STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held in the City of Albany on June 14, 2018

COMMISSIONERS PRESENT:

John B. Rhodes, Chair
Gregg C. Sayre
Diane X. Burman
James S. Alesi

CASE 18-W-0074 – Minor rate filing of Forever Wild Water Company, Inc. to increase its annual revenues by about $93,436 or 68.2%.

ORDER APPROVING RATE INCREASE WITH MODIFICATIONS

(Issued and Effective June 15, 2018)

BY THE COMMISSION:

INTRODUCTION

On January 30, 2018, Forever Wild Water Company, Inc. (Forever Wild or the Company)[1] filed a minor rate case, requesting an increase in annual revenues of $93,436 or 68.2%, and claimed increased operating costs including the cost of power, property taxes, and repairs and maintenance as the reasons driving the need for rate relief. The Company also proposed to eliminate its discounted seasonal rate because there are now only nine seasonal customers and the discounted seasonal rate does not cover all the costs associated with providing

[1] Forever Wild is a privately-owned community water system that provides unmetered water service to 397 customers in the Ausable Acres realty subdivision in the Town of Jay, Essex County. Public fire protection service is not provided.

service. Finally, the Company requested to increase the one-time tapping fee for new customers from $800 to $1,600 due to increased labor and material costs associated with installing new service connections. The proposed amendment has an effective date of July 1, 2018. Details of the filing are shown in Appendix A.

After reviewing the Company's filing as discussed in the body of this Order, the Commission authorizes the Company to increase its annual revenues by $51,830 or 38.9%. The Commission also authorizes the Company to eliminate its discounted seasonal rate and to increase the one-time tapping fee for new customers from $800 to $1,600.

BACKGROUND

The Company's system consists of two separate unconnected water systems: the Signor System, which serves 370 customers, and the Kitzbuhel System, which serves 27 customers. Of these 397 customers, 388 are year-round customers and nine are seasonal customers.

Signor System

The Signor System consists of three wells, two located at the end of Cascade Road (Cascade Wells) and one located on Ridgetop Drive (Ridgetop Well). The Cascade Wells are each capable of producing approximately 48 gallons per minute (gpm) and serve as the primary sources of supply for this system; the Ridgetop Well has a safe yield of 12 gpm and is used to supplement the water supplied by the Cascade Wells.[2] The water from each well is treated with sodium hypochlorite for disinfection before entering the distribution system, which

[2] The operation of the Ridgetop Well is limited by the New York State Department of Health (DOH) to 16 hours out of a 24-hour period.

consists of approximately twenty miles of four-inch and six-inch polyvinyl chloride (PVC) and six-inch transite pipes. There is a mid-system booster pump station which pumps the water to a separate pressure zone and a primary storage tank via two booster pumps with pumping capacities of 40 gpm each; there is also a 9,000-gallon atmospheric steel storage tank located in this pump station that serves a portion of the distribution system by gravity flow. The primary storage facility for the Signor system is a new 158,100-gallon glass-fused-to-steel storage tank[3] located at the highest point in the system at the end of Summit Drive from which water flows by gravity to the remainder of the system. There is a second booster pump station in a concrete vault located at the intersection of Summit Drive and Scenic Point Drive to boost the service pressure to customers along Scenic Point Drive.

Kitzbuhel System

The Kitzbuhel System utilizes two drilled wells located on Ausable Drive near the base of Hamlin Mountain as a source of supply; each well is equipped with a 3-hp submersible pump and the well pumps each produce 10 gpm. The water is treated with sodium hypochlorite for disinfection and is pumped to a 9,000-gallon atmospheric steel storage tank located further up on the mountain, and then flows by gravity from the storage tank to the distribution system, which consists of approximately one mile of four-inch and six-inch PVC and transite pipes.

Billing & Surcharges

The Company bills its year-round customers $83.69 quarterly in arrears for a total base rate annual bill of

[3] Funding for the new tank was approved in Case 14-W-0307, Forever Wild Water Company, Inc. – Escrow, Order Authorizing Debt (issued April 17, 2015) (2015 Order).

$334.75, and issues an annual bill of $167.38 (which is equivalent to two $83.69 quarterly billings) to its seasonal customers on July 1st each year,[4] pursuant to rates set by the Commission in 2009.[5] As such, the year-round and seasonal customers contribute 98.9% and 1.1%, respectively, of the Company's annual base revenues.

The Company also collects a $36.59 quarterly capital improvement surcharge from each customer served by the Signor System that was authorized by the 2015 Order to repay a $411,000 loan from Champlain National Bank to construct the new 158,100-gallon water storage tank. Additionally, the Company collects a $13.41 quarterly surcharge from all its customers in both the Signor and Kitzbuhel Systems in accordance with the 2015 Order to maintain a replenishable escrow account with a maximum balance of $50,000 for the purposes of making emergency and extraordinary repairs and/or plant replacements not included in base rates; to cover the costs of replacing two 9,000-gallon steel storage tanks (one located at the Signor System's mid-system booster pump station, and one within the Kitzbuhel System); and for other capital projects that have been approved by the DOH.

Site Visit

On May 14, 2018, Department of Public Service Staff (Staff) met with the Company's business manager, office manager, and operator to conduct a site visit of the Company's water systems and to obtain additional information about the Company's rate filing. Staff found that the Signor and Kitzbuhel Systems

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[4] Seasonal customers, and any other customers that discontinue service, are also subject to a $50 restoration of service charge per the Company's tariff.

[5] Cases 08-W-0556 & 01-W-0358, Forever Wild Water Company, Inc. - Rates, Untitled Order (issued September 18, 2009) (2009 Order).

were working properly, but according to the DOH, additional improvements are required at both systems.

More specifically, the DOH's most recent annual inspection report dated January 5, 2018 (DOH Report) stated in reference to the Signor System mid-system booster pump station that "…the building is old and in disrepair, and the pressure tank is old, rusty and is mostly buried underground. Ideally, this booster pump station should be rebuilt so that the pumps and the tank are all above grade and enclosed in a new building. This project should be put on the list for future work to be completed as funding allows." In addition, the DOH Report stated in reference to the Kitzbuhel System that "…the…water storage tank…, based on past inspections, …is old and in disrepair. The FWWC should consider replacing this tank when funding becomes available." [6]

The DOH Report also stated that the Company was working on installing a supervisory control and data acquisition (SCADA) system for the Signor System[7] which would have made the water system easier and more reliable to operate, but that the SCADA system did not operate as promised and the equipment was removed from the system; the DOH encouraged the Company to continue evaluating options for a SCADA system that will be compatible with its facility.[8]

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[6] The Company's Escrow Account Statement No. 2, approved in the 2015 Order, specifically references the need to replace these two 9,000-gallon storage tanks.

[7] The SCADA system was approved in the 2015 Order.

[8] The Company provided Staff with copies of invoices substantiating its claim that costs for the initial SCADA system installation were reimbursed to the Company in full. The reasoning for the cost reimbursement was because the system did not communicate with all of the well houses and would periodically send false alarms that needed to be physically rebooted in order to reset the system.

TARIFF FILING

On January 30, 2018, the Company filed a revised Leaf No. 12 to its tariff schedule proposing to change the annual base rate of service from $334.75 to $608.02 in order to increase its revenues by $93,436 or 68.2%. The major drivers cited in the Company's rate request were increases in the cost of power, property taxes, and repairs and maintenance. The Company requests to eliminate its seasonal rate structure due to a decline in the number of seasonal customers to nine which it claims does not cover all the costs associated with providing service. The Company proposes that all customers pay a year-round annual rate, billed quarterly. Finally, the Company requests to increase the one-time tapping fee for new customers from $800 to $1,600 due to increased labor and material costs associated with installing new service connections.

The Company individually notified its customers of its rate filing by letters sent out on March 15, 2018, and therefore requests a waiver of the requirements of newspaper publication pursuant to Public Service Law (PSL) §89-c (10) and 16 NYCRR 720-8.1.

NOTICE OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking was published in the State Register on February 28, 2018, SAPA No. #18-W-0074SP1. The SAPA comment period expired on April 30, 2018.

Comments were received from 50 customers in opposition to the Company's proposed increase, and while many customers believed that some level of rate increase was necessary, they were overwhelmingly opposed to the magnitude of the Company's 68.2% requested increase. In addition, the majority of the customers also requested an accounting of escrow account surcharge funds that have been collected since 2009[9] and requested that the Commission consider the total bill impacts of the new rates plus the existing surcharges when making a decision on the Company’s filing. Many of the customers also contended that the Company’s proposed rates were out of line with the rates charged by other water systems, and that the proposed increase would significantly impact the economy in the Jay, NY area. Several customers also suggested installing water meters to better track the usage and thus normalize the rates. Finally, several customers objected to the elimination of seasonal rates and/or claimed that they were never informed by the Company that seasonal rates were available.

LEGAL AUTHORITY

Under PSL §§89-b and 89-c, the Commission is charged with ensuring safe and adequate service at just and reasonable rates.

DISCUSSION

Staff reviewed copies of the Company’s general ledgers from 2014 to 2017 and compared the data in the general ledgers to the historical data shown in the Company’s filed comparative income statement. Specific invoices were also requested and examined during Staff’s review, and adjustments were made to reflect the most recent data, inflation, reallocation of expenses, and removal of double-counted expenses. A summary of the Commission’s adjustments to the Company’s pro-forma income statement are shown in Appendices B and C, and specific issues are discussed below. The total impact of the Commission’s

[9] The history of the escrow account surcharge is summarized in the 2015 Order.

adjustments results in an annual revenue increase of 38.9%, or $51,830 of the $93,436 requested by the Company.

Total Revenues

The Company forecasted its total rate year revenues at current rates at $137,003 by using a three-year average of its revenues. Staff developed its forecasted total rate year revenues at current rates by multiplying the current annual rate of $334.75 by 398 (the current total customer count of 397 plus one additional forecasted customer in the rate year ending June 30, 2019) on the basis of the Company's request to charge all customers the same year-round rate. Staff's methodology produced total rate year revenues at current rates at $133,231, which is a downward adjustment of $3,773 to the Company's forecasted revenues.

Salaries

Forever Wild has three employees: a business manager, an office manager, and an operator. The Company requested salary allowances of $53,383, $33,125, and $21,555, for the business manager, office manager, and operator, respectively. Currently, the business manager is being paid more than the salary allowance provided in the 2009 Order, while the office manager and operator are receiving the same salary allowances provided in the 2009 Order.[10]

In order to accurately forecast the salaries, Staff asked the Company to provide the duties of the business manager, office manager, and operator, and the number of hours worked each week. The Company reported that the business manager works 20 hours a week, the office manager works 35 hours a week, and the operator works 30 hours a week. The business manager

[10] The current salaries for the business manager, office manager, and operator are as $45,240, $26,500, and $7,185, respectively.

oversees the Company, and some of his duties include organizing capital improvement projects, resolving customer complaints, and managing and supervising the other employees; the business manager also holds a DOH water operator certification, and can provide backup to the operator if needed. The office manager is in charge of bookkeeping, billing, and resolving any customer problems that arise. The operator checks the water system daily and is in charge of maintaining chlorine levels and identifying if any repairs need to be made.

After reviewing the description of duties provided by the Company and after conducting a site visit to the system, Staff determined that the business manager's and office manager's forecast hours and duties are reasonable, but that the operator's forecast hours for routine duties seemed high. Staff estimated that the operator would need to spend about 2 hours a day, or 14 hours a week, on routine daily operations, and notes that the operator is paid separately for any repairs that are needed, and therefore the salary allowance for the operator's routine duties should reflect the separate repair payments. Using the New York State Department of Labor statistics, the business manager's job description closely matched the duties of the "Property, Real Estate, and Community Association Managers" title; the office manager's job description closely matched the duties of the "Billing and Posting Clerks" title; and the operator's job description matched the duties of "Water and Wastewater Treatment Plant and System Operators". All three employees are on call 24 hours a day, 7 days a week, and have worked at the Company for over ten years, and thus are considered to be experienced employees. The hourly wages of experienced employees for the respective New York State Department of Labor titles for business manager, office manager, and operator, are $41.58 per hour, $20.22 per hour, and $24.01 per hour.

Based on the hours worked and the hourly wages of the employees, the business manager, office manager, and operator's salary allowances are set at $43,245, $31,538, and $17,479, respectively; which result in downward adjustments of $10,138, $1,588, and $4,076, to the business manager, office manager, and operator's requested salary allowances, respectively.

Transportation

Forever Wild requested a $6,760 allowance for transportation expense, which consisted of a mileage allowance for the operator, and a mileage allowance and toll reimbursement for the business manager, who lives in Connecticut and visits the Company several times a year. In developing its forecasted transportation expense, Staff estimated that the business manager makes routine visits to the system about four times a year, and included an allowance for emergency visits of two times a year, as well as for other Company-related business travel. The operator is reimbursed for mileage associated with making rounds of the two water systems, and Staff estimated that the operator drives about 10 miles a day for this purpose. Using the current IRS standard mileage rates for business purposes of $0.545 per mile[11] to estimate the mileage reimbursement for both the business manager and operator results in a transportation expense allowance of $2,060 for mileage and $119 for tolls associated with six trips to the system yearly from the business manager, and a mileage allowance of $1,984 for the operator, for a total rate year transportation expense allowance of $4,163. The Commission therefore authorizes a

[11] https://www.irs.gov/newsroom/standard-mileage-rates-for-2018-up-from-rates-for-2017.

transportation expense allowance of $4,163, which results in a downward adjustment of $2,597 to the Company's request.

Rate Case Expense Amortization

The Company requested a rate case expense allowance of $7,000 in its filing. Staff reviewed the Company's general ledgers and invoices and found that the Company incurred $3,865 in accounting fees in the course of preparing its filing, and that it spent an additional $384 on supplies and postage associated with its filing. The Commission therefore authorizes a $4,249 rate case expense allowance to be amortized over three years at $1,416 per year, which results in a downward adjustment of $5,584 to the Company's request.

Depreciation

The Company requested an annual depreciation allowance of $3,292, but did not provide any support for how it derived this figure. Staff's recommended allowance for depreciation expense, consistent with the methodology described in the 2009 Order, reflects a 3% annual depreciation rate applied across the board to the gross plant in service updated to reflect additions and retirements. However, because all of the capital improvements made since the 2009 Order were paid for via customer contributed capital from the escrow account surcharges, the gross plant in service balance has remained unchanged since 2009, and therefore the calculated annual depreciation expense is $4,879.

The Commission agrees with Staff's assessment, which is consistent with the development of the depreciation expense in the 2009 Order. The Commission approves a rate year depreciation allowance of $4,879, which results in an upward adjustment of $1,587 to the Company's request.

Rate Base

The Company did not provide a rate base calculation in its filing, and as noted above, all the capital improvements made since the last rate case were paid for via customer contributed capital from the escrow account surcharges and are therefore not eligible for inclusion as additions to the Company’s plant in service balance in rate base or for recovery in rates. The Commission’s approved rate base shown in Appendix D reflects the plant in service balance from the 2009 Order, accumulated depreciation since the 2009 Order, a cash working capital allowance (20.5% of O&M expenses), and the unamortized balance of deferred rate case expense.

Rate of Return

The Company proposed an 11.2% pre-tax rate of return (PTROR) compared to an authorized 11.0% PTROR in the 2009 Order. As with many small water companies rate case filings, Forever Wild did not premise its revenue requirement upon any specific capital structure and associated cost rates. The requested PTROR, however, is unreasonable given the current interest rate environment, significantly lower authorized returns on equity in recent cases, and the current lower federal income tax rate of 21% compared with the 35% rate in the previous case.

Rather than relying on our traditional methods such as the Capital Asset Pricing Model(CAPM) and Discounted Cash Flow (DCF) methodology to calculate or estimate the rate of return, our PTROR authorization is based on our alternative approach of establishing rate of return for small water companies that lack a traditional utility capital structure. Specifically, we accomplish this by using our recent approved pre-tax rates of return in major water, gas, and electric rate cases as a proxy. This analysis is periodically updated to incorporate the most current data from approved rate cases.

Staff's latest proxy data update as of May 2018 identifies the calculated pre-tax rate of return range as falling between 8.12% and 9.12%, rounded to 8.10% and 9.10%. In determining a proper rate of return within the range for small water companies, the Commission considers the overall operational condition as well as the daily management quality of the company. Forever Wild maintains its water plant in good condition, with upgrades and improvements to its infrastructure to meet the higher quality standard reported in this filing. We therefore authorize a pre-tax rate of return to be set at the midpoint between 8.10% and 9.10% range, specifically 8.60%. The 8.60% pre-tax rate of return is within our recent range of returns for small water companies.[12]

Rate Design and Bill Impacts

Currently, the year-round customers pay a total base rate (excluding surcharges) annual bill of $334.75 billed quarterly in arrears at $83.69 per quarter, and the nine current seasonal customers pay a total base rate annual bill of $167.38 (equivalent to two $83.69 quarterly bills) billed annually on July 1st. The Company proposed a total base rate annual bill of $608.02 for all customers, which would result in year-round customers' annual bills increasing by 81.6%, and current seasonal customers' annual bills increasing by 263.3% because the Company proposed to eliminate the discounted seasonal rate.

Forever Wild's annual operating expenses for its seasonal and year-round customers are comparable, as are the capital investments required to serve them. Whether or not the seasonal customer uses water, the Company must install facilities necessary to meet the customers' peak usage, maintenance must be conducted to preserve system integrity, and

[12] Case 17-W-0616, Arrow Park Inc.- Rates, Order Establishing Rates for Water Services (issued April 20, 2018).

related real estate taxes must be paid throughout the year. In addition, the Company may have costs associated with shutting off and turning on seasonal customers, which are not fully recovered in the restoration of service charge.

Typically, a cost of service (COS) study would be required to guide in the determination of the contributions made by each service classification to the system, or in this case, the contributions made by year-round and seasonal customers. However, because requiring the Company to hire a consultant to perform a COS study would be financially burdensome to the Company and subsequently to its customers, coupled with the fact that there is not accurate, system-wide metering of customers' usage, it is not recommended that a COS study be performed. Considering that all customers are currently billed fixed amounts independent of their usage, and that the costs to serve both seasonal and year-round customers are not substantially different, which has led to the subsidization of seasonal customers by year-round customers, the Company's request to eliminate its discounted seasonal rate is reasonable.[13]

To mitigate bill impacts associated with the elimination of the discounted seasonal rate, new rates for the nine current seasonal customers will be implemented over two years, and these customers will pay 75% of the new quarterly rate for four quarters beginning July 1, 2018, and pay the full quarterly flat rate for four quarters beginning July 1, 2019. Based on the Commission approved revenue requirement, a new total base rate annual bill of $464.96 for all customers, excluding surcharges, will be approved, billed quarterly in

[13] This is consistent with the Commission's decision to eliminate seasonal rates in Case 99-W-0032, Kiamesha Artesian Spring Water Co., Inc. – Seasonal Service, Untitled Order (issued June 25, 1999).

arrears at $116.24; however, due to the elimination of seasonal rates and the phasing in of new rates for current seasonal customers over two years, the rates need to be further adjusted to recover the revenue shortfall created by the phase in. Beginning July 1, 2018, year-round customers will pay a total base rate annual bill, excluding surcharges, of $467.68, billed quarterly in arrears at $116.92, and seasonal customers will pay a total base rate annual bill, excluding surcharges, of $348.72, billed quarterly in arrears at $87.18. Beginning July 1, 2019, all customers will pay a total base rate annual bill of $464.96, excluding surcharges, billed quarterly in arrears at $116.24. The bill impact mitigation for current seasonal customers, excluding surcharges, results in a 108% increase in the first year, and a 33% increase in the second year, as compared to a 177.8% increase in the first year if rates were not phased in.

The Company may need to obtain updated billing addresses for the current seasonal customers, and if this process is not timely, late payment charges could be unfairly assessed during the transition. The Commission directs the Company to work with all current seasonal customers to secure the correct addresses to send bills to so that each seasonal customer receives its quarterly bill at the correct address. The Commission also directs the Company to waive any late payment charges to the nine current seasonal customers from July 1, 2018 to June 30, 2019 to allow customers time to become accustomed to the new billing system without negative impacts related to any billing issues resulting from their multiple residences.

Four different bill impact tables showing current, Company proposed, and Commission approved base rates (and existing surcharges) are shown in Appendix E to reflect the bill impacts for both year-round and current seasonal customers at both systems for the twelve-month periods ending June 30, 2019 and June 30, 2020.

Tapping Fee

Regarding the Company's request to increase the current one time tapping fee for new customers from $800 to $1,600, Staff confirmed that new valve requirements by the DOH and increased costs of associated supplies and labor necessitate an increase in the tapping fee. The Commission therefore authorizes an increase to the tapping fee for new customers to $1,600.

Comments

In response to the comments about the escrow account activity since 2009, Staff prepared a "Summary of Revenues and Expenses for Forever Wild Water Company, Inc.'s Escrow Account from 2009 to 2017" (the Summary), posted it in the case file on the Commission's web site on May 7, 2018, and provided a copy to the Company and to the President of the Ausable Acres Property Owners Association (AAPOA), who in turn posted it on the AAPOA's web site. The Summary contained a detailed list of all transactions for the Company's escrow account from 2009 to 2017, and cited that as stated in the 2015 Order, the Company has used the escrow account funds since 2009 to make emergency repairs and significant improvements and upgrades to its infrastructure, including but not limited to new well sources, generators, pump replacements, and structure repairs, resulting in improved reliability of service for customers.

Regarding comparing the Company's rates to those of municipal systems, it should be noted that the rates of municipal water systems are not directly comparable to those of privately owned water systems, in part because municipalities do not pay real estate taxes or income taxes, and they often have a much larger customer base from which to recover the costs associated with the construction and operation of their water systems. As for installing meters, the cost of service would be even greater than what the Company proposed given the labor and material costs associated with installing meters in each home. Based on recent capital expenditures by water companies, the cost to install meters range from $300 to $600. If the Company installed meters in all 397 homes, the cost to do so would range from $119,100 to $238,200.

CONCLUSION

As discussed in the body of the Order, Forever Wild has experienced increases in operation and maintenance expenses, which has necessitated the need for an increase in revenues to ensure the viability of the Company and the provision of safe and adequate service to its customers. The Commission authorizes Forever Wild to increase its annual revenues by $51,830 or 38.9%, to become effective July 1, 2018. The Commission also authorizes Forever Wild to eliminate the seasonal rate structure and allow seasonal customers to pay 75% of the new quarterly rate for four quarters beginning July 1, 2018, and pay the full quarterly flat rate for four quarters beginning July 1, 2019. Finally, the Commission authorizes the one-time tapping fee for new customers to be increased from $800 to $1,600.

The Commission directs Forever Wild to provide individual notice to its customers of the Commission’s decision no later than August 1, 2018 and to file a copy of the notice with the Secretary to the Commission. The Commission therefore waives the statutory and regulatory requirements for newspaper publication as required by PSL §89-c(10) and 16 NYCRR §720-8.1.

<u>The Commission orders</u>:

1. Forever Wild Water Company, Inc. is directed to file, on not less than three days' notice, a further tariff revision to Leaf No. 12 consistent with the discussion in the body of this Order, that contain the rates shown in Appendix F, to become effective July 1, 2018.

2. Forever Wild Water Company, Inc. is directed to file a further tariff revision to Leaf No. 12, on not less than three days' notice, that contain the rates shown in Appendix G, to become effective July 1, 2019.

3. The requirements of Public Service Law §89-c(10) and 16 NYCRR §720-8.1 for newspaper publication of the tariff amendment directed in Clause No. 1 are waived.

4. The requirements of Public Service Law §89-c(10) and 16 NYCRR §720-8.1 for newspaper publication are waived with respect to the tariff amendment directed in Clause No. 2 provided that Forever Wild Water Company, Inc. notifies its customers of the changes set forth in the amendment and its effective date no later than July 31, 2019, and files a copy with the Secretary to the Commission, no later than August 15, 2019.

5. Forever Wild Water Company, Inc. is directed to notify its customers by direct mail of the Commission's decision in this proceeding and file a copy of the notification with the Secretary to the Commission no later than August 1, 2018, and to file a copy of the notification letter with the Secretary to the Commission no later than August 15, 2018.

6. In the Secretary's sole discretion, the deadlines set forth in this order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least one day prior to the affected deadline.

7. This proceeding is closed pending compliance with the above Ordering Clauses.

By the Commission,

(SIGNED)

KATHLEEN H. BURGESS
Secretary

SUBJECT: Filing by FOREVER WILD WATER COMPANY, INC.

Amendment to Schedule P.S.C. No. 2 – Water

Fifth Revised Leaf No. 12

Issued: January 30, 2018 Effective: July 1, 2018

SAPA: 18-W-0074SP1 – STATE REGISTER – February 28, 2018

Forever Wild Water Company, Inc.
Income Statement
Rate Year Ending 6/30/2019

	Rate Case 08-W-0556	Rate Year As Filed	Adj No.	Staff Adjustment	Rate Year Staff	Revenue Increase	Commission Approved	Revenue Increase (%)
Total Revenue	**$ 142,602**	**$ 137,003**	1	$ (3,773)	**$ 133,231**	**$ 51,830**	**$ 185,061**	38.9%
Operating & Maintenance (O&M)								
Business Manager's Salary	$ 21,340	$ 53,383	2	$ (10,138)	$ 43,245		$ 43,245	
Office Manager's Salary	$ 26,500	$ 33,125	3	$ (1,588)	$ 31,538		$ 31,538	
Operator's Salary	$ 7,185	$ 21,555	4	$ (4,076)	$ 17,479		$ 17,479	
Materials and Supplies	$ 7,250	$ 4,035		$ -	$ 4,035		$ 4,035	
Office Expenses	$ 4,098	$ 10,781	5	$ (5,645)	$ 5,136		$ 5,136	
Rent			6	$ 500	$ 500		$ 500	
Power Purchases	$ 20,650	$ 17,855	7	$ (6,184)	$ 11,671		$ 11,671	
Heating Fuel	$ 2,433	$ -		$ -	$ -		$ -	
Purification Chemicals	$ 1,000	$ -	8	$ 1,500	$ 1,500		$ 1,500	
Transportation	$ 2,000	$ 6,760	9	$ (2,597)	$ 4,163		$ 4,163	
Insurance	$ 3,026	$ 5,710	10	$ (1,000)	$ 4,710		$ 4,710	
Interest - LOC	$ -	$ 957	11	$ (957)	$ -		$ -	
Repairs and Maintenance	$ 11,650	$ 13,061		$ -	$ 13,061		$ 13,061	
Accounting		$ 8,622	12	$ (3,530)	$ 5,093		$ 5,093	
Professional Fees	$ 2,774	$ 2,940	13	$ (1,838)	$ 1,102		$ 1,102	
Water Testing Expenses	$ 2,527	$ 2,010	14	$ 1,144	$ 3,154		$ 3,154	
Rate Case Expenses		$ 7,000	15	$ (5,584)	$ 1,416		$ 1,416	
Miscellaneous (Uncollectible, etc.)	$ 1,035	$ 1,000		$ -	$ 1,000		$ 1,000	
Total Operating & Maintenance	**$ 113,468**	**$ 188,794**		**$ (39,991)**	**$ 148,803**		**$ 148,803**	
Depreciation	$ 4,879	$ 3,292	16	$ 1,587	$ 4,879		$ 4,879	
Operating Taxes								
Property Taxes	$ 5,553	$ 4,038	17	$ 5,863	$ 9,901		$ 9,901	
Payroll Taxes	$ 4,934	$ 10,640	18	$ (2,761)	$ 7,879		$ 7,879	
NYS Franchise Tax		$ -		$ -	$ -		$ -	
Federal Income Tax	$ -	$ 3,507	19	$ (3,507)	$ -		$ -	
Total Operating Taxes	$ 10,487	**$ 18,185**		**$ (405)**	**$ 17,780**		**$ 17,780**	
Total Operating Revenue Deduction	**$ 128,834**	**$ 210,271**		$ (38,809)	**$ 171,462**		**$ 171,462**	
Operating Income / (Deficiency)	$ 13,768	$ (73,268)		$ 35,037	$ (38,231)	$ 51,830	$ 13,599	
Rate Base	**$ 125,173**		20	$ 158,130	**$ 158,130**		**$ 158,130**	
Rate of Return	**11.00%**						**8.60%**	

Forever Wild Water Company, Inc.
Commission Adjustments for Rate Year Ending 6/30/2019

		Amount
1	Total Revenues To reflect the forecaset revenue based on the elimination of seasonal rate structure and 1 new customer in the forecast rate year	$ (3,773)
2	Business Manager's Salary To reflect an experienced Business Manager's salary working 20 hours a week at an hourly wage of $41.58/hour, taken from the NYSDOL, and on-call 24 hours every day	$ (10,138)
3	Office Manager's Salary To reflect an experienced Officer Manager's salary working 30 hours a week at an hourly wage of $20.22/hour, taken from the NYSDOL, and on-call 24 hours every day	$ (1,588)
4	Operator's Salary To reflect and experienced Operator's salary working 14 hours a week at an hourly wage of $24.01/hour, taken from the NYSDOL, and on-call 24 hours every day	$ (4,076)
5	Office Expenses To reflect the adjusted most recent year (2017) plus inflation	$ (5,645)
6	Rent To reflect the rental agreement of the new office	$ 500
7	Power Purchases To reflect the adjusted 2017 year electricity & propane expense plus inflation	$ (6,184)
8	Purification Chemicals To reflect the estimated cost of chlorine used for treating the water	$ 1,500
9	Transportation To reflect a mileage allowance for the Operator and a mileage and toll allowance for the Business Manager	$ (2,597)
10	Insurance To reflect the adjusted most recent 4-year average plus inflation	$ (1,000)
11	Interest To reflect that interest is not included as a line item and is accounted for in the pre-tax ROR	$ (957)
12	Accounting To reflect the adjusted most recent 4-year average	$ (3,530)
13	Professional Fees To reflect the adjusted most recent 4-year average	$ (1,838)
14	Water Testing Expense To reflect the water testing expense based on the DOH sample schedule and sample cost list	$ 1,144
15	Rate Case Expense To reflect the rate expenses incurred by the Company	$ (5,584)
16	Depreciation To reflect the annual depreciation from Case No. 08-W-0556 as no plant additions or retirements were made since then	$ 1,587
17	Property Tax To reflect the latest known property tax based on the invoices provided by the Company	$ 5,863
18	Payroll Taxes To reflect the new payroll tax based on the adjusted salaries	$ (2,761)
19	Federal Income Tax To reflect that federal income tax is included in the pre-tax ROR	$ (3,507)
20	Rate Base To reflect the updated rate base	$ 158,130

Forever Wild Water Company, Inc.
Rate Base

Average Rate Base at mid-point of Rate Year 1/1/2019		
Water Plant in Service (WPIS)	$	218,753
Additions	$	-
Retirements	$	-
Water Plant Held for Future Use	$	(56,105)
Accumulated Depreciation	$	(43,938)
Net WPIS	$	118,710
Cash Working Capital	$	36,622
Rate Base	$	155,333
Deferred Rate Case Expense	$	2,797
Total Rate Base	**$**	**158,130**

Forever Wild Water Company, Inc.
Signor System
Bill Impact for Rate Year Ending 6/30/2019

Quarterly Charge

	Current	Company Proposed	Commission Approved	% Increase
Year-Round Customers	$ 83.69	$ 152.01	$ 116.92	39.7%
Current Seasonal Customers	$ 83.69	$ 152.01	$ 87.18	4.2%

Surcharge for Signor System Customers

Quarterly Escrow Account Surcharge	$ 13.41
Quarterly Capital Improvement Surcharge	$ 36.59
Total Surcharges	$ 50.00

Annual Bill for Signor System Customers

	Current	Company Proposed	Commission Approved	% Increase
Year-Round Customers	$ 534.75	$ 808.02	$ 667.68	24.9%
Seasonal Customers	$ 367.38	$ 808.02	$ 548.72	49.4%

Forever Wild Water Company, Inc.
Kitzbuhel System
Bill Impact for Rate Year Ending 6/30/2019

Quarterly Charge

	Current	Company Proposed	Commission Approved	% Increase
Year-Round Customers	$ 83.69	$ 152.01	$ 116.92	39.7%

Surcharge for Kitzbuhel System Customers

Quarterly Escrow Account Surcharge	$ 13.41
Total Surcharges	$ 13.41

Annual Bill for Kitzbuhel System Customers

	Current	Company Proposed	Commission Approved	% Increase
Year-Round Customers	$ 388.39	$ 661.66	$ 521.32	34.2%

Forever Wild Water Company, Inc.
Signor System
Bill Impact for Rate Year Ending 6/30/2020

Quarterly Charge

	Commission Approved RYE 6/2019	Company Proposed	Commission Approved RYE 6/2020	% Increase
Year-Round Customers	$ 116.92	$ 152.01	$ 116.24	-0.6%
Seasonal Customers	$ 87.18	$ 152.01	$ 116.24	33.3%

Surcharge for Signor System Customers

Quarterly Escrow Account Surcharge	$ 13.41
Quarterly Capital Improvement Surcharge	$ 36.59
Total Surcharges	$ 50.00

Annual Bill for Signor System Customers

	Commission Approved RYE 6/2019	Company Proposed	Commission Approved RYE 6/2020	% Increase
Year-Round Customers	$ 667.68	$ 808.02	$ 664.96	-0.4%
Seasonal Customers	$ 548.72	$ 808.02	$ 664.96	21.2%

Forever Wild Water Company, Inc.
Kitzbuhel System
Bill Impact for Rate Year Ending 6/30/2020

Quarterly Charge

	Commission Approved RYE 6/2019	Company Proposed	Commission Approved RYE 6/2020	% Increase
Year-Round Customers	$ 116.92	$ 152.01	$ 116.24	-0.6%

Surcharge for Kitzbuhel System Customers

Quarterly Escrow Account Surcharge	$ 13.41
Total Surcharges	$ 13.41

Annual Bill for Kitzbuhel System Customers

	Commission Approved RYE 6/2019	Company Proposed	Commission Approved RYE 6/2020	% Increase
Year-Round Customers	$ 521.31	$ 661.66	$ 518.60	-0.5%

GENERAL INFORMATION

Applicable to use of Service for:

Residential, small commercial, and general use.

Character of Service

Continuous.

Rate:

The rate for customers that were characterized as seasonal customers prior to July 1, 2018 will be $87.18 per quarter which is equivalent to $348.72 per year. Each seasonal customer will be billed on approximately January 1, April 1, July 1, and October 1 of each year.

The rate for customers that were characterized as year-round customers prior to July 1, 2018 will be $116.92 per quarter which is equivalent to $467.68 per year. Each year-round customer will be billed on approximately January 1, April 1, July 1, and October 1 of each year.

Tapping Fees:

$1,600 one-time connection fee for each new customer.

Terms of Payment

Bills shall be rendered quarterly in arrears and are due and payable upon receipt. Customers that were characterized as seasonal customers prior to July 1, 2018 will be exempt from paying any late payment charges until July 1, 2019. The Company shall work with all seasonal customers to secure the correct address to send bills so that each seasonal customer receives their quarterly bill at the correct address. For year-round customers, bills not paid within 23 days of mailing are delinquent and the late payment charge becomes applicable and service may be discontinued after proper notice as required by law.

Late Payment Charge

A late payment charge to be computed at the rate of 1-½ percent per month, compounded monthly, may be applied to all balances left unpaid 23 days following mailing of the bill.

Term

Terminable by the customer upon 10 days' written notice to the company.

PSC NO: 3 - WATER **LEAF: 12**
COMPANY: Forever Wild Water Company, Inc. **REVISION: 7**
INITIAL EFFECTIVE DATE: July 1, 2019 **SUPERSEDING REVISION: 6**
(Issued in compliance with Commission Order issued June 15, 2018 in Case 18-W-0074)

GENERAL INFORMATION

Applicable to use of Service for:

Residential, small commercial, and general use.

Character of Service

Continuous.

Rate:

The rate for each customer will be $116.24 per quarter which is equivalent to $464.96 per year.

Each customer will be billed on approximately January 1, April 1, July 1, and October 1 of each year.

Tapping Fees:

$1,600 one-time connection fee for each new customer.

Terms of Payment

Bills shall be rendered quarterly in arrears and are due and payable upon receipt. Bills not paid within 23 days of mailing are delinquent and the late payment charge becomes applicable and service may be discontinued after proper notice as required by law.

Late Payment Charge

A late payment charge to be computed at the rate of 1-½ percent per month, compounded monthly, may be applied to all balances left unpaid 23 days following mailing of the bill.

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