

State of Florida



Public Service Commission

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DATE: December 26, 2012

TO: Office of Commission Clerk (Cole)

FROM: Division of Accounting and Finance (Smith, Fletcher, Maurey)
 Division of Economics (Bruce, Hudson) *AS BF ALM*
 Division of Engineering (Rieger) *AB JWD*
 Office of the General Counsel (Harris) *SPR PV JWS*

RE: Docket No. 120082-WU – Application for staff-assisted rate case in Gadsden County by Joyland Water System *②*

AGENDA: 01/08/12^{13-CP} – Regular Agenda – Proposed Agency Action – Except Issue Nos. 12 and 15 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: 09/09/13 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

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Table of Contents

<u>Issue</u>	<u>Description</u>	<u>Page</u>
	Case Background	3
1	Quality of Service (Rieger)	4
2	Used and Useful (Rieger).....	5
3	Rate Base (Smith)	6
4	Rate of Return (Smith).....	8
5	Test Year Revenue (Bruce).....	9
6	Operating Expenses (Smith)	10
7	Operating Ratio Margin (Smith)	12
8	Revenue Requirement (Smith).....	15
9	Rate Structure (Bruce).....	16
10	Repression (Bruce).....	19
11	Rates (Bruce).....	21
12	Four-Year Rate Reduction (Smith)	22
13	Rates in Event of Protest (Smith).....	23
14	Late Payment Fees (Bruce)	26
15	Proof of Adjustments (Smith)	27
16	Close Docket (Harris, Smith).....	28
	Schedule No. 1-A Water Rate Base	29
	Schedule No. 1-B Adjustments to Rate Base.....	30
	Schedule No. 2 Capital Structure	31
	Schedule No. 3-A Water NOI	32
	Schedule No. 3-B Adjustments to NOI.....	33
	Schedule No. 3-C Water O&M Expense	34
	Schedule No. 4 Water Rates.....	35

Case Background

Joyland Water System (Joyland or Utility) is a Class C water utility located in Gadsden County. Joyland serves approximately 44 water customers. The Utility was issued Grandfather Certificate No. 559-W on March 3, 1994.¹ According to its 2011 Annual Report, gross revenues were \$13,035. The Utility's operating expenses were \$19,791.

On April 12, 2012, the Commission received Joyland's application for a staff-assisted rate case. The instant docket is the Utility's first rate case. The Commission has the authority to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.).

¹ See Order No. PSC-94-0234-FOF-WU, issued March 3, 1994, in Docket No. 930752-WU, In re: Application for certificate to provide water service in Gadsden County under grandfather rights by Joyland Water System.

Discussion of Issues

Issue 1: Is the quality of service provided by Joyland satisfactory?

Recommendation: Yes. Staff recommends that Joyland's quality of service be considered satisfactory. (Rieger)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C), the Commission determines the overall quality of service provided by a Utility by evaluating three separate components of water operations. These components are the quality of the Utility's product, the operating condition of the Utility's plants and facilities, and the Utility's attempt to address customer satisfaction. Comments or complaints received by the Commission from customers are reviewed. The Utility's current compliance with the Department of Environmental Protection (DEP) is also considered.

Quality of Product and Operating Condition of the Plant and Facilities

Staff conducted a field investigation of the Utility's service area on June 20, 2012. The water treatment system appeared to be operating normally. DEP performed an annual compliance inspection of the Utility's water system on June 7, 2012. No deficiencies were identified. The Utility is current in all of the required chemical analyses, and the Utility has met all required standards. The quality of drinking water delivered to the customers is considered to be satisfactory by DEP. Currently there are no enforcement activities for non-compliance with DEP rules and regulations. As indicated in the Utility's application for a staff assisted rate case, the water system is scheduled for sampling inorganics, secondary contaminants, synthetic organics, Stage-I disinfection by-products, asbestos, and lead copper levels in 2012. The costs of these tests are discussed in Issue 6.

The Utility's Attempt to Address Customer Satisfaction

The Commission has received two customer correspondences concerning the proposed rate increase. Currently, there are no outstanding complaints on the Commission's Complaint Tracking System. A customer meeting was held on October 9, 2012 at the Gadsden County Public Library in Quincy, Florida. There were five customers who attended the customer meeting. There were no customer comments made during the course of the customer meeting.

Summary

Staff believes that the Utility is currently providing a quality product and maintaining good operational conditions at its plant and distribution system. Also, based on the level of customer participation at the customer meeting and through the lack of complaints and correspondence received, it appears that the customers are generally satisfied with the Utility's provision of water service. Therefore, staff recommends that Joyland's quality of service be considered satisfactory.

Issue 2: What are the used and useful percentages of the water treatment plant and distribution system?

Recommendation: The water treatment plant and distribution system should be considered 100 percent used and useful (U&U). (Rieger)

Staff Analysis: The Utility serves 44 customers (43 residential and 1 general service). The water treatment system has 1 well rated at 40 gallons per minute (gpm). Raw water is treated with liquid chlorine for disinfection purposes. This facility has no storage capacity, and fire flow is not provided. There has been no prior rate case for this Utility; therefore, U&U has not been previously established by the Commission. In addition, the service area is essentially built out and there is no apparent potential for expansion. Therefore, pursuant to Rule 25-30.4325, F.A.C., it is recommended that the treatment plant and distribution system be considered 100 percent U&U.

Issue 3: What is the appropriate average test year rate base for Joyland?

Recommendation: The appropriate average test year rate base for Joyland is \$15,209. (Smith)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service, contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC, and working capital. Staff selected a test year ended December 31, 2011, for this rate case. A summary of each component and the adjustments follows:

Utility Plant in Service (UPIS): The Utility recorded \$43,992 in this account. Staff utilized Joyland's annual reports and tax returns to determine the appropriate balance for UPIS. The Utility included \$3,500 for a 1997 Toyota truck on its annual report that is owned by the Utility's owner, Ms. Lounette Joyner. Staff has removed this amount since the Utility does not own the truck. Staff recommends UPIS of \$40,492.

Non-Used and Useful Plant: As discussed in Issue 2 of this recommendation, Joyland's water treatment plant and distribution system are 100 percent U&U. Therefore, a non-U&U adjustment is not necessary.

Contributions-in-Aid-of-Construction (CIAC): Joyland did not record any CIAC in this account. The Utility was not able to provide any information related to CIAC to staff auditors. Rule 25-30.570, F.A.C., states:

If the amount of CIAC has not been recorded on the utility's books and the utility does not submit competent substantial evidence as to the amount of CIAC, the amount of CIAC shall be imputed to be the amount of plant costs charged to the cost of land sales for tax purposes if available, or the proportion of the cost of the facilities and plant attributable to the water transmission and distribution system and the sewage collection system.

The amount attributable to the water transmission and distribution system is \$16,600. Staff has imputed \$16,600 for CIAC. In accordance with Rule 25-30.570, F.A.C., staff recommends CIAC of \$16,600.

Land: Joyland recorded \$8,000 in this account. Land was not recorded in the Utility's general ledger. Therefore, staff relied upon the Gadsden County Property Appraiser's value of the land, which is \$7,150. As such, staff has reduced this account by \$850 to reflect the appropriate land value. Staff recommends land of \$7,150.

Accumulated Depreciation: Joyland recorded \$42,223 in this account for accumulated depreciation. As explained above, staff removed \$3,500 for a non-utility vehicle. Thus, staff has made a corresponding adjustment to remove \$3,500 from accumulated depreciation. In addition, staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff has decreased this account by \$6,082 to reflect depreciation calculated in accordance with Rule 25-30,140, F.A.C. Further, staff has decreased this account by \$651 to

reflect an averaging adjustment. The aforementioned adjustments result in average accumulated depreciation of \$31,990.

Amortization of CIAC: Joyland did not record any amortization of CIAC. As discussed above, staff has imputed \$16,600 for CIAC in accordance with Rule 25-30.570, F.A.C. Amortization of CIAC has been calculated using the same prescribed rates used for depreciating the Utility's transmission and distribution system. This account has been increased by \$14,084 to reflect the amortization of CIAC as calculated by staff. Staff has decreased this account by \$251 to reflect an averaging adjustment. Staff recommends amortization of CIAC of \$13,832.

Working Capital Allowance: Joyland did not record any working capital allowance in this account. Working capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of the utility. Consistent with Rule 25-30.433(2), F.A.C., staff recommends that the one-eighth of the operation and maintenance (O&M) expense formula approach be used for calculating the working capital allowance. Applying this formula, staff recommends a working capital allowance of \$2,325 (based on O&M expense of \$18,600).

Rate Base Summary: Based on the foregoing, staff recommends that the appropriate test year average rate base is \$15,209. Rate base is shown on Schedule No. 1-A, and staff's adjustments are shown on Schedule No. 1-B.

Issue 4: What is the appropriate rate of return on equity and overall rate of return for Joyland?

Recommendation: The appropriate return on equity (ROE) is 8.74 percent with a range of 7.74 percent to 9.74 percent. The appropriate overall rate of return is 8.74 percent. (Smith)

Staff Analysis: The Utility's capital structure has been reconciled with staff's recommended rate base. Consistent with the Commission-approved leverage formula currently in effect, the appropriate ROE is 8.74 percent.² Staff recommends an ROE of 8.74 percent with a range of 7.74 percent to 9.74 percent, and an overall rate of return of 8.74 percent. Staff is recommending the operating ratio margin for the instant docket. Therefore, a determination of the ROE and overall rate of return is not essential for calculating an operating income. However, it is important to establish the overall rate of return on a going forward basis for earnings surveillance. The ROE and overall rate of return are shown on Schedule No. 2.

² See Order Nos. PSC-12-0339-PAA-WS, issued June 28, 2012, and PSC-12-0372-CO-WS, issued July 20, 2012, in Docket No. 120006-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), Florida Statutes.

Issue 5: What is the appropriate amount of test year revenue in this case?

Recommendation: The appropriate test year revenue for this Utility is \$13,061. (Bruce)

Staff Analysis: Joyland recorded total revenue of \$13,034. Staff has annualized revenues based on test year billing determinants and existing rates and determined the Utility's test year revenue to be \$13,061. Therefore, staff has increased test year revenues by \$27. Staff recommends test year revenue of \$13,061. Test year revenue is shown on Schedule No. 3-A.

Issue 6: What is the appropriate amount of operating expense?

Recommendation: The appropriate amount of operating expense for Joyland is \$21,959. (Smith)

Staff Analysis: Joyland recorded operating expense of \$19,541 for the test year ended December 31, 2011. The test year O&M expenses have been reviewed, and invoices, canceled checks, and other supporting documentation have been examined. Staff has made several adjustments to the Utility's operating expenses as summarized below:

Salaries and Wages - Employees (601) – Joyland recorded \$7,583 in this account for salaries and wages - employees. This amount includes the salaries and wages for two employees, Mr. Roger Joyner and Mr. Raymond McPherson. Mr. Joyner's duties and responsibilities include handling all phases of operation concerning the well and water production. Mr. McPherson is responsible for billing, receiving account payments, and making deposits. The Utility provided recent W-2 forms for support documentation of the salaries and wages for Mr. Joyner and Mr. McPherson totaling \$7,583. Staff believes this amount is reasonable based on the duties and responsibilities of the employees as well as the number of customers served. Thus, no adjustment has been made to this account. Staff recommends salaries and wages – employees expense of \$7,583.

Contractual Services – Testing (635) – Joyland recorded \$1,006 in this account for contractual services – testing. Table 6-1 below includes additional testing that will be completed in 2012:

Table 6-1
Contractual Services - Testing

Test	Frequency	Cost	Yearly Amortization
Inorganics	every 3 years	\$400	\$133
Secondary Contaminants	every 3 years	350	117
Volatile Organics	every 3 years	225	75
Synthetic Organic Contaminants	every 3 years	900	300
Stage 1 Disinfection Byproducts	every 3 years	300	100
Total			<u>\$725</u>

Accordingly, staff has increased this account by \$725 to reflect required testing expenses. Staff recommends contractual services – testing expense of \$1,731 (\$1,006 + \$725).

Contractual Services – Other (636) – Joyland recorded \$179 in this account, which includes monthly internet service fees. Staff has reclassified this amount from contractual services – other to miscellaneous expenses. Staff recommends contractual services – other expense of \$0.

Regulatory Commission Expense (665) – Joyland did not record any regulatory commission expenses. By Rule 25-22.0407, F.A.C., the Utility is required to mail notices of the customer meeting and notices of final rates in this case to its customers. For these notices, staff has estimated \$40 for postage expense, \$35 for printing expense, and \$4 for envelopes. The above results in \$79 for postage, mailing notices, and envelopes. The Utility paid a \$200 rate case

filing fee. Based on the above, staff recommends total rate case expense of \$279. Amortized over four years, this equates to an annual expense of \$70.

Miscellaneous Expense (675) – Joyland recorded \$483 in this account for miscellaneous expense. As stated above, staff has reclassified \$179 to this account to reflect monthly internet service fees. In addition, staff has increased this account by \$100 to include the annual DEP operating license fee. Staff recommends miscellaneous expense of \$762.

Depreciation Expense (Net of Related Amortization of CIAC) – Joyland recorded \$398 in this account for net depreciation expense. Staff has calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff's calculated depreciation is \$1,588. Therefore, staff has made an adjustment to increase this account by \$1,190. In addition, staff has decreased this account by \$503 to reflect imputation of CIAC, per Rule 25-30.570, F.A.C. Staff recommends net depreciation expense of \$1,085.

Taxes Other Than Income (TOTI) – Joyland recorded \$1,438 in this account for TOTI. Staff has reviewed Gadsden County's non-ad valorem and ad valorem tax assessment notices. Based on these notices, staff has determined the Utility recorded the appropriate property taxes of \$116. Therefore, no adjustments have been made for property taxes. Joyland recorded \$580 for payroll taxes. Based on staff's recommended salaries and wages expense, staff has calculated payroll taxes of \$1,009. Accordingly, staff has increased this account by \$429 to reflect the appropriate payroll tax. Joyland recorded \$138 for unemployment tax. Staff auditors have determined that the unemployment tax rate is 1.03 percent. Staff has multiplied the unemployment tax rate by staff's recommended salaries and wages expense of \$7,583 and determined that appropriate unemployment tax is \$78. As such, staff has reduced this account by \$60.

Joyland recorded \$604 for RAFs. Based on staff's recommended test year revenues of \$13,061, the Utility's RAFs should be \$587. Staff has decreased this account by \$16 to reflect the appropriate RAFs. As discussed in Issue 7, revenues have been increased by \$10,759 to reflect the change in revenue required to cover expenses and afford the Utility an opportunity to earn the recommended return on investment for its water operations. As a result, TOTI should be increased by \$484 to reflect RAFs of 4.5 percent on the recommended incremental change in revenues. Staff recommends TOTI of \$2,274 ($\$1,438 + \$429 - \$60 - \$16 + \484).

Income Tax – The Utility did not have any income tax expense for the test year. Joyland is a sole proprietorship. The tax liability is passed on to the owners' personal tax returns. Therefore, staff did not make an adjustment to this account.

Operating Expenses Summary – The application of staff's recommended adjustments to Joyland's recorded test year operating expenses result in staff's recommended operating expenses of \$21,959. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule No. 3-B.

Issue 7: Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for Joyland, and, if so, what is the appropriate margin?

Recommendation: Yes, the Commission, on its own motion, should utilize the operating ratio methodology for calculating the revenue requirement for the Utility. The margin should be 10 percent of O&M expense. (Smith)

Staff Analysis: Section 367.0814(9), F.S., provides that the Commission may, by rule, establish standards and procedures for setting rates and charges of small utilities using criteria other than those set forth in Sections 367.081(1), (2)(a) and (3), F.S. Rule 25-30.456, F.A.C., provides, in part, an alternative to a staff assisted rate case as described in Rule 25-30.455, F.A.C. As an alternative, utilities with total gross annual operating revenues of less than \$250,000 per system may petition the Commission for staff assistance in alternative rate setting.

Although Joyland did not petition the Commission for alternative rate setting under the aforementioned rule, staff believes that the Commission should exercise its discretion to employ the operating ratio methodology to set water rates in this case. The operating ratio methodology is an alternative to the traditional calculation of revenue requirements. Under this methodology, instead of applying a return on the Utility's rate base, the revenue requirement is based on the margin of Joyland's O&M expenses. This methodology has been applied in cases where the traditional calculation of revenue requirements would not provide sufficient revenues to protect against potential variances in revenues and expenses.

By Order No. PSC-96-0357-FOF-WU,³ the Commission, for the first time, utilized the operating ratio methodology as an alternative means for setting rates. This order also established criteria to determine the use of the operating ratio methodology and a guideline margin of 10 percent of O&M expense. This criteria was applied again in Order No. PSC-97-0130-FOF-SU.⁴ Most recently, the Commission approved the operating ratio methodology for setting rates in Order No. PSC-12-0533-PAA-WU.⁵

In Order No. PSC-96-0357-FOF-WU, the Commission established criteria to determine whether to utilize the operating ratio methodology for those utilities with low or non-existent rate base. The qualifying criteria outlined in Order No. PSC-96-0357-FOF-WU, and how they apply to the Utility are discussed below:

1) Whether the Utility's O&M expense exceeds rate base. The operating ratio method substitutes O&M expense for rate base in calculating the rate of return. A Utility generally would not benefit from the operating ratio method if rate base exceeds O&M expense. The decision to use the operating ratio method depends on the determination of whether the primary risk resides in capital costs or operating expenses. In the instant case, the rate base is less than

³ Issued March 13, 1996, in Docket No. 950641-WU, In re: Application for staff-assisted rate case in Palm Beach County by Lake Osborne Utilities Company, Inc.

⁴ Issued February 10, 1997, in Docket No. 960561-SU, In re: Application for staff-assisted rate case in Citrus County by Indian Springs Utilities, Inc.

⁵ See Order No. PSC-12-0533-PAA-WU, issued October 9, 2012, in Docket No. 110238-WU, In re: Application for staff-assisted rate case in Polk County by Sunrise Utilities, LLC.

the level of O&M expense. The Utility's primary risk resides with covering its operating expense. Based on the staff's recommendation, the adjusted rate base for the test year is \$15,209, while adjusted O&M expense is \$18,600.

2) Whether the Utility is expected to become a Class B utility in the foreseeable future. According to Chapter 367.0814(9), F.S., the alternative form of regulation being considered in this case only applies to small utilities with gross annual revenues of \$250,000 or less. Joyland is a Class C utility and the recommended revenue requirement of \$23,819 is substantially below the threshold level for Class B status (\$250,000 per system). The Utility's service area has not had any significant growth in the last five years. Therefore, the Utility will not become a Class B utility in the foreseeable future.

3) Quality of service and condition of plant. As discussed in Issue 1, staff is recommending the quality of service be found to be satisfactory. Staff believes that the Utility is currently providing a quality product and maintaining good operational conditions at its plant and distribution system.

4) Whether the Utility is developer-owned. The current Utility owner is not a developer. The service territory is not in the early stages of growth, and there has not been any customer growth in the last five years.

5) Whether the Utility operates treatment facilities or is simply a distribution and/or collection system. Joyland operates a water treatment plant and distribution system.

Based on staff's review of the Utility's situation relative to the above criteria, staff recommends that Joyland is a viable candidate for the operating ratio methodology.

By Order Nos. PSC-96-0357-FOF-WS and PSC-97-0130-FOF-WU, the Commission determined that a margin of 10 percent shall be used unless unique circumstances justify the use of a greater or lesser margin. The important question was not what the return percentage should be, but what level of operating margin will allow the Utility to provide safe and reliable service and remain a viable entity. The answer to this question requires a great deal of judgment based upon the particular circumstances of the Utility.

Several factors must be considered in determining the reasonableness of a margin. First, the margin must provide sufficient revenues for the Utility to cover its interest expense. However, in this case, the Utility is not paying interest expense.

Second, use of the operating ratio methodology rests on the contention that the principal risk to the Utility resides in operating cost rather than in capital cost of the plant. The fair return on a small rate base may not adequately compensate the Utility owner for incurring the risk associated with covering the much greater operating cost. Therefore, the margin must adequately compensate the Utility owner for that risk.

Third, if the return on rate base method was applied, a normal return would generate a small level of revenues that in the event revenues or expenses vary from staff's estimates,

Joyland could be left with insufficient funds to cover operating expenses. Therefore, the margin should provide adequate revenues to protect against potential variability in revenues and expenses. Under the rate base method, the return to Joyland amounts to only \$1,329, which is enough to cover only a 7.15 percent variance in O&M expense. Staff believes \$1,329 is an insufficient financial cushion. If the Utility's operating expenses increase, Joyland may not have the funds required for day-to-day operations.

In conclusion, staff believes the above factors show that the Utility needs a higher margin of revenues over operating expenses than the traditional return on rate base method would allow. Therefore, in order to provide Joyland with adequate cash flow to satisfy environmental requirements and to provide some assurance of safe and reliable service, staff recommends application of the operating ratio methodology at a margin of 10 percent of O&M expense for determining the revenue requirement.

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$23,819. (Smith)

Staff Analysis: Joyland should be allowed an annual increase of \$10,759 (82.37 percent) for water. This will allow the Utility the opportunity to recover its expenses and earn an 10.00 percent cushion over its O&M expenses. Staff's revenue requirement calculation is shown on Table 8-1 below:

Table 8-1

	<u>Water</u>
Adjusted O&M Expense	\$18,600
Operating Margin (%)	x 10.00%
Operating Margin (\$)	\$1,860
Adjusted O&M expense	18,600
Depreciation expense (Net)	1,085
Amortization	0
Taxes Other Than Income	2,274
Income Taxes	0
Revenue Requirement	\$23,819
Less Test Year Revenues	13,061
Annual Increase	\$10,759
Percent Increase/(Decrease)	82.37%

Issue 9: What is the appropriate rate structure for Joyland's water system?

Recommendation: The appropriate rate structure for Joyland's residential class is a three-tier inclining block rate structure. The three-tier rate structure for monthly consumption consists of usage blocks of: a) 0-5,000 gallons; b) 5,001-10,000 gallons; and c) all usage in excess of 10,000 gallons and usage block rate factors of .62, 1.00, and 1.25, respectively. The appropriate rate structure for the non-residential class is a continuation of the base facility charge (BFC)/gallage charge rate structure. The BFC cost recovery should be set at 30 percent. (Bruce)

Staff Analysis: Joyland's water system is very small. This Utility provides water service to 43 residential customers and 1 non-residential customer. The Utility's current rate structure for the residential and non-residential classes consists of a monthly BFC/gallage charge rate structure. This rate structure was approved by the Commission in 1994.⁶

Water use in the area is under the jurisdiction of the Northwest Florida Water Management District (NFWMD or District). Over the past few years, the District has required, whenever possible, that an inclining block rate structure be implemented. However, according to the Utility's consumptive use permit (CUP), the District is not requiring any limiting conditions regarding rate structure.

Staff performed a detailed analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages, usage blocks, and usage block rate factors for the residential rate class. The goal of the evaluation was to select the rate design parameters that: 1) allow the Utility to recover its revenue requirement; 2) equitably distribute cost recovery among the Utility's customers; and 3) implement, where appropriate, water conserving rate structures consistent with the Commission's goals and practices.

Staff's analysis indicates that the overall average consumption for this customer base is 5,833 gallons per month and the customer base is non-seasonal. Also, staff's analysis of the billing data indicates that there is little discretionary usage for this customer base. According to the Utility owner, the service area consists of a population of some retirees and families with children. For this reason, staff recommends that the non-discretionary threshold be set at 5,000 gallons per month (3 people x 50 gallons per day per person x 30 days). Staff's preliminary rate design called for a two-tier inclining block rate structure with usage blocks of 0-10,000 gallons in the first block and usage in excess of 10,000 gallons in the second block. Due to the diversity of the service area, staff believes that a three-tiered rate structure is necessary to achieve the appropriate rate design goals. As discussed in Issue 10, staff did not apply a repression adjustment to non-discretionary usage. As a result, an additional tier is necessary for non-discretionary usage below 5,000 gallons per month. This results in a three-tier inclining block structure for monthly consumption with usage blocks of: a) 0-5,000 gallons; b) 5,001-10,000 gallons; c) all gallons above 10,000 gallons, with usage block rate factors of .62, 1.00, and 1.25, respectively.

⁶ See Order No. PSC-94-0234-FOF-WU; issued March 3, 1994, in Docket No. 930752-WU, In re: Application for certificate to provide water service in Gadsden County under grandfather rights by Joyland Water System.

Staff's recommended rate design for the water system is shown on Table 9-1 below. Staff also presents two alternate rate structures to illustrate other recovery methodologies. The current rate structure and Alternates 1 and 2 result in price increases at all consumption levels.

Table 9-1

JOYLAND WATER SYSTEM STAFF'S RECOMMENDED AND ALTERNATIVE WATER RATE STRUCTURES AND RATES				
Current Rate Structure and Rates		Recommended Rate Structure and Rates		
Monthly BFC/uniform Kgal charge		3-Tier Inclining Block Rate Structure Rate Factors .62, 1.00 and 1.25 BFC = 30%		
BFC	\$7.50	BFC		\$13.46
All kgals	\$3.00	1 st tier (no repression)	0-5 kgals	\$5.32
		2 nd tier (discretionary)	5-10 kgal	\$8.62
		3 rd tier (discretionary)	10+	\$10.78
Typical Monthly Bills (1)		Typical Monthly Bills		
Cons (kgals)		Cons (kgals)		
0	\$7.50	0		\$13.46
1	\$10.50	1		\$18.78
3	\$16.50	3		\$29.42
5	\$22.50	5		\$40.06
10	\$37.50	10		\$83.16
20	\$67.50	20		\$190.96
Alternative 1		Alternative 2		
3-Tier Inclining Block Rate Structure Rate Factors .64, 1.00 and 1.25 BFC = 35%		3- Tier Inclining Block Rate Structure Rate Factors .68, 1.00 and 1.25 BFC =40%		
BFC	\$15.71	BFC		\$17.96
0-5 kgals	\$4.94	0-5 kgals		\$4.56
5-10 kgals	\$7.73	5-10 kgals		\$6.90
10+	\$9.66	10 +		\$8.62
Typical Monthly Bills		Typical Monthly Bills		
Cons (kgals)		Cons (kgals)		
0	\$15.71	0		\$17.96
1	\$20.65	1		\$22.52
3	\$30.53	3		\$31.64
5	\$40.41	5		\$40.76
10	\$79.06	10		\$75.26
20	\$175.66	20		\$161.46

Staff recommends that the fixed cost allocation be set at 30 percent. Due to the magnitude of the revenue requirement increase coupled with the demographics of the service area, staff's recommended fixed cost allocation allows staff to design a rate structure that satisfies the goal of minimizing the rate impact on retirees and families with children who are already conserving. Also, staff's recommended fixed cost allocation targets the small amount of discretionary usage above 10,000 gallons.

Based on the foregoing, staff recommends that the appropriate rate structure for Joyland's residential class is a three-tier inclining block rate structure. The three-tier rate structure for monthly consumption consists of usage blocks of: a) 0-5,000 gallons; b) 5,001-10,000 gallons; and c) all usage in excess of 10,000 gallons and usage block rate factors of .62, 1.00, and 1.25, respectively. The appropriate rate structure for the non-residential class is a continuation of the base facility charge (BFC)/gallage charge rate structure. The fixed cost recovery should be set at 30 percent.

Issue 10: Is a repression adjustment appropriate in this case, and, if so, what are the appropriate adjustments?

Recommendation: Yes, a repression adjustment is appropriate for this Utility. Test year residential gallons sold should be reduced by 12.9 percent, resulting in a consumption reduction of 390,000 gallons. Total water consumption for rate setting is 2,614,000 gallons. Purchased power expense should be reduced by \$155, chemical expense should be reduced by \$14, and regulatory assessment fees (RAFs) should be reduced by \$8. The post-repression revenue requirement should be \$23,643.

In order to monitor the effect of the changes to rate structure and rate changes, the Utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, the reports should be prepared by customer class, usage block, and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning with the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility should be ordered to file a revised monthly report for that month within 30 days of any revision. (Bruce)

Staff Analysis: A repression adjustment quantifies changes in consumption patterns in response to an increase in price. Customers will typically reduce their non-essential consumption (i.e. outdoor irrigation, etc.) in response to price changes, while essential consumption (indoor uses such as cooking, cleaning, drinking, bathing, etc.) remains relatively unresponsive to price changes.

Staff conducted a detailed analysis of the consumption patterns of the Utility's residential customers as well as the increase in residential bills resulting from the increase in the revenue requirement. This analysis showed the overall average consumption is 5,833 gallons per month. This does not indicate a high overall average level of consumption. As mentioned earlier in Issue 9, the billing data indicates that there is very little discretionary usage for this customer base. Furthermore, in Issue 9, staff recommended that the threshold for the customer's essential usage be 5,000 gallons per month. Therefore, staff's recommended repression adjustment only applies to water consumption above 5,000 gallons per month.

Using the database of utilities that have previously had repression adjustments made, staff calculated a repression adjustment for this Utility based upon the recommended increase in revenue requirements in this case, and the historically observed response rates of consumption to changes in price. This is the same methodology for calculating repression adjustments that the Commission has approved in prior cases.⁷ This methodology also restricts any price changes due

⁷ See Order Nos. PSC-10-0400-PAA-WS, issued June 18, 2010, in Docket No. 090392-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke; PSC-10-0423-PAA-WS, issued July 1, 2010, in Docket 090402-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation; PSC-10-0117-PAA-WU, issued February 26, 2010, in Docket No. 080695-WU, In re: Application for general rate increase by Peoples Water Service Company of Florida, Inc.; and PSC-09-0623-PAA-WS, issued September 15, 2009, in Docket No. 080597-WS, In re: Application for general rate increase in water and wastewater systems in Lake County by Southlake Utilities, Inc.

to repression from being applied to non-discretionary consumption (consumption less than 5,000 gallons per month), and allocates all cost recovery due to repression to discretionary levels of consumption (consumption above 5,000 gallons per month).

Therefore, based on this methodology, test year residential gallons sold should be reduced by 12.9 percent, resulting in a consumption reduction of 390,000 gallons. Total water consumption for rate setting is 2,614,000 gallons. Purchased power expense should be reduced by \$155, chemical expense should be reduced by \$14, and regulatory assessment fees (RAFs) should be reduced by \$8. The post-repression revenue requirement should be \$23,643.

In order to monitor the effect of the changes to rate changes, the Utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, the reports should be prepared by customer class, usage block, and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning with the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

Issue 11: What are the appropriate rates for Joyland?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4. The recommended rates should be designed to produce revenue of \$23,643 for water, excluding miscellaneous service charges. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until 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 after the date of the notice. (Bruce)

Staff Analysis: The recommended pre-repression revenue requirement is \$23,820. As discussed in Issue 9, staff recommends expense reductions of \$177 associated with the repression adjustment. Staff's recommended rates are designed to produce post-repression revenue of \$23,643.

In designing the rates, the fixed cost allocation should be set at 30 percent for both the residential and non-residential classes. As discussed in Issue 9, staff recommends that the appropriate rate structure for the residential class is a three-tier inclining block rate structure, with usage blocks for monthly consumption of: a) 0-5,000 gallons; b) 5,001-10,000; and c) all usage in excess of 10,000 gallons and usage block rate factors of .62, 1.00, and 1.25, respectively. The recommended rate structure for the non-residential class consists of a traditional monthly BFC/uniform gallonage charge rate structure. Applying these recommendations to staff's post-repression revenue requirement of \$23,643 result in the rates contained on Schedule No. 4.

The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until 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 after the date of the notice.

Issue 12: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Recommendation: The water rates should be reduced as shown on Schedule No. 4 to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Joyland should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Smith)

Staff Analysis: Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense, the associated return in working capital, and the gross-up for RAFs. The total reduction is \$81. Using Joyland's current revenue, expenses, capital structure and customer base, the reduction in revenue will result in the rate decreases as shown on Schedule No. 4.

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

Issue 13: Should the recommended rates be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. Joyland should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's Office no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Smith)

Staff Analysis: This recommendation proposes an increase in water rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the recommended rates be approved as temporary rates. Joyland should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

Joyland should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$7,180. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If Joyland chooses a bond as security, the bond should 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 Joyland chooses a letter of credit as a security, it should contain the following conditions:

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

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

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

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

Joyland should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's Office no later than the 20th of each month indicating the monthly and total amount of money subject to refund

Docket No. 120082-WU
Date: December 26, 2012

at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Issue 14: Should the Commission approve Joyland's request to include a late payment charge?

Recommendation: Yes. Joyland's request for a late payment charge should be approved. Staff recommends a late payment charge of \$5.25. The late payment charge should be effective for services rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. (Bruce)

Staff Analysis: Section 367.091(6), F.S., authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or service availability charges. The Utility's request for a late payment charge was not accompanied by a cost-justification as required by Section 367.091, F.S.

The Commission handles late payment charge requests on a case by case basis. In the Utility's application, the owner indicated that at least 50 percent of the customer base received late notices last month. Also, she indicated that they are having a persistent problem of not having the option of charging a late payment charge for the customers that are consistently delinquent. Although the Utility did not request a specific late payment charge or provide a cost analysis breakdown for a late payment charge, staff recommends that a late payment charge of \$5.25 is appropriate in this case. This late payment fee is consistent with majority of the other cases previously approved by the Commission.⁸ The cost basis for the \$5.25 late payment fee is shown below.

Table 14-1

<u>Cost Basis for Late Payment Charge</u>	
\$2.25	Office personnel time to search accounts to determine that the bill has not been paid
\$2.50	Prepare, print and sort notices for mailing and transport to the post office
\$0.44	Postage
<u>\$0.05</u>	Envelope and supplies
<u>\$5.25</u>	

The purpose of a late payment charge is not only to provide an incentive for customers to make timely payments, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing such delinquencies solely upon those who are the cost causers.

Based on the above, staff recommends that Joyland's request for a late payment charge should be approved. Staff recommends a late fee of \$5.25. The late payment charge should be effective for services rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C.

⁸ See Order Nos. PSC-12-0433-PAA-WS; issued August 21, 2012, in Docket No. 110141-WS, In re: Application for staff-assisted rate case in Polk County by Grenelefe Resort Utility, Inc.; PSC-11-0368-PAA-WU, issued September 1, 2011, in Docket No. 100128-WU, In re: Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

Issue 15: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all applicable National Association of Regulatory Commissioners Uniform System of Accounts (NARUC USOA) primary accounts associated with Commission approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Joyland should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made. (Smith)

Staff Analysis: To ensure that the Utility adjusts its books in accordance with the Commission's decision, Joyland should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made.

Issue 16: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively. (Harris)

Staff Analysis: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively.

JOYLAND WATER SYSTEM TEST YEAR ENDED 12/31/11 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 120082-WU	
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$43,992	(\$3,500)	\$40,492
2. LAND & LAND RIGHTS	8,000	(850)	7,150
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	0	(16,600)	(16,600)
5. ACCUMULATED DEPRECIATION	(42,223)	10,233	(31,990)
6. AMORTIZATION OF CIAC	0	13,832	13,832
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>2,325</u>	<u>2,325</u>
8. WATER RATE BASE	<u>\$9,769</u>	<u>\$5,440</u>	<u>\$15,209</u>

JOYLAND WATER SYSTEM TEST YEAR ENDED 12/31/11 ADJUSTMENTS TO RATE BASE	SCHEDULE NO. 1-B DOCKET NO. 120082-WU
	<u>WATER</u>
<u>UTILITY PLANT IN SERVICE</u>	
To remove non-utility truck.	(<u>\$3,500</u>)
<u>LAND AND LAND RIGHTS</u>	
To reflect appropriate utility land value.	(<u>\$850</u>)
<u>CIAC</u>	
To reflect imputation of CIAC per Rule 25-30.570, F.A.C.	(<u>\$16,600</u>)
<u>ACCUMULATED DEPRECIATION</u>	
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$6,082
2. To remove A/D associated with non-utility truck.	3,500
3. To reflect averaging adjustment.	<u>651</u>
Total	<u>\$10,233</u>
<u>AMORTIZATION OF CIAC</u>	
1. To reflect accumulated amortization per 25-30.140, F.A.C.	\$14,084
2. To reflect averaging adjustment.	<u>(251)</u>
Total	<u>\$13,832</u>
<u>WORKING CAPITAL ALLOWANCE</u>	
To reflect 1/8 of test year O&M expenses.	<u>\$2,325</u>

JOYLAND WATER SYSTEM
TEST YEAR ENDED 12/31/11
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 120082-WU

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE		BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS				
1. COMMON STOCK	\$0	\$0	\$0					
2. RETAINED EARNINGS	0	0	0					
3. CAPITAL	9,769	0	9,769					
4. OTHER COMMON EQUITY	<u>0</u>	<u>0</u>	<u>0</u>					
5. TOTAL COMMON EQUITY	\$9,769	\$0	\$9,769	\$5,440	\$15,209	100.00%	8.74%	8.74%
6. TOTAL LONG TERM DEBT	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
7. TOTAL	<u>\$9,769</u>	<u>\$0</u>	<u>\$9,769</u>	<u>\$5,440</u>	<u>\$15,209</u>	<u>100.00%</u>		<u>8.74%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>7.74%</u>	<u>9.74%</u>	
OVERALL RATE OF RETURN						<u>7.74%</u>	<u>9.74%</u>	

JOYLAND WATER SYSTEM TEST YEAR ENDED 12/31/11 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 120082-WU		
	TEST YEAR PER UTILITY	STAFF ADJ. PER UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$13,034</u>	<u>\$27</u>	<u>\$13,061</u>	<u>\$10,759</u> 82.37%	<u>\$23,819</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$17,705	\$895	\$18,600	\$0	\$18,600
3. DEPRECIATION (NET)	398	687	1,085	0	1,085
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	1,438	352	1,790	484	2,274
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$19,541</u>	<u>\$1,934</u>	<u>\$21,475</u>	<u>\$484</u>	<u>\$21,959</u>
8. OPERATING INCOME/(LOSS)	<u>(\$6,507)</u>		<u>(\$8,414)</u>		<u>\$1,860</u>
9. WATER RATE BASE	<u>\$9,769</u>		<u>\$15,209</u>		<u>\$15,209</u>
10. RATE OF RETURN	<u>(66.61%)</u>		<u>(55.32%)</u>		<u>10.00%</u>

JOYLAND WATER SYSTEM TEST YEAR ENDED 12/31/11 ADJUSTMENTS TO OPERATING INCOME	SCHEDULE NO. 3-B DOCKET NO. 120082-WU
	<u>WATER</u>
OPERATING REVENUES	
To adjust utility revenues to audited test year amount.	<u>\$27</u>
OPERATION AND MAINTENANCE EXPENSES	
1. Contractual Services - Testing (635) To reflect required testing.	<u>\$725</u>
2. Contractual Services - Other (636) To reclassify internet fees to Account No. 675.	<u>(\$179)</u>
3. Regulatory Commission Expense (665) Amortize rate case expense over 4 years.	<u>\$70</u>
4. Miscellaneous Expense (675) To reclassify internet fees from Account No. 635	\$179
To include annual DEP operating license fee.	<u>100</u>
Total	<u>\$279</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$895</u>
DEPRECIATION EXPENSE	
To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$1,190
To reflect imputation of CIAC per Rule 25-30.570, F.A.C.	<u>(503)</u>
Total	<u>\$687</u>
TAXES OTHER THAN INCOME	
1. To reflect payroll tax.	\$429
2. To reflect unemployment taxes paid.	(60)
3. To reflect test year revenue RAFs.	<u>(16)</u>
Total	<u>\$352</u>

JOYLAND WATER SYSTEM		SCHEDULE NO. 3-C	
TEST YEAR ENDED 12/31/11		DOCKET NO. 120082-WU	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF PER ADJUST.	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$7,583	\$0	\$7,583
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSION & BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	1,207	0	1,207
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	111	0	111
(620) MATERIALS AND SUPPLIES	1,168	0	1,168
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	200	0	200
(635) CONTRACTUAL SERVICES - TESTING	1,006	725	1,731
(636) CONTRACTUAL SERVICES - OTHER	179	(179)	0
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	5,768	0	5,768
(655) INSURANCE EXPENSE	0	0	0
(665) REGULATORY COMMISSION EXPENSE	0	70	70
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	<u>483</u>	<u>279</u>	<u>762</u>
	<u>\$17,705</u>	<u>\$895</u>	<u>\$18,600</u>

JOYLAND WATER SYSTEM		SCHEDULE NO. 4	
TEST YEAR ENDED 12/31/11		DOCKET NO. 120082-WU	
MONTHLY WATER RATES			
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	MONTHLY RATE REDUCTION
Residential and General Service			
<u>Base Facility Charge by Meter Size:</u>			
All meter sizes	\$7.50	N/A	N/A
5/8"	N/A	\$13.46	\$0.05
3/4"	N/A	\$20.19	\$0.07
1"	N/A	\$33.65	\$0.11
1-1/2"	N/A	\$67.30	\$0.23
2"	N/A	\$107.68	\$0.36
3"	N/A	\$215.36	\$0.73
4"	N/A	\$336.50	\$1.14
6"	N/A	\$673.00	\$2.27
 Residential Service Gallonage Charge			
Per 1,000 Gallons	\$3.00	N/A	N/A
0 – 5000 Gallons	N/A	\$5.32	\$0.02
5001 – 10,000 Gallons	N/A	\$8.62	\$0.03
10,000+ Gallons	N/A	\$10.78	\$0.04
 General Service Gallonage Charge			
Per 1,000 Gallons	\$3.00	\$6.25	\$0.02
 <u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$16.50	\$29.42	
5,000 Gallons	\$22.50	\$40.06	
10,000 Gallons	\$37.50	\$83.16	