

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Applications for staff-assisted rate case
in Polk County by Keen Sales, Rentals and
Utilities, Inc.

DOCKET NO. 20220157-WU
ORDER NO. PSC-2023-0218-PAA-WU
ISSUED: July 31, 2023

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
ART GRAHAM
GARY F. CLARK
MIKE LA ROSA
GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING RATE INCREASE FOR
KEEN SALES, RENTALS AND UTILITIES, INC.

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the actions discussed herein, except for (1) the reduction of rates after four years based upon the recovery of rate case expense, (2) the granting of temporary rates in the event of protest, and (3) the requirement for 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 reduction of rates after four years, the granting of temporary rates in the event of protest, and the requirement for proof of adjustment of books and records are proposed agency actions and subject to reconsideration and appeal as described below under the heading, “NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW.”

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Case Background

Keen Sales, Rentals and Utilities, Inc. (Keen or Utility) is a Class C water utility operating in Polk County. Keen currently owns and operates two water systems in Polk County: Earlene and Ray Keen and Ellison Park Subdivisions (Keen Subdivision) and Lake Region Paradise Island (Paradise Island).

Keen Subdivision provides water service to approximately 126 customers. Keen Subdivision was granted a grandfather certificate in 1997.¹ According to the Utility's 2022 Annual Report, total gross revenues for Keen Subdivision were \$61,862, and total operating expenses were \$70,660. Keen Subdivision's last rate case was in 2009.²

Paradise Island provides water service to approximately 97 customers. The Florida Public Service Commission (Commission) approved the transfer of the facilities of Lake Region Paradise Island to Keen in 2000.³ According to the Utility's 2022 Annual Report, total gross revenues for Paradise Island were \$40,633, and total operating expenses were \$89,306. Paradise Island's last rate case was in 2005.⁴

¹Order No. PSC-1997-0152-FOF-WU, issued February 11, 1997, in Docket No. 19961007-WU, *In re: Application of Keen Sales & Rentals, Inc. for Certificate under Grandfather Rights to Provide Water Service in Polk County.*

²Order No. PSC-2009-0716-PAA-WU, issued October 28, 2009, in Docket No. 20090072-WU, *In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.*

³Order No. PSC-2000-0913-PAA-WU, issued May 8, 2000, in Docket No. 19970201-WU, *In re: Application for transfer of facilities of Lake Region Paradise Island and amendment of Certificate No. 582-W held by Keen Sales, Rentals and Utilities, Inc. in Polk County.*

⁴Order No. PSC-2005-0442-PAA-WU, issued April 25, 2005, in Docket No. 20040254-WU, *In re: Application for staff-assisted rate increase in Polk County by Keen Sales, Rentals and Utilities, Inc.*

On September 9, 2022, Keen filed its application for a staff-assisted rate case (SARC) which included a request for rate increases for both of the Utility's systems, Keen Subdivision and Paradise Island.⁵ We selected the test year ended December 31, 2021, for the purposes of determining its recommended rates.

A customer meeting was held on May 23, 2023, in which no customers spoke from either Keen Subdivision or Paradise Island.

We have jurisdiction in this case pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 367.091, and 367.121, Florida Statutes (F.S.).

Discussion of Issues

I. Quality of Service

Pursuant to Sections 367.081(2)(a)1 and 367.0812, F.S., and Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in water rate cases we shall determine the overall quality of service provided by the utility. This determination is made from an evaluation of the quality of the utility's product and the utility's attempt to address customer satisfaction. The Rule further states that the most recent chemical analyses for the water system, outstanding citations, violations, and consent orders on file with the DEP and the county health department, and any DEP and county health department officials' testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints received by us are also reviewed. The operating condition of the water system is addressed in section II.

Quality of the Utility's Product

Keen has two water systems: Keen Subdivision and Paradise Island. In evaluation of the product quality at Keen Subdivision and Paradise Island, we reviewed compliance with DEP's primary and secondary drinking water standards for each system. Primary standards protect public health while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. The most recent comprehensive chemical analyses were performed on December 9, 2021, for Keen Subdivision and on December 8, 2021, for Paradise Island. All results were in compliance with the DEP's standards.

The Utility's Attempt to Address Customer Satisfaction

We reviewed the Commission's Consumer Activity Tracking System records, and there were no complaints recorded during the test year and four years prior for Keen. We requested all complaints received by the Utility during the test year and four years prior, and the Utility responded that it did not receive any complaints during this timeframe. We also requested all complaints received by the DEP during the test year and four years prior, and the DEP responded that it did not receive any complaints for either Keen Subdivision or Paradise Island water systems during this timeframe. We conducted a virtual customer meeting on May 23, 2023, but

⁵Document No. 06165-2022, filed on September 9, 2022.

no customers provided comments. There were no written comments in the docket as of June 12, 2023.

Conclusion

Keen is currently in compliance with DEP standards; therefore, the quality of service shall be considered satisfactory.

II. Water Quality

Rule 25-30.225(2), F.A.C., requires each water utility to maintain and operate its plant and facilities by employing qualified operators in accordance with the rules of the DEP. Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, we must consider testimony of the DEP and county health department officials, sanitary surveys for water systems, citations, violations, and consent orders issued to the utility, customer testimony, comments, and complaints, and utility testimony and responses to the aforementioned items.

Water System Operating Conditions

The Keen Subdivision water system has a permitted capacity of 482,400 gallons per day (gpd). This water system has two wells with pumping capacities of 250 gallons per minute (gpm) and 85 gpm, respectively, and one hydropneumatic storage tank with a capacity of 1,490 gallons. Groundwater from the wells is treated through hypochlorination. We reviewed Keen Subdivision's Sanitary Survey Reports conducted by the DEP to determine the Utility's overall water facility compliance. A review of the inspection conducted on January 22, 2021, indicated that Keen Subdivision's water treatment facility is in compliance with the DEP's rules and regulations.

The Paradise Island water system has a permitted capacity of 374,400 gpd. This water system has one well with a pumping capacity of 260 gpm and one hydropneumatic storage tank with a capacity of 3,000 gallons. Groundwater from the well is treated through hypochlorination. We reviewed Paradise Island's Sanitary Survey Reports conducted by the DEP to determine the Utility's overall water facility compliance. A review of the inspection conducted on January 5, 2021, indicated that Paradise Island's water treatment facility is in compliance with the DEP's rules and regulations.

Conclusion

We find the infrastructure and operating conditions of Keen's water systems are currently in compliance with DEP regulations.

III. Used and Useful (U&U) Percentages and Excessive Unaccounted for Water (EUW)

We evaluated each of Keen's water systems separately for purposes of determining U&U percentages and EUW. As stated above, Keen Subdivision's water system has two wells with pumping capacities of 250 gpm and 85 gpm, respectively, and one hydropneumatic storage tank with a capacity of 1,490 gallons. Keen Subdivision's water distribution system is composed of 225 feet of 2-inch polyvinyl chloride (PVC) pipe, 1,525 feet of 4-inch PVC pipe, and 4,396 feet of 6-inch PVC pipe. There are six fire hydrants throughout the water distribution system.

Paradise Island's water system has one well with a pumping capacity of 260 gpm, and one hydropneumatic storage tank with a capacity of 3,000 gallons. Paradise Island's water distribution system is composed of 900 feet of 2-inch PVC pipe, 3,300 feet of 4-inch PVC pipe, and 900 feet of 6-inch PVC pipe. There are four fire hydrants throughout the water distribution system.

Used and Useful Percentages

Rule 25-30.4325, F.A.C., addresses the method by which the U&U of a water system is determined. In prior reviews, both systems (Keen Subdivision and Paradise Island) were found to be 100 percent U&U.⁶ The Utility has not increased the capacity of its WTPs since rates were last established. The Utility's water distribution systems continue to only provide service to existing customers, the service areas remain built out, and there continues to be no potential for expansion of the service areas. Therefore, consistent with the Commission's previous decisions, we find that the Utility's WTPs and water distribution systems be considered 100 percent U&U.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., additionally provides factors to be considered in determining whether adjustments to operating expenses are necessary for EUW. EUW is defined as "unaccounted for water in excess of 10 percent of the amount produced." Unaccounted for water is all water produced that is not sold, metered, or accounted for in the records of the utility.

EUW is calculated by subtracting both the gallons sold to customers and the gallons used for other services, such as flushing, from the total gallons pumped and purchased for the test year, and dividing by the sum of gallons pumped and purchased. The amount in excess of 10 percent, if any, is the EUW percentage.

Based on monthly operating reports, Keen Subdivision produced 9,262,324 gallons of water from January 1, 2021, to December 31, 2021. No water was purchased during the test year. From the audit completed by our staff, the Utility sold 8,591,000 gallons of water to customers. The Utility estimated 580,395 gallons of water usage for line flushing. The resulting calculation

⁶Order No. PSC-2009-0716-PAA-WU, issued October 28, 2009, in Docket No. 20090072-WU, *In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.* and Order No. PSC-2005-0442-PAA-WU, issued April 25, 2005, in Docket No. 20040254-WU, *In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.*

$([9,262,324 + 0 - 8,591,000 - 580,395] / [9,262,324 + 0])$ for unaccounted for water is 1.0 percent. Therefore, there is no EUW based on this analysis. We find that no adjustment shall be made to purchased power and chemicals for Keen Subdivision.

Based on monthly operating reports, Paradise Island produced 7,723,105 gallons of water from January 1, 2021, to December 31, 2021. No water was purchased during the test year. From the audit completed by our staff, the Utility sold 6,668,335 gallons of water to customers. The Utility estimated 502,719 gallons of water usage for line flushing. The resulting calculation $([7,723,105 + 0 - 6,668,335 - 502,719] / [7,723,105 + 0])$ for unaccounted for water is 7.1 percent. Therefore, there is no EUW based on this analysis. We find that no adjustment shall be made to purchased power and chemicals for Paradise Island.

Conclusion

Keen Subdivision and Paradise Island's WTP and water distribution system shall be considered 100 percent U&U. We find no adjustments to purchased power and chemical expenses shall be made for EUW.

IV. Rate Base

The appropriate components of the Utility's rate base include utility plant in service (UPIS), land and land rights, accumulated depreciation, and working capital. We selected the test year ended December 31, 2021, for the instant rate case. Our audit staff 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). A summary of each component for Keen Subdivision and Paradise Island, and the appropriate adjustments are discussed below.

Utility Plant in Service

The Utility recorded UPIS of \$221,645 for Keen Subdivision and \$92,992 for Paradise Island. We made an audit adjustment decreasing UPIS by \$18,522 for Keen Subdivision due to lack of supporting documentation. We further decreased UPIS by \$93 for Keen Subdivision and \$189 for Paradise Island to reflect averaging adjustments. Therefore, we find a UPIS balance of \$203,030 $(\$221,645 - \$18,522 - \$93)$ for Keen Subdivision and \$92,804 $(\$92,992 - \$189)$ for Paradise Island.

Land and Land Rights

The Utility did not record any land and land rights balance for Keen Subdivision. The Utility recorded land and land rights balances of \$2,000 for Paradise Island. We increased land balance for Keen Subdivision by \$578 to reflect the Commission-ordered land balance in the Utility's last rate case, and verified by the Utility in response to our Second Data Request.^{7,8} We

⁷Order No. PSC-2009-0716-PAA-WU, issued October 28, 2009, in Docket No. 20090072-WU, *In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.*

made no adjustments to land and land rights for Paradise Island. Therefore, we find land and land rights balance of \$578 for Keen Subdivision and \$2,000 for Paradise Island.

Used and Useful

As previously discussed in section III, the Utility's systems are considered 100 percent U&U. Therefore, no U&U adjustments are necessary.

Accumulated Depreciation

The Utility recorded an accumulated depreciation balance of \$180,685 for Keen Subdivision and \$66,431 for Paradise Island. During the audit, we made an adjustment decreasing accumulated depreciation by \$14,844 for Keen Subdivision due to lack of supporting plant documentation. Additionally, we made an adjustment decreasing accumulated depreciation for Keen Subdivision by \$126 to reflect removal of excess depreciation. We made an averaging adjustment decreasing accumulated depreciation by \$1,304 for Keen Subdivision and \$1,444 for Paradise Island. Therefore, we find accumulated depreciation of \$164,412 ($\$180,685 - \$14,844 - \$126 - \$1,304$) for Keen Subdivision and \$64,988 ($\$66,431 - \$1,444$) for Paradise Island.

Contributions-in-aid-of-Construction (CIAC)

The Utility did not record any CIAC for Keen Subdivision or Paradise Island. We made no adjustments to CIAC, and therefore find the CIAC balance shall remain \$0 for Keen Subdivision and Paradise Island.

Accumulated Amortization of CIAC

The Utility did not record any accumulated amortization of CIAC for Keen Subdivision or Paradise Island. We made no adjustments to accumulated amortization of CIAC, and therefore find accumulated amortization of CIAC balance shall remain \$0 for Keen Subdivision and Paradise Island.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(3), F.A.C., we used the one-eighth O&M expense (less rate case expense) formula for calculating the working capital allowances. Section 367.081(9), F.S., prohibits a utility from earning a return on the unamortized balance of rate case expense through working capital allowance. As such, we did not include the annual amortization of rate case expense of \$346 for Keen Subdivision, and \$324 for Paradise Island. This resulted in adjusted O&M expense balances of \$70,190 ($\$70,536 - \346) for Keen Subdivision and \$60,489 ($\$60,813 - \324) for Paradise Island. Applying this formula, we find a working capital allowance of \$8,774 ($\$70,190 \div 8$) for Keen Subdivision and \$7,561 ($\$60,489 \div 8$) for Paradise Island.

⁸Document No. 01723-2023, filed on March 3, 2023.

Conclusion

Based on the foregoing, we find that the appropriate average test year rate base is \$47,970 for Keen Subdivision and \$37,377 for Paradise Island. Rate base is shown on Schedule Nos. 1-A and 1-B. The related adjustments are shown on Schedule No. 1-C.

V. Return on Equity and Overall Rate of Return

The appropriate return on equity (ROE) for Keen Subdivision and Paradise Island is 10.55 percent with a range of 9.55 percent to 11.55 percent. The appropriate overall rate of return for Keen Subdivision and Paradise Island is 6.12 percent. The Utility was not able to provide an interest rate on its long-term debt. As no interest rate was provided, we used the assumed Baa3 rated utility bond yield of 6.10 percent, consistent with the Commission-approved leverage formula currently in effect.⁹ The Utility recorded negative retained earnings of \$114,920 for Keen Subdivision and \$587,171 for Paradise Island. It is Commission practice to remove negative retained earnings from the capital structure.¹⁰

The Utility's capital structure has been reconciled with our approved rate base. The appropriate ROE is 10.55 percent for Keen Subdivision and Paradise Island based on the Commission-approved leverage formula currently in effect.¹¹ We find an ROE of 10.55 percent with a range of 9.55 percent and 11.55 percent, and an overall rate of return of 6.12 percent for Keen Subdivision and Paradise Island. The ROE and overall rate of return are shown on Schedule Nos. 2-A and 2-B.

VI. Test Year Revenues

For its Keen Subdivision water system, Keen recorded test year operating revenues of \$64,388, which represented only service revenues and no miscellaneous revenues during the test year. The Utility had a rate change during the test year.¹² Therefore, to determine the appropriate service revenues for the test year, we annualized service revenues by applying the number of billing determinants to the Utility's rates effective in September of 2021. As a result, we determined that service revenues for water should be \$68,538, which is an increase of \$4,150 (\$68,538 - \$64,388). Based on the above, we find the appropriate test year operating revenues for the Keen Subdivision water system are \$68,538.

For the Paradise Island water system, the Utility recorded test year operating revenues of \$44,041, which represented only service revenues and no miscellaneous revenues during the test year. The Utility had a rate change during the test year.¹³ Therefore, to determine the appropriate

⁹Order No. PSC-2022-0208-PAA-WS, issued on June 15, 2022, in Docket No. 20220006-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.*

¹⁰Order No. PSC-2020-0119-PAA-WS, issued April 20, 2020, in Docket No. 20190113-WS, *In re: Application for staff-assisted rate case in Manatee County by Heather Hills Utilities, LLC.*

¹¹Order No. PSC-2022-0208-PAA-WS.

¹²The Utility had a price index which went into effect on September 12, 2021.

¹³*Ibid.*

service revenues for the test year, we annualized service revenues by applying the number of billing determinants to the Utility's rates effective in September of 2021. As a result, we determined that service revenues for water should be \$42,888, which is a decrease of \$1,153 (\$44,041 - \$42,888). Based on the above, we find the appropriate test year operating revenues for the Paradise Island water system are \$42,888.

Based on the above, the appropriate test year operating revenues for Keen are \$68,538 for the Keen Subdivision water system and \$42,888 for the Paradise Island water system.

VII. Operating Expenses

The Utility recorded operating expenses of \$67,785 for Keen Subdivision and \$77,680 for Paradise Island. The test year Operating Expenses have been reviewed including invoices and other supporting documentation. We find several adjustments to the Utility's operating expenses as described below.

Operation and Maintenance Expenses (O&M)

The Utility's common O&M expenses are allocated to Keen Subdivision and Paradise Island based on the number of customers as outlined in the previous Order.¹⁴ The cost allocation is 55 percent to Keen Subdivision and 45 percent to Paradise Island.

Salaries and Wages – Employees (601)

The Utility recorded salaries and wages – employees expense of \$18,720 for Keen Subdivision and \$22,880 for Paradise Island. We increased this account by \$4,160 for Keen Subdivision and decreased this account by \$4,160 for Paradise Island to reflect the appropriate common cost allocations. Therefore, we find salaries and wages – employees expense of \$22,880 (\$18,720 + \$4,160) for Keen Subdivision and \$18,720 (\$22,880 - \$4,160) for Paradise Island.

Salaries and Wages – Officers and Directors (603)

The Utility recorded salaries and wages – officers and directors of \$11,880 for Keen Subdivision and \$14,520 for Paradise Island. We increased this account by \$2,640 for Keen Subdivision and decreased this account by \$2,640 for Paradise Island to reflect the appropriate common cost allocations. Therefore, we find salaries and wages – officers and directors expense of \$14,520 (\$11,880 + \$2,640) for Keen Subdivision and \$11,880 (\$14,520 - \$2,640) for Paradise Island.

Employee Pension and Benefits (604)

The Utility recorded employee pension and benefits of \$5,492 for Keen Subdivision and \$6,712 for Paradise Island. We increased this account by \$1,357 for Keen Subdivision and

¹⁴Order No. PSC-2009-0716-PAA-WU, issued October 28, 2009, in Docket No. 20090072-WU, *In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.*

decreased this account by \$1,108 for Paradise Island to reflect the appropriate common cost allocations. Additionally, we increased this amount by \$112 for Keen Subdivision to reflect the appropriate balance. Therefore, we find employee pension and benefits of \$6,961 ($\$5,492 + \$1,357 + \112) for Keen Subdivision and \$5,604 ($\$6,712 - \$1,108$) for Paradise Island.

Purchased Power (615)

The Utility recorded purchased power expense of \$2,606 for Keen Subdivision and \$1,547 for Paradise Island. We decreased this amount by \$21 for Keen Subdivision and increased purchased power expense by \$9 for Paradise Island to reflect appropriate system-specific and allocated cost adjustments. Therefore, we find purchased power expense of \$2,585 ($\$2,606 - \21) for Keen Subdivision and \$1,556 ($\$1,547 + \9) for Paradise Island.

Chemicals Expense (618)

The Utility recorded chemicals expense of \$1,337 for Keen Subdivision and \$1,150 for Paradise Island. We increased this amount by \$77 for Keen Subdivision and \$82 for Paradise Island to reflect appropriate amounts. Therefore, we find chemicals expense of \$1,414 ($\$1,337 + \77) for Keen Subdivision and \$1,232 ($\$1,150 + \82) for Paradise Island.

Materials and Supplies (620)

The Utility recorded materials and supplies expenses of \$613 for Keen Subdivision and \$1,071 for Paradise Island. We increased this account by \$73 for Keen Subdivision and decreased this account by \$608 for Paradise Island to reflect appropriate system-specific and allocated cost adjustments. We further increased this amount by \$61 for Keen Subdivision and \$263 for Paradise Island to reflect audit adjustments. Additionally, we decreased this amount by \$88 for Paradise Island to reflect removal of out of test year amounts. Therefore, we find materials and supplies expenses of \$747 ($\$613 + \$73 + \61) for Keen Subdivision and \$638 ($\$1,071 - \$608 + \$263 - \88) for Paradise Island.

Contractual Services – Professional (631)

The Utility recorded contractual services – professional expense of \$1,967 for Keen Subdivision and \$2,249 for Paradise Island. We decreased this account by \$23 for Keen Subdivision and \$223 for Paradise Island to reflect appropriate system-specific and allocated cost adjustments. Additionally, we decreased contractual services – professional by \$100 for Paradise Island to reflect a five year amortization of the replacement of a curb stop. Therefore, we find contractual services – professional expense of \$1,944 ($\$1,967 - \23) for Keen Subdivision and \$1,926 ($\$2,249 - \$223 - \100) for Paradise Island.

Contractual Services – Accounting (632)

The Utility did not record any contractual services – accounting expenses for Keen Subdivision nor Paradise Island. We increased this account by \$38 for Keen Subdivision and \$31 for Paradise Island to reflect the appropriate common cost allocations of filing the Utility's

federal tax return. Additionally, we increased this account by \$123 for Keen Subdivision and \$100 for Paradise Island to reflect the appropriate common cost allocations of filing the Utility's Annual Report. Therefore, we find contractual services – accounting expense of \$161 ($\$38 + \123) for Keen Subdivision and \$131 ($\$31 + \100) for Paradise Island.

Contractual Services – Testing (635)

The Utility recorded contractual services – testing expenses of \$7,479 for Keen Subdivision and \$7,422 for Paradise Island. We decreased this account by \$3,741 for Keen Subdivision and \$998 for Paradise Island to reflect appropriate system-specific and allocated cost adjustments. Therefore, we find contractual services – testing expenses of \$3,738 ($\$7,479 - \$3,741$) for Keen Subdivision and \$6,424 ($\$7,422 - \998) for Paradise Island.

Contractual Services – Other (636)

The Utility recorded contractual services – other expenses of \$1,474 for Keen Subdivision and \$1,189 for Paradise Island. We reduced this account by \$1,160 for Keen Subdivision and increased this account by \$466 to reflect appropriate system-specific and allocated cost adjustments. We decreased this account by \$33 for Keen Subdivision and \$27 for Paradise Island to reflect the five-year amortization cost of relocating a mailbox. We also decreased this account by \$644 for Paradise Island to reflect the five-year amortization cost of relocating an electric pole. Additionally, we increased this account by \$676 for Keen Subdivision to reflect audit adjustments. Therefore, we find contractual services – other expense of \$957 ($\$1,474 - \$1,160 - \$33 + \676) for Keen Subdivision and \$984 ($\$1,189 + \$466 - \$27 - \644) for Paradise Island.

Rental Expense (640)

The Utility recorded rental expense of \$4,860 for Keen Subdivision and \$5,940 for Paradise Island. We increased this account by \$1,080 for Keen Subdivision and reduced this amount by \$1,080 for Paradise Island to reflect the appropriate common cost allocations. Therefore, we find rental expense of \$5,940 ($\$4,860 + \$1,080$) for Keen Subdivision and \$4,860 ($\$5,940 - \$1,080$) for Paradise Island.

Transportation Expense (650)

The Utility recorded transportation expenses of \$210 for Keen Subdivision and \$204 for Paradise Island. We increased transportation expense for Keen Subdivision by \$17 and decreased transportation expense for Paradise Island by \$18 to reflect the appropriate common cost allocations. Therefore, we find transportation expenses of \$227 ($\$210 + \17) for Keen Subdivision and \$186 ($\$204 - \18) for Paradise Island.

Insurance Expense (655)

The Utility recorded insurance expenses of \$3,143 for Keen Subdivision and \$3,444 for Paradise Island. We increased this amount by \$463 for Keen Subdivision and decreased

insurance expense by \$494 for Paradise Island to reflect the appropriate common cost allocations. Additionally, we increased insurance expense by \$1,326 for Keen Subdivision to reflect auditing adjustments. Therefore, we find insurance expenses of \$4,932 ($\$3,143 + \$463 + \$1,326$) for Keen Subdivision and \$2,950 ($\$3,444 - \494) for Paradise Island.

Rate Case Expense (665)

The Utility did not record any rate case expense. The Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, final rates, and four-year rate reduction. We calculated noticing costs to be \$383 for Keen Subdivision and \$295 for Paradise Island. In addition to the \$1,000 filing fee for each system, we find total rate case expense of \$1,383 ($\$383 + \$1,000$) for Keen Subdivision and \$1,295 ($\$295 + \$1,000$) for Paradise Island. Amortized over four years, the annual expense is \$346 for Keen Subdivision and \$324 for Paradise Island.

Bad Debt Expense (670)

The Utility did not record any bad debt expense for either Keen Subdivision or Paradise Island for the test year. Over the past four years, 2019 through 2022, the Utility recorded what we believe to be anomalous levels of bad debt expense.¹⁵ Consistent with our prior practice, we used the remaining three years to calculate a three-year average for each system. Therefore, we find bad debt expense of \$59 for Keen Subdivision and \$7 for Paradise Island.

Miscellaneous Expense (675)

The Utility recorded miscellaneous expenses of \$2,327 for Keen Subdivision and \$4,590 for Paradise Island. We increased this account by \$418 for Keen Subdivision and decreased this account by \$830 for Paradise Island to reflect appropriate system-specific and allocated cost adjustments. Additionally, we decreased miscellaneous expense by \$451 for Keen Subdivision and \$369 for Paradise Island to reflect removal of non-utility expenses.

We further decreased miscellaneous expense by \$342 for Keen Subdivision to reflect removal of an out-of-test-year expense. We made two additional adjustments increasing miscellaneous expense for Keen Subdivision by \$700 and \$474 as to reflect reclassification of a licensing fee from taxes other than income (TOTI) and to reflect an audit adjustment, respectively. A summary of our adjustments to miscellaneous expense is shown in Table 1 below:

¹⁵The Utility recorded bad debt expense of \$1,812 in its 2020 Annual Report for Keen Subdivision, and \$1,856 in its 2019 Annual Report for Paradise Island. We did not use these amounts in the three-year average.

Table 1
Adjustments to Miscellaneous Expense

<u>Description</u>	<u>Keen Subdivision</u>	<u>Paradise Island</u>
Appropriate common cost allocations.	\$418	(\$830)
Removal of non-utility expenses.	(451)	(369)
Removal of out-of-test-year expense.	(342)	0
Reclassification of licensing fee from TOTI.	700	0
Audit adjustment.	<u>474</u>	<u>0</u>
Total adjustments to miscellaneous expense.	<u>\$799</u>	<u>(\$1,199)</u>

As outlined above in Table 1, we made an adjustment to increase miscellaneous expense by \$799 for Keen Subdivision, and decrease miscellaneous expense by \$1,199 for Paradise Island. Therefore, we find miscellaneous expense of \$3,126 ($\$2,327 + \799) for Keen Subdivision and \$3,391 ($\$4,590 - \$1,199$) for Paradise Island

Operation and Maintenance Expense Summary

The Utility recorded O&M expenses of \$62,108 for Keen Subdivision and \$72,918 for Paradise Island for the test year. Based on the above adjustments, we find the O&M expense balance be increased by \$8,428 for Keen Subdivision and decreased by \$12,105 for Paradise Island. These adjustments result in a total O&M expense of \$70,536 ($\$62,108 + \$8,428$) for Keen Subdivision and \$60,813 ($\$72,918 - \$12,105$) for Paradise Island. Our approved adjustments to O&M expense are shown on Schedule Nos. 3-D and 3-E.

Depreciation Expense

The Utility recorded depreciation expense of \$2,780 for Keen Subdivision and \$2,780 for Paradise Island. Using the depreciation rates prescribed in Rule 25-30.140, F.A.C., we increased depreciation expense by \$669 for Keen Subdivision and \$107 for Paradise Island. Therefore, we find depreciation expense of \$3,449 ($\$2,780 + \669) for Keen Subdivision and \$2,887 ($\$2,780 + \107) for Paradise Island.

Taxes Other Than Income

The Utility recorded TOTI of \$2,897 for Keen Subdivision and \$1,982 for Paradise Island. During the staff audit, adjustments were made increasing TOTI by \$700 for Keen Subdivision and by \$600 for Paradise Island to reflect licensing fees. We reversed these adjustments, reclassifying the \$700 licensing fee for Keen Subdivision to O&M Account 675, Miscellaneous Expenses. The \$600 licensing fee for Paradise Island was already included in O&M Account 675. Additionally, we increased TOTI by \$585 to reflect the appropriate property taxes for Paradise Island. We decreased TOTI by \$51 for Paradise Island to reflect appropriate regulatory assessment fees (RAFs) based on corrected Utility test year revenues. These adjustments result in a test year TOTI increases of \$187 ($\$700 - \$700 + \187) for Keen Subdivision and \$533 ($\$600 - \$600 + \$585 - \51) for Paradise Island.

As discussed in section IX, we find that revenues shall be increased by \$17,753 for Keen Subdivision and \$32,027 for Paradise Island in order to reflect the change in revenue required to cover expenses and allow an opportunity to achieve a 12 percent operating ratio. As a result, TOTI should be increased by \$799 for Keen Subdivision and \$1,441 for Paradise Island to reflect RAFs of 4.5 percent on the approved change in revenues. Therefore, we find TOTI of \$3,883 (\$2,897 + \$187 + \$799) for Keen Subdivision and \$3,956 (\$1,982 + \$533 + \$1,441) for Paradise Island.

Operating Expense Summary

The Utility recorded operating expenses of \$67,785 for Keen Subdivision and \$77,680 for Paradise Island. The application of our approved adjustments to the Utility's operating expense result in a total operating expense of \$77,869 for Keen Subdivision and \$67,656 for Paradise Island. Operating expenses are shown on Schedule Nos. 3-A and 3-B, and the related adjustments are shown on Schedule No. 3-C.

VIII. Operating Ratio Methodology

Rule 25-30.4575(2), F.A.C., provides that, in rate cases processed under Rule 25-30.455, F.A.C., we will use the operating ratio methodology to establish the Utility's revenue requirement when its rate base is not greater than 125 percent of O&M expenses, less rate case expense, and the use of the operating ratio methodology does not change the Utility's qualifications for a SARC.

In the instant case, we have approved a rate base of \$47,970 for Keen Subdivision and \$37,377 for Paradise Island. After removal of rate case expense, we calculated an adjusted O&M expense of \$70,190 (\$70,536 - \$346) for Keen Subdivision and \$60,489 (\$60,813 - \$324) for Paradise Island. Based on these amounts, Keen Subdivision's rate base is 68 percent of its adjusted O&M expenses, and Paradise Island's rate base is 62 percent of its adjusted O&M expenses. Based on these ratios, the Utility qualifies for application of the operating ratio methodology for Keen Subdivision and Paradise Island.

IX. Revenue Requirement

The appropriate revenue requirement for Keen Subdivision is \$86,291, resulting in an annual increase of \$17,753 (25.90 percent). The appropriate revenue requirement for Paradise Island is \$74,915, resulting in an annual increase of \$32,057 (74.67 percent). This should allow the Utility the opportunity to recover its expenses and earn an operating margin of 12 percent pursuant to Rule 25-30.4575, F.A.C. The calculations are shown below in Tables 2 and 3.

Table 2
Keen Subdivision Revenue Requirement

Adjusted O&M Expense	\$70,191
Operating Margin (%)	<u>12.00%</u>
Operating Margin (\$)	<u>\$8,423</u>
Water O&M Expense	70,536
Depreciation Expense	3,449
Taxes Other Than Income	<u>3,883</u>
Revenue Requirement	<u>\$86,291</u>
Less Test Year Revenues	<u>\$68,538</u>
Annual Increase	<u>\$17,753</u>
Percent Increase	25.90%

Table 3
Paradise Island Revenue Requirement

Adjusted O&M Expense	\$60,489
Operating Margin (%)	<u>12.00%</u>
Operating Margin (\$)	<u>\$7,259</u>
Water O&M Expense	60,813
Depreciation Expense	2,887
Taxes Other Than Income	<u>3,956</u>
Revenue Requirement	<u>\$74,915</u>
Less Test Year Revenues	<u>\$42,888</u>
Annual Increase	<u>\$32,027</u>
Percent Increase	74.67%

X. Rate Structure

Water Rates

The Utility is located in Polk County in the Southwest Florida Water Management District (SWFWMD). The Utility currently owns and operates two water systems: Keen Subdivision and Paradise Island.

Keen Subdivision

Keen Subdivision provides water service to approximately 126 residential customers and there are no general service customers. A review of the billing data indicates that approximately 2 percent of the residential bills had zero gallons, which signifies a non-seasonal customer base. The average water demand is 5,820 gallons per month. The Utility's current rate structure consists of a base facility charge (BFC) and a three-tier inclining block rate structure. The rate blocks are: (1) 0-6,000 gallons, (2) 6,001-12,000 gallons, and (3) all usage in excess of 12,000

gallons per month. The general service rate structure consists of a BFC and uniform gallonage charge.

We performed an analysis of the Utility's billing data for the Keen Subdivision water system in order to evaluate the appropriate rate structure for the residential water customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with Commission practice.

In this case, we find that 35 percent of the water revenue shall be generated from the BFC, which will provide sufficient revenues to design gallonage charges that send the appropriate pricing signals to customers who are using above the non-discretionary level. The average people per household served by the water system is 3; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 5,000 gallons per month.¹⁶ Our review of the billing analysis indicates that the discretionary usage above 5,000 gallons represents 47 percent of the bills, which account for approximately 29 percent of the water demand. This is considered somewhat high discretionary usage for this customer base.

For this case, we find a continuation of the BFC and a three-tier inclining block rate structure, which includes separate gallonage charges for discretionary and non-discretionary usage for residential water customers. However, we find that the rate blocks be changed to reflect the non-discretionary usage threshold of 5,000 gallons. Therefore, the rate blocks are: (1) 0-5,000 gallons; (2) 5,001-12,000 gallons; and (3) all usage in excess of 12,000 gallons per month. This rate structure sends the appropriate pricing signals because it targets customers with somewhat 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 12,000 gallons of water per month, which represents approximately 5 percent of the usage. General service customers should be billed a BFC and a gallonage charge.

Based on our approved revenue increase of 25.90 percent, the residential consumption can be expected to decline by 307,000 gallons resulting in an anticipated average residential demand of 5,613 gallons per month. We find a 3.6 percent reduction in test year residential gallons for rate setting purposes. As a result, the corresponding reductions are \$92 for purchased power expense, \$50 for chemical expense, and \$7 for RAFs to reflect the anticipated repression, which results in a post-repression revenue requirement of \$86,141.

Paradise Island

Paradise Island provides water service to approximately 97 residential customers and there are no general service customers. Approximately 9 percent of the residential bills had zero

¹⁶Average person per household was obtained from www.census.gov/quickfacts/polkcouny, Florida.

gallons, which indicates a non-seasonal customer base. The average water demand is 5,719 gallons per month. The Utility's current rate structure consists of a BFC and a three-tier inclining block rate structure. The rate blocks are: (1) 0-5,000 gallons, (2) 5,001-10,000 gallons, and (3) all usage in excess of 10,000 gallons per month. The general service rate structure consists of a BFC and uniform gallonage charge.

We performed an analysis of the Utility's billing data for the Paradise Island water system in order to evaluate the appropriate rate structure for the residential water customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with Commission practice.

In this case, we find that 30 percent of the water revenue be generated from the BFC, which will provide sufficient revenues to design gallonage charges that send pricing signals to customers using above the non-discretionary level. The average people per household served by the water system is 3; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 5,000 gallons per month.¹⁷ Our review of the billing analysis indicates that the discretionary usage above 5,000 gallons represents 41 percent of the bills, which account for approximately 37 percent of the water demand. This is considered somewhat high discretionary usage for this customer base.

For this case, we approve a continuation of the 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 are: (1) 0-5,000 gallons; (2) 5,001-10,000 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, which represents approximately 14 percent of the usage. General service customers should be billed a BFC and a gallonage charge.

Based on our approved revenue increase of 74.67 percent, the residential consumption can be expected to decline by 872,000 gallons resulting in anticipated average residential demand of 4,971 gallons per month. We find for a 13.1 percent reduction in test year gallons for ratesetting purposes. As a result, the corresponding reductions are \$204 for purchased power expense, \$161 for chemical expense, and \$17 for RAFs to reflect the anticipated repression, which results in a post-repression revenue requirement of \$74,533.

The approved rate structure and monthly water 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

¹⁷Average person per household was obtained from www.census.gov/quickfacts/polkcouny, Florida.

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

XI. Initial 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.¹⁸ Currently, the initial customer deposit for residential and general service 5/8 inch by 3/4 inch meter size is \$50 for Keen Subdivision and \$92 for Paradise Island, and two times the average estimated bill for all other general service meter sizes. However, this amount does not cover two months' average bills based on our approved rates. The Utility's average monthly residential water usage after repression is 5,613 gallons per customer for Keen Subdivision and 4,971 gallons per customer for Paradise Island. Therefore, the average residential monthly bill based on our approved rates is approximately \$55 for Keen Subdivision and Paradise Island.

We find that the appropriate initial customer deposits should be \$110 for the residential 5/8 inch x 3/4 inch meter sizes for Keen Subdivision and Paradise Island. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The approved initial customer deposits should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility shall be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

XII. Four-Year Rate Reduction

Section 367.081(8), F.S., requires that the rates be reduced by the amount of the rate case expense previously included in rates immediately following the expiration of the recovery period. With respect to Keen, the reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reduction is \$362 for Keen Subdivision, and \$339 for Paradise Island.

We find that the rates should 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. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Keen shall be required to file revised

¹⁸Order No. PSC-2022-0437-PAA-WS, issued December 27, 2022, in Docket No. 20220088-WS, *In re: Application for certificates to provide water and wastewater service and approval of initial rates and charges in Sumter County, by Middleton Utility, LLC.*

tariffs and a proposed customer notice setting forth the lower rates and rationale no later than one month prior to the effective date of the new rates. If the utility files revised tariffs reflecting 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 and the reduction in rates due to the amortized rate case expense.

XIII. Temporary Rates

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

Keen shall be authorized to initiate the temporary rates upon our approval of an appropriate security for the potential refund and cost of the proposed customer notice. Security should be in the form of either a bond or letter of credit in the amount of \$12,236 for Keen Subdivision and \$22,074 for Paradise Island. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond for security the potential refund, 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 for securing the potential refund, the letter of credit should 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 should 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 to a Commission representative at all times.
6. All information on the escrow account shall be available from the holder of the escrow account to a Commission representative all the 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 *Consentino 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 revenue that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the utility shall file reports with the Commission Clerk's office no later than the 20th of 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.

XIV. Adjustment to Books

Keen is hereby required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Keen shall submit a letter within 90 days of the Commission's final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts have been made to the Utility's books and records.

In the event the Utility needs additional time to complete the adjustments, a notice providing good cause shall be filed not less than seven days prior to the deadline. Upon providing a notice of good cause, our staff is given administrative authority to grant an extension of up to 60 days.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Keen Sales, Rentals and Utilities, Inc. for rate increases is granted as set forth herein. It is further

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

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

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

ORDERED that, pursuant to Section 367.0814(7), F.S., the approved rates for the utility are temporary and subject to refund with interest in the event of a protest filed by a party other than the utility. Keen shall file revised tariff sheets and a proposed customer notice reflecting the approved rates. The approved rates are effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.4 75(I), F.A.C. In addition, the temporary rates shall not be implemented until we have approved the proposed notice, and the notice has been received by the customers. Further, prior to implementing any temporary rates, the utility shall provide appropriate financial security. It is further

ORDERED that Keen shall notify us, in writing, that it has adjusted its books in accordance with our decision. Keen shall submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable NARUC USOA primary accounts have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice providing good cause shall be filed not less than seven days prior to the dead line. Upon providing good cause, our staff has the administrative authority to grant an extension of up to 60 days. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Proposed Agency Action Order, a Consummating Order shall be issued. The docket shall remain open for our verification that the revised tariff sheets and customer notice have been filed by the utility and approved by our staff. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 31st day of July, 2023.



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.

TPS

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 are preliminary in nature, except for (1) the reduction of rates after four years based upon the recovery of rate case expense, (2) the granting of temporary rates in the event of protest, and (3) the requirement for proof of adjustment of books and records. 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 August 21, 2023. 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 procedural 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.

KEEN SALES, RENTALS AND UTILITIES, INC. KEEN SUBDIVISION TEST YEAR ENDED 12/31/2021 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 20220157-WU	
DESCRIPTION	BALANCE PER UTILITY	ADJUST.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$221,645	(\$18,615)	\$203,030
2. LAND & LAND RIGHTS	0	578	578
3. ACCUMULATED DEPRECIATION	(180,685)	16,274	(164,412)
4. CIAC	0	0	0
5. ACCUMULATED AMORT. CIAC	0	0	0
6. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>8,774</u>	<u>8,774</u>
WATER RATE BASE	<u>\$40,959</u>	<u>\$7,011</u>	<u>\$47,970</u>

KEEN SALES, RENTALS AND UTILITIES, INC. PARADISE ISLAND TEST YEAR ENDED 12/31/2021 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-B DOCKET NO. 20220157-WU	
DESCRIPTION	BALANCE PER UTILITY	ADJUST.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$92,992	(\$189)	\$92,804
2. LAND & LAND RIGHTS	2,000	0	2,000
3. ACCUMULATED DEPRECIATION	(66,431)	1,444	(64,988)
4. CIAC	0	0	0
5. ACCUMULATED AMORT. CIAC	0	0	0
6. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>7,561</u>	<u>7,561</u>
WATER RATE BASE	<u>\$28,561</u>	<u>\$8,816</u>	<u>\$37,377</u>

KEEN SALES, RENTALS AND UTILITIES, INC.		SCHEDULE NO. 1-C	
TEST YEAR ENDED 12/31/2021		DOCKET NO. 20220157-WU	
ADJUSTMENTS TO RATE BASE			
	<u>KEEN</u>	<u>PARADISE</u>	
	<u>SUBDIVISION</u>	<u>ISLAND</u>	
<u>UTILITY PLANT IN SERVICE</u>			
1.	To reflect an audit adjustment.	(\$18,522)	\$0
2.	To reflect an averaging adjustment.	(93)	(189)
	Total	<u>(\$18,615)</u>	<u>(\$189)</u>
<u>LAND AND LAND RIGHTS</u>			
	To reflect the appropriate land balance (DR 2).	<u>\$578</u>	<u>\$0</u>
<u>ACCUMULATED DEPRECIATION</u>			
1.	To reflect an audit adjustment.	\$14,844	\$0
2.	To correct for over depreciation.	126	0
3.	To reflect a averaging adjustments.	<u>1,304</u>	<u>1,444</u>
	Total	<u>\$16,274</u>	<u>\$1,444</u>
<u>WORKING CAPITAL ALLOWANCE</u>			
	To reflect 1/8 of test year O&M expenses.	<u>\$8,774</u>	<u>\$7,561</u>

KEEN SALES, RENTALS AND UTILITIES, INC.							SCHEDULE NO. 2-A	
KEEN SUBDIVISION							DOCKET NO. 20220157-WU	
TEST YEAR ENDED 12/31/2021								
SCHEDULE OF CAPITAL STRUCTURE								
<u>CAPITAL COMPONENT</u>	<u>PER UTILITY</u>	<u>SPECIFIC ADJUST-MENTS</u>	<u>BALANCE AFTER ADJUST</u>	<u>PRO RATA ADJUST-MENTS</u>	<u>BALANCE PER COMMISSION</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
1. LONG-TERM DEBT	\$64,408	\$0	\$64,408	(\$17,729)	\$46,679	97,31%	6.10%	5.97%
2. SHORT-TERM DEBT	1,431	0	1,431	(394)	1,037	2.16%	8.00%	0.17%
3. COMMON EQUITY	(114,920)	114,920	0	0	0	0.00%	10.55%	0.00%
4. CUSTOMER DEPOSITS	<u>350</u>	<u>0</u>	<u>350</u>	<u>(96)</u>	<u>254</u>	<u>0.53%</u>	2.00%	<u>0.01%</u>
TOTAL CAPITAL	<u>(\$48,731)</u>	<u>\$114,920</u>	<u>\$66,189</u>	<u>(\$18,219)</u>	<u>\$47,970</u>	<u>100.00%</u>		<u>6.12%</u>
RANGE OF REASONABLENESS							LOW	HIGH
RETURN ON EQUITY							9.55%	11.55%
OVERALL RATE OF RETURN							6.12%	6.12%

KEEN SALES, RENTALS AND UTILITIES, INC. PARADISE ISLAND TEST YEAR ENDED 12/31/2021 SCHEDULE OF CAPITAL STRUCTURE							SCHEDULE NO. 2-B DOCKET NO. 20220157-WU		
<u>CAPITAL COMPONENT</u>	<u>PER UTILITY</u>	<u>SPECIFIC ADJUST-MENTS</u>	<u>BALANCE AFTER ADJUST</u>	<u>PRO RATA ADJUST-MENTS</u>	<u>BALANCE PER COMMISSION</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>	
1. LONG-TERM DEBT	\$47,829	\$0	\$47,829	(\$11,841)	\$35,988	96.28%	6.10%	5.87%	
2. SHORT-TERM DEBT	1,386	0	1,386	(343)	1,043	2.79%	8.00%	0.22%	
3. COMMON EQUITY	(587,171)	587,171	0	0	0	0.00%	10.55%	0.00%	
4. CUSTOMER DEPOSITS	460	0	460	(114)	346	0.93%	2.00%	0.02%	
5. <u>DEF INCOME TAXES</u>	<u>1,982</u>	<u>(1,982)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	
TOTAL CAPITAL	<u>(\$535,514)</u>	<u>\$585,189</u>	<u>\$49,675</u>	<u>(\$12,298)</u>	<u>\$37,377</u>	<u>100.00%</u>		<u>6.12%</u>	
RANGE OF REASONABLENESS							LOW	HIGH	
RETURN ON EQUITY							9.55%	11.55%	
OVERALL RATE OF RETURN							6.12%	6.12%	

KEEN SALES, RENTALS AND UTILITIES, INC.				SCHEDULE NO. 3-A	
KEEN SUBDIVISION				DOCKET NO. 20220157-WU	
TEST YEAR ENDED 12/31/2021					
SCHEDULE OF WATER OPERATING INCOME					
	TEST YEAR UTILITY	ADJUST- MENTS	ADJUSTED TEST	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. TOTAL OPERATING REVENUES	<u>\$64,388</u>	<u>\$4,150</u>	<u>\$68,538</u>	<u>\$17,753</u> 25.90%	<u>\$86,291</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$62,108	\$8,428	\$70,536	\$0	\$70,536
3. DEPRECIATION (NET)	2,780	669	3,449	0	3,449
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	2,897	187	3,084	799	3,883
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>\$67,785</u>	<u>\$9,284</u>	<u>\$77,070</u>	<u>\$799</u>	<u>\$77,869</u>
7. OPERATING INCOME / (LOSS)	(\$3,397)		(\$8,532)		\$8,423
8. WATER RATE BASE	\$40,959				\$47,970
9. OPERATING RATIO					12.00%

KEEN SALES, RENTALS AND UTILITIES, INC. PARADISE ISLAND TEST YEAR ENDED 12/31/2021 SCHEDULE OF WATER OPERATING INCOME				SCHEDULE NO. 3-B DOCKET NO. 20220157-WU	
	TEST YEAR UTILITY	ADJUST- MENTS	ADJUSTED TEST	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. TOTAL OPERATING REVENUES	<u>\$44,041</u>	<u>(\$1,153)</u>	<u>\$42,888</u>	<u>\$32,027</u> 74.67%	<u>\$74,915</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$72,918	(\$12,105)	\$60,813	\$0	\$60,813
3. DEPRECIATION (NET)	2,780	107	2,887	0	2,887
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	1,982	533	2,515	1,441	3,956
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>\$77,680</u>	<u>(\$11,465)</u>	<u>\$66,215</u>	<u>\$1,441</u>	<u>\$67,656</u>
7. OPERATING INCOME / (LOSS)	(\$33,639)		(\$23,327)		\$7,259
8. WATER RATE BASE	\$28,561				\$37,377
9. OPERATING RATIO					12.00%

KEEN SALES, RENTALS AND UTILITIES, INC.		SCHEDULE NO. 3-C	
TEST YEAR ENDED 12/31/2021		DOCKET NO. 20220157-WU	
ADJUSTMENTS TO OPERATING INCOME		PAGE 1 OF 3	
	KEEN	PARADISE	
	<u>SUBDIVISION</u>	<u>ISLAND</u>	
OPERATING REVENUES			
1.	To reflect audit adjustments.	\$4,150	\$18,189
2.	To reflect appropriate test year service revenues.	<u>0</u>	(<u>\$19,342</u>)
	Total	<u>\$4,150</u>	<u>(\$1,153)</u>
OPERATION AND MAINTENANCE EXPENSE			
1.	Salaries and Wages – Employees (601) To reflect appropriate common cost allocations.	<u>\$4,160</u>	<u>(\$4,160)</u>
2.	Salaries and Wages – Officers and Directors (603) To reflect appropriate common cost allocations.	<u>\$2,640</u>	<u>(\$2,640)</u>
3.	Employee Pensions and Benefits (604)		
	a. To reflect appropriate common cost allocations.	\$1,357	(\$1,108)
	b. To reflect an audit adjustment.	<u>112</u>	<u>0</u>
	Subtotal	<u>\$1,469</u>	<u>(\$1,108)</u>
4.	Purchased Power (615) To reflect appropriate common cost allocations.	<u>(\$21)</u>	<u>\$9</u>
5.	Chemicals Expense (618) To reflect audit adjustments.	<u>\$77</u>	<u>\$82</u>
6.	Materials and Supplies (620)		
	a. To reflect appropriate common cost allocations.	\$73	(\$608)
	b. To reflect audit adjustments.	61	263
	c. To reflect removal of out-of-test-year expense.	<u>0</u>	<u>(88)</u>
	Subtotal	<u>\$134</u>	<u>(\$433)</u>
7.	Contractual Services – Professional (631)		
	a. To reflect appropriate common cost allocations.	(\$23)	(\$223)
	b. To reflect five-year amort. of curb stop replacement.	<u>0</u>	<u>(100)</u>
	Subtotal	<u>(\$23)</u>	<u>(\$323)</u>
8.	Contractual Services – Accounting (632)		
	a. To reflect allocated portion of federal tax return filing.	\$38	\$31
	b. To reflect allocated portion of Annual Report filing.	<u>123</u>	<u>100</u>
	Subtotal	<u>\$161</u>	<u>\$131</u>

KEEN SALES, RENTALS AND UTILITIES, INC.		SCHEDULE NO. 3-C	
TEST YEAR ENDED 12/31/2021		DOCKET NO. 20220157-WU	
ADJUSTMENTS TO OPERATING INCOME		PAGE 2 OF 3	
	KEEN	PARADISE	
	<u>SUBDIVISION</u>	<u>ISLAND</u>	
9. Contractual Services – Testing (635) To reflect appropriate common cost allocations.	<u>(\$3,741)</u>	<u>(\$998)</u>	
10. Contractual Services – Other (636)			
a. To reflect appropriate common cost allocations.	(\$1,160)	\$466	
b. To reflect five-year amortization of mailbox relocation.	(33)	(27)	
c. To reflect five-year amort. of elec. pole relocation.	0	(644)	
d. To reflect audit adjustments.	<u>676</u>	<u>0</u>	
Subtotal	<u>(\$517)</u>	<u>(\$205)</u>	
11. Rental Expense (640) To reflect appropriate common cost allocations.	<u>\$1,080</u>	<u>(\$1,080)</u>	
12. Transportation Expense (650) To reflect appropriate common cost allocations.	<u>\$17</u>	<u>(\$18)</u>	
13. Insurance Expense (655)			
a. To reflect appropriate common cost allocations.	\$463	(\$494)	
b. To reflect audit adjustments.	<u>1,326</u>	<u>0</u>	
Subtotal	<u>\$1,789</u>	<u>(\$494)</u>	
14. Rate Case Expense (665) To reflect 1/4 rate case expense.	<u>\$346</u>	<u>\$324</u>	
15. Bad Debt Expense (670) To reflect adj. three-year average of bad debt expense.	<u>\$59</u>	<u>\$7</u>	
16. Miscellaneous Expense (675)			
a. To reflect appropriate common cost allocations.	\$418	(\$830)	
b. To reflect removal of non-utility expenses.	(451)	(369)	
c. To reflect removal of out-of-test-year expense.	(342)	0	
d. To reflect reclassification of licensing fee from TOTL.	700	0	
e. To reflect audit adjustment.	<u>474</u>	<u>0</u>	
Subtotal	<u>\$799</u>	<u>(\$1,199)</u>	
TOTAL OPERATION AND MAINTENANCE ADJ.	<u>\$8,428</u>	<u>(\$12,105)</u>	

KEEN SALES, RENTALS AND UTILITIES, INC.		SCHEDULE NO. 3-C	
TEST YEAR ENDED 12/31/2021		DOCKET NO. 20220157-WU	
ADJUSTMENTS TO OPERATING INCOME		PAGE 3 OF 3	
	<u>KEEN</u>	<u>PARADISE</u>	
	<u>SUBDIVISION</u>	<u>ISLAND</u>	
DEPRECIATION EXPENSE			
To reflect appropriate depreciation expense.	<u>\$669</u>	<u>\$107</u>	
TAXES OTHER THAN INCOME			
a. To reflect auditing adjustments.	\$887	\$2,004	
b. To reflect removal of licensing fee.	(700)	(600)	
c. To reflect appropriate test year RAFs.	<u>0</u>	<u>(870)</u>	
Subtotal	<u>\$187</u>	<u>\$533</u>	
TOTAL OPERATING EXPENSE ADJUSTMENTS	<u>\$9,284</u>	<u>(\$11,465)</u>	

KEEN SALES, RENTALS AND UTILITIES, INC.		SCHEDULE NO. 3-D		
KEEN SUBDIVISION		DOCKET NO. 20220157-WU		
TEST YEAR ENDED 12/31/2021				
ANALYSIS OF WATER O&M EXPENSE				
ACCT.	DESCRIPTION	TOTAL PER UTILITY	ADJUST- MENT	TOTAL PER COMMISSION
601	Salaries and Wages – Employees	\$18,720	\$4,160	\$22,880
603	Salaries and Wages – Officers	11,880	2,640	14,520
604	Employee Pensions and Benefits	5,492	1,469	6,961
615	Purchased Power	2,606	(21)	2,585
618	Chemicals Expense	1,337	77	1,414
620	Materials and Supplies	613	134	747
631	Contractual Services – Professional	1,967	(23)	1,944
632	Contractual Services – Accounting	0	161	161
635	Contractual Services – Testing	7,479	(3,741)	3,738
636	Contractual Services – Other	1,474	(517)	957
640	Rents	4,860	1,080	5,940
650	Transportation Expense	210	17	227
655	Insurance Expense	3,143	1,789	4,932
665	Rate Case Expense	0	346	346
670	Bad Debt Expense	0	59	59
675	Miscellaneous Expense	<u>2,327</u>	<u>799</u>	<u>3,126</u>
	Total O&M Expense	<u>\$62,108</u>	<u>\$8,428</u>	<u>\$70,536</u>
	Working Capital is 1/8 of O&M less			\$8,774

KEEN SALES, RENTALS AND UTILITIES, INC. PARADISE ISLAND TEST YEAR ENDED 12/31/2021 ANALYSIS OF WATER O&M EXPENSE		SCHEDULE NO. 3-E DOCKET NO. 20220157-WU		
ACCT.	DESCRIPTION	TOTAL PER UTILITY	ADJUST- MENT	TOTAL PER COMMISSION
601	Salaries and Wages – Employees	\$22,880	(\$4,160)	\$18,720
603	Salaries and Wages – Officers	14,520	(2,640)	11,880
604	Employee Pensions and Benefits	6,712	(1,108)	5,604
615	Purchased Power	1,547	9	1,556
618	Chemicals Expense	1,150	82	1,232
620	Materials and Supplies	1,071	(433)	638
631	Contractual Services – Professional	2,249	(323)	1,926
632	Contractual Services – Accounting	0	131	131
635	Contractual Services – Testing	7,422	(998)	6,424
636	Contractual Services – Other	1,189	(205)	984
640	Rents	5,940	(1,080)	4,860
650	Transportation Expense	204	(18)	186
655	Insurance Expense	3,444	(494)	2,950
665	Rate Case Expense	0	324	324
670	Bad Debt Expense	0	7	7
675	Miscellaneous Expense	<u>4,590</u>	<u>(1,199)</u>	<u>3,391</u>
	Total O&M Expense	<u>\$72,918</u>	<u>(\$12,105)</u>	<u>\$60,813</u>
	Working Capital is 1/8 of O&M less			\$7,561

KEEN SALES, RENTALS, AND UTILITIES, INC.		SCHEDULE NO. 4-A	
KEEN SUBDIVISION		DOCKET NO. 20220157-WU	
TEST YEAR ENDED 12/31/2021			
MONTHLY WATER RATES			
	UTILITY'S EXISTING RATES	COMMISSION APPROVED RATES	4-YEAR RATE REDUCTION
<u>Residential Service and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$16.28	\$20.43	\$0.09
3/4"	\$24.42	\$30.65	\$0.13
1"	\$40.70	\$51.08	\$0.21
1-1/2"	\$81.40	\$102.15	\$0.43
2"	\$130.24	\$163.44	\$0.69
3"	\$260.48	\$326.88	\$1.37
4"	\$407.00	\$510.75	\$2.15
6"	\$814.00	\$1,021.50	\$4.29
Charge per 1,000 gallons - Residential Service			
0-6,000 gallons	\$4.59	N/A	N/A
6,001 - 12,000 gallons	\$6.88	N/A	N/A
Over 12,000 gallons	\$9.19	N/A	N/A
Charge per 1,000 gallons - General Service			
	\$5.26	N/A	N/A
Charge per 1,000 gallons - Residential Service			
0-5,000 gallons	N/A	\$5.85	\$0.02
5,001 - 12,000 gallons	N/A	\$8.78	\$0.04
Over 12,000 gallons	N/A	\$11.71	\$0.05
Charge per 1,000 gallons - General Service			
		\$6.76	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$25.46	\$32.13	
5,000 Gallons	\$39.23	\$49.68	
10,000 Gallons	\$71.34	\$93.58	

KEEN SALES, RENTALS, AND UTILITIES, INC.		SCHEDULE NO. 4-B	
PARADISE ISLAND		DOCKET NO. 20220157-WU	
TEST YEAR ENDED 12/31/2021			
MONTHLY WATER RATES			
	UTILITY'S EXISTING RATES	COMMISSION APPROVED RATES	4-YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$11.61	\$19.18	\$0.09
3/4"	\$17.42	\$28.77	\$0.13
1"	\$29.03	\$47.95	\$0.22
1-1/2"	\$58.05	\$95.90	\$0.44
2"	\$92.88	\$153.44	\$0.70
3"	\$185.76	\$306.88	\$1.40
4"	\$290.25	\$479.50	\$2.18
6"	\$580.50	\$959.00	\$4.36
Charge per 1,000 gallons - Residential Service			
0-5,000 gallons	\$3.89	\$7.23	\$0.03
5,001 - 10,000 gallons	\$4.85	\$11.26	\$0.05
Over 10,000 gallons	\$5.84	\$16.89	\$0.08
Charge per 1,000 gallons - General Service	\$4.67	\$9.00	\$0.04
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$19.39	\$33.64	
5,000 Gallons	\$31.06	\$55.33	
10,000 Gallons	\$55.31	\$111.63	