

FLORIDA PUBLIC SERVICE COMMISSION

Item 5

VOTE SHEET

FILED FEB 07, 2017
DOCUMENT NO. 01552-17
FPSC - COMMISSION CLERK

February 7, 2017

Docket No. 150257-WS – Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC.

Issue 1: Is the quality of service provided by East Marion Utilities, LLC satisfactory?

Recommendation: Yes, the overall quality of service provided by East Marion should be considered satisfactory.

APPROVED with oral modification, allowing for fallout issues, and salary of \$72,704.

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Donald Polman
[Signature]
Julie
[Signature]

REMARKS/DISSENTING COMMENTS: Oral Modification, assigned DN 01427-17, is attached.

Docket No. 150257-WS – Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC.

(Continued from previous page)

Issue 2: What are the used and useful (U&U) percentages of East Marion Utilities, LLC's water treatment plant (WTP), wastewater treatment plant (WWTP) and distribution and collection systems?

Recommendation: East Marion's WTP should be considered 100 percent U&U. The water distribution system should be considered 58.7 percent U&U. The WWTP should be considered 24.0 percent U&U. The wastewater collection system should be considered 50.8 percent U&U. There is no excessive unaccounted for water (EUW) and no excessive infiltration and inflow (I&I).

APPROVED

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~~.

APPROVED

Issue 4: What is the appropriate return on equity and overall rate of return for East Marion Utilities, LLC?

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 5.49 percent.

APPROVED

Issue 5: What are the appropriate test year revenues for East Marion Utilities, LLC's water and wastewater systems?

Recommendation: The appropriate test year revenues for East Marion's water system and wastewater systems are \$23,903 and \$35,882, respectively.

APPROVED

Vote Sheet

February 7, 2017

Item 5

Docket No. 150257-WS – Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC.

(Continued from previous page)

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 ~~\$28,447~~ for water and \$36,420 ~~\$39,033~~ for wastewater.

APPROVED

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.

APPROVED

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.

APPROVED

Docket No. 150257-WS – Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC.

(Continued from previous page)

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 of staff's memorandum dated January 26, 2017. 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 10: Should the Commission approve East Marion Utilities, LLC's request to implement a convenience charge for customers who opt to pay their bill by debit or credit card?

Recommendation: Yes. East Marion's request for approval of a convenience charge of \$3.43 for customers who opt to pay their bill by credit or debit card should be approved. The convenience charge should be effective on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge 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.

East Marion should be required to make a refund to those customers who were assessed an unauthorized convenience charge in accordance with Rule 25-30.360 F.A.C. The refunds should be made with interest and completed within 90 days of the Commission's final order. Monthly reports on the status of the refund shall be made by the 20th of the following month and a report should be completed within 90 days of the completion of the refund consistent with Rule 25-30.360(7), F.A.C.

APPROVED

(Continued from previous page)

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 and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated January 26, 2017, 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. East Marion 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

Issue 12: Should the recommended rates be approved for East Marion Utility, LLC 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 should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. East Marion 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 January 26, 2017. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

APPROVED

Docket No. 150257-WS – Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC.

(Continued from previous page)

Issue 13: Should East Marion Utilities, LLC be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision?

Recommendation: Yes. East Marion should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. East Marion should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable NARUC USOA primary 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 the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

APPROVED

Issue 14: 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 should be issued. The docket should remain open for staff to verify: (i) the required revised tariff sheets and customer notices have been filed by East Marion Utilities, LLC and approved by our staff; (ii) East Marion Utilities, LLC filed its letter stating it has adjusted its books; and (iii) East Marion Utilities, LLC has properly refunded all unauthorized convenience fee charges collected. Once these actions are complete, this docket should be closed administratively.

APPROVED

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

ISSUE 8, page 25

**Table 8-2
Wastewater Revenue Requirement**

Adjusted O&M Expense	\$31,292	30,590
Operating Margin (%)	10.00%	
Operating Margin (\$)	\$3,129	3,059
Adjusted O&M Expense	31,292	30,590
Depreciation Expense (Net)	2,552	
Taxes Other Than Income	2,410	
Test Year RAFs	165	129
Revenue Requirement	\$39,549	38,741
Less Adjusted Test Year Revenues	35.882	
Annual Increase	\$3,667	2,859
Percent Increase	10.22	7.97%

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

DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
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</u> 2,721	<u>2,733</u> 2,721
WATER RATE BASE	<u>\$22,023</u>	<u>(\$5,833</u> 5,846)	<u>\$16,190</u> 16,177

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

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

DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
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>
<u>UTILITY PLANT IN SERVICE</u>		
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.	(447)	(954)
Total	<u>\$447</u>	<u>\$954</u>
<u>UTILITY PLANT IN SERVICE – ALLOCATED</u>		
1. To allocated common plant from FUS1.	\$547	\$547
2. Averaging adjustment.	(24)	(24)
Total	<u>\$523</u>	<u>\$523</u>
<u>NON-USED AND USEFUL PLANT</u>		
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>
<u>ACCUMULATED DEPRECIATION</u>		
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.	3,261	4,094
Total	<u>\$5,891</u>	<u>\$15,881</u>
<u>ACCUMULATED DEPRECIATION – ALLOCATED</u>		
1. To reflect the appropriate Accumulated Depreciation – Allocated.	(\$20)	(\$20)
2. Averaging adjustment.	7	7
Total	<u>(\$13)</u>	<u>(\$13)</u>
<u>AMORTIZATION OF CIAC</u>		
1. To reflect the appropriate amount of amortization.	(\$286)	(\$421)
2. To reflect an averaging adjustment.	(639)	(659)
Total	<u>(\$925)</u>	<u>(\$1,080)</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
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

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON EQUITY	\$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						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>10.16%</u>	<u>12.16%</u>	
OVERALL RATE OF RETURN						<u>5.49%</u>	<u>5.49%</u>	

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

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

	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$23,833</u>		<u>\$23,903</u>	<u>\$4,607 4,492</u> 19.28 18.79%	<u>\$28,510 28,395</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$31,349	<u>(\$9,483 9,583)</u>	<u>\$21,866 21,766</u>	\$0	<u>\$21,866 21,766</u>
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	<u>207 202</u>	<u>2,276 2,271</u>
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$34,401</u>	<u>(\$8,285 8,385)</u>	<u>\$26,116 26,016</u>	<u>\$207 202</u>	<u>\$26,324 26,218</u>
8. OPERATING INCOME/(LOSS)	<u>(\$10,568)</u>		<u>(\$2,213 2,113)</u>		<u>\$2,187 2,177</u>
9. WATER O&M EXPENSES	<u>\$31,349</u>		<u>\$21,866 21,766</u>		<u>\$21,866 21,766</u>
10. OPERATING MARGIN					<u>10.00%</u>

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 2,859 10.22 7.97%	\$39,549 38,741
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$31,966	(\$674 4,376)	\$31,292 30,590	\$0	\$31,292 30,590
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	165 129	2,575 2,539
6. INCOME TAXES	0	0	0	0	0
7. TOTAL OPERATING EXPENSES	\$48,884	(\$12,629 43,331)	\$36,255 35,553	\$165 129	\$36,420 35,682
8. OPERATING INCOME/(LOSS)	(\$14,740)		(\$369) 329		\$3,129 3,059
9. WASTEWATER O&M EXPENSES	\$31,966		\$31,292 30,590		\$31,292 30,590
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.	(160)	(141)
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.	(27)	30
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.	43	43
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.	(705)	(673)
Subtotal	<u>(\$684)</u>	<u>(\$652)</u>
13. Regulatory Commission Expense (665/765)		
To include rate case expense.	\$147	\$147
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.	100	702
e. To reflect the new allocations.	172	172
Subtotal	<u>\$524,424</u>	<u>\$1,266,564</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>(\$9,483,958)</u>	<u>(\$674,376)</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-W5

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

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

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

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

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