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Public Service Commission

January 16, 2014

S.V. Utilities, Ltd.
Attn: Brian Altman
500 South Florida Ave., Ste. 700
Lakeland, FL 33801

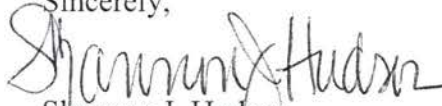
Re: Docket No. 130211-WS - Application for staff-assisted rate case in Polk County, by S.V. Utilities, Ltd.

Dear Mr. Altman:

Enclosed are two copies of the staff report. Please ensure that a copy of the completed Application for Staff Assistance and the staff report are available for review, pursuant to Rule 25-22.0407 (9)(b), Florida Administrative Code, by all interested persons at the following location:

Swiss Village
365 Bern Drive
Winter Haven, FL 33881

Should you have any questions about any of the matters contained herein, please contact Kelly Thompson at (850) 413-6986.

Sincerely,

Shannon J. Hudson
Economic Supervisor

Enclosures

SH

cc: Division of Economics (Daniel, Hudson, Thompson)
Division of Accounting & Finance (Prestwood, Mouring, Lester)
Division of Engineering (Vickery, Lewis, P. Buys)
Office of General Counsel (Teitzman, Corbari)
Office of Commission Clerk (Docket No. 130211-WS)

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Public Service Commission

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

DATE: January 16, 2014

TO: Patti Daniel, Bureau Chief, Bureau of Economic Impact and Rate Design

FROM: Kelly Thompson, Public Utility Analyst II, Division of Economics *ST*
Penelope Buys, Engineering Specialist III, Division of Engineering *PL*
Pete Lester, Professional Accountant Specialist, Division of Accounting and Finance *PV*
PDB *CR*

RE: Docket No. 130211-WS – Application for staff-assisted rate case in Polk County by S.V. Utilities, Ltd.

– STAFF REPORT –

This Staff Report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting.

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Case Background

S.V. Utilities, Ltd. (SV or Utility) is a Class C utility that has been in existence since 1981. The Utility provides service to approximately 728 residential, 4 general service, and 20 irrigation customers in Swiss Village Mobile Home Park, Hidden Cove East Mobile Home Park, and Hidden Cove West Mobile Home Park. SV is located in the Highlands Ridge water use caution area of the Southwest Florida Water Management District (SWFWMD) in Polk County. The Utility has been under the Florida Public Service Commission's (Commission) jurisdiction since May 14, 1996, when Polk County transferred jurisdiction to the Commission. However, SV did not apply for its grandfather certificates until October 14, 1998. By Order No. PSC-99-1234-PAA-WS, the Commission granted Certificate Nos. 605-W and 521-S to the Utility.¹

On July 16, 2007, SV applied for a staff assisted rate case (SARC), but it voluntarily withdrew its application on August 1, 2008.² On August 5, 2013, the Utility filed an application for a SARC and paid the appropriate filing fee on September 17, 2013. Staff has selected the historical test year ended June 30, 2013. The Commission has jurisdiction to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.).

This Staff Report is a **preliminary** analysis of the Utility prepared by the Commission staff to give utility customers and the Utility an advanced look at what staff may be proposing. The final recommendation to the Commission (currently scheduled to be filed March 27, 2014, for the April 8, 2014 Agenda Conference) will be revised as necessary using updated information and results of customer quality of service or other relevant comments received at the customer meeting. The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.0814, 367.101, and 367.121, Florida Statutes (F.S.).

¹ See Docket No. 981337-WS, In re: Application for Grandfather Certificates to Operate Water and Wastewater Utility in Polk County by S.V. Utilities, Ltd.

² See Docket No. 070413-WS, In re: Application for Staff Assisted Rate Case in Polk County by S.V. Utilities, Ltd.

Discussion of Issues

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

Preliminary Recommendation: The staff recommendation regarding customer satisfaction and overall quality of service will not be finalized until after the February 5, 2014 customer meeting. (P. Buys)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in water and wastewater rate cases, the Commission shall determine the overall quality of service provided by a utility. This is derived from an evaluation of three separate components of the Utility operations. These components are the quality of the Utility's product, the operating conditions of the Utility's plant and facilities, and the Utility's attempt to address customer satisfaction. The rule further states that sanitary surveys, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the county health department over the preceding three-year period shall be considered. In addition, input from DEP and health department officials, and customer comments or complaints will be considered.

Quality of Utility's Product and Operating Conditions of the Utility's Plant and Facilities.

SV's service area is located at Hidden Cove East Mobile Home Park, Hidden Cove West Mobile Home Park, and Swiss Village Mobile Home Park, in Winter Haven, Florida. The raw water source is ground water, which is obtained from two wells in the service area and is treated. The processing sequence for the water treatment system is to pump raw water from the aquifer, inject liquid chlorine, pressurize and storage in a tank, and then it is distributed. Wastewater service is provided via a wastewater treatment plant with three pecculation ponds. Polk County Health Department (PCHD) regulates the potable water program.

In the last water DEP Sanitary Survey Report dated April 26, 2013, the only deficiency listed was the pressure relief valves not properly being screened. Otherwise, the quality of the finished water product is satisfactory.

In the last wastewater DEP Compliance Evaluation Inspection, dated November 22, 2011, several deficiencies were listed. The main issue concerning the quality of the wastewater product was with the groundwater. The inspection report stated, "The maximum contaminant level for arsenic was exceeded in the second and third quarters of 2009, the fourth quarter of 2010, and the second quarter of 2011 for background well MW-1R." DEP requested an explanation for the exceedances and increasing trends for the arsenic levels. The Utility responded to DEP with "the property that Swiss Village encompasses now had various uses in the past." One use was growing citrus and cattle grazing. The Utility "has no way of knowing what types of products were used in the past for these industries, but arsenic use was prevalent during these times to treat both cattle and citrus trees for pests and parasites. Please note that the arsenic level has fallen since the last monitoring period," and the Utility will continue to monitor the trends closely.

The other deficiencies listed on the November 22, 2011 Compliance Evaluation Inspection report were the Domestic Wastewater Permit was to expire May 29, 2012, and the sign posted at the rapid infiltration basin (RIB) had deteriorated and was no longer legible. The Utility responded to DEP stating that the permit application had been completed and DEP should be in receipt of the application by December 1, 2011. Staff found that DEP issued a Notice of Permit for the Utility on June 8, 2012. The permit is current and will expire on June 7, 2017. The Utility also reported to DEP that the effluent disposal sign near the south RIB has been refurbished to original quality.

The Utility's Attempt to Address Customer Satisfaction.

Staff has reviewed the Commission's complaint records and there were no complaints recorded during the last three years. Staff did ask the Utility for a copy of its in house complaints during the test year and the Utility responded that it did not receive any complaints. Staff will conduct a customer meeting on February 5, 2014. This meeting will give the customers an opportunity to express specific concerns regarding the Utility's attitude and responsiveness to quality of service issues. All valid quality of service complaints will be investigated and will be taken into consideration during the preparation of staff's final recommendation.

Summary

Staff recommends that quality of the finished water product is satisfactory. Staff will not make a recommendation on the wastewater finished product until certain follow up actions with the Utility are completed. Staff will not make a recommendation on the conditions of the wastewater and water treatment facilities until all the follow ups are completed and staff has completed the field investigation. Staff will reserve a final quality of service determination until after the information obtained at the customer meeting has been thoroughly reviewed.

Issue 2: What are the used and useful percentages of the Utility's water treatment plant (WTP), water distribution, wastewater treatment plant (WWTP) and wastewater collection system?

Preliminary Recommendation: SV's WTP, water distribution, WWTP, and wastewater collection system should be considered 100 percent used and useful (U&U). Staff can not make a recommendation on the adjustments made for excess unaccounted for water (EUW), at this time. The excess infiltration and inflow (I&I) is calculated to be zero, so staff recommends no adjustment be made. (P. Buys)

Staff Analysis: SV has one WTP with two 8-inch wells operating at a depth of 530 feet for well 1 and 547 feet for well 2. Both wells are rated to have a total capacity of 600 gallons per minute (gpm). Well 1 is equipped with a 30 horsepower (hp) vertical turbine pump and well 2 is equipped with a 40 hp vertical turbine pump. The raw water is treated with liquid chlorine, which is injected prior to entry into the two 8,000-gallon hydro pneumatic tanks. The treated water from the tanks is then pumped into the water distribution system.

The distribution system is a composite network consisting of approximately 17,075 linear feet of 6-inch PVC pipe, 950 linear feet of 4-inch PVC pipe, 15,330 linear feet of 2-inch PVC pipe, and 165 linear feet of 1-inch PVC pipe. The distribution system supports 49 fire hydrants.

The WWTP capacity is permitted by DEP at 0.141 million gallons per day (MGD) per Three Month Average Daily Flow (3MADF). The plant is a Type II, extended aeration domestic wastewater treatment plant that consists of one surge/aeration basin of 42,500 gallons, three aeration basins of 120,348 total gallons, two clarifiers of 35,500 total gallons with a total of 520 square feet of surface area, two chlorine contact chambers of 7,600 total gallons, and two digesters of 14,500 total gallons. This plant is operated to provide secondary treatment with liquid chlorine basic disinfection.

The collection system is made up of approximately 2,600 linear feet of 4-inch PVC pipe, 9,700 linear feet of 6-inch PVC pipe, and 16,285 linear feet of 8-inch PVC pipe. There are 54 4-inch concrete manholes and four lift stations. The four lift stations transfer the influent by force mains to the WWTP.

Used and Useful (U&U)

Pursuant to Rule 25-30.4325, F.A.C., the U&U percentage of the WTP was calculated by taking the single maximum day (Max Day) in the test year, less the EUW times two, then add the fire flow (FF) allowance plus the growth allowance (Growth), and divide that whole amount by the firm reliable capacity (FRC). The Utility has 2 wells with a total capacity of 600 gpm. If a water system has more than one well, the highest capacity well should be removed from the calculation to determine the plant's firm reliable capacity. By taking one of the wells (300 gpm) out of service, the Utility reflected a FRC of 300 gpm. The single maximum day in the test year was 379,000 gallons (263 gpm), which occurred on August 19, 2012. This does not appear to have been caused by a line break or other unusual occurrence on that day. The Utility's record indicated unaccounted for water of 32 percent, which would mean there is a EUW of 22 percent. The peak demand should be reduced by 30 gpm to reflect the EUW (Max Day – EUW). The growth allowance is zero gpm. The fire flow allowance is 500 gpm. The result is greater than

100 percent U&U. However, Rule 25-30.4325(4) states that a water treatment system will be considered 100 percent U&U if the service territory the system is designed to serve is built out and there is no expansion of the service territory. Staff believes this is applicable to SV and the U&U percentage for the WTP should be 100 percent.

Pursuant to Rule 25-30.432, F.A.C., the U&U percentage of the WWTP was calculated by taking average annual daily flows (AADF) plus the growth minus the excess I&I and then dividing the sum by the permitted capacity of the plant. The Utility's test year AADF was 40,266 gallons per day (gpd). The growth allowance is zero gpd. In addition, the excess I&I is calculated to be zero percent. The WWTP's permitted capacity is 0.141 MGD per 3MADF. The calculation reflected 86 percent U&U; however, the Utility's service territory is built out. Since the system is built out and there is no potential for expansion of the service territory, staff recommends the wastewater treatment plant be considered 100 percent U&U.

Staff reviewed the service territory and believes the current mains are providing service for the existing customers only. Staff considers the system to be built out. If the service territory the system is designed to serve is built out and there is no potential for expansion of that service territory, it is recommended that the U&U percentage for water distribution and wastewater collection systems be considered 100 percent. Staff recommends the water distribution and wastewater collection system be considered 100 percent U&U.

Excessive Unaccounted for Water (EUW)

Rule 25-30.4325, F.A.C., describes EUW as unaccounted for water in excess of ten percent of the amount produced. The rule provides that to determine whether adjustments to plant and operating expenses, such as purchased electrical power and chemicals cost are necessary, the Commission will consider all relevant factors as to the reason for EUW, solutions, implemented to correct the problem, or whether a proposed solution is economically feasible. The Utility's records indicated unaccounted for water of 32 percent, which would mean there is a EUW of 22 percent. Staff will investigate the situation of the EUW for staff's final recommendation.

Infiltration and Inflow (I&I)

Typically, infiltration results from groundwater entering a wastewater collection system through broken or defective pipes and joints; whereas, inflow results from water entering a wastewater collection system through manholes or lift stations. The allowance for infiltration is 500 gpd per inch diameter pipe per mile, and an additional 10 percent of water sold is allowed for inflow. Rule 25-30.432, F.A.C., provides that in determining the amount of U&U plant, the Commission will consider I&I. Additionally, adjustments to operating expenses such as chemical and electrical costs are also considered necessary. The Utility's records indicated that there was not an excessive I&I for the test year. Staff agrees that the excess I&I is calculated to be zero percent.

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Date: January 16, 2014

Summary

Based on the analysis above, staff recommends SV's WTP, water distribution, WWTP, and wastewater collection system should be considered 100 percent U&U. Staff can not make a recommendation on the adjustments made for EUW, at this time. The excess I&I is calculated to be zero percent, so staff recommends no adjustment be made.

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

Preliminary Recommendation: The appropriate average test year rate base for SV is \$120,664 for water and \$127,872 for wastewater. (Lester)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service, accumulated depreciation, contribution-in-aid-of-construction (CIAC), accumulated amortization of CIAC and working capital. Staff selected the test year ended June 30, 2013, for this rate case. A summary of each component of rate base and the recommended adjustments follows:

Utility Plant in Service (UPIS): The Utility recorded UPIS of \$556,407 for water and \$1,394,937 for wastewater. Staff's adjustments to UPIS are identified in Table 3-1 below.

Table 3-1
Rate Base Adjustments

		Water	Wastewater
1.	To reflect original cost study as of 12/31/2006 (AF 1).	(\$110,456)	(\$910,048)
2.	To reflect staff audit adjustments from report in Dkt. 070413-WS (AF1).	5,426	4,542
3.	To reflect plant additions and retirements (AF 2 & 8).	(41,376)	2,528
4.	To reflect simple average.	(201)	(1,128)
	Total	(\$146,607)	(\$904,106)

Staff's net adjustments to UPIS are decreases of \$146,607 and \$904,106 for water and wastewater, respectively. Staff's recommended UPIS balance is \$409,800 (\$556,407-\$146,607) for water and \$490,831 (\$1,394,937 - \$904,106) for wastewater.

Land & Land Rights: The Utility recorded a test year land value of \$7,695 for water and \$33,087 for wastewater. Staff reduced these balances by \$5,074 and \$5,152 for water and wastewater, respectively, to reflect the original cost of utility land. The appropriate land balances are \$2,621 for water and \$27,935 for wastewater.

Non-Used and Useful Plant: As discussed in Issue 2, SV's water treatment plant and distribution system, and the wastewater treatment plant and collection system should be considered 100 percent U&U.

Contributions In Aid of Construction (CIAC): SV did not record CIAC on its books. The service area consists of lots rented by the affiliated developer. Therefore, staff recommends no adjustment for CIAC.

Accumulated Depreciation: SV recorded a balance for accumulated depreciation of \$463,450 and \$1,272,981 for water and wastewater, respectively. Staff recalculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C., and reflected depreciation associated with plant additions and retirements along with the simple average. The balances should be decreased by \$160,367 for water and by \$864,863 for wastewater. Staff

recommends accumulated depreciation balances of \$303,083 for water and \$408,118 for wastewater.

Accumulated Amortization of CIAC: As SV does not have any CIAC, there is no accumulated amortization of CIAC.

Working Capital Allowance: SV did not record a working capital balance for water or wastewater. Working capital is defined as the investor-supplied funds that are necessary to meet operating expenses or going-concern requirements of the Utility. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, staff recommends a working capital allowance of \$11,326 for water (based on O&M expense of \$90,612/8), and \$17,224 for wastewater (based on O&M expense of \$137,793/8).

Rate Base Summary: Based on the foregoing, staff recommends that the appropriate average test year rate base is \$120,664 for water and \$127,872 for wastewater. Rate base is shown on Schedule No. 1-A for water and on Schedule No. 1-B for wastewater. The related adjustments for water and wastewater are shown on Schedule No. 1-C.

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

Preliminary 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. (Lester)

Staff Analysis: The Utility's capital structure consists of an intercompany payable of \$360,767. Consistent with prior Commission practice, staff has treated the payable as common equity.³ With this adjustment, the Utility has no long-term debt. The Utility does not have customer deposits. The appropriate ROE is 8.74 percent using the Commission-approved leverage formula currently in effect.⁴ The Utility's capital structure has been reconciled with staff's recommended rate base. 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. The ROE and overall rate of return are shown on Schedule No. 2.

³ See Order No. PSC-10-0681-PAA-WU, issued November 15, 2010, in Docket No. 090414-WU, In re: Application for staff-assisted rate case in Polk County by Pinecrest Ranches, Inc.

⁴ See Order Nos. PSC-13-0241-PAA-WS, issued June 3, 2013, and PSC-13-0307-CO-WS, issued July 8, 2013, in Docket No. 130006-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 are the appropriate test year revenues for the Utility's water and wastewater systems?

Preliminary Recommendation: The appropriate test year revenues for SV's water and wastewater systems are \$74,278 and \$72,095, respectively. (Thompson)

Staff Analysis: SV recorded total test year revenues of \$145,547, including water service revenues of \$74,417 and wastewater service revenues of \$71,130. The Utility's current tariff reflects a monthly base facility charge (BFC) of \$15.71 for both water and wastewater service, which includes an allotment of 8,000 gallons per month. The Utility bills the BFC monthly and splits it equally between water and wastewater service. However, the customer's usage is billed quarterly and split equally between both services.

During the test year the Utility had several billing errors. The Utility billed irrigation customers the entire BFC rather than that the portion allocated to water. In addition, general service and irrigation customers were billed one BFC per quarter rather than a BFC for each month of the quarter. Finally, the Utility recorded service revenues associated with general service usage to water service rather than splitting equally between the water and wastewater service. Staff has corrected these errors and applied the Utility's rates in effect during the test year to the test year billing determinants. Staff determined test year water service revenues should be decreased by \$139 and wastewater service revenues should be increased by \$954. Based on the above, staff recommends the appropriate test year revenues for SV's water and wastewater systems are \$74,278 and \$72,095, respectively.

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

Preliminary Recommendation: The appropriate amount of operating expense for SV is \$104,000 for water and \$154,653 for wastewater. (Lester)

Staff Analysis: SV recorded operating expense of \$58,612 for water and \$134,143 for wastewater for the test year ended June 30, 2013. The test year O&M expenses have been reviewed, including invoices, canceled checks, and other supporting documentation. Staff has made several adjustments to the Utility's operating expenses as summarized below:

Salaries and Wages - Employees (601/701) - SV recorded \$852 for water and \$33,173 for wastewater salaries in these accounts. However, the Utility had not allocated the cost of employees from the parent company. Staff increased water salaries by \$45,663 and wastewater salaries by \$21,441 to cover management, administrative, and operations activities done for the Utility by parent company employees. Since the parent company owns other water and wastewater utilities, these salaries were allocated on the basis of lots. Staff did not include a management fee since the fee was unsupported and the salary allocation covers management activities. The resulting amounts for salaries are \$46,515 for water and \$54,614 for wastewater.

Purchased Power (615/715) - SV recorded \$10,888 for purchased power expense for water and \$19,166 for wastewater. Staff reduced these amounts by \$32 and \$133 for water and wastewater, respectively, because the Utility had included late fees. Staff recommends purchased power expense of \$10,856 for water and \$19,033 for wastewater.

Chemicals (718) - SV recorded \$6,296 in chemicals expense for wastewater. Staff removed \$227 from this amount because of lack of invoice support. The resulting balance for wastewater is \$6,069.

Materials and Supplies (620/720) - For materials and supplies, the Utility recorded \$7,519 and \$13,447 for water and wastewater, respectively. For water, staff reduced the amount by \$2,107, which removed \$655 in unsupported transactions, reclassified \$1,602 to water meters, and included \$150 in appropriate expense that had not been booked. For wastewater, staff reduced the amount by \$4,854 by removing \$85 in unsupported transactions and reclassifying \$2,988 to plant lift-stations and \$1,781 to miscellaneous water plant. The resulting amounts for water and wastewater are \$5,412 and \$8,593, respectively.

Contractual Services - Professional (731) - For wastewater, SV recorded \$6,588 for contractual services - professional. Staff reduced this amount by \$455 due to unsupported transactions. Staff recommends contractual service - professional expense of \$6,133 for wastewater.

Contractual Services - Testing (635/735) - The Utility recorded \$1,278 for water and \$8,653 for wastewater for testing expense. For water, staff decreased the amount by \$182 to reflect copper and lead testing every three years. For wastewater, staff increased the amount by \$2,100 to reflect quarterly monitoring of groundwater at the wastewater treatment plant. Staff also reduced the amount by \$386 due to unsupported expenses. Staff recommends contractual services - testing expense of \$1,096 for water and \$10,367 for wastewater.

Contractual Services – Other (736) – SV recorded \$5,270 for wastewater. Staff reduced this amount by \$110 due to unsupported transactions. Staff recommends contractual services – other expense of \$5,160 for wastewater.

Rents (640/740) – SV did not record any rent expense for water and wastewater. The company requested that staff consider the cost of leasing a mini-excavator. The company noted that this would be safer for employees and reduce overtime. The annual lease expense is \$6,984. On an annual basis, staff allocated 25 percent of the lease expense to SV and split this amount evenly, \$873 for water and for wastewater. Staff reduced this expense allowance to reflect savings based on leasing the mini-excavator, \$263 each for water and for wastewater. Staff believes it is appropriate to incur this expense. For the appropriate rent expense, staff recommends \$610 for water and \$610 for wastewater.

Transportation Expense (650/750) – For water and wastewater transportation expense, SV recorded \$3,187 and \$3,370, respectively. Staff removed unsupported and out-of-period expenses of \$279 for water and \$201 for wastewater. The resulting allowance is \$2,908 for water and \$3,169 for wastewater.

Insurance Expense (655/755) – For insurance expense, SV recorded \$789 for water and \$2,539 for wastewater. Staff increased the water allowance by \$1,732 and decreased the wastewater allowance by \$885 to reflect the current general liability premium. The resulting balances are \$2,521 and \$1,654 for water and wastewater, respectively.

Regulatory Commission Expense (665/765) - SV recorded \$0 for regulatory commission expense in these accounts. Regarding the current rate case, pursuant to Rule 25-22.0407, F.A.C., the Utility is required to mail notices of the customer meeting and notices of final rates to its customers. For these notices, staff has estimated \$743 for postage expense, \$531 for printing expense, and \$75 for envelopes. The Utility paid a \$1,000 rate case filing fee for the water utility, and a \$500 rate case filing fee for the wastewater utility. On a preliminary basis, staff allowed a consulting fee of \$7,676. This allowance for the consulting fee is preliminary and does not include adjustments for economic efficiencies that will result given that an affiliated company, CHC VII, Ltd., is pursuing a staff-assisted rate case in Docket No. 130210-WS. The total rate case expense including postage, notices, envelopes, consulting fee, and filing fee is \$10,525. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a four-year period. Staff recommends regulatory commission expense of \$1,316 for water and \$1,316 for wastewater.

Operation and Maintenance Expenses (O&M) Summary – Total adjustments to O&M expense result in an increase of \$46,721 for water and \$18,216 for wastewater. Staff's recommended O&M expense is \$90,612 for water and \$137,793 for wastewater. O&M expenses are shown on Schedule Nos. 3-A and 3-B for water and wastewater, respectively.

Depreciation Expense (Net of Related Amortization of CIAC) – The Utility recorded depreciation expense of \$11,374 for water and \$11,369 for wastewater during the test year. Staff calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and determined depreciation expense should be reduced by \$3,145 for water and \$1,971 for

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wastewater. The appropriate depreciation expense is \$8,229 for water and \$9,398 for wastewater.

Taxes Other Than Income (TOTI) – The Utility recorded \$3,347 for water and \$3,197 for wastewater for TOTI. Staff increased the amount for wastewater by \$47 to reflect the correct amount for regulatory assessment fees. Therefore, staff recommends TOTI of \$3,347 for water and \$3,244 for wastewater.

Operating Expenses Summary – The application of staff's recommended adjustments to SV's adjusted test year operating expenses results in staff's recommended operating expenses of \$104,000 for water and \$154,653 for wastewater. Operating expenses are shown on Schedule No. 3-A for water and Schedule No. 3-B for wastewater. The related adjustments for water and wastewater are shown on Schedule No. 3-C.

Issue 7: What is the appropriate revenue requirement?

Preliminary Recommendation: The appropriate revenue requirement is \$114,546 for water and \$165,829 for wastewater, resulting in an annual increase of \$40,268 for water (54.21 percent), and an annual increase of \$93,734 for wastewater (130.01 percent). (Lester)

Staff Analysis: SV should be allowed an annual increase of \$40,268 for water (54.21 percent) and \$93,734 for wastewater (130.01 percent). This will allow the Utility the opportunity to recover its expenses and an 8.74 percent return on its investment. The calculations are shown in Table 6-1 and Table 6-2 for water and wastewater, respectively:

Table 6-1

<u>Water Revenue Requirement</u>	
Adjusted Rate Base	\$120,664
Rate of Return	x .0874
Return on Rate Base	\$ 10,546
Adjusted O&M expense	90,612
Depreciation expense	8,229
Amortization	0
Taxes Other Than Income	5,155
Income Taxes	0
Revenue Requirement	\$114,546
Less Test Year Revenues	74,278
Annual Increase	\$40,268
Percent Increase/(Decrease)	54.21%

Table 6-2

<u>Wastewater Revenue Requirement</u>	
Adjusted Rate Base	\$127,872
Rate of Return	x .0874
Return on Rate Base	\$ 11,176
Adjusted O&M expense	137,793
Depreciation expense	9,398
Amortization	0
Taxes Other Than Income	7,463
Income Taxes	0
Revenue Requirement	\$165,829
Less Test Year Revenues	72,095
Annual Increase	\$93,734
Percent Increase/(Decrease)	130.01%

Issue 8: What are the appropriate rate structures and rates for S.V.'s water and wastewater systems?

Preliminary Recommendation: The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B, respectively. 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 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 of the date of the notice. (Thompson)

Staff Analysis:

The SV water system is located in Polk County within the Southwest Florida Water Management District (SWFWMD). The Utility provides water service to approximately 725 residential customers, 4 general service customers, and 20 irrigation customers. Approximately 9 percent of the residential customer bills during the test year had zero gallons indicating a non-seasonal customer base. The average residential water demand is 5,420 gallons per month.

Currently, the Utility's rate structure consists of a monthly BFC of \$15.71, which includes an allotment of 8,000 gallons per month, and a two-tier inclining block rate structure for both water and wastewater service. The rate blocks are: 1) 8,001-10,000 gallons and 2) usage in excess of 10,000 gallons. Irrigation service is billed based on a monthly BFC of \$7.86, which includes an allotment of 8,000 gallons and a usage charge of \$.65 per 1,000 gallons. The BFC is billed monthly and the gallonage charges are billed quarterly. This rate structure is not considered conservation oriented because the 8,000 gallon allotment does not encourage conservation and billing on a quarterly basis for usage does not give customers a timely price signal. Therefore, in order to promote conservation, the allotment should be eliminated and the Utility should bill on a monthly basis.

Water Rates

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

Staff recommends that 40 percent of the water revenues should be generated from the BFC, which will provide sufficient revenues to design a gallonage charge that will send a pricing signal to customers using above non-discretionary usage. Based on the most recent census data, the average persons per household served by the Utility is three, which indicates the non-discretionary usage should be set at 5,000 gallons. Therefore, staff recommends a traditional

BFC and gallonage charge rate structure with an additional gallonage charge for non-discretionary usage for residential water customers. General service and irrigation customers should be billed a BFC and uniform gallonage charge. Staff's recommended rate structure is shown on Schedule No. 4-A.

Staff's recommended rate structure coupled with the revenue reflects that a repression adjustment is necessary. A repression adjustment quantifies changes in consumption patterns in response to an increase in price. Customers will typically reduce their discretionary consumption in response to price changes, while non-discretionary consumption remains relatively unresponsive to price changes.

Based on the customer billing data provided by the Utility, approximately 43 percent of total residential consumption is discretionary and therefore, subject to the effects of repression. Based on a recommended revenue increase of 54 percent, the residential discretionary consumption can be expected to decline by 6,704,000 gallons resulting in anticipated average residential demand of 4,649 gallons per month. Staff recommends a 14.3 percent reduction in total residential consumption and corresponding reductions of \$1,474 for purchased power, \$338 for chemicals, and \$85 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$112,646.

Wastewater Rates

Staff performed an analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages and gallonage caps for the residential wastewater customers. The goal of the evaluation was to select the rate design parameters that: 1) produce the recommended revenue requirement; 2) equitably distribute cost recovery among the utility's customers; and 3) implement a gallonage cap that considers approximately the amount of water that may return to the wastewater system.

Typically, the Commission's practice is to allocate at least 50 percent of the wastewater revenue requirement to the BFC due to the capital intensive nature of wastewater plants. Therefore, staff recommends a BFC allocation of 50 percent. Currently, the Utility does not have a gallonage cap for residential wastewater customers. The gallonage cap recognizes that not all water used by residential customers is returned to the wastewater system. The cap creates the maximum amount a residential customer would pay for wastewater service. Typically, the residential wastewater cap is set at approximately 80 percent of the water demand. Based on the Utility's billing analysis, the 8,000 gallon level is where approximately 80 percent of the water demand is captured. Therefore, staff recommends the gallonage cap should be set at 8,000 gallons. The gallonage charge for general service customers should be 1.2 times greater than the residential gallonage charge, which is consistent with Commission practice. Staff's recommended rate design for the wastewater system is shown on Schedule No. 4-B.

Summary

Based on the foregoing, staff recommends 40 percent of the water revenues be generated from the BFC. The traditional BFC and gallonage charge rate structure with an additional block for the non-discretionary usage threshold of 5,000 gallons should be approved for residential water customers. A 14.3 percent reduction in total residential consumption and corresponding reductions of \$1,474 for purchased power, \$338 for chemicals, and \$85 for RAFs should be made to reflect the anticipated repression. General service and irrigation customers should be billed a BFC and uniform gallonage charge.

Staff recommends that the residential wastewater customers' rate structure should consist of a BFC for all meter sizes, based on a 50 percent allocation of wastewater revenue to the BFC, with a cap of 8,000 gallons. General service wastewater customers should be billed a BFC and gallonage charge that is 1.2 times higher than the residential gallonage charge.

The recommended monthly water and wastewater rates and rate structure are shown on Schedule Nos. 4-A and 4-B, respectively. 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 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 of the date of the notice.

Issue 9: What is the appropriate amount by which rates should be reduced in 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.?

Preliminary Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B, 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. SV 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. (Lester, Thompson)

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 reductions are \$1,393 for both water and wastewater.

The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B 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. SV 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.

Issue 10: Should the recommended rates be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

Preliminary 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 with interest, in the event of a protest filed by a party other than the Utility. SV 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's Office of Commission Clerk 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. (Lester)

Staff Analysis: This recommendation proposes an increase in water and wastewater 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. SV 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.

SV 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 \$89,376. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If SV 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 SV 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 SV;
- 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 SV, 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.

SV should maintain a record of the amount of the security, 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's Office of Commission Clerk 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.

Docket No. 130211-WS

Date: January 16, 2014

Issue 11: 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 the Commission approved adjustments?

Preliminary Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, SV 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. (Lester)

Staff Analysis: To ensure that the Utility adjusts its books in accordance with the Commission's decision, SV 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.

S.V. UTILITIES, LTD. TEST YEAR ENDED 6/30/2013 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 130211-WS	
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENT	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$556,407	(\$146,607)	\$409,800
2. LAND & LAND RIGHTS	7,695	(5,074)	2,621
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	0	0	0
5. ACCUMULATED DEPRECIATION	(463,450)	160,367	(303,083)
6. AMORTIZATION OF CIAC	0	0	0
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>11,326</u>	<u>11,326</u>
8. WATER RATE BASE	<u>\$100,652</u>	<u>\$20,012</u>	<u>\$120,664</u>

S.V. UTILITIES, LTD. TEST YEAR ENDED 6/30/2013 SCHEDULE OF WASTEWATER RATE BASE		SCHEDULE NO. 1-B DOCKET NO. 130211-WS	
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENT	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$1,394,937	(\$904,106)	\$490,831
2. LAND & LAND RIGHTS	33,087	(5,152)	27,935
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	0	0	0
5. ACCUMULATED DEPRECIATION	(1,272,981)	864,863	(408,118)
6. AMORTIZATION OF CIAC	0	0	0
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>17,224</u>	<u>17,224</u>
8. WASTEWATER RATE BASE	<u>\$155,043</u>	<u>(\$27,171)</u>	<u>\$127,872</u>

S.V. UTILITIES, LTD.		SCHEDULE NO. 1-C	
TEST YEAR ENDED 6/30/2013		DOCKET NO. 130211-WS	
ADJUSTMENTS TO RATE BASE			
	<u>WATER</u>	<u>WASTEWATER</u>	
<u>UTILITY PLANT IN SERVICE</u>			
1. To reflect original cost study as of 12/31/2006 (AF 1).	(\$110,456)	(\$910,048)	
2. To reflect staff audit adjustments from report in Dkt. 070413-WS (AF1).	5,426	4,542	
3. To reflect plant additions and retirements (AF 2).	(41,376)	2,528	
4. To reflect simple average.	<u>(201)</u>	<u>(1,128)</u>	
Total	<u>(\$146,607)</u>	<u>(\$904,106)</u>	
<u>LAND</u>			
To reflect land at original cost per audit in Dkt. 070413-WS.	<u>(\$5,074)</u>	<u>(\$5,152)</u>	
<u>ACCUMULATED DEPRECIATION</u>			
1. To reflect the appropriate test year accumulated depreciation (AF5).	\$156,854	\$856,832	
2. To reflect simple average.	<u>3,513</u>	<u>8,031</u>	
Total	<u>\$160,367</u>	<u>\$ 864,863</u>	
<u>WORKING CAPITAL ALLOWANCE</u>			
To reflect 1/8 of test year O&M expenses.	<u>\$11,326</u>	<u>\$17,224</u>	

S.V. UTILITIES, LTD.
 TEST YEAR ENDED 6/30/2013
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
 DOCKET NO. 130211-WS

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON STOCK	(\$268,179)	\$360,767	\$92,588					
2. RETAINED EARNINGS	0	0	0					
3. PAID IN CAPITAL	0	0	0					
4. TREASURY STOCK	<u>0</u>	<u>0</u>	<u>0</u>					
5. TOTAL COMMON EQUITY	(\$268,179)	\$360,767	\$92,588	155,949	248,537	100.00%	8.74%	8.74%
6. LONG TERM DEBT	\$0	\$0	\$0	0	0	0.00%	7.00%	0.00%
7. LONG TERM DEBT	<u>360,767</u>	<u>(360,767)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	6.00%	0.00%
TOTAL LONG TERM DEBT	\$360,767	(\$360,767)	\$0	0	0	0.00%		
8. CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	2.00%	0.00%
9. TOTAL	<u>\$92,588</u>	<u>\$0</u>	<u>\$92,588</u>	<u>\$155,949</u>	<u>\$248,537</u>	<u>100.00%</u>		<u>8.74%</u>

RANGE OF REASONABLENESS

RETURN ON EQUITY

OVERALL RATE OF RETURN

LOW HIGH

7.74% 9.74%

7.74% 9.74%

S.V. UTILITIES, LTD.
 TEST YEAR ENDED 6/30/2013
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3-A
 DOCKET NO. 130211-WS

	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$74,417</u>	<u>(\$139)</u>	<u>\$74,278</u>	<u>\$40,268</u> 54.21%	<u>\$114,546</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$43,891	\$46,721	\$90,612	\$0	\$90,612
3. DEPRECIATION (NET)	11,374	(3,145)	8,229	0	8,229
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	3,347	0	3,347	1,812	5,159
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	0
7. TOTAL OPERATING EXPENSES	<u>\$58,612</u>	<u>\$43,576</u>	<u>\$102,188</u>	<u>\$1,812</u>	<u>104,000</u>
8. OPERATING INCOME/(LOSS)	<u>\$15,805</u>		<u>(\$27,910)</u>		<u>10,546</u>
9. WATER RATE BASE	<u>\$100,652</u>		<u>\$120,664</u>		<u>120,664</u>
10. RATE OF RETURN	<u>15.70%</u>		<u>-23.13%</u>		<u>8.74%</u>

S.V. UTILITIES, LTD.
 TEST YEAR ENDED 6/30/2013

SCHEDULE NO. 3-B
 DOCKET NO. 130211-WS

SCHEDULE OF WASTEWATER OPERATING INCOME

	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$71,130</u>	<u>\$965</u>	<u>\$72,095</u>	<u>\$93,734</u> 130.01%	<u>\$165,829</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$119,577	\$18,216	\$137,793	\$0	\$137,793
3. DEPRECIATION (NET)	11,369	(1,971)	9,398	0	9,398
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	3,197	47	3,244	4,218	7,462
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$134,143</u>	<u>\$16,292</u>	<u>\$150,435</u>	<u>\$4,218</u>	<u>\$154,653</u>
8. OPERATING INCOME/(LOSS)	<u>(\$63,013)</u>		<u>(\$78,340)</u>		<u>\$11,176</u>
9. WASTEWATER RATE BASE	<u>\$155,043</u>		<u>\$127,872</u>		<u>\$127,872</u>
10. RATE OF RETURN	<u>-40.64%</u>		<u>-61.26%</u>		<u>8.74%</u>

	<u>WATER</u>	<u>WASTEWATER</u>
OPERATING REVENUES		
1. To adjust utility revenues to audited test year amount.	(<u>\$139</u>)	<u>\$965</u>
OPERATION AND MAINTENANCE EXPENSES		
1. Salaries and Wages - Employees (601/ 701)		
To allocate utility payroll and corporate overhead salaries.	\$50,125	\$25,704
To eliminate unsupported management fee.	(<u>4,462</u>)	(<u>4,263</u>)
Subtotal	<u>\$45,663</u>	<u>\$21,441</u>
2. Purchased Power (615/715)		
To remove late fees (AF8).	(<u>\$32</u>)	(<u>\$133</u>)
Chemicals (618/718)		
To remove unsupported transactions.	<u>\$0</u>	(<u>\$227</u>)
3. Materials & Supplies (620)		
To remove unsupported transactions (AF 8).	(\$655)	\$0
To reclassify expense to water meters (AF2 & 8).	(1,602)	0
To include proper test year expense.	150	0
To reclassify M&S expense to plant-lift stations.	0	(\$2,988)
To reclassify M&S expense to water misc. plant.	0	(1,781)
To remove unsupported transactions (AF 8).	<u>0</u>	<u>(85)</u>
Subtotal	<u>(\$2,107)</u>	<u>(\$4,854)</u>
4. Contractual Services - Professional (631/731)		
To remove unsupported transactions (AF 8).	<u>\$0</u>	(<u>\$455</u>)
5. Contractual Services - Testing (635/735)		
To reflect 3 year lead and copper testing.	(\$182)	<u>\$0</u>
To reflect annual groundwater monitoring for WWTP.	0	\$2,100
To remove unsupported transactions (AF 8).	<u>0</u>	<u>(386)</u>
Subtotal	<u>(\$182)</u>	<u>\$1,714</u>

S.V. UTILITIES, LTD.
TEST YEAR ENDED 6/30/2013
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-C
DOCKET NO. 130211-WS
PAGE 2 OF 2

(O & M EXPENSES CONTINUED)	<u>WATER</u>	<u>WASTEWATER</u>
6. Contractual Services - Other (636/736)		
To remove unsupported transactions (AF 8).	\$0	(<u>\$110</u>)
Subtotal		
7. Rents (640/ 740)		
To allocate mini-excavator lease expense.	\$873	\$873
To reflect savings associated with mini-excavator.	<u>(263)</u>	<u>(263)</u>
Subtotal	<u>\$610</u>	<u>\$610</u>
8. Transportation Expense		
To remove unsupported and out-of-period expenses (AF8).	<u>(\$279)</u>	<u>(\$201)</u>
9. Regulatory Commission Expense (765)		
To reflect 4-year amortization of rate case expense (\$10,525/4).	<u>\$1,316</u>	<u>\$1,316</u>
10. Insurance Expense		
To include current premium for general liability.	<u>\$1,732</u>	<u>(\$885)</u>
TOTAL O & M EXPENSE ADJUSTMENTS	<u>\$46,721</u>	<u>\$18,216</u>
DEPRECIATION EXPENSE		
To reflect test year depreciation calculated per 25-30.140, F.A.C. (AF10)	<u>(\$3,145)</u>	<u>(\$1,971)</u>
TAXES OTHER THAN INCOME		
To reflect appropriate RAFs (AF11).	<u>\$0</u>	<u>\$47</u>

TEST YEAR ENDED 6/30/2013
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3-D
 DOCKET NO. 130211-WS

	TOTAL PER UTILITY	STAFF ADJUSTMENT	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$852	\$45,663	\$46,515
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	10,888	(32)	10,856
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	2,490	0	2,490
(620) MATERIALS AND SUPPLIES	7,519	(2,107)	5,412
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	13,252	0	13,252
(635) CONTRACTUAL SERVICES - TESTING	1,278	(182)	1,096
(636) CONTRACTUAL SERVICES - OTHER	1,132	0	1,132
(640) RENTS	0	610	610
(650) TRANSPORTATION EXPENSE	3,187	(279)	2,908
(655) INSURANCE EXPENSE	789	1,732	2,521
(665) REGULATORY COMMISSION EXPENSE	0	1,316	1,316
(670) BAD DEBT EXPENSE	138	0	138
(675) MISCELLANEOUS EXPENSES	<u>2,366</u>	<u>0</u>	<u>2,366</u>
	<u>\$43,891</u>	<u>\$46,721</u>	<u>\$90,612</u>

S.V. UTILITIES, LTD.
 TEST YEAR ENDED 6/30/2013
 ANALYSIS OF WASTEWATER OPERATION AND
 MAINTENANCE EXPENSE

SCHEDULE NO. 3-E
 DOCKET NO. 130211-WS

	TOTAL PER UTILITY	STAFF ADJUSTMENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$33,173	\$21,441	\$54,614
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	20,038	0	20,038
(715) PURCHASED POWER	19,166	(133)	19,033
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	6,296	(227)	6,069
(720) MATERIALS AND SUPPLIES	13,447	(4,854)	8,593
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	6,588	(455)	6,133
(735) CONTRACTUAL SERVICES - TESTING	8,653	1,714	10,367
(736) CONTRACTUAL SERVICES - OTHER	5,270	(110)	5,160
(740) RENTS	0	610	610
(750) TRANSPORTATION EXPENSE	3,370	(201)	3,169
(755) INSURANCE EXPENSE	2,539	(885)	1,654
(765) REGULATORY COMMISSION EXPENSES	0	1,316	1,316
(770) BAD DEBT EXPENSE	138	0	138
(775) MISCELLANEOUS EXPENSES	<u>899</u>	<u>0</u>	<u>899</u>
	<u>\$119,577</u>	<u>\$18,216</u>	<u>\$137,793</u>

S.V. UTILITIES, LTD.
 TEST YEAR ENDED JUNE 30, 2013
 MONTHLY WATER RATES

SCHEDULE NO. 4-A
 DOCKET NO. 130211-WS

	UTILITY CURRENT RATES	STAFF PRELIMINARY RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service*</u>			
Base Facility Charge for All Meter Sizes	\$15.71		
Charge per 1,000 gallons			
0 - 8,000 gallons	\$0.00		
8,001 - 10,000 gallons	\$1.31		
Over 10,000 gallons	\$2.09		
* The Utility collects a base facility charge (BFC) and gallonage charges for both water and wastewater service, which includes an allotment of 8,000 gallons per month			
Base Facility Charge by Meter Size:			
5/8"X3/4"		\$4.65	\$0.06
3/4"		\$6.98	\$0.08
1"		\$11.63	\$0.14
1-1/4"		\$18.60	\$0.23
1-1/2"		\$23.25	\$0.28
2"		\$37.20	\$0.45
3"		\$74.40	\$0.90
4"		\$116.25	\$1.41
6"		\$232.50	\$2.83
8"		\$372.00	\$4.52
Charge per 1,000 gallons - Residential			
0 - 5,000 gallons		\$1.39	\$0.02
Over 5,000 gallons		\$2.34	\$0.03
Charge per 1,000 gallons – General Service			
		\$1.58	\$0.02
<u>Irrigation</u>			
Base Facility Charge for All Meter Sizes:	\$7.86**	\$4.65	\$0.06
Charge per 1,000 gallons - Irrigation	\$0.65	\$1.58	\$0.02
** Includes an allotment of 8,000 gallons per month.			
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$15.71	\$8.82	
6,000 Gallons	\$15.71	\$13.94	
10,000 Gallons	\$18.33	\$23.30	

S.V. UTILITIES, LTD.
 TEST YEAR ENDED JUNE 30, 2013
 MONTHLY WASTEWATER RATES

SCHEDULE NO. 4-B
 DOCKET NO. 130211-WS

	UTILITY CURRENT RATES	STAFF PRELIMINARY RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge for All Meter Sizes	*		
Charge per 1,000 gallons			
0 - 8,000 gallons	*		
8,001 - 10,000 gallons	*		
Over 10,000 gallons	*		
* The Utility collects a base facility charge (BFC) and gallonage charges for both water and wastewater service, which includes an allotment of 8,000 gallons per month.			
Base Facility Charge by Meter Size:			
5/8"X3/4"		\$9.28	\$0.08
3/4"		\$13.92	\$0.12
1"		\$23.20	\$0.19
1-1/4"		\$37.12	\$0.31
1-1/2"		\$46.40	\$0.39
2"		\$74.24	\$0.62
3"		\$148.48	\$1.25
4"		\$232.00	\$1.95
6"		\$464.00	\$3.90
8"		\$742.40	\$6.23
Charge per 1,000 gallons - Residential 8,000 gallon cap		\$1.92	\$0.02
Charge per 1,000 gallons - General Service		\$2.30	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$15.71	\$15.04	
6,000 Gallons	\$15.71	\$20.80	
10,000 Gallons	\$18.33	\$24.64	