

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 1, 2013

TO: Office of Commission Clerk (Cole)

FROM: Division of Accounting and Finance (T. Brown, Maurey)
Division of Economics (Bruce, Daniel) *ALM*
Office of the General Counsel (Lawson) *CRB* *PD* *JK* *JK* *JK* *JK*

RE: Docket No. 130155-WU – Application for limited proceeding increase in rates in Escambia County by Peoples Water Service Company of Florida, Inc.

AGENDA: 11/14/13 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Peoples Water Service Company of Florida, Inc. (Peoples or Utility) is a Class A utility providing water service to more than 11,700 customers in Escambia County. Rates were last established for Peoples in its 2009 rate proceeding.¹

On May 28, 2013, Peoples filed its application for a limited proceeding pursuant to Section 367.0822, Florida Statutes (F.S.). Unlike a full rate case, Peoples' request consists only of the recovery of the revenue requirement authorized by the Commission in Docket No. 080695-WU, plus index increases authorized since that time, rate case expense estimated to be incurred in this proceeding, and regulatory assessment fees. The Utility is seeking recovery of

¹ See Order No. 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.

no other items of expense or investment, or changes to cost of capital. Staff believes that Peoples has met the filing requirements of Rule 25-30.445, Florida Administrative Code (F.A.C.).

On August 6, 2013, the Office of Public Counsel (OPC) asked to be added as an interested party in this docket. A customer meeting was held August 22, 2013, in Pensacola. Only one customer attended the meeting and did not wish to address the matter through public comment.

The Utility sent an amended filing which it referred to as a proposed “settlement agreement” to staff and OPC on September 16, 2013 (see Attachment A). This was followed by an informal meeting with Utility representatives, the Utility’s attorney, and OPC on October 2, 2013, to discuss the amended filing. On October 9, 2013, OPC provided its concerns with regard to the limited proceeding increase in rates and the Utility’s proposed “settlement.” Peoples responded to OPC’s concerns regarding rate case expense on October 14, 2013.

This recommendation addresses the Utility’s amended filing for a limited proceeding rate increase and whether the Commission should grant it. The Commission has jurisdiction to consider this matter pursuant to Section 367.0822, F.S.

Discussion of Issues

Issue 1: Should the Commission approve the Utility's amended request for a limited proceeding rate increase?

Recommendation: The Commission should approve in part and deny in part the Utility's requested rate increase. The appropriate monthly water rates are shown on Table 1-6. Within 15 days of the Commission vote, the Utility should file a proposed customer notice and revised tariff sheets which are consistent with the Commission's decision. The approved rates should be effective for service rendered on or after the stamped approval date of the tariff pursuant to Rule 25-30.475(1), F.A.C., after staff has verified that the proposed customer notice is adequate and the notice has been provided to the customers. Peoples should provide proof that the customers have received notice within 10 days after the date of the notice. (T. Brown, Maurey)

Staff Analysis: Peoples filed its application for a limited proceeding rate increase pursuant to Section 367.0822, F.S., on May 28, 2013. Unlike a full rate case, however, Peoples' is seeking recovery for a limited number of items. As stated in its petition, the Utility's request for a limited proceeding was to achieve the revenues previously authorized by the Commission, plus the additional revenues authorized by approved price indices since the issuance of the Order in the last rate case,² and to recover an allowance for the estimated rate case expense, income taxes and regulatory assessment fees related to making this change in rates.

Limited proceedings generally address a specific or significant change that would adversely affect the normal operating income of the utility and are usually narrow in scope.³ Staff believes that Peoples' case as filed is sufficiently narrow in scope to qualify for a limited proceeding, especially in light of the number of issues that would have been addressed if the Utility had instead elected to file its case as a general file and suspend case. Staff also believes that Peoples' filing meets the minimum filing requirements of Rule 25-30.445, F.A.C.

In the Utility's last rate proceeding, the Commission established rates for the Utility including recognition of repression in usage characteristics for Peoples' customers. In its final order, the Commission ultimately established rates which were substantially different than those initially proposed by the Utility in an effort to shift a portion of the revenue requirement to gallonage charges rather than base charges. According to the Utility, the rates established by the Commission have resulted in decreases in usage by Peoples' customers well beyond those anticipated in the repression adjustments underlying the rates established. The Utility asserts that it has been unable to recover its expenses and earn a fair rate of return on its investment since the establishment of rates in Docket No. 080695-WU.

Peoples did not request review of any changes in operating expenses, rate base, or cost of capital established in its last rate case over three years ago, but is simply seeking to have rates adjusted so that the Utility will be able to achieve the revenues authorized in that proceeding. In addition, Peoples asserted that, in accordance with the requirements of Section 25-30.445(7),

² The Utility has implemented three Index rate increases since that time pursuant to Section 367.081(4)(a), F.S.

³ See Order No. PSC-99-1883-PAA-SU, issued September 21, 1999, In re: Petition for limited proceeding to implement two-step increase in wastewater rates in Pasco County by Lindrick Service Corporation, at p. 27.

F.A.C., its rate base has not declined other than due to depreciation since the filing of the last rate case and that there are no expenses sought for recovery through this proceeding that are offset by customer growth since its most recent rate proceeding or that will be offset by future customer growth expected to occur within the next year of the date new rates are implemented.⁴

Staff believes that the Utility's amended filing accomplishes the same end result as Peoples' request for a limited proceeding, while expediting the outcome and potentially reducing rate case expense. Instead of the 14.74 percent increase included in its initial filing, the increase contained in the amended filing is reduced to 9.02 percent, before any staff adjustments are made. Staff notes that while OPC did not formally endorse the Utility's requested rate increase, it does not oppose the proposal either. In fact, OPC stated in its response "that as long as the PAA order is consistent with what has been filed and discussed at our informal meetings, we do not plan to protest or prolong this proceeding."⁵ In the same document, OPC encouraged an administratively efficient solution to Peoples' request. While agreeing with the expeditious processing of the Utility's request, OPC was concerned with the amount of requested rate case expense. Staff addresses the appropriate amount of rate case expense in more detail below.

Based on staff's review of the Utility's filing and the information above, staff believes that the amended filing in large part is a reasonable resolution to address the concerns raised in the limited proceeding. Further, staff believes that it is in the public interest for the Commission to approve the amended filing in part because it promotes administrative efficiency and avoids the time and expense of a lengthy rate case or hearing. For these reasons, staff recommends that the Commission approve the amended filing in part and deny it in part with regard to rate case expense as addressed below.

Rate Case Expense

Peoples submitted \$69,156 in rate case expense, with an annual amortization expense of \$17,289. The breakdown of fees, as reflected in the Utility's October 9, 2013, filing, is shown below.

Table 1-1

<u>Expense</u>	<u>Utility Actual</u>	<u>Utility Estimated</u>	<u>Total Actual & Est. RCE</u>
Legal Services - Fees (SFF)	\$36,039	\$17,325	\$53,364
Accounting Services (CJN&W)	2,678	0	2,678
Out of Pocket	<u>7,682</u>	<u>5,432</u>	<u>13,114</u>
Total	<u>\$46,399</u>	<u>\$22,757</u>	<u>\$69,156</u>

According to OPC, rate case expense amortization represents approximately 6 percent of the requested increase in revenues in this docket. The total estimated expense of \$69,156 is 42 percent of what the Commission approved in the last full rate case in 2009. OPC expressed great

⁴ See Document No. 02934-13, filed May 28, 2013, Application for Limited Proceeding Increase in Rates, p. 6.

⁵ See Document No. 06014-13, filed October 9, 2013, p. 2.

concern with the fact that the requested legal fees in this case are 71 percent of what was approved in the last full rate case. OPC asserted that this is a very focused docket that should not require such a high level of rate case expense.⁶

The Utility, on the other hand, asserted that its estimate to complete is fair and reasonable under the circumstances and that most of the items contained therein are very similar to those required in any limited proceeding. Peoples contended that it sought to utilize a limited proceeding in this instance in order to attempt to save money on rate case expense. Peoples also utilized in-house accounting services in an attempt to reduce rate case expense. In its October 14, 2013, response to OPC, Peoples stated: “as would be expected when not utilizing as much in the way of professional outside accounting services, the Utility relies a bit more on advice from its legal counsel and as such it can be expected in those circumstances that legal expenses would be slightly higher than otherwise might be anticipated were an outside accounting consultant utilized.”⁷

Pursuant to Section 367.081(7), F.S., the Commission shall determine the reasonableness of rate case expenses and shall disallow all rate case expenses determined to be unreasonable. Staff has examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current case. Based on its review, staff believes some adjustments are necessary to the Utility’s proposed actual and estimated rate case expense.

Legal Services

The first adjustment relates to Peoples’ legal fees. The Utility included \$53,364 in legal fees and costs to complete this limited proceeding. Peoples provided invoices from Sundstrom, Friedman & Fumero, LLP (SFF) through August 2013, showing actual expenses associated with the rate case totaling \$36,039 and estimated an additional \$17,325 to complete. These amounts included 102.4 hours of actual time and estimated that an additional 46.5 hours would be required to complete the limited proceeding.

In support, the Utility asserted that it has utilized its in-house staff to prepare the majority of the filing requirements in this proceeding in an attempt to realize cost savings in rate case expense to the benefit of its customers. According to Peoples, “its estimate to complete is a fair and reasonable one under the circumstances and most of the items contained therein are very similar to those required in any limited proceeding.”⁸ When looking at the reasonableness of this particular request, staff believes that it is important to keep in mind that this limited proceeding was only filed at the end of May 2013. OPC’s assertion that this is a very focused docket that should not require such a high level of rate case expense is persuasive, especially when compared to other dockets. While the components (legal services, accounting services, postage/copying) are similar to other limited proceedings and other dockets in general, the amounts being requested by the Utility for this short amount of time, especially as they relate to legal services, are high.

⁶ See Document No. 06014-13, p. 1.

⁷ See Document No. 06198-13, filed October 14, 2013, p. 1.

⁸ See Document No. 06198-13, p. 2.

Staff notes that, in the Cypress Lakes Utilities, Inc. (Cypress Lakes) limited proceeding,⁹ the Commission authorized the recovery of \$53,971 in legal fees as part of \$78,481 of total rate case expense. Cypress Lakes filed its application for a limited proceeding rate increase in June 2009 with a Consummating Order issued in mid-December the following year. Staff believes that the Cypress Lakes limited proceeding was much more complex than the instant docket and included responses to eight staff data requests as well as other correspondence over the 18-month period.

Even more telling is that in the current Utilities, Inc. of Florida (UIF) docket, this same law firm has actual and estimated costs to complete of only \$47,068. This is a docket that has been ongoing since July 2012, had a full set of MFRs filed, MFR deficiencies, interim rates, two customer meetings, two audit reports, and five staff data requests. The UIF docket addresses multiple systems in four counties. The requested total actual and estimated number of hours filed in the UIF docket is approximately 92 (65.1 actual hours + 26.5 hours estimated). While it has not been voted on by the Commission, staff's recommendation in the UIF docket is that SFF's total hours be reduced to 89. Both the Cypress Lakes and UIF cases involve the same law firm used in the instant docket, SFF.¹⁰

In short, staff believes that the amount of requested rate case expense for legal services fees (actual and estimated) is overstated, especially when compared to other dockets that involved more complex matters. Even though the UIF docket is far more involved than the instant case, staff believes that the actual and estimated hours recommended for UIF (89 hours) should be the upper limit of what is ultimately approved for legal expenses here. Accordingly, staff believes that the appropriate amount for legal services fees is \$31,150 (89 x \$350/hr.), a reduction of \$20,681 (\$31,150 - \$51,831).

In addition, the Utility included \$483 in actual costs and \$1,050 in estimated costs related to processing documents. Staff believes that actual expenses appear reasonable and no adjustment is needed. However, staff believes an adjustment is necessary for the costs related to the estimate to complete. According to the estimate to complete, these costs include fax, FedEx, photocopies, postage, telephone, and other expenses. Based on the lack of detailed information provided by the Utility, staff believes that this amount is unreasonable and unsupported. As such, staff questions the need for the level of estimated costs the Utility is seeking. Accordingly, staff looks again to UIF's legal services estimate to complete, where SFF included \$50 in estimated photocopier costs and an additional \$60 in courier costs. Given the previous discussion comparing dockets above, staff believes the \$110 (\$50 + \$60) in estimated costs should be adequate to complete the instant docket.

Accounting Services

The next adjustment relates to the Utility's accounting fees. The Utility requested actual accounting expenses of \$2,679 for services rendered by Cronin, Jackson, Nixon, and Wilson

⁹ See Order No. PSC-10-0862-PAA-WS, issued November 15, 2010, in Docket No. 090349-WS, In re: Application for limited proceeding rate increase in Polk County by Cypress Lakes Utilities, Inc., p. 14.

¹⁰ The Cypress Lakes limited proceeding involved Rose, Sundstrom & Bentley, LLP, the predecessor to Sundstrom, Friedman & Fumero, LLP.

CPAs (CJN&W). Based on the Utility's filing, no additional estimated costs were provided. In support of its actual costs, the Utility provided a series of five CJN&W invoices from 2012.

Staff notes that the submitted invoices provided a brief description of the activities that took place and reflected the resulting amount due. However, the invoices did not reflect a breakdown of the actual number of hours required for each activity, the individual providing the service, or the applicable hourly rate. Additionally, it is unclear from several of the invoices if all of the expense actually related to the limited proceeding or if the expenses related to routine accounting costs incurred by a company. Moreover, only the invoices from October and November specifically reference activities related to the Utility's limited proceeding. Given the lack of detailed support, staff believes that the portion of the expense related to the remaining invoices is unsupported. Absent the additional supporting detail that is routinely provided through documents such as job detail reports, staff believes that the following adjustment to the Utility's actual accounting services expense is warranted.

Table 1-2

<u>Invoice Date</u>	<u>Invoice Amount</u>	<u>Staff Rec. Amount</u>	<u>Staff Rec. Adjust.</u>
May 29, 2012	\$638	\$0	(\$638)
July 31, 2012	638	0	(638)
October 25, 2012	510	510	0
November 20, 2012	638	638	0
December 21, 2012	<u>255</u>	<u>0</u>	<u>(255)</u>
Total	<u>\$2,679</u>	<u>\$1,148</u>	<u>(\$1,531)</u>

Accordingly, staff believes that the Utility's requested amount for accounting services should be reduced by \$1,531.

Out of Pocket

Peoples has requested actual out of pocket expenses of \$2,250 for the filing fee and \$5,432 for costs associated with copying and mailing the required notices. According to the docket file, the Utility paid the \$2,250 filing fee on May 15, 2013. In support of the \$5,432 related to the noticing requirement, Peoples provided an invoice showing actual copying and mailing costs related to the combined initial customer notice and notice of customer meeting to all of the Utility's customers. Staff verified the costs associated with this invoice and believes that it accurately reflects the Utility's actual incurred expense. Given the cost of mailing the previous notice, staff believes that the Utility's estimate that an additional \$5,432 will be required to copy and mail the remaining notice also appears reasonable. Accordingly, no adjustment is warranted.

In summary, staff believes that Peoples' total rate case expense should be decreased by \$23,151 for unsupported and unreasonable rate case expense. The appropriate total rate case expense is \$46,005, which amortized over four years would be \$11,501 per year. A breakdown of rate case expense is as follows:

Table 1-3

<u>Expense</u>	<u>Utility Act. & Est.</u>	<u>Staff Adjustment</u>	<u>Staff Rec. Total RCE</u>
Legal Services - Fees (SFF)	\$51,831	(\$20,681)	\$31,150
Legal Services - Costs (SFF)	1,533	(940)	593
Accounting Services (CJN&W)	2,678	(1,530)	1,148
Out of Pocket	<u>13,114</u>	<u>0</u>	<u>13,114</u>
Total	<u>\$69,156</u>	<u>(\$23,151)</u>	<u>\$46,005</u>

Revenues

As mentioned previously, the Utility filed its request to achieve the revenue requirement authorized in its last rate case of \$3,427,667, plus \$95,947 for Commission-approved price indices from 2010-2012, and \$18,104 for grossed-up amortized rate case expense. As shown in Table 1-4 below, staff's recommended revenue level reflects the rate case expense adjustment discussed above.

Table 1-4

<u>Description</u>	<u>Peoples' Request</u>	<u>Staff Recommended</u>
Revenue Requirement from Last Rate Case	\$3,427,667	\$3,427,667
Approved 2010-2012 Indices	95,947	95,947
Amortized RCE w/Gross-up	<u>18,103</u>	<u>12,043</u>
Total Operating Revenue	<u>\$3,541,717</u>	<u>\$3,535,657</u>

Table 1-5 shows the Utility's requested adjustments and projected annual revenue contained in the amended filing as well as staff's recommended adjustments and projected annual revenue. Based on the recommendation above, staff notes that in addition to the adjustment to operation and maintenance expense for rate case expense, additional flow-through adjustments are necessary for taxes other than income and provisions for income taxes.

Table 1-5

<u>Description</u>	<u>Adj. 2012 Annualized at Current Indexed Rates</u>	<u>Utility Requested Adjustment</u>	<u>Utility Projected Annual Rev.</u>	<u>Staff Recom. Adjustment</u>	<u>Staff Recom. Proj. Annual Rev.</u>
Water Revenues	\$3,138,502	\$283,223	\$3,421,725	\$277,163	\$3,415,665
Misc. Service Revenue	119,992		119,992	0	119,992
Operating Revenues	<u>\$3,258,494</u>	<u>\$283,223</u>	<u>\$3,541,717</u>	<u>\$277,163</u>	<u>\$3,535,657</u>
Operation & Maintenance	\$2,421,156	\$17,289	\$2,438,445	\$11,501	\$2,432,657
Depreciation	479,808		479,808	0	479,808
Amortization of CIAC	(132,319)		(132,319)	0	(132,319)
Taxes Other than Income	323,905	12,745	336,550	12,473	336,378
Operating Expenses	<u>\$3,092,550</u>	<u>\$30,034</u>	<u>\$3,122,584</u>	<u>\$23,974</u>	<u>\$3,116,524</u>
Misc. Revenues	\$1,800		\$1,800	0	\$1,800
Income before Income Taxes	167,744	253,189	420,933	253,189	420,933
Provisions for Income Taxes	62,941	95,275	158,216	93,575	156,516
NET OPERATING INCOME	<u>\$104,803</u>	<u>\$157,915</u>	<u>\$262,718</u>	<u>\$159,615</u>	<u>\$262,618</u>
RATE BASE	\$4,056,715		\$4,056,715		\$4,056,715
RATE OF RETURN	2.58%		6.48%		6.47%

Rates

In the Utility's last rate case, a base facility charge (BFC) allocation of 25 percent was approved. The Utility's proposed rates are based on a BFC allocation of 35 percent. Staff's recommended rates are based on the Utility's proposed rate structure and staff's recommended revenue requirement. The recommended rates are shown on Table 1-6.

Table 1-6

	<u>Present Rate</u>	<u>Utility Proposed Rates</u>	<u>Staff Recommended Rates</u>
<u>Residential and General Service</u>			
<u>Base Facility Charges by Meter Size</u>			
5/8" x 3/4"	\$5.68	\$7.60	\$7.59
1"	\$14.20	\$19.00	\$18.98
1 1/4"	\$22.71	\$30.40	\$30.36
1 1/2"	\$28.40	\$38.00	\$37.95
2"	\$45.43	\$60.80	\$60.72
3"	\$90.86	\$121.60	\$121.44
4"	\$141.96	\$190.00	\$189.75
6"	\$283.93	\$380.00	\$379.50
8"	\$510.25	\$684.00	\$683.10
10"	\$823.38	\$1,102.0	\$1,100.55
<u>Charge per 1,000 gallons - Residential</u>			
First 3,000	\$1.31	\$1.47	\$1.47
3,001-6,000	\$4.43	\$4.40	\$4.40
6,001-12,000	\$6.59	\$6.61	\$6.59
Over 12,000	\$8.76	\$8.81	\$8.79
<u>Charge per 1,000 gallons - General Service</u>			
	\$3.63	\$3.37	\$3.36
<u>Multi-Family - per unit</u>			
<u>Base Facility Charge - All Meter Sizes</u>			
Base Facility Charge - All Meter Sizes	\$5.68	\$7.60	\$7.59
Charge Per 1,000 gallons	\$3.63	\$3.37	\$3.36
<u>Private Fire Protection</u>			
2"	\$3.79	\$5.07	\$5.06
3"	\$7.57	\$10.13	\$10.12
4"	\$11.83	\$15.83	\$15.81
6"	\$23.66	\$31.67	\$31.63
8"	\$42.52	\$57.00	\$56.93
10"	\$68.62	\$91.83	\$91.71

Conclusion

For the reasons discussed above, the Commission should approve in part and deny in part the Utility's amended filing. The appropriate monthly water rates are shown on Table 1-6. Within 15 days of the Commission vote, the Utility should file a proposed customer notice and revised tariff sheets which are consistent with the Commission's decision. The approved rates should be effective for service rendered on or after the stamped approval date of the tariff

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Date: November 1, 2013

pursuant to Rule 25-30.475(1), F.A.C., after staff has verified that the proposed customer notice is adequate and the notice has been provided to the customers. Peoples should provide proof that the customers have received notice within 10 days after the date of the notice.

Issue 2: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one 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. When the tariff and notice actions are complete, this docket may be closed administratively. (T. Brown, Lawson)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one 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. When the tariff and notice actions are complete, this docket may be closed administratively.

Peoples Water Service Company of Florida, Inc.

EXHIBIT "A"

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Amended 9-13-2013

Peoples Water Service Company of Florida
Schedule of Present and Proposed Water Rates
Calendar Year Ended 12-31-2012

	<u>Present Rates</u>	<u>Proposed Rates</u>
Base Facility Charges:		
5/8x3/4	5.68	7.60
1"	14.20	19.00
1 1/4"	22.71	30.40
1 1/2"	28.40	38.00
2"	45.43	60.80
3"	90.86	121.60
4"	141.96	190.00
6"	283.93	380.00
8"	510.25	684.00
10"	823.38	1,102.00
Multi-Residential	5.68	7.60
Gallonge Charge:		
First 3,000	1.31	1.47
3,001 - 6,000	4.43	4.40
6,001 - 12,000	6.59	6.61
Over 12,000	8.76	8.81
Gallonge charge per 1,000	3.63	3.37
Public Fire Protection		
2"	3.79	5.07
3"	7.57	10.13
4"	11.83	15.83
6"	23.66	31.67
8"	42.52	57.00
10"	68.62	91.83

Amended 9-13-2013

Peoples Water Service Company of Florida
 Calendar Year Ended 12-31-2012
 Schedule of Water Revenue at Existing and Proposed Rates Summary

Amended 9-13-2013

	At Actual Tariff Rates	Annualized at Current Indexed Rates	At Proposed Rates
BFC Revenue			
Residential	\$581,746	\$589,451	\$788,702
Commercial	65,340	67,745	90,650
Multi-Residential	197,163	199,459	266,881
Irrigation	10,856	10,979	14,691
Fire Protection	9,687	9,798	13,122
Public Authority	17,293	17,488	23,403
Other BFC's	\$300,339	\$305,469	\$408,747
Total BFC Revenue	\$882,085	\$894,920	\$1,197,449
Gallonage Revenue			
Residential	\$1,435,447	\$1,463,879	\$1,501,577
Commercial	237,753	258,311	239,809
Multi-Residential	348,682	352,618	327,362
Irrigation	72,506	73,243	67,996
Fire Protection	0	0	0
Public Authority	94,587	95,531	88,688
	\$753,528	\$779,703	\$723,855
Total Gallonage Revenue	\$2,188,975	\$2,243,582	\$2,225,432
Immaterial Adj to 2012 Y/E Report Less Misc. Service Rev. 2012	-\$32,469		
Total Water Revenue	\$3,038,591	\$3,138,502	\$3,422,881
PSC Authorized Water Revenue Order PSC-10-0117PAA-WU plus Approved 2010-2012 Indices	\$3,307,675 95,947 Page 3		Revenue Required \$3,421,725
PSC Auth. Rev plus Index Inc. plus Amort. Rate Case Exp. (f)	\$3,403,622 \$18,103		Revenue at Proposed Rate <u>\$3,422,881</u>
Revenue Requirement	<u>\$3,421,725</u>		Immaterial Difference -\$1,156
Revenue Requirement	\$3,421,725		
Annualized at Current Indexed Rates	<u>\$3,138,502</u>		
Revenue Increase Required	\$283,223		
Percentage Increase Needed	<u>9.02%</u>		

Peoples Water Service Company of Florida
 Calendar Year Ended 12-31-2012

Amended 9-13-2013

Schedule of Water Tariff Indexes

Tariffs	Rate Case	Index Rates	Index Rates	Current
	Mar 22 2010	Aug 21 2010	Aug 13 2011	Index Rates
	11th Revised	12th Revised	13th Revised	Jun 29 2012
				14th Revised
BFC				
5/8x3/4	5.52	5.54	5.58	5.68
1"	13.80	13.85	13.96	14.20
1 1/4"	22.08	22.16	22.33	22.71
1 1/2"	27.60	27.70	27.92	28.40
2"	44.16	44.31	44.66	45.43
3"	88.32	88.63	89.32	90.86
4"	138.00	138.48	139.56	141.96
6"	276.00	276.97	279.13	283.93
8"	496.80	497.74	501.62	510.25
10"	800.40	803.20	809.46	823.38
Gallonge Charge				
First 3,000	1.28	1.28	1.29	1.31
3,001 - 6,000	4.31	4.33	4.36	4.43
6,001 - 12,000	6.41	6.43	6.48	6.59
Over 12,000	8.51	8.54	8.61	8.76
Others				
Gallonge Charge				
per 1,000	3.53	3.54	3.57	3.63
Fire Protective Services				
2"	3.68	3.69	3.72	3.79
3"	7.36	7.39	7.44	7.57
4"	11.50	11.54	11.63	11.83
6"	23.00	23.08	23.26	23.66
8"	41.40	41.48	41.80	42.52
10"	66.70	66.93	67.45	68.62
Sum of Rates	2,090.36	2,096.81	2,113.15	2,149.51
Percentage Index Increase				

Authorized Revenue PSC	\$ 3,307,675
X % Increase in Index	2.90%
Index Increase	\$ 95,947

Peoples Water Service Company of Florida
Calendar Year Ended 12-31-2012

Amended 9-13-2013

Schedule of Actual and Proforma Water Operating Income and Water Rate Base

Description	2012 Actual	2012 Adjustments	Adj. 2012 Annualized at Current Indexed Rates	Requested Adjustments	Projected Annual Revenues
Water Revenues	\$ 3,038,591	\$ 99,911 (a)	\$ 3,138,502	\$ 283,223 (d)	\$ 3,421,725
Misc. Service Revenues	119,992		119,992		119,992
Operating Revenues	<u>\$ 3,158,583</u>	<u>\$ 99,911</u>	<u>\$ 3,258,494</u>	<u>\$ 283,223</u>	<u>\$ 3,541,717</u>
Operation & Maintenance	2,421,156		2,421,156	17,289 (e)	2,438,445
Depreciation	479,808		479,808		479,808
Amortization of CIAC	(132,319)		(132,319)		(132,319)
Taxes Other than Income	319,409	4,496 (b)	323,905	12,745 (g)	336,650
Operating Expenses	<u>3,088,054</u>	<u>4,496</u>	<u>3,092,550</u>	<u>30,034</u>	<u>3,122,584</u>
Misc Revenues	1,800		1,800		1,800
Income before Income Taxes	72,329	95,415	167,744	253,189	420,933
Provisions for Income Taxes	27,339	35,602 (c)	62,941	95,275 (h)	158,216
NET OPERATING INCOME	<u>\$ 44,990</u>	<u>\$ 59,813</u>	<u>\$ 104,803</u>	<u>\$ 157,915</u>	<u>\$ 262,718</u>
RATE BASE	\$ 4,056,715		\$ 4,056,715		\$ 4,056,715
RATE OF RETURN	1.11%		2.58%		6.48%

Peoples Water Service Company of Florida

Calendar Year Ended 12-31-2012

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Schedule of Adjustments

2012 Adjustments

(a)	2012 Revenue	3,158,583	
	Impute No Charge Water Billing	33,081	
	Increase Due to Annualizing Rates	<u>66,830</u>	
	As if Billed at Current Index Rates	3,258,494	Page 4
(b)	Regulatory Adjustment Fees		
	As if Billed at Current Index Rates	3,258,494	
	RAF Rate 4.50%	146,632	
	less Calendar 2012 Actual RAF's	<u>142,136</u>	
	RAF Adjustment	4,496	
(c)	Income Taxes		
	Income Before Income Taxes	167,744	Page 4
	State Income Tax Exemption	(5,000)	
	Taxable State Income	162,744	
	State Income Tax Rate 5.50%	8,951	
	Federal Taxable Income	158,793	
	Income Tax Rate 34.00%	53,990	
	Total Income Tax Expense	62,941	
	Less Income Tax on Books	<u>27,339</u>	
	Incremental Income Taxes	35,602	

Requested Adjustments

(d)	Required Revenue Increase		
	2012 Adjusted Revenue	3,138,502	
	Revenue Increase Required	<u>283,223</u>	
	Revenue Required	3,421,725	Page 2
	Revenue at Proposed Rates	3,422,881	
	Immaterial Difference	(1,156)	
(e)	Estimated Rate Case Expense		
	Sundstrom, Friedman & Fumero	53,364	
	Accounting - CPA's	2,678	
	Filing Fee	2,250	
	Notices	<u>10,864</u>	
	Estimated Rate Case Expense	69,155	
	Amortization of Rate Case Exp. 4 Years	17,289	

Peoples Water Service Company of Florida

Calendar Year Ended 12-31-2012

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Schedule of Adjustments

(f)	Regulatory Adjustment Fees			
	Amortization of Rate Case Exp.		17,289	Page 4
	RAF Gross-up 95.50%		814	
	Amortization RCE with RAF GU		<u>18,103</u>	
(g)	Revenue Required		3,541,717	
	RAF Rate 4.50%		159,377	
	less Calendar 2012 Actual RAF's		142,136	
	less RAF Adjustment (b)		<u>4,496</u>	
	Incremental RAF Expense		12,745	
(h)	Income Taxes			
	Income Before Income Taxes		420,933	Page 4
	State Income Tax Exemption		(5,000)	
	Taxable State Income		415,933	
	State Income Tax Rate 5.50%		22,876	
	Federal Taxable Income		398,057	
	Income Tax Rate 34.00%		135,339	
	Total Income Tax Expense		158,216	
	Less Income Tax on Books		27,339	
	Less Incremental Income Tax (c)		<u>35,602</u>	
	Incremental Income Taxes		95,275	

Peoples Water Service Company of Florida
 Schedule of Water Revenue at Existing and Proposed Rates
 Calendar Year Ended 12-31-2012

Amended 9-13-2013

	No. Bills / Gallons Sold (000)	Existing Rates	Existing Annual Revenue	Annualized at Current Indexed Rates	Annualized at Current Indexed Rates Revenue	Proposed Rates	Proposed Revenue
<u>Residential</u>							
Index Rates 13th Revised							
Base Facility Charges							
0001 - 5/8x3/4 Meter	65,395	5.58	364,904	5.68	371,444	7.60	497,002
0002 - 1 in Meter	1,382	13.96	19,293	14.20	19,624	19.00	26,258
0004 - 1 1/2 in Meter	8	27.92	223	28.40	227	38.00	304
0007 - 4 in Meter	7	139.56	977	141.96	994	190.00	1,330
	66,792		385,397		392,289		524,894
Current Indexed Rates							
Base Facility Charges							
0001 - 5/8x3/4 Meter	32,721	5.68	185,855	5.68	185,855	7.60	248,680
0002 - 1 in Meter	691	14.20	9,812	14.20	9,812	19.00	13,129
0004 - 1 1/2 in Meter	4	28.40	114	28.40	114	38.00	152
0007 - 4 in Meter	4	141.96	568	141.96	568	190.00	760
	33,420		196,349		196,349		262,721
Total Base Facility Charges	100,212		581,746		588,638		787,615
Index Rates 13th Revised							
Gallonnage Charge							
First 3,000 Gallons	160,847	1.29	207,493	1.31	210,710	1.47	236,445
3,001 - 6,000 gallons	78,393	4.36	341,793	4.43	347,281	4.40	344,929
6,001 - 12,000 gallons	39,956	6.48	258,915	6.59	263,310	6.61	264,109
Over 12,000 gallons	17,456	8.61	150,296	8.76	152,915	8.81	153,787
	296,652		958,497		974,216		999,270
Current Indexed Rates							
Gallonnage Charge							
First 3,000 Gallons	80,806	1.31	105,856	1.31	105,856	1.47	118,785
3,001 - 6,000 gallons	39,339	4.43	174,272	4.43	174,272	4.40	173,092
6,001 - 12,000 gallons	19,509	6.59	128,564	6.59	128,564	6.61	128,954
Over 12,000 gallons	7,792	8.76	68,258	8.76	68,258	8.81	68,648
	147,446		476,950		476,950		489,479
Total Gallonnage Charges	444,098		1,435,447		1,451,166		1,488,749

Peoples Water Service Company of Florida
Schedule of Water Revenue at Existing and Proposed Rates
Calendar Year Ended 12-31-2012

Amended 9-13-2013

	No. Bills / Gallons Sold (000)	Existing Rates	Existing Annual Revenue	Annualized at Current Indexed Rates	Annualized at	Proposed Rates	Proposed Revenue
					Current Indexed Rates Revenue		
<u>Residential - No Charge</u>							
Index Rates 13th Revised							
Base Facility Charges							
0001 - 5/8x3/4 Meter	98	5.58	547	5.68	557	7.60	745
0002 - 1 in Meter		13.96	0	14.20	0	19.00	0
0004 - 1 1/2 in Meter		27.92	0	28.40	0	38.00	0
0007 - 4 in Meter		139.56	0	141.96	0	190.00	0
	98		547		557		745
Current Indexed Rates							
Base Facility Charges							
0001 - 5/8x3/4 Meter	45	5.68	256	5.68	256	7.60	342
0002 - 1 in Meter		14.20	0	14.20	0	19.00	0
0004 - 1 1/2 in Meter		28.40	0	28.40	0	38.00	0
0007 - 4 in Meter		141.96	0	141.96	0	190.00	0
	45		256		256		342
Total Base Facility Charges	143		803		813		1,087
Index Rates 13th Revised							
Gallorage Charge							
First 3,000 Gallons	257	1.29	332	1.31	337	1.47	378
3,001 - 6,000 gallons	144	4.36	628	4.43	638	4.40	634
6,001 - 12,000 gallons	76	6.48	492	6.59	501	6.61	502
Over 12,000 gallons	1,213	8.61	10,444	8.76	10,626	8.81	10,687
	1,690		11,896		12,102		12,201
Current Indexed Rates							
Gallorage Charge							
First 3,000 Gallons	106	1.31	139	1.31	139	1.47	156
3,001 - 6,000 gallons	55	4.43	244	4.43	244	4.40	242
6,001 - 12,000 gallons	24	6.59	158	6.59	158	6.61	159
Over 12,000 gallons	8	8.76	70	8.76	70	8.81	70
	193		611		611		627
Total Gallorage Charges	1,883		12,507		12,713		12,828

Peoples Water Service Company of Florida
 Schedule of Water Revenue at Existing and Proposed Rates
 Calendar Year Ended 12-31-2012

Amended 9-13-2013

	No. Bills / Gallons Sold (000)	Existing Rates	Existing Annual Revenue	Annualized at Current Indexed Rates	Annualized at Current Indexed Rates Revenue	Proposed Rates	Proposed Revenue
Commercial							
Index Rates 13th Revised							
Base Facility Charges							
0011 - 5/8x3/4 Meter	2,525	5.58	14,090	5.68	14,342	7.60	19,190
0012 - 1 in Meter	605	13.96	8,446	14.20	8,591	19.00	11,495
0014 - 1 1/2 in Meter	281	27.92	7,846	28.40	7,980	38.00	10,678
0015 - 2 in Meter	144	44.66	6,431	45.43	6,542	60.80	8,755
0016 - 3 in Meter	16	89.32	1,429	90.86	1,454	121.60	1,946
0018 - 6 in Meter	8	279.13	2,233	283.93	2,271	380.00	3,040
0020 - 2 in Meter - Hydrant	67	44.66	2,992	45.43	3,044	60.80	4,074
	3,646		43,467		44,224		59,178
Current Indexed Rates							
Base Facility Charges							
0011 - 5/8x3/4 Meter	1,261	5.68	7,162	5.68	7,162	7.60	9,584
0012 - 1 in Meter	300	14.20	4,260	14.20	4,260	19.00	5,700
0014 - 1 1/2 in Meter	144	28.40	4,090	28.40	4,090	38.00	5,472
0015 - 2 in Meter	72	45.43	3,271	45.43	3,271	60.80	4,378
0016 - 3 in Meter	8	90.86	727	90.86	727	121.60	973
0018 - 6 in Meter	4	283.93	1,136	283.93	1,136	380.00	1,520
0020 - 2 in Meter - Hydrant	27	45.43	1,227	45.43	1,227	60.80	1,642
	1,816		21,873		21,873		29,269
Total Base Facility Charges	5,462		65,340		66,097		88,447
Index Rates 13th Revised							
Gallonge Charge							
Per 1,000 Gallons	44,194	3.57	157,773	3.63	160,424	3.37	148,934
Current Indexed Rates							
Gallonge Charge							
Per 1,000 Gallons	22,033	3.63	79,980	3.63	79,980	3.37	74,251
Total Gallonge Charges	66,227		237,753		240,404		223,185

Peoples Water Service Company of Florida
 Schedule of Water Revenue at Existing and Proposed Rates
 Calendar Year Ended 12-31-2012

Amended 9-13-2013

	No. Bills / Gallons Sold (000)	Existing Rates	Existing Annual Revenue	Annualized at Current Indexed Rates	Annualized at Current Indexed Rates Revenue	Proposed Rates	Proposed Revenue
<u>Commercial - No Charge</u>							
Index Rates 13th Revised							
Base Facility Charges							
0011 - 5/8x3/4 Meter	29	5.58	162	5.68	165	7.60	220
0012 - 1 in Meter	8	13.96	112	14.20	114	19.00	152
0014 - 1 1/2 in Meter	8	27.92	223	28.40	227	38.00	304
0015 - 2 in Meter	9	44.66	402	45.43	409	60.80	547
0016 - 3 in Meter		89.32	0	90.86	0	121.60	0
0018 - 6 in Meter		279.13	0	283.93	0	380.00	0
	54		899		915		1,223
Current Indexed Rates							
Base Facility Charges							
0011 - 5/8x3/4 Meter	35	5.68	199	5.68	199	7.60	266
0012 - 1 in Meter	4	14.20	57	14.20	57	19.00	76
0014 - 1 1/2 in Meter	4	28.40	114	28.40	114	38.00	152
0015 - 2 in Meter	8	45.43	363	45.43	363	60.80	486
0016 - 3 in Meter		90.86	0	90.86	0	121.60	0
0018 - 6 in Meter		283.93	0	283.93	0	380.00	0
	51		733		733		980
Total Base Facility Charges	105		1,632		1,648		2,203
Index Rates 13th Revised							
Gallonge Charge							
Per 1,000 Gallons	902	3.57	3,220	3.63	3,274	3.37	3,040
Current Indexed Rates							
Gallonge Charge							
Per 1,000 Gallons	4,031	3.63	14,633	3.63	14,633	3.37	13,584
Total Gallonge Charges	4,933		17,853		17,907		16,624

Peoples Water Service Company of Florida
 Schedule of Water Revenue at Existing and Proposed Rates
 Calendar Year Ended 12-31-2012

Amended 9-13-2013

	No. Bills / Gallons Sold (000)	No. of Minimums	Existing Rates	Existing Annual Revenue	Annualized at Current Indexed Rates	Annualized at Current		Proposed Rates	Proposed Revenue
						Indexed Rates	Revenue		
<u>Multi-Residential</u>									
Index Rates 13th Revised									
Base Facility Charges									
0051 - 5/8x3/4 Meter	1,341	3,897	5.58	21,745	5.68	22,135	7.60	29,617	
0052 - 1 in Meter	436	2,856	5.58	15,936	5.68	16,222	7.60	21,706	
0054 - 1 1/2 in Meter	454	5,248	5.58	29,284	5.68	29,809	7.60	39,885	
0055 - 2 in Meter	113	2,249	5.58	12,549	5.68	12,774	7.60	17,092	
0056 - 3 in Meter	24	1,104	5.58	6,160	5.68	6,271	7.60	8,390	
0057 - 4 in Meter	32	2,456	5.58	13,704	5.68	13,950	7.60	18,666	
0058 - 6 in Meter	72	5,136	5.58	28,659	5.68	29,172	7.60	39,034	
	2,472	22,946		128,037		130,333			174,390
Current Indexed Rates									
Base Facility Charges									
0051 - 5/8x3/4 Meter	680	1,934	5.68	10,985	5.68	10,985	7.60	14,698	
0052 - 1 in Meter	222	1,454	5.68	8,259	5.68	8,259	7.60	11,050	
0054 - 1 1/2 in Meter	235	2,970	5.68	16,870	5.68	16,870	7.60	22,572	
0055 - 2 in Meter	56	1,120	5.68	6,362	5.68	6,362	7.60	8,512	
0056 - 3 in Meter	12	552	5.68	3,135	5.68	3,135	7.60	4,195	
0057 - 4 in Meter	16	1,228	5.68	6,975	5.68	6,975	7.60	9,333	
0058 - 6 in Meter	36	2,912	5.68	16,540	5.68	16,540	7.60	22,131	
	1,257	12,170		69,126		69,126			92,491
Total BFC's	3,729	35,116		197,163		199,459			266,881
Index Rates 13th Revised									
Gallonge Charge									
Per 1,000 Gallons	65,599		3.57	234,188	3.63	238,124	3.37	221,069	
Current Indexed Rates									
Gallonge Charge									
Per 1,000 Gallons	31,541		3.63	114,494	3.63	114,494	3.37	106,293	
Total Gallonge Charges	97,140			348,682		352,618			327,362

Peoples Water Service Company of Florida
 Schedule of Water Revenue at Existing and Proposed Rates
 Calendar Year Ended 12-31-2012

Amended 9-13-2013

	No. Bills / Gallons Sold (000)	Existing Rates	Existing Annual Revenue	Annualized at Current Indexed Rates	Annualized at Current Indexed Rates Revenue	Proposed Rates	Proposed Revenue
Irrigation							
Index Rates 13th Revised							
Base Facility Charges							
0081 - 5/8x3/4 Meter	262	5.58	1,462	5.68	1,488	7.60	1,991
0082 - 1 in Meter	176	13.96	2,457	14.20	2,499	19.00	3,344
0084 - 1 1/2 in Meter	50	27.92	1,396	28.40	1,420	38.00	1,900
0085 - 2 in Meter	8	44.66	357	45.43	363	60.80	486
0086 - 3 in Meter	16	89.32	1,429	90.86	1,454	121.60	1,946
	512		7,101		7,224		9,667
Current Indexed Rates							
Base Facility Charges							
0081 - 5/8x3/4 Meter	141	5.68	801	5.68	801	7.60	1,072
0082 - 1 in Meter	88	14.20	1,250	14.20	1,250	19.00	1,672
0084 - 1 1/2 in Meter	28	28.40	795	28.40	795	38.00	1,064
0085 - 2 in Meter	4	45.43	182	45.43	182	60.80	243
0086 - 3 in Meter	8	90.86	727	90.86	727	121.60	973
	269		3,755		3,755		5,024
Total Base Facility Charges	781		10,856		10,979		14,691
Index Rates 13th Revised							
Gallage Charge							
Per 1,000 Gallons	12,276	3.57	43,825	3.63	44,562	3.37	41,370
Current Indexed Rates							
Gallage Charge							
Per 1,000 Gallons	7,901	3.63	28,681	3.63	28,681	3.37	26,626
Total Gallage Charges	20,177		72,506		73,243		67,996

Peoples Water Service Company of Florida
 Schedule of Water Revenue at Existing and Proposed Rates
 Calendar Year Ended 12-31-2012

	No. Bills / Gallons Sold (000)	Existing Rates	Existing Annual Revenue	Annualized at Current Indexed Rates	Amended 9-13-2013		
					Annualized at Current Indexed Rates Revenue	Proposed Rates	Proposed Revenue
Fire Protection							
Index Rates 13th Revised							
Base Facility Charges							
0030 - 2 in Meter Sprinkler	8	3.72	30	3.79	30	5.07	41
0032 - 3 in Meter Sprinkler	93	7.44	692	7.57	704	10.13	942
0033 - 6 in Meter Sprinkler	160	23.26	3,722	23.66	3,786	31.67	5,067
0034 - 8 in Meter Sprinkler	48	41.80	2,006	42.52	2,041	57.00	2,736
	309		6,450		6,561		8,786
Current Indexed Rates							
Base Facility Charges							
0030 - 2 in Meter Sprinkler	4	3.79	15	3.79	15	5.07	20
0032 - 3 in Meter Sprinkler	44	7.57	333	7.57	333	10.13	446
0033 - 6 in Meter Sprinkler	79	23.66	1,869	23.66	1,869	31.67	2,502
0034 - 8 in Meter Sprinkler	24	42.52	1,020	42.52	1,020	57.00	1,368
	151		3,237		3,237		4,336
Total Base Facility Charges	460		9,687		9,798		13,122
Index Rates 13th Revised							
Gallonge Charge							
Per 1,000 Gallons	0	3.57	0	3.63	0	3.37	0
Current Indexed Rates							
Gallonge Charge							
Per 1,000 Gallons	0	3.63	0	3.63	0	3.37	0
Total Gallonge Charges	0		0		0		0

Peoples Water Service Company of Florida
 Schedule of Water Revenue at Existing and Proposed Rates
 Calendar Year Ended 12-31-2012

Amended 9-13-2013

	No. Bills / Gallons Sold (000)	Existing Rates	Existing Annual Revenue	Annualized at Current Indexed Rates	Annualized at Current Indexed Rates Revenue	Proposed Rates	Proposed Revenue
Public Authority							
Index Rates 13th Revised							
Base Facility Charges							
0071 - 5/8x3/4 Meter	139	5.58	776	5.68	790	7.60	1,056
0072 - 1 in Meter	24	13.96	335	14.20	341	19.00	456
0074 - 1 1/2 in Meter	48	27.92	1,340	28.40	1,363	38.00	1,824
0075 - 2 in Meter	48	44.66	2,144	45.43	2,181	60.80	2,918
0078 - 6 in Meter	24	279.13	6,699	283.93	6,814	380.00	9,120
	283		11,294		11,489		15,374
Current Indexed Rates							
Base Facility Charges							
0071 - 5/8x3/4 Meter	72	5.68	409	5.68	409	7.60	547
0072 - 1 in Meter	21	14.20	298	14.20	298	19.00	399
0074 - 1 1/2 in Meter	28	28.40	795	28.40	795	38.00	1,064
0075 - 2 in Meter	24	45.43	1,090	45.43	1,090	60.80	1,459
0078 - 6 in Meter	12	283.93	3,407	283.93	3,407	380.00	4,560
	157		5,999		5,999		8,029
Total Base Facility Charges	440		17,293		17,488		23,403
Index Rates 13th Revised							
Gallage Charge							
Per 1,000 Gallons	15,735	3.57	56,174	3.63	57,118	3.37	53,027
Current Indexed Rates							
Gallage Charge							
Per 1,000 Gallons	10,582	3.63	38,413	3.63	38,413	3.37	35,661
Total Gallage Charges	26,317		94,587		95,531		88,688