

FLORIDA PUBLIC SERVICE COMMISSION

Item 5

VOTE SHEET

December 3, 2015

FILED DEC 03, 2015
DOCUMENT NO. 07702-15
FPSC - COMMISSION CLERK

Docket No. 140175-WU – Application for staff-assisted rate case in Pasco County by Crestridge Utilities, LLC.

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

Recommendation: Yes, staff recommends that the quality of service provided by Crestridge be considered satisfactory.

APPROVED

Issue 2: What are the used and useful (U&U) percentages of Crestridge’s water treatment plant (WTP) and water distribution system?

Recommendation: Staff recommends that Crestridge’s water system be considered 100 percent U&U with no adjustment for Excessive Unaccounted For Water (EUW).

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

Jimmy [Signature]
[Signature]
[Signature]
[Signature]

REMARKS/DISSENTING COMMENTS:

Oral modification, assigned DN 07564-15, is attached; also oral modification (DN 07678-15) is attached.

(Continued from previous page)

Issue 3: What is the appropriate average test year water rate base for Crestridge Utilities?

Recommendation: The appropriate average test year rate base for Crestridge is ~~\$88,709~~. **\$87,473.**

APPROVED

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

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 8.28 percent.

APPROVED

Issue 5: What are the appropriate test year revenues for Crestridge?

Recommendation: The appropriate test year revenues for the Crestridge water system are \$100,192.

APPROVED

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

Recommendation: The appropriate amount of operating expense for the utility is ~~\$186,148~~. **\$175,789.**

APPROVED

Issue 7: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is ~~\$193,493~~, resulting in an annual increase of ~~\$93,301~~ (93.12 percent).

\$82,840 82.68

APPROVED

(Continued from previous page)

Issue 8: What is the appropriate rate structure and rates for Crestridge?

Recommendation: The recommended rate structure and monthly water rates are shown on Schedule No. 4 of staff's memorandum dated November 18, 2015. 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.

APPROVED

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

Recommendation: Yes. Crestridge should be authorized to collect NSF charges. Staff recommends that Crestridge 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.

APPROVED

Issue 10: What are the utility's appropriate initial customer deposits for Crestridge's water service?

Recommendation: The appropriate initial customer deposit for water customers should be \$49 for the residential 5/8" x 3/4" meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for ~~waste~~ water service. 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.

APPROVED

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Issue 11: 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.?

Recommendation: The water rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated November 18, 2015, 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. Crestridge 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.

APPROVED

\$186,758

2.04

Issue 12: Should the Commission approve a Phase II increase for pro forma items for Crestridge?

Recommendation: Yes. The Commission should approve a Phase II revenue requirement associated with pro forma items. The utility's Phase II revenue requirement is ~~\$197,220~~, which equates to a ~~1.93~~ percent increase over the Phase I revenue requirement. Staff recommends that the increase be applied as an across-the-board increase to the Phase I rates.

Implementation of the Phase II rates is conditioned upon Crestridge completing the pro forma items within 12 months of the issuance of a consummating order in this docket. The utility should be required to submit a copy of the final invoices and cancelled checks or other payment confirmation documentation for all pro forma plant items. The utility should be allowed to implement the above rates once all pro forma items have been completed and documentation provided showing that the improvements have been made. Once verified, the 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. The rates should not be implemented until notice has been received by the customers. Crestridge should provide proof of the date notice was given within 10 days of the date of the notice. If the utility encounters any unforeseen events that will impede the completion of the pro forma items, the utility should immediately notify the Commission in writing.

APPROVED

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Issue 13: 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?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates for Phase I 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. Crestridge 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 in the analysis portion of staff's memorandum dated November 18, 2015. 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.

APPROVED

Issue 14: Should the utility be required to notify the Commission 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. The utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Crestridge should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

APPROVED

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Issue 15: Should this docket be closed?

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 outstanding Phase I pro forma items have been completed, the revised tariff sheets and customer notice have been filed by the utility and approved by staff, and the utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Also, the docket should remain open to allow staff to verify that the Phase II pro forma items have been completed, and the Phase II rates properly implemented. Once these actions are complete, this docket should be closed administratively.

APPROVED

Angela Charles

From: Kathy Shoaf
Sent: Wednesday, November 25, 2015 8:38 AM
To: CLK - Agenda Staff; Commissioners & Staffs; Braulio Baez; Lisa Harvey; Apryl Lynn; Charlie Beck; Mary Anne Helton; Cindy Muir; Andrew Maurey; Curt Mouring; Kelly Thompson; Kelley Corbari; Keino Young
Cc: Kate Hamrick; Kathy Shoaf
Subject: Approved Request for Oral Modification for Item No. 5, December 3, 2015, Agenda Conference, Docket No. 140175-WU - Crestridge Utilities, LLC

Please see attached Approved Request for Oral Modification.

Thank you.

Kathy Shoaf

Executive Assistant to
Braulio Baez, Executive Director
Florida Public Service Commission
Telephone: (850)413-6053
kshoaf@psc.state.fl.us

From: Braulio Baez
Sent: Tuesday, November 24, 2015 4:43 PM
To: Greg Shafer; Lisa Harvey
Cc: Kate Hamrick; Kathy Shoaf
Subject: RE: Request for Oral Modification for Item No. 5, December 3, 2015, Agenda Conference, Docket No. 140175-WU - Crestridge Utilities, LLC

Approved. Thanks

Sent from my T-Mobile 4G LTE Device

----- Original message -----

From: Greg Shafer <GShafer@PSC.STATE.FL.US>
Date: 11/24/2015 4:36 PM (GMT-05:00)
To: Braulio Baez <BBaez@PSC.STATE.FL.US>, Lisa Harvey <LSHarvey@PSC.STATE.FL.US>
Cc: Kate Hamrick <KHamrick@psc.state.fl.us>, Kathy Shoaf <kshoaf@psc.state.fl.us>
Subject: Request for Oral Modification for Item No. 5, December 3, 2015, Agenda Conference, Docket No. 140175-WU - Crestridge Utilities, LLC

Item 5 relates to a staff assisted rate case for Crestridge Utilities, LLC. Staff requests approval to make an oral modification to the pages listed below. The changes are highlighted in the tables below. This requested modification has no other effects on Staff's recommendation. The specific modification is in type and strike format.

Page 17, Table 8-1, Staff Recommended and Alternative Water Rate Structures and Rates.

**Table 8-1
Staff's Recommended and Alternative Water Rate Structures and Rates**

	RATES AT TIME OF FILING	STAFF		
		RECOMMENDED PHASE I RATES (BFC 50%)	ALTERNATIVE I (BFC 45%)	ALTERNATIVE II (BFC 55%)
<u>Residential</u>				
Base Facility Charge 5/8" x 3/4"	\$7.76	\$12.43	\$11.18	\$13.68
Charge per 1,000 gallons	\$1.51	N/A	N/A	N/A
0-3,000 gallons	N/A	\$4.08	\$4.49	\$3.67
Over 3,000 gallons	N/A	\$9.22	\$11.30	\$7.54
<u>Typical Residential 5/8" x 3/4" Meter</u>				
<u>Bill Comparison</u>				
3,000 Gallons	\$13.80 12.29	\$24.67	\$35.95 24.65	\$32.23 24.69
5,000 Gallons	\$15.31	\$43.11	\$47.25	\$39.77
10,000 Gallons	\$22.86	\$89.21	\$103.75	\$77.47

Page 35, Schedule No. 4, Monthly Water Rates (Phase I).

CRESTRIDGE UTILITIES, LLC TEST YEAR ENDED SEPTEMBER 30, 2014 MONTHLY WATER RATES (PHASE I)		SCHEDULE NO. 4 DOCKET NO. 140175-WU	
	RATES AT TIME OF FILING	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$7.76	\$12.43	\$0.13
3/4"	\$11.45	\$18.65	\$0.20
1"	\$19.14	\$31.08	\$0.33
1-1/2"	\$38.23	\$62.15	\$0.65
2"	\$61.22	\$99.44	\$1.05

3"	\$122.45	\$198.88	\$2.09
4"	\$191.29	\$310.75	\$3.27
6"	\$382.59	\$621.50	\$6.55
Charge per 1,000 gallons - Residential	\$1.51	N/A	N/A
0 - 3,000 gallons	N/A	\$4.08	\$0.04
Over 3,000 gallons	N/A	\$9.22	\$0.10
Charge per 1,000 gallons - General Service	\$1.51	\$5.37	\$0.06
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$12.29	\$24.67	
65,000 Gallons	\$46.82 15.31	\$52.33 43.11	
10,000 Gallons	\$22.86	\$89.21	

Page 41, Schedule No. 8, Monthly Water Rates (Phase II).

CRESTRIDGE UTILITIES, LLC TEST YEAR ENDED SEPTEMBER 30, 2014 MONTHLY WATER RATES (PHASE II)		SCHEDULE NO. 8 DOCKET NO. 140175-WU	
	PHASE I RATES	STAFF RECOMMENDED RATES	
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$12.43	\$12.68	
3/4"	\$18.65	\$19.02	
1"	\$31.08	\$31.70	
1-1/2"	\$62.15	\$63.40	
2"	\$99.44	\$101.44	
3"	\$198.88	\$202.88	
4"	\$310.75	\$317.00	
6"	\$621.50	\$634.00	
Charge per 1,000 gallons - Residential	N/A	N/A	
0 - 3,000 gallons	\$4.08	\$4.16	
Over 3,000 gallons	\$9.22	\$9.40	
Charge per 1,000 gallons - General Service	\$5.37	\$5.47	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$24.67	\$25.16	
5,000 Gallons	\$52.33 43.11	\$53.36 43.96	
10,000 Gallons	\$89.21	\$90.96	



Angela Charles

From: Lisa Harvey
Sent: Thursday, December 03, 2015 8:06 AM
To: Commissioners & Staffs; Braulio Baez; Apryl Lynn; Charlie Beck; Andrew Maurey; Curt Mouring; Mary Anne Helton; Kelley Corbari; Keino Young; CLK - Agenda Staff
Cc: Kate Hamrick; Kathy Shoaf; Terri Fleming
Subject: FW: Request for Oral Modification to Item 5 on December 3, 2015 Commission Conference, Docket No. 140175-WU, Application for staff-assisted rate case in Pasco County by Crestridge Utilities, LLC.
Attachments: Request for oral modifications to Crestridge Utilities schedules.docx

Oral Modification with corrected text and tables.

From: Braulio Baez
Sent: Thursday, December 03, 2015 8:00 AM
To: Lisa Harvey
Subject: FW: Request for Oral Modification to Item 5 on December 3, 2015 Commission Conference, Docket No. 140175-WU, Application for staff-assisted rate case in Pasco County by Crestridge Utilities, LLC.

Approved...

From: Lisa Harvey
Sent: Thursday, December 03, 2015 7:57 AM
To: Braulio Baez
Subject: FW: Request for Oral Modification to Item 5 on December 3, 2015 Commission Conference, Docket No. 140175-WU, Application for staff-assisted rate case in Pasco County by Crestridge Utilities, LLC.

Please approve.

From: Andrew Maurey
Sent: Wednesday, December 02, 2015 4:02 PM
To: Lisa Harvey
Cc: Cheryl Bulecza-Banks
Subject: Request for Oral Modification to Item 5 on December 3, 2015 Commission Conference, Docket No. 140175-WU, Application for staff-assisted rate case in Pasco County by Crestridge Utilities, LLC.

Staff requests approval to make an oral modification to Item 5 scheduled for the December 3, 2015, Commission Conference. Staff's proposed modification relates to the typographical error for accumulated depreciation in Table 3-1, a separate typographical error referencing wastewater (Issue 10), and the removal of expenses associated with the prior owner recorded in Contractual Services - Other addressed in staff's recommendation. The modifications affect Issue 3 (Proforma Plant Additions – Rate Base) and Issue 6 (Contractual Services – Other – O&M) and the fall out effect on working capital, taxes other than income, and total operating expenses and Issues 7 (Phase I Revenue Requirement), 8 (Phase I Rates), 12 (Phase II Revenue Requirement) and 13 (Temporary Rates). Staff requests administrative authority to adjust rates after the Commission vote on all issues in this case.

Issue 3: What is the appropriate average test year water rate base for Crestridge Utilities? (page 7)

Recommendation: The appropriate average test year rate base for Crestridge is ~~\$87,473~~ ~~\$88,709~~. (Mouring, Lee)

The change in Staff's recommended test year rate base is a fall-out of the adjustment to Contractual Services – Other, and not related to the typographical error.

Table 3-1			
Phase I Pro Forma Adjustments			
Description	UPIS	Accum. Depr.	Depr. Exp.
New Truck	\$3,818	(\$636)	\$636
New Lawn Mower	1,076	(108)	108
Flow Meter	1,472	(98)	98
Flow Meter Retirement	(1,104)	1,104	(74)
		(82)	
New Meters	1,396	82	82
		1,047	
Retirement	(1,047)	(1,047)	(62)
Total	<u>\$5,611</u>	<u>\$1,227</u>	<u>\$789</u>

Working Capital Allowance (page 9)

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 ~~\$19,305~~ ~~\$20,541~~ (based on O&M expense of ~~\$154,442~~ ~~\$164,330~~/8).

Issue 6: What is the appropriate amount of operating expense? (page 12)

Recommendation: The appropriate average test year operating expense for Crestridge is ~~\$175,789~~ ~~\$186,148~~.

Contractual Services - Other (636) (page 12)

The utility recorded Contractual Services – Other expense of \$31,951. Staff has decreased this amount by ~~\$11,381~~ ~~\$1,493~~ to remove out-of-period and duplicate expenses. Staff also decreased this amount by \$700 to remove lawn maintenance expense that will now be provided by the utility. The resulting amount for Contractual Services – Other expense is ~~\$19,870~~ ~~\$29,758~~ (\$31,951 - ~~\$11,381~~ ~~\$1,493~~ - \$700).

FALL OUT ISSUES

Operation and Maintenance Expenses Summary (page 13)

Based on the above adjustments, staff recommends that the O&M expenses are ~~\$154,442~~ ~~\$164,330~~. Staff's recommended adjustments to O&M expense are shown on Schedule No. 3-A.

Taxes Other Than Income (TOTI) (page 14)

The utility recorded a TOTI balance of \$7,302. Staff has increased TOTI by \$29 to reflect the appropriate test year property taxes. Staff has also increased TOTI by \$5,365 to reflect the appropriate allocation of payroll taxes.

In addition, as discussed in Issue 7, revenues have been increased by ~~\$82,840~~ ~~\$93,301~~ 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 ~~\$3,728~~ ~~\$4,199~~ to reflect RAFs of 4.5 percent on the change in revenues. Therefore, staff recommends TOTI of ~~\$16,424~~ ~~\$16,894~~ (\$7,302 + \$29 + \$5,365 + ~~\$3,728~~ ~~\$4,199~~).

Operating Expenses Summary (page 14)

The application of staff's recommended adjustments to Crestridge's test year Operating expenses results in operating expenses of ~~\$175,789~~ ~~\$186,148~~. 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? (page 15)

Recommendation: The appropriate revenue requirement is ~~\$183,032~~ ~~\$193,493~~, resulting in an annual increase of ~~\$82,840~~ ~~\$93,301~~ (82.68 ~~93.12~~-percent). (Mouring)

Staff Analysis: Crestridge should be allowed an annual increase of ~~\$82,840~~ ~~\$93,301~~ (82.68 ~~93.12~~-percent). This will allow the utility the opportunity to recover its expenses and earn an 8.28 percent return on its water system. The calculation is shown in Table 7-1 below.

**Table 7-1
Water Revenue Requirement**

Adjusted Rate Base	\$87,473 \$88,709
Rate of Return	x 8.28%
Return on Rate Base	\$7,243 \$7,345
Adjusted O&M Expense	154,442 164,330
Depreciation Expense (Net)	4,923
Taxes Other Than Income	12,696
Incremental RAFs	3,728 4,199
Revenue Requirement	\$183,032 \$193,493
Less Adjusted Test Year Revenues	100,192
Annual Increase	\$82,840 \$93,301
Percent Increase	82.68 93.12 %

Issue 8: What is the appropriate rate structure and rates for Crestridge? (page 16)

Rates will be revised based on the Commission's vote in this case.

Issue 10: What are the utility's appropriate initial customer deposits for Crestridge's water service? (page 19)

Recommendation: The appropriate initial customer deposit for water customers should be \$49 for the residential 5/8" x 3/4" meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for ~~water wastewater~~ service. 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 the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the utility and, ultimately, the general body of ratepayers. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.^[1] Currently, the utility's ~~water wastewater~~ initial customer deposit is \$25 for 5/8" x 3/4" meter

size and two times the average estimated bill for all other meters sizes. Based on the staff recommended **water wastewater** rates, the appropriate initial customer deposit should be \$49 for water to reflect an average residential customer bill for two months.

During the course of staff's audit, it was determined that additional deposits in the amount of \$15 were assessed to 88 customers, which totals \$1,320. The utility required an additional deposit from those customers who had frequent shut offs due to delinquent bills. The utility confirmed that interest is paid on these accounts as required by Rule 25-30.311(4), F.A.C. Pursuant to Rule 25-30.311(7), F.A.C., a utility may require an additional deposit in order to secure payment of current bills as long as the total amount of the required deposit does not 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. Further, Rule 25-30.311(7), F.A.C. requires that request for an additional deposit be by written notice of not less than 30 days and the notice be separate and apart from any bill for service. The utility's request for the additional deposit was included on the bill for service. The utility has affirmed that in the future it will collect additional deposits in the manner required by Rule. Therefore, staff believes no enforcement action should be taken at this time.

Staff recommends the appropriate initial customer deposit should be \$49 for the residential 5/8" x 3/4" meter size for **water wastewater**. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for **water wastewater**. 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 12: Should the Commission approve a Phase II increase for pro forma items for Crestridge? (page 21)

Recommendation: Yes. The Commission should approve a Phase II revenue requirement associated with pro forma items. The utility's Phase II revenue requirement is **\$186,758 \$197,220**, which equates to a **2.04 1.93** percent increase over the Phase I revenue requirement. Staff recommends that the increase be applied as an across-the-board increase to the Phase I rates.

Staff Analysis: Staff's net adjustment to the Phase II UPIS balance is an increase of \$10,370 and a decrease to Accumulated Depreciation of \$27,144. In addition, staff has adjusted depreciation expense to reflect the pro forma additions and retirements resulting in an increase of \$428. Also, staff has increased TOTI by \$168 to reflect RAFs of 4.5 percent on the change in revenues. Staff's total adjustment to operating expenses, including additional RAFs, is \$596 resulting in total operating expenses of **\$176,384 \$186,743**.

The utility's Phase II revenue requirement should be **\$186,758 \$197,220**, representing a **2.04 1.93** percent increase over the recommended Phase I revenue requirement. Phase II rate base is shown on Schedule No. 5-A. The capital structure for Phase II is shown on Schedule No. 6. The revenue requirement is shown on Schedule No. 7-A. The resulting rates are shown on Schedule No. 8. (page 22)

Issue 13: 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? (page 24)

Staff Analysis: 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 **\$55,265 \$62,244**. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

^[1] Order Nos. PSC-13-0611-PAA-WS, issued November 19, 2013, in Docket No. 130010-WS, *In re: Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.* and PSC-14-0016-TRF-WU, issued January 6, 2014, in Docket No. 130251-WU, *In re: Application for approval of miscellaneous service charges in Pasco County, by Crestridge Utility Corporation.*

CRESTRIDGE UTILITIES, LLC

TEST YEAR ENDED 09/30/14

SCHEDULE OF WATER RATE BASE (PHASE I)

SCHEDULE NO. 1-A

DOCKET NO. 140175-WU

DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$88,524	\$136,657	\$225,181
LAND & LAND RIGHTS	6,000	0	6,000
NON-USED AND USEFUL COMPONENTS	0	0	0
CIAC	(86,055)	0	(86,055)
ACCUMULATED DEPRECIATION	(39,641)	(123,372)	(163,013)
AMORTIZATION OF CIAC	0	86,055	86,055
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>19,305</u> 20,541	<u>19,305</u> 20,541
		<u>\$118,644</u>	<u>\$87,473</u>
WATER RATE BASE	<u>(\$31,171)</u>	<u>\$119,880</u>	<u>\$88,709</u>

	<u>WATER</u>
<u>UTILITY PLANT IN SERVICE</u>	
1. To reflect the appropriate UPIS.	\$132,157
2. To reflect pro forma plant additions and retirements.	5,611
3. To reflect the appropriate averaging adjustment.	<u>(1,111)</u>
Total	<u>\$136,657</u>
<u>ACCUMULATED DEPRECIATION</u>	
1. To reflect the appropriate Accumulated Depreciation.	(\$124,775)
2. To reflect pro forma plant additions and retirements.	1,227
3. To reflect the appropriate averaging adjustment.	<u>176</u>
Total	<u>(\$123,372)</u>
<u>AMORTIZATION OF CIAC</u>	
To reflect the appropriate amount of amortization.	<u>\$86,055</u>
<u>WORKING CAPITAL ALLOWANCE</u>	
To reflect 1/8 of test year O&M expenses.	<u>\$19,305</u> \$20,541

CRESTRIDGE UTILITIES, LLC

TEST YEAR ENDED 09/30/14

SCHEDULE OF CAPITAL STRUCTURE (PHASE I)

SCHEDULE NO. 2

DOCKET NO. 140175-WU

CAPITAL COMPONENT	PER UTILITY	STAFF SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	WEIGHTED COST	WEIGHTED COST	
1. COMMON EQUITY	\$22,113	\$0	\$22,113	<u>\$73</u> <u>\$388</u>	<u>\$22,186</u> <u>\$22,501</u>	<u>25.37%</u> <u>25.37%</u>	11.16%	2.83%	
2. LONG-TERM DEBT	423,172	(362,478)	60,694	<u>200</u> <u>1,066</u>	<u>60,894</u> <u>61,760</u>	<u>69.62%</u> <u>69.62%</u>	7.50%	5.22%	
3. SHORT-TERM DEBT (Truck)	0	3,818	3,818	<u>13</u> <u>67</u>	<u>3,831</u> <u>3,885</u>	4.38%	5.00%	0.22%	
4. PREFERRED STOCK	0	0	0	0	0	0.00%	0.00%	0.00%	
5. CUSTOMER DEPOSITS	600	(38)	563	0	563	<u>0.64</u> <u>0.63%</u>	2.00%	0.01%	
6. DEFERRED INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	0	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	
7. TOTAL	<u>\$445,885</u>	<u>(\$358,698)</u>	<u>\$87,188</u>	<u>\$286</u> <u>\$1,522</u>	<u>\$87,473</u> <u>\$88,709</u>	<u>100.00%</u>		<u>8.28%</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>8.03%</u>	<u>8.54%</u>		

CRESTRIDGE UTILITIES, LLC
 TEST YEAR ENDED 09/30/14
 SCHEDULE OF WATER OPERATING INCOME (PHASE I)

SCHEDULE NO. 3-A
 DOCKET NO. 140175-WU

	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$98,808</u>	<u>\$1,384</u>	<u>\$100,192</u>	<u>\$82,840</u> \$93,301 82.68 93.12%	<u>\$183,032</u> \$193,493
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$100,794	<u>\$53,648</u> \$63,536	<u>\$154,442</u> \$164,330	\$0	<u>\$154,442</u> \$164,330
3. DEPRECIATION (NET)	0	4,923	4,923	0	4,923
4. TAXES OTHER THAN INCOME	7,302	5,394	12,696	<u>3,728</u> 4,199	<u>16,424</u> 16,894
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. TOTAL OPERATING EXPENSES	<u>\$108,096</u>	<u>\$63,965</u> \$73,853	<u>\$172,061</u> \$181,949	<u>\$3,728</u> \$4,199	<u>\$175,789</u> \$186,148
7. OPERATING INCOME/(LOSS)	<u>(\$9,288)</u>		<u>\$71,869</u> (\$81,757)		<u>\$7,243</u> \$7,345
8. WATER RATE BASE	<u>(\$31,171)</u>		<u>\$87,473</u> \$88,709		<u>\$87,473</u> \$88,709
9. RATE OF RETURN	<u>29.80%</u>		<u>(82.16)</u> (92.16%)		<u>8.28%</u>

		<u>WATER</u>
OPERATING REVENUES		
	a. To reflect the appropriate test year service revenues.	\$1,351
	b. To reflect the test year miscellaneous service revenues.	33
	Subtotal	<u>\$1,384</u>
OPERATION AND MAINTENANCE EXPENSES		
1.	Salaries and Wages – Employees (601) To reflect the appropriate amount of salary expense for the test year.	<u>\$42,533</u>
2.	Salaries and Wages – Officers (603) To reflect the appropriate amount of officer’s salary expense for the test year.	<u>\$13,925</u>
3.	Employee Pensions and Benefits (604) To reflect the appropriate medical and workman’s comp. benefits.	<u>\$3,182</u>
4.	Chemicals (618) To remove out-of-period expenses.	<u>(\$120)</u>
5.	Material and Supplies (620) To reflect capitalized items.	<u>(\$1,902)</u>
6.	Contractual Services - Other (636)	
	a. To remove out-of-period expenses.	<u>(\$11,381)</u> (\$1,493)
	b. To reflect the reduction in lawn maintenance expense.	(700)
	Subtotal	<u>(\$12,081)</u> (\$2,193)
7.	Rents (640) To reflect the appropriate rent expense.	<u>(\$75)</u>
8.	Insurance Expense (655) To reflect the appropriate insurance expense.	<u>\$2,498</u>
9.	Regulatory Commission Expense (665) To reflect 4-year amortization of rate case expense.	<u>\$1,823</u>
10.	Bad Debt Expense (670) To reflect the 3-year average bad debt expense	<u>\$300</u>
11.	Miscellaneous Expense (675)	
	a. To remove duplicate telephone and utilities expense.	(\$2,415)
	b. To reflect the meter replacement program expense.	5,981
	Subtotal	<u>\$3,566</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS		<u>\$53,648</u> \$63,536

(O&M EXPENSES CONTINUED ON NEXT PAGE)

CRESTRIDGE UTILITIES, LLC

SCHEDULE NO. 3-C

TEST YEAR ENDED 09/30/14

DOCKET NO. 140175-WU

ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE (PHASE I)

	TOTAL PER UTILITY	STAFF ADJUST- MENTS	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$27,988	\$42,533	\$70,521
(603) SALARIES AND WAGES - OFFICERS	1,965	13,925	15,890
(604) EMPLOYEE PENSIONS AND BENEFITS	4,852	3,182	8,034
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	3,938	0	3,938
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	2,026	(120)	1,906
(620) MATERIALS AND SUPPLIES	1,902	(1,902)	0
(630) CONTRACTUAL SERVICES - BILLING	4,923	0	4,923
(631) CONTRACTUAL SERVICES - PROFESSIONAL	3,035	0	3,035
(633) CONTRACTUAL SERVICES - LEGAL	0	0	0
(636) CONTRACTUAL SERVICES - OTHER	31,951	(12,081)	19,870
(640) RENTS	6,098	(75)	6,023
(650) TRANSPORTATION EXPENSE	832	0	832
(655) INSURANCE EXPENSE	1,210	2,498	3,708
(665) REGULATORY COMMISSION EXPENSE	0	1,823	1,823
(670) BAD DEBT EXPENSE	0	300	300
(675) MISCELLANEOUS EXPENSE	10,074	3,566	13,640
		\$53,648	\$154,442
TOTAL WATER O&M EXPENSES	<u>\$100,794</u>	<u>\$63,536</u>	<u>\$164,330</u>

CRESTRIDGE UTILITIES, LLC

TEST YEAR ENDED 09/30/14

SCHEDULE OF WATER RATE BASE (PHASE II)

SCHEDULE NO. 5-A

DOCKET NO. 140175-WU

DESCRIPTION	PHASE I	STAFF	BALANCE
	BALANCE	ADJUSTMENTS TO UTIL. BAL.	PER STAFF
UTILITY PLANT IN SERVICE	\$225,181	\$10,370	\$235,551
LAND & LAND RIGHTS	6,000	0	6,000
NON-USED AND USEFUL COMPONENTS	0	0	0
CIAC	(86,055)	0	(86,055)
ACCUMULATED DEPRECIATION	(163,013)	27,144	(135,870)
AMORTIZATION OF CIAC	86,055	0	86,055
WORKING CAPITAL ALLOWANCE	<u>19,305</u> 20,541	<u>0</u>	<u>19,305</u> 20,541
WATER RATE BASE	<u>\$87,473</u> \$88,709	<u>\$37,514</u>	<u>\$124,987</u> <u>\$126,223</u>

CRESTRIDGE UTILITIES, LLC

TEST YEAR ENDED 09/30/14

SCHEDULE OF CAPITAL STRUCTURE (PHASE II)

SCHEDULE NO. 6

DOCKET NO. 140175-WU

CAPITAL COMPONENT	PHASE I BALANCE	STAFF SPECIFIC ADJUST- MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST- MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON EQUITY	\$22,113	\$0	\$22,113	\$9,649 \$9,965	\$31,762 \$32,078 87,178	25.41%	11.16%	2.84%
2. LONG-TERM DEBT	60,694	0	60,694	26,484 27,350	88,044	69.75%	7.50%	5.23%
3. SHORT-TERM DEBT (Truck)	3,818	0	3,818	1,666 1,720	5,484 5,539	4.39%	5.00%	0.22%
4. PREFERRED STOCK	0	0	0	0	0	0.00%	0.00%	0.00%
5. CUSTOMER DEPOSITS	563	0	563	0	563	0.45%	2.00%	0.01%
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>\$87,188</u>	<u>\$0</u>	<u>\$87,188</u>	<u>\$37,799</u> <u>\$39,035</u>	<u>\$124,987</u> <u>\$126,223</u>	<u>100.00%</u>		<u>8.30%</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>8.04%</u>	<u>8.55%</u>	

CRESTRIDGE UTILITIES, LLC

TEST YEAR ENDED 09/30/14

SCHEDULE OF WATER OPERATING INCOME (PHASE II)

SCHEDULE NO. 7-A

DOCKET NO. 140175-WU

	PHASE I	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$183,032</u> \$193,493	\$0	<u>\$183,032</u> \$193,493	\$3,727 2.04 1.93%	<u>\$186,758</u> \$197,220
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	<u>\$154,442</u> \$164,330	\$0	<u>\$154,442</u> \$164,330	\$0	<u>\$154,442</u> \$164,330
3. DEPRECIATION (NET)	4,923	428	5,351	0	5,351
4. TAXES OTHER THAN INCOME	<u>16,424</u> 16,894	0	<u>16,424</u> 16,894	168	<u>16,591</u> 17,062
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. TOTAL OPERATING EXPENSES	<u>\$175,789</u> \$186,148	\$428	<u>\$176,217</u> \$186,575	\$168	<u>\$176,384</u> \$186,743
7. OPERATING INCOME/(LOSS)	<u>\$7,243</u> \$7,345		<u>\$6,815</u> \$6,918		<u>\$10,374</u> \$10,476
8. WATER RATE BASE	<u>\$87,473</u> \$88,709		<u>\$124,987</u> \$126,223		<u>\$124,987</u> \$126,223
9. RATE OF RETURN	8.28%		<u>5.45</u> 5.48 %		8.30%