STATE OF FLORIDA

DIVISION OF
ACCOUNTING AND FINANCE
ANDREW L. MAUREY
DIRECTOR
(850) 413-6900

Public Service Commission

March 4, 2015

Jumper Creek Utility Company
Attn: Mr. Gary Deremer, Regional Director
4939 Cross Bayou Boulevard
New Port Richey, Florida 34652

Re: Docket No. 140147-WS, Application of Jumper Creek Utility Company for Staff Assisted Rate Case in Sumter County.

Dear Mr. Deremer:

This will confirm that Commission staff will hold a customer meeting on Wednesday, April 1, 2015. We ask that, if at all possible, you or another knowledgeable representative of the Utility attend the meeting in order to answer customer questions. The location of the general meeting will be as follows:

6:00 p.m., Wednesday, April 1, 2015
Webster City Hall
49 SE 1st St.
Webster, Florida 33597

As required by Rule 25-22.0407(9)(b), Florida Administrative Code (F.A.C.), the utility shall provide, in writing, a customer meeting notice to all customers within its service area no less than 14 days and no more than 30 days prior to the date of a customer meeting. A draft customer meeting notice is enclosed. Please note the date has been left blank so that you can fill in the date that the notice is sent to the customers. Please furnish me with a copy of the notice, as reproduced at the time it is distributed to your customers, together with a cover letter indicating the exact date(s) on which the notice was mailed or otherwise delivered to the customers.

In addition, we have enclosed 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)(a), F.A.C., by all interested persons at the following location:

E.C. Rowell Public Library
2810 C-478A
Webster, FL 33597

For your convenience, I have also enclosed a copy of Rule 25-22.0407(a), F.A.C. Should you have any questions about any of the matters contained herein, please do not hesitate to contact me at (850) 413-6185. In addition, you may contact Matthew Vogel at (850) 413-6453 with any questions.

Sincerely,

for

Lee Eng Tan
Senior Attorney

Enclosures

TLT/mv

cc: Division of Accounting and Finance (Cicchetti, Mouring, Vogel)
Division of Economics (Hudson, Thompson)
Division of Engineering (King, Watts)
Office of General Counsel (Teitzman, Tan)
Office of Commission Clerk (Docket No. 140147-WS)

Rule 25-22.0407(9), Florida Admininstrative Code

(9) When a utility applies for a staff-assisted rate case in accordance with Section 367.0814, F.S. and Rule 25-30.455, F.A.C., and staff-assistance is granted, the requirements of subsections (2), (3), (4) and (5) of this rule shall not apply.

(a) Upon receipt of the staff reports, the utility shall place two copies of its application for staff-assistance and the staff reports at any business offices it has in its service area. Such copies shall be available for public inspection during the utility's regular business hours. If the utility does not have a business office in its service area, the utility shall place two copies of its application and the staff reports at the main county library, the local community center or other appropriate location that is within or most convenient to the service area and that is willing to accept and provide public access to the copies.

(b) No less than 14 days and no more than 30 days prior to the date of a customer meeting conducted by the Commission staff, the utility shall provide, in writing, a customer meeting notice to all customers within its service area and to all persons in the same service areas who have filed a written request for service or who have been provided a written estimate for service within the 12 calendar months prior to the month the petition is filed.

(c) The customer meeting notice shall be approved by the Commission staff prior to distribution and shall include the following:

1. The date the notice was issued;
2. The time, date, location, and purpose of the customer meeting;
3. A statement that the utility has applied for a staff-assisted rate case and the general reasons for doing so;
4. A statement of the location where copies of the application and the staff reports are available for public inspection and the times during which inspection may be made;
5. A comparison of current rates and charges and the proposed new rates and charges;
6. The utility's address, telephone number, and business hours;
7. A statement that written comments regarding utility service or the proposed rates and charges should be addressed to the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870, and that such comments should identify the docket number assigned to the proceeding;
8. A statement that complaints regarding service may be made to the Commission's Office of Consumer Assistance and Outreach at the following toll-free number: 1(800) 342-3552.
9. A statement that the Commission will be reviewing the utility's service availability charges in the pending case and that the Commission may adjust those charges.
10. The docket number assigned by the Commission's Office of Commission Clerk.

(d) The customer meeting notice shall be mailed to the out-of-town address of all customers who have provided the utility with an out-of-town address.

(e) If the proposed agency action order issued in the case is protested and any hearings are subsequently held, the utility shall give notice in accordance with subsections (6) and (7) above.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF CUSTOMER MEETING

TO THE CUSTOMERS OF JUMPER CREEK UTILITY COMPANY

AND

ALL OTHER INTERESTED PERSONS

DOCKET NO. 140147-WS

APPLICATION OF JUMPER CREEK UTILITY COMPANY

FOR A STAFF-ASSISTED RATE CASE IN

SUMTER COUNTY

Issued:

Notice is hereby given that the staff of the Florida Public Service Commission (Commission) will conduct a customer meeting to discuss the application of Jumper Creek Utility Company (Jumper Creek or Utility) for a staff-assisted rate case (SARC) in Sumter County. The meeting will be held at the following time and place:

6:00 p.m., Wednesday, April 1, 2015
Webster City Hall
49 SE 1st St.
Webster, Florida 33597

All persons who wish to comment are urged to be present at the beginning of the meeting, since the meeting may be adjourned early if no customers are present. One or more of the Commissioners of the Commission may attend and participate in this meeting. The meeting will begin as scheduled and will continue until all the customers have been heard.

If a named storm or other disaster requires cancellation of the meeting, Commission staff will attempt to give timely direct notice to the parties. Notice of the cancellation of the meeting will also be provided on the Commission's website (http://www.psc.state.fl.us/) under the Hot Topics link found on the home page. Cancellation can also be confirmed by calling the Commission's Office of the General Counsel at (850) 413-6199.

Any person requiring some accommodation at the customer meeting because of a physical impairment should call the Office of Commission Clerk at (850) 413-6770 at least five calendar days prior to the meeting. Any person who is hearing or speech impaired should contact the Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD).

PURPOSE

The purpose of this meeting is to give customers and other interested persons an opportunity to offer comments to Commission staff regarding the quality of service the Utility provides, the proposed rate increase, and to ask questions and comment on staff's preliminary rates included in this notice as well as other issues. Staff members will summarize Jumper Creek's proposed filing, the preliminary work accomplished, and answer questions to the extent possible. A representative from the Utility has also been invited to respond to questions.

At the beginning of the meeting, procedures will be established for the order of comments. Commission Staff will have sign-up sheets, and customers will be called to speak in the order that they sign up. Staff will be available to coordinate customers' comments and to assist members of the public.

Any person who wishes to comment or provide information to staff may do so at the meetings, orally or in writing. Written comments may also be sent to the Commission at the address given at the end of this notice. Your letter will be placed in the correspondence file of this docket. You may also submit comments through the Commission's toll-free facsimile line at 1-800-511-0809.

BACKGROUND

Jumper Creek Utility Company (Jumper Creek or Utility) is a Class C water and wastewater utility serving approximately 43 customers in Sumter County. Jumper Creek's service territory is located in the Southwest Florida Water Management District (SWFWMD) and is not in a water use caution area. The Utility's application in the instant docket shows total gross revenues of $13,078 for water and $18,624 for wastewater, with net operating loss of $10,424 and $423 for water and wastewater, respectively.

The Jumper Creek systems were originally owned by the Jumper Creek Manor Homeowners' Association, Inc. (HOA). The HOA, as a nonprofit entity, was exempt from Commission regulation, pursuant to Section 367.022(7), Florida Statutes (F.S.). In 2007, the HOA transferred its interests in the Jumper Creek systems to Jumper Creek Joint Venture, which in a 2010 docket, transferred its interest in the Jumper Creek systems to Aqua Utilities Florida, Inc. Jumper Creek was then transferred to its current ownership in a 2013 transfer docket by Order No. PSC-14-0299-PAA-WS.[1]

CURRENT AND PRELIMINARY RATES AND CHARGES

Staff has compiled the following rates and charges for the purpose of discussion at the customer meeting. These rates are preliminary and subject to change based on information gathered at the customer meeting, further staff review, and the final decision by the Commission. The Utility's current, and staff's preliminary rates and charges, are as follows:

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[1] Issued June 11, 2014 in Docket No. 130176-WS, In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 507-W and 441-S of Aqua Utilities Florida, Inc. to Jumper Creek Utility Company in Sumter County.

MONTHLY WATER RATES

	RATES AT TIME OF FILING	COMMISSION APPROVED INTERIM RATES	STAFF PRELIMINARY RECOMMENDED RATES
Residential and General Service			
Base Facility Charge for All Meter Sizes	$25.25	$48.77	N/A
Base Facility Charge by Meter Size			
5/8" x 3/4"	N/A	N/A	$22.45
3/4"	N/A	N/A	$33.68
1"	N/A	N/A	$56.13
1-1/2"	N/A	N/A	$112.25
2"	N/A	N/A	$179.60
3"	N/A	N/A	$359.20
4"	N/A	N/A	$561.25
6"	N/A	N/A	$1,122.50
8"	N/A	N/A	$1,796.00
Charge per 1,000 gallons	N/A	N/A	$8.03
0 - 10,000 gallons	$0.00	$0.00	N/A
Over 10,000 gallons	$2.52	$4.87	N/A
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
3,000 Gallons	$25.25		$46.54
5,000 Gallons	$25.25		$62.60
10,000 Gallons	$25.25		$102.75

MONTHLY WASTEWATER RATES

	RATES AT TIME OF FILING	COMMISSION APPROVED INTERIM RATES	STAFF PRELIMINARY RECOMMENDED RATES
Residential Service			
Flat Rate	$40.44	$41.25	N/A
Base Facility Charge for All Meter Sizes	N/A	N/A	$31.65
Charge per 1,000 gallons - Residential 6,000 gallon cap	N/A	N/A	$8.35
General Service			
Flat Rate	$40.44	$41.25	N/A
Base Facility Charge by Meter Size			
5/8"X3/4"	N/A	N/A	$31.65
3/4"	N/A	N/A	$47.48
1"	N/A	N/A	$79.13
1-1/2"	N/A	N/A	$158.25
2"	N/A	N/A	$253.20
3"	N/A	N/A	$506.40
4"	N/A	N/A	$791.25
6"	N/A	N/A	$1,582.50
8"	N/A	N/A	$2,532.00
Charge per 1,000 gallons	N/A	N/A	$10.02
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
3,000 Gallons	$40.44	$41.25	$56.70
5,000 Gallons	$40.44	$41.25	$73.40
10,000 Gallons	$40.44	$41.25	$81.75

STAFF REPORTS AND UTILITY APPLICATION

The results of staff's preliminary investigation are contained in a staff report dated March 3, 2015. Copies of the report may be examined by interested members of the public from 9 a.m. to 6 p.m. Monday through Friday, and from 9 a.m. to 4 p.m. on Saturday, at the following location:

E.C. Rowell Public Library
2810 C-478A
Webster, FL 33597

PROCEDURES AFTER CUSTOMER MEETING

After the customer meeting, Commission staff will prepare a recommendation which is scheduled to be submitted to the Commission on May 20, 2015. The Commission will then vote on staff's recommendation at its June 2, 2015 Commission Conference. The Commission will thereafter issue a proposed agency action (PAA) order containing rates which may be different from those contained in staff's final recommendation. Substantially affected persons have 21 days from the date that the PAA order is issued to protest the Commission's PAA order. Customers are able to obtain a copy of staff's recommendation and all documents filed in this docket from the Commission's website (http://www.psc.state.fl.us/).

HOW TO CONTACT THE COMMISSION

Written comments regarding the Utility and the proposed rates, and requests to be placed on the mailing list for this case, may be directed to this address:

Commission Clerk, Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

All correspondence should refer to "Docket No. 140147-WS, Jumper Creek Utility Company." If you wish to contact the Commission regarding complaints about service, you may call the Commission's Division of Service, Safety and Consumer Assistance at the following toll-free number: 1-800-342-3552. This notice was prepared by Commission staff for distribution by the Utility to its customers.

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:	March 4, 2015
TO:	Mark Cicchetti, Chief of Finance, Tax & Cost Recovery, Division of Accounting & Finance
FROM:	Matthew Vogel, Public Utility Analyst, Division of Accounting & Finance Kelly Thompson, Public Utility Analyst, Division of Economics Melinda Watts, Engineering Specialist, Division of Engineering Lee Eng Tan, Senior Attorney, Office of the General Counsel
RE:	Docket No. 140147-WS Application of Jumper Creek Utility Company for Staff Assisted Rate Case in Sumter County.

- STAFF REPORT –

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

Table of Contents

Case Background

Jumper Creek Utility Company (Jumper Creek or Utility) is a Class C water and wastewater utility serving approximately 43 customers in Sumter County. Jumper Creek's service territory is located in the Southwest Florida Water Management District (SWFWMD) and is not in a water use caution area. The Utility's application in the instant docket shows total gross revenues of $13,078 for water and $18,624 for wastewater, with net operating losses of $10,424 and $423 for water and wastewater, respectively.

The Jumper Creek systems were originally owned by the Jumper Creek Manor Homeowners' Association, Inc. (HOA). The HOA, as a nonprofit entity, was exempt from Commission regulation, pursuant to Section 367.022(7), Florida Statutes (F.S.). In 2007, the HOA transferred its interests in the Jumper Creek systems to Jumper Creek Joint Venture. In a 2010 transfer docket, by Order No. PSC-11-0377-PAA-WS,[1] Jumper Creek Joint Venture transferred its interest in the Jumper Creek systems to Aqua Utilities Florida, Inc. Rates for the Utility were approved in the 2010 docket and have not changed. The Jumper Creek systems were then transferred to Jumper Creek Utility Company in a 2013 transfer docket by Order No. PSC-14-0299-PAA-WS.[2] Jumper Creek's net book value was last established in this order.

In the instant docket, Jumper Creek filed its application for a Staff-Assisted Rate Case (SARC) on August 1, 2014 and subsequently completed the Commission's filing requirements. October 3, 2014 was established as the official filing date in this case. The Commission has jurisdiction in this case pursuant to Sections 367.0814, F.S.

This Staff Report is a **preliminary** analysis of the Utility prepared by the PSC 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 May 20, 2015, for the June 2, 2015 Commission Conference) will be revised as necessary using updated information including quality of service or other relevant comments received at the customer meeting.

[1] Issued September 12, 2011 in Docket No. 100114-WS, In re: Application for approval of transfer of Horizon Homes of Central Florida, Inc. and Five Land Group, LLC's water and wastewater systems to Aqua Utilities Florida, Inc., and for amendment of Certificate Nos. 507-W and 441-S, in Sumter County.
[2] Issued June 11, 2014 in Docket No. 130176-WS, In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 507-W and 441-S of Aqua Utilities Florida, Inc. to Jumper Creek Utility Company in Sumter County.

Discussion of Issues

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

Preliminary Recommendation: Staff's recommendation regarding quality of service will not be finalized until after the April 1, 2015 customer meeting. (M. Watts)

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 operational conditions of the utility's plant and facilities, and the utility's attempt to address customer satisfaction. Jumper Creek's compliance with the Department of Environmental Protection (DEP) and the SWFWMD regulations, and customer comments or complaints received by the Commission also are reviewed.

Quality of Utility's Product and Operating Condition of the Utility's Plant and Facilities

Jumper Creek's service area is located near Bushnell, Florida, in Sumter County. The raw water source is ground water, which is obtained from two wells in the service area and is treated. The water treatment processing sequence is to pump raw water from the aquifer, inject calcium hypochlorite, and distribute. Jumper Creek is current in all of its required chemical analyses. Laboratory tests show that Jumper Creek's finished water product is well below the maximum contaminant levels allowed by DEP for all primary and secondary contaminants, and there appears to be no water compliance issues with this facility.

The wastewater treatment plant is an extended aeration facility with reclaimed water directed to a rapid infiltration basin. There appears to be no wastewater compliance issues with this facility.

The Utility's Attempt to Address Customer Satisfaction

As of January 14, 2015, the Commission has received correspondence from one customer concerning the rate case. This customer objected to a rate increase. There are no outstanding complaints in the Commission's Complaint Tracking System, and it appears there were no complaints to DEP during the previous five years. A customer meeting is scheduled to be held on April 1, 2015, in Webster, Florida. A determination of the Utility's attempt to address customer satisfaction will be decided at a later date, pending review of customer comments made at the upcoming meeting.

Summary

Quality of service will be determined at a later date, pending review of comments made at the April 1, 2015 customer meeting.

Issue 2: What are the used and useful (U&U) percentages of Jumper Creek's water treatment plant (WTP), wastewater treatment plant (WWTP) and distribution and collection systems?

Preliminary Recommendation: Jumper Creek's WTP should be considered 100 percent U&U, its WWTP should be considered 10.5 percent U&U, and its distribution and collection systems should be considered 37.4 percent U&U. There is no indication of excessive unaccounted for water (EUW) or excessive inflow and infiltration (I&I). (M. Watts)

Staff Analysis: Jumper Creek's water system has a 12-inch well rated at 75 gallons per minute (gpm) and an 8-inch well rated at 75 gpm, for a total capacity of 150 gpm. The Utility has a 13,000-gallon hydropneumatic tank for system pressurization. A hypochlorination system is used for disinfection and water from the tanks is pumped into the water distribution system. The distribution system is a network of approximately 5,410 linear feet of 6" PVC pipe. According to the Utility, there are 9 fire hydrants in its service area.

The WWTP is a 35,000 gallon per day (gpd) extended aeration facility operated to provide secondary treatment with basic disinfection. Reclaimed water is directed to a two-cell rapid infiltration basin with a 12,100 square foot wetted area. The collection system is a composite network of force mains, collecting mains, and a lift station. According to the Utility's annual report, the force mains consist of approximately 1,088 linear feet of 4" PVC pipe, and the collecting mains consist of approximately 4,872 linear feet of 4" PVC pipe. According to the Utility, there are 23 manholes.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., describes EUW as unaccounted for water in excess of 10 percent of the amount produced. When establishing the Rule, the Commission recognized that some uses of water are readily measurable and others are not. Unaccounted for water is all water that is produced that is not sold, metered or accounted for in the records of the utility. 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 unaccounted for water is calculated by subtracting both the gallons used for other purposes, such as flushing, and the gallons sold to customers from the total gallons pumped for the test year. The Utility's records indicated 2,484,730 gallons of water were produced during the test year, 2,260,000 gallons of water were sold to customers, and 112,462 gallons were used for other purposes. Thus, unaccounted for water is 4.5 percent of the amount produced, resulting in no EUW.

Water Treatment Plant Used & Useful

Pursuant to Rule 25-30.4325, F.A.C., the U&U percentage of a WTP without storage is calculated by dividing the peak system demand by the firm reliable capacity (FRC). The system demand is based on the single maximum day in the test year less EUW, plus a fire flow allowance and a growth allowance. Because the Utility has no storage capacity, the FRC is based on the capacity of the system excluding the largest well, expressed in gpm. The Utility has

two wells rated at 75 gpm each. Thus, excluding one and using the capacity of the remaining well, the Utility's FRC is 75gpm.

The peak day of 23,600 gallons (or 16.4 gpm), which occurred on March 31, 2014, appears to be appropriate since it is not associated with unusual occurrences. Fire flow for the Utility's service area is 500 gpm. As discussed above, the Utility's EUW is zero. Pursuant to Rule 25-30.431, F.A.C., a linear regression analysis of the Utility's historical growth shows that there has been no growth for the 5-year statutory growth period. Thus, a growth allowance is not considered. Therefore, pursuant to Rule 25-30.4325, F.A.C., staff recommends that the WTP be considered 100 percent U&U. [(16.4gpm+500gpm)/75gpm]

Inflow & Infiltration

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 gallons per day per inch diameter pipe per mile, and an additional 10 percent of water sold is allowed for inflow. The Utility's records indicated that there was no excessive I&I for the test year.

Wastewater Treatment Plant Used & Useful

Pursuant to Rule 25-30.432, F.A.C., the U&U analysis of the Utility's WWTP is based on the customer demand compared with the permitted plant capacity, with customer demand measured on the same basis as permitted capacity. The DEP permitted capacity for this facility is based on a three-month rolling average daily flow (3MRADF). Consideration is given for growth and I&I. Based on the 3MRADF during the test year of 3,664 gpd and the DEP permitted plant capacity of 35,000 gpd, with no consideration given for growth, staff recommends that the WWTP be considered 10.5 percent U&U.

Water Distribution and Wastewater Collection Systems Used & Useful

The U&U analysis for the water distribution and wastewater collection systems are determined by dividing the number of lots connected to the systems by the number of lots fronting mains in the service area. Consideration is given for growth, if applicable. The Utility reported 43 connections during the test year, with 115 lots fronting mains. Therefore, staff recommends that the water distribution and wastewater collection systems be considered 37.4 percent U&U.

Summary

Jumper Creek's WTP should be considered 100 percent U&U, its WWTP should be considered 10.5 percent U&U, and its distribution and collection systems should be considered 37.4 percent U&U. There is no indication of EUW or excessive I&I.

Issue 3: What is the appropriate average test year water rate base and wastewater rate base for Jumper Creek?

Recommendation: The appropriate average test year water rate base for Jumper Creek is $62,491 and the average test year wastewater rate base is a negative $12,212. (Vogel)

Staff Analysis: Jumper Creek's net book value was last established in its 2013 transfer docket by Order No. PSC-14-0299-PAA-WS.[3] The test year ended June 30, 2014, was used for the instant case. A summary of each water rate base and wastewater rate base component, and recommended adjustments are discussed below.

Utility Plant in Service (UPIS): The Utility recorded UPIS of $511,881 for water and $389,284 for wastewater. The Jumper Creek audit noted no exceptions to the Utility's UPIS balances. No adjustments are necessary; therefore, staff recommends that the appropriate UPIS balances are $511,881 for water and $389,284 for wastewater.

Land & Land Rights: The Utility recorded a test year land value of $2,272 for water and $18,722 for wastewater. No adjustments are necessary; therefore, staff recommends that the appropriate land balances are $2,272 and $18,722 for water and wastewater, respectively.

Non-Used and Useful (non-U&U) Plant: The Utility recorded non-U&U plant balances of $0 for water and $128,851 for wastewater. As discussed in Issue 2, the WTP should be considered 100 percent U&U and the WWTP should be considered 10.5 percent U&U. In Issue 2, Jumper Creek's distribution and collection systems were calculated as 37.4 percent U&U. In Order No. PSC-11-0377-PAA-WS, it was determined that the Utility's distribution and collection systems were developer contributed and imputed in contributions in aid of construction, therefore, these systems should be considered 100 percent U&U.[4]

Application of the U&U percentage to the average plant balances, associated average accumulated depreciation balances, and associated average acquisition adjustment (AA) balances results in a net decrease of $83,724 for wastewater non-U&U components. Therefore, staff's recommended non-U&U plant balances are $0 for water and $45,127 for wastewater.

Contributions In Aid of Construction (CIAC): The Utility recorded CIAC balances of $157,236 for water and $221,828 for wastewater. Commission audit staff found no additions in the test year, and determined that no adjustments are necessary. Staff's recommended CIAC is $157,236 and $221,828 for water and wastewater, respectively.

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[3] See Order No. PSC-14-0299-PAA-WS, issued June 11, 2014, in Docket No. 130176-WS, In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 507-W and 441-S of Aqua Utilities Florida, Inc. to Jumper Creek Utility Company in Sumter County.

[4] See Order No. PSC-11-0377-PAA-WS, issued September 12, 2011, in Docket No. 100114-WS, In re: Application for approval of transfer of Horizon Homes of Central Florida, Inc. and Five Land Group, LLC's water and wastewater systems to Aqua Utilities Florida, Inc., and for amendment of Certificate Nos. 507-W and 441-S, in Sumter County.

Accumulated Depreciation: Jumper Creek recorded a test year accumulated depreciation balance of $151,215 for water and $126,053 for wastewater. Staff recalculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C., and depreciation associated with plant additions and retirements. Staff has decreased this account by $11,885 for water and $9,512 for wastewater to reflect the simple average. Staff's adjustment to this account results in accumulated depreciation balances of $139,330 for water and $116,541 for wastewater.

Accumulated Amortization of CIAC: The Utility recorded amortization of CIAC of $38,790 for water and $54,724 for wastewater. Amortization of CIAC has been recalculated by staff using composite depreciation rates, and staff has decreased this account by $6,430 for water and increased this account by $3,531 for wastewater. Also, staff has decreased this account by $2,195 for water and $4,078 for wastewater to reflect the simple average. Staff's net adjustments result in a decrease of $8,625 for water and $547 for wastewater. Staff's recommended accumulated amortization of CIAC balances are $30,166 for water and $54,177 for wastewater.

Acquisition Adjustment (AA): The Utility recorded AA balances of $208,895 for water and $104,855 for wastewater. An averaging adjustment was not made to this account due to the timing of the test year; an adjustment would not be representative of the Utility's situation. Therefore, staff recommends that the appropriate acquisition adjustment balances are $208,895 for water and $104,855 for wastewater.

Accumulated Amortization of the AA: The Utility recorded an accumulated amortization of the AA balance of $0 for water and $0 for wastewater. Staff has increased these accounts by $1,125 for water and $572 for wastewater to reflect the appropriate amount of accumulated amortization of the AA. Staff increased these balances by $20,143 for water and by $10,249 for wastewater to include a full year of accumulated amortization of the AA. Inclusion of a full year of amortization more appropriately represents the Utility's situation. Staff's total adjustments to this account result in accumulated amortization of the AA balances of $21,268 for water and $10,821 for wastewater.

Working Capital Allowance: Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(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 $2,366 for water (based on O&M expense of $18,924/8), and $3,135 for wastewater (based on O&M expense of $25,078/8).

Rate Base Summary: Based on the foregoing, staff recommends that the appropriate average test year rate base for water is $62,491 and the average test year rate base for wastewater is a negative $12,212. Water and wastewater rate bases are shown on Schedule Nos. 1-A and 1-B, respectively. The related adjustments are shown on Schedule No. 1-C.

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

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 8.64 percent. (Vogel)

Staff Analysis: According to staff's audit, Jumper Creek's test year capital structure reflected common equity of $2,810 and customer deposits of $760.

The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE for the Utility is 8.74 percent based upon the Commission-approved leverage formula currently in effect.[5] 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 8.64 percent. The ROE and overall rate of return are shown on Schedule No. 2.

[5] See Order No. PSC-14-0272-PAA-WS, issued May 29, 2014, in Docket No. 140006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

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 Jumper Creek's water and wastewater systems are $13,370 and $20,662, respectively. (Thompson)

Staff Analysis: Jumper Creek recorded total test year water revenues of $13,078, which includes water service revenues of $11,746 and miscellaneous revenues of $1,332. The Utility recorded total test year wastewater revenues of $18,624. Based on staff's review of the Utility's billing determinants and the rates that were in effect during the test year, staff determined service revenues for the water system should be increased by $980 to reflect total test year service revenues of $12,726. Staff adjusted miscellaneous revenues to reflect the appropriate amount of $1,288 and split it equally among water and wastewater. As a result, miscellaneous revenues should be decreased by $688 for water and increased by $644 for wastewater to reflect the appropriate miscellaneous revenues of $644 for each system during the test year. Therefore, staff recommends that the appropriate test year revenues for Jumper Creek's water and wastewater systems are $13,370 ($13,078 + $980 - $688) and $20,662 ($20,018 + $644), respectively. Test year revenues are shown on Schedule Nos. 3-A and 3-B.

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

Preliminary Recommendation: The appropriate amount of operating expense for the Utility is $23,196 for water and $24,335 for wastewater. (Vogel)

Staff Analysis: Jumper Creek recorded operating expense of $40,132 for water and $36,333 for wastewater for the test year ended June 30, 2014. 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.

Chemicals (618/718) – The Utility recorded chemicals expense of $47 for water and $455 for wastewater. To include all invoices for the test year, staff has increased this account by $357 for water. Therefore, staff recommends chemicals expense of $404 and $455 for water and wastewater, respectively.

Contractual Services - Professional (631/731) – Jumper Creek recorded contractual services – professional expense of $1,250 for water and $2,083 for wastewater. The Utility included an invoice with no supporting documentation in the wastewater account; therefore, staff has decreased this account by $833. The resulting amounts for contractual services – professional expense are $1,250 for water and $1,250 for wastewater.

Contractual Services - Other (636/736) –To date, staff believes the contract between Jumper Creek and U.S. Water Corp. is appropriate and serves the Utility and its customers well. Further investigation into the contract is in progress and a final recommendation on the appropriateness of the contract is forthcoming.

Jumper Creek recorded contractual services – other expense of $11,503 for water and $16,391 for wastewater. Although these balances are accurate for the test year, staff believes the account should reflect the current contract. Staff has increased these accounts by $119 for water and $184 for wastewater. Also, the Utility included an extra month of expenses in the water account; therefore, staff has decreased this account by $894. Staff's net adjustments are a $775 decrease to water and a $184 increase to wastewater. The resulting amounts for contractual services – other expense are $10,728 for water and $16,575 for wastewater.

Insurance Expense (655/755) – Jumper Creek recorded insurance expense of $1,098 for water and $366 for wastewater for the test year. Staff has reduced insurance expense by $99 for lack of documentation. In addition, staff believes insurance expense should be allocated equally between the water and wastewater systems. Therefore, staff has split the remaining $1,365 between the two systems, $682 for water and $682 for wastewater. Staff's net adjustments decrease insurance expense for water by $416 and increase insurance expense for wastewater by $316. Therefore, staff recommends insurance expense for the test year of $682 for water and $682 for wastewater.

Regulatory Commission Expense (665/765) – The Utility recorded regulatory commission expense of $118 for water and $118 for wastewater for the test year. This includes filing fees, noticing fees, and consulting fees. No adjustments were made to this account. Staff recommends regulatory commission expense of $118 for water and $118 for wastewater.

Bad Debt Expense (670/770) – Jumper Creek recorded bad debt expense of $825 for water and $174 for wastewater. To reflect the appropriate amount of bad debt expense reflected in the audit report, staff has increased these accounts by $5 for water and by $1,109 for wastewater. Therefore, staff recommends bad debt expense of $830 for water and $1,283 for wastewater.

Miscellaneous Expense (675/775) – The Utility recorded miscellaneous expense of $2,120 for water and $657 for wastewater for the test year. Additionally, the Utility provided an invoice from DEP for its operating license totaling $2,000. This expense should be amortized over five years. Staff believes inclusion of this expense is necessary for an accurate detailing of the Utility's expenses. Staff has increased the water miscellaneous expense by $400 ($2,000/5). Staff recommends miscellaneous expense of $2,520 for water and $657 for wastewater.

Operation and Maintenance Expenses Summary – Based on the above adjustments, staff recommends that the O&M expense balances are $18,924 for water and $25,078 for wastewater. Staff's recommended adjustments to O&M expense are shown on Schedule Nos. 3-A through 3-E.

Depreciation Expense (Net of Amortization of CIAC) – The Utility recorded depreciation expense of $23,771 for water and $19,099 for wastewater during the test year. Staff recalculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff decreased depreciation expense by $4 for water and $105 for wastewater to reflect the appropriate depreciation expense. Also, staff decreased depreciation expense by $9,453 for wastewater to reflect the non-U&U portion of the test year depreciation expense. Jumper Creek recorded amortization expense of CIAC as $7,310 for water and $10,853 for wastewater during the test year. Staff also recalculated amortization of CIAC expense and decreased these accounts by $2,921 for water and $2,698 for wastewater to reflect the appropriate amount of this expense. Staff's net adjustments are an increase of $2,917 to water and a decrease of $6,860 to wastewater, resulting in a total depreciation expense of $19,378 ($23,771 – $7,310 + $2,917) for water and $1,386 ($19099 – $10,853 - $6,860) for wastewater.

Amortization Expense of the AA – Jumper Creek recorded no amortization expense of the AA. This expense for the test year was $1,125 for water and $572 for wastewater. The test year balances only capture one half of a month of this expense. Staff believes a full year of this expense should be used to reflect the appropriate amount of this expense moving forward. Therefore, staff has increased this amount to $20,143 for water and $10,249 for wastewater in place of the test year amounts. Also, to reflect the non-U&U portion of the test year amortization of AA expense, staff has decreased this account by $3,733 for wastewater. Staff's net adjustments are increases of $20,143 for water and $6,516 for wastewater. Staff recommends amortization expense of the AA of $20,143 for water and $6,516 for wastewater.

Taxes Other Than Income (TOTI) – Jumper Creek recorded a TOTI balance of $4,319 for water and $3,785 for wastewater. Staff has increased this account by $30 for water and $93 for wastewater to reflect the appropriate test year Regulatory Assessment Fees (RAFs) based on adjusted test year revenues.

In addition, as discussed in Issue 8, revenues have been increased by $15,288 for water and $11,311 for wastewater to reflect the change in revenue required to cover expenses and allow the recommended return on investment. As a result, TOTI should be increased by $688 for water and $509 for wastewater to reflect RAFs of 4.5 percent on the change in revenues. Staff's net adjustments are increases of $718 for water and $602 for wastewater. Therefore, staff recommends TOTI of $5,037 and $4,387 for water and wastewater, respectively.

Operating Expenses Summary – The application of staff's recommended adjustments to Jumper Creek's test year operating expenses results in operating expenses of $23,196 for water and $24,335 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule Nos. 3-C, 3-D, and 3-E.

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

Preliminary Recommendation: Yes, the Commission should utilize the operating ratio methodology for calculating the wastewater revenue requirement for Jumper Creek. The margin should be 10.00 percent of O&M expense. (Vogel)

Staff Analysis: Section 367.0814(9), F.S., provides that the Commission may, by rule, establish standards and procedures for setting rates and charges of small utilities using criteria other than those set forth in Sections 367.081(1), (2)(a), and (3), F.S. Rule 25-30.456, F.A.C., provides an alternative to a staff-assisted rate case as described in Rule 25-30.455, F.A.C. As an alternative, utilities with total gross annual operating revenue of less than $275,000 per system may petition the Commission for staff assistance using alternative rate setting.

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

By Order No. PSC-96-0357-FOF-WU,[6] the Commission, for the first time, utilized the operating ratio methodology as an alternative means for setting rates. This order also established criteria to determine the use of the operating ratio methodology and a guideline margin of 10 percent of O&M expense. This criteria was applied again in Order No. PSC-97-0130-FOF-SU.[7] Most recently, the Commission approved the operating ratio methodology for setting rates in Order No. PSC-13-0327-PAA-SU.[8]

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

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

[6] Issued March 13, 1996, in Docket No. 950641-WU, In re: Application for staff-assisted rate case in Palm Beach County by Lake Osborne Utilities Company, Inc.
[7] Issued February 10, 1997, in Docket No. 960561-SU, In re: Application for staff-assisted rate case in Citrus County by Indian Springs Utilities, Inc.
[8] Issued July 16, 2013, in Docket No. 120270-SU, In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.

rate base are less than the level of O&M expense. The Utility's primary risk resides with covering its operating expense. Based on the staff's recommendation, the adjusted water and wastewater rate bases for the test year are $62,491 and a negative $12,212, while adjusted O&M expenses are $18,924 for water and $25,078 for wastewater.

2) Whether the Utility is expected to become a Class B utility in the foreseeable future. Pursuant to Section 367.0814(9), F.S., the alternative form of regulation being considered in this case only applies to small utilities with gross annual revenue of $250,000 or less. Jumper Creek is a Class C utility and the recommended revenue requirements of $28,658 and $31,973 are substantially below the threshold level for Class B status ($200,000 per system). The Utility's service area has not had any significant growth in the last five years. Therefore, the Utility will not become a Class B utility in the foreseeable future.

3) Quality of service and condition of plant. As discussed in Issue 1, the recommended quality of service will not be finalized until after the April 1, 2015 customer meeting.

4) Whether the Utility is developer-owned. The current Utility owner is not a developer.

5) Whether the Utility operates treatment facilities or is simply a distribution and/or collection system. The issue is whether or not purchased water and/or wastewater costs should be excluded in the computation of the operating margin. Jumper Creek operates water and wastewater treatment plants and collection system.

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

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

Several factors must be considered in determining the reasonableness of a margin. First, the margin must provide sufficient revenue for the Utility to cover its interest expense. Jumper Creek currently has no interest expense.

Second, use of the operating ratio methodology rests on the contention that the principal risk to the utility resides in operating cost rather than in cost of the plant. The fair return on a small rate base may not adequately compensate the utility owner for incurring the risk associated with covering the much larger operating cost. Therefore, the margin should adequately compensate the utility owner for that risk. Under the rate base methodology, the return to Jumper Creek would be $0 for wastewater. This would not provide the necessary financial margin to successfully operate this utility.

Also, if the return on rate base method was applied, the return would not generate sufficient revenue to cover operating expenses plus an adequate margin. Therefore, the operating ratio methodology should provide adequate revenue to cover operating costs at a minimum.

In addition, in the instant case, inclusion of the net depreciation expense and amortization of the AA expense in the operating margin calculations will cause a shortfall in the Utility's revenues. The significant size of the AA causes a large amount of non-cash amortization expense which generates a revenue requirement that is insufficient to cover the Utility's cash expenses. O&M expenses and TOTI are cash expenses incurred by a utility to provide service, and as such must be recovered to ensure the continuity of safe and reliable service. Therefore, staff has only included these accounts in calculating the revenue requirement. These changes will provide Jumper Creek with adequate cash flow to provide safe and reliable service.

In conclusion, staff believes the above factors show that the Utility needs a higher margin of revenue over operating expenses than the traditional return on rate base method would allow. Therefore, in order to provide Jumper Creek with adequate cash flow to provide some assurance of safe and reliable service, staff recommends application of the operating ratio methodology at a margin of 10.00 percent of O&M expense for determining the wastewater revenue requirement.

Issue 8: What is the appropriate revenue requirement?

Preliminary Recommendation: The appropriate revenue requirement is $28,591 for water and $31,973 for wastewater, resulting in an annual increase of $15,221 for water (113.84 percent), and an annual increase of $11,311 for wastewater (54.74 percent). (Vogel)

Staff Analysis: Jumper Creek should be allowed an annual increase of $15,221 for water (113.84 percent) and an annual increase of $11,311 for wastewater (54.74 percent). This will allow the Utility the opportunity to recover its expenses and earn an 8.64 percent return on its water system and allow the Utility to recover its O&M expenses, TOTI expenses, as well as allow them a 10.00 percent margin on those O&M expenses on its wastewater system. The calculations are shown in Tables 8-1 and 8-2 for water and wastewater, respectively:

Table 8-1

Water Revenue Requirement	
Adjusted Rate Base	$62,491
Rate of Return	x 8.64%
Return on Rate Base	$5,398
Adjusted O&M Expense	18,924
Depreciation Expense (Net)	19,378
Amortization Expense of AA	(20,143)
Taxes Other Than Income	4,349
Test Year RAFs	685
Revenue Requirement	$28,591
Less Adjusted Test Year Revenues	13,370
Annual Increase	$15,221
Percent Increase	113.84%

Table 8-2

Wastewater Revenue Requirement	
Adjusted O&M Expense	$25,078
Operating Margin (%)	10.00%
Operating Margin ($)	$2,508
Adjusted O&M Expense	25,078
Depreciation Expense (Net)	0
Amortization Expense of AA	0
Taxes Other Than Income	3,878
Test Year RAFs	509
Revenue Requirement	$31,973
Less Adjusted Test Year Revenues	20,662
Annual Increase	$11,311
Percent Increase	54.74%

Issue 9: What are the appropriate rate structures and rates for Jumper Creek'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:

Water Rates

The Jumper Creek water system is located in Sumter County within the SWFWMD. The Utility provides water service to approximately 43 residential customers. Approximately 2.83 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 4,566 gallons per month. Currently, the Utility's water rate structure consists of a monthly base facility charge (BFC) of $25.25, which includes an allotment of 10,000 gallons per month, and a gallonage charge of $2.52 for those gallons in excess of 10,000.

Staff performed an analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages and 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; and 3) implement, where appropriate, water conserving rate structures consistent with Commission practice.

A BFC and uniform gallonage charge is the preferred rate structure for residential water service. 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 an appropriate pricing signal to customers. Based on a recommended revenue increase of 120.13 percent and the removal of the 10,000 gallon allotment in the base facility charge, the residential consumption can be expected to decline by 186,000 gallons resulting in anticipated average residential demand of 4,524 gallons per month. Staff recommends an 8.20 percent reduction in total residential consumption and corresponding reductions of $127 for purchased power, $33 for chemicals, and $8 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of $27,846.

Based on the foregoing, staff recommends 40 percent of the water revenues be generated from the BFC. The traditional BFC and uniform gallonage charge rate structure should be approved for residential water customers. An 8.20 percent reduction in total residential consumption and corresponding reductions of $127 for purchased power, $33 for chemicals, and

$8 for RAFs should be made to reflect the anticipated repression. Staff's recommended rate structure and the resulting wastewater rates are shown on Schedule Nos. 4-A.

Wastewater Rates

The Utility provides wastewater service to approximately 43 customers. Currently, the wastewater rate structure consists of a monthly flat rate of $40.44. 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.

A BFC and gallonage charge with cap is the preferred rate structure for residential wastewater service. Since metered water usage is available, staff believes the flat rate structure should be discontinued. 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. Based on the recommended increase in the revenue requirement, staff recommends that 50 percent of the revenue requirement should be generated from the BFC in order to mitigate the impact of the rate increase.

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 6,000 gallon level is where approximately 80 percent of water demand is captured. Therefore, staff recommends the gallonage cap should be set at 6,000 gallons.

In addition, based on the expected reduction in water demand described above, staff recommends that a repression adjustment also be made for wastewater. Because wastewater rates are calculated based on customers' water demand, if those customers' water demand is expected to decline, then the billing determinants used to calculate wastewater rates should also be adjusted. Therefore, staff recommends that a repression adjustment for the discretionary water usage should also be made to calculate wastewater rates. Based on the billing analysis for the wastewater system, staff recommends that a repression adjustment of 164,082 gallons to reflect the anticipated reduction in water demand used to calculate wastewater rates. Staff recommends an 8.20 percent reduction in total residential consumption and corresponding reductions of $185 for purchased power, $37 for chemicals, $79 for sludge removal, and $14 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of $31,015.

Based on the above, staff recommends a discontinuance of the flat rate structure for wastewater customers. 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 6,000 gallons. An 8.20 percent reduction in total residential consumption and corresponding reductions of $185 for purchased power, $37 for

chemicals, $79 for sludge removal, and $14 for RAFs should be made to reflect the anticipated repression. Staff's recommended rate structure and the resulting wastewater rates are shown on Schedule Nos. 4-B.

Summary

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 10: 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 RAFs 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. Jumper Creek 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. (Vogel, 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 $125 and $136 for water and wastewater, respectively.

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 RAFs 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. Jumper Creek 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 11: 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. Jumper Creek 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. (Vogel)

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. Jumper Creek 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.

The Utility 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 $17,733. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If the Utility 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 the Utility 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 the Utility;
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 the Utility, 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.

The Utility 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.

Issue 12: 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, Jumper Creek 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. (Vogel)

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

Issue 13: Should this docket be closed?

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

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

JUMPER CREEK UTILITY COMPANY TEST YEAR ENDED 06/30/14 SCHEDULE OF WATER RATE BASE			SCHEDULE NO. 1-A DOCKET NO. 140147-WS
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	$511,881	$0	$511,881
LAND & LAND RIGHTS	2,272	0	2,272
NON-USED AND USEFUL COMPONENTS	0	0	
CIAC	(157,236)	0	(157,236)
ACCUMULATED DEPRECIATION	(151,215)	11,885	(139,330)
AMORTIZATION OF CIAC	38,790	(8,625)	30,166
ACQUISITION ADJUSTMENT	(208,895)	0	(208,895)
ACCUMULATED DEPRECIATION OF AA	0	21,268	21,268
WORKING CAPITAL ALLOWANCE	0	2,366	2,366
WATER RATE BASE	$35,597	$26,894	$62,491

JUMPER CREEK UTILITY COMPANY TEST YEAR ENDED 06/30/14 SCHEDULE OF WASTEWATER RATE BASE			SCHEDULE NO. 1-B DOCKET NO. 140147-WS
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	$389,284	$0	$389,284
LAND & LAND RIGHTS	18,722	0	18,722
NON-USED AND USEFUL COMPONENTS	(128,851)	83,724	(45,127)
CIAC	(221,828)	0	(221,828)
ACCUMULATED DEPRECIATION	(126,053)	9,512	(116,541)
AMORTIZATION OF CIAC	54,724	(547)	54,177
ACQUISITION ADJUSTMENT	(104,855)	0	(104,855)
ACCUMULATED DEPRECIATION OF AA	0	10,821	10,821
WORKING CAPITAL ALLOWANCE	0	3,135	3,135
WASTEWATER RATE BASE	($118,857)	$106,645	($12,212)

JUMPER CREEK UTILITY COMPANY TEST YEAR ENDED 06/30/14 ADJUSTMENTS TO RATE BASE		SCHEDULE NO. 1-C DOCKET NO. 140147-WS PAGE 1 OF 1
	WATER	**WASTEWATER**
NON-USED AND USEFUL PLANT		
1. To reflect non-used and useful plant.	$0	$58,421
2. To reflect non-used and useful accumulated depreciation.	0	(8,944)
3. To reflect non-used and useful acquisition adjustment.	0	38,188
4. To reflect non-used and useful amortization of acquisition adjustment.	0	(3,941)
Total	$0	$83,724
ACCUMULATED DEPRECIATION		
1. To reflect an averaging adjustment.	$11,885	$9,512
Total	$11,885	$9,512
AMORTIZATION OF CIAC		
1. To reflect the appropriate amount of amortization.	($6,430)	$3,531
2. To reflect an averaging adjustment.	(2,195)	(4,078)
Total	($8,625)	($547)
AMORTIZATION OF ACQUISTION ADJUSTMENT		
1. To reflect the amount of amortization of AA before the test year.	$1,125	$572
2. To reflect the appropriate amount of amortization of AA.	20,143	10,249
Total	$21,268	$10,821
WORKING CAPITAL ALLOWANCE		
To reflect 1/8 of test year O&M expenses.	$2,366	$3,135

JUMPER CREEK UTILITY COMPANY
TEST YEAR ENDED 06/30/14
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 140147-WS

	CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	COMMON EQUITY	$2,810	$0	$2,810	$46,709	$49,519	98.49%	8.74%	8.61%
2.	LONG-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
3.	SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
4.	PREFERRED STOCK	0	0	0	0	0	0.00%	0.00%	0.00%
5.	CUSTOMER DEPOSITS	760	0	760	0	760	1.51%	2.00%	0.03%
6.	DEFERRED INCOME TAXES	0	0	$0	0	$0	0.00%	0.00%	0.00%
7.	TOTAL	$3,570	$0	$3,570	$46,709	$50,279	100.00%	10.74%	8.64%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	7.74%	9.74%
OVERALL RATE OF RETURN	7.65%	9.62%

JUMPER CREEK UTILITY COMPANY
TEST YEAR ENDED 06/30/14
SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3-A
DOCKET NO. 140147-WS

	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. **OPERATING REVENUES**	$13,078	$292	$13,370	$15,221 113.84%	$28,591
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	$19,352	($428)	$18,924	$0	$18,924
3. DEPRECIATION (NET)	16,461	2,917	19,378	0	19,378
4. AMORTIZATION OF AA	0	(20,143)	(20,143)	0	(20,143)
5. TAXES OTHER THAN INCOME	4,319	30	4,349	685	5,034
6. INCOME TAXES	0	0	0	0	0
7. **TOTAL OPERATING EXPENSES**	$40,132	($17,624)	$22,508	$685	$23,193
8. **OPERATING INCOME/(LOSS)**	($27,054)		($9,138)		$5,398
9. **WATER RATE BASE**	($24,058)		$62,491		$62,491
10. **RATE OF RETURN**			(14.62%)		8.64%

JUMPER CREEK UTILITY COMPANY — **SCHEDULE NO. 3-B**
TEST YEAR ENDED 06/30/14 — **DOCKET NO. 140147-WS**
SCHEDULE OF WASTEWATER OPERATING INCOME

	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. **OPERATING REVENUES**	$18,624	$2,038	$20,662	$11,311 54.74%	$31,973
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	$24,302	$776	$25,078	$0	$25,078
3. DEPRECIATION (NET)	8,246	(6,860)	1,386	0	1,386
4. AMORTIZATION OF AA	0	(6,516)	(6,516)	0	(6,516)
5. TAXES OTHER THAN INCOME	3,785	93	3,878	509	4,387
6. INCOME TAXES	0	0	0	0	0
7. **TOTAL OPERATING EXPENSES**	$36,333	($12,507)	$23,826	$509	$24,335
8. **OPERATING INCOME/(LOSS)**	($17,709)		($3,164)		$7,638
9. **WASTEWATER RATE BASE**	($12,212)		($12,212)		$25,078
10. **OPERATING RATIO**					10.00%

JUMPER CREEK UTILITY COMPANY TEST YEAR ENDED 06/30/14 ADJUSTMENTS TO OPERATING INCOME	SCHEDULE NO. 3-C DOCKET NO. 140147-WS Page 1 of 1	
	WATER	**WASTEWATER**
OPERATING REVENUES		
1. To reflect the appropriate test year services revenues.	($352)	$1,394
2. To reflect miscellaneous revenues.	644	644
Subtotal	$292	$2,038
OPERATION AND MAINTENANCE EXPENSES		
1. Chemicals (618/718)		
To reflect the appropriate amount of chemicals for the test year.	$357	0
Subtotal	$357	$0
2. Contractual Services – Professional (631/731)		
To remove unsupported invoices.	$0	($833)
Subtotal	$0	($833)
3. Contractual Services - Other (636/736)		
a. To exclude the month of July 2014.	($894)	$0
b. To reflect the appropriate amount of Contractual Services – Other.	119	184
Subtotal	($775)	$184
5. Insurance Expense (655/755)		
a. To reflect appropriate insurance expense.	($416)	$316
Subtotal	($416)	$316
6. Bad Debt Expense (670/770)		
a. To reflect the appropriate amount of bad debt expense.	$5	$1,109
Subtotal	$5	$1,109
7. Miscellaneous Expense (675/775)		
a. To include DEP permitting fees.	$400	$0
Subtotal	$400	$0
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	($429)	$776
DEPRECIATION EXPENSE		
1. To reflect appropriate depreciation expense.	($4)	($105)
2. To reflect non-used and useful depreciation expense.	0	(9,453)
3. To reflect the appropriate amount of amortization expense of CIAC.	2,921	2,698
Total	$2,917	($6,860)
AMORTIZATION EXPENSE OF AA		
1. To reflect the appropriate amount of amortization expense of AA.	($20,143)	($10,249)
2. To reflect non-used and useful amortization of AA.	0	3,733
Total	($20,143)	($6,516)
TAXES OTHER THAN INCOME		
1. To reflect the appropriate test year RAFs.	$30	$93
Total	$30	$93

JUMPER CREEK UTILITY COMPANY — **SCHEDULE NO. 3-D**
TEST YEAR ENDED 06/30/14 — **DOCKET NO. 140147-WS**
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

	TOTAL PER UTILITY	STAFF ADJUST-MENTS	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	$0	$0	$0
(603) SALARIES AND WAGES - OFFICERS	750	0	750
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	1,544	0	1,544
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	47	357	404
(620) MATERIALS AND SUPPLIES	0	0	0
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	1,250	0	1,250
(633) CONTRACTUAL SERVICES - LEGAL	98	0	98
(636) CONTRACTUAL SERVICES - OTHER	11,503	(775)	10,728
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	1,098	(416)	682
(665) REGULATORY COMMISSION EXPENSE	118	0	118
(670) BAD DEBT EXPENSE	825	5	830
(675) MISCELLANEOUS EXPENSE	2,120	400	2,520
	$19,353	($429)	$18,924

JUMPER CREEK UTILITY COMPANY — **SCHEDULE NO. 3-E**
TEST YEAR ENDED 06/30/14 — **DOCKET NO. 140147-WS**
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

	TOTAL PER UTILITY	STAFF ADJUST-MENTS	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	$0	$0	$0
(703) SALARIES AND WAGES - OFFICERS	750	0	750
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	959	0	959
(715) PURCHASED POWER	2,251	0	2,251
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	455	0	455
(720) MATERIALS AND SUPPLIES	0	0	0
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	2,083	(833)	1,250
(735) CONTRACTUAL SERVICES - LEGAL	98	0	98
(736) CONTRACTUAL SERVICES - OTHER	16,391	184	16,575
(740) RENTS	0	0	0
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	366	316	682
(765) REGULATORY COMMISSION EXPENSE	118	0	118
(770) BAD DEBT EXPENSE	174	1,109	1,283
(775) MISCELLANEOUS EXPENSE	657	0	657
	$24,302	$776	$25,078

JUMPER CREEK UTILITY COMPANY
TEST YEAR ENDED JUNE 30, 2014
MONTHLY WATER RATES

SCHEDULE NO. 4-A
DOCKET NO. 140147-WS

	RATES AT TIME OF FILING	COMMISSION APPROVED INTERIM RATES	STAFF PRELIMINARY RECOMMENDED RATES	4 YEAR RATE REDUCTION
Residential and General Service				
Base Facility Charge for All Meter Sizes	$25.25	$48.77	N/A	N/A
Base Facility Charge by Meter Size				
5/8" x 3/4"	N/A	N/A	$22.45	$0.10
3/4"	N/A	N/A	$33.68	$0.15
1"	N/A	N/A	$56.13	$0.25
1-1/2"	N/A	N/A	$112.25	$0.50
2"	N/A	N/A	$179.60	$0.81
3"	N/A	N/A	$359.20	$1.61
4"	N/A	N/A	$561.25	$2.52
6"	N/A	N/A	$1,122.50	$5.05
8"	N/A	N/A	$1,796.00	$8.07
Charge per 1,000 gallons	N/A	N/A	$8.03	$0.04
0 - 10,000 gallons	$0.00	$0.00	N/A	N/A
Over 10,000 gallons	$2.52	$4.87	N/A	N/A
Typical Residential 5/8" x 3/4" Meter Bill Comparison				
3,000 Gallons	$25.25	$48.77	$46.54	
5,000 Gallons	$25.25	$48.77	$62.60	
10,000 Gallons	$25.25	$48.77	$102.75	

JUMPER CREEK UTILITY COMPANY
TEST YEAR ENDED JUNE 30, 2014
MONTHLY WASTEWATER RATES

SCHEDULE NO. 4-B
DOCKET NO. 140147-WS

	RATES AT TIME OF FILING	COMMISSION APPROVED INTERIM RATES	STAFF PRELIMINARY RECOMMENDED RATES	4 YEAR RATE REDUCTION
Residential Service				
Flat Rate	$40.44	$41.25	N/A	N/A
Base Facility Charge for All Meter Sizes	N/A	N/A	$31.65	$0.14
Charge per 1,000 gallons - Residential 6,000 gallon cap	N/A	N/A	$8.35	$0.04
General Service				
Flat Rate	$40.44	$41.25	N/A	N/A
Base Facility Charge by Meter Size				
5/8"X3/4"	N/A	N/A	$31.65	$0.14
3/4"	N/A	N/A	$47.48	$0.21
1"	N/A	N/A	$79.13	$0.35
1-1/2"	N/A	N/A	$158.25	$0.69
2"	N/A	N/A	$253.20	$1.11
3"	N/A	N/A	$506.40	$2.22
4"	N/A	N/A	$791.25	$3.47
6"	N/A	N/A	$1,582.50	$6.93
8"	N/A	N/A	$2,532.00	$11.09
Charge per 1,000 gallons	N/A	N/A	$10.02	$0.04
Typical Residential 5/8" x 3/4" Meter Bill Comparison				
3,000 Gallons	$40.44	$41.25	$56.70	
5,000 Gallons	$40.44	$41.25	$73.40	
10,000 Gallons	$40.44	$41.25	$81.75	