

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for certificates to provide
water and wastewater service in Brevard
County by River Grove Utilities, Inc.

DOCKET NO. 20190147-WS
ORDER NO. PSC-2020-0059-PAA-WS
ISSUED: February 24, 2020

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman
ART GRAHAM
JULIE I. BROWN
DONALD J. POLMANN
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INITIAL RATES, CHARGES, AND CUSTOMER DEPOSITS FOR
RIVER GROVE UTILITIES, INC
AND
ORDER APPROVING WATER AND WASTEWATER
CERTIFICATE NOS. 674-W AND 575-S

BY THE COMMISSION:

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

I. Background

River Grove Utilities, Inc. (River Grove or Utility) is located in Brevard County, Florida. Based on its application, the Utility provides water and wastewater service to 168 residential customers, two offices, and two clubhouses within the River Grove Mobile Home Village. According to Florida Department of Environmental Protection (DEP) documents, the water and wastewater systems for River Grove were built in the 1970s to service the mobile home park. Since that time, River Grove Mobile Home Village, Inc. (RGMHV) has included the cost of providing water and wastewater service to the residents of the mobile home park (MHP) in the rent. Therefore, pursuant to Section 367.022(5), Florida Statutes (F.S.), RGMHV has been exempt from Florida Public Service Commission (Commission) regulation.

In 2014, the potable water system began experiencing problems meeting drinking water standards for color, total dissolved solids, and total trihalomethanes. Alternative water treatment methods were considered, but it was determined that the least costly alternative would be to

connect to the Brevard County's Barefoot Bay water system and purchase bulk water service from Barefoot Bay. In 2016, DEP issued a consent order that directed RGMHV to take the actions necessary to effect the interconnection with Barefoot Bay, and gave it a two-year time frame to complete. RGMHV sought funding through a DEP state revolving fund program for the water main extension required to interconnect the two systems. After some delays with the funding and permitting, the interconnection was completed in March 2019. RGMHV created River Grove Utilities, Inc. to own and operate the water and wastewater systems, function as a utility separate from the mobile home park, and bill for water and wastewater service. River Grove installed individual water meters at each lot and proposed to collect revenues based on metered usage.

Pursuant to Section 367.031, F.S., we shall grant or deny an application for a certificate of authorization within 90 days after the official filing date of the completed application. The application was deemed complete on November 15, 2019, which is considered the official filing date.

This Order addresses the application for original water and wastewater certificates and the appropriate rates and charges for the Utility. We have jurisdiction pursuant to Sections 367.031 and 367.045, F.S.

II. Decision

A. Approval of River Grove's the application for water and wastewater certificates

On July 25, 2019, River Grove filed its application for original water and wastewater certificates in Brevard County, Florida. Upon review, Commission staff determined the original filing was deficient and sent a deficiency letter on August 16, 2019. Commission staff also sent data requests to the Utility seeking additional information. River Grove corrected the deficiencies on November 15, 2019, which is considered the official filing date for the application. As discussed below, the Utility's application is in compliance with the governing statutes, Sections 367.031 and 267.045, F.S.

1. Notice

On October 24 and November 15, 2019, River Grove filed proof of compliance with the noticing provisions set forth in Rule 25-30.030, F.A.C. On November 8, 2019, a River Grove customer filed a letter in opposition to the rates. Commission staff reached out to the customer by telephone, leaving a voicemail, and by letter, to ask whether he wished to merely note his objection or to request an administrative hearing. The customer did not respond to these inquiries. No other protest was filed during the protest period and the time for filing objections has expired.

2. Land Ownership and Service Territory

River Grove provided adequate service territory and system maps, and a territory description as required by Rule 25-30.033, F.A.C. The legal description of the service territory is

appended to this Order as Attachment A. The application contained a copy of the warranty deed for the wastewater treatment plant site that will be executed and recorded upon our approval of the application.

3. Financial and Technical Ability

Rule 25-30.033(1)(h) and (i), F.A.C., requires a statement providing the financial and technical ability of the applicant to provide service, a detailed financial statement, and a list of all entities upon which the applicant is relying to provide funding along with those entities' financial statements. As a new business entity, River Grove is relying upon the financial backing of its parent, RGMHV. The existing water and wastewater infrastructure has been owned and operated by RGMHV since the 1970s. We have traditionally allowed reliance on the parent's financial ability in similar situations based on the logical vested interest of a parent in the financial stability of its subsidiary.¹ The application contains RGMHV's most recent financial statements. Additionally, the application includes the loan agreement for the DEP State Revolving Fund (SRF) loan, which financed the construction of the Utility's interconnection with Barefoot Bay to purchase bulk water. We find that RGMHV's financial statements demonstrate adequate and stable funding reserves for the Utility. Therefore, we find that River Grove has demonstrated that it will have access to adequate financial resources to operate the Utility.

Regarding technical ability, the Utility stated in its application that it has owned and operated the subject water and wastewater systems since the 1970s. River Grove also stated that its systems will be operated consistent with an operations agreement with U.S. Water Services Corporation. Following the interconnection with Barefoot Bay, River Grove appears to have no outstanding compliance issues on file with the DEP, and is current with its monitoring requirements.

4. Conclusion

Based on the foregoing, we find that granting River Grove's application is in the public interest. River Grove is granted Certificate Nos. 674-W and 575-S to serve the territory described in Attachment A, effective February 4, 2020. This Order shall serve as River Grove's water and wastewater certificates and it shall be retained by the Utility.

B. Appropriate water and wastewater rates and return on investment for River Grove

Within its application, the Utility provided the appropriate information pursuant to Rule 25-30.033(1)(p), F.A.C., to support its proposed rates and charges. In the instant case, the Utility's water and wastewater facilities are currently in operation. Therefore, the requested rates

¹ Order Nos. PSC-2017-0059-PAA-WS, issued February 24, 2017, in Docket No. 20160220-WS, In re: Application for original water and wastewater certificates in Sumter County, by South Sumter Utility Company, LLC.; PSC-2013-0484-FOF-WS, issued October 15, 2013, in Docket No. 20130105-WS, In re: Application for certificates to provide water and wastewater service in Hendry and Collier Counties, by Consolidated Services of Hendry & Collier, LLC.; and PSC-2012-0224-PAA-WS, issued April 30, 2012, in Docket No. 20090445-WS, In re: Application for original certificates for proposed water and wastewater system and request for initial rates and charges in Indian River, Okeechobee, and St. Lucie counties by Grove Land Utilities, LLC.

and charges in the application are based on actual operating costs of the existing systems. This is consistent with our policy for setting initial rates and charges.

1. Rate Base

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

The Utility proposed plant in service balances, inclusive of land, of \$1,141,146 for water and \$41,676 for wastewater, in its filing. The filing indicated a land balance of \$2,250 for the water system and \$2,250 for the wastewater system. However, the wastewater balance of Account No. 351 – Organization also included the land balance. As such, we have made an adjustment to decrease wastewater plant in service by \$2,250 to remove the duplicative costs.

As part of its proposed plant in service, the Utility proposed \$1,045,994 for its Potable Water Main Extension Project for interconnection with the Barefoot Bay water system. Based on updated information provided by the Utility, we have made an adjustment to decrease water plant in service by \$44,559 to remove duplicative costs.

Based on the adjustments above, we find that a reduction to River Grove's projected plant in service of \$44,559 for water and \$2,250 for wastewater is necessary. As such, we approve an adjusted projected plant in service, inclusive of land, of \$1,096,587 for water and \$39,426 for wastewater.

River Grove proposed an accumulated depreciation balance of \$37,492 for water and \$17,873 for wastewater. The Utility's projection is based on the accumulated depreciation of the existing plant, as well as the use of a half-year convention² for the requested pro forma projects. As the pro forma projects were completed in March 2019, we find it reasonable to include a full year of accumulated depreciation in rate base.

Additionally, a corresponding adjustment to the water system is necessary to reflect adjustments to plant in service, as discussed above. Based on the above, we have increased accumulated depreciation by \$18,737 for the water system and \$216 for the wastewater system. As such, we approve an accumulated depreciation balance of \$56,229 for water and \$18,089 for wastewater.

In its filing, River Grove proposed Contributions In Aid of Construction (CIAC) balances of \$837,564 for water and \$0 for wastewater. The CIAC balance for water includes estimated potential principal forgiveness in the amount of \$776,848, as identified in the SRF loan agreement between the DEP and RGMHV. According to the loan agreement, the DEP is authorized to allow principal forgiveness on loans, funded by the Federal Drinking Water Act,

² A "half-year convention" is an accounting practice used to calculate accumulated depreciation and depreciation expense in the first year an asset is placed into service, irrespective of the completion date.

for projects that meet the requirements of that Act. Also, the CIAC for water includes a balance of \$60,716, based on a proposed service availability charge of \$353 per customer for meter installation. However, through correspondence with Commission staff, the Utility indicated that all meters were already installed and that the proposed service availability charge would be collected prospectively, if there is development of an adjacent property. As such, we have made an adjustment to decrease CIAC for water by \$60,716. Based on the above, we approve CIAC balances of \$776,848 for water and \$0 for wastewater.

River Grove proposed an accumulated amortization of CIAC balance of \$11,633 for water and \$0 for wastewater. We approve the inclusion of a full year of accumulated amortization of CIAC collected related to the pro forma projects, consistent with the above discussed adjustment to accumulated depreciation. Additionally, find an adjustment to recognize the removal of the meter installation charges to be necessary. These adjustments result in an increase of \$9,946 to accumulated amortization of CIAC for the water system. As such, we approve an accumulated amortization of CIAC balance of \$21,579 for water and \$0 for wastewater.

The Utility calculated a working capital allowance of \$15,124 for water and \$18,189 for wastewater, based on one-eighth of the estimated operation and maintenance (O&M) expense for each system. We approve an increase of \$1,513 for water and a decrease of \$6,206 for wastewater, to reflect the adjustments to O&M expense discussed below. These adjustments result in a working capital allowance of \$16,637 for water and \$11,983 for wastewater.

In total, River Grove proposed a rate base of \$292,847 for water and \$41,992 for wastewater. Based on the adjustments discussed above, the rate base shall be increased by \$8,879 for water and decreased by \$8,672 for wastewater. As such, we approve an adjusted rate base of \$301,726 for water and \$33,320 for wastewater. Rate base calculations for the water and wastewater systems are shown on Schedule Nos. 1-A and 1-B, respectively. Our adjustments are shown on Schedule No. 1-C.

2. Cost of Capital

The Utility's application contained a schedule of the Utility's capital structure. River Grove projected long-term debt of \$229,209, which consisted of the SRF loan balance that was not included in the principal forgiveness. The Utility also projected common equity of \$54,964 consisting of paid in capital from RGMHV. River Grove also made an adjustment to reduce common equity by \$2,100 to reconcile proposed total capital with the Utility's requested rate base. However, it is our practice to reconcile all investor sources of capital, which includes long-term debt, to the approved rate base.³ This methodology results in pro rata adjustments to decrease long-term debt by \$1,513 and common equity by \$363.

³ Order No. PSC-2018-0591-PAA-WS, issued December 19, 2018, in Docket No. 20180063-WS, In re: Application for limited proceeding rate increase in Polk County by Orchid Springs Development Corporation; Order No. PSC-2018-0552-PAA-WU, issued December 19, 2018, in Docket No. 20180022-WU, In re: Application for staff-assisted rate case in Lake County by Pine Harbour Waterworks, Inc.

River Grove proposed a return on equity (ROE) of 10.93 percent, based on the leverage formula in effect at the time of filing. However, we find it more appropriate to base the Utility's ROE on the current leverage formula in effect. Using the current leverage formula, the ROE would be 10.55 percent.⁴ As such, we approve an overall cost of capital of 2.52 percent. The appropriate ROE for River Grove is 10.55 percent, with a range of plus or minus 100 basis points, as shown on Schedule No. 2.

3. Net Operating Income

River Grove calculated net operating income (NOI) of \$7,416 for water and \$1,063 for wastewater. Based on the adjustments above, we have calculated an NOI of \$7,614 for water and an NOI of \$841 for wastewater. The calculated NOI for the water and wastewater systems are shown on Schedule Nos. 3-A and 3-B, respectively.

4. Operation and Maintenance Expense

The Utility proposed total O&M expenses of \$120,994 for water and \$145,513 for wastewater. We find that adjustments are necessary to these expenses and address them below.

i. Salaries and Wages Expense – Employees

River Grove projected salaries and wages – employees expense of \$0 for water and \$68,533 for wastewater. In response to Commission staff's first data request, the Utility updated its request to a total of \$176,800, or \$88,400 for each system. River Grove stated that the updated request includes two positions. The first position would be a superintendent/mechanic employee, with a salary of \$83,200, responsible for meter reading, general operations monitoring, oversight of the contract operator, and day-to-day maintenance. The second position would be a part-time director, with a salary of \$93,600, responsible for oversight of operations, maintenance, and administration. We note that the Utility has also requested contractual services expense for billing, meter reading, Commission reporting, and handling phone calls for the Utility.

We agree that the requested superintendent/mechanic position is reasonable for day-to-day operations of the Utility. Commission staff requested an explanation of how the Utility developed the salary estimate for this position, and the Utility only provided an hourly rate with no further explanation. In order to gauge the reasonableness of the requested salary, we have reviewed the American Water Works Association 2018 Utility Salary Compensation Survey for Small Water and Wastewater Utilities and identified a position, Small System Manager, which is representative of the requested superintendent/mechanic position's duties. The mid-point of the range for this salary is \$68,521. As such, we find that the Utility's original salary request of \$68,533 is an appropriate projection for this position. However, we find that allocating the salary to both systems, per the Utility's updated request, to be appropriate. As such, we approve River

⁴ Order No. PSC-2019-0267-PAA-WS, issued July 1, 2019, in Docket No. 20190006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

Grove's requested superintendent position, with a salary of \$68,533. This salary shall be allocated equally between the water and wastewater systems (\$34,267 per system).

We find that the responsibilities of the requested director position would be duplicative of those assigned to the superintendent, as well as the functions attributed to contractual services. As a result, we do not approve River Grove's requested director position.

Based on the above, we calculated an adjustment from the Utility's original request to increase salaries and wages – employees expenses by \$34,267 for the water system, and to decrease the expense by \$34,267 for the wastewater system. This results in an approved salaries and wages – employees expense of \$34,267 for the water system, and \$34,267 for the wastewater system.

ii. Purchased Power Expense

River Grove projected 2019 wastewater purchased power expense of \$17,954, based on the average of this expense for 2015, 2016 and 2017. In response to a Commission staff data request, River Grove provided additional documentation showing purchased power expenses that incurred in 2018. Given the variance of purchased power expenses from year-to-year, we find that the use of a four-year average based on 2015 to 2018 is appropriate. Additionally, the Utility included a 2.48 percent increase to account for inflation of expenses. As the four-year averages are based on costs incurred from 2015 to 2018, we find that this is a reasonable adjustment given that it is comparable to the 2019 Price Index percentage of 2.36 percent we have authorized. Based on the above, we calculated an adjustment to decrease purchased power expenses by \$925 for the wastewater system. This results in approved purchased power expenses of \$17,029 for the wastewater system.

iii. Materials and Supplies, Transportation, and Insurance Expense

River Grove projected materials and supplies, transportation, and insurance expenses based on an average of allocated costs incurred in 2015, 2016, and 2017. The Utility only projected materials and supplies expense for the wastewater system. In response to a Commission staff data request, the Utility provided documentation showing costs incurred in 2018. As discussed above, we find the use of a four-year average based on 2015 to 2018, including a 2.48 percent increase for inflation of expenses, to be appropriate. Based on the above, we calculated an adjustment to decrease these expenses by a total of \$672 for the water system and \$1,494 for the wastewater system.

iv. Contractual Services Expense

The Utility proposed contractual services expenses of \$42,619 for the water system and \$43,718 for the wastewater system. River Grove's contractual services expense is comprised of administrative fees, customer billing and collections fees, lab fees, and meter reading software maintenance fees.

River Grove estimated administrative fees of \$21,738, split evenly between the water and wastewater systems at \$10,869 each. Additionally, the Utility estimated meter reading software maintenance fees of \$950 for the water system only. We find that these proposed fees are reasonable. Based on the above, we approve total administrative fees of \$21,738, split evenly between the water and wastewater systems at \$10,869 each. Further, we approve total maintenance fees of \$950 for the water system only.

The Utility projected total customer billing and collection fees of \$61,600, split evenly between the water and wastewater systems at \$30,800 each. The total fees are comprised of meter reading costs of \$20,640, billing and collection costs of \$30,960, and a cost of \$10,000 for annual Commission reporting. In its initial response to Commission staff's first data request, the Utility stated these administrative services would be provided by RGMHV. In a subsequent response, River Grove stated its proposed customer billing and collection fees were based on an agreement with the company Rents. However, the Utility was unable to provide a written contract or agreement between the Utility and Rents. Given the relatively large amount of the fees for a utility of River Grove's size, we considered the reasonableness of the requested expenses as discussed below.

River Grove estimated monthly meter reading costs at \$10 per customer for a total of \$20,640 annually (172 x \$10 x 12). In Order No. PSC-2016-0537-PAA-WU, we determined a meter reading charge of \$3.06 per customer to be reasonable.⁵ We find that this is an appropriate proxy to use, as it was based on a quote for meter reading services from an independent third party. Additionally, to account for inflation of expenses since the issuance of the abovementioned Order, we increased the charge to \$3.20 using our approved price index percentages for water and wastewater utilities. Based on the above, we calculated meter reading costs to be \$6,608 (172 x \$3.20 x 12).

The Utility estimated monthly billing and collection costs at \$15 per customer for a total of \$30,960 annually (172 x \$15 x 12). To determine a reasonable monthly billing and collection charge, we reviewed the cost justification River Grove provided for late fees included in Exhibit 23B of its application. The Utility listed clerical labor, supervisor labor, printing supplies, and postage at a total of \$7.60 per late fee. We find that this is a reasonable starting point to use for general billing and collection activities. We have used the clerical labor, printing supplies, and postage components to formulate a recurring monthly per customer charge. Clerical labor per customer would include the time to create and send bills, to collect and process payments, as well as provide for possible communication with customers for billing questions or issues. This

⁵ Order No. PSC-2016-0537-PAA-WU, issued November 23, 2016, in Docket No. 20150181-WU, In re: Application for staff-assisted rate case in Duval County by Neighborhood Utilities, Inc.

results in monthly billing and collection costs of \$5.60 per customer. Based on the above, we calculated billing and collection costs to be \$11,558 ($172 \times \5.60×12).

River Grove included an annual cost of \$10,000 for reporting to this Commission. We reviewed recent cases that have come before us involving Class C utilities of similar size to review the reasonableness of this request. We considered 2019 invoices from an independent third party, which included the preparation and review of annual reports. The invoices reflected the expense for several Class C utilities, with a range of approximately \$143 to \$285. As such, we find it appropriate to limit River Grove's request to the top of the range. We find \$285 to be an appropriate annual cost for Commission reporting.

Based on the above, we approve total customer billing and collection fees of \$18,452 ($\$6,608 + \$11,558 + \285), split evenly between the water and wastewater systems at \$9,226 each.

River Grove projected lab fees of \$2,049 for the wastewater system. The Utility based its proposed lab fees on an average of costs incurred in 2015, 2016, and 2017. In response to a Commission staff data request, the Utility provided documentation showing costs incurred in 2018. As discussed above, we find the use of a four-year average based on 2015 to 2018, including a 2.48 percent increase for inflation of expenses, to be appropriate. Based on the above, we approve total lab fees of \$2,129.

The Utility also provided a signed updated contract with U.S. Water Services Corporation for operations of the wastewater treatment plant. Although the cost of this contract was not included in the Utility's calculation, we find it appropriate to include in contractual services as the company is performing necessary functions to operate the wastewater treatment plant. As such, we find that \$8,937 shall be included in contractual services for the wastewater system.

Based on the above, we approve a total contractual services expense of \$21,045 for the water system and \$31,161 for the wastewater system. This results in an adjustment to decrease contractual services expense by \$21,574 for the water system, and \$12,557 for the wastewater system.

v. Miscellaneous Expense

River Grove projected miscellaneous expense of \$2,296 for both the water and wastewater system. The Utility used a three-year average to base its projected miscellaneous expense, using the average of costs incurred in 2015, 2016, and 2017. As with the other expenses, we received documentation reflecting the costs incurred in 2018. As discussed above, find that the use of a four-year average based on 2015 to 2018, including a 2.48 percent increase for inflation of expenses, is more appropriate. This adjustment results in a decrease of \$406 to the miscellaneous expense for both the water and wastewater systems. Additionally, an expense of \$2,440 for Full System and Software Training for the meters installed as part of the Potable Water Main Extension Project was included in Account 334 – Meters. This amount was removed from Account 334 and moved to Account 675 – Miscellaneous Expenses to be amortized over five years. This results in an increase of \$488 for the water system. As such, we find it necessary

that the Utility's projected miscellaneous expense be increased by \$82 ($-\$406 + \488) for water and decreased by \$406 for wastewater.

vi. O&M Expense Summary

Based on the above adjustments, projected O&M expense shall be increased by \$12,102 for water and shall decreased by \$49,648 for wastewater, resulting in total O&M expense of \$133,096 for water and \$95,865 for wastewater.

5. Depreciation and CIAC Amortization Expense

River Grove reflected depreciation expense, net of CIAC amortization, of \$8,964 for water and \$546 for wastewater. Based our adjustments to rate base, we have made corresponding adjustments to increase net depreciation by \$4,084 for water and decrease by \$56 for wastewater. These adjustments result in net depreciation expense of \$13,048 for water and \$490 for wastewater.

6. Taxes Other Than Income

In its filing, River Grove included taxes other than income (TOTI) expense of \$22,769 and \$7,294 for water and wastewater, respectively. These total amounts included property tax expense of \$15,485 and \$334 for water and wastewater, respectively. River Grove's calculation of proposed property tax expense for each system was based on net plant that included the balance of Account Nos. 301 and 351 – Organization. As this account is considered intangible plant, we removed these balances from the calculations. Based on this adjustment, as well as a corresponding adjustment to reflect the adjustments to rate base, we have decreased River Grove's property tax expense by \$1,460 for water and \$334 for wastewater.

In addition, as discussed below, we find that it is appropriate to adjust the Utility's projected revenues. As a result, we increased TOTI by \$825 for water, and decreased TOTI by \$2,378 for wastewater, to reflect regulatory assessment fees of 4.5 percent on the change in revenues. Therefore, we approve TOTI of \$22,134 ($\$22,769 - \$1,460 + \825) for water and \$4,582 ($\$7,294 - \$334 - \$2,378$) for wastewater.

7. Income Taxes

River Grove proposed income taxes of \$1,715 for water and \$246 for wastewater. Based on our adjustments to NOI, income taxes are increased by \$2,576 for water and income taxes are decreased by \$212 for wastewater. Therefore, we approve income taxes of \$4,291 for water and \$34 for wastewater.

8. Revenue Requirement

The Utility proposed revenue requirements for water and wastewater of \$161,858 and \$154,662, respectively. We approved adjusted revenue requirements of \$180,183 for water and \$101,811 for wastewater to be used to set initial rates for service. The Utility's projected revenue

requirements include O&M expenses, depreciation and amortization expense, taxes other than income, income taxes, as well as a return on investment. The approved revenue requirements will allow the Utility the opportunity to recover its expenses and earn a 2.52 percent return on its investment in rate base, as shown on Schedule Nos. 3-A and 3-B, respectively. Our adjustments are shown on Schedule No. 3-C.

9. Rates and Rate Structure

The Utility provides water and wastewater service to 168 residential customers, two offices, and two clubhouses within the River Grove Mobile Home Village. The Utility indicated that all customers have 5/8 inch x 3/4 inch meters. Furthermore, the Utility indicated that there are currently four vacant mobile home lots which, when occupied, will have 5/8 inch x 3/4 inch meters. The Utility currently does not have established rate structures and rates for its water and wastewater services; instead, utility services are a component of the total monthly lot rent.

The Utility's proposed rate structures and rates, consisting of base facility and gallonage charges, for its water and wastewater system, are shown below in Table 1. The Utility allocated service revenues to the base facility charge (BFC) of approximately 44 percent for water and 75 percent for wastewater. The Utility additionally proposed a residential wastewater cap of 10,000 gallons. We find that the Utility's rate structure, consisting of base facility and gallonage charges, is reasonable. However, in a response to a Commission staff data request, the Utility indicated that the customers are not seasonal, and therefore, we reduced the Utility's proposed BFC allocations to 40 percent for water and 50 percent for wastewater based on our practice. Furthermore, we do not approve a residential wastewater cap in this instant proceeding because the necessary consumption data to determine the appropriate cap is not readily available. The evaluation of an appropriate residential wastewater cap in would be more appropriate in a future rate proceeding where a detailed billing analysis can be audited and analyzed. Incorporating the above, the rate structure and rates we approve for River Grove's water and wastewater systems are shown in Table 1.

Table 1
River Grove's Water and Wastewater Rates

	Utility Proposed		Commission Approved	
	Water	Wastewater	Water	Wastewater
Base Facility Charge	\$34.20	\$56.07	\$34.92	\$24.66
Gallonage Charge				
Charge per 1,000 gallons	\$6.03	\$2.57	\$7.15	\$3.36
Typical Residential 3/4" Meter Bill Comparison				
3,000 gallons	\$52.29	\$63.78	\$56.37	\$34.74
5,000 gallons	\$64.35	\$68.92	\$70.67	\$41.46
7,000 gallons	\$76.41	\$74.06	\$84.97	\$48.18

10. Conclusion

Based on the above, the approved monthly water and wastewater rates, as shown on Schedule No. 4, are reasonable and approved. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. River Grove may not implement the approved rates until Commission staff has approved the proposed customer notice and the customers receive the notice. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice. A return on equity of 10.55 percent, with a range of plus or minus 100 basis points, is also approved.

C. Approval of miscellaneous service charges

Per Section 367.091, F.S., we are authorized to establish miscellaneous service charges. River Grove’s request was accompanied by its reason for requesting the charges as well as the cost justification as required by Section 367.091(6), F.S. The Utility requested initial connection, normal reconnection, violation reconnection and premise visit charges of \$30 during normal business hours. Additionally, the Utility requested that its violation reconnection charge for its wastewater system be actual cost, pursuant to Rule 25-30.460(1)(c), F.A.C.

The purpose of these charges is to place the burden for requesting or causing these services on the cost-causer rather than the general body of ratepayers. The Utility requested the recovery of \$26.60 of field and supervisory labor associated with processing miscellaneous services based on an hourly salary of \$20 and the time it takes to perform all job functions, which is estimated to be 1.33 hours. Additionally, the Utility requested recovery of vehicle mileage of \$3.48 based on a mileage rate of \$0.58 per mile for 6 miles. The Utility’s cost justification for its requested miscellaneous service charges is shown in Table 2.

Table 2
Miscellaneous Service Charges Cost Justification

Labor (\$20 x 1.33)	\$26.60
Vehicle (\$0.58 x 6)	\$3.48
Total	\$30.08

Source: Utility’s Cost Justification

We find the Utility’s requested charges to be reasonable and, as such, are approved. A summary of the Utility’s requested miscellaneous service charges is shown in Table 3.

Table 3
Miscellaneous Service Charges

Initial Connection Charge	\$30.00
Normal Reconnection Charge	\$30.00
Violation Reconnection Charge (Water)	\$30.00
Violation Reconnection Charge (Wastewater)	Actual Cost
Premise Visit Charge	\$30.00

Source: Utility's Cost Justification

Based on the above, we approve the Utility's requested miscellaneous service charges of \$30 and approve a wastewater violation reconnection charge of actual cost. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the charges we have approved. The approved charges shall be effective for services rendered on or after the stamped approval date on the tariff sheet, provided customers have received notice pursuant to Rule 25-30.475(1), F.A.C. The Utility shall provide proof of noticing within 10 days of rendering the approved notice.

D. Appropriate late payment charge

River Grove requested a late payment charge of \$7.50 to recover the cost of supplies and labor associated with processing late payment notices. River Grove's request for a late payment charge was accompanied by its reason for requesting the charge as well as the cost justification, as required by Section 367.091, F.S. The goal of allowing late payment charges is two fold: first, it encourages customers to pay their bills on time, and second, if payments are not made on time, it ensures that the costs associated with collecting late payments are not passed on to the customers who do pay on time.⁶

Within its cost justification, the Utility included \$5.00 for clerical labor associated with processing late payment based on the clerical employee who is paid \$20 per hour and the amount of time it takes the employee to process a single late payment charge of 15 minutes. This is consistent with Commission practice, in which we have found that 10 to 15 minutes is an appropriate amount of time for a billing employee to process a single late payment.⁷

⁶ Order Nos. PSC-2019-0047-PAA-WS, in Docket No. 20170249-WS, issued January 25, 2019, In re: Application for certificates to provide water and wastewater service in Orange County by RSPI MHC, LLC; PSC-01-0998-TRF-WU, issued April 23, 2001, in Docket No. 20010232-WU, In re: Request for approval of tariff filing to add "set rate" late fee to water tariff, by Lake Yale Treatment Associates, Inc. in Lake County.

⁷ Order Nos. PSC-2019-0047-PAA-WS, in Docket No. 20170249-WS, issued January 25, 2019, In re: Application for certificates to provide water and wastewater service in Orange County by RSPI MHC, LLC; PSC-2018-0334-PAA-WU, issued June 28, 2018, in Docket No. 20170155-WU, In re: Application for grandfather water certificate in Leon County and application for pass through increase of regulatory fees, by Seminole Waterworks, Inc.; PSC-16-0041-TRF-WU, in Docket No. 20150215-WU, issued January 25, 2016, In re: Request for approval of tariff amendment to include miscellaneous service charges for the Earlene and Ray Keen Subdivisions, the Ellison Park Subdivision and the Lake Region Paradise Island Subdivision in Polk County, by Keen Sales, Rentals and Utilities, Inc.; PSC-15-0569-PAA-WS in Docket No. 20140239-WS, issued December 16, 2015, In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.; PSC-16-0523-TRF-WU, in Docket No. 20160023-WU, issued November 21, 2016, In re: Application for transfer of majority organizational control of

Furthermore, the Utility requested to recover supervisorial labor of \$2.00, based on the supervisor's hourly salary of \$25 per hour and the five minutes it takes the supervisor to review a late payment charge. This is consistent with Utilities, Inc. of Florida's approved late payment charge.⁸ The Utility is also requesting recovery of \$0.10 for supplies and \$0.50 for postage. While the Utility's cost justification totals to \$7.60, the Utility rounded down its requested late payment charge to \$7.50.

We have recently approved late payment charges ranging from \$4.50 to \$7.15.⁹ We understand that this late payment charge is slightly higher than what we have approved in the past. However, after reviewing the Utility's cost justification and comparing the cost break-down to other regulated water and wastewater utilities, we find the Utility's requested charge to be appropriate and, as such, it is approved. The cost justification for the Utility's requested late payment charge is shown on Table 4.

Table 4
Late Payment Charge Cost Justification

Activity	Cost
Clerical Labor	\$5.00
Supervisor Labor	\$2.00
Supplies	\$0.10
Postage	<u>\$0.50</u>
Total Cost	<u>\$7.60</u>

Source: Utility's cost justification documentation.

Based on the above, we approve a \$7.50 late payment charge for River Grove. The Utility shall file the revised tariff sheet and a proposed customer notice to reflect the charge we have approved. The approved charge is effective for services rendered on or after the stamped approval date on the tariff sheet provided customers have received notice pursuant to Rule 25-30.475(1), F.A.C. The Utility shall provide proof of noticing within 10 days of rendering the approved notice.

Sunny Shores Water Company, Inc., holder of Certificate No. 578- W in Manatee County, from Jack E. Mason to Jack E. Mason, II and Debbie A. Mason.

⁸ Order No. PSC-2017-0361-FOF-WS, in Docket No. 20160101-WS, issued September 25, 2017, In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida.

⁹ Order Nos. PSC-2019-0047-PAA-WS, in Docket No. 20170249-WS, issued January 25, 2019, In re: Application for certificates to provide water and wastewater service in Orange County by RSPI MHC, LLC; PSC-2018-0334-PAA-WU, issued June 28, 2018, in Docket No. 20170155-WU, In re: Application for grandfather water certificate in Leon County and application for pass through increase of regulatory fees, by Seminole Waterworks, Inc.; PSC-14-0105-TRF-WS, in Docket No. 20130288-WS, issued February 20, 2014, In re: Request for approval of late payment charge in Brevard County by Aquarina Utilities, Inc.; PSC-15-0535-PAA-WU in Docket No. 20140217-WU, issued November 19, 2015, In re: Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc.; PSC-15-0569-PAA-WS, issued December 16, 2015, in Docket No. 20140239-WS, In re: Application for limited proceeding rate increase in Polk County by Orchid Springs Development Corporation.

E. Authorization to collect Non-Sufficient Funds Charge (NSF)

Per Section 367.091, F.S., we are authorized to establish miscellaneous service charges. Section 68.065, F.S., 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 5 percent of the face amount of the check, whichever is greater.

Approval of NSF charges is consistent with prior Commission decisions.¹⁰ Furthermore, NSF charges place the cost on the cost-causer, rather than requiring that the costs associated with the return of the NSF checks to be spread across the general body of ratepayers. As such, we authorize River Grove to collect NSF charges consistent with Section 68.065, F.S. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the NSF charges we have approved. 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.

F. Appropriate initial customer deposits

Rule 25-30.311, F.A.C., contains criteria for collecting, administering, and refunding customer deposits. Rule 25-30.311(1), F.A.C., requires that each company's tariff contain its specific criteria for determining the amount of initial deposits. The Utility requested customer deposits of \$156.84 for water and \$149.82 for wastewater, which was based on two months of average residential monthly bills and the Utility's proposed rates. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. In addition, collection of customer deposits is consistent with one of the fundamental principles of rate making—ensuring that the cost of providing service is recovered from the cost-causer.

Rule 25-30.311(7), F.A.C., authorizes utilities to collect new or additional deposits from existing customers, not to exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12-month period immediately prior to the date of notice. The two billing periods reflect the lag time between the customer's usage and the

¹⁰ Order Nos. PSC-2019-0047-PAA-WS, in Docket No. 20170249-WS, issued January 25, 2019, In re: Application for certificates to provide water and wastewater service in Orange County by RSPI MHC, LLC; PSC-2018-0334-PAA-WU, issued June 28, 2018, in Docket No. 20170155-WU, In re: Application for grandfather water certificate in Leon County and application for pass through increase of regulatory fees, by Seminole Waterworks, Inc.; PSC-14-0198-TRF-SU, issued May 2, 2014, in Docket No. 20140030-SU, In re: Request for approval to amend Miscellaneous Service charges to include all NSF charges by Environmental Protection Systems of Pine Island, Inc.; and PSC-13-0646-PAA-WU, issued December 5, 2013, in Docket No. 20130025-WU, In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.

utility's collection of the revenues associated with that usage. Commission practice has been to set initial customer deposits equal to two months bills, based on the average consumption for a 12-month period for each class of customers.¹¹ The Utility indicated that the average monthly residential usage is 7,330 gallons per customer. Therefore, the average residential monthly bill is approximately \$87.33 for water and \$49.29 wastewater service, based on the approved monthly rates stated previously in Part II(B) of this Order.

Based on the above, we approve initial customer deposits of \$175 for water and \$99 wastewater for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill. The approved customer deposits shall be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility is required to collect the approved initial customer deposits until we authorize a change to the deposits in a subsequent proceeding.

G. Approval of meter installation charges

River Grove requested a meter installation charge of \$353 for 5/8 inch x 3/4 inch meters and actual cost for all other meter sizes. The Utility's requested charge of \$353 is based on the estimated costs of the water meter and meter box (\$203) and installation for the 5/8 inch x 3/4 inch meter size (\$150). Pursuant to Section 367.101, F.S., we must set just and reasonable charges and conditions for service availability. The Utility's requested meter installation charge is consistent with Commission practice and therefore, we find that the Utility's requested meter installation charges are appropriate.¹²

Based on the above, the Utility's requested meter installation charge of \$353 for the 5/8 inch x 3/4 inch meter size, and actual cost for all other meter sizes, are approved. The Utility shall file revised tariff sheets and a proposed customer notice. River Grove shall provide notice to potential customers who have requested service within 12 calendar months prior to the month the application was filed and up until this Order becomes final.¹³ The approved charges shall be

¹¹ Order Nos. PSC-2019-0047-PAA-WS, in Docket No. 20170249-WS, issued January 25, 2019, In re: Application for certificates to provide water and wastewater service in Orange County by RSPI MHC, LLC; PSC-2018-0334-PAA-WU, issued June 28, 2018, in Docket No. 20170155-WU, In re: Application for grandfather water certificate in Leon County and application for pass through increase of regulatory fees, by Seminole Waterworks, Inc.; PSC-2017-0428-PAA-WS, issued November 7, 2017, in Docket No. 20160195-WS, In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc. and PSC-17-0113-PAA-WS, issued March 28, 2017, in Docket No. 20130105-WS, In re: Application for certificates to provide water and wastewater service in Hendry and Collier Counties, by Consolidated Services of Hendry & Collier, LLC.

¹² Order Nos. PSC-2018-0271-PAA-WS, issued May 30, 2018, in Docket No. 20160220-WS, In re: Application for original water and wastewater certificates in Sumter County, by South Sumter Utility Company, LLC.; PSC-2016-0169-PAA-WU, issued April 28, 2016, in Docket No. 20150166-WU, In re: Application for transfer of water system and Certificate No. 654-W in Lake County from Black Bear Reserve Water Corporation to Black Bear Waterworks, Inc.; and PSC-2017-0209-PAA-WU, issued May 30, 2017, in Docket No. 20160065-WU, In re: Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.

¹³ Order No. PSC-2019-0223-PAA-SU, issued June 3, 2019, in Docket No. 20190075-SU, In re: Revision of wastewater service availability charges for Ni Florida in Pasco County.

effective for connections made on or after the stamped approval date on the tariff sheets. The Utility shall provide proof of the date notice was given within 10 days of the date of that notice.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that River Grove Utilities, Inc. shall be granted Certificate Nos. 674-W and 575-S to serve the territory described in Attachment A, effective February 4, 2020. This Order shall serve as River Grove's water and wastewater certificates and it shall be retained by the Utility. It is further

ORDERED that the approved monthly water and wastewater rates, as shown on Schedule No. 4 attached to this Order, are reasonable and approved. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the rates we have approved. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The approved rates are not to be implemented until Commission staff has approved the proposed customer notice and the notice has been received by customers. The Utility shall provide proof of the date notice was given within 10 days of the date of that notice. A return on equity of 10.55 percent, with a range of plus or minus 100 basis points, is also approved. It is further

ORDERED that the Utility's requested miscellaneous service charges of \$30 and wastewater violation reconnection charge of actual cost are approved. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the charges we have approved. The approved charges shall be effective for services rendered on or after the stamped approval date on the tariff sheet provided customers have received notice pursuant to Rule 25-30.475(1), F.A.C. The Utility shall provide proof of noticing within 10 days of rendering the approved notice. It is further

ORDERED that the appropriate late payment charge for River Grove is \$7.50. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the charges we have approved. The approved charge shall be effective for services rendered on or after the stamped approval date on the tariff sheet provided customers have received notice pursuant to Rule 25-30.475(1), F.A.C. The Utility shall provide proof of noticing within 10 days of rendering the approved notice. It is further

ORDERED that River Grove is authorized to collect NSF charges. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the NSF charges we have approved. 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 appropriate initial customer deposits for River Grove are \$175 for water and \$99 wastewater for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill. The approved customer deposits shall be effective for connections

made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility shall collect the approved initial customer deposits until we authorize a change to them in a subsequent proceeding. It is further

ORDERED that the Utility's requested meter installation charge of \$353 for the 5/8 inch x 3/4 inch meter size, and actual cost for all other meter sizes, is approved. The Utility shall file revised tariff sheets and a proposed customer notice. River Grove shall provide notice to potential customers who have requested service within 12 calendar months prior to the month the application was filed and up until this Order becomes final. The approved charges shall be effective for connections made on or after the stamped approval date on the tariff sheets. The Utility shall provide proof of the date notice was given within 10 days of the date of that notice. It is further

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

ORDERED that if no person whose substantial interest are affected by the proposed agency action files a protest within 21 days of the issuance of this Order, a consummating order shall be issued. The docket shall remain open for Commission staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by Commission staff. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 24th day of February, 2020.



ADAM J. TEITZMAN
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.

KMS

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 actions approving initial rates, charges, and customer deposits are preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on March 16, 2020. 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.

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 and/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.

RIVER GROVE UTILITIES, INC.

Description of Water and Wastewater Service Territory

Brevard County

A PORTION OF SECTION 14, TOWNSHIP 30 SOUTH, RANGE 38 EAST OF THE PUBLIC RECORDS OF BREVARD COUNTY, FLORIDA AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

FOR A POINT OF BEGINNING, COMMENCE AT THE SOUTHWEST CORNER OF SAID SECTION 14; THENCE NORTH 00 DEGREES 15 MINUTES 51 SECONDS EAST, ALONG THE WEST LINE OF SAID SECTION 14, A DISTANCE OF 3974.89 FEET; THENCE SOUTH 89°32'41" EAST, DEPARTING FROM SAID WEST LINE OF SECTION 14, A DISTANCE OF 659.98 FEET; THENCE SOUTH 00°13'15" WEST, A DISTANCE OF 649.93 FEET; THENCE SOUTH 89 DEGREES 31 MINUTES 52 SECONDS EAST, A DISTANCE OF 659.54 FEET; THENCE NORTH 00 DEGREES 15 MINUTES 51 SECONDS EAST, A DISTANCE OF 482.51 FEET; THENCE NORTH 89 DEGREES 32 MINUTES 41 SECONDS WEST. A DISTANCE OF 301.95 FEET; THENCE NORTH 09 DEGREES 14 MINUTES 29 SECONDS WEST, A DISTANCE OF 170.00 FEET; THENCE SOUTH 89 DEGREES 32 MINUTES 41 SECONDS EAST, A DISTANCE OF 330.00 FEET; THENCE SOUTH 00 DEGREES 17 MINUTES 14 SECONDS WEST, A DISTANCE OF 115.09 FEET; THENCE SOUTH 89 DEGREES 32 MINUTES 49 SECONDS EAST, A DISTANCE OF 586.35 FEET TO A POINT LYING ON THE AFOREMENTIONED WEST RIGHT OF WAY LINE OF FLORIDA EAST COAST RAILROAD, SAID POINT ALSO ON A CURVE, SAID CURVE BEING CONCAVE SOUTHWESTERLY, HAVING A RADIUS OF 5679.65 FEET; THENCE SOUTHEASTERLY ALONG SAID WEST RIGHT OF WAY LINE AND ALONG THE ARC OF SAID CURVE, AN ARC DISTANCE OF 681.65 FEET, SAID ARC BEING SUBTENDED BY A CHORD BEARING AND DISTANCE OF SOUTH 06 DEGREES 04 MINUTES 54 SECONDS EAST, 681.25 FEET TO A POINT ON SAID CURVE; THENCE SOUTH 89 DEGREES 29 MINUTES 18 SECONDS EAST, DEPARTING FROM SAID WEST RIGHT OF WAY LINE OF FLORIDA EAST COAST RAILROAD, A DISTANCE OF 1401.39 FEET TO THE INTERSECTION OF THE SOUTH LINE OF THE NORTH 786.51 FEET OF GOVERNMENT LOTS 2 AND 5, IN SECTION 14, TOWNSHIP 30 SOUTH, RANGE 38 EAST, BREVARD COUNTY, FLORIDA AND THE WESTERLY RIGHT OF WAY LINE OF U.S. HIGHWAY NO. 1, SAID POINT ALSO LYING ON A CURVE, SAID CURVE BEING CONCAVE NORTHEASTERLY, HAVING A RADIUS OF 8672.41 FEET; THENCE SOUTHEASTERLY ALONG SAID ARC AND ALONG SAID WESTERLY RIGHT OF WAY LINE, AN ARC DISTANCE OF 243.82 FEET, SAID ARC BEING SUBTENDED BY A CHORD BEARING AND DISTANCE OF SOUTH 23 DEGREES 51 MINUTES 29 SECONDS EAST, 243.81 FEET TO THE POINT OF TANGENCY OF SAID CURVE; THENCE SOUTH 24 DEGREES 39 MINUTES 48 SECONDS EAST, ALONG SAID WESTERLY RIGHT OF WAY LINE, A DISTANCE OF 186.37 FEET TO THE SOUTH LINE OF THE NORTH 293.76 FEET OF

THE SOUTH 448.49 FEET OF GOVERNMENT LOTS 2 AND 5, SECTION 14, TOWNSHIP 30 SOUTH, RANGE 38 EAST, BREVARD COUNTY, FLORIDA; THENCE NORTH 89 DEGREES 33 MINUTES 24 SECONDS WEST, DEPARTING FROM SAID WESTERLY RIGHT OF WAY LINE AND ALONG SAID SOUTH LINE, A DISTANCE OF 1562.71 FEET TO A POINT LYING ON THE WESTERLY RIGHT OF WAY LINE OF FLORIDA EAST COAST RAILROAD; THENCE SOUTH 02 DEGREES 10 MINUTES 00 SECONDS EAST, ALONG SAID WESTERLY RIGHT OF WAY LINE OF FLORIDA EAST COAST RAILROAD, A DISTANCE OF 155.05 FEET; THENCE NORTH 89 DEGREES 10 MINUTES 00 SECONDS WEST, DEPARTING FROM WESTERLY RIGHT OF WAY LINE OF FLORIDA EAST COAST RAILROAD, A DISTANCE OF 685.05 FEET; THENCE SOUTH 00 DEGREES 15 MINUTES 51 SECONDS WEST, A DISTANCE OF 2640.00 FEET TO A POINT LYING ON THE SOUTH LINE OF THE AFOREMENTIONED SECTION 14; THENCE NORTH 89 DEGREES 32 MINUTES 41 SECONDS WEST, ALONG SAID SOUTH LINE OF SAID SECTION 14, A DISTANCE OF 1320.01 FEET TO THE SOUTHWEST CORNER OF SAID SECTION 14 AND THE POINT OF BEGINNING.

LANDS THUS DESCRIBED CONTAINS 6,245,117 SQUARE FEET OR 143.37 ACRES, MORE OR LESS, IN AREA.

FLORIDA PUBLIC SERVICE COMMISSION

authorizes

RIVER GROVE UTILITIES, INC.
pursuant to
Certificate Number 674 -W

to provide water service in Brevard County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rule, regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
*	*	20190147-WS	Original Certificate

* Order Number and date to be provided at time of issuance

FLORIDA PUBLIC SERVICE COMMISSION

authorizes

**RIVER GROVE UTILITIES, INC.
pursuant to
Certificate Number 575 -S**

to provide wastewater service in Brevard County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rule, regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
*	*	20190147-WS	Original Certificate

* Order Number and date to be provided at time of issuance

River Grove Utilities, Inc.		Schedule No. 1-A	
Schedule of Water Rate Base		20190147-WS	
Description	Balance Per Utility	Commission Adjust- ments	Balance Per Commission
1 Plant in Service	\$1,138,896	(\$44,559)	\$1,094,337
2 Land and Land Rights	2,250	0	2,250
3 Accumulated Depreciation	(37,492)	(18,737)	(56,229)
4 CIAC	(837,564)	60,716	(776,848)
5 Amortization of CIAC	11,633	9,946	21,579
6 Working Capital Allowance	<u>15,124</u>	<u>1,513</u>	<u>16,637</u>
7 Rate Base	<u>\$292,847</u>	<u>\$8,879</u>	<u>\$301,726</u>

River Grove Utilities, Inc.		Schedule No. 1-B	
Schedule of Wastewater Rate Base		20190147-WS	
Description	Balance Per Utility	Commission Adjust- ments	Balance Per Commission
1 Plant in Service	\$39,426	(\$2,250)	\$37,176
2 Land and Land Rights	2,250	0	2,250
3 Accumulated Depreciation	(17,873)	(216)	(18,089)
4 CIAC	0	0	0
5 Amortization of CIAC	0	0	0
6 Working Capital Allowance	<u>18,189</u>	<u>(6,206)</u>	<u>11,983</u>
7 Rate Base	<u>\$41,992</u>	<u>(\$8,672)</u>	<u>\$33,320</u>

River Grove Utilities, Inc.		Schedule No. 1-C	
Adjustments to Rate Base		20190147-WS	
Explanation	Water	Wastewater	
UPIS			
1 To remove duplicative organization costs.	\$0	(\$2,250)	
2 To reflect updated pro forma costs.	<u>(44,559)</u>	<u>0</u>	
Total	<u>(\$44,559)</u>	<u>(\$2,250)</u>	
Accumulated Depreciation			
To reflect appropriate level of accumulated depreciation.	<u>(\$18,737)</u>	<u>(\$216)</u>	
CIAC			
To reflect appropriate level of CIAC.	<u>\$60,716</u>	<u>\$0</u>	
Accumulated Amortization of CIAC			
To reflect appropriate level of accumulated amortization of CIAC.	<u>\$9,946</u>	<u>\$0</u>	
Working Capital			
To reflect 1/8 of O&M expense.	<u>\$1,513</u>	<u>(\$6,206)</u>	

River Grove Utilities, Inc.							Schedule No. 2		
Capital Structure							20190147-WS		
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
Per Utility									
1 Long-term Debt	\$229,209	\$0	\$229,209	\$0	\$229,209	68.46%	0.72%	0.49%	
2 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%	
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	54,964	(2,100)	52,864	0	52,864	15.79%	10.93%	1.73%	
5 Customer Deposits	52,749	0	52,749	0	52,749	15.75%	2.00%	0.32%	
6 Tax Credits-Zero Cost	0	0	0	0	0	0.00%	0.00%	0.00%	
7 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>	
8 Total Capital	<u>\$336,922</u>	<u>(\$2,100)</u>	<u>\$334,822</u>	<u>\$0</u>	<u>\$334,822</u>	<u>100.00%</u>		<u>2.53%</u>	
Commission Approved									
9 Long-term Debt	\$229,209	\$0	\$229,209	(\$1,513)	\$227,696	67.96%	0.72%	0.49%	
10 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%	
11 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
12 Common Equity	54,964	0	54,964	(363)	54,601	16.30%	10.55%	1.72%	
13 Customer Deposits	52,749	0	52,749	0	52,749	15.74%	2.00%	0.31%	
14 Tax Credits-Zero Cost	0	0	0	0	0	0.00%	0.00%	0.00%	
15 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>	
16 Total Capital	<u>\$336,922</u>	<u>\$0</u>	<u>\$336,922</u>	<u>(\$1,876)</u>	<u>\$335,046</u>	<u>100.00%</u>		<u>2.52%</u>	
						LOW	HIGH		
RETURN ON EQUITY						<u>9.55%</u>	<u>11.55%</u>		
OVERALL RATE OF RETURN						<u>2.36%</u>	<u>2.69%</u>		

River Grove Utilities, Inc.				Schedule No. 3-A	
Statement of Water Operations				20190147-WS	
Description	Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$161,858</u>	<u>\$0</u>	<u>\$161,858</u>	<u>\$18,325</u> 11.32%	<u>\$180,183</u>
Operating Expenses					
2 Operation & Maintenance	\$120,994	12,102	\$133,096		\$133,096
3 Depreciation	8,964	4,084	13,048		13,048
4 Amortization	0	0	0		0
5 Taxes Other Than Income	22,769	(1,460)	21,309	825	22,134
6 Income Taxes	<u>1,715</u>	<u>(1,715)</u>	<u>0</u>	<u>4,291</u>	<u>4,291</u>
7 Total Operating Expense	<u>154,442</u>	<u>13,011</u>	<u>167,453</u>	<u>5,116</u>	<u>172,569</u>
8 Operating Income	<u>\$7,416</u>	<u>(\$13,011)</u>	<u>(\$5,595)</u>	<u>\$13,209</u>	<u>\$7,614</u>
9 Rate Base	<u>\$292,847</u>		<u>\$301,726</u>		<u>\$301,726</u>
10 Rate of Return	<u>2.53%</u>		<u>-1.85%</u>		<u>2.52%</u>

River Grove Utilities, Inc.				Schedule No. 3-B	
Statement of Wastewater Operations				20190147-WS	
Description	Test Year Per Utility	Commission Adjustments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$154,662</u>	<u>\$0</u>	<u>\$154,662</u>	<u>(\$52,851)</u> -34.17%	<u>\$101,811</u>
Operating Expenses					
2 Operation & Maintenance	\$145,513	(\$49,648)	\$95,865		\$95,865
3 Depreciation	546	(56)	490		490
4 Amortization	0	0	0		0
5 Taxes Other Than Income	7,294	(334)	6,960	(2,378)	4,582
6 Income Taxes	<u>246</u>	<u>12,165</u>	<u>12,411</u>	<u>(12,377)</u>	<u>34</u>
7 Total Operating Expense	<u>153,599</u>	<u>(37,874)</u>	<u>115,725</u>	<u>(14,755)</u>	<u>100,970</u>
8 Operating Income	<u>\$1,063</u>	<u>\$37,874</u>	<u>\$38,937</u>	<u>(\$38,096)</u>	<u>\$841</u>
9 Rate Base	<u>\$41,992</u>		<u>\$33,320</u>		<u>\$33,320</u>
10 Rate of Return	<u>2.53%</u>		<u>116.86%</u>		<u>2.52%</u>

River Grove Utilities, Inc.		Schedule No. 3-C	
Adjustments to Operating Income		20190147-WS	
Explanation	Water	Wastewater	
Operation and Maintenance Expense			
1 To adjust salaries and wages expense.	\$34,267	(\$34,267)	
2 To adjust purchased power expense.	0	(925)	
3 To adjust materials and supplies, transportation, and insurance expense.	(672)	(1,494)	
4 To adjust contractual services expense.	(21,574)	(12,557)	
5 To adjust miscellaneous expense.	<u>82</u>	<u>(406)</u>	
Total	<u>\$12,102</u>	<u>(\$49,648)</u>	
Depreciation Expense - Net			
To reflect the appropriate level of net depreciation expense.	<u>\$4,084</u>	<u>(\$56)</u>	
Taxes Other Than Income			
To reflect appropriate level of property tax.	<u>(\$1,460)</u>	<u>(\$334)</u>	

**River Grove Utilities, Inc.
Monthly Water and Wastewater Rates**

Water Service

Residential and General Service

Base Facility Charge – All Meter Sizes \$34.92

Charge Per 1,000 gallons \$7.15

Wastewater Service

Residential and General Service

Base Facility Charge - All Meter Sizes \$24.66

Charge Per 1,000 gallons \$3.36

No Cap