BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk and Seminole Counties by Utilities, Inc. of Florida	/ / / / /	Docket No. 160101-WS FILED: March 6, 2017

DIRECT TESTIMONY

OF

DONNA RAMAS

ON BEHALF OF THE CITIZENS OF THE STATE OF FLORIDA

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On Behalf of the Office of Public Counsel

Before the

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INTRODUCTION

Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?

A. My name is Donna Ramas. I am a Certified Public Accountant licensed in the State of Michigan and Principal at Ramas Regulatory Consulting, LLC, with offices at 4654 Driftwood Drive, Commerce Township, Michigan 48382.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION?

A. Yes, I have testified before the Florida Public Service Commission ("PSC" or "Commission") on several prior occasions. I have also testified before many other state regulatory commissions.

Q. HAVE YOU PREPARED AN EXHIBIT DESCRIBING YOUR QUALIFICATIONS AND EXPERIENCE?

A. Yes. I have attached Exhibit DMR-1, which is a summary of my regulatory experience and qualifications.

Q. ON WHOSE BEHALF ARE YOU APPEARING?

A. I am appearing on behalf of the Citizens of the State of Florida ("Citizens") for the Office of Public Counsel ("OPC").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I am presenting OPC's recommended revenue requirement for Utilities, Inc. of Florida ("UIF" or "Company") in this case on a system by system basis. I also sponsor adjustments to the Company's proposed rate base and operating income for the systems.

Q. ARE ANY ADDITIONAL WITNESSES APPEARING ON BEHALF OF THE FLORIDA OFFICE OF PUBLIC COUNSEL IN THIS CASE?

A. Yes. Mr. Andrew Woodcock presents Citizens' recommendations regarding UIF's proposed post-test year capital additions, the used and usefulness of assets of several of the wastewater systems, excessive unaccounted for water and excessive Inflow & Infiltration (I&I). Ms. Denise Vandiver presents testimony related to the Company's quality of service.

Q. HOW WILL YOUR TESTIMONY BE ORGANIZED?

A. I first present the overall financial summary for the rate changes, showing the revenue requirement recommended by Citizens for each system based on the adjustments sponsored in this testimony and the adjustments sponsored by Mr. Woodcock. I next discuss an overarching concern regarding the Company's method of reflecting plant retirements associated with the proposed pro forma plant additions and the problems and distortion of the Company's adjusted rate base caused by the method used. I then discuss the quantification of the impacts of the recommendations contained in the testimony of Mr.

Woodcock in the areas of used and useful, excessive unaccounted for water and excessive inflow and infiltration expense.

I then present the adjustments I recommend be made to the Company's filing which impact multiple systems, followed by adjustments that are specific to individual UIF systems.

<u>OVERALL FINANCIAL SUMMARY</u>

Q. PLEASE DISCUSS THE EXHIBITS YOU PREPARED IN SUPPORT OF YOUR TESTIMONY.

A. Exhibit DMR-2 presents the revenue requirement per Company and per OPC for each of the UIF systems at issue in this proceeding. The calculations supporting OPC's recommended revenue requirements for each of the systems identified on Exhibit DMR-2 are found on Exhibits DMR-3 to DMR-18. Exhibits DMR-3 to DMR-18 consist of the revenue requirement calculations giving effect to the adjustments sponsored in this testimony and the testimony of OPC witness Woodcock, with each exhibit representing a separate system. For example, Exhibit DMR-3 presents the revenue requirement calculations for Cypress Lakes water and wastewater systems; Exhibit DMR-4 presents the revenue requirement calculations for the Eagle Ridge wastewater system; and Exhibit DMR-5 presents the water and wastewater revenue requirements for the Labrador system. Exhibits DMR-19 through DMR - 21 present the calculation of various adjustments that are allocated to all UIF systems in Florida, the impacts of which flow through to Exhibits DMR-3 to DMR-18.

Q. WHAT IS THE RESULTING CHANGE IN REVENUE REQUIREMENT FOR EACH OF THE UIF WATER AND WASTEWATER SYSTEMS AT ISSUE IN THIS PROCEEDING?

A. The Company's consolidated Minimum Filing Requirements ("MFRs") Schedules B-1 and B-2, before the revenue change, shows total water revenues of $13.65 million and wastewater revenues of $15.63 million or a combined water and wastewater revenues of $29.28 million. The table below presents the per Company and the per OPC change in revenue requirements (increases or decreases) for each of the water and wastewater systems. The per OPC amounts are based on the adjustments sponsored in this testimony and the testimony of Mr. Woodcock that have been quantified at this time. Additional adjustments beyond those addressed in this testimony may be appropriate, such as adjustments and recommendations contained in the November 29, 2016 audit report issued by the Commission Staff in this docket.[1] As the Company has not yet submitted a formal response to the Commission Staff's audit, I have not reflected the adjustments at this time, with a few exceptions discussed later in this testimony.

[1] The Auditor's Report, Audit Control No. 16-259-1-1, dated November 29, 2016, was submitted in this docket on January 5, 2017.

System	Per UIF	Per OPC
Cypress Lakes - Water	(5,879)	(34,604)
Cypress Lakes - Wastewater	90,089	61,962
Eagle Ridge - Wastewater	64,787	(23,061)
Labrador - Water	67,286	33,045
Labrador - Wastewater	(21,075)	(218,380)
Lake Placid - Water	13,745	9,160
Lake Placid - Wastewater	18,926	(5,670)
Longwood - Wastewater	34,554	35,316
Lake Utility Services - Water	41,730	(147,253)
Lake Utility Services - Wastewater	542,544	197,925
Mid County - Wastewater	472,792	117,278
Pennbrooke - Water	162,961	62,523
Pennbrooke - Wastewater	(33,600)	(53,193)
Sandalhaven - Wastewater	362,377	(524,509)
Sanlando - Water	(18,462)	(305,067)
Sanlando - Wastewater	2,391,091	1,385,149
Tierra Verde - Wastewater	107,812	94,440
Seminole County - Water	1,631,780	1,269,086
Seminole County - Wastewater	(26,532)	(85,052)
Orange County - Water	258,990	238,195
Pasco County - Water	329,885	159,806
Pasco County - Wastewater	152,640	23,352
Pinellas County - Water	170,080	131,348
Marion County - Water	68,885	61,906
Marion County - Wastewater	38,048	37,057
Total	6,915,454	2,520,759

PLANT RETIREMENT AND ACCUMULATED DEPRECIATION CONCERNS

Q. BEFORE DISCUSSING SPECIFIC RECOMMENDED ADJUSTMENTS, ARE THERE ANY SIGNIFICANT CONCERNS WITH UIF'S ADJUSTED TEST YEAR RATE BASE YOU WOULD LIKE TO DISCUSS?

A. Yes. This is the first case in which all of the Company's water and wastewater systems that are regulated by the Florida Public Service Commission are being presented in one large consolidated filing. Based on a review of the MFRs for each of UIF's systems, the

Company's accumulated depreciation balance, as adjusted, is a negative amount[2] resulting in accumulated depreciation actually increasing rate base for several of the systems rather than the normal impact of accumulated depreciation which is a reduction to overall rate base.

Q. CAN YOU EXPLAIN WHY A NEGATIVE ACCUMULATED DEPRECIATION BALANCE IS A CONCERN?

A. Commission Rule 25-30.140(1)(j), Florida Administrative Code ("F.A.C."), defines depreciation accounting as "[t]he process of charging the book cost of depreciable property, adjusted for net salvage, to operations over the associated useful life." As an asset is depreciated over its useful life, the accumulated depreciation balance on the Company's books increases. When depreciation expense is recognized, depreciation expense is debited on the books and the other side of the entry is to increase the accumulated depreciation balance by reflecting the credit to accumulated depreciation. In general, once an asset or group of assets is fully recovered, the accumulated depreciation balance should cover the full plant cost, and at this point depreciation on the asset should discontinue to prevent over-recovery of the costs. One way to assure that depreciation does not continue on the fully recovered assets for UIF would be to remove the plant in service and associated accumulated depreciation amount from the books.[3] At that point, depreciation expense associated with the now fully recovered asset ceases. The amount included in rate base for an asset is the portion of the original cost of the asset that has not yet been recovered

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[2] Accumulated depreciation is reflected as a credit balance on the books. When depreciation expense is booked by a Company, depreciation expense is debited while accumulated depreciation is credited. Hereinafter, the term "negative accumulated depreciation" would be indicative of a debit balance existing on the books for the account instead of a credit balance.

[3] Later in this testimony, I have recommended that the plant in service and accumulated depreciation balances be removed from the books for several plant accounts in which the cost of the assets in those accounts have been fully recovered by the Company as a means of ensuring that UIF does not continue to record depreciation expense on assets that have already been fully depreciated.

through depreciation expense, or the plant in service balance less the accumulated depreciation balance. While some factors can cause a temporary negative accumulated depreciation balance, such as retiring a plant before the end of its depreciation life without special early retirement loss recovery provisions, regular on-going negative accumulated depreciation balances are not the norm and result in an increase in rate base.

Of even greater concern are situations in which a specific plant account has a zero balance, meaning that all assets in that account have been retired and removed from the Company's books, yet a negative accumulated depreciation balance remains on the Company's books. There will be no going-forward depreciation expense recorded associated with the plant in service account since there is a $0 balance in the account. However, under this situation, the negative accumulated depreciation balance associated with that account, which increases rate base, would never go away. In other words, the Company would earn a return on the negative accumulated depreciation balance in perpetuity absent removal of the negative accumulated depreciation balance from the Company's books.

An example of this is for the Company's Sandalhaven system. For the Sandalhaven system, as a result of the recent retirement of the wastewater treatment plant (WWTP), the balance in Account 354.4 – Treatment & Disposal - Structures & Improvements is $0 in the Company's filing, yet the associated accumulated depreciation account balance is ($253,409). If this negative accumulated depreciation balance is not corrected, the Company will earn a return on the $253,409 in perpetuity. This amount is discussed further in the Sandalhaven section of this testimony.

Q. YOU INDICATED EARLIER THAT THE COMPANY'S ADJUSTED ACCUMULATED DEPRECIATION BALANCES FOR SEVERAL SYSTEMS IS A NEGATIVE AMOUNT, RESULTING IN ACCUMULATED DEPRECIATION INCREASING RATE BASE FOR THE SYSTEMS. IN WHICH SYSTEMS DOES THIS OCCUR?

A. The table below presents the average test year per-books accumulated depreciation balance for each of these systems and the accumulated depreciation balance after the Company's proposed adjustments are included:

	Per Books	UIF Adjusted
Pinellas County	175,392	(571,788)
Orange County	192,322	(1,166,779)
Pasco County - Water	1,598,286	(1,337,576)
Pasco County - Wastewater	(423,771)	(449,337)
Seminole County	1,006,120	(5,475,112)

Clearly, a negative accumulated depreciation balance, which results in an increase in rate base for accumulated depreciation, is not a just or reasonable result. This is especially true when there is no procedure in place to remove or correct these negative balances, meaning customers will continue to pay a return on these balances in perpetuity.

Q. WHAT CAUSES THESE NEGATIVE ACCUMULATED DEPRECIATION BALANCES IN THE COMPANY'S FILING?

A. With the exception of the negative accumulated depreciation balance for the Pasco County wastewater system, which will be discussed in the Pasco County adjustment section later in this testimony, the negative balances are the result of the methodology used by the Company in determining the pro forma plant retirements associated with its proposed pro forma replacement plant additions. In its filing, the Company applied a 75% factor to the pro forma replacement plant addition amount to determine the associated plant retirements.

In response to Citizens' Interrogatory 69, the Company indicated that the 75% factor was used because UIF has been unable to determine the original cost of the specific plant being replaced and that the 75% factor was "…established by the Commission in those instances where the original cost of the retired asset cannot be determined." The response also states that the 75% factor "…has been established by the Commission as reasonable and has been followed by UIF in numerous prior rate cases." In its filing, the Company is using this 75% retirement factor methodology in many instances that results in the pro forma retirement adjustment exceeding the test year end book value of the assets in the respective accounts. In response to Citizens Interrogatory 68 (b), the Company acknowledges that the "…retirement of asset using 75% of new plant may be greater than the value of the asset on the company's books."

Here is an example to illustrate the above description of what transpires: under the Company's methodology, if a pro forma replacement plant addition costing $100,000 is added to a plant account, the Company also reduces the plant in service and accumulated depreciation expense associated with that same plant account by $75,000, regardless of what the actual balance is in the account prior to the pro forma plant addition. If the test year-end balance in the respective account was only $10,000, the Company would still reduce the plant account and the associated accumulated depreciation account in its filing by the full $75,000, leading to a negative accumulated depreciation balance of ($65,000) for this account (and an increase to rate base of $65,000). In other words, an amount would be removed from the Company's filing for the assets being replaced that exceeds the original plant cost on the books. While the resulting balance in the plant in service account is still positive as a result of the plant addition exceeding the retirement amount, the resulting accumulated depreciation balance would be negative for the account.

Q. DOES THE COMPANY RECOGNIZE THAT REMOVAL OF AMOUNTS FOR RETIREMENTS THAT EXCEED THE ACTUAL PER BOOK BALANCES FOR THE ASSOCIATED PLANT ACCOUNT IS A PROBLEM?

A. Apparently, it does recognize this concern. In response to Citizens' Interrogatory 67(d), the Company indicates that it "…will, however, endeavor to determine the original cost more closely due to the result of retiring more than the value on the books."

Q. HOW DO YOU RECOMMEND THIS PROBLEM BE ADDRESSED GOING FORWARD?

A. For each of the pro forma plant additions associated with the replacement of existing plant that the Commission ultimately allows for inclusion in rate base in this case, I recommend that the corresponding adjustment to reduce plant in service and accumulated depreciation associated with the retirement of the plant being replaced be capped at the test year-end balance of the impacted plant account or at a lower amount for some projects as addressed in this testimony. In other words, the amount of retirement to plant in service and accumulated depreciation reflected in the adjusted test year would be calculated based on either the 75% methodology used by the Company or on the actual balance in the impacted plant in service account as of December 31, 2015 if that balance would be negative as a result of the 75% methodology.

Q. HAVE YOU REFLECTED THE IMPACTS OF THIS RECOMMENDATION IN DETERMINING THE RECOMMENDED REVENUE REQUIREMENTS FOR EACH OF THE WATER AND WASTEWATER SYSTEMS?

A. Yes. The adjustments to the Company's filing that are needed to implement the cap to the retirement amounts at the test year end actual plant balances are shown in Exhibits DMR-3 through DMR-18. The adjustments impact the plant in service, accumulated depreciation, and depreciation expense amounts in the Company's filing. I have also included the impact of Citizens' witness Woodcock's recommended revisions to the pro forma plant additions in determining the needed modifications to the Company's proposed pro forma plant retirement adjustments. If the Commission allows all or a portion of the costs associated with the pro forma replacement projects that Mr. Woodcock recommends be disallowed, I recommend that the associated retirement not be based on the application of the 75% factor to the approved plant retirements if the result of applying the 75% factor is that more dollars are removed from the plant in service and accumulated depreciation account then existed in the plant in service account at the end of the test year. The amount of retirement to be included for each of the pro forma replacement projects should be reviewed on a project by project basis for each of the pro forma plant additions.

Q. HOW DO YOU RECOMMEND DEALING WITH INSTANCES WHERE A NEGATIVE ACCUMULATED DEPRECIATION BALANCE ALREADY EXISTS ON THE COMPANY'S BOOKS?

A. As indicated previously, the only system in which a system-wide negative accumulated depreciation balance exists on the Company's books during the test year ended December 31, 2015 is the Pasco County wastewater system. This problem is discussed later in this testimony under the Pasco County Wastewater System section.

For any of the specific plant accounts in which there is no longer a plant balance on the Company's books, yet either a positive or a negative accumulated depreciation balance exists, I recommend that the accumulated depreciation balance be removed from rate base.

IMPACT OF RECOMMENDATIONS OF OPC WITNESS WOODCOCK

Pro Forma Plant Additions and Retirements

Q. DO YOUR REVENUE REQUIREMENT EXHIBITS INCLUDE THE IMPACT OF MR. WOODCOCK'S RECOMMENDED ADJUSTMENTS TO THE COMPANY'S PROPOSED PRO FORMA PLANT ADDITIONS?

A. Yes. Exhibits DMR-3 through DMR-18 included the impacts of Mr. Woodcock's recommended modifications to the Company's proposed pro forma plant additions on the Company's adjusted test year plant in service, accumulated depreciation, depreciation expense, and property tax expense. The impacts of Mr. Woodcock's recommended modifications to the proposed pro forma plant additions on the accumulated deferred income tax incorporated in the Company's capital structure for each system is addressed later in this testimony.

Q. ARE YOU RECOMMENDING ANY ADDITIONAL ADJUSTMENTS ASSOCIATED WITH THE COMPANY'S PROPOSED PRO FORMA PLANT ADDITIONS BEYOND THOSE ADDRESSED BY MR. WOODCOCK?

A. Yes. As previously addressed in this testimony, I recommend that the amount to retire from plant in service and accumulated depreciation associated with the pro forma replacement plant additions be capped at the test year-end balance contained on the Company's books for the impacted plant account. Thus, the amount of retirements associated with the adjusted plant additions recommended by Mr. Woodcock that is incorporated on Exhibits DMR-3 through DMR-18 is based on either the 75% of post-test year plant addition methodology used by the Company in its filing or the test year-end plant balance for the account, with the test year-end balance serving as the cap on the amount to be retired on the books.

Q. FOR THE COMPANY'S PRO FORMA PLANT ADDITIONS THAT WERE NOT ADJUSTED OR CONTESTED BY MR. WOODCOCK, ARE YOU RECOMMENDING ANY ADJUSTMENTS ASSOCIATED WITH THESE POST-TEST YEAR PLANT ADDITIONS?

A. Yes. For the remaining pro forma replacement plant additions that OPC witness Woodcock has not adjusted or contested, I compared the amount of associated plant retirement reflected in the Company's filing to the test year-end balance for the plant account impacted. For any of the plant retirements in which the amount of retirement exceeded the test year-end balance in the respective plant account, I reduced the retirement amount to the test-year end plant balance.

<u>Non-Used & Useful Percentages</u>

Q. IS THE OPC RECOMMENDING ADJUSTMENTS IN THIS CASE ASSOCIATED WITH THE USED AND USEFULNESS OF UTILITY ASSETS?

A. Yes. In his direct testimony, OPC witness Woodcock addresses the used and usefulness of the wastewater treatment facilities for several of the wastewater systems at issue in this case, as well as the used and usefulness of the Mid-County and Sandalhaven wastewater collection systems. Using the used and useful percentages recommended by Mr. Woodcock, I have calculated the necessary reductions to plant in service, accumulated depreciation and depreciation expense. I have coordinated with Mr. Woodcock in determining which plant accounts the used and useful percentages should be applied to in determining the appropriate reductions to plant in service, accumulated depreciation and depreciation expense.

Q. WHAT SCHEDULES HAVE YOU PREPARED TO CALCULATE THE ADJUSTMENTS NEEDED TO REFLECT THE IMPACTS OF CITIZENS' RECOMMENDED USE AND USEFUL PERCENTAGES?

A. The necessary adjustments are presented in Exhibit DMR-4 for the Eagle Ridge system, Exhibit DMR-5 for the Labrador system, Exhibit DMR-6 for the Lake Placid system, Exhibit DMR-8 for the Lake Utility Services system, Exhibit DMR-9 for the Mid-County System, Exhibit DMR-11 for the Sandalhaven system and Exhibit DMR-18 for the Golden Hills/Crownwood system in Marion County.

Q. DO ANY OF THE OTHER OPC RECOMMENDED ADJUSTMENTS IMPACT THE PLANT IN SERVICE, ACCUMULATED DEPRECIATION, AND DEPRECIATION EXPENSE BALANCES TO WHICH THE USED AND USEFUL PERCENTAGES HAVE BEEN APPLIED?

A. Yes. To the degree that other adjustments recommended in this testimony and Mr. Woodcock's testimony change the balances to which the used and useful percentages are applied, the impacts have been flowed through to the used and useful adjustment calculations.

Excessive Unaccounted For Water

Q. HAVE YOU CALCULATED THE ADJUSTMENTS NEEDED TO REFLECT THE IMPACT OF CITIZENS' RECOMMENDED EXCESSIVE UNACCOUNTED FOR WATER?

A. Yes. Citizens' witness Woodcock recommends that adjustments be made for excessive unaccounted for water and has calculated the percentages of excessive unaccounted for water for the various systems. I have applied Mr. Woodcock's recommended percentages of excessive unaccounted for water to the adjusted test year chemical, purchased power and purchased water expense for each of the impacted systems on Exhibits DMR-3 through DMR-18. The Company's MFRs and/or the 2015 general ledgers provided by the Company in response to Citizens' Request for Production ("POD") No. 5 were used to determine the amount of chemical, purchased power and purchased water expense contained in the adjusted test year for each of the impacted systems. In each of my schedules calculating the necessary adjustments, I factor in the impacts of adjustments to the test year per-book expense amounts reflected in the Company's filing and elsewhere in this testimony. I believe that even if the causes of the excessive unaccounted for water are resolved, these adjustments should be made. The expenses were higher in the test year because the higher amounts of water were treated.

Q. WHAT REDUCTIONS SHOULD BE MADE TO THE COMPANY'S PROPOSED ADJUSTED TEST YEAR EXPENSES TO ADDRESS THE EXCESSIVE UNACCOUNTED FOR WATER?

A. Test year expenses should be reduced by $460 for Labrador (Exhibit DMR-5), $108 for Lake Placid (Exhibit DMR-6), $790 for Seminole County (Exhibit DMR-14), $1,234 for

Pasco County (Exhibit DMR-16), $415 for Pinellas County (Exhibit DMR-17), and $203 for Marion County (Exhibit DMR-18).

Excessive Inflow & Infiltration

Q. HAVE YOU CALCULATED THE ADJUSTMENTS NEEDED TO REFLECT THE IMPACT OF CITIZENS' RECOMMENDED EXCESSIVE INFLOW & INFILTRATION ("I&I")?

A. Yes. Citizens' witness Woodcock recommends that adjustments be made for excessive I&I in the Sandalhaven wastewater system, the Lincoln Heights wastewater systems in Seminole County and the Wisbar wastewater system in Pasco County. I have applied Mr. Woodcock's recommended percentages of excessive I&I for wastewater to the adjusted test year purchased power, and purchased sewage treatment expense for each of the impacted systems. The MFRs and/or the 2015 general ledgers provided by the Company in response to Citizens' POD No. 5 were used to determine the amount of chemical, purchased power, and purchased sewage treatment expense contained in the adjusted test year for each of the impacted systems. In each of my schedules calculating the necessary adjustments, I factor in the impacts of adjustments to the test year per-book expense amounts reflected in the Company's filing and elsewhere in this testimony. I believe that even if the causes of the excessive inflow and infiltration are resolved, these adjustments should be made. The expenses were higher in the test year because the higher amounts of wastewater were treated.

Q. WHAT REDUCTIONS SHOULD BE MADE TO THE COMPANY'S PROPOSED ADJUSTED TEST YEAR EXPENSES TO ADDRESS THE EXCESSIVE I&I?

A. Test year expenses should be reduced by $28,486 for Sandalhaven (Exhibit DMR-11), $69,439 for Seminole County (Exhibit DMR-14) and $33,025 for Pasco County (Exhibit DMR-16).

ADJUSTMENTS IMPACTING MULTIPLE SYSTEMS

Rate Case Expense

Q. ARE THERE ANY SIGNIFICANT PROBLEMS WITH THE METHOD USED BY THE COMPANY TO DETERMINE THE ADJUSTED RATE CASE EXPENSE IN ITS FILING?

A. Yes. In determining its rate case expense adjustments for each of the systems, the Company combined the balance of the unamortized rate case expense associated with prior proceedings as of the end of the test year, or the December 31, 2015 unamortized balance, and the projected expense for the current rate case. The Company then took the resulting combined total amount and divided the amount by 4 to determine the annual amortization expense using a four-year amortization period. The Company then added the resulting amortization expense, which included the costs of both prior rate case proceedings and the current rate case proceeding, and added the resulting amount to the test year without subtracting the rate case amortization expense already incorporated in the test year for many of the systems. There are many problems with this method.

The first problem is that the Company included the unamortized balances of the prior rate case proceedings as of the December 31, 2015 test year end. Assuming rates from this case take effect on August 1, 2017, the Company would have collected an additional 19 months of amortization expense associated with the prior rate case proceedings. In fact, for some of the prior rate case proceedings the Company would have already collected 100% of the authorized rate case expense before rates from this case take effect. It clearly is not reasonable to ignore the amortization that would have occurred between the end of the test year and the date rates from this case become effective as it would result in the Company double-recovering some of the rate case expenses associated with prior proceedings.

The second problem is that the Company's proposed methodology of including the unamortized balance of prior rate case costs and amortizing these over four years with the projected current rate case costs is inconsistent with Section 367.081(8), Florida Statutes, as explained below.

The third problem is that the Company did not remove the amortization expense that was recorded during the test year when it added the new amortization expense. It has included the past unamortized rate case balances in determining the new amortization expense amount going forward and left the amortization expense associated with those same prior cases in the test year expense for most of the systems, resulting in inclusion of the amortization expense for the prior cases being included twice in the adjusted test year. Customers should not be required to pay twice for rate case expense.

Q. FOR WHICH OF THE SYSTEMS HAS THE COMPANY INCLUDED AN UNAMORTIZED BALANCE IN DETERMINING THE PRO FORMA RATE CASE AMORTIZATION EXPENSE FOR WHICH THE PRIOR RATE CASE EXPENSE WILL BE FULLY RECOVERED BEFORE RATES FROM THIS CASE TAKE EFFECT?

A. The Company has included amortization expense in its adjusted test year for each of the following prior cases that will be fully amortized by the effective date for approved rates in this case: Sanlando Docket 110257-WS (fully recovered February 2017); Sandalhaven Docket 2011-001-S (fully recovered November 2016); Labrador Docket 110264-WS (fully recovered April 2017); and Pennbrooke Docket 120037-WS (fully recovered January 2017).

Q. YOU INDICATED EARLIER THAT THE COMPANY'S INCLUSION OF UNAMORTIZED PRIOR RATE CASE COSTS IN DETERMINING THE NEW AMORTIZATION EXPENSE IS INCONSISTENT WITH 367.081(8), FLORIDA STATUTES. CAN YOU PLEASE ELABORATE?

A. Yes. Section 367.081(8), Florida Statutes, provides:

> The amount of rate case expense that the commission determines a public utility may recover through its rates pursuant to this chapter shall be apportioned for recovery over 4 years unless a longer period can be justified and is in the public interest. At the conclusion of the recovery period, the public utility shall immediately reduce its rates by the amount of the rate case expense previously included in rates.

Thus, the Company's method of adding the unamortized rate case expense balances from prior cases to the current rate case expense and then amortizing the resulting amount over four years is inconsistent with the Florida Statutes because it would extend the recovery beyond the recovery period already determined through prior Commission orders.

Prior to the implementation of Section 367.081(8), Florida Statutes, Section 367.0816 (superseded by 2016 Florida Statutes) also required a public utility to immediately reduce its rates at the conclusion of the rate case expense recovery period by the amount of rate case expense included in rates.

Prior Commission decisions involving Utilities Inc. of Florida systems, including decisions for which the Company is including the unamortized rate case costs in its adjustment, acknowledge the treatment required by the Statutes to reduce rates upon expiration of the amortization period. For example, Order No. PSC-16-0013-PAA-SU issued January 6, 2016, in the most recent Utilities, Inc. of Sandalhaven rate case states on page 32 that, pursuant to Section 367.0816, F.S., rates should be reduced on December 20, 2016 to remove the amortization of rate case expense for Sandalhaven's 2012 rate case before the Board of County Commissioners of Charlotte County. The same order, at page 28, approved a total rate case expense associated with the docket of $123,015[4] to be amortized over four years pursuant to Section 367.0816, F.S., the amortization of which would discontinue in February 2020. At page 38 of the order, the Commission ordered that "… pursuant to Section 367.0816, F.S., the wastewater rates shall be reduced to remove rate case expense, grossed-up for regulatory assessment fees and amortized over a four-year period effective immediately following the expiration of the four year rate case expense recovery period."

Q. IF THE COMMISSION'S ORDER IN THIS DOCKET RESULTS IN CONSOLIDATED RATES, CAN YOU EXPLAIN HOW THE RESULTING RATES FOR THE SYSTEMS CAN BE REDUCED WITH THE EXPIRATION OF THE AMORTIZATION OF THE PRIOR RATE CASE COSTS?

A. Yes. If the Commission approves some form of consolidated rates in this case, the expense associated with the amortization of prior rate cases could be separated out for each of the systems with surcharges specific to each system. This would allow the separate surcharge on the bill to drop off the month following the full four-year amortization of the prior case costs and would meet the requirements of Section 367.081(8), Florida Statutes. For

[4] The $123,015 included $120,531 associated with the rate case and $2,484 for Sandalhaven's allocated portion of costs for generic Docket No. 120161-WS.

example, the Commission's order in the last Sandalhaven rate case discussed above allowed for recovery of $123,015 of rate case expense to be recovered over four years, resulting in a monthly amortization expense of $2,563 ($123,015 / 48 months). This monthly amount, plus the regulatory assessment fee gross-up, could be applied as a surcharge on the bills sent to customers in the Sandalhaven service area with the surcharge removed after the final amount is recovered in January 2020. This method would also prevent costs from prior rate cases from being unfairly passed on to customers in other systems that were not part of the prior rate cases if consolidated rates are approved in this case.

Q. WHAT IS THE CURRENT MONTHLY EXPENSE BEING RECOVERED FOR PRIOR RATE CASE COSTS FOR EACH OF THE SYSTEMS FOR WHICH THE COSTS WILL NOT BE FULLY RECOVERED BY THE COMPANY BEFORE JULY 1, 2017, AND AT WHAT MONTH WILL THE PRIOR RATE CASE COSTS BE FULLY RECOVERED BY THE COMPANY?

A. The table below provides the monthly amounts being recovered by the Company for the amortization of prior rate case costs and the month in which the four-year amortization of the prior rate case costs will be complete. This table was prepared using information provided by the Company in its rate case expense workpapers provided in response to Citizens' POD No. 2 and Commission Order No. PSC-14-0025-PAA-WS.

	Monthly Amortization Expense	Final Amortization Month
Cypress Lakes	$ 1,850	Oct-18
Labrador	1,807	Jun-19
Lake Placid	287	Jul-18
Sandalhaven	2,563	Feb-20
Sanlando	3,769	Jun-19
UIF - Pasco County	4,098	Feb-18
UIF - Orange County	304	Feb-18
UIF - Pinellas County	439	Feb-18
UIF - Seminole County	4,045	Feb-18
UIF - Pasco County	521	Aug-20

Q. HAVE YOU INCLUDED ADJUSTMENTS TO CORRECT THE PROBLEMS WITH THE RATE CASE AMORTIZATION EXPENSE IN THE COMPANY'S FILING?

A. Yes. As consolidated rates are being considered in this case, and several of the prior rate case costs for some of the systems will be fully amortized before rates from this case take effect, I have removed all of the rate case amortization expense that was recorded during the test year and included in the Company's MFRs for each of the systems. For the prior rate case costs that will not be fully recovered by the Company prior to rates from this case becoming effective, the costs could instead be recovered from each system as a separate surcharge until fully recovered. I then reduce the Company's rate case amortization expense adjustments for each of the systems to include only the Company's projected costs for the current rate case and certain generic proceeding costs the Company has not yet begun to recover in rates, as contained in the Company's filing at this time. The amounts added to the projected cost of the current rate case in the Company's MFRs, at MFR Schedules B-10, for the unamortized balances of prior rate case costs as of December 31, 2015 have been removed in determining the adjusted rate case amortization expense to include in the adjusted test year expenses. The necessary adjustments are included in Exhibits DMR-3 through DMR-6, Exhibit DMR-8, and Exhibits DMR-10 through DMR-18.

Q. IF THE COMMISSION DETERMINES THAT THE UNAMORTIZED RATE CASE COSTS ASSOCIATED WITH PRIOR PROCEEDINGS SHOULD BE INCLUDED WITH THE CURRENT RATE CASE EXPENSE AND AMORTIZED OVER A FOUR-YEAR PERIOD, DESPITE PRIOR ORDERS ALREADY DETERMINING THE RECOVERY PERIOD FOR THE PRIOR COSTS, WHAT MODIFICATIONS WOULD NEED TO BE MADE TO THE COMPANY'S FILING?

A. The determination of the unamortized balance associated with prior rate case proceedings should be extended through July 31, 2017 instead of being based on the December 31, 2015 balance as the Company has continued to collect the associated amortization expense in rates since that time and continues to collect those expenses in rates today. Additionally, the rate case amortization expenses recorded during the test year ended December 31, 2015 that remain in the Company's adjusted test year expenses still need to be removed to prevent double-collection of these costs.

Q. ARE THERE ANY ADDITIONAL ADJUSTMENTS TO RATE CASE EXPENSE THAT SHOULD BE MADE THAT ARE NOT INCLUDED IN YOUR EXHIBITS?

A. Yes. It is my understanding that the Commission Staff reviews the actual costs incurred by the Company for processing the rate case applications and that adjustments are made to remove imprudently incurred costs and to reflect actual costs incurred instead of the projected costs contained in the Company's original application. There were many deficiencies in the Company's original filing in this case that took several rounds of revisions to be corrected. I recommend that any costs incurred by the Company to correct the numerous deficiencies be excluded from the rate case costs that the Company is permitted to pass on to its customers.

At the time the Company's case was originally filed, many of the amounts contained in the Company's MFRs did not reconcile with the Company's annual reports. In addition, since that time, the Company has needed to refile many past annual reports that did not reconcile to the original filing. If any costs are included in the actual rate case expenses submitted by the Company for revisions and corrections to its past annual reports, such costs should also be disallowed.

Additionally, the Company's responses to interrogatories and PODs in this case were extremely late. Many of the Company responses to interrogatories and PODs, when finally submitted, were deficient or incomplete, resulting in revised and supplemental responses being filed. Moreover, responses to several sets of interrogatories were provided through multiple rounds of responses as they were not completed by the response filing date. As an example of the deficiencies with responses, Citizens' POD No. 2 requested a complete set of workpapers associated with the compilation of the Company's MFRs and Citizens' POD No. 4 requested supporting documentation for all adjustments to rate base and net operating income in MFR Schedules A-3, B-3, C-3 and D-2 for each of the systems. Many of the supporting workpapers for these adjustments in the Company's filing were not provided with the original responses, resulting in the Company needing to supplement its responses. Due to the unusual and excessive levels of revisions or supplementation necessary before the responses were complete, I recommend that any costs incurred by the

Company associated with needing to revise, complete, or supplement its responses also be disallowed.

Accumulated Deferred Income Taxes – Pro Forma Plant Additions

Q. DID THE COMPANY INCLUDE THE IMPACT OF ITS PROPOSED PRO FORMA PLANT ADDITIONS ON THE ACCUMULATED DEFERRED INCOME TAX COMPONENT OF THE CAPITAL STRUCTURE?

A. Yes. As a result of the differences in the depreciation rates allowed for financial reporting purposes and for income tax purposes, each of the pro forma plant additions will impact the accumulated deferred income tax ("ADIT") balance that is included in the capital structure at zero cost. While the Company included adjustments in its filing in an attempt to reflect the impacts of the pro forma plant additions on the ADIT balances in the capital structure, there is a flaw in the Company's calculations that must be corrected.

Q. WHAT IS THE FLAW THAT NEEDS TO BE CORRECTED?

A. The Protecting Americans from Tax Hikes (PATH) Act, signed into law on December 18, 2015, provided for the extension of bonus depreciation with the 50 percent bonus depreciation provisions being effective from 2015 through 2017, the 40% bonus depreciation for 2018 and the 30% bonus depreciation for 2019. In its filing, the Company did not include the impacts of the 50% bonus depreciation on its proposed pro forma plant additions.

Q. DID THE COMPANY EXPLAIN WHY IT DID NOT INCLUDE THE IMPACTS OF THE 50% BONUS DEPRECIATION ALLOWANCE ON THE POST TEST YEAR PLANT ADDITIONS IN ITS FILING?

A. In response to Citizens' Interrogatory No. 162, the Company explained the exclusion as follows:

> Due to the uncertainty of the year-to-year handling of bonus depreciation by Congress, the Company did not include bonus depreciation on pro forma plant additions. However, since the 5-year phase out of bonus depreciation was enacted in December of 2015, *the Company will claim bonus depreciation for pro forma projects* that qualify as "new MACRS property with a recovery period of 20 years or less, computer software, water utility property, and qualified improvement property".
> (Emphasis added)

Since the Company's filing was submitted in August 2016, it is not clear why the impacts of the PATH Act that was signed into law in December 2015 were not reflected in the filing. Clearly, the Company plans on claiming the bonus depreciation for the impacted years for the projects that qualify.

Q. SHOULD THE IMPACTS OF THE 50% BONUS DEPRECIATION ALLOWANCE ON THE ADIT BALANCE IN THE CAPITAL STRUCTURE BE REFLECTED?

A. Yes. Current tax law provides for the allowance of 50% bonus depreciation on qualifying plant additions placed into service during 2015, 2016 and 2017. Thus, the impacts of the 50% bonus depreciation should be included in determining the amount of ADIT to include in the capital structure at zero cost.

Q. HAVE YOU INCLUDED THE ADJUSTMENTS TO THE ADIT BALANCE THAT ARE NEEDED TO INCORPORATE THE IMPACTS OF THE BONUS DEPRECIATION ALLOWANCE ON THE PRO FORMA PLANT ADDITIONS?

A. Yes. Since the Company has not provided the impact of bonus depreciation associated with its proposed pro forma plant additions on the ADIT incorporated in the capital structure, I have estimated the impacts. The capital structures and rate of return calculations contained in Exhibits DMR-3 to DMR-18 include the adjustments to the ADIT balances associated with the pro forma plant additions. These are based on either the adjusted pro forma plant additions recommended by Citizens' witness Woodcock or the Company's pro forma year plant additions for the additions in which Mr. Woodcock has not recommended modification. The ADIT workpapers provided by the Company in its supplemental response to Citizens' POD No. 4 was used in calculating the needed ADIT adjustment to the capital structure. In revising the ADIT workpapers provided by the Company, the per-Company pro forma plant addition amounts were either left unchanged if no adjustment is recommended or replaced by the amounts recommended by Citizens, and the tax depreciation calculations were modified to incorporate the 50% bonus depreciation allowances permitted by the PATH Act.

Since bonus depreciation is allowed for tax purposes on water utility property, I applied the 50% bonus depreciation allowance to the water utility property plant additions, but not to the wastewater utility property plant additions. Based on a review of the Company's ADIT adjustment workpapers, it does not appear that the pro forma wastewater plant additions would qualify for the bonus depreciation provisions; however, the Company should be required to clarify whether or not any of the pro forma wastewater plant additions do, in fact, qualify for the 50% bonus depreciation allowances and, if so, provide the impacts on the ADIT incorporated in the capital structure. Additionally, if any of the pro forma water plant additions do not qualify for the bonus depreciation provisions, the Company should indicate as such and explain why the additions do not qualify for the bonus depreciation under the tax rules.

OPC Recommended Rate of Return

Q. DO ANY OF CITIZENS' RECOMMENDED ADJUSTMENTS IMPACT THE CAPITAL STRUCTURE AND THE RESULTING OVERALL RATE OF RETURN FOR EACH OF THE SYSTEMS?

A. Yes. As indicated above, the ADIT balances contained in the Company's proposed capital structures were adjusted for the impacts of Citizens' recommended revisions to the proposed pro forma plant additions and the bonus depreciation provisions. Additionally, I have adjusted the capital structure for each system in order to synchronize Citizens' recommended adjusted rate base balances with the capital structure. I have not revised the cost rates incorporated by the Company in its filing, except for the two modifications described below. The calculation of the adjusted rate of return for each of the systems is provided in Exhibits DMR-3 through DMR-18, and the resulting adjusted rate of return for each system is carried forward to the calculation of the revenue requirements.

Q. WHAT TWO MODIFICATIONS DID YOU MAKE TO THE COMPANY'S PROPOSED COST RATES?

A. In response to Staff Interrogatory No. 111, the Company agreed that that the customer deposit cost rate contained in the capital structure for the Lake Placid system should be reduced to 2.0%. In response to Staff Interrogatory No. 110, the Company agreed that that the cost of equity contained in the capital structure for the Longwood system should be reduced to 10.40%. I included these corrections in the overall rate of return calculations for the Lake Placid and Longwood systems in Exhibits DMR-6 and DMR-7, respectively.

Health Insurance Reserve Adjustment

Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO THE TEST YEAR EMPLOYEE BENEFITS EXPENSE?

A. Yes. As part of the minimum filing requirements, the Company is required to file a schedule comparing the test year O&M expenses by account to the O&M expenses for the test year in the Company's previous rate case. For each difference in expenses that are not attributable to customer growth and changes in the consumer price index, the Company is required to provide an explanation of the cause of the differences. The prior test year O&M expenses, adjusted for customer growth and inflation, are considered a benchmark. This variance information and the associated explanations provided by the Company aids Commission Staff and intervenors in evaluating the reasonableness of the Company's test year expenses. Each of the systems in this case show increases in the employee pension and benefit expense account which, in most cases, significantly exceed the benchmark from the previous rate case. The description for the large increases in this account on MFR Schedules B-7 and B-8 indicate that the costs reflect a large increase in health care costs since the last test year. When questioned on the large increase in the employee benefit expense shown for January, June and December 2015 in Pasco County, the Company indicated in response to Staff Interrogatory No. 51 that the costs are all allocated expenses and that "(t)he number of Insurance Claims were higher those months when compared to others." However, the Company's response to Citizens Interrogatory No. 91 shows that on December 31, 2015, Water Services Corporation (an affiliate of UIF) booked an $110,000 adjustment to the health insurance reserve expense subaccount described as "Health Insurance Reserves Adjustment." Thus, the large increase in the December 2015 employee benefits expense allocations to the various systems was caused by the health insurance reserve adjustment booked by Water Services Corporation on the last day of the test year. Therefore, I recommend that this reserve adjustment be removed from test year expenses.

Q. WHY DO YOU RECOMMEND THAT THE RESERVE ADJUSTMENT BE REMOVED FROM TEST YEAR EXPENSES?

A. This reserve adjustment, which has not been supported by the Company, had a large impact on test year expenses causing them to be inconsistent with the surrounding years' expense levels. The response to Citizens' Interrogatory No. 172 shows that the amount of the Health Insurance Reimbursements expense charged to the Florida systems from Water Services Corporation went from $926,599 in 2014 to $1,153,840 in 2015 and $1,034,444 in 2016. Thus, the expense increased by $227,241 between 2014 and 2015, and then declined by $119,396 between 2015 and 2016. Thus, the 2015 expense, which includes allocation of the $110,000 reserve adjustment to the Florida systems, is not reflective of a normal annual expense level.

Q. WHAT ADJUSTMENT NEEDS TO BE MADE TO REMOVE THE DECEMBER 31, 2015 RESERVE ADJUSTMENT FROM THE TEST YEAR EXPENSES?

A. In its filing, UIF increased the test year employee benefits expense by 3.75%; thus, the portion of the $110,000 reserve adjustment that was allocated to the UIF systems was increased by 3.75%. On Exhibit DMR-19, I provide the amount of expense, by system, included in the adjusted test year for the reserve adjustment. As shown on the exhibit, adjusted test year expenses for all systems combined should be reduced by $26,410 to remove the impacts of the reserve adjustment. The system amounts shown on Exhibit DMR-19 are applied to each of the respective systems on Exhibits DMR-3 through DMR-18. For systems that have both water and wastewater operations, the adjustment was allocated between the water and wastewater systems based on the ERC allocations provided in the Company's salary and benefits workpaper provided in the Supplemental Response to Citizens' POD No. 4.

Allocated Depreciation Expense Adjustment

Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS TO THE EXPENSES THAT ARE ALLOCATED FROM THE FLORIDA SERVICE CORPORATION LEVEL TO THE SYSTEMS?

A. Yes. Company MFR Schedule B-12 for each of the systems shows that the "Water Service Corp. Allocated State Expenses" in Account 403 – Depreciation Expense was significantly higher in March 2015 than in the remaining months of the test year. When asked for the cause of the significantly higher level of March 2015 depreciation expense level in Citizens' ROG No. 88, the Company responded as follows:

> The increase in March was due to a Fixed Asset Clean up adjustment. Some time ago, Fixed Assets had depreciation but it was never recorded in the GL. So UIF had to do an adjusting entry to tie GL and Fixed Assets. It could be from the conversion or even before. As of 3/31/15, UIF had variance between GL and FA and correction was made in 3/15/15. See attached Document.

The document provided with the response showed that a fixed asset clean up entry of $87,296 was booked to the Florida depreciation expenses that are allocated to the systems. I recommend that this non-recurring entry, which is based on costs that should have been booked prior to the 2015 test year, be removed.

Q. WHAT ADJUSTMENT IS NEEDED TO REMOVE THE FIXED ASSET CLEAN UP ENTRY FROM THE TEST YEAR COSTS ALLOCATED TO THE FLORIDA SYSTEMS?

A. The calculation of the reduction to test year expense, by system, is provided on Exhibit DMR-20. As shown on the exhibit, adjusted test year expenses for all systems combined should be reduced by $86,222 to remove the impacts of the fixed asset clean up adjustment booked in March 2015. The system amounts shown on Exhibit DMR-20 are applied to each of the respective system on Exhibits DMR-3 through DMR-18. For systems that have both water and wastewater operations, the adjustment was allocated between the water and wastewater systems based on the ERC allocations provided in the Company's salary and benefits workpaper provided in the Supplemental Response to Citizens POD No. 4.

<u>Transportation Expense Allocation Correction</u>

Q. DO ANY CORRECTIONS NEED TO BE MADE TO THE TEST YEAR EXPENSE ALLOCATIONS?

A. Yes. Company MFR Schedule B-8 for the Tierra Verde system indicates that a 177.21% variance from the prior test year benchmark in Account 950 – Transportation Expenses was due to incorrect posting of fuel and fleet repairs that should have been allocated across all Florida systems. When asked in Interrogatory 104 (a) why the transportation expense posting error was not corrected in the MFRs, the Company responded that "(o)n a prospective basis reallocating the transportation expenses is unnecessary as UIF is now one consolidated system and is moving to consolidated financials and rates." In its revised response to Citizens' Interrogatory No. 104, the Company provided the corrected allocation of transportation expense, which decreases the Tierra Verde system expenses by $5,723 and increases the expense for other systems. Since the Commission has not yet approved consolidated rates, which is an issue in this case, I have included the adjustments needed to correct the error to the vehicle expense allocations on Exhibits DMR-3 to DMR-13 based on the information provided in the revised response to Citizens' Interrogatory No. 104.[5]

Reduction to GIS Pro Forma Plant Addition

Q. ARE ANY ADJUSTMENTS BEING MADE TO THE PRO FORMA PLANT ADDITIONS THAT ARE ALLOCATED TO ALL OF THE SYSTEMS IN THIS CASE?

A. Yes. In the MFRs, the Company has reflected a pro forma adjustment for the GIS system. While Company witness Flynn's testimony, at page 13, indicates that a $350,000 pro forma adjustment is being made associated with a GIS mapping system, the amount that is allocated to the systems in this case through the pro forma adjustments in the MFRs for the GIS project is $688,559. Citizens' witness Woodcock recommends that the GIS project be reduced to $244,321, which is $444,238 less than the amount included in the Company's MFRs.

Q. HAVE YOU CALCULATED THE ADJUSTMENT NEEDED ON A SYSTEM BY SYSTEM BASIS TO REDUCE THE GIS PRO FORMA PROJECT BY $444,238 TO $244,321?

A. Yes. Exhibit DMR-21 shows the adjustments to plant in service and depreciation expense that is needed on a system by system basis. These adjustments are flowed through to Exhibit DMR-3 through Exhibit DMR-18. The associated impacts on accumulated

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[5] The revised response to Citizens' Interrogatory No. 104 also identifies $812 to be spread to the UIF Seminole County, Orange County, Pasco County, Pinellas County and Marion County systems. As the response did not provide the allocation to each of these systems, the $812 increase in vehicle cost has not been spread to these systems in Exhibits DMR-14 to DMR-18.

depreciation from the reduction in depreciation expense are also included in each of the exhibits.

Q. IN PREPARING THE ADJUSTMENT, DID YOU NOTICE ANY PROBLEMS WITH THE ADJUSTMENTS MADE IN THE COMPANY'S MFRS FOR THE GIS PROJECT?

A. Previously I discussed the discrepancy between the amount discussed in Mr. Flynn's testimony for the GIS project and the amount that is actually included in the Company's MFRs for the project. As noted on Exhibit DMR-21, the allocation in the Labrador MFR schedules was calculated based on a project cost of $350,000; whereas, the remaining systems were allocated a portion of the project costs based on $688,559 for the project. As also noted on Exhibit DMR-21, it appears that there were errors in the amount included in the Pennbrooke MFRs, with the combined water and wastewater amount being applied to the Pennbrooke water system and the water system amount being applied to the wastewater system. As noted on the exhibit, I have accounted for these issues in determining the necessary adjustment for each of the systems.

Of additional concern is that the Company used two different depreciation lives in the filing for the same GIS project costs. For some of the systems, the Company used a 6-year depreciation life and for other systems, the Company used a 15-year depreciation life. To date, I have seen no explanation or justification for assuming two separate depreciation lives instead of a uniform life for all of the systems. I have not revised the depreciation lives used by the Company in its MFRs at this time, but additional adjustments may be warranted to reflect a consistent depreciation life.

Potential New Tax Legislation and Changes in Tax Rates

Q. WHAT FEDERAL INCOME TAX RATE IS FACTORED INTO THE COMPANY'S REVENUE REQUIREMENT CALCULATIONS?

A. The Company has used a federal income tax rate of 34% and a Florida state income tax rate of 5.5%.

Q. COULD THESE INCOME TAX RATES CHANGE IN THE FUTURE?

A. Yes. The current administration in Washington, D.C. has indicated that it will seek to lower the corporate income tax rate in 2017. With the same party controlling the Congress and the White House, there is a distinct possibility that the federal income tax rate will change and that other provisions in tax law could also change. It is my understanding that current considerations include a fairly substantial reduction in the corporate income tax rates as well as provisions for expensing capital costs in the year incurred instead of depreciating such costs for tax purposes. Each of these potential outcomes would have a substantial impact on the revenue requirements of the Company, as well as other regulated utilities.

Q. GIVEN THE POTENTIAL FOR TAX RATE CHANGES AND OTHER TAX CHANGES OCCURING IN THE CURRENT YEAR OR NEXT YEAR, ARE YOU OFFERING ANY RECOMMENDATIONS IN THIS CASE FOR ADDRESSING THE POTENTIAL CHANGES?

A. Yes. I recommend that the Commission include safeguards in its order in this case establishing a reasonable period after the order becomes final over which it retains the ability to adjust customer rates based on any material changes in the tax laws.

ADJUSTMENTS SPECIFIC TO EAGLE RIDGE WASTEWATER SYSTEM

Materials & Supplies Expense

Q. COMPANY MFR SCHEDULE B-8 FOR THE EAGLE RIDGE SYSTEM SHOWS A 145.80% VARIANCE ABOVE THE PRIOR TEST YEAR BENCHMARK, INCREASING FROM THE PRIOR TEST YEAR DECEMBER 31, 2010 AMOUNT OF $30,510 TO $74,992 IN THE TEST YEAR ENDED DECEMBER 31, 2015. WHAT EXPLANATION WAS PROVIDED BY THE COMPANY FOR THIS SIGNIFICANT VARIANCE?

A. MFR Schedule B-8 explains the variance as "[n]ominal variance from year to year in repair activities, materials used and their unit costs." In response to OPC Interrogatory No. 100(c) and (d), the Company indicated the increase is not considered "nominal," that the explanation on MFR Schedule B-8 was stated in error, and further that "(t)he increases reflect the variance from year to year in repair activities and costs associated with them."

Q. HOW DOES THE TEST YEAR MATERIALS & SUPPLIES EXPENSE FOR EAGLE RIDGE COMPARE TO PRIOR YEARS?

A. The response to Citizens Interrogatory No. 100(e) shows that the expense was $47,876 in 2011, $42,784 in 2012, $48,774 in 2013, $51,659 in 2014, and $74,992 in the test year. Clearly, the test year expense for this account is significantly higher than in the prior years.

Q. SHOULD THE TEST YEAR MATERIALS & SUPPLIES EXPENSE BE ADJUSTED?

A. Yes. Given the large variance between the test year expense and the expenses incurred in prior years, coupled with the Company's failure to demonstrate that the significant increase realized in the test year is reflective of on-going cost expectations, the test year materials and supplies expense should be adjusted to reflect the most recent three-year average expense level. Using the years 2013 through 2015, the average expense was $58,475, which is $16,517 less than the test year expense. As shown on Exhibit DMR-4, page 3, test year expenses should be reduced by $16,517 to reflect the historic average cost.

<u>Chemical Expense</u>

Q. THE COMPANY'S FILING INCLUDES A $2,945 INCREASE IN CHEMICAL EXPENSE DESCRIBED AS "ADJ. CHEMICAL EXP. BASED ON TY USAGE." DID YOU REVIEW THE SUPPORT PROVIDED BY THE COMPANY FOR THIS ADJUSTMENT?

A. Yes. Company MFR Schedule B-5 shows that the Company increased its per-books chemical expense of $41,562 by $2,945 to $44,507. The electronic version of the Company's MFR filing provided in response to Citizens' POD No. 1 and the chemical expense workpapers provided by the Company in its supplemental response to Citizens' POD No. 4 show a calculation of chemical expense for Eagle Ridge based on test year chemical units and unit prices, as well as miscellaneous parts and supplies expense, freight and associated taxes. The workpapers show a resulting total cost for the test year based on the amounts provided for and calculated in the workpapers of $37,241. The same amount, $37,241, was also provided in the Schedule of Chemicals provided with the Company's November 22, 2016 deficiency response in Attachment 4a.(2)i. It is not clear from the workpapers provided by the Company in support of its chemical expense adjustment why the Company increased the test year chemical expenses by $2,945, particularly when the expense calculated in its workpapers was lower than the test year costs recorded in Account 718 – Chemical Expense. I was unable to locate any information in the Company's chemical expense adjustment workpapers supporting the increase in the per book chemical costs by $2,945 to $44,507.

Q. ARE YOU RECOMMENDING A REVISION TO THE COMPANY'S ADJUSTED TEST YEAR CHEMICAL EXPENSE?

A. Yes. I recommend that the adjusted expense contained in the Company's MFRs of $44,507 be reduced to the amount supported in its chemical expense workpapers and the November 22, 2016 deficiency response filing of $37,241. This results in a $7,266 reduction to the Company's adjusted test year expense, which is included on Exhibit DMR-4 at page 3.

<u>Working Capital</u>

Q. THE COMPANY'S WORKING CAPITAL ALLOWANCE IS BASED ON THE BALANCE SHEET METHOD. ARE YOU RECOMMENDING ANY ADJUSTMENTS TO THE WORKING CAPITAL ALLOWANCE CALCULATED BY THE COMPANY?

A. Yes. The liability components of the balance sheet calculation typically offset or reduce the working capital requirements. In this case, the liability section of the working capital calculation for Eagle Ridge includes negative, or prepaid, accrued taxes which result in an *increase* in the working capital request. When asked for a detailed explanation as to why the accrued taxes were in a prepaid position causing an increase in working capital in Citizens' Interrogatory No. 98, the Company responded that the accrued taxes "Reflects income tax overpayments for which refunds have been requested." No further explanation was provided in the response. The response also shows that the accrued tax balance in Account 236 includes $82,809 for "Accrued Federal Income Tax." The general ledger details provided in the Eagle Ridge MFRs in the Company's response to Citizens' POD

No. 1 show that this balance remain unchanged in each month of the test year. The Company's response to Citizens' POD No. 5 shows that the $82,809 Accrued Federal Income Tax amount was originally recorded by the Company in December 2012.

Since the Company asserts that it has requested refunds for the income tax overpayments, the negative accrued tax balance, or prepaid tax, should not be anticipated to continue on a going forward basis. Additionally, the Company has not met its burden to support the inclusion of this prepaid income tax amount as appropriate for inclusion in the working capital allowance calculation in this case. Thus, as shown on Exhibit DMR-4, at page 5, working capital is reduced by the $82,809.

ADJUSTMENTS SPECIFIC TO LABRADOR SYSTEMS

Defer and Amortize Non-Recurring Water System Analysis Costs

Q. ARE YOU AWARE OF ANY LARGE NON-RECURRING COSTS THAT WERE RECORDED IN TEST YEAR EXPENSES FOR THE LABRADOR SYSTEM?

A. Yes. In Order No. PSC-15-0208-PAA-WS issued by the Commission on May 26, 2015 in the most recent Labrador Utilities, Inc. rate case, the Commission found at page 5 of its order that the Company had "…not made sufficient efforts to engage its customers to discuss and resolve their continuing dissatisfaction with the quality of the water since the last rate case." As a result, the Commission implemented a 25 basis point return on equity reduction for Labrador's water treatment plant and facilities. During 2015, the Company engaged Gaydos Hydro Services, LLC to perform a water system alternatives analysis. In October 2015, the Company recorded $10,000 for charges from Gaydos Hydro Services, LLC for this analysis.[6] In the Labrador System MFRs, $5,020 was charged to the water operations and $4,980 was charged to the wastewater operations.

Q. DO YOU AGREE THAT THE COST OF THE WATER SYSTEM ALTERNATIVES ANALYSIS SHOULD BE INCLUDED FULLY IN THE ANNUAL EXPENSES AND BE SPREAD TO BOTH THE WATER AND WASTEWATER OPERATIONS?

A. No, for two reasons. First, this analysis is not an annual recurring event and should not be expensed as such. Additionally, the analysis was specific to the water system as it analyzed water system alternatives for addressing the water quality issues; thus, the costs should not be charged to the wastewater operations.

Q. WHAT ADJUSTMENTS DO YOU RECOMMEND BE MADE TO THE COMPANY'S FILING FOR THESE COSTS?

A. First, as shown on Exhibit DMR-5 at page 4, I removed the $5,020 and $4,980 from the test year water and wastewater expenses, respectively. Additionally, I recommend that the $10,000 cost of the analysis be amortized over a five-year period. Consistent with this recommendation, I increased the water system working capital allowance on page 7 of Exhibit DMR-5 by $9,000 and included the resulting annual amortization expense of $2,000 in the water system expenses on page 4.

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[6] Response to Citizens' Interrogatory 61 and Staff Interrogatories Nos. 61 and 63.

Legal Expense for 2013 Rate Case

Q. ARE THERE ADDITIONAL TEST YEAR EXPENSES FOR LABRADOR UTILITIES, INC. THAT YOU RECOMMEND BE REMOVED FROM THE TEST YEAR?

A. Yes. The response to Citizens' Interrogatory No. 35 shows that test year legal expenses include $1,006 for charges from Friedman & Friedman, P.A. described as Miscellaneous items related to Labrador 2013 rate case. Labrador Utilities, Inc. MFR B-5 and B-6 shows that $505 of the cost was allocated to the water system and $501 was allocated to the wastewater system in May 2015. As shown on Exhibit DMR-5, page 4, I recommend these costs be excluded from test year expenses. The amortization of the prior rate case expenses were addressed in the prior rate case and are being amortized to expense, and the costs associated with the current rate case are being addressed in this case as well. The additional legal expenses associated with the prior rate case should not be included in the adjusted test year in this case.

ADJUSTMENTS SPECIFIC TO LAKE PLACID SYSTEMS

Depreciation on Fully Recovered Assets

Q. ON EXHIBIT DMR-6, AT PAGE 4, YOU INCLUDED ADJUSTMENTS TO THE LAKE PLACID WATER AND WASTEWATER SYSTEM DEPRECIATION EXPENSE. CAN YOU PLEASE EXPLAIN WHAT THESE ADJUSTMENTS ARE FOR?

A. Yes. For one of the Lake Placid water system plant accounts and three of the wastewater system plant accounts, the assets were fully depreciated before the start of the test year. For water Account 304.3 – Water Treatment Plant Structures & Improvements, and wastewater Accounts 352.2 – Franchises, 382.4 – Outfall Sewer Lines and 398.7 – Other

Tangible Plant, MFR Schedule A-5, A-9, and B-13 show the accumulated depreciation account balance exceeded the plant in service account balance at the start of the test year. Thus, the assets in these plant accounts were already fully depreciated before the start of the test year. As the assets are fully depreciated, the Company should discontinue recording depreciation expense on these assets. As shown on Exhibit DMR-6, page 4, I removed the $525 of depreciation expense for the water system and $956 of depreciation for the wastewater system. Additionally, on Exhibit DMR-6, page 7, I removed the plant in service and accumulated depreciation balances for these accounts. As the assets are fully depreciated, I recommend that the associated plant in service and accumulated depreciation balances be removed from the Company's books to ensure that depreciation expense does not continue to be applied to these fully depreciated assets.

ADJUSTMENTS SPECIFIC TO LONGWOOD WASTEWATER SYSTEM

Retirement of WWTP and Interconnection with Sanlando System

Q. LONGWOOD MFR SCHEDULE A-3 INCLUDES ADJUSTMENTS TO RETIRE THE SHADOW HILLS WWTP. WOULD YOU PLEASE DISCUSS THE COMPANY'S ADJUSTMENT?

A. The Company has proposed a pro forma plant addition in the Sanlando MFRs to divert the flow from the Shadow Hills WWTP to the Wekiva WWTP. This project is addressed further by Citizens' witness Woodcock in his direct testimony. Included in the project are costs associated with the demolition of the Shadow Hills WWTP. In the Longwood MFRs, the Company has included an adjustment to reflect the retirement of the Shadow Hills WWTP and the transfer of an electrical generator from the Shadow Hills WWTP to Sanlando. On Longwood MFR Schedule A-3, the Company included adjustments that reduced the Treatment and Disposal Plant accounts, specifically Accounts 354.4, 380.4, 381.4, 382.4 and 389.4, by $1,784,406 and reduced the associated accumulated depreciation accounts by $1,784,406 as well. Additionally, the adjustment to transfer the generator to Sanlando reduced the Treatment and Disposal plant on Longwood's books by $89,900 and reduced the accumulated depreciation balance by $39,539.

The average test year balance in the Treatment and Disposal Plant in Service accounts for Longwood was $1,874,306. The Company adjustments to retire the Shadow Hills WWTP and transfer the electrical generator to Sanlando removed 100% of the Treatment and Disposal Plant in Service, resulting in a $0 balance for the associated accounts. However, the test year average accumulated depreciation associated with the Treatment and Disposal accounts was only $184,808. Two of the Treatment and Disposal Plant accumulated depreciation accounts, specifically Account 354.4 – Structures & Improvements, and Account 381.4 – Plant Sewers, had negative balances during the test year.

By reducing plant in service by the full average test year balance in the Treatment and Disposal Accounts and reducing the associated accumulated depreciation accounts by $1,823,945 ($1,784,406 for retirements and $39,539 for transfer of generator), the net result is negative accumulated depreciation of ($1,639,137) in the adjusted test year. This negative accumulated depreciation of ($1,639,137) increases rate base. Since the resulting plant in service balance for the accounts becomes zero, there would be no future depreciation expense that would reduce the negative accumulated depreciation balance. The result is that the $1,639,137 would be included in rate base in perpetuity unless it is somehow addressed, which means customers will pay a return on this amount to UIF in perpetuity.

Q. HAS THE COMPANY INDICATED HOW THE NEGATIVE ACCUMULATED DEPRECIATION BALANCE WOULD BE REMOVED FROM ITS BOOKS OR RECOVERED?

A. Citizens Interrogatory No. 156(g) asked the Company specifically how the resulting negative accumulated depreciation balance in Account 354.4 – Structures and Improvements of ($1,537,433) would be recovered or removed from the Company's books over time. In response, the Company merely stated: "This is a normal retirement and no special recovery mechanism is required." Based on this response, it is apparently the Company's position that the $1,639,137 included in its adjusted rate base for the negative accumulated depreciation would remain in rate base permanently and customers would forever pay a return to UIF on this amount. Clearly, this is not fair, just or reasonable as it results in the Company permanently receiving a return on assets that would no longer exist.

Q. DO CITIZENS AGREE THAT THE PRO FORMA ADJUSTMENTS TO DIVERT THE FLOW FROM THE SHADOW HILLS WWTP TO THE WEKIVA WWTP AND THE ASSOCIATED RETIREMENT OF THE SHADOW HILLS WWTP SHOULD BE REFLECTED IN THIS CASE?

A. No. Citizens witness Woodcock has found that the project has not been sufficiently supported by the Company in its MFRs, direct testimony, and exhibits, and therefore recommends that the diversion project be disallowed. As such, on Exhibit DMR-7, at pages 3 and 5, I reversed the adjustments made by the Company in the Longwood MFRs to retire the wastewater treatment plant and transfer the generator.

If the Commission disagrees with Citizens' recommendation and allows the Company's adjustments for the diversion project and associated plant retirements and generator relocation, the reduction to accumulated depreciation associated with the wastewater treatment plant retirement should be limited to the balance in the accumulated depreciation accounts. It would not be fair or reasonable to allow the full adjustment to accumulated depreciation included by the Company in its filing as it would result in negative accumulated depreciation being included as an addition to rate base in perpetuity. If the Company does go forward with the diversion project in the future, it can request recovery of the net loss on retirement of the Shadow Hills WWTP through amortization from the Commission, consistent with Commission practice.

Pro Forma Church Avenue Relocation Project

Q. THE COMPANY HAS INCLUDED A PRO FORMA PLANT ADDITION TO RELOCATE SEWER MAINS WITHIN THE CHURCH AVENUE RIGHT OF WAY. ARE YOU RECOMMENDING ANY ADJUSTMENTS ASSOCIATED WITH THIS COMPANY PROPOSED PRO FORMA PLANT ADDITION?

A. Yes. In its filing, the Company included a pro forma plant addition to plant Account 360.2 – Collection Sewers - Force of $170,000 for this project and reflected an offsetting plant retirement of $127,500 or 75% of the project costs, reducing both plant in service and accumulated depreciation associated with Account 360.2 by the $127,500 retirement amount. While the Company's adjustment removes $127,500 from the plant account for the associated retirement of the existing assets, the balance on the Company's books in plant in service Account 360.2 at the end of the test year was only $23,870. Thus, the Company's proposed retirement adjustment is removing considerably more from both the plant in service account and the associated accumulated depreciation account than is recorded on the books for Longwood in Account 360.2. The Company's proposed retirement adjustment would result in a negative accumulated depreciation balance for

Account 360.2 in the adjusted test year. As shown on Exhibit DMR-7, at page 5, I recommend that the pro forma retirement associated with the pro forma Church Avenue sewer main relocation project be capped at the $23,870 balance in Account 360.2 – Collection Sewers – Force at the end of the test year.

Q. WHAT IS THE OVERALL IMPACT OF YOUR RECOMMENDED CAP ON THE RETIREMENT AMOUNT?

A. As shown on Exhibit DMR-7, at page 5, plant in service is increased by $103,630 while accumulated depreciation is increased by $101,903, resulting in a net increase in rate base of $1,727. Additionally, as shown on page 3 of the exhibit, depreciation expense incorporated in the Company's filing is increased by $3,454.

<u>Remove Pro Forma Purchased Power Adjustment</u>

Q. LONGWOOD MFR SCHEDULE B-3 INCLUDES A PRO FORMA ADJUSTMENT FOR PURCHASED POWER THAT INCREASES PURCHASED POWER EXPENSE BY $7,147. WHAT SUPPORT HAS THE COMPANY PROVIDED FOR THIS ADJUSTMENT?

A. The workpapers provided by the Company in its supplemental response to Citizens' POD No. 4 identifies the amount of adjustment as $7,147 and describes the adjustment as "Termination of interruptible power tariff by Duke Energy." The workpapers provided by the Company did not include any information supporting the amount or showing how the $7,147 adjustment was determined. As the Company has not met its burden to support this pro forma adjustment in its filing or in response to discovery, I have removed the pro forma adjustment on Exhibit DMR-7 at page 3, reducing the Company's adjusted purchased power expenses by $7,147.

ADJUSTMENTS SPECIFIC TO MID-COUNTY WASTEWATER SYSTEM

Remove Pro Forma Employee Addition

Q. WHAT ADJUSTMENTS DID THE COMPANY MAKE TO THE ACTUAL TEST YEAR SALARY AND WAGES EXPENSE FOR THE MID-COUNTY WASTEWATER SYSTEM?

A. Mid-County MFR Schedule B-3 shows several adjustments to salaries and wages expense. The first category of adjustments, titled "Adjustment to annualize salaries," increases the test year per books salaries and wages expense and employee benefits expenses by 3.75%, resulting in increases of $9,052 and $2,848, respectively. This adjustment, which the Company has applied to all of the systems in this case, effectively annualizes the 2015 salary and wage increase and reflects an increase in salaries and wages for 2016. Benefits expense is assumed in the adjustment to increase by a similar percentage as salaries and wages. I am not challenging the Company's application of the 3.75% increase in salaries and wages and employee benefits to each of the systems.

The second category of adjustments increases salaries and wages expense by $38,036 and benefits expense by $11,794. This includes two separate adjustments, one for $11,036 to reflect additional salaries and wages that are being allocated to all systems in this case and one for $27,000 to add a new position specific to the Mid-County system.

Q. PLEASE DISCUSS FIRST THE ADJUSTMENT FOR $11,036.

A. In its filing, the Company has include labor costs associated with the following changes that it has allocated to all of the systems in this case based on ERCs: 1) the addition of one GIS Technician; 2) the addition of a senior financial analyst; 3) the conversion of a field tech to an area manager; and 4) the conversion of a part time field tech to a full time position. These costs, totaling $137,814 in salaries and wages expense and $46,132 in employee benefits expense, are reflected in the workpapers provided with the Company's supplemental response to POD No. 4, which show the allocation to each of the systems associated with these positions. An attachment provided with the Company's response to OPC Interrogatory No. 78 shows that the actual employee complement for the Florida operations has increased by two positions between the end of the test year and December 31, 2016. In consideration of the actual 2 full-time equivalent ("FTE") growth in the employee complement, I am not challenging this adjustment.

Q. PLEASE DISCUSS THE SECOND ADJUSTMENT.

A. In its filing, the Company increased the Mid-County salary and wages expense by $27,000 and the employee benefits expense by $8,100 for the addition of a maintenance technician with 100% of the costs assigned to Mid-County in the MFRs. In response to Citizens' Interrogatory No. 152, the Company indicates that "(t)he increase in annual salary and wage expense at Mid-County the TY reflects the absence of one operator for about 11 months of the test year, which we were actively recruiting to replace. . . ." The Company has not demonstrated that the employee complement specific to Mid-County has increased since the test year, nor has it demonstrated that it needs to increase the employee complement directly assigned to Mid-County above the level of active employees supporting the system during the test year. Additionally, as previously mentioned, the overall Florida employee complement has only increased by two positions since the test year, the cost of which is being allocated to all of the systems in the Company's filing. Thus, because the Company has failed to meet its burden to show these expenses are reasonable and prudent, as shown on Exhibit DMR-9 at page 3, I am removing the $27,000 of salaries and wages expense and $8,100 of benefits expense that the Company added to Mid-County as part of its pro forma adjustment.

<u>Cancelled Pro Forma Project</u>

Q. OPC WITNESS WOODCOCK IS RECOMMENDING SEVERAL ADJUSTMENTS TO THE COMPANY'S PROPOSED PRO FORMA PLANT ADDITIONS FOR MID-COUNTY. ARE YOU REFLECTING ANY ADDITIONAL ADJUSTMENTS BEYOND THOSE ADDRESSED BY MR. WOODCOCK?

A. Yes. The Company's pro forma plant additions adjustment included $400,000, or $300,000 net of retirements, for a south plant blower replacement project. In response to Staff Interrogatory No. 166(b), the Company indicated that the project has been postponed. Since the project has been postponed, the impacts on the filing should be removed.

Q. WHAT ADJUSTMENTS ARE NEEDED TO REMOVE THIS PROPOSED PRO FORMA PROJECT FROM THE COMPANY'S FILING?

A. As shown on Exhibit DMR-9, at pages 3 and 5, plant in service should be reduced by $100,000, accumulated depreciation should be increased by $286,667 and depreciation expense should be reduced by $6,667. These amounts remove the plant addition adjustment and the associated retirement adjustments incorporated in the Company's filing.

<u>Pro Forma Cost Savings</u>

Q. DOES THE COMPANY ANTICIPATE ANY COST SAVINGS RESULTING FROM THE PRO FORMA PLANT ADDITIONS IN MID-COUNTY?

A. Yes. The Company has included a pro forma project to replace methanol pumps and add in-line nutrient analyzers. In Citizens' witness Woodcock's testimony, he allows the inclusion of this pro forma plant addition at a revised cost. In the attachment "Proforma Plant Additions O&M differences" provided in response to Citizens' Interrogatory No. 8, the Company states as follows regarding projected cost savings associated with the pro forma plant addition: "[t]he purchase of methanol is expected to decrease by as much as 10% through optimization of chemical feed rates, which amount to $4,220/yr (10% of $42,222 in methanol expense in TY)." Since the project is being included in the pro forma plant additions, the resulting projected cost savings should also be included in the adjusted test year. Thus, the projected cost savings of $4,220 are included on Exhibit DMR-9 at page 3.

<u>Remove Duplicate EPA Permit Costs</u>

Q. EXHIBIT DMR-9 AT PAGE 3 INCLUDES AN ADJUSTMENT TO REDUCE TEST YEAR EXPENSES BY $5,000. WHAT IS THE PURPOSE OF THIS ADJUSTMENT?

A. The support provided by the Company in response to Staff Interrogatory No. 29 shows that test year expenses in Account 775 – Miscellaneous Expenses includes $5,625 booked on December 11, 2015 for charges from the Florida Department of Environmental Protection associated with "Sewer – Permits" and a $5,000 accrual booked on December 31, 2015 associated with "Sewer – Permits." The Company provided additional information for these charges in response to Citizens' POD No. 56. Based on a review of the invoice and general ledger detail provided, the $5,000 accrual booked on the last day of the test year was reversed the next day (January 1, 2016) and a $5,000 expense was subsequently booked on January 6, 2016. The alleged support provided for the $5,000 expense was a check requisition form citing the Mid-County WWTP permit renewal as the purpose for the requisition, with the designation “Date Needed” identified on the requisition request of January 15, 2016. The alleged support for the $5,625 also booked in December 2015 is an invoice from the Florida Department of Environmental Protection associated with the Mid-County WWTP.

Based on the information provided by the Company, the $5,000 expense booked in December 2015 in Account 775 – Miscellaneous expenses for “Sewer-Permits” results in duplicate permit fees for the WWTP being included in the test year. Thus, I have removed the $5,000 on Exhibit DMR-9 at page 3.

<u>Remove 2016 Sludge Removal Expense</u>

Q. WERE ANY ADDITIONAL ACCRUALS BOOKED ON DECEMBER 31, 2015 FOR THE MID-COUNTY SYSTEM THAT SHOULD BE REMOVED FROM TEST YEAR EXPENSES?

A. Yes. On December 31, 2015, the Company booked three accruals to sludge removal expenses, two of which increased expense by $2,400 each and one of which increased expense by $3,600. Based on the actual invoices provided by the Company in response to Citizens’ POD No. 85, the $3,600 expense was for services that occurred on January 4, 2016 through January 8, 2016. It is not clear why these expenses, incurred during 2016, were accrued on the Company’s books on December 31, 2015. As shown on Exhibit DMR-9, at page 3, I have removed the $3,600 of 2016 sludge hauling expenses from the test year.

ADJUSTMENTS SPECIFIC TO LAKE UTILITY SERVICES SYSTEMS

Remove Pro Forma Employee Addition

Q. WHAT ADJUSTMENTS DID THE COMPANY MAKE TO THE ACTUAL TEST YEAR SALARY AND WAGES EXPENSE FOR THE LAKE UTILITY SERVICES ("LUSI") WATER AND WASTEWATER SYSTEMS?

A. The adjustments made to LUSI salary and wages expense, and employee benefits expense, are similar to those made by the Company to the Mid-County system, previously discussed. These include adjustments to: 1) increase salaries, wages, and employee benefits expenses by 3.75% for the annualization of 2015 salary and wage increases and a 3.0% 2016 salary and wage increase; 2) an adjustment to increase salaries, wages and benefits to reflect two additional employees, the promotion of an employee, and conversion of a part time employee to a full time employee, the costs of which are allocated to all systems; and 3) an adjustment to include $27,000 of salaries and wages and $8,100 of benefits for the addition of a new position specific to the LUSI system. As previously discussed in the Mid-County system section of my testimony, I am not challenging the 3.75% increase in test year labor costs or the labor cost adjustments being allocated to all of the systems for the reasons previously discussed.

Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS ASSOCIATED WITH THE COMPANY'S PRO FORMA ADJUSTMENT TO ADD LABOR COSTS FOR A NEW EMPLOYEE SPECIFIC TO THE LUSI SYSTEMS?

A. Yes. The Company has not demonstrated that the employee complement specific to LUSI has increased since the test year, nor has it demonstrated that it needs to increase the employee complement directly assigned to LUSI above the level of active employees supporting the system during the test year. Additionally, as previously mentioned, the overall Florida employee complement has only increased by two positions since the test year, the cost of which is being allocated to all of the systems in the Company's filing. Thus, since UIF has failed to meet its burden to show these expenses are prudent and reasonable, as shown on Exhibit DMR-8 at page 4, I am removing the $27,000 of salaries and wages expense ($20,623 for water system and $6,377 for wastewater system) and $8,100 of benefits expense ($6,187 for water system and $1,913 for wastewater system) that the Company added to LUSI O&M expenses as part of its pro forma adjustments.

Remove Pro Forma Purchased Power Adjustment

Q. LUSI MFR SCHEDULE B-3 INCLUDES A PRO FORMA ADJUSTMENT FOR PURCHASED POWER THAT INCREASES PURCHASED POWER EXPENSE BY $14,209 FOR THE WATER SYSTEM AND $7,657 FOR THE WASTEWATER SYSTEM. WHAT SUPPORT HAS THE COMPANY PROVIDED FOR THIS ADJUSTMENT?

A. The workpapers provided by the Company in its supplemental response to Citizens' POD No. 4 merely identify the amount of the adjustment as $21,866 (combined water and wastewater amount) and describe the adjustment as "Termination of interruptible power tariff by Seco." The workpapers provided by the Company did not include any information supporting the amount or showing how the $21,866 adjustment was determined. As the Company has failed to meet its burden to support this pro forma adjustment in its filing or in response to discovery, I have removed the pro forma adjustment on Exhibit DMR-8 at page 4, reducing the Company's adjusted purchased power expenses by $14,209 for the water system and $7,657 for the wastewater system.

Remove Company Application of Non-Used & Useful Percentage on CIAC

Q. DOES THE COMPANY'S FILING INCLUDE A NON-USED AND USEFUL PLANT IN SERVICE ADJUSTMENT FOR THE LUSI SYSTEM?

A. Yes. In its filing, the Company applied a 41% non-used and useful factor to its wastewater Treatment and Disposal Plant accounts and the associated accumulated depreciation and depreciation expense accounts. Citizens' witness Woodcock recommends a 46.45% non-used and useful factor in his testimony. On Exhibit DMR-8, at page 12, I reflected the impacts of increasing the non-used and useful factor to the 46.45% rate recommended by Mr. Woodcock and the impacts of Mr. Woodcock's recommended reduction to the Lake Grove splitter box replacement pro forma project on the Company's non-used and useful adjustment. As shown on page 12 of the exhibit, the revised non-used and useful adjustment reduces rate base by an additional $304,578 and depreciation expense by $19,037.

Q. ARE THERE ANY PROBLEMS WITH THE COMPANY'S NON-USED AND USEFUL ADJUSTMENTS FOR THE LUSI WASTEWATER SYSTEM BEYOND THOSE ADDRESSED ABOVE?

A. Yes. In addition to applying the 41% non-used and useful adjustments to the Treatment and Disposal plant, accumulated depreciation and depreciation expense accounts in its filing, the Company also applied the 41% non-used and useful factor to several of the Contributions in Aid of Construction ("CIAC") accounts, accumulated amortization of CIAC accounts, and the "Amortization of CIAC – WWTP" expense.

Q. WHY IS THIS A PROBLEM?

A. The Commission addressed this very issue in LUSI's last rate case, Docket No. 100426-WS, in Order No. PSC-11-0514-PAA-WS. In that order, at page 16, the Commission indicated that LUSI made certain non-used and useful adjustments to CIAC, removing $980,217 from CIAC Reuse Service and Management Fees and adding it to CIAC Structures/Improvement Treatment Plant. The order also indicated that the CIAC Structures/Improvement Treatment Plant account did not have historic annual balances, but was created by the utility through adjustments with an adjusted balance in the account of $2,221,923. In that case, the Company applied its proposed non-used and useful factor to the $2,221,923 balance and to an account labeled as "CIAC Sewer Residential Capacity Fee and CIAC Sewer Plant Modification Fee." In addressing the Company's application of the non-used and useful adjustments to CIAC at pages 16 and 17 of the Order, the Commission stated as follows:

> We find that the Utility's non-U&U adjustments to the CIAC accounts are not appropriate or justified. Pursuant to Section 367.0817(3), F.S., the applicable adjustments under Rule 25-30.432, F.A.C., do not apply to reuse projects. Further, U&U adjustments apply only to prepaid CIAC and it is the utility's burden to prove that those adjustments relate to prepaid CIAC. We find that LUSI did not provide documentation supporting any prepaid CIAC. Prepaid CIAC for treatment plant is typically associated with Refundable Advance Agreements which the utility admitted that it does not have. Consistent with our practice, all CIAC associated with existing customers is considered 100 percent U&U, and as such, no U&U adjustments shall be made to CIAC. Additionally, no approved adjustments were made to the Utility's CIAC U&U calculations in its prior rate case. LUSI's U&U adjustments made to CIAC in the prior case were related to the anticipated new developments in the service territory which never materialized. Based on the aforementioned, we find that non-U&U adjustments shall not be applied to CIAC in this case. As such, we find that rate base and depreciation expense shall be further reduced by $699,697 and $15,715, respectively, and property taxes shall be increased by $28.

Additionally concerning is the fact that LUSI MFR Schedule A-12, at page 1, shows that the Company moved $980,000 from CIAC "Reuse System Fees" to CIAC "Contributed

Property – WWTP" and moved $1,242,062 from "Other Contributed Property" to "Contributed Property – WWTP" resulting in a $2,221,845 increase in Contributed Property – WWTP to which the Company applies the non-used and useful percentage. Each of these adjustments made by the Company appears in the column on the schedule for Commission Ordered Adjustments. The Commission clearly addressed the Company's moving of CIAC balances from the CIAC Reuse Services in the prior case and specifically disallowed the application of a non-used and useful percentage to the CIAC balance; thus, it is not clear why the Company is attempting to make a $2.2 million purported Commission Ordered Adjustment to Contributed Property – WWTP and applying the non-Used and Useful Adjustment to the balance.

Q. WHAT ADJUSTMENTS NEED TO BE MADE TO REMOVE THE COMPANY'S ATTEMPT TO APPLY THE NON-USED AND USEFUL ADJUSTMENT TO CIAC?

A. As shown on Exhibit DMR-8, at page 7, CIAC should be increased by $1,656,177 and accumulated amortization of CIAC should be increased by $573,138 resulting in a net reduction in rate base of $1,083,039. Additionally, as shown on page 4 of the exhibit, depreciation expense, net of CIAC amortization, should be reduced by $48,890.

<u>Sludge Dewatering Equipment Cost Savings</u>

Q. ARE ANY OF THE PRO FORMA PLANT ADDITIONS FOR THE LUSI SYSTEM ANTICIPATED TO RESULT IN COST SAVINGS TO THE COMPANY?

A. Yes. In the attachment "Proforma Plant Additions O&M differences" provided in response to Citizens' Interrogatory No. 8, the Company indicated that the Lake Groves Sludge Dewatering Equipment is anticipated to result in a "[r]eduction in sludge hauling expense of $3,500/month assuming the pilot test shows the efficacy of the equipment as designed." While the project cost was included as a pro forma plant addition in the Company's filing, the associated cost savings were not reflected. Clearly, this would not be a just or reasonable result. As shown on Exhibit DMR-8, at page 4, I reduced the test year sludge removal expense by $42,000 to reflect the annual cost savings associated with the pro forma project.

ADJUSTMENTS SPECIFIC TO PENNBROOKE WATER & WASTEWATER SYSTEMS

Out of Period Property Tax Expense

Q. IN ITS AUDIT REPORT, STAFF FINDING 7 RECOMMENDED REMOVAL OF $1,695 OF PROPERTY TAX EXPENSE ASSOCIATED WITH A 2006 DELINQUENT TAX BILL. DO YOU AGREE THAT THIS ADJUSTMENT SHOULD BE MADE?

A. Yes. A review of the general ledger for the Pennbrooke systems confirms that the $1,695 is included in the test year property tax expense. A review of Staff's audit workpapers also confirmed that the tax bill was associated with a delinquent tax bill from 2006. As shown on Exhibit DMR-10, page 4, I have reduced property taxes expense by $925 for the Pennbrooke water system and $770 for the Pennbrooke wastewater system, for a combined reduction of $1,695.

ADJUSTMENTS SPECIFIC TO SANDALHAVEN WASTEWATER SYSTEM

Discontinued Expenses – WWTP Plant Retirement

Q. DID ANY SIGNIFICANT CHANGES IN OPERATIONS OCCUR FOR THE SANDHAVEN SYSTEM EITHER DURING OR SUBSEQUENT TO THE TEST YEAR?

A. Yes. The Sandalhaven onsite WWTP was retired and taken offline in November 2015. The wastewater that had previously been treated at the Sandalhaven WWTP has now been diverted to Englewood Water District's treatment and disposal facilities. The adjustments needed to reflect the retirement of the WWTP plant were recently addressed in Order No. PSC-16-0013-PAA-SU, issued January 6, 2016.

Q. SINCE THE SANDALHAVEN WWTP WAS USED DURING TEN MONTHS OF THE TEST YEAR, WERE COSTS INCURRED ASSOCIATED WITH THE OPERATION OF THAT PLANT?

A. Yes. Test year expenses include costs incurred for the operation and maintenance of the Sandalhaven WWTP. The Company has removed some, but not all, of the expenses incurred during the test year associated with the now decommissioned plant.

Q. WHAT ADJUSTMENTS DID THE COMPANY MAKE TO THE TEST YEAR EXPENSES ASSOCIATED WITH THE DECOMMISSIONING OF THE PLANT?

A. The Company increased purchased sewage treatment expense by $150,165 for the costs associated with the additional wastewater that will now be treated by the Englewood Water District. The Company also increased salary and wages expense by $3,000 to reflect that certain costs will now be expensed instead of capitalized on a going-forward basis as less employee time will focus on capital projects. The Company further reduced purchased power expense by $6,000, Materials & Supplies Expense by $69,473 and Miscellaneous expenses by $4,439.

Q. IN THE RECENT COMMISSION ORDER FOR UTILITIES, INC. OF SANDALHAVEN, DID THE COMMISSION REQUIRE ANY ADDITIONAL ADJUSTMENTS ASSOCIATED WITH THE DECOMMISSIONING OF THE WWTP?

A. Yes. Order No. PSC-16-0013-PAA-SU, issued January 6, 2016, at pages 21 – 22, reduced salary and wage expense by $45,778, benefits expense by $13,284 and payroll taxes by $3,947 to reflect the reduction in WWTP operators that would be needed post-decommissioning of the plant. The order still allowed for 1.2 FTEs for wastewater plant operators needed to continue operations on the wastewater system post-decommissioning of the WWTP. However, the Company did not make an adjustment in this case to reflect the reduction in the number of WWTP operators needed post-decommissioning.

Additionally, at page 23 of that order, the Commission removed 100% of the test year sludge hauling expense. Yet, the Company did not remove the sludge hauling expense in this case.

Q. DO YOU RECOMMEND THAT LABOR COSTS BE REDUCED TO REFLECT THE IMPACTS OF THE DECOMMISSIONING OF THE WWTP?

A. Yes. In the last Sandalhaven rate case, the Company's MFRs included salaries & wages expense for non-officers of $131,692, which the Commission reduced to $68,481 in Order No. PSC-16-0013-PAA-SU. In this case, the Company's requested salaries & wages expense is $145,999 ($135,506 before Company adjustments). Clearly, the Company has not reflected the reduction associated with the reduced need for WWTP operators in its filing. Therefore, I recommend that the salary and wages expense be reduced by $47,495 and employee benefits expense be reduced by $13,782 to reflect the reduced staffing needs post-decommissioning of the Sandalhaven WWTP. These amounts are based on the Commission ordered adjustments in Order No. PSC-16-0013-PAA-SU of $45,778 and $13,284, grossed up for the 3.75% salary and wage increase incorporated in the Company's current filing. Additionally, payroll tax expenses should be reduced by $3,633. These reductions are included in Exhibit DMR-11 at page 3.

Q. SHOULD SLUDGE HAULING EXPENSE ALSO BE ADJUSTED?

A. Yes. Test year expenses include $13,455 for sludge hauling expense. Consistent with Commission Order No. PSC-16-0013-PAA-SU in the last Sandalhaven rate case, these expenses should be removed. While the Company's response to OPC Interrogatory No. 132(b) indicates that the expense included in Account 711 – Sludge Hauling Expense "…also reflects lift station cleaning", the majority of the costs incurred during the test year would be associated with the now decommissioning WWTP. The Company has not provided the normalized on-going level of expense associated with the lift station cleaning, nor has it provided the amount included in the test year expenses in Account 711 – Sludge Hauling Expense for lift station cleaning. Thus, as shown on Exhibit DMR-11 at page 3, I recommend that the full $13,455 of test year sludge hauling expense be removed.

Q. SHOULD ANY ADDITIONAL TEST YEAR EXPENSES BE REMOVED AS A RESULT OF THE DECOMMISSIONING OF THE WWTP?

A. Yes. In its filing, the Company reduced the per book test year chemical expense of $3,375 by $230, resulting in an adjusted chemical expense of $3,145. The adjustment is described on Company MFR Schedule B-3 as "To reconcile to chemical schedule." The workpaper provided by the Company in its supplemental response to OPC POD No. 4 shows the chemicals as being used through October 2015, which is prior to the WWTP closure, and based on the 20.627 million gallons that were treated by the now decommissioned plant during the test year. The Company's adjusted test year chemical expenses, based on the now decommissioned WWTP, should be removed in its entirety. The $3,145 reduction to the Company's adjusted test year expenses is reflected on Exhibit DMR-11 at page 3.

<u>Remove Prior Period Purchased Sewage Treatment Expense</u>

Q. DID THE COMPANY ADJUST THE PURCHASED SEWAGE TREATMENT EXPENSE THAT WAS RECORDED DURING THE TEST YEAR?

A. Yes. The Company multiplied the amount of sewage that had been treated by the now decommissioned Sandalhaven WWTP during the test year by the rate charged by Englewood Water District for treatment. This increased the test year expense by $150,165, resulting in an adjusted purchased sewage treatment expense of $349,521.

Q. SHOULD ADDITIONAL ADJUSTMENTS BE MADE TO THE PURCHASED SEWAGE TREATMENT EXPENSE INCLUDED IN THE ADJUSTED TEST YEAR?

A. Yes. The Company's response to Staff Interrogatory No. 1 shows that the test year expenses include 14 months of purchased sewage treatment charges from Englewood Water District, covering the period spanning October 24, 2014 through December 23, 2015. Clearly, only twelve months of expense should be included in the adjusted test year. The charges for the Englewood Water District billing periods ending November 25, 2014 and December 26, 2014 of $13,555 and $13,570, respectively, should be removed from the test year. As shown on Exhibit DMR-11, page 3, I reduced test year expenses by $27,125 to remove the two extra months associated with the 2014 costs from the test year.

Additionally, as addressed by OPC witness Woodcock, the adjusted test year purchased sewage treatment expense and purchased power costs should be reduced for excessive inflow and infiltration. On Exhibit DMR-11, at page 7, the application of the excessive inflow and infiltration percentage recommended by Mr. Woodcock of 8.37% to the adjusted purchased sewage treatment expense and purchased power expense results in an additional $28,486 reduction to test year expenses.

<u>Salvage Value of Decommissioned Plant</u>

Q. DID ORDER NO. PSC-16-0013-PAA-SU IDENTIFY OTHER ISSUES ASSOCIATED WITH THE WWTP DECOMMISSIONING THAT ARE TO BE ADDRESSED?

A. Yes. At page 11 of the order, the Commission found it appropriate to amortize the net loss on plant abandonment associated with an invoice for decommissioning the plant of $97,696 over a period of ten years. In this case, the Company included the annual amortization expense associated with the loss of $9,770 as a pro forma adjustment in its MFRs. Page 10 of the Commission order indicates that the Company did not record any salvage value for the components of the decommissioned plant and stated: "…should the utility recover salvage value upon the completion of the decommissioning of the WWTP, the recovered salvage value shall be addressed in Sandalhaven's next rate case." In its rebuttal, the Company should provide the amount of salvage it received and provide supporting documentation. Such proceeds should either be used to reduce the net loss amount being amortized in the Company's filing or be flowed back to ratepayers through a separate amortization. If the Company does not provide a salvage amount, I would recommend 50% of the decommissioning amortization expense, or $4,885 be removed. Additionally, if the Company has failed to receive any salvage, it should indicate as such, explain why it has not received any salvage value, and describe the actions it has taken or is taking to recover any salvage value.

Working Capital Allowance – Accrued Taxes

Q. HOW DOES THE AMOUNT OF WORKING CAPITAL REQUESTED IN THIS CASE COMPARE TO THE AMOUNT OF WORKING CAPITAL AUTHORIZED BY THE COMMISSION IN THE PRIOR UTILITIES, INC. OF SANDALHAVEN RATE CASE?

A. In Order No PSC-16-0013-PAA-SU, utilizing a test year ended December 31, 2014, the adjusted rate base adopted by the Commission included $70,647 of working capital. In the current case, the Company is requesting $476,681 in working capital allowance for Sandalhaven. This is an increase of over 570%.

Q. WHAT HAS CAUSED THE SIGNIFICANT INCREASE IN REQUESTED WORKING CAPITAL ALLOWANCE?

A. In response to OPC Interrogatory No. 131, the Company attempts to explain the cause of the significant increase in working capital allowance, stating: “The prior rate case was based upon 1/8 O&M, whereas this case employs the Balance Sheet Approach.” However, negative accrued taxes included in the liabilities component of the balance sheet method calculation is the driving factor for this difference. Company MFR Schedules A-17 and A-19 show an average test year a negative accrued taxes amount of $384,771, which increases the working capital allowance. Typically, the liabilities reduce the working capital allowance under the balance sheet methodology; however, the negative balance in this account in the test year results in an increase in working capital associated with accrued taxes.

Q. WHAT HAS CAUSED THE ACCRUED TAXES IN THE LIABILITIES SECTION OF SANDALHAVEN'S BALANCE SHEET TO BE NEGATIVE OR IN A PREPAID POSITION?

A. The Company's revised response to OPC ROG No. 131(b) addresses the cause of the prepaid position as follows:

> State and Federal taxes were not overpaid in Sandalhaven as suggested in our previous response to this question. The Company has carried a debit balance in account 4371 – Deferred Federal Tax – Tap Fee Post 2000 of \$571,791 for some time. Switching from the 1/8th to balance sheet method partially increased the working capital calculation by this deferred tax debit.

While the Company's response identifies a balance of \$571,791, the Company's electronic MFRs for Sandalhaven provided in response to Citizens' POD No. 1 shows a balance of \$527,791 in Account 4371 associated with Deferred Federal Tax – Tap Fee Post 2000 and \$90,347 in Account 4421 for Deferred State Tax – Tap Fee, for a combined amount of \$618,138. These accounts translate to NARUC Account 190, which is a deferred tax asset account. The \$618,138 combined federal and state balance is consistent with the amount identified in the Company's prior rate case described later in this testimony. Thus, based on the Company's response, the working capital balance in rate base is significantly impacted by the deferred income tax asset account that has been on the Company's books for many years. The electronic MFRs for Sandalhaven show that the accrued tax component of working capital includes \$389,275 for Accrued Federal Income Tax and \$43,424 for Accrued State Income Tax, with the balances remaining unchanged throughout each month of the test year.

Q. HAS THE COMMISSION RECENTLY ADDRESSED THE TREATMENT OF THESE PURPORTED PREPAID TAX ITEMS ON THE REVENUE REQUIREMENTS?

A. Yes. Order No. PSC-16-0013-PAA-SU addresses the issue extensively at pages 17 through 20. In that case, the Company included a debit ADIT balance in the capital structure associated with income taxes the utility paid on plant capacity fees received from property developers. Since it was a debit balance, it reduced the amount of ADIT included in the capital structure at zero cost by $618,138. The Commission's order indicates that the CIAC consisted mainly of payments from multiple developers from 1995 through 2006 to reserve capacity to serve potential residents in planned developments and would not meet the definition of a customer connection fee defined by the IRS treasury regulations and that the Sandalhaven plant capacity charges are non-taxable CIAC. This order, at page 19, determined the accumulated deferred income taxes at issue "…have been retired in conjunction with the retirement of the WWTP and should be removed from the ADIT balance in any case." Moreover, page 19 of this order, clearly states:

> In light of the above, we find that the debit ADITs from taxes paid on plant capacity charges shall be disallowed for ratemaking purposes. This same issue was addressed in the utility's last case before us in Docket No 060285-WS, and in that case, we also disallowed the inclusion of the debit ADITs. (footnote omitted)

Q. SHOULD THE NEGATIVE ACCRUED TAX BALANCE INCLUDED IN THE COMPANY'S REQUESTED WORKING CAPITAL ALLOWANCE BE ALLOWED?

A. No, it should not. The Commission has clearly disallowed these costs to impact the revenue requirements in prior Sandalhaven rate cases. The Company should not be permitted to now shift the impact from the reduction in the ADIT zero cost component of the capital structure to an increase in the working capital allowance reflected in rate base. As shown on Exhibit DMR-11 at page 5, I have reduced working capital by $432,700 to remove the negative accrued (or prepaid) $389,275 Federal Income Tax balance and the $43,424 State

Income Tax balance from working capital. As shown on page 4 of Exhibit DMR-11, this results in an adjusted working capital allowance for Sandalhaven of $43,981.

Negative Accumulated Depreciation Balances

Q. PREVIOUSLY IN THIS TESTIMONY, YOU INDICATED THAT NEGATIVE ACCUMULATED DEPRECIATION BALANCES EXIST FOR WHICH THERE IS NO BALANCE IN THE ASSOCIATED PLANT IN SERVICE ACCOUNT FOR THE SANDALHAVEN SYSTEM. COULD YOU AGAIN BRIEFLY EXPLAIN WHY THIS IS A CONCERN?

A. Yes. As previously described, if there is $0 balance in a plant account, no depreciation expense is being recorded associated with that account as there is no balance to which the depreciation rate can be applied. In the situation of the recently retired Sandalhaven WWTP, there is no longer a plant asset; thus, there is nothing to depreciate. If for the same plant account there is a negative accumulated depreciation balance on the Company's books, that negative accumulated depreciation balance, which increases rate base, will never go away unless specifically addressed. If not removed, the Company will earn a return on the negative accumulated depreciation balance in perpetuity.

Q. IN WHICH ACCOUNTS DOES THIS OCCUR FOR THE SANDALHAVEN SYSTEM AND WHAT WAS THE CAUSE?

A. The Company's filing includes several adjustments to plant in service and accumulated depreciation as a result of the retirement of the WWTP. After the adjustments are reflected, the balance in Treatment and Disposal Plant Account 354.4 – Structures & Improvements is $0 and the balance in the associated accumulated depreciation account is ($253,409). The adjustments reduce the balances in the following Treatment and Disposal Plant

Accounts to $0: 354.4 – Structure & Improvements; 355.4 – Power Generation Equipment Treatment Plant; 380.4 – Treatment & Disposal Equipment; and 381.4 – Plant Sewers. After the adjustments are reflected, the net accumulated depreciation balance associated with these four accounts is ($163,421). Additionally, Treatment and Disposal Plant Account 389.4 – Other Plant & Misc. Equipment has plant balance of $239 and an accumulated depreciation balance of ($6,121) after the Company's adjustments. Overall, the accumulated depreciation balance for the Treatment and Disposal Plant is ($169,542). Absent an adjustment being made, this ($169,542) balance will increase rate base in perpetuity, with only a very minor offset associated with depreciation of the small $239 remaining balance in the associated plant accounts, resulting in customers paying a return on this negative amount with no stopping point in the future.

The Commission addressed the adjustments to reflect the plant retirement in its Order PSC-16-0013-PAA-SU, at pages 9 and 10, and the adjustments reflected in the Company's filing for the retirement are consistent with the adjustments required in the Commission's order. The order, at page 9, indicates that the Company's original filing in that case decreased plant in service by $1,061,091 and accumulated depreciation by $787,253 for the WWTP retirement. Presumably, this was because the plant had not yet been fully depreciated on the Company's books as the accumulated depreciation balance was less than the plant in service balance for the plants. However, the order also indicates that after several inquiries by staff, the Company provided revised calculations which removed $1,084,426 from both plant in service and accumulated depreciation for the WWTP. Rather than including the unrecovered net plant balance (i.e., plant in service less accumulated depreciation) as part of the calculation of the net loss on rate base to be amortized in future years, the accumulated depreciation accounts were apparently reduced by the full balance in the associated plant in service accounts. This resulted in the negative accumulated depreciation balance discussed in the above paragraph which will increase rate base by the $163,421 in perpetuity unless addressed by the Commission.

Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO ADDRESS THE NEGATIVE ACCUMULATED DEPRECIATION BALANCE ASSOCIATED WITH THE RETIRED WWTP?

A. Yes. While the Company's adjustments resulting in the negative accumulated depreciation balance for the Treatment & Disposal Plant accounts impacted by the WWTP retirement appear to be consistent with the adjustments required in Commission Order PSC-16-0013-PAA-SU, the result of requiring ratepayers to pay a return on non-existent plant into perpetuity is not a fair or reasonable result. As indicated above, the Company revised its original adjustment to accumulated depreciation in that case after inquiries and data requests from Commission Staff. As I am not aware of the specifics that transpired during Staff's investigation in the prior rate case that resulted in the modification of the Company's adjustment to accumulated depreciation, I am aware of no extenuating circumstances that could make the inclusion of the negative accumulated depreciation in rate base either fair or reasonable. I recommend the Company address this issue in its rebuttal testimony, explain why it revised its adjustment to accumulated depreciation in the prior case, and offer a proposal addressing how this negative balance can be resolved taking into account the reasons for the revision of the adjustment.

There are two approaches that could be used to address the negative accumulated depreciation balances that exist on the Company's books. One option would be to remove the remaining accumulated depreciation in the Treatment and Disposal Plant accounts from the Company's books, thereby reducing rate base by $169,542. Another option would be to amortize the negative balance over a specific time period (e.g., ten years consistent with the ten year amortization period approved for the net loss on the WWTP at page 11 of the same Commission order). Typically, a net unrecovered balance associated with a forced abandonment or prudent early retirement of a plant (i.e., plant in service less accumulated depreciation) would be treated as a loss and amortized. My recommendation is that the Commission remove the negative accumulated depreciation balance from rate base. As shown on Exhibit DMR-11, at page 5, I have adjusted accumulated depreciation to remove the negative balance, resulting in a $169,542 reduction to rate base, which provides the most expedient manner to deal with this issue.

ADJUSTMENTS SPECIFIC TO SANLANDO SYSTEMS

Remove Pro Forma Employee Addition

Q. WHAT ADJUSTMENTS DID THE COMPANY MAKE TO THE ACTUAL TEST YEAR SALARY AND WAGES EXPENSE FOR THE WATER AND WASTEWATER SYSTEMS?

A. The adjustments made to Sanlando salary and wages expense and employee benefits expense are similar to those made by the Company to the Mid-County and LUSI systems, previously discussed. These include adjustments to: 1) increase salaries, wages, and employee benefits expenses by 3.75% for the annualization of 2015 salary and wage increases and a 3.0% 2016 salary and wage increase; 2) an adjustment to increase salaries, wages and benefits to reflect two additional employees, the promotion of an employee, and conversion of a part time employee to a full time employee, the costs of which are allocated to all systems; and 3) an adjustment to include $27,000 of salaries and wages and $8,100 of benefits for the addition of a new position specific to the Sanlando system.

Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS ASSOCIATED WITH THE COMPANY'S PRO FORMA ADJUSTMENT TO ADD LABOR COSTS FOR A NEW EMPLOYEE SPECIFIC TO THE SANLANDO SYSTEMS?

A. Yes. The Company has not demonstrated that the employee complement specific to Sanlando has increased since the test year, nor has it demonstrated that it needs to increase the employee complement directly assigned to Sanlando above the level of active employees supporting the system during the test year. Thus, since UIF has failed to meet its burden that these expenses are prudent and reasonable, as shown on Exhibit DMR-12 at page 4, I am removing the $27,000 of salaries and wages expense ($14,963 for water system and $12,037 for wastewater system) and $8,100 of benefits expense ($4,489 for water system and $3,611 for wastewater system) that the Company added to Sanlando O&M expenses as part of its pro forma adjustments.

<u>Remove Pro Forma Purchased Power Adjustment</u>

Q. SANLANDO MFR SCHEDULE B-3 INCLUDES A PRO FORMA ADJUSTMENT FOR PURCHASED POWER THAT INCREASES PURCHASED POWER EXPENSE BY $26,653 FOR THE WATER SYSTEM AND $21,440 FOR THE WASTEWATER SYSTEM. WHAT SUPPORT HAS THE COMPANY PROVIDED FOR THIS ADJUSTMENT?

A. The workpapers provided by the Company in its supplemental response to Citizens' POD No. 4 merely identify the amount of adjustment as $48,093 (combined water and wastewater amount) and describe the adjustment as "Termination of interruptible power tariff by Duke Energy." Since the Company has failed to meet it burden to support this pro forma adjustment, I removed the pro forma adjustment on Exhibit DMR-12 at page 4, reducing the Company's adjusted purchased power expenses by $26,653 for the water system and $21,440 for the wastewater system.

<u>Remove Prior Year Equipment Rental Expense</u>

Q. EXHIBIT DMR-12, AT PAGE 4, INCLUDES ADJUSTMENTS TO REDUCE WATER EXPENSES BY $3,100 AND WASTEWATER EXPENSES BY $2,493, DESCRIBED AS "REMOVE PRIOR YEAR EQUIPMENT RENTAL EXPENSE." PLEASE DISCUSS THESE ADJUSTMENTS.

A. Staff Interrogatory No. 67 asked why the rental of equipment expense increased substantially in January 2015, April 2015 and June 2015 when compared to other months. The response indicated that the amounts were "…due to invoices from Walker Miller for the renting of pumping equipment." The invoices provided with the response show that the charges booked in January 2015 were for equipment that was rented by the Company during 2014. As such, these are not appropriate to include and I have removed these expenses, reducing test year expenses by $3,100 for the water system and $2,493 for the wastewater system.

<u>Remove Reclassified Costs from Materials & Supplies Expense</u>

Q. ARE THERE ANY LARGE NON-RECURRING EXPENSES THAT YOU RECOMMEND BE REMOVED FROM THE TEST YEAR?

A. Yes. The expense charged to wastewater account 720 – Materials & Supplies expense was much higher in September 2015 compared to other months of the test year. When asked what caused the substantial increase in September 2015 in Staff Interrogatory No. 68, the Company responded: "The increase in September was due to substantial Deferred Maintenance being reclassified to expenses." The attachment to the response shows two entries being made on Sanlando's books on September 30, 2015 for $10,890 and $2,108.50, described simply as "RCL Def Maint to Expense." No further explanation was provided with the response explaining when the costs were initially incurred or why they were being reclassified to expense. In response to Citizens Interrogatory No. 186, the Company indicated that the charges were for sand and grit removal and the removal of a tank. The invoices provided with the response showed that the charges were billed to the Company on May 15, 2014 and May 21, 2014. Therefore, these expenses were not incurred in 2015 and are not appropriate for inclusion in the test year. On Exhibit DMR-12, at page 4, I reduced wastewater expenses by $12,999 to remove these accounting reclassifications associated with costs incurred by the Company prior to the test year.

<u>Remove Myrtle Lake Hills Water Main Pro Forma Adjustments</u>

Q. WHAT IS THE MYRTLE LAKE HILLS WATER MAIN PRO FORMA PLANT ADDITION REFLECTED IN THE COMPANY'S FILING?

A. In his direct testimony, at page 8, Company witness Flynn indicates that this project is to "Design, obtain permits and construct water facilities to serve as many as 116 homes in Myrtle Lake Hills subdivision whose current homeowners are experiencing failing private wells and inferior water quality." Through pro forma adjustments, the Company added $658,854 to plant in service, $7,661 to accumulated depreciation and $15,322 to depreciation expense for the project.

The Commission approved the Company's request to extend its service territory to provide service to the Myrtle Lake Hills subdivision in Order No. PSC-16-0107-PAA-WU, issued March 15, 2016. Page 4 of the order indicates, in part, as follows:

> In its petition, Sanlando is not seeking to implement a service availability charge on the Utility's entire customer base. The cost of construction of water lines and soft costs associated with this proceeding, such as permitting costs and legal expenses, will be reimbursed by the 116 lots to be added to the system. The Utility's remaining 10,172 existing customers and any future customers of Sanlando added to the system outside this proceeding will remain unaffected. Sanlando has provided us with the preliminary costs of the proposed main extension to serve the additional 116 lots, allowing us to calculate a just and reasonable charge for the new customers to be added to the system, satisfying the purpose of Section 367.101(1), F.S.

The order also authorizes the Company's proposed water main extension charge of $5,526 per lot for the 116 property owners in the Myrtle Lake Hills subdivision and indicated the cost estimate for the project was $641,000.

Q. DO YOU AGREE THAT THE COMPANY'S PROPOSED PRO FORMA ADJUSTMENTS SHOULD INCLUDE THE MYRTLE LAKE HILLS WATER MAIN PROJECT COSTS IN THE ADJUSTED TEST YEAR?

A. No, I do not. Commission Order No. PSC-16-0107-PAA-WU made it clear that the project would not affect the existing Sanlando customers, indicating that the costs of the project would be reimbursed by the lots being added to the system and providing for a main extension charge to cover the costs. In this case, the Company has included the project costs in rate base. As there is no revenue included in the filing for the future customers that will receive service as a result of the extension, and no CIAC offset associated with the future customers paying the main extension charges, the costs of the extension will be passed on to the existing Sanlando customers if the Company's adjustments are not removed. This would clearly be an unfair result and inconsistent with the language and direction in Commission Order PSC-0107-PAA-WU authorizing the project and associated service territory extension.

Q. WHAT ADJUSTMENTS NEED TO BE MADE TO REMOVE THIS PROJECT FROM THE COMPANY'S ADJUSTED TEST YEAR?

A. As shown on Exhibit DMR-12 at page 7, plant in service should be reduced by $658,854 and accumulated depreciation should be reduced by $7,661 to remove the Company's proposed pro forma adjustments. Additionally, as shown on Exhibit DMR-12 at page 4, depreciation expense should also be reduced by $15,322 to remove the Company's pro forma adjustment for the project.

<u>ADJUSTMENTS SPECIFIC TO ORANGE COUNTY WATER SYSTEM</u>

<u>Pro Forma Crescent Heights Water Main Replacement Project</u>

Q. THE COMPANY HAS INCLUDED A PRO FORMA PLANT ADDITION FOR A CRESCENT HEIGHTS WATER MAIN REPLACEMENT PROJECT IN ORANGE COUNTY. ARE YOU RECOMMENDING ANY ADJUSTMENTS ASSOCIATED WITH THIS COMPANY PROPOSED PRO FORMA PLANT ADDITION?

A. Yes. In its filing, the Company included a pro forma plant addition to plant Account 331.4 – Transmission & Distribution Mains of $1,811,360 for this project and reflected an offsetting plant retirement of $1,358,520, or 75% of the project costs, reducing both plant in service and accumulated depreciation associated with Account 331.4 by the $1,358,520 retirement amount. While the Company's adjustment removes $1,358,520 from the plant account for the associated retirement of the existing assets, the balance on the Company's books in plant in service Account 331.4 at the end of the test year was only $199,193.[7] Thus, the Company's proposed retirement adjustment is removing considerably more from both the plant in service account and the associated accumulated depreciation account than

[7] Orange County MFR Schedule A-5 shows a December 31, 2015 balance in the account of $495,494; however, the Company removed $296,301 of this balance on MFR Schedules A-3 and A-5 "To remove T&D Main booked incorrectly to Orange County," resulting in a revised balance of $199,193.

is recorded on the books for Orange County in Account 331.4. In fact, the Company's proposed retirement adjustment would result in a negative accumulated depreciation balance for the Orange County system in the adjusted test year. Clearly, this is not fair, just or reasonable as the customers would end up paying a return on this amount in perpetuity as previously discussed in this testimony. As shown on Exhibit DMR-15, at page 7, I recommend that the pro forma retirement associated with the pro forma Crescent Heights water main replacement project be capped at the $199,193 balance in Account 331.4 – Transmission & Distribution Mains at the end of the test year. Citizens' witness Woodcock has recommended $1,806,000 for this pro forma plant addition, which is $5,360 less than the amount included in the Company's filing for the pro forma plant addition. This reduction is also included on Exhibit DMR-15 at page 7.

Q. WHAT IS THE OVERALL IMPACT OF YOUR RECOMMENDED CAP ON THE RETIREMENT AMOUNT AND MR. WOODCOCK'S RECOMMENDED REDUCTION TO THE PROJECT COSTS?

A. As shown on Exhibit DMR-15, at page 7, plant in service is increased by $1,153,967 while accumulated depreciation is increased by $1,156,909. Additionally, the depreciation expense incorporated in the Company's filing is increased by $26,817.

Q. HAVE YOU MADE ANY ADDITIONAL ADJUSTMENTS TO THE COMPANY'S FILING ASSOCIATED WITH THIS PROJECT?

A. Yes. On Exhibit DMR-15, at page 6, I increased the accumulated deferred income tax component of the capital structure by $326,091 to reflect the impacts of the bonus depreciation allowances previously discussed in this testimony.

ADJUSTMENTS SPECIFIC TO PASCO COUNTY WATER SYSTEM

Summertree Wells and Plant Abandonment

Q. THE COMPANY'S FILING INCLUDES SEVERAL ADJUSTMENTS IDENTIFIED AS "SUMMERTREE DECOMMISSIONING WELLS AND PLANTS." PLEASE DISCUSS THE ADJUSTMENTS MADE BY THE COMPANY IN ITS FILING ASSOCIATED WITH THIS DECOMMISSIONING.

A. In addressing the unsatisfactory quality of water in the Summertree water system, the Company recently interconnected the system with Pasco County. The initial connection fee was to be paid for by Pasco County through a grant from the Florida Department of Environmental Protection ("DEP"). As a result of that interconnection, the Company has abandoned the Summertree wells and certain other assets, hereinafter referred to as the Summertree water supply assets. In Pasco County MFR Schedules A-3 and B-3, the Company included many adjustments associated with the early retirement and decommissioning of the Summertree water supply assets.

In reflecting the retirement and decommissioning of the Summertree water supply assets in its filing, the Company removed 100% of the non-land plant in service balances in its Source of Supply and Pumping Plant accounts and Water Treatment Plant accounts, reducing plant in service by $1,786,610. The Company also reduced accumulated depreciation by the same $1,786,610, resulting in a negative accumulated depreciation balance for the Pasco County water system in its adjusted test year. The Company reduced CIAC and accumulated amortization of CIAC by $156,827 each for the retirements and included $180,000 in working capital for an estimated unamortized balance of well decommissioning costs..

On Pasco County MFR Schedule B-3, the Company reduced depreciation expense by $61,015 and CIAC amortization expense by $5,905 for the decommissioning. On the same schedule, the Company also increased expense to include $20,000 for an annual amortization of the projected decommissioning costs.

Q. DID THE COMPANY EXPLAIN WHY IT IS REMOVING 100% OF THE NON-LAND SOURCE OF SUPPLY AND PUMPING PLANT IN SERVICE AND WATER TREATMENT PLANT IN SERVICE BALANCES FROM ITS FILING AS A RESULT OF THE SUMMERTREE PLANT ABANDONMENTS?

A. No, it did not. The Orangewood system is also in Pasco County. It is not clear why the Company removed 100% of the plant in service balances, and the removal of 100% of the plant balances is not explained or supported in the Company's filing.

Q. HAS THE COMMISSION ADDRESSED THE APPROPRIATE TREATMENT FOR THE ABANDONMENT OF THE SUMMERTREE WELLS AND PLANT ASSETS?

A. Yes. In a Limited Proceeding Docket No. 150269-WS, the Commission addressed the Summertree system interconnection with Pasco County and the associated abandonment of the Summertree water supply assets. The Commission order in the docket, Order No. PSC-16-0505-PAA-WS,[8] was issued October 31, 2016, which was after the current case was initially filed by the Company. In the Order, at pages 7 and 8, the Commission addressed the recovery of the abandoned wells and the associated amortization expense, calculating a preliminary cost to recover of $558,697, an amortization period of 12.24 years

[8] Order No. PSC-16-0505-PAA-WS was determined to be effective and final through Consummating Order No. PSC-16-0539-CO-WS issued November 28, 2016.

and an annual amortization expense of $45,633. The preliminary cost of recovery of $558,697 included a net unrecovered book value of the assets of $363,697, $200,000 of projected costs to retire, and ($5,000) associated with a projected hydro tank salvage value. The net unrecovered book value of $363,697 was factored into the November 30, 2015 balances for plant in service, accumulated depreciation, CIAC and accumulated amortization of CIAC. The calculation of the appropriate amortization period was determined consistent with Rule 25-30.433(9), F.A.C., which provides the calculation for determining the amortization period for prudent retirement of plant assets before the end of their depreciable life.

In addition to addressing the appropriate recovery period and the annual amortization expense for recovery of the loss on the early retired assets, the Commission also addressed the reduction of O&M expenses that resulted from the well abandonments based on 2015 expenses and the increase in purchased water expense. The Company's filing in this case did not include these adjustments for the discontinuing O&M expenses or for the new purchased water costs that are being charged from Pasco County.

Q. WERE ANY COMPONENTS OF THE COMMISSION'S CALCULATION OF RECOVERY OF THE NET LOSS ON THE SUMMERTREE ASSET ABANDONMENTS SPECIFICALLY LEFT OPEN FOR FUTURE REVIEW?

A. Yes. Page 8 of the order indicates that the projected net cost to retire of $200,000[9] and the estimated salvage value of a hydro tank to be relocated by the Company were to be reviewed in this rate case.

[9] The $200,000 consists of projected gross retirement costs of $220,000 less $20,000 for anticipated State funding.

Q. HOW DO THE PLANT IN SERVICE BALANCES REMOVED BY THE COMPANY IN ITS FILING COMPARE TO THE AMOUNTS PRESENTED BY THE COMPANY FOR THE SUMMERTREE WATER SUPPLY ASSETS IMPACTED BY THE EARLY RETIREMENT IN DOCKET NO. 150269-WS?

A. As previously mentioned, the Company has removed 100% of the non-land plant in service balances in the Pasco County Source of Supply and Pumping Plant and Water Treatment Plant accounts, reducing plant in service and accumulated depreciation each by $1,786,610. In the original schedules and revised schedules presented by the Company in Docket No. 150269-WS,[10] at Schedule 18, the Company identified the plant in service balances for the Summertree water supply assets being retired as $715,518 as of November 30, 2015, with the associated accumulated depreciation balances totaling $275,034, for a combined net plant in service balance of $440,484. The Company's filing in this case removes considerably more from plant in service and accumulated depreciation than what was presented by UIF as pertaining to the Summertree water supply assets being retired in Docket No. 150269-WS. The Company's filing in this case does not disclose or explain the discrepancy.

Q. SHOULD THE ADJUSTMENTS INCLUDED IN THE COMPANY'S FILING FOR THE RETIREMENT AND DECOMMISSIONING OF THE SUMMERTREE WATER SUPPLY ASSETS BE REVISED?

A. Yes. The Company's adjustment contained in the filing for the retirement and decommissioning of the Summertree water supply assets should be removed and replaced in their entirety. I have removed all Company adjustments associated with the retirement

[10] Filing and revised filing are identified as Document No. 08053-15 filed December 30, 2015 and Document No. 01272-16 filed March 9, 2016 in Docket No. 150269-WS.

and decommissioning of the Summertree water supply assets in Exhibit DMR-16, pages 4 and 7. On page 4, which presents my recommended Pasco County net operating income adjustments, I remove the Company's adjustment to reflect $20,000 of amortization expense for the projected decommissioning costs and remove the Company's $61,015 reduction to depreciation expense.

The revisions to rate base to reverse the Company's adjustments, shown on page 7 of Exhibit DMR-16, accomplish the following: 1) increases plant in service by $1,786,610; 2) increases accumulated depreciation by $1,786,610; 3) increases CIAC by $156,827; 4) increases accumulated amortization of CIAC by $156,827; and 5) reduces working capital by $180,000 to remove the projected unamortized decommissioning costs.

Q. AFTER REVERSING THE COMPANY'S ADJUSTMENTS, WHAT ADDITIONAL ADJUSTMENTS NEED TO BE MADE TO RATE BASE TO REFLECT THE IMPACTS OF THE EARLY RETIREMENT AND DECOMMISSIONING OF THE SUMMERTREE WATER SUPPLY ASSETS?

A. Several adjustments need to be made to correctly reflect the treatment addressed in Commission Order No. PSC-16-050-PAA-WS. As previously addressed, the original schedules and revised schedules presented by the Company in Docket No. 150269-WS,[11] at Schedule 18, identified the plant in service, accumulated depreciation, CIAC and accumulated amortization of CIAC balances for the Summertree water supply assets being retired as of November 30, 2015, which is only one month prior to the end of the test year. These are the amounts that were used by the Commission in determining the net book value

[11] Filing and revised filing are identified as Document No. 08053-15 filed December 30, 2015 and Document No. 01272-16 filed March 9, 2016 in Docket No. 150269-WS.

of the Summertree water supply assets being retired. Exhibit DMR-16, at page 7, includes the following adjustments to remove the balances: 1) reduction to plant in service of $715,518; 2) reduction to accumulated depreciation of $275,034; 3) reduction to CIAC of $160,460 and 4) reduction to accumulated amortization of CIAC of $83,673. The resulting net unrecovered balance of the assets of $363,697 is factored into the calculation of the abandoned Summertree water supply asset amortization expense.

Q. WHAT ADDITIONAL ADJUSTMENTS NEED TO BE MADE TO THE TEST YEAR EXPENSES ASSOCIATED WITH THE EARLY RETIREMENT AND DECOMMISSIONING OF THE SUMMERTREE WATER SUPPLY ASSETS?

A. As shown on Exhibit DMR-16 at page 4, I removed the test year O&M expenses that will no longer be incurred by the Company as a result of the abandonment of the Summertree water supply system, reducing expenses by $48,609. These expenses were identified by the Company as discontinuing in Docket No. 150269-WS and are based on calendar year 2015 expenses, which is the test year in this case.[12]

On the same page, I reduced depreciation expense by $21,974, which is identified on page 7 of the Commission's Order as the Commission adjusted depreciation expense net of CIAC amortization that will discontinue as a result of the asset abandonments. The determination of the $21,974 incorporated in the Commission's order was based on the Summertree water supply assets being retired and the associated CIAC being retired.

[12] The $48,609 reduction to O&M expenses is addressed on pages 8 and 9 of Order No. PSC-16-0505-PAA-WS and broken down by cost type in Table 2 of the order on page 9.

Page 4 of Exhibit DMR-16 also includes an adjustment to increase purchased water expense by $117,206 and an adjustment to reflect amortization expense associated with the net loss on the abandoned assets of $43,914.

Q. HOW WAS THE ADJUSTMENT TO INCREASE WATER SUPPLY EXPENSE BY $117,206 DETERMINED?

A. Commission Order No. PSC-16-0505-PAA-WS, on Table 3 at page 10, calculated the Pasco County purchased water expense as $106,398. The calculation was based on projected gallons to be sold to the Summertree system customers grossed up by 10% for gallons needed for flushing and 10% for other losses. The resulting estimated gallons was multiplied by the bulk water rate of $3.57 per thousand gallons. The $3.57 bulk water rate is based on the Bulk Water Agreement between the Company and Pasco County that was provided as Attachment A to the Commission's order. On Exhibit DMR-16, at page 9, I used the same methodology replacing the estimated gallons in the Commission's order with the water sales in gallons for the Summertree system customers that is included in the test year of 27,359,000.[13] Consistent with the Commission's methodology in the recent order, I grossed up the sales to customers by 10% for flushing and 10% for other losses and applied the $3.57 bulk water rate, resulting in $117,206 of purchased water expense.

Q. ABOVE YOU INDICATE THAT YOU INCLUDED $43,914 FOR THE AMORTIZATION OF THE NET LOSS ON ABANDONED ASSETS, WHILE THE COMMISSION'S RECENT ORDER NO. PSC-16-0505-PAA-WS CALCULATED AN AMORTIZATION EXPENSE ASSOCIATED WITH THE ABANDONED ASSETS OF $45,633. CAN YOU PLEASE DISCUSS HOW YOU CALCULATED

[13] Test year sales to Summertree customers, in gallons, from Company MFR Schedule E-2 for the Summertree system.

YOUR RECOMMENDED AMORTIZATION EXPENSE OF $43,914 AND EXPLAIN WHY IT DIFFERS FROM THE AMOUNT CONTAINED IN THE RECENT COMMISSION ORDER?

A. The calculation of the recommended amount to be recovered through amortization, amortization period and resulting amortization expense of $43,914 is presented on page 10 of Exhibit DMR-16. As previously mentioned, the amortization expense, as well as the amortization period to use, was calculated by the Commission in Order No. PSC-16-0505-PAA-WS based on the calculation prescribed in Commission Rule 25-30.433(9). The rule states as follows:

> The amortization period for forced abandonment or the prudent retirement, in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts, of plant assets prior to the end of their depreciable life shall be calculated by taking the ratio of the net loss (original cost less accumulated depreciation and contributions-in-aid-of-construction (CIAC) plus accumulated amortization of CIAC plus any costs incurred to remove the asset less any salvage value) to the sum of the annual depreciation expense, net of amortization of CIAC, an amount equal to the rate of return that would have been allowed on the net invested plant that would have been included in rate base before the abandonment or retirement. This formula shall be used unless the specific circumstances surrounding the abandonment or retirement demonstrate a more appropriate amortization period.

On page 10 of my exhibit, I provide a side-by-side comparison of the calculation contained in the Commission's order, on Table 1 at page 8, to the revised calculation I recommend be used in this case. Both methods are based on the calculations prescribed in Commission Rule 25-30.433(9). As shown on lines 2 and 4 of Exhibit DMR-16, page 10, I am recommending two revisions be made to the calculation of the total loss to be amortized to reflect the impact of additional depreciation on the now retired assets and to remove the net cost to retire the assets.

Q. WHAT IS THE PURPOSE OF THE REVISION TO REFLECT THE IMPACT OF ADDITIONAL DEPRECIATION?

A. The determination of the net book value of the abandoned assets in Docket No. 150269-WS was based on the per-book balances as of November 30, 2015. The assets remained in service until the interconnection with Pasco County for the provision of water service to the Summertree system customers was placed into service, which occurred on December 21, 2016 at which time the Company discontinued use of the Summertree wells.[14] The Company would have continued to depreciate the assets from the November 30, 2015 date through December 2016, resulting in 13 additional months of depreciation expense. As shown on lines A.1 to A.4 of Exhibit DMR-16, page 10, the additional 13 months of depreciation on the assets results in additional accumulated depreciation on the assets of $23,803 subsequent to the November 30, 2015 date upon which the original net loss calculation was based. I recommend that this additional $23,803 recovery of the asset cost be factored into the determination of the amount of net loss on abandonment to recover from customers.

Q. PLEASE EXPLAIN WHY YOU HAVE REMOVED THE PROJECTED NET COST TO DECOMMISSION THE ASSETS OF $200,000.

A. At page 8 of its Order, the Commission stated that because the $220,000 of gross retirement cost and the $20,000 of anticipated State funding are estimates, the issue will be reviewed in this rate case. Citizens witness Woodcock has indicated that the Company has not supported the $200,000 included in its filing for the decommissioning. As the Company has not met its burden to support the $200,000 estimated cost, I have removed the decommissioning costs from the calculation of the net loss.

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[14] Response to Citizens Interrogatory No. 196.

Q. WHAT IS THE RESULT OF YOUR RECOMMENDED REVISIONS TO THE CALCUALTION OF THE AMORTIZATION EXPENSE?

A. The preliminary calculation presented on Table 1 of the Commission's Order, at page 8, resulted in total costs (i.e., net loss on early retirement and decommissioning) of $558,697 to be amortized over 12.24 years, resulting in an annual amortization expense of $45,633. As shown on page 10 of Exhibit DMR-16, the two revisions to the calculation discussed above result in $334,894 of net loss on early retirement and an amortization period of 7.63 years, resulting in annual amortization expense of $43,914. I have included the amortization expense on Exhibit DMR-16 at page 4 in determining the adjusted net operating income for the Pasco County water systems.

<u>Pro Forma Water Main Replacement Project – Accumulated Depreciation</u>

Q. THE COMPANY INCLUDED PRO FORMA PLANT ADDITIONS OF $1,500,000 FOR PROJECTED BUENA VISTA AND ORANGEWOOD SYSTEM WATER MAIN REPLACEMENTS. ARE CITIZENS RECOMMENDING ANY ADJUSTMENTS ASSOCIATED WITH THIS PROPOSED PRO FORMA PLANT ADDITION?

A. Yes. Citizens witness Woodcock has recommended that these projected pro forma plant additions be rejected by the Commission for reasons addressed in his testimony. I have reflected the removal of the Company's pro forma adjustments for the project on Exhibit DMR-16, at pages 4 and 7, reducing plant in service by $375,000 (net of retirement amount), increasing accumulated depreciation by $1,107,525, reducing depreciation expense by $8,737, and reducing property tax expense by $25,654.

Q. IN THE EVENT THE COMMISSION ALLOWS ALL OR A PORTION OF THESE COMPANY PROPOSED PRO FORMA PLANT ADDITIONS, ARE THERE ANY REVISIONS THAT SHOULD BE MADE TO THE COMPANY'S METHOD OF REFLECTING THE PROJECTS IN ITS REVENUE REQUIREMENTS?

A. Yes. As part of its adjustment, the Company included associated plant retirements based on 75% of the project costs, reducing both plant in service and accumulated depreciation associated with Account 331.4 – Transmission and Distribution Mains by $1,125,000. As of the end of the test year, the balance in plant Account 331.4 was $1,187,309 and the accumulated depreciation associated with the account was $365,909, resulting in a net plant in service balance of $821,400. Under the Company's method, it would remove most of the assets in plant in service Account 331.4 from its books. The proposed project would not replace the transmission and distribution mains in their entirety. If the Company's proposed method of reflecting the associated retirement based on 75% of the plant addition cost was accepted, the result would be a negative accumulated depreciation balance for the account of ($727,806) in the adjusted test year. Clearly, this is not fair, just or reasonable. Given the low amount of accumulated depreciation compared to plant in service on the Company's books associated with Account 331.4 – Transmission and Distribution Mains, there likely is very little cost remaining in plant in service associated with the mains the Company proposes to replace. Prior to the Commission allowing any of this proposed pro forma project in rate base, the Company should be required to provide either the actual amount in plant in service for the assets being replaced or a more reasonable estimate amount if the actual amount is not available to the Company.

ADJUSTMENTS SPECIFIC TO PASCO COUNTY WASTEWATER SYSTEM

System-Wide Negative Accumulated Depreciation Balance

Q. NEAR THE BEGINNING OF YOUR TESTIMONY, YOU INDICATED THAT THE COMPANY'S FILING REFLECTS A NEGATIVE ACCUMULATED DEPRECIATION BALANCE FOR THE PASCO COUNTY WASTEWATER SYSTEMS. WOULD YOU PLEASE ELABORATE?

A. Yes. Pasco County MFR Schedule A-2 shows that the test year average per books plant in service balance is $1,034,888 and the accumulated depreciation balance is negative ($423,771) resulting in accumulated depreciation actually increasing rate base. Pasco County MFR Schedule A-10 shows that the test year average balance in accumulated depreciation for Account 380.4 - Treatment & Disposal Equipment is ($500,307) and the average test year balance for Account 398.7 – Other Tangible Plant is ($688,032). For these same accounts, Accounts 380.4 and 398.7, the average plant in service balances shown on MFR Schedule A-6 is ($29,277) and ($393,887), respectively. Based on the information I have reviewed in this case and the Company's filing, it is not clear why negative balances would exist on the Company's books for these two plant accounts and why substantial negative accumulated depreciation balances exist associated with these accounts.

Q. DID THE COMMISSION STAFF IDENTIFY PROBLEMS WITH THE COMPANY'S BOOKS FOR THE PASCO WASTEWATER SYSTEM IN ITS AUDIT?

A. Yes. The Commission's Audit Report, Audit Control No. 16-259-1-1 in Finding 3 identifies numerous problems associated with the Company's booking of the Commission Ordered Adjustments from prior Commission orders. As part of its analysis, the audit report indicates that "Audit staff used the prior ordered balances and subsequent additions and retirements to determine the balances by county, by system as of December 31, 2015." A review of Staff's workpapers associated with the audit, at Workpaper 28-7, shows significant variances from the Audit Staff's average test year plant in service and accumulated depreciation balances and the balances included by the Company in its MFRs. For the two accounts identified above as having negative plant in service balances and significant negative accumulated depreciation balances in the Company's filing, the table below compares the balance in the Company's MFR filing to the audited balances contained in Staff's workpapers:

	Acct. 380	Acct. 398
Per Company:		
Plant in Service	(29,277)	(393,877)
Accumulated Depreciation	500,307	688,032
Net Plant in Service	471,030	294,155
Per Commission:		
Plant in Service	213,277	49,502
Accumulated Depreciation	(186,395)	(17,326)
Net Plant in Service	26,882	32,176

Based on Staff's audit, the negative accumulated depreciation balances shown in the filing for the Pasco wastewater system and the overall negative accumulated depreciation balance for the system were the result of accounting errors.

Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS AT THIS TIME TO REMOVE THE NEGATIVE ACCUMULATED DEPRECIATION BALANCE FOR THE PASCO WASTEWATER SYSTEM?

A. Yes. On Exhibit DMR-16, on pages 4 and 7, I have included Staff's recommended audit adjustments found in Audit Finding 3 for the Pasco wastewater system. While the Company has not yet submitted a formal response to Staff's Audit Report, I nonetheless am reflecting the Pasco County wastewater system adjustments to address the significant problem with the Company's inclusion of negative accumulated depreciation for the system. The overall impact of the adjustments is a reduction to rate base of $660,625.

<u>ADJUSTMENTS SPECIFIC TO PINELLAS COUNTY WATER SYSTEM</u>

<u>Pro Forma Water Main Replacement Project</u>

Q. THE COMPANY HAS INCLUDED A PRO FORMA PLANT ADDITION FOR A LAKE TARPON WATER MAIN REPLACEMENT PROJECT IN PINELLAS COUNTY. ARE YOU RECOMMENDING ANY ADJUSTMENTS ASSOCIATED WITH THIS COMPANY PROPOSED PRO FORMA PLANT ADDITION?

A. Yes. In its filing, the Company included a pro forma plant addition to plant Account 331.4 – Transmission & Distribution Mains of $1 million for this project and reflected an offsetting plant retirement of $750,000, or 75% of the project costs, reducing both plant in service and accumulated depreciation associated with Account 331.4 by the $750,000 retirement amount. Citizens' witness Woodcock has recommended the project be reduced to $800,000. Additionally, I recommend that the retirement incorporated in the Company's filing associated with the project be removed, effectively increasing both plant in service and accumulated depreciation by $750,000.

Q. WHY SHOULD THE RETIREMENT INCLUDED IN THE COMPANY'S FILING ASSOCIATED WITH THE PRO FORMA WATER MAIN REPLACEMENT BE REMOVED?

A. At the end of the test year, the balance in the plant in service Account 334.1 – Transmission & Distribution Mains was only $549,517, and the associated accumulated depreciation was $86,151, for a net plant in service balance of $463,366. The retirement adjustment reflected in the Company's filing would remove more the 100% of the original plant costs that remain in the plant in service account and result in a negative accumulated depreciation balance for the account. Company Exhibit PCF-35 sponsored by Company witness Flynn indicates that the Lake Tarpon water system is nearly 50 years old and that the water mains being replaced have reached the end of their useful life. Considering the 43 year life assumed in the depreciation rates used by the Company, the existing water mains being replaced should already be fully depreciated on the Company's books. In response to Citizens' Interrogatory No. 67(c), the Company indicates that the balance for Account 331.4 is associated with the replacement of the original 2" galvanized pipe in a previous 2014 capital project. Additionally, the Company's filing in the prior Pinellas County rate case, Docket No. 120209-WS, at MFR Schedule A-5, shows that the balance in plant in service Account 331.4 – Transmission & Distribution Mains as of December 2011 was only $167,605. Thus, it appears that very little, if any, balance remains on the Company's books associated with the water mains being replaced as the assets should have already been fully depreciated on the Company's books and subsequently removed from plant in service and accumulated depreciation.

Q. WHAT IS THE OVERALL IMPACT OF THE REMOVAL OF THE RETIREMENT ADJUSTMENTS?

A. As shown on Exhibit DMR-17, at page 5, plant in service is increased by $750,000 while accumulated depreciation is increased by $750,000. Additionally, as shown on page 3 of Exhibit DMR-17, the depreciation expense incorporated in the Company's filing is increased by $17,442.

Q. WHAT IS THE IMPACT OF MR. WOODCOCK'S RECOMMENDED $200,000 REDUCTION TO THE PROJECT COSTS?

A. As shown on Exhibit DMR-17, at page 5, plant in service should be reduced by $200,000 and accumulated depreciation should be reduced by $2,326. Additionally, depreciation expense should be reduced by $4,651 as shown on Exhibit DMR-17 at page 3.

Q. HAVE YOU MADE ANY ADDITIONAL ADJUSTMENTS TO THE COMPANY'S FILING ASSOCIATED WITH THIS PROJECT?

A. Yes. Citizens' witness Woodcock has determined that $800,000 was the supported amount for the project, which is $200,000 less than the amount included on Pinellas MFR Schedule A-3 for the project. The impact of Mr. Woodcock's recommended $200,000 reduction in the project costs is included in Exhibit DMR-17 at pages 3 and 5. Additionally, the impact of the project revisions and associated bonus depreciation allowances are included in the ADIT adjustment on Exhibit DMR-17, at page 6.

<u>Correction of Working Capital Error</u>

Q. HOW DID THE COMPANY DETERMINE THE WORKING CAPITAL ALLOWANCE FOR THE PINELLAS SYSTEM?

A. For the currently consolidated Utilities Inc. of Florida counties (i.e., Marion, Orange, Pasco, Pinellas, and Seminole Counties), the Company determined working capital on a consolidated basis using the balance sheet approach, which it then allocated to each of the respective county systems based on the December 31, 2015 Effective Residential Connections ("ERCs"). The Pinellas County water system is allocated 4.449% of the resulting working capital allowance.

Q. DO ANY ADJUSTMENTS NEED TO BE MADE TO THE WORKING CAPITAL ALLOWANCE INCLUDED IN THE PINELLAS COUNTY MFRS?

A. Yes. On Pinellas County MFR Schedule A-17, the Company increased working capital, prior to allocation, by $79,890 for accrued taxes, whereas the working capital calculation for the remaining consolidated systems included a reduction to working capital of $79,890 for accrued taxes. In response to Citizens' Interrogatory No. 115, the Company agreed that the increase in working capital for accrued taxes in the Pinellas County MFR Schedule A-17 was an error. Once corrected, the working capital allowance for Pinellas County declines by $3,924 from $16,289 to $12,365. This correction, reducing working capital by $3,924, is reflected on Exhibit DMR-17 at page 5.

<u>ADJUSTMENTS SPECIFIC TO MARION COUNTY WATER SYSTEM</u>

<u>Depreciation Expense on Fully Recovered Assets</u>

Q. ON EXHIBIT DMR-18, AT PAGE 4, YOU INCLUDED TWO ADJUSTMENTS TO THE MARION COUNTY WATER SYSTEM DEPRECIATION EXPENSE. CAN YOU PLEASE EXPLAIN WHAT THESE ADJUSTMENTS ARE FOR?

A. Yes. For two of the Marion County water system plant accounts, the assets have recently become fully depreciated. Marion County MFR Schedule A-5, A-9, and B-13 show that the plant in service account balance in Source of Supply and Pumping Plant Account 304.2 – Structures & Improvements is $62,271 and the accumulated depreciation balance for the same account is $64,468, with an annual depreciation expense for the account of $1,936. The same above referenced MFR schedules also show that the plant in service account balance in Source of Supply and Pumping Plant Account 307.2 –Wells and Springs is $28,117 and the accumulated depreciation balance for the same account is $29,874, with an annual depreciation expense for the account of $938.

Thus, the assets in Accounts 304.2 and 307.2 are now fully depreciated as the accumulated depreciation balances now exceed the plant in service balances for these two accounts. As the assets are fully depreciated, depreciation expense should be discontinued on these assets. Additionally, I recommend that the Company remove the plant in service and accumulated depreciation balances for these two accounts from its books to ensure depreciation expense does not continue in the future on these fully recovered assets. As shown on Exhibit DMR-18, at page 7, I removed both the plant in service and the accumulated depreciation for Accounts 304.2 and 307.2 from the Company's adjusted test year rate base, resulting in a net increase in rate base of $3,954. As shown on Exhibit DMR-18, page 4, I removed the $1,936 of depreciation expense associated with Account 304.2 and the $938 of depreciation expense associated with Account 307.2 from the Company's adjusted test year depreciation expense. On Marion County MFR B-3, the Company has made an adjustment increasing depreciation expense by $1,962 to annualize the depreciation expense associated with service line assets placed into service during the test year. Similarly, the Company should also remove this depreciation expense included in the test year for fully depreciated assets.

<u>ADJUSTMENTS SPECIFIC TO SEMINOLE COUNTY SYSTEMS</u>

<u>Crystal Lake Purchased Water Expense</u>

Q. HAVE THERE BEEN MAJOR CHANGES IN OPERATIONS FOR ANY OF THE SEMINOLE COUNTY WATER SYSTEMS?

A. Yes. In response to Citizens' Interrogatory No. 9, the Company indicated that the Crystal Lake system was interconnected with the Ravenna Park water system after the failure of the single water supply well at Crystal Lake. The Ravenna Park wells now supply water to both systems. The costs of the interconnection project are included in the pro forma plant additions in the Company's filing.

Q. SHOULD ANY ADJUSTMENTS BE MADE TO THE COMPANY'S FILING AS A RESULT OF THE INTERCONNECTION AND NEW WATER SUPPLY ARRANGEMENT?

A. Yes. In explaining the 462% increase in purchased water costs that occurred between the test year in the prior rate case (test year ended December 31, 2011) and the current rate case on Seminole County MFR Schedule B-7, the Company indicated: "Loss of Crystal Lake well required the purchase of bulk water until Proforma project is completed." Test year purchased water expenses for the Crystal Lake system include $61,485 for purchased water expense. Now that the interconnection project is complete and Crystal Lake is being supplied by the Company's Ravenna Park wells, the purchased water expense should be discontinued. Thus, the $61,485 of purchased water expense is removed on Exhibit DMR-14 at page 4. In response to Citizens' Interrogatory 84(d), the Company states that all of the purchased water came from the City of Sanford and that the amount purchased totaled $117,896. However, the Company's filing for Seminole County, at MFR Schedule B-5 and B-7 shows $68,510 of purchased water expense in the test year, and $61,485 of that amount was booked to the Crystal Lake system.

<u>Water Main Replacements – Retirement Cap</u>

Q. THE COMPANY HAS INCLUDED SUBSTANTIAL PRO FORMA PLANT ADDITIONS FOR WATER MAIN REPLACEMENT PROJECTS IN SEMINOLE COUNTY. ARE YOU RECOMMENDING ANY ADJUSTMENTS ASSOCIATED WITH THESE WATER MAIN REPLACEMENT PROJECTS?

A. Yes. In its filing, the Company included pro forma plant additions to plant Account 331.4 – Transmission & Distribution Mains of $8,551,884 for the various Seminole County water main replacement projects and reflected an offsetting plant retirement of $6,413,913, or 75% of the project costs, reducing both plant in service and accumulated depreciation associated with Account 331.4 by the $6,413,913 retirement amount. Citizens' witness Woodcock recommends the plant additions be reduced to $8,513,640, which is a $38,244 reduction to the pro forma plant additions incorporated in Company Seminole MFR Schedule A-3. Additionally, I recommend that the retirement incorporated in the Company's filing be reduced from the $6,413,913 reflected by the Company to $886,000, effectively increasing both plant in service and accumulated depreciation by $5,527,913 for the associated plant retirements.

Q. WHY SHOULD THE RETIREMENT INCLUDED IN THE COMPANY'S FILING ASSOCIATED WITH THE PRO FORMA WATER MAIN REPLACEMENTS BE REDUCED?

A. At the end of the test year, the balance in the plant in service Account 334.1 – Transmission & Distribution Mains was only $1,922,100, and the associated accumulated depreciation was $645,696, for a net plant in service balance of $1,276,404. The retirement adjustment reflected in the Company's filing would remove significantly more 100% of the original plant costs that remain in the plant in service account and result in a significant negative accumulated depreciation balance for the account. The water mains being replaced are very old systems that the Company indicates have reached the end of their service lives. Thus, the original costs of the water mains being replaced should be either fully depreciated on the Company's books or close thereto.

In response to Citizens' Interrogatory No. 70(c), the Company indicates that the accumulated depreciation balance for Account 331.4 reflects significant investment made by the Company in 2013 in Park Ridge when the mains were replaced and capital investments were made in Jansen and Weathersfield. As an example, the Company indicates that some water mains in Jansen were damaged in 2004 by fallen trees as a result of hurricanes impacting the service area. The Company's filing in a previous Seminole County rate case prior to the 2004 and 2013 water main replacement projects identified by the Company in its response, Docket No. 020071-WS, at MFR Schedule A-5, shows that the balance in plant in service Account 331.4 – Transmission & Distribution Mains as of December 2000 was only $885,984. Thus, the balance remaining on the Company's books associated with the water mains being replaced is substantially less than the retirement amount the Company incorporated in its filing and substantially less than the test year-end balance in the account of $1,922,100.

Q. WHAT CAP DO YOU RECOMMEND BE PLACED ON THE RETIREMENTS ASSOCIATED WITH THE WATER MAINS BEING REPLACED IN THE PRO FORMA ADJUSTMENTS?

A. I recommend that the retirements be capped at $886,000. This is based on the plant in service balance in Account 331.4 – Transmission and Distribution Mains as of December 31, 2000 and would exclude the water main replacement projects going into service since 2000. Since the water mains being replaced are the older mains that have reached the end of their useful lives, it is logical that the original cost of the mains being replaced would not exceed the December 2000 balance in the account.

Q. WHAT IS THE OVERALL IMPACT OF MR. WOODCOCK'S RECOMMENDED REDUCTION TO THE PRO FORMA PLANT COSTS AND YOUR RECOMMENDED REDUCTION TO THE RETIREMENT ADJUSTMENT?

A. As shown on Exhibit DMR-14, at page 9, plant in service is increased by $5,489,669 and accumulated depreciation is increased by $5,516,978, resulting in a net decrease in water rate base of $27,309. Additionally, the depreciation expense incorporated in the Company's filing is increased by $127,572.

<u>Problems with Certain Plant in Service and Accumulated Depreciation Balances</u>

Q. ARE THERE ANY SPECIFIC SEMINOLE COUNTY WATER AND WASTEWATER PLANT ACCOUNTS THAT SHOW BALANCES THAT CAUSE A CONCERN?

A. Yes. For the water system, on MFR Schedules A-5 and A-9, Account 330.4 – Distribution Reservoirs & Standpipes, it shows a plant in service balance of $372,355 with a negative accumulated depreciation balance of ($523,108), resulting in a net plant in service balance in rate base of $895,463. The fact that the Company has a large negative accumulated depreciation balance in this account and that the negative balance exceeds the plant in service balance for the same account, is a concern based upon previous discussions in this testimony. For the wastewater system, MFR Schedules A-6 and A-10 shows Account 360.2 – Collection Sewers – Force show a plant in service balance of $27,928 and an accumulated depreciation balance of ($57,090), for a net plant in service balance in rate base of $85,018. This raises the same concern.

Additionally, wastewater Account 380.4 – Treatment & Disposal Equipment shows a plant in service balance of ($496,163) and accumulated depreciation of ($75,470), resulting in a net reduction in rate base of $420,693. It is not logical that a negative plant in service and a negative net plant in service balance exist for the wastewater treatment and disposal equipment. In response to Citizens' Interrogatory No. 74, the Company indicated that the negative plant balance is the result of the Commission's decision in the previous rate case in which the Seminole County wastewater treatment plant was removed as a result of interconnection with the City of Sanford. Commission Order No. PSC-07-0505-SC-WS, at page 15, indicates, under the discussion of Staff Audit Finding 12, as follows:

> The utility's filing incorrectly includes amounts for the Seminole County wastewater treatment plant. Because the wastewater system interconnected with the City of Sanford, Seminole County's entire wastewater treatment plant has been removed.

It is not clear why a negative balance would currently be on the Company's books for the wastewater treatment and disposal equipment instead of a $0 balance given the Commission's removal of the plant, nor does the Company explain or support such a balance in its filing.

Q. THE COMMISSION'S AUDIT STAFF, IN FINDING NO. 3 OF ITS AUDIT REPORT, RECOMMENDS MANY ADJUSTMENTS TO PLANT IN SERVICE AND ACCUMULATED DEPRECIATION FOR THE VARIOUS UIF SYSTEMS. DID COMMISSION AUDIT STAFF IDENTIFY ANY CONCERNS WITH THESE SPECIFIC ACCOUNTS?

A. Yes. As previously mentioned, Staff has recommended many adjustments in its audit report. Previously in this testimony, I indicated that I included the impacts of Staff Audit Finding 3 for the Pasco County wastewater system to correct the problems with the system wide negative accumulated depreciation balance in the test year for the Pasco County wastewater system. For the Seminole County accounts discussed above, the audit workpapers show changes to each of the accounts. For example, Audit Workpaper 28-10 shows that the audited average test year balance for Account 380.4 – Treatment & Disposal Equipment is $2,595 and the accumulated depreciation balance is $1,430, for a net plant in service balance of $1,165. This is compared to the per-Company net plant in service for the account of ($420,693). Clearly, Audit Staff takes issue with the adjustment made by the Company in reflecting the Commission ordered adjustment from a prior rate case.

Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS AT THIS TIME TO ADDRESS THE PROBLEMS WITH THE NEGATIVE ACCUMULATED DEPRECIATION BALANCES AND NEGATIVE PLANT BALANCES DISCUSSED ABOVE?

A. Yes. On Exhibit DMR-14, on pages 4 and 7, I have included Staff's recommended audit adjustments found in Audit Finding 3 for the Seminole County water and wastewater systems. While the Company has not yet submitted a formal response to Staff's Audit Report, I nonetheless am reflecting the Seminole County adjustments in Audit Finding 3 to address the significant problem with the Company's balances in several accounts for the systems. The overall impact of the adjustments is a reduction to rate base of $1,022,818 for the water system and increase in rate base of $391,303 for the wastewater system. Additional water and wastewater depreciation expense is increased by $26,599 and $72,343, respectively.

<u>CONCLUSION</u>

Q. **CAN YOU SUMMARIZE YOUR RECOMMENDATIONS IN THIS RATE CASE?**

A. Yes, I can. Based on my review of the Company's consolidated MFRs, testimony, discovery responses, and prior Commission orders, I am recommending an increase of

$2,520,759. My adjustments are on a system by system basis for a total decrease to the requested revenues of $4,394,695. Please refer to Exhibit DMR-2 and earlier in my testimony for a system by system breakdown of the total increase.

Q. DOES THIS COMPLETE YOUR PREFILED TESTIMONY?

A. Yes, it does.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of Donna Ramas has been furnished by electronic mail and/or U.S. Mail on this 6th day of March, 2017, to the following:

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Erik L. Sayler
Associate Public Counsel

QUALIFICATIONS OF DONNA RAMAS

Q. WHAT IS YOUR OCCUPATION?

A. I am a certified public accountant, licensed in the State of Michigan, and a senior regulatory consultant and Principal of the firm Ramas Regulatory Consulting, LLC, located in Commerce Township, Michigan.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. I graduated with honors from Oakland University in Rochester, Michigan in 1991. From 1991 through October 2012, I was employed by the firm of Larkin & Associates, PLLC. In November 2012, I formed Ramas Regulatory Consulting, LLC. As a certified public accountant and regulatory consultant, I have analyzed utility rate cases and regulatory issues, researched accounting and regulatory developments, prepared computer models and spreadsheets, prepared testimony and schedules and testified in regulatory proceedings. Additionally, I have served as an instructor at the Michigan State University - Institute of Public Utilities as part of their Annual Regulatory Studies programs, Advanced Regulatory Studies Program, and in Basics of Utility Regulation and Ratemaking courses.

I have prepared and submitted expert testimony and/or testified in the following cases, many of which were filed under the name of Donna DeRonne:

Arizona: Ms. Ramas prepared testimony on behalf of the Staff of the Arizona Corporation Commission in the following case before the Arizona Corporation Commission: Southwest Gas Corporation (Docket No. G-01551A-00-0309).

California: Ms. Ramas prepared testimony on behalf of the Division of Ratepayer Advocates of the California Public Utilities Commission in the following cases before the California Public Utilities Commission:

San Gabriel Valley Water Company, Fontana Water Division (Docket No. A.05-08-021), Request for Order Authorizing the Sale by Thames GmbH of up to 100% of the Common Stock of American Water Works Company, Inc., Resulting in Change of Control of California-American Water Company (Application 06-05-025), California Water Services Company (Docket No. 07-07-001*), Golden State Water Company (Docket No. 08-07-010), and Golden State Water Company (Docket No. 11-07-017*), Golden State Water Company – Rehearing (Docket No. 08-07-010*), and California Water Services Company (Docket No. 12-07-007*).

Ms. Ramas also prepared testimony on behalf of the Department of Defense in the following cases before the California Public Utilities Commission: San Diego Gas and Electric Company (Docket No. 98-07-006) and Southern California Edison Company and San Diego Gas & Electric Company (Docket No. 05-11-008*).

Additionally, Ms. Ramas prepared testimony on behalf of the City of Fontana in the following rate cases before the California Public Utilities Commission: San Gabriel Valley Water Company, Fontana Water Division (Docket No. A.08-07-009) - Phases 1 and 2; San Gabriel Valley Water Company, Los Angeles Division (Docket No. A.10-07-019*), and San Gabriel Valley Water Company, Fontana Water Division (Docket No. A.11-07-005).

Ms. Ramas also prepared testimony on behalf of The Utilities Reform Network in the following rate case before the California Public Utilities Commission: California American Water Company (Docket No. 10-07-007).

Colorado: Ms. Ramas prepared testimony on behalf of the Colorado Healthcare Electric Coordinating Council in the following case before the Public Utilities Commission of the State of Colorado: Public Service Company of Colorado (Proceeding No. 14AL-0660E*).

Connecticut: Ms. Ramas has prepared testimony on behalf of the Connecticut Office of Consumers Counsel in the following cases before the State of Connecticut, Department of Public Utility Control:

Connecticut Light & Power Company (Docket No. 92-11-11), Connecticut Natural Gas Corporation (Docket No. 93-02-04), Connecticut Natural Gas Corporation (Docket No. 95-02-07), Southern Connecticut Gas Company (Docket No. 97-12-21), Connecticut Light & Power Company (Docket No. 98-01-02), Southern Connecticut Gas Company (Docket No. 99-04-18 Phase I), Southern Connecticut Gas Company (Docket No. 99-04-18 Phase II), Connecticut Natural Gas Corporation (Docket No. 99-09-03 Phase I), Connecticut Natural Gas Corporation (Docket No. 99-09-03 Phase II), Connecticut Light & Power Company (Docket No. 00-12-01), Yankee Gas Services Company (Docket No. 01-05-19), United Illuminating Company (Docket No. 01-10-10), Connecticut Light & Power Company (Docket No. 03-07-02), Southern

Connecticut Gas Company (Docket No. 03-11-20), Yankee Gas Services Company (Docket No. 04-06-01*), The Southern Connecticut Gas Company (Docket No. 05-03-17PH01), The United Illuminating Company (Docket No. 05-06-04), Connecticut Natural Gas Corporation (Docket No. 06-03-04* Phase I), Yankee Gas Services Company (Docket No. 06-12-02PH01*), Aquarion Water Company of Connecticut (Docket No. 07-05-19), Connecticut Light & Power Company (Docket No. 07-07-01), The United Illuminating Company (Docket No. 08-07-04), Connecticut Light & Power Company (Docket No. 09-12-05), and Yankee Gas Services Company (Docket No. 10-12-02).

Ms. Ramas also assisted the Connecticut Office of Consumer Counsel by conducting cross-examination of utility witnesses in the following cases: Southern Connecticut Gas Company (Docket No. 08-12-07), Connecticut Natural Gas Corporation (Docket No. 08-12-06), UIL Holdings Corporation and Iberdrola USA, Inc. (Docket No. 10-07-09), and Northeast Utilities/NSTAR Merger (Docket No. 12-01-07).

Ms. Ramas prepared testimony on behalf of the Connecticut Public Utilities Regulatory Authority Prosecutorial Staff in Docket No. 14-05-06RE01 involving Connecticut Light & Power Company addressing certain accumulated deferred income tax issues that were the subject of a reopening.

Ms. Ramas also assisted the Connecticut Public Utility Regulatory Authority staff in the following cases for which testimony was not provided. As part of the assistance, Ms. Ramas conducted cross examination on behalf of staff: Connecticut Light & Power Company Major Storm case (Docket No. 13-03-23).

District of Columbia: Ms. Ramas prepared testimony on behalf of the Office of the People's Counsel of the District of Columbia in the following case before the Public Service Commission of the District of Columbia: Washington Gas Light Company (Formal Case No. 1054*), Potomac Electric Power Company (Formal Case No. 1076), Potomac Electric Power Company (Formal Case No. 1087), Washington Gas Light Company (Formal Case No. 1093), Potomac Electric Power Company (Formal Case No. 1103), Exelon Corporation/PHI Holdings, Inc. Merger (Formal Case No. 1119), and Potomac Electric Power Company (Formal Case No. 1139).

Florida: Ms. Ramas prepared testimony on behalf of the Florida Office of Public Counsel in the following cases before the Florida Public Service Commission:

Southern States Utilities (Docket No. 950495-WS), United Water Florida (Docket No. 960451-WS), Aloha Utilities, Inc. – Seven Springs Water Division (Docket No. 010503-WU), Florida Power Corporation (Docket No. 000824-EI*), Tampa Electric Company d/b/a Peoples Gas System (Docket No. 020384-GU*), The Woodlands of Lake Placid, L.P. (Docket No. 020010-WS), Utilities, Inc. of Florida (Docket No. 020071-WS), Florida Public Utilities Company (Docket No. 030438-EI*), The Woodlands of Lake Placid, L.P. (Docket No. 030102-WS), Florida Power & Light Company (Docket No. 050045-EI*), Progress Energy Florida, Inc. (Docket No. 050078-EI*), Florida Power & Light Company (Docket No. 060038-EI), Water

Management Services, Inc. (Docket No. 100104-WU), Gulf Power Company (Docket No. 110138-EI), Florida Power & Light Company (Docket No. 120015-EI), Tampa Electric Company (Docket No. 130040-EI)*, Florida Public Utilities Company (Docket No. 140025-EI)*, Florida Power & Light Company – Fuel Clause (Docket No. 140001-EI), Duke Energy Florida, Inc – CR3 Regulatory Asset (Docket No. 150148-EI)*, and Gulf Power Company (Docket No. 160186-EI).

Illinois: Ms. Ramas prepared testimony on behalf of the Illinois Office of the Attorney General, Apple Canyon Lake Property Owners Association and Lake Wildwood Association, Inc. in the following cases before the Illinois Commerce Commission: Apple Canyon Utility Company (Docket No. 12-0603) and Lake Wildwood Utilities Corporation (Docket No. 12-0604).

Louisiana: Ms. Ramas prepared testimony on behalf of various consumers in the following case before the Louisiana Public Service Commission: Atmos Energy Corporation d/b/a Trans Louisiana Gas Company (Docket No. U-27703*).

Maryland: Ms. Ramas prepared testimony on behalf of the Maryland Office of People's Counsel in the following case before the Public Service Commission of Maryland: Potomac Electric Power Company (Case No. 9336).

Massachusetts: Ms. Ramas prepared testimony on behalf of the Massachusetts Attorney General's Office of Ratepayer Advocacy in the following cases before the Massachusetts Department of Public Utilities: New England Gas Company (DPU 10-114), Fitchburg Electric Company (DPU 11-01), Fitchburg Gas Company (DPU 11-02); NStar/Northeast Utilities Merger (DPU 10-170); Bay State Gas Company d/b/a Columbia Gas of Massachusetts (DPU 13-75); and Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid (DPU 15-155).

Minnesota: Ms. Ramas prepared testimony on behalf of the Xcel Large Industrials, an ad hoc consortium of large industrial customers of Northern States Power Company, before the Minnesota Public Utilities Commission in Northern States Power Company Docket No. E002/GR-15-826*.

New York: Ms. Ramas prepared testimony on behalf of the New York Consumer Protection Board in the following cases before the New York Public Service Commission:
New York State Electric & Gas Corporation (Case No. 05-E-1222), KeySpan Energy Delivery New York and KeySpan Energy Delivery Long Island (Case Nos. 06-G-1185 and 06-G-1186*), Consolidated Edison Company of New York, Inc. (Case No. 06-G-1332*), and Consolidated Edison Company of New York, Inc. (Case No. 07-E-0523).

Nova Scotia: Ms. Ramas prepared testimony on behalf of the Nova Scotia Utility and Review Board – Board Counsel in the following cases: Halifax Regional Water Commission (W-HRWC-R-10); Nova Scotia Power Incorporated (NSPI-P-892*); Heritage Gas Limited (NG-HG-R-11*); NPB Load Retention Rate Application – NewPage Port Hawkesbury Corp. and Bowater

Mersey Paper Company Ltd. (NSPI-P-202); Nova Scotia Power Incorporated (NSPI-P-893*); Halifax Regional Water Commission (HRWC-R-13); and Halifax Regional Water Commission (W-HRWC-R-14*).

North Carolina: Ms. Ramas assisted Nucor Steel-Hertford, A Division of Nucor Corporation in the review of an application filed by Dominion North Carolina Power for an Increase in rates (Docket no. E-22, Sub 459**). The case was settled prior to the submittal of intervenor testimony.

Texas: Ms. Ramas prepared testimony on behalf of the Texas Office of Public Utility Counsel in the following case before the Public Utility Commission of Texas: Southwestern Public Service Company (SOAH Dkt. No. 473-15-1556 / PUC Dkt. No. 43695), and Southwestern Public Service Company (SOAH Dkt. No. 473-15-2694 / PUC Dkt. No. 44498*).

Ms. Ramas also prepared testimony on behalf of the City of El Paso in SOAH Dkt. No. 473-15-5257/PUC Dkt. No. 44941* involving El Paso Electric Company before the Public Utility Commission of Texas.

Utah: Ms. Ramas prepared testimony on behalf of the Utah Committee of Consumer Services in the following cases before the Public Service Commission of Utah:

PacifiCorp dba Utah Power & Light Company (Docket No. 99-035-10), PacifiCorp dba Utah Power & Light Company (01-035-01*), PacifiCorp dba Utah Power & Light Company (Docket No. 01-035-23 Interim (Oral testimony)), Questar Gas Company (Docket No. 02-057-02*), PacifiCorp (Docket No. 04-035-42*), PacifiCorp (Docket No. 06-035-21*), Rocky Mountain Power (Docket Nos. 07-035-04, 06-035-163 and 07-035-14), Rocky Mountain Power (Docket No. 07-035-93), Questar Gas Company (Docket No. 07-057-13*), Rocky Mountain Power (Docket No. 08-035-93*), Rocky Mountain Power (Docket No. 08-035-38*), Rocky Mountain Power Company (Docket No. 09-035-23), Rocky Mountain Power Company (Docket No. 10-035-13), Rocky Mountain Power Company (Docket No. 10-035-38), Rocky Mountain Power Company (Docket No. 10-035-89), Rocky Mountain Power Company (Docket No. 10-035-124*), Rocky Mountain Power Company (Docket No. 11-035-200*), Rocky Mountain Power Company (Docket No. 13-035-184*), Rocky Mountain Power Company (Docket No. 14-035-147*), Rocky Mountain Power Company (PTA/PSA involving Navajo Tribal Utility Authority) (Docket No. 15-035-84), and Rocky Mountain Power Company (Renewable Energy Service Contract involving Facebook, Inc.) (Docket No. 16-034-27).

Vermont: Ms. Ramas prepared testimony on behalf of the Vermont Department of Public Service in the following cases before the Vermont Public Service Board: Citizens Utilities Company – Vermont Electric Division (Docket No. 5859), Central Vermont Public Service Corporation (Docket No. 6460*), and Central Vermont Public Service Corporation (Docket No. 6946 & 6988).

Washington: Ms. Ramas prepared testimony on behalf of the Public Counsel Section of the Washington Attorney General's Office in the following case before the Washington Utilities and

Transportation Commission: PacifiCorp (Docket UE-090205*); Pacific Power & Light Company (Docket UE-140762 ET AL.); Avista Corporation (Electric Docket UE-150204 and Natural Gas Docket UE-150205); and Pacific Power & Light Company (Docket UE-152253).

West Virginia: Ms. Ramas has prepared testimony on behalf of the West Virginia Consumer Advocate Division in the following cases before the Public Service Commission of West Virginia: Monongahela Power Company (Case No. 94-0035-E-42T), Potomac Edison Company (Case No. 94-0027-E-42T), Hope Gas, Inc. (Case No. 95-0003-G-42T*), and Mountaineer Gas Company (Case No. 95-0011-G-42T*).

* Case Settled

Utilities, Inc. of Florida
Revenue Requirement by System

Test Year Ended December 31, 2015

Line No.	System	Revenue Change per UIF	Revenue Change per OPC	Reference - per OPC Amount	
1	Cypress Lakes - Water	(5,879)	(34,604)	Exhibit DMR-3	Page 2
2	Cypress Lakes - Wastewater	90,089	61,962	Exhibit DMR-3	Page 3
3	Eagle Ridge - Wastewater	64,787	(23,061)	Exhibit DMR-4	Page 2
4	Labrador - Water	67,286	33,045	Exhibit DMR-5	Page 2
5	Labrador - Wastewater	(21,075)	(218,380)	Exhibit DMR-5	Page 3
6	Lake Placid - Water	13,745	9,160	Exhibit DMR-6	Page 2
7	Lake Placid - Wastewater	18,926	(5,670)	Exhibit DMR-6	Page 3
8	Longwood - Wastewater	34,554	35,316	Exhibit DMR-7	Page 2
9	Lake Utility Services - Water	41,730	(147,253)	Exhibit DMR-8	Page 2
10	Lake Utility Services - Wastewater	542,544	197,925	Exhibit DMR-8	Page 3
11	Mid-County - Wastewater	472,792	117,278	Exhibit DMR-9	Page 2
12	Pennbrooke - Water	162,961	62,523	Exhibit DMR-10	Page 2
13	Pennbrooke - Wastewater	(33,600)	(53,193)	Exhibit DMR-10	Page 3
14	Sandalhaven - Wastewater	362,377	(524,509)	Exhibit DMR-11	Page 2
15	Sanlando - Water	(18,462)	(305,067)	Exhibit DMR-12	Page 2
16	Sanlando - Wastewater	2,391,091	1,385,149	Exhibit DMR-12	Page 3
17	Tierra Verde - Wastewater	107,812	94,440	Exhibit DMR-13	Page 2
18	Seminole County - Water	1,631,780	1,269,086	Exhibit DMR-14	Page 2
19	Seminole County - Wastewater	(26,532)	(85,052)	Exhibit DMR-14	Page 3
20	Orange County - Water	258,990	238,195	Exhibit DMR-15	Page 2
21	Pasco County - Water	329,885	159,806	Exhibit DMR-16	Page 2
22	Pasco County - Wastewater	152,640	23,352	Exhibit DMR-16	Page 3
23	Pinellas County - Water	170,080	131,348	Exhibit DMR-17	Page 2
24	Marion County - Water	68,885	61,906	Exhibit DMR-18	Page 2
25	Marion County - Wastewater	38,048	37,057	Exhibit DMR-18	Page 3
26	Total	6,915,454	2,520,759		
27	Total - Water	2,721,001	1,478,145		
28	Total - Wastewater	4,194,453	1,042,615		

Test Year Ended December 31, 2015

Page #	Title
Page 2	Calculation of Revenue Requirement - Water
Page 3	Calculation of Revenue Requirement - Wastewater
Page 4	Schedule of Adjustments to Operating Income
Page 5	Rate Base - Water
Page 6	Rate Base - Wastewater
Page 7	Schedule of Adjustments to Rate Base
Page 8	Cost of Capital

Calculation of Revenue Requirement - Water

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	358,029	-	358,029	(34,604)	323,425	Page 4
2	Operation & Maintenance	238,850	(25,117)	213,733		213,733	Page 4
3	Depreciation, Net of CIAC Amort.	62,325	(1,335)	60,990		60,990	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	21,871	(111)	21,760	(1,557)	20,203	Page 4
6	Provision for Income Taxes	10,060	10,079	20,139	(12,436)	7,704	
7	OPERATING EXPENSES	333,106		316,622		302,629	
8	NET OPERATING INCOME	24,923		41,407		20,795	
9	RATE BASE	274,982	(7,345)	267,638		267,638	Page 5
10	RATE OF RETURN	9.06%				7.77%	Page 8

Source:
Col. (2): Company MFR B-1. Amount on line 6 from Company MFR C-2.

Calculation of Revenue Requirement - Wastewater

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	660,639	-	660,639	61,962	722,601	Page 4
2	Operation & Maintenance	327,694	(23,944)	303,750		303,750	Page 4
3	Depreciation, Net of CIAC Amort.	125,276	(1,270)	124,006		124,006	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	54,093	(106)	53,987	2,788	56,775	Page 4
6	Provision for Income Taxes	32,468	9,615	42,083	22,267	64,350	
7	OPERATING EXPENSES	539,531		523,826		548,881	
8	NET OPERATING INCOME	121,108		136,813		173,720	
9	RATE BASE	2,243,483	(7,706)	2,235,777		2,235,777	Page 6
10	RATE OF RETURN	5.40%				7.77%	Page 8

Source:
Col. (2): Company MFR B-2. Amount on line 6 from Company MFR C-2.

Schedule of Adjustments to Operating Income

Line No.	Description	Water Amount	Wastewater Amount	Reference
	Adjustments to O&M Revenues:			
1				
2	Subtotal	-	-	
3				
4	Adjustments to O&M Expense:			
5	Remove Prior Rate Case Amortization Expense	(15,188)	(14,419)	Testimony, (a)
6	Remove Prior Rate Case Costs from Current Rate Case Amortization Expense	(7,824)	(7,442)	Testimony, MFR Sch. B-10
7	Reduction to Sediment Removal Project Amortization Expense		(80)	(c)
8	Transportation Expense Allocation Correction	107	101	Testimony
9	WSC - Health Insurance Reserve Adjustment	(521)	(495)	Exhibit DMR-19
10	WSC - State - Depreciation Expense Adjustment	(1,691)	(1,609)	Exhibit DMR-20
11	Subtotal	(25,117)	(23,944)	
12				
13	Adjustments to Depreciation:			
14	Reduction to GIS Pro Forma Project	(1,335)	(1,270)	Exhibit DMR-21
15	Subtotal	(1,335)	(1,270)	
16				
17				
18	Adjustments to Taxes Other Than Income			
19	Impact of Net Plant Adj. on Property Tax Exp. (15.1521 millage)	(111)	(106)	
20	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	-	
21	Subtotal	(111)	(106)	
22				
23	Adjustments to Income Taxes			
24	Impact of Rate Base Adjustments on Interest Deduction (b)	83	87	
25	Impact of Adjustments on Income Taxes (37.63% composite rate)	9,996	9,528	
26	Subtotal	10,079	9,615	

(a) Amounts from MFR Schedules B-5 and B-6.
(b) Calculated as total OPC rate base adjustments on pages 5 and 6 x weighted cost of debt of 3.01% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.
(c) Citizens Witness Woodcock recommends an $800 reduction to project costs resulting in an $80 reduction to amortization expense.

Rate Base - Water

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	2,021,305	(8,012)	2,013,293
2	Utility Land & Land Rights	1,356		1,356
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(1,368,096)	668	(1,367,429)
6	Less: CIAC	(579,515)		(579,515)
7	Accumulated Amortization CIAC	217,870		217,870
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	(17,938)	-	(17,938)
11	Total Rate Base	274,982	(7,345)	267,638

Source/Notes:
Col. (1): Company MFR A-1
Col. (2): See Page 7

Rate Base - Wastewater

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	4,477,793	(7,621)	4,470,172
2	Utility Land & Land Rights	2,610		2,610
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(1,458,826)	635	(1,458,191)
6	Less: CIAC	(1,321,139)		(1,321,139)
7	Accumulated Amortization CIAC	480,175		480,175
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	62,870	(720)	62,150
11	Total Rate Base	2,243,483	(7,706)	2,235,777

Source/Notes:
Col. (1): Company MFR A-2
Col. (2): See Page 7

Schedule of Adjustments to Rate Base

Line No.	Description	Water Amount	Wastewater Amount	Reference:
	Adjustments to Plant in Service			
1	Reduction to GIS Pro Forma Project	(8,012)	(7,621)	Exhibit DMR-21
2	Total Adjustments to Plant in Service	(8,012)	(7,621)	
3				
4	Adjustments to Non-Used and Useful Plant			
5				
6	Total Net Non-Used and Useful Adjustment	-	-	
7				
8	Adjustments to Accumulated Depreciation:			
9	Reduction to GIS Pro Forma Project	(668)	(635)	
10	Total Adjustments to Accumulated Depreciation	(668)	(635)	
11				
12	Adjustments to Working Capital:			
13	Reduce Sediment Removal Project by $800 - 1 yr Amortization		(720)	(a)
14	Total Adjustments to Working Capital	-	(720)	

(a) Citizens Witness Woodcock recommends project costs in filing be reduced from $51,000 to $50,200, resulting in an $800 reduction to project costs. Impact net of year 1 amortization is $720.

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	1,088,999	43.24%	(8,192)	1,080,807	43.17%	6.70%	2.89%
2	Short Term Debt	103,423	4.11%	(778)	102,645	4.10%	2.32%	0.10%
3	Common Equity	1,158,104	45.98%	(8,712)	1,149,392	45.91%	10.40%	4.77%
4	Customer Deposits	11,019	0.44%		11,019	0.44%	2.00%	0.01%
5	Tax Credits - Zero Cost	-	0.00%		-	0.00%	0.00%	0.00%
6	ADIT	156,920	6.23%	2,631	159,551	6.37%	0.00%	0.00%
7	Total	2,518,465	100.00%		2,503,415	100.00%		7.77%

Source/Notes:

Col. (a), (b) and (f): See Company MFR Sch. D-1

Col. (d), line 7: See pages 5 and 6

Col. (c), line 6: Reflects bonus depreciation impact on Company ADIT adjustment and impact of Citizens' pro forma plant adjustments.

Test Year Ended December 31, 2015

Calculation of Revenue Requirement - Wastewater

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) OPC Adj. Reference:
1	OPERATING REVENUE	1,169,230	-	1,169,230	(23,061)	1,146,169	Page 3
2	Operation & Maintenance	662,260	(38,944)	623,316		623,316	Page 3
3	Depreciation, Net of CIAC Amort.	181,767	357	182,124		182,124	Page 3
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	80,960	(4,328)	76,632	(1,038)	75,594	Page 3
6	Provision for Income Taxes	59,545	19,775	79,320	(8,287)	71,032	
7	OPERATING EXPENSES	984,532		961,392		952,067	
8	NET OPERATING INCOME	184,698		207,838		194,103	
9	RATE BASE	3,140,461	(351,629)	2,788,832		2,788,832	Page 4
10	RATE OF RETURN	5.88%				6.96%	Page 6

Source:
Col. (2): Company MFR B-2. Amount on line 6 from Company MFR C-2.

Utilities, Inc. of Florida
- Eagle Ridge
Test Year Ended December 31, 2015

Schedule of Adjustments to Operating Income

Line No.	Description	Amount	Reference:
	Adjustments to O&M Revenues:		
1			
2	Subtotal	-	
3			
4	Adjustments to O&M Expense:		
5	Materials & Supplies Expense Normalization	(16,517)	Testimony
6	Chemical Expense Adjustment	(7,266)	Testimony
7	Remove Prior Rate Case Expense Amortization from TY	(11,043)	Testimony, MFR B-6
8	Transportation Expense Allocation Correction	212	Testimony
9	WSC - Health Insurance Reserve Adjustment	(1,039)	Exhibit DMR-19
10	WSC - State - Depreciation Expense Adjustment	(3,291)	Exhibit DMR-20
11	Subtotal	(38,944)	
12			
13	Adjustments to Depreciation:		
14	Reduction to GIS Pro Forma Project	(2,666)	Exhibit DMR-21
15	EQ Tank and Headworks Project - Plant Portion	(11,495)	Page 7
16	EQ Tank and Headworks Project - Site Improvement Portion	357	Page 7
17	Subtotal	357	
18			
19	Adjustments to Taxes Other Than Income		
20	Impact of Net Plant Adj. on Property Tax Exp. (16.10 millage)	(4,328)	
21	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	
22	Subtotal	(4,328)	
23			
24	Adjustments to Income Taxes		
25	Impact of Rate Base Adjustments on Interest Deduction (a)	3,626	
26	Impact of Adjustments on Income Taxes (37.63% composite rate)	16,149	
27	Subtotal	19,775	

(a) Calculated as total OPC rate base adjustments on page 4 x weighted cost of debt of 2.74% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.

Utilities, Inc. of Florida
- Eagle Ridge
Test Year Ended December 31, 2015

Docket No. 160101-WS
Exhibit DMR-4
Eagle Ridge Revenue Requirement

Rate Base - Wastewater

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	7,511,514	(77,393)	7,434,121
2	Utility Land & Land Rights	51,866		51,866
3	Less: Non-Used & Useful Plant	-	-	-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(3,876,997)	(191,427)	(4,068,424)
6	Less: CIAC	(3,810,352)		(3,810,352)
7	Accumulated Amortization CIAC	3,071,805		3,071,805
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	192,625	(82,809)	109,816
11	Total Rate Base	3,140,461	(351,629)	2,788,832

Source/Notes:
Col. (1): Company MFR A-2
Col. (2): See Page 5

Schedule of Adjustments to Rate Base

Line No.	Description	Amount	Reference:
	Adjustments to Plant in Service		
1	Reduction to GIS Pro Forma Project	(15,993)	Exhibit DMR-21
2	EQ Tank and Headworks Project - Plant Portion	(75,681)	Page 7
3	EQ Tank and Headworks Project - Site Improvement Portion	14,281	Page 7
4	Total Adjustments to Plant in Service	(77,393)	
5			
6	Adjustments to Non-Used and Useful Plant		
7			
8	Total Net Non-Used and Useful Adjustment	-	
9			
10	Adjustments to Accumulated Depreciation:		
11	Reduction to GIS Pro Forma Project	(1,333)	
12	EQ Tank and Headworks Project - Plant Portion	217,601	Page 7
13	EQ Tank and Headworks Project - Site Improvement Portion	(24,841)	Page 7
14	Total Adjustments to Accumulated Depreciation	191,427	
15			
16	Adjustments to Working Capital:		
17	Remove Accrued Federal Income Tax from WC	(82,809)	Testimony
18	Total Adjustments to Working Capital	(82,809)	

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	1,242,475	39.56%	(163,369)	1,079,106	38.69%	6.70%	2.59%
2	Short Term Debt	117,999	3.76%	(15,515)	102,484	3.67%	2.32%	0.09%
3	Common Equity	1,321,320	42.07%	(173,736)	1,147,584	41.15%	10.40%	4.28%
4	Customer Deposits	3,413	0.11%		3,413	0.12%	2.00%	0.00%
5	Tax Credits - Zero Cost	-	0.00%		-	0.00%	0.00%	0.00%
6	ADIT	455,255	14.50%	990	456,245	16.36%	0.00%	0.00%
7	Total	3,140,462	100.00%		2,788,832	100.00%		6.96%

Source/Notes:
Col. (a), (b) and (f): See Company MFR Sch. D-1
Col. (d), line 7: See page 4
Col. (c), line 6: Reflects impact on Company ADIT adjustment from Citizens' revision to pro forma plant addition.

Utilities, Inc. of Florida
 - Eagle Ridge
Test Year Ended December 31, 2015

Docket No. 160101-WS
Exhibit DMR-4
Eagle Ridge Revenue Requirement

Pro Forma Plant Addition Revision
 - WWTP EQ Tank and Headworks Project

Line	Description	Amount in MFRs	Amount per OPC	Adjustment
		(a)	(b)	(c)
	Account 380.4 - EQ Tank and Headworks Project - Plant Portion			
	Plant In Service Adjustment:			
1	Pro forma Plant Addition	350,000	47,275	
2	Plant Retirement (75%)	(262,500)	(35,456)	
3	Plant In Service Adjustment, Net of Retirements	87,500	11,819	(75,681)
	Accumulated Depreciation Adjustment			
4	Pro Forma Plant Retirement	(262,500)	(35,456)	
5	Accumulated Depreciation on Plant Addition	9,772	329	
6	Accumulated Depreciation, Net of Retirements	(252,728)	(35,127)	217,601
	Depreciation Expense:			
7	Pro Forma Depreciation Expense (18 yr. life)	12,152	657	(11,495)
	Account 354.7 - EQ Tank and Headworks Project - Site Improvements Portion			
	Plant In Service Adjustment:			
8	Pro forma Plant Addition	20,000	59,113	
9	Plant Retirement (75% or PIS balance cap)	(15,000)	(39,832)	
10	Plant In Service Adjustment, Net of Retirements	5,000	19,281	14,281
	Accumulated Depreciation Adjustment			
11	Pro Forma Plant Retirement	(15,000)	(39,832)	
12	Accumulated Depreciation on Plant Addition	250	241	
13	Accumulated Depreciation, Net of Retirements	(14,750)	(39,591)	(24,841)
	Depreciation Expense:			
14	Pro Forma Depreciation Expense (40 yr. life)	125	482	357

Source/Notes:

Per OPC recommended pro forma plant addition amounts recommended by Citizens' witness Woodcock.
Col. (b), Line 9: Retirement capped at Account 354.7 plant in service balance at December 31, 2015.
Column (a): Eagle Ridge MFR Schedules A-3 and B-3

Test Year Ended December 31, 2015

Calculation of Revenue Requirement - Water

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	305,242	-	305,242	33,045	338,287	Page 4
2	Operation & Maintenance	189,042	(32,827)	156,215		156,215	Page 4
3	Depreciation, Net of CIAC Amort.	70,889	(191)	70,698		70,698	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	32,040	(18)	32,022	1,487	33,509	Page 4
6	Provision for Income Taxes	(3,203)	12,338	9,135	11,875	21,010	
7	OPERATING EXPENSES	288,768		268,069		281,432	
8	NET OPERATING INCOME	16,474		37,173		56,856	
9	RATE BASE	688,813	7,947	696,760		696,760	Page 5
10	RATE OF RETURN	2.39%				8.16%	Page 8

Source:
Col. (2): Company MFR B-1

Calculation of Revenue Requirement - Wastewater

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	639,372	-	639,372	(218,380)	420,992	Page 4
2	Operation & Maintenance	253,716	(34,094)	219,622		219,622	Page 4
3	Depreciation, Net of CIAC Amort.	99,683	(42,188)	57,495		57,495	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	48,392	(14,695)	33,697	(9,827)	23,870	Page 4
6	Provision for Income Taxes	66,432	44,438	110,870	(78,479)	32,392	
7	OPERATING EXPENSES	468,223		421,684		333,378	
8	NET OPERATING INCOME	171,149		217,688		87,613	
9	RATE BASE	1,931,735	(858,049)	1,073,686		1,073,686	Page 6
10	RATE OF RETURN	8.86%				8.16%	Page 8

Source:
Col. (2): Company MFR B-2

Schedule of Adjustments to Operating Income

Line No.	Description	Water Amount	Wastewater Amount	Reference
	Adjustments to O&M Revenues:			
1				
2	Subtotal	-	-	
3				
4	Adjustments to O&M Expense:			
5	Remove Excessive Unaccount for Water Expense	(460)		(b)
6	Remove Water System Alternatives Analysis Costs from Test Year	(5,020)	(4,980)	Testimony
7	Amortize Water System Alternative Analysis Costs over 5 Years	2,000		Testimony
8	Remove 2013 Rate Case Legal Fees	(505)	(501)	Testimony
9	Remove Prior Rate Case Amortization Expense	(16,714)	(16,581)	Testimony, (c)
10	Remove Prior Rate Case Costs from Current Rate Case Amort. Exp.	(10,843)	(10,757)	Testimony, MFR Sch. B-10
11	Transportation Expense Allocation Correction	64	64	Testimony
12	WSC - Health Insurance Reserve Adjustment	(315)	(313)	Exhibit DMR-19
13	WSC - State - Depreciation Expense Adjustment	(1,034)	(1,026)	Exhibit DMR-20
14	Subtotal	(32,827)	(34,094)	
15				
16	Adjustments to Depreciation:			
17	Reduction to GIS Pro Forma Project	(191)	(190)	Exhibit DMR-21
18	Non-Used & Useful Plant - Depreciation		(41,998)	Page 9
19	Subtotal	(191)	(42,188)	
20				
21	Adjustments to Taxes Other Than Income			
22	Impact of Net Plant Adj. on Property Tax Exp. (17.1026 millage)	(18)	(14,695)	
23	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	-	
24	Subtotal	(18)	(14,695)	
25				
26	Adjustments to Income Taxes			
27	Impact of Rate Base Adjustments on Interest Deduction (a)	(94)	10,203	
28	Impact of Adjustments on Income Taxes (37.63% composite rate)	12,432	34,235	
29	Subtotal	12,338	44,438	

(a) Calculated as total OPC rate base adjustments on pages 5 and 6 x weighted cost of debt of 3.16% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.
(b) Calculated as test year purchase power expense of $8,052 plus Company adjusted test year chemical expense of $1,952 times the UAW water percentage recommended by Citizens' witness Woodcock of 4.60%.
((\$8,052 + \$1,952) x -4.60%)
(c) Amounts from MFR Schedule B-5 and B-6

Utilities, Inc. of Florida
 - Labrador
Test Year Ended December 31, 2015

Rate Base - Water

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	1,118,886	(1,148)	1,117,738
2	Utility Land & Land Rights	523		523
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(457,329)	95	(457,234)
6	Less: CIAC	(342)		(342)
7	Accumulated Amortization CIAC	81		81
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	26,994	9,000	35,994
11	Total Rate Base	688,813	7,947	696,760

Source/Notes:

Col. (1): Company MFR A-1

Col. (2): See Page 7

Rate Base - Wastewater

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	2,852,074	(1,139)	2,850,935
2	Utility Land & Land Rights	-		-
3	Less: Non-Used & Useful Plant	-	(857,005)	(857,005)
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(1,030,276)	95	(1,030,181)
6	Less: CIAC	-		-
7	Accumulated Amortization CIAC	-		-
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	109,937	-	109,937
11	Total Rate Base	1,931,735	(858,049)	1,073,686

Source/Notes:
Col. (1): Company MFR A-2
Col. (2): See Page 7

Utilities, Inc. of Florida
 - Labrador
Test Year Ended December 31, 2015

Docket No. 160101-WS
Exhibit DMR-5
Labrador Revenue Requirement

Schedule of Adjustments to Rate Base

Line No.	Description	Water Amount	Wastewater Amount	Reference:
	Adjustments to Plant in Service			
1	Reduction to GIS Pro Forma Project	(1,148)	(1,139)	Exhibit DMR-21
2	Total Adjustments to Plant in Service	(1,148)	(1,139)	
3				
4	Adjustments to Non-Used and Useful Plant			
5	Non-Used & Useful Plant		(857,005)	Page 9
6	Total Net Non-Used and Useful Adjustment	-	(857,005)	
7				
8	Adjustments to Accumulated Depreciation:			
9	Reduction to GIS Pro Forma Project	(95)	(95)	
10	Total Adjustments to Accumulated Depreciation	(95)	(95)	
11				
12	Adjustments to Working Capital:			
13	Unamortized Water System Alternative Analysis Costs	9,000		Testimony
14	Total Adjustments to Working Capital	9,000	-	

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	1,196,729	45.67%	(393,786)	802,943	45.35%	6.70%	3.04%
2	Short Term Debt	113,654	4.34%	(37,398)	76,256	4.31%	2.32%	0.10%
3	Common Equity	1,272,671	48.57%	(418,775)	853,896	48.23%	10.40%	5.02%
4	Customer Deposits	2,711	0.10%		2,711	0.15%	2.00%	0.00%
5	Tax Credits - Zero Cost	-	0.00%		-	0.00%	0.00%	0.00%
6	ADIT	34,782	1.33%	(142)	34,640	1.96%	0.00%	0.00%
7	Total	2,620,547	100.00%		1,770,446	100.00%		8.16%

Source/Notes:

Col. (a), (b) and (f): See Company MFR Sch. D-1

Col. (d), line 7: See pages 5 and 6.

Col. (c), line 6: Reflects impact on Company ADIT adjustment from Citizens' revision to pro forma plant addition.

Non-Used & Useful Plant

Line No.	Account/Description	PIS	Accum. Deprec.	Deprec. Expense
	Treatment & Disposal Plant:			
1	354.4 - Structures & Improvements	1,479,455	(453,287)	33,289
2	380.4 - Treatment & Disposal Equipment	654,953	(276,122)	36,419
3	381.4 - Plant Sewers	23,402	6,824	695
4	382.4 - Outfall Sewer Lines	5,778	(289)	193
5	389.4 - Other Plant & Misc. Equipment	1,701	111	95
	Total Treatment & Disposal Plant, As Adjusted	2,165,289	(722,763)	70,691
6	Non-Used & Useful, per Citizens	59.41%	59.41%	59.41%
	Non-Used & Useful Adjustment	1,286,398	(429,393)	41,998
7				
	Reduction to Rate Base for Non-Used & Useful		(857,005)	
	Reduction to Depreciation Expense for Non-Used & Useful			(41,998)

Source/Notes:

Lines 1 and 2: Company MFR Schedules A-6, A-10 and B-14.

Line 4: Non-Used & Useful percentage recommended by Citizens' witness Andrew Woodcock.

Test Year Ended December 31, 2015

Page #	Title
Page 2	Calculation of Revenue Requirement - Water
Page 3	Calculation of Revenue Requirement - Wastewater
Page 4	Schedule of Adjustments to Operating Income
Page 5	Rate Base - Water
Page 6	Rate Base - Wastewater
Page 7	Schedule of Adjustments to Rate Base
Page 8	Cost of Capital
Page 9	Non-Used & Useful Plant

Utilities, Inc. of Florida
 - Lake Placid
Test Year Ended December 31, 2015

Docket No. 160101-WS
Exhibit DMR-6
Lake Placid Revenue Requirement

Calculation of Revenue Requirement - Water

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	69,370	-	69,370	9,160	78,530	Page 4
2	Operation & Maintenance	46,994	(3,928)	43,066		43,066	Page 4
3	Depreciation, Net of CIAC Amort.	12,178	(674)	11,504		11,504	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	6,870	-	6,870	412	7,282	Page 4
6	Provision for Income Taxes	(568)	1,709	1,141	3,292	4,432	Page 4
7	OPERATING EXPENSES	65,474		62,581		66,285	
8	NET OPERATING INCOME	3,896		6,789		12,245	
9	RATE BASE	145,417	1,936	147,353		147,353	Page 5
10	RATE OF RETURN	2.68%				8.31%	Page 8

Source:
Col. (2): Company MFR B-1. Amount on line 6 from Company MFR C-2.

Calculation of Revenue Requirement - Wastewater

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	72,690	-	72,690	(5,670)	67,020	Page 4
2	Operation & Maintenance	50,489	(3,856)	46,633		46,633	Page 4
3	Depreciation, Net of CIAC Amort.	17,393	(8,525)	8,868		8,868	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	7,324	-	7,324	(255)	7,069	Page 4
6	Provision for Income Taxes	(2,667)	5,829	3,162	(2,038)	1,124	Page 4
7	OPERATING EXPENSES	72,539		65,987		63,694	
8	NET OPERATING INCOME	151		6,703		3,326	
9	RATE BASE	137,478	(97,451)	40,028		40,028	Page 6
10	RATE OF RETURN	0.11%				8.31%	Page 8

Source:
Col. (2): Company MFR B-2. Amount on line 6 from Company MFR C-2.

Schedule of Adjustments to Operating Income

Line No.	Description	Water Amount	Wastewater Amount	Reference
	Adjustments to O&M Revenues:			
1				
2	Subtotal	-	-	
3				
4	Adjustments to O&M Expense:			
5	Remove Excessive Unaccount for Water Expense	(108)		(c)
6	Remove Prior Rate Case Amortization Expense	(2,586)	(2,606)	Testimony, (b)
7	Remove Prior Rate Case Costs from Current Rate Case Amort. Exp.	(1,011)	(1,025)	Testimony, MFR Sch. B-10
8	Transportation Expense Allocation Correction	12	12	Testimony
9	WSC - Health Insurance Reserve Adjustment	(57)	(57)	Exhibit DMR-19
10	WSC - State - Depreciation Expense Adjustment	(178)	(180)	Exhibit DMR-20
11	Subtotal	(3,928)	(3,856)	
12				
13	Adjustments to Depreciation:			
14	Reduction to GIS Pro Forma Project	(149)	(151)	Exhibit DMR-21
15	Remove Depreciation Expense on Assets Fully Depreciated at Start of TY	(525)	(956)	Testimony
16	Non-Used & Useful Plant - Depreciation Expense		(7,418)	Page 9
17	Subtotal	(674)	(8,525)	
18				
19	Adjustments to Taxes Other Than Income			
20				
21	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	-	
22	Subtotal	-	-	
23				
24	Adjustments to Income Taxes			
25	Impact of Rate Base Adjustments on Interest Deduction (a)	(23)	1,170	
26	Impact of Adjustments on Income Taxes (37.63% composite rate)	1,732	4,659	
27	Subtotal	1,709	5,829	

(a) Calculated as total OPC rate base adjustments on pages 5 and 6 x weighted cost of debt of 3.19% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.

(b) Amounts from Company MFR Schedules B-5 and B-6

(c) Calculated as test year purchase power expense of $3,117 plus Company adjusted test year chemical expense of $399 times the UAW water percentage recommended by Citizens' witness Woodcock of 3.06%. (($3,117 + $399) x -3.06%)

Utilities, Inc. of Florida
 - Lake Placid
Test Year Ended December 31, 2015

Rate Base - Water

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	511,465	(14,084)	497,381
2	Utility Land & Land Rights	2,799		2,799
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(232,108)	16,020	(216,089)
6	Less: CIAC	(235,199)		(235,199)
7	Accumulated Amortization CIAC	92,146		92,146
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	6,314	-	6,314
11	Total Rate Base	145,417	1,936	147,353

Source/Notes:
Col. (1): Company MFR A-1
Col. (2): See Page 7

Rate Base - Wastewater

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	806,546	(4,096)	802,450
2	Utility Land & Land Rights	21,665		21,665
3	Less: Non-Used & Useful Plant	-	(89,885)	(89,885)
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(543,007)	(3,470)	(546,477)
6	Less: CIAC	(335,881)		(335,881)
7	Accumulated Amortization CIAC	180,809		180,809
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	7,346	-	7,346
11	Total Rate Base	137,478	(97,451)	40,028

Source/Notes:
Col. (1): Company MFR A-2
Col. (2): See Page 7

Schedule of Adjustments to Rate Base

Line No.	Description	Water Amount	Wastewater Amount	Reference:
	Adjustments to Plant in Service			
1	Reduction to GIS Pro Forma Project	(893)	(906)	Exhibit DMR-21
2	Remove Account 304.3 - Structures & Improvements (fully depreciated)	(13,191)		Testimony
3	Remove Account 352.1 - Franchises (fully depreciated)		(1,250)	Testimony
4	Remove Account 382.4 - Outfall Sewer Lines (fully depreciated)		(1,940)	Testimony
5	Total Adjustments to Plant in Service	(14,084)	(4,096)	
6				
7	Adjustments to Non-Used and Useful Plant			
8	Remove Non-Used and Useful Plant		(89,885)	Page 9
9	Total Net Non-Used and Useful Adjustment	-	(89,885)	
10				
11	Adjustments to Accumulated Depreciation:			
12	Reduction to GIS Pro Forma Project	(75)	(76)	
13	Remove Account 304.3 - Structures & Improvements (fully depreciated)	(15,945)		Testimony
14	Remove Account 352.1 - Franchises (fully depreciated)		(1,314)	Testimony
15	Remove Account 382.4 - Outfall Sewer Lines (fully depreciated)		(2,080)	Testimony
16	Total Adjustments to Accumulated Depreciation	(16,020)	(3,470)	
17				
18	Adjustments to Working Capital:			
19				
20	Total Adjustments to Working Capital	-	-	

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	130,743	46.22%	(44,252)	86,491	46.16%	6.70%	3.09%
2	Short Term Debt	12,417	4.39%	(4,203)	8,214	4.38%	2.32%	0.10%
3	Common Equity	139,039	49.15%	(47,060)	91,979	49.09%	10.40%	5.11%
4	Customer Deposits	696	0.25%		696	0.37%	2.00%	0.01%
5	Tax Credits - Zero Cost	-	0.00%		-	0.00%	0.00%	0.00%
6	ADIT	-	0.00%		-	0.00%	0.00%	0.00%
7	Total	282,895	100.00%		187,380	100.00%		8.31%

Source/Notes:
Col. (a), (b) and (f): See Company MFR Sch. D-1
Col. (d), line 7: See page 4
Col. (f), Line 3: Corrected amount per Company response to Staff ROG 110.

Non-Used & Useful Plant

Line No.	Account/Description	PIS	Accum. Deprec.	Deprec. Expense	
	Treatment & Disposal Plant:				
1	353.4 - Land & Land Rights	21,665			
2	354.4 - Structures & Improvements	237,176	(158,856)	7,455	
3	380.4 - Treatment & Disposal Equipment	55,927	(28,422)	3,105	
4	381.4 - Plant Sewers	392	141	6	
5	382.4 - Outfall Sewer Lines	-	-	-	(a)
6	Total Treatment & Disposal Plant, As Adjusted	315,160	(187,137)	10,566	
7	Non-Used & Useful, per Citizens	70.21%	70.21%	70.21%	
8	Non-Used & Useful Adjustment	221,274	(131,389)	7,418	
9	Reduction to Rate Base for Non-Used & Useful		(89,885)		
10	Reduction to Depreciation Expense for Non-Used & Useful			(7,418)	

Source/Notes:

Lines 1 and 2: Company MFR Schedules A-6, A-10 and B-14.

Line 4: Non-Used & Useful percentage recommended by Citizens' witness Andrew Woodcock.

(a) Includes impact of recommended removal of balances and depreciation expense for Account 382.4 as the assets in Account 382.4 were fully depreciated by the start of the test year.

Test Year Ended December 31, 2015

Calculation of Revenue Requirement - Wastewater

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	808,813	-	808,813	35,316	844,129	Page 3
2	Operation & Maintenance	437,716	(9,945)	427,771		427,771	Page 3
3	Depreciation, Net of CIAC Amort.	46,630	70,613	117,243		117,243	Page 3
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	99,619	(6,431)	93,188	1,589	94,777	Page 3
6	Provision for Income Taxes	58,714	(17,078)	41,636	12,691	54,327	
7	OPERATING EXPENSES	642,679		679,838		694,119	
8	NET OPERATING INCOME	166,134		128,975		150,010	
9	RATE BASE	2,702,092	(347,145)	2,354,948		2,354,948	Page 4
10	RATE OF RETURN	6.15%				6.37%	Page 6

Source:
Col. (2): Company MFR B-2

Schedule of Adjustments to Operating Income

Line No.	Description	Amount	Reference:
	Adjustments to O&M Revenues:		
1			
2	Subtotal	-	
3			
4	Adjustments to O&M Expense:		
5	Remove Pro Forma Purchase Power Expense Adjustment	(7,147)	Testimony
6	Transportation Expense Allocation Correction	142	Testimony
7	WSC - Health Insurance Reserve Adjustment	(696)	Exhibit DMR-19
8	WSC - State - Depreciation Expense Adjustment	(2,244)	Exhibit DMR-20
9	Subtotal	(9,945)	
10			
11	Adjustments to Depreciation:		
12	Reduction to GIS Pro Forma Project	(1,788)	Exhibit DMR-21
13	Remove Generator Plant Transfer Adjustment	4,994	Testimony, MFR B-3
14	Remove WWTP Plant Retirement Adjustment	72,064	Testimony, MFR B-3
15	Remove I&I Remediation Pro Forma Addition - Depreciation Exp.	(9,778)	(b)
16	Add Back I&I Study - Depreciation Expense (30 year life)	1,667	(b), (c)
17	Church Ave. Relocation Proj. - Retirement Cap (30 year life)	3,454	(d)
18	Subtotal	70,613	
19			
20	Adjustments to Taxes Other Than Income		
21	Impact of Net Plant Adj. on Property Tax Exp. (18.5264 millage)	(6,431)	
22	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	
23	Subtotal	(6,431)	
24			
25	Adjustments to Income Taxes		
26	Impact of Rate Base Adjustments on Interest Deduction (a)	3,331	
27	Impact of Adjustments on Income Taxes (37.63% composite rate)	(20,409)	
28	Subtotal	(17,078)	

(a) Calculated as total OPC rate base adjustments on page 4 x weighted cost of debt of 2.55% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.
(b) Adjustment sponsored by Citizens' Witness Woodcock.
(c) Calculated as plant addition amount on page 5 divided by 30 year depreciation life.
(d) Impact of capping retirement on test year end plant balance. Calculated as increase in plant in service caused by retirement cap shown on page 5 divided by 30 year depreciation life.

Rate Base - Wastewater

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	2,871,457	1,577,208	4,448,665
2	Utility Land & Land Rights	229,155		229,155
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(359,038)	(1,924,353)	(2,283,391)
6	Less: CIAC	(1,675,009)		(1,675,009)
7	Accumulated Amortization CIAC	1,635,514		1,635,514
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	13	-	13
11	Total Rate Base	2,702,092	(347,145)	2,354,948

Source/Notes:
Col. (1): Company MFR A-2
Col. (2): See Page 5

Schedule of Adjustments to Rate Base

Line No.	Description	Amount	Reference
	Adjustments to Plant in Service		
1	Reduction to GIS Pro Forma Project	(10,728)	Exhibit DMR-21
2	Remove Generator Plant Transfer Adjustment	89,900	Testimony, MFR A-3
3	Remove WWTP Plant Retirement Adjustment	1,784,406	Testimony, MFR A-3
4	Remove I&I Remediation Pro Forma Addition	(440,000)	(a)
5	Add back I&I Study	50,000	(a)
6	Church Ave. Relocation Proj. - Retirement Cap	103,630	(b)
7	Total Adjustments to Plant in Service	1,577,208	
8			
9	Adjustments to Non-Used and Useful Plant		
10			
11	Total Net Non-Used and Useful Adjustment	-	
12			
13	Adjustments to Accumulated Depreciation:		
14	Reduction to GIS Pro Forma Project	(894)	
15	Remove Generator Plant Transfer Adjustment	39,539	Testimony, MFR A-3
16	Remove WWTP Plant Retirement Adjustment	1,784,406	Testimony, MFR A-3
17	Remove I&I Remediation Pro Forma Addition	(4,889)	(a)
18	Add Back I&I Study - Accumulated Depreciation	834	50% of Dep Exp
19	Church Ave. Relocation Proj. - Retirement Cap	103,630	(b)
20	Church Ave. Relocation Proj. - Pro Forma	1,727	(c)
21	Total Adjustments to Accumulated Depreciation	1,924,353	
	Adjustments to Working Capital:		
	Total Adjustments to Working Capital	-	

(a) Adjustment sponsored by Citizens' Witness Woodcock.

(b) Company's filing included retirement to Account 360.2 of $127,500 based on 75% of pro forma cost. Actual plant in service balance in Account 360.2 as of 12/31/15 was $23,870. Adjustment caps the retirement at the $23,870 plant balance, resulting in $103,630 increase in plant in service and accumulated depreciation.

(c) 50% of depreciation expense adjustment on page 3.

Utilities, Inc. of Florida
 - Longwood
Test Year Ended December 31, 2015

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts (a)	Per UIF Ratio (b)	OPC Adjustments (c)	Per OPC Adjusted (d)	Per OPC Ratio (e)	Per OPC Cost Rate (f)	Per OPC Weighted Cost (g)
1	Long Term Debt	991,780	36.70%	(159,311)	832,469	35.35%	6.70%	2.37%
2	Short Term Debt	94,190	3.49%	(15,130)	79,060	3.36%	2.32%	0.08%
3	Common Equity	1,054,716	39.03%	(169,421)	885,295	37.59%	10.40%	3.91%
4	Customer Deposits	10,986	0.41%		10,986	0.47%	2.00%	0.01%
5	Tax Credits - Zero Cost	-	0.00%		-	0.00%	0.00%	0.00%
6	ADIT	550,420	20.37%	(3,283)	547,137	23.23%	0.00%	0.00%
7	Total	2,702,092	100.00%		2,354,948	100.00%		6.37%

Source/Notes:
Col. (a), (b) and (f): See Company MFR Sch. D-1
Col. (d), line 7: See page 4
Col. (f), Line 3: Corrected amount per Company response to Staff ROG 110.
Column (c), line 6: Reflects impact of Citizens' adjustments to the pro forma plant additions on the Company's ADIT adjustment.

Calculation of Revenue Requirement - Water

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	5,484,612	-	5,484,612	(147,253)	5,337,359	Page 4
2	Operation & Maintenance	2,244,087	(60,410)	2,183,677		2,183,677	Page 4
3	Depreciation, Net of CIAC Amort.	968,146	(12,819)	955,327		955,327	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	564,874	299	565,173	(6,626)	558,547	Page 4
6	Provision for Income Taxes	457,475	27,444	484,919	(52,918)	432,001	
7	OPERATING EXPENSES	4,234,582		4,189,096		4,129,552	
8	NET OPERATING INCOME	1,250,030		1,295,516		1,207,807	
9	RATE BASE	16,953,271	(430,602)	16,522,669		16,522,669	Page 5
10	RATE OF RETURN	7.37%				7.31%	Page 8

Source:
Col. (2): Company MFR B-1

Calculation of Revenue Requirement - Wastewater

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	2,305,689	-	2,305,689	197,925	2,503,614	Page 4
2	Operation & Maintenance	840,985	(63,944)	777,041		777,041	Page 4
3	Depreciation, Net of CIAC Amort.	621,580	(73,113)	548,467		548,467	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	350,663	(3,193)	347,470	8,907	356,377	Page 4
6	Provision for Income Taxes	78,466	69,834	148,300	71,128	219,428	
7	OPERATING EXPENSES	1,891,694		1,821,278		1,901,312	
8	NET OPERATING INCOME	413,995		484,411		602,302	
9	RATE BASE	9,802,548	(1,563,119)	8,239,429		8,239,429	Page 6
10	RATE OF RETURN	4.22%				7.31%	Page 8

Source:
Col. (2): Company MFR B-2

Schedule of Adjustments to Operating Income

Line No.	Description	Water Amount	Wastewater Amount	Reference
	Adjustments to O&M Revenues:			
1				
2	Subtotal	-	-	
3				
4	Adjustments to O&M Expense:			
5	Remove Unsupported Additional Employee - Salary & Wages	(20,623)	(6,377)	Testimony
6	Remove Unsupported Additional Employee - Benefits	(6,187)	(1,913)	Testimony
7	Sludge Dewatering Equipment Cost Savings		(42,000)	Testimony
8	Remove Pro Forma Purchase Power Expense Adjustment	(14,209)	(7,657)	Testimony
9	Transportation Expense Allocation Correction	986	305	Testimony
10	WSC - Health Insurance Reserve Adjustment	(4,768)	(1,475)	Exhibit DMR-19
11	WSC - State - Depreciation Expense Adjustment	(15,609)	(4,827)	Exhibit DMR-20
12	Subtotal	(60,410)	(63,944)	
13				
14	Adjustments to Depreciation:			
15	Reduction to GIS Pro Forma Project	(12,381)	(3,829)	Exhibit DMR-21
16	Revise Non-Used & Useful Percentage, Depreciation Expense		(19,037)	Page 12
17	Remove Application of Non-Used & Useful to Amortization of CIAC		(48,890)	Testimony, MFR B-14
18	Reduction to Sludge Dewatering Equipment Project (18 year life)		(278)	
19	Recommended Reduction in SCADA System Project Costs	(999)	(111)	Page 9
20	Recommended Reduction in Splitter Box Replacement Project Cost		(84)	Page 10
21	Recommended Reduction to US 27 North Relocation Project Costs	561	(1,725)	Page 11
22	Recommended Reduction to US 27 North Relocation (Reuse Mains)		841	Page 11
23	Subtotal	(12,819)	(73,113)	
24				
25	Adjustments to Taxes Other Than Income			
26	Impact of Net Plant Adj. on Property Tax Exp. (15.4121 millage)	299	(2,705)	
27	Remove Unsupported Additional Employee - Payroll Taxes		(488)	Testimony
28	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	-	
29	Subtotal	299	(3,193)	
30				
31	Adjustments to Income Taxes			
32	Impact of Rate Base Adjustments on Interest Deduction (a)	-	17,058	
	Impact of Adjustments on Income Taxes (37.63% composite rate)	27,444	52,776	
	Subtotal	27,444	69,834	

(a) Calculated as total OPC rate base adjustments on pages 5 and 6 x weighted cost of debt of 2.90% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.

Rate Base - Water

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	42,174,245	(60,143)	42,114,102
2	Utility Land & Land Rights	112,871		112,871
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(11,712,849)	79,542	(11,633,308)
6	Less: CIAC	(20,696,093)		(20,696,093)
7	Accumulated Amortization CIAC	6,742,925		6,742,925
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Advances for Construction	(38,400)		(38,400)
11	Working Capital Allowance	370,572	(450,000)	(79,428)
12	Total Rate Base	16,953,271	(430,602)	16,522,669

Source/Notes:
Col. (1): Company MFR A-1
Col. (2): See Page 7

Rate Base - Wastewater

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	25,206,425	(72,069)	25,134,356
2	Utility Land & Land Rights	19,459		19,459
3	Less: Non-Used & Useful Plant	(1,222,003)	(1,387,617)	(2,609,620)
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(5,952,127)	(103,434)	(6,055,561)
6	Less: CIAC	(12,115,037)		(12,115,037)
7	Accumulated Amortization CIAC	3,815,915		3,815,915
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	49,916	-	49,916
11	Total Rate Base	9,802,548	(1,563,119)	8,239,429

Source/Notes:
Col. (1): Company MFR A-2
Col. (2): See Page 7

Schedule of Adjustments to Rate Base

Line No.	Description	Water Amount	Wastewater Amount	Reference:
	Adjustments to Plant in Service			
1	Reduction to GIS Pro Forma Project	(74,285)	(22,972)	Exhibit DMR-21
2	Reduction to Sludge Dewatering Equipment Project		(5,000)	(a)
3	Recommended Reduction in SCADA System Project Costs	(9,988)	(1,110)	Page 9
4	Recommended Reduction in Splitter Box Replacement Project Cost		(1,500)	Page 10
5	Recommended Reduction to US 27 North Relocation Project Costs	24,130	(77,621)	Page 11
6	Recommended Reduction to US 27 North Relocation (Reuse Mains)		36,134	Page 11
7	Total Adjustments to Plant in Service	(60,143)	(72,069)	
8				
9	Adjustments to Non-Used and Useful Plant			
10	Revise Non-Used & Useful Percentage, Net Plant		(304,578)	Page 12
11	Remove Application of Non-Used & Useful to CIAC		(1,656,177)	Testimony, MFR A-3
12	Remove Application of Non-Used & Useful to Accum. Amort. CIAC		573,138	Testimony, MFR A-3
13	Total Net Non-Used and Useful Adjustment	-	(1,387,617)	
14				
15	Adjustments to Accumulated Depreciation:			
16	Reduction to GIS Pro Forma Project	(6,191)	(1,915)	
17	Reduction to Sludge Dewatering Equipment Project		(139)	(a)
18	Recommended Reduction in SCADA System Project Costs	(499)	(55)	Page 9
19	Recommended Reduction in Splitter Box Replacement Project Cost		2,709	Page 10
20	Recommended Reduction to US 27 North Relocation Project Costs	(72,852)	199,275	Page 11
21	Recommended Reduction to US 27 North Relocation (Reuse Mains)		(96,442)	Page 11
22	Total Adjustments to Accumulated Depreciation	(79,542)	103,434	
23				
24	Adjustments to Working Capital:			
25	Remove Pro Forma Deferred Debit from Working Capital	(450,000)		(a)
	Total Adjustments to Working Capital	(450,000)	-	

(a) Adjustment sponsored by Citizens witness Woodcock.

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	11,186,553	41.81%	(1,129,753)	10,056,800	40.61%	6.70%	2.72%
2	Short Term Debt	1,062,397	3.97%	(107,294)	955,103	3.86%	2.32%	0.09%
3	Common Equity	11,896,427	44.46%	(1,201,444)	10,694,983	43.19%	10.40%	4.49%
4	Customer Deposits	100,776	0.38%		100,776	0.41%	2.00%	0.01%
5	Tax Credits - Zero Cost	-	0.00%		-	0.00%	0.00%	0.00%
6	ADIT	2,509,667	9.38%	444,769	2,954,436	11.93%	0.00%	0.00%
7	Total	26,755,820	100.00%		24,762,098	100.00%		7.31%

Source/Notes:

Col. (a), (b) and (f): See Company MFR Sch. D-1

Col. (d), line 7: See pages 5 & 6

Col. (c), line 6: Reflects impact on Company ADIT adjustment from Citizens' revisions to pro forma plant additions and inclusion of bonus depreciation impacts on pro forma water and re-use projects, as adjusted.

Pro Forma Plant Addition Adjustments
- SCADA System

Line	Description	Amount in MFRs (a)	Amount per OPC (b)	Adjustment (c)
	Scada System - Water Portion			
	Plant In Service Adjustment:			
1	Pro forma Plant Addition	423,000	413,012	(9,988)
	Accumulated Depreciation Adjustment			
2	Accumulated Depreciation on Plant Addition	21,150	20,651	(499)
	Depreciation Expense:			
3	Pro Forma Depreciation Expense (10 yr. life)	42,300	41,301	(999)
	Scada System - Wastewater Portion			
	Plant In Service Adjustment:			
4	Pro forma Plant Addition	47,000	45,890	(1,110)
	Accumulated Depreciation Adjustment			
5	Accumulated Depreciation on Plant Addition	2,350	2,295	(55)
	Depreciation Expense:			
6	Pro Forma Depreciation Expense (10 yr. life)	4,700	4,589	(111)

Source/Notes:

Per OPC recommended pro forma plant addition amounts recommended by Citizens' witness Woodcock. Mr. Woodcock's recommended project cost for the SCADA System of $458,902 was allocated in above adjustment between water and wastewater system using percentage allocation of per Company split on MFR Schedule A-3.

Column (a): LUSI MFR Schedules A-3 and B-3

Pro Forma Plant Addition Adjustments
 - Lake Grove WWTP - Splitter Box Replacement

Line	Description	Amount in MFRs	Amount per OPC	Adjustment
		(a)	(b)	(c)
	Account 380.4 - Lake Grove WWTP - Splitter Box Replacement			
	Plant In Service Adjustment:			
1	Pro forma Plant Addition	84,000	78,000	
2	Plant Retirement (75% of Line 1)	(63,000)	(58,500)	
3	Plant In Service Adjustment, Net of Retirements	21,000	19,500	(1,500)
	Accumulated Depreciation Adjustment			
4	Pro Forma Plant Retirement	(63,000)	(58,500)	
5	Accumulated Depreciation on Plant Addition	2,333	542	
6	Accumulated Depreciation, Net of Retirements	(60,667)	(57,958)	2,709
	Depreciation Expense:			
7	Pro Forma Depreciation Expense (18 yr. life)	1,167	1,083	(84)

Source/Notes:

Per OPC recommended pro forma plant addition amounts recommended by Citizens' witness Woodcock.

Column (a): LUSI MFR Schedules A-3 and B-3

Pro Forma Plant Addition Adjustments
 - US 27 North - Utility Relocations

Line	Description	Amount in MFRs	Amount per OPC	Adjustment
		(a)	(b)	(c)
	Account 331.4 - US 27 North - Utility Relocations - Water			
	Plant In Service Adjustment:			
1	Pro forma Plant Addition	1,140,122	1,227,777	
2	Plant Retirement (per Company amount)	(826,269)	(889,794)	
3	Plant In Service Adjustment, Net of Retirements	313,853	337,983	24,130
	Accumulated Depreciation Adjustment			
4	Pro Forma Plant Retirement	(826,269)	(889,794)	
5	Accumulated Depreciation on Plant Addition	13,257	3,930	
6	Accumulated Depreciation, Net of Retirements	(813,012)	(885,864)	(72,852)
	Depreciation Expense:			
7	Pro Forma Depreciation Expense (43 yr. life)	7,299	7,860	561
	Account 361.2 - US 27 North - Utility Relocations - Wastewater			
	Plant In Service Adjustment:			
8	Pro forma Plant Addition	523,335	241,363	
9	Plant Retirement (per Company amount)	(379,271)	(174,920)	
10	Plant In Service Adjustment, Net of Retirements	144,064	66,443	(77,621)
	Accumulated Depreciation Adjustment			
11	Pro Forma Plant Retirement	(379,271)	(174,920)	
12	Accumulated Depreciation on Plant Addition	5,815	739	
13	Accumulated Depreciation, Net of Retirements	(373,456)	(174,181)	199,275
	Depreciation Expense:			
14	Pro Forma Depreciation Expense (45 yr. life)	3,202	1,477	(1,725)
	Account 375.6 - US 27 North - Utility Relocations - Reuse Main			
	Plant In Service Adjustment:			
15	Pro forma Plant Addition	205,596	336,860	
16	Plant Retirement (per Company amount)	(149,000)	(244,130)	
17	Plant In Service Adjustment, Net of Retirements	56,596	92,730	36,134
	Accumulated Depreciation Adjustment			
18	Pro Forma Plant Retirement	(149,000)	(244,130)	
19	Accumulated Depreciation on Plant Addition	2,391	1,079	
20	Accumulated Depreciation, Net of Retirements	(146,609)	(243,051)	(96,442)
	Depreciation Expense:			
21	Pro Forma Depreciation Expense (43 yr. life)	1,316	2,157	841

Source/Notes:

Per OPC recommended pro forma plant addition amounts recommended by Citizens' witness Woodcock.
OPC plant retirements based on per Company ratio of retirements to additions for the US 27 North
Utility Relocation Project, which is slightly below 75% due to exclusion of Phase III Engineering from retirements.

Column (a): LUSI MFR Schedules A-3 and B-3

Non-Used & Useful Plant, Revised Percentage

Line No.	Account/Description	PIS	Accum. Deprec.	Deprec. Expense
	Treatment & Disposal Plant:			
1	353.3 - Land and Land Rights	19,459		
2	354.4 - Structures & Improvements	2,962,735	(1,144,825)	92,596
3	355.4 - Power Gen Equipment	907	(321)	45
4	380.4 - Treatment & Disposal Equipment	4,486,057	(788,651)	257,421
5	Adjustments to Pro Forma Account 380.4 Additions:			
6	- Revise Lake Grove Splitter Box Replacement Amount	(1,500)	2,709	(84)
7	- Revise Sludge Dewatering Equipment Amount	(5,000)	(139)	(278)
8	381.4 - Plant Sewers	71,800	8,300	2,258
9	382.4 Outfall Sewer Lines	2,049	4,547	68
10	Total Treatment & Disposal Plant, As Adjusted	7,536,507	(1,918,380)	352,026
11	Non-Used & Useful Percent, per Citizens	46.45%	46.45%	46.45%
12	Non-Used & Useful, per Citizens	3,500,708	(891,088)	163,516
13	Non-Used & Useful, per Company (41%)	3,092,632	(787,590)	144,479
14	Additional Non-U&U Amount, Per Citizens	408,076	(103,498)	19,037
15	Reduction to Rate Base for Non-Used & Useful		(304,578)	
16	Reduction to Depreciation Expense for Non-Used & Useful			(19,037)

Source/Notes:

Lines 1 - 4, 8 - 9 and 13: Company MFR Schedules A-6, A-10 and B-14.

Lines 6 and 7: See pages 4 and 7.

Line 11: Non-Used & Useful percentage recommended by Citizens' witness Andrew Woodcock.

Test Year Ended December 31, 2015

Calculation of Revenue Requirement - Wastewater

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	1,790,020	-	1,790,020	117,278	1,907,298	Page 3
2	Operation & Maintenance	1,170,008	(53,220)	1,116,788		1,116,788	Page 3
3	Depreciation, Net of CIAC Amort.	279,517	(66,682)	212,835		212,835	Page 3
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	147,398	(27,717)	119,682	5,278	124,959	Page 3
6	Provision for Income Taxes	4,519	75,870	80,389	42,146	122,535	
7	OPERATING EXPENSES	1,601,442		1,529,693		1,577,117	
8	NET OPERATING INCOME	188,578		260,327		330,182	
9	RATE BASE	5,651,325	(1,687,559)	3,963,767		3,963,767	Page 4
10	RATE OF RETURN	3.34%				8.33%	Page 6

Source:
Col. (2): Company MFR B-2. Amount on line 6 from Company MFR C-2.

Schedule of Adjustments to Operating Income

Line No.	Description	Amount	Reference:
	Adjustments to O&M Revenues:		
1			
2	Subtotal	-	
3			
4	Adjustments to O&M Expense:		
5	Remove Unsupported Additional Employee - Salary & Wages	(27,000)	Testimony
6	Remove Unsupported Additional Employee - Benefits	(8,100)	Testimony
7	Cost Savings from Methanol Pump Post TY Project	(4,220)	Testimony
8	Remove Duplicate DEP WWTP permit expense	(5,000)	Testimony
9	Remove 2016 Sludge Removal Expense Accrued in 2015	(3,600)	Testimony
10	Transportation Expense Allocation Correction	472	Testimony
11	WSC - Health Insurance Reserve Adjustment	(1,381)	Exhibit DMR-19
12	WSC - State - Depreciation Expense Adjustment	(4,391)	Exhibit DMR-20
13	Subtotal	(53,220)	
14			
15	Adjustments to Depreciation:		
16	Reduction to GIS Pro Forma Project	(5,929)	Exhibit DMR-21
17	Remove South Plant Blower Replacement Project (net of retirements)	(6,667)	Testimony
18	Remove 361.2 - I&I Deficiency Corrections	(11,111)	(b)
19	Revised Methanol Pumps & Nutrient Analyzer ($92,576 supported)	(213)	Page 8
20	Remove Generator Replacement, Net of Retirements	(17,050)	(b)
21	Revise US 19 Road Relocation - FM	(2,089)	Page 9
22	Revise US 19 Road Relocation - GM	366	Page 9
23	Revise Flow Monitoring & Analysis	(200)	(c)
24	Remove Electrical Improvement Project	(20,639)	
25	Non-Used & Useful Plant - Depreciation	(3,150)	Page 7
26	Subtotal	(66,682)	
27			
28	Adjustments to Taxes Other Than Income		
29	Impact of Net Plant Adjustments on Property Taxes	(25,651)	.0152 millage rate
30	Remove Unsupported Additional Employee - Payroll Taxes	(2,066)	Testimony
31	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	
32	Subtotal	(27,717)	
33			
34	Adjustments to Income Taxes		
35	Impact of Rate Base Adjustments on Interest Deduction (a)	20,321	
36	Impact of Adjustments on Income Taxes (37.63% composite rate)	55,549	
37	Subtotal	75,870	

(a) Calculated as total OPC rate base adjustments on page 4 x weighted cost of debt of 3.20% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.
(b) Adjustment sponsored by Citizens' Witness Andrew Woodcock
(c) Citizens Witness Woodcock recommends an $1,000 reduction to project costs resulting in a $200 reduction to amortization expense.

Rate Base - Wastewater

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	9,490,103	(1,109,711)	8,380,392
2	Utility Land & Land Rights	19,567		19,567
3	Less: Non-Used & Useful Plant	-	(18,669)	(18,669)
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(3,257,580)	(559,178)	(3,816,758)
6	Less: CIAC	(3,144,687)		(3,144,687)
7	Accumulated Amortization CIAC	2,359,047		2,359,047
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	184,875	-	184,875
11	Total Rate Base	5,651,325	(1,687,559)	3,963,767

Source/Notes:
Col. (1): Company MFR A-2
Col. (2): See Page 5

Schedule of Adjustments to Rate Base

Line No.	Description	Amount	Reference:
	Adjustments to Plant in Service		
1	Remove South Plant Blower Replacement Project (net of retirements)	(100,000)	Testimony
2	Remove 361.2 - I&I Deficiency Corrections	(500,000)	(a)
3	Revised Methanol Pumps & Nutrient Analyzer ($92,576 supported)	(1,856)	Page 8
4	Remove Generator Replacement, Net of Retirements	(85,250)	(a)
5	Revise US 19 Road Relocation - FM	(11,987)	Page 9
6	Revise US 19 Road Relocation - GM	(2,544)	Page 9
7	Revise Flow Monitoring & Analysis	(1,000)	(b)
8	Remove Electrical Improvement Project	(371,500)	(a)
9	Reduction to GIS Pro Forma Project	(35,575)	Exhibit DMR-21
10	Total Adjustments to Plant in Service	(1,109,711)	
11			
12	Adjustments to Non-Used and Useful Plant		
13	Non-Used & Useful Plant	(18,669)	Page 7
14	Total Net Non-Used and Useful Adjustment	(18,669)	
15			
16	Adjustments to Accumulated Depreciation:		
17	Remove South Plant Blower Replacement Project (net of retirements)	286,667	Testimony
18	Remove 361.2 - I&I Deficiency Corrections	(5,556)	(a)
19	Revised Methanol Pumps & Nutrient Analyzer ($92,576 supported)	3,433	Page 8
20	Remove Generator Replacement, Net of Retirements	247,225	(a)
21	Revise US 19 Road Relocation - FM	33,823	Page 9
22	Revise US 19 Road Relocation - GM	6,970	Page 9
23	Revise Flow Monitoring & Analysis	(100)	(b)
24	Remove Electrical Improvement Project	(10,319)	(a)
25	Reduction to GIS Pro Forma Project	(2,965)	
26	Total Adjustments to Accumulated Depreciation	559,178	
27			
28	Adjustments to Working Capital:		
29			
30	Total Adjustments to Working Capital	-	

(a) Adjustment sponsored by Citizens' Witness Woodcock.
(b) Citizens Witness Woodcock recommends project costs in filing be reduced from $81,000 to $80,000, resulting in an $1,000 reduction to project costs and $100 reduction to Accum. Amort.

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	2,618,259	46.33%	(781,846)	1,836,413	46.33%	6.70%	3.10%
2	Short Term Debt	248,658	4.40%	(74,252)	174,406	4.40%	2.32%	0.10%
3	Common Equity	2,784,408	49.27%	(831,460)	1,952,948	49.27%	10.40%	5.12%
4	Customer Deposits	-	0.00%		-	0.00%	2.00%	0.00%
5	Tax Credits - Zero Cost	-	0.00%		-	0.00%	0.00%	0.00%
6	ADIT	-	0.00%		-	0.00%	0.00%	0.00%
7	Total	5,651,325	100.00%		3,963,767	100.00%		8.33%

Source/Notes:
Col. (a), (b) and (f): See Company MFR Sch. D-1
Col. (d), line 7: See page 4

Non-Used & Useful Plant

Line No.	Account/Description	PIS	Accum. Deprec.	Deprec. Expense
	Treatment & Disposal Plant:			
1	353.3 - Land and Land Rights	18,403		
2	354.4 - Structures & Improvements	149,985	(4,555)	4,735
3	355.4 - Power Gen Equipment	476	(87)	24
4	380.4 - Treatment & Disposal Equipment	1,562,887	(460,789)	87,057
5	Adjustments to Pro Forma Account 380.4 Additions:			
6	- Remove Cancelled South Plant Blower Project	(100,000)	(286,667)	(6,667)
7	- Remove Electrical Improvement Project	(371,500)	10,319	(20,639)
8	- Remove Generator Replacement Project	(85,250)	(247,225)	(17,050)
9	381.4 - Plant Sewers	67,280	36,176	1,950
10	382.4 Outfall Sewer Lines	222	478	7
11	389.4 - Other Plant & Misc. Equipment	6,347	(1,563)	353
12	Total Treatment & Disposal Plant, As Adjusted	1,248,850	(953,913)	49,770
13	Non-Used & Useful, per Citizens	6.33%	6.33%	6.33%
14	Non-Used & Useful Adjustment	79,052	(60,383)	3,150
15	Reduction to Rate Base for Non-Used & Useful		(18,669)	
16	Reduction to Depreciation Expense for Non-Used & Useful			(3,150)

Source/Notes:
Lines 1 - 4, and 9 - 11: Company MFR Schedules A-6, A-10 and B-14.
Line 6 - 8: See pages 3 and 5.
Line 13: Non-Used & Useful percentage recommended by Citizens' witness Andrew Woodcock.

Pro Forma Plant Additions Revisions
 - Methanol Pumps and Nutrient Analyzer

Line	Description	Amount in MFRs	Amount per OPC	Adjustment
		(a)	(b)	(c)
	Account 371.3 - Replace Methanol Pumps, Add NO2 Analyzer			
	Plant In Service Adjustment:			
1	Pro forma Plant Addition	100,000	92,576	
2	Plant Retirement (75%)	(75,000)	(69,432)	
3	Plant In Service Adjustment, Net of Retirements	25,000	23,144	(1,856)
	Accumulated Depreciation Adjustment			
4	Pro Forma Plant Retirement	(75,000)	(69,432)	
5	Accumulated Depreciation on Plant Addition	2,778	643	
6	Accumulated Depreciation, Net of Retirements	(72,222)	(68,789)	3,433
	Depreciation Expense:			
7	Pro Forma Depreciation Expense (18 yr. life)	1,499	1,286	(213)

Source/Notes:

Per OPC recommended pro forma plant addition amounts recommended by Citizens' witness Woodcock.
Column (a): Mid-County MFR Schedules A-3 and B-3

Pro Forma Plant Additions Revisions
- US Highway 19 Relocation Project

Line	Description	Amount in MFRs	Amount per OPC	Adjustment
		(a)	(b)	(c)
	Account 360.2 - US 19 FM Relocation			
	Plant In Service Adjustment:			
1	Pro forma Plant Addition	155,000	107,054	
2	Plant Retirement (75% or PIS balance cap)	(116,250)	(80,291)	
3	Plant In Service Adjustment, Net of Retirements	38,750	26,764	(11,987)
	Accumulated Depreciation Adjustment			
4	Pro Forma Plant Retirement	(116,250)	(80,291)	
5	Accumulated Depreciation on Plant Addition	2,583	446	
6	Accumulated Depreciation, Net of Retirements	(113,667)	(79,845)	33,823
	Depreciation Expense:			
7	Pro Forma Depreciation Expense (30 yr. life)	2,981	892	(2,089)
	Account 361.2 - US 19 GM Relocation			
	Plant In Service Adjustment:			
8	Pro forma Plant Addition	76,000	65,825	
9	Plant Retirement (75% or PIS balance cap)	(57,000)	(49,369)	
10	Plant In Service Adjustment, Net of Retirements	19,000	16,456	(2,544)
	Accumulated Depreciation Adjustment			
11	Pro Forma Plant Retirement	(57,000)	(49,369)	
12	Accumulated Depreciation on Plant Addition	844	183	
13	Accumulated Depreciation, Net of Retirements	(56,156)	(49,186)	6,970
	Depreciation Expense:			
14	Pro Forma Depreciation Expense (45 yr. life)	-	366	366

Source/Notes:
Per OPC recommended pro forma plant addition amounts recommended by Citizens' witness Woodcock.
Column (a): Mid-County MFR Schedules A-3 and B-3

Test Year Ended December 31, 2015

Utilities, Inc. of Florida
 - Pennbrooke
Test Year Ended December 31, 2015

Calculation of Revenue Requirement - Water

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	382,225	-	382,225	62,523	444,748	Page 4
2	Operation & Maintenance	265,951	(11,014)	254,937		254,937	Page 4
3	Depreciation, Net of CIAC Amort.	101,301	(19,846)	81,455		81,455	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	55,206	(9,353)	45,853	2,814	48,667	Page 4
6	Provision for Income Taxes	(27,336)	20,742	(6,594)	22,469	15,874	
7	OPERATING EXPENSES	395,122		375,651		400,933	
8	NET OPERATING INCOME	(12,897)		6,574		43,815	
9	RATE BASE	1,148,265	(526,778)	621,487		621,487	Page 5
10	RATE OF RETURN	-1.12%				7.05%	Page 8

Source:
Col. (2): Company MFR B-1. Amount on line 6 from Company MFR C-2.

Calculation of Revenue Requirement - Wastewater

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	518,122	-	518,122	(53,193)	464,929	Page 4
2	Operation & Maintenance	277,910	(9,176)	268,734		268,734	Page 4
3	Depreciation, Net of CIAC Amort.	32,856	(1,713)	31,143		31,143	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	41,037	(921)	40,116	(2,394)	37,722	Page 4
6	Provision for Income Taxes	48,399	4,544	52,943	(19,116)	33,827	
7	OPERATING EXPENSES	400,202		392,936		371,426	
8	NET OPERATING INCOME	117,920		125,186		93,502	
9	RATE BASE	1,335,693	(9,423)	1,326,271		1,326,271	Page 6
10	RATE OF RETURN	8.83%				7.05%	Page 8

Source:
Col. (2): Company MFR B-2. Amount on line 6 from Company MFR C-2.

Schedule of Adjustments to Operating Income

Line No.	Description	Water Amount	Wastewater Amount	Reference
	Adjustments to O&M Revenues:			
1				
2	Subtotal	-	-	
3				
4	Adjustments to O&M Expense:			
5	Remove Prior Rate Case Amortization Expense	(6,812)	(5,676)	Testimony, (c)
6	Remove Prior Rate Case Costs from Current Rate Case Amort. Exp	(1,702)	(1,418)	Testimony, MFR B-10
7	Transportation Expense Allocation Correction	125	104	Testimony
8	WSC - Health Insurance Reserve Adjustment	(610)	(508)	Exhibit DMR-19
9	WSC - State - Depreciation Expense Adjustment	(2,015)	(1,678)	Exhibit DMR-20
10	Subtotal	(11,014)	(9,176)	
11				
12	Adjustments to Depreciation:			
13	Reduction to GIS Pro Forma Project	(3,596)	(1,713)	Exhibit DMR-21
14	Remove Pro Forma Electrical Plant Improvements, net of retirements	(16,250)		(b), MFR Sch. B-3
15	Subtotal	(19,846)	(1,713)	
16				
17	Adjustments to Taxes Other Than Income			
18	Remove 2006 delinquent taxes (Staff Audit Report Finding 7)	(925)	(770)	Testimony
19	Impact of Net Plant Adjustments on Property Taxes	(8,428)	(151)	.0160 millage rate
20	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	-	
21	Subtotal	(9,353)	(921)	
22				
23	Adjustments to Income Taxes			
24	Impact of Rate Base Adjustments on Interest Deduction (a)	5,610	100	
25	Impact of Adjustments on Income Taxes (37.63% composite rate)	15,132	4,444	
26	Subtotal	20,742	4,544	

(a) Calculated as total OPC rate base adjustments on pages 5 and 6 x weighted cost of debt of 2.83% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.
(b) Adjustment sponsored by Citizens' Witness Woodcock.
(c) Amounts from Company MFR Schedules B-5 and B-6

Rate Base - Water

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	2,681,155	(151,576)	2,529,579
2	Utility Land & Land Rights	22,058		22,058
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(1,160,955)	(375,202)	(1,536,157)
6	Less: CIAC	(899,522)		(899,522)
7	Accumulated Amortization CIAC	481,003		481,003
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	24,526	-	24,526
11	Total Rate Base	1,148,265	(526,778)	621,487

Source/Notes:
Col. (1): Company MFR A-1
Col. (2): See Page 7

Utilities, Inc. of Florida
 - Pennbrooke
Test Year Ended December 31, 2015

Rate Base - Wastewater

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	3,119,124	(10,279)	3,108,845
2	Utility Land & Land Rights	57,035		57,035
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(1,597,086)	857	(1,596,230)
6	Less: CIAC	(1,216,759)		(1,216,759)
7	Accumulated Amortization CIAC	934,536		934,536
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	38,843	-	38,843
11	Total Rate Base	1,335,693	(9,423)	1,326,271

Source/Notes:
Col. (1): Company MFR A-2
Col. (2): See Page 7

Schedule of Adjustments to Rate Base

Line No.	Description	Water Amount	Wastewater Amount	Reference:
	Adjustments to Plant in Service			
1	Remove Pro Forma Electrical Plant Improvements, net of retirements	(130,000)		(a), MFR Sch. A-3
2	Reduction to GIS Pro Forma Project	(21,576)	(10,279)	Exhibit DMR-21
3	Total Adjustments to Plant in Service	(151,576)	(10,279)	
4				
5	Adjustments to Non-Used and Useful Plant			
6				
7	Total Net Non-Used and Useful Adjustment	-	-	
8				
9	Adjustments to Accumulated Depreciation:			
10	Remove Pro Forma Electrical Plant Improvements, net of retirements	377,000		(a), MFR Sch. A-3
11	Reduction to GIS Pro Forma Project	(1,798)	(857)	
12	Total Adjustments to Accumulated Depreciation	375,202	(857)	
13				
14	Adjustments to Working Capital:			
15				
16	Total Adjustments to Working Capital	-	-	

(a) Adjustment sponsored by Citizens' Witness Woodcock.

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	1,011,631	40.73%	(248,402)	763,229	39.18%	6.70%	2.63%
2	Short Term Debt	96,075	3.87%	(23,591)	72,484	3.72%	2.32%	0.09%
3	Common Equity	1,075,827	43.31%	(264,165)	811,662	41.67%	10.40%	4.33%
4	Customer Deposits	7,179	0.29%		7,179	0.37%	2.00%	0.01%
5	Tax Credits - Zero Cost	-	0.00%		-	0.00%	0.00%	0.00%
6	ADIT	293,244	11.81%	(40)	293,204	15.05%	0.00%	0.00%
7	Total	2,483,956	100.00%		1,947,758	100.00%		7.05%

Source/Notes:

Col. (a), (b) and (f): See Company MFR Sch. D-1
Col. (d), line 7: See pages 5 and 6
Col. (c), line 6: Reflects impact on Company ADIT adjustment from removing pro forma electrical plant improvement project.

Test Year Ended December 31, 2015

Calculation of Revenue Requirement - Wastewater

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	1,196,788	-	1,196,788	(524,509)	672,279	Page 3
2	Operation & Maintenance	747,392	(212,339)	535,054		535,054	Page 3
3	Depreciation, Net of CIAC Amort.	216,389	(158,976)	57,413		57,413	Page 3
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	150,181	(55,452)	94,729	(23,603)	71,126	Page 3
6	Provision for Income Taxes	(14,158)	202,499	188,341	(188,491)	(151)	
7	OPERATING EXPENSES	1,099,804		875,536		663,442	
8	NET OPERATING INCOME	96,984		321,252		8,836	
9	RATE BASE	3,944,850	(3,651,302)	293,549		293,549	Page 4
10	RATE OF RETURN	2.46%				3.01%	Page 6

Source:

Col. (2): Company MFR B-2

Schedule of Adjustments to Operating Income

Line No.	Description	Amount	Reference
	Adjustments to O&M Revenues:		
1			
2	Subtotal	-	
3			
4	Adjustments to O&M Expense:		
5	WWTP Plant Decommissioning Impacts:		
6	- Reduction to Salary and Wages Expense ($45,778 * 1.0375)	(47,495)	Testimony
7	- Reduction to Pensions & Benefits Expense ($13,284 * 1.0375)	(13,782)	Testimony
8	- Remove Sludge Removal Expense	(13,455)	Testimony
9	- Remove Chemical Expense	(3,145)	Testimony
10	Remove 2014 Purchase Sewage Treatment Expense	(27,125)	Testimony
11	Remove Prior Rate Case Amortization Expense	(37,384)	Testimony, MFR B-6
12	Remove Prior Rate Case Costs from Current Rate Case Amort. Exp	(39,479)	Testimony, MFR B-10
13	Excess Inflow & Infiltration Expense	(28,486)	Page 7
14	Transportation Expense Allocation Correction	103	Testimony
15	WSC - Health Insurance Reserve Adjustment	(502)	Exhibit DMR-19
16	WSC - State - Depreciation Expense Adjustment	(1,589)	Exhibit DMR-20
17	Subtotal	(212,339)	
18			
19	Adjustments to Depreciation:		
20	Reduction to GIS Pro Forma Project	(1,297)	Exhibit DMR-21
21	Reduction to Pro forma Road Relocation Project	(316)	Page 9
22	Non-Used & Useful Plant	(157,363)	Page 8
23	Subtotal	(158,976)	
24			
25	Adjustments to Taxes Other Than Income		
26	Impact of Net Plant Adjustments on Property Taxes	(51,819)	16.10 millage
27	Reduction to Payroll Tax Expense - WWTP Decommissioning (7.65%	(3,633)	
28	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	
29	Subtotal	(55,452)	
30			
31	Adjustments to Income Taxes		
32	Impact of Rate Base Adjustments on Interest Deduction (a)	41,907	
33	Impact of Adjustments on Income Taxes (37.63% composite rate)	160,592	
	Subtotal	202,499	

(a) Calculated as total OPC rate base adjustments on page 4 x weighted cost of debt of 3.05% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.

Rate Base - Wastewater

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	7,720,449	(9,731)	7,710,719
2	Utility Land & Land Rights	167,477		167,477
3	Less: Non-Used & Useful Plant	-	(3,013,376)	(3,013,376)
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(2,825,235)	(195,495)	(3,020,730)
6	Less: CIAC	(2,230,624)		(2,230,624)
7	Accumulated Amortization CIAC	636,102		636,102
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	476,681	(432,700)	43,981
11	Total Rate Base	3,944,850	(3,651,302)	293,549

Source/Notes:
Col. (1): Company MFR A-2
Col. (2): See Page 5

Utilities, Inc. of Florida
 - Sandalhaven
Test Year Ended December 31, 2015

Schedule of Adjustments to Rate Base

Line No.	Description	Amount	Reference:
	Adjustments to Plant in Service		
1	Reduction to GIS Pro Forma Project	(7,779)	Exhibit DMR-21
2	Reduction to Pro forma Road Relocation Project	(9,492)	Page 9
3	Remove Treatment & Disposal Plant, Acct 380.4, Balance	(239)	Testimony
4	Total Adjustments to Plant in Service	(9,731)	
5			
6	Adjustments to Non-Used and Useful Plant		
7	Non-Used & Useful Net Plant	(3,013,376)	Page 8
8	Total Net Non-Used and Useful Adjustment	(3,013,376)	
9			
10	Adjustments to Accumulated Depreciation:		
11	Reduction to GIS Pro Forma Project	(649)	
12	Reduction to Pro forma Road Relocation Project	26,602	Page 9
13	Remove Negative Accumulated Depreciation on Retired Plant	169,542	Testimony
14	Total Adjustments to Accumulated Depreciation	195,495	
15			
16	Adjustments to Working Capital:		
17	Remove Accrued Income Taxes From WC	(432,700)	Testimony
18			
19	Total Adjustments to Working Capital	(432,700)	

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	1,739,914	44.11%	(1,691,378)	48,536	16.53%	6.70%	1.11%
2	Short Term Debt	165,241	4.19%	(160,631)	4,610	1.57%	2.32%	0.04%
3	Common Equity	1,850,325	46.90%	(1,798,709)	51,616	17.58%	10.40%	1.83%
4	Customer Deposits	5,426	0.14%		5,426	1.85%	2.00%	0.04%
5	Tax Credits - Zero Cost	-	0.00%		-	0.00%	0.00%	0.00%
6	ADIT	183,944	4.66%	(583)	183,361	62.46%	0.00%	0.00%
7	Total	3,944,850	100.00%		293,549	100.00%		3.01%

Source/Notes:
Col. (a), (b) and (f): See Company MFR Sch. D-1
Col. (d), line 7: See page 4
Col. (c), line 6: Reflects impact on Company ADIT adjustment from pro forma plant addition adjustment.

Utilities, Inc. of Florida
 - Sandalhaven
Test Year Ended December 31, 2015

Docket No. 160101-WS
Exhibit DMR-11
Sandalhaven Revenue Requirement

Excessive Inflow & Infiltration Expense

Line No.	Description	Amount
1	Account 715 - Purchased Power Expense	17,939
2	Account 710 - Purchased Sewage Treatment Expense, as Adjusted	322,396
3	Subtotal	340,335
4	Excessive Inflow & Infiltration	8.37%
5	Reduction to Expense for Excessive I&I	(28,486)
	Calculation of Adjusted Purchase Sewage Treatment Expense:	
A.1	Purchase Sewage Treatment Expense, per Company	349,521
A.2	Adjustment to Remove 2014 Expenses	(27,125)
A.3	Adjusted Sewage Treatment Expense, per OPC	322,396

Source:
Lines 1 and A1: Company MFR Sch. B-6.
Line 4: Percentage Excessive I&I recommended by Citizens' witness Andrew Woodcock.
Line A2: Staff ROG 1. Test year included 14 months of purchase sewage treatment expense.

Non-Used & Useful Plant

Line No.	Account/Description	PIS	Accum. Deprec.	Deprec. Expense
	Englewood Water District Interconnection:			
1	389.1 - Other Plant & Misc. Equipment (Interconnection)	2,227,820	(536,304)	56,453
2	Non-Used & Useful, per Citizens	57.76%	57.76%	57.76%
3	Non-Used & Useful Adjustment	1,286,789	(309,769)	32,607
	Master Lift Station Structure:			
4	370.3 - Receiving Wells	600,398	(188,165)	20,013
5	Non-Used & Useful, per Citizens	88.73%	88.73%	88.73%
6	Non-Used & Useful Adjustment	532,733	(166,959)	17,758
	Pumping Plant:			
7	371.3 - Pumping Equipment	158,348	(99,799)	10,798
8	Non-Used & Useful, per Citizens	72.75%	72.75%	72.75%
9	Non-Used & Useful Adjustment	115,198	(72,604)	7,856
	Force Mains:			
10	360.2 - Collection Sewers - Force	2,793,922	(874,673)	114,997
11	Reduction to Pro Forma Road Relocation Project	(9,492)	(26,602)	(316)
12	Account 360.2, as Adjusted	2,784,431	(901,275)	114,681
13	Non-Used & Useful, per Citizens	86.45%	86.45%	86.45%
14	Non-Used & Useful Adjustment	2,407,140	(779,152)	99,142
15	Non-Used & Useful Adjustment	4,341,860	(1,328,484)	157,363
16	Reduction to Rate Base for Non-Used & Useful		(3,013,376)	
17	Reduction to Depreciation Expense for Non-Used & Useful			(157,363)

Source/Notes:
Lines 1, 4, 7 and 10: Company MFR Schedules A-6, A-10 and B-14.
Lines 2, 5, 8 and 13: Non-Used & Useful percentage recommended by Citizens' witness Andrew Woodcock.
Line 11: See page 9

Pro Forma Plant Addition Revisions
 - Placida Road Utility Relocation Project

Line	Description	Amount in MFRs	Amount per OPC	Adjustment
		(a)	(b)	(c)
	Account 360.2 - Collection System - Force			
	Plant In Service Adjustment:			
1	Pro forma Plant Addition	255,000	217,034	
2	Plant Retirement (75%)	(191,250)	(162,776)	
3	Plant In Service Adjustment, Net of Retirements	63,750	54,259	(9,492)
	Accumulated Depreciation Adjustment			
4	Pro Forma Plant Retirement	(191,250)	(162,776)	
5	Accumulated Depreciation on Plant Addition	2,778	905	
6	Accumulated Depreciation, Net of Retirements	(188,472)	(161,871)	26,602
	Depreciation Expense:			
7	Pro Forma Depreciation Expense (30 yr. life)	2,125	1,809	(316)

Source/Notes:
Per OPC recommended pro forma plant addition amounts recommended by Citizens' witness Woodcock.
Column (a): Sandalhaven MFR Schedules A-3 and B-3

Calculation of Revenue Requirement - Water

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	4,632,114	-	4,632,114	(305,067)	4,327,047	Page 4
2	Operation & Maintenance	2,317,201	(142,566)	2,174,636		2,174,636	Page 4
3	Depreciation, Net of CIAC Amort.	739,694	(21,173)	718,521		718,521	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	449,354	(12,530)	436,824	(13,728)	423,096	Page 4
6	Provision for Income Taxes	306,612	74,695	381,307	(109,631)	271,676	
7	OPERATING EXPENSES	3,812,861		3,711,288		3,587,929	
8	NET OPERATING INCOME	819,253		920,826		739,118	
9	RATE BASE	10,322,572	(736,092)	9,586,480		9,586,480	Page 5
10	RATE OF RETURN	7.94%				7.71%	Page 8

Source:
Col. (2): Company MFR B-1

Calculation of Revenue Requirement - Wastewater

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	4,075,541	-	4,075,541	########	5,460,690	Page 4
2	Operation & Maintenance	2,209,692	(127,679)	2,082,013		2,082,013	Page 4
3	Depreciation, Net of CIAC Amort.	1,017,019	(174,584)	842,435		842,435	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	659,029	(79,388)	579,641	62,332	641,973	Page 4
6	Provision for Income Taxes	(189,806)	201,268	11,462	497,776	509,238	
7	OPERATING EXPENSES	3,695,934		3,515,551		4,075,659	
8	NET OPERATING INCOME	379,607		559,990		1,385,034	
9	RATE BASE	23,037,306	(5,073,187)	17,964,120		17,964,120	Page 6
10	RATE OF RETURN	1.65%				7.71%	Page 8

Source:
Col. (2): Company MFR B-2

Schedule of Adjustments to Operating Income

Line No.	Description	Water Amount	Wastewater Amount	Reference
	Adjustments to O&M Revenues:			
1				
2	Subtotal	-	-	
3				
4	Adjustments to O&M Expense:			
5	Remove Unsupported Additional Employee - Salary & Wages	(14,963)	(12,037)	Testimony
6	Remove Unsupported Additional Employee - Benefits	(4,489)	(3,611)	Testimony
7	Remove Unsupported Purchase Power Expense Adjustment	(26,653)	(21,440)	Testimony
8	Remove Prior Year Equipment Rental Expense	(3,100)	(2,493)	Testimony
9	Remove Reclassified Prior Period Costs from M&S Expense		(12,999)	Testimony
10	Remove Prior Rate Case Amortization Expense	(41,083)	(33,047)	Testimony, (b)
11	Remove Prior Rate Case Costs from Current Rate Case Amort. Exp	(32,440)	(26,094)	Testimony, MFR Sch. B-10
12	Transportation Expense Allocation Correction	1,164	936	Testimony
13	WSC - Health Insurance Reserve Adjustment	(4,921)	(3,958)	Exhibit DMR-19
14	WSC - State - Depreciation Expense Adjustment	(16,081)	(12,936)	Exhibit DMR-20
15	Subtotal	(142,566)	(127,679)	
16				
17	Adjustments to Depreciation:			
18	Remove Depreciation Expense on Myrtle Lake Hills Water Mains	(15,322)		Testimony
19	Remove Wekiva WWTP Blower Replacement (Net of Retirements)		(8,680)	(c)
20	Reduction I&I Study & Remediation Project Amount (45 year)		(2,918)	(c), calc. using 45 yr. rate
21	Remove Shadow Hills Flow Diversion Project (net of retirements)		(149,448)	(c)
22	Remove Shadow Hills Generator Transfer		(4,495)	(c)
23	Reduce Autumn Drive Water Main Replacement Project	(7)		Page 9
24	Reduce Wekiva WWTP Rehabilitation Project (18 year)		(4,342)	(c), calc. using 18 yr. rate
25	Reduction to GIS Pro Forma Project	(5,844)	(4,701)	Exhibit DMR-21
26	Subtotal	(21,173)	(174,584)	
27				
28	Adjustments to Taxes Other Than Income			
29	Impact of Net Plant Adjustments on Property Taxes (15.4670 mill rate)	(11,385)	(78,467)	
30	Remove Unsupported Additional Employee - Payroll Taxes	(1,145)	(921)	
31	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	-	
32	Subtotal	(12,530)	(79,388)	
33				
34	Adjustments to Income Taxes			
35	Impact of Rate Base Adjustments on Interest Deduction (a)	8,365	57,653	
36	Impact of Adjustments on Income Taxes (37.63% composite rate)	66,330	143,615	
37	Subtotal	74,695	201,268	

(a) Calculated as total OPC rate base adjustments on pages 5 and 6 x weighted cost of debt of 3.02% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.
(b) Amounts from MFR Schedules B-5 and B-6.
(c) Adjustment sponsored by Citizens witness Woodcock.

Rate Base - Water

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	26,515,213	(746,778)	25,768,436
2	Utility Land & Land Rights	97,683		97,683
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(15,016,733)	10,686	(15,006,048)
6	Less: CIAC	(9,899,701)		(9,899,701)
7	Accumulated Amortization CIAC	8,454,499		8,454,499
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	171,611	-	171,611
11	Total Rate Base	10,322,572	(736,092)	9,586,480

Source/Notes:

Col. (1): Company MFR A-1

Col. (2): See Page 7

Rate Base - Wastewater

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	41,028,484	(3,287,541)	37,740,943
2	Utility Land & Land Rights	186,410		186,410
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(16,089,913)	(1,785,646)	(17,875,559)
6	Less: CIAC	(13,071,926)		(13,071,926)
7	Accumulated Amortization CIAC	10,782,188		10,782,188
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	202,063	-	202,063
11	Total Rate Base	23,037,306	(5,073,187)	17,964,120

Source/Notes:
Col. (1): Company MFR A-2
Col. (2): See Page 7

Schedule of Adjustments to Rate Base

Line No.	Description	Water Amount	Wastewater Amount	Reference:
	Adjustments to Plant in Service			
1	Remove Myrtle Lake Hills Water Main Pro forma Project	(658,854)		Testimony
2	Remove Wekiva WWTP Blower Replacement (Net of Retirements)		(156,250)	(a)
3	Reduction to I&I Study & Remediation Project Amount		(131,299)	(a)
4	Remove Shadow Hills Flow Diversion Project (net of retirements)		(2,761,418)	(a)
5	Remove Shadow Hills Generator Transfer		(89,900)	(a)
6	Reduce Autumn Drive Water Main Replacement Project	(258)		Page 9
7	Reduce Wekiva WWTP Rehabilitation Project		(78,155)	(a)
8	Reduction to GIS Pro Forma Project	(87,666)	(70,519)	Exhibit DMR-21
9	Total Adjustments to Plant in Service	(746,778)	(3,287,541)	
10				
11	Adjustments to Non-Used and Useful Plant			
12				
13				
14	Total Net Non-Used and Useful Adjustment	-	-	
15				
16	Adjustments to Accumulated Depreciation:			
17	Remove Myrtle Lake Hills Water Main Pro forma Project	(7,661)		Testimony
18	Remove Wekiva WWTP Blower Replacement (Net of Retirements)		451,389	(a)
19	Reduction I&I Study & Remediation Project Amount		1,459	(a)
20	Remove Shadow Hills Flow Diversion Project		1,376,858	(a)
21	Remove Shadow Hills Generator Transfer		(39,539)	(a)
22	Reduce Autumn Drive Water Main Replacement Project	(103)		Page 9
23	Reduce Wekiva WWTP Rehabilitation Project		(2,171)	
24	Reduction to GIS Pro Forma Project	(2,922)	(2,351)	
25	Total Adjustments to Accumulated Depreciation	(10,686)	1,785,646	
26				
27	Adjustments to Working Capital:			
	Total Adjustments to Working Capital	-	-	

(a) Adjustment sponsored by Citizens Witness Woodcock. Amounts derived from Mr. Woodcock's recommendation and Sanlando MFR Schedule A-3.

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	14,523,626	43.54%	(2,714,447)	11,809,179	42.86%	6.70%	2.87%
2	Short Term Debt	1,379,321	4.13%	(257,793)	1,121,528	4.07%	2.32%	0.09%
3	Common Equity	15,445,264	46.30%	(2,886,700)	12,558,564	45.58%	10.40%	4.74%
4	Customer Deposits	37,114	0.11%		37,114	0.13%	2.00%	0.00%
5	Tax Credits - Zero Cost	-	0.00%		-	0.00%	0.00%	0.00%
6	ADIT	1,974,553	5.92%	49,661	2,024,214	7.35%	0.00%	0.00%
7	Total	33,359,878	100.00%		27,550,600	100.00%		7.71%

Source/Notes:

Col. (a), (b) and (f): See Company MFR Sch. D-1

Col. (d), line 7: See pages 5 & 6

Col. (c), line 6: Reflects impact on Company ADIT adjustment from Citizens' revisions to pro forma plant additions and inclusion of bonus depreciation impacts on pro forma water projects, as adjusted.

Pro Forma Plant Addition Revisions
- Autumn Drive WM Replacement

Line	Description	Amount in MFRs	Amount per OPC	Adjustment
		(a)	(b)	(c)
	Account 331.4 - Autumn Drive WM Replacement Project:			
	Plant In Service Adjustment:			
1	Pro forma Plant Addition	100,000	98,970	
2	Plant Retirement (75%)	(75,000)	(74,228)	
3	Plant In Service Adjustment, Net of Retirements	25,000	24,743	(258)
	Accumulated Depreciation Adjustment			
4	Pro Forma Plant Retirement	(75,000)	(74,228)	
5	Accumulated Depreciation on Plant Addition	1,163	288	
6	Accumulated Depreciation, Net of Retirements	(73,837)	(73,940)	(103)
	Depreciation Expense:			
7	Pro Forma Depreciation Expense (43 yr. life)	582	575	(7)

Source/Notes:

Per OPC recommended pro forma plant addition amounts recommended by Citizens' witness Woodcock.
Column (a): Sanlando MFR Schedules A-3 and B-3

Test Year Ended December 31, 2015

Calculation of Revenue Requirement - Wastewater

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	996,212	-	996,212	94,440	1,090,652	Page 3
2	Operation & Maintenance	808,585	(9,331)	799,254		799,254	Page 3
3	Depreciation, Net of CIAC Amort.	121,180	(2,210)	118,970		118,970	Page 3
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	58,565	-	58,565	4,250	62,815	Page 3
6	Provision for Income Taxes	(8,743)	4,473	(4,270)	33,939	29,669	
7	OPERATING EXPENSES	979,587		972,519		1,010,707	
8	NET OPERATING INCOME	16,625		23,693		79,945	
9	RATE BASE	1,095,420	(12,152)	1,083,268		1,083,268	Page 4
10	RATE OF RETURN	1.52%				7.38%	Page 6

Source:
Col. (2): Company MFR B-2

Utilities, Inc. of Florida
 - Tierra Verde
Test Year Ended December 31, 2015

Schedule of Adjustments to Operating Income

Line No.	Description	Amount	Reference:
	Adjustments to O&M Revenues:		
1			
2	Subtotal	-	
3			
4	Adjustments to O&M Expense:		
5			
6	Transportation Expense Allocation Correction	(5,723)	Testimony
7	WSC - Health Insurance Reserve Adjustment	(867)	Exhibit DMR-19
8	WSC - State - Depreciation Expense Adjustment	(2,741)	Exhibit DMR-20
9	Subtotal	(9,331)	
10			
11	Adjustments to Depreciation:		
12	Reduction to GIS Pro Forma Project	(2,210)	Exhibit DMR-21
13	Subtotal	(2,210)	
14			
15	Adjustments to Taxes Other Than Income		
16	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	
17	Subtotal	-	
18			
19	Adjustments to Income Taxes		
20	Impact of Rate Base Adjustments on Interest Deduction (a)	130	
21	Impact of Adjustments on Income Taxes (37.63% composite rate)	4,343	
22	Subtotal	4,473	

(a) Calculated as total OPC rate base adjustments on page 4 x weighted cost of debt of 2.84% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.

Rate Base - Wastewater

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	4,638,107	(13,257)	4,624,850
2	Utility Land & Land Rights	727		727
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(3,258,447)	1,105	(3,257,342)
6	Less: CIAC	(1,821,202)		(1,821,202)
7	Accumulated Amortization CIAC	1,566,010		1,566,010
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	(29,775)	-	(29,775)
11	Total Rate Base	1,095,420	(12,152)	1,083,268

Source/Notes:

Col. (1): Company MFR A-2

Col. (2): See Page 5

Schedule of Adjustments to Rate Base

Line No.	Description	Amount	Reference:
	Adjustments to Plant in Service		
1	Reduction to GIS Pro Forma Project	(13,257)	Exhibit DMR-21
2	Total Adjustments to Plant in Service	(13,257)	
3			
4	Adjustments to Non-Used and Useful Plant		
5			
6	Total Net Non-Used and Useful Adjustment	-	
7			
8	Adjustments to Accumulated Depreciation:		
9	Reduction to GIS Pro Forma Project	(1,105)	
10	Total Adjustments to Accumulated Depreciation	(1,105)	
11			
12	Adjustments to Working Capital:		
13			
14	Total Adjustments to Working Capital	-	

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	449,905	41.07%	(5,245)	444,660	41.05%	6.70%	2.75%
2	Short Term Debt	42,728	3.90%	(498)	42,230	3.90%	2.32%	0.09%
3	Common Equity	478,454	43.68%	(5,577)	472,877	43.65%	10.40%	4.54%
4	Customer Deposits	-	0.00%		-	0.00%	2.00%	0.00%
5	Tax Credits - Zero Cost	-	0.00%		-	0.00%	0.00%	0.00%
6	ADIT	124,333	11.35%	(832)	123,501	11.40%	0.00%	0.00%
7	Total	1,095,420	100.00%		1,083,268	100.00%		7.38%

Source/Notes:

Col. (a), (b) and (f): See Company MFR Sch. D-1

Col. (d), line 7: See page 4

Col. (c), line 6: Reflects impact on Company ADIT adjustment from Citizens' revisions to pro forma plant additions.

Utilities, Inc. of Florida
 - Seminole County
Test Year Ended December 31, 2015

Docket No. 160101-WS
Exhibit DMR-14
Seminole County Revenue Requirement

Calculation of Revenue Requirement - Water

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	1,031,571	-	1,031,571	1,269,086	2,300,657	Page 4
2	Operation & Maintenance	630,377	(153,550)	476,827		476,827	Page 4
3	Depreciation, Net of CIAC Amort.	214,511	150,695	365,206		365,206	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	266,755	-	266,755	57,109	323,864	Page 4
6	Provision for Income Taxes	(186,486)	1,074	(185,412)	456,067	270,655	
7	OPERATING EXPENSES	925,157		923,376		1,436,552	
8	NET OPERATING INCOME	106,414		108,195		864,107	
9	RATE BASE	13,512,594	(1,150,547)	12,362,047		12,362,047	Page 5
10	RATE OF RETURN	0.79%				6.99%	Page 8

Source:
Col. (2): Company MFR B-1. Amount on line 6 from Company MFR C-2.

Calculation of Revenue Requirement - Wastewater

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	840,136	-	840,136	(85,052)	755,084	Page 4
2	Operation & Maintenance	522,591	(118,021)	404,570		404,570	Page 4
3	Depreciation, Net of CIAC Amort.	11,767	72,284	84,051		84,051	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	77,961	-	77,961	(3,827)	74,134	Page 4
6	Provision for Income Taxes	64,306	14,834	79,140	(30,565)	48,575	
7	OPERATING EXPENSES	676,625		645,722		611,330	
8	NET OPERATING INCOME	163,511		194,414		143,754	
9	RATE BASE	1,850,815	205,748	2,056,563		2,056,563	Page 6
10	RATE OF RETURN	8.83%				6.99%	Page 8

Source:
Col. (2): Company MFR B-2. Amount on line 6 from Company MFR C-2.

Schedule of Adjustments to Operating Income

Line No.	Description	Water Amount	Wastewater Amount	Reference
	Adjustments to O&M Revenues:			
1				
2	Subtotal	-	-	
3				
4	Adjustments to O&M Expense:			
5				
6	Excess Inflow & Infiltration Expense (37.41%)		(69,439)	(c)
7	Excess Unaccounted for Water - Ravenna Park (0.95%)	(76)		(d)
8	Excess Unaccounted for Water - Little Wekiva (4.81%)	(66)		(d)
9	Excess Unaccounted for Water - Oakland Shores (2.23%)	(282)		(d)
10	Excess Unaccounted for Water - Phillips (1.56%)	(28)		(d)
11	Excess Unaccounted for Water - Weathersfield (1.31%)	(338)		(d)
12	Remove Purchase Water Expense for Crystal Lake	(61,485)		Testimony
13	Remove All Rate Case Expense Amortization from Adj. Test Year	(101,026)	(53,884)	Testimony, (b)
14	Add Back Rate Case Expense for Current Rate Case (Co. Projected Amount)	14,435	7,848	Testimony, MFR B-10
15	WSC - Health Insurance Reserve Adjustment	(1,087)	(591)	Exhibit DMR-19
16	WSC - State - Depreciation Expense Adjustment	(3,597)	(1,955)	Exhibit DMR-20
17	Subtotal	(153,550)	(118,021)	
18				
19	Adjustments to Depreciation:			
20	Recommended Cap on Water Main Replacement Retirements	127,572		Page 9
21	Staff Audit Finding 3 - Depreciation Expense Impact	26,599	72,343	
22	Revise Northwestern Force Main Replacement Project		563	Page 10
23	Revise Ravenna Park / Crystal Lake Interconnection Project	(2,332)		Page 11
24	Reduction to GIS Pro Forma Project	(1,144)	(622)	Exhibit DMR-21
25	Subtotal	150,695	72,284	
26				
27	Adjustments to Taxes Other Than Income			
28				
29	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	-	
30	Subtotal	-	-	
31				
32	Adjustments to Income Taxes			
33	Impact of Rate Base Adjustments on Interest Deduction (a)	-	(2,377)	
	Impact of Adjustments on Income Taxes (37.63% composite rate)	1,074	17,211	
	Subtotal	1,074	14,834	

(a) Calculated as total OPC rate base adjustments on pages 5 and 6 x weighted cost of debt of 3.07% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.

(b) Amounts from Company Schedule B-5 and B-6

(c) Calculated based on Lincoln Heights purchase sewer and purchase power expense times excess I&I percentage recommended by Citizens witness Woodcock of 37.41%.

(d) Calculated based on purchased, water, purchase power and chemical expense by system times excess unaccounted for water percentage recommended by Citizens witness Woodcock for each system.

Rate Base - Water

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	8,037,351	5,947,030	13,984,381
2	Utility Land & Land Rights	(788)		(788)
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	5,475,112	(7,078,765)	(1,603,653)
6	Less: CIAC	(1,088,378)	158,502	(929,876)
7	Accumulated Amortization CIAC	1,010,698	(177,314)	833,384
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Advances for Construction	644		644
11	Working Capital Allowance	77,955	-	77,955
12	Total Rate Base	13,512,594	(1,150,547)	12,362,047

Source/Notes:
Col. (1): Company MFR A-1
Col. (2): See Page 7

Rate Base - Wastewater

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	2,351,588	1,201,555	3,553,143
2	Utility Land & Land Rights	1,295		1,295
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(134,349)	(1,243,868)	(1,378,217)
6	Less: CIAC	(1,043,254)	226,651	(816,603)
7	Accumulated Amortization CIAC	633,143	21,410	654,553
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	42,392	-	42,392
11	Total Rate Base	1,850,815	205,748	2,056,563

Source/Notes:
Col. (1): Company MFR A-2
Col. (2): See Page 7

Schedule of Adjustments to Rate Base

Line No.	Description	Water Amount	Wastewater Amount	Reference:
	Adjustments to Plant in Service			
1	Recommended Cap on Water Main Replacement Retirements	5,489,669		Page 9
2	Staff Audit Finding 3 - PIS Impact	559,517	1,194,092	Testimony
3	Reduction to GIS Pro Forma Project	(17,156)	(9,330)	Exhibit DMR-21
4	Revise Northwestern Force Main Replacement Project		16,793	Page 10
5	Revise Ravenna Park / Crystal Lake Interconnection Project	(85,000)		Page 11
6	Total Adjustments to Plant in Service	5,947,030	1,201,555	
7				
8	Adjustments to Non-Used and Useful Plant			
9				
10	Total Net Non-Used and Useful Adjustment	-	-	
11				
12	Adjustments to Accumulated Depreciation:			
13	Recommended Cap on Water Main Replacement Retirements	5,516,978		Page 9
14	Staff Audit Finding 3 - Accumulated Depreciation Impact	1,563,524	1,050,850	Testimony
15	Reduction to GIS Pro Forma Project	(572)	(311)	
16	Revise Northwestern Force Main Replacement Project		193,329	Page 10
17	Revise Ravenna Park / Crystal Lake Interconnection Project	(1,165)		Page 11
18	Total Adjustments to Accumulated Depreciation	7,078,765	1,243,868	
19				
20	Adjustments to CIAC			
21	Staff Audit Finding 3 - CIAC Impact	(158,502)	(226,651)	Testimony
22	Total Adjustments to CIAC	(158,502)	(226,651)	
23				
24	Adjustments to Accum. Amortization of CIAC			
25	Staff Audit Finding 3 - Accum. Amort. Of CIAC Impact	(177,314)	21,410	Testimony
26	Total Adjustments to CIAC	(177,314)	21,410	
	Adjustments to Working Capital:			
	Total Adjustments to Working Capital	-	-	

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	6,819,961	44.39%	(1,217,019)	5,602,942	38.86%	6.70%	2.60%
2	Short Term Debt	647,698	4.22%	(115,581)	532,117	3.69%	2.32%	0.09%
3	Common Equity	7,252,740	47.21%	(1,294,248)	5,958,492	41.33%	10.40%	4.30%
4	Customer Deposits	22,819	0.15%		22,819	0.16%	2.00%	0.00%
5	Tax Credits - Zero Cost	34,857	0.23%		34,857	0.24%	0.00%	0.00%
6	ADIT	585,335	3.81%	1,682,048	2,267,383	15.73%	0.00%	0.00%
7	Total	15,363,410	100.00%		14,418,610	100.00%		6.99%

Source/Notes:
Col. (a), (b) and (f): See Company MFR Sch. D-1
Col. (d), line 7: See page 4
Col. (c), line 6: Reflects impact of bonus depreciation on Company ADIT adjustment for pro forma water plant additions and impact of Citizens' recommended adjustments to pro forma plant additions.

Revise Water Main Replacement Projects

Line	Description	Amount in MFRs	Amount per OPC	Adjustment
		(a)	(b)	(c)
	Plant In Service Adjustment:			
1	Pro forma Plant Addition	8,551,884	8,513,640	
2	Pro Forma Plant Retirement	(6,413,913)	(886,000)	
3	Plant In Service Adjustment, Net of Retirements	2,137,971	7,627,640	5,489,669
	Accumulated Depreciation Adjustment			
4	Pro Forma Plant Retirement	(6,413,913)	(886,000)	
5	Accumulated Depreciation on Plant Addition	99,629	88,694	
6	Accumulated Depreciation, Net of Retirements	(6,314,284)	(797,306)	5,516,978
	Depreciation Expense:			
7	Pro Forma Depreciation Expense (43 yr. life)	49,815	177,387	127,572

Source/Notes:
Column (a): Seminole MFR Schedules A-3 and B-3
Column (b), Line 2: Retirement capped at 12/31/00 balance in Account 331.4 - Transmission & Distribution Mains.
Column (b), Line 1: Project amounts recommended by Citizens witness Woodcock.

Revise Northwestern Force Main Replacement Project

Line	Description	Amount in MFRs	Amount per OPC	Adjustment
		(a)	(b)	(c)
	Account 360.2 - Northwestern FM Replacement Project			
	Plant In Service Adjustment:			
1	Pro forma Plant Addition	300,000	120,000	
2	Pro Forma Plant Retirement (75% or PIS balance cap)	(225,000)	(28,207)	
3	Plant In Service Adjustment, Net of Retirements	75,000	91,793	16,793
	Accumulated Depreciation Adjustment			
4	Pro Forma Plant Retirement	(225,000)	(28,207)	
5	Accumulated Depreciation on Plant Addition	4,994	1,530	
6	Accumulated Depreciation, Net of Retirements	(220,006)	(26,677)	193,329
	Depreciation Expense:			
7	Pro Forma Depreciation Expense (30 yr. life)	2,497	3,060	563

Source/Notes:

Column (a): Seminole MFR Schedules A-3 and B-3
Column (b), Line 2: Retirement capped at 12/31/15 balance in Account 360.2.
Column (b), Line 1: Project amounts recommended by Citizens witness Woodcock.

Utilities, Inc. of Florida
 - Seminole County
Test Year Ended December 31, 2015

Docket No. 160101-WS
Exhibit DMR-14
Seminole County Revenue Requirement

Revise Ravenna Park / Crystal Lake Interconnection Project

Line	Description	Amount in MFRs	Amount per OPC	Adjustment
		(a)	(b)	(c)
	Account 311.4 - Electrical Equipment			
	Plant In Service Adjustment:			
1	Pro forma Plant Addition	53,563	47,335	(6,228)
	Accumulated Depreciation Adjustment			
2	Accumulated Depreciation on Plant Addition	1,339	1,184	(155)
	Depreciation Expense:			
3	Pro Forma Depreciation Expense (20 yr. life)	2,678	2,367	(311)
	Account 330.4 - Reservoir			
	Plant In Service Adjustment:			
4	Pro forma Plant Addition	433,375	382,983	(50,392)
	Accumulated Depreciation Adjustment			
5	Accumulated Depreciation on Plant Addition	5,851	5,176	(675)
	Depreciation Expense:			
6	Pro Forma Depreciation Expense (37 yr. life)	11,701	10,351	(1,350)
	Account 331.4 - Water Mains			
	Plant In Service Adjustment:			
7	Pro forma Plant Addition	244,062	215,683	(28,379)
	Accumulated Depreciation Adjustment			
8	Accumulated Depreciation on Plant Addition	2,843	2,508	(335)
	Depreciation Expense:			
9	Pro Forma Depreciation Expense (43 yr. life)	5,687	5,016	(671)
10	Total Plant Additions	731,000	646,000	(85,000)

Source/Notes:
Column (a): Seminole MFR Schedules A-3 and B-3
Column (b), Line 10: Project amounts recommended by Citizens witness Woodcock. Amount spread to specific plant in service account based on Company's spread of the costs between accounts in above adjustments.

Test Year Ended December 31, 2015

Calculation of Revenue Requirement - Water

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	117,092	-	117,092	238,195	355,287	Page 3
2	Operation & Maintenance	86,917	(2,346)	84,571		84,571	Page 3
3	Depreciation, Net of CIAC Amort.	22,825	26,686	49,511		49,511	Page 3
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	39,184	-	39,184	10,719	49,903	Page 3
6	Provision for Income Taxes	(34,754)	(9,102)	(43,856)	85,599	41,743	
7	OPERATING EXPENSES	114,172		129,410		225,728	
8	NET OPERATING INCOME	2,920		(12,318)		129,560	
9	RATE BASE	1,941,459	(4,842)	1,936,618		1,936,618	Page 4
10	RATE OF RETURN	0.15%				6.69%	Page 6

Source:

Col. (2): Company MFR B-2. Amount on line 6 from Company MFR C-2.

Schedule of Adjustments to Operating Income

Line No.	Description	Amount	Reference:
	Adjustments to O&M Revenues:		
1			
2	Subtotal	-	
3			
4	Adjustments to O&M Expense:		
5			
6	Remove Prior Rate Case Costs from Current Rate Case Amort. Exp	(1,784)	Testimony, MFR B-10
7	WSC - Health Insurance Reserve Adjustment	(126)	Exhibit DMR-19
8	WSC - State - Depreciation Expense Adjustment	(436)	Exhibit DMR-20
9	Subtotal	(2,346)	
10			
11	Adjustments to Depreciation:		
12	Crescent Heights Water Main Replacements Pro Forma		
13	Plant Addition - Cap Retirements at TY Plant Balance	26,817	Page 7
14	Reduction to GIS Pro Forma Project	(131)	Exhibit DMR-21
15	Subtotal	26,686	
16			
17	Adjustments to Taxes Other Than Income		
18	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	
19	Subtotal	-	
20			
21	Adjustments to Income Taxes		
22	Impact of Rate Base Adjustments on Interest Deduction (a)	57	
23	Impact of Adjustments on Income Taxes (37.63% composite rate)	(9,159)	
24	Subtotal	(9,102)	

(a) Calculated as total OPC rate base adjustments on page 4 x weighted cost of debt of 3.12% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.

Rate Base - Water

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	763,213	1,152,002	1,915,215
2	Utility Land & Land Rights	73		73
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	1,166,779	(1,156,844)	9,936
6	Less: CIAC	(9,937)		(9,937)
7	Accumulated Amortization CIAC	12,404		12,404
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	8,927	-	8,927
11	Total Rate Base	1,941,459	(4,842)	1,936,618

Source/Notes:

Col. (1): Company MFR A-1

Col. (2): See Page 5

Schedule of Adjustments to Rate Base

Line No.	Description	Amount	Reference:
	Adjustments to Plant in Service		
1	Crescent Heights Water Main Replacements Pro Forma		
2	Plant Addition - Cap Retirements at TY Plant Balance	1,153,967	Page 7
3	Reduction to GIS Pro Forma Project	(1,965)	Exhibit DMR-21
4	Total Adjustments to Plant in Service	1,152,002	
5			
6	Adjustments to Non-Used and Useful Plant		
7			
8	Total Net Non-Used and Useful Adjustment	-	
9			
10	Adjustments to Accumulated Depreciation:		
11	Crescent Heights Water Main Replacements Pro Forma		
12	Plant Addition - Cap Retirements at TY Plant Balance	1,156,909	Page 7
13	Reduction to GIS Pro Forma Project	(66)	
14	Total Adjustments to Accumulated Depreciation	1,156,844	
15			
16	Adjustments to Working Capital:		
17			
18	Total Adjustments to Working Capital	-	

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	874,119	45.02%	(153,322)	720,797	37.22%	6.70%	2.49%
2	Short Term Debt	83,016	4.28%	(14,561)	68,455	3.53%	2.32%	0.08%
3	Common Equity	929,588	47.88%	(163,051)	766,537	39.58%	10.40%	4.12%
4	Customer Deposits	1,693	0.09%		1,693	0.09%	2.00%	0.00%
5	Tax Credits - Zero Cost	2,584	0.13%		2,584	0.13%	0.00%	0.00%
6	ADIT	50,460	2.60%	326,091	376,551	19.44%	0.00%	0.00%
7	Total	1,941,460	100.00%		1,936,618	100.00%		6.69%

Source/Notes:
Col. (a), (b) and (f): See Company MFR Sch. D-1
Col. (d), line 7: See page 4
Col. (c), line 6: Reflects impact of bonus depreciation on Company ADIT adjustment for pro forma water main replacement.

Pro Forma Plant Addition Adjustment

Line	Description	Amount in MFRs	Amount per OPC	Adjustment
		(a)	(b)	(c)
	Plant In Service Adjustment:			
1	Pro Forma Crescent Heights Water Main Replacement	1,811,360	1,806,000	
2	Retirements (75% capped at TY PIS balance)	(1,358,520)	(199,193)	
3	Plant In Service Adjustment, Net of Retirements	452,840	1,606,807	1,153,967
	Accumulated Depreciation Adjustment			
4	Pro Forma Retirement	(1,358,520)	(199,193)	
5	Accumulated Depreciation on Plant Addition	21,102	18,684	
6	Accumulated Depreciation, Net of Retirements	(1,337,418)	(180,509)	1,156,909
	Depreciation Expense:			
7	Pro Forma Depre. Exp. (43 yr. life)	10,551	37,368	26,817

Source/Notes:

Column (a): Company Orange County MFR Schedules A-3 and B-3.

Per OPC recommended pro forma plant addition amounts recommended by Citizens' witness Woodcock.

Above adjustment also caps the retirement amount to the test year plant balance. Test year end plant balance in Account 331.4 - Transmission & Distribution Mains per MFR Sch. A-5 of $495,494 less adjustment to the account of ($296,301) shown on MFR Schedule A-3 to "remove T&D Main booked booked incorrectly to Orange County."

Test Year Ended December 31, 2015

Calculation of Revenue Requirement - Water

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	902,832	-	902,832	159,806	1,062,638	Page 4
2	Operation & Maintenance	506,667	69,677	576,344		576,344	Page 4
3	Depreciation, Net of CIAC Amort.	128,341	29,094	157,435		157,435	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	117,615	(25,654)	91,961	7,191	99,152	Page 4
6	Provision for Income Taxes	7,254	(5,485)	1,769	57,429	59,198	
7	OPERATING EXPENSES	759,877		827,509		892,129	
8	NET OPERATING INCOME	142,955		75,323		170,510	
9	RATE BASE	4,525,758	(2,025,618)	2,500,140		2,500,140	Page 5
10	RATE OF RETURN	3.16%				6.82%	Page 8

Source:
Col. (2): Company MFR B-1. Amount on line 6 from Company MFR C-2.

Calculation of Revenue Requirement - Wastewater

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	508,738	-	508,738	23,352	532,090	Page 4
2	Operation & Maintenance	419,611	(42,396)	377,215		377,215	Page 4
3	Depreciation, Net of CIAC Amort.	51,748	(5,415)	46,333		46,333	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	48,891	-	48,891	1,051	49,942	Page 4
6	Provision for Income Taxes	(18,546)	25,258	6,712	8,392	15,104	
7	OPERATING EXPENSES	501,704		479,151		488,594	
8	NET OPERATING INCOME	7,034		29,587		43,496	
9	RATE BASE	1,306,018	(668,242)	637,777		637,777	Page 6
10	RATE OF RETURN	0.54%				6.82%	Page 8

Source:
Col. (2): Company MFR B-2. Amount on line 6 from Company MFR C-2.

Schedule of Adjustments to Operating Income

Line No.	Description	Water Amount	Wastewater Amount	Reference
	Adjustments to O&M Revenues:			
1				
2	Subtotal	-	-	
3				
4	Adjustments to O&M Expense:			
5	Remove Non-Recurring Expenses - Well and Plant Decommissioning	(48,609)		Testimony
6	Reflect Purchase Water Expense	117,206		Page 9
7	Remove Company Adjustment to Amortize Decommissioning Costs	(20,000)		Testimony, MFR B-3
8	Abandoned Summertree Wells Amortization Expense	43,914		Page 10
9	Excess Inflow & Infiltration Expense		(33,025)	(c)
10	Excess Unaccounted for Water	(1,234)		(d)
11	Remove Prior Rate Case Costs from Current Rate Case Amort. Exp	(16,489)	(7,154)	Testimony, MFR B-10
12	WSC - Health Insurance Reserve Adjustment	(1,178)	(511)	Exhibit DMR-19
13	WSC - State - Depreciation Expense Adjustment	(3,933)	(1,706)	Exhibit DMR-20
14	Subtotal	69,677	(42,396)	
15				
16	Adjustments to Depreciation:			
17	Remove Deprec. Exp. on Pro Forma Water Main Replacement Project	(8,737)		(b)
18	Remove Per Company Summertree Decommissioning Adjustment	61,015		MFR Sch. B-3
19	Remove Deprec. Exp. on Abandoned Summertree Assets	(21,974)		Testimony
20	Reduction to GIS Pro Forma Project	(1,210)	(525)	Exhibit DMR-21
21	Staff Audit Finding 3 - Depreciation Expense Impact - Wastewater System		(4,890)	
22	Subtotal	29,094	(5,415)	
23				
24	Adjustments to Taxes Other Than Income			
25	Remove Property Taxes on Water Main Replacement Project (17.1026 mill rat	(25,654)		
26	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	-	
27	Subtotal	(25,654)	-	
28				
29	Adjustments to Income Taxes			
30	Impact of Rate Base Adjustments on Interest Deduction (a)	22,029	7,267	
31	Impact of Adjustments on Income Taxes (37.63% composite rate)	(27,514)	17,991	
	Subtotal	(5,485)	25,258	

(a) Calculated as total OPC rate base adjustments on pages 5 and 6 x weighted cost of debt of 2.89% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.
(b) Adjustment recommended by Citizens' witness Woodcock.
(c) Calculated based on Orangewood/Buena Vista/Wisbar purchase sewer, purchase power and chemical expense times excessive I&I percentage recommended by Citizens witness Woodcock of 17.22%
(d) Calculated based on non-Summertree purchase power and chemical expense times excessive unaccounted for water percentage recommended by Citizens witness Woodcock of 7.66%.

Rate Base - Water

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	3,310,408	696,092	4,006,500
2	Utility Land & Land Rights	2,344		2,344
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	1,337,576	(2,618,497)	(1,280,921)
6	Less: CIAC	(564,908)	3,633	(561,275)
7	Accumulated Amortization CIAC	177,840	73,154	250,994
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	262,498	(180,000)	82,498
11	Total Rate Base	4,525,758	(2,025,618)	2,500,140

Source/Notes:
Col. (1): Company MFR A-1
Col. (2): See Page 7

Rate Base - Wastewater

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	1,050,842	658,796	1,709,638
2	Utility Land & Land Rights	7,734		7,734
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	449,337	(1,392,771)	(943,434)
6	Less: CIAC	(633,772)	46,517	(587,255)
7	Accumulated Amortization CIAC	396,078	19,216	415,294
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	35,799	-	35,799
11	Total Rate Base	1,306,018	(668,242)	637,777

Source/Notes:
Col. (1): Company MFR A-2
Col. (2): See Page 7

Schedule of Adjustments to Rate Base

Line No.	Description	Water Amount	Wastewater Amount	Reference:
	Adjustments to Plant in Service			
1	Staff Audit Finding 3 - PIS Impact - Wastewater System		666,675	
2	Reduction to GIS Pro Forma Project	(18,156)	(7,879)	Exhibit DMR-21
3	Remove Pro Forma Water Main Replacements, Net of Retirements	(375,000)		(a)
4	Remove Per Company Summertree Decommissioning Adjustment	1,786,610		MFR Sch. A-3
5	Remove Abandoned Summertree Water Supply Assets	(715,518)		(b)
6	Total Adjustments to Plant in Service	696,092	658,796	
7				
8	Adjustments to Non-Used and Useful Plant			
9				
10	Total Net Non-Used and Useful Adjustment	-	-	
11				
12	Adjustments to Accumulated Depreciation:			
13	Staff Audit Finding 3 - A/Dep. Impact - Wastewater System		1,393,033	
14	Reduction to GIS Pro Forma Project	(605)	(263)	
15	Remove Pro Forma Water Main Replacements, Net of Retirements	1,107,525		(a)
16	Remove Company Summertree Decommissioning Adjustments	1,786,611		MFR Sch. A-3
17	Remove Abandoned Summertree Water Supply Assets	(275,034)		(b)
18				
19	Total Adjustments to Accumulated Depreciation	2,618,497	1,392,771	
20				
21	Adjustments to CIAC			
22	Staff Audit Finding 3 - CIAC Impact - Wastewater System		(46,517)	
23	Remove Company Summertree Decommissioning Adjustments	156,827		MFR Sch. A-3
24	Remove Abandoned Summertree Water Supply Assets	(160,460)		(b)
25	Total Adjustments to CIAC	(3,633)	(46,517)	
26				
27	Adjustments to Accumulated Amortization of CIAC			
28	Staff Audit Finding 3 - Accum. Amort. CIAC Impact - Wastewater System		(19,216)	
29	Remove Company Summertree Decommissioning Adjustments	(156,827)		MFR Sch. A-3
30	Remove Abandoned Summertree Water Supply Assets	83,673		(b)
31	Total Adjustment to Accumulated Amortization of CIAC	(73,154)	(19,216)	
32				
33	Adjustments to Working Capital:			
34	Remove Cost to Decommission from Working Capital	(180,000)		MFR Sch. A-17
35	Total Adjustments to Working Capital	(180,000)	-	

(a) Adjustment recommended by Citizens' Witness Woodcock.
(b) Summertree decommissioning adjustments discussed in testimony.

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	2,431,305	41.69%	(1,243,179)	1,188,126	37.86%	6.70%	2.54%
2	Short Term Debt	230,903	3.96%	(118,066)	112,837	3.60%	2.32%	0.08%
3	Common Equity	2,585,590	44.34%	(1,322,069)	1,263,521	40.27%	10.40%	4.19%
4	Customer Deposits	22,434	0.38%		22,434	0.71%	2.00%	0.01%
5	Tax Credits - Zero Cost	34,269	0.59%		34,269	1.09%	0.00%	0.00%
6	ADIT	527,274	9.04%	(10,545)	516,729	16.47%	0.00%	0.00%
7	Total	5,831,775	100.00%		3,137,917	100.00%		6.82%

Source/Notes:
Col. (a), (b) and (f): See Company MFR Sch. D-1
Col. (d), line 7: See pages 5 and 6
Col. (c), line 6: Reflects impact on Company ADIT adjustment from Citizens pro forma plant addition adjustments.

Purchase Water Expense - Summertree

Line No.	Description		Amount
1	Total Test Year Billable Gallons, per Company		27,359,000
2	Water Gallons for Flushing @ 10%		2,735,900
3	Other Losses @ 10%		2,735,900
4	Total Water from Pasco County		32,830,800
5	Bulk Water Rate ($/Kgal)	$	3.57
6	Total Purchase Water Expense	$	117,206

Source/Notes:

Line 1: Pasco County MFR Schedule E-2, page 2, column (12), lines 9 and 22.

Lines 2 and 3: Percentages per Commission Order PSC-16-0505-PAA-WS issued October 31, 2016 at page 10, Table 3.

Line 5: Bulk Water Rate per Bulk Water Agreement with Pasco County provided as Attachment A to Commission Order PSC-16-0505-PAA-WS.

Abandoned Summertree Wells Amortization Expense

Line No.	Description	Amount In Commission Order	Recommended Revised Amount
		(a)	(b)
1	Net Book Value	363,697	363,697
2	Impact of Additional Depreciation on Assets (Line A.4)		(23,803)
3	Tank Salvage Value	(5,000)	(5,000)
4	Net Cost to Retire	200,000	-
5	Total Cost	558,697	334,894
6	Rate of Return for Calculation	7.22%	7.22%
7	Return on Net Book Value ((L.1 + L.2 + L.3) x L. 6)	25,898	24,179
8	Depreciation Expense Used in Commission Calculation	19,735	19,735
9	Amortization Period (L. 5 / (L.7 + L.8))	12.24	7.63
10	Amortization Expense (L. 5 / L. 9)	45,633	43,914
11	Recommended Abandoned Well Amortization Expense		43,914
	Calculation of Additional Depreciation:		
A.1	Annual Deprec. Exp., Net of CIAC Amort., per Commission Order		21,974
A.2	Monthly Deprec. Exp., Net of CIAC Amort. (L. A.1 / 12)		1,831
A.3	Additional Months of Depreciation Expense (Dec. 2015 - Dec. 2016)		13
A.4	Additional Depreciation Recovered in Rates		23,803

Source/Notes:

Col. (a): Commission Order No. PSC-16-0505-PAA-WS at page 8.

Line 4: Net Cost to Retire excluded from Recommended Revised Amount as Company has not supported the amount, per Citizens' Witness Woodcock.

Line A.1: Commission Order No. PSC-16-0505-PAA-WS at page 7.

Line A.3: Net Book Value in Commission Order based on net plant value as of November 30, 2015 based on Company's filing and revised filing dated December 30, 2015 and March 9, 2016 in Docket No. 15-269-WS (Document Nos. 08053-15 and 01272-16) at Schedule 18 for Pasco County Phase II.

Test Year Ended December 31, 2015

Calculation of Revenue Requirement - Water

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	158,115	-	158,115	131,348	289,463	Page 3
2	Operation & Maintenance	71,514	(3,671)	67,843		67,843	Page 3
3	Depreciation, Net of CIAC Amort.	34,998	12,610	47,608		47,608	Page 3
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	27,298	(3,391)	23,907	5,911	29,818	Page 3
6	Provision for Income Taxes	(10,591)	279	(10,312)	47,202	36,890	
7	OPERATING EXPENSES	123,219		129,046		182,159	
8	NET OPERATING INCOME	34,896		29,069		107,305	
9	RATE BASE	1,700,806	(204,229)	1,496,577		1,496,577	Page 4
10	RATE OF RETURN	2.05%				7.17%	Page 6

Source:
Col. (2): Company MFR B-1. Amount on line 6 from Company MFR C-2.

Schedule of Adjustments to Operating Income

Line No.	Description	Amount	Reference:
	Adjustments to O&M Revenues:		
1			
2	Subtotal	-	
3			
4	Adjustments to O&M Expense:		
5	Remove Prior Rate Case Costs from Current Rate Case Amort. Exp	(2,471)	Testimony, MFR B-10
6	Remove Excess Unaccounted for Water Expense	(415)	(a)
7	WSC - Health Insurance Reserve Adjustment	(183)	Exhibit DMR-19
8	WSC - State - Depreciation Expense Adjustment	(602)	Exhibit DMR-20
9	Subtotal	(3,671)	
10			
11	Adjustments to Depreciation:		
12	Reduction to Water Main Replacement Project Cost (43 year life)	(4,651)	(d)
13	Remove Retirements on Water Main Replacement Project (43 year life	17,442	(c)
14	Reduction to GIS Pro Forma Project	(181)	Exhibit DMR-21
15	Subtotal	12,610	
16			
17	Adjustments to Taxes Other Than Income		
18	Reduction to Property Taxes from Reduction to Water Main Project	(3,391)	16.9563 millage rate
19	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	
20	Subtotal	(3,391)	
21			
22	Adjustments to Income Taxes		
23	Impact of Rate Base Adjustments on Interest Deduction (b)	2,367	
24	Impact of Adjustments on Income Taxes (37.63% composite rate)	(2,088)	
25	Subtotal	279	

(a) Calculated as test year purchase power exp. of $2,223, purchase water exp. of $536 and chemical exp. of $1,310 times the UAW water percentage recommended by Citizens' witness Woodcock of 10.20%.

(b) Calculated as total OPC rate base adjustments on page 4 x weighted cost of debt of 3.08% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.

(c) Calculated as the $750,000 increase in plant in service from the removal of the Company's retirement adjustment show on page 5 divided by 43 year depreciation life.

(d) Recommended project cost reduction on page 5 divided by 43 year depreciation life.

Rate Base - Water

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	1,157,141	547,279	1,704,420
2	Utility Land & Land Rights	6,207		6,207
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	571,788	(747,584)	(175,796)
6	Less: CIAC	(157,394)		(157,394)
7	Accumulated Amortization CIAC	106,775		106,775
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	16,289	(3,924)	12,365
11	Total Rate Base	1,700,806	(204,229)	1,496,577

Source/Notes:
Col. (1): Company MFR A-1
Col. (2): See Page 5

Schedule of Adjustments to Rate Base

Line No.	Description	Amount	Reference
	Adjustments to Plant in Service		
1	Remove Retirements on Water Main Replacement Project	750,000	Testimony
2	Reduction to Water Main Replacement Project Cost	(200,000)	(a)
3	Reduction to GIS Pro Forma Project	(2,721)	Exhibit DMR-21
4	Total Adjustments to Plant in Service	547,279	
5			
6	Adjustments to Non-Used and Useful Plant		
7			
8	Total Net Non-Used and Useful Adjustment	-	
9			
10	Adjustments to Accumulated Depreciation:		
11	Remove Retirements on Water Main Replacement Project	750,000	Testimony
12	Reduction to Water Main Replacement Project Cost	(2,326)	(a)
13	Reduction to GIS Pro Forma Project	(91)	
14	Total Adjustments to Accumulated Depreciation	747,584	
15			
16	Adjustments to Working Capital:		
17	Correct Error in Working Capital Calculation	(3,924)	Testimony
18			
19	Total Adjustments to Working Capital	(3,924)	

(a) Recommended project cost of $800,000, which is $200,000 less than the amount in the Company's MFR Schedule A-3, sponsored by Citizens' witness Woodcock.

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	757,239	44.52%	(160,929)	596,310	39.84%	6.70%	2.67%
2	Short Term Debt	71,916	4.23%	(15,284)	56,632	3.78%	2.32%	0.09%
3	Common Equity	805,292	47.35%	(171,141)	634,151	42.37%	10.40%	4.41%
4	Customer Deposits	2,346	0.14%		2,346	0.16%	2.00%	0.00%
5	Tax Credits - Zero Cost	3,582	0.21%		3,582	0.24%	0.00%	0.00%
6	ADIT	60,430	3.55%	143,125	203,555	13.60%	0.00%	0.00%
7	Total	1,700,805	100.00%		1,496,577	100.00%		7.17%

Source/Notes:
Col. (a), (b) and (f): See Company MFR Sch. D-1
Col. (d), line 7: See page 4
Col. (c), line 6: Reflects impact on Company ADIT adjustment from bonus depreciation and Citizens pro forma project adjustments.

Test Year Ended December 31, 2015

Calculation of Revenue Requirement - Water

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	208,417	-	208,417	61,906	270,323	Page 4
2	Operation & Maintenance	130,818	(4,343)	126,475		126,475	Page 4
3	Depreciation, Net of CIAC Amort.	61,282	(2,874)	58,408		58,408	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	15,454	-	15,454	2,786	18,240	Page 4
6	Provision for Income Taxes	(6,728)	2,799	(3,929)	22,247	18,318	
7	OPERATING EXPENSES	200,826		196,408		221,441	
8	NET OPERATING INCOME	7,591		12,009		48,882	
9	RATE BASE	656,497	4,070	660,567		660,567	Page 5
10	RATE OF RETURN	1.16%				7.40%	Page 9

Source:
Col. (2): Company MFR B-1. Amount on line 6 from Company MFR C-2.

Utilities, Inc. of Florida
- Marion County
Test Year Ended December 31, 2015

Calculation of Revenue Requirement - Wastewater

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	48,279	-	48,279	37,057	85,336	Page 4
2	Operation & Maintenance	36,447	(138)	36,309		36,309	Page 4
3	Depreciation, Net of CIAC Amort.	32,406	-	32,406		32,406	Page 4
4	Amortization, Acq. Adjustment	-		-		-	
5	Taxes Other Than Income	3,516	-	3,516	1,668	5,184	Page 4
6	Provision for Income Taxes	(10,360)	139	(10,221)	13,317	3,096	
7	OPERATING EXPENSES	62,009		62,010		76,995	
8	NET OPERATING INCOME	(13,730)		(13,731)		8,341	
9	RATE BASE	120,537	(7,817)	112,720		112,720	Page 6
10	RATE OF RETURN	-11.39%				7.40%	Page 9

Source:
Col. (2): Company MFR B-2. Amount on line 6 from Company MFR C-2.

Schedule of Adjustments to Operating Income

Line No.	Description	Water Amount	Wastewater Amount	Reference
	Adjustments to O&M Revenues:			
1				
2	Subtotal	-	-	
3				
4	Adjustments to O&M Expense:			
5	Remove Prior Rate Case Costs from Current Rate Case Amort. Exp	(3,154)	(439)	Testimony, MFR B-10
6	Remove Excess Unaccounted for Water Expense	(203)		(a)
7	WSC - Health Insurance Reserve Adjustment	(220)	(31)	Exhibit DMR-19
8	WSC - State - Depreciation Expense Adjustment	(766)	(107)	Exhibit DMR-20
9	Subtotal	(4,343)	(138)	
10				
11	Adjustments to Depreciation:			
12	Non-Used & Useful Plant		(12,279)	Page 8
13	Reduction to GIS Pro Forma Project	(231)	(32)	Exhibit DMR-21
14	Remove Account 304.2 Depreciation Exp. - Assets Fully Depreciated	(1,936)		Testimony, MFR B-13
15	Remove Account 307.2 Depreciation Exp. - Assets Fully Depreciated	(938)		Testimony, MFR B-13
16	Subtotal	(2,874)	-	
17				
18	Adjustments to Taxes Other Than Income			
19				
20	Impact of Revenue Adjs. on Regulatory Assessment Fees (4.5%)	-	-	
21	Subtotal	-	-	
22				
23	Adjustments to Income Taxes			
24	Impact of Rate Base Adjustments on Interest Deduction	83	87	(b)
25	Impact of Adjustments on Income Taxes (37.63% composite rate)	2,716	52	
26	Subtotal	2,799	139	

(a) Calculated as test year purchase power expense of $13,379 plus Company adjusted test year chemical expense of $1,683 times the UAW water percentage recommended by Citizens' witness Woodcock of 1.35%. (($13,379 + $1,683) x -1.35%)

(b) Calculated as total OPC rate base adjustments on pages 5 and 6 x weighted cost of debt of 3.01% per Company MFR Schedule D-1 x -consolidated tax rate of 37.63%.

Rate Base - Water

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	1,215,288	(90,388)	1,124,900
2	Utility Land & Land Rights	17,211		17,211
3	Less: Non-Used & Useful Plant	-		-
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(527,830)	94,458	(433,373)
6	Less: CIAC	(184,713)		(184,713)
7	Accumulated Amortization CIAC	120,763		120,763
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	15,778	-	15,778
11	Total Rate Base	656,497	4,070	660,567

Source/Notes:
Col. (1): Company MFR A-1
Col. (2): See Page 7

Rate Base - Wastewater

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(1)	(2)	(3)
1	Utility Plant in Service	211,413	-	211,413
2	Utility Land & Land Rights	10,725		10,725
3	Less: Non-Used & Useful Plant	-	(7,833)	(7,833)
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(98,455)	16	(98,439)
6	Less: CIAC	(7,200)		(7,200)
7	Accumulated Amortization CIAC	1,858		1,858
8	Acquisition Adjustments	-		-
9	Accum. Amort. Of Acq. Adjustments	-		-
10	Working Capital Allowance	2,196	-	2,196
11	Total Rate Base	120,537	(7,817)	112,720

Source/Notes:

Col. (1): Company MFR A-2

Col. (2): See Page 7

Schedule of Adjustments to Rate Base

Line No.	Description	Water Amount	Wastewater Amount	Reference:
	Adjustments to Plant in Service			
1	Reduction to GIS Pro Forma Project	(3,472)	(483)	Exhibit DMR-21
2	Remove Account 304.2 - Structures & Improvements (fully depreciate	(62,271)		Testimony, MFR A-5
3	Remove Account 307.2 - Wells & Springs (fully depreciated)	(28,117)		Testimony, MFR A-5
4	Total Adjustments to Plant in Service	(90,388)	-	
5				
6	Adjustments to Non-Used and Useful Plant			
7	Non-Used & Useful Net Plant		(7,833)	Page 8
8	Total Net Non-Used and Useful Adjustment	-	(7,833)	
9				
10	Adjustments to Accumulated Depreciation:			
11	Reduction to GIS Pro Forma Project	(116)	(16)	
12	Remove Account 304.2 - Structures & Improvements (fully depreciate	(64,468)		Testimony, MFR A-9
13	Remove Account 307.2 - Wells & Springs (fully depreciated)	(29,874)		Testimony, MFR A-9
14	Total Adjustments to Accumulated Depreciation	(94,458)	(16)	
15				
16	Adjustments to Working Capital:			
17				
18	Total Adjustments to Working Capital	-	-	

Non-Used & Useful Plant

Line No.	Account/Description	PIS	Accum. Deprec.	Deprec. Expense
	Treatment & Disposal Plant:			
1	353.4 - Land & Land Rights	8,529		
2	354.4 - Structures & Improvements	3,314	274	495
3	380.4 - Treatment & Disposal Equipment	111,218	(106,598)	25,742
4	Total Treatment & Disposal Plant, As Adjusted	123,061	(106,324)	26,237
5	Non-Used & Useful, per Citizens	46.80%	46.80%	46.80%
6	Non-Used & Useful Adjustment	57,593	(49,760)	12,279
7	Reduction to Rate Base for Non-Used & Useful		(7,833)	
8	Reduction to Depreciation Expense for Non-Used & Useful			(12,279)

Source/Notes:

Lines 1 and 2: Company MFR Schedules A-6, A-10 and B-14.
Line 4: Non-Used & Useful percentage recommended by Citizens' witness Andrew Woodcock.

Cost of Capital

Line No.	Class of Capital	Per UIF Amounts	Per UIF Ratio	OPC Adjustments	Per OPC Adjusted	Per OPC Ratio	Per OPC Cost Rate	Per OPC Weighted Cost
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long Term Debt	319,566	41.13%	(1,736)	317,830	41.10%	6.70%	2.75%
2	Short Term Debt	30,349	3.91%	(165)	30,184	3.90%	2.32%	0.09%
3	Common Equity	339,845	43.74%	(1,846)	337,999	43.71%	10.40%	4.55%
4	Customer Deposits	3,411	0.44%		3,411	0.44%	2.00%	0.01%
5	Tax Credits - Zero Cost	5,208	0.67%		5,208	0.67%	0.00%	0.00%
6	ADIT	78,655	10.12%		78,655	10.17%	0.00%	0.00%
7	Total	777,034	100.00%		773,287	100.00%		7.40%

Source/Notes:
Col. (a), (b) and (f): See Company MFR Sch. D-1
Col. (d), line 7: See pages 5 and 6

Line No.	Description	% Alloc.	Adjustment
1	Remove Health Insurance Reserves Adjustment		(114,125)
	System Allocation:		
2	Cypress Lakes	0.89%	(1,016)
3	Eagle Ridge	0.91%	(1,039)
4	Labrador	0.55%	(628)
5	Lake Placid	0.10%	(114)
6	Longwood	0.61%	(696)
7	Lake Utility Services	5.47%	(6,243)
8	Mid-County	1.21%	(1,381)
9	Pennbrooke	0.98%	(1,118)
10	Sandalhaven	0.44%	(502)
11	Sanlando	7.78%	(8,879)
12	Tierra Verde	0.76%	(867)
13	Seminole County	1.47%	(1,678)
14	Orange County	0.11%	(126)
15	Pasco County	1.48%	(1,689)
16	Pinellas County	0.16%	(183)
17	Marion County	0.22%	(251)
18	Total	23.14%	(26,410)

Source/Notes:

Line 1: Citizens Interrogatory 91 - A "Health Insurance Reserves Adjustment" of $110,000 was booked December 31, 2015. The Company increased this by 3.75% in its pro forma employee benefits adjustments.

Percentage Allocations from the December 2015 allocation percentages on Company MFR Schedule B-12, page 12 for each of the Systems.

Line No.	Description	% Alloc.	Adjustment
1	Depreciation Expense Adjustment		(87,296)
	System Allocation:		
2	Cypress Lakes	3.78%	(3,300)
3	Eagle Ridge	3.77%	(3,291)
4	Labrador	2.36%	(2,060)
5	Lake Placid	0.41%	(358)
6	Longwood	2.57%	(2,244)
7	Lake Utility Services	23.41%	(20,436)
8	Mid-County	5.03%	(4,391)
9	Pennbrooke	4.23%	(3,693)
10	Sandalhaven	1.82%	(1,589)
11	Sanlando	33.24%	(29,017)
12	Tierra Verde	3.14%	(2,741)
13	Seminole County	6.36%	(5,552)
14	Orange County	0.50%	(436)
15	Pasco County	6.46%	(5,639)
16	Pinellas County	0.69%	(602)
17	Marion County	1.00%	(873)
18	Total	98.77%	(86,222)

Source/Notes:

Line 1: Citizens Interrogatory 88 - Fixed Asset Clean-up Adjustment booked in March 2015.

Percentage Allocations from the March 2015 allocation percentages on Company MFR Schedule B-12, page 3 for each of the Systems.

Line No.	Description	Per UIF Allocations Water	Per UIF Allocations Wastewater	Reduction to Plant Addition Water	Reduction to Plant Addition Wastewater	Reduction to Depreciation Exp. Water	Reduction to Depreciation Exp. Wastewater
1	Cypress Lakes	1.803%	1.716%	(8,012)	(7,621)	(1,335)	(1,270)
2	Eagle Ridge		3.600%		(15,993)		(2,666)
3	Labrador (Note 1)	1.086%	1.078%	(4,826)	(4,787)	(804)	(798)
4	Lake Placid	0.201%	0.204%	(893)	(906)	(149)	(151)
5	Longwood		2.415%		(10,728)		(1,788)
6	Lake Utility Services	16.722%	5.171%	(74,285)	(22,972)	(12,381)	(3,829)
7	Mid-County		8.008%		(35,575)		(5,929)
8	Pennbrooke (Note 2)	2.120%	1.766%	(9,417)	(7,846)	(1,570)	(1,308)
9	Sandalhaven		1.751%		(7,779)		(1,297)
10	Sanlando	19.734%	15.874%	(87,666)	(70,519)	(5,844)	(4,701)
11	Tierra Verde		2.984%		(13,257)		(2,210)
12	Seminole County	3.862%	2.100%	(17,156)	(9,330)	(1,144)	(622)
13	Orange County	0.442%		(1,965)		(131)	
14	Pasco County	4.087%	1.774%	(18,156)	(7,879)	(1,210)	(525)
15	Pinellas County	0.613%		(2,721)		(181)	
16	Marion County	0.782%	0.109%	(3,472)	(483)	(231)	(32)
17	Total	51.45%	48.55%	(228,569)	(215,675)	(24,980)	(27,126)
18	Total Combined Water/Wastewater		100.00%		(444,238)		(52,106)

Source/Notes:

Allocation percentages derived from Company workpapers provided in the supplemental response to Citizens' POD No. 4.

Reduction to pro forma GIS plant addition recommended by Citizens' witness Woodcock. Calculated as Mr. Woodcock's recommended project cost of $244,321 less amount flowing through Company filing for the GIS project of $688,559.

Depreciation Expense impact based on depreciation life used by UIF in filing. For systems on lines - 9 and 11, the Company's MFRs included depreciation expense based on a 6-year life. For systems on lines 10 and 12 - 16, the Company's filing used a 15-year depreciation life.

Note 1: The Labrador MFR Schedules reflected the Labrador allocation of the GIS system cost based on $350,000 total project cost instead of the $688,529 used for the remaining systems. Thus, the Labrador adjustment in Exhibit DMR-5 differs from the amounts on line 3, above. The adjustments to the Labrador system are: reduction to Water PIS of $1,148; reduction to Wastewater PIS of $1,139; reduction to water depreciation expense of $191, and reduction to wastewater depreciation expense of $190.

Note 2: There is an error in the Company's allocation of costs to Pennbrooke system. It appears Company applied the combined water and wastewater Pennbrooke amount to the water system and the Pennbrooke water system amount to the wastewater system. Thus, the amounts in Exhibit DMR-10 for the Pennbrooke system differ from the above amounts. The Pennbrooke adjustments are a reduction to Water and Wastewater PIS of $21,576 and $10,279, respectively and reduction to water and wastewater depreciation expense of $3,596 and $1,713, respectively.