

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: February 17, 2016
TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk
FROM: Melinda Watts, Engineering Specialist, Division of Engineering *MW*
RE: Docket No. 150199-WU-Application for staff-assisted rate case in Lake County by Raintree Waterworks, Inc. *DEL*

Please file the attached "Staff Report" in the above mentioned Docket File.

Thank you.

State of Florida



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

DATE: February 17, 2016

TO: Laura V. King, Chief of Reliability and Resource Planning, Division of Engineering

FROM: Division of Engineering (M. Watts) *MA*
Division of Accounting and Finance (Golden) *REG*
Division of Economics (Bruce) *st*
Office of the General Counsel (Tan, Lherisson) *Can be LET*
BZ

RE: Docket No. 150199-WU – Application for staff-assisted rate case in Lake County by Raintree Waterworks, Inc.

--STAFF REPORT--

This Staff Report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting on March 9, 2016.

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Case Background

Raintree Waterworks, Inc., (Raintree or Utility) is a Class C utility providing service to approximately 110 water customers in Lake County. Rates were last established for this Utility in 2008, when it was known as Raintree Utilities, Inc.¹ The Utility was transferred to Raintree Harbor Utilities, LLC in 2012,² and to Raintree in 2014.³ On September 11, 2015, Raintree filed an application for a Staff Assisted Rate Case (SARC). Staff selected the test year ending July 31, 2015, for the instant case. According to Raintree's 2014 annual report, its total operating revenues were \$23,487. The Utility reported a net loss of \$7,726.⁴

This Staff Report is a **preliminary** analysis of the Utility prepared by the Commission staff to give Utility customers and the Utility a preview of what staff may be proposing. The final recommendation to the Commission is currently scheduled to be filed on May 26, 2016, for consideration at the June 9, 2016 Commission Conference. The recommendation will be revised as necessary using any updated information and results of customer quality of service concerns or other relevant information received during the customer meeting. The Commission has jurisdiction in this case pursuant to Section 367.0814, Florida Statutes, (F.S.).

¹Order No. PSC-08-0483-PAA-WU, issued July 25, 2008, in Docket No. 070627-WU, *In re: Application for staff-assisted rate case in Lake County by Raintree Utilities, Inc.*

²Order No. PSC-12-0260-PAA-WU, issued May 29, 2012, in Docket No. 110302-WU, *In re: Application by Raintree Utilities, Inc. in Lake County for the transfer of the Bentwood water facilities to the Bentwood Homeowners Association, Inc., and the transfer of the Raintree Harbor water facilities and Certificate No. 539-W to Raintree Harbor Utilities, LLC.*

³Order No. PSC-14-0692-PAA-WU, issued December 15, 2014, in Docket No. 140121-WU, *In re: Application for approval of transfer of Certificate No. 539-W from Raintree Harbor Utilities, LLC to Raintree Waterworks, Inc. in Lake County.*

⁴Raintree Waterworks, Inc. 2014 Annual Report filed April 15, 2015, with the Commission.

<http://www.floridapsc.com/library/financials/WU969-DOCS/ANNUAL-REPORTS/WU969-14-AR.PDF>.

Discussion of Issues

Issue 1: Is the quality of service provided by Raintree Waterworks, Inc. satisfactory?

Preliminary Recommendation: Staff's recommendation regarding quality of service will not be finalized until after the March 9, 2016 Customer Meeting. (M. Watts)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in water and wastewater rate cases, the Commission shall determine the overall quality of service provided by the 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 the DEP and health department officials and customer comments or complaints over the preceding five-year period shall be considered pursuant to Section 367.0812(1)(c), F.S.

Raintree's service area is located near Tavares, Florida, in Lake County, and is within the St. Johns River Water Management District (SJRWMD). The Utility's water system provides finished water that is obtained from three wells rated at 88, 88, and 90 gallons per minute (gpm). The Consumptive Use Permit issued on August 29, 2014, allows the Utility to withdraw up to 0.062 million gallons per day (mgd).

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

Sanitary surveys of water treatment plants are conducted triennially. A Sanitary Survey was conducted on October 11, 2013, and the report noted that the check valve on well Number 1 was not holding. The Utility replaced the check valve on October 14, 2013. On April 27, 2015, water testing for primary and secondary water standards was conducted by Advanced Environmental Laboratories, Inc., and all results were in compliance with the DEP primary and secondary water quality standards.

Staff reviewed the Commission's complaint records from January 1, 2010, through January 28, 2016, and found no complaints. Staff requested copies of complaints filed with the Utility during the test year and four years prior to the test year. The Utility responded with a confidential document on February 8, 2016. Staff is reviewing the response. Prior to filing its recommendation on May 26, 2016, staff will also request complaints against the Utility filed with the DEP for the test year and four years prior. All quality of service complaints will be investigated and will be taken into consideration during the preparation of staff's final recommendation.

Conclusion

Quality of service will be determined at a later date, pending review of comments made at the March 9, 2016 Customer Meeting.

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

Preliminary Recommendation: Raintree's water treatment plant (WTP) and distribution system should be considered 100 percent U&U. There appears to be no excessive unaccounted for water (EUW); therefore, at this time, staff is not recommending an adjustment be made to operating expenses for chemicals and purchased power. (M. Watts)

Staff Analysis: Raintree's water system is served by two 4-inch and one 8-inch diameter wells rated at 88, 88, and 90 gpm. The raw water is treated by reverse osmosis chlorination filtration prior to entering the 3,000-gallon hydropneumatic tank for pressurization, and then pumped into the water distribution system. The Utility is permitted to withdraw an average of 0.062 mgd for the years 2014 through 2028. Analysis of the system indicates there has been no growth of the system in the past five years.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., describes EUW as unaccounted for water in excess of 10 percent of the amount produced. When establishing the Rule, the Commission recognized that some uses of water are readily measurable and others are not. Unaccounted for water is all water that is produced that is not sold, metered or accounted for in the records of the utility. The Rule provides that to determine whether adjustments to plant and operating expenses, such as purchased electrical power and chemicals cost, are necessary, the Commission will consider all relevant factors as to the reason for EUW, solutions implemented to correct the problem, or whether a proposed solution is economically feasible. The unaccounted for water is calculated by subtracting both the gallons used for other purposes, such as flushing, and the gallons sold to customers from the total gallons pumped for the test year. The Monthly Operating Reports that the Utility files with the DEP indicated it treated 15,255,490 gallons. The Utility sold 13,148,791 gallons of water for the test year. The Utility reported that it used 603,159 gallons for other uses. Adding the water sold to the water used for other uses, and subtracting the sum from the amount produced yields an unaccounted for water total of 1,503,540 gallons, or 9.85 percent. Thus, there appears to be no EUW to be considered. At this time, staff is recommending that no adjustment be made to operating expenses for chemicals and purchased power due to EUW.

Water Treatment Plant and Distribution System Used & Useful

The Firm Reliable Capacity (FRC) of a water system with no storage and served by multiple wells, is calculated excluding the pumping capacity of the largest well, with pumping capacity for the remaining well(s) expressed in gallons per minute (gpm). Excluding the largest well, the FRC for the system is 176 gpm (88 gpm x 2).

The U&U calculation for the WTP is (Max Day - EUW + Fire Flow + Growth)/FRC. The maximum daily usage for the test year was 106.3 gpm, which occurred on January 2, 2015. There is no EUW to be considered at this time. The Utility stated in its application that the fire flow for the system is 750 gpm, but staff notes that the fire flow allowance for the system in the last SARC was 500 gpm. Therefore, staff will use 500 gpm at this time. The growth in connections appears to be zero. The resulting U&U calculation for the WTP $(106.3 - 0 + 500 + 0)/176$ yields 344.2 percent. Therefore, the WTP should be considered 100 percent U&U. Staff

notes from the Order in the last SARC that the WTP U&U was considered to be 100 percent U&U.

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

Conclusion

Raintree's WTP and distribution system should be considered 100 percent U&U. There appears to be no EUW; therefore, at this time, staff is not recommending an adjustment be made to operating expenses for chemicals and purchased power.

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

Preliminary Recommendation: The appropriate average test year rate base for Raintree is \$50,474. (Golden)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service, land, contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC, and working capital. Raintree's net book value was last determined by Order No. PSC-14-0692-PAA-WU in a 2014 certificate transfer docket.⁵ Rate base was last established in the Utility's last SARC in 2008.⁶ Staff selected the test year ending July 31, 2015, for the instant case. Commission audit staff determined that the Utility's books and records are in compliance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). A summary of each component of rate base and the recommended adjustments are discussed below.

Utility Plant in Service (UPIS)

The Utility recorded \$252,519 in UPIS. Staff decreased UPIS by \$750 to reclassify Raintree's 2014 certificate transfer application filing fee from plant Account No. 302 – Franchises to expense Account No. 665 – Regulatory Commission Expense. Although the NARUC USOA allows the filing fee to be recorded as either a plant or expense item, current Commission practice is to record this type of filing fee as a non-recurring expense. This enables the Utility to recover the filing fee over 5 years, rather than 40 years associated with plant Account No. 302. This approach is particularly helpful to Class C utilities which often operate with limited cash resources. The exception is that the filing fee for an original certificate application for a utility that has not been built yet will typically be recorded to plant Account No. 301 – Organization as part of the cost to establish a new utility. No averaging adjustment is necessary for ratemaking purposes. Therefore, staff recommends a UPIS balance of \$251,769.

Land and Land Rights

The Commission approved a land balance of \$5,740 in the Utility's 2014 transfer docket. Audit staff determined that there has been no activity related to land since this case, therefore, no adjustments are necessary. Staff recommends a land and land rights balance of \$5,740.

Non-Used and Useful Plant

As discussed in Issue 2, Raintree's water treatment plant and distribution system are considered 100 percent U&U. Therefore, a U&U adjustment is not necessary.

Contribution in Aid of Construction (CIAC)

The Commission approved a CIAC balance of \$29,750 in the Utility's 2014 transfer docket. Audit staff determined there has been no activity related to CIAC since this case, therefore, no adjustments are necessary. Staff recommends a CIAC balance of \$29,750.

⁵Order No. PSC-14-0692-PAA-WU, issued December 15, 2014, in Docket No. 140121-WU, *In re: Application for approval of transfer of Certificate No. 539-W from Raintree Harbor Utilities, LLC to Raintree Waterworks, Inc. in Lake County.*

⁶Order No. PSC-08-0483-PAA-WU, issued July 25, 2008, in Docket No. 070627-WU, *In re: Application for staff-assisted rate case in Lake County by Raintree Utilities, Inc.*

Accumulated Depreciation

The Utility recorded \$201,496 in accumulated depreciation. Staff calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, Florida Administrative Code (F.A.C.). Staff's calculation includes a \$22 decrease to remove the accumulated depreciation associated with the \$750 filing fee reclassification discussed above. However, that decrease is offset by a total of \$22 in minor increases to four other accounts, resulting in no change to total accumulated depreciation. Consequently, no adjustments are needed for rate setting purposes. As will be discussed further in Issue 12, staff's adjusted account balances are reflected on Attachment A to assist the Utility with adjusting its books and records. Finally, staff decreased total accumulated depreciation by \$5,419 to reflect an averaging adjustment. Staff recommends an accumulated depreciation balance of \$196,077.

Accumulated Amortization of CIAC

Raintree recorded an amortization of CIAC balance of \$15,143. Staff calculated amortization of CIAC using composite depreciation rates, and determined that no adjustments are necessary. Staff decreased this account by \$640 to reflect an averaging adjustment. Staff recommends an accumulated amortization of CIAC balance of \$14,503.

Working Capital Allowance

Working capital is defined as the investor-supplied funds that are necessary to meet operating expenses of the utility. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, staff recommends a working capital allowance of \$4,289 (based on O&M expense of \$34,310/8).

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$50,474. 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 rate of return on equity and overall rate of return for Raintree?

Preliminary Recommendation: The appropriate return on equity (ROE) is 8.74 percent with a range of 7.74 percent to 9.74 percent. The appropriate overall rate of return is 8.74 percent. (Golden)

Staff Analysis: Raintree's capital structure consists of \$49,929 in common equity. Audit staff verified that the Utility has no debt. In addition, audit staff verified that the Utility does not collect customer deposits and does not have a tariff in effect for customer deposits. Therefore, no adjustments are necessary.

The utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 8.74 percent based upon the Commission-approved leverage formula currently in effect.⁷ Staff recommends an ROE of 8.74 percent, with a range of 7.74 percent to 9.74 percent, and an overall rate of return of 8.74 percent. The ROE and overall rate of return are shown on Schedule No. 2.

⁷Order No. PSC-15-0259-PAA-WS, issued July 2, 2015, in Docket No. 150006-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 Raintree's water system?

Preliminary Recommendation: The appropriate test year revenues for Raintree's water system are \$42,332. (Bruce)

Staff Analysis: Raintree recorded total revenues of \$40,670. The water revenues included \$40,660 of service revenues and \$10 of miscellaneous revenues. In order to determine the appropriate test year revenues, staff adjusted the rate blocks to reflect the correct billing determinants when issuing credits. During the test year, the Utility had a rate increase as a result of a price index. Therefore, staff annualized test year revenues by applying the rates in effect as of June 26, 2015, to staff's adjusted billing determinants. Based on the appropriate billing determinants, staff determined that the service revenues should be \$42,322, which is an increase of \$1,652. The appropriate test year revenues for Raintree Waterworks' water system, including miscellaneous revenues, are \$42,332 (\$42,322+\$10).

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

Preliminary Recommendation: The appropriate amount of operating expense for the Utility is \$43,505. (Golden)

Staff Analysis: Raintree recorded operating expense of \$46,531 for the test year ended July 31, 2015. 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 (O&M) Expenses

Salaries and Wages - Officers (603)

Raintree recorded \$3,000 in this account for the test year to reflect the president's monthly salary of \$250. According to the Utility's 2014 Annual Report, Raintree's officers also include a vice-president and administrator who do not receive a salary. Audit staff determined that no adjustments are necessary for accounting purposes. However, staff believes additional information is needed to make a final determination. Therefore, pending additional review, staff recommends salaries and wages – officers expenses for the test year of \$3,000.

Contractual Services - Professional (631)

Raintree recorded \$2,107 for test year contractual services – professional expense, comprised of \$1,667 in accrued accounting expense and \$440 in legal expense. The Utility's actual test year accounting services expense was \$1,000, therefore, staff decreased this account by \$667 to remove the excess accrued accounting expense. Staff recommends contractual services – professional expense for the test year of \$1,440.

Contractual Services - Other (631)

The Utility recorded \$21,744 in this account for test year contractual services – other expense. Raintree currently receives all of its operational and administrative services under a contract with U.S. Water Services Corporation (USW), at a monthly rate of \$1,812.

Pursuant to the contract, USW provides licensed and certified employees to operate and maintain the Utility's water treatment and water transmission and distribution systems. In addition to daily physical operation of the systems, USW's contractual work includes but is not limited to: performing all required tests, including triennial tests; preparing all routine operational reports required by regulatory agencies, such as the Monthly Operating Report (MOR) required by DEP; conducting minor system maintenance and repairs; conducting meter re-reads, turn-on and turn-offs; completing minor service line repairs; performing field work needed to resolve customer complaints; calibrating flow meters; replacing customer meters; conducting annual backflow prevention device testing; performing tank inspections; performing piping locates per the Sunshine State One Call of Florida system; and maintaining the Utility grounds. The contract also covers the cost of all repairs not to exceed \$400 per incident when those repairs can be performed by USW staff without outside assistance, as well as the cost of required routine testing. Repairs exceeding \$400 and non-routine tests are covered by the Utility.

In addition, USW also provides general accounting, administrative, and customer services. USW's contractual work includes but is not limited to: providing a 24-hour emergency

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answering service and dispatch; reading meters on a monthly basis; issuing monthly customer bills; collecting customer payments and deposits; maintaining records for each customer account; maintaining the Utility's billing records; preparing and mailing late notices for delinquent accounts; preparing a daily monitoring report; maintaining the Utility's general ledger and balance sheet on a monthly basis; and preparing the Utility's annual report filed with the Commission. USW's services also include maintaining a primary business office and satellite offices for the purpose of Utility management that are open 5 days a week to assist customers. USW also offers an online, web-based bill payment system to offer customers 24-hour per day access to bill payment options.

Audit staff determined that no adjustments are necessary for accounting purposes. However, staff believes additional information is necessary to make a final determination. Therefore, pending additional review, staff recommends contractual services – other expense for the test year of \$21,744.

Insurance Expense (655)

The Utility recorded \$835 in this account. During the test year, the Utility's general liability insurance policy was renewed at a higher premium. Staff increased this account by \$479 to reflect the Utility's current annual general liability insurance expense of \$1,314. Therefore, staff recommends insurance expense for the test year of \$1,314.

Regulatory Commission Expense (665)

The Utility did not record any regulatory commission expense in this account. As discussed in Issue 3, staff reclassified the Utility's \$750 certificate transfer application filing fee from plant to this expense account. Rule 25-30.433(8), F.A.C., requires that non-recurring expenses be amortized over a 5-year period unless a shorter or longer period of time can be justified. Accordingly, staff increased this account by \$150 to reflect the 5-year amortization of the certificate transfer application filing fee ($\$750/5 = \150). The remaining unamortized portion of the filing fee should be recorded in Account No. 186 – Miscellaneous Deferred Debits.

Regarding the instant case, the Utility is required by Rule 25-22.0407, F.A.C., to provide notices of the customer meeting and notices of final rates in this case to its customers. For noticing, staff estimated \$111 for postage expense, \$79 for printing expense, and \$11 for envelopes. This results in \$201 for the noticing requirement. The Utility paid a \$500 rate case filing fee. The Utility also requested additional rate case expense of \$500 to cover travel expenses for two Utility representatives to attend both the customer meeting and Commission Agenda Conference (\$250 each trip). Based on staff's initial review, the requested travel expense appears reasonable, but will be reviewed further during the pendency of this case. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period. Based on the above, staff recommends total rate case expense of \$1,201 ($\$201 + \$500 + \500), which amortized over four years is \$300. Based on the above, staff's total adjustment to this account is an increase of \$450 ($\$150 + \$300 = \450). Therefore, staff recommends regulatory commission expense of \$450.

Bad Debt Expense (670)

Raintree recorded \$568 in this account for test year bad debt expense, which equals 1.34 percent of the test year revenues or 1.19 percent of staff's recommended revenue requirement. The current owners have recorded a total of \$645 in bad debt expense since taking over ownership of the Utility on May 23, 2014. Current Commission practice is to calculate bad debt expense using a three-year average however, three years of records are not yet available for the current owners.

As an alternative, in its application the Utility requested approval of a bad debt expense equal to the test year bad debt expense plus a pro forma increase equal to 2 percent of the revenue increase. Staff's initial revenue requirement before this adjustment is \$5,469. If the Utility's requested pro forma adjustment is made, bad debt expense will increase by \$109 ($\$5,469 \times 2 \text{ percent} = \109), resulting in a total bad debt expense of \$677 ($\$568 + \$109 = \677). Including the incremental 2 percent adjustment results in total bad debt expense that is 1.41 percent of staff's recommended revenue requirement. Staff believes additional information is needed in order to determine the Utility's appropriate bad debt expense for rate setting purposes. However, staff has made a preliminary adjustment to increase the Utility's test year bad debt expense by \$109, pending additional information from the Utility and additional review.

Miscellaneous Expense (675)

The Utility recorded \$698 for miscellaneous expense. This account includes the Department of State's Division of Corporation's annual filing fee of \$150, the DEP's drinking water annual operating license fee of \$500, and several Sunshine State Florida One Call fees totaling \$48. The Utility was not able to provide supporting documentation for the Sunshine State Florida One Call fees therefore, staff decreased this account by \$48. Staff recommends miscellaneous expense of \$650 for the test year.

Operation and Maintenance Expense (O&M Summary)

Based on the above adjustments, O&M expense should be increased by \$324, resulting in total O&M expense of \$34,310. Staff's recommended adjustments to O&M expense are shown on Schedule Nos. 3-A, 3-B, and 3-C.

Depreciation Expense (Net of Amortization of CIAC)

The Utility's records reflect test year depreciation of \$10,875 and CIAC amortization of \$1,280, for a net depreciation expense of \$9,595 ($\$10,875 - \$1,280 = \$9,595$). Staff calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. and determined depreciation expense to be \$7,752. Therefore, staff decreased this account by \$3,123 ($\$10,875 - \$7,752 = \$3,123$). Staff's decrease to depreciation expense is primarily due to the elimination of depreciation expense going forward for plant Account No. 320 – Water Treatment Equipment that became fully depreciated during the test year. Also, staff calculated CIAC amortization based on composite rates, and determined that no adjustments are necessary. This results in a net depreciation expense of \$6,472 ($\$7,752 - \$1,280 = \$6,472$). Therefore, staff recommends net depreciation expense of \$6,472.

Taxes Other Than Income (TOTI)

Raintree recorded TOTI of \$2,951 for the test year. The Utility recorded \$1,997 for regulatory assessment fees (RAFs). Based on staff's recommended test year revenues of \$42,332, the Utility's RAFs should be \$1,905. Therefore, staff decreased this account by \$92 to reflect the appropriate RAFs. Also, the Utility recorded property tax accruals of \$954 during the test year. Audit staff determined that the Utility's actual property taxes for the 2014 tax year were \$671. However, subsequent to the audit, the 2015 property tax records became available, indicating that Raintree paid lower property taxes of \$567 for the 2015 tax year. Based on the 2015 property taxes, staff decreased this account by \$387 to reflect the appropriate property taxes going forward ($\$954 - \$567 = \$387$). Staff's total adjustment to test year TOTI is a decrease of \$479 ($\$92 + \$387 = \479).

In addition, as discussed in Issue 7, revenues have been increased by \$5,585 to reflect the change in revenue required to cover expenses and allow the recommended rate of return. As a result, TOTI should be increased by \$251 to reflect RAFs of 4.5 percent of the change in revenues. Therefore, staff recommends TOTI of \$2,723.

Operating Expenses Summary

The application of staff's recommended adjustments to Raintree's test year operating expenses result in operating expenses of \$43,505. Operating expenses are shown on Schedule No. 3-A. The adjustments are shown on Schedule No. 3-B.

Issue 7: What is the appropriate revenue requirement?

Preliminary Recommendation: The appropriate revenue requirement is \$47,917, resulting in an annual increase of \$5,585 (13.19 percent). (Golden)

Staff Analysis: Raintree should be allowed an annual increase of \$5,585 (13.19 percent). This will allow the Utility the opportunity to recover its expenses and earn an 8.74 percent return on its investment. The calculations are as follows in Table 7- 1 below:

**Table 7-1
Water Revenue Requirement**

Adjusted Rate Base	\$50,474
Rate of Return	x 8.74%
Return on Rate Base	\$4,411
Adjusted O&M Expense	34,310
Depreciation Expense (Net)	6,472
Taxes Other Than Income	2,723
Income Taxes	0
Revenue Requirement	\$47,917
Less Adjusted Test Year Revenues	42,332
Annual Increase	\$5,585
Percent Increase	13.19%

Issue 8: What is the appropriate rate structure and rates for Raintree's 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. (Bruce)

Staff Analysis:

Water Rates

Raintree's service territory is located in the St. Johns River Water Management District, which has water restrictions in place. The Utility provides water only service to 109 residential customers and 1 general service customer. The general service customer is the home owners association and water is provided to irrigate the common areas. The billing data indicates that approximately 11 percent of the residential customer bills during the test year had zero gallons indicating a non-seasonal customer base. The average residential water demand is 10,029 gallons per month. Currently, the water system rate structure for residential customers consists of a base facility charge (BFC) and a two-tier inclining block rate structure. The rate blocks are: (1) 0-8,000 gallons and (2) all usage in excess of 8,000 gallons per month. General service customers are billed based on a BFC and uniform gallonage 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.

In this case, staff recommends that 40 percent of the water revenues should be generated from the BFC, which will provide sufficient revenues to design gallonage charges that send pricing signals to customers using above the non-discretionary level. 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. Staff recommends a BFC and a three-tier inclining block rate structure, which includes separate gallonage charges for discretionary and non-discretionary usage for residential water customers. The rate blocks are: (1) 0-3,000 gallons; (2) 3,001-8,000 gallons; and (3) all usage in excess of 8,000 gallons per month. General service customers should be billed a BFC and uniform gallonage charge. This rate structure sends the appropriate pricing signals because it targets customers with high consumption levels and minimizes price increases for customers at non-discretionary levels. In addition, the third tier provides an additional pricing signal to customers using in excess of 8,000 gallons of water per month, which includes approximately 52 percent of the demand.

Based on a recommended revenue increase of 13.2 percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 664,000 gallons resulting in anticipated average residential demand of 9,534 gallons per month. Staff recommends a 4.9 percent reduction in test year residential gallons for ratesetting purposes and corresponding reductions of \$231 for purchased power, \$17 for chemicals, and \$12 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$47,647.

The recommended rate structure and rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 9: What is the appropriate amount by which rates should be reduced 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 RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility 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 Raintree 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. (Bruce, Golden)

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 the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense, the associated return on working capital, and the gross-up for RAFs which is \$318. Using the Utility's current revenues, expenses, and customer base, the reduction in revenues will result in the rate decrease shown on Schedule No. 4.

Raintree should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility also should be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. If Raintree files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 10: What are the appropriate initial customer deposits for Raintree?

Preliminary Recommendation: The appropriate initial customer deposit should be \$67 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. The Utility should file revised tariff sheets consistent with the Commission's vote. The initial customer deposits should become effective for connections made on or after the stamped approval date of the revised tariff sheets. (Bruce)

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

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

Staff recommends that the appropriate initial customer deposit should be \$67 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. The Utility should file revised tariff sheets consistent with the Commission's vote. The initial customer deposits should become effective for connections made on or after the stamped approval date of the revised tariff sheets.

Issue 11: Should the recommended rates be approved for Raintree on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility?

Preliminary Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. 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 temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's office no later than the 20th of every 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. (Golden)

Staff Analysis: This recommendation proposes an increase in 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. 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 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 \$3,732. 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.
- 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) The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement.
- 2) No monies in the escrow account may be withdrawn by the Utility without the prior written authorization of the Commission Clerk, or his or her designee.
- 3) The escrow account shall be an interest bearing account.
- 4) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 5) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility.
- 6) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 7) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 8) 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.
- 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 bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's office no later than the 20th of every 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 Raintree be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision?

Preliminary 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. Raintree should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts as shown on Schedule No. 5 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. (Golden)

Staff Analysis: The Utility should be required to notify the Commission, in writing that it has adjusted its books in accordance with the Commission's decision. Schedule No. 5 reflects the accumulated plant, depreciation, CIAC, and amortization of CIAC balances as of July 31, 2015. Raintree should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts, as shown on Schedule No. 5, 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.

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, and that the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively. (Tan, Lherisson)

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, and that the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.

RAINTREE WATERWORKS, INC.		SCHEDULE NO. 1-A	
TEST YEAR ENDED 7/31/15		DOCKET NO. 150199-WU	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTILITY BALANCE	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$252,519	(\$750)	\$251,769
2. LAND & LAND RIGHTS	5,740	0	5,740
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(29,750)	0	(29,750)
5. ACCUMULATED DEPRECIATION	(201,496)	5,419	(196,077)
6. AMORTIZATION OF CIAC	15,143	(640)	14,503
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>4,289</u>	<u>4,289</u>
8. WATER RATE BASE	<u>\$42,156</u>	<u>\$8,318</u>	<u>\$50,474</u>

RAINTREE WATERWORKS, INC.		SCHEDULE NO. 1-B
TEST YEAR ENDED 7/31/15		DOCKET NO. 150199-WU
ADJUSTMENTS TO RATE BASE		
		<u>WATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
To reclassify certificate transfer application filing fee from plant Acct. 302 to expense Acct. 665 - Regulatory Commission Expense.		<u>(\$750)</u>
<u>ACCUMULATED DEPRECIATION</u>		
To reflect an averaging adjustment.		<u>\$5,419</u>
<u>AMORTIZATION OF CIAC</u>		
To reflect an averaging adjustment.		<u>(\$640)</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
To reflect 1/8 of test year O&M expenses.		<u>\$4,289</u>

RAINTREE WATERWORKS, INC. TEST YEAR ENDED 7/31/15 SCHEDULE OF CAPITAL STRUCTURE							SCHEDULE NO. 2 DOCKET NO. 150199-WU		
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE RECONCILE TO RATE BASE	ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST	
1. COMMON STOCK	\$0	\$0	\$0						
2. RETAINED EARNINGS	0	0	0						
3. PAID IN CAPITAL	0	0	0						
4. OTHER COMMON EQUITY	<u>49,929</u>	<u>0</u>	<u>49,929</u>						
TOTAL COMMON EQUITY	\$49,929	\$0	\$49,929	\$545	\$50,474	100.00%	8.74%	8.74%	
5. LONG TERM DEBT	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
6. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%	
7. PREFERRED STOCK	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	0.00%	
TOTAL DEBT	\$0	\$0	\$0	\$0	\$0	0.00%			
8. CUSTOMER DEPOSITS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	2.00%	<u>0.00%</u>	
9. TOTAL	<u>\$49,929</u>	<u>\$0</u>	<u>\$49,929</u>	<u>\$545</u>	<u>\$50,474</u>	<u>100.00%</u>		<u>8.74%</u>	
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>		
RETURN ON EQUITY						<u>7.74%</u>	<u>9.74%</u>		
OVERALL RATE OF RETURN						<u>7.74%</u>	<u>9.74%</u>		

RAINTREE WATERWORKS, INC. TEST YEAR ENDED 7/31/15 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 150199-WU		
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$40,670</u>	<u>\$1,662</u>	<u>\$42,332</u>	<u>\$5,585</u> 13.19%	<u>\$47,917</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	<u>\$33,985</u>	<u>\$324</u>	<u>\$34,310</u>	<u>\$0</u>	<u>\$34,310</u>
3. DEPRECIATION (NET)	<u>9,595</u>	<u>(3,123)</u>	<u>6,472</u>	<u>0</u>	<u>6,472</u>
4. TAXES OTHER THAN INCOME	<u>2,951</u>	<u>(479)</u>	<u>2,472</u>	<u>251</u>	<u>2,723</u>
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. TOTAL OPERATING EXPENSES	<u>\$46,531</u>	<u>(\$3,277)</u>	<u>\$43,254</u>	<u>\$251</u>	<u>\$43,505</u>
7. OPERATING INCOME/(LOSS)	<u>(\$5,861)</u>		<u>(\$922)</u>		<u>\$4,411</u>
8. WATER RATE BASE	<u>\$42,156</u>		<u>\$50,474</u>		<u>\$50,474</u>
9. RATE OF RETURN	<u>(13.90%)</u>		<u>(1.83%)</u>		<u>8.74%</u>

RAINTREE WATERWORKS, INC. TEST YEAR ENDED 7/31/15 ADJUSTMENTS TO OPERATING INCOME	SCHEDULE NO. 3-B DOCKET NO. 150199-WU
	<u>WATER</u>
OPERATING REVENUES	
To reflect the appropriate test year revenues.	<u>\$1,662</u>
OPERATION AND MAINTENANCE EXPENSES	
1. Contractual Services - Professional (631) To reflect appropriate accounting services expense.	<u>(\$667)</u>
2. Insurance Expense (655) To reflect appropriate general liability insurance expense.	<u>\$479</u>
3. Regulatory Commission Expense (665)	
a. To reflect 5-year amortization of transfer filing fee reclassified from plant Acct. 302.	\$150
b. To reflect 4-year amortization of rate case expense (\$1,201/4).	300
Subtotal	<u>\$450</u>
4. Bad Debt Expense (670) To reflect Utility-requested pro forma increase to bad debt expense.	<u>\$109</u>
5. Miscellaneous Expense (675) To remove unsupported Sunshine State One Call of Florida fees.	<u>(\$48)</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$324</u>
DEPRECIATION EXPENSE	
To reflect test year depreciation calculated per Rule 25-30.140, F.A.C.	<u>(\$3,123)</u>
TAXES OTHER THAN INCOME	
1. To reflect appropriate test year RAFs.	<u>(\$92)</u>
2. To reflect appropriate test year Utility property taxes.	<u>(387)</u>
Total	<u>(\$479)</u>

RAINTREE WATERWORKS, INC.		SCHEDULE NO. 3-C	
TEST YEAR ENDED 7/31/15		DOCKET NO. 150199-WU	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENTS	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(603) SALARIES AND WAGES - OFFICERS	3,000	0	3,000
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	4,689	0	4,689
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	345	0	345
(620) MATERIALS AND SUPPLIES	0	0	0
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	2,107	(667)	1,440
(635) CONTRACTUAL SERVICES - TESTING	0	0	0
(636) CONTRACTUAL SERVICES - OTHER	21,744	0	21,744
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	835	479	1,314
(665) REGULATORY COMMISSION EXPENSE	0	450	450
(670) BAD DEBT EXPENSE	568	109	677
(675) MISCELLANEOUS EXPENSE	<u>698</u>	<u>(48)</u>	<u>650</u>
	<u>\$33,985</u>	<u>\$324</u>	<u>\$34,310</u>

RAINTREE WATERWORKS, INC.		SCHEDULE NO. 4	
TEST YEAR ENDED JULY 31, 2015		DOCKET NO. 150199-WU	
MONTHLY WATER RATES			
	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"	\$13.60	\$14.10	\$0.13
3/4"	\$20.41	\$21.15	\$0.20
1"	\$34.02	\$35.25	\$0.34
1-1/2"	\$68.03	\$70.50	\$0.67
2"	\$108.85	\$112.80	\$1.08
3"	\$217.69	\$225.60	\$2.16
4"	\$340.14	\$352.50	\$3.37
6"	\$680.30	\$705.00	\$6.73
Charge per 1,000 Gallons- Residential			
0-8,000 gallons	\$1.58		
Over 8,000 gallons	\$1.96		
0-3,000 gallons		\$1.69	\$0.02
3,001-8,000 gallons		\$1.81	\$0.02
Over 8,000 gallons		\$2.72	\$0.03
Charge per 1,000 gallons - General Service	\$1.79	\$2.23	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$18.34	\$19.17	
8,000 Gallons	\$26.24	\$28.22	
10,000 Gallons	\$30.16	\$33.66	

RAINTREE WATERWORKS, INC.			SCHEDULE NO. 5	
TEST YEAR ENDED 7/31/2015			DOCKET NO. 150199-WU	
SCHEDULE OF WATER PLANT, DEPRECIATION, CIAC, & CIAC AMORTIZATION BALANCES				
ACCT NO.	DEPR. RATE PER RULE 25-30.140	DESCRIPTION	UPIS 7/31/2015 (DEBIT)	ACCUM. DEPR. 7/31/2015 (CREDIT)*
301	2.50%	ORGANIZATION	\$2,587	\$199
302	2.50%	FRANCHISES	0	0
303	0.00%	LAND AND LAND RIGHTS (NON-DEPRECIABLE)	5,740	0
304	3.70%	STRUCTURES AND IMPROVEMENTS	13,979	7,908
307	3.70%	WELLS AND SPRINGS	24,733	18,663
309	3.13%	SUPPLY MAINS	4,179	2,957
311	5.88%	PUMPING EQUIPMENT	40,241	35,908
320	5.88%	WATER TREATMENT EQUIPMENT	53,968	53,968
330	3.03%	DISTRIBUTION RESERVOIRS AND STANDPIPES	11,448	9,741
331	2.63%	TRANSMISSION AND DISTRIBUTION MAINS	62,668	46,309
333	2.86%	SERVICES	11,580	9,291
334	5.88%	METERS AND METER INSTALLATIONS	1,268	155
335	2.50%	HYDRANTS	12,879	9,041
336	10.00%	BACKFLOW PREVENTION DEVICES	6,500	2,899
340	6.67%	OFFICE FURNITURE AND EQUIPMENT	<u>5,739</u>	<u>4,458</u>
		TOTAL INCLUDING LAND	<u>\$257,509</u>	<u>\$201,496</u>
			CIAC AMORT. 7/31/2015 (DEBIT)*	CIAC 7/31/2015 (CREDIT)
			<u>\$15,143</u>	<u>\$29,750</u>

* The accumulated depreciation and accumulated amortization of CIAC balances exclude the staff-recommended averaging adjustments that are used only for rate setting purposes and should not be reflected on the Utility's books.