BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.	DOCKET NO. 20160195-WS ORDER NO. PSC-2017-0428-PAA-WS ISSUED: November 7, 2017

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
ART GRAHAM
RONALD A. BRISÉ
DONALD J. POLMANN
GARY F. CLARK

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING RATE INCREASE FOR
LAKESIDE WATERWORKS, 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 actions discussed herein, except for (1) the granting or temporary rates in the event of protest, (2) the reduction of rates after four years based upon the recovery of rate case expense, and (3) proof of adjustment of books and records, are 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 protest, the reduction of rates after four years, and 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.”

Case Background

Lakeside Waterworks Inc., (Lakeside or Utility) is a Class C utility providing service to approximately 185 (182 residential and 3 general service) water customers and 171 (170 residential and 1 general service) wastewater customers in Lake County. Approximately 74 customers subscribe to the Utility’s irrigation service. The Utility was originally owned by Shangri-La by the Lakes, Inc. (Shangri-La) which started providing service to 140 customers in 1983. The Florida Public Service Commission (Commission) granted Shangri-La certificate numbers 567-W and 494-S in 1996. The Utility was transferred from Shangri-La to Lakeside in 2013.

The Utility requested a Staff Assisted Rate Case (SARC) before this Commission in 2013. On November 21, 2014, the Office of Public Counsel (OPC) and the Utility filed a Joint Motion Requesting Approval of Settlement Agreement between OPC, the Utility, and the Homeowners (Joint Motion) which resolved all issues in the rate case. The Joint Motion was approved at the November 25, 2014 Commission Conference. Lakeside also requested a price index increase which was approved on June 26, 2015.

In April 2015, the water treatment plant (WTP) experienced a collapsed well and repairs to it failed. A new well was constructed and placed into service in April 2016. Lakeside's wastewater treatment plant (WWTP) was deemed out-of-compliance after an inspection by the Department of Environmental Protection (DEP) on October 13, 2015, due to structural issues. As a result, the DEP issued a permit to replace the WWTP on June 27, 2016. These two events necessitated the filing of this SARC by the Utility.

On August 26, 2016, Lakeside filed an application for a SARC. The official filing date of the SARC is October 4, 2016, when the balance of the required filing fee was paid by the Utility. The 12-month period ended June 30, 2016, was selected as the test year for the instant case. According to Lakeside's 2016 Annual Report, its total operating revenues for water and wastewater were $64,036 and $57,680, respectively. The Utility reported a net income of $637 for the water service and net income of $1,703 for the wastewater service.

At our October 3, 2017, Commission Conference, we approved a settlement between the Utility and the Office of Public Counsel (OPC) regarding several issues that were in dispute. For purposes of this rate case, the parties agreed that the Utility's quality of service shall be considered satisfactory based on the additional actions taken by the Utility. The settlement also allows the Utility to recover the net loss associated with the collapsed well, well rehabilitation costs, and wastewater treatment plant that were all retired early. Recovery of these costs will be accomplished using a seven-year amortization period for both water and wastewater and the Utility will not receive a rate of return on the recovery of the well rehabilitation loss. The Utility also agreed to continue to keep its customers and OPC informed, and to conduct additional meetings with its customers if necessary.

We have jurisdiction in this case pursuant to Sections 367.011, 367.081(8) and (9), 367.0814, 367.101, and 367.121, Florida Statutes (F.S.).

Review and Decision

1. Quality of Service

Pursuant to a settlement agreement between the Utility and OPC, the overall quality of service provided by Lakeside is considered satisfactory. The Utility is in compliance with all primary and secondary water standards and the DEP has deemed the Utility to be in compliance for both water and wastewater operations. It also appears that the Utility has actively responded to concerns raised by its customers.

2. Used and Useful

Lakeside's water system has two wells, one rated at 850 gallons per minute (gpm) and one at 270 gpm. Storage consists of a 20,000-gallon concrete ground storage tank with aeration, and two steel hydropneumatic tanks with capacities of 3,000 gallons and 5,000 gallons. A hypochlorination system is used for disinfection and water from the tanks is pumped into the water distribution system.

The distribution system is a composite network of approximately 2,820 linear feet of 10-inch PVC pipe, 2,828 linear feet of 8-inch PVC pipe, 3,450 linear feet of 6-inch PVC pipe, 1,700 linear feet of 4-inch PVC pipe, and 2,800 linear feet of 1.5-inch PVC pipe. According to the Utility, there are 11 fire hydrants in its service area.

The newly permitted WWTP is a 15,000 gpd extended aeration activated sludge facility. The chlorinated effluent is sent to a 3.2 acre restricted public access spray field with a backup percolation pond for wet weather conditions. The collection system is a composite network of force mains, collecting mains, and four lift stations. The force mains consist of approximately 3,211 linear feet of 4-inch PVC pipe and 2,324 linear feet of 3-inch PVC pipe. The collecting mains consist of approximately 9,768 linear feet of 4-inch PVC pipe and 4,277 linear feet of 3-inch PVC pipe. According to the Utility, there are 15 manholes.

A. Excessive Unaccounted for Water

Rule 25-30.4325 (1)(e) , F.A.C., defines EUW as unaccounted for water in excess of 10 percent of the amount produced. Unaccounted for water is all water that is produced that is not sold, metered, or accounted for in the records of the Utility. Rule 25-30.4325(10), F.A.C., provides that in order to determine whether adjustments to plant and operating expenses, such as purchased electrical power and chemicals cost, 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 Utility's Monthly Operating Reports (MORs) filed with the DEP indicate 9,367,465 gallons of finished water were produced during the test year of which 7,859,000 gallons of water were sold to customers. The MORs filed during the test year do not reflect any gallons used for other purposes. Lakeside has a flushing program but did not record the gallons used. However, in its application, the Utility identifies 560,962 gallons used for other purposes. The resulting calculation for unaccounted for water ((7,859,000+560,962)/(9,367,465)) equals 10.1 percent, yielding an EUW of 0.1 percent. Therefore, no adjustment shall be made to operating expenses for chemicals and purchased power due to the EUW.

B. Water Treatment Plant Used & Useful

Pursuant to Rule 25-30.4325, F.A.C., the U&U calculations are defined for a water treatment system and storage facilities. For a water treatment plant with more than one well and storage capacity, the U&U is calculated using the following equation: ([Peak Demand + Fire Flow + Growth – Excessive Unaccounted for Water]/Firm Reliable Capacity). The peak demand is the single maximum day in the test year when there are no unusual occurrences and is measured in gallons per day. Based on Lakeside's MORs the Max Day usage during the test year was 100,000 gallons which occurred on May 20, 2016. This is a significant increase from 42,300 gallon peak day recorded in the 2013 SARC and it appears no new construction has occurred since the last SARC. Lakeside has a flushing program but did not specifically identify dates and gallons flushed. Therefore, we used the average monthly peak day from July 2015 through June 2016 as a reasonable peak based upon the data available. The average monthly peak day usage for the system was 55,525 gallons. This value is a better reflection of the peak day demand for the system.

In the 2013 SARC, the Utility served 187 Equivalent Residential Connections (ERCs); however, this declined to 185 ERCs for the current test year. The service area has approximately 24 lots available for development in the new Eagles Point subdivision – Phase I. As it appears that no new construction has occurred since the filing of the last rate case, we do not include an allowance for customer growth in the near future. Therefore, the growth ERC allowance is considered as zero.

Because the Utility has storage capacity, the Firm Reliable Capacity (FRC) is based on 16 hours of pumping, excluding the largest well. The Utility has two wells rated at 850 gpm and 270 gpm. The Utility's FRC is calculated by the smallest well capacity x 16 hours (270 gpm x 60 min/hr x 16 hrs) which equates to 259,200 gallons. However, this is greater than the permitted capacity of 180,000 gpd for the plant. Therefore, 180,000 gpd shall be considered the FRC for the system. Fire flow for the Utility's service area is 750 gpm for two hours, or 90,000 gpd. Based on the inputs discussed above, the resulting U&U calculation for the WTP (55,525 + 90,000 + 0 - 0)/180,000) equals 81 percent.

C. Storage Used & Useful

Pursuant to Rule 25-30.4325(8), F.A.C., for water systems with storage, if the storage capacity is less than the peak demand, the storage system shall be considered 100 percent U&U. Lakeside has a 20,000 gallon ground storage tank and two hydropneumatic tanks rated at 3,000 gallons and 5,000 gallons, respectively. Since the storage capacity (28,000 gallons) is less than the peak demand (55,525 gallons), the storage system shall be considered 100 percent U&U. The storage capacity was rated at 100 percent in the Utility's previous rate case before this Commission.

D. Wastewater Treatment Plant Used & Useful

Pursuant to Rule 25-30.432, F.A.C., the U&U analysis of a utility's WWTP is described by the following equation: ((Customer Demand - I&I + Growth)/Permitted Capacity). In this calculation, customer demand is measured on the same basis as permitted capacity.

The Three Month Average Daily Flow (TMADF) from November 2015 through January 2016 was 13,725 gpd. As discussed in more detail below, the monthly Discharge Monitoring Reports (DMR) indicate no I&I. Also, as previously discussed, the expected growth is zero. The DEP permitted plant capacity, based on a TMADF, is 15,000 gpd. Based on the inputs described above the final calculation of U&U for Lakeside's WWTP is 92 percent ([13,725 - 0 + 0] / 15,000).

E. Inflow & Infiltration (I&I)

Infiltration occurs from groundwater entering a wastewater collection system through broken or defective pipes and joints. Inflow results from water entering a wastewater collection system through manholes or lift stations. The allowance for infiltration is 500 gallons per day, per inch diameter pipe per mile, and an additional 10 percent of water sold is allowed for inflow. The Utility's DMRs which were filed with the DEP indicate that there was no excessive I&I for the test year.

F. Water Distribution and Wastewater Collection Systems Used & Useful

In the previous rate case before this Commission, the U&U analysis for the water distribution and wastewater collection systems were determined by dividing the number of lots connected to the systems by the number of lots fronting mains in the service area. Consideration is given for growth, if applicable. The lines in the Utility's service territory appear to be built-out. Therefore, the water distribution and wastewater collection systems shall be considered 100 percent U&U. The water distribution and wastewater collection systems were rated at 100 percent in the Utility's previous rate case before the Commission.

G. Conclusion

Lakeside's WTP is considered 81 percent U&U, and the water storage facilities is considered 100 percent U&U. Lakeside's WWTP is considered 92 percent U&U. The Utility's water distribution and wastewater collection systems are considered 100 percent U&U. No adjustments shall be made to purchased power and chemical expenses since there appears to be no EUW and no indication of excessive I&I.

3. Rate Base

The appropriate components of the Utility's rate base include utility plant in service, contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC, and working capital. Rate base was last established in Lakeside's 2013 SARC. The Utility requested the test year ended June 30, 2016, for the instant case. We determined that the Utility's books and records are in compliance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). The OPC filed a Letter of Concern in this Docket on May 26, 2017. The Utility subsequently filed a response letter on June 6, 2017. We have made adjustments based on both letters. A summary of each component of rate base and the approved adjustments are discussed below.

A. Year-End Rate Base

In its application, the Utility requested a year-end rate base for its water system in order to have an opportunity to recover its allowed rate of return on the significant capital improvements that were made during the test year to install a new well and make additional plant improvements to address water quality concerns. Based on our review, Lakeside's water improvements including applicable retirements represent an increase of $85,179 or 63.31 percent since the Utility's rate base was last established. If an average rate base were used, the Utility would not be afforded the opportunity to recover its allowed rate of return on the new investment and would be put in the position of requesting a subsequent SARC at a later date.

We have authority to apply a year-end rate base, but only in extraordinary circumstances. We find that there are extraordinary circumstances in the instant case. The Utility has made significant improvements to the primary well that supplies water to its customers. In addition, the Utility replaced the automated aeration at the plant and installed new whitewater compressors at both of the existing hydropneumatic tanks to address water quality concerns expressed by its customers. The year-end rate base will provide the Utility with an opportunity to recover the investment made to improve water quality and will insure compensatory rates for this Utility in this rate case. Therefore, we approve a year-end water rate base for Lakeside.

The Utility did not request a year-end rate base for its wastewater system because there were no extraordinary circumstances during the test year that would warrant use of a year-end rate base. However, in its May 26, 2017 letter, OPC proposed that it would be appropriate to use a year-end rate base for both the water and wastewater systems in keeping with the matching principle and to have a consistent test year across all components of the test year. In its June 6, 2017, response to OPC's letter, the Utility indicated that it does not oppose OPC's request for a year-end rate base for both water and wastewater. Although the wastewater system does not qualify for a year-end rate base on its own, we agree that OPC's proposal to use a year-end rate base for both systems is reasonable and will produce a more consistent result. Further, because the Utility did not make any test year additions to wastewater plant or CIAC, the impact of changing from an average to a year-end rate base is minimal. Therefore, we approve a year-end wastewater rate base for Lakeside as well.

B. Utility Plant in Service (UPIS)

The Utility recorded UPIS of $263,806 for water and $153,449 for wastewater. In its May 26, 2017, letter, OPC noted some possible errors in the June 30, 2013, end of test year balances for plant, accumulated depreciation, and accumulated amortization of CIAC that were approved in the last SARC and used as the starting point for the instant SARC. OPC is correct that the end of test year balances inadvertently included several pro forma projects and averaging adjustments that are only used for rate setting purposes and should not have been included in the end of test year balances. Lakeside properly adjusted its books and records in accordance with our order in the last SARC, which resulted in plant being overstated by $3,512 for water and $830 for wastewater due to the errors in the end of test year balances. The Utility later corrected its books by reversing the end of test year adjustments and recording the pro forma projects when they were completed. Lakeside's subsequent correction prevented a double counting of the pro forma adjustments and removed the averaging adjustments that are only used for rate setting purposes. However, the correction also eliminated some test year adjustments that should have remained on the Utility's books, as well as the retirements associated with the pro forma projects.

In order to reflect the correct 2013 test year balances, we decreased water plant by $603 to remove an unsupported generator equipment addition from Account No. 310 and decreased wastewater plant by $245 to remove an unsupported pumping equipment addition from Account No. 371. We also decreased wastewater plant by $563 to reflect the retirement associated with a 2013 test year pump starter replacement to Account No. 371. Further, in order to correctly reflect our approved retirements associated with the four water and one wastewater pro forma projects approved in the last SARC, we decreased water plant by $6,563 and decreased wastewater plant by $2,768.

Based on our review in the instant Docket, we decreased UPIS by $463 for water and $398 for wastewater to remove unsupported organization expenses from Account Nos. 301 and 351. We also increased water plant by $1,165 to reclassify a water line repair that was inadvertently recorded as a wastewater expense during the test year. OPC also expressed concern about the expensing of this repair and proposed that it should be capitalized to plant instead.

As discussed above, the Utility replaced the primary well that provides water to its customers during the test year. The Utility initially attempted to rehabilitate the existing well, but ultimately found it necessary to drill a new well. The expenses incurred attempting to rehabilitate the original well and install the new well were already recorded on the Utility's books during the test year. We reviewed the prior bids and actual final costs of these improvements and determined that the final costs are reasonable and that no adjustments are necessary. The Utility subsequently determined that the associated retirement of the replaced well is $15,956, and the associated retirement for the well rehabilitation work is $19,153, for a total retirement of $35,109. Regarding the $19,153 retirement value, OPC questioned whether the $2,085 water valve replacement that was performed two days prior to the remaining $17,068 in rehabilitation work on the collapsed well was damaged in the collapsed well or was able to be reused. In response, Lakeside verified that the new water valve was not retired with the collapsed well and was still in service. Therefore, the well rehabilitation work retirement is $17,068 rather than $19,153. The total retirement for the replaced well and rehabilitation work is $33,024.

However, OPC further expressed concern about the accounting treatment of the well rehabilitation work. Because the well rehabilitation work was only able to be in service for approximately nine months before the new well was drilled, the retirement will deplete the accumulated depreciation balance for Account No. 307 Wells and Springs, resulting in a negative accumulated depreciation balance at the end of the test year. OPC stated that it is not challenging whether the work performed was reasonable, but believes the appropriate treatment would have been to defer the costs pending the outcome of this proceeding and to amortize those costs over a reasonable time frame. OPC proposed that the loss be amortized over 10 years.

In its response to OPC's letter, the Utility stated that the well rehabilitation work was originally capitalized because Lakeside attempted to rehabilitate the well instead of replacing it in an effort to avoid the cost of drilling a new well. The Utility believes it would be appropriate to include these costs with the loss on the retired well and amortize both losses over the same time period.

NARUC Accounting Instruction 5.D., specifies, in part, that when an item of plant is retired, Account 108 – Accumulated Depreciation and Amortization of Utility Plant in Service, shall be charged and the appropriate plant accounts shall be credited with the entire recorded original cost of plant retired regardless of the amount of depreciation which has been accumulated for this particular item of plant, and that Account 108 shall be charged with the costs of removal of retired plant, and credited with the salvage value, sales price, or other amounts recovered from plant retired. In addition, NARUC Accounting Instruction 5.E., provides that a different accounting treatment may be required in rare instances when the unexpired early retirement of a major unit of property will eliminate or seriously deplete the existing depreciation. NARUC Accounting Instruction 5.E., specifies in part that in such instances the Commission may authorize or order the loss on retirement to be transferred to Account 186 – Miscellaneous Deferred Debits, and amortized in future periods.

We find that the Utility's capitalization of the well rehabilitation work was an appropriate accounting treatment at the time the work was performed and was consistent with NARUC guidelines. Further, the Utility's proposed accounting treatment of the retirement is consistent with the NARUC guidelines. We also note that if the rehabilitation efforts had been successful, that work would have served to extend the useful service life of the well and would have been depreciated normally over time, further supporting the traditional accounting treatment at the time the repairs were completed. Therefore, we decreased water plant by $33,024 to reflect the retirement of the collapsed well and well rehabilitation work. At our October 3, 2017 Agenda Conference, the Utility and OPC agreed in their settlement that net losses resulting from the early retirement of the collapsed well, well rehabilitation work, and WWTP shall be recovered over a seven-year amortization period. The calculation of the amortization expenses to recover both water and wastewater early retirement losses will be discussed in this Order below at section 6.

Subsequent to the test year, Lakeside made several pro forma water plant additions. Therefore, we increased water plant by $1,338 to reflect a new customer service line installation, and by $1,967 to reflect a high service pump repair. In an effort to reduce costs, Lakeside attempted to use the well pump from the collapsed well in the new well. The original pump subsequently failed and was replaced with a new pump. Therefore, we increased water plant by $14,012 to reflect the addition of the new well pump. After taking into consideration other plant additions made to pumping equipment in recent years, the remaining balance in Account No. 311 – Pumping Equipment appears to be insufficient to represent the original cost of the pumps on both wells. The original cost of the pump is no longer in plant to be retired; therefore, we do not approve a retirement amount associated with the well pump replacement.

OPC expressed concern about U. S. Water Services Corporation's (USWSC) policy of including an 18 percent markup on materials used in the plant upgrades and repair work performed on Lakeside's plants. OPC stated that it has noted several other instances in which this markup is applied to services as well as materials. OPC appears to be referring to a prior adjustment made in a SARC for one of Lakeside's sister utilities when the markup was inappropriately applied to some services. However, we have reviewed all the USWSC invoices being considered in this Docket and did not find any instances in which the markup was applied to labor costs.

The only discrepancy we noted was that the markup on one invoice related to the well repair appeared to be overstated. The Utility's supporting documentation showed all of the materials used for that job along with the calculation of the markup, however, a portion of the materials were inadvertently omitted from the final invoice. USWSC issued a subsequent invoice with the remaining materials that correspond with the supporting documentation and amount of the markup. Therefore, we increased water plant by $917 to reflect the additional materials.

In addition, we note that some invoices exclude the markup entirely. We inquired why some invoices are assessed the markup and some are not and learned that the markup is provided for in the USWSC operations contract. However, for all the regulated utilities, USWSC takes into consideration who performed the work. For example, if an outside contractor was called and performed all of the work and supplied all of the material completely with no outside assistance or material provided by USWSC, the markup will not be assessed because no material or labor was supplied by USWSC.

The markup is for USWSC related work and material. This would include jobs or projects when USWSC employees assist with the work or provide additional work, such as specifically identified large projects with job numbers, or supply materials for the job. The markups are designed to cover the overhead for the work related to the materials. For example, when material is supplied, a USWSC employee would have to either order it or go purchase it. Also, for all of the invoices processed through USWSC administrative employees, such as the job costing project, accounts payable and accounting personnel must receive, code, enter, and ultimately pay for the vendors. The markup includes the overhead costs for that process. In addition, the jobs have to be tracked for labor and material, and then ultimately billed out to the regulated utility, which involves additional work.

In its response to OPC's letter, Lakeside stated that the 18 percent markup was derived by using factors of 8 percent overhead and 10 percent profit. Lakeside also stated that according to RS Means: (1) the "Average Fixed Overhead for all services across the United States is 17.9 percent; (2) the overhead varied from a low of 11 percent to a high of 16 percent; (3) while the profit across all services was at 10 percent. Further, the overall overhead and profit across all services across the United States varied from a low of 47.4 percent to a high of 80.4 percent. Lakeside also noted that it has explained the USWSC 18 percent markup in several past SARC Dockets.

As discussed previously, the Utility replaced the WWTP in order to be in compliance with DEP requirements. The WWTP replacement was completed on February 17, 2017. Therefore, we increased UPIS by $91,755 to reflect the pro forma replacement of the WWTP and decreased UPIS by $33,921 to reflect the retirement of the replaced WWTP. We reviewed the bids and final costs of the WWTP replacement and determined that the costs are reasonable. We note that the selected bid was estimated at $97,103, but the project came in under budget by $5,348. OPC objected to the inclusion of the 18 percent markup on this project from the related party servicing company. We have previously approved project costs for Lakeside's sister utilities that include the USWSC markup, except those instances when it was not properly applied as noted above. In keeping with our prior decisions regarding the related party work and markup, we do not find that any further adjustments to the markup are necessary.

In addition, we increased wastewater plant by $955 to reflect a pro forma WWTP spray field pump repair completed after the test year. As discussed above, we approved the use of a year-end rate base for both water and wastewater; therefore, no averaging adjustment is necessary. Further, no averaging adjustments are applied to pro forma additions, consistent with Commission practice. Our net adjustments to UPIS are a decrease of $21,253 for water and an increase of $54,815 for wastewater. Therefore, we approve a UPIS balance of $242,553 for water and $208,264 for wastewater.

C. Non-Used and Useful Plant

Lakeside's distribution and collection systems are 100 percent U&U; the water treatment plant is 81 percent U&U; and the wastewater treatment plant is 92 percent U&U. We approved year-end rate base for Lakeside. Therefore, we applied the non-U&U percentages to the year-end balances for water and wastewater. Application of the non-U&U percentages to plant and the associated accumulated depreciation results in net adjustments of $18,497 for water and $7,872 for wastewater. Therefore, water rate base shall be reduced by $18,497 to remove the 19 percent of the water treatment plant that is non-U&U, and wastewater rate base shall be reduced by $7,872 to remove the 8 percent of the wastewater treatment plant that is non-U&U.

D. Contribution in Aid of Construction (CIAC)

The Utility recorded test year CIAC balances of $14,251 for water and $18,388 for wastewater. CIAC was not affected by the end of test year balance errors discussed above, therefore, no correcting adjustments are necessary. We determined that no adjustments were necessary to the test year. We increased water CIAC by $335 to reflect pro forma additions that occurred after the end of the test year. No averaging adjustments are necessary for ratemaking purposes due to the lack of activity during the test year, and because we approved a year-end rate base for both systems. We approve CIAC balances of $14,586 for water and $18,388 for wastewater.

E. Accumulated Depreciation

The Utility recorded test year accumulated depreciation balances of $118,074 for water and $103,869 for wastewater. As discussed above, the June 30, 2013, end of test year balances for accumulated depreciation that were approved in the last SARC inadvertently included several pro forma and averaging adjustments. Lakeside properly adjusted its books and records in accordance with our Order in the last SARC, which resulted in accumulated depreciation being understated by $7,673 for water and $2,788 for wastewater due to the errors in the end of test year balances. The Utility later corrected its books by reversing the end of test year adjustments and recording the pro forma projects when they were completed. Lakeside's subsequent correction prevented a double counting of the pro forma adjustments and removed the averaging adjustments that are only used for rate setting purposes. However, the correction also eliminated some test year adjustments that should have remained on the Utility's books, as well as the retirements associated with the pro forma projects.

In order to reflect the correct 2013 test year balances, we increased this account by $464 for water and decreased this account by $5,534 for wastewater to restore the 2013 test year balances that were calculated based on Rule 25-30.140, F.A.C. As noted above, the Utility's water plant was decreased to remove unsupported generator equipment during the 2013 test year. Accordingly, we decreased water Account No. 310 by $107 to remove the depreciation that the Utility had accumulated on the generator equipment that has been removed again in accordance with the 2013 Order. Further, in order to correctly reflect our approved retirements associated with the four water and one wastewater pro forma projects approved in the last SARC, we decreased accumulated depreciation by $6,563 for water and by $2,768 for wastewater. We also decreased this account by $156 for water and $92 for wastewater to reflect the accumulated depreciation associated with the pro forma retirements.

Based on our review in the instant Docket, we increased this account by $31 for water to reflect the accumulated depreciation associated with the water line repair that was reclassified from a wastewater expense account to a water plant account, as discussed above. We decreased water accumulated depreciation by $33,024 to reflect the retirement of the collapsed well and well rehabilitation work. We also decreased this account by $3,517 to reflect the well abandonment and removal costs associated with abandoning the collapsed well. At our October 3, 2017 Agenda Conference, the Utility and OPC agreed in their settlement to remove the negative accumulated depreciation that resulted from the early retirement of the well rehabilitation work, thereby ensuring that the Utility will not earn a rate of return on the net loss associated with the well rehabilitation work. The net unrecovered balance of the well rehabilitation costs is $16,436, which is the total $17,068 rehabilitation cost less $632 in accumulated depreciation that was recovered during the test year while the repairs were in service ($17,068 - $632 = $16,436). Therefore, we increased accumulated depreciation for water by $16,436 to remove the negative accumulated depreciation. In addition, we increased this account by $1,012 to reflect the accumulated depreciation associated with the pro forma water line installation, pump repairs, well pump replacement, and well materials correction.

In addition, we increased wastewater accumulated depreciation by $5,835 to reflect the pro forma WWTP replacement. We decreased this account by $33,921 for wastewater to reflect the retirement of the replaced WWTP. We also decreased this account by $5,760 to reflect the portion of the WWTP removal costs related to dewatering services. The Utility is currently reviewing options for removing the physical structure of the replaced WWTP. As such, it is anticipated that Lakeside will incur additional removal costs in the future. We authorize Lakeside to record any additional WWTP removal costs it incurs in the future to Account 186 Miscellaneous Deferred Debits pending Commission review in a future rate proceeding. Subsequent to the test year, the Utility repaired a WWTP spray field pump that we included in plant above. Accordingly, we increased the wastewater accumulated depreciation by $32 to reflect the depreciation associated with this plant repair.

Finally, we calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. After taking into consideration the adjustments discussed above, we determined that an additional increase of $927 for water and a decrease of $322 for wastewater is necessary to reflect the appropriate test year balances. Again, no averaging adjustment is necessary to the water or wastewater accumulated depreciation balances due to the use of the year-end rate base method. Our net adjustments are decreases of $24,496 and $42,530 to water and wastewater, respectively. Therefore, we approve accumulated depreciation balances of $93,578 for water and $61,339 for wastewater.

F. Accumulated Amortization of CIAC

Lakeside recorded amortization of CIAC balances of $7,379 for water and $7,517 for wastewater. As discussed above, the end of test year balances from the 2013 SARC inadvertently included the averaging adjustments that are only used for rate setting purpose and should not have been included in the end of test year balances. Lakeside properly adjusted its books and records in accordance with our Order in the last SARC, which resulted in accumulated amortization of CIAC being understated by $245 for water and $139 for wastewater due to the averaging adjustments. In order to reflect the correct 2013 test year balances, we increased this account by $245 for water and $139 for wastewater. We calculated amortization of CIAC using composite depreciation rates. Accordingly, we decreased water amortization of CIAC by $359 and decreased wastewater amortization of CIAC by $463. In addition, we increased the water account by $10 to reflect the pro forma amortization of CIAC associated with the pro forma CIAC additions discussed above. Our net adjustments are decreases of $104 for water and $324 for wastewater. Therefore, we approve accumulated amortization of CIAC balances of $7,275 for water and $7,193 for wastewater.

G. Working Capital Allowance

Working capital is the short-term 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. We also removed the unamortized balance of rate case expense of $378 for water and $243 for wastewater pursuant to Section 367.081(9), F.S. In addition, we removed the unamortized balance of rate case expense from the Utility's 2013 SARC of $339 for water and $339 for wastewater because it already includes the return component that was approved in that Docket. This will be discussed further in subsection 6.F. of this Order when we address "Regulatory Commission Expense." Applying this formula, we approve a working capital allowance of $6,318 ($50,541/8) for water, based on the adjusted O&M expense of $50,541 ($51,258 - $378 - $339 = $50,541). Further, we approve a working capital allowance of $6,259 ($50,070/8) for wastewater, based on the adjusted O&M expense of $50,070 ($50,653 - $243 - $339 = $50,070).

H. Rate Base Summary

Based on the foregoing, we approve a year-end rate base for Lakeside. The appropriate year-end water test year rate base is $129,485, and the appropriate year-end wastewater test year rate base is $134,117. Rate base is shown on Schedule Nos. 1-A and 1-B. The related adjustments are shown on Schedule No. 1-C.

4. Return on Equity (ROE)

Lakeside's capital structure consists of $158,808 in common equity, $19,566 in long-term debt, and $3,430 in customer deposits. We determined that no test year adjustments are necessary. In May 2017, the Utility issued a $120,000 call for capital to its three shareholders to fund the new wastewater treatment plant and payoff of a note payable. The shareholders provided the requested capital contributions in June 2017. Therefore, we increased capital stock by $120,000. We note that the operating ratio method was used in Lakeside's last SARC. However, due to the significant capital improvements that have been made by the Utility since that time, Lakeside is able to return to the traditional rate base rate of return method in the instant case.

The Utility's capital structure has been reconciled with our approved rate base. The appropriate ROE is 8.85 percent based upon our approved leverage formula currently in effect. We approve an ROE of 8.85 percent, with a range of 7.85 percent to 9.85 percent, and an overall rate of return of 8.45 percent. The ROE and overall rate of return are shown on Schedule No. 2.

5. Test Year Revenues

Lakeside recorded total revenues of $59,676 for water and $54,216 for wastewater. The water revenues included $58,880 of service revenues and $796 of miscellaneous revenues. The wastewater revenues consisted of service revenues only. During the test year, the Utility had a Phase II rate increase. Therefore, we annualized test year revenues by applying the rates in effect as of January 28, 2016, to the water and wastewater billing determinants. We determined that service revenues shall be $65,371 for water and $56,736 for wastewater, which results in increases of $6,491 and $2,520 for water and wastewater, respectively.

We made adjustments to miscellaneous revenues for water and wastewater. The Utility assessed a $5.00 late payment charge rather than the Utility's approved charge of $5.25. In addition, the Utility also charged four customers an unauthorized charge of $22 for normal reconnection rather the tariff rate of $15. The Utility refunded each customer overcharged for normal reconnection. Based on the number of occurrences and the Utility's approved miscellaneous charges, the miscellaneous revenues shall be $774. As a result, we decreased miscellaneous revenues by $22 ($796 - $774). The Utility allocated all of the miscellaneous revenues to the water system. We find that the miscellaneous revenues shall be equally distributed between the water and wastewater systems.

Based on the foregoing, the appropriate test year revenues for Lakeside Waterworks' water and wastewater systems, including miscellaneous revenues are $62,886 ($62,499 + $387) for water and $57,123 ($56,736 + $387) for wastewater.

6. Operation and Maintenance (O&M) Expenses

Lakeside recorded operating expense of $59,593 for water and $58,116 for wastewater for the test year ended June 30, 2016. The test year O&M expenses have been reviewed, including invoices, canceled checks, and other supporting documentation. We made several adjustments to the Utility's operating expenses as summarized below.

A. Purchased Power (615/715)

Lakeside recorded purchased power expense of $2,737 for water and $3,479 for wastewater for the test year. The purchased power expense was understated. Therefore, we increased this account by $131 for water and $60 for wastewater to reflect the correct test year balances. We approve purchased power expense of $2,868 for water and $3,539 for wastewater.

B. Contractual Services - Professional (631/731)

Lakeside recorded negative balances of $559 for water and $334 for wastewater in this account. The Utility's test year contractual services – professional expense included adjustments to reverse prior accounting expense accruals of $1,050 for water and $825 for wastewater, and test year legal expense of $982 that was split equally between water and wastewater at $491 each. The Utility reversed the prior accounting expense accruals because it transferred the accounting services in-house and will no longer be incurring the separate accounting services expense. In order to reflect the correct test year balances for the legal expense portion of this account, we increased this account by $1,050 for water and $825 for wastewater to remove the accounting expense reversals. We determined that a portion of the test year legal fees related to shareholder activities represent non-recurring expenses. Therefore, we decreased this account by $182 for water and $182 for wastewater to reflect the five-year amortization of the non-recurring legal fees. Finally, we increased the wastewater account by $280 to reflect the annual amortization of the computer-aided design (CAD) system mapping project that was approved in the Utility's last SARC. The rates that included this expense went into effect in January 2015, therefore, the amortization of this expense will continue until early 2020. Our adjustments result in net increases of $868 for water and $923 for wastewater. Based on the foregoing, we approve contractual services – professional expense for the test year of $309 for water and $589 for wastewater.

C. Contractual Services - Other (636/736)

The Utility recorded contractual services – other expense of $39,390 for water and $38,452 for wastewater. Lakeside receives all of its operational and administrative services under a contract with an affiliated company, U.S. Water Services Corporation (USWSC). We previously reviewed and approved expenses related to the USWSC management services contracts for Lakeside in its last SARC, and for six of Lakeside's sister utilities. One sister utility, LP Waterworks, Inc., has two SARCs in which we previously reviewed and approved expenses related to the USWSC management services contract. Subsequent to the test year, USWSC increased Lakeside's annual contract by $276 for water and $258 for wastewater to reflect an increase in the national Consumer Price Index (CPI). Consistent with our prior decisions in related Dockets, we increased these accounts by $276 for water and $258 for wastewater to annualize the increase in the monthly contract price. We note that Lakeside has received one price index rate adjustment since its last SARC, which became effective in June 2015, prior to the beginning of the test year. While the price index rate adjustments help utilities to keep up with increasing costs in between rate cases, those limited expense increases are essentially erased in a rate case and do not carry over to the actual test year expenses reviewed within the rate case. Specifically, the test year operation and maintenance expenses will be based on the actual expenses that occurred during the test year, along with any known and measureable changes that are necessary to reflect the actual expenses that are expected to occur going forward, regardless of any price index adjustments that may have been applied in the past. For that reason, we annualized the pro forma CPI adjustment to reflect the Utility's actual contractual management services fees going forward; this does not result in a double counting of any CPI adjustments.

Subsequent to Lakeside's last SARC, we found USWSC's costing and allocation model to be reasonable in six related Dockets with the exception of some allocated expenses related to salary overtime, fuel, and vehicle maintenance which were adjusted in some of those Dockets. The salary overtime was removed because it was inadvertently included for salaried positions that are not eligible for overtime pay. USWSC determined that Lakeside's contract amounts would be reduced by $491 each for water and wastewater if similar adjustments were made to remove the salary overtime component. The fuel and vehicle maintenance costs were reduced in the related Dockets because the actual test year costs were lower than the allocated costs. However, in the instant Docket, Lakeside reported that the actual fuel and vehicle maintenance costs were higher than the allocated costs by $338 for fuel and $626 for vehicle maintenance. Lakeside does not believe the salary overtime adjustment is appropriate because the contract was first calculated in 2013 and did not include the actual costs for administrative services and operations. Consequently, Lakeside has been receiving a subsidy for the past four years. Specifically, Lakeside reported that the water and wastewater systems are currently receiving annual subsidies of $5,168 and $393, respectively.

Subsequent to the test year, USWSC reviewed the contracted amounts and considered revising the contract during the second quarter of 2017. In July 2017, a Utility representative advised our staff that USWSC had decided not to revise the contract at this time due to concerns about the rate impact on customers. The Utility and USWSC recognize the current impact caused by the significant capital improvements and did not believe it would be appropriate to increase the contracts in addition to the current SARC rate increases.

While we recognize that any reductions to the contract fees will further increase the subsidies, we find that it is still appropriate to remove the salary overtime component because it should not have been included in the allocated costs. Therefore, we decreased this account by $491 for water and $491 for wastewater to remove the salary overtime component.

The USWSC contract fees include certain repairs that do not exceed $400. During the test year, the Utility experienced a water line repair and a wastewater lift station repair that exceeded the $400 limit. Both repairs were recorded to wastewater expense. As discussed previously in section 3 of this Order, we reclassified the water line repair from this wastewater expense account to water plant Account No. 331, resulting in a decrease to wastewater of $1,165. Neither repair involved the replacement of plant.

The CPI-adjusted annual contract fees, net of the salary overtime reduction, of $39,175 for water and $36,613 for wastewater represent an average of $202 and $203 per equivalent residential connection (ERC), for water and wastewater, respectively. This is comparable to the amounts approved by this Commission for Lakeside's sister utilities which ranged from $170 to $247 per water ERC.

The Utility confirmed that USWSC's current cost model continues to include 1,000 additional projected ERCs. Inclusion of 1,000 potential future ERCs that are expected to be added through growth or acquisitions serves to spread the costs over a larger base and lowers the cost per ERC. Lakeside is also experiencing additional cost savings related to other expenses such as chemicals, testing, and miscellaneous expenses that are attributable to economies of scale achieved through operations provided by USWSC. USWSC and its managers bring considerable management and operator experience and expertise at a comparably reasonable cost. By spreading costs over multiple systems, and adding ERCs to recognize potential future growth, Lakeside's customers are realizing operational and cost benefits that would not be available if the Utility operated on a stand-alone basis. We find that the adjusted cost of the USWSC management services contract is reasonable. Our total adjustment to water contractual services – other expense is a decrease of $215, and our net adjustment to wastewater contractual services – other expense is a decrease of $1,398. Therefore, we approve contractual services – other expense for the test year of $39,175 ($39,390 + $276 - $491 = $39,175) for water and $37,054 ($38,452 + $258 - $491 - $1,165 = $37,054) for wastewater.

<u>D. Rent Expense (640/740)</u>

The Utility recorded test year rent expense for the Utility's land leases of $2,463 for water and $2,465 for wastewater. During the test year, the land owner increased the Utility's lease expense slightly for an annual CPI adjustment. Therefore, we increased this account by $12 for water and $12 for wastewater to reflect the Utility's current annual land lease expense. We approve rent expense for the test year of $2,475 for water and $2,477 for wastewater.

<u>E. Insurance Expense (655/755)</u>

The Utility recorded test year insurance expense of $602 for water and $534 for wastewater. During the test year, the Utility's general liability insurance policy was renewed at a slightly lower premium of $1,125, which is split equally between water and wastewater for an expense of $563 each. We decreased this expense for water by $39 and increased it for wastewater by $29 to reflect the current annual general liability insurance expense of $563 each. Therefore, we approve insurance expense for the test year of $563 for water and $563 for wastewater.

F. Regulatory Commission Expense (665/765)

The Utility did not record any regulatory commission expense in this account. We increased this account by $339 for water and $339 for wastewater to reflect the annual amortization of the rate case expense approved in the Utility's 2013 SARC. The rates that included the rate case expense went into effect on January 28, 2015, therefore, the four-year amortization of the rate case expense will continue until January 2019. In order to ensure that the annual rate case expense reflected in this adjustment matches the rate reduction that will occur in 2019, we included the return component that was approved in the 2013 Docket in this adjustment and excluded the rate case expense from the working capital calculation so that no additional return would be added.

Regarding the instant Docket, the Utility is required by Rule 25-22.0407, F.A.C., to provide notices of the customer meeting and notices of final rates in this case to its customers. The Utility is required to provide notices of the four-year rate reductions to its customers when the rates are reduced to remove the amortized rate case expense. For noticing, we estimated $272 for postage expense, $185 for printing expense, and $28 for envelopes. This results in $485 for the noticing requirement.

The Utility paid a total of $1,500 in rate case filing fees ($1,000 for water and $500 for wastewater). The Utility also requested additional rate case expense of $500 to cover travel expenses to attend both the customer meeting and our Agenda Conference. We previously approved rate case related travel expenses ranging from $450 to $1,570 in the six most recent Dockets for Lakeside's sister utilities. Based on our review, the requested travel expense appears reasonable. Based on the foregoing, we approve a total rate case expense of $2,485 ($485 + $1,500 + $500), which amortized over four years is $621. We have allocated the annual rate case expense to the water and wastewater systems based on ERCs, resulting in annual rate case expense of $378 for water and $243 for wastewater. Therefore, we approve regulatory commission expense of $717 for water and $583 for wastewater.

G. Bad Debt Expense (670/770)

Lakeside recorded $414 for water and $375 for wastewater in this account for test year bad debt expense, which represents 0.54 and 0.49 percent of our approved water and wastewater revenue requirements, respectively. Our practice is to calculate bad debt expense using a three-year average. However, Lakeside only has two years of data that are representative of a normal year. The remaining two years of data that were reported after the Utility was purchased by the current owners had an unusually high bad debt expense, followed by an unusually high negative bad debt expense that appears to have been a reversing adjustment. Given the limited data and that the test year bad debt expense is such a low percentage of our approved revenue requirements, we considered using the test year bad debt expense in lieu of the traditional three-year average. However, in its May 2017 letter, OPC expressed concern that the test year bad debt expense is higher than the bad debt expense amounts reported in the Utility's 2015 and 2016 Annual Reports. OPC proposed using a five-year average comprised of the four years of annual report data plus the bad debt expense approved in the 2013 SARC. We agree with OPC that the test year amounts are higher than the two most recent Annual Reports. However, we do not agree with OPC's proposed five-year calculation because there is an overlap of data between the 2013 Annual Report and 2013 SARC test year, preventing a true five-year average.

We find that a four-year average based on the four years of available data will produce a representative average and serves as a reasonable alternative to a traditional three-year average in this case. Based on a four-year average from 2013 through 2016, the average bad debt expense is $285 for water and $157 for wastewater, which represents only 0.37 and 0.20 percent of our approved revenue requirement. In its response to OPC's letter, Lakeside noted that rate increases resulting from rate cases typically cause higher bad debt to be incurred, and suggested that the rate increase should be considered when determining the appropriate level of bad debt expense on a prospective basis when the rates go into effect. We find that the four-year average is on the low end as a percentage of the revenue requirement, and may not adequately reflect future bad debt expense following the rate increase. However, in keeping with our current practice of calculating bad debt expense based on a multi-year average, we find it acceptable to use the four-year average in this case. Therefore, we decreased test year bad debt expense by $129 for water and $219 for wastewater. We approve bad debt expense of $285 for water and $157 for wastewater for the test year.

H. Miscellaneous Expense (675/775)

The Utility recorded $2,201 for water miscellaneous expense for the test year and no miscellaneous expense for wastewater. We decreased water miscellaneous expense by $1,655 to remove a regulatory assessment fee (RAF) expense that was incorrectly recorded to this account. The remaining water miscellaneous expense in this account includes the DEP drinking water annual operating license fee of $500, and several Sunshine State Florida One Call fees totaling $46. Therefore, we approve miscellaneous expense of $546 for water and no miscellaneous expense for wastewater for the test year.

I. Operation and Maintenance Expense (O&M Summary)

Based on the foregoing adjustments, O&M expense shall be reduced by $309 for water and $9 for wastewater, resulting in total O&M expense of $51,258 for water and $50,653 for wastewater. The approved adjustments to O&M expense are shown on Schedule Nos. 3-A through 3-E.

J. Depreciation Expense (Net of Amortization of CIAC)

The Utility's records reflect test year water depreciation expense of $5,071 and CIAC amortization expense of $415, resulting in a net water depreciation expense of $4,656 ($5,071 - $415 = $4,656). In addition, the Utility's records reflect test year wastewater depreciation expense of $4,919 and CIAC amortization expense of $589, resulting in a net wastewater depreciation expense of $4,330 ($4,919 - $589 = $4,330). We calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and increased water depreciation expense by $1,686 and decreased wastewater depreciation expense by $2,219 to reflect the appropriate test year depreciation expense. In addition, we increased this account by $1,012 to reflect the incremental increase in water depreciation expense resulting from the pro forma water line installation, pump repairs, pump replacement, and well materials correction. Further, we increased this account by $5,835 to reflect the incremental increase in wastewater depreciation expense resulting from the pro forma WWTP replacement. We also increased this account by $32 to reflect the increase in wastewater depreciation resulting from the pro forma WWTP spray field pump repair. Finally, we decreased depreciation expense by $951 for water and $492 for wastewater to reflect the non-U&U portion of the test year depreciation expense, including the pro forma WWTP replacement.

In addition, we calculated CIAC amortization based on composite rates, and determined that test year CIAC amortization expense shall be increased by $38 for water and decreased by $257 for wastewater. This results in CIAC amortization expense of $453 for water and $332 for wastewater. Based on the foregoing, our net adjustment to water is an increase of $1,709 ($1,686 + $1,012 - $951 - $38 = $1,709), resulting in a net depreciation expense for water of $6,365 ($4,656 + $1,709 = $6,365). Further, our net adjustment to wastewater is an increase of $3,413 (-$2,219 + $5,835 + 32 - $492 + 257 = $3,413), resulting in a net depreciation expense for wastewater of $7,743 ($4,330 + $3,413 = $7,743). Therefore, we approve net depreciation expense of $6,365 and $7,743 for water and wastewater, respectively.

K. Amortization of Loss on Water Well and WWTP Early Retirements

As discussed previously, the Utility experienced a well collapse of the primary well supplying potable water to its customers. The Utility attempted to rehabilitate the well with a private well driller, but ultimately was required to replace the well. The Utility believed it was prudent to attempt rehabilitation first because it would have been less costly than drilling the new well. Additionally, as discussed previously, Lakeside found it necessary to replace the WWTP in order to be in compliance with the DEP requirements.

In its application, Lakeside initially estimated an annual amortization expense of $3,791 for water and $224 for wastewater to be recovered over a 10-year amortization period. The Utility proposed the 10-year amortization period because it is consistent with our recent decisions. Our review indicates that the Utility acted prudently in both instances, and that the replacements and early retirements were necessary to ensure that the customers receive safe and reliable service, as well as ensure that the Utility be in compliance with DEP requirements.

Lakeside subsequently provided additional information regarding the costs it incurred to abandon the collapsed well and remove the WWTP. As discussed previously, we approved several adjustments to the Utility's test year accumulated depreciation and depreciation expense. There is no CIAC or amortization of CIAC associated with these retirements because Lakeside's CIAC only represents main extension fees, meter installation fees, and the prior imputation of CIAC for the lines. In addition, no salvage values have been identified for the collapsed well or retired WWTP.

The Utility and OPC reached a settlement at our October 3, 2017 Agenda Conference, in which the parties agreed to allow the recovery of the losses resulting from the early retirement of the collapsed well, water well rehabilitation costs, and WWTP. The parties also agreed to that the amortization period to recover these losses is seven years. Our calculation of the net loss and annual amortization expense including the Utility's removal costs and our approved depreciation adjustments for the early retirement losses on the collapsed well, well rehabilitation work, and retired WWTP are shown on Tables 6-1 and 6-2 below.

Table 6-1
Net Loss Calculation

	Water		Wastewater
Plant Retired			
Collapsed Well	$15,956		
Well Rehabilitation Work		$17,068	
Wastewater Treatment Plant			$33,921
Less Associated Accumulated Depreciation			
Collapsed Well	($14,429)		
Well Rehabilitation Work		($632)	
Wastewater Treatment Plant			($27,410)
Less Associated CIAC	$0	$0	$0
Plus Associated Amortization of CIAC	$0	$0	$0
Plus Removal Cost	$3,517	$0	$5,760
Less Salvage Value	$0	$0	$0
Equals Net Loss	$5,044	$16,436	$12,271

Table 6-2
Annual Amortization Expense Calculation

	Water		Wastewater
Net Loss	$5,044	$16,436	$12,271
Equals Amortization Period (Settlement Agreement)	7 Years	7 Years	7 Years
Annual Amortization of Loss (Net Loss divided by Amortization Period):	$721	$2,348	$1,753

The resulting annual amortization expenses are $721 to recover the loss on the collapsed well and $1,753 to recover the loss on the retired WWTP.

Therefore, we approve annual amortization expenses of $721 to recover the loss on the collapsed well, and $2,348 to recover the loss on the well rehabilitation work, for a total water amortization expense of $3,069 ($721 + $2,348 = $3,069). In addition, we approve an annual amortization expense for wastewater of $1,753 to recover the loss on the retired WWTP. Amortization of the losses shall begin when the rates approved in this Docket become effective.

L. Taxes Other Than Income (TOTI)

Lakeside recorded TOTI of $3,370 for water and $3,124 for wastewater for the test year. The Utility recorded RAFs of $2,686 for water and $2,440 for wastewater for the test year. Based on our approved test year revenues of $62,886 for water and $57,123 for wastewater, the Utility's RAFs shall be $2,830 and $2,571 for water and wastewater, respectively. Therefore, we increased these accounts by $144 for water and $131 for wastewater to reflect the appropriate test year RAFs. The Utility also recorded property tax accruals of $684 each for water and wastewater for the test year. The Utility's property taxes for the test year were $676 each for water and wastewater. Subsequent to our audit, the 2016 property tax records became available, indicating that Lakeside's actual property taxes were $653 each for water and wastewater. Accordingly, we decreased property taxes by $31 for water and $31 for wastewater to reflect the appropriate property taxes going forward. Our net adjustments to test year TOTI are an increase of $113 for water ($144 - $31 = $113) and $100 for wastewater ($131 - $31 = $100).

As discussed below in section 7, revenues have been increased by $12,806 for water and $18,411 for wastewater to reflect the change in revenue required to cover expenses and allow the approved rate of return. As a result, TOTI shall be increased by $576 for water and $829 for wastewater to reflect RAFs of 4.5 percent of the change in revenues. Therefore, we approve TOTI of $4,059 for water and $4,052 for wastewater.

M. Operating Expenses Summary

The application of our approved adjustments to Lakeside's test year operating expenses results in operating expenses of $64,750 for water and $64,202 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The adjustments are shown on Schedule No. 3-C.

7. Revenue Requirement

Lakeside is allowed an annual increase of $12,806 for water (20.36 percent) and $18,411 for wastewater (32.23 percent). This will allow the Utility the opportunity to recover its expenses and earn an 8.45 percent return on its investment. The calculations are shown below, in Tables 7-1 and 7-2 for water and wastewater, respectively:

Table 7-1
Water Revenue Requirement

Adjusted Rate Base	$129,485
Rate of Return	x 8.45%
Return on Rate Base	$10,941
Adjusted O&M Expense	51,258
Depreciation Expense (Net)	6,365
Amortization	3,069
Taxes Other Than Income	4,059
Income Taxes	0
Revenue Requirement	$75,692
Less Adjusted Test Year Revenues	62,886
Annual Increase	$12,806
Percent Increase	20.36%

Table 7-2
Wastewater Revenue Requirement

Adjusted Rate Base	$134,117
Rate of Return	x 8.45%
Return on Rate Base	$11,333
Adjusted O&M Expense	50,653
Depreciation Expense (Net)	7,743
Amortization	1,753
Taxes Other Than Income	4,052
Income Taxes	0
Revenue Requirement	$75,534
Less Adjusted Test Year Revenues	57,123
Annual Increase	$18,411
Percent Increase	32.23%

8. Rate Structures

The approved rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B.

A. Water Rates

Lakeside's water system is located within the SJRWMD. The Utility provides service to approximately 182 residential water customers, of which 74 have separate irrigation meters. In addition, the Utility provides water service to two general service irrigation meters and a clubhouse. Approximately 20 percent of the residential customer bills during the test year had zero gallons indicating a somewhat seasonal customer base. The average residential water demand was 2,386 gallons per month. The average water demand excluding zero gallon bills was 2,775 per month. The Utility's current residential rate structure consists of a base facility charge (BFC) and two-tier inclining block rate structure. The rate blocks are 0-4,000 gallons and all usage in excess of 4,000 gallons per month. The general service rates consist of a BFC and gallonage charge. The residential irrigation rate structure consists of a gallonage charge only.

We reviewed the Utility's billing data 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 approved revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with our practice.

To provide revenue stability, based upon the customers' low average monthly consumption and somewhat seasonal customer base, 45 percent of the revenue requirement shall be recovered through the BFC. This will allow the Utility to have sufficient cash flow to cover fixed costs. The average number of people per household served by the water system is 2.5; therefore, based on the number of persons per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold shall be 4,000 gallons per month. Based on our review, of the billing data, approximately 27 percent of the demand is above 10,000 gallons per month. Therefore, we approve a BFC and a three-tier inclining block rate structure, which includes separate gallonage charges for discretionary and non-discretionary usage for residential water customers. The rate blocks shall be: (1) 0-4,000 gallons; (2) 4,001-10,000 gallons; and (3) all usage in excess of 10,000 gallons per month. This rate structure sends the appropriate pricing signals because it targets customers with high consumption levels and minimizes price increases for customers at non-discretionary levels. In addition, the third tier provides an additional pricing signal to customers using in excess of 10,000 gallons of water per month. General service customers shall be billed a BFC and uniform gallonage charge.

Currently, the residential irrigation customers are billed a gallonage charge only rate structure. We reviewed whether the residential irrigation service should be assessed a BFC. Typically, the configuration of irrigation meters determines whether or not it is appropriate to assess a BFC. Several years ago, the Utility required customers that had improperly connected irrigation systems to correct the cross-connection hazard and properly meter all water consumption. During this time, customers were given options for how their irrigation system should be configured. A customer could re-pipe his or her irrigation system to connect to the potable water line behind the existing water meter, install a second water meter on the separate irrigation line, or disconnect their irrigation system from the Utility's main. In a prior rate case for this Utility, we found that the separate irrigation meter did not place any additional demand on the Utility's water system and irrigation customers shall only be assessed the gallonage charge for the water usage registered by the separate irrigation meter. Based upon our review, the residential irrigation customers' average consumption is 808 gallons per month, which does not indicate high usage for irrigation customers with separate meters. Based on the foregoing, we find that irrigation customers shall continue a gallonage charge only rate structure.

Based upon an approved revenue increase of 20.5 percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 621,000 gallons resulting in anticipated average residential demand of 2,187 gallons per month. We approve an 8.3 percent reduction in test year residential gallons for rate setting purposes and corresponding reductions of $227 for purchased power, $104 for chemicals, and $16 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of $74,959. Table 8-1 below, sets forth our approved rate structure and rates. The approved rate structure minimizes the rate impact for customers at non-discretionary levels of consumption while sending the appropriate pricing signals to target demand in excess of 10,000 gallons per month. The Utility does not have customers for private fire protection; however, the Utility would like to maintain a rate structure for that customer class in the event it is needed in the future. The private fire protection rate shall be one-twelfth of the approved BFC, pursuant to Rule 25-30.465, F.A.C.

Table 8-1
Water Rate Structures and Rates

	RATES AT TIME OF FILING	**APPROVED RATES (45% BFC)**
Residential		
5/8” x 3/4” Meter Size	$13.76	$14.51
Charge per 1,000 gallons		
0-4,000 gallons	$3.47	
Over 4,000 gallons	$4.49	
0-4,000 gallons		$4.37
4,001-10,000 gallons		$5.54
Over 10,000 gallons		$9.69
Typical Residential 5/8” x ¾” Meter Bill Comparison		
4,000 Gallons	$27.64	$31.99
6,000 Gallons	$36.62	$43.07
10,000 Gallons	$54.58	$65.23

B. Wastewater Rates

Lakeside provides wastewater service to approximately 170 residential customers. The Utility’s current rate structure for the wastewater system consists of a uniform BFC for all residential meter sizes and a gallonage charge with a 6,000 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.

We reviewed 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.

The customer base is somewhat seasonal; therefore, 50 percent of the wastewater revenue shall be allocated to the BFC to help provide revenue stability. We typically establish monthly residential wastewater gallonage caps at 10,000, 8,000, or 6,000 gallons. 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, approximately 80 percent of the residential gallons are captured at the 18,000 gallon consumption level because of low average demand. In this case, an 18,000 gallon cap does not properly reflect the estimated water gallons returned to the wastewater system. Thus, we approve a continuation of the Utility's current gallonage cap of 6,000 gallons per month. General service customers shall continue to be billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge. The expected wastewater repression is *de minimis* because of the low average customer demand. Therefore, we do not require a repression adjustment for wastewater.

Table 8-2 below sets forth our approved rate structure and rates.

Table 8-2
Wastewater Rate Structures and Rates

	RATES AT TIME OF FILING	**APPROVED RATES 50% BFC**
Residential		
5/8" x 3/4" Meter Size	$14.49	$17.93
Charge per 1,000 gallons	$6.24	$8.89
6,000 gallon cap		
Typical Residential 5/8" x 3/4" Meter Bill Comparison		
4,000 Gallons	$39.45	$53.49
6,000 Gallons	$51.93	$71.27
10,000 Gallons	$51.93	$71.27

C. Summary

The approved rate structure and rates are shown on Schedule Nos. 4-A and 4-B. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date 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.

9. Customer Deposits

Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, we have set initial customer deposits equal to two times the average estimated bill. Currently, the Utility's initial deposit for residential water is $55 for the 5/8 inch x 3/4 inch meter size and two times the average estimated bill for the general service meter sizes. For wastewater, the current initial customer deposit for the 5/8 x 3/4 inch meter size is $76 and two times the average estimated bill for the general service meter sizes. Based on the approved water rates and post repression average residential demand, the appropriate initial customer deposit for water shall be $48 to reflect an average residential customer bill for two months. The appropriate initial customer deposit for wastewater shall be $86 to reflect an average residential customer bill for two months.

The approved initial customer deposit for a residential 5/8 inch x 3/4 inch meter size is $48 for water and $86 for wastewater. 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 and wastewater. The approved initial 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 collect the approved deposits until authorized to change them by this Commission in a subsequent proceeding.

10. Non-Sufficient Funds Charges (NSF)

Lakeside is hereby authorized to collect NSF charges consistent with Section 68.065, F.S., which allows for the assessment of charges for the collection of worthless checks, drafts, or orders of payment. As currently set forth in Section 68.065(2), F.S., the following NSF charges may be assessed:

(1) $25, if the face value does not exceed $50,
(2) $30, if the face value exceeds $50 but does not exceed $300,
(3) $40, if the face value exceeds $300,
(4) or five percent of the face amount of the check, whichever is greater.

Approval of NSF charges is consistent with our prior decisions. Furthermore, NSF charges place the cost on the cost-causer, rather than requiring that the costs associated with the return of the NSF checks be spread across the general body of the ratepayers. As such, Lakeside shall be authorized to collect NSF charges. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved NSF charges. The approved charges shall be effective for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice pursuant to Rule 25-30.475, F.A.C. The Utility shall provide proof of noticing within 10 days of rendering its approved notice.

11. Removal of Amortized Rate Case Expense (Final Agency Action)

Lakeside's water and wastewater rates shall be reduced immediately following the expiration of the four-year rate case expense recovery period by the amount of the rate case expense previously included in the rates, pursuant to Section 367.081(8), F.S. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for RAFs which is $395 and $255 for water and wastewater, respectively. Using the Utility’s current revenues, expenses, and customer base, the reduction in revenues will result in the rate decrease shown on Schedule Nos. 4-A and 4-B.

Lakeside shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility also shall file a proposed customer notice setting forth the lower rates and the reason for the reduction. If Lakeside 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.

12. Temporary Rates in the Event of Protest (Final Agency Action)

By this Order, this Commission proposes 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, the rates approved herein shall be approved as temporary rates. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date 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 is 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 $20,966. Alternatively, the Utility may 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.
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 prior written authorization of the Commission Clerk, or his or her designee.
3. The escrow account shall be an interest bearing account.
4. If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
5. If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility.
6. All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
7. The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
8. This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to *Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
9. The account must specify by whom and on whose behalf such monies were paid.

In no instance 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 Office of Commission Clerk no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund.

13. Adjustment of Books (Final Agency Action)

The Utility is required to notify this Commission, in writing that it has adjusted its books in accordance with our decision. Schedule Nos. 5-A and 5-B reflects the accumulated plant, depreciation, CIAC, and amortization of CIAC balances as of June 30, 2016. Lakeside shall submit a letter within 90 days of the final Order in this Docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts, as shown on Schedule Nos. 5-A and 5-B, have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice shall be provided not less than seven days prior to the deadline. Our staff is hereby given administrative authority to grant an extension of up to 60 days upon providing good cause.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the settlement agreement between the Lakeside Waterworks, Inc. and the Office of Public Counsel is approved. It is further

ORDERED that the overall quality of service provided by Lakeside Waterworks, Inc. is satisfactory. The Utility is in compliance with all primary and secondary water standards and the Department of Environmental Protection EP has deemed the Utility to be in compliance for both water and wastewater operations. The Utility has actively responded to concerns raised by its customers. It is further

ORDERED that Lakeside Waterworks, Inc.'s WTP is 81 percent U&U, and the water storage facilities are 100 percent U&U. Lakeside's WWTP is 92 percent U&U. The Utility's water distribution and wastewater collection systems are 100 percent U&U. No adjustment shall be made to purchased power and chemical expenses since there is no excessive unaccounted for water and no indication of excessive inflow and infiltration. It is further

ORDERED that the year-end water test year rate base is $129,485, and the year-end wastewater test year rate base is $134,117. It is further

ORDERED that the approved return on equity is 8.85 percent with a range of 7.85 percent to 9.85 percent. The approved overall rate of return is 8.45 percent. It is further

ORDERED that the test year revenues for Lakeside Waterworks Inc.'s water and wastewater systems are $62,886 and $57,123, respectively. It is further

ORDERED that the approved operating expense is $64,750 for water and $64,202 for wastewater. It is further

ORDERED that the revenue requirement is $75,692 for water and $75,534 for wastewater, resulting in an annual increase of $12,806 for water (20.36 percent) and $18,411 for wastewater (32.23 percent). It is further

ORDERED that the approved rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. Lakeside Waterworks, Inc. 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 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. Lakeside Waterworks, Inc. shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that the initial customer deposit for a residential 5/8 inch x 3/4 inch meter size is $48 for water and $86 for wastewater. 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 and wastewater. The approved initial 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. Lakeside Waterworks, Inc. shall collect the approved deposits until authorized to change them by this Commission in a subsequent proceeding. It is further

ORDERED that Lakeside Waterworks, Inc. is authorized to collect NSF charges. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved NSF charges. The approved charges shall be effective for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice pursuant to Rule 25-30.475, F.A.C. The Utility shall provide proof of noticing within 10 days of rendering its approved notice. It is further

ORDERED that the water and wastewater rates shall be reduced as shown on Schedule Nos. 4-A and 4-B, to remove rate case expense grossed-up for RAFs 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. The Utility 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. If Lakeside 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. **(Final Agency Action)**. It is further

ORDERED that the rates are approved for Lakeside Waterworks, Inc. on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date 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. Prior to implementation of any temporary rates, the Utility shall provide appropriate security. If the approved rates are approved on a temporary basis, the rates collected by the Utility shall be subject to the refund provisions set forth in the body of this Order. 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 Office of Commission Clerk no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund. **(Final Agency Action)**. It is further

ORDERED that Lakeside Waterworks, Inc. is required to notify this Commission, in writing, that it has adjusted its books in accordance with our decision. Lakeside shall submit a letter within 90 days of the Final Order in this Docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts, as shown on Schedules Nos. 5-A and 5-B, have been made to the Utility’s books and records. In the event the Utility needs additional time to complete the adjustments, notice shall be provided not less than seven days prior to the deadline. Our staff has administrative authority to grant an extension of up to 60 days upon providing good cause by the Utility. **(Final Agency Action)**. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. If no such petition is received, the Docket shall remain open for our staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this Docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 7th day of November, 2017.

Hong Wang

HONG WANG
Chief Deputy 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.

CWM

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action except for (1) the granting or temporary rates in the event of protest, (2) the reduction of rates after four years based upon the recovery of rate case expense, and (3) proof of adjustment of books and records, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540

Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 28, 2017. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

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

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

LAKESIDE WATERWORKS, INC.
TEST YEAR ENDED 06/30/2016
SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1-A
DOCKET NO. 20160195-WS

	DESCRIPTION	BALANCE PER UTILITY	APPROVED ADJUSTMENTS TO UTILITY BALANCE	BALANCE PER COMMISSION
1.	UTILITY PLANT IN SERVICE	$263,806	($21,253)	$242,553
2.	LAND & LAND RIGHTS	0	0	0
3.	NON-USED AND USEFUL COMPONENTS	0	(18,497)	(18,497)
4.	CIAC	(14,251)	(335)	(14,586)
5.	ACCUMULATED DEPRECIATION	(118,074)	24,496	(93,578)
6.	AMORTIZATION OF CIAC	7,379	(104)	7,275
7.	WORKING CAPITAL ALLOWANCE	0	6,318	6,318
8.	WATER RATE BASE	$138,860	($9,375)	$129,485

LAKESIDE WATERWORKS, INC. **SCHEDULE NO. 1-B**
TEST YEAR ENDED 06/30/2016 **DOCKET NO. 20160195-WS**
SCHEDULE OF WASTEWATER RATE BASE

	DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS TO UTILITY BALANCE	BALANCE PER COMMISSION
1.	UTILITY PLANT IN SERVICE	$153,449	$54,815	$208,264
2.	LAND & LAND RIGHTS	0	0	0
3.	NON-USED AND USEFUL COMPONENTS	0	(7,872)	(7,872)
4.	CIAC	(18,388)	0	(18,388)
5.	ACCUMULATED DEPRECIATION	(103,869)	42,530	(61,339)
6.	AMORTIZATION OF CIAC	7,517	(324)	7,193
7.	WORKING CAPITAL ALLOWANCE	0	6,259	6,259
8.	WASTEWATER RATE BASE	$38,709	$95,408	$134,117

LAKESIDE WATERWORKS, INC. **SCHEDULE NO. 1-C**
TEST YEAR ENDED 06/30/2016 **DOCKET NO. 20160195-WS**
ADJUSTMENTS TO RATE BASE **Page 1 of 2**

		WATER	WASTEWATER
	UTILITY PLANT IN SERVICE		
1.	To remove unsupported generation addition per 2015 Order.	($603)	$0
2.	To remove unsupported pumping equipment addition per 2015 Order.	0	(245)
3.	To reflect retirement related to pump starter addition per 2015 Order.	0	(563)
4.	To reflect retirements for pro forma additions approved by 2015 Order.	(6,563)	(2,768)
5.	To remove unsupported additions from Acct. Nos. 301 and 351.	(463)	(398)
6.	To reclassify water line repair to water Acct. No. 331.	1,165	0
7.	To reflect retirement of collapsed well & rehab work to Acct. No. 307.	(33,024)	0
8.	To reflect pro forma water line installation to Acct. No. 333.	1,338	0
9.	To reflect pro forma high service pump repair to Acct. No. 311.	1,967	0
10.	To reflect pro forma well pump replacement to Acct. No. 311.	14,012	0
11.	To reflect pro forma correction of new well invoice to Acct. No. 307.	917	0
12.	To reflect pro forma WWTP replacement to Acct. No. 380.	0	91,755
13.	To reflect retirement of replaced WWTP to Acct. No. 380.	0	(33,921)
14.	To reflect pro forma WWTP spray field pump repair to Acct. No. 371.	0	955
	Total	($21,253)	$54,815
	NON-USED AND USEFUL PLANT		
1.	To reflect non-U&U plant.	($23,523)	($7,377)
2.	To reflect non-U&U accumulated depreciation.	5,026	(495)
	Total	($18,497)	($7,872)
	CIAC		
	To reflect pro forma CIAC.	($335)	$0

Continued on next page

LAKESIDE WATERWORKS, INC. **SCHEDULE NO. 1-C**
TEST YEAR ENDED 06/30/2016 **DOCKET NO. 20160195-WS**
ADJUSTMENTS TO RATE BASE (Continued) **Page 2 of 2**

		WATER	WASTEWATER
	ACCUMULATED DEPRECIATION		
1.	To reflect 2013 test year balance per 2015 Order.	($464)	$5,534
2.	To reflect test year balance for water Acct. No. 310 per 2015 Order.	107	0
3.	To reflect retirements for pro forma additions approved in 2015 Order.	6,563	2,768
4.	To reflect acc. dep. related to pro forma retirements from 2015 Order.	156	92
5.	To reflect reclassification of line repair to water Acct. No. 331.	(31)	0
6.	To reflect retirement of collapsed well & rehabilitation work.	33,024	0
7.	To reflect well abandonment/removal costs.	3,517	0
8.	To reflect removal of net loss on well rehab work from Acct. No. 307.	(16,436)	0
9.	To reflect various pro forma water projects and well materials correction.	(1,012)	0
10.	To reflect pro forma WWTP replacement.	0	(5,835)
11.	To reflect retirement of replaced WWTP.	0	33,921
12.	To reflect WWTP removal costs.	0	5,760
13.	To reflect pro forma WWTP spray field pump repair.	0	(32)
14.	To reflect accumulated depreciation per Rule 25-30.140, F.A.C.	(927)	322
	Total	$24,496	$42,530
	AMORTIZATION OF CIAC		
1.	To reverse averaging adjustment recorded from 2015 Order.	$245	$139
2.	To reflect appropriate test year amortization of CIAC.	(359)	(463)
3.	To reflect pro forma amortization of CIAC.	10	0
	Total	($104)	($324)
	WORKING CAPITAL ALLOWANCE		
	To reflect 1/8 of test year O&M expenses.	$6,318	$6,259

LAKESIDE WATERWORKS, INC. **SCHEDULE NO. 2**
TEST YEAR ENDED 06/30/2016 **DOCKET NO. 20160195-WS**
SCHEDULE OF CAPITAL STRUCTURE (YEAR-END)

	CAPITAL COMPONENT	PER UTILITY	COMM. ADJUST-MENTS	TEST YEAR BALANCE PER COMM.	ADJUSTMENTS TO RECONCILE TO RATE BASE	RECONCILED CAPITAL STRUCTURE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	COMMON STOCK	$0	$0	$0	$0	$0			
2.	CAPITAL STOCK	0	120,000	120,000	(15,364)	104,636			
3.	RETAINED EARNINGS	0	0	0	0	0			
4.	PAID IN CAPITAL	0	0	0	0	0			
5.	OTHER COMMON EQUITY	158,808	0	158,808	(20,333)	138,475			
	TOTAL COMMON EQUITY	$158,808	$120,000	$278,808	($35,697)	$243,111	92.23%	8.85%	8.16%
6.	LONG-TERM DEBT	$19,566	$0	$19,566	($2,505)	$17,061	6.47%	4.00%	0.26%
7.	SHORT-TERM DEBT	0	0	0	0	0	0.00%		
8.	PREFERRED STOCK	0	0	0	0	0	0.00%		
	TOTAL DEBT	$19,566	$0	$19,566	($2,505)	$17,061	6.47%		
9.	CUSTOMER DEPOSITS	$3,430	$0	$3,430	$0	$3,430	1.30%	2.00%	0.03%
10.	TOTAL	$181,804	$120,000	$301,804	($38,202)	$263,602	100.00%		8.45%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	7.85%	9.85%
OVERALL RATE OF RETURN	7.53%	9.37%

LAKESIDE WATERWORKS, INC. | **SCHEDULE NO. 3-A**
TEST YEAR ENDED 06/30/2016 | **DOCKET NO. 20160195-WS**
SCHEDULE OF WATER OPERATING INCOME

		TEST YEAR PER UTILITY	COMM. ADJUSTMENTS	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**OPERATING REVENUES**	$59,676	$3,210	$62,886	$12,806	$75,692
					20.36%	
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$51,567	($309)	$51,258	$0	$51,258
3.	DEPRECIATION (NET)	4,656	1,709	6,365	0	6,365
4.	AMORTIZATION	0	3,069	3,069	0	3,069
5.	TAXES OTHER THAN INCOME	3,370	113	3,483	576	4,059
6.	INCOME TAXES	0	0	0	0	0
7.	**TOTAL OPERATING EXPENSES**	$59,593	$4,581	$64,174	$576	$64,750
8.	**OPERATING INCOME/(LOSS)**	$83		($1,288)		$10,941
9.	**WATER RATE BASE**	$138,860		$129,485		$129,485
10.	**RATE OF RETURN**	0.06%		(0.99%)		8.45%

LAKESIDE WATERWORKS, INC.
TEST YEAR ENDED 06/30/2016
SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3-B
DOCKET NO. 20160195-WS

		TEST YEAR PER UTILITY	COMM. ADJUSTMENTS	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**OPERATING REVENUES**	$54,216	$2,907	$57,123	$18,411	$75,534
					32.23%	
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$50,662	($9)	$50,653	$0	$50,653
3.	DEPRECIATION (NET)	4,330	3,413	7,743	0	7,743
4.	AMORTIZATION	0	1,753	1,753	0	1,753
5.	TAXES OTHER THAN INCOME	3,124	100	3,224	829	4,052
6.	INCOME TAXES	0	0	0	0	0
7.	**TOTAL OPERATING EXPENSES**	$58,116	$5,257	$64,688	$829	$64,202
8.	**OPERATING INCOME/(LOSS)**	($3,900)		($6,250)		$11,333
9.	**WASTEWATER RATE BASE**	$38,709		$134,117		$134,117
10.	**RATE OF RETURN**	(10.08%)		(4.66%)		8.45%

LAKESIDE WATERWORKS, INC.
TEST YEAR ENDED 06/30/2016
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-C
DOCKET NO. 20160195-WS
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		WATER	WASTEWATER
	OPERATING REVENUES		
1.	To reflect appropriate test year service revenues.	$3,619	$2,520
2.	To reflect appropriate test year miscellaneous service revenues.	(409)	387
	Subtotal	$3,210	$2,907
	OPERATION AND MAINTENANCE EXPENSES		
1.	Purchased Power (615/715)		
	a. To reflect appropriate test year purchased power expense.	$131	$60
2.	Contractual Services – Professional (631/731)		
	a. To reflect annualized accounting fees.	$1,050	$825
	b. To reflect 5-year amortization of non-recurring legal fees.	(182)	(182)
	c. To reflect the annual amortization of CAD system mapping project.	0	280
	Subtotal	$868	$923
3.	Contractual Services - Other (636/736)		
	a. To reflect pro forma change in contractual services – other expense.	$276	$258
	b. To remove overtime component from contractual service – other expense.	(491)	(491)
	c. To reclassify water line repair from wastewater expense Acct. No. 736 to water plant Acct. No. 636.	0	(1,165)
	Subtotal	($215)	($1,398)
4.	Rents (640/740)		
	a. To reflect annualized land lease expense.	$12	$12
5.	Insurance Expense (655/755)		
	a. To reflect annualized general liability insurance expense.	($39)	$29
6.	Regulatory Commission Expense (665/765)		
	a. To reflect unamortized rate case expense from last SARC	$339	$339
	b. To reflect 4-year amortization of rate case expense ($2,485 total, split $1,511/4 for water and $974/4 for wastewater).	378	243
	Subtotal	$717	$583
7.	Bad Debt Expense (670/770)		
	a. To reflect appropriate test year bad debt expense.	($129)	($219)
8.	Miscellaneous Expense (675/775)		
	a. To remove an incorrectly recorded RAF adjustment.	($1,655)	$0
	TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	($309)	($9)

LAKESIDE WATERWORKS, INC.
TEST YEAR ENDED 06/30/2016
ADJUSTMENTS TO OPERATING INCOME (CONTINUED)

SCHEDULE NO. 3-C
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		WATER	WASTEWATER
	DEPRECIATION EXPENSE		
1.	To reflect test year depreciation calculated per Rule 25-30.140, F.A.C.	$1,686	($2,219)
2.	To reflect pro forma water line installation, pump repairs, pump replacement, and well materials correction.	1,012	0
3.	To reflect pro forma WWTP replacement.	0	5,835
4.	To reflect pro forma WWTP spray field pump repair.	0	32
5.	To reflect non-used and useful test year depreciation.	(951)	(492)
6.	To reflect appropriate test year CIAC amortization expense.	(38)	257
	Total	$1,709	$3,413
	AMORTIZATION		
1.	To reflect loss on well retirement.	$721	$0
2.	To reflect recovery of well rehabilitation costs.	2,348	0
3.	To reflect loss on WWTP retirement.	0	1,753
	Total	$3,069	$1,753
	TAXES OTHER THAN INCOME		
1.	To reflect the appropriate test year RAFs.	$144	$131
2.	To reflect appropriate test year utility property taxes.	(31)	(31)
	Total	$113	$100

LAKESIDE WATERWORKS, INC. **SCHEDULE NO. 3-D**
TEST YEAR ENDED 06/30/2016 **DOCKET NO. 20160195-WS**
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

	TOTAL PER UTILITY	COMM. ADJUST-MENTS	TOTAL PER COMM.
(601) SALARIES AND WAGES - EMPLOYEES	$0	$0	$0
(603) SALARIES AND WAGES - OFFICERS	3,000	0	3,000
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	2,737	131	2,868
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	1,319	0	1,319
(620) MATERIALS AND SUPPLIES	0	0	0
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	(559)	868	309
(635) CONTRACTUAL SERVICES - TESTING	0	0	0
(636) CONTRACTUAL SERVICES - OTHER	39,390	(215)	39,175
(640) RENTS	2,463	12	2,475
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	602	(39)	563
(665) REGULATORY COMMISSION EXPENSE	0	717	717
(670) BAD DEBT EXPENSE	414	(129)	285
(675) MISCELLANEOUS EXPENSE	2,201	(1,655)	546
	$51,567	($309)	$51,258

LAKESIDE WATERWORKS, INC. **SCHEDULE NO. 3-E**
TEST YEAR ENDED 06/30/2016 **DOCKET NO. 20160195-WS**
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

	TOTAL PER UTILITY	COMM. ADJUST-MENTS	TOTAL PER COMM.
(701) SALARIES AND WAGES - EMPLOYEES	$0	$0	$0
(703) SALARIES AND WAGES - OFFICERS	3,000	0	3,000
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	2,275	0	2,275
(715) PURCHASED POWER	3,479	60	3,539
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	416	0	416
(720) MATERIALS AND SUPPLIES	0	0	0
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	(334)	923	589
(735) CONTRACTUAL SERVICES - TESTING	0	0	0
(736) CONTRACTUAL SERVICES - OTHER	38,452	(1,398)	37,054
(740) RENTS	2,465	12	2,477
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	534	29	563
(765) REGULATORY COMMISSION EXPENSE	0	583	583
(770) BAD DEBT EXPENSE	375	(219)	157
(775) MISCELLANEOUS EXPENSE	0	0	0
	$50,662	($9)	$50,653

LAKESIDE WATERWORKS, INC. **SCHEDULE NO. 4-A**
TEST YEAR ENDED 06/30/2016 **DOCKET NO. 20160195-WS**
MONTHLY WATER RATES

	RATES AT TIME OF FILING *	APPROVED RATES *	4 YEAR RATE REDUCTION
Residential, General Service, and Irrigation			
Base Facility Charge by Meter Size			
5/8" x 3/4"	$13.76	$14.51	$0.08
3/4"	$20.64	$21.77	$0.12
1"	$34.40	$36.28	$0.20
1-1/2"	$68.79	$72.55	$0.40
2"	$110.07	$116.08	$0.64
3"	$220.13	$232.16	$1.28
4"	$343.96	$362.75	$2.00
6"	$687.91	$725.50	$4.00
* Residential irrigation customers do not pay a base facility charge.			
Charge per 1,000 Gallons - Residential and Residential Irrigation			
0-4,000 gallons	$3.47		
Over 4,000 gallons	$4.49		
0-4,000 gallons		$4.37	$0.02
4,000-10,000 gallons		$5.54	$0.03
Over 10,000 gallons		$9.69	$0.05
Charge per 1,000 gallons - General Service and General Service Irrigation	$3.80	$5.70	$0.03
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
4,000 Gallons	$27.64	$31.99	
6,000 Gallons	$36.62	$43.07	
10,000 Gallons	$54.58	$65.23	

LAKESIDE WATERWORKS, INC. **SCHEDULE NO. 4-B**
TEST YEAR ENDED JUNE 30, 2016 **DOCKET NO. 160195-WS**
MONTHLY WASTEWATER RATES

	RATES AT TIME OF FILING	COMMISSION APPROVED RATES	4 YEAR RATE REDUCTION
Residential			
Base Facility Charge - All Meter Sizes	$14.49	$17.93	$0.06
Charge Per 1,000 gallons			
6,000 gallon cap	$6.24	$8.89	$0.03
General Service			
Base Facility Charge by Meter Size			
5/8" x 3/4"	$14.49	$17.93	$0.06
3/4"	$21.74	$26.90	$0.09
1"	$36.23	$44.83	$0.15
1-1/2"	$72.47	$89.65	$0.30
2"	$115.95	$143.44	$0.48
3"	$231.89	$286.88	$0.96
4"	$362.33	$448.25	$1.50
6"	$724.67	$896.50	$3.00
Charge per 1,000 gallons	$7.50	$10.67	$0.04
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
4,000 Gallons	$39.45	$53.49	
6,000 Gallons	$51.93	$71.27	
10,000 Gallons	$51.93	$71.27	

LAKESIDE WATERWORKS, INC. **SCHEDULE NO. 5-A**
TEST YEAR ENDED 06/30/2016 **DOCKET NO. 20160195-WS**
SCHEDULE OF WATER PLANT, DEPRECIATION, CIAC, & CIAC AMORTIZATION BALANCES (YEAR-END RATE BASE)

ACCT NO.	DEPR. RATE PER RULE 25-30.140	DESCRIPTION	UPIS 6/30/2016 (DEBIT)*	ACCUM. DEPR. 6/30/2016 (CREDIT)*
301	2.50%	ORGANIZATION	$1,010	$441
304	3.70%	STRUCTURES AND IMPROVEMENTS	5,000	3,239
307	3.70%	WELLS AND SPRINGS	99,148	9,682
309	3.13%	SUPPLY MAINS	300	216
310	5.88%	POWER GENERATION EQUIPMENT	0	0
311	5.88%	PUMPING EQUIPMENT	9,017	3,484
320	5.88%	WATER TREATMENT EQUIPMENT	10,340	9,833
330	3.03%	DISTRIBUTION RESERVOIRS AND STANDPIPES	5,829	1,631
331	2.63%	TRANSMISSION AND DISTRIBUTION MAINS	53,510	25,702
333	2.86%	SERVICES	7,675	7,675
334	5.88%	METERS AND METER INSTALLATIONS	28,989	28,600
339	5.00%	OTHER PLANT AND MISCELLANEOUS EQUIPMENT	3,501	2,063
		TOTAL	$224,319	$92,566

CIAC AMORT. 6/30/2016 (DEBIT)*	CIAC 6/30/2016 (CREDIT)*
$7,265	$14,251

* The plant, accumulated depreciation, CIAC, and CIAC amortization balances exclude the pro forma adjustments.

LAKESIDE WATERWORKS, INC. **SCHEDULE NO. 5-B**
TEST YEAR ENDED 06/30/2016 **DOCKET NO. 20160195-WS**
SCHEDULE OF WASTEWATER PLANT, DEPRECIATION, CIAC, & CIAC AMORT. BALANCES (YEAR-END RATE BASE)

ACCT NO.	DEPR. RATE PER RULE 25-30.140	DESCRIPTION	UPIS 6/30/2016 (DEBIT)*	ACCUM. DEPR. 6/30/2016 (CREDIT)*
351	2.50%	ORGANIZATION	$1,010	$441
354	3.70%	STRUCTURES AND IMPROVEMENTS	6,080	6,080
360	3.70%	COLLECTION SEWERS – FORCE	3,138	3,138
361	2.50%	COLLECTION SEWERS – GRAVITY	73,983	28,831
362	2.70%	SPECIAL COLLECTING STRUCTURES	200	121
363	2.86%	SERVICES TO CUSTOMERS	5,145	5,061
364	20.00%	FLOW MEASURING DEVICES	2,474	2,474
365	2.86%	FLOW MEASURING INSTALLATIONS	2,540	1,634
370	4.00%	RECEIVING WELLS	16,000	16,000
371	6.67%	PUMPING EQUIPMENT	1,832	1,453
380	6.67%	TREATMENT AND DISPOSAL EQUIPMENT	33,921	27,410
389	6.67%	OTHER PLANT AND MISCELLANEOUS EQUIPMENT	2,949	2,307
393	6.67%	TOOLS, SHOP, AND GARAGE EQUIPMENT	203	230
		TOTAL	$149,475	$95,153

CIAC AMORT. 6/30/2016 (DEBIT)*	CIAC 6/30/2016 (CREDIT)
$7,193	$18,388

* The plant and accumulated depreciation balances exclude the pro forma adjustments.