

MECO UTILITIES, INC.
DOCKET NO. W-1166, SUB 17

TESTIMONY OF MANASA L. COOPER
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION

March 2, 2018

1 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND
2 PRESENT POSITION.

3 A. My name is Manasa L. Cooper and my business address is 430 N.
4 Salisbury Street, Raleigh, North Carolina. I am a Staff Accountant
5 with the Accounting Division of the Public Staff – North Carolina
6 Utilities Commission, and represent the using and consuming public.

7

8 Q. HOW LONG HAVE YOU BEEN EMPLOYED BY THE PUBLIC
9 STAFF?

10 A. I have been employed by the Public Staff since November 6, 2017.

11

12 Q. WILL YOU STATE BRIEFLY YOUR EDUCATION AND
13 EXPERIENCE?

14 A. I am a graduate of the University of North Carolina at Wilmington with
15 a Bachelor of Science degree in Accountancy. I am also a graduate
16 of North Carolina Central University with a Master degree in Public
17 Administration. Prior to joining the Public Staff, I was employed with
18 the North Carolina Department of State Treasurer, State and Local
19 Government Finance Division. My duties there involved analyzing

1 the financial statement audits of public authorities in North Carolina
2 to assess the authority's fiscal health. Prior to joining the North
3 Carolina Department of State Treasurer, I was a Senior Accountant
4 with Thomas E. Spivey, CPA, PA. My duties included performing
5 financial statement audits (including audits of federal and state
6 funds), agreed-upon procedures, reviews, compilations and income
7 tax services for non-profit organizations, small businesses and
8 religious organizations.

9

10 Q. WHAT ARE YOUR DUTIES?

11 A. I am responsible for analyzing testimony, exhibits, and other data
12 presented by parties before this Commission. I have the further
13 responsibility of performing the examinations of books and records
14 of utilities involved in proceedings before the Commission, and
15 summarizing the results into testimony and exhibits for presentation
16 to the Commission.

17

18 Q. MS. COOPER, WHAT IS THE NATURE OF THE APPLICATION IN
19 THIS PROCEEDING?

20 A. On December 4, 2017, MECO Utilities, Inc. (MECO or Company) filed
21 an application with the Commission to increase its rates for providing
22 water and sewer utility service in Mobile Estates Mobile Home Park
23 (Mobile Estates) in Wake County, North Carolina. My investigation

1 included a review of the application filed by MECO, an examination
2 of the Company's books and records for the test year, and a review
3 of additional documentation provided by the Company in response
4 to written data requests.

5

6 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
7 PROCEEDING?

8 A. The purpose of my testimony in this proceeding is to present the
9 results of my investigation of the levels of revenue, expenses, and
10 investment filed by MECO in support of its requested increase in
11 operating revenues for both water and sewer operations.

12

13 Q. WOULD YOU BRIEFLY DESCRIBE THE PRESENTATION OF
14 YOUR TESTIMONY AND EXHIBITS?

15 A. Yes. My testimony contains a discussion of each issue resulting from
16 my investigation, and my exhibit consists of schedules showing the
17 calculation of my adjustments to revenues, expenses, and rate base.
18 My schedules also reflect adjustments recommended by other Public
19 Staff witnesses. Schedules 1(a) and 1(b) of my Exhibit I present the
20 margin on operating revenue deductions requiring a return for water
21 and sewer operations under present rates, Company proposed
22 rates, and Public Staff recommended rates. Schedules 2(a) and 2(b)
23 of Exhibit I, along with their supporting schedules, present the

1 original cost rate base for water and sewer operations. Schedules
 2 3(a) and 3(b) of Exhibit I, along with their supporting schedules,
 3 present the calculation of net operating income for a return under
 4 present rates, Company proposed rates, and Public Staff
 5 recommended rates. Schedules 4(a) and 4(b) present the Public
 6 Staff's calculation of operating ratios.

7

8 Q. WHAT ARE THE COMPANY'S PROPOSED INCREASES IN
 9 SERVICE REVENUES IN THIS CASE?

10 A. The service revenues under present rates, the Company's proposed
 11 increases, and the Company's proposed rates are as follows:

	<u>Present Rates</u>	<u>Proposed Increase</u>	<u>Proposed Rates</u>
Water	\$118,945	\$23,118	\$142,063
Sewer	153,981	50,093	204,074
Combined W/S	<u>\$272,926</u>	<u>\$73,211</u>	<u>\$346,137</u>

12

13

14 Q. WHAT CONCLUSIONS HAVE YOU REACHED AS TO THE
 15 COMPANY'S RATE INCREASE REQUEST FOR WATER
 16 OPERATIONS?

17 A. Based on my investigation, the Company's original cost rate base is
 18 \$4,268. The level of operating revenue deductions requiring a return
 19 (total operating expenses excluding regulatory fees and income
 20 taxes) is \$111,461. As allowed under G.S. 62-133.1, I have used the
 21 operating ratio method to evaluate the Company's proposed revenue

1 requirement. I have calculated an increase in the gross revenue
2 requirement using the overall rate of return of 7.5%, the reasonable
3 rate recommended by Public Staff Financial Analyst Craig. Use of
4 this return on operating revenue deductions produces an increase in
5 the gross water revenue requirement of \$3,910. The resulting total
6 revenue requirement will be \$122,542, of which \$122,855 is service
7 revenues. Therefore the Public Staff recommends that water service
8 rates be set to reflect a \$3,910 increase, resulting in an annual level
9 of service revenues of \$122,855.

10

11 Q. WHAT CONCLUSIONS HAVE YOU REACHED AS TO THE
12 COMPANY'S RATE INCREASE REQUEST FOR SEWER
13 OPERATIONS?

14 A. Based on my investigation, the Company's original cost rate base is
15 \$2,135. The level of operating revenue deductions requiring a return
16 (total operating expenses excluding regulatory fees and income
17 taxes) is \$163,110. As allowed under G.S. 62-133.1, I have used the
18 operating ratio method to evaluate the Company's proposed revenue
19 requirement. I have calculated an increase in the gross revenue
20 requirement using the overall rate of return of 7.5%, the reasonable
21 rate recommended by Public Staff Financial Analyst Craig. Use of
22 this return on operating revenue deductions produces an increase in
23 the gross sewer revenue requirement of \$25,765. The resulting total

1 revenue requirement will be \$179,325, of which \$179,746 is service
2 revenues. Therefore the Public Staff recommends that sewer
3 service rates be set to reflect a \$25,765 increase, resulting in an
4 annual level of service revenues of \$179,746.

5

6 Q. DOES COOPER EXHIBIT I REFLECT ADJUSTMENTS
7 SUPPORTED BY OTHER PUBLIC STAFF WITNESSES?

8 A. My exhibit reflects the following adjustments supported by other
9 Public Staff witnesses:

10 1. The recommendation made by Public Staff witness
11 Casselberry for the following items:

- 12 (a) Service revenues at present rates
- 13 (b) Service revenues at Company proposed rates
- 14 (c) Contract operating services
- 15 (d) Maintenance and repairs
- 16 (e) Testing
- 17 (f) Permit fees & licenses
- 18 (g) Purchased water
- 19 (h) Purchased sewer

20
21 2. The recommendation of Public Staff Financial Analyst Craig
22 regarding the margin on operating revenue deductions.

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- 1 Q. WHAT ADJUSTMENTS WILL YOU DISCUSS?
- 2 A. The accounting and ratemaking adjustments that I will discuss relate
- 3 to the following items:
- 4 (a) Plant in service
 - 5 (b) Accumulated depreciation
 - 6 (c) Cash working capital
 - 7 (d) Other revenues
 - 8 (e) Bad debt
 - 9 (f) Contract operating services
 - 10 (g) Regulatory commission expense
 - 11 (h) Other expense
 - 12 (i) Other taxes
 - 13 (j) Regulatory fee
 - 14 (k) State income tax
 - 15 (l) Federal income tax

16

17

PLANT IN SERVICE

- 18 Q. IN WHAT AREAS HAVE YOU MADE ADJUSTMENTS TO PLANT
- 19 IN SERVICE?
- 20 A. The application submitted by the Company included plant in service
- 21 in the amount of \$6,754 for water operations and \$0 for sewer
- 22 operations. In response to Public Staff data request, it was
- 23 discovered that the \$6,754 amount for water operations was
- 24 regulatory commission expense from Docket No. W-1166, Sub 8 rate
- 25 case proceeding (Sub 8), which should not have been included in
- 26 plant in service. Therefore, I have removed this amount from plant
- 27 resulting in \$0 plant in service for water operations.

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29

1 The Company also stated in response to Public Staff data request
2 that there have not been any additions to water and sewer plant in
3 service since the Sub 8 rate case proceeding.

4

5

ACCUMULATED DEPRECIATION

6 Q. HOW HAVE YOU ADJUSTED ACCUMULATED DEPRECIATION?

7 A. The application submitted by the Company includes \$2,635 in
8 accumulated depreciation for water and \$0 for sewer. In response
9 to Public Staff data request, the Company could not provide
10 documentation to support the amount of accumulated depreciation.
11 Therefore accumulated depreciation has been adjusted to \$0 for
12 water operations.

13

14

CASH WORKING CAPITAL

15 Q. PLEASE DESCRIBE YOUR CALCULATION OF CASH WORKING
16 CAPITAL.

17 A. Cash working capital provides the Company with the funds
18 necessary to carry on the day to day operations of the Company. In
19 my calculation, I have included 1/8 of total O&M expenses, less
20 purchased water and sewer expense, as a measure of cash working
21 capital.

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OTHER REVENUES

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO OTHER REVENUES.

A. The application submitted by the Company included \$7,800 in loan proceeds that were improperly recorded as other revenues. I adjusted other revenues to remove the loan proceeds.

BAD DEBT

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO BAD DEBT.

A. The application submitted by the Company misclassified bad debt expense as a part of other expense. I removed bad debt expense from other expense and reclassified this amount as a component of total operating revenues.

CONTRACT OPERATING SERVICES

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO CONTRACT OPERATING SERVICES.

A. The application submitted by the Company allocated meter reading expenses and certified distribution operator expenses to both water and sewer operations. Both expenses should have been directly assigned to water operations based on the recommendation of Public Staff witness Casselberry. I adjusted contract operating services to remove the amounts for meter reading and certified

1 distribution operator expenses allocated to water and sewer and
2 assigned them to water operations.

3

4 **REGULATORY COMMISSION EXPENSE**

5 Q. PLEASE EXPLAIN HOW YOU CALCULATED REGULATORY
6 COMMISSION EXPENSE.

7 A. Based on information provided by the Company regarding costs
8 incurred to date and expected costs that will occur to complete this
9 rate case proceeding, I have included a total of \$6,695 of rate case
10 expenses for this proceeding, which is comprised of the rate case
11 filing fee, postage and stock to mail customer notice, legal fees and
12 contract management fees. I recommend these expenses be
13 amortized over a 3 year period, resulting in an annual expense of
14 \$2,232 per year. I have allocated the amortized rate case expense
15 between water and sewer operations based on a 50/50 allocation
16 factor.

17

18 **OTHER EXPENSE**

19 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO OTHER EXPENSE.

20 A. I have adjusted other expense to reclassify bad debt expense as a
21 component of total operating revenues. I also adjusted other
22 expense to reclassify permit fees as a separate expense category in
23 total operating revenue deductions.

1

OTHER TAXES

2 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO OTHER TAXES.

3 A. The application submitted by the Company classified the regulatory
4 fee as a part of other taxes. I removed the amount of regulatory fee
5 from other taxes and calculated an ongoing level of regulatory fee for
6 this proceeding based on the adjusted level of operating revenues.

7

8

REGULATORY FEE

9 Q. WHAT ADJUSTMENT HAVE YOU MADE TO REGULATORY FEE?

10 A. I have calculated regulatory fee using the statutory rate of 0.14%
11 applied to total operating revenues under present, Company
12 proposed, and Public Staff recommended rates.

13

14

STATE INCOME TAX

15 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO STATE INCOME
16 TAX.

17 A. State income tax was calculated based on the adjusted levels of
18 revenues and expenses, and the State income tax rate of 3%,
19 effective January 1, 2017.

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FEDERAL INCOME TAX

Q. WHAT ADJUSTMENT HAVE YOU MADE TO FEDERAL INCOME TAX?

A. Federal income tax is based on the statutory corporate rate of 21% as prescribed in the Tax Cut and Jobs Act of 2017, effective January 1, 2018.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

INDEX TO COOPER EXHIBIT I

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MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
MARGIN ON OPERATING REVENUE DEDUCTIONS
REQUIRING A RETURN
For the Test Year Ended September 30, 2017
WATER OPERATIONS

Cooper Exhibit I
Schedule 1(a)

<u>Line No.</u>	<u>Item</u>	<u>Present Rates</u> (a)	<u>Company Proposed Rates</u> (b)	<u>Public Staff Recommended Rates</u> (c)
1.	Net operating income for a return	\$5,368 [1]	\$23,059 [4]	\$8,360 [6]
2.	Operating revenue deductions requiring a return	<u>111,461 [2]</u>	<u>111,461 [5]</u>	<u>111,461 [7]</u>
3.	Return	<u>4.82% [3]</u>	<u>20.69% [3]</u>	<u>7.50% [8]</u>

[1] Cooper Exhibit I, Schedule 3(a), Line 28, Column (c).

[2] Cooper Exhibit I, Schedule 3(a), Line 18 + Line 19 + Line 20 + Line 21 + Line 22, Column (c).

[3] Line 1 divided by Line 2.

[4] Cooper Exhibit I, Schedule 3(a), Line 28, Column (e).

[5] Cooper Exhibit I, Schedule 3(a), Line 18 + Line 19 + Line 20 + Line 21 + Line 22, Column (e).

[6] Line 2 x Line 3.

[7] Cooper Exhibit I, Schedule 3(a), Line 18 + Line 19 + Line 20 + Line 21 + Line 22, Column (g).

[8] Provided by Public Staff Financial Analyst Craig.

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
MARGIN ON OPERATING REVENUE DEDUCTIONS
REQUIRING A RETURN
For the Test Year Ended September 30, 2017
SEWER OPERATIONS

Cooper Exhibit I
Schedule 1(b)

<u>Line No.</u>	<u>Item</u>	<u>Present Rates</u> (a)	<u>Company Proposed Rates</u> (b)	<u>Public Staff Recommended Rates</u> (c)
1.	Net operating income for a return	(\$9,765) [1]	\$30,849 [4]	\$12,233 [6]
2.	Operating revenue deductions requiring a return	<u>163,110</u> [2]	<u>163,110</u> [5]	<u>163,110</u> [7]
3.	Return	<u>-5.99%</u> [3]	<u>18.91%</u> [3]	<u>7.50%</u> [8]

[1] Cooper Exhibit I, Schedule 3(b), Line 28, Column (c).

[2] Cooper Exhibit I, Schedule 3(b), Line 18 + Line 19 + Line 20 + Line 21 + Line 22, Column (c).

[3] Line 1 divided by Line 2.

[4] Cooper Exhibit I, Schedule 3(b), Line 28, Column (e).

[5] Cooper Exhibit I, Schedule 3(b), Line 18 + Line 19 + Line 20 + Line 21 + Line 22, Column (e).

[6] Line 2 x Line 3.

[7] Cooper Exhibit I, Schedule 3(b), Line 18 + Line 19 + Line 20 + Line 21 + Line 22, Column (g).

[8] Provided by Public Staff Financial Analyst Craig.

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
ORIGINAL COST RATE BASE
For the Test Year Ended September 30, 2017
WATER OPERATIONS

Cooper Exhibit I
Schedule 2(a)

<u>Line No.</u>	<u>Item</u>	<u>Per Application</u> (a)	<u>Public Staff Adjustments</u> [1] (b)	<u>After Public Staff Adjustments</u> (c)
1.	Plant in service	\$6,754	(\$6,754)	\$0 [2]
2.	Accumulated depreciation	(2,635)	2,635	0 [3]
3.	Contributions in aid of construction	<u>0</u>	<u>0</u>	<u>0</u>
4.	Net plant in service	4,119	(4,119)	0
5.	Cash working capital	0	4,268	4,268 [4]
6.	Average tax accruals	<u>0</u>	<u>0</u>	<u>0</u>
7.	Original cost rate base	<u><u>\$4,119</u></u>	<u><u>\$149</u></u>	<u><u>\$4,268</u></u>

[1] Column (c) - Column (a).

[2] Adjustment to remove Sub 8 rate case expenses.

[3] Adjustment to remove accumulated depreciation.

[4] One-eighth of O&M expenses excluding purchased water.

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
ORIGINAL COST RATE BASE
For the Test Year Ended September 30, 2017
SEWER OPERATIONS

Cooper Exhibit I
Schedule 2(b)

Line No.	<u>Item</u>	Per Application (a)	Public Staff Adjustments [1] (b)	After Public Staff Adjustments (c)
1.	Plant in service	\$0	\$0	\$0
2.	Accumulated depreciation	0	0	0
3.	Contributions in aid of construction	<u>0</u>	<u>0</u>	<u>0</u>
4.	Net plant in service	0	0	0
5.	Cash working capital	0	2,135	2,135 [2]
6.	Average tax accruals	<u>0</u>	<u>0</u>	<u>0</u>
7.	Original cost rate base	<u><u>\$0</u></u>	<u><u>\$2,135</u></u>	<u><u>\$2,135</u></u>

[1] Column (c) - Column (a).

[2] One-eighth of O&M expenses excluding purchased sewer.

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
NET OPERATING INCOME FOR A RETURN
For the Test Year Ended September 30, 2017
WATER OPERATIONS

Cooper Exhibit I
Schedule 3(a)
Page 1 of 2

Line No.	Item	Present Rates		Company Proposed Rates			Public Staff Recommended Rates	
		Per Application (a)	Public Staff Adjustments [1] (b)	Per Public Staff [2] (c)	Net Company Increase [14] (d)	Operations After Rate Increase [15] (e)	Net Public Staff Increase [18] (f)	Operations After Rate Increase [19] (g)
1.	Operating Revenues:							
2.	Service Revenues	\$118,595	\$350	\$118,945 [3]	\$23,118	\$142,063 [3]	\$3,910	\$122,855 [20]
3.	Other Revenues	8,225	(7,800)	425 [4]	0	425	0	425
4.	Bad Debt	0	(738)	(738) [5]	0	(738)	0	(738)
5.	Total Operating Revenues	<u>126,820</u>	<u>(8,188)</u>	<u>118,632</u>	<u>23,118</u>	<u>141,750</u>	<u>3,910</u>	<u>122,542</u>
6.	Operating Revenue Deductions:							
7.	Salaries and Wages	0	0	0	0	0	0	0
8.	Contract Operating Services	20,275	3,388	23,663 [6]	0	23,663	0	23,663
9.	Administrative and Office Expense	0	0	0	0	0	0	0
10.	Maintenance and Repairs	901	(506)	395 [3]	0	395	0	395
11.	Regulatory Commission Expense	0	1,116	1,116 [7]	0	1,116	0	1,116
12.	Electric Power	0	0	0	0	0	0	0
13.	Testing	18,371	(11,255)	7,116 [3]	0	7,116	0	7,116
14.	Permit Fees & Licenses	0	1,681	1,681 [3]	0	1,681	0	1,681
15.	Chemicals for Treatment	0	0	0	0	0	0	0
16.	Purchased Water	83,849	(6,618)	77,231 [3]	0	77,231	0	77,231
17.	Other Expense	1,690	(1,518)	172 [8]	0	172	0	172
18.	Total O&M Expenses	<u>125,086</u>	<u>(13,712)</u>	<u>111,374</u>	<u>0</u>	<u>111,374</u>	<u>0</u>	<u>111,374</u>
19.	Depreciation Expense	329	(329)	0 [9]	0	0	0	0
20.	Property Taxes	0	0	0	0	0	0	0
21.	Payroll Taxes	0	0	0	0	0	0	0
22.	Other Taxes	264	(177)	87 [10]	0	87	0	87
23.	Regulatory Fee	0	166	166 [11]	32	198 [11]	6	172 [11]
24.	Gross Receipts Tax	0	0	0	0	0	0	0
25.	State Income Tax	0	210	210 [12]	693	903 [16]	117	327 [21]
26.	Federal Income Tax	0	1,427	1,427 [13]	4,702	6,129 [17]	795	2,222 [22]
27.	Total Operating Revenue Deductions	<u>125,679</u>	<u>(12,415)</u>	<u>113,264</u>	<u>5,427</u>	<u>118,691</u>	<u>918</u>	<u>114,182</u>
28.	Net Operating Income for a Return	<u>\$1,141</u>	<u>\$4,227</u>	<u>\$5,368</u>	<u>\$17,691</u>	<u>\$23,059</u>	<u>\$2,992</u>	<u>\$8,360</u>

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
FOOTNOTES TO SCHEDULE 3(a)
For the Test Year Ended September 30, 2017

Cooper Exhibit I
Schedule 3(a)
Page 2 of 2

- [1] Column (c) - Column (a).
- [2] Column (a) plus Column (b), unless otherwise footnoted.
- [3] Per Public Staff Engineer Casselberry.
- [4] Cooper Exhibit I, Schedule 3-1, Line 3, Column (a).
- [5] Adjustment to reclassify bad debt expense.
- [6] Cooper Exhibit I, Schedule 3-2, Line 7, Column (a).
- [7] Cooper Exhibit I, Schedule 3-3, Line 7, Column (b).
- [8] Cooper Exhibit I, Schedule 3-4, Line 5, Column (a).
- [9] Adjustment to remove amount due to lack of documentation.
- [10] Adjustment to remove regulatory fee.
- [11] Line 5 x 0.0014, minimum of \$25 for combined operations.
- [12] Cooper Exhibit I, Schedule 3-5(a), Line 13, Column (a).
- [13] Cooper Exhibit I, Schedule 3-5(a), Line 15, Column (a).
- [14] Column (e) - Column (c).
- [15] Column (c) plus Column (d), unless otherwise footnoted.
- [16] Cooper Exhibit I, Schedule 3-5(a), Line 13, Column (b).
- [17] Cooper Exhibit I, Schedule 3-5(a), Line 15, Column (b).
- [18] Column (g) - Column (c).
- [19] Column (c) plus Column (f), unless otherwise footnoted.
- [20] Calculated by Public Staff.
- [21] Cooper Exhibit I, Schedule 3-5(a), Line 13, Column (c).
- [22] Cooper Exhibit I, Schedule 3-5(a), Line 15, Column (c).

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
NET OPERATING INCOME FOR A RETURN
For the Test Year Ended September 30, 2017
SEWER OPERATIONS

Cooper Exhibit I
Schedule 3(b)
Page 1 of 2

Line No.	Item	Present Rates		Company Proposed Rates			Public Staff Recommended Rates	
		Per Application (a)	Public Staff Adjustments [1] (b)	Per Public Staff [2] (c)	Net Company Increase [12] (d)	Operations After Rate Increase [13] (e)	Net Public Staff Increase [16] (f)	Operations After Rate Increase [17] (g)
1.	Operating Revenues:							
2.	Service Revenues	\$153,123	\$858	\$153,981 [3]	\$50,093	\$204,074 [3]	\$25,765	\$179,746 [18]
3.	Other Revenues	549	0	549	0	549	0	549
4.	Bad Debt	0	(970)	(970) [4]	0	(970)	0	(970)
5.	Total Operating Revenues	<u>153,672</u>	<u>(112)</u>	<u>153,560</u>	<u>50,093</u>	<u>203,653</u>	<u>25,765</u>	<u>179,325</u>
6.	Operating Revenue Deductions:							
7.	Salaries and Wages	0	0	0	0	0	0	0
8.	Contract Operating Services	20,275	(4,536)	15,739 [5]	0	15,739	0	15,739
9.	Administrative and Office Expense	0	0	0	0	0	0	0
10.	Maintenance and Repairs	0	0	0	0	0	0	0
11.	Regulatory Commission Expense	0	1,116	1,116 [6]	0	1,116	0	1,116
12.	Electric Power	0	0	0	0	0	0	0
13.	Testing	0	0	0	0	0	0	0
14.	Permit Fees & Licenses	0	0	0	0	0	0	0
15.	Chemicals for Treatment	0	0	0	0	0	0	0
16.	Purchased Sewer	158,508	(12,588)	145,920 [3]	0	145,920	0	145,920
17.	Other Expense	1,192	(970)	222 [7]	0	222	0	222
18.	Total O&M Expenses	<u>179,975</u>	<u>(16,978)</u>	<u>162,997</u>	<u>0</u>	<u>162,997</u>	<u>0</u>	<u>162,997</u>
19.	Depreciation Expense	0	0	0	0	0	0	0
20.	Property Taxes	0	0	0	0	0	0	0
21.	Payroll Taxes	0	0	0	0	0	0	0
22.	Other Taxes	340	(227)	113 [8]	0	113	0	113
23.	Regulatory Fee	0	215	215 [9]	70	285 [9]	36	251 [9]
24.	Gross Receipts Tax	0	0	0	0	0	0	0
25.	State Income Tax	0	0	0 [10]	1,208	1,208 [14]	479	479 [19]
26.	Federal Income Tax	0	0	0 [11]	8,201	8,201 [15]	3,252	3,252 [20]
27.	Total Operating Revenue Deductions	<u>180,315</u>	<u>(16,990)</u>	<u>163,325</u>	<u>9,479</u>	<u>172,804</u>	<u>3,767</u>	<u>167,092</u>
28.	Net Operating Income for a Return	<u>(\$26,643)</u>	<u>\$16,878</u>	<u>(\$9,765)</u>	<u>\$40,614</u>	<u>\$30,849</u>	<u>\$21,998</u>	<u>\$12,233</u>

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
FOOTNOTES TO SCHEDULE 3(b)
For the Test Year Ended September 30, 2017

Cooper Exhibit I
Schedule 3(b)
Page 2 of 2

- [1] Column (c) - Column (a).
- [2] Column (a) plus Column (b), unless otherwise footnoted.
- [3] Per Public Staff Engineer Casselberry.
- [4] Adjustment to reclassify bad debt expense.
- [5] Cooper Exhibit I, Schedule 3-2, Line 7, Column (b).
- [6] Cooper Exhibit I, Schedule 3-3, Line 7, Column (c).
- [7] Cooper Exhibit I, Schedule 3-4, Line 5, Column (b).
- [8] Adjustment to remove regulatory fee.
- [9] Line 5 x 0.0014, minimum of \$25 for combined operations.
- [10] Cooper Exhibit I, Schedule 3-5(b), Line 13, Column (a).
- [11] Cooper Exhibit I, Schedule 3-5(b), Line 15, Column (a).
- [12] Column (e) - Column (c).
- [13] Column (c) plus Column (d), unless otherwise footnoted.
- [14] Cooper Exhibit I, Schedule 3-5(b), Line 13, Column (b).
- [15] Cooper Exhibit I, Schedule 3-5(b), Line 15, Column (b).
- [16] Column (g) - Column (c).
- [17] Column (c) plus Column (f), unless otherwise footnoted.
- [18] Calculated by Public Staff.
- [19] Cooper Exhibit I, Schedule 3-5(b), Line 13, Column (c).
- [20] Cooper Exhibit I, Schedule 3-5(b), Line 15, Column (c).

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
ADJUSTMENT TO OTHER REVENUES
For the Test Year Ended September 30, 2017

Cooper Exhibit I
Schedule 3-1

<u>Line No.</u>	<u>Item</u>	<u>Water Operations</u> (a)	<u>Sewer Operations</u> (b)
1.	Other revenues per application	\$8,225	\$549
2.	Adjustment to remove loan proceeds	<u>(7,800) [1]</u>	<u>0</u>
3.	Other revenues per Public Staff (L1 + L2)	<u>\$425</u>	<u>\$549</u>

[1] Per examination of Company financial records.

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
ADJUSTMENT TO CONTRACT OPERATING SERVICES
For the Test Year Ended September 30, 2017

Cooper Exhibit I
Schedule 3-2

<u>Line No.</u>	<u>Item</u>	<u>Water Operations</u> (a)	<u>Sewer Operations</u> (b)
1.	Contract operating services per application	<u>\$20,275</u>	<u>\$20,275</u>
2.	Adjustment to reclassify meter reading to water operations	2,018 [1]	(2,018) [1]
3.	Adjustment to reclassify distribution sampling to testing	(287) [2]	(287) [2]
4.	Adjustment to reclassify certified distribution operator to water operations	1,944 [1]	(1,944) [1]
5.	Adjustment to remove DBPR monitoring & reporting	<u>(287) [2]</u>	<u>(287) [2]</u>
6.	Adjustment to contract operating services (Sum of L2 thru L5)	<u>3,388</u>	<u>(4,536)</u>
7.	Contract operating services per Public Staff (L1 + L6)	<u><u>\$23,663</u></u>	<u><u>\$15,739</u></u>

[1] Per examination of Company financial records.

[2] Adjustment recommended by Public Staff Engineer Casselberry.

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
CALCULATION OF REGULATORY COMMISSION EXPENSE
For the Test Year Ended September 30, 2017

Cooper Exhibit I
Schedule 3-3

<u>Line No.</u>	<u>Item</u>	<u>Total</u> (a)	<u>Water Operations</u> (b)	<u>Sewer Operations</u> (c)
1.	Rate case filing fee	\$250 [1]		
2.	Cost to mail notices to customers	1,598 [1]		
3.	Legal fees	3,500 [1]		
4.	Contract management fees	<u>1,347 [1]</u>		
5.	Total rate case expense (Sum of L1 thru L4)	6,695		
6.	Amortization period in years	<u>3</u>		
7.	Amortized regulatory commission expense (L5 / L6)	<u>\$2,232</u>	<u>\$1,116 [2]</u>	<u>\$1,116 [3]</u>

[1] Per examination of Company financial records.

[2] Column (a), Line 7 multiplied by water allocation factor of 50%.

[3] Column (a), Line 7 multiplied by sewer allocation factor of 50%.

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
ADJUSTMENT TO OTHER EXPENSE
For the Test Year Ended September 30, 2017

Cooper Exhibit I
Schedule 3-4

<u>Line No.</u>	<u>Item</u>	<u>Water Operations</u> (a)	<u>Sewer Operations</u> (b)
1.	Other expense per application	<u>\$1,690</u>	<u>\$1,192</u>
2.	Adjustment to reclassify bad expense	(738) [1]	(970) [1]
3.	Adjustment to reclassify permit fees	<u>(780) [1]</u>	<u>0</u>
4.	Adjustment to other expense (L2 + L3)	<u>(1,518)</u>	<u>(970)</u>
5.	Other expense per Public Staff (L1 + L4)	<u><u>\$172</u></u>	<u><u>\$222</u></u>

[1] Per examination of Company financial records.

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
CALCULATION OF INCOME TAXES
For the Test Year Ended September 30, 2017
WATER OPERATIONS

Cooper Exhibit I
Schedule 3-5(a)

Line No.	<u>Item</u>	Present Rates [1] (a)	Company Proposed Rates [2] (b)	Public Staff Recommended Rates [3] (c)
1.	Operating revenue	\$118,632	\$141,750	\$122,542
2.	Operating revenue deductions:			
3.	O & M expenses	111,374	111,374	111,374
4.	Depreciation expense	0	0	0
5.	Property taxes	0	0	0
6.	Payroll taxes	0	0	0
7.	Other taxes	87	87	87
8.	Regulatory fee	166	198	172
9.	Gross receipts tax	0	0	0
10.	Interest expense	0	0	0
11.	Total deductions (Sum of L3 thru L10)	111,627	111,659	111,633
12.	Taxable income (L1 - L11)	7,005	30,091	10,909
13.	State income tax (L12 x 3%)	210	903	327
14.	Federal taxable income (L12 - L13)	6,795	29,188	10,582
15.	Federal income tax (L14 x 21%)	1,427	6,129	2,222
16.	Net amount (L14 - L15)	5,368	23,059	8,360
17.	Add: Interest expense	0	0	0
18.	Net income for return (L16 - L17)	\$5,368	\$23,059	\$8,360

[1] Cooper Exhibit I, Schedule 3(a), Column (c).
[2] Cooper Exhibit I, Schedule 3(a), Column (e).
[3] Cooper Exhibit I, Schedule 3(a), Column (g).

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
CALCULATION OF INCOME TAXES
For the Test Year Ended September 30, 2017
SEWER OPERATIONS

Cooper Exhibit I
Schedule 3-5(b)

Line No.	Item	Present Rates [1] (a)	Company Proposed Rates [2] (b)	Public Staff Recommended Rates [3] (c)
1.	Operating revenue	\$153,560	\$203,653	\$179,325
2.	Operating revenue deductions:			
3.	O & M expenses	162,997	162,997	162,997
4.	Depreciation expense	0	0	0
5.	Property taxes	0	0	0
6.	Payroll taxes	0	0	0
7.	Other taxes	113	113	113
8.	Regulatory fee	215	285	251
9.	Gross receipts tax	0	0	0
10.	Interest expense	0	0	0
11.	Total deductions (Sum of L3 thru L10)	163,325	163,395	163,361
12.	Taxable income (L1 - L11)	(9,765)	40,258	15,964
13.	State income tax (L12 x 3%)	0	1,208	479
14.	Federal taxable income (L12 - L13)	(9,765)	39,050	15,485
15.	Federal income tax (L14 x 21%)	0	8,201	3,252
16.	Net amount (L14 - L15)	(9,765)	30,849	12,233
17.	Add: Interest expense	0	0	0
18.	Net income for return (L16 - L17)	(\$9,765)	\$30,849	\$12,233

[1] Cooper Exhibit I, Schedule 3(b), Column (c).

[2] Cooper Exhibit I, Schedule 3(b), Column (e).

[3] Cooper Exhibit I, Schedule 3(b), Column (g).

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
CALCULATION OF OPERATING RATIOS
For the Test Year Ended September 30, 2017
WATER OPERATIONS

Cooper Exhibit I
Schedule 4(a)

Line No.	<u>Item</u>	Present Rates (a)	Company Proposed Rates (b)	Public Staff Recommended Rates (c)
<u>Interest expense, regulatory fee, gross receipts, and income taxes included:</u>				
1.	Gross operating revenues	\$118,632 [1]	\$141,750 [5]	\$122,542 [9]
2.	Operating expenses	<u>113,264 [2]</u>	<u>118,691 [6]</u>	<u>114,182 [10]</u>
3.	Operating ratios (L2 / L1)	<u>95.48%</u>	<u>83.73%</u>	<u>93.18%</u>
<u>Interest expense, regulatory fee, gross receipts, and income taxes excluded:</u>				
4.	Gross operating revenues	\$116,829 [3]	\$134,520 [7]	\$119,821 [11]
5.	Operating expenses	<u>111,461 [4]</u>	<u>111,461 [8]</u>	<u>111,461 [12]</u>
6.	Operating ratios (L5 / L4)	<u>95.41%</u>	<u>82.86%</u>	<u>93.02%</u>

- [1] Cooper Exhibit I, Schedule 3(a), Line 5, Column (c).
[2] Cooper Exhibit I, Schedule 3(a), Line 27, Column (c).
[3] Cooper Exhibit I, Schedule 3(a), Line 5 - Line 23 - Line 24 - Line 25 - Line 26, Column (c).
[4] Cooper Exhibit I, Schedule 3(a), Line 27 - Line 23 - Line 24 - Line 25 - Line 26, Column (c).
[5] Cooper Exhibit I, Schedule 3(a), Line 5, Column (e).
[6] Cooper Exhibit I, Schedule 3(a), Line 27, Column (e).
[7] Cooper Exhibit I, Schedule 3(a), Line 5 - Line 23 - Line 24 - Line 25 - Line 26, Column (e).
[8] Cooper Exhibit I, Schedule 3(a), Line 27 - Line 23 - Line 24 - Line 25 - Line 26, Column (e).
[9] Cooper Exhibit I, Schedule 3(a), Line 5, Column (g).
[10] Cooper Exhibit I, Schedule 3(a), Line 27, Column (g).
[11] Cooper Exhibit I, Schedule 3(a), Line 5 - Line 23 - Line 24 - Line 25 - Line 26, Column (g).
[12] Cooper Exhibit I, Schedule 3(a), Line 27 - Line 23 - Line 24 - Line 25 - Line 26, Column (g).

MECO UTILITIES, INC.
Docket No. W-1166, Sub 17
CALCULATION OF OPERATING RATIOS
For the Test Year Ended September 30, 2017
SEWER OPERATIONS

Cooper Exhibit I
Schedule 4(b)

Line No.	Item	Present Rates (a)	Company Proposed Rates (b)	Public Staff Recommended Rates (c)
<u>Interest expense, regulatory fee, gross receipts, and income taxes included:</u>				
1.	Gross operating revenues	\$153,560 [1]	\$203,653 [5]	\$179,325 [9]
2.	Operating expenses	<u>163,325 [2]</u>	<u>172,804 [6]</u>	<u>167,092 [10]</u>
3.	Operating ratios (L2 / L1)	<u>106.36%</u>	<u>84.85%</u>	<u>93.18%</u>
 <u>Interest expense, regulatory fee, gross receipts, and income taxes excluded:</u>				
4.	Gross operating revenues	\$153,345 [3]	\$193,959 [7]	\$175,343 [11]
5.	Operating expenses	<u>163,110 [4]</u>	<u>163,110 [8]</u>	<u>163,110 [12]</u>
6.	Operating ratios (L5 / L4)	<u>106.37%</u>	<u>84.10%</u>	<u>93.02%</u>

- [1] Cooper Exhibit I, Schedule 3(b), Line 5, Column (c).
- [2] Cooper Exhibit I, Schedule 3(b), Line 27, Column (c).
- [3] Cooper Exhibit I, Schedule 3(b), Line 5 - Line 23 - Line 24 - Line 25 - Line 26, Column (c).
- [4] Cooper Exhibit I, Schedule 3(b), Line 27 - Line 23 - Line 24 - Line 25 - Line 26, Column (c).
- [5] Cooper Exhibit I, Schedule 3(b), Line 5, Column (e).
- [6] Cooper Exhibit I, Schedule 3(b), Line 27, Column (e).
- [7] Cooper Exhibit I, Schedule 3(b), Line 5 - Line 23 - Line 24 - Line 25 - Line 26, Column (e).
- [8] Cooper Exhibit I, Schedule 3(b), Line 27 - Line 23 - Line 24 - Line 25 - Line 26, Column (e).
- [9] Cooper Exhibit I, Schedule 3(b), Line 5, Column (g).
- [10] Cooper Exhibit I, Schedule 3(b), Line 27, Column (g).
- [11] Cooper Exhibit I, Schedule 3(b), Line 5 - Line 23 - Line 24 - Line 25 - Line 26, Column (g).
- [12] Cooper Exhibit I, Schedule 3(b), Line 27 - Line 23 - Line 24 - Line 25 - Line 26, Column (g).