

State of Florida



Public Service Commission

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

DATE: April 14, 2015

TO: Bart Fletcher, Bureau Chief, Bureau of Surveillance & Rate Filings

FROM: Cecilia Galloway, Public Utility Analyst
Lee Smith, Public Utility Analyst
Moni Mtenga, Engineering Specialist
Kelly Thompson, Public Utility Analyst

RE: Docket No. 140217-WU – Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc.

– 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

Cedar Acres, Inc. (Cedar Acres or Utility) is a Class C water utility serving approximately 319 customers in the Oakland Hills Subdivision located in Sumter County. The area is in the Southwest Florida Water Management District (SWFWMD). Wastewater treatment is provided by septic tanks. According to the Utility's 2013 Annual Report, total gross revenues were \$35,234 and total operating expenses were \$96,843, resulting in a net loss of \$61,609. Rates for the Utility were last established in 1987.

The Utility was subject to Sumter County jurisdiction when the development was designed, and Cedar Acres was established. The County turned over jurisdiction to the Florida Public Service Commission (Commission) in 1987. Unaware of the change in jurisdiction, the Utility did not apply for an original certificate with the Commission until 2008. Subsequently, the Commission granted an original certificate and approved the existing rates and charges.¹

On November 17, 2014, the Commission received Cedar Acres' application for a staff-assisted rate case. The instant docket is the Utility's first rate case. Rate base has never been established for Cedar Acres. The Commission has the authority 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 July 9, 2015, for the July 21, 2015, Commission 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.

¹ See Order No. PSC-09-0541-FOF-WU, issued August 4, 2009, in Docket No. 080098-WU, In re: Application for certificate to provide water service in Sumter County by Cedar Acres, Inc.

Discussion of Issues

Issue 1: Is the overall quality of service provided by Cedar Acres satisfactory?

Preliminary Recommendation: Staff's recommendation regarding quality of service will not be finalized until after the May 14, 2015 customer meeting. (Mtenga)

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 the utility. This is derived from an evaluation of three separate components of the utility's 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. The rule further states that sanitary surveys, outstanding citations, violations, and consent orders on file with the Florida Department of Environmental Protection (DEP) and the county health department over the preceding three year period shall be considered. In addition, input from the DEP and health department officials, and customer comments or complaints will be considered.

Cedar Acres' service area is located in Sumter County within the Southwest Florida Water Management District and it serves 319 customers in the Oakland Hills subdivision. The Utility's water source is pumped from the Florida aquifer.

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

Staff reviewed the last DEP Sanitary Survey report for the Oakland Hills Subdivision dated October 1, 2012. The deficiencies in the 2012 report included a cracked well and pedestal on well #2, no cross-connection control plan on site, and the need for various inspections and accuracy checks for the meters. DEP has been contacted to determine if the responses to the deficiencies are satisfactory. Based on the information, staff is reserving its determination as to the Utility's facilities and whether or not they are satisfactory until completion of a site visit.

The Utility's Attempt to Address Customer Satisfaction

Staff requested copies of complaints filed with the Utility during the test year and four years prior to the test year. Cedar Acres responded that it did not have any customer complaint records. Staff also requested complaints from DEP for the test year and four years prior. DEP responded that it had not received any complaints against the Utility during that time frame.

At the customer meeting on May 14, 2015, the customers will have an opportunity to provide specific information regarding the quality of service provided by the Utility. All quality of service complaints will be investigated and will be taken into consideration during the preparation of staff's final recommendation. This recommendation is scheduled to be heard by the Commission at the July 21, 2015 Commission Conference. Staff will reserve its final quality of service determination until after the information obtained at the customer meeting has been thoroughly reviewed.

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Quality of service will be determined at a later date, pending review of comments made at the May 14, 2015 customer meeting and staff's site visit.

Issue 2: What is the used and useful percentage of Cedar Acres' water treatment plant and water distribution system?

Preliminary Recommendation: Cedar Acres' water treatment plant and water distribution system should be considered 100 percent used and useful (U&U). Based on staff's preliminary analysis, there is excessive unaccounted for water (EUW) of 4.3 percent. However, no adjustment is recommended pending further evaluation. (Mtenga)

Staff Analysis: The distribution system is a network of approximately 14,170 linear feet of 4, 6, and 8-inch pipe. According to the Utility, there are no fire hydrants in the subdivision. The Utility's water treatment plant consists of two 8-inch wells rated at 600 gallons per minute (gpm) for a total capacity of 1,200 gpm. Each well has a 5,000-gallon hydro-pneumatic tank for pressurization and a hypo-chlorination system is used for disinfection.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., describes EUW as unaccounted for water in excess of ten percent of the amount produced or purchased. When establishing the rule, the Commission recognized that some uses of water are readily measureable and others are not. Unaccounted for water is all water that is produced or purchased that is not sold, metered or accounted for in the records of a utility. The rule provides that to determine whether adjustments to plant and operating expenses, such as purchased power and chemicals 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 services, such as flushing, and the gallons sold to customers from the total gallons pumped or purchased for the test year.

According to the Utility's application, Cedar Acres pumped 24,655,000 gallons of water and sold 21,117,504 gallons of water to customers. The result $([24,655,000 - 21,117,504] / 24,655,000)$ for unaccounted for water is 14.3 percent, which means there is EUW of 4.3 percent. Staff reviewed the Utility's 2013 Annual Report and monthly operating reports to verify what was provided in the application. However, staff is still gathering additional information and will make a final recommendation once this information has been received and reviewed. As stated earlier, the final recommendation will be filed on July 9, 2015, for the July 21, 2015 Commission Conference.

Water Treatment Plant and Water Distribution System Used and Useful

The U&U calculations for the water treatment plant is based on Rule 25-30.4325 (4), F.A.C., that says "[a] water treatment system is considered 100 percent used and useful if the service territory the system is designed to serve is built out and there is no apparent potential for expansion of the service territory...", and the water distribution system is based on the average customers during the test year plus the growth allowance, pursuant to Rule 25-30.431, F.A.C., divided by the distribution system capacity. Analysis indicates there has been no growth in the customer base in the past five years, and the service territory appears to be built out. This is the first rate case for Cedar Acres since coming under Commission jurisdiction; therefore, there are

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no previous orders for this Utility establishing a U&U percentage. Staff recommends that the water treatment plant and water distribution system be considered 100 percent U&U.

Summary

Based on the above, while there appears to be excessive unaccounted for water of 4.3 percent, staff will make a final recommendation pending evaluation of requested additional information. For purposes of this Staff Report, staff's preliminary recommendation is that Cedar Acres' water treatment plant and water distribution system should be considered 100 percent U&U.

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

Preliminary Recommendation: The appropriate average test year rate base for Cedar Acres is \$104,140. (Galloway)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant-in-service, land, accumulated depreciation, and working capital. Staff selected a test year ended September 30, 2014, for this rate case. A summary of each component and the adjustments follows:

Utility Plant-in-Service (UPIS): The Utility recorded \$364,356 in UPIS. Staff utilized Cedar Acres' annual reports, general ledger, and tax returns to calculate the balance for UPIS. For the test year, the Utility provided support documentation for plant additions of \$1,986. Therefore, staff recorded an average adjustment of \$993 ($\$1,986/2$), increasing plant to \$365,349. While staff is still gathering information, for purposes of the Staff Report, staff recommends UPIS of \$365,349.

Land: Cedar Acres recorded \$47,740 in land. Cedar Acres purchased 217 acres of land on June 10, 1983, of which 4.34 acres was dedicated to public service for use by the Utility. Based on documentary stamps affixed on the deed and reviewed by the staff auditor, price paid per acre was \$1,023, which results in a land value of \$4,440 ($\$1,023 * 4.34$ acres). Staff reduced land by \$43,300 ($\$47,740 - \$4,440$) to reflect the original cost when devoted to public use. Staff recommends land of \$4,440.

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

Accumulated Depreciation: Cedar Acres recorded \$275,116 for accumulated depreciation. Staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff increased this account by \$7,117 to reflect test year depreciation calculated in accordance with Rule 25-30.140, F.A.C. In addition, staff decreased this account by \$3,559 ($\$7,117/2$) to reflect an averaging adjustment. The aforementioned adjustments result in average accumulated depreciation of \$278,675.

Contributions-in-Aid-of-Construction (CIAC): Cedar Acres did not record any CIAC. The tariff on file with the Commission includes no specified service availability charges. The Utility stated that there is no CIAC nor has there ever been any CIAC. Further, the staff auditor was unable to determine any current CIAC applicable to the Utility. Therefore, pending further investigation, staff has not imputed any CIAC at this time pursuant to Rule 25-30.570, F.A.C.

Amortization of CIAC: Cedar Acres did not record any amortization of CIAC. As stated above, the Utility did not record any CIAC, and staff has not imputed any CIAC. Therefore, no adjustment is necessary to amortization of CIAC.

Working Capital Allowance: Cedar Acres did not record any working capital allowance in this account. Working capital is defined as the investor-supplied funds necessary to meet operating

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expenses or going-concern requirements of a utility. Consistent with Rule 25-30.433(2), F.A.C., staff recommends that the one-eighth of the operation and maintenance (O&M) expense formula approach be used for calculating a working capital allowance. Applying this formula, staff recommends a working capital allowance of \$13,025 (based on O&M expense of \$104,202).

Rate Base Summary: Based on the foregoing, staff recommends that the appropriate test year average rate base is \$104,140. Rate base is shown on Schedule No. 1-A, and staff's adjustments are shown on Schedule No. 1-B.

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

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. (Galloway, Smith)

Staff Analysis: In its capital structure, the Utility included common stock, retained earnings and related-party debt. Staff has adjusted the Utility's capital structure to reflect the related-party debt as common equity pursuant to Commission practice.² Further, the related-party debt was increased by \$14,895 to reflect an averaging adjustment.

The Utility's capital structure has been reconciled with staff's recommended rate base. Consistent with the Commission-approved leverage formula currently in effect, the appropriate ROE is 8.74 percent.³ 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.

²See Order No. PSC-13-040-PAA-WU, issued March 25, 2013, in Docket No. 120183-WU, In re: Application for staff assisted rate case in Lake County by TLP Water, Inc.; Order No. PSC-12-0410-PAA-SU, issued August 13, 2012, in Docket No. 110165-SU, In re: Application for staff-assisted rate case in Highlands County by Utility Corporation of Florida, Inc.; 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.

³ See Order No. PSC-14-0272-PAA-WS, issued May 29, 2014, and PSC-14-0323-CO-WS, issued June 24, 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), Florida Statutes.

Issue 5: What are the appropriate test year revenues for the Utility's water system?

Preliminary Recommendation: The appropriate test year revenues for Cedar Acres' water system are \$35,402. (Thompson)

Staff Analysis: The Utility's test year is October 2013 to September 2014 but revenues are only recorded at the end of each calendar year. For this reason, Cedar Acres last recorded revenues were \$28,638 as of December 31, 2013. Staff used the calendar year 2013 revenues as a basis for an adjustment. Based on staff's review of the Utility's test year billing determinants and the rates that were in effect during the test year, staff determined that the 2013 revenues should be increased by \$6,764 to reflect test year revenues of \$35,402. Therefore, staff recommends that the appropriate test year revenues for Cedar Acres' water system are \$35,402. Test year revenues are shown on Schedule No. 3-A.

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

Preliminary Recommendation: The appropriate amount of operating expense for Cedar Acres is \$118,480. (Smith)

Staff Analysis: Cedar Acres recorded operating expense of \$102,803, for the test year ended September 30, 2014. The test year O&M expenses have been reviewed, and invoices, canceled checks, and other supporting documentation have been examined. Staff has made several adjustments to the Utility's operating expenses as summarized below:

Salaries and Wages - Employees (601) – Cedar Acres recorded \$50,837 for Salaries and Wages – Employees expense. This amount includes the salary for Ms. Stayce Smith, Finance Manager. Her duties and responsibilities include general bookkeeping and accounting for the Utility along with financial reporting and ensuring compliance with utility regulations. Other duties include responding to customer inquiries and coordinating utility maintenance. Ms. Smith also coordinates the meter reading and billing functions with the company who performs this work every other month. The Utility provided recent W-2 forms for support documentation of the salaries and wages for Ms. Smith totaling \$51,923. Staff believes this amount is reasonable based on the duties and responsibilities of the employee as well as the number of customers served. Staff increased this account by \$1,086 to reflect the recommended Salaries and Wages – Employees expense of \$51,923.

Salaries and Wages – Officers (603) – The Utility recorded no salaries or wages associated with officers or directors. However, \$1,350 was paid as directors fees during the test year and recorded as miscellaneous expenses. Cedar Acres has a Board of Directors and an associated annual meeting to discuss utility matters. Staff believes this amount is prudent and is making no adjustment to the amount recorded at this time. Staff has removed this amount from miscellaneous expenses and reclassified the \$1,350 to Salaries and Wages – Officers expense.

Additionally, the Utility recorded no salaries or wages for Mr. Simon who is President of the Utility. Mr. Simon spends time each month for various utility-related issues. Staff is still gathering information regarding his duties. Therefore, for purposes of this preliminary recommendation, staff has included an annual salary of \$2,500 for Mr. Simon. Staff is recommending a total amount of \$3,850 for Salaries and Wages – Officers expense.

Purchased Power (615) – The Utility recorded \$3,764 in this account for purchased power. Based on invoices, the total amount should be \$3,223. Therefore, staff decreased this account by \$541 (\$3,764 - \$3,223) to reflect the appropriate amount.

Fuel for Power Production (616) – Cedar Acres recorded no amount for this account. Staff auditors reviewed invoices and have recommended an adjustment of \$315. Staff believes this amount is appropriate.

Chemicals (618) – Cedar Acres recorded a balance of \$13,539 for chemicals expense. Based on the staff audit, the Utility included \$12,062 in this account that actually should have been recorded in Contractual Services – Billing (630). We have reduced this account by \$12,062 and reclassified this reduction to the appropriate expense account.

Contractual Services – Billing (630) – The Utility recorded no Contractual Services – Billing expense. However, as stated above, staff has reclassified \$12,062 from the Chemicals expense account to this account. The Utility contracts the meter reading and billing responsibilities with a company that performs this function every other month. Staff verified the invoices and recommends that the appropriate annual amount for Contractual Services – Billing expense is \$12,062.

Contractual Services – Professional (631) – The Utility recorded \$11,568 in this account. According to the staff audit report, this account should be reduced by \$5,588 due to insufficient supporting documentation. Staff removed \$3,488 for temporary office help that is non-recurring. Staff also removed \$2,100 from this account because it was non-utility and out-of-period. Staff is recommending an annual amount of \$5,980 (\$11,568 - \$5,588) for this account. This amount includes invoices for annual report preparation, regulatory consulting, and income tax return preparation.

Contractual Services – Testing (635) - Cedar Acres recorded \$7,265 in this account for Contractual Services – Testing. The Utility provided invoices to support the testing costs for the test year. Staff has decreased this account by \$595 to reflect an invoice that was paid twice. Therefore, staff recommends Contractual Services – Testing expense of \$6,670 (\$7,265 - \$595).

Rents (640) - The Utility recorded no rent expense in the test year. However, Cedar Acres shares office space with J.S.R. Company, a related party. According to the staff audit report, Cedar Acres uses approximately 25 percent of the total office space. The total monthly rent is \$3,048 resulting in the Utility's monthly rent expense of \$762. For purposes of this preliminary Staff Report, an annual allowance for rent expense in the amount of \$9,144 is recommended.

Insurance Expense (655) – The Utility recorded no insurance expense for the test year. Staff is including a general liability insurance expense for Cedar Acres in the amount of \$1,163. This amount is based on prior Commission-approved allowances for utilities similar in size with a comparable customer base. However, Cedar Acres has indicated the possibility of acquiring a general liability insurance policy in the near future. The Utility has also indicated that they are seeking general liability insurance estimates. Staff will include an allowance for this expense for purposes of the Staff Report. However, without an invoice showing that such a policy has been purchased, staff will not include an allowance in staff's final recommendation due to be filed on July 9, 2015.

Regulatory Commission Expense (665) – Cedar Acres did not record any regulatory commission expenses. By Rule 25-22.0407, F.A.C., the Utility is required to mail notices of the customer meeting and notices of final rates in this case to its customers. For these notices, staff has estimated \$313 for postage expense, \$223 for printing expense, and \$32 for envelopes. These amounts result in \$568 for postage, mailing notices, and envelopes. Additionally, the Utility paid a \$1,000 rate case filing fee. Based on the above, staff recommends that total rate case expense is \$1,568, which amortized over four years is \$392 annually.

Miscellaneous Expense (675) – Cedar Acres recorded \$6,371 in this account for the test year. The balance includes lawn care and maintenance, telephone and internet expense, licenses and fees, along with other incidentals. Additionally, the Utility recorded \$1,350 for director's fees in

this account. As discussed earlier, staff has reclassified the director's fees to Salaries and Wages – Officers expense.

The Utility has requested that this account be increased by \$3,000 to reflect its estimated costs for office supplies and equipment usage. For purposes of this preliminary recommendation, staff is including this amount and will make a final determination regarding its prudence once additional information is received. Also, staff removed \$18 from this account to reflect an undocumented amount. Therefore, staff is recommending miscellaneous expense of \$8,003.

Operation and Maintenance Expenses (O&M) Summary – Total adjustments to O&M expense result in an increase of \$10,858. Staff's recommended O&M expense is \$104,202. O&M expenses are shown on Schedule No. 3-A.

Depreciation Expense (Net of Related Amortization of CIAC) – Cedar Acres recorded \$7,117 in its general ledger for net depreciation expense. Staff is making no adjustment to this amount pending further information from the Utility and our staff engineer. Depreciation expense will be calculated using the prescribed rates set forth in Rule 25-30.140, F.A.C. Therefore, for the preliminary recommendation, staff is making no adjustment to depreciation expense. Staff recommends net depreciation expense of \$7,117.

Taxes Other Than Income (TOTI) – Cedar Acres recorded \$2,342 in this account for TOTI. Staff has reviewed Sumter County's non-ad valorem and ad valorem tax assessment notices. Based on these notices, staff has determined the Utility recorded the appropriate property taxes of \$23. Therefore, no adjustments have been made for property taxes. Cedar Acres recorded \$1,030 for payroll taxes. Based on staff's recommended combined level of Salaries and Wages expense, staff has calculated payroll taxes of \$1,397. Accordingly, staff has increased this account by \$367 to reflect the appropriate payroll tax.

Cedar Acres recorded \$1,289 for regulatory assessment fees (RAFs). Based on staff's recommended test year revenues of \$35,402, the Utility's RAFs should be \$1,593. Staff has increased this account by \$304 to reflect the appropriate RAFs. As discussed in Issue 7, revenues have been increased by \$92,180 to reflect the change in revenue required to cover expenses and afford the Utility an opportunity to earn the recommended return on investment for its water operations. As a result, TOTI should be increased by \$4,148 to reflect RAFs of 4.5 percent on the recommended incremental change in revenues. Staff recommends TOTI of \$7,161 ($\$1,289 + \$1,030 + \$23 + \$304 + \$367 + \$4,148$).

Income Tax – The Utility did not have any income tax expense for the test year. Cedar Acres has shown a net loss for the last several years in its Annual Reports. For purposes of this preliminary recommendation, staff is making no adjustment until further review.

Operating Expenses Summary – The application of staff's recommended adjustments to Cedar Acres's recorded test year operating expenses result in staff's recommended operating expenses of \$118,480. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule No. 3-B.

Issue 7: What is the appropriate revenue requirement?

Preliminary Recommendation: The appropriate revenue requirement is \$127,582. (Galloway, Smith)

Staff Analysis: Cedar Acres should be allowed an annual increase of \$92,180 (260.38 percent) for water. This will allow the Utility the opportunity to recover its expenses and earn an 8.74 percent return on its investment. Staff's revenue requirement calculation is shown on Table 7-1 below:

Table 7-1

	<u>Water</u>
Adjusted Rate Base	\$104,140
Rate of Return	x .0874
Return on Rate Base	\$9,102
Adjusted O&M expense	104,202
Depreciation expense (Net)	7,117
Amortization	0
Taxes Other Than Income	7,161
Income Taxes	0
Revenue Requirement	\$127,582
Less Test Year Revenues	35,402
Annual Increase	\$92,180
Percent Increase/(Decrease)	260.38%

Issue 8: What are the appropriate rate structure and rates for Cedar Acres' water system?

Preliminary Recommendation: The recommended rate structure and rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after 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 Cedar Acres water system is located in Sumter County within the SWFWMD. The Utility provides water service to approximately 319 residential customers. Approximately 17 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 5,517 gallons per month. Currently, the Utility's rate structure consists of a monthly base facility charge (BFC) of \$9.00 for all meter sizes and a uniform gallonage charge of \$.045 per 1,000 gallons. Although the tariff reflects monthly billing, the BFC and gallonage charges are billed bi-monthly.

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.

Staff recommends that 40 percent of the water revenues be generated from the BFC, which will provide sufficient revenues to design a uniform gallonage charge that will send a pricing signal to customers. Based on a recommended revenue increase of 260.38 percent, the residential consumption can be expected to decline by 4,907,000 gallons resulting in anticipated average residential demand of 4,325 gallons per month. Staff recommends a 23.24 percent reduction in total residential consumption and corresponding reductions of \$749 for purchased power, \$343 for chemicals, and \$51 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$126,438.

Further, staff recommends that the customers continue to be billed on a bi-monthly basis to avoid the additional costs associated with reading meters and billing on a monthly basis. 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 all water customers and billed on a bi-monthly basis. A 23.24 percent reduction in total residential consumption and corresponding reductions of \$749 for purchased power, \$343 for chemicals, and \$51 for RAFs should be made to reflect the anticipated repression.

The recommended rate structure and rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the

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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 rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Cedar Acres 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. (Thompson, Smith)

Staff Analysis: Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense, the associated return in working capital, and the gross-up for RAFs. The total reduction is \$415.

The water rates should be reduced as shown on Schedule No. 4 to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Cedar Acres 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, 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, in the event of a protest filed by a party other than the Utility. Cedar Acres should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's Office no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Smith, Thompson)

Staff Analysis: This recommendation proposes an increase in water rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the recommended rates be approved as temporary rates. Cedar Acres 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.

Cedar Acres 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 \$61,488. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If Cedar Acres 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 Cedar Acres 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 Cedar Acres;
- 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 Cedar Acres, 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.

Cedar Acres should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's Office no later than the 20th of each month indicating the monthly and total amount of money subject to refund 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. 140217-WU
Date: April 14, 2015

Issue 11: Should Cedar Acres' request to implement a \$5 late payment charge be approved?

Preliminary Recommendation: Staff's recommendation regarding a \$5 late payment charge will not be finalized until after the May 14, 2015 customer meeting. (Thompson)

Staff Analysis: Section 367.091, F.S., authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or services availability charges. The Utility is requesting a \$5 late payment charge to recover the cost of supplies and labor associated with processing late payment notices. Staff has requested cost justification to support its request for a \$5 late payment charge.

This recommendation is scheduled to be heard by the Commission at the July 21, 2015 Commission Conference. Staff will reserve its recommendation on the \$5 late payment charge request until the cost justification information has been received from the Utility and reviewed.

Issue 12: What are the appropriate initial customer deposits for Cedar Acres?

Preliminary Recommendation: The appropriate initial customer deposit should be \$64 for the residential 5/8" x 3/4" meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The Utility should file revised tariff sheets consistent with the Commission's vote. The approved customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. The Utility should be required to charge the approved charges until authorized to change them by the Commission in a subsequent proceeding. (Thompson)

Staff Analysis: Rule 25-30.311, F.A.C., contains criteria for collecting, administering, and refunding customer deposits. Rule 25-30.311(1), F.A.C., requires that each company's tariff shall contain its specific criteria for determining the amount of initial deposits. Cedar Acres' current tariff does not authorize the Utility to collect initial customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of rate payers. In addition, collection of customer deposits is consistent with one of the fundamental principles of rate making - ensuring that the cost of providing service is recovered from the cost causer.

Rule 25-30.311(7), F.A.C., authorizes utilities to collect new or additional deposits from existing customers not to exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12-month period immediately prior to the date of notice. The two billing periods reflect the lag time between the customer's usage and the Utility's collection of the revenues associated with that usage. Commission practice has been to set initial customer deposits equal to two months bills based on the average consumption for a 12-month period for each class of customers. Staff reviewed the customer usage data and developed initial customer deposits for new residential and general service customers based on two times the average consumption.

Staff recommends that the appropriate initial customer deposit be \$64 for the residential 5/8" x 3/4" meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The Utility should file revised tariff sheets consistent with the Commission's vote. The approved customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. The Utility should be required to charge the approved charges until authorized to change them by the Commission in a subsequent proceeding.

Issue 13: Should Cedar Acres be authorized to collect Non-Sufficient Funds (NSF) charges?

Recommendation: Yes. Cedar Acres should be authorized to collect NSF charges. Staff recommends that Cedar Acres revise its tariffs to reflect the NSF charges currently set forth in Sections 68.065 and 832.08(5), F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the charges should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given within 10 days of the date of the notice. (Thompson)

Staff Analysis: Section 367.091, F.S., requires that rates, charges, and customer service policies be approved by the Commission. The Commission has authority to establish, increase, or change a rate or charge. Staff believes that Cedar Acres should be authorized to collect NSF charges consistent with Section 68.065, F.S., which allows for the assessment of charges for the collection of worthless checks, drafts, or orders of payment. As currently set forth in Sections 832.08(5) and 68.065(2), F.S., the following NSF charges may be assessed:

1. \$25, if the face value does not exceed \$50,
2. \$30, if the face value exceeds \$50 but does not exceed \$300,
3. \$40, if the face value exceeds \$300,
4. or five percent of the face amount of the check, whichever is greater.

Approval of NSF charges is consistent with prior Commission decisions.⁴ Furthermore, NSF charges place the cost on the cost-causer, rather than requiring that the costs associated with the return of the NSF checks be spread across the general body of ratepayers. As such, staff recommends that Cedar Acres revise its tariffs to reflect the NSF charges currently set forth in Sections 68.065 and 832.08(5) F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the NSF charges should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given within 10 days of the date of the notice.

⁴ See Order Nos. PSC-14-0198-TRF-SU, issued May 2, 2014, in Docket No. 140030-SU, In re: Request for approval to amend Miscellaneous Service charges to include all NSF charges by Environmental Protection Systems of Pine Island, Inc., and PSC-13-0646-PAA-WU, issued November 1, 2013, in Docket No. 130025-WU, In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.

Issue 14: 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 the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Cedar Acres should provide proof, within 90 days of the final order in this docket, that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records. The Utility's support documentation should include a list, by issue, of all Commission ordered adjustments and a reference to where the corresponding bookkeeping entries can be found in the general ledger that is provided. (Smith)

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

The Utility's support documentation should include a list, by issue, of all Commission ordered adjustments and a reference to where the corresponding bookkeeping entries can be found in the general ledger that is provided. All support documentation should follow the guidelines set forth in Rule 25-30.450, F.A.C., which states:

In each instance, the utility must be able to support any schedule submitted, as well as any adjustments or allocations relied on by the utility. The work sheets, etc., supporting the schedules and data submitted must be organized in a systematic and rational manner so as to enable Commission personnel to verify the schedules in an expedient manner and minimum amount of time. The supporting work sheets, etc., shall list all reference sources necessary to enable Commission personnel to trace to original source of entry into the financial and accounting system and, in addition, verify amounts to the appropriate schedules.

CEDAR ACRES, INC.		SCHEDULE NO. 1-A	
TEST YEAR ENDED 09/30/14		DOCKET NO.	
SCHEDULE OF WATER RATE BASE		140217-WU	
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$364,356	\$993	\$365,349
2. LAND & LAND RIGHTS	47,740	(43,300)	4,440
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. ACCUMULATED DEPRECIATION	(275,116)	(3,559)	(278,675)
5. CIAC	0	0	0
6. AMORTIZATION OF CIAC	0	0	0
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>13,025</u>	<u>13,025</u>
8. WATER RATE BASE	<u>\$136,980</u>	<u>(\$32,840)</u>	<u>\$104,140</u>

CEDAR ACRES, INC. TEST YEAR ENDED 09/30/14 ADJUSTMENTS TO RATE BASE	SCHEDULE NO. 1-B DOCKET NO. 140217-WU
	<u>WATER</u>
<u>UTILITY PLANT IN SERVICE</u> To reflect an average adjustment for plant additions.	\$993
<u>LAND AND LAND RIGHTS</u> To reflect land value when devoted to public service.	(\$43,300)
<u>NON-USED and USEFUL</u> Non-used and useful components.	\$0
<u>ACCUMULATED DEPRECIATION</u> To reflect an average adjustment.	(\$3,559)
<u>WORKING CAPITAL ALLOWANCE</u> To reflect 1/8 of test year O & M expenses.	\$13,025

CEDAR ACRES, INC.							SCHEDULE NO. 2 DOCKET NO. 140217-WU		
TEST YEAR ENDED 09/30/14 SCHEDULE OF CAPITAL STRUCTURE									
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE		BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST	
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS					
1. COMMON STOCK	\$9,500	\$0	\$9,500	(\$1,454)	\$8,046				
2. RETAINED EARNINGS	(118,986)	0	(118,986)	18,211	(100,775)				
3. PAID IN CAPITAL	0	0	0	0	0				
4. OTHER COMMON EQUITY	<u>0</u>	<u>232,445</u>	<u>232,445</u>	<u>(35,576)</u>	<u>196,869</u>				
5. TOTAL COMMON EQUITY	(\$109,486)	\$232,445	\$122,959	(\$18,819)	\$104,140	100.00%	8.74%	8.74%	
6. LONG TERM DEBT NOTE PAYABLE - Related Party	217,550	(217,550)	0	0	0	0.00%	5.00%	0.00%	
7. CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	6.00%	<u>0.00%</u>	
8. TOTAL	<u>\$108,064</u>	<u>\$14,895</u>	<u>\$122,959</u>	<u>(\$18,819)</u>	<u>\$104,140</u>	<u>100.00%</u>		<u>8.74%</u>	
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>		
RETURN ON EQUITY						<u>7.74%</u>	<u>9.74%</u>		
OVERALL RATE OF RETURN						<u>7.74%</u>	<u>9.74%</u>		

CEDAR ACRES, INC.		SCHEDULE NO. 3-A			
TEST YEAR ENDED 09/30/14		DOCKET NO. 140217-			
SCHEDULE OF WATER OPERATING INCOME		WU			
	TEST YEAR PER UTILITY	STAFF ADJ. PER UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$28,638</u>	<u>\$6,764</u>	<u>\$35,402</u>	<u>\$92,180</u> 260.38%	<u>\$127,582</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	93,344	10,858	104,202	0	104,202
3. DEPRECIATION (NET)	7,117	0	7,117	0	7,117
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	2,342	671	3,013	4,148	7,161
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$102,803</u>	<u>\$11,529</u>	<u>\$114,332</u>	<u>\$4,148</u>	<u>\$118,480</u>
8. OPERATING INCOME/(LOSS)	<u>(\$74,165)</u>		<u>(\$78,930)</u>		<u>\$9,102</u>
9. WATER RATE BASE	<u>\$136,980</u>		<u>\$104,140</u>		<u>\$104,140</u>
10. RATE OF RETURN	<u>-54.14%</u>		<u>-75.79%</u>		<u>8.74%</u>

CEDAR ACRES, INC.
TEST YEAR ENDED 09/30/14
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-B
DOCKET NO. 140217-WU
PAGE 1 OF 2

WATER

OPERATING REVENUES

To adjust utility revenues to audited test year amount. \$6,764

OPERATION AND MAINTENANCE EXPENSES

1.	Salaries and Wages - Employees (601)	
	Adjustment to increase office salaries.	<u>\$1,086</u>
2.	Salaries and Wages - Officers (603)	
	Allow directors fees.	<u>\$1,350</u>
	Allow salary for President (David Simons).	<u>2,500</u>
	Total	<u>\$3,850</u>
3.	Purchased Power (615)	
	To reflect actual test year expense.	<u>(\$541)</u>
4.	Fuel for Purchased Power	
	To reflect actual test year expense.	<u>\$315</u>
5.	Chemicals (618)	
	Reclassify to Contractual Services - Billing	<u>(\$12,062)</u>
6.	Contractual Services - Billing (630)	
	Include amount incorrectly recorded in Chemicals.	<u>\$12,062</u>
7.	Contractual Services - Professional (632)	
	Include amount incorrectly recorded in Miscellaneous Expenses.	<u>(\$5,588)</u>
8.	Contractual Services - Testing (635)	
	Reduce account to meet staff engineer's recommendation.	<u>(\$595)</u>
9.	Rent Expense (640)	
	Include allowance for annual Rent Expense	<u>\$9,144</u>
10.	Insurance Expenses (655)	
	Allowance for utility requested insurance policy.	<u>\$1,163</u>
11.	Regulatory Commission Expense (665)	
	Allowance for rate case expense amortized over 4 years.	<u>\$392</u>
12.	Miscellaneous Expense (675)	
	Reclassify Directors Fees to Salaries and Wages - Officers	<u>(\$1,350)</u>
	Allowance for office supplies and equipment usage	<u>3,000</u>
	Remove undocumented amount	<u>(18)</u>
	Total	<u>\$1,632</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS		<u>\$10,858</u>

Docket No. 140217-WU

Date: April 14, 2015

CEDAR ACRES, INC.
TEST YEAR ENDED 09/30/14
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-B
DOCKET NO. 140217-WU
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WATER

TAXES OTHER THAN INCOME

1. To adjust payroll tax for recommended salaries.	\$367
2. To adjust for regulatory assessment fees on test year revenue.	<u>304</u>
Total	<u>\$671</u>

CEDAR ACRES, INC. TEST YEAR ENDED 09/30/14 ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSES	SCHEDULE NO. 3-C DOCKET NO. 140217-WU		
	TOTAL PER UTILITY	STAFF PER ADJUST.	TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$50,837	\$1,086 [1]	\$51,923
(603) SALARIES AND WAGES - OFFICERS	0	3,850 [2]	3,850
(604) EMPLOYEE PENSION & BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	3,764	(541) [3]	3,223
(616) FUEL FOR POWER PRODUCTION	0	315 [4]	315
(618) CHEMICALS	13,539	(12,062) [5]	1,477
(620) MATERIALS AND SUPPLIES	0	0	0
(630) CONTRACTUAL SERVICES - BILLING	0	12,062 [6]	12,062
(631) CONTRACTUAL SERVICES - PROFESSIONAL	11,568	(5,588) [7]	5,980
(635) CONTRACTUAL SERVICES - TESTING	7,265	(595) [8]	6,670
(636) CONTRACTUAL SERVICES - OTHER	0	0	0
(640) RENTS	0	9,144 [9]	9,144
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	0	1,163 [10]	1,163
(665) REGULATORY COMMISSION EXPENSE	0	392 [11]	392
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	6,371	1,632 [12]	8,003
TOTAL WATER OPERATION AND MAINTENANCE EXPENSES	<u>\$93,344</u>	<u>\$10,858</u>	<u>\$104,202</u>

CEDAR ACRES, INC.
TEST YEAR ENDED SEPTEMBER 30, 2014
MONTHLY WATER RATES

SCHEDULE NO. 4
DOCKET NO. 140217-WU

	RATES AT TIME OF FILING	STAFF PRELIMINARY RECOMMENDED RATES	4-YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge all Meter Sizes	\$9.00	N/A	N/A
Base Facility Charge by Meter Size			
5/8"x3/4"	N/A	\$13.21	\$0.04
3/4"	N/A	\$19.82	\$0.07
1"	N/A	\$33.03	\$0.11
1-1/2"	N/A	\$66.05	\$0.22
2"	N/A	\$105.68	\$0.35
3"	N/A	\$211.36	\$0.69
4"	N/A	\$330.25	\$1.08
6"	N/A	\$660.50	\$2.17
Charge per 1,000 gallons	\$0.045	\$4.68	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$9.14	\$27.25	
5,000 Gallons	\$9.23	\$36.61	
10,000 Gallons	\$9.45	\$60.01	