

State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** August 30, 2022

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

**FROM:** Division of Engineering (Thompson, Ellis) *TT PE TB*  
Division of Accounting and Finance (D. Buys, Mouring) *DRB*  
Division of Economics (Bethea) *TB*  
Office of the General Counsel (Imig) *TLJ*

**RE:** Docket No. 20220032-WS – Application for staff-assisted rate case in Polk County by Anglers Cove West, Ltd.

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**--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 for September 29, 2022.

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## Case Background

Anglers Cove West, Ltd. (Anglers Cove or Utility) is a Class C water and wastewater utility that began operations in 1986. The Utility provides water service to approximately 344 residential and 6 general service customers, and provides wastewater service to approximately 344 residential and 2 general service customers in the Anglers Cove and Anglers Cove West Mobile Home Parks in Polk County. Anglers Cove purchases water from the City of Lakeland as the Utility does not have a water treatment plant. Anglers Cove was granted Certificate Nos. 610-W and 526-S by the Commission in 1999.<sup>1</sup> The Utility's rates were last established during a staff-assisted rate case (SARC) in 2008.<sup>2</sup> The Utility is located in Polk County within the Southwest Florida Water Management District.

On February 11, 2022, Anglers Cove filed an application for a SARC. Pursuant to Section 367.0814(2), Florida Statutes (F.S.), the official filing date of the SARC has been determined to be April 11, 2022. The 12-month period ending December 31, 2021, was selected as the test year for the instant case.

This Staff Report is a **preliminary** analysis of the Utility's application 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 October 20, 2022, for consideration at the November 1, 2022 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 September 29, 2022 customer meeting. The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 367.091 and 367.121, F.S.

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<sup>1</sup>Order No. PSC-99-1228-PAA-WS, issued June 21, 1999, in Docket No. 19981342-WS, *In re: Application for grandfather certificates to operate water and wastewater utility in Polk County by Anglers Cove West, Ltd.*

<sup>2</sup>Order No. PSC-08-0496-PAA-WS, issued August 5, 2008, in Docket No. 20070417-WS, *In re: Application for staff-assisted rate case in Polk County by Anglers Cove West, Ltd.*

## Discussion of Issues

**Issue 1:** Is the quality of service provided by Anglers Cove West, Ltd. satisfactory?

**Preliminary Recommendation:** Staff's recommendation regarding quality of service will not be finalized until after the September 29, 2022 customer meeting. (Thompson)

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

### Quality of the Utility's Product

Anglers Cove does not have a water treatment plant and purchases water from the City of Lakeland. Therefore, in evaluating Anglers Cove's product quality, staff reviewed compliance with the DEP's primary and secondary drinking water standards for the City of Lakeland. Primary standards protect public health while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. Upon review of the City of Lakeland's 2021 Annual Drinking Water Quality Report, the DEP's Safe Drinking Water Program chemical analysis of samples taken at the point of entry on May 21, 2020, and the DEP's last Sanitary Survey Report for the City of Lakeland dated December 19, 2019, all of the contaminants were found to be in compliance with accepted standards.

### The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the Commission's Consumer Activity Tracking System records, and there were no complaints recorded during the test year and four years prior for Anglers Cove. Staff requested all complaints received by the Utility during the test year and four years prior, and the Utility responded that it did not receive any complaints during this timeframe. Staff also requested all complaints received by the DEP during the test year and four years prior for Anglers Cove, and the DEP responded that it received one complaint for the wastewater treatment plant regarding odor during this timeframe. However, upon further investigation, the DEP determined that the odor was coming from another facility.

### Conclusion

Staff's recommendation regarding quality of service will not be finalized until after the September 29, 2022 customer meeting.

**Issue 2:** Are the infrastructure and operating conditions of Anglers Cove West, Ltd.'s wastewater system in compliance with DEP regulations?

**Preliminary Recommendation:** Staff's recommendation regarding DEP compliance will not be finalized until after the September 29, 2022 customer meeting. (Thompson)

**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 for 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.

### **Wastewater System Operating Conditions**

Anglers Cove's wastewater system consists of a permitted 0.050 million gallons per day (MGD) three month rolling average daily flow (3MRADF) design capacity extended aeration domestic wastewater treatment plant (WWTP) that provides secondary treatment with basic disinfection. Staff reviewed the Utility's compliance evaluation inspections conducted by the DEP to determine the Utility's overall wastewater facility compliance. A review of the inspection conducted on October 8, 2021, indicated that Anglers Cove's WWTP was in compliance with the DEP's rules and regulations.

### **Conclusion**

Staff's recommendation regarding DEP compliance will not be finalized until after the September 29, 2022 customer meeting.

**Issue 3:** What are the used and useful (U&U) percentages of Anglers Cove West, Ltd.'s WWTP, water distribution, and wastewater collection systems?

**Preliminary Recommendation:** Anglers Cove's WWTP, water distribution, and wastewater collection systems should be considered 100 percent U&U. Additionally, staff recommends that a 9.4 percent adjustment to purchased water should be made for excessive unaccounted for water (EUW). No adjustment is recommended for excessive infiltration and inflow (I&I). These are preliminary determinations and are subject to change. (Thompson)

**Staff Analysis:** Anglers Cove began water and wastewater operations in 1986. As stated in Issue 1, Anglers Cove purchases water from the City of Lakeland as the Utility does not have a water treatment plant. Anglers Cove's water distribution system is composed of 3,700 feet of 2-inch polyvinyl chloride (PVC) pipe, 1,625 feet of 4 inch PVC pipe, and 5,835 feet of 6 inch PVC pipe. There are 7 fire hydrants throughout the water distribution system. The Utility does not have any water storage tanks.

As stated in Issue 2, Anglers Cove's wastewater system consists of a permitted 0.050 MGD 3MRADF design capacity extended aeration domestic WWTP. The Utility's wastewater collection system is composed of 2,200 feet of 4-inch PVC pipe, and 10,271 feet of 8-inch PVC pipe. There are 4 lift stations, and 41 manholes throughout the wastewater collection system.

### **Used and Useful Percentages**

Rule 25-30.432, F.A.C., addresses the method by which the U&U of a wastewater system is determined, and Rule 25-30.4325, F.A.C., addresses the method by which the U&U of a water system is determined. Anglers Cove's U&U percentages were last determined in Docket No. 20070417-WS.<sup>3</sup> In that docket, the Commission determined the Utility's WWTP, water distribution, and wastewater collection systems to be 100 percent U&U. The Utility has not increased the capacity of its WWTP since rates were last established. The Utility's water distribution and wastewater collection systems continue to only provide service to existing customers, the service area remains built out, and there continues to be no potential for expansion of the service area. Therefore, consistent with the Commission's previous decision, staff recommends that the Utility's WWTP, water distribution, and wastewater collection systems 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.

EUW is calculated by subtracting both the gallons sold to customers and the gallons used for other services, such as flushing, from the total gallons pumped and purchased for the test year, and dividing by the sum of gallons pumped and purchased. The amount in excess of 10 percent,

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<sup>3</sup>Order No. PSC-08-0496-PAA-WS, issued August 5, 2008, in Docket No. 20070417-WS, *In re: Application for staff-assisted rate case in Polk County by Anglers Cove West, Ltd.*

if any, is the EUW percentage. Anglers Cove does not have a water treatment plant; therefore, there are no gallons pumped. However, based on the billing data provided by the Utility for water purchased from the City of Lakeland, Anglers Cove purchased 8,566,000 gallons of water from January 1, 2021, to December 31, 2021. From the audit completed by staff, the Utility sold 6,626,942 total gallons of water to its residential and general service water customers. The Utility documented 277,000 gallons of water usage for line flushing. The resulting calculation  $([0 + 8,566,000 - 6,626,942 - 277,000] / [0 + 8,566,000])$  for unaccounted for water is 19.4 percent. Therefore, there is an EUW of 9.4 percent. Staff recommends that a 9.4 percent adjustment be made to purchased water expense; however, this adjustment is not reflected in the revenue requirement at this time. Further investigation will be conducted regarding this issue.

### **Infiltration and Inflow (I&I)**

Infiltration typically results from groundwater entering a wastewater collection system through broken or defective pipes and joints; whereas, inflow results from water entering a wastewater collection system through manholes or lift stations. By convention, the allowance for infiltration is 500 gallons per day (gpd) per inch diameter pipe per mile, and an additional 10 percent of residential water billed is allowed for inflow.

Since all wastewater collection systems experience I&I, the conventions noted above provide guidance for determining whether the I&I experienced at a WWTP is excessive. Staff calculates the allowable infiltration based on system parameters, and calculates the allowable inflow based on water billed to customers. The sum of these amounts is the allowable I&I. Staff next calculates the estimated amount of wastewater returned from customers. The estimated return is determined by summing 80 percent of the water billed to residential customers with 90 percent of the water billed to non-residential customers. Adding the estimated return to the allowable I&I yields the maximum amount of wastewater that should be treated by the wastewater system without incurring adjustments to operating expenses. If this amount exceeds the actual amount treated, no adjustment is made. If it is less than the gallons treated, then the difference is the excessive amount of I&I.

From January 1, 2021, through December 31, 2021, the allowance for infiltration was calculated as 3,144,254 gallons, and the allowance for inflow was calculated as 640,170 gallons; therefore, the total I&I allowance was calculated as 3,784,424 gallons. Based on staff's audit, the total water billed to the residential wastewater customers was 6,328,052 gallons, and the total water billed to the two general service wastewater customers was 73,650. Therefore, the estimated amount of wastewater returned from customers was calculated as 5,128,727 gallons. Summing the estimated return and the allowable I&I results in a maximum of 8,913,151 gallons of wastewater that should be treated by the wastewater system without incurring adjustments to operating expenses. Based on the Utility's discharge monitoring reports, the actual amount of wastewater treated was 8,338,000 gallons from January 1, 2021, through December 31, 2021. Therefore, there is no excessive I&I and no adjustment to purchased power and chemicals expense is recommended.

**Conclusion**

Anglers Cove's WWTP water distribution, and wastewater collection systems should be considered 100 percent U&U. Additionally, staff recommends that a 9.4 percent adjustment to purchased water should be made for EUW. No adjustment is recommended for excessive I&I. These are preliminary determinations and are subject to change.



**Issue 4:** What is the appropriate average test year rate base for water and wastewater for Anglers Cove West, Ltd.?

**Preliminary Recommendation:** The appropriate simple average rate base for the test year ended December 31, 2021 is \$125,559 for water and \$155,143 for wastewater. (D. Buys, Thompson)

**Staff Analysis:** The appropriate components of the Utility's rate base include utility plant in service (UPIS), land, accumulated depreciation, and working capital. Anglers Cove does not have any contributions in aid of construction (CIAC). Anglers Cove's rate base was established in Docket No. 20070417-WS based on an original cost study by Commission staff. Staff selected the test year ended December 31, 2021 for the instant rate case. 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 staff's recommended adjustments are discussed below.

### **Utility Plant in Service (UPIS)**

The Utility recorded a UPIS balance of \$195,361 for water and \$356,560 for wastewater. Staff made an adjustment to increase both water and wastewater UPIS balances by \$8,118 to reflect the purchase of three Ford F-250 trucks. The payments for the three trucks were incorrectly being expensed. Staff made an adjustment to remove the payments from O&M expense accounts and add the cost of the trucks to UPIS and capitalize the investment. The correct year end balance in plant accounts 341 and 391 is \$8,118. Staff also decreased water and wastewater rate base by \$1,643 to reflect an averaging adjustment.

### **Pro Forma Plant Additions**

Table 4-1 shows Anglers Cove's three requested pro forma plant projects. For the Percolation Pond Repair project, the Utility stated that the percolation ponds for the WWTP were eroded badly, and needed to be rebuilt to prevent problems. This project was completed in April 2022. For the Water Meter Replacement project, the Utility stated that the water meters were aged and were not functioning properly and therefore needed replacement. This project was completed in June 2022. Regarding the Electronic Meter Reading Equipment Upgrades project, the Utility stated that it is having issues capturing all of the readings from the meters due to the reading system being outdated and not functioning properly with the newer meters. To resolve the issue, the Utility intends to switch to new meter reading software. Staff will inquire as to the anticipated completion date for this project, but it has been included on a preliminary basis.

As is Commission practice, staff requested that three bids be provided for each pro forma project. However, the Utility provided one bid for each project. According to the Utility, the vendor that provided bids for the Water Meter Replacement and Electronic Meter Reading Equipment Upgrades projects was the same vendor that installed meter equipment for Anglers Cove's sister utilities, and that the meters from this vendor are compatible with the Utility's existing GPS reading system. Regarding the Percolation Pond Repair project, the Utility stated that the vendor that provided a bid for this project was the only vendor that responded to its bid request. Staff will provide a recommendation as to whether or not the project costs are appropriate in its final recommendation.

**Table 4-1  
 Pro-Forma Plant Projects**

<b>Project</b>	<b>Account Number</b>	<b>Amount</b>	<b>Retirement</b>
Percolation Pond Repair	354	\$80,652	
Water Meter Replacement	334	\$99,836	(\$59,255)
Electronic Meter Reading Equipment Upgrades	334	\$1,445	(\$1,084)
<b>Total</b>		\$181,932	(\$60,339)

Source: Responses to staff data requests.

As a result of the pro forma additions, staff increased UPIS for water by \$101,281, offset by a retirement of \$60,339, for a net increase of \$40,942. Staff also increased UPIS for wastewater by \$80,652 for the cost to refurbish the wastewater percolation ponds. No retirement was associated with the Percolation Pond Refurbishment.

For the reasons described herein, staff believes the appropriate average UPIS is \$242,779 (195,361 + \$47,418) for water and \$443,688 (\$356,560 + \$87,128) for wastewater. Staff's adjustments to water and wastewater UPIS are summarized in Table 4-2.

**Table 4-2  
 Staff Adjustments to UPIS**

<b>Description</b>	<b>Water</b>	<b>Wastewater</b>
Adjustment to Plant Accounts 341 and 391	\$8,118	\$8,118
Pro Forma Addition - Meter Replacement	101,281	
Retirement for Pro Forma Addition - Meter Replacement	(60,339)	
Pro Forma Addition - Perc Pond Refurbishment		80,652
Averaging Adjustment	(1,643)	(1,643)
<b>Total Adjustments to UPIS</b>	\$47,418	\$87,128

Source: Staff Audit and Utility responses to staff data requests.

### **Land & Land Rights**

The Utility resells water purchased from City of Lakeland Utilities and has no land allocated to its water operation. Therefore, water Land & Land Rights is zero. The Utility recorded a test year land value of \$32,659 for wastewater based on an estimate of 3.60 acres. Staff is reviewing the calculation of wastewater land value for accuracy. At this time, staff is not making an adjustment and recommends a balance of \$32,659 for wastewater.

### **Accumulated Depreciation**

The Utility recorded an accumulated depreciation balance of \$179,844 for water and \$322,246 for wastewater. Staff made an auditing adjustment increasing accumulated depreciation by \$2,986 for water and \$2,209 for wastewater. Staff made an additional adjustment increasing accumulated depreciation by \$348 for water and wastewater to reflect the appropriate amounts in plant accounts 341 and 391 - transportation equipment. Staff also made an averaging adjustment decreasing accumulated depreciation by \$540 for water and wastewater. Additionally, staff made corresponding adjustments to reflect accumulated depreciation associated with the pro forma

plant additions; a decrease of \$54,448 for water and an increase of \$5,377 for wastewater. In total, staff decreased accumulated depreciation for water by \$51,654 and increased accumulated depreciation for wastewater by \$7,394. Therefore, staff recommends an average accumulated depreciation balance of \$128,191 (\$179,844 – \$51,654) for water, and \$329,640 (\$322,246 + \$7,394) for wastewater. Staff’s adjustments to water and wastewater accumulated depreciation are summarized in Table 4-3.

**Table 4-3**  
**Staff Adjustments to Accumulated Depreciation**

Description	Water	Wastewater
Audit Adjustment (Finding 2)	(\$2,986)	(\$2,209)
Adjustment to Plant Accounts 341 and 391	(348)	(348)
Pro Forma Addition - Meter Replacement	54,448	
Pro Forma Addition - Perc Pond Refurbishment		(\$5,377)
Averaging Adjustment	540	540
<b>Total Adjustments to Accumulated Depreciation</b>	<b>\$51,654</b>	<b>(\$7,394)</b>

Source: Staff Audit and Utility responses to staff data requests.

**Used & Useful**

As discussed in Issue 3, Anglers Cove’s water distribution system is considered 100 percent U&U. The Utility’s WWTP and wastewater collection system are also considered 100 percent U&U. Therefore, no U&U adjustments are necessary.

**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 \$767 and \$748 from water and wastewater, respectively. Staff’s calculation resulted in an adjusted O&M expense balance of \$87,767 for water and \$67,494 for wastewater. Applying this formula, staff recommends a working capital allowance of \$10,971 ( $\$87,767 \div 8$ ) for water and \$8,437 ( $\$67,494 \div 8$ ) for wastewater.

**Rate Base Summary**

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$125,559 ( $\$242,779 - \$128,191 + \$10,971$ ) for water and \$155,143 ( $\$443,688 + \$32,659 - \$329,640 + \$8,437$ ) for wastewater. Water and wastewater rate base are shown on Schedule Nos. 1-A and 1-B, respectfully. The related adjustments are shown on Schedule No. 1-C.

**Issue 5:** What is the appropriate return on equity and overall rate of return for Anglers Cove West, Ltd.?

**Preliminary Recommendation:** The appropriate return on equity (ROE) is 10.45 percent and overall rate of return to use for setting rates is 4.74 percent. (D. Buys)

**Staff Analysis:** The Utility's reported capital structure consists of \$6,654,600 in long-term debt and negative equity of \$306,656. In accordance with Commission practice, staff adjusted the negative equity to zero.<sup>4</sup> The Utility does not have any short-term debt or customer deposits on its books. Anglers Cove is a Florida Limited Partnership which is listed as a Co-Borrower with ACV, Ltd. on a fixed-rate mortgage in the amount of \$14,788,000. The proportion of the loan amount allocated to Anglers Cove is \$6,654,600. Staff believes this is the amount used to purchase the mobile home park, which includes the water and wastewater utility. The interest rate on the mortgage is 4.74 percent. The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE for the Utility is 10.45 percent based upon the Commission-approved leverage formula currently in effect.<sup>5</sup> Staff recommends an ROE of 10.45 percent with a range of 9.45 percent to 11.45 percent, and an overall rate of return of 4.74 percent. The overall rate of return is the Utility's weighted average cost of long-term debt. The ROE and overall rate of return are shown on Schedule No. 2.

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<sup>4</sup>Order Nos. PSC-2019-0461-PAA-SU, issued October 25, 2019, in Docket No. 20180138-SU, *In re: Application for staff-assisted rate case 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.*

<sup>5</sup>Order No. PSC-2022-0208-PAA-WS, issued June 15, 2022, in Docket No. 20220006-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 amount of test year revenues for Anglers Cove West, Ltd.'s water and wastewater system?

**Preliminary Recommendation:** The appropriate test year revenues for Anglers Cove's water system are \$75,040 and wastewater system are \$72,758. (Bethea)

**Staff Analysis:** The Utility recorded test year revenues of \$74,418 for water and \$72,220 for wastewater. The Utility did not record any miscellaneous revenues during the test year. To determine the appropriate service revenues for water and wastewater, staff applied the number of billing determinants to the Utility's existing rates. As a result, staff determined that service revenues for water should be \$75,040, which is an increase of \$622 (\$75,040 - \$74,418). For wastewater, staff determined that service revenues should be \$72,758, which is an increase of \$538 (\$72,758 - \$72,220). Based on the above, the appropriate test year revenues for Anglers Cove's water system are \$75,040 and \$72,758 for the wastewater system.

**Issue 7:** What is the appropriate amount of test year operating expense for Anglers Cove West, Ltd.?

**Preliminary Recommendation:** The appropriate amount of operating expense for Anglers Cove is \$107,781 for water and \$102,691 for wastewater. (D. Buys)

**Staff Analysis:** The Utility recorded total operating expense of \$99,206 for water and \$92,644 for wastewater. The test year 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 described below.

### **Operation and Maintenance Expenses**

The Utility recorded O&M expense of \$89,403 for water and \$67,642 for wastewater. Staff's adjustments to specific O&M accounts are listed below.

#### **Salaries and Wages – Employees (601 / 701)**

The Utility recorded salaries and wages – employees expenses of \$29,117 for water and \$33,828 for wastewater. This expense is under review. At this time, staff has no adjustments.

#### **Purchased Water (610)**

The Utility recorded \$49,590 for purchased water in Account 610. Staff reviewed the invoices from the City of Lakeland Utilities and agrees with the recorded amount. However, staff's preliminary evaluation of the water distribution system determined there is excessive unaccounted for water (EUW) of 9.40 percent. Staff is still reviewing the cause and will make a final determination in the staff recommendation. At this time, staff is not making an adjustment for EUW.

#### **Transportation Expense (650 / 750)**

The Utility recorded transportation expenses of \$3,050 and \$3,386 for water and wastewater, respectively. Staff decreased Account 650 by \$1,570 for water and Account 750 by \$1,194 for wastewater to reflect an auditing adjustment. Therefore, staff recommends transportation expense of \$1,480 (\$3,050 – \$1,570) for water and \$2,192 (\$3,386 – \$1,194) for wastewater.

#### **Rate Case Expense (665 / 765)**

The Utility did not record any rate case expense. The Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, final rates, and four-year rate reduction. Staff calculated noticing costs to be \$1,015. Staff calculated the distance from the Utility to Tallahassee as 276 miles. Based on the 2022 IRS business mileage rate of \$0.625,<sup>6</sup> staff calculated travel expense to the Commission Conference to be \$545 (\$345 for mileage and \$200 for lodging). The Utility retained the legal services of Dean Mead. Staff has estimated a legal fee of \$2,500 for this rate case. Additionally, the Utility paid a filing fee of \$1,000 for water and \$1,000 for wastewater.

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<sup>6</sup><https://www.irs.gov/newsroom/irs-increases-mileage-rate-for-remainder-of-2022>.

Staff calculated the total amount of noticing costs, travel expense and legal fee of \$4,060 (\$1,015 + \$545 + \$2,500). Staff allocated these costs based on ERCs, resulting in 51 percent of costs for water and 49 percent of costs for wastewater, or \$2,069 and \$1,991 for water and wastewater, respectively. Staff recommends total rate case expense of \$3,069 (\$2,069 + \$1,000) for water, which amortized over four years is \$767 ( $\$3,069 \div 4$  years); and total rate case expense of \$2,991 (\$1,991 + \$1,000) for wastewater, which amortized over four years is \$748 ( $\$2,991 \div 4$  years). Therefore, staff recommends rate case expense of \$767 for water and \$748 for wastewater.

#### ***Bad Debt Expense (670 / 770)***

The Utility recorded bad debt expense of \$1,567 for water and \$409 for wastewater. For purposes of the staff report, staff decreased the amount for water by \$66 and increased the amount for wastewater by \$1,046. These amounts reflect bad debt expense as 2.0 percent of the test year revenues for the Utility, but staff notes that these preliminary recommended amounts require additional review. Therefore, staff recommends bad debt expense of \$1,501 ( $\$1,567 - \$66$ ) for water and \$1,455 ( $\$409 + \$1,046$ ) for wastewater.

#### **Operation and Maintenance Expense Summary**

The Utility recorded test year O&M expenses of \$89,403 for water and \$67,642 for wastewater. Based on the above adjustments, staff recommends the O&M expense be decreased by \$869 for water and increased by \$600 for wastewater. This results in total O&M expenses of \$88,534 ( $\$89,403 - \$869$ ) for water and \$68,242 ( $\$67,642 + \$600$ ) for wastewater. Staff's recommended adjustments to O&M expenses are shown on Schedule Nos. 3-D and 3-E.

#### **Depreciation Expense**

The Utility recorded depreciation expense of \$6,443 for water and \$5,967 for wastewater. Using the depreciation rates prescribed in Rule 25-30.140, F.A.C., staff recalculated depreciation expense using the audited UPIS balances, and as a result, increased depreciation expense for water and wastewater by \$233 and \$268, respectively. As discussed in Issue 4, staff reclassified the purchase of three trucks from transportation expense to transportation equipment in UPIS and capitalized the cost. The corresponding adjustment is an increase to depreciation expense of \$1,079 for both water and wastewater in accounts 650 and 750, respectively. Staff also increased depreciation expense associated with the pro forma additions to UPIS for both water and wastewater. The corresponding adjustment for water is an increase of \$5,891 for the new meter installations and meter reading equipment. The corresponding adjustment for wastewater is an increase of \$5,377 for the capitalization of the percolation pond refurbishment. These adjustments result in an increase of \$7,203 ( $\$233 + \$1,079 + \$5,891$ ) for water, and an increase of \$6,724 ( $\$268 + \$1,079 + \$5,377$ ) for wastewater. Therefore, staff recommends depreciation expense of \$13,646 ( $\$6,443 + \$7,203$ ) for water and \$12,691 ( $\$5,967 + \$6,724$ ) for wastewater.

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

The Utility recorded TOTI of \$3,360 for water and \$19,035 for wastewater. The large balance for wastewater is due primarily to the property tax the owners of the Anglers Cove West mobile home park have allocated to the Utility. The Utility recorded a balance for property tax of \$15,769. The share of property tax allocated to the Utility is based on the ratio of land occupied by the wastewater utility operation as compared to the entirety of the mobile home park. The

current allocation of land to the wastewater utility is 3.60 acres of the total usable 33.81 acres, or 11 percent. The total property tax assessed against Anglers Cove Villas and Anglers Cove West is \$147,970. Staff is reviewing the number of acres allocated to the wastewater utility and the appropriateness of including the property tax for Anglers Cove Villas in the expenses for the Utility. At this time, staff has not made adjustments for the purposes of the Staff Report. Staff made an adjustment to increase regulatory assessment fees (RAFs) associated with the adjusted test year revenues for water and wastewater of \$17 and \$8, respectively. Staff increased TOTI by \$483 for water and \$1,037 for wastewater to reflect property taxes associated with the pro forma UPIS additions. As discussed in Issue 6, revenues have been increased by \$38,693 for water and \$37,287 for wastewater in order to reflect the change in revenue required to cover expenses and allow an opportunity to earn the recommended rate of return. As a result, TOTI should be increased by \$1,741 for water and \$1,678 for wastewater to reflect RAFs of 4.5 percent of the change in revenues. Therefore, staff recommends TOTI of \$5,601 ( $\$3,360 + \$17 + \$483 + \$1,741$ ) for water and \$21,758 ( $\$19,035 + \$8 + \$1,037 + \$1,678$ ) for wastewater.

### **Operating Expenses Summary**

The Utility recorded total operating expense of \$99,206 for water and \$92,644 for wastewater. Staff's preliminary recommended adjustments to the Utility's total operating expenses result in a total operating expense of \$107,781 ( $\$99,206 + \$8,575$ ) for water and \$102,691 ( $\$92,644 + \$10,047$ ) for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B, and the related adjustments are shown on Schedule No. 3-C.



**Issue 8:** Does Anglers Cove West, Ltd. meet the criteria for application of the Operating Ratio Methodology?

**Preliminary Recommendation:** No. Anglers Cove does not meet the requirement for application of the Operating Ratio Methodology for calculating the revenue requirement. (D. Buys)

**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 a 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. Per Rule 25-30.4575(1), F.A.C., purchased water and wastewater expenses will be removed from O&M expense before the twelve percent margin is applied.

In Issue 4, staff recommended a rate base of \$125,559 for water and \$155,143 for wastewater. In Issue 7, staff recommended an O&M expense of \$88,534 for water and \$68,242 for wastewater. Per Rule 25-30.4575(1), F.A.C., staff removed the recommended purchased water expense of \$49,590 from the total O&M expense of \$88,534, resulting in an adjusted O&M expense of \$38,944 for water. Based on the recommended amounts for rate base and O&M expense, the Utility's water rate base is 322 percent ( $\$125,559 \div \$38,944$ ) of its water O&M expense, and wastewater rate base is 227 percent ( $\$155,143 \div \$68,242$ ) of its wastewater O&M expense. Based on these ratios, the Utility does not qualify for application of the Operating Ratio Methodology.

**Issue 9:** What is the appropriate revenue requirement for Anglers Cove West, Ltd.?

**Preliminary Recommendation:** The appropriate revenue requirement is \$113,733 for water, resulting in an annual increase of \$38,693 (51.56 percent). The appropriate revenue requirement is \$110,045 for wastewater, resulting in an annual increase of \$37,287 (51.25 percent). (D. Buys)

**Staff Analysis:** Anglers Cove should be allowed an annual increase of \$38,693 (51.56 percent) for water and an annual increase of \$37,287 (51.25 percent) for wastewater. This should allow the Utility the opportunity to recover its expenses and earn a 4.74 percent return on rate base for water and wastewater. The calculations for water are shown in Table 9-1, and for wastewater in Table 9-2.

**Table 9-1  
 Water Revenue Requirement**

Water Rate Base	\$125,559
Rate of Return	4.74%
Return on Rate Base	<u>\$5,952</u>
Water O&M Expense	\$88,534
Depreciation Expense	\$13,646
Taxes Other Than Income	<u>\$5,601</u>
Revenue Requirement	<u>\$113,733</u>
Less Test Year Revenues	<u>\$75,040</u>
Annual Increase / (Decrease)	\$38,693
Percent Increase / (Decrease)	51.56%

Source: Staff Calculations.

**Table 9-2  
 Wastewater Revenue Requirement**

Wastewater Rate Base	\$155,143
Rate of Return	4.74%
Return on Rate Base	<u>\$7,354</u>
Wastewater O&M Expense	\$68,242
Depreciation Expense	\$12,691
Taxes Other Than Income	<u>\$21,758</u>
Revenue Requirement	<u>\$110,045</u>
Less Test Year Revenues	<u>\$72,758</u>
Annual Increase / (Decrease)	\$37,287
Percent Increase / (Decrease)	51.25%

Source: Staff Calculations.

**Issue 10:** What are the appropriate rate structures and rates for the water and wastewater systems of Anglers Cove West, Ltd.?

**Preliminary Recommendation:** The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. 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. (Bethea)

**Staff Analysis:**

**Water Rates**

The Utility is located in Polk County within the Southwest Florida Water Management District. Anglers Cove provides water service to approximately 344 residential customers and 6 general service customers. A review of the billing data indicates approximately 25 percent of the residential bills during the test year had zero gallons, which indicates a seasonal customer base. The average residential water demand was 1,545 gallons per month. The average water demand, excluding zero gallon bills, was 2,049 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.

Due to the customers' low average monthly consumption and seasonal customer base, staff recommends that 50 percent of the revenue requirement be recovered through the BFC in an effort to maintain revenue stability. Furthermore, staff evaluated whether or not a repression adjustment was appropriate in this case. Despite the relatively high staff-recommended revenue percentage increase, the repression adjustment was de minimus due to the very little discretionary usage for this customer base. The billing data indicate that approximately 88 percent of the water consumed is for non-discretionary usage, while 12 is percent for discretionary usage. Typically a repression adjustment is made to account for the reduction in consumption above the non-discretionary threshold resulting from a price increase. Non-discretionary usage is essential and therefore relatively unresponsive to changes in prices. For this reason, staff recommends a continuation of the Utility's existing monthly BFC and gallonage charge rate structure for its residential and general service customers and no repression adjustment.

### **Wastewater Rates**

Anglers Cove provides wastewater service to approximately 344 residential customers and 2 general service customers. Currently, the wastewater rate structure for residential customers consists of a monthly uniform BFC for all meter sizes and gallonage charge with a 6,000 gallonage cap. General service customers are billed a BFC by meter size and gallonage charge that is 1.2 times higher than the residential gallonage charge.

Staff performed an analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages and gallonage caps for the residential wastewater 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; and (3) implement a gallonage cap, where appropriate, that considers approximately the amount of water that may return to the wastewater system.

Consistent with Commission practice, staff allocated 50 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants and seasonal customer base. As mentioned above, Anglers Cove's current residential wastewater cap is 6,000 gallons per month. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. It is Commission practice to set the wastewater cap at approximately 80 percent of residential water sold. Based on staff's review of the billing analysis, approximately 80 percent of the residential gallons are captured at the 3,000 gallon level. However, it is Commission practice to set the wastewater cap in gallonage caps of 6,000, 8,000, or 10,000. For this reason, staff recommends a continuation of the Utility's current gallonage cap of 6,000 gallons per month. Since there is no repression adjustment for water, there is no corresponding repression adjustment for wastewater. General service customers should continue to be billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

### **Conclusion**

Staff's preliminary recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. 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.

**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. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Anglers Cove should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and rationale no later than one month prior to the effective date of the new rates. If the Utility files revised tariffs reflecting 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 and the reduction in the rates due to the amortized rate case expense. (D. Buys, Bethea) (Procedural Agency Action)

**Staff Analysis:** Section 367.081(8), F.S., requires that the rates be reduced by the amount of the rate case expense previously included in rates immediately following the expiration of the recovery period. With respect to Anglers Cove, 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 \$803 for water and \$783 for wastewater.

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. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Anglers Cove should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and rationale no later than one month prior to the effective date of the new rates. If the Utility files revised tariffs reflecting 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 and the reduction in the rates due to the amortized rate case expense.

**Issue 12:** Should the recommended rates be approved for Anglers Cove West, Ltd. 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. Anglers Cove should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for services 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. Further, prior to implementing any temporary rates, the Utility should provide appropriate financial 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 both the current monthly and total amount 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. Buys) (Procedural Agency Action)

**Staff Analysis:** This recommendation proposes an increase in rates. A timely protest might delay a 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 proposed rates be approved on a temporary basis. Anglers Cove should file revised tariff sheets and a proposed customer notice reflecting 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 it has been received by the customers. The additional revenue produced by staff's recommended rates and collected by the Utility should be subject to the refund provisions discussed below.

Anglers Cove should be authorized to initiate the temporary rates upon staff's approval of an appropriate security for the potential refund and cost of the proposed customer notice. Security should be in the form of either a bond or letter of credit in the amount of \$51,310. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond for securing the potential refund, 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 for securing the potential refund, the letter of credit 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.



<b>ANGLERS COVE WEST, LTD.</b>		<b>SCHEDULE NO. 1-A</b>	
<b>TEST YEAR ENDED 12/31/2021</b>		<b>DOCKET NO. 20220032-WS</b>	
<b>SCHEDULE OF WATER RATE BASE</b>			
<b>DESCRIPTION</b>	<b>BALANCE PER UTILITY</b>	<b>STAFF ADJUST.</b>	<b>BALANCE PER STAFF</b>
1. UTILITY PLANT IN SERVICE	\$195,361	\$47,418	\$242,779
2. LAND & LAND RIGHTS	0	0	0
3. ACCUMULATED DEPRECIATION	(179,844)	51,654	(128,191)
4. CIAC	0	0	0
5. ACCUMULATED AMORTIZATION OF CIAC	0	0	0
6. WORKING CAPITAL ALLOWNACE	<u>\$0</u>	<u>\$10,971</u>	<u>\$10,971</u>
7. WATER RATE BASE	<u>\$15,517</u>	<u>\$110,042</u>	<u>\$125,559</u>

<b>ANGLERS COVE WEST, LTD.                      TEST YEAR ENDED 12/31/2021                      SCHEDULE OF WASTEWATER RATE                      BASE</b>		<b>SCHEDULE NO. 1-B                      DOCKET NO. 20220032-WS</b>		
<b>DESCRIPTION</b>	<b>BALANCE                      PER                      UTILITY</b>	<b>STAFF                      ADJUST</b>	<b>BALANCE                      PER                      STAFF</b>	
1. UTILITY PLANT IN SERVICE	\$356,560	\$87,128	\$443,688	
2. LAND & LAND RIGHTS	32,659	0	32,659	
3. ACCUMULATED DEPRECIATION	(322,246)	(7,394)	(329,640)	
4. CIAC	0	0	0	
5. ACCUMULATED AMORTIZATION OF CIAC	0	0	0	
6. WORKING CAPITAL ALLOWNACE	<u>\$0</u>	<u>\$8,437</u>	<u>\$8,437</u>	
7. WASTEWATER RATE BASE	<u>\$66,973</u>	<u>\$88,170</u>	<u>\$155,143</u>	

<b>ANGLERS COVE WEST, LTD.</b>		<b>SCHEDULE NO. 1-C</b>	
<b>TEST YEAR ENDED 12/31/2021</b>		<b>DOCKET NO. 20220032-WS</b>	
<b>ADJUSTMENTS TO RATE BASE</b>			
	<b><u>WATER</u></b>	<b><u>WASTEWATER</u></b>	
<b><u>UTILITY PLANT IN SERVICE</u></b>			
1. To reflect adjustment to transportation equipment.	\$8,118	\$8,118	
3. To reflect an averaging adjustment.	(1,643)	(1,643)	
4. To reflect pro forma addition.	101,281	80,652	
5. To reflect pro forma retirement.	<u>(\$60,339)</u>	<u>\$0</u>	
Total	<u>\$47,418</u>	<u>\$87,128</u>	
<b><u>ACCUMULATED DEPRECIATION</u></b>			
1. To reflect audit adjustment.	(\$2,986)	(\$2,209)	
2. To reflect adjustment to transportation equipment	(348)	(348)	
3. To reflect an averaging adjustment.	540	540	
4. To reflect pro forma adjustment.	<u>\$54,448</u>	<u>(\$5,377)</u>	
Total	<u>\$51,654</u>	<u>(\$7,394)</u>	
<b><u>WORKING CAPITAL ALLOWANCE</u></b>			
To reflect 1/8 of test year O&M expenses.	<u>\$10,971</u>	<u>\$8,437</u>	

<b>ANGLERS COVE WEST, LTD. TEST YEAR ENDED 12/31/2021 SCHEDULE OF CAPITAL STRUCTURE</b>						<b>SCHEDULE NO. 2 DOCKET NO. 20220032-WS</b>	
<b>CAPITAL COMPONENT</b>	<b>BALANCE PER UTILITY</b>	<b>SPECIFIC ADJUST- MENTS</b>	<b>PRO RATA ADJUST- MENTS</b>	<b>BALANCE PER STAFF</b>	<b>PERCENT OF TOTAL</b>	<b>COST</b>	<b>WEIGHTED COST</b>
1. LONG-TERM DEBT	\$6,654,600	\$0	(\$6,373,897)	\$280,703	100%	4.74%	4.74%
2. SHORT-TERM DEBT	0		0	0	0%	0.00%	0.00%
3. COMMON EQUITY	(306,656)	306,656	0	0	0%	10.45%	0.00%
4. CUSTOMER DEPOSITS	0		0	0	0%	2.00%	0.00%
5. DEFERRED INCOME TAXES	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>	<u>0%</u>	<u>0.00%</u>	<u>0.00%</u>
6. TOTAL CAPITAL	<u>\$6,347,944</u>	<u>\$306,656</u>	<u>(\$6,373,897)</u>	<u>\$280,703</u>	<u>100%</u>		<u>4.74%</u>
<b>RANGE OF REASONABLENESS</b>						<b><u>LOW</u></b>	<b><u>HIGH</u></b>
RETURN ON EQUITY						9.45%	11.45%
OVERALL RATE OF RETURN						4.74%	4.74%

<b>ANGLERS COVE WEST, LTD. TEST YEAR ENDED 12/31/2021 SCHEDULE OF WATER OPERATING INCOME</b>			<b>SCHEDULE NO. 3-A DOCKET NO. 20220032-WS</b>			
	<b>TEST YEAR PER UTILITY</b>	<b>STAFF ADJUST- MENTS</b>	<b>STAFF ADJUSTED TEST YEAR</b>	<b>ADJUST FOR INCREASE</b>	<b>REVENUE REQUIREMENT</b>	
1. <b>TOTAL OPERATING REVENUES</b>	\$74,662	\$378	\$75,040	\$38,693 51.56%	\$113,733	
<b>OPERATING EXPENSES:</b>						
2. OPERATION & MAINTENANCE	89,403	(869)	\$88,534	\$0	\$88,534	
3. DEPRECIATION	6,443	\$7,203	13,646	0	13,646	
4. AMORTIZATION	0	\$0	0	0	0	
5. TAXES OTHER THAN INCOME	3,360	\$500	3,860	1,741	5,601	
6. INCOME TAXES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
7. <b>TOTAL OPERATING EXPENSES</b>	<u>\$99,206</u>	<u>\$6,834</u>	<u>\$106,040</u>	<u>\$1,741</u>	<u>\$107,781</u>	
8. <b>OPERATING INCOME / (LOSS)</b>	(\$24,544)		(\$31,000)		\$5,952	
9. <b>WATER RATE BASE</b>	\$15,517		\$110,042		\$125,559	
10. <b>RATE OF RETURN</b>					4.74%	

<b>ANGLERS COVE WEST, LTD.                      TEST YEAR ENDED 12/31/2021                      SCHEDULE OF WASTEWATER OPERATING INCOME</b>			<b>SCHEDULE NO. 3-B                      DOCKET NO. 20220032-WS</b>			
	<b>TEST                      YEAR PER                      UTILITY</b>	<b>STAFF                      ADJUST-                      MENTS</b>	<b>STAFF                      ADJUSTED                      TEST YEAR</b>	<b>ADJUST                      FOR                      INCREASE</b>	<b>REVENUE                      REQUIREMENT</b>	
1.	<b>TOTAL OPERATING REVENUES</b>	\$72,577	\$181	\$72,758	\$37,287 51.25%	\$110,045
	<b>OPERATING EXPENSES:</b>					
2.	OPERATION & MAINTENANCE	\$67,642	\$600	\$68,242	\$0	\$68,242
3.	DEPRECIATION	5,967	6,724	12,691	0	12,691
4.	AMORTIZATION	0	0	0	0	0
5.	TAXES OTHER THAN INCOME	19,035	1,045	20,080	1,678	21,758
6.	INCOME TAXES	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
7.	<b>TOTAL OPERATING EXPENSES</b>	<u>\$92,644</u>	<u>\$8,369</u>	<u>\$101,013</u>	<u>\$1,678</u>	<u>\$102,691</u>
8.	<b>OPERATING INCOME / (LOSS)</b>	(\$20,067)		(\$28,255)		\$7,354
9.	<b>WASTEWATER RATE BASE</b>	\$66,973		\$88,170		\$155,143
10.	<b>RATE OF RETURN</b>					4.74%

<b>ANGLERS COVE WEST, LTD.</b>		<b>SCHEDULE 3-C</b>	
<b>TEST YEAR ENDED 12/31/2021</b>		<b>DOCKET NO. 20220032-WS</b>	
<b>ADJUSTMENTS TO OPERATING INCOME</b>		<b>PAGE 1 OF 1</b>	
	<b><u>WATER</u></b>	<b><u>WASTEWATER</u></b>	
<b>OPERATING REVENUES</b>			
1. To reflect the appropriate test year service revenues.	<u>\$378</u>	<u>\$181</u>	
<b>OPERATION AND MAINTENANCE EXPENSE</b>			
2. Purchased Water (610) To reflect an EUW adjustment.	<u>\$0</u>	<u>\$0</u>	
3. Transportation Expense (650 / 750) To reflect an audit adjustment.	<u>(\$1,570)</u>	<u>(\$1,194)</u>	
4. Rate Case Expense (665 / 765) To reflect 1/4 rate case expense.	<u>\$767</u>	<u>\$748</u>	
5. Bad Debt Expense (670 / 770) To reflect 2.0 percent of test year revenues.	<u>(\$66)</u>	<u>\$1,046</u>	
<b>TOTAL O&amp;M ADJUSTMENTS</b>	<b><u>(\$869)</u></b>	<b><u>\$600</u></b>	
<b>DEPRECIATION EXPENSE</b>			
1. To reflect an audit adjustment.	\$233	\$268	
2. To reflect an adjustment to transportation expense.	1,079	1,079	
3. To reflect pro forma additions.	<u>\$5,891</u>	<u>\$5,377</u>	
Total	<u>\$7,203</u>	<u>\$6,724</u>	
<b>TAXES OTHER THAN INCOME</b>			
1. To reflect staff adjustments to test year RAFs.	\$17	\$8	
2. To reflect property taxes related to pro forma additions.	483	1,037	
3. To reflect RAFs associated with the revenue increase.	<u>\$1,741</u>	<u>\$1,678</u>	
Total	<u>\$2,241</u>	<u>\$2,723</u>	
<b>TOTAL OPERATING EXPENSE ADJUSTMENTS</b>	<b><u>\$8,576</u></b>	<b><u>\$10,047</u></b>	

<b>ANGLERS COVE WEST, LTD.</b>		<b>SCHEDULE NO. 3-D</b>		
<b>TEST YEAR ENDED 12/31/2021</b>		<b>DOCKET NO. 20220032-WS</b>		
<b>SUMMARY OF WATER O&amp;M EXPENSE</b>				
<b>ACCOUNT</b>	<b>DESCRIPTION</b>	<b>TOTAL PER UTILITY</b>	<b>STAFF ADJUST- MENT</b>	<b>TOTAL PER STAFF</b>
601	Salaries and Wages - Employees	\$29,117	\$0	\$29,117
610	Purchased Water	49,590	0	49,590
620	Materials and Supplies	2,125	0	2,125
636	Contractual Services - Other	2,506	0	2,506
650	Transportation Expense	3,050	(1,570)	1,480
655	Insurance Expense	1,431	0	1,431
665	Rate Case Expense	0	767	767
670	Bad Debt Expense	1,567	(66)	1,501
675	Miscellaneous Expenses	<u>\$17</u>	<u>\$0</u>	<u>\$17</u>
	Total O&M Expense	<u>\$89,403</u>	<u>(\$869)</u>	<u>\$88,534</u>
	Working Capital is 1/8 of O&M Less RCE			\$10,971



<b>ANGLERS COVE WEST, LTD.</b>		<b>SCHEDULE NO. 3-E</b>		
<b>TEST YEAR ENDED 12/31/2021</b>		<b>DOCKET NO. 20220032-WS</b>		
<b>SUMMARY OF WASTEWATER O&amp;M EXPENSE</b>				
<b>ACCT</b>	<b>DESCRIPTION</b>	<b>TOTAL PER UTILITY</b>	<b>STAFF ADJUST- MENT</b>	<b>TOTAL PER STAFF</b>
701	Salaries and Wages - Employees	\$33,828	\$0	\$33,828
711	Sludge Removal Expense	10,375	0	10,375
715	Purchased Power	6,497	0	6,497
718	Chemicals	4,376	0	4,376
720	Materials and Supplies	3,729	0	3,729
735	Contractual Services - Testing	616	0	616
736	Contractual Services - Other	2,695	0	2,695
750	Transportation Expense	3,386	(1,194)	2,192
755	Insurance Expense	1,431	0	1,431
765	Rate Case Expense	0	748	748
770	Bad Debt Expense	409	1,046	1,455
775	Miscellaneous Expenses	<u>\$300</u>	<u>\$0</u>	<u>\$300</u>
	Total O&M Expense	<u>\$67,642</u>	<u>\$600</u>	<u>\$68,242</u>
	Working Capital is 1/8 of O&M Less RCE			\$8,437

<b>ANGLERS COVE WEST, LTD.</b>		<b>SCHEDULE NO. 4-A</b>	
<b>TEST YEAR ENDED DECEMBER 31, 2021</b>		<b>DOCKET NO. 20220032-WS</b>	
<b>MONTHLY WATER RATES</b>			
	<b>UTILITY CURRENT RATES</b>	<b>STAFF RECOMMENDED RATES</b>	<b>4-YEAR RATE REDUCTION</b>
<b><u>Residential and General Service</u></b>			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$8.61	\$13.10	\$0.09
3/4"	\$12.91	\$19.65	\$0.14
1"	\$21.52	\$32.75	\$0.23
1-1/2"	\$43.03	\$65.50	\$0.47
2"	\$68.84	\$104.80	\$0.74
3"	\$137.68	\$209.60	\$1.49
4"	\$215.13	\$327.50	\$2.33
6"	\$430.26	\$655.00	\$4.65
Charge per 1,000 gallons - Residential and General Service	\$5.69	\$8.58	\$0.06
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>			
2,000 Gallons	\$19.99	\$30.26	
4,000 Gallons	\$31.37	\$47.42	
6,000 Gallons	\$42.75	\$64.58	

<b>ANGLERS COVE WEST, LTD.</b>		<b>SCHEDULE NO. 4-B</b>	
<b>TEST YEAR ENDED DECEMBER 31, 2021</b>		<b>DOCKET NO. 20220032-WS</b>	
<b>MONTHLY WASTEWATER RATES</b>			
	<b>UTILITY CURRENT RATES</b>	<b>STAFF RECOMMENDED RATES</b>	<b>4-YEAR RATE REDUCTION</b>
<b><u>Residential Service</u></b>			
All Meter Sizes	\$10.61	\$13.03	\$0.09
Charge per 1,000 gallons 6,000 gallon cap	\$4.87	\$9.58	\$0.07
<b><u>General Service</u></b>			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$10.61	\$13.03	\$0.09
3/4"	\$15.92	\$19.55	\$0.13
1"	\$26.52	\$32.58	\$0.22
1-1/2"	\$53.04	\$65.15	\$0.44
2"	\$84.86	\$104.24	\$0.71
3"	\$169.72	\$208.48	\$1.42
4"	\$265.19	\$325.75	\$2.22
6"	\$530.39	\$651.50	\$4.43
Charge per 1,000 gallons - General Service	\$5.83	\$11.50	\$0.08
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>			
2,000 Gallons	\$20.35	\$32.19	
4,000 Gallons	\$30.09	\$51.35	
6,000 Gallons	\$39.83	\$70.51	