

State of Florida



Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: November 13, 2020

TO: Laura V. King, Chief of Reliability & Resource Planning, Division of Engineering

FROM: Division of Engineering (Lewis, Ramos) *TB*
Division of Accounting and Finance (Richards, D. Brown) *ALM*
Division of Economics (Bethea) *JGH*
Office of the General Counsel (Dziechciarz) *TLI*

RE: Docket No. 20200168-WU – Application for staff-assisted rate case in Polk County, and request for interim rate increase, by McLeod Gardens Utilities, LLC.

--STAFF REPORT--

This Staff Report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting scheduled on December 16, 2020.

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Case Background

McLeod Gardens Utilities, LLC (McLeod or Utility) is a Class C utility serving approximately 96 residential water customers in Polk County. On November 27, 2001, the Commission approved the Utility's application for an Original Certificate to provide water service under the name McLeod Gardens Water Company.¹ The Utility was transferred to the present operator in 2016.² McLeod's rates and charges were approved in its last staff-assisted rate case in 2002 when the Utility was still known as McLeod Gardens Water Company.³ Subsequent to the Utility's last rate case, its rates have been amended through five price index increases. According to McLeod's 2019 Annual Report, total gross revenue was \$33,563 and total operating expense was \$41,418. On June 19, 2020, McLeod filed an application for a staff-assisted rate case. Staff selected a test year ending December 31, 2019, for the instant case.

This Staff Report is a **preliminary** analysis of the Utility prepared by Commission staff to give customers and the Utility an advanced look at what staff may be proposing. The final recommendation to the Commission is currently scheduled to be filed February 18, 2021, for consideration at the March 2, 2021 Commission Conference. The recommendation will be revised as necessary using any updated information, responses from pending data requests and the results of customer quality of service concerns or other relevant information received at the December 16, 2020, customer meeting. The Commission has jurisdiction pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 367.091, and 367.121, Florida Statutes (F.S.).

¹ Order No. PSC-01-2317-PAA-WU, issued November 27, 2001, in Docket No. 20001381-WU, *In re: Application for certificate to operate water utility in Polk County by Tevalo, Inc. d/b/a McLeod Gardens Water Company.*

² Order No. PSC-2017-0367-PAA-WU, issued September 29, 2017, in Docket No. 20160193-WU, *In re: Application for approval of transfer of certain water facilities and Certificate No. 619-W from McLeod Gardens Water Company to McLeod Gardens Utilities, LLC, in Polk County.*

³ Order No. PSC-02-1733-PAA-WU, issued December 9, 2002, in Docket No. 20011677-WU, *In re: Application for staff-assisted rate case in Polk County by Tevalo, Inc. d/b/a McLeod Gardens Water Company.*

Discussion of Issues

Issue 1: Is the quality of service provided by McLeod satisfactory?

Preliminary Recommendation: Staff's recommendation regarding quality of service will not be finalized until after the December 16, 2020, customer meeting. (Lewis)

Staff Analysis: Pursuant to Section 367.081(2)(a), F.S., and Rule 25-30.433(1), Florida Administrative Code (F.A.C.), the Commission, in every rate case, shall make a determination of the quality of service provided by the utility by evaluating the quality of the utility's product (water) and the utility's attempt to address customer satisfaction (water and wastewater). The Rule states that the most recent chemical analyses, outstanding citations, violations, and consent orders on file with the state's Department of Environmental Protection (DEP) and the county health departments, along with any DEP and county health department officials' testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints shall also be considered. The operating condition of the water system is addressed in Issue 2.

Quality of Utility's Product

In evaluation of McLeod's product quality, staff reviewed the Utility's compliance with the DEP primary and secondary drinking water standards. Primary standards protect public health, while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. The most recent chemical analyses were performed on July 18, 2018, and the results were in compliance with the DEP's standards. These chemical analyses are performed every three years; therefore, the next scheduled analysis should be completed in 2021.

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the Commission's complaint records for the test year and four years prior. The Commission received one billing complaint in October 2019. The DEP received three complaints during the same period. Two complaints were received in 2017 and were regarding a leaky chlorine line. The third complaint was received in June 2018 and was regarding smelly water, which was due to an irrigation line that did not have backflow prevention which affected three homes. The complaints were investigated and closed with no further action. Furthermore, three complaints were reported directly to the Utility for the same time period; of which, two were received in 2017 regarding a placement of a meter and a broken service line, and one was received in 2019 regarding a misread meter.

Conclusion

Staff's recommendation regarding quality of service will not be finalized until after the December 16, 2020, customer meeting.

Issue 2: Is the infrastructure and operating conditions of McLeod's water system in compliance with the DEP regulations?

Preliminary Recommendation: Staff's recommendation regarding the DEP compliance will not be finalized until after the December 16, 2020, customer meeting. (Lewis)

Staff Analysis: Rule 25-30.225(2), F.A.C., requires each water and wastewater utility to maintain and operate its plant and facilities by employing qualified operators in accordance with the rules of the DEP. Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, the Commission must consider testimony of the DEP and county health department officials, sanitary surveys for water systems and compliance evaluation inspections wastewater systems, citations, violations, and consent orders issued to the utility, customer testimony, comments, and complaints, and utility testimony and responses to the aforementioned items.

Water System Operating Conditions

McLeod's water system has a permitted design capacity of 712,800 gallons per day (gpd). The Utility's water system has two wells with a combined pumping capacity of 495 (425 and 70) gallons per minute. The treated water is pumped into a 10,000 gallon hydropneumatic storage tank before entering the distribution system. A review of the DEP records did not show any consent orders against the Utility. Staff reviewed the sanitary surveys conducted by the DEP in 2018, 2019, and 2020. The 2018 survey listed three deficiencies, two for not having records on site, and the other was for not having vacuum breakers on the point of entry tap and other taps at the plant. The 2019 survey stated that the WTP was in compliance and there were no deficiencies indicated by the 2020 sanitary surveys.

Additionally, the DEP issued a Warning Letter on February 17, 2017, which stated that the Utility had failed to properly clean and paint the interior of the hydropneumatic tank. There were no DEP enforcement actions listed in 2018 and 2019, and there are not any enforcement actions pending in 2020. Therefore, since the Utility's last three sanitary surveys did not indicate any deficiencies, and since there are no enforcement actions pending, the Utility's WTP is in compliance.

Conclusion

Staff's recommendation regarding the DEP compliance will not be finalized until after the December 16, 2020, customer meeting.

Issue 3: What are the used and useful (U&U) percentages of McLeod's water treatment plant (WTP) and water distribution system?

Preliminary Recommendation: McLeod's WTP and water distribution system should be considered 100 percent U&U. There appears to be no excessive unaccounted for water (EUW); therefore, staff recommends that no adjustment be made to operating expenses for chemicals and purchased power at this time. These are preliminary determinations and are subject to change. (Lewis)

Staff Analysis: McLeod's WTP has two wells rated at a combined 495 gallons per minute (gpm). The Utility's water system does not have a storage tank, but has one hydropneumatic tank totaling 10,000 gallons in capacity. The distribution system is composed of approximately 3,280 feet of 6 and 8 inch polyvinyl chloride (PVC) pipes.

Water Treatment Plant Used and Useful

Rule 25-30.4325, F.A.C., addresses the method by which the U&U of a water system is determined. The formula for calculating U&U for the WTP is given by $[2 \times (\text{Maximum Day Peak Demand} - \text{EUW}) / 1,440 + \text{Fire Flow} + \text{Growth}] / \text{Firm Reliable Capacity}$. Peak demand is based on a peak hour for a water treatment system with no storage capacity. The formula for calculating peak hour demand is given by $[(\text{SMD} - \text{EUW}) / 1,440] \times 2$, where SMD is the single maximum day in the test year where there is no unusual occurrence on that day, such as a fire or line break. Based on the Monthly Operating Reports that the Utility files with the DEP, the SMD in the test year was 521,500 gallons per day (gpd) which occurred on March 1, 2019. As discussed below, there appears to be no EUW. Subsequently, the peak hour demand is calculated to be 724 gpm $[(521,500 \text{ gpd} - 0) / 1,440 \text{ min/day}] \times 2$. The Utility has fire hydrants and the required Fire Flow is 350 gpm. Growth allowance is based on the requirements outlined in Rule 25-30.431, F.A.C., which states that a linear regression analysis using average equivalent residential connections (ERCs) for the last five years should be used to determine growth. Staff obtained data for the period of 2015-2019 to perform a linear regression over five years, and the growth in customer gallonage was calculated to be 135,807 gpd or 94.3 gpm. Firm Reliable Capacity assumes loss of the largest capacity well (425 gpm) and is therefore 70 gpm. This calculation results in a U&U greater than 100 percent; as such, staff recommends the WTP be considered 100 percent U&U. In addition, in the 2001 rate case, the Commission deemed the U&U for the system as 100 percent.

Water Distribution System Used and Useful

The water distribution system is evaluated based on ERCs consisting of growth, customer demand, and system capacity. During the test year, 96 customer lots were being served. The Utility provided system maps that indicated 176 lots would be served in the planned development. Several planned roads have not been constructed. Therefore, the service territory should not be considered built out. However, the Commission previously deemed the U&U of distribution system as 100 percent.⁴ Considering all of the water mains are required to

⁴ Order No. PSC-98-1269-FOF-WS, issued September 24, 1998, in Docket No. 19971401-WS, *In re: Application for staff-assisted rate case in Bay County by Bayside Utilities, Inc.*

Order No. PSC-11-0345-PAA-WS, issued August 16, 2011, in Docket No. 20100359-WS, *In re: Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities, Incorporated.*

adequately serve the existing customers, and consistent with prior Commission practice, staff recommends the distribution system be considered 100 percent U&U.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., additionally provides factors to be considered in determining whether adjustments to operating expenses are necessary for EUW. EUW is defined as "unaccounted for water in excess of 10 percent of the amount produced." Unaccounted for water is all water produced that is not sold, metered, or accounted for in the records of the Utility.

The Monthly Operating Reports (MORs) indicated that the Utility pumped 13,511,000 gallons during the test year. The MORs did not indicate any line breaks or fire use during the test year. The data from the 2019 Annual Report indicates 7,037,000 gallons were utilized for flushing of the system which represents 52 percent of the water treated. According to the staff audit report, the Utility sold 6,469,049 gallons of water for the test year. The resulting calculation $([13,511,000 - 7,037,000 - 6,469,049] / 13,511,000)$ for unaccounted for water is 0.04 percent; therefore, there is no EUW. Staff's preliminary recommendation is no adjustments should be made to purchased power and chemicals at this time.

Conclusion

McLeod's WTP and water distribution system should both be considered 100 percent U&U. There appears to be no EUW; therefore, staff recommends that no adjustment be made to operating expenses for chemicals and purchased power at this time. These are preliminary determinations and are subject to change.

Issue 4: What is the appropriate average test year rate base for McLeod?

Preliminary Recommendation: The appropriate average test year rate base for McLeod is \$27,752. (Richards)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service (UPIS), land, accumulated amortization, contributions-in-aid-of-construction (CIAC), accumulated amortization of CIAC, and working capital. The Utility's rate base was established as part of its transfer proceeding, Docket No. 20160193-WU.⁵ Staff selected the test year ended December 31, 2019, for the instant rate case. Commission audit staff determined that the Utility's books and records are in compliance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). A summary of each component and the recommended adjustments as discussed below.

Utility Plant in Service (UPIS)

The Utility recorded \$240,330 for UPIS. Audit staff made an adjustment decreasing UPIS by \$26 to reflect appropriate Commission-ordered adjustments to Account 334 - Meters and Meter Installation. Additionally, staff increased UPIS by \$13 to reflect an averaging adjustment. Therefore, staff recommends a UPIS balance of \$240,317 (\$240,330 – \$26 + \$13).

Land & Land Rights

The Utility recorded a test year land value of \$7,000. The Commission approved a land balance of \$7,000 in the Utility's 2016 transfer docket.⁶ There have been no additions to land since the transfer; therefore, no adjustments are necessary. Staff recommends a land and land rights balance of \$7,000.

Used & Useful

As discussed in Issue 3, McLeod's WTP and distribution system are considered 100 percent U&U. Therefore, no U&U adjustments are necessary.

Accumulated Depreciation

McLeod recorded an accumulated depreciation balance of \$164,389. As a result of the staff audit, staff increased accumulated depreciation by \$2,327. Additionally, staff decreased accumulated depreciation by \$4,172 to reflect an averaging adjustment. Staff's adjustments to this account result in a net decrease of \$1,845 (\$2,327 – \$4,172). Therefore, staff recommends an accumulated depreciation balance of \$162,545 (\$164,389 – \$1,845).

Contributions in Aid of Construction (CIAC)

The Utility recorded a test year CIAC balance of \$123,776. Staff believes that a \$115 meter installation charge, and \$275 for a plant capacity charge were incorrectly recorded as miscellaneous revenue. Based on staff's review, these two amounts should be recorded as CIAC. Staff increased CIAC by \$390 (\$115 + \$275) to reflect this adjustment. Additionally, staff

⁵ Order No. PSC-2017-0367-PAA-WU, issued September 29, 2017, in Docket No. 20160193-WU, *In re: Application for approval of transfer of certain water facilities and Certificate No. 619-W from McLeod Gardens Water Company, to McLeod Gardens Utilities, LLC, in Polk County.*

⁶ Order No. PSC-2017-0367-PAA-WU.

decreased CIAC by \$195 to reflect an averaging adjustment. Therefore, staff recommends the appropriate CIAC balance is \$123,971 ($\$123,776 + \$390 - \195).

Accumulated Amortization of CIAC

McLeod recorded accumulated amortization of CIAC as \$73,900. As a result of the staff audit, an adjustment was made to decrease accumulated amortization of CIAC by \$409. Staff also increased accumulated amortization of CIAC by \$17 to reflect the meter installation charge and plant capacity charge in accordance with Rule 25-30.140, F.A.C. Additionally, staff decreased accumulated amortization of CIAC by \$2,097 to reflect an averaging adjustment. Therefore, staff recommends an accumulated amortization of CIAC balance of \$71,411 ($\$73,900 - \$409 + \$17 - \$2,097$).

Acquisition Adjustment (Net)

The Utility recorded acquisition adjustments of \$14,554 and \$5,331 to reflect the accumulated amortization of the acquisition adjustment for the test year. This resulted in a net acquisition adjustment recorded by the Utility of \$9,223 ($\$14,554 - \$5,331$). Staff did not make any adjustments to this account. Therefore, staff recommends the appropriate net acquisition adjustment balance is \$9,233.

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(3), F.A.C., staff used one-eighth of the operation and maintenance expense (less rate case expense) formula for calculating the working capital allowance. Section 367.081(9), F.S., prohibits a utility from earning a return on the unamortized balance of rate case expense. As such, staff removed the rate case expense balance of \$1,391 for this calculation resulting in an adjusted O&M expense balance of \$38,099 ($\$39,490 - \$1,391$). Applying this formula, staff recommends a working capital allowance of \$4,762 ($\$38,099 \div 8$).

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$27,752. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

Issue 5: What is the appropriate return on equity and overall rate of return for McLeod?

Preliminary Recommendation: The appropriate return on equity (ROE) is 10.55 percent with a range of 9.55 percent to 11.55 percent. The traditional rate of return does not apply in this case due to rate base being less than 125 percent of O&M expenses. (Richards)

Staff Analysis: As discussed in Issue 8, staff is recommending the operating ratio methodology be used in this case. Although the traditional rate of return does not apply in this case due to rate base being less than 125 percent of O&M expenses, staff recommends that an ROE still be established for this Utility.

According to staff's audit, McLeod's test year capital structure reflects negative common equity, no long-term debt, a customer deposit balance of \$2,730, and deferred income taxes of \$11. It is Commission practice to set a negative common equity balance to zero for rate making purposes.⁷ The appropriate ROE for the Utility is 10.55 percent based on the Commission approved leverage formula currently in effect.⁸ As such, staff recommends an ROE of 10.55 percent, with a range of 9.55 percent to 11.55 percent. The ROE is shown on Schedule No. 2. The traditional rate of return does not apply in this case due to rate base being less than 125 percent of O&M expenses.

⁷ Order Nos. PSC-2020-0119-PAA-WS, issued April 20, 2020, in Docket No. 20190113-WS, *In re: Application for staff-assisted rate case in Manatee County by Heather Hills Utilities, LLC*; PSC-2019-0461-PAA-SU, issued October 25, 2019, in Docket No. 20180138-SU, *In re: Application for staff-assisted rate in Volusia County by North Peninsula Utilities Corporation*; PSC-2016-0537-PAA-WU, issued November 23, 2016, in Docket No. 20150181-WU, *In re: Application for staff-assisted rate case in Duval County by Neighborhood Utilities, Inc.*; PSC-2015-0535-PAA-WU, issued November 19, 2015, in Docket No. 20140217-WU, *In re: Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc.*; PSC-2013-0140-PAA-WU, issued March 25, 2013, in Docket No. 20120183-WU, *In re: Application for staff-assisted rate case in Lake County by TLP Water, Inc.*

⁸ Order No. PSC-2020-0222-PAA-WS, issued June 29, 2020, in Docket No. 20200006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

Issue 6: What are the appropriate test year revenues for McLeod?

Preliminary Recommendation: The appropriate test year revenues for McLeod are \$34,222. (Bethea)

Staff Analysis: The Utility recorded total test year revenues of \$33,563. The water revenues included \$31,790 of service revenues and \$1,773 of miscellaneous revenues. The Utility had a rate increase subsequent to the test year as a result of a price index adjustment. Staff annualized revenues to reflect those changes in rates. By applying the rates subsequent to the end of the test year along with the test year billing determinants, staff determined test year service revenues to be \$32,839. This results in an increase of \$1,049 ($\$32,839 - \$31,790$) to test year service revenues. Staff also made an adjustment to miscellaneous revenues to remove \$390 of service availability charges that were erroneously reflected in miscellaneous revenues. This results in miscellaneous revenues of \$1,383 ($\$1,773 - \390). Based on the above, the appropriate test year revenues for McLeod are \$34,222 ($\$32,839 + \$1,383$).

Issue 7: What is the appropriate test year operating expense for McLeod?

Preliminary Recommendation: The appropriate amount of operating expense for McLeod is \$45,522. (Richards)

Staff Analysis: The Utility recorded operating expense of \$41,417. The test year operation and maintenance (O&M) expenses have been reviewed by staff, including invoices and other supporting documentation. Staff has made several adjustments to the Utility's operating expenses as discussed below.

Operation and Maintenance Expenses

The Commission approved common O&M expenses to be shared by all utilities operating under the parent company Florida Utility Services 1 (FUS1). The O&M common costs are allocated among all of the utilities in the FUS1 system based on number of customers.⁹ Based on the number of customers for McLeod, the allocation of FUS1 common costs for this Utility is 3 percent.

Salaries and Wages – Employees (601)

McLeod recorded salaries and wages expense for employees of \$7,638. Staff increased this amount by \$2,221 to reflect the Utility's allocated portion of a \$74,046 increase approved in Docket No. 20200152-WS.¹⁰ This amount included salary increases for eight positions and the addition of one new Compliance Technician position. Therefore, staff's preliminary recommendation for salaries and wages expense for the test year is \$9,859 (\$7,638 + \$2,221).

Contractual Services – Other (636)

The Utility recorded contractual services – other expense of \$8,201 for the test year. This reflects McLeod's direct expense of \$8,181 in addition to a common expense of \$20 allocated from FUS1. Staff increased this amount by \$40 to reflect the allocated portion of replacing an air conditioning system at FUS1's New Port Richey offices. The total cost for the system was \$6,650. The Commission approved the expense of the air conditioning system in Docket No. 20200152-WS, and determined that the cost should be amortized over five years.¹¹ As such, staff increased contractual services – other for all FUS1 systems by \$1,330 ($\$6,650 \div 5$ years) in that docket. The allocated portion attributable to McLeod is \$40. Therefore, staff's preliminary recommendation for contractual services – other expense for the test year is \$8,241 ($\$8,201 + \40).

Insurance Expense (655)

The Utility recorded insurance expense of \$1,865 for the test year. This reflects McLeod's direct expense of \$1,174 in addition to a common expense of \$691 allocated from FUS1. Staff increased this amount by \$214 to reflect the allocated portion of an increase of \$7,130 approved

⁹ Order No. PSC-2019-0503-PAA-SU, issued November 25, 2019, in Docket No. 20180202-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.*

¹⁰ Order No. PSC-2020-0396-PAA-WS, issued October 22, 2020, in Docket No. 20200152-WS, *In re: Application for a limited alternative rate increase proceeding in Polk and Marion Counties, by Alturas Water, LLC, Sunrise Water, LLC, Pinecrest Utilities, LLC, and East Marion Utilities, LLC.*

¹¹ *Ibid.*

by the Commission in Docket No. 20200152-WS.¹² This increase covers auto insurance based on the premium for the policy period November 2019 through November 2020 as reflected in support documentation in that docket. The amount also includes a \$200 increase for workman's compensation insurance based on the estimated premium for the period November 2019 to November 2020. Therefore, staff's preliminary recommendation for insurance expense for the test year is \$2,079 (\$1,865 + \$214).

Regulatory Commission Expense (665)

McLeod recorded regulatory commission expense of \$1,059 to reflect the 2019 amortized amount of regulatory commission expense for miscellaneous deferred assets related to legal, consulting, and filing fees associated with the Utility's transfer docket. The Utility did not record any other expense.

Regarding the instant case, the Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, the interim rates as approved by Order No. PSC-2020-0317-PCO-WU, final rates, and four-year rate reduction. Staff estimates noticing costs to be \$326. Staff did not include any travel expense as the customer meeting and Commission Conference are currently scheduled to be held remotely. Additionally, the Utility paid a \$1,000 filing fee.¹³ Staff recommends noticing costs and filing fee of \$1,326 (\$1,000 + \$326), which amortized over four years is \$332 ($\$1,326 \div 4$ years) per year. Therefore, staff's preliminary recommendation for regulatory commission expense is \$1,391 (\$1,059 + \$332).

Bad Debt Expense (670)

The Utility recorded bad debt expense of \$57 for the test year. Staff believes that it is likely that bad debt expense may have increased since the end of the test year as a result of the financial difficulties some customers may have experienced due to the COVID-19 pandemic. For purposes of the staff report, staff increased this amount by \$627 to reflect bad debt expense as 2 percent of revenues for the Utility, but notes that the preliminary recommended increase requires additional review. Therefore, staff's preliminary recommendation for bad debt expense for the test year is \$684 (\$57 + \$627).

Operation and Maintenance Expense Summary

The Utility recorded O&M expenses of \$36,056 for the test year. Based on the above adjustments, staff recommends that the O&M expense balance be increased by \$3,434, resulting in a total O&M expense of \$39,490 (\$36,056 + \$3,434). Staff's recommended adjustments to O&M expense are shown on Schedule No. 3-C.

Depreciation Expense

The Utility's records reflect test year depreciation expense of \$8,342 for the test year. Staff calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and found that no adjustments were necessary. Therefore, staff recommends net depreciation expense of \$8,342.

¹² Ibid.

¹³ Document No. 04286-2020, filed on August 7, 2020.

Amortization Expense

The Utility recorded an amortization expense of \$5,775. Staff increased this amount by \$17 to reflect the CIAC adjustment which was previously discussed in Issue 4. Therefore, staff recommends an amortization expense of \$5,792 ($\$5,775 + \17).

Taxes Other Than Income (TOTI)

McLeod recorded TOTI of \$2,794 for the test year. As a result of the staff audit, an adjustment was made to decrease this amount by \$46. Staff increased TOTI by \$12 to reflect the appropriate Regulatory Assessment Fees (RAFs) based on corrected Utility test year revenues.

As discussed in Issue 6, water revenues have been increased by \$16,039 to reflect the change in revenue required to cover expenses and allow an opportunity to recover the operating margin. As a result, TOTI should be increased by \$772 to reflect RAFs of 4.5 percent of the change in revenues. Therefore, staff is recommending TOTI of \$3,482 ($\$2,794 - \$46 + \$12 + \722).

Operating Expenses Summary

The application of staff's recommended adjustments to the Utility's test year operating expenses result in a total operating expense of \$45,422. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule No. 3-B.

Issue 8: Does McLeod meet the criteria for the application of the Operating Ratio Methodology?

Preliminary Recommendation: Yes. McLeod meets the requirement for application of the operating ratio methodology for calculating the revenue requirement. The margin should be 12 percent of O&M expenses. (D. Brown)

Staff Analysis: Rule 25-30.4575(2), F.A.C., provides that, in rate cases processed under Rule 25-30.455, F.A.C., the Commission will use the operating ratio methodology to establish the utility's revenue requirement when the utility's rate base is no greater than 125 percent of O&M expenses and the use of the operating ratio methodology does not change the utility's qualification for a SARC. Under the operating ratio methodology, instead of calculating the utility's revenue requirement based on a rate of return on the utility's rate base, the revenue requirement is calculated using a margin of 12 percent of O&M expenses, not to exceed \$15,000. Purchased water and wastewater must be removed from O&M expenses prior to calculating the margin of 12 percent.

As discussed in Issues 4 and 7, staff has recommended a rate base of \$27,752 and O&M expense of \$39,490. Based on the recommended amount, McLeod's rate base is only 70.28 percent of its O&M expense. In addition, the application of the operating ratio methodology does not change the Utility's qualification for a SARC. As such, McLeod meets the criteria for the operating ratio methodology established in Rule 25-30.4575(2), F.A.C. Therefore, staff recommends the application of the operating ratio methodology at a margin of 12 percent of O&M expense for determining the revenue requirement.

Issue 9: What is the appropriate revenue requirement for McLeod?

Preliminary Recommendation: The appropriate revenue requirement is \$50,261 resulting in an annual increase of \$16,039 (46.87 percent). (D. Brown)

Staff Analysis: McLeod should be allowed an annual increase of \$16,039 (46.87 percent). This should allow the Utility the opportunity to recover its expenses and a 12.00 percent margin on O&M expenses. The calculations are shown in Table 9-1:

**Table 9-1
Revenue Requirement**

Adjusted O&M Expense	\$39,490
Operating Margin (%)	<u>x 12.00%</u>
Operating Margin	\$4,739
Adjusted O&M Expense	39,490
Depreciation Expense (Net)	2,550
Taxes Other Than Income	<u>3,482</u>
Revenue Requirement	\$50,261
Less Adjusted Test Year Revenues	<u>34,222</u>
Annual Increase	<u>\$16,039</u>
Percent Increase	<u>46.87%</u>

Issue 10: What is the appropriate rate structure and rates for McLeod's water systems?

Preliminary Recommendation: The recommended rate structure and monthly water rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Bethea)

Staff Analysis: McLeod is located in Polk County within the Southwest Florida Water Management District. The Utility provides water service to approximately 96 residential customers. Approximately 13 percent of the residential customer bills during the test year had 1,000 gallons or less in usage, indicating a non-seasonal customer base. The average residential water demand is 5,640 gallons per month. The average water demand for customer bills greater than 1,000 gallons is 6,440 gallons per month. Currently, the Utility's water rate structure consists of a monthly base facility charge (BFC) and uniform gallonage charge for the residential and general service customers.

Staff performed an analysis of the Utility's billing data in order to evaluate the appropriate rate structure for the residential water customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with Commission practice.

In this case, staff recommends that 35 percent of the water revenues be generated from the BFC, which will provide sufficient revenues to design gallonage charges that send pricing signals to customers using above the non-discretionary level. The average people per household served by the water system is 3; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 5,000 gallons per month.¹⁴

Staff's review of the billing analysis indicates that the discretionary usage above 5,000 represents 40 percent of the bills, which account for approximately 38 percent of the water demand. This is considered high discretionary usage for this customer base. Staff also recommends a BFC and a three-tier inclining block rate structure, which includes separate gallonage charges for non-discretionary and discretionary usage for residential water customers. The rate blocks are: (1) 0-5,000 gallons; (2) 5,001-10,000 gallons; and (3) all usage in excess of 10,000 gallons per month. This rate structure sends the appropriate pricing signals because it targets customers with high consumption levels and minimizes price increases for customers at non-discretionary levels. In addition, the third tier provides an additional pricing signal to customers using in excess of

¹⁴ Average person per household was obtained from www.census.gov/quickfacts/polkcountyflorida.

10,000 gallons of water per month, which represents approximately 16 percent of the usage. General service customers should be billed a BFC and uniform gallonage charge.

Based on the customer billing data provided by the Utility, approximately 38 percent of total residential consumption is discretionary and subject to the effects of repression. Customers will typically reduce their discretionary consumption in response to a price increase, while non-discretionary consumption remains relatively unresponsive. Based on a recommended revenue increase of 48.8 percent for water, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 678,000 gallons, resulting in anticipated average residential demand of 5,049 gallons per month. Staff recommends a 10.5 percent reduction in test year gallons for rate setting purposes and corresponding reductions of \$210 for purchased power, \$209 for chemicals, and \$20 for RAFs to reflect the anticipated repression. This results in a post repression revenue requirement of \$48,439.

The recommended rate structure and monthly water rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 11: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense?

Preliminary Recommendation: The rates should be reduced as shown on Schedule No. 4, 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 rate case expense recovery period, pursuant to Section 367.081(8), F.S. McLeod 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. (Bethea, D. Brown) (Procedural Agency Action)

Staff Analysis: Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the recovery period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reduction is \$347.

Staff recommends that the rates should be reduced as shown on Schedule No. 4, 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 rate case expense recovery period, pursuant to Section 367.081(8), F.S. McLeod 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 published effective date to reflect the removal of the amortized rate case expense.

Issue 12: Should the recommended rates be approved for McLeod on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

Preliminary 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. McLeod 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 below in the staff analysis. 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. (D. Brown) (Procedural Agency Action)

Staff Analysis: This recommendation proposes an increase in rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the utility, staff recommends that the recommended rates be approved as temporary rates. McLeod 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. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

McLeod 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 \$10,811. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond should contain wording to the effect that it will be terminated only under the following conditions:

1. The Commission approves the rate increase; or,
2. If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If the Utility chooses a letter of credit as a security, it should contain the following conditions:

1. The letter of credit is irrevocable for the period it is in effect.
2. The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions should be part of the agreement:

1. The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement.
2. No monies in the escrow account may be withdrawn by the Utility without the prior written authorization of the Commission Clerk, or his or her designee.
3. The escrow account shall be an interest bearing account.
4. If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
5. If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility.
6. All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
7. The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
8. This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to *Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
9. The account must specify by whom and on whose behalf such monies were paid.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase should be maintained by the Utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. 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 Clerk's office no later than the 20th of every 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.

Issue 13: Should McLeod be required to notify the Commission within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission approved adjustments?

Preliminary Recommendation: Yes. McLeod should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. McLeod should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable National Association of Regulatory and Utility Commissioners Uniform System of Accounts (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 providing good cause should be filed not less than 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. (D. Brown) (Procedural Agency Action)

Staff Analysis: McLeod should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. McLeod should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the 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 providing good cause should be filed not less than 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.

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MCLEOD GARDENS UTILITIES, LLC TEST YEAR ENDED 12/31/2019 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 20200168-WU		
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST.	BALANCE PER STAFF	
1. UTILITY PLANT IN SERVICE	\$240,330	(\$13)	\$240,317	
2. LAND & LAND RIGHTS	7,000	0	7,000	
3. ACCUMULATED DEPRECIATION	(164,389)	1,845	(162,545)	
4. CIAC	(123,776)	(195)	(123,971)	
5. ACCUMULATED AMORTIZATION OF CIAC	73,900	(2,489)	71,411	
6. ACQUISITION ADJUSTMENT (NET)	(9,223)	0	(9,223)	
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>4,762</u>	<u>4,762</u>	
8. WATER RATE BASE	<u>\$23,842</u>	<u>\$3,910</u>	<u>\$27,752</u>	

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MCLEOD GARDENS UTILITIES, LLC	SCHEDULE NO. 1-B
TEST YEAR ENDED 12/31/2019	DOCKET NO. 20200168-WU
ADJUSTMENTS TO RATE BASE	
	<u>WATER</u>
<u>UTILITY PLANT IN SERVICE</u>	
1. To reflect an auditing adjustment.	(\$26)
2. To reflect an averaging adjustment.	<u>13</u>
Total	<u>(\$13)</u>
<u>ACCUMULATED DEPRECIATION</u>	
1. To reflect an auditing adjustment.	(\$2,327)
2. To reflect an averaging adjustment.	<u>4,172</u>
Total	<u>\$1,845</u>
<u>CIAC</u>	
1. To reflect a meter installation charge.	(\$115)
2. To reflect a plant capacity charge.	(275)
3. To reflect an averaging adjustment.	<u>195</u>
Total	<u>(\$195)</u>
<u>ACCUMULATED AMORTIZATION OF CIAC</u>	
1. To reflect an auditing adjustment.	(\$409)
2. To reflect a meter installation charge.	7
3. To reflect a plant capacity charge.	10
4. To reflect an averaging adjustment.	<u>(2,097)</u>
Total	<u>(\$2,489)</u>
<u>WORKING CAPITAL ALLOWANCE</u>	
To reflect 1/8 of test year O&M expenses.	<u>\$4,762</u>

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MCLEOD GARDENS UTILITIES, LLC TEST YEAR ENDED 12/31/2020 SCHEDULE OF CAPITAL STRUCTURE							SCHEDULE NO. 2 DOCKET NO. 20200168-WU		
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE AFTER ADJ	PRO RATA ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST	
1. COMMON STOCK	\$0	\$0	\$0	\$0	\$0	0.00%			
2. RETAINED EARNINGS	(34,503)	34,503	0	0	0	0.00%			
3. PAID IN CAPITAL	21,568	(21,568)	0	0	0	0.00%			
4. OTHER EQUITY	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>			
TOTAL EQUITY	<u>(\$12,935)</u>	<u>\$12,935</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	10.55%	0.00%	
5. LONG-TERM DEBT	\$0	\$0	\$0	\$0	\$0	0.00%			
6. SHORT-TERM DEBT	0	0	0	0	0	0.00%			
7. PREFERRED STOCK	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>			
TOTAL DEBT	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	0.00%	0.00%	
8. CUSTOMER DEPOSITS	\$2,730	\$0	\$2,730	\$0	\$2,730	99.60%	2.00%	1.99%	
9. DEFERRED INCOME TAXES	\$11	\$0	\$11	\$0	\$11	0.40%	0.00%	0.00%	
10. TOTAL	<u>(\$10,194)</u>	<u>\$12,935</u>	<u>\$2,741</u>	<u>\$0</u>	<u>\$2,741</u>	<u>100.00%</u>		<u>1.99%</u>	
<u>RANGE OF REASONABLENESS</u>									
RETURN ON EQUITY								<u>LOW</u>	<u>HIGH</u>
OVERALL RATE OF RETURN								9.55%	11.55%
								1.99%	1.99%

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MCLEOD GARDENS UTILITIES, LLC		SCHEDULE NO. 3-A			
TEST YEAR ENDED 12/31/2019		DOCKET NO. 20200168-WU			
SCHEDULE OF WATER OPERATING INCOME					
	PER UTILITY	STAFF ADJUST MENTS	STAFF ADJ. TEST YEAR	ADJUST FOR INCREASE	REV. REQ.
1. TOTAL OPERATING REVENUE	<u>\$33,563</u>	<u>\$659</u>	<u>\$34,222</u>	<u>\$16,039</u> 46.87%	<u>\$50,261</u>
OPERATING EXPENSES					
2. OPERATION & MAINTENANCE	\$36,056	\$3,434	\$39,490	\$0	\$39,490
3. DEPRECIATION (NET)	8,342	0	8,342	0	8,342
4. AMORTIZATION (NET)	(5,775)	(17)	(5,792)	0	(5,792)
5. TAXES OTHER THAN INCOME	2,794	(34)	2,760	722	3,482
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSE	<u>\$41,417</u>	<u>\$3,383</u>	<u>\$44,800</u>	<u>\$722</u>	<u>\$45,522</u>
7. OPERATING INCOME / LOSS	<u>(\$7,854)</u>		<u>(\$10,578)</u>		<u>\$4,739</u>
8. WATER RATE BASE	<u>\$23,842</u>		<u>\$3,910</u>		<u>\$27,752</u>
9. OPERATING MARGIN					<u>12.00%</u>

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MCLEOD GARDENS UTILITIES, LLC		SCHEDULE NO. 3-B
TEST YEAR ENDED 12/31/2019		DOCKET NO. 20200168-WU
ADJUSTMENTS TO OPERATING INCOME		
		<u>WATER</u>
OPERATING REVENUES		
1.	To reflect an auditing adjustment to Service Revenues.	\$397
2.	To reflect the appropriate test year Service Revenues.	652
3.	To reflect the appropriate test year Miscellaneous Revenues.	<u>(390)</u>
	Total	<u>\$659</u>
OPERATION AND MAINTENANCE EXPENSE		
1.	Salaries and Wages – Employees (601) To reflect 3 percent allocated increase.	<u>\$2,221</u>
2.	Contractual Services – Other (636) To reflect 3 percent allocated increase.	<u>\$40</u>
3.	Insurance Expense (655) To reflect 3 percent allocated increase.	<u>\$214</u>
4.	Regulatory Commission Expense (665) To reflect 1/4 rate case expense.	<u>\$332</u>
5.	Bad Debt Expense To reflect 2 percent of test year revenues.	<u>\$627</u>
	TOTAL OPERATION AND MAINTENANCE ADJUSTMENTS	<u>\$3,434</u>
AMORTIZATION EXPENSE (NET)		
	To reflect CIAC adjustment to Miscellaneous Revenues.	<u>(\$17)</u>
TAXES OTHER THAN INCOME		
1.	To reflect an auditing adjustment.	(\$46)
2.	To reflect appropriate test year RAFs.	<u>12</u>
	Total	<u>(\$34)</u>
	TOTAL OPERATING EXPENSE	<u>\$3,383</u>

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MCLEOD GARDENS UTILITIES, LLC		SCHEDULE NO. 3-C		
TEST YEAR ENDED 12/31/2019		DOCKET NO. 20200168-WU		
ANALYSIS OF WATER O&M EXPENSE				
ACCT. #	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
601	Salaries and Wages – Employees	\$7,638	\$2,221	\$9,859
603	Salaries and Wages – Officers	2,373	0	2,373
604	Employee Pensions and Benefits	179	0	179
615	Purchased Power	2,008	0	2,008
616	Fuel for Power Production	261	0	261
618	Chemicals	1,990	0	1,990
620	Materials and Supplies	1,438	0	1,438
631	Contractual Services – Professional	538	0	538
635	Contractual Services – Testing	2,928	0	2,928
636	Contractual Services – Other	8,201	40	8,241
640	Rents	1,154	0	1,154
650	Transportation Expense	1,155	0	1,155
655	Insurance Expense	1,865	214	2,079
665	Regulatory Commission Expense	1,059	332	1,391
670	Bad Debt Expense	57	627	684
675	Miscellaneous Expenses	<u>\$3,212</u>	<u>\$0</u>	<u>\$3,212</u>
	Total O&M Expense	<u>\$36,056</u>	<u>\$3,434</u>	<u>\$39,490</u>
	Working Capital is 1/8 O&M Less RCE			\$4,762

MCLEOD GARDENS UTILITIES LLC. TEST YEAR ENDED DECEMBER 31, 2019 MONTHLY WATER RATES		SCHEDULE NO. 4 DOCKET NO. 20200168-WU		
	UTILITY CURRENT RATES	COMMISSION APPROVED INTERIM RATES**	STAFF PRELIMINARY RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>				
Base Facility Charge by Meter Size				
5/8"X3/4"	\$11.88	\$12.61	\$14.78	\$0.11
3/4"	\$17.82	\$18.92	\$22.17	\$0.16
1"	\$29.70	\$31.53	\$36.95	\$0.27
1-1/2"	\$59.40	\$63.05	\$73.90	\$0.53
2"	\$95.04	\$100.88	\$118.24	\$0.85
3"	\$190.08	\$201.76	\$236.48	\$1.70
4"	\$297.00	\$315.25	\$369.50	\$2.66
6"	\$594.03	\$630.50	\$739.00	\$5.32
Charge per 1,000 gallons - Residential				
All gallons	\$2.97	\$3.15	N/A	N/A
0 - 5,000 gallons	N/A	N/A	\$4.49	\$0.03
5,001 - 10,000 gallons	N/A	N/A	\$6.74	\$0.05
Over 10,000 gallons	N/A	N/A	\$8.99	\$0.06
Charge per 1,000 gallons - General Service	\$2.97	\$3.15	\$5.44	\$0.04
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
5,000 Gallons	\$26.73	\$28.36	\$37.23	
10,000 Gallons	\$41.58	\$50.42	\$70.93	
15,000 Gallons	\$56.43	\$59.86	\$115.88	
**The Utility has not implemented interim rates.				