



March 1, 2018

**VIA E-FILING**

Carlotta S. Stauffer, Commission Clerk  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

RE: Docket No. 20170223-SU; Application for establishment of wastewater AFPI charges in Highlands, Lake, Marion, Pasco and Pinellas Counties by Utilities, Inc. of Florida

Dear Ms. Stauffer:

Pursuant to the Commission's vote on Staff's Recommendation, enclosed is the revised tariff and schedules calculating the appropriate AFPI for LUSI. Should you or staff have any questions regarding this filing, please do not hesitate to give me a call at (850) 643-7326 or contact me via e-mail at [jdeason@uiwater.com](mailto:jdeason@uiwater.com).

Sincerely,

A handwritten signature in black ink that reads "Jared Deason".

Jared Deason  
Senior Financial Analyst

Enclosures

ALLOWANCE FOR FUNDS PRUDENTLY INVESTED

Formerly Lake Utility Services, Inc.  
Lake County

An Allowance for Funds Prudently Invested (AFPI) charge is a mechanism which allows a utility the opportunity to earn a fair rate of return on prudently constructed plant held for future use from the future customers to be served by that plant in the form of a charge paid by those customers.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
January	\$ 18.00	\$ 234.72	\$ 460.02	\$ 694.53	\$ 938.89
February	\$ 36.00	\$ 253.43	\$ 479.50	\$ 714.82	\$ 960.06
March	\$ 54.00	\$ 272.14	\$ 498.97	\$ 735.11	\$ 981.22
April	\$ 72.00	\$ 290.86	\$ 518.45	\$ 755.40	\$ 1,002.39
May	\$ 90.00	\$ 309.57	\$ 537.92	\$ 775.69	\$ 1,023.55
June	\$ 108.00	\$ 328.28	\$ 557.40	\$ 795.99	\$ 1,044.71
July	\$ 126.01	\$ 346.99	\$ 576.87	\$ 816.28	\$ 1,065.88
August	\$ 144.01	\$ 365.70	\$ 596.34	\$ 836.57	\$ 1,087.04
September	\$ 162.01	\$ 384.42	\$ 615.82	\$ 856.86	\$ 1,108.20
October	\$ 180.01	\$ 403.13	\$ 635.29	\$ 877.15	\$ 1,129.37
November	\$ 198.01	\$ 421.84	\$ 654.77	\$ 897.44	\$ 1,150.53
December	\$ 216.01	\$ 440.55	\$ 674.24	\$ 917.73	\$ 1,171.70

The approved AFPI charges, which are based on one equivalent residential connection (ERC), will be collected from 1,471 additional ERCs as of December 31, 2015. The amount of the charge will be based on the month in which the connection to the utility is made. If by December 31, 2020, any number of ERCs remain unconnected, the remaining ERCs shall be charged the constant maximum charge of \$1,171.70 until all 1,471 additional ERCs are connected, after which the charge will cease.

EFFECTIVE DATE –

TYPE OF FILING – Limited Proceeding

WS-17-0089

JOHN P. HOY  
ISSUING OFFICER

PRESIDENT  
TITLE

Allowance for Funds Prudently Invested  
Calculation of Carrying Costs for Each ERC:

Cost of Qualifying Assets:	\$ 1,949,211	Annual Depreciation Expense:	\$ 134,553
Divided By Future ERC:	1,471	Future ERC's:	1,471
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Cost/ERC:	\$ 1,325.39	Annual Depr. Cost per ERC:	\$ <u>91.49</u>
Multiply By Rate of Return:	7.09%		
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Annual Return Per ERC:	\$ <u>93.99</u>	Annual Property Tax Expense:	\$ 1,742
Annual Reduction in Return:	\$ <u>6.49</u>	Future ERC's:	1,471
(Annual Depreciation Expense		Annual Prop. Tax per ERC:	\$ <u>1.18</u>
per ERC Times Rate of Return)			
Federal Tax Rate:	21.00%	Weighted Cost of Equity:	4.36%
Effective State Tax Rate:	4.35%	Divided by Rate of Return:	7.09%
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Total Tax Rate:	<u>25.35%</u>	% of Equity in Return:	<u>61.48%</u>
Effective Tax on Return:	<u>15.58%</u>	Other Costs:	\$ 0
(Equity % Times Tax Rate)		Future ERC's:	1,471
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Provision For Tax:	<u>20.87%</u>	Cost per ERC:	\$ <u>0.00</u>
(Tax on Return/(1-Total Tax Rate))			

Allowance for Funds Prudently Invested  
Calculation of Carrying Cost Per ERC Per Year:

	2016	2017	2018	2019	2020
Unfunded Other Costs:	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Unfunded Annual Depreciation:	91.49	91.49	91.49	91.49	91.49
Unfunded Property Tax:	1.18	1.18	1.18	1.18	1.18
Subtotal Unfunded Annual Expense:	\$ 92.68	\$ 92.68	\$ 92.68	\$ 92.68	\$ 92.68
Unfunded Expenses Prior Year:	0.00	92.68	185.35	278.03	370.70
Total Unfunded Expenses:	\$ 92.68	\$ 185.35	\$ 278.03	\$ 370.70	\$ 463.38
Return on Expenses Current Year:	6.57	6.57	6.57	6.57	6.57
Return on Expenses Prior Year:	0.00	6.57	13.14	19.72	26.29
Return on Plant Current Year:	93.99	87.50	81.01	74.52	68.03
Earnings Prior Year:	0.00	93.99	194.73	302.69	418.39
Compound Earnings from Prior Year:	0.00	6.67	13.81	21.46	29.67
Total Compounded Earnings:	\$ 93.99	\$ 194.73	\$ 302.69	\$ 418.39	\$ 542.38
Earnings Expansion Factor for Tax:	1.21	1.21	1.21	1.21	1.21
Revenue Required to Fund Earnings:	\$ 113.61	\$ 235.38	\$ 365.87	\$ 505.73	\$ 655.59
Revenue Required to Fund Expenses:	92.68	185.35	278.03	370.70	463.38
Subtotal:	\$ 206.29	\$ 420.73	\$ 643.90	\$ 876.43	\$ 1,118.97
Divided by Factor for Regulatory Assessment Fee	0.955	0.955	0.955	0.955	0.955
ERC Carrying Cost for 1 Year:	\$ 216.01	\$ 440.55	\$ 674.24	\$ 917.73	\$ 1,171.70

Allowance for Funds Prudently Invested  
Calculation of Carrying Costs for Each ERC

Information Needed

1.	Cost of Qualifying Assets	\$ 1,949,211
2.	Capacity of Qualifying Assets	411787.8 GPD
3.	Number of Future Customers	1471 ERC
4.	Annual Depreciation Expense	\$ 134,553
5.	Rate of Return	7.09%
6.	Weighted Cost of Equity	4.36%
7.	Federal Income Tax Rate	21.00%
8.	State Income Tax Rate	5.50%
9.	Annual Property Tax	\$ 1742
10.	Other Costs	\$ 0
11.	Depreciation Rate of Assets	6.90%
12.	Test Year	2015

0.4059

Allowance for Funds Prudently Invested  
Calculation of Carrying Cost Per ERC Per Month:

	2016	2017	2018	2019	2020	2021
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January	18.00	234.72	460.02	694.53	938.89	1,171.70
February	36.00	253.43	479.50	714.82	960.06	1,171.70
March	54.00	272.14	498.97	735.11	981.22	1,171.70
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