

FLORIDA PUBLIC SERVICE COMMISSION

Item 2

VOTE SHEET

August 3, 2017

FILED 8/3/2017  
DOCUMENT NO. 06577-2017  
FPSC - COMMISSION CLERK

Docket No. 20160222-WS – Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.

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

**Recommendation:** Yes. Staff recommends that the overall quality of service provided by the Utility be considered satisfactory.

**APPROVED** with modification made at Commission Conference this date. The utility shall address billing issues and respond back to OPC within 6 months.

**Issue 2:** What are the used and useful percentages (U&U) of LP Waterworks, Inc. water treatment plant (WTP), water storage, wastewater treatment plant (WWTP), and distribution and collection systems?

**Recommendation:** The Utility's WTP, WWTP, water storage, water distribution system and wastewater collection system should all be considered 100 percent U&U. Staff recommends a 24 percent adjustment to purchased power and chemical expenses be made for excessive unaccounted for water.

**APPROVED**

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

*Donald Polman*

*[Signature]*

*Julie [Signature]*

*[Signature]*

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*(note change on ~~the~~ issue 10)*

**REMARKS/DISSENTING COMMENTS:**

*Oral modification, assigned DN 06551-2017, is attached.*

**Docket No. 20160222-WS** – Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.

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**Issue 3:** What is the appropriate simple average rate base for the test year ended August 31, 2016 for LP Waterworks, Inc.?

**Recommendation:** The appropriate simple average rate base for the test year ended August 31, 2016 is ~~\$109,264~~ for water and ~~\$162,724~~ for wastewater.

\$109,632

\$164,803

**APPROVED** as modified (oral modification)

**Issue 4:** What is the appropriate rate of return on equity (ROE) and overall rate of return for LP Waterworks, Inc.?

**Recommendation:** The appropriate mid-point ROE is 9.27 percent with a range of 8.27 percent to 10.27 percent. The appropriate overall rate of return is 7.89 percent.

**APPROVED**

**Issue 5:** What are the appropriate test year revenues for the water and wastewater systems of LP Waterworks, Inc.?

**Recommendation:** The appropriate test year revenues for LP's water and wastewater systems are \$105,065 and \$85,659, respectively.

**APPROVED**

**Issue 6:** What is the appropriate amount of Operating Expense for the test year ended August 31, 2016?

**Recommendation:** The appropriate amount of operating expense for the LP Waterworks, Inc. is ~~\$110,945~~ for water and ~~\$96,863~~ for wastewater.

\$96,878

\$111,031

**APPROVED** as modified (oral modification)

**Docket No. 20160222-WS** – Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.

(Continued from previous page)

**Issue 7:** What is the appropriate revenue requirement?

**Recommendation:** The appropriate revenue requirement is ~~\$119,566~~ <sup>\$119,681</sup> for water and ~~\$109,702~~ <sup>\$109,881</sup> for wastewater, resulting in an annual increase of ~~\$14,501~~ <sup>\$14,616</sup> (13.80 percent) for water and an annual increase of ~~\$24,043~~ <sup>\$24,222</sup> (28.07 percent) for wastewater. <sup>13.91</sup> <sup>28.28</sup>

**APPROVED** *as modified (oral modification)*

**Issue 8:** What are the appropriate rate structures and rates for the water and wastewater systems of LP Waterworks, Inc.?

**Recommendation:** The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B of staff’s memorandum dated July 21, 2017. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of this notice.

**APPROVED**

**Issue 9:** What is the appropriate amount by which rates should be reduced in four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.081(8), F.S.?

**Recommendation:** The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B, respectively, of staff’s memorandum dated July 21, 2017, to remove rate case expense grossed up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.081(8), F.S. The Utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

**APPROVED**




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**Issue 10:** What are the appropriate miscellaneous service charges for LP Waterworks, Inc.?

**Recommendation:** The miscellaneous service charges identified in Table 10-5 of staff's memorandum dated July 21, 2017, are appropriate and should be approved. The charges should be effective on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved changes should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

**APPROVED** as modified at Commission Conference this date. Strike this language on p. 204 of recommendation, under "Normal Reconnection Charge": "new customer account at a previously served location," or "

**Issue 11:** Should LP Waterworks, Inc. be authorized to collect Non-Sufficient Funds Charges (NSF)?

**Recommendation:** Yes. LP should be authorized to collect NSF charges. The charges should be effective on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved changes should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

**APPROVED**

**Issue 12:** What are the appropriate main extension charges for the water and wastewater systems of LP Waterworks, Inc.?

**Recommendation:** The appropriate main extension charges for LP's water and wastewater systems are \$510 and \$390 per equivalent residential connection (ERC), respectively. The recommended service availability charge should be based on an estimated 350 gallons per day of water. The Utility should file revised tariff sheets and a proposed customer notice. LP should provide notice to customers who have requested service within the 12 calendar months prior to the month the application was filed to the present. The approved charges should be effective for connections made on or after the stamped approval date on the tariff sheets. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

**APPROVED**

**Docket No. 20160222-WS** – Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.

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**Issue 13:** Should the recommended rates be approved for LP Waterworks, Inc. on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

**Recommendation:** Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. LP should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum dated July 21, 2017. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

**APPROVED**

**Issue 14:** Should LP Waterworks, Inc. be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision?

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

**APPROVED**

Vote Sheet  
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Item 2

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**Issue 15:** Should this docket be closed?

**Recommendation:** No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively.

**APPROVED**

**Nickalus Holmes**

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**From:** Kate Hamrick  
**Sent:** Wednesday, August 02, 2017 4:37 PM  
**To:** Braulio Baez; Apryl Lynn; Mark Futrell; Keith Hetrick; Mary Anne Helton; CLK - Agenda Staff; Cindy Muir; Commissioners & Staffs; Andrew Maurey; Dale Buys; Mark Cicchetti; Cheryl Bulecza-Banks; Christopher Richards; Charles Murphy; Lee Eng Tan; Greg Shafer; Tom Ballinger  
**Cc:** Jacqueline Moore; Kathy Shoaf; Nancy Harrison  
**Subject:** FW: Request for Oral Modification to Item 2 on the August 3, 2017 Commission Conference  
**Attachments:** LP Oral Modification - Type and Strike of Pertinent Issues and Schedules.docx

Please see the approved oral modification for the August 4, 2017, Commission Conference Item 2 (Docket No. 20160222-WS)

Thanks,

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

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**From:** Braulio Baez  
**Sent:** Wednesday, August 02, 2017 4:31 PM  
**To:** Cheryl Bulecza-Banks  
**Cc:** Mark Futrell; Kathy Shoaf; Kate Hamrick; Andrew Maurey  
**Subject:** RE: Request for Oral Modification to Item 2 on the August 3, 2017 Commission Conference

Approved. Thanks.

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**From:** Cheryl Bulecza-Banks  
**Sent:** Wednesday, August 02, 2017 4:15 PM  
**To:** Braulio Baez  
**Cc:** Mark Futrell; Kathy Shoaf; Kate Hamrick; Andrew Maurey  
**Subject:** Request for Oral Modification to Item 2 on the August 3, 2017 Commission Conference

Staff requests approval to make an oral modification to Item 2 scheduled for the August 3, 2017 Commission Conference, Docket No. 20160222-WS, Application for staff-assisted rate case in Highland County by LP Waterworks, Inc. Subsequent to filing its recommendation staff became aware of errors in the calculations of wastewater accumulated depreciation and depreciation expense related to plant retirements, and an error in working capital applicable to both water and wastewater.

As a result, modifications to staff's recommendation are necessary to Issue 3 (Rate Base) for the accumulated depreciation and working capital errors, and Issue 6 (Operating Expenses) to correct depreciation expense.

The remaining changes are the result of fall-out calculations that affect Issue 3 (total Rate Base), Issue 4 (Return on Equity and Overall Rate of Return), Issue 6 (Operating Expenses –Taxes Other and Total Operating Expenses), Issue 7 (Revenue Requirement), and Issue 13 (Temporary Rates).

The modifications requested by staff increase the water revenue requirement from \$119,566 to \$119,681, or a \$115 increase. The modifications increase the wastewater revenue requirement from \$109,702 to \$109,881, a \$179 increase. As these increases are small, staff is requesting administrative authority to recalculate rates subsequent to the Commission's vote on this item.

The attached file reflects type and strike changes to the recommendation and revenue requirement schedules.



Staff has also included the updated revenue requirements schedules in type and strike format.

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

**ISSUE 3, page 11**

**Accumulated Depreciation**

The Utility recorded a balance for accumulated depreciation of \$362,984 and \$311,950 for water and wastewater, respectively. Staff reduced wastewater accumulated depreciation by **\$19,519** ~~\$17,286~~ (**\$16,091** ~~\$13,858~~ + \$3,428) for the retirement of the control panel, pumps, and diffusers. Staff increased accumulated depreciation for water by \$40, and wastewater by \$293 for pro forma plant. Staff reduced accumulated depreciation associated with the retirement or pro forma projects by \$837 for water and \$3,922 for wastewater. Staff further adjusted wastewater accumulated depreciation by \$4,921 to reconcile the Utility's beginning accumulated depreciation balance to that approved by the Commission in Order PSC-2014-0413-PAA-WS.<sup>5</sup> Staff also adjusted wastewater accumulated depreciation by \$457 (\$383 + \$39 + \$35) for additions to Structures and Improvements, Collection Sewers, and Pumping Equipment. Staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C., and has also made an averaging adjustment of \$9,295 for water and **\$7,765** ~~\$8,227~~ for wastewater. Based on the above adjustments, staff recommends an accumulated depreciation balance of \$352,892 (\$362,984 - \$10,092) for water and **\$275,659** ~~\$277,430~~ (\$311,950 - **\$36,291** ~~\$34,520~~) for wastewater. Staff's adjustments are reflected in Table 3-3 below.

**Table 3-3  
Accumulated Depreciation Adjustments**

Staff Adjustments	Water	Wastewater
Retirement of control panel, pumps, and diffusers	\$0	<b>\$19,519</b> <del>\$17,286</del>
Depreciation on Pro Forma Plant	(40)	(293)
Retirement of Plant associated with Pro Forma Plant	837	3,922
Reconciliation of wastewater beginning balance	0	4,921
Additions to Structures and Improvements, Collection Sewers, and Pumping Equipment	0	457
Averaging Adjustment	9,295	<b>7,765</b> <del>8,227</del>
Total	<u>\$10,092</u>	<b>\$36,291</b> <del>\$34,520</del>

Source: Utility Records, Response to Staff Data Requests, and Staff Audit Report.

### **ISSUE 3, page 12**

#### **Working Capital Allowance**

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Staff also removed the unamortized balance of rate case expense of \$421 for water and \$351 for wastewater pursuant to Section 367.081(9), F.S.<sup>6</sup> Applying this formula, staff recommends a working capital allowance of **\$11,453** ~~\$11,084~~ for water (based on O&M expense of  $(\$92,044 - \$421) \div 8 - \$421$  for water) and **\$9,493** ~~\$9,186~~ for wastewater (based on O&M expense of  $(\$76,295 - \$351) \div 8 - \$351$  for wastewater).

### **ISSUE 6, page 20**

#### **Depreciation Expense**

The Utility's records reflect test year water depreciation expense of \$19,511 and CIAC amortization expense of \$9,861, resulting in a net water depreciation expense of \$9,650 ( $\$19,511 - \$9,861 = \$9,650$ ). Also, the Utility's records reflect test year wastewater depreciation expense of \$16,426 and CIAC amortization expense of \$3,434, resulting in a net wastewater depreciation expense of \$12,992 ( $\$16,426 - \$3,434 = \$12,992$ ). Staff calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and also determined the adjustments necessary to reflect the pro forma additions and retirements discussed previously in Issue 3. Based on the staff audit adjustments and recalculated depreciations expense, staff **increased** ~~decreased water depreciation expense by \$40 and~~ decreased wastewater depreciation expense by **\$602** ~~\$648~~. **Staff increased water depreciation expense by \$40 to reflect the pro forma plant additions.** In addition, staff calculated CIAC amortization based on composite rates, and determined that no adjustments are necessary. This results in a net depreciation expense of **\$9,690** ~~\$9,610~~ ( $\$9,650 + \$40$ ) for water, and a net depreciation expense of **\$12,390** ~~\$12,344~~ ( $\$12,992 - \$602 - \$648$ ) for wastewater. Therefore, staff recommends net depreciation expense of **\$9,690** ~~\$9,610~~ and **\$12,390** ~~\$12,344~~ for water and wastewater, respectively.

**THE FOLLOWING ARE FALL OUT CALCULATIONS BASED ON THE CHANGES ABOVE.**

**ISSUE 3, page 9**

**Issue 1:** What is the appropriate simple average rate base for the test year ended August 31, 2016 for LP Waterworks, Inc.?

**Recommendation:** The appropriate simple average rate base for the test year ended August 31, 2016 is \$109,632 ~~\$109,264~~ for water and \$164,803 ~~\$162,724~~ for wastewater. (Richards, Wooten)

**Rate Base Summary**

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$109,632 ~~\$109,264~~ for water and \$164,803 ~~\$162,724~~. Rate base is shown on Schedule No. 1-A for water and on Schedule No. 1-B for wastewater. The related adjustments for water and wastewater are shown on Schedule No. 1-C.

**ISSUE 4, page 13**

Finally, staff made a pro rata adjustment to reconcile the average rate base to the average capital structure by increasing common equity and long-term debt by \$41,954 ~~\$40,136~~ and \$3,682 ~~\$3,053~~, respectively. The resulting average capital structure based on investor sources only used to determine the ROE consists of common equity of \$203,853 ~~\$202,035~~ (\$147,317 + \$14,582 + \$41,954 ~~40,136~~) and long-term debt of \$67,229 ~~\$66,660~~ (\$63,547 + \$3,682 ~~3,053~~). The equity ratio used for determining the allowed mid-point ROE is 75.21 percent of investors' sources which excludes customer deposits.

**ISSUE 6, page 15**

**Issue 2:** What is the appropriate amount of Operating Expense for the test year ended August 31, 2016?

**Recommendation:** The appropriate amount of operating expense for the LP Waterworks, Inc. is \$111,031 ~~\$110,945~~ for water and \$96,878 ~~\$96,863~~ for wastewater. (Richards)

## **ISSUE 6, pages 20-21**

### **Taxes Other Than Income (TOTI)**

LP recorded taxes other than income (TOTI) for the test year of \$7,605 and \$8,190 for water and wastewater, respectively. The Utility recorded regulatory assessment fees (RAFs) of \$4,823 and \$3,791 for water and wastewater, respectively. Staff determined that RAFs should be decreased by \$95 for water and increased by \$64 for wastewater to reflect the appropriate amount of RAFs for the test year.

Utility recorded property tax expense of \$2,782 for water and \$4,399 for wastewater. Audit staff determined that the Utility's actual property taxes for the test year were \$3,907 for water and \$3,141 for wastewater. Therefore, staff increased water property taxes by \$1,125 and decreased wastewater property taxes by \$1,258 to reflect the proper amounts for the test year.

Staff also made an adjustment to reflect the appropriate property taxes related to the pro forma plant additions discussed in Issue 3 **and the plant retirement related to the pumping equipment**. The pro forma plant additions increased property taxes by \$4 and \$146 for water and wastewater, respectively. **In Issue 3, staff recommends a plant retirement of \$13,858 which reduced property taxes by \$39 for wastewater.** Staff's net adjustments to TOTI are an increase of \$1,034 for water and a decrease of **\$1,087 \$1,048** for wastewater.

In addition, as discussed in Issue 7, revenues have been increased by **\$14,616 \$14,501** for water and **\$24,222 \$24,043** for wastewater to reflect the change in revenue required to cover expenses and allow the recommended rate of return. As a result, TOTI should be increased by **\$658 \$653** for water and **\$1,090 \$1,082** for wastewater to reflect RAFs of 4.5 percent for the increase in revenues.

Therefore, staff recommends TOTI of **\$9,296 \$9,291** ( $\$7,605 + \$1,034 + \$658 \$653$ ) for water and **\$8,193 \$8,224** ( $\$8,190 - \$1,087 \$1,048 + \$1,090 \$1,082$ ) for wastewater.

### **Operating Expense Summary**

The application of staff's recommended adjustments to the Utility's adjusted test year operating expenses results in staff's recommended operating expenses of **\$111,031 \$110,946** for water and **\$96,878 \$96,863** for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B for water and wastewater, respectively. The related adjustments for water and wastewater are shown on Schedule No. 3-C.

## **ISSUE 7, page 22**

**Issue 7:** What is the appropriate revenue requirement?

**Recommendation:** The appropriate revenue requirement is **\$119,681 \$119,566** for water and **\$109,881 \$109,702** for wastewater, resulting in an annual increase of **\$14,616 \$14,501 (13.91 13.80** percent) for water and an annual increase of **\$24,222 \$24,043 (28.28 28.07** percent) for wastewater. (Richards)

**Staff Analysis:** The Utility should be allowed an annual increase of **\$14,616** **\$14,501** (**13.91** **13.80** percent) for water and **\$24,222** **\$24,043** (**28.28** **28.07** percent) for wastewater. This will allow the Utility the opportunity to recover its expenses as well as a 7.89 percent return on its investment. The calculations are shown in Table 7-1 for water and Table 7-2 for wastewater.

**Table 7-1  
Water Revenue Requirement**

Adjusted Rate Base	<b>\$109,632</b>	<b>\$109,264</b>
Rate of Return		7.89%
Return on Rate Base	<b>8,650</b>	<b>8,621</b>
Adjusted O&M Expense		92,044
Depreciation Expense (Net)	<b>9,690</b>	<b>9,610</b>
Taxes Other Than Income	<b>9,296</b>	<b>9,291</b>
Income Taxes		0
Revenue Requirement	<b>\$119,681</b>	<b>\$119,566</b>
Less Test Year Revenues		105,065
Annual Increase / (Decrease)	<b>\$14,616</b>	<b>\$14,501</b>
Percent Increase / Decrease	<b>13.91%</b>	<b>13.80%</b>

Source: Staff Analysis

**Table 7-2  
Wastewater Revenue Requirement**

Adjusted Rate Base	<b>\$164,803</b>	<b>\$162,724</b>
Rate of Return		7.89%
Return on Rate Base	<b>13,003</b>	<b>12,840</b>
Adjusted O&M Expense		76,295
Depreciation Expense (Net)	<b>12,390</b>	<b>12,344</b>
Taxes Other Than Income	<b>8,193</b>	<b>8,224</b>
Income Taxes		0
Revenue Requirement	<b>\$109,881</b>	<b>\$109,702</b>
Less Test Year Revenues		85,659
Annual Increase / (Decrease)	<b>\$24,222</b>	<b>\$24,043</b>
Percent Increase / Decrease	<b>28.28%</b>	<b>28.07%</b>

Source: Staff Analysis

**ISSUE 13, page 33**

The Utility should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of **\$26,047** **\$25,850**. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.



**SCHEDULE NO. 1-A, page37**

<b>LP WATERWORKS, INC.</b>		<b>SCHEDULE NO. 1-A</b>	
<b>TEST YEAR ENDED 08/31/2016</b>		<b>DOCKET NO. 20160222-WS</b>	
<b>SCHEDULE OF WATER RATE BASE</b>			
<b>DESCRIPTION</b>	<b>BALANCE PER UTILITY</b>	<b>STAFF ADJUST. TO UTIL. BAL.</b>	<b>BALANCE PER STAFF</b>
1. UTILITY PLANT IN SERVICE	\$527,435	(\$230)	\$527,205
2. LAND & LAND RIGHTS	27,412	0	27,412
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. ACCUMULATED DEPRECIATION	(362,984)	10,092	(352,892)
5. CIAC	(266,480)	417	(266,063)
6. AMORTIZATION OF CIAC	167,447	(4,930)	162,517
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>11,453</u>	<u>11,453</u>
		<u>11,084</u>	<u>11,084</u>
8. WATER RATE BASE	<u>\$92,830</u>	<u>\$16,802</u>	<u>\$109,632</u>
		<u>\$16,434</u>	<u>\$109,264</u>

**SCHEDULE 1-B, page 38**

<b>LP WATERWORKS, INC.</b>		<b>SCHEDULE NO. 1-B</b>	
<b>TEST YEAR ENDED 08/31/2016</b>		<b>DOCKET NO. 20160222-WS</b>	
<b>SCHEDULE OF WASTEWATER RATE BASE</b>			
<b>DESCRIPTION</b>	<b>BALANCE PER UTILITY</b>	<b>STAFF ADJUST. TO UTIL. BAL.</b>	<b>BALANCE PER STAFF</b>
1. UTILITY PLANT IN SERVICE	\$441,119	(\$7,742)	\$433,377
2. LAND & LAND RIGHTS	36,000	0	36,000
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. ACCUMULATED DEPRECIATION	(311,950)	<u>36,291</u> <u>34,520</u>	<u>(275,659)</u> <u>(277,430)</u>
5. CIAC	(92,400)	0	(92,400)
6. AMORTIZATION OF CIAC	55,709	(1,717)	53,992
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>9,493</u> <u>9,186</u>	<u>9,493</u> <u>9,186</u>
8. WASTEWATER RATE BASE	<u>\$128,478</u>	<u>\$36,325</u> <u>\$34,246</u>	<u>\$164,803</u> <u>\$162,724</u>

**SCHEDULE 1-C, page 39**

<b>LP WATERWORKS, INC.</b>		<b>SCHEDULE NO. 1-C</b>	
<b>TEST YEAR ENDED 08/31/2016</b>		<b>DOCKET NO. 20160222-WS</b>	
<b>ADJUSTMENTS TO RATE BASE</b>			
	<u><b>WATER</b></u>	<u><b>WASTEWATER</b></u>	
<b><u>UTILITY PLANT IN SERVICE</u></b>			
1.	To reflect retirement of Control Panel and Pumps to Acct. 371 per Audit Request 5.	\$0	(\$13,858)
2.	To reflect retirement of replacement Diffuser to Acct. 380 per Audit Finding 1.	0	(3,428)
3.	To reflect pro forma Manhole repair to Acct. 354.	0	8,236
4.	To reflect pro forma replacement of Contactor and Overload to Acct. 371.	0	519
5.	To reflect pro forma Surge Pump at WWTP to Acct. 371.	0	3,303
6.	To reflect pro forma repairs to Wash-down Well at WWTP to Acct. 371.	0	1,408
7.	To reflect pro forma replacement of Chlorine Injector at WTP # 2 to Acct. 320.	1,116	0
8.	To reflect 75 percent retirement on pro forma projects.	(837)	(3,922)
9.	To reflect an averaging adjustment.	<u>(509)</u>	<u>0</u>
	Total	<u>(\$230)</u>	<u>(\$7,742)</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>			
1.	To reflect retirement of Control Panel and Pumps to Acct. 371 per Audit Request 5.	\$0	<b>\$16,091</b>
			<b>\$13,858</b>
2.	To reflect retirement of replacement Diffuser to Acct. 380 per Audit Finding 1.	0	3,428
3.	To reflect an addition to Structure Improvements to Acct. 354 per Audit Finding 2.	0	383
4.	To reflect an addition to Collection Sewers - Gravity Acct. 361 per Audit Finding 2.	0	39
5.	To reflect an addition to Pumping Equipment Acct. 371 per Audit Finding 2.	0	35
6.	Adjustment to reconcile with Order No. PSC-2014-0413-PAA-WS per Audit Finding 1.	0	4,921
7.	To reflect 75 percent retirement on pro forma projects.	837	3,922
8.	To reflect pro forma accumulated depreciation per Rule 25-30.140.	(40)	(293)
9.	To reflect an averaging adjustment.	<u>9,295</u>	<b>7,765</b>
	Total	<u>\$10,092</u>	<b>8,227</b>
			<b>\$36,291</b>
			<b>\$34,520</b>
<b><u>CIAC</u></b>			
	To reflect an averaging adjustment.	<u>\$417</u>	<u>\$0</u>
<b><u>AMORTIZATION OF CIAC</u></b>			
	To reflect an averaging adjustment.	<u>(\$4,930)</u>	<u>(\$1,717)</u>
<b><u>WORKING CAPITAL ALLOWANCE</u></b>			
	To reflect 1/8 of test year O&M expenses.	<u>\$11,084</u>	<u>\$9,186</u>

**SCHEDULE 2, page 40**

LP WATERWORKS, INC. TEST YEAR ENDED 08/31/2016 SCHEDULE OF CAPITAL STRUCTURE			SCHEDULE NO. 2 DOCKET NO. 20160222-WS			
CAPITAL COMPONENT	TEST YEAR AVERAGE CAPITAL STRUCTURE	ADJUSTMENT FOR PRO FORMA PLANT*	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON EQUITY	\$147,317	<del>\$56,536</del> \$54,718	<del>\$203,853</del> \$202,035	74.28%	9.27%	6.89%
2. LONG TERM DEBT	63,547	<del>3,682</del> 3,053	<del>67,229</del> 66,600	24.49%	4.00%	0.98%
3. CUSTOMER DEPOSITS	<u>3,353</u>	<u>0</u>	<u>3,353</u>	<u>1.23%</u>	2.00%	<u>0.02%</u>
4. TOTAL	<u>\$214,217</u>	<del>\$60,218</del> <u>\$57,771</u>	<del>\$274,435</del> <u>\$271,988</u>	<u>100.00%</u>		<u>7.89%</u>
RANGE OF REASONABLENESS				<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY				<u>8.27%</u>	<u>10.27%</u>	
OVERALL RATE OF RETURN				<u>7.15%</u>	<u>8.63%</u>	

**SCHEDULE 3-A, page 41**

LP WATERWORKS, INC. TEST YEAR ENDED 08/31/2016 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 20160222-WS		
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$107,183</u>	<u>(\$2,118)</u>	<u>\$105,065</u>	<u>\$14,616</u> <del>\$14,501</del> 13.91% <del>13.80%</del>	<u>\$119,681</u> <del>\$119,566</del>
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$93,242	(\$1,198)	\$92,044	\$0	\$92,044
3. DEPRECIATION (NET)	9,650	<u>40</u> <del>(40)</del>	<u>9,690</u> <del>9,610</del>	0	<u>9,690</u> <del>9,610</del>
4. TAXES OTHER THAN INCOME	7,605	1,034	8,639	<u>658</u> <del>653</del>	<u>9,296</u> <del>9,291</del>
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. TOTAL OPERATING EXPENSES	<u>\$110,497</u>	<u>(\$124)</u> <del>(\$204)</del>	<u>\$110,373</u> <del>\$110,293</del>	<u>\$658</u> <del>\$653</del>	<u>\$111,031</u> <del>\$110,945</del>
7. OPERATING INCOME/(LOSS)	<u>(\$3,314)</u>		<u>(\$5,308)</u> <del>(\$5,228)</del>		<u>\$8,650</u> <del>\$8,621</del>
8. WATER RATE BASE	<u>\$92,830</u>		<u>\$109,632</u> <del>\$109,264</del>		<u>\$109,632</u> <del>\$109,264</del>
9. RATE OF RETURN	<u>-3.57%</u>		<u>-4.84%</u> <del>-4.78%</del>		<u>7.89%</u>



**SCHEDULE 3-B, page 42**

LP WATERWORKS, INC. TEST YEAR ENDED 08/31/2016 SCHEDULE OF WASTEWATER OPERATING INCOME			SCHEDULE NO. 3-B DOCKET NO. 20160222-WS		
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$84,240</u>	<u>\$1,419</u>	<u>\$85,659</u>	<u>\$24,222</u> <del>\$24,043</del> 28.28% 28.07%	<u>\$109,881</u> <u>\$109,702</u>
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$75,203	\$1,092	\$76,295	\$0	\$76,295
3. DEPRECIATION (NET)	12,922	<u>(602)</u> <del>(648)</del>	<u>12,390</u> <u>12,344</u>	0	<u>12,390</u> <u>12,344</u>
4. TAXES OTHER THAN INCOME	8,190	<u>(1,087)</u> <del>(1,048)</del>	<u>7,103</u> <u>7,142</u>	<u>1,090</u> <u>1,082</u>	<u>8,193</u> <u>8,224</u>
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. TOTAL OPERATING EXPENSES	<u>\$96,385</u>	<u>(\$597)</u> <del>(\$604)</del>	<u>\$95,788</u> <u>\$95,781</u>	<u>\$1,090</u> <u>\$1,082</u>	<u>\$96,878</u> <u>\$96,863</u>
7. OPERATING INCOME/(LOSS)	<u>(\$12,145)</u>		<u>(\$10,129)</u> <del>(\$10,122)</del>		<u>\$13,003</u> <u>\$12,839</u>
8. WASTEWATER RATE BASE	<u>\$128,478</u>		<u>\$164,803</u> <u>\$162,724</u>		<u>\$164,803</u> <u>\$162,724</u>
9. RATE OF RETURN	<u>-9.45%</u>		<u>-6.15%</u> <del>-6.22%</del>		<u>7.89%</u>

**SCHEDULE 3-C, page 44**

LP WATERWORKS, INC.

TEST YEAR ENDED 08/31/2016

ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-C

DOCKET NO. 20160222-WS

Page 2 of 2

	WATER	WASTEWATER
7. Insurance Expense (655/755) To reflect staff auditor's adjustments.	<u>\$26</u>	<u>\$26</u>
8. Regulatory Commission Expense (665/765) a. To reflect the 4-year amortization of current RCE.	(\$9)	(\$79)
b. To reflect 1 year of amortized prior rate case expense.	<u>347</u>	<u>347</u>
Subtotal	<u>\$338</u>	<u>\$268</u>
9. Bad Debt Expense (670/770) To reflect 1 percent of test year revenue.	<u>\$1,459</u>	<u>\$700</u>
10. Miscellaneous Expense (675) Reclassification of Rent Expense per audit adjustment.	<u>\$220</u>	<u>\$0</u>
<b>TOTAL OPERATING &amp; MAINTENANCE ADJUSTMENTS</b>	<u><b>(\$1,198)</b></u>	<u><b>\$1,092</b></u>
<b>DEPRECIATION EXPENSE (NET)</b>		
1. To reflect staff auditor's adjustments.	\$0	<b>(\$895)</b> <del>(\$355)</del>
2. To reflect Pro forma Plant Addition Projects Depreciation Expense.	<b>40</b> <del>(40)</del>	<b>293</b> <del>(293)</del>
Total	<u><b>\$40</b></u> <del>(\$40)</del>	<u><b>(\$602)</b></u> <del>(\$648)</del>
<b>TAXES OTHER THAN INCOME</b>		
1. To reflect appropriate Test Year RAFs.	(95)	64
2. To Reflect appropriate Test Year Property Tax per Audit Finding 6.	\$1,125	(\$1,258)
3. To reflect property taxes associated with pro forma plant additions.	4	146
<b>4. To reflect reduction to property taxes related to wastewater plant retirements.</b>	<b>0</b>	<b>(\$39)</b>
Total	<u>\$1,034</u>	<u><b>(\$1,087)</b></u> <del>(\$1,048)</del>

**SCHEDULE 5-B, page 50**

LP WATERWORKS, INC.			SCHEDULE NO. 5-B	
TEST YEAR ENDED 08/31/2016			DOCKET NO. 20160222-WS	
SCHEDULE OF WASTEWATER PLANT, DEPRECIATION, CIAC & CIAC AMORTIZATION BALANCES				
ACCT. NO.	DEPR. RATE PER RULE	DESCRIPTION	UPIS 8/31/2016 (DEBIT)	ACCUM. DEPR. 8/31/2016 (CREDIT)*
351	2.50%	Organization	\$400	\$134
354	3.70%	Structures and Improvements	43,191	41,286
360	3.70%	Collection Sewers - Force	11,557	10,880
361	2.50%	Collection Sewers - Gravity	161,264	94,297
362	2.70%	Special Collecting Structures	1,040	482
363	2.86%	Service to Customers	111,860	84,434
371	6.67%	Pumping Equipment	5,367	<b>(12,533) (10,299)</b>
380	6.67%	Treatment and Disposal Equipment	87,561	67,918
390.7	6.67%	Office Furniture and Equipment	645	266
393.7	6.67%	Tools, Shop and Garage Equipment	947	947
		Total	<u>\$423,832</u>	<u>\$288,111</u> <u>\$290,345</u>
			<b>CIAC AMORT. 8/31/2016 (DEBIT)*</b>	<b>CIAC 8/31/2016 (CREDIT)</b>
			\$55,709	\$92,400

\*The plant and accumulated depreciation balances exclude the pro forma projects. Staff-recommended averaging adjustments that are used only for rate setting purposes are excluded and should not be reflected on the Utility's books.