,000 gpd take or pay	\$3.72	\$3.72	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$30.42	\$125.59	
5,000 Gallons	\$38.00	\$159.05	
10,000 Gallons	\$70.30	\$301.25	