

## Ashley Quick

---

**From:** Kate Hamrick  
**Sent:** Friday, February 03, 2017 3:41 PM  
**To:** Braulio Baez; Mark Futrell; Apryl Lynn; Andrew Maurey; Cheryl Bulecza-Banks; Matthew Vogel; Kelley Corbari; Keino Young; Mary Anne Helton; Keith Hetrick; Commissioners & Staffs; CLK - Agenda Staff; Cindy Muir  
**Cc:** Jacqueline Moore; Nancy Harrison; Kathy Shoaf  
**Subject:** APPROVED: Request for Oral Modification to Item 5 on the February 7, 2017 Commission Conference, Docket No. 150257-WS, Application for a Staff Assisted Rate Case in Marion County by East Marion Utilities, LLC  
**Attachments:** Item #5 - 150257-WS Oral Mod Schedules.docx

Please see the approved oral modification for Item 5, Docket No. 150257-WS. Please note the attached word document as well.

Thanks!

Kate Hamrick  
Executive Assistant to  
Mark Futrell  
Deputy Executive Director: Technical  
Florida Public Service Commission  
850-413-6304

---

**From:** Mark Futrell  
**Sent:** Friday, February 03, 2017 3:35 PM  
**To:** Cheryl Bulecza-Banks; Kate Hamrick  
**Cc:** Braulio Baez; Andrew Maurey; Mary Anne Helton; Keith Hetrick  
**Subject:** FW: Request for Oral Modification to Item 5 on the February 7, 2017 Commission Conference, Docket No. 150257-WS, Application for a Staff Assisted Rate Case in Marion County by East Marion Utilities, LLC

Approved.

---

**From:** Cheryl Bulecza-Banks  
**Sent:** Friday, February 03, 2017 3:16 PM  
**To:** Kate Hamrick  
**Cc:** Braulio Baez; Mark Futrell; Andrew Maurey; Mary Anne Helton; Keith Hetrick  
**Subject:** FW: Request for Oral Modification to Item 5 on the February 7, 2017 Commission Conference, Docket No. 150257-WS, Application for a Staff Assisted Rate Case in Marion County by East Marion Utilities, LLC

Staff is requesting permission to make an oral modification to its recommendation filed in Docket No. 150257-WS, Application for a Staff Assisted Rate Case in Marion County by East Marion Utilities, LLC (East Marion or Utility), scheduled for the February 7, 2017 agenda conference.

Subsequent to filing its recommendation on January 26, 2017, staff determined that neither expenses related to licensing and permitting required by the Florida Department of Environmental Protection, nor expenses related to an engineering analysis, were included in the Utility's balances provided to staff.

Staff believes these required and prudent expenses should be included in determining the revenue requirement. As a result, staff requests approval to make an oral modification to Item 5 scheduled for the February 7, 2017 Commission Conference. The modification affects Issue 6 (Operating Expense), with fall-out corrections to Issue 3 (Rate Base), Issue 7 (Operating Ratio Methodology), Issue 8 (Revenue Requirement), Issue 9 (Rate Structure and Rates), and Issue 12 (Temporary Rates).

The following type and strike modifications reflect staff's recommended changes:

**ISSUE 6, page 14**

**Issue 6:** What is the appropriate amount of operating expense for East Marion Utilities, LLC?

**Recommendation:** The appropriate amount of operating expense for East Marion is ~~\$26,324~~ ~~\$26,218~~ for water and ~~\$36,420~~ ~~\$35,682~~ for wastewater. (Vogel)

**Issue 6, page 19**

**Miscellaneous Expense (675/775)**

East Marion recorded miscellaneous expense of \$1,678 for water and \$1,277 for wastewater. Staff decreased these expenses by \$16 for both water and wastewater to remove overdraft fees. Staff also decreased water expense by \$70 and increased wastewater expense by \$70 to properly allocate expenses between systems. Staff also increased both water and wastewater expense accounts by \$338 to reflect the appropriate amount of Utility expense from FUS1. **Staff increased these accounts by \$100 for water and \$702 for wastewater to include the FDEP licensing and permitting expenses and engineering analysis.** Staff increased these accounts by \$172 for water expense and \$172 for wastewater expense to reflect the updated allocations to East Marion from FUS1. Staff's total adjustments increase water expense by ~~\$524~~ ~~\$424~~ and wastewater expense by ~~\$1,266~~ ~~\$564~~. Therefore, staff recommends miscellaneous expense of ~~\$2,202~~ ~~\$2,102~~ for water and ~~\$2,543~~ ~~\$1,841~~ for wastewater.

**Operation and Maintenance Expenses Summary**

Based on the above adjustments, staff recommends that the O&M expense balances are ~~\$21,866~~ ~~\$21,766~~ for water and ~~\$31,292~~ ~~\$30,590~~ for wastewater. Staff's recommended adjustments to O&M expense are shown on Schedule Nos. 3-A through 3-E.

**Issue 6, page 20**

**Taxes Other Than Income (TOTI)**

East Marion did not record a TOTI balance for water or wastewater. Staff calculated the Utility's property taxes using updated rates and increased this account \$784 for water and \$784 for wastewater. Staff also included property tax expense for the plant additions resulting in an increase of \$14 to water and \$30 for wastewater. Staff increased this account to include payroll taxes of \$447 for both water and wastewater. Staff increased this account by \$1,076 for water and \$1,615 for wastewater to reflect the appropriate test year Regulatory Assessment Fees (RAFs) based on adjusted test year revenues. Staff also included decreases of \$252 for water and \$466 for wastewater to include non-used and useful property tax. Staff's net adjustments are increases of \$2,069 for water and \$2,410 for wastewater.

In addition, as discussed in Issue 8, revenues have been increased by ~~\$4,607~~ ~~\$4,492~~ for water and ~~\$3,667~~ ~~\$2,859~~ for wastewater to reflect the change in revenue required to cover expenses and allow the recommended operating margin. As a result, TOTI should be increased by ~~\$207~~ ~~\$202~~ for water and ~~\$165~~ ~~\$129~~ for wastewater to reflect RAFs of 4.5 percent on the change in revenues. Therefore, staff recommends TOTI of ~~\$2,276~~ ~~\$2,271~~ and ~~\$2,575~~ ~~\$2,539~~ for water and wastewater, respectively.

## Operating Expenses Summary

The application of staff's recommended adjustments to East Marion's test year operating expenses results in operating expenses of ~~\$26,324~~ ~~\$26,218~~ for water and ~~\$36,240~~ ~~\$35,682~~ for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule Nos. 3-C, 3-D, and 3-E.

## FALL OUT ISSUES

### ISSUE 3, page 9

**Issue 3:** What is the appropriate average test year water rate base and wastewater rate base for East Marion Utilities, LLC?

**Recommendation:** The appropriate average test year water rate base for East Marion is ~~\$16,190~~ ~~\$16,177~~ and the average test year wastewater rate base is ~~\$12,346~~ ~~\$12,257~~. (Vogel)

page 11

## Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, staff recommends a working capital allowance of ~~\$2,733~~ ~~\$2,721~~ for water (based on O&M expense of ~~\$21,866~~ ~~\$21,766~~ /8), and ~~\$3,912~~ ~~\$3,824~~ for wastewater (based on O&M expense of ~~\$31,292~~ ~~\$30,590~~ /8).

## Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base for water is ~~\$16,190~~ ~~\$16,177~~ and the average test year rate base for wastewater is ~~\$12,346~~ ~~\$12,257~~. Water and wastewater rate bases are shown on Schedule Nos. 1-A and 1-B, respectively. The related adjustments are shown on Schedule No. 1-C.

### Issue 7, page 21

**The only changes are contained in numbered guidelines 1) and 2) on pages 21 and 22. There is no change to staff's recommendation statement.**

**Issue 7:** Should the Commission utilize the operating ratio methodology as an alternative means to calculate the water and wastewater revenue requirement for East Marion Utility, LLC, and, if so, what is the appropriate margin?

**Recommendation:** Yes, the Commission should utilize the operating ratio methodology for calculating the water and wastewater revenue requirements for East Marion. The margin should be 10 percent of O&M expense. (Vogel)

### pages 21-22

1) Whether the Utility's O&M expense exceeds rate base. The operating ratio method substitutes O&M expense for rate base in calculating the amount of return. A utility generally would not benefit from the operating ratio method if rate base exceeds O&M expense. The decision to use the operating ratio method

depends on the determination of whether the primary risk resides in capital costs or operating expenses. In the instant case, the water and wastewater rate bases are lower than the level of O&M expense. The Utility's primary risk resides with covering its operating expenses. Based on the staff's recommendation, the adjusted water and wastewater rate bases for the test year are **\$16,190** **\$16,177** and **\$12,346** **\$12,257**, while adjusted O&M expenses are **\$21,866** **\$21,766** for water and **\$31,292** **\$30,590** for wastewater.

2) Whether the Utility is expected to become a Class B utility in the foreseeable future. Pursuant to Section 367.0814(9), F.S., the alternative form of regulation being considered in this case only applies to small utilities with gross annual revenue of \$275,000 or less. East Marion is a Class C utility and the recommended revenue requirements of **\$28,510** **\$28,395** and **\$39,549** **\$38,741** are substantially below the threshold level for Class B status (\$275,000 per system). The Utility's service area has not had any significant growth in the last five years. Therefore, the Utility will not become a Class B utility in the foreseeable future.

**ISSUE 8, page 24**

**Issue 8:** What is the appropriate revenue requirement for East Marion Utilities, LLC?

**Recommendation:** The appropriate revenue requirement is **\$28,510** **\$28,395** for water and **\$39,549** **\$38,741** for wastewater, resulting in an annual increase of **\$4,607** **\$4,492** (**19.28** **18.79** percent) for water and an annual increase of **\$3,667** **\$2,859** (**10.22** **7.97** percent) for wastewater. (Vogel)

**Staff Analysis:**

East Marion should be allowed an annual increase of **\$4,607** **\$4,492** (**19.28** **18.79** percent) for water and an annual increase of **\$3,667** **\$2,859** (**10.22** **7.97** percent) for wastewater. This will allow the Utility the opportunity to recover its expenses as well as a 10 percent margin on O&M expenses for its water and wastewater systems. The calculations are shown in Tables 8-1 and 8-2 for water and wastewater, respectively:

**Table 8-1  
Water Revenue Requirement**

Adjusted O&M Expense	<b>\$21,866</b> <b>21,766</b>
Operating Margin (%)	10.00%
Operating Margin (\$)	<b>\$2,187</b> <b>2,177</b>
Adjusted O&M Expense	<b>21,866</b> <b>21,766</b>
Depreciation Expense (Net)	2,181
Taxes Other Than Income	2,069
Test Year RAFs	<b>207</b> <b>202</b>
Revenue Requirement	<b>\$28,510</b> <b>28,395</b>
Less Adjusted Test Year Revenues	23,903
Annual Increase	<b>\$4,607</b> <b>4,492</b>
Percent Increase	<b>19.28</b> <b>18.79%</b>

**ISSUE 8, page 25**

**Table 8-2  
Wastewater Revenue Requirement**

Adjusted O&M Expense	<b>\$31,292</b> <del>30,590</del>
Operating Margin (%)	10.00%
Operating Margin (\$)	<b>\$3,129</b> <del>3,059</del>
Adjusted O&M Expense	<b>31,292</b> <del>30,590</del>
Depreciation Expense (Net)	2,552
Taxes Other Than Income	2,410
Test Year RAFs	<b>165</b> <del>129</del>
Revenue Requirement	<b>\$39,549</b> <del>38,741</del>
Less Adjusted Test Year Revenues	<u>35,882</u>
Annual Increase	<b>\$3,667</b> <del>2,859</del>
Percent Increase	<b>10.22</b> <del>7.97</del> %

**ISSUE 9, pages 26**

**The only changes are contained in the last sentence of the last paragraph on page 26, and in the Summary on page 27. There is no change to staff's recommendation statement.**

**Issue 9:** What are the appropriate rate structures and rates for East Marion Utilities, LLC's water and wastewater systems?

**Recommendation:** The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. 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)

For the preliminary rates, staff designed a more conservation-oriented rate structure. However, for the final rates, staff believes an across-the-board increase to the Utility's rates prior to filing is appropriate due to the low revenue requirement percentage increase. In addition, no significant repression is anticipated. To determine the appropriate percentage increase to apply to the service rates, miscellaneous revenues were removed from the test year revenues, resulting in a **19.53** ~~19.04~~ percent increase in the service rates.

**page 27**

**Summary**

Based on the foregoing, staff recommends no change to the water and wastewater rate structures. Staff recommends that the water rates be increased by **19.53** ~~19.04~~ percent and wastewater rates be increased by **10.30** ~~8.04~~ percent. The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. 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 12, page 31**

**The only change is in the second paragraph under the Staff Analysis on page 31. There is no change to staff's recommendation statement.**

East Marion 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 ~~\$5,542~~ ~~\$4,924~~. Alternatively, the Utility could establish an escrow agreement with an independent financial institution

**The revised schedules reflecting staff's proposed modification are contained in the attached Word file.**

**EAST MARION UTILITIES, LLC**  
**TEST YEAR ENDED 12/31/15**  
**SCHEDULE OF WATER RATE BASE**

**SCHEDULE NO. 1-A**  
**DOCKET NO. 150257-WS**

<b>DESCRIPTION</b>	<b>BALANCE PER UTILITY</b>	<b>STAFF ADJUSTMENTS TO UTIL. BAL.</b>	<b>BALANCE PER STAFF</b>
UTILITY PLANT IN SERVICE	\$142,734	\$447	\$143,181
UTILITY PLANT IN SERVICE- ALLOCATED	0	523	523
LAND & LAND RIGHTS	0	0	0
NON-USED AND USEFUL COMPONENTS	0	(14,489)	(14,489)
CIAC	(39,700)	0	(39,700)
ACCUMULATED DEPRECIATION	(99,112)	5,891	(93,221)
ACCUMULATED DEPRECIATION- ALLOCATED	0	(13)	(13)
AMORTIZATION OF CIAC	18,101	(925)	17,176
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>2,733 2,721</u>	<u>2,733 2,721</u>
WATER RATE BASE	<u>\$22,023</u>	<u>(\$5,833 5,846)</u>	<u>\$16,190 16,177</u>

**EAST MARION UTILITIES, LCC**  
**TEST YEAR ENDED 12/31/15**  
**SCHEDULE OF WASTEWATER RATE BASE**

**SCHEDULE NO. 1-B**  
**DOCKET NO. 150257-WS**

<b>DESCRIPTION</b>	<b>BALANCE PER UTILITY</b>	<b>STAFF ADJUSTMENTS TO UTIL. BAL.</b>	<b>BALANCE PER STAFF</b>
UTILITY PLANT IN SERVICE	\$482,102	\$954	\$483,056
UTILITY PLANT IN SERVICE – ALLOCATED	0	523	523
LAND & LAND RIGHTS	0	0	0
NON-USED AND USEFUL COMPONENTS	0	(51,328)	(51,328)
CIAC	(77,600)	0	(77,600)
ACCUMULATED DEPRECIATION	(390,285)	15,881	(374,404)
ACCUMULATED DEPRECIATION - ALLOCATED	0	(13)	(13)
AMORTIZATION OF CIAC	29,279	(1,080)	28,199
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>3,912 3,824</u>	<u>3,912 3,824</u>
WASTEWATER RATE BASE	<u>\$43,496</u>	<u>(\$31,150 31,239)</u>	<u>\$12,346 12,257</u>

**EAST MARION UTILITIES, LLC**  
**TEST YEAR ENDED 12/31/15**  
**ADJUSTMENTS TO RATE BASE**

**SCHEDULE NO. 1-C**  
**DOCKET NO. 150257-WS**

	<u>WATER</u>	<u>WASTEWATER</u>
<b><u>UTILITY PLANT IN SERVICE</u></b>		
1. To reflect pro forma plant replacements and retirements.	\$894	\$0
2. To capitalize a pump repair previously placed in Acct. 636 and 736.	0	1,908
3. Averaging adjustment.	<u>(447)</u>	<u>(954)</u>
Total	<u>\$447</u>	<u>\$954</u>
<b><u>UTILITY PLANT IN SERVICE – ALLOCATED</u></b>		
1. To allocated common plant from FUS1.	\$547	\$547
2. Averaging adjustment.	<u>(24)</u>	<u>(24)</u>
Total	<u>\$523</u>	<u>\$523</u>
<b><u>NON-USED AND USEFUL PLANT</u></b>		
1. To reflect non-used and useful plant.	(\$45,257)	(\$276,423)
2. To reflect non-used and useful accumulated depreciation.	30,767	225,096
Total	<u>(\$14,489)</u>	<u>(\$51,328)</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>		
1. To reflect plant retirements.	\$2,656	\$0
2. Depreciation adjustment per Rule 25-30.140 F.A.C.	(26)	11,787
3. Averaging adjustment.	<u>3,261</u>	<u>4,094</u>
Total	<u>\$5,891</u>	<u>\$15,881</u>
<b><u>ACCUMULATED DEPRECIATION – ALLOCATED</u></b>		
1. To reflect the appropriate Accumulated Depreciation – Allocated.	(\$20)	(\$20)
2. Averaging adjustment.	<u>7</u>	<u>7</u>
Total	<u>(\$13)</u>	<u>(\$13)</u>
<b><u>AMORTIZATION OF CIAC</u></b>		
1. To reflect the appropriate amount of amortization.	(\$286)	(\$421)
2. To reflect an averaging adjustment.	<u>(639)</u>	<u>(659)</u>
Total	<u>(\$925)</u>	<u>(\$1,080)</u>
<b><u>WORKING CAPITAL ALLOWANCE</u></b>		
To reflect 1/8 of test year O&M expenses.	<u>\$2,733 2,721</u>	<u>\$3,912 3,824</u>

**EAST MARION UTILITIES, LLC  
TEST YEAR ENDED 12/31/15  
SCHEDULE OF CAPITAL STRUCTURE**

**SCHEDULE NO. 2  
DOCKET NO. 150257-WS**

<b>CAPITAL COMPONENT</b>	<b>PER UTILITY</b>	<b>SPECIFIC ADJUST-MENTS</b>	<b>BALANCE BEFORE PRO RATA ADJUSTMENTS</b>	<b>PRO RATA ADJUST-MENTS</b>	<b>BALANCE PER STAFF</b>	<b>PERCENT OF TOTAL</b>	<b>COST</b>	<b>WEIGHTED COST</b>
1. COMMON EQUITY	\$0	\$10,000	\$10,000	\$0	\$0	0.00%	11.16%	0.00%
2. RETAINED EARNINGS	(172,102)	162,102	(10,000)	0	0	0.00%	0.00%	0.00%
3. LONG-TERM DEBT	(6,675)	97,000	90,325	(65,415 65,515)	24,910 24,810	87.30%	6.00%	5.24%
4. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
5. PREFERRED STOCK	0	0	0	0	0	0.00%	0.00%	0.00%
6. CUSTOMER DEPOSITS	3,493	132	3,625	0	3,625	12.70%	2.00%	0.25%
7. TOTAL	<u>(\$175,284)</u>	<u>\$269,234</u>	<u>\$93,950</u>	<u>(\$65,415 65,515)</u>	<u>\$28,535 28,435</u>	<u>100.00%</u>		<u>5.49%</u>

**RANGE OF REASONABLENESS**

RETURN ON EQUITY

OVERALL RATE OF RETURN

**LOW**

10.16%

5.49%

**HIGH**

12.16%

5.49%

**EAST MARION UTILITIES, LLC  
TEST YEAR ENDED 12/31/15  
SCHEDULE OF WATER OPERATING INCOME**

**SCHEDULE NO. 3-A  
DOCKET NO. 150257-WS**

	<b>TEST YEAR PER UTILITY</b>	<b>STAFF ADJUSTMENTS</b>	<b>STAFF ADJUSTED TEST YEAR</b>	<b>ADJUST. FOR INCREASE</b>	<b>REVENUE REQUIREMENT</b>
1. OPERATING REVENUES	\$23,833	\$70	\$23,903	\$4,607 4.49% 19.28 48.79%	\$28,510 28,395
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$31,349	(\$9,483 9,583)	\$21,866 21,766	\$0	\$21,866 21,766
3. DEPRECIATION (NET)	3,052	(871)	2,181	0	2,181
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	0	2,069	2,069	207 202	2,276 2,274
6. INCOME TAXES	0	0	0	0	0
7. TOTAL OPERATING EXPENSES	\$34,401	(\$8,285 8,385)	\$26,116 26,016	\$207 202	\$26,324 26,218
8. OPERATING INCOME/(LOSS)	(\$10,568)		(\$2,213 2,113)		\$2,187 2,177
9. WATER O&M EXPENSES	\$31,349		\$21,866 21,766		\$21,866 21,766
10. OPERATING MARGIN					10.00%

EAST MARION UTILITIES, LLC

TEST YEAR ENDED 12/31/15

SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3-B

DOCKET NO. 150257-WS

	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	\$34,144	\$1,738	\$35,882	\$3,667 <del>2,859</del> 10.22 <del>7.97</del> %	\$39,549 <del>38,741</del>
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$31,966	(\$674 <del>1,376</del> )	\$31,292 <del>30,590</del>	\$0	\$31,292 <del>30,590</del>
3. DEPRECIATION (NET)	16,918	(14,366)	2,552	0	2,552
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	0	2,410	2,410	165 <del>129</del>	2,575 <del>2,539</del>
6. INCOME TAXES	0	0	0	0	0
7. TOTAL OPERATING EXPENSES	\$48,884	(\$12,629 <del>13,331</del> )	\$36,255 <del>35,553</del>	\$165 <del>129</del>	\$36,420 <del>35,682</del>
8. OPERATING INCOME/(LOSS)	(\$14,740)		(\$369) <del>329</del>		\$3,129 <del>3,059</del>
9. WASTEWATER O&M EXPENSES	\$31,966		\$31,292 <del>30,590</del>		\$31,292 <del>30,590</del>
10. OPERATING RATIO					10.00%

**EAST MARION UTILITIES, LLC  
TEST YEAR ENDED 12/31/15  
ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-C  
DOCKET NO. 150257-WS  
Page 2 of 3**

	<u>WATER</u>	<u>WASTEWATER</u>
9. Contractual Services - Other (636/736)		
a. To remove expenses outside the test year.	(\$98)	(\$98)
b. To properly allocate expenses between systems.	(1,779)	1,757
c. To remove an additional mowing bill.	(225)	0
d. To include an unrecorded bill.	230	345
e. To remove a major pump repair and capitalize the expense.	(954)	(954)
f. To amortize non-recurring tree trimming expense.	(420)	(420)
g. To amortize non-recurring tank cleaning.	(1,440)	0
h. To reclassify salary expense to Accounts 601 and 701.	(225)	(225)
i. To reflect the new allocations.	2	2
j. To remove items not related to the Utility.	<u>(160)</u>	<u>(141)</u>
Subtotal	<u>(\$5,069)</u>	<u>\$266</u>
10. Rent Expense (640/740)		
a. To reflect appropriate amount and allocation of expenses.	(\$5,448)	(\$2,043)
b. To reflect the land lease established in previous case.	405	582
b. To reflect the inflation adjustment to land lease.	138	199
c. To reflect the new allocations.	40	40
b. To reflect the appropriate allocated expenses from FUS1.	<u>(27)</u>	<u>30</u>
Subtotal	<u>(\$4,892)</u>	<u>(\$1,192)</u>
11. Transportation Expense (650/750)		
a. To reallocate expenses appropriately.	(\$33)	\$33
b. To remove a truck loan not related to the Utility.	(100)	(100)
c. To appropriately allocate expenses to the Utility.	114	114
d. To reflect the new allocations.	57	57
e. To reclassify expenses from Accounts 620 and 720.	<u>43</u>	<u>43</u>
Subtotal	<u>\$81</u>	<u>\$147</u>
12. Insurance Expense (655/755)		
a. To reflect appropriate insurance expense.	\$21	\$21
b. To remove health insurance premiums.	<u>(705)</u>	<u>(673)</u>
Subtotal	<u>(\$684)</u>	<u>(\$652)</u>
13. Regulatory Commission Expense (665/765)		
To include rate case expense.	<u>\$147</u>	<u>\$147</u>
14. Miscellaneous Expense (675/775)		
a. To remove overdraft fees.	(\$16)	(\$16)
b. To reflect the appropriate allocation of expenses.	(70)	70
c. To reflect the appropriate amount of Utility expense from FUS1.	338	338
d. To include FDEP license and permits fees and engineering analysis.	<u>100</u>	<u>702</u>
e. To reflect the new allocations.	<u>172</u>	<u>172</u>
Subtotal	<u>\$524 424</u>	<u>\$1,266 564</u>
<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	<u>(\$9,483 9,583)</u>	<u>(\$674 1,376)</u>

EAST MARION UTILITIES, LLC

TEST YEAR ENDED 12/31/15

SCHEDULE NO. 3-D

DOCKET NO. 150257-WS

ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

	TOTAL PER UTILITY	STAFF ADJUST- MENTS	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$4,246	\$206	\$4,452
(603) SALARIES AND WAGES - OFFICERS	2,154	(395)	1,759
(604) EMPLOYEE PENSIONS AND BENEFITS	0	566	566
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	1,267	(201)	1,066
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	1,189	(347)	842
(620) MATERIALS AND SUPPLIES	826	(181)	645
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	266	(166)	100
(633) CONTRACTUAL SERVICES - TESTING	928	928	1,856
(636) CONTRACTUAL SERVICES - OTHER	10,755	(5,069)	5,686
(640) RENTS	5,857	(4,892)	965
(650) TRANSPORTATION EXPENSE	512	81	593
(655) INSURANCE EXPENSE	1,671	(684)	987
(665) REGULATORY COMMISSION EXPENSE	0	147	147
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSE	<u>1,678</u>	<u>524,424</u>	<u>2,202,210</u>
	<u>\$31,349</u>	<u>(\$9,483,958)</u>	<u>\$21,866,217</u>

EAST MARION UTILITIES, LLC

SCHEDULE NO. 3-E

TEST YEAR ENDED 12/31/15

DOCKET NO. 150257-WS

ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

	TOTAL PER UTILITY	STAFF ADJUST- MENTS	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$4,246	\$206	\$4,452
(703) SALARIES AND WAGES - OFFICERS	2,154	(395)	1,759
(704) EMPLOYEE PENSIONS AND BENEFITS	0	566	566
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	2,859	0	2,859
(715) PURCHASED POWER	5,158	(348)	4,810
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	1,189	347	1,536
(720) MATERIALS AND SUPPLIES	808	(138)	670
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	66	34	100
(735) CONTRACTUAL SERVICES - TESTING	928	(928)	0
(736) CONTRACTUAL SERVICES - OTHER	8,801	266	9,067
(740) RENTS	2,395	(1,192)	1,203
(750) TRANSPORTATION EXPENSE	446	147	593
(755) INSURANCE EXPENSE	1,639	(652)	987
(765) REGULATORY COMMISSION EXPENSE	0	147	147
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSE	<u>1,277</u>	<u>1,266 564</u>	<u>2,543 1,841</u>
	<u>\$31,966</u>	<u>(\$674 1,376)</u>	<u>\$31,292 30,590</u>

**EAST MARION UTILITIES, LLC.**  
**TEST YEAR ENDED DECEMBER 31, 2015**  
**MONTHLY WATER RATES**

**SCHEDULE NO. 4-A**  
**DOCKET NO. 150257-WS**

	<b>RATES AT TIME OF FILING</b>	<b>COMMISSION APPROVED INTERIM RATES</b>	<b>STAFF RECOMMENDED RATES</b>	<b>4 YEAR RATE REDUCTION</b>
<b><u>Residential, Irrigation, and General Service</u></b>				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$10.05	\$11.73	<del>\$12.01</del> 11.96	\$0.07
3/4"	\$15.10	\$17.60	<del>\$18.02</del> 17.94	\$0.11
1"	\$25.15	\$29.33	<del>\$30.03</del> 29.90	\$0.18
1-1/2"	\$50.29	\$58.65	<del>\$60.05</del> 59.80	\$0.36
2"	\$80.47	\$93.84	<del>\$96.08</del> 95.68	\$0.58
3"	\$160.94	\$187.68	<del>\$192.16</del> 191.36	\$1.15
4"	\$251.47	\$293.25	<del>\$300.25</del> 299.00	\$1.80
6"	\$502.93	\$586.50	<del>\$600.50</del> 598.00	\$3.61
Charge per 1,000 gallons - Residential and Irrigation Service				
0-10,000 gallons	\$2.11	\$2.46	<del>\$2.52</del> 2.51	\$0.01
Over 10,000 gallons	\$3.15	\$3.68	<del>\$3.77</del> 3.75	\$0.02
Charge per 1,000 gallons - General Service	\$2.46	\$2.87	<del>\$2.94</del> 2.93	\$0.02
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>				
4,000 Gallons	\$18.49	\$21.57	<del>\$22.09</del> 22.00	
8,000 Gallons	\$26.93	\$31.41	<del>\$32.17</del> 32.04	
10,000 Gallons	\$31.15	\$36.33	<del>\$37.21</del> 37.06	

**EAST MARION UTILITIES, LLC.**  
**TEST YEAR ENDED DECEMBER 31, 2015**  
**MONTHLY WASTEWATER RATES**

**SCHEDULE NO. 4-B**  
**DOCKET NO. 150257-WS**

	<b>RATES AT TIME OF FILING</b>	<b>STAFF RECOMMENDED RATES</b>	<b>4 YEAR RATE REDUCTION</b>
<b><u>Residential</u></b>			
Base Facility Charge - All Meter Sizes	\$15.37	<del>\$16.95</del> <b>\$16.61</b>	\$0.07
Charge Per 1,000 gallons			
10,000 gallon cap	\$4.69	<del>\$5.17</del> <b>\$5.07</b>	\$0.02
-			
<b><u>General Service</u></b>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$15.37	<del>\$16.95</del> <b>\$16.61</b>	\$0.07
3/4"	\$23.05	<del>\$25.43</del> <b>\$24.92</b>	\$0.11
1"	\$38.42	<del>\$42.38</del> <b>\$41.53</b>	\$0.18
1-1/2"	\$76.84	<del>\$84.75</del> <b>\$83.05</b>	\$0.37
2"	\$122.92	<del>\$135.60</del> <b>\$132.88</b>	\$0.59
3"	\$245.86	<del>\$271.20</del> <b>\$265.76</b>	\$1.17
4"	\$384.16	<del>\$423.75</del> <b>\$415.25</b>	\$1.83
6"	\$768.28	<del>\$847.50</del> <b>\$830.50</b>	\$3.66
Charge per 1,000 gallons	\$5.63	<del>\$6.21</del> <b>\$6.08</b>	\$0.03
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>			
4,000 Gallons	\$34.13	<del>\$37.63</del> <b>\$36.89</b>	
8,000 Gallons	\$52.89	<del>\$58.31</del> <b>\$57.17</b>	
10,000 Gallons	\$62.27	<del>\$68.65</del> <b>\$67.31</b>	