

COUNTRY WALK UTILITIES, INC.

January 12, 2018

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Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

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*Re: Application for Staff Assisted Rate Case (SARC) in Highlands County by
Country Walk Utilities, Inc.*

Dear Commission Clerk, 20180021-WU

Country Walk Utilities, Inc. (Country Walk or Utility) submits its application for a staff assisted rate case (SARC) in Highlands County. In support of its application, Country Walk submits the following information.

Need for Rate Relief

Country Walk's last SARC was in Docket No. 010403-WU, which was approved in PSC Order No. PSC-01-2385-PAA-WU, issued December 10, 2001, or seventeen years ago.

Forced Draft Aeration Treatment System Addition – the primary need for rate relief is directly related to the required new force draft aeration treatment system which was recently installed and cleared by the Florida Department of Environmental Protection (FDEP). This new system was placed into operation in approximately September 2017. The water source in the potable water well has very high levels of hydrogen sulfides. In order to treat this issue, Country Walk previously utilized high levels of chlorine. However, these high levels of chlorine caused Country walk to exceed the Disinfection By-Product maximum contamination levels based on the rolling annual average for both Total Trihalomethanes (TTHMs) and Haloacetic Acids (HAA5s). As a result, the FDEP became involved and required Country Walk to address these issues. Country Walk responded to FDEP through a letter dated September 16, 2014 requesting that the FDEP attend a customer meeting with the Homeowners' Association (HOA) to discuss the issue.

Both Country Walk and FDEP met with the customers' HOA in February 2016. The situation was explained to the residents by both the FDEP and Country Walk. Country Walk presented the alternative prescribed treatment methodology pursuant to Chapter 62-555.315(5)(a), Florida Administrative Code. Subsequent to this meeting, FDEP issued a exceedance letter dated April 7, 2016, requesting Country Walk to formally address the issue. At the February 2016 HOA meeting, the residents were presented the potential costs and impact on rates. Country Walk offered for the residents (HOA) to contribute a portion or all of the costs in order to minimize the impact on rates. This potential contribution would have lowered the net Rate Base and the utility would not earn any return on the investment. The HOA responded through a letter dated April

25, 2016 indicating that the HOA and residents decided that it would be in all parties' best interest for Country Walk to proceed forward and fund the total amount of the cost of the treatment system. Country Walk worked with FDEP and permitted the new system. The Chairman of the Water Committee at Country Walk HOA also worked closely with FDEP in order to move expeditiously on the project. Subsequent meetings were held with the HOA to inform the residents of the progress of the installation and anticipated completion date. The system was installed and cleared by FDEP on August 23, 2017 and the system was placed into service in September 2017. Subsequent to the installation and operation of the new treatment system, the residents have expressed that it is "the best water they have ever tasted." U.S. Water Service Corporation was able to minimize and reduce the cost of the project and also subsidized some of the costs so as not to pass on the full cost to the residents. This was a very successful cooperative effort with both the residents, HOA, and FDEP and received all parties full support.

In addition to the capital costs, several of the operational costs were also increased. This was due to the addition of two new chemicals for the process to work, including sulfuric acid and caustic. Also, it is anticipated that the electrical (purchase power) costs may increase due to additional pumping, blowers, additional chemical feed pumps, and high service pumps. Country Walk has not requested pro forma increases for these anticipated increases at this time. However, as discussed below, Country Walk is requesting a year-end rate base. Finally, Country Walk is requesting annualized adjustments to Depreciation Expense and Accumulated Depreciation to recognize a full year of depreciation. The system has only received 1 – 2 months of depreciation up through the requested test year of November 30, 2017.

Year End Water Rate Base

Country Walk is requesting test year for the SARC for the twelve month ending November 30, 2017. In addition, Country Walk is requesting a Year End rate base for its water system since the additional capital costs for the new forced draft aeration treatment system represent a significant portion of the water plant in service. If an average rate base were utilized, Country Walk would not be afforded the opportunity to recover its allowed rate of return on the new investment and would be put in the position of requesting a subsequent SARC at a later date.

This is consistent with past Commission practice. (See: Order Nos. PSC-2017-0428-PAA-WS, issued November 7, 2017; PSC-98-0763-FOF-SU, issued June 3, 1998; PSC-02-1449-PAA-WS, issued October 21, 2002; PSC-00-1774-PAA-WU, issued September 27, 2000; and PSC-01-0323-PAA-SU, issued February 5, 2001) In the transfer order, Order No. PSC-14-0495-PAA-WU, issued September 17, 2014, the Commission approved Water Utility Plant in Service in the amount of \$89,309. In addition, pursuant to the 2016 Annual Report for Country Walk the Water Plant in Service was \$94,202. For the requested test year ending November 30, 2017, the Water Utility Plant in Service is \$ 230,036, which is an increase of \$135,834, or 144.19%

increase. This represents not only the new replacement well, but also plant improvements to address water.

Pro forma Plant Item

As a result of the customer meeting and HOA, Country Walk is also requesting a pro forma plant item to include a project to “unclog” the service connections (saddles) throughout the community. During the meeting held, customers expressed concerns with low water pressure. After the meeting Country Walk went to three resident’s homes and examined the water pressure. It was discovered that due to both the age of the system and high levels of chlorine used to treat the hydrogen sulfides that calcium build up had transpired on the service connections at the saddles. Country Walk successfully dug up and removed the calcium deposits at these homes and increased the water pressure to satisfactory levels. Country Walk believes it is necessary to conduct a complete system-wide project to address the remaining service connections. Attached is an estimate in the amount of \$16,085 – at a cost of \$277.33 for each connection. This project will benefit the remaining customers to unclog the service connections and increase the remaining distribution water pressure.

Pro Forma Expense Items

In addition, Country Walk is requesting approval of two additional pro forma expense items. The first is for the sandblasting and coating of the hydropneumatic storage tank. Country Walk has obtained a estimate of \$5,000 from Crystal Coating, Inc. Country Walk is requesting amortization of this non-recurring item over a 5-year period – or \$1,000/annually. Country Walk is currently scheduling the coating along with other “sister” utilities in Highlands County in order to minimize the costs.

Further, Country Walk revised its Operation and Maintenance Agreement with U.S. Water Service Corporation as of October 1, 2017. This was necessary for two specific reasons. Primarily it was due to the significant change in the water treatment process from a simple “pump and chlorinate” system to the newly installed forced draft aeration treatment process. This process is much more complicated and involves the addition of acid to bring the PH down in order to properly oxidize the hydrogen sulfides prior to the aeration process, and subsequent caustic to bring the PH levels back up prior to distribution. The second reason was to minimize subsidies which were in the previous agreement signed on October 1, 2013. The new agreement has also taken into consideration past Commission decisions on similar agreements with the “sister” utilities.

Country Walk Utilities, Inc.
Application for SARC
January 12, 2018

Respectfully Submitted,



Troy Rendell
Vice President
Investor Owned Utilities
//For Country Walk Utilities, Inc.