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(850) 413-6199

Public Service Commission

August 25, 2015

Mr. Martin S. Friedman
Friedman & Friedman, PA
766 North Sun Drive, Suite 4030
Lake Mary, FL 32746

VIA ELECTRONIC MAIL
mfriedman@ff-attorneys.com

Re: Docket 140177 – WU - Application for staff-assisted rate case in Pasco County by Holiday Gardens Utilities, LLC.

Dear Mr. Friedman:

This will confirm that Commission staff will hold a customer meeting on Friday, September 11, 2015, at 9:00 a.m. We ask that, if at all possible, a knowledgeable representative of the Utility attend the meeting in order to answer customer questions. The location of the general meeting will be as follows:

Friday, September 11, 2015, at 9:00 a.m.,
Crestridge Community Club
4806 Phoenix Avenue
Holiday, Florida 34690

As required by Rule 25-22.0407(9)(b), Florida Administrative Code (F.A.C.), the utility must 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 attached. 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, attached is a copy 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:

Pasco County Library
South Holiday Branch
4649 Mile Stretch Drive
Holiday, FL 34690

For your convenience, I have also attached a copy of Rule 25-22.0407(9), F.A.C. Should you have any questions about any of the matters contained herein, please do not hesitate to contact me at (850) 413-6234 or Curt Mouring at (850) 413-6427.

Sincerely,

/s/ Kelley F. Corbari

Kelley F. Corbari,
Senior Attorney

Attachments

- Customer Meeting Notice
- Staff Report

KFC/dl

cc: Mike Smallridge (utilityconsultant@yahoo.com)
Office of Commission Clerk (Docket No. 140177-WU)
Office of Public Counsel (Kelly)

Rule 25-22.0407(9), Florida Administrative Code

(9) When a utility applies for a staff-assisted rate case in accordance with Section 367.0814, Florida Statutes, 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 & 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 HOLIDAY GARDENS UTILITIES, L.L.C.
AND
ALL OTHER INTERESTED PERSONS
DOCKET NO. 140177-WU
APPLICATION OF HOLIDAY GARDENS UTILITIES, L.L.C.
FOR A STAFF-ASSISTED RATE CASE IN
PASCO COUNTY

Date 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 Holiday Gardens Utilities, L.L.C (Holiday Gardens or Utility) for a staff-assisted rate case (SARC) in Polk County. The meeting will be held at the following time and place:

Friday, September 11, 2015, at 9:00 A.M.
Crestridge Community Club
4806 Phoenix Avenue
Holiday, Florida 34690

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 recommended 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 the Utility's 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

Holiday Gardens Utilities, LLC is a Class C utility providing water service to approximately 442 residential customers and 14 general service customers in Pasco County. The Utility's last staff-assisted rate case before the Commission occurred in 1992. According to Holiday Gardens' 2014 annual report, its total gross revenues were \$80,247 and total its operating expenses were \$99,252, resulting in a net operating loss of \$19,005. On September 10, 2014, Holiday Gardens filed an application for a staff-assisted rate case.

CURRENT AND PRELIMINARY RATES AND CHARGES

Staff has compiled the following recommended rates 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. Holiday Gardens Utilities, LLC’s current and staff’s recommended preliminary rates are as follows:

MONTHLY WATER RATES		
	RATES AT TIME OF FILING	STAFF PRELIMINARY RECOMMENDED RATES
<u>Residential and General Service</u>		
Base Facility Charge by Meter Size		
5/8" x 3/4"	\$7.64	\$11.12
3/4"	\$11.45	\$16.68
1"	\$19.14	\$27.80
1-1/2"	\$38.23	\$55.60
2"	\$61.22	\$88.96
3"	\$122.45	\$177.92
4"	\$191.29	\$278.00
6"	\$382.59	\$556.00
Charge per 1,000 gallons - Residential		
0-3,000 gallons	\$1.35	N/A
Over 3,000 gallons	N/A	\$4.01
	N/A	\$6.01
Charge per 1,000 gallons - General Service		
	\$1.51	\$4.60
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>		
3,000 Gallons	\$11.69	\$23.15
5,000 Gallons	\$14.39	\$35.17
10,000 Gallons	\$21.14	\$65.22

STAFF REPORTS AND UTILITY APPLICATION

The results of staff's preliminary investigation are contained in a staff report dated August 25, 2015. Copies of the report may be examined by interested members of the public, Tuesday through Saturday, at the following location:

Pasco County Library
South Holiday Branch
4649 Mile Stretch Drive
Holiday, FL 34690

PROCEDURES AFTER CUSTOMER MEETING

After the customer meeting, Commission staff will prepare a recommendation which is tentatively scheduled to be submitted to the Commission on October 22, 2015. The Commission will then vote on staff's recommendation at its **November 5, 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.

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:

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

All correspondence should refer to "Docket No. 140177-WU, Holiday Gardens Utilities, L.L.C." If you wish to contact the Commission regarding complaints about service, you may call the Commission's Office of Consumer Assistance and Outreach 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: August 25, 2015

TO: Bart Fletcher, Chief of Surveillance and Rate Filings, Division of Accounting & Finance

FROM: Curt Mouring, Public Utility Supervisor, Division of Accounting & Finance
Kelly Thompson, Public Utility Analyst, Division of Economics
Daniel Lee, Engineering Specialist, Division of Engineering
Kelley Corbari, Senior Attorney, Office of the General Counsel

RE: Docket No. 140177-WU Application for staff-assisted rate case in Pasco County by
Holiday Gardens Utilities, LLC.

- 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

Holiday Gardens Utilities, LLC. (Holiday Gardens or utility) is a Class C water utility serving approximately 456 customers in Pasco County. Holiday Gardens' service territory is located in the Southwest Florida Water Management District (SWFWMD) and is in a water use caution area. The utility's application in the instant docket shows total gross revenue of \$77,846, with a net operating loss of \$183.

In the instant docket, Holiday Gardens filed its application for a staff-assisted rate case (SARC) on September 10, 2014 and subsequently completed the Commission's filing requirements. November 7, 2014 was established as the official filing date in this case. Rates were last established for this utility in 1992, as a result of a staff-assisted rate case.¹ Holiday Gardens filed an application for transfer concurrently with this SARC.² The Commission has jurisdiction in this 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 customers and the utility an advanced look at what staff may be proposing. The final recommendation to the Commission (currently scheduled to be filed September 3, 2015, for the September 15, 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 Order No. PSC-93-0013-FOF-WU, issued January 5, 1993, in Docket No. 920418-WU, In re: Application for a staff-assisted rate case by Holiday Gardens Utilities, Inc. in Pasco County.

² Docket No. 140176-WU.

Discussion of Issues

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

Preliminary Recommendation: The staff recommendation regarding customer satisfaction and overall quality of service will not be finalized until after the customer meeting currently scheduled for July 23, 2015. (Lee)

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

Holiday Gardens provides water service only. The utility's operation is subject to various environmental requirements under the jurisdiction of the DEP. In addition, the consumptive use of its water supply is under the jurisdiction of Southwest Florida Water Management District. In the utility's last SARC, the Commission found the quality of service to be satisfactory based on the actions that the utility was taking to comply with DEP's regulations.

Currently, DEP's review included an on-site inspection that was conducted on January 27, 2015. The inspection included the review of tank inspection reports, flow meter tests, and any issues observed regarding the plant operation. Based on the utility's response to DEP dated February 24, 2015, all issues observed during the inspection were addressed. The utility has indicated that it will perform any additional actions that may be required for its compliance with DEP regulations.

Section 367.0812(1)(c), F.S., requires the Commission to consider complaints filed by customers during the past five years regarding the secondary water quality standards as established by the DEP in determining whether a utility has satisfied its obligation to provide quality of water service. There has been no such water quality complaints based on staff's request of data from the utility and the DEP. A review of customer complaints indicates the utility has resolved all of the complaints tracked by the Commission. The Commission's Consumer Activity Tracking System (CATS) recorded four complaints since January 2010. Of the four complaints, two were related to billing and two were related to service quality. The last recorded complaint was closed on September 9, 2014.

The staff recommendation regarding customer satisfaction and overall quality of service will not be finalized until after the customer meeting currently scheduled for July 23, 2015.

Issue 2: What is the used and useful (U&U) percentage for the utility's water system?

Preliminary Recommendation: Staff recommends that the utility's water system be considered 100 percent U&U. (Lee)

Staff Analysis: The utility's water system, which includes its treatment plant and distribution system, was determined to be built out and 100 percent U&U in its last SARC in Docket No. 920418-WU.³ There has been no growth in the customer base, no change in capacity, or any plan for expansion. Based on the above, staff recommends that the utility's water system be considered 100 percent U&U.

³ Order No. PSC-93-0013-FOF-WU.

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

Preliminary Recommendation: The appropriate average test year rate base for Holiday Gardens is \$65,291. (Mouring)

Staff Analysis: The test year ended September 30, 2014, was used for the instant case. A summary of each rate base component, and recommended adjustments are discussed below.

Utility Plant in Service (UPIS)

The utility recorded UPIS of \$180,627. The staff audit noted exceptions to the utility's UPIS balances. By Order No. PSC-93-0013-FOF-WU, the Commission established a UPIS balance of \$187,112 as of March 31, 1992. Commission audit staff compiled all subsequent plant additions and retirements since that point and recommended increasing UPIS by \$863. Staff is also recommending increasing UPIS by \$11,250 in consideration of pro forma plant improvements requested by the utility. As such, staff recommends that the appropriate UPIS balance is \$192,739 ($\$180,627 + \$863 + \$11,250$).

Land & Land Rights

The utility recorded a test year land value of \$3,059. In Order No. 21920, the Commission established the value of the land to be \$2,414.⁴ There have been no additions to purchased land since Order No. 21920 was issued. Therefore, staff recommends that the balance be reduced by \$645 and that the appropriate land balance is \$2,414.

Non-Used and Useful (non-U&U) Plant

As discussed in Issue 2, staff is recommending that both the water treatment plant and distribution system be considered 100 percent U&U. Therefore, no adjustment is necessary.

Contributions In Aid of Construction (CIAC)

The utility recorded a CIAC balance of \$85,630. Based on staff's review, no adjustments are necessary. Therefore, staff's recommended CIAC is \$85,630.

Accumulated Depreciation

Holiday Gardens recorded a test year accumulated depreciation balance of \$162,118. 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 increased accumulated depreciation by \$1,832 to reflect the appropriate simple average. Staff is also recommending reducing accumulated depreciation by \$17,908 related to retirements associated with the pro forma items requested by the utility. Staff's adjustment to this account results in an accumulated depreciation balance of \$146,042 ($\$162,118 + \$1,832 - \$17,908$).

Accumulated Amortization of CIAC

The utility recorded an accumulated amortization of CIAC balance of \$85,630. There were no additions to CIAC since the last rate case, and CIAC was fully amortized in 2009 in the amount

⁴ Order No. 21920, issued September 19, 1989, in Docket No. 890169-WU, In re: Application of Holiday Gardens, Inc. for staff-assisted rate case in Pasco County.

Docket No. 140177-WU

Date: August 25, 2015

of \$85,630. Therefore, staff's recommended accumulated amortization of CIAC balance is \$85,630.

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 \$16,181 (based on O&M expense of \$129,444/8).

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$65,291. Water rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

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

Preliminary Recommendation: The appropriate return on equity (ROE) is 11.16 percent with a range of 10.16 percent to 12.16 percent. The appropriate overall rate of return is 7.53 percent. (Mouring)

Staff Analysis: According to the staff audit, Holiday Gardens' test year capital structure reflected common equity of \$7,500, long-term debt of \$211,586, short-term debt of \$2,827, and customer deposits of \$720.

The utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE for the utility is 11.16 percent based upon the Commission-approved leverage formula currently in effect.⁵ Staff recommends an ROE of 11.16 percent, with a range of 10.16 percent to 12.16 percent, and an overall rate of return of 7.53 percent. The ROE and overall rate of return are shown on Schedule No. 2.

⁵ 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 system?

Preliminary Recommendation: The appropriate test year revenues for Holiday Gardens' water system are \$79,674. (Thompson)

Staff Analysis: Holiday Gardens recorded total test year revenues of \$77,847, which included service revenues of \$72,113 and miscellaneous revenues of \$5,734. 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 should be increased by \$1,675 to reflect annualized test year service revenues of \$73,788.⁶ Staff also increased miscellaneous revenues by \$152 to reflect the appropriate amount of \$5,886 during the test year. Therefore, staff recommends that the appropriate test year revenues for Holiday Gardens' water system are \$79,674 (\$73,788 + \$5,886). Test year revenues are shown on Schedule No. 3-A..

⁶The utility filed a 2014 Index that become effective on September 2, 2014.

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

Preliminary Recommendation: The appropriate amount of operating expense for the utility is \$145,479. (Mouring)

Staff Analysis: Holiday Gardens recorded operating expense of \$78,029 for the test year ended September 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.

Operation and Maintenance Expenses

Salaries & Wages - Employees (601)

The utility recorded Salaries & Wages - Employee expense of \$20,091. Staff has increased this amount by \$25,477 to reflect the current allocation of employee salaries from Florida Utility Services 1, LLC (FUS1). Therefore, staff recommends Salaries & Wages - Employee expense of \$45,568.

Salaries & Wages - Officers (603)

The utility recorded Salaries & Wages - Officer expense of \$1,455. Staff has increased this amount by \$10,308 to reflect the current allocation of the utility's Officer's salary. Therefore, staff recommends Salaries & Wages - Officers expense of \$11,763.

Employee Pensions and Benefits (604)

The utility recorded Pensions and Benefits expense of \$777. Staff has increased this amount by \$5,171 to reflect the current allocation of employees' medical and Workman's Compensation insurance. Therefore, staff recommends Pensions and Benefits expense of \$5,948.

Materials and Supplies (620)

Holiday Gardens recorded Materials and Supplies expense of \$1,902. This amount includes \$781 relating to meters and a lawnmower, which staff recommends be removed from Account 620, and capitalized to plant. The resulting amount for Materials and Supplies expense is \$1,121.

Contractual Services - Other (636)

The utility recorded Contractual Services – Other expense of \$23,445. Staff has decreased this amount by \$2,015 to remove out-of-period and duplicate expenses. Staff also decreased this amount by \$360 to remove lawn maintenance expense which will now be provided by the utility. The resulting amount for Contractual Services – Other expense is \$21,070 (\$23,445 - \$2,015 - \$360).

Rents (640)

Holiday Gardens recorded Rent expense of \$6,398. Staff has reduced Rent expense by \$2,410 to reflect the appropriate allocation of the lease expense for the utility's office space. Therefore, staff recommends Rent expense of \$3,988.

Regulatory Commission Expense (665)

The utility recorded no regulatory commission expense for the test year. By Rule 25-30.0407, 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 \$447 for postage expense, \$319 for printing expense, and \$46 for envelopes. These amounts result in \$812 for postage, printing 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 \$1,812, which amortized over four years is \$453 annually. Staff recommends regulatory commission expense of \$453.

Miscellaneous Expense (675/775)

The utility recorded miscellaneous expense of \$6,814. Staff has increased this amount by \$20,318 to reflect an expedited meter replacement program. In response to a staff data request, the utility stated that it was requesting a meter change out program to be expensed, stating that it is part of its remedial action plan with the water management district. Staff has also increased this amount by \$1,316 to include licensing and corporations fees, and to amortize the utility's DEP permit renewal fee. Staff recommends miscellaneous expense of \$28,448 ($\$6,814 + \$20,318 + \$1,316$).

Operation and Maintenance Expenses Summary

Based on the above adjustments, staff recommends that the O&M expenses are \$129,444. Staff's recommended adjustments to O&M expense are shown on Schedule No. 3-A.

Depreciation Expense (Net of Amortization of CIAC)

Holiday Gardens did not record any depreciation expense during the test year. Staff recalculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. As a result, staff increased depreciation expense by \$1,954 to reflect the appropriate depreciation expense. Also, staff increased depreciation expense by \$953 to reflect the pro forma plant items. Therefore, staff recommends depreciation expense of \$2,907 ($\$1,954 + \953).

Taxes Other Than Income (TOTI)

The utility recorded a TOTI balance of \$6,061. Staff has increased TOTI by \$56 to reflect the appropriate test year TOTI. Staff has also increased TOTI by \$3,829 to reflect the appropriate allocation of payroll taxes.

In addition, as discussed in Issue 7, revenues have been increased by \$70,722 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 \$3,182 to reflect RAFs of 4.5 percent on the change in revenues. Therefore, staff recommends TOTI of \$13,128 ($\$6,061 + \$56 + \$3,829 + \$3,182$).

Operating Expenses Summary

The application of staff's recommended adjustments to Holiday Gardens' test year operating expenses results in operating expenses of \$145,479. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule Nos. 3-B and 3-C.

Issue 7: What is the appropriate revenue requirement?

Preliminary Recommendation: The appropriate revenue requirement is \$150,395, resulting in an annual increase of \$70,721 (88.76 percent). (Mouring)

Staff Analysis: Holiday Gardens should be allowed an annual increase of \$70,721 (88.76 percent). This will allow the utility the opportunity to recover its expenses and earn a 7.53 percent return on its water system. The calculation is shown in Table 7-1 below.

**Table 7-1
Water Revenue Requirement**

Adjusted Rate Base	\$65,291
Rate of Return	x <u>7.53%</u>
Return on Rate Base	\$4,916
Adjusted O&M Expense	129,444
Depreciation Expense (Net)	2,907
Taxes Other Than Income	9,946
Incremental RAFs	<u>3,182</u>
Revenue Requirement	\$150,395
Less Adjusted Test Year Revenues	<u>79,674</u>
Annual Increase	<u>\$70,721</u>
Percent Increase	<u>88.76%</u>

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

Preliminary Recommendation: The recommended rate structure and monthly water 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 Holiday Gardens water system is located in Pasco County within the Southwest Florida Water Management District. The utility provides water service to approximately 442 residential customers and 14 general service customers. Approximately 20 percent of the residential customer bills during the test year had zero gallons indicating a customer base that reflects some seasonality. The average residential water demand is 3,588 gallons per month. The average residential water demand excluding zero gallon bills is 4,486 gallons per month. The utility's current water system rates structure for residential and general service customers consists of a base facility charge (BFC) and a uniform gallon charge.

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

Typically, the Commission allocates no greater than 40 percent of the water revenue to the BFC. However, when the utility's customer base is seasonal, it has been the Commission's practice to allocate greater than 40 percent of the revenue requirement to the BFC to address revenue stability. Due to the seasonality of the customer base and the amount of the recommended revenue increase, staff believes it is appropriate to allocate 45 percent of the water revenue to the BFC for revenue stability purposes.

The average people per household served by the water system is two; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 3,000 gallons per month. Approximately 56 percent of the customer bills included 3,000 gallons per month or less. Staff recommends a traditional BFC and gallonage charge rate structure with separate gallonage charges for discretionary and non-discretionary usage for residential water rates. General service customers should be billed a BFC and uniform gallonage charge.

Based on a recommended revenue increase of approximately 96 percent, excluding miscellaneous revenues, residential consumption can be expected to decline by 4,731,000 gallons resulting in anticipated average residential demand of 2,696. Staff recommends a 24.9-percent reduction in total residential consumption and corresponding reductions of \$706 for purchased

power, \$472 for chemicals, and \$55 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$143,276. Staff recommends a traditional BFC and gallonage charge rate structure with separate gallonage charges for discretionary and non-discretionary usage for residential water customers and a BFC based on 45 percent of the water revenue requirement. General service customers should be billed a BFC and uniform gallonage charge.

The recommended rate structure and monthly water 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.

Issue 9: Should Holiday Gardens be authorized to collect Non-Sufficient Funds (NSF) charges?

Preliminary Recommendation: Yes. Holiday Gardens should be authorized to collect NSF charges. Staff recommends that Holiday Gardens revise its tariff 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 Holiday Gardens 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.⁷ 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 Holiday Gardens revise its tariff 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.

⁷Order 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 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 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. Holiday Gardens 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, Mouring)

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 \$479 for water.

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. Holiday Gardens 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. Holiday Gardens 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. (Mouring)

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. Holiday Gardens 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 \$47,170. 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 utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission approved adjustments?

Preliminary Recommendation: Yes. To ensure that the utility adjusts its books in accordance with the Commission's decision, Holiday Gardens should provide proof, within 90 days of the final order in this docket, that the adjustments to all 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. (Mouring)

Staff Analysis: To ensure that the utility adjusts its books in accordance with the Commission's decision, Holiday Gardens should provide proof, within 90 days of the final order in this docket, that the adjustments to all 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.

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. (Corbari)

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.

HOLIDAY GARDENS UTILITIES, LLC		SCHEDULE NO. 1-A	
TEST YEAR ENDED 09/30/14		DOCKET NO. 140177-WU	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$180,627	\$12,112	\$192,739
LAND & LAND RIGHTS	3,059	(645)	2,414
NON-USED AND USEFUL COMPONENTS	0	0	0
CIAC	(85,630)	0	(85,630)
ACCUMULATED DEPRECIATION	(162,118)	16,076	(146,042)
AMORTIZATION OF CIAC	85,630	0	85,630
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>16,181</u>	<u>16,181</u>
WATER RATE BASE	<u>\$21,568</u>	<u>\$43,723</u>	<u>\$65,291</u>

HOLIDAY GARDENS UTILITIES, LLC		SCHEDULE NO. 1-B
TEST YEAR ENDED 09/30/14		DOCKET NO. 140177-WU
ADJUSTMENTS TO RATE BASE		
		<u>WATER</u>
	<u>UTILITY PLANT IN SERVICE</u>	
1.	To reflect the appropriate UPIS.	\$863
2.	To reflect pro forma plant additions and retirements.	<u>11,250</u>
	Total	<u>\$12,112</u>
	<u>LAND</u>	
	To reflect the appropriate land value	<u>(\$645)</u>
	<u>ACCUMULATED DEPRECIATION</u>	
1.	To reflect the appropriate simple average.	(\$1,832)
2.	To reflect pro forma plant additions and retirements.	<u>17,908</u>
	Total	<u>\$16,076</u>
	<u>WORKING CAPITAL ALLOWANCE</u>	
	To reflect 1/8 of test year O&M expenses.	<u>\$16,181</u>

HOLIDAY GARDENS UTILITIES, LLC							SCHEDULE NO. 2		
TEST YEAR ENDED 09/30/14							DOCKET NO. 140177-WU		
SCHEDULE OF CAPITAL STRUCTURE									
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST	
1. COMMON EQUITY	\$7,500	\$0	\$7,500	(\$5,318)	\$2,182	3.34%	11.16%	0.37%	
2. LONG-TERM DEBT	423,172	(211,586)	211,586	(150,019)	61,567	94.30%	7.50%	7.07%	
3. SHORT-TERM DEBT (Truck)	0	2,827	2,827	(2,004)	822	1.26%	5.00%	0.06%	
4. PREFERRED STOCK	0	0	0	0	0	0.00%	0.00%	0.00%	
5. CUSTOMER DEPOSITS	576	144	720	0	720	1.10%	2.00%	0.02%	
6. DEFERRED INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	
7. TOTAL	<u>\$431,248</u>	<u>(\$208,615)</u>	<u>\$222,633</u>	<u>(\$157,341)</u>	<u>\$65,291</u>	<u>100.00%</u>		<u>7.53%</u>	
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>		
RETURN ON EQUITY						<u>10.16%</u>	<u>12.16%</u>		
OVERALL RATE OF RETURN						<u>7.50%</u>	<u>7.56%</u>		

HOLIDAY GARDENS UTILITIES, LLC TEST YEAR ENDED 09/30/14 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 140177-WU		
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$77,847</u>	<u>\$1,827</u>	<u>\$79,674</u>	<u>\$70,721</u> 88.76%	<u>\$150,395</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$71,968	\$57,476	\$129,444	\$0	\$129,444
3. DEPRECIATION (NET)	0	2,907	2,907	0	2,907
4. TAXES OTHER THAN INCOME	6,061	3,885	9,946	3,182	13,128
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. TOTAL OPERATING EXPENSES	<u>\$78,029</u>	<u>\$64,268</u>	<u>\$142,297</u>	<u>\$3,182</u>	<u>\$145,479</u>
7. OPERATING INCOME/(LOSS)	<u>(\$182)</u>		<u>(\$62,623)</u>		<u>\$4,916</u>
8. WATER RATE BASE	<u>\$21,568</u>		<u>\$65,291</u>		<u>\$65,291</u>
9. RATE OF RETURN	<u>(0.84%)</u>		<u>(95.91%)</u>		<u>7.53%</u>

HOLIDAY GARDENS UTILITIES, LLC
TEST YEAR ENDED 09/30/14
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-B
DOCKET NO. 140177-WU

	<u>WATER</u>
OPERATING REVENUES	
a. To reflect the appropriate test year service revenues.	\$1,675
b. To reflect the test year miscellaneous service revenues.	<u>152</u>
Subtotal	<u>\$1,827</u>
OPERATION AND MAINTENANCE EXPENSES	
1. Salaries and Wages – Employees (601) To reflect the appropriate amount of salary expense for the test year.	<u>\$25,477</u>
2. Salaries and Wages – Officers (603) To reflect the appropriate amount of officer’s salary expense for the test year.	<u>\$10,308</u>
3. Employee Pensions and Benefits (604) To reflect the appropriate medical and workman’s comp. benefits.	<u>\$5,171</u>
4. Material and Supplies (620) To reflect capitalized items.	<u>(\$781)</u>
5. Contractual Services - Other (636)	
a. To remove out-of-period expenses.	(\$2,015)
b. To reflect the reduction in lawn maintenance expense.	<u>(360)</u>
Subtotal	<u>(\$2,375)</u>
6. Rents (640) To reflect the appropriate rent expense.	<u>(\$2,410)</u>
7. Regulatory Commission Expense (665) To reflect 4-year amortization of rate case expense.	<u>\$453</u>
8. Miscellaneous Expense (675)	
a. To reflect the meter replacement program expense.	\$20,318
b. To reflect licensing fees, corporations fees, and DEP permit	<u>1,316</u>
Total	<u>\$21,634</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$57,476</u>
DEPRECIATION EXPENSE	
To reflect appropriate depreciation expense per Rule 25-30.140 F.A.C..	<u>\$2,907</u>
TAXES OTHER THAN INCOME	
a. To reflect the appropriate test year taxes other than income.	\$56
b. To reflect the appropriate allocation of payroll taxes.	<u>3,829</u>
Total	<u>\$3,885</u>

HOLIDAY GARDENS UTILITIES, LLC		SCHEDULE NO. 3-C	
TEST YEAR ENDED 09/30/14		DOCKET NO. 140177-WU	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENTS	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$20,091	\$25,477	\$45,568
(603) SALARIES AND WAGES - OFFICERS	1,455	10,308	11,763
(604) EMPLOYEE PENSIONS AND BENEFITS	777	5,171	5,948
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	3,260	0	3,260
(616) FUEL FOR POWER PRODUCTION	100	0	100
(618) CHEMICALS	2,179	0	2,179
(620) MATERIALS AND SUPPLIES	1,902	(781)	1,121
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	0	0	0
(633) CONTRACTUAL SERVICES - LEGAL	0	0	0
(636) CONTRACTUAL SERVICES - OTHER	23,445	(2,375)	21,070
(640) RENTS	6,398	(2,410)	3,988
(650) TRANSPORTATION EXPENSE	763	0	763
(655) INSURANCE EXPENSE	4,784	0	4,784
(665) REGULATORY COMMISSION EXPENSE	0	453	453
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSE	<u>6,814</u>	<u>21,634</u>	<u>28,448</u>
TOTAL WATER O&M EXPENSES	<u>\$71,968</u>	<u>\$57,476</u>	<u>\$129,444</u>

HOLIDAY GARDENS UTILITIES, INC. TEST YEAR ENDED SEPTEMBER 30, 2014 MONTHLY WATER RATES		SCHEDULE NO. 4 DOCKET NO. 140177-WU	
	RATES AT TIME OF FILING	STAFF PRELIMINARY RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$7.64	\$11.12	\$0.04
3/4"	\$11.45	\$16.68	\$0.06
1"	\$19.14	\$27.80	\$0.09
1-1/2"	\$38.23	\$55.60	\$0.18
2"	\$61.22	\$88.96	\$0.29
3"	\$122.45	\$177.92	\$0.59
4"	\$191.29	\$278.00	\$0.92
6"	\$382.59	\$556.00	\$1.84
Charge per 1,000 gallons - Residential			
0 - 3,000 gallons	\$1.35	N/A	
Over 3,000 gallons	N/A	\$4.01	\$0.01
	N/A	\$6.01	\$0.02
Charge per 1,000 gallons - General Service			
	\$1.35	\$4.60	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$11.69	\$23.15	
5,000 Gallons	\$14.39	\$35.17	
10,000 Gallons	\$21.14	\$65.22	